UBS House View

Investment Strategy Guide:
The next stage

April 2024 | Chief Investment Office GWM | Investment research

In this report

04 Monthly Letter

12 Messages in Focus

14 Asset allocation implementation

16 Asset allocation: Themes implementation

17 Thematic spotlight

18 US economic outlook

20 Equities

21 US equities

22 Bonds

24 Commodities

25 Foreign exchange

April

ElectionWatch 2024 Virtual Client Event

4 April 2024 1:00 PM ET

Please note, this event will replace our regularly scheduled House View Monthly Livestream.

- Tune in to the event here
- Add to calendar

This report has been prepared by UBS AG, UBS Switzerland AG, UBS AG Singapore Branch, and UBS Financial Services Inc. Please see important disclaimers and disclosures at the end of this document.

Publisher
UBS Financial Services Inc.
CIO Global Wealth Management
1285 Avenue of the Americas
8th Floor
New York, NY 10019

This report was published on 22 March 2024

Lead authors
Mark Haefele
Solita Marcelli

Authors (in alphabetical order)
Jason Draho
Leslie Falconio
Thomas Flury
Alina Golant
Wayne Gordon
Markus Irngartinger
Michelle Laliberte
Nadia Lovell
Barry McAlinden
Kathleen McNamara
Brian Rose
Dominic Schnider
Frank Sileo
Giovanni Staunovo
Thomas Veraguth
Justin Waring

Cover image
Getty Images

Editors
Abe De Ramos

Project management
John Collura
Allie Gorin
Matt Siegel

Design
John Choi
Cheryl Seligman
Elena Vendraminetto
CIO Content Design

Dear reader

As the first quarter winds down, the S&P 500 continues to surge to new all-time highs, largely driven by a still-strong economy, healthy earnings growth, the end of the Fed rate hiking cycle, and ongoing enthusiasm for companies tied to the boom in artificial intelligence (AI).

The past month did remind us that the path toward our base case of a soft landing will not always be smooth, with hiccups such as soft retail sales and a slight uptick in CPI data. Still, we believe that growth will slow but remain near trend, and inflation will come down albeit at a gradual pace. Supportive of this view is the fact that the labor market seems to be coming into better balance without falling off a cliff, with wage pressures easing while 275,000 jobs were still added in February.

The Fed has remained patient with the start to its easing cycle, but we still believe the stage is set for rate cuts beginning in June, for a total of 75bps by year-end. While it is possible for bond yields to creep higher in the near term, we see the 10-year US Treasury declining to 3.5% by December from 4.3% today. As a result, we believe quality bonds are still poised to deliver attractive returns. We keep US investment grade corporate bonds, TIPS, CMBS, and agency MBS most preferred.

We remain neutral on stocks following the 27% rally in the S&P 500 since October, and there may be better opportunities to add to positions. Within US equities, we still favor the technology sector, although after such a strong run, investors should be aware of overconcentration risks. For those looking to diversify their equity exposure, we see opportunities outside of tech as earnings growth broadens out. Within the US, we like healthcare and industrials from a sector standpoint, and small-caps in terms of size. Outside the US, we see opportunities in regional champions within Europe and Asia (see our reports on Europe's Magnificent 7 and Asia's Super 8).

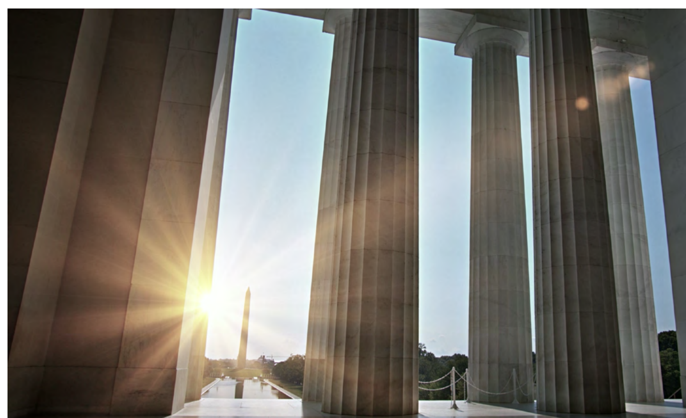
Finally, in this month's Thematic Spotlight, we dive into one of our longer-term investment themes: water scarcity. This theme tilts toward small-cap and mid-cap opportunities and aligns with our preferences for US infrastructure beneficiaries and the industrials sector. Within fixed income, we believe that investment grade municipals focused on the water and sewer sector offer high-quality opportunities as well.

As always, we encourage you to reach out to your financial advisor for any questions on our latest positioning.

Solita Marcelli
Chief Investment Officer Americas
Global Wealth Management

Follow me on LinkedIn
linkedin.com/solita-marcelli-ubs

Solita Marcelli



ElectionWatch 2024

UBS Road to the Election

CIO launched a new weekly video series "UBS Road to the Election." New episodes will air every Thursday at 4:30 p.m. ET. For additional election-related content, we encourage you to visit the ElectionWatch hub.

The next stage

Optimize tech exposure

Investors should hold diversified, strategic exposure to the technology sector, while remaining mindful of the risks of overconcentration.

Seek durable income

With the Fed and other major central banks on track to cut interest rates this year, investors should ensure their portfolio income streams are sustainable.

A balanced approach

We believe that diversifying across asset classes, regions, and sectors is the best way to navigate short-term market dynamics and grow long-term wealth.

Asset allocation

Within equities, we favor quality stocks and hold a constructive view on the US technology sector. In fixed income, we also prefer quality.

Mark Haefele
Global Chief Investment Officer
Wealth Management

Follow me on LinkedIn
linkedin.com/in/markhaefele

Our views, live with Q&A
The next CIO global monthly livestream will take place on 26 March. Join here.

Investors should ensure they have exposure to durable income streams.

As we approach the end of the first quarter, equity markets are buoyant, and a strong US economy has diminished expectations for rate cuts. Despite geopolitical uncertainties, cross-asset volatility has remained low. Looking ahead to the second quarter, we see the next stage of two primary market drivers playing out: the start of rate-cutting cycles by major central banks, and the broadening-out of AI adoption and implementation across a wider range of companies.

Against this backdrop, we believe investors' key focus should be on: 1) getting their exposure to the technology sector right; 2) ensuring that portfolio income streams are sustainable; and 3) employing effective portfolio risk management techniques.

What does that look like in practice?

First, it's important to hold a diversified strategic exposure to the technology sector and to some of the likely winners from tech disruption. We foresee 18% earnings growth for the global technology sector this year and 72% annualized growth in AI revenues over the next five years. The rising excitement over artificial intelligence and its implications could lead to a scenario in which future gains are frontloaded. Investors looking to grow wealth should ensure they have exposure to this space.

But equally, after such a strong run in AI-related stocks, the risk of overconcentrating portfolios has risen. Structured strategies can play a role in helping investors manage downside risks in tech. For those looking to diversify, we see opportunities beyond technology—in quality stocks across regions; in alternative growth themes like the energy transition, healthcare disruption, and water scarcity; and in small- and mid-cap stocks.

Second, although the US economy has remained strong and inflation has surprised to the upside, we still expect the Federal Reserve to cut interest rates in the coming months, likely starting in June. The Swiss National Bank announced a 25-basis-point rate cut in March, and other major central banks are also on track to start easing policy. To prepare portfolios, investors need to be proactive and shift their cash and money market holdings toward more durable sources of income, including fixed-term deposits, short-term bond ladders, and medium-duration high-quality bonds. We expect major currency pairings to continue to trade in their recent ranges, presenting opportunities for investors to generate added income through tactical currency trades.

Third, effective risk management is key. The temptation to manage risk by simply cashing in on gains or retreating to the sidelines may be strong, but history favors those who pursue a more balanced approach. We believe that only by diversifying across asset classes, regions, and sectors can investors effectively manage the tension between navigating short-term market dynamics and growing long-term wealth.

For more on these ideas, please refer to the *UBS House View Quarterly*, also published alongside this Monthly Letter. In the rest of this letter, I will discuss three of the big questions investors are asking today: 1) Is tech in a bubble, and what to do now?; 2) Soft landing or no landing, and where next for the Fed?; and 3) How to manage risks with markets at all-time highs?

Is tech in a bubble, and what to do now?

Tech stocks have continued to rally in 2024.

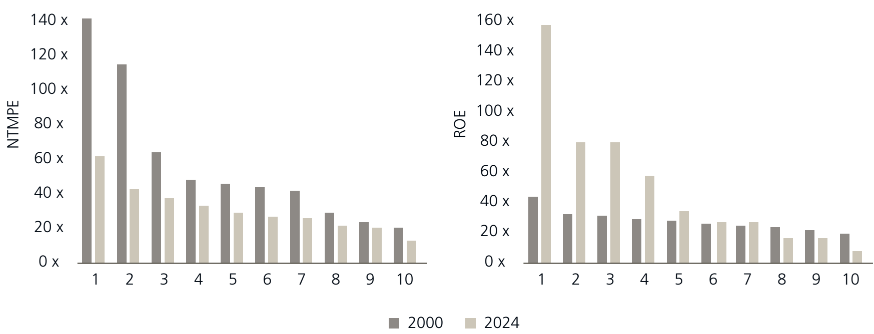
The global tech sector (MSCI ACWI Information Technology Index) has gained 12% year-to-date after rallying 50% in 2023. Mega-caps Meta and Nvidia are up 43% and 82%, respectively, this year. Are we in a bubble?

On a simple one-year earnings horizon, the tech sector does look expensive relative to its own history. Its 12-month forward price-to-earnings (P/E) ratio of 26.8x sits at a roughly 37% premium to its long-term average. Yet that still compares favorably to the Nasdaq 100's peak of around 60x at the height of the dotcom bubble in 2000. We also believe the rally is on a firmer foundation this time around, with profitability higher and valuations lower at the market's largest companies, many of which also enjoy dominant market positions. With many of the largest companies in the industry already present across multiple stages of the AI value chain, we think the big firms have a good opportunity to get even bigger as AI deployment continues.

Figure 1

The top 10 stocks in the S&P 500 have lower valuations and higher profitability than in 2000

Left: Top 10 stocks in the S&P 500 by market cap, ranked by valuation (NTMPE*), in 2024 vs. 2000.
Right: Same comparison based on profitability (return on equity).



*NTMPE = Next-12-months P/E ratio

Source: Factset, UBS, as of March 2024

We expect AI demand to grow at a 72% annual rate over the next five years.

Ultimately, whether or not tech is overvalued rests on your view of the sector's prospective growth. At the start of the year, we increased our forecast for global AI revenue by 40%. We currently expect a 72% annual growth rate in AI demand—a fifteenfold cumulative increase—over the next five years. To put that in context, it took the smart device industry more than 10 years to grow its revenues by 15 times. AI should take only five years, and if our estimates prove accurate, then the valuation of AI infrastructure companies (based on the MSCI ACWI IT index) is only 20x 2027 P/E.

Is that reasonable? Well, consider the following:

In the market for GPUs—the graphics processing units that power technologies like gaming and AI applications—we expect the imminent launches of new AI chip products to command higher pricing and buoy margins given the expansion in demand. We can see a parallel development to when Apple raised iPhone prices above USD 1,000 in 2017 from the USD 600–800 range of the previous five years. This move underpinned a breakout in Apple's share price from a five-year range of USD 20–40 to ever higher levels in a sustained manner.

With broadening AI demand and rising trends in monetization, we expect strong growth for AI applications and models. Microsoft, for example, is charging businesses USD 30 per month per user for its Copilot generative AI application. If half of the 400 million Office 365 users today adopted Copilot, it would increase Microsoft's revenue by 30% compared to a year ago. Our estimates for the applications and models segment (using lower 30% penetration rates for copilots) point to revenues for the industry increasing from USD 2.2 billion to USD 225 billion in the five-year period from 2022–27—a 152% annual growth rate or a hundredfold increase over the period.

In short, the earnings growth potential in AI is real, could be very large, and could make today's valuations look reasonable. But with growth expectations high, so is the scope for disappointment.

We recommend holding diversified exposure to the tech sector.

Against this backdrop, how should you position? In our view, investors should hold some diversified strategic exposure to the technology sector and the likely winners from tech disruption. In the latter category, we like AI infrastructure companies that have strong pricing power and competitive market positions, as well as platform and application beneficiaries that are well placed for AI-related use cases.

For investors overexposed to tech—i.e., those with a higher-than-benchmark market-cap allocation to the global technology sector—we see opportunities to diversify, focusing on three key areas. First, we think that quality companies—including regional champions in Europe and Asia—with strong balance sheets, high profitability, and exposure to resilient earnings streams will continue to deliver strong results in the months ahead. Second, we recommend seeking companies exposed to other major structural growth themes, including the energy transition, healthcare disruption, and addressing water scarcity. Third, we have a constructive view on US small-cap stocks given their discounted valuations and potential catalysts such as Fed rate cuts, increased M&A, and stronger earnings growth. We also see opportunities in select European small- and mid-cap stocks.

Soft landing or no landing, and where next for the Fed?

Recent US economic data have remained resilient.

A few months ago, much of the debate about the next phase for the US economy was whether it would stage a hard landing or a soft landing after an impressive run of growth and resilience. Most recent data have not only dispelled fears of a hard landing, but they have also added credence to the prospect of "no landing."

As a result, markets have scaled back their expectations for Fed rate cuts this year, to about 83 basis points at the time of writing from as much as 170 basis points earlier in the year. The 10-year US Treasury yield has thus risen to 4.3% from 3.86% at the start of the year.

What does that mean from here? A no-landing scenario is plausible, in our view, particularly if the combination of a tight labor market, increased capital spending, and AI deployment supports a continued surge in productivity. We note that US labor productivity has risen over the past year, growing 3.2% in the fourth quarter, with the five-year rolling average now at 2.1%—its highest in over a decade, excluding pandemic-related data distortions in 2020.

That said, such a secular improvement in productivity, while plausible, is likely to take more than a few months to evolve. So despite the recent strength in US headline data—nonfarm payrolls expanded by 275,000 in February and inflation edged up to 3.2% from 3.1% in January—we still think it makes sense to position for a soft landing, factoring in moderating growth, receding inflation, and declining interest rates.

Economic growth appears to be moderating from an unsustainable pace.

The US economy appears to be moderating back toward trend growth from an unsustainable pace. It was running at an annualized 4% rate in the second half of 2023, while the Atlanta Fed's GDPNow model is tracking growth of a much lower 2.1% for the first quarter of 2024. This is positive news for the disinflation outlook.

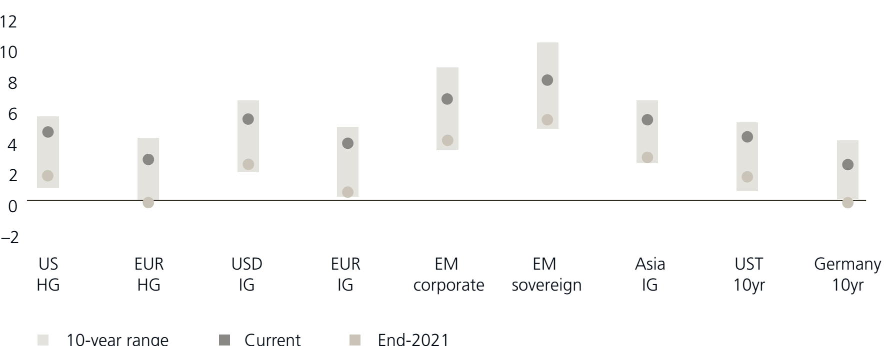
Meanwhile, the February jobs report, although strong, also showed signs that the labor market is cooling: The unemployment rate rose to 3.9%, the highest in two years, and growth in average hourly earnings slowed to just 0.1% month-over-month. The Atlanta Fed's wage growth tracker shows that increases for job switchers moderated to 5.3% in February (based on the three-month moving average) from 5.6% in January (versus 4.7% in both months for workers who remained in their jobs).

We think a softer labor market and more muted shelter inflation will help turn the overall CPI inflation trend lower in the coming months. Fed Chair Jerome Powell has stressed that the US central bank is "not far" from having sufficient confidence to cut rates. In our base case, we expect 75 basis points of cuts this year, starting in June, with further reductions in 2025.

Figure 2

Yields are still attractive

10-year range (gray columns) vs. current yields and their end-of-2021 low, in %



Source: Bloomberg, UBS, as of March 2024

We expect bond yields to fall through the balance of the year.

As the market shifts its focus back toward a soft landing and the Fed starts cutting rates, we would expect bond yields to fall, and we forecast the US 10-year yield to decline to 3.5% by year-end from 4.3% today, implying a total return of 9.3%. Bond markets could rally even more if US economic growth starts to disappoint. At the time of writing, markets are implying that the federal funds rate will trough at roughly 3.5%, though we would expect it to be potentially much lower if growth slows below trend.

This backdrop means that now is an attractive time for investors to lock in still-elevated yields, benefit from potential capital gains if yields fall, and diversify portfolios against risks. We think it is important to take steps to prepare portfolios for lower interest rates—in particular, by ensuring they have exposure to durable income streams:

First, as interest rates decline, cash will progressively deliver lower returns, creating a risk for investors who do not proactively manage their liquidity. We therefore recommend diversify-

ing liquidity holdings beyond cash and money market funds into a combination of fixed-term deposits, bond ladders, and certain structured investment strategies.

We continue to see an attractive risk-reward outlook for quality fixed income.

Second, we continue to see an attractive risk-reward outlook for quality bonds (including government and investment grade corporate bonds). The high level of outright interest rates on the asset class will be a key source of total return. As short-end policy rates look set to fall and downside risks to growth are nonnegligible, we also see potential for capital gains.

Third, we expect major central banks to cut rates broadly in tandem. The Swiss National Bank announced a 25-basis-point rate cut at its March meeting, while other central banks—including the European Central Bank, the Bank of England, and the Bank of Canada—are also expected to ease policy in the coming months.
We therefore think major currency pairings will continue to trade in their recent ranges, and this provides investors with an opportunity to generate additional income in currency markets. For example, with the US dollar likely to remain caught between decent US growth and the prospect of Fed rate cuts, euro-based investors can consider using periods of EURUSD weakness to sell downside risks in the pairing.

We believe the fundamental backdrop remains supportive of markets.

How to manage risks with markets at all-time highs?

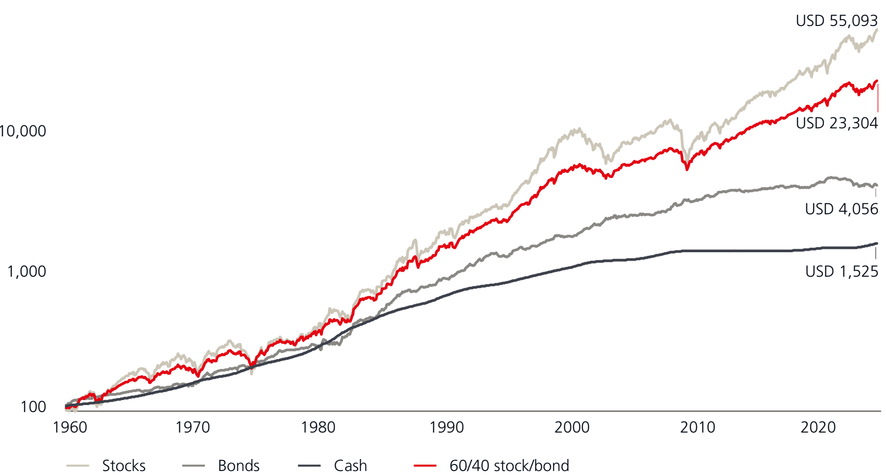
The fundamental backdrop is supportive of markets, in our view, and cross-asset volatility has remained low. But investor sentiment is still likely to be susceptible to a range of economic and market risks.

Inflation concerns are back in focus following higher-than-expected US inflation in February. The Russia-Ukraine and Israel-Hamas wars are ongoing. Meanwhile, US President Joe Biden and former President Donald Trump have the backing of enough delegates to clinch their parties' official nomination as candidates for November's presidential election, and headlines around the campaigns are likely to create market volatility.

Figure 3

Staying invested leads to wealth creation over the long term

Growth of USD 1 invested in stocks (US large caps), bonds (Treasuries Intermediate), cash (1–3-month T-bills), and a 60/40 balanced portfolio since 1960, log scale



Source: Ibbotson, UBS, as of March 2024

History favors being invested and hedging risks, rather than selling out or staying uninvested.

Against this backdrop, and with major equity indexes trading near all-time highs, it can be tempting for investors to manage risks by taking profits or staying on the sidelines. Yet history has shown that being invested and hedging risks is preferable to selling out or staying uninvested. Data since January 1960 show that a USD 100 investment in US stocks

would have grown to USD 55,093 by February 2024. Adjusted for inflation, this represents a 52-fold increase in purchasing power, or an annual real return of 6.3% since then.

We see three broad ways that investors can manage the tension between navigating short-term market risks and growing long-term wealth.

Diversification across asset classes, regions, and sectors remains key.

The first and most fundamental principle is to diversify across asset classes, regions, and sectors. The UBS Global Investment Returns Yearbook, which analyzes financial markets going back to 1900, shows that an equity portfolio that is diversified across 21 countries would have 40% less risk than a single-country investment.

Similarly, a portfolio with a 60/40 split between stocks and bonds has historically been less volatile than one composed solely of stocks. Indeed, a 60/40 portfolio has only delivered a negative return over a five-year horizon on 5% of occasions, and never over a 10-year horizon (compared with 12% and 5% of the time for equity-only portfolios).

Capital preservation strategies can help investors manage their equity exposure.

The second is to consider specific strategies that can help investors position for further upside while shielding against losses. For example, the current combination of low implied equity market volatility and high bond yields makes it more cost-effective to implement capital preservation strategies. We see this as particularly appealing for medium-term horizons in areas of the equity market where the upside potential may be strong but investors may also want to protect against downside risks (e.g., in technology stocks).

The third is to remember that diversification does not simply mean stocks and bonds. Alternative assets including hedge funds, private markets, and infrastructure can help smooth portfolio returns. We currently see opportunities in strategies that offer unique sources of return (credit hedge funds), provide access to fast-growing companies (private equity), and align with powerful long-term trends like digitalization and decarbonization (private infrastructure and thematic private equity funds).

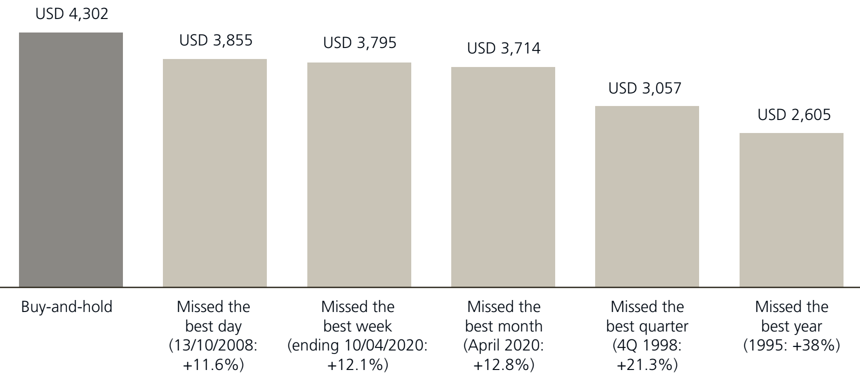
Investment ideas

As we navigate a year that promises to be historic for financial markets, our guiding principles remain steadfast: a commitment to long-term thinking, diversification, and the belief that time in the market trumps timing the market.

Figure 4

Trying to time the market has a cost

Growth of USD 100 invested in the S&P 500 (total return) in April 1988, buy-and-hold strategy vs. missing gains as a result of exiting the market.



Source: Bloomberg, UBS, as of March 2024

Our ideas for this month focus on: 1) getting exposure to the technology sector right; 2) ensuring that portfolio income streams are sustainable; and 3) employing effective portfolio risk management techniques.

Mark Haefele
Chief Investment Officer
Global Wealth Management

Global forecasts

Economy

Real GDP y/y, in %

	2023E	2024E	2025E
US	2.5	2.2	1.4
Canada	1.1	0.2	1.3
Japan	1.9	0.5	1.2
Eurozone	0.5	0.6	1.2
UK	0.1	0.2	1.5
Switzerland	0.8	1.3	1.5
Australia	2.1	1.5	2.1
China	5.2	4.6	4.6
India	7.6	7.0	6.8
EM	4.5	4.1	4.4
World	3.3	3.0	3.1

Inflation (average CPI), y/y, in %

	2023E	2024E	2025E
US	4.1	3.1	2.4
Canada	3.9	2.5	2.1
Japan	3.3	2.2	1.8
Eurozone	5.4	2.4	2.1
UK	7.3	2.3	2.0
Switzerland	2.1	1.4	1.2
Australia	5.6	3.3	3.1
China	0.2	0.8	1.6
India	5.1	4.5	4.5
EM	7.4	8.3	5.1
World	6.1	5.8	3.8

Source: Bloomberg, UBS, as of 21 March 2024. Latest forecasts available in the *Global forecasts* publication, published weekly.

Asset classes

	Spot	Dec-24
Equities		
S&P 500	5,242	5,200
Eurostoxx 50	5,000	4,900
FTSE 100	7,737	7,780
SMI	11,619	11,640
MSCI Asia ex-Japan	648	685
MSCI China	55	58
Topix	2,751	2,770
MSCI EM	1,032	1,100
MSCI AC World	940	940
Currencies		
EURUSD	1.09	1.12
GBPUSD	1.28	1.30
USDCHF	0.89	0.87
USDCAD	1.35	1.31
AUDUSD	0.66	0.71
EURCHF	0.97	0.97
NZDUSD	0.61	0.62
USDJPY	151	140
USDCNY	7.20	7.15

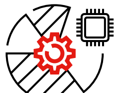
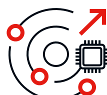
	Spot	Dec-24
2-year yields, in %		
USD 2y Treas.	4.60	3.25
EUR 2y Bund	2.92	2.00
GBP 2y Gilts	4.22	3.50
Swiss 2y Eidg.	0.97	0.70
JPY 2y JGB	0.18	0.25
10-year yields, in %		
USD 10y Treas.	4.27	3.50
EUR 10y Bund.	2.43	2.25
GBP 10y Gilts	4.01	3.50
Swiss 10y Eidg.	0.71	0.70
JPY 10y JGB	0.73	0.80
Commodities		
Brent crude, USD/bbl	86	82
Gold, USD/oz	2,161	2,250

Source: Bloomberg, UBS, as of 21 March 2024. Latest forecasts available in the *Global forecasts* publication, published weekly.

Messages in Focus

The Messages in Focus (MIFs) are a set of high-conviction investment narratives from CIO. These narratives combine our top views across asset class preferences, short-, medium-, and longer-term themes, and alternatives.

MIFs	Elevator pitch	Investment ideas
Manage liquidity	Investors are holding more cash than usual as global central banks have taken interest rates sharply higher. With rates likely having peaked and rate cuts on the horizon, we think now is an appropriate time for investors to review their liquid assets, consider diversifying exposures, and lock in attractive yields.	• Bond ladder • Certificates of deposit • Capital preservation structured investments
Buy quality	We expect positive returns in both equities and fixed income this year, though we believe investors should focus on quality. Within fixed income, quality bonds offer attractive yields and should experience price appreciation if yields fall as we expect. In equity markets, we look for quality companies with strong balance sheets and that can grow earnings in a weaker economic environment.	• Quality stocks (incl. US IT) • Quality bonds (incl. US TIPS, IG, munis, agency MBS, CMBS) • Sustainable equivalents (ESG leader equities, sustainable munis, MDBs)
Generate income with currencies and commodities	We expect most major currency pairings to continue to trade in established ranges in the months ahead, creating opportunities for investors to earn additional income by "trading the range." Meanwhile, we expect oil prices to fluctuate in the USD 80–90/bbl range in 2024, creating opportunities for investors to sell downside risks or navigate the range.	• Generate income from USD, EUR, GBP, AUD, JPY, and CNY • Structured solutions on oil
Diversify with alternatives	Alternative assets are a key building block of portfolios, enhancing return and diversifying risk. We see particular opportunity in strategies with unique return sources, or that provide access to fast-growing companies. We also like strategies that align with disruptive long-term trends such as digitalization and decarbonization.	• Infrastructure • Hedge funds • Private equity
Get in balance	With stocks at record highs, interest rate paths uncertain, and portfolios at risk of overconcentration, investors face a complex financial environment. Against this backdrop, balance is a key portfolio principle. We recommend diversification across asset classes, regions, and sectors to ease the tensions of short-term market dynamics while positioning for long-term growth.	• Secondaries • Value and middle-market buyout • Thematic growth • Private infrastructure • Private credit

MIFs	Elevator pitch	Investment ideas
Optimize tech exposure 	The AI revolution is here, and investors' future performance will likely rest heavily on their level of exposure to the technology sector. We believe investors cannot afford to be underinvested in AI—we expect rapid earnings growth and think that the big will get bigger. Equally, investors need to be wary of overconcentration and overexposure. Structured and diversified solutions can help investors grow exposure while mitigating downside risks, and we also see various diversification opportunities for investors managing US tech concentration risks.	• Structured solutions on technology stocks • Diversified technology, including "Asia's Super 8" • Technology disruption
Opportunities beyond technology 	Tech is one of our most preferred sectors, but investors should be wary of concentration risks and overexposure. We recommend investors diversify beyond technology by investing in quality companies, including the energy transition, healthcare disruption, and water scarcity. We also like small- and mid-cap stocks. Structured investments are an additional option for exposure.	• Quality stocks • Energy transition, healthcare disruption, water scarcity • Small- and mid-cap stocks • Defensive structured investments

Asset allocation implementation

The UBS House View is our current assessment of the global economy and financial markets, with corresponding investment recommendations. The asset allocation implementation of this view can vary based on the portfolio types and objectives.

Jason Draho, PhD, Head of Asset Allocation Americas; **Michael Gourd,** Asset Allocation Strategist; **Danny Kessler,** Asset Allocation Strategist

Our tactical asset class preferences

Most preferred
- Fixed income
- TIPS
- US agency MBS
- US CMBS
- US investment grade corporate bonds
- US small-cap equities
- Emerging market equities
- Oil

Least preferred
- US large-cap equities
- UK equities

Implementation guidance

Incoming economic data has continued to highlight the resiliency of the US economy through the first months of 2024, motivating the Fed to revise its median estimate of GDP growth for the year up to 2.1% from 1.4% in December. While the economy's continued strength has been better than anticipated, inflation has been similarly strong, coming in above expectations at 3.9% in January and 3.8% in February on the core CPI measure. This combination of growth and inflation helped the 10-year Treasury yield rise 40bps in February to year-to-date highs near 4.3% before falling 25bps at the beginning of March. Despite the interest rate volatility, the S&P 500 continues to set record highs, as investor sentiment around a soft landing and AI remains high.

The impressive resiliency supports our expectation for a soft landing and no recession for the US economy in the next 12 months. With inflation running below wage growth, real incomes are recovering, providing more support for the consumer. In addition, manufacturing and housing, two of the most interest-rate-sensitive sectors of the economy, have likely already experienced cycle troughs. That said, growth should moderate to around trend later in the year as the tailwind of looser financial conditions that began in 4Q23 starts to fade. Inflation trends, such as with rents, point to the core measures continuing to trend back to 2%. Despite job growth being very strong, wage growth has continued to moderate. And with the economy likely to moderate and monetary policy still restrictive, inflation is unlikely to reaccelerate. The Fed agreed with this assessment at the March FOMC meeting, with the federal funds rate holding steady and the median dot from the Fed's "dot plot" continuing to imply three rate cuts this year.

Looking ahead, the we expect the Fed to start cutting rates at the June FOMC meeting, assuming incoming economic data continues to support slowing but positive economic activity without sharp increases in unemployment. Recent comments from Fed officials indicated that they expect rates to stay at currently restrictive levels until stubbornly sticky inflation moderates, or labor market strength begins to falter. This provides them further optionality on the timing and magnitude of any cutting cycle. We expect three 25bps of rate cuts in 2024, in line with Fed expectations and market pricing.

With our macro outlook for a soft landing, we keep bonds as most preferred and stay neutral on equities. We maintain our year-end target of 3.5% for the 10-year Treasury yield, but caution that in the near term tit is likely to be range-bound between roughly 4% and 4.5% as markets trade around incoming economic data and any potential changes to the Fed reaction function. After a strong 2023, we think US equity returns will be more muted for the rest of 2024. Our year-end price target on the S&P 500 is 5,200. After a modest earnings recession last year, we forecast earnings growth for the full year of around 9%.

With interest rate path uncertainty, stocks near all-time highs, and many portfolios likely overconcentrated in certain asset classes due to drift, we urge investors to **get in balance**. By diversifying across asset classes, regions, and sectors, investors can hedge against market risks while positioning for portfolio appreciation.

Within fixed income, our message remains to **buy quality**. We expect high-quality bonds to deliver good total returns in 2024, as economic growth gradually decelerates and inflation falls closer to target with yields falling in tandem. In our view, now is an attractive time to lock in yields, benefit from potential capital gains if yields fall, and diversify against portfolio risks. Specifically, we see good value in US TIPS, investment grade corporate bonds, agency MBS, CMBS, municipals, and sustainable bonds.

With the Fed likely to begin rate cuts before the end of 2Q, we reiterate our message to **manage liquidity**. As inflation continues to moderate, the Fed has room to cut rates quickly if growth begins to falter. This would be particularly painful for depositors who haven't locked in higher rates for the next few years.

Within US equities, we are neutral on value versus growth, and have a relative preference for small-caps versus large-caps. This month we make no changes to our US equity sector preferences. Healthcare is our preferred defensive sector due to faster earnings

growth relative to other defensives. Industrials should benefit from resilient economic growth, improving manufacturing sentiment, a bottoming in cyclical activity, and more structural tailwinds around reindustrialization of the US economy. We remain least preferred on real estate, which looks slightly expensive relative to real interest rates, and utilities, which may underperform due to increased regulatory risks and resilient economic data.

We remain most preferred on US technology, even as the sector has grown significantly over the past year. With the AI revolution upon us, investors' exposure to the technology sector will be key to performance. Thus, we recommend that investors **optimize tech exposure** to ensure a diverse exposure to the sector as a whole while also avoiding the pitfalls of overconcentration. While the Magnificent 7 already account for 18% of the global equity market (per MSCI ACWI), we expect the big to get bigger due to rapid earnings growth accreting to AI leaders.

While technology is one of our most preferred sectors, we also believe investors need to be wary of concentration risks and overexposure. In diversifying beyond technology, we like **opportunities beyond technology**, specifically in quality companies (such as regional champions in Europe and Asia) with exposure to the energy transition, healthcare disruption, and water scarcity, as well as small- and mid-cap stocks. Structured investments are an appropriate vehicle to gain exposure in this regard.

Looking beyond public markets, we continue to advise investors to **diversify with alternatives**. Our future should see significant investments in realms such as healthcare, digitalization, and energy efficiency. But already-high government debt levels suggest public spending for innovative solutions will be constrained. Private market managers that can provide debt or equity capital at different company lifecycle stages will have a key role to play. And with the majority of firms in the US now privately held, accessing private markets is essential to achieve enhanced portfolio diversification and improve longer-term risk-adjusted returns.

Our preferences

	Least preferred		Most preferred
Cash		=	
Fixed Income			+
US Gov't FI		=	
US Gov't Short		=	
US Gov't Intermediate		=	
US Gov't Long		=	
TIPS			+
US Agency MBS			+
US Municipal		=	
US IG Corp FI			+
US HY Corp FI		=	
Senior Loans		=	
Preferreds		=	
CMBS			+
EM Hard Currency FI		=	
EM Local Currency FI		=	
Equity		=	
US Equity		=	
US Large Cap	−		
US Growth Equity		=	
US Value Equity		=	
US Mid Cap		=	
US Small Cap			+
Int'l Developed Markets		=	
UK	−		
Eurozone		=	
Japan		=	
Australia		=	
Emerging Markets			+
Other			
Commodities		=	
Gold		=	
Oil			+
MLPs		=	
US REITs		=	

Note: See explanations about asset classes in the Appendix. Changes are based on the US asset class preferences table found in the *UBS House View Extended* published on 21 March 2024.

Least preferred: We expect this asset class to deliver the least attractive risk-adjusted returns over the next 12 months within our asset class universe.

Most preferred: We expect this asset class to deliver the most attractive risk-adjusted returns over the next 12 months within our asset class universe.

Asset allocation: Themes implementation

With alignment to our Messages in Focus (MIFs)

Asset class	Theme and description	MIF alignment: Buy quality bonds	MIF alignment: Opportunities beyond technology	MIF alignment: Diversify with alternatives	MIF alignment: Optimize tech exposure
US fixed income	**Taxable munis** Taxable municipal bonds offer incremental yield pickup vis-à-vis corporate debt along the curve.	✓			
US fixed income	**Quality IG credits present an income opportunity** We believe investment grade issuers offer attractive yields and exhibit balance sheet strength and earnings resilience.	✓			
EM fixed income	**Short-duration Pan-American bonds** We believe this list offers relative value in short-end investment grade corporate bonds.	✓			
EM fixed income	**EM bond top picks** We believe that our selected basket of emerging market bonds offers US investors the opportunity to enhance total returns in exchange for a modest increase in risk.	✓			
Global equities	**Greentech goes global** This equity list has significant ex-US exposure and should benefit from infrastructure spending plans.		✓		✓
US equities	**Tactical US equity themes** Our tactical themes cover a variety of topics, many of which span beyond the tech sector, including a "Housing recovery" theme.		✓		
Hedge funds/ alternatives	**Opportunities in dislocated credit markets** Credit market stress has expanded the opportunity for hedge fund and private managers to deploy capital.			✓	

The water edition

Michelle Laliberte, CFA, Thematic Investment Strategist; **Nadia Lovell,** Senior US Equity Strategist;

This month's number one longer-term investment theme is "Water scarcity.". Our model uses a variety of quantitative factors such as momentum and valuation, but we also see several reasons why the theme looks well positioned both for the long term and against our House View preferences, too.

Water's role as a basic necessity is of little debate. Yet most industrialized countries built their water mains and supply infrastructure in the early part of the 20th century, and have not invested extensively in upgrading them since. The average lifespan of water pipes is 50–100 years, depending on what they're made of and how much pressure they handle. Such aged infrastructure means that, on average, utilities lose 10% to 30% of water from leakage in developed markets and up to 40% in emerging markets.[1] It's not just a problem for fresh water, but also sewage leakage, e.g., sanitary sewer overflow (SSO). The Environmental Protection Agency estimates at least 23,000–75,000 SSOs per year in the US alone. A larger global population increases not only the overall consumption and demand for water, but also food demand, and food production is heavily dependent on water, with agriculture accounting for 69% of global freshwater demand.[2]

More tactically, our global sector strategists have become more positive on the industrials sector, a significant part of the theme's opportunity set, and the theme has a small- to mid-cap tilt. There's also some overlap between this long-term theme and our tactical preference for US infrastructure beneficiaries. US infrastructure spending is helping support growth for key water end-markets. In 2023, US water supply construction was up 16.9%, while conservation and development construction, which includes projects such as jetty and breakwater, was up 23.7%. Engineering and construction companies that provide environmental consulting services or have exposure to water treatment and supply projects are seeing steady growth in their water project pipelines.

Finally, investors looking for fixed income ideas can also find opportunities related to water. Our municipal bond team believes that the water and sewer sector is one of the muni market's safest segments—but security selection matters. This fits well with CIO's preference for investment grade municipals in high-quality sectors in the face of slower economic growth.

[1] OECD
[2] FAO

Longer-term themes

Top 5 favorite LTI themes

1. Water scarcity
2. Education services
3. Emerging market infrastructure
4. E-commerce
5. Frontier markets

Longer-term themes are expected to unfold over a longer time horizon, perhaps over the course of a decade or longer. These themes are based on secular trends that, CIO anticipates, will endure over multiple business cycles. Longer-term themes extend beyond the time frame of our strategic asset allocation. Learn more about the longer-term themes and our thematic investment framework based on three megatrends in our "Thematic guide."

US economic outlook

Our base case remains a soft landing, with the Fed starting to trim rates as growth and inflation cool off. Rising income should help to sustain growth in consumer spending.

Brian Rose, PhD, Senior US Economist

Overview

2023 was a Goldilocks year for the economy, with inflation cooling off despite stronger-than-expected growth. So far in 2024, there has been more ""anti-Goldilocks" data, for example weaker-than-expected retail sales and higher-than-expected inflation. One area of strength has been job growth, with nonfarm payrolls rising by 275,000 in February. As shown in the chart, private payrolls have been on a cooling trend over the last couple of years, while government payrolls have been making up for lost time, averaging more than 50,000 per month over the last 12 months. The chart suggests that government payrolls have fully recovered from the pandemic shock, so the hiring spree should start slowing soon. Rising unemployment in more areas of the country may also presage slower job growth ahead. Our base case remains a soft landing, with more moderate growth, the Fed gradually cutting rates, and PCE inflation, the Fed's preferred price measure, close to its 2% target at year-end.

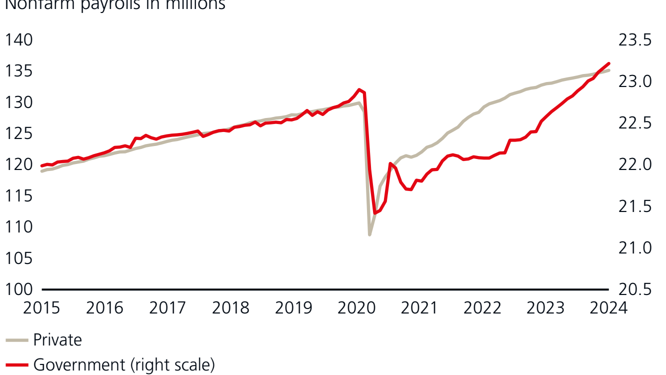
Growth

GDP growth has been strong since 3Q22, expanding at an annualized pace averaging 3%. Growth has been led by consumer spending, which appears to be slowing to a more sustainable pace. As shown in the chart, retail sales are now only slightly above year-ago levels. The combination of high prices and high interest rates appears to be weighing on vehicle sales now that some of the pent-up demand from the pandemic period has been fulfilled. As of this writing, the Atlanta Fed's GDPNow tracking estimate for 1Q24 stands at 2.1%, with consumption at 1.9%. We still see fundamentals as mostly positive for consumers. The combination of job growth, rising wages, and slowing inflation should continue to support real income, and in aggregate, household balance sheets are still strong. There are also signs of life in the housing market, with the NAHB survey of homebuilders moving above 50 for the first time since last summer, and existing home sales rising to their highest level in a year.

Figure 1

Government payroll growth likely to slow

Nonfarm payrolls in millions

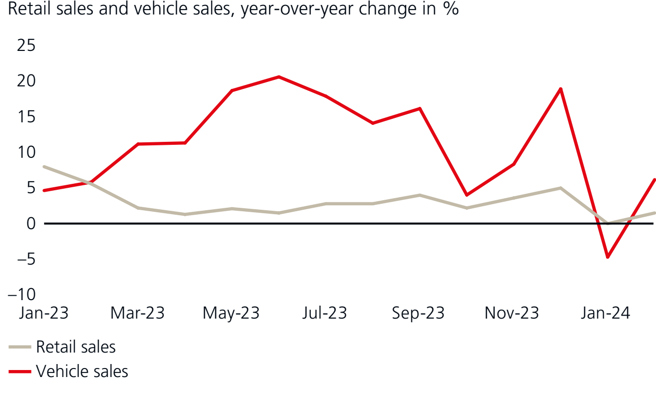


Source: Bloomberg, UBS, as of 20 March 2024

Figure 2

Consumption appears to be cooling off

Retail sales and vehicle sales, year-over-year change in %



Source: Bloomberg, UBS, as of 20 March 2024

For our global economic forecasts,
please see our report *Global forecasts*.

Read the report ›

Inflation

As shown in the chart, the monthly inflation prints for January and February were higher than in prior months. In our view, at least some of this was driven by temporary noise in the data, and we expect more favorable data over the rest of 2024 that will result in a lower inflation rate at the end of the year. Business surveys indicate that consumers are pushing back harder against further price increases, and political pressure ahead of the election may also make companies think twice about price hikes or "shrinkflation" through smaller package sizes. We remain confident that shelter inflation, which is by far the biggest component of the CPI, will continue to slow given the modest increases in rents for new tenant leases, which lead CPI shelter prices by around 12 months. While the headline inflation rate was 3.2% in February, excluding shelter it was only 1.8%. Overall softer economic conditions in 2024 should also help to ease inflationary pressure.

Policy

The Fed left policy unchanged at the FOMC meeting on 20 March, with the fed funds target range staying at 5.25–5.5%. As shown in the chart, the dot plot indicates nearly half of FOMC members anticipate three rate cuts by the end of 2024, assuming the standard 25bps per cut, in line with our base case. On our forecasts, by the time of the June meeting, conditions should be right for the Fed to trim rates. However, it is important to keep in mind that the dots do not represent a plan or a commitment, and if inflation continues to run hotter than we expect, or the labor market becomes more overheated, it could cause the Fed to stay on hold for longer. Reflecting this, there were also a lot of dots showing two cuts or fewer this year. Both we and the Fed see the current level of rates as well into restrictive territory, which means that sooner or later growth will slow below trend unless the Fed cuts. We therefore view it as highly likely that the Fed will start easing policy before year-end.

Figure 3

Monthly inflation was higher in Jan and Feb

CPI and core CPI, month-over-month change in %

0.6
0.5
0.4
0.3
0.2
0.1
0.0
Jan-23 Mar-23 May-23 Jul-23 Sep-23 Nov-23 Jan-24

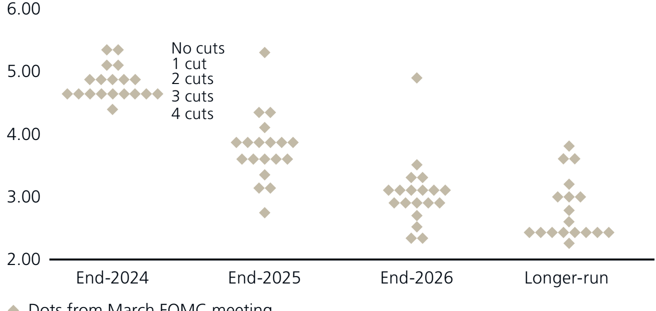
CPI
Core CPI

Source: Bloomberg, UBS, as of 20 March 2024

Figure 4

Fed still expects to cut rates this year

Appropriate level of interest rates at year-end, in %



Source: Fed, UBS, as of 20 March 2024

Equities

Global equities extended their rally in February and March and currently trade at record levels. Late last year, the rally was propelled by lower yields, which resulted from hopes of a central bank pivot. This year, the rally has been mainly driven by robust results from high-quality companies and encouraging macroeconomic data. The outlook has undoubtedly improved, but optimism is already high, limiting our appetite to chase the rally from here. We maintain our neutral stance in our asset strategy and expect the asset class to deliver low-single-digit returns by the end of 2024.

Eurozone

NEUTRAL

EURO STOXX 50 (index points, current: 5,000)	December 2024 target
House view	**4,900**
↗ Positive scenario	5,400
↘ Negative scenario	3,800

Note: All current values as of 20 March 2024

We maintain our neutral stance on Eurozone equities. Relative valuations remain attractive, in our view, but subdued economic growth points to a relatively slow earnings recovery. Falling inflation, easing financial conditions, bottoming manufacturing activity, light investor positioning, and reasonable equity valuations present a relatively favorable backdrop for equities. But after the strong run, we see only modest further gains from here in the absence of a faster economic recovery or bigger interest rate cuts.

Emerging markets

MOST PREFERRED

MSCI EM (index points, current: 1,032)	December 2024 target
House view	**1,100**
↗ Positive scenario	1,200
↘ Negative scenario	820

Note: All current values as of 20 March 2024

We view emerging market (EM) equities as most preferred. The macroeconomic picture in emerging markets remains healthy. Economic activity continues to expand, with aggregate manufacturing PMIs remaining strong, while inflation continues to normalize. In our view, emerging market companies look set to deliver solid mid-teens earnings growth in 2024. Valuations for the MSCI EM index are largely in line with their 10-year average, yet stand at an above-average discount to US and developed market stocks.

Japan

NEUTRAL

TOPIX (index points, current: 2,751)	December 2024 target
House view	**2,770**
↗ Positive scenario	2,900
↘ Negative scenario	2,000

Note: All current values as of 20 March 2024

We are neutral on Japanese equities in our global strategy. The TOPIX climbed higher last month after a small correction, supported by improved sentiment in the US market and the Japanese yen's depreciation against the US dollar. After the recent Bank of Japan meeting, our outlook for Japanese equities remains unchanged: We expect stronger governance and robust corporate earnings growth of 12% in FY2023 and 5% in FY2024. While valuations are no longer cheap, historically they look fair versus the global MSCI ACWI benchmark.

UK

LEAST PREFERRED

FTSE 100 (index points, current: 7,737)	December 2024 target
House view	**7,780**
↗ Positive scenario	8,400
↘ Negative scenario	6,000

Note: All current values as of 20 March 2024

We expect monetary policy easing in 2024 as inflation cools. This, combined with reasonable valuations and earnings close to bottoming out, should support UK equities around current levels. We hold UK equities as least preferred in our global asset class preferences as we see more upside in other markets that are expected to deliver significantly faster earnings growth than the 2% we anticipate for the FTSE 100 this year.

US equities

We continue to believe that the four key equity market drivers remain largely in place: solid growth, disinflation, Fed pivot, and explosion in AI investment. With some sentiment and positioning indicators looking elevated, we would not be surprised to see a modest pullback in the coming months. This could offer investors a better opportunity to add to equity positions.

David Lefkowitz, CFA, Head of US Equities; **Nadia Lovell,** Senior US Equity Strategist; **Matt Tormey,** US Equity Strategist

US equities overview

NEUTRAL

Despite some recent economic data that suggests a slowdown in growth and hotter-than-expected inflation, we continue to expect a soft landing for the US economy. In our view, the Fed is likely to cut rates three times this year starting in June, largely echoing the Fed's view following the March FOMC meeting. Additionally, earnings remain supportive. 4Q earnings season beat expectations, and 1Q24 guidance is tracking in line with historical patterns. Although the Magnificent 7 accounts for a substantial portion of EPS growth right now, growth expectations are starting to broaden out.

US equities: Sectors

Healthcare is our preferred defensive sector due to faster earnings growth relative to other defensives. Industrials should benefit from resilient economic growth, an improvement in manufacturing sentiment, and a bottoming in cyclical areas such as transports. Tech should benefit from its higher quality bias, AI-driven growth, and a pickup in key end-markets. For real estate, growth in adjusted funds from operations this year will likely lag S&P 500 profit growth. Resilient economic data may lead to underperformance for the utilities sector.

US equities: Size

Our expectations for earnings growth to broaden out beyond the largest US companies is a key driver of our preference for small-caps. Leading indicators of profit growth such as improving access to capital, a better tone in manufacturing business surveys, and the potential for Fed rate cuts are all supportive. With small-cap valuations quite low, any improvement in profit growth—which admittedly has not happened yet—would likely drive substantial outperformance.

US equities: Style

The AI spending boom has been a key driver of the increase in relative valuations for growth stocks, which are nearly double their historical average versus value stocks. However, this premium may persist given a stronger earnings outlook for growth stocks. While the prospect of Fed rate cuts could be positive for value stocks, we prefer to take advantage of this opportunity via small-caps, as their balance sheets should get a bigger benefit from Fed rate cuts compared to large-caps.

S&P 500 (index points, current: 5,242)	December 2024 target
House view	**5,200**
↗ Positive scenario	5,500
↘ Negative scenario	3,700

Note: All current values as of 21 March 2024

Figure 1

Remain balanced in our sector positioning

	Least preferred	Neutral	Most preferred
US equities			
Communication services		Neutral	
Consumer discretionary		Neutral	
Consumer staples		Neutral	
Energy		Neutral	
Financials		Neutral	
Healthcare			Most preferred
Industrials			Most preferred
Information technology			Most preferred
Materials		Neutral	
Real estate	Least preferred		
Utilities	Least preferred		

Note: Tactical preferences from benchmark (S&P 500).
Source: UBS, as of 21 March 2024

Figure 2

Earnings growth expectations starting to broaden out

Next-12-months net income, in USD billions

Source: FactSet, UBS, as of 20 March 2024

Bonds

We think the current risk-reward proposition for quality bonds is attractive, and we see the potential for capital appreciation as inflation recedes and growth moderates. Our base case is that the Fed will cut rates three times (25bps each) before the end of 2024, starting in June, and we look for the 10-year US Treasury yield to fall to 3.5% by year-end, from 4.3% today. Within fixed income, we keep US investment grade (IG) corporate bonds, TIPS, CMBS, and agency MBS most preferred, advising an "up-in-quality" allocation.

Alejo Czerwonko, Chief Investment Officer Emerging Markets Americas; **Leslie Falconio,** Head of Taxable Fixed Income Strategy; **Kathleen McNamara,** CFA, CFP, Municipal Strategist; **Barry McAlinden,** CFA, Fixed Income Strategist; **Frank Sileo,** CFA, Fixed Income Strategist

Government bonds

NEUTRAL

US 10-YEAR YIELD (current: 4.25%)	December 2024 target
House view	**3.5%**
↗ Positive scenario	2.5%
↘ Negative scenario	4.0%

Note: All current values as of 20 March 2024

We entered 1Q24 with a bearish tilt on rates because of the wide dispersion between the market's expectations and the Fed's guidance. The market's sentiment shift caused rates to rise, with 10-year yields up 23.5bps the week of 8 March, the largest rise since October 2023. We revised our short-term range to 4–4.5% and recommend buying on dips at or near 4.5%. With the Fed keeping rate cuts on hold, along with some emerging cracks in the economy, notably labor and consumer demand, our view remains that 10-year yields will trend toward 3.5% on the back of three rate cuts and slowing growth in 2H24.

US investment grade corporate bonds

MOST PREFERRED

US IG SPREAD (current: 92bps)	December 2024 target
House view	**110bps**
↗ Positive scenario	85bps
↘ Negative scenario	200bps

Benchmark: Bloomberg Barclays US Int. Corp.
Note: Current values as of 20 March 2024

We hold a most preferred view on investment grade bonds. On spread valuation, IG bonds are not cheap at an index spread level of 92bps, but are supported by the benign economic data, a solid corporate profit picture, and strong investor demand, at an overall corporate yield of 5.4%. We continue to favor a barbell approach consisting of short-end (1–3-year) and intermediate (7–10-year) exposure. Despite the recent strong relative performance of financials, they remain wider than nonfinancial bonds with comparable duration and credit ratings. We find good relative value in bonds issued by US G-SIB banks.

Emerging market bonds

NEUTRAL

EMBIG DIV. / CEMBI DIV. SPREAD (current: 354bps / 274bps)	December 2024 target
House view	**400bps / 325bps**
↗ Positive scenario	340bps / 260bps
↘ Negative scenario	600bps / 550bps

Note: Current values as of 20 March 2024

We keep emerging market credit as neutral. Valuations look moderately expensive, and we expect wider spreads by year-end. However, our soft landing base case scenario implies that the asset class should still deliver high-single-digit returns this year. Key risks include negative growth and inflation shocks in the US and other key countries, softer commodity prices, escalating geopolitical tensions, or rising defaults, whether in developing or developed markets, triggering a flight to safety.

US high yield corporate bonds

NEUTRAL

USD HY SPREAD (current: 310bps)	December 2024 target
House view	**400bps**
↗ Positive scenario	300bps
↘ Negative scenario	800bps

Benchmark: ICE BofA
Note: All current values as of 20 March 2024

We are neutral on high yield, reflecting our view that spreads are tight but yields provide ample carry. With the economy surprising to the upside, fundamentals in HY remain at healthy levels, while the outright levels of yield provide a buffer to total returns. We think HY default rates could rise slightly but would be lower than in past default cycles. And barring a major economic slowdown, HY issuers should be able to refinance their maturities in 2024.

EMBIG = hard-currency sovereign bonds
CEMBI = hard-currency corporate bonds

Municipal bonds

NEUTRAL

Munis exhibited strength in March after a disappointing start to the year. Meanwhile, the pace of new issuance moved higher. Demand for high-profile issuers' debt was strong. Muni bond mutual funds have now recorded nine straight weeks of net cash inflows, also reflecting increased demand for tax-exempt income. Yields on AAA munis sit at rich levels vis-à-vis taxable debt at the front part of the curve. We see better values beyond the 10-year spot. AAA 10-year muni-to-Treasury yield ratio: 57% (last publication: 57%).

Non-US developed fixed income

NEUTRAL

Over the past month, bond yields in non-US developed markets were mostly lower by a modest amount as the anticipated start of central bank rate cuts moved closer. On foreign exchange markets, the dollar overall was little changed against other major currencies. These factors combined to produce slightly positive returns for the month. With US bonds still offering higher yields than in most other developed markets, we do not recommend a strategic asset allocation position on the asset class.

Additional US taxable fixed income (TFI) segments

Agency bonds

We continue to have a least preferred view in agency debt, with preference for agency MBS.

Mortgage-backed securities (MBS)

MOST PREFERRED

Interest rate volatility has continued to impact MBS, but its relative value to other high-quality counterparts has attracted demand from banks, hedge funds, and money managers. With IG spreads compressed, we think MBS offers attractive relative value and should outperform as volatility declines in 2H24. We continue to hold CMBS as most preferred as it has outperformed to start 2024. While spreads are tighter among higher-quality CMBS, they remain cheap to corporate counterparts and even agency MBS.

AGENCY MBS SPREAD (current: 147bps)	December 2024 target
House view	**110bps**
Positive scenario	100bps
Negative scenario	185bps

Note: Current values as of 20 March 2024

Preferred securities

NEUTRAL

Preferreds have been resilient this year in the face of higher-trending interest rates that are sustaining elevated levels.. Therefore, valuation has tightened and spreads have narrowed. The sector may experience near-term headwinds as rates potentially continue drifting higher or if there is a reversal in spreads. Looking out into 2024, we expect generally lower-trending interest rates to support the sector and produce solid 12-month returns.

Treasury Inflation-Protected Securities (TIPS)

MOST PREFERRED

Stronger inflation data has spiked breakeven inflation (BEI) expectations, with 5-year BEI up 27bps year-to-date, supporting outperformance in our 5-year TIPS allocation. Slowing growth in 2H24 will help bring down real yields. We continue to prefer 5-year TIPS as an inflation hedge and remain with this allocation, which we entered when real yields were 2.25% versus today's 1.91%. Given housing market strength, elevated wage growth, and CIO's outlook of rising oil prices, we believe holding TIPS within a diversified portfolio is prudent.

US 5-YEAR YIELD (current: 1.91%)	December 2024 target
House view	**1.75%**
Positive scenario	1.50%
Negative scenario	2.40%

Note: All current values as of 20 March 2024

Figure 1

UBS CIO interest rate forecast

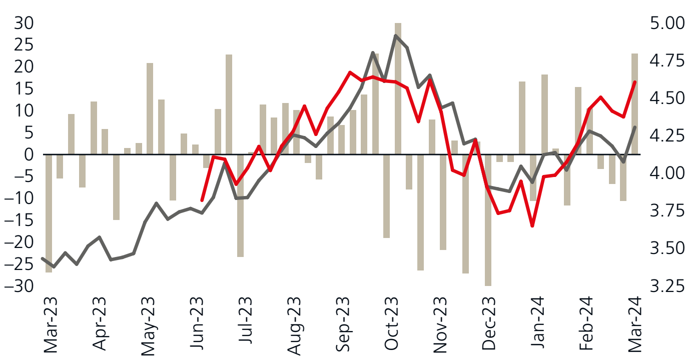
In %

UST	Current	Jun-24	Sep-24	Dec-24	Mar-25
2-year	4.6	3.8	3.3	3.3	3.3
5-year	4.3	3.5	3.5	3.3	3.3
10-year	4.3	3.8	3.5	3.5	3.5
30-year	4.4	4.0	4.0	3.8	3.8

Source: Bloomberg, UBS, as of 20 March 2024

Figure 2

10-year Treasury yields rose as market anticipated higher end-of-year fed funds rate



Source: Bloomberg, UBS, as of 15 March 2024

Commodities and listed real estate

We hold a neutral view on commodities overall and on gold, but remain most preferred on crude oil. Our benchmark UBS CMCI total return index is up by around 4% this year, supported by strong contribution from all sectors in March. We retain a positive outlook for commodities, supported by interest rate cuts, a recovery in global industrial activity, and commodity-specific supply-side factors that should combine to push commodities higher. We target total returns of around 10% over the next 6–12 months, with all sectors contributing to the performance.

Dominic Schnider, CFA, CAIA, Strategist, UBS Switzerland AG; **Giovanni Staunovo,** Strategist, UBS Switzerland AG; **Thomas Veraguth,** Strategist, UBS Switzerland AG; **Wayne Gordon,** Strategist, UBS AG Singapore Branch

Commodities

NEUTRAL

GOLD (current: USD 2,186/oz) — December 2024 target
NEUTRAL

House view	USD 2,250/oz
↗ Positive scenario	USD 2,500/oz
↘ Negative scenario	USD 2,000/oz

Note: All current values as of 20 March 2024. Gold is a safe-haven asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.

BRENT (current: USD 85.95/bbl) — December 2024 target
MOST PREFERRED

House view	USD 82/bbl
↗ Positive scenario	USD 120–140/bbl
↘ Negative scenario	USD 40–60/bbl

Note: Current values as of 20 March 2024

Precious metals

Gold prices surged to a new record intraday high as technical factors likely spurred money market participants to buy gold futures. With our base case of solid central bank demand for the metal and the Fed starting to cut rates by midyear, we think a revival in gold ETF demand is the next catalyst. Our year-end target remains USD 2,250/oz.

Base metals

We see further supply disappointments and structurally low exchange inventories providing the conditions for higher prices this year. While prices will likely remain volatile in the near term on global growth concerns, structural demand drivers for the sector are still in place, which should drive a recovery over the coming quarters.

Agriculture

Despite the steady decline in grain prices over recent months, the prices of some soft commodities including cocoa and cotton have continued to surge. Cocoa has closed at new all-time highs above USD 8400/mt as participants try to find a price point at which demand destruction begins to balance the market. The ICCO released its 2023–24 numbers, and the deficit now exceeds 370,000mt, with 74,000mt last season. This is the third annual deficit in a row and the largest since ICCO records began in 1960, and we could see global stockpiles drop by around 21% from a year earlier. Markets are also turning their attention to the USDA March US Prospective Plantings report—we expect acreage projections for corn and soybeans to beat previous forecasts. Markets remain pressured by cheap wheat from Russia and a seasonal pickup in exports of soybeans from South American suppliers. According to the NOAA, the chances of a La Nina by Christmas is above 70%. Historically, these events have raised the risks of drought. We remain least preferred on grains and most preferred on soft commodities in our active strategy.

Crude oil

Oil demand growth figures have surprised positively in recent months. At the same time, with OPEC+ retaining a cautious stance and extending their voluntary production cuts until the end of June, we expect the oil market to stay undersupplied, and oil prices supported.

Listed real estate

RUGL Index (current: USD 5,591) — December 2024 target

House view	USD 7,100
↗ Positive scenario	USD 7,300
↘ Negative scenario	USD 6,900

Note: All current values as of 22 March 2024

We like companies with strong pricing power, large pipelines, attractive yield gaps, and robust cash flows, as well as acquisitive ones. Stocks trading at large discounts may selectively offer above-average returns. Historically, the sector has started to rally 18–24 weeks before the first actual Fed rate cut, with good performance continuing after the cuts. We like Japanese developers' attractive valuations and robust fundamentals. Singapore REITs are beginning to enjoy the decrease in interest rates. Hong Kong developers and mainland China appear to be only nearing a bottom in valuations. Continental Europe has become cheaper after a few months of underperformance. The predominant office exposure in the UK is still an overall drag, and while US REITs look well capitalized, they have already had a good run.

Foreign exchange

We prefer the Australian dollar and keep the Swiss franc as least preferred.

Thomas Flury, Strategist, UBS Switzerland AG

Price action and economic conditions suggest EURUSD is likely to stay in a 1.05–1.10 range for the time being. We believe the pairing may test the lower edge of that trading band in the coming weeks, but we see limits to dollar strength. Markets are expecting most G10 central banks to cut interest rates by 150–200bps over the next two years. This should provide solid support for risk-on currencies like the EUR, the GBP, and the commodity bloc (AUD, CAD, and NZD).

The pound should hold steady against the EUR. The UK and the Eurozone are at a very similar stage in the economic and monetary policy cycle. Just like the euro, the GBP would likely need a stronger global growth backdrop and a more stable geopolitical outlook to rally sustainably. A rebound of GPBUSD to 1.30 cannot be ruled out in light of easing global monetary conditions and improving risk sentiment.

The Swiss franc is on a weakening trend in response to Swiss inflation dropping into the Swiss National Bank's target band, reducing the need to shield Switzerland from imported inflation. This backdrop suggests to us the CHF should decline further from here, and we keep our least preferred view on the franc. We think the currency is well suited to finance carry trades in the coming months. In contrast to this short-term view, we continue to see long-term value in CHF positions.

USDJPY is likely to remain in a 145–152 trading range in the coming months, in our view. The Bank of Japan judged that reaching 2% inflation is in sight, and hence announced an end to its negative interest rate policy and yield-curve control regimes. However, the yen did not benefit from the decision, implying that markets remain comfortable using the yen as a funding currency amid elevated US yields. We continue to favor selling USDJPY upside risks for yield pickup.

For the CAD, NOK, AUD, and NZD, we anticipate only benign changes in the crosses. To be sure, we think the AUD is likely to profit the most as the Reserve Bank of Australia will likely join the rate-cut cycle only in 4Q in view of its stronger domestic economy. The pullback in oil prices should be transitory, and any rebound may support the CAD and NOK. We expect EURCAD to move lower and the NOK to outperform the SEK again.

After the strong repricing of global central banks' policy rate outlooks at the start of the year, emerging market currencies benefited from solid-enough economic data, general pro-risk sentiment in markets, and their own rather elevated interest rate carry (some more than others). With the Fed expected to start cutting its policy rate by the middle of the year, high-yielding emerging market currencies that saw initial policy rate cuts should still fare well. Our preference is for the Brazilian real, which should benefit from its strong external balance as well. And for investors with a high risk-tolerance, we recommend exposure to the Egyptian pound. For China, we expect limited upside potential for the yuan because of weakening Chinese growth momentum, which speaks for further easing measures.

FX strategy

	Least preferred	Neutral	Most preferred
USD		=	
EUR		=	
JPY		=	
GBP		=	
CHF	−		
AUD			+

FX forecasts

	Current	Jun-24	Sep-24	Dec-24	Mar-25
EURUSD	1.09	1.08	1.10	1.12	1.14
USDJPY	152	145	142	140	138
GBPUSD	1.27	1.26	1.28	1.30	1.33
USDCHF	0.89	0.90	0.88	0.87	0.85
USDCAD	1.36	1.33	1.32	1.31	1.30
AUDUSD	0.65	0.67	0.69	0.71	0.72
NZDUSD	0.60	0.61	0.62	0.62	0.62
USDSEK	10.48	10.46	10.18	9.91	9.65
USDNOK	10.66	10.56	10.27	10.00	9.74

Sources: SIX Financial Information, UBS, as of 21 March 2024

Investment committee

The UBS investment process is designed to achieve replicable, high-quality results through applying intellectual rigor, strong process governance, clear responsibility, and a culture of challenge.

Based on the analyses and assessments conducted and vetted throughout the investment process, the Chief Investment Officer (CIO) formulates the UBS Wealth Management Investment House View at the Global Investment Committee (GIC). Senior investment professionals from across UBS, complemented by selected external experts, debate and rigorously challenge the investment strategy to ensure consistency and risk control.

The GIC comprises top market and investment expertise from across all divisions of UBS:
- Mark Haefele (Chair)
- Solita Marcelli
- Paul Donovan
- Min Lan Tan
- Themis Themistocleous
- Bruno Marxer (*)
- Adrian Zuercher
- Mark Andersen

We recognize that a globally derived house view is most effective when complemented by local perspective and application. As such, UBS has formed a Wealth Management Americas US Investment Strategy Committee:
- Solita Marcelli
- Alejo Czerwonko
- Jason Draho (chair)
- Leslie Falconio
- David Lefkowitz
- Brian Rose
- Daniel Scansaroli

(*) Business area distinct from Chief Investment Office Global Wealth Management

Cautionary statement regarding forward-looking statements

This report contains statements that constitute “forward-looking statements,” including but not limited to statements relating to the current and expected state of the securities market and capital market assumptions. While these forward-looking statements represent our judgments and future expectations concerning the matters discussed in this document, a number of risks, uncertainties, changes in the market, and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to (1) the extent and nature of future developments in the US market and in other market segments; (2) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates, whether or not arising directly or indirectly from the current market crisis; (3) the impact of these developments on other markets and asset classes. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Explanations about asset classes

Our preferences represent the longer-term allocation of assets that is deemed suitable for a particular investor and were developed and approved by the US Investment Strategy Committee. Our preferences are provided for illustrative purposes only and will differ among investors according to their individual circumstances, risk tolerance, return objectives and time horizon. Therefore, our preferences in this publication may not be suitable for all investors or investment goals and should not be used as the sole basis of any investment decision. Minimum net worth requirements may apply to allocations to non-traditional assets. As always, please consult your UBS Financial Advisor to see how our preferences should be applied or modified according to your individual profile and investment goals.

Our preferences do not assure profits or prevent against losses from an investment portfolio or accounts in a declining market.

Statement of risk

Equities – Stock market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables.

Fixed income - Bond market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables. Corporate bonds are subject to a number of risks, including credit risk, interest rate risk, liquidity risk, and event risk. Though historical default rates are low on investment grade corporate bonds, perceived adverse changes in the credit quality of an issuer may negatively affect the market value of securities. As interest rates rise, the value of a fixed coupon security will likely decline. Bonds are subject to market value fluctuations, given changes in the level of risk-free interest rates. Not all bonds can be sold quickly or easily on the open market. Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning any securities referenced in this report.

Preferred securities – Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning preferred stocks. Preferred stocks are subject to market value fluctuations, given changes in the level of interest rates. For example, if interest rates rise, the value of these securities could decline. If preferred stocks are sold prior to maturity, price and yield may vary. Adverse changes in the credit quality of the issuer may negatively affect the market value of the securities. Most preferred securities may be redeemed at par after five years. If this occurs, holders of the securities may be faced with a reinvestment decision at lower future rates. Preferred stocks are also subject to other risks, including illiquidity and certain special redemption provisions.

Municipal bonds – Although historical default rates are very low, all municipal bonds carry credit risk, with the degree of risk largely following the particular bond’s sector. Additionally, all municipal bonds feature valuation, return, and liquidity risk. Valuation tends to follow internal and external factors, including the level of interest rates, bond ratings, supply factors, and media reporting. These can be difficult or impossible to project accurately. Also, most municipal bonds are callable and/or subject to earlier than expected redemption, which can reduce an investor’s total return. Because of the large number of municipal issuers and credit structures, not all bonds can be easily or quickly sold on the open market.

Appendix

Emerging Market Investments
Investors should be aware that emerging market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and socio-political risk, interest rate risk, and higher credit risk. Assets can sometimes be very illiquid, and liquidity conditions can abruptly worsen. CIO GWM generally recommends only those securities it believes have been registered under federal US registration rules (Section 12 of the Securities Exchange Act of 1934) and individual state registration rules (commonly known as "Blue Sky" laws). Prospective investors should be aware that to the extent permitted under US law, CIO GWM may from time to time recommend bonds that are not registered under US or state securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Sub-investment grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher yielding bonds for shorter periods only.

Nontraditional Assets
Nontraditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments).
Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance, and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments; there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund, and should consider an alternative investment fund as a supplement to an overall investment program. In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

– **Hedge fund risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, “junk bonds,” derivatives, distressed securities, non-US securities and illiquid investments.

– **Managed futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.

– **Real estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.

– **Private equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.

– **Foreign exchange/currency risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in US dollars, changes in the exchange rate between the US dollar and the issuer’s “home” currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a US investor.

Disclaimer / Risk information

UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.
The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.

Generic investment research – Risk information:
This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.

In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it.
The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for

any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.

USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule**

For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.

Additional Disclaimer relevant to Credit Suisse Wealth Management
You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website https://www.credit-suisse.com. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.
Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by Credit Suisse AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Credit Suisse AG is a UBS Group company.

Version A/2024. CIO82652744
© UBS 2024. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

© 2024 UBS Financial Services Inc. All rights reserved. Member SIPC.
All other trademarks, registered trademarks, service marks and registered service marks are of their respective companies.

UBS Financial Services Inc. ubs.com/financialservicesinc

UBS Financial Services Inc. is a subsidiary of UBS AG.