UBS House View

Investment Strategy Guide: Part of the deal

March 2025 | Chief Investment Office GWM | Investment research

In this report

March
CIO Monthly Livestream
6 March 2025 1:00 p.m. ET

- 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 28 Feb 2025

Lead authors
Mark Haefele
Solita Marcelli

Authors (in alphabetical order)
Jason Draho
Leslie Falconio
Wayne Gordon
Michael Gourd
David Lefkowitz
Nadia Lovell
Barry McAlinden
Brian Rose
Dominic Schnider
Frank Sileo
Giovanni Staunovo
Thomas Veraguth
Justin Waring

Cover image
Getty Images

Editors
Jess Hoeffner
Steven Faucher
Laura Amoroso

Project management
John Collura
Shawn Awan
Matt Siegel

Design
John Choi
Helena Powers
Cheryl Seligman
CIO Content Design

Dear reader

With President Trump's second term well underway, investors remain focused on the influx of accelerating policy actions and the impact on an evolving economic landscape.

Volatility has already been a hallmark to begin 2025, with tariffs, government spending cuts, regulatory shifts, and AI developments like DeepSeek contributing to the choppier trading conditions. But despite these challenges, our base case remains "growth despite tariffs," as we expect US economic expansion to slow but remain relatively healthy.

Recent economic indicators present a nuanced picture. The Atlanta Fed's GDPNow tracking estimate of 1Q growth stands at -1.5%, and while this might appear alarming on the surface, in our view, it mostly reflects noise rather than a signal that the economy has suddenly started shrinking. The labor market has shown signs of softening, such as a deceleration in job growth, yet remains robust, with low unemployment rates and rising wages. Additionally, recent data showed a decline in consumer spending, although we believe this is largely attributable to seasonal factors rather than indicative of a broader downturn.

With economic signals more mixed, market pricing for expected monetary easing has come more in line with our expectation for two 25-basis-point rate cuts in 2025. US Treasury yields have subsequently declined over 50bps since mid-January. While we continue to see the 10-year yield falling further toward 4% by year-end, we recently trimmed our long interest rate exposure after the recent move. We still recommend focusing on the five-year part of the curve, which we believe offers more insulation from deficits, supply risks, and inflation concerns. Within fixed income, we favor investment-grade corporate bonds, agency mortgage-backed securities, and senior loans.

Within equities, volatility will likely persist with policy uncertainty still elevated. However, fundamentals remain supportive on the heels of healthy results from reporting season to date, and we continue to view the environment as supportive for risk assets. We maintain our year-end 2025 S&P 500 target of 6,600. Our equity sector preferences remain unchanged. We continue to favor information technology as our Most Attractive sector, with Attractive views on communication services, consumer discretionary, financials, utilities, and health care.

As always, we encourage you to reach out to your UBS financial advisor to discuss how these views align with your investment strategy.

Solita Marcelli

Solita Marcelli
Chief Investment Officer Americas
Global Wealth Management

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

Part of the deal

Policy uncertainty high

The volume, breadth, and speed of US executive action is causing unusual levels of policy uncertainty. Trade, foreign, and domestic policy will continue to unfold in the coming weeks.

Navigating near-term risks

Tariff threats present a risk to inflation, while government spending cuts, including layoffs, are potential headwinds to growth.

Fundamentals solid

Despite the risks, the US economy is in robust health, with unemployment low. Growth in themes like artificial intelligence and electrification should remain intact.

Asset allocation

We rate US equities as Attractive and like companies exposed to AI, and power and resources. We also like government and investment grade bonds, gold, and the yen.

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 4 March. Join here.

We believe market volatility is likely to rise.

All US presidents start their terms by making bold promises for dramatic change. Yet this time, the volume, breadth, and speed of executive action, as well as the unorthodoxy of some of the proposed policies, are causing unusual levels of uncertainty.

Against this backdrop, a failure of imagination about what the president might say, try, or achieve is a significant risk. Volatility is likely to be elevated as markets consider a wider range of potential future outcomes.

At the same time, after over a decade in politics, it is still difficult to tell the difference between President Trump's negotiation tactics and bona fide policy plans. His detractors and his supporters can all too easily get caught up in the noise. We believe it's crucial for investors to stay grounded in the data to try and separate rhetoric from reality and diversion from direction.

The initial data do not appear to support sensationalist news headlines around migration, spending cuts, and foreign policy. For example, despite heated words between Trump and Ukrainian President Zelenskyy, the US is continuing to negotiate a security agreement with Ukraine.

In this letter, we share our views on the latest developments in US trade, domestic, and foreign policy, how they may affect investors in the months and years ahead, and how to position portfolios. We present our latest investment scenarios to help investors navigate a still wide range of potential outcomes and conclude with our latest investment views.

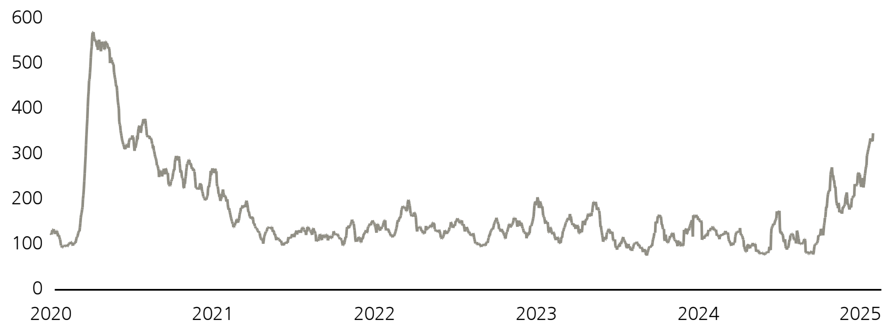
In short, we note that the US economy is entering this period of heightened uncertainty in robust health. So far, the enacted policy measures should not have large direct impacts on growth or inflation, in our view. Meanwhile, underlying growth in themes like artificial intelligence and electrification should remain unaffected by the scope of the policy measures announced so far. And the Trump administration's approach of forcing changes or concessions around core issues could unlock longer-term opportunities.

But hasty policymaking across a broad range of areas is making indirect risks to growth harder to ignore. And with the risk of a government shutdown and federal agencies' reports on tariffs due in the coming weeks, we believe volatility is likely to rise.

Figure 1

Investors face heightened uncertainty

US economic uncertainty index, 20-day moving average



Source: Bloomberg, UBS, as of February 2025

To navigate the months ahead, we recommend being invested in stocks, with a focus on the US, AI, and power and resources, but also hedging those equity exposures to manage near-term risks. Investors should also ensure portfolios are well diversified with assets including quality bonds, gold, and alternatives.

Ukraine

Negotiations to end the Russia-Ukraine war are underway.

In January, President Trump told Russia to end the Ukraine invasion or face sanctions. “We can do it the easy way or the hard way,” he wrote. On the campaign trail, he also promised to end the war in one day.

That has not proved possible, and Trump’s actions have since included opening direct negotiations with Russia and seeming to suggest Ukraine started the war. But, despite heated personal rhetoric between President Trump and President Zelenskyy, at the time of writing, the *Financial Times* reports that the US and Ukraine have agreed terms on a deal to jointly develop Ukraine’s state-owned mineral resources.

We believe that extracting financial concessions from Ukraine (or Europe) in exchange for US support is indicative of a US administration trying to reach an agreement that allows Trump to claim that the US is no longer being “taken advantage of.” We believe this is Trump’s preference rather than withdrawing support for Ukraine and European security entirely.

Our base case is that a ceasefire can be reached over the course of this year.

Our base case is that a ceasefire can be reached over the course of this year. This would likely involve Ukraine losing some territory, but gaining Western (if not necessarily US) security guarantees and reconstruction commitments. Russia may negotiate sanctions relief and a partial resumption of gas flows to Europe (even if they are unlikely to return to pre-war levels).

Such a deal could provide some modest benefits to the European economy from lower energy prices, and improving consumer and business sentiment. But it is also likely to incur fiscal costs. For example, defense spending may rise beyond the previously agreed NATO requirement of 2% of GDP. We estimate that lifting the defense spending of 21 European countries to at least 3% of GDP would require additional government revenues of a combined EUR 230bn (compared with an additional EUR 75bn to reach the 2% level).

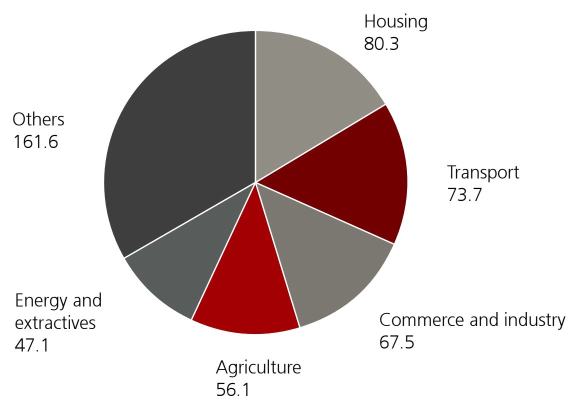
For investors, a lasting ceasefire agreement could represent a positive catalyst for European equities. In particular, building materials and industrial companies would likely be among the beneficiaries of reconstruction efforts. In bonds, sovereign spreads of countries most exposed to an escalation with Russia could see some tightening on the back of a deal. A ceasefire could also support investor sentiment toward the euro. Finally, we expect select defense stocks to benefit from rising security investments.

Figure 2

Ukraine's reconstruction could create positive catalysts for European equities

Estimated costs for Ukraine's reconstruction and modernization in the next decade, in USDbn

Total estimated costs: USD 486 billion (2024-2033)



Source: World Bank, UBS, as of February 2025

Of course, getting Ukraine, Europe, and Russia to agree—a prerequisite to a ceasefire—is not going to be simple. This suggests that an imminent halt to the conflict is unlikely. And, given the recent strong performance from a variety of European assets, in part due to optimism about a potential near-term ceasefire, we would recommend preparing for such outcomes through structured strategies if possible, rather than via outright positions.

President Trump's promises include deregulation, tax cuts, and government spending reductions.

Domestic policy

Promises made by President Trump on the campaign trail included undertaking the "largest regulatory reduction in the history of our country," "massively cut taxes for workers and small businesses," and "rip the waste out of our great nation's budget," as well as measures to tackle undocumented immigration.

Whether these policies are right or wrong for the country probably depends on your political persuasion. Whether they're right or wrong for markets will likely depend on whether hopes about deregulation and tax cuts can offset fears about the potential effects of tougher migration policy, higher tariffs, and government spending cuts.

At this stage, we would make two observations: (1) The direct impact of measures announced so far is not large enough to have a meaningful direct impact on growth, inflation, or the deficit (or on stated policy objectives), in our view.
(2) Second-order effects and hasty policy execution pose downside risks to growth and upside risks to inflation.

The Trump administration is taking steps to reduce the size of the federal workforce.

Take government spending cuts, for instance. Through various measures, the number of federal workers may drop by several percent, but this represents only around 0.1% of economy-wide payrolls, suggesting a limited impact on overall employment, GDP, or government spending.

Yet, anecdotal evidence points to potential adverse impacts from the expediency of the program. For example, news reports highlight erroneous decisions to lose staff involved with preventing the spread of avian flu or even operating the US nuclear deterrent.

Meanwhile, stricter border security and hostile rhetoric may slow immigration and stall labor supply growth. With the economy at full employment, reduced labor supply risks pushing up wages and potentially driving inflation.

Tax measures may also not provide as meaningful a boost to growth as hoped for. An extension to the TCJA (Tax Cuts and Jobs Act) would prevent an increase in taxes, but is not stimulative in itself, and House Freedom Caucus defections risk imperiling even this. Significant new personal or business tax cuts also look unlikely to pass Congress, in our view. At the time of writing, the House of Representatives has passed a budget resolution bill, but this does nothing more than defer the hard decisions on tax cuts and spending.

The risk of a government shutdown remains.

Finally, a highly partisan political environment increases political event risks associated with the budget and debt ceiling. In the near term, a government shutdown in mid-March looms if (as seems likely) a bipartisan deal on funding cannot be reached, and the summer could usher in yet another prolonged impasse over the debt ceiling.

Generally, we would expect the economy to bounce back quickly once funding is restored, since most government workers will still get paid (albeit late). The longest previous shutdown was 35 days during the first Trump administration, which hit first-quarter 2019 growth by 0.2%, according to Congressional Budget Office estimates.

For investors, we believe this speaks in favor of staying invested, but we also advise considering hedging approaches for US risk assets, particularly as we head into a potential government shutdown and the 1 April deadline when federal agencies offer recommendations on future trade policy.

The Trump administration has threatened tariffs on a range of countries and industries.

Tariffs

Since the first day in office, the Trump administration has released a steady stream of tariff threats on both products and countries. Tariffs have been proposed on Canada, Mexico, and China (though only the latter have been implemented so far, with an additional 10% now threatened). At the time of writing, President Trump has said 25% tariffs on Canada and Mexico will begin on 4 March. Meanwhile, import tariffs on steel, aluminum, and some metal products will be raised to 25% potentially starting in March.

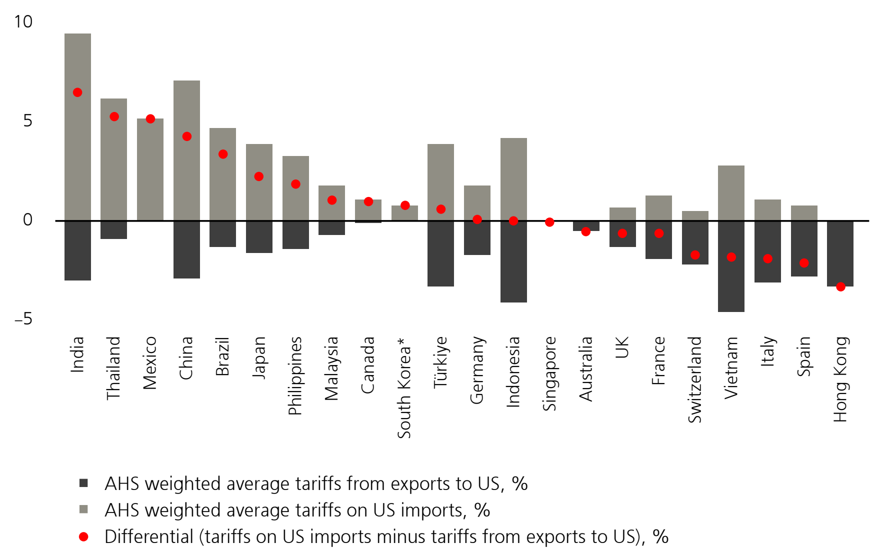
Trump has also directed his administration to evaluate reciprocal tariffs on products from countries that impose trade barriers on US goods. Crucially, the administration considers domestic sales taxes as a non-tariff barrier to trade (even if sales taxes are usually imposed on goods regardless of their origin), potentially widening the scope and scale of reciprocal tariffs considered. Federal agencies are due to report back on 1 April.

We would expect that after 1 April, most countries will be threatened with tariffs. But we would also expect various deals to be struck to limit their overall breadth and scale.

Figure 3

India, Thailand, Mexico, and China look most vulnerable to reciprocal tariffs

Weighted average tariffs from US on exports and on US imports in 2022, including tariff differential, in %



*South Korea tariff rate derived from Korea Customs Services, tariff rate as of 2024
Source: World Integrated Trade Solution, Korea Customs Services

Several countries have offered concessions to avoid US tariffs.

Some countries do appear willing to make concessions to avoid US tariffs. For example, we note that the EU has preemptively offered to cut tariffs on US cars as part of a deal that includes increased LNG and defense purchases. Additionally, following a meeting with India's prime minister, Trump said the two countries would seek to reduce "very high" Indian tariffs on US goods and strike deals for the purchase of US oil, gas, and combat aircraft. Canada and Mexico also demonstrated a willingness to negotiate following tariff threats in January, and we would also ultimately expect "deals" with Canada and Mexico to prevent the sustained and broad introduction of tariffs on the US's neighbors.

We also believe that President Trump will be willing to seek "deals," particularly if US economic activity is potentially at risk from failure to agree, and if counterparties show a willingness to offer concessions. The action on tariffs thus far shows how threats can be escalated only to be subsequently deescalated.

In our base case, we do not expect large, broad, and sustained tariffs on Canada or Mexico.

In our base case, we would expect tariffs on China increase to an average effective rate of 30% by the second half of 2025. We also expect select tariffs on Europe and some efforts to limit transshipments. But we do not expect large, broad, and sustained tariffs on Canada or Mexico. Such a tariff outcome would not have a large direct impact on US growth or inflation, in our view.

There is a risk that indirect effects of tariffs could begin to mount.

However, like with domestic policy, while direct impacts may be limited, investors will need to monitor the risk that indirect effects could begin to mount. For example, repeated threats of higher tariffs on key trading partners and a lack of policy visibility could weigh on business investment and hiring, even if the tariffs are never imposed. US companies may also suffer if heated rhetoric promotes "buying local" or boycotting US goods, if there is a comparable alternative or substitute.

Scenarios

Our base case is for economic growth to continue despite tariffs.

Our base case macro scenario is for "growth despite tariffs." While US economic growth is likely to moderate compared with last year, we still expect GDP to expand at around 2% in 2025. We also still expect two 25-basis-point rate cuts from the Federal Reserve this year, in June and September, as inflation gradually cools. In this scenario, we would expect the 10-year Treasury yield to fall to 4.0% by year-end, and US equities to rally by around 10%.

An upside scenario could see US growth stay around 2.5% while inflation stays in the 2-3% range, with positive policy surprises and continued optimism about artificial intelligence proving additionally supportive for equity markets. In this case, we would expect the 10-year Treasury yield to rise to 5.25%, and US equities to rally by around 18%.

We consider two bear case scenarios:

Both equity and bond markets would likely sell off in a "tariff shock" scenario.

In a "tariff shock" scenario—in which trade policy proves overly aggressive and includes broad and sustained tariffs on Canada and Mexico—we would expect both equity and bond markets to sell off as growth forecasts are revised down and inflation forecasts are pushed up. In this case, the Fed and other global central banks would likely consider delaying further rate cuts to manage inflation expectations, and risk premia would likely rise. We would expect the 10-year Treasury yield to rise to 5.0%, and US equities to fall by around 15%.

In a "hard landing" scenario—in which the US economy falters as consumer spending slows sharply—we would expect both growth and inflation to fall, and interest rates to be cut rapidly as central banks attempt to support demand. In such a scenario, we would expect the 10-year Treasury yield to fall to 2.5%, and global equities to decline by around 25%.

	Bull case: strong growth	**Base case: growth despite tariffs**	**Bear case: tariff shock**	**Bear case: hard landing**
Probability	**25%**	**50%**	**15%**	**10%**
Market path	**Bonds flat, equities up** Equity markets rally amid strong US growth, accelerating consumption, and optimism about the impact of AI on earnings. Bond yields trend slightly up.	**Bonds slightly up, equities up** Equities rise owing to a stable and positive outlook for GDP and earnings growth. Bond yields fall slightly over the course of the year.	**Bonds down slightly, equities down** Equities and bonds suffer a correction due to fears of economic stagnation, a rising US fiscal deficit, and a longer period of tighter monetary policy.	**Bonds up, equities sharply down** Global equities post double-digit losses, credit spreads widen. Valuations in AI stocks drop substantially. Safe-haven assets, such as high-quality bonds, gold, and the US dollar, appreciate.
Economic growth	The US economy continues to surprise positively, aided by policy support from deregulation and lower taxes. China's economy turns the corner as policy stimulus proves more effective than expected and a US trade deal is reached quickly. European growth is lifted by improving global demand.	The US economy continues to grow at a stable pace of around 2.0-2.5% over the next 12 months. Other Western economies experience weaker but positive growth in line with market expectations. Policy stimulus in China helps to stabilize economic activity.	The disruption to global trade leads to lower US domestic demand and much weaker global economic growth, though likely falling short of a US or global recession.	Global growth falls over the next 12 months due to weakness in consumer spending and labor markets and/or a fall in AI-related investments. GDP contracts for one or more quarters in the US and the Eurozone. Policy stimulus in China fails to stabilize the economy.
Inflation	Continues to fall in Europe but stabilizes above target in the US as fiscal stimulus lifts consumption.	Resumes its weakening trend in the developed world. Further softening in US core PCE opens the door for more Fed rate cuts.	Remains elevated in the US as each subsequent round of tariffs puts additional upward pressure on prices. Inflation in targeted countries normalizes less quickly as currencies weaken to offset the tariff impact.	Falls as demand for goods and services collapses.
Central banks	The Fed pauses as inflation normalization stalls. Other central banks cut rates in line with expectations as inflation continues to normalize despite stronger-than-expected economic activity.	All major central banks ease policy by mid-2025 with the exception of the Bank of Japan. The Fed cuts rates by 50bps in 2025. The ECB cuts rates by 25bps every meeting until mid-2025.	Central banks adopt a more cautious approach to monetary easing for fear of a longer period of above-target inflation and dis-anchoring inflation expectations.	Major central banks cut rates swiftly at first signs of an economic downturn, bringing monetary policy back into accommodative territory. The Fed lowers its policy rate by at least 200bps over the next 12 months.
US politics / Geopolitics	US corporate tax cut to 20% or lower. A quick trade deal happens between the US and its main trading partners.	President Trump extends the timeframe of temporary tax relief policies in the US but stops short of lowering US corporate taxes. Selective tariffs are implemented on US imports, mainly targeting China (e.g., up to 30% average effective tariff), with some tariff retaliation by other countries. The Middle East crisis remains geographically contained. Ceasefire agreement between Russia and Ukraine by year-end.	The Trump administration imposes large tariffs on imports from multiple countries, with proportionate retaliation by targeted trading partners (e.g., any equivalent of a 10-20% universal tariff). Tensions in the Middle East escalate to a regional war with potential for significant disruption to oil supply. Russia-Ukraine ceasefire talks break down and conflict re-intensifies and/or broadens.	

Note: Each scenario narrative represents a non-exhaustive list of events that could lead to a market path outlined in our scenario targets. The probabilities represent CIO's view on the overall probability of reaching the market targets for the given scenario, rather than the probability of a single event or chain of events materializing.

Source: UBS, as of February 2025

The US economy remains in good health.

Investment ideas

The US economy is still in good shape. The Atlanta Fed's GDP tracker suggests growth of 2.3% in the first quarter, and unemployment remains low. The net direct effect of policy measures announced so far is likely to be limited. But the indirect effects and rising event risks, which are more difficult to quantify, could start to accumulate.

The sequencing of policy also carries risks. Thus far, policy has focused on tariffs, immigration, and government spending cuts, with potentially adverse effects on growth and inflation, while there has yet to be an offset from tax cuts or deregulation.

To navigate the months ahead, we recommend being invested in stocks, with a focus on the US, AI, and power and resources. Given rising uncertainty, investors should consider hedging equity exposures to manage negative event risks, and ensure portfolios are well-diversified with assets including quality bonds, gold, and alternatives.

We believe the outlook remains positive for US equities.

Equities

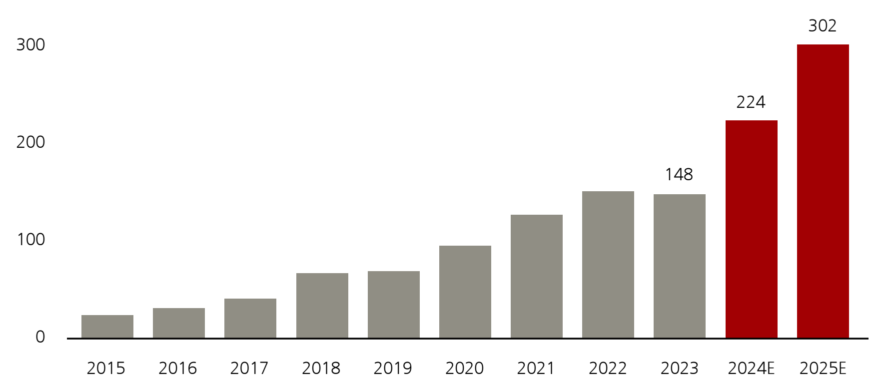
We currently see the best risk-reward in US equities, AI, power and resources, and German equities. In each case, we believe that structured strategies can help investors navigate potential near-term market volatility—for example, by hedging some of the risks around a potential US government shutdown in March, disappointments in Russia-Ukraine negotiations, or around tariff policy.

We rate the US market as Attractive owing to its relatively strong earnings growth (we forecast 8% for S&P 500 companies this year) and high exposure to AI. In our base case, we expect the index to rally to 6,600 by December.

Figure 4

Big tech companies' capex plans remain solid

Big 4's capex, in USD bn, including UBS forecasts



Source: Company reports, UBS estimates, as of February 2025

Messages in Focus

Seek durable income
Amid falling interest rates in Europe and potential risks to growth in the US, we believe investors holding excess cash should seek more diverse and durable sources of portfolio income. We believe that high grade and investment grade bonds offer compelling risk-reward, and expect mid- to high-single-digit returns for medium-duration bonds in US dollar terms over the next 12 months. We like diversified fixed income strategies, senior loans and private credit, and equity income strategies. Investors can also improve returns from cash by taking a selective amount of market or credit risk, or sacrificing liquidity, for cash holdings not required for day-to-day expenses.

More to go in stocks
We see further upside for US equities and expect the S&P 500 to reach 6,600 by the end of 2025, around 10% higher than current levels. US policy uncertainty could lead to short-term volatility, but we believe that robust US economic growth and continued structural AI tailwinds should be supportive overall. A pro-growth shift in Germany or a Russia-Ukraine peace deal could positively influence sentiment on Europe, and we recommend investors position via structured strategies on the DAX.

Seize the AI opportunity
After a volatile start to 2025, the 4Q results season demonstrated that AI fundamentals remain intact, and we believe that the launch of "DeepSeek" in late January will ultimately lead to even greater AI adoption. We continue to see broad-based investment opportunities across the value chain, and particularly like AI infrastructure names with strong pricing power, and megacap platform and application beneficiaries. We also believe that private innovative companies will capitalize on the trend. We would use near-term volatility related to weak seasonality or geopolitical escalations to build strategic and long-term AI exposure.

Invest in power and resources
A mixture of economic development, decarbonization, and AI advancements is boosting electricity demand. We believe this creates opportunity across the power and resources value chain, including in utilities, infrastructure, power equipment, and storage. Volatility has increased in recent weeks amid AI and policy concerns, but we remain confident that growing demand for data center access provides a supportive backdrop, while we expect US onshore wind and solar development tax credits to be maintained. We also see long-term opportunities in copper and in other transition metals, resulting from this trend.

Navigate political risks
Volatility is likely to be elevated in the months ahead as markets consider a wider range of potential future US policy outcomes. In equities, capital preservation strategies can help manage downside risks. We identify a variety of stocks in Europe that could benefit from the German election result, increased security investment, rebuilding Ukraine, and those with limited trade risks. Investors also should manage allocations to long-duration bonds carefully, given US policy uncertainty. We think long USDCNY could be an effective hedge against trade risks, while oil prices could move higher if US sanctions are stepped up. We also continue to see gold as an effective hedge against geopolitical and inflation risks.

Go for gold
The price of gold reached a new record recently, with geopolitical, US government debt, and inflation concerns intensifying. This has been reflected in strong purchases by investors alongside our expectation for another year of elevated central bank demand. In our base case, we forecast the price at USD 3,000/oz by year-end, but if uncertainty extends, then gold could hit USD 3,100-3,200/oz in our risk case. Outside gold, we see greater upside for silver with outperformance versus gold expected over the next 12 months.

Harvest currency volatility
Volatility is likely to dominate currency markets during the early part of the year, providing the opportunity for investors to boost portfolio income and earn additional yield in exchange for agreeing to make currency conversions at specific prices. Specifically, we look for opportunities to pick up yield by selling the exchange rate upside in EURUSD and EURAUD, and downside in USDCHF. Further USD strength from current levels would likely require an ongoing divergence in macro and monetary policy dynamics, which may be harder to achieve in light of heightened US policy uncertainty.

Time for real estate
We believe the outlook for global residential and commercial real estate investments is bright. With constrained supply and rising demand, we see opportunities in sectors such as logistics, data centers, and multifamily housing. Investors should focus on quality assets and strategic diversification to capitalize on these favorable market dynamics.

We keep a Neutral view on Eurozone equities overall given the region's relatively modest earnings growth outlook, lower AI exposure, and ongoing tariff risks. At the same time, we note that a pro-growth shift from the German election results, or a peace deal between Russia and Ukraine that lowers gas prices, could positively influence sentiment. We recommend that investors position for potential positive catalysts in Europe via structured strategies on the German DAX index, or through individual stocks that are well positioned to benefit from these themes.

Growth in AI demand is likely to continue.

We also maintain our conviction in the AI theme globally. Big tech companies' capex plans remain solid, and we believe the development of low-cost models like DeepSeek's will ultimately spur greater AI adoption. We see opportunities throughout the AI value chain, especially in megacap platform and application beneficiaries, and infrastructure companies with strong pricing power.

Companies exposed to power and resources also offer long-term investment opportunities, in our view, as AI advancements, decarbonization, and economic development continue to boost electricity demand. We see opportunities across the power and resources value chain globally, including in utilities, infrastructure, power equipment, and storage.

Fixed income

Quality bonds offer a durable source of portfolio income.

We believe that yields on quality bonds are appealing and that the relatively high yields available currently help cushion the total return outlook for the asset class. In our base case, we forecast the 10-year Treasury yield reaching 4.0% by the end of 2025 as growth moderates, inflation cools, and the Fed gradually cuts policy rates.

In a portfolio context, quality bonds can also help investors manage the risk that US growth slows more quickly than expected—for example, owing to the cumulative effect of policy changes.

We also see other opportunities for seeking diverse and durable portfolio income, including through diversified fixed income strategies, senior loans, private credit, and equity income strategies.

Currencies

We like opportunities to harvest volatility in currency markets.

Volatility is likely to dominate the currency markets during the first half of the year, providing the opportunity for investors to boost portfolio income and earn additional yield in exchange for agreeing to make currency conversions at specific prices. Specifically, over the next one to three months, we look for opportunities to pick up yield by selling the exchange rate upside in EURUSD and EURAUD, and downside in USDCHF.

With a resilient US economy, the Fed is taking a patient approach to monetary policy easing as it waits for tariff policy to unfold. We expect the US dollar to remain strong in the near term, targeting the recent lows of EURUSD at 1.02, though we still see scope for a gradual reversal in the second half of the year toward 1.06 by December.

Meanwhile, we now rate the Japanese yen as Attractive. Inflation in Japan remains elevated and requires more policy normalization. The Bank of Japan is the only G10 central bank hiking rates this year and has room to raise them further, in our view, potentially beyond market expectations. Over the next six months, we like selling upside in CHFJPY and EURJPY, and downside in GBPUSD and AUDUSD.

Commodities

Gold remains an important hedge and diversifier within portfolios.

The gold price reached a new record high of above USD 2,950/oz in mid-February before a modest setback amid profit-taking alongside Ukraine talks. We expect tariff and geopolitical uncertainty to continue, and so stay focused on the metal's diversification qualities within a portfolio context. Central bank demand remains crucial to our Attractive rating on gold, with net buying exceeding 1,000 metric tons for the third consecutive year in 2024 alongside broader investment demand hitting a four-year high.

Our forecast for gold to reach USD 3,000/oz this year is unchanged, albeit we acknowledge that in the risk case (i.e., downside macro scenarios) the metal could reach USD 3,100-3,200/oz. Outside gold, we see room for larger gains in silver as the gold rally consolidates and global industrial production signals a modest recovery. While silver should not be seen as a longer-term portfolio hedge, we forecast its price at USD 38/oz over 12 months.

Meanwhile, we see upside risks to crude oil prices at current levels, with discipline in OPEC+ ensuring the market stays in balance and uncertainties remaining elevated as tariffs and sanctions risks persist.

Mark Haefele
Chief Investment Officer
Global Wealth Management

Global forecasts

Economy

Real GDP y/y, in %

	2024E	2025E	2026E
US	2.8	2.1	1.8
Canada	1.2	2.0	2.0
Japan	0.1	1.2	0.7
Eurozone	0.7	0.9	1.1
UK	0.9	1.1	1.3
Switzerland	1.4	1.2	2.0
Australia	1.0	1.9	2.2
China	5.0	4.0	3.0
India	6.3	6.3	6.6
EM	4.4	4.0	3.6
World	3.2	3.0	2.7

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

	2024E	2025E	2026E
US	3.0	2.7	2.4
Canada	2.4	2.2	2.1
Japan	2.7	2.3	2.0
Eurozone	2.4	2.3	2.0
UK	2.5	3.0	2.1
Switzerland	1.1	0.5	0.7
Australia	3.2	2.4	2.6
China	0.2	0.1	–0.2
India	4.8	4.2	4.3
EM	8.0	4.1	3.1
World	5.7	3.4	2.7

Source: Bloomberg, UBS, as of 27 February 2025. Latest forecasts available in the *Global forecasts* publication, published weekly.

Asset classes

	Spot	June-25	Dec-25
Equities			
S&P 500	5,956	6,300	6,600
Eurostoxx 50	5,528	5,500	5,700
FTSE 100	8,731	8,700	9,000
SMI	13,043	13,000	13,200
MSCI Asia ex-Japan	740	759	786
MSCI China	77	78	80
Topix	2,716	2,869	2,906
MSCI EM	1,135	1,150	1,190
MSCI AC World	1,057	1,090	1,140
Currencies			
EURUSD	1.05	1.02	1.06
GBPUSD	1.27	1.23	1.29
USDCHF	0.89	0.91	0.88
USDCAD	1.43	1.44	1.40
AUDUSD	0.63	0.65	0.67
EURCHF	0.94	0.93	0.93
NZDUSD	0.57	0.56	0.58
USDJPY	150	148	145
USDCNY	7.25	7.40	7.30

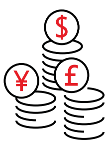
	Spot	June-25	Dec-25
Yields, in %			
USD 2y Treasury	4.07	4.00	3.75
USD 10 year Treasury	4.26	4.25	4.00
CHF 2y Eidg.	0.17	0.10	0.10
CHF 10y Eidg.	0.48	0.30	0.30
EUR 2y Bund	2.07	2.00	1.75
EUR 10y Bund	2.43	2.25	2.25
GBP 2y Gilt	4.18	3.75	3.50
GBP 10y Gilt	4.50	4.00	4.00
JPY 2y JGB	0.80	0.80	1.00
JPY 10y JGB	1.37	1.20	1.20
Commodities			
Brent crude, USD/bbl	72.5	80	80
Gold, USD/oz	2,917	3,000	3,000

Source: Bloomberg, UBS, as of 27 February 2025. 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
Seize the AI opportunity	We expect AI to be a key driver of equity market returns for years. Volatility in the technology sector presents an opportunity for investors to build up sufficient long-term exposure to AI at more favorable prices. We currently see the best opportunities in the enabling layer of the AI value chain, which is benefiting from significant investment in AI capabilities, and in vertically integrated megacaps, which are well positioned across the value chain.	• AI-linked semiconductors • US AI tactical preferences • Megacap tech
Navigate political risks	Investors should prepare for volatility and potential policy surprises, especially with respect to trade. We recommend using capital-protected equity strategies to reduce downside risks and put cash to work. Investors should carefully manage allocations to long-duration bonds given fiscal risks. Oil and gold remain effective hedges against geopolitical and inflation risks, in our view.	• Capital protected equity strategies • Manage long duration bond exposure • Gold • Oil
Seek durable income	High-quality fixed income should offer compelling opportunities over the next 12 months. Our preferred duration is in the four- to five-year part of the curve. Investors should diversify fixed income allocations and consider intermediate duration Treasuries, Agency MBS, municipals, IG, sustainable bonds and private credit strategies.	• US intermediate duration Treasuries, investment grade bonds, municipals • Diversify portfolio income (diversified fixed income strategies, Agency MBS, senior loans, private credit, sustainable bonds, equity income strategies)
Go for gold	We expect gold to resume its rally in 2025. We see the trend of central bank reserve asset diversification continuing, with geopolitical risks, government debt concerns, and inflation uncertainty contributing to strong investor demand.	• Gold • Silver
More to go in stocks	The potential imposition of tariffs could lead to short-term equity volatility, but we see strong US growth and tailwinds from AI as supportive for prices. AI innovations continue to drive growth, and we like US equities as beneficiaries, targeting 6,600 for the S&P 500 by year-end 2025. Outside the US, we are positive on the China internet sector, as it is beginning to benefit from the AI trend and it has the potential to grow online penetration and deliver strong free cash flows.	• US equities (particularly IT, financials, communication services, consumer discretionary, utilities and health care) • China internet

MIFs	Elevator pitch	Investment ideas
Invest in power and resources 	A mixture of economic development, decarbonization, and AI advancements is boosting electricity demand. We believe this creates opportunity across the power and resources value chain, including in utilities, infrastructure, power equipment, and storage. We also see long-term opportunities in copper and in other transition metals as demand increases alongside rising investment in power generation, storage, and electric vehicles.	• Power equipment manufacturers • Regulated and deregulated utilities • Infrastructure facilitators • Storage • Copper and transition metals
Time for real estate 	We believe the outlook for global residential and commercial real estate investments is bright. With constrained supply and rising demand, we see opportunities in sectors such as logistics, data centers, and multifamily housing. Investors should focus on quality assets and strategic diversification to capitalize on these favorable market dynamics.	• Commercial (US and Europe): Logistics, data centers, telecoms • Residential (broad exposure) • APAC REITs • Core-plus real estate managers • Real estate debt • Direct real estate (Canada, US, Continental Europe)
Harvest currency volatility 	Volatility is likely to dominate the currency markets during the early part of the year, providing the opportunity for investors to boost portfolio income and earn additional yield in exchange for agreeing to make currency conversions at specific prices. Specifically, we look for opportunities to pick up yield by selling the exchange rate upside in EURUSD and EURAUD, and downside in USDCHF. Further USD strength from current levels would likely require an ongoing divergence in macro and monetary policy dynamics, which may be harder to achieve given heightened US policy uncertainty.	• Sell upside in EURUSD, EURAUD, and downside in USDCHF • Sell upside in CHFJPY, EURJPY EURGBP, EURAUD • Sell downside in GBPUSD, AUDUSD GBPCHF

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

Attractive
- Intermediate duration US Treasuries
- US Agency MBS
- US investment grade corporate bonds
- Senior Loans
- Global equity
- US equity
- US Large-cap equity
- US growth equity
- US value equity
- Oil
- Gold

Implementation guidance

The US economy entered the year with good momentum and solid fundamentals, but downside risks have increased owing to heightened Trump 2.0 policy uncertainty. While not yet clearly evident in activity data, consumer and business sentiment measures have weakened, which could weigh on spending. We believe that tariffs will be implemented aggressively on China and select industries but that universal tariffs will likely be avoided. Similarly, cuts to government spending will attract headlines, but they shouldn't materially change the economic outlook. These policy outcomes may only come after economic and market conditions get worse, before they can get better. The risk of a significant economic and market correction remains low with a severe policy error because the labor market is solid and consumption should remain supported by healthy household balance sheets. Such weakness would likely lead to more Fed rate cuts, in addition to the two we currently expect this year in June and September.

With this economic backdrop and our expectations for Trump 2.0 policies and Fed rate cuts, the macro environment should ultimately be supportive for risk assets in 2025, particularly for equities. While this medium-term outlook is constructive, in the near term more volatility and downside is possible until there is policy clarity. We maintain our December 2025 price target for the S&P 500 of 6,600, with an expectation of 8% earnings growth. This target implies that there is **more to go in equities**. Within the US, we see the largest growth drivers tied to innovations in artificial intelligence. Outside the US there is potential for a pro-growth shift in Germany or a Russia-Ukraine peace deal, either of which could positively influence sentiment in Europe. In China we like the internet sector, as it is still in the early stages of benefitting from AI tailwinds, and it has the potential to grow online penetration and deliver strong free cash flow generation.

Within US equities, we remain neutral on value versus growth and make no changes to our sector preferences. We maintain our Attractive view on financials, communication services, health care, and consumer discretionary. Financials should benefit from lower funding costs, cooling regulatory pressures, and a pickup in capital markets activity. Communication services is Attractive owing to solid digital advertising trends and investor enthusiasm around AI. Health care should benefit from improved policy clarity, attractive valuations, and potential earnings upside. Consumer discretionary should benefit from Fed rate cuts that will help drive improvement in housing and automotive segments. Within a portfolio context, we also like utilities, as they are defensive and should do well in the event of weaker economic activity.

Additionally, we maintain our positive outlook on US technology, even as the sector has grown significantly in recent years. Specifically, we recommend investors **seize the AI opportunity,** as we expect this technology to be a key driver of equity market returns over the coming years. It is therefore important that investors hold sufficient long-term exposure to the theme. We currently see the best opportunities in the enabling layer of the value chain, which is benefitting from significant investments. We also like vertically integrated megacaps, which we believe are well positioned across the value chain.

The confluence of AI development, decarbonization efforts, and global economic development is boosting electricity demand. This creates opportunities to **invest in power and resources**, including in utilities, infrastructure, power equipment, and storage. Volatility is heightened owing to AI and policy concerns, but we are confident the growing demand for data center access provides a supportive backdrop, while we expect US onshore wind and solar development tax credits to be maintained. We also see long-term opportunities in copper and other transition metals resulting from this trend.

With the Fed's progress on cutting rates slowing, we believe investors holding excess cash should diversify and **seek durable income**. High-quality fixed income assets offer compelling risk-reward over the next 12 months. Specifically, we like the five-year part of the Treasury curve and also see value in investment grade bonds, Agency MBS, municipals, senior loans, sustainable bonds, and private credit.

Lastly, as we look ahead, investors will need to consider how to **navigate political risks**. As President Trump's term gets under way, investors should prepare for market volatility and potential policy surprises, particularly with respect to trade policy, and should consider portfolio diversification and hedging approaches. Investors should buy market pullbacks in structural trends like AI and they should manage long-duration bond exposure, as these assets would be hurt by an unexpected rise in inflation if the market prices fewer rate cuts or potential rate hikes. We also recommend gold and oil as potential hedging options to protect against geopolitical flare-ups and inflation risks.

Our preferences

	Unattractive	Neutral	Attractive
Cash		=	
Fixed Income		=	
US Gov't FI		=	
US Gov't Short		=	
US Gov't Intermediate			+
US Gov't Long		=	
TIPS		=	
US Agency MBS			+
US CMBS		=	
US Municipal		=	
US IG Corp FI			+
US HY Corp FI		=	
Senior Loans			+
Preferreds		=	
EM Hard Currency FI		=	
EM Local Currency FI		=	
Commodities		=	
Gold			+
Oil			+

	Unattractive	Neutral	Attractive
Equity			+
US Equity			+
US Large Cap			+
Comm Services			+
Cons Discretionary			+
Cons Staples		=	
Energy		=	
Financials			+
Health Care			+
Industrials		=	
Info Technology			+
Materials		=	
Real Estate		=	
Utilities			+
US Growth Equity			+
US Value Equity			+
US Mid Cap		=	
US Small Cap		=	
Int'l Developed Markets		=	
Emerging Markets		=	

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid, commonly known indexes, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities.

Note: We have collapsed "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive" from the five-tier rating system that is found in the *Equity Compass* into three tiers.

US economic outlook

Recent policy changes are mostly negative for short-term growth.

Brian Rose, PhD, Senior US Economist

Overview

The new administration is off to an aggressive start, already producing a blizzard of policy actions. In our view, freezing spending, firing government workers, imposing tariffs, and cracking down on immigration are all negative for the economy in the short run, even if they might bring long-term benefits. It appears that the torrid pace of policy action will continue or even accelerate now that the President's cabinet is in place. The latest readings on sentiment (see Figure 1) have turned downward, although this is not necessarily an indication that actual activity will weaken. January retail sales demonstrate the ambiguity in some of recent data (see Figure 2). Inflation hasn't made much progress recently, and the blame goes well beyond the price of eggs (see Figure 3). Policy uncertainty is unusually high (see Figure 4), which we view as negative for growth, as it will tend to make both businesses and consumers more cautious.

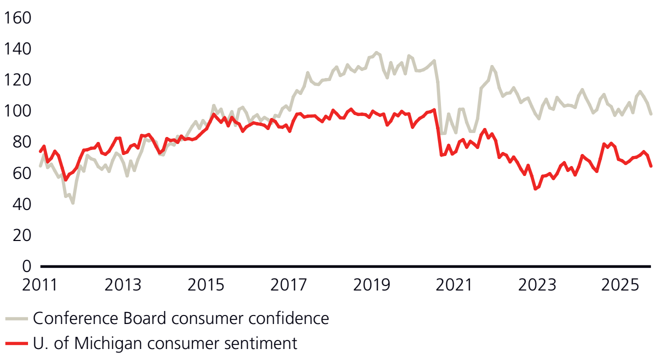
Growth

Our base case calls for GDP growth to slow to around 2% in 2025 from 2.8% last year. As shown in Figure 2, after a strong holiday shopping season, retail sales fell off in January, dropping 0.9% month over month. However, this isn't too much worse than last January (-0.7%), and in year-over-year terms, the data still look robust. If we further consider the unusually cold weather in January and the fires in Los Angeles, it is difficult to make a firm conclusion about the true underlying trend. We expect both wage growth and job growth to slow in 2025, undermining the labor income growth that provides the main support for household spending. We would further note that the savings rate has been unusually low recently, and delinquencies on consumer loans have risen, making it less likely that spending will grow faster than income. Consumer sentiment has weakened, which in our view further skews risks to the downside.

Figure 1

Confidence down in latest readings

Conference Board consumer confidence and University of Michigan consumer sentiment indexes

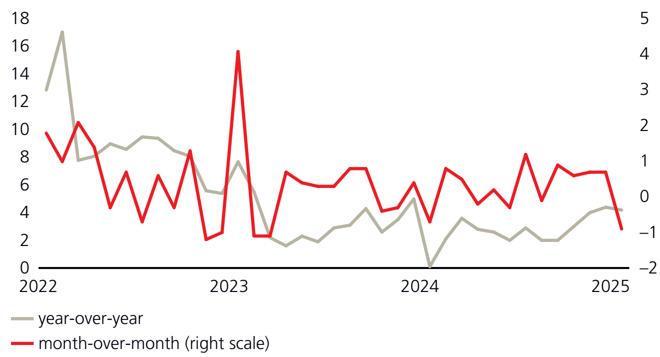


Source: Bloomberg, UBS as of 26 February 2025

Figure 2

Consumer spending has been the main driver of growth

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



Source: Bloomberg, UBS as of 26 February 2025

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

Read the report >

Inflation

The CPI rose 0.5% month over month in January, more than expected. As shown in Figure 3, core inflation, which excludes food and energy, has trended sideways for several months. Our base case remains that shelter inflation will slow over 2025, helping to reduce the overall inflation rate. However, there are some upside risks, especially the possibility of higher tariffs on imported goods. The tariffs announced so far, including the 10% hike in tariffs on Chinese goods, should push up the CPI by 0.2% or less, which might become apparent starting with April's data. President Trump has threatened to impose 25% tariffs on Canada and Mexico, which in our view would have a much bigger impact. Stricter immigration policy could also end up stoking inflation by curtailing labor supply, causing supply/demand imbalances in the labor market that push up wage growth and creating supply chain problems in sectors that rely heavily on immigrant labor.

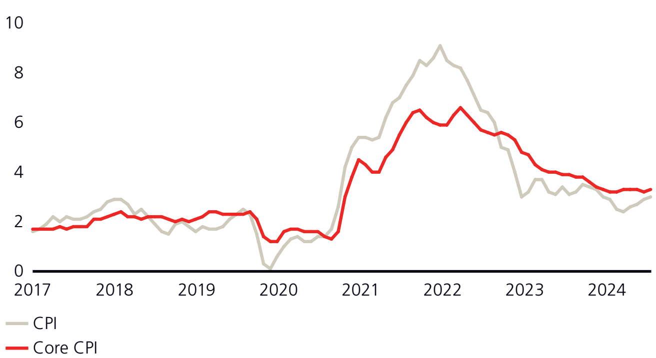
Policy

As shown in Figure 4, policy uncertainty is unusually high, and we view this as broadly negative for growth. One immediate concern is that government funding will run out after 14 March, and a bipartisan agreement will have to be reached in order to avoid a government shutdown. The two sides are arguing over which branch of government gets to determine the level of spending, and it might be difficult to break the current stalemate without a ruling from the Supreme Court. Regarding monetary policy, the Fed left rates unchanged at its most recent FOMC meeting, and is signaling that it wants to see further progress on inflation before making any additional rate cuts. As long as the labor market remains strong, the Fed can sit back and wait to see how the economy develops. However, pressure could quickly build if layoffs start to accelerate because this would soon translate into a rising unemployment rate. Our base case calls for 50bps of cuts in 2025, but a wide range of outcomes is possible.

Figure 3

Core inflation trending sideways in recent months

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

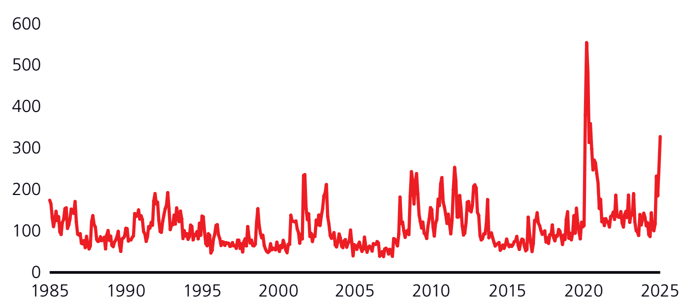


Source: Bloomberg, UBS as of 26 February 2025

Figure 4

Policy uncertainty may weigh on activity

Policy Uncertainty Index, monthly



Source: FRED, UBS as of 26 February 2025

Equities

We keep global equities at Attractive. While policy uncertainty is likely to inject volatility, we believe robust underlying fundamentals should prevail throughout the year. We expect earnings to grow in the high single digits this year and next. Contributions should broaden, but the tech sectors should remain the main engine of growth thanks to robust AI investments. Within regions, we prefer the US and Asia ex-Japan. We also recommend taking exposure to the beneficiaries of AI.

Eurozone

NEUTRAL

EURO STOXX 50 (index points, current: 5,528)	December 2025 target
House view	**5,700**
Positive scenario	6,300
Negative scenario	4,300

Note: All current values as of 27 Feb 2025

We are Neutral on the region. We upgrade our index target, reflecting the increased likelihood of a more pro-growth German government, higher European defense spending, a possible peace deal in Ukraine, and a cyclical recovery in manufacturing. Despite these positive catalysts, we remain Neutral after the strong run, as the hurdle for further positive surprises in the near term is more challenging, with German coalition and Ukraine talks entering their negotiation phases. We favor selective exposure to Europe, such as stocks in our "Six ways to invest in Europe" theme.

Emerging markets

NEUTRAL

MSCI EM (index points, current: 1,135)	December 2025 target
House view	**1,190**
Positive scenario	1,300
Negative scenario	850

Note: All current values as of 27 Feb 2025

We remain Neutral on emerging market equities. The outlook for EM equities is clouded by trade uncertainty and a less aggressive Fed easing path. While regional central banks' easing and ongoing stimulus measures in mainland China provide support, uncertain US trade policy increases volatility. Key risks include a strong US dollar, rising US interest rates, and geopolitical tensions. Despite these challenges, there are opportunities in sectors driven by structural growth trends in markets such as Taiwan and India, as well as the China Internet sector.

Japan

NEUTRAL

TOPIX (index points, current: 2,716)	December 2025 target
House view	**2,906**
Positive scenario	3,253
Negative scenario	2,200

Note: All current values as of 27 Feb 2025

We are Neutral on Japanese equities despite supportive fundamentals. Lingering tariff concerns could cause volatility, given the cyclicality of the asset class and its sensitivity to the global economy. In our view, a higher return on equity (ROE) remains key for Japanese equities to attract foreign investors back to Japan in 2025. We recommend Japanese banks as a core sector in 2025, focusing on high-quality and domestic stocks in 1H25 and shifting to cyclicals in 2H25 as the global manufacturing cycle recovers.

UK

NEUTRAL

FTSE 100 (index points, current: 8,731)	December 2025 target
House view	**9,000**
Positive scenario	10,000
Negative scenario	7,300

Note: All current values as of 27 Feb 2025

We are Neutral on UK equities, but raise our index target this month. We believe the recent strong performance is justified by an improving outlook for Europe linked to a series of uncertain, but ultimately positive catalysts. We now target the FTSE 100 at 9,000 at year-end. We see earnings and dividends as the primary driver of total returns from here. Valuations, although not expensive, are justified, in our view, by the UK's sector mix and limited exposure to major structural themes. But earnings returning to growth in 2025 and 2026 should support UK equities looking ahead.

US equities

We have an Attractive view on US equities. The S&P 500 has contended with a number of headwinds recently, but remains near all-time highs. We expect further gains over the course of the year driven by: (1) healthy earnings growth, (2) durable economic growth, (3) supportive Fed policy, and (4) AI investment spending and adoption.

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

US equities overview

+ ATTRACTIVE

US equities

This year, we expect US equities may be more volatile owing to periodic concerns about the return on AI investment spending and tariffs. But we believe any dip will likely be a buying opportunity. With the fourth quarter earnings season coming to a close, profit growth is likely to come in around 12%, higher than our initial 7-9% estimate. While guidance has been a touch softer, it's still healthy and earnings beats are in line with historical averages. With easy access to capital and a growing labor market that is supporting consumer spending, we expect S&P 500 EPS growth of 8% this year. Magnificent 7 stocks are still powering earnings growth and should drive about half of the increase. Lastly, there have been some green shoots in manufacturing activity, which historically has been positive for stocks.

US equities – sectors

Tech should benefit from AI investment and adoption, a pickup in key end-markets, and its higher-quality bias. Continued healthy digital advertising trends should support communication services, while Fed rate cuts are likely to drive firmer consumer spending for segments within consumer discretionary. Financials are likely to benefit from a pickup in activity and deregulation. Policy clarity and attractive valuations should benefit Health care over time. Utilities offer defensive exposure if economic growth falters and there is upside from AI power demand.

US equities – size

We have an Attractive view on large-caps and Neutral views on mid-caps and small-caps. While small-cap valuations remain compelling, profit trends are lagging other size cohorts. Small-caps have a high proportion of floating rate debt, which should benefit from Fed rate cuts, but without an acceleration in economic growth, profit growth may continue to lag.

US equities – style

We have an Attractive view on both large-cap value and growth stocks. Valuations for growth stocks are elevated, but profit trends remain favorable. Our positive views on the financials, health care, and utilities sectors suggest upside for value stocks.

S&P 500 (index points, current: 5,956)	December 2025 target
House view	**6,600**
↗ Upside	7,000
↘ Downside – tariff shock / US stagflation	5,100
↘ Downside – hard landing	4,500

Note: All current values as of 27 Feb 2025

Figure 1

Remain selective in our sector positioning

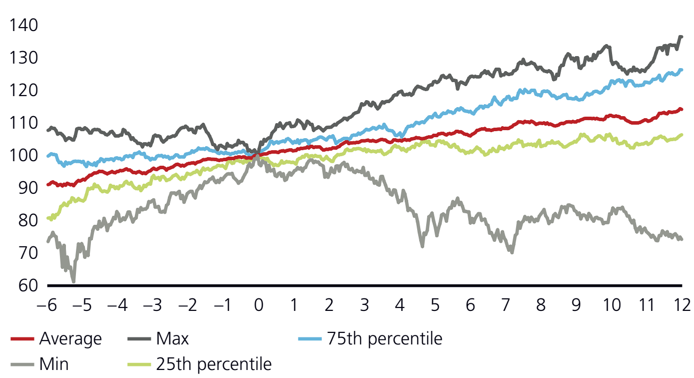
	Unattractive	Neutral	Attractive
US equities			
Communication services			+
Consumer discretionary			+
Consumer staples		=	
Energy		=	
Financials			+
Health care			+
Industrials		=	
Information technology			+
Materials		=	
Real estate		=	
Utilities			+

Note: S&P 500 sector preferences
Source: UBS, as of 27 February 2025

Figure 2

US equities tend to perform well when manufacturing sentiment improves

S&P 500 performance when ISM Manufacturing New Orders moves from contraction to expansion and stays in expansion, indexed to 100



Note: Horizontal line denotes when ISM Manufacturing new orders moves from contraction to expansion and stays in expansion for 3 months in a row
Source: Bloomberg, UBS, as of February 2025

Bonds

Over the past month, the market has been squarely focused on Trump and his policy priorities. The US economy has continued to exhibit robustness; however, in recent weeks the uncertainty associated with Trump administration policies has started to weigh on sentiment surveys. Yields initially rose following the election and optimism on growth, but in recent weeks yields have rolled over as that optimism fades. The market has fluctuated between pricing one more Fed rate cut to now more than two. We continue to believe interest rates will decline further by year-end and like the belly of the curve, but we recently trimmed some of our rate exposure, with the market currently pricing in 60bps of Fed rate cuts in 2025.

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

Government bonds

NEUTRAL

US 10-YEAR YIELD (current: 4.3%)	December 2025 target
House view	**4.00%**

Note: All current values as of 27 Feb 2025

As the Fed remained on hold over the past two meetings, the market has shifted from fears over inflation and the deficit, which originally pushed 10-year yields up to 4.8% in mid-January, to concerns over slower growth, as sentiment metrics weakened. Softer-than-expected economic data have also contributed to yield curve flattening, as nominal yields have been coming down owing to the decline in real yields. Equity market volatility has also been a tailwind to the recent decline in Treasury yields. While we remain long the intermediate part of the yield curve, we recently trimmed our position to harvest some gains. We continue to expect 10-year yields to trend toward 4% by year-end, but the trend will not be a straight line. We would not be surprised by moves higher in the short term as policy implementation by the new administration becomes clearer.

US investment grade corporate bonds

ATTRACTIVE

US IG SPREAD (current: 84bps)	December 2025 target
House view	**85bps**
↗ Positive scenario	70bps
↘ Negative scenario	180bps

Benchmark: ICE BofA
Note: Current values as of 27 Feb 2025

We hold an Attractive view on investment grade corporate bonds. We find the outright level of yields appealing and believe investors with excess cash holdings should look to lock in attractive yields in bonds with medium durations. Fundamentals generally remain solid, and we expect limited credit quality deterioration in our base case. Resilient issuer credit profiles and yield-driven demand are supportive factors for our view of range-bound credit spreads. We believe the total return outlook is mainly supported by carry, with modest upside from falling government bond yields.

Emerging market bonds

NEUTRAL

EMBIG DIV. / CEMBI DIV. SPREAD (current: 327bps / 246bps)	December 2025 target
House view	**325bps/225bps**
↗ Positive scenario	290bps / 210bps
↘ Negative scenario	550bps / 500bps

Note: Current values as of 27 Feb 2025

We keep emerging market credit as Neutral. Current valuations look historically tight, making the asset class vulnerable to possible setbacks. However, in our base case of lower Treasury yields, we expect bond spreads to trend rangebound over the next six to 12 months, offering investors an appealing mid-single-digit interest rate carry. Key risks include policy uncertainty in the US, deepening economic woes in China, resurging inflation fears, and an escalation of trade and/or geopolitical tensions.

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

US high yield corporate bonds

NEUTRAL

USD HY SPREAD (current: 284bps)	December 2025 target
House view	**300bps**
↗ Positive scenario	250bps
↘ Negative scenario	700bps

Benchmark: ICE BofA
Note: All current values as of 27 Feb 2025

We have a Neutral recommendation on high yield corporate bonds. With credit spreads at 20-year historical lows, we see limited spread compression. However, the average yield of 7.1% provides an attractive carry and the absolute level of Treasury yields provides a buffer against mark-to-market losses should spreads widen. CIO looks for the default rate to remain modest, in the 1.5-2.5% range, which is reflected in current spread levels. We continue to view the risk of a large increase in defaults as relatively low, as we have not seen the classic buildup of financial excess and leverage since the last default cycle in 2020. On the contrary, issuer balance sheets appear healthy with strong fundamentals.

Municipal bonds

NEUTRAL

We remain Neutral. The muni index yield of 3.6% has declined by around 30bps since mid-January but is still near one-year highs. The tax-equivalent muni index yield of 6.0% is particularly attractive for investors in the highest tax brackets. Supply remains elevated and is tracking slightly higher than last year, which saw record issuance. We maintain our barbell preference. We like the two- to five-year and 17- to 30-year range on the AAA tax-exempt curve. We retain our preference for higher-quality credits for longer duration exposures.

Non-US developed fixed income

NEUTRAL

Over the past month, bond yields in non-US developed markets were mostly lower, helping the asset class. On foreign exchange markets, the dollar ended weaker against most other major currencies, boosting the value of foreign currency bonds in dollar terms. These factors combined to produce positive returns for the month. With US bonds still offering higher yields than those of 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 remain Neutral on agency debt given the compressed spreads and value in other sectors. We do not see value in agency debt versus other higher-quality sectors such as Treasuries or agency MBS. Those that want to lock in higher yields should allocate to agency MBS. For investors looking for a higher yield with a high-quality rating, agency MBS is cheap to agency debt and IG corporates.

The current spread is +5bps (versus +6bps last month)

Mortgage-backed securities (MBS)

MOST ATTRACTIVE

The relative value persists as MBS yields provide investors ~40bps in yield pickup over IG corporates. While there is the potential for slightly higher supply if 10-year yields trend toward our 4% estimate throughout the year, we believe that demand will far outweigh supply. With bank deposits stabilizing and the potential for deregulation under the new administration, we believe bank demand—a key component to agency MBS performance—will continue to rise. This dynamic, on top of foreign buying and continued fixed income inflows, should be a tailwind to MBS performance.

AGENCY MBS SPREAD (current: 128bps)	December 2025 target
House view	**110bps**
Positive scenario	100bps
Negative scenario	160bps

Note: Current values as of 27 Feb 2025

Preferred securities

NEUTRAL

Preferreds are off to a good start in 2025, up roughly 2% year-to-date, supported by lower rates and tight credit spreads. Still, we anticipate more subdued returns this year, likely in the mid-single digits. Even in a relatively stable rate environment, relative value remains a significant constraint. Valuations are less appealing compared to a year ago and interest rate trends are unlikely to provide the same level of support as they did last year. However, performance this year is likely to be bolstered by supportive supply-demand dynamics, a benign rate backdrop, and solid banking sector fundamentals.

Treasury Inflation-Protected Securities (TIPS)

NEUTRAL

Real yields have led the fall in nominal yields, as higher inflation expectations due to potential tariff impacts have caused the real yield curve to steepen, led by the short end. With the market back to pricing a more dovish Fed path this year, 10-year real yields have fallen nearly 40bps from their year-to-date high and are currently at 1.9%. As we do not believe the trend toward 4% 10-year nominal yields will be a straight path, and there is potential for a rise in the short term, we would look to add 10-year real yields near 2.5%.

US 10-YEAR REAL YIELD (current: 1.9%)	December 2025 target
House view	**1.50%**
Positive scenario	0.75%
Negative scenario	2.30%

Note: All current values as of 27 Feb 2025

Figure 1

UBS CIO interest rate forecast

In %

UST	Current	Jun-25	Sep-25	Dec-25	Mar-26
2-year	4.1	4.0	3.8	3.8	3.8
5-year	4.1	4.0	3.8	3.8	3.8
10-year	4.3	4.3	4.0	4.0	4.0
30-year	4.5	4.5	4.3	4.3	4.3

Source: Bloomberg, UBS, as of 26 February 2025

Figure 2

Agency MBS offer attractive yields relative to IG corporates

Yield, in %

Source: Bloomberg, UBS as of 26 February 2025

Commodities and listed real estate

Our commodity benchmark, the CMCI Index, is up almost 4% year-to-date, which is more than a third of our expected annual gain of around 11%. This has been achieved despite several headwinds in January, though some of these have eased of late with the US 10- year yield declining alongside a moderation in US dollar strength. However, other risks like President Trump's tariff-related threats have risen ahead of the early April deadline for the USTR's tariff evaluation. Nevertheless, concessions and deals are being deliberated, which signals some pragmatism versus more outright disruptive outcomes.

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 2,916/oz) December 2025 target

ATTRACTIVE

House view	USD 3,000/oz
Positive scenario	USD 2,700/oz
Negative scenario	USD 3,300/oz

Note: All current values as of 27 Feb 2025. Gold is considered a safe-haven asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.

BRENT (current: USD 72.53/bbl) December 2025 target

ATTRACTIVE

House view	USD 80/bbl

Note: Current values as of 27 Feb 2025

Precious metals

Gold reached our long-held forecast of USD 2,850/oz, and while we acknowledge the current spot price is above our fair-value estimate, our House View risk case is edging closer. So we lift our forecasts to USD 3,000/oz over the next 12 months. We expect demand to remain and, hence, remain long gold in our global portfolio. We believe holding around 5% within a USD balanced portfolio is optimal from a diversification standpoint over the long term.

Base metals

Our estimates point to a copper market deficit of 350,000-400,000 mt for 2025. With global inventories falling, we think larger drops below USD 9,000/mt would be short lived. Given uncertainty over US tariffs and China's response, we favor volatility-selling strategies with copper as underlying over directional exposure in 1H.

Agriculture

Geopolitics and weather remain the key drivers of prices, with recent freezing cold temperatures in Russia and the US coupled with deficient snow cover adding to the downside risks of wheat production this year. Outside wheat, we also see a tightening of corn fundamentals. In softs, the overall market for coffee and cocoa remains tight. Livestock prices should also move higher in the months ahead. We see these tightening longer-term fundamentals as supportive of prices despite seasonal weakness into 2H.

Crude oil

We continue to see a closely balanced oil market in 2025 and retain our moderately constructive outlook for crude prices. Hence, we continue to like selling crude oil's downside price risks. Still, uncertainty remains elevated around the Trump administration's next steps on tariffs and sanctions. This will likely keep oil markets volatile.

Listed real estate

RUGL Index (current: USD 6,041) December 2025 target

House view	USD 7,600
Positive scenario*	USD 7,800
Negative scenario*	USD 7,100

Note: All current values as of 27 Feb 2025
*Positive and Negative scenarios reflect December 2025 targets.

We like companies that seek growth and engage in acquisitions or accretive issuance and that show strong pricing power, profitable pipelines, attractive yield gaps, and robust cash flows. Stocks trading at discounts offer above-average potential returns if they manage to further strengthen their balance sheets.

Foreign exchange

We raise JPY to Attractive, while CNY is Unattractive.

Dominic Schnider, CFA, CAIA, Strategist, UBS Switzerland AG

After a strong finish for 2024, the USD strengthened further during the first few weeks of 2025 on the back of better US economic data and the expectation that President Trump would be positive for the currency. However, since inauguration day, the USD has struggled to keep up with the high market expectations, which have kept the currency on a sideways trajectory. We expect further bouts of USD strength in coming months on the back of tariff announcements. Moving further into 2025, the FX market has not yet priced in a negative impact of tariffs and spending cuts on US growth, which we believe leaves room for economic downside surprises in 2H.

We continue to see EURUSD testing this year's lows around 1.02 and potentially even touching parity around tariff announcements in the next few weeks and months. However, once the European Central Bank (ECB) slows down its easing around the middle of the year, at a time when the Federal Reserve potentially resumes its easing, we see EURUSD gradually grinding higher. As for EURCHF, we expect the pairing to stay rangebound in well-known ranges. We expect USDCHF to be the mirror of image of EURUSD, first moving higher toward 0.92 before gradually moving into the 0.80s again. We therefore would keep USD unhedged, but suggest making use of bouts of USD strength in the coming weeks and months to manage any excessive long USD exposure.

Beyond Europe, the JPY is one of our Most Preferred currencies for 2025. After years of underperformance, the JPY is deeply undervalued on a number of valuation metrics. While we do not believe this is sufficient to turn positive on the currency, more monetary tightening should help to see some reversal. The Bank of Japan is the only major central bank we expect to hike rates in 2025, while all other major central banks should cut rates. Yield differentials should narrow and thereby pave the way for the JPY to close some of the undervaluation gap. Our preferred short candidate against the JPY is the CHF, as it is a marginally positive carry position, which eliminates many global risk-on/-off factors. In times of risk-off markets, the CHF might appreciate against many other currencies, but we think this is unlikely against the JPY.

The AUD should also recover in 2025, after a Trump-related slump in late 2024. In the crosses, our forecasts point to positive total returns of GBP, EUR, SEK, and NOK versus the CHF.

Finally, we maintain our Least Preferred view on the yuan. We expect tariffs on Chinese exports to rise further, with the effective tariff rate reaching 30%. With this view in mind and the CNY having only partially weakened against the USD, we like to stay USDCNY long by targeting a move to 7.40.

FX strategy

	Unattractive	Neutral	Attractive
USD		=	
EUR		=	
JPY		= →	+
GBP		=	
CHF		=	
AUD		=	
CNY	−		

FX forecasts

	Current	Jun-25	Sep-25	Dec-25	Mar-26
EURUSD	1.05	1.02	1.04	1.06	1.07
USDJPY	150	148	148	145	142
GBPUSD	1.27	1.23	1.25	1.29	1.30
USDCHF	0.89	0.91	0.89	0.88	0.88
USDCAD	1.43	1.44	1.42	1.40	1.40
AUDUSD	0.63	0.65	0.66	0.67	0.68
NZDUSD	0.57	0.56	0.57	0.58	0.60
USDSEK	10.62	11.08	10.77	10.47	10.19
USDNOK	11.14	11.27	10.87	10.57	10.37

Sources: SIX Financial Information, UBS, as of 27 Feb 2025

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 House View Investment Meeting (HVIM). 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 participants in the HVIM include 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 Group:
- 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.

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 former 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 UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Version D/2024. CIO82652744

UBS Financial Services Inc. ubs.com/financialservicesinc

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