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2026 Global Economic Outlook

Key Themes Shaping Capital Markets, Energy, and Global Investment

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Contents

Table of Contents

Key Economic Themes for 2026

- **Geopolitical conflict** is once again influencing global markets, supply chains, and capital flows.
- **Energy markets remain volatile**, driven by geopolitical risk and the long-term transition toward renewable energy systems.
- **Private credit is rapidly expanding**, reshaping corporate lending and providing alternative financing solutions for businesses.
- **Equity markets are adjusting to higher interest rates**, with investors prioritizing profitability and resilient sectors.
- **Canadian real estate remains structurally undersupplied**, even as higher borrowing costs slow development activity.

These forces suggest a global economy increasingly shaped by **structural change rather than short-term cyclical fluctuations.**

Introduction: A Structural Shift in the Global Economy

The global economy entering 2026 is shaped by forces that extend well beyond the traditional business cycle. Higher interest rates, geopolitical tensions, and structural changes in capital markets are reshaping the environment in which businesses and investors operate.

For more than a decade following the global financial crisis, economic conditions were defined by low borrowing costs, abundant liquidity, and expanding globalization. That environment supported strong growth in asset markets, rapid technological investment, and large-scale capital flows across borders.

Today the landscape is more complex.

Interest rates remain elevated compared with the previous decade, geopolitical tensions are influencing trade and investment decisions, and the global financial system is experiencing a gradual shift toward alternative sources of capital such as private credit.

These forces are occurring simultaneously with rapid technological change and demographic shifts that are altering long-term economic growth patterns.

Rather than a single dominant economic trend, the coming years are likely to be shaped by **several overlapping structural forces**:

- geopolitical conflict and strategic competition
- volatility and transition in global energy markets
- the expansion of private credit and alternative finance
- changing dynamics in equity markets
- structural supply shortages in housing and real estate

Understanding these themes is essential for businesses and investors seeking to navigate the global economy in 2026 and beyond.

Geopolitical Conflict and Economic Fragmentation

Geopolitical tensions have re-emerged as a major driver of economic outcomes.

Conflicts in several regions, combined with strategic competition among major powers, are contributing to a more fragmented global economy. Trade policy, technology investment, and industrial strategy are increasingly influenced by national security considerations.

This shift has several economic implications:

- greater scrutiny of cross-border investments
- increased defense spending across major economies
- regionalization of supply chains
- expansion of domestic industrial policy

These developments are reshaping global trade patterns and encouraging governments to prioritize economic resilience alongside efficiency.

For businesses operating internationally, geopolitical risk has become a central strategic consideration.

Companies must now evaluate not only market opportunities but also the political stability and regulatory environment of the jurisdictions in which they operate.

Energy Markets: Volatility and Structural Transition

Energy markets remain one of the most important drivers of global economic conditions.

Oil and natural gas continue to supply a large portion of the world's energy needs, while geopolitical developments frequently influence supply dynamics and pricing.

At the same time, investment in renewable energy and alternative technologies is expanding rapidly as governments pursue both climate objectives and energy security.

The global energy system is therefore evolving into a **hybrid structure**, combining traditional hydrocarbons with expanding renewable capacity.

Several forces are likely to shape energy markets in 2026:

- geopolitical risks affecting oil and gas supply
- continued investment in renewable energy infrastructure

- expansion of energy storage and grid modernization
- increasing demand from emerging economies

Energy prices are therefore likely to remain volatile, with supply disruptions and geopolitical developments playing a major role in market movements.

The Rise of Private Credit

Another major transformation in global finance is the rapid expansion of private credit markets.

Private credit funds—often backed by pension funds, insurance companies, and institutional investors—have become an increasingly important source of corporate financing.

Several factors have contributed to this growth:

- tighter banking regulations after the global financial crisis
- investor demand for higher yields
- the need for flexible financing solutions in complex transactions

Private credit now plays a particularly important role in **middle-market corporate lending**, acquisitions, and structured financing.

For businesses seeking capital, this shift expands the range of financing options available beyond traditional bank lending.

However, it also requires careful evaluation of capital structures, interest costs, and covenant terms.

Equity Markets and Capital Allocation

Equity markets remain a critical component of the global financial system, providing capital for corporate expansion and technological innovation.

However, higher interest rates have influenced market valuations by increasing the discount rate applied to future earnings.

This has contributed to periods of volatility and sector rotation within equity markets.

Investors are increasingly focusing on companies that demonstrate:

- strong cash flow generation
- sustainable business models

- exposure to structural growth sectors such as artificial intelligence and energy infrastructure

At the same time, market adjustments are creating opportunities for strategic investors who can deploy capital during periods of uncertainty.

Special Focus: Canadian Real Estate

The Canadian real estate sector remains one of the most closely watched segments of the economy.

Over the past decade, low interest rates and strong population growth contributed to rising property values across major Canadian cities. The shift toward higher borrowing costs has introduced new dynamics, particularly in housing affordability and development financing.

Higher interest rates have increased mortgage costs and construction financing expenses, which has slowed development activity in some regions.

However, several structural factors continue to support demand for housing in Canada:

- strong population growth driven by immigration
- persistent housing supply shortages in major metropolitan areas
- urbanization and demand for rental housing
- infrastructure expansion supporting new development zones

These trends suggest that while the real estate market may experience periods of adjustment, the long-term demand for housing and development remains strong.

For investors and developers, opportunities may emerge as valuations stabilize and financing structures evolve.

Strategic capital partnerships and alternative financing solutions are increasingly being used to support projects in the current environment.

Economic Outlook Chart Pack

The following macroeconomic indicators illustrate several of the structural trends shaping the global economy.

Global Interest Rates

Policy rates in major economies rose significantly between 2022 and 2024 as central banks responded to inflationary pressures. While inflation has moderated in many regions, interest rates remain elevated relative to the previous decade.

Chart 1: Global Policy Interest Rates

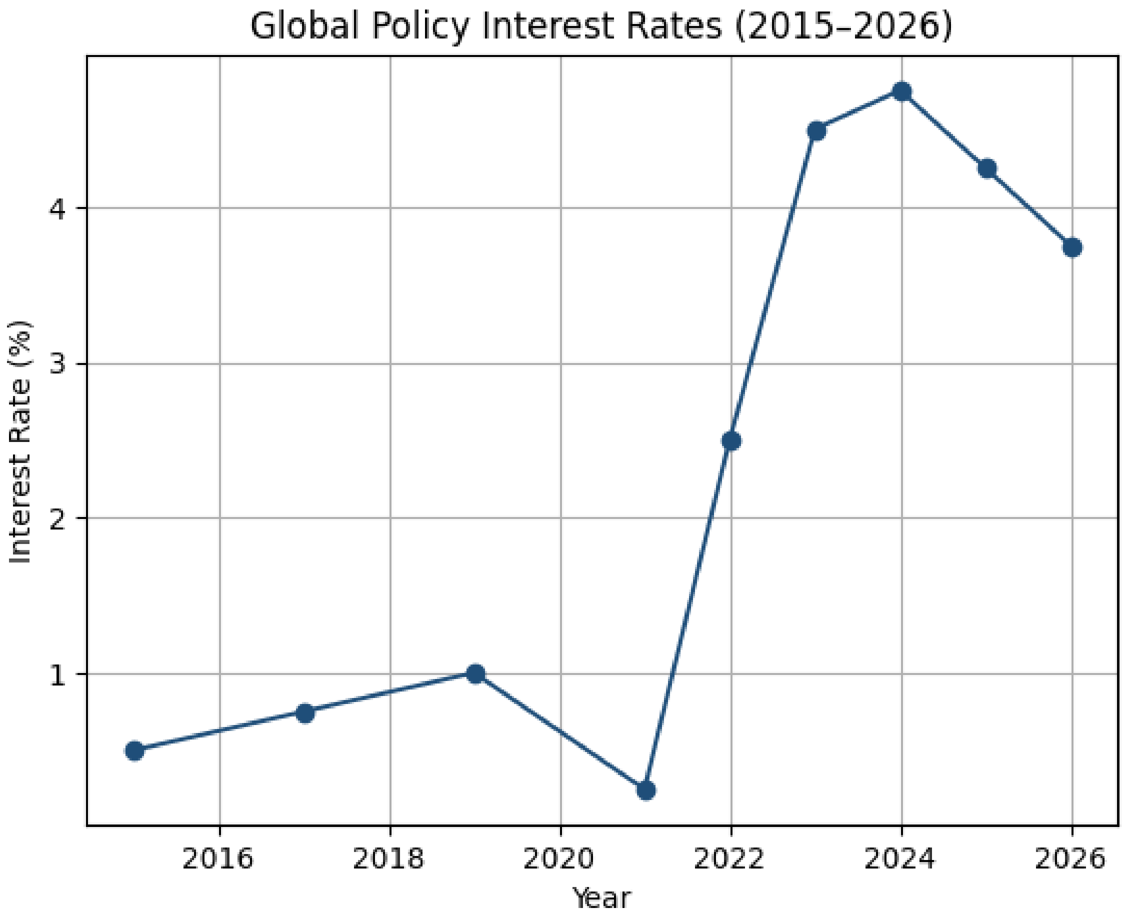

Chart Note: Policy rates increased significantly across major economies after 2022 tightening cycles.

Source: IMF, BIS, Federal Reserve, Bank of Canada

Oil Prices

Energy prices have remained volatile due to geopolitical developments and shifting supply dynamics. Oil markets continue to respond quickly to global political events.

Chart 2: Brent Oil Price Volatility

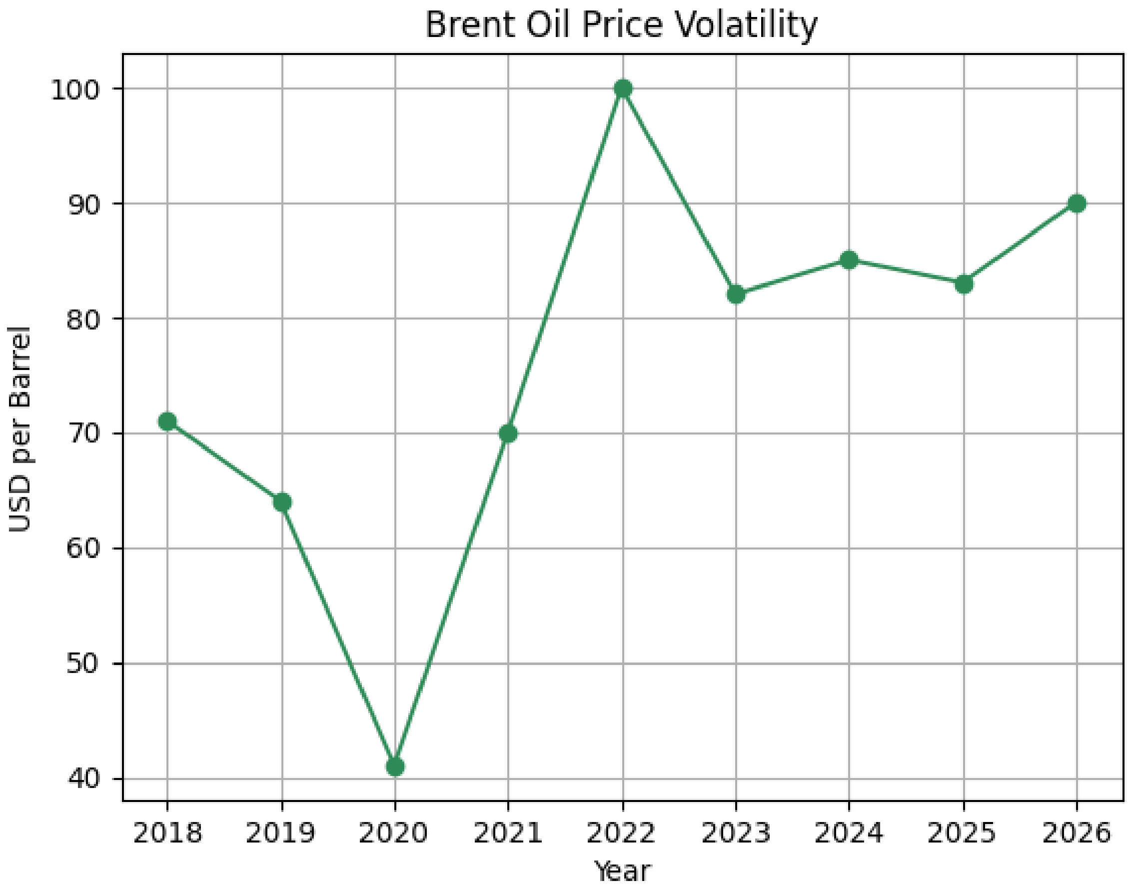

Chart Note: Oil prices fluctuate with geopolitical risk and global supply-demand dynamics.

Source: International Energy Agency, EIA

Chart 3: Global Energy Demand by Source

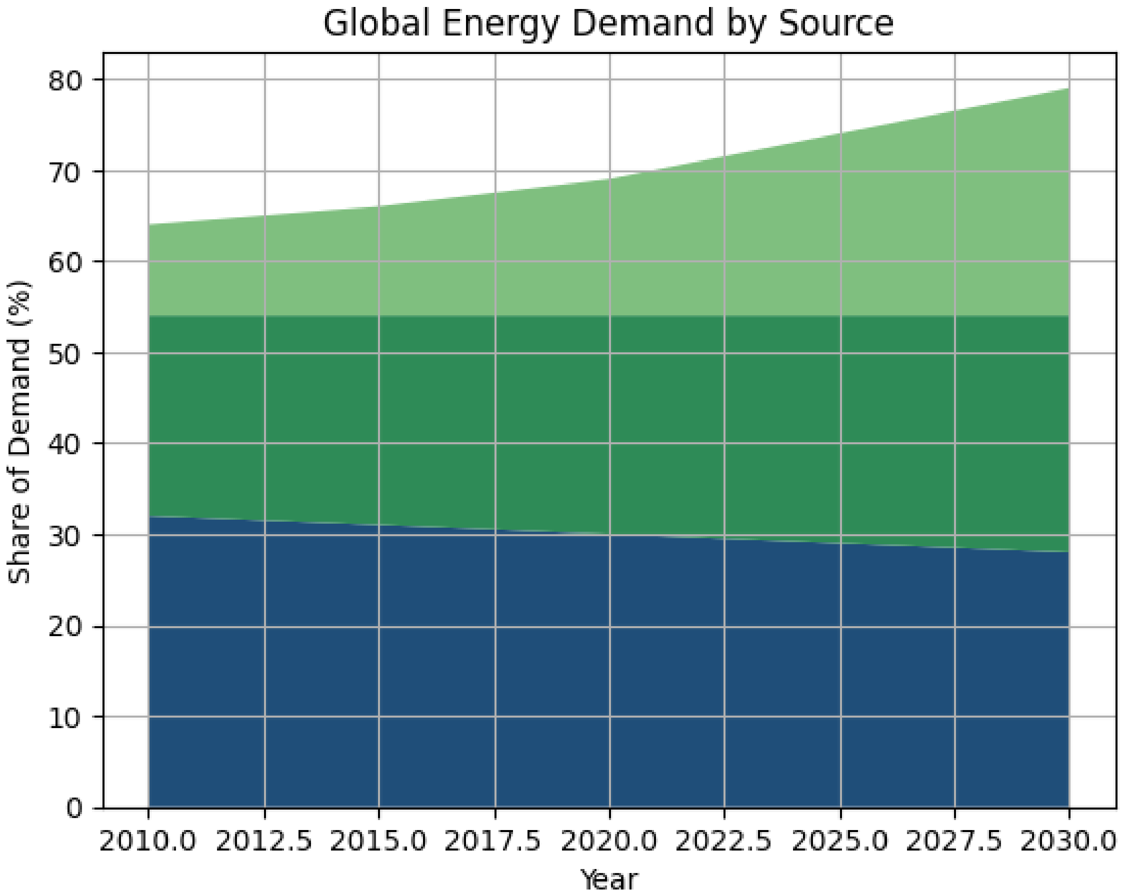

Chart Note: Renewable energy demand continues to expand alongside oil and natural gas.

Source: International Energy Agency

Private Credit Growth

Private credit assets under management have expanded rapidly over the past decade, reflecting strong investor demand and reduced bank lending in certain segments.

Chart 4: Global Private Credit Market Growth

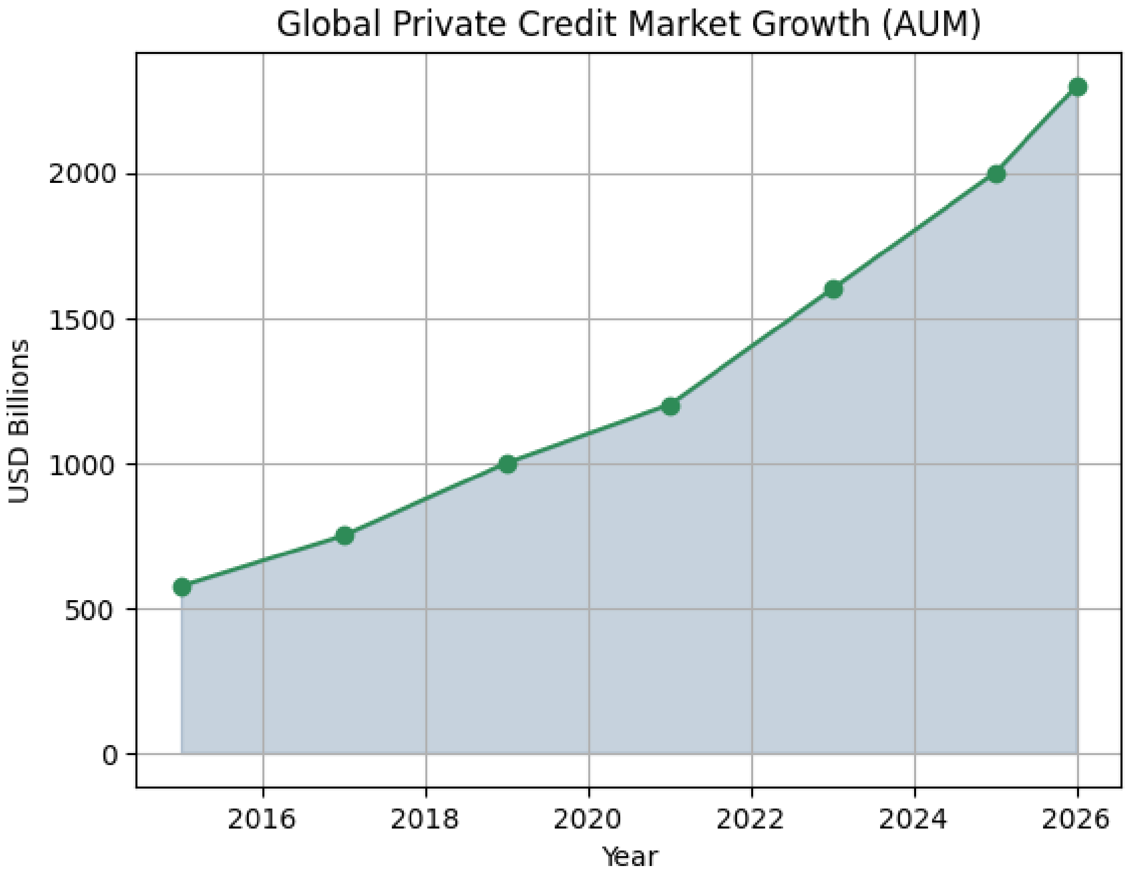

Chart Note: Private credit assets under management have expanded significantly over the past decade.

Source: Preqin Global Private Debt Report

Global Equity Market Performance

Equity markets have experienced periods of volatility as investors adjust to higher interest rates and shifting economic expectations.

Chart 5: Global Equity Market Growth

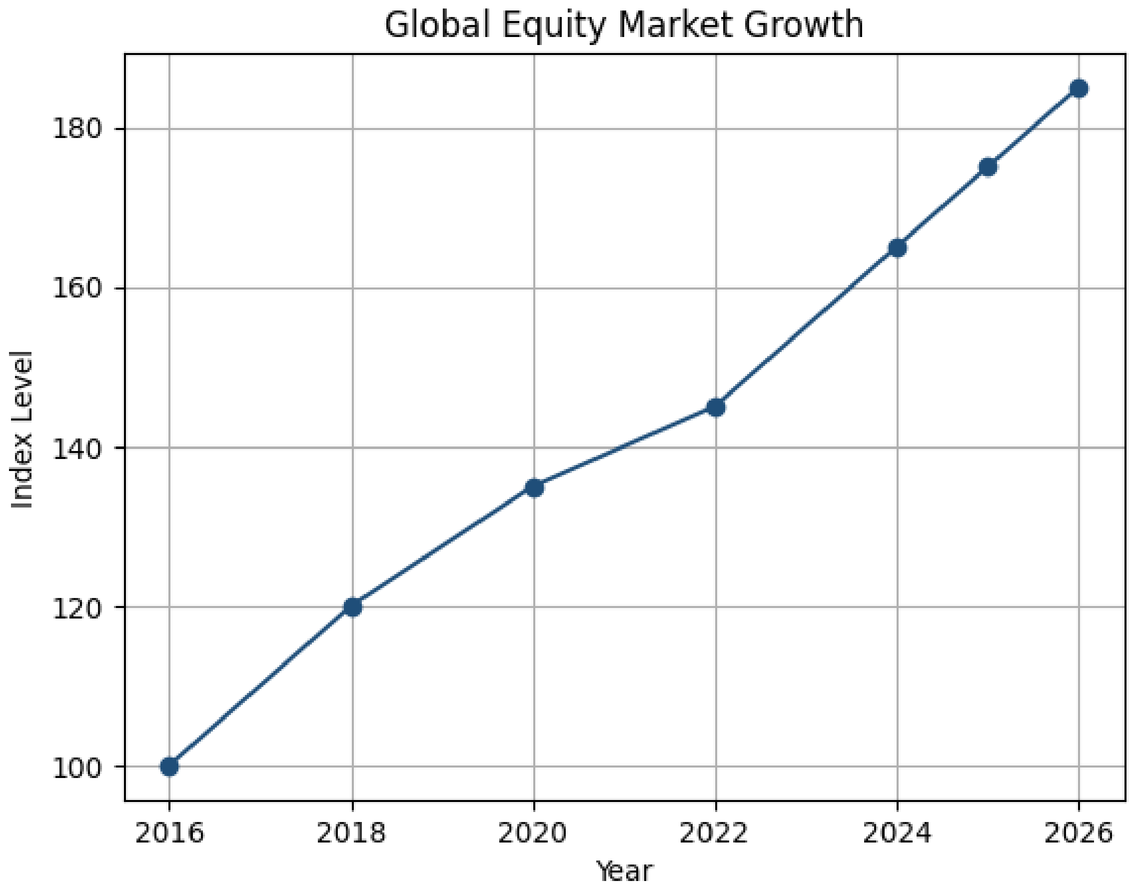

Chart Note: Global equity indices continue to expand despite cyclical volatility.

Source: MSCI Global Index

Canadian Housing Supply Gap

Canada continues to face a structural shortage of housing supply relative to population growth, which remains a key factor influencing long-term real estate market dynamics.

Chart 6: Canada Housing Demand vs Housing Starts

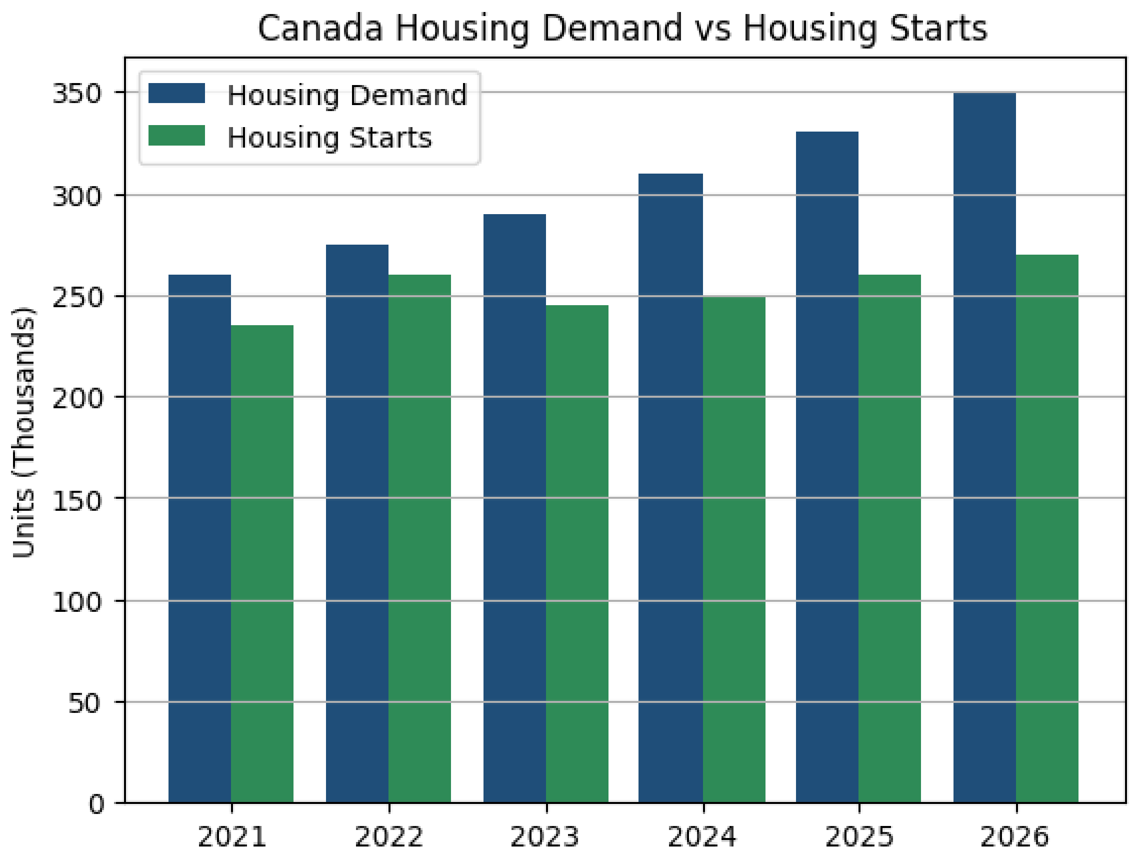

Chart Note: Housing demand has grown faster than supply in recent years.

Source: Statistics Canada, CMHC

Debt and Interest Rate Dynamics

Global debt levels increased substantially during the low interest rate era, and rising rates now pose challenges for borrowers and financial markets.

Chart 7: Global Debt vs Interest Rates

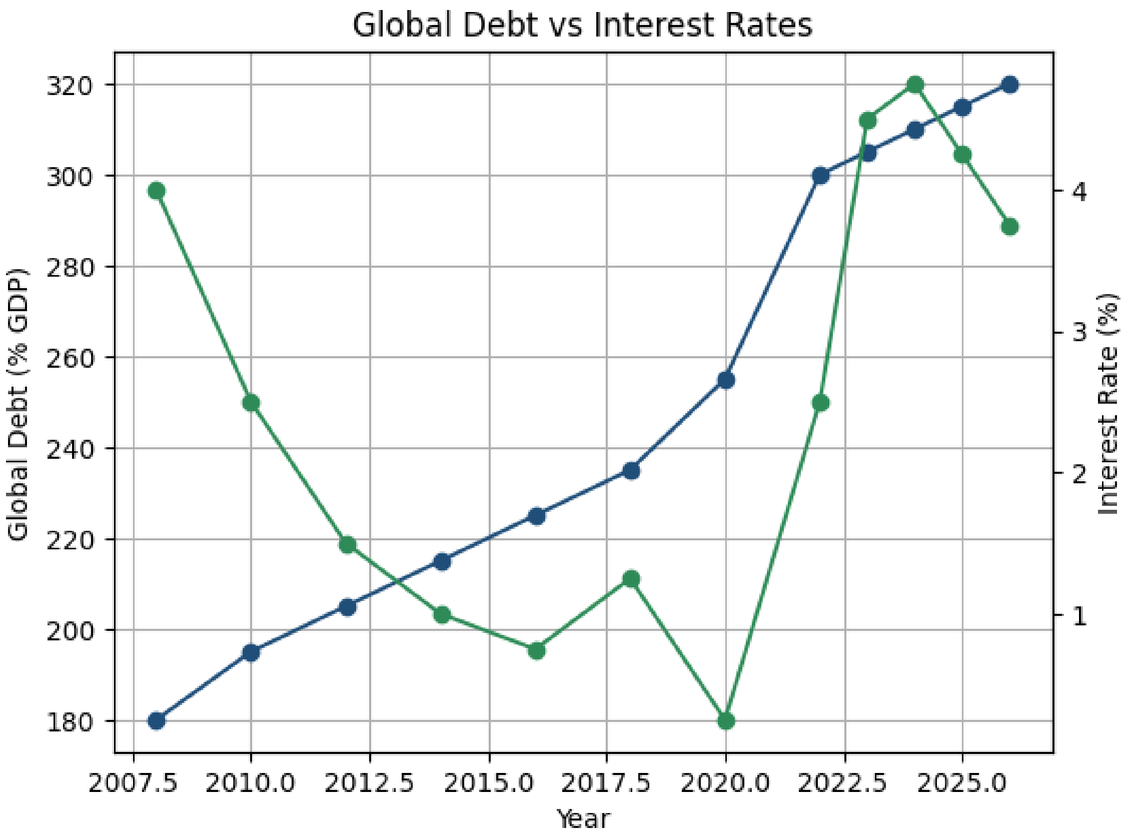

Chart Note: Global debt expanded during periods of low borrowing costs.

Source: IMF, BIS

Strategic Implications for Businesses and Investors

The global economy entering 2026 is characterized by structural change rather than a single cyclical turning point.

Businesses and investors must increasingly navigate an environment shaped by:

- geopolitical uncertainty
- evolving capital markets
- technological transformation
- structural supply constraints in key sectors

Organizations that combine disciplined financial strategies with a clear understanding of macroeconomic trends will be better positioned to identify opportunities and manage risk in this environment.

Conclusion

While economic cycles will continue to fluctuate, the structural forces shaping the global economy—geopolitical change, capital market evolution, energy transformation, and demographic trends—are likely to remain influential for many years.

Businesses and investors that develop strategies aligned with these long-term trends may be better equipped to navigate the uncertainties of the coming decade.

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SZC Group advises businesses and investors globally on:

- capital raising and structured financing
- mergers and acquisitions

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Shanaz Joan Parsan is a senior financial professional with over 20 years of managerial experience, including significant practical experience on Wall Street and Bay Street across multiple industries, including Energy, Mining, and Power. She has solid restructuring skills and excellent capabilities in negotiations, financial analysis, due diligence, contract analysis, and legal documentation.

Shanaz earned an MBA from the Schulich School of Business, an HBSc in Actuarial Science, and a BSc in Statistics from the University of Western Ontario. Shanaz passed the Derivatives Fundamental Course from the CSI and holds a bilingual certificate (French/English) from Collège Boréal.

She is fluent in several European languages. Shanaz fundraises for various political parties and charities, has a keen interest in historical, social, legislative, and political issues, and advocates for active citizenship, higher education, and animal rights.

Shanaz holds certificates in Negotiations from Yale University and the University of Michigan, as well as a Certificate in Leadership, Foundational Principles from Harvard. She is a member of the ACG (Association of Corporate Growth) Toronto Chapter. She enjoys research in Economics, Health and social sciences, and in Theology.

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