

THEIA INVESTMENTS
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Daily Commentary

Forecasts for the Year to Come

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Forecasts for the Year to Come

As every year, between the turkey and the panettone, the most entertaining season arrives, that of **forecasts for the year to come**.
Every investment bank publishes eighty pages to tell us where the S&P500 index will be at the end of 2027.
This year the show turned out particularly well, because the reports came out in the middle of a sell-off, with the index down about **8.0**% from its October 6 record while the strategists were writing.
The result?
A disaster.

Let's line up the numbers.
The most cautious is the target of Bank of America (BofA), **7,800** points, just **9.0**% above Wednesday's close.
Then, a trio at **8,200**, Wells Fargo, JPMorgan and UBS Global Wealth Management.
Then, another trio at **8,700**, Goldman Sachs, Morgan Stanley and Barclays.
Finally, the most optimistic, UBS Global Research at **8,900** and Deutsche Bank at **9,000**, that is, +**25**%.
The consensus, compiled by Bloomberg, stands at **8,471** points.

The best part lies behind the numbers.
Take the 8,700 trio, **same target, three different worlds**.
Goldman advises buying bonds, selling the euro and protecting yourself against the Artificial Intelligence "hangover", whose growth would peak as early as the first half.
Morgan Stanley looks at the same year and takes global equities to maximum

Source: Bloomberg, Reuters, Yahoo Finance, Financial Times, ECB, CNBC, The White House
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overweight, selling cash and commodities, because the Artificial Intelligence capital spending cycle is intact.
Barclays, meanwhile, arrived at its 8,700 by cutting its previous 8,800, because of higher rates.
Three opposite recipes, same cake.
Michael Hartnett of BofA went one better, three numbers chosen more for typography than for mathematics.
6,666 points if recession arrives, **7,777** if the landing is soft (his base case), **8,888** if Artificial Intelligence inflates into a real bubble.
A delightful detail, BofA's "bubble" scenario sits just **188** points above the "base" scenario of Goldman and Morgan Stanley.

Now, let's look at how it went last time.

In December 2025, targets for the end of 2026 ranged from **7,100** (BofA) to **8,100** (Oppenheimer), with Deutsche Bank at **8,000** and the majority around **7,500**.
Then the market rose and the firms chased it, Goldman from 7,600 to **8,000**, Citibank from 7,700 to **8,100**, HSBC from 7,500 to **8,100**, Barclays from 7,400 to **7,950**.
Today, one month from the end of the year, the S&P500 index stands at **7,183** points.
The forecaster closest to the mark is the most pessimistic of all, BofA, which never changed its mind.
Those who chased the market now find themselves **800-900** points above.

However, the real masterpiece comes from Frankfurt.
Deutsche Bank publishes its World Outlook

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2027 with a title you could not make up, "Great Expectations, but Risky Business".
The **equity** chapter is enthusiastic, with the S&P500 index at **9,000** points, earnings per share at **USD 430** (+19%), a market still 20% below the levels justified by earnings and investors positioned as if earnings were growing by 1.0%, while they are growing by over **30**%.
Conclusion, tactical overweight on technology.
Turn the page, to the **credit** chapter, and the tone changes completely.
Trade number one, protect yourself.
The S&P500 and Stoxx600 indices are expensive, put options (insurance against a fall) are needed against a slowdown in Artificial Intelligence capital spending, and in credit, underweight chipmakers, neoclouds and data centers.
The reason is disarming.
Credit markets need lower rates.
The same report, a few pages earlier, forecasts three Fed hikes.
In short, within the same bank, some tell you to buy technology and some tell you to insure yourself against the crash, and it is not an isolated case.
At UBS, research sees **8,900**, while the division that manages client wealth stops at **8,200** and, while it was at it, downgrades US equities.
Seven hundred points of difference within the same building.

Moral of the story, **forecasts say a lot about where the market has been and little about where it will go**.
Read together, however, they do teach something, not in the numbers, but in the

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only point on which they all agree.
There is only one common thread uniting them, **access to credit**.
The Artificial Intelligence boom is no longer paid for with cash.
According to BofA, the hyperscalers (large cloud operators) are planning USD **1,300** billion of investments in 2027 against a negative free cash flow of USD **283** billion.
Debt makes up the difference, and whoever borrows depends on the price of money, which is the price of time.
Targets aside, all the firms end up there.
Deutsche Bank does not rule out spreads at **125** basis points on investment grade and at **440** on high yield in the first quarter.
BofA places at the top of the risks a credit event, linked to the collapse in the prices of the memory chips used as collateral for loans.

Morgan Stanley, although bullish, prefers solid balance sheets, because debt remains expensive, JPMorgan stays below its rivals because of Fed risk, Barclays cuts because of rates and finally UBS Wealth Management cites Artificial Intelligence financing risks.
In the first place, the cost of credit is decided by the Fed, and here is the real surprise: on the S&P500 index target they disagree on everything, **on the Fed, no**.
They all see further hikes.
Goldman two (December and March), Morgan Stanley stops in March at 4.25-4.50%, Deutsche Bank and BofA go up to 4.50-4.75%, and BofA does not see even a single cut in 2027.

The market is pricing a terminal rate of around **4.7**% next summer.

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The reasoning holds, with two clarifications that strengthen it.
The first, the Fed governs short-term rates, but the debt that finances Artificial Intelligence looks at long-term rates and spreads.
The yield on the US ten-year, around **5.0**%, also depends on the deficit (**6.7**% of GDP, according to Deutsche Bank) and on the term premium, the compensation demanded for lending long term.
Fewer hikes do not automatically mean lower long-term rates.
The second is the most interesting, **this time the Fed is not reacting only to oil and tariffs, but to Artificial Intelligence itself**.
According to Deutsche Bank, of the roughly **60** basis points that energy, tariffs and AI add to core PCE inflation (the Fed's preferred personal consumption index), more than half comes from Artificial Intelligence: memory chips, energy, labor for data centers.
It is a circle, if AI runs, inflation stays high and the Fed hikes, while if the Fed hikes, credit for AI costs more and the race slows down.
Heads the Fed wins, tails the cycle breaks.

So here is the conclusion, **2027 will not be the year of the S&P500 index at 7,800 or at 9,000, but it will be the year of the Fed**, far more than the targets suggest, because every scenario goes through the same door.
M. Hartnett himself admits it, saying that the questions for 2027 are when the hikes will end and whether they will end before the recession.
The rest is a side dish.

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In practice, more than the target, it is worth watching the spreads on high yield and on data center debt, because they will be the thermometer that anticipates the direction of equities.

Today Wall Street reopens after Thanksgiving for a half session (closing at 7 p.m. Italian time).
Asia is rising with chips, while the new US tariffs on China, Japan and Europe remain in the background.
Black Friday, then, little liquidity and a lot of noise.
The first real appointment is December 9, with the Fed, obviously.

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