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Investment Research

What to watch in the week ahead

Weekly Global

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Will President Trump follow through on his trade threat?

The US president went back on the offensive last week, as the 90-day pause on most of his "Liberation Day" tariffs drew to an end. Each day of the week brought a fresh trade salvo, starting on Monday with a batch of letters sent to 14 partners threatening higher tariffs. A proposed 50% tariff on copper imports followed, along with 50% on imports from Brazil and 35% on imports from Canada. This continued into the weekend with the announcement of a 30% levy on the EU and Mexico. (For more detail read our House View Daily: Trump tests market optimism over trade.)

But at least for the moment, the more aggressive stance on tariffs has not rattled markets. The S&P 500 continued to strike record highs last week, taking its rally since 8 April—when trade worries were at their most intense—over 26%. The implicit assumption by investors is that the administration's bark is worse than its bite. To support this confidence, we will need to see signs of a renewed de-escalation in the trade conflict. Signs that President Trump plans to follow through on the higher tariffs, which are scheduled to come into effect on 1 August, would likely send the equity rally into reverse.

In our view, Trump's confrontational negotiating tactics could lead to renewed market swings. Ultimately, however, we expect cooler heads to prevail, with the effective US tariff rate settling around 15% by the end of the year. That level—though an economic drag—would not be enough to derail the equity rally, in our view. Against this backdrop, we favor phasing into markets as the best way to manage risks.

Are tariffs starting to make an impact on US inflation?

US economic data has so far shown little impact from the trade conflict. US companies have not yet cut back on hiring, based on the data for June, and inflation has been tame. Opinion is also divided among Federal Reserve policymakers on whether higher tariffs will lead to a manageable one-off rise in prices or a more threatening sustained acceleration in inflation, based on the Fed's June meeting minutes.

This week, a flurry of US data could feed this debate, including consumer price and producer price inflation for June. The lag in the visible effects of the tariffs was expected, since many had loaded up on imported goods at the start of the year in expectation of higher levies. We are, however, getting close to the point where price rises could start to feed through. On the key consumer price index, the consensus forecast is for monthly

Explore more about US trade policy

- **New podcast:** Ahead of the curve with Ulrike Hoffmann-Burchardi (7 min). Tune in every Monday morning ahead of the New York opening bell as Ulrike Hoffmann-Burchardi, CIO Americas and Head of Global Equities for UBS Wealth Management, briefs you on the most important market drivers in the week ahead, along with opportunities beyond the consensus. Listen on Apple Podcasts or on Spotify.
- Read the CIO Alert to know more about the implications of President Trump's threat to impose 30% tariffs on imports from the European Union and Mexico. Find further insights in our blogs on the EU and Mexico.
- Read this blog to find out what the 50% tariff the White House has threatened to impose on Brazilian imports means for investors.
- Read this blog to know more about the implications of Trump's trade letters to Asian countries.

Explore more about the US economic outlook

- Discover the latest CIO views on the Fed in this blog post.
- Tune into Five things to watch in the second half, with CIO's Kiran Ganesh to know more about key market themes that will shape investment outcomes in the second half of 2025.

Explore more about tech stocks

inflation to pick up from 0.1% to 0.3% in June, both on a headline basis and the core measure, which excludes volatile food and energy prices. Any upward surprises on inflation could test recent market optimism by making it harder for the Fed to justify rate cuts. Investors will also be on the alert for any early signs of a cooling labor market (from weekly claims for unemployment benefits) or consumer sentiment (from retail sales for June and the last University of Michigan confidence survey).

Our view is that most Fed officials will need to see more signs of labor market cooling before cutting rates, especially amid high levels of uncertainty over the impact of tariffs. However, we believe that such evidence will come later in the year, allowing the Fed to resume cutting in September, leading to 100 basis points of easing over the next 12 months. This will further erode the appeal of cash, and we have long been advising investors to lock in more durable sources of income, including through high grade and investment grade bonds.

Will US earnings give additional momentum to equities?

As US stocks hit record highs last week, tech was once again in the vanguard. AI chipmaker NVIDIA became the first USD 4 trillion company. (For more detail, see the Caught our Attention section of our House View Daily: Emerging markets should perform despite tariffs on Brazil.) The broader rally in tech has left the global sector trading at 27 times 12-month forward earnings—more than a quarter higher than the average over the past 10 years. After such a rise in valuations, we will be looking for second quarter earnings to provide renewed evidence of robust tech demand.

This week, the focus looks likely to be on the broader US second quarter earnings season, which kicks off as usual with top financial stocks. It could take a few weeks for a clear picture to emerge. However, we are expecting signs of continued resilience—both in terms of the quarterly results and guidance on the outlook. We expect the passage of President Trump's One Big Beautiful Bill Act to support capital spending along with research and development. Overall, we are expecting 5% earnings per share growth, down from 9% in the first quarter.

Our base case is that a solid earnings season will help keep equities supported. While we are Neutral on US stocks, we believe investors should continue to have a full allocation to position for potential gains into 2026. From a sector perspective, we will be looking for positive signals this week from the financial services sector, which we recently upgraded to Attractive, based on reduced government regulation and early signs of a pickup in capital market activity. We also recommend investors ensure sufficient exposure to our Transformational Innovation Opportunity themes —including *Artificial intelligence*, *Power and resources*, and *Longevity*.

Chart of the week

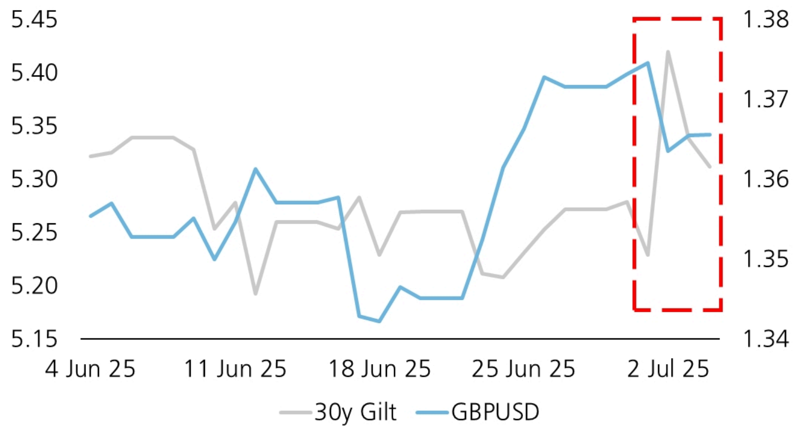
UK Prime Minister Keir Starmer pledged not to relax his government's borrowing targets and backed Chancellor Rachel Reeves in response to a sharp rise in gilt yields. This followed the government's decision to abandon

- Tune into this Across the Pond episode for insights on global AI investment opportunities beyond the US with CIO equity strategist Sundeep Gantori.
- Watch this episode of The AI Show with Sundeep Gantori to find out what you need to know ahead of the upcoming second quarter results.

a planned GBP 5 billion of cuts to welfare spending, which brought the UK's fiscal challenges back in focus. Despite the latest bout of volatility, we believe gilt yields can move lower, especially given our view that the Bank of England will cut rates at least two more times this year.

Gilts and the GBP sold off, but recovered partially

30-year gilt yield (%) and GBPUSD spot



Source: Bloomberg, UBS, as of July 2025

Non-Traditional Assets

Non-traditional 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-U.S. 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 U.S. dollars, changes in the exchange rate between the U.S. 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 U.S. investor.

Appendix

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