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Chief Investment Office GWM
Investment Research

What to watch in the week ahead

Weekly Global

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What next for the Fed?

The Fed last week again defied White House calls for a rate cut, concluding its fifth consecutive meeting without a move (Read our House View Daily: Fed meeting in focus), defying calls from President Trump for easing. However, two of the 12 voting members dissented in favor of a rate cut—the first time since 1993 the committee has seen multiple dissents. Governors Waller and Bowman warned on Friday that delaying cuts could unnecessarily harm the labor market. Less expected was the resignation of Governor Adriana Kugler several months ahead of schedule, which creates a vacancy for President Trump to fill.

Given President Trump's recent criticism of Chair Jerome Powell, whose term ends in May, the early exit of Governor Kugler creates an opportunity to shape the 12-member rate-setting Federal Open Market Committee. Since Kugler is a dovish voice on the committee, the potential of the appointment to impact policy in the coming months is limited. However, investors will be looking for clues on the longer-term outlook from the nature of the appointment—including how policy-driven it appears, or how experienced the candidate is. This comes at a time when the probability of a rate cut at the Fed's next meeting in September, which has long been our base case, has increased. Labor market data on Friday undermined confidence that companies have continued to hire despite uncertainty over tariffs. The three-month average of employment growth dropped from 150,000 to just 35,000 in July—the slowest since the pandemic. US GDP growth also slowed to 1.2% in the first half of 2025, down from 2.7% in late 2024. This week, investors will watch whether more top Fed officials—such as Mary Daly, Raphael Bostic, and Alberto Musalem—signal support for a cut.

While upcoming US data are mostly second tier, markets will closely monitor weekly jobless claims for signs of rising layoffs. Last week's data support our view that the Fed will resume cutting in September, with around 100 basis points of easing by June 2026. The global easing trend remains intact: we expect 100 basis points of cuts from the Bank of England over the next year and one more rate cut from the ECB. In this environment, we favor quality bonds.

Will tariff discussions shift from deals to details?

Many investors had assumed the drama of Trump's trade conflict was winding down—especially after deals with the EU and Japan (Read our House View Daily: Trade tensions ease further with US-EU deal) , and

Explore more about US tariff discussions

- Podcast: Ahead of the curve with Ulrike Hoffmann-Burchardi (7 min). 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 latest on the Swiss economy: No deal, but trade talks likely to continue

- Gain insights on China: Investing in China: Treading carefully as trade talks plod on provides our latest views on navigating the Chinese market.

- For Swiss investors: US-Switzerland trade deal proves elusive – what next? (CIO Alert Switzerland) examines the latest developments and what they could mean for Switzerland.
- Stay updated: our latest Jump Start covers labor market concerns, the final stages of earnings season, and the latest on US tariffs.

Explore more about the Federal Reserve

- Read our analysis: Weaker job growth opens door to rate cuts for our perspective on the Fed's policy outlook.
- Listen to the Investors Club podcast: The Fed, the US dollar, credit opportunities,

positive signs in talks with mainland China. But President Trump's 1 August tariff announcements—including a 39% tariff on Switzerland, 35% on Canada, and 20% on Taiwan—rekindled concerns that the dispute is not over (Read our House View Daily: Trump unveils new tariffs). We expect US tariffs to settle around 15%—the highest since the 1930s—but we don't see a recession.

However, we do see reasons to expect renewed volatility before then. The "handshake" nature of recent trade deals means tensions could resurface as details are negotiated. Friday's punitive tariffs on countries like Switzerland and India signal further urgent talks ahead. Meanwhile, deals with China and Mexico are still pending. President Trump has also threatened "secondary" sanctions on nations with strong ties to Russia, which could impact India and others. Finally, the apparent use of higher tariffs on Brazil over the prosecution of former President Bolsonaro shows tariffs may be used for broader diplomatic aims.

Given these risks, we still see the potential for further market volatility ahead, which could offer improved entry points for investors whose equity allocations are below their strategic targets. A resurgence of political risk over Russia also remains possible, and we continue to favor gold as an effective hedge against geopolitical risk.

Will the final stages of earnings season support equities?

Investors are still digesting last week's flurry of earnings reports (Read our House View Daily: Markets watchful as data-heavy week unfolds). Strong results from Meta and Microsoft underlined their commitments to further increase capital spending on AI and reinforced our confidence in the outlook for tech (Read our House View Daily: Raising our tech forecasts amid solid results). Amazon disappointed, with cloud revenues lagging its top peer, though its capital spending rose 90% over last year to a record.

This week, 125 S&P 500 companies report. Most major tech firms have already announced results, with investors now awaiting NVIDIA on 27 August. By the end of last week, 70% of the S&P 500 by market cap had reported. So far, consumer spending signals remain positive and the impact of higher US tariffs appears to have been less severe than expected. Continued strong results could underpin recent gains, with the S&P 500 reaching record highs last week despite weakness at the end of the week. In contrast, European earnings have lagged, with only 10% net positive beats and a profit warning from Novo Nordisk amid rising US competition.

Without taking single-company views, we remain positive on AI as a key innovation theme and favor longevity-related opportunities, including health care providers addressing obesity. Despite Europe's headwinds, we see value in structural themes like "European Quality" and "Six ways to invest in Europe."

Chart of the week

The Federal Reserve held rates steady last week and several US Treasury auctions are scheduled for this week. We continue to expect the Fed to resume easing in September, cutting rates by 100bps over the next 12 months, and think that medium-duration (five to seven year) quality investment grade bonds offer an opportunity for more durable portfolio income.

and gold for expert discussion on current market themes.

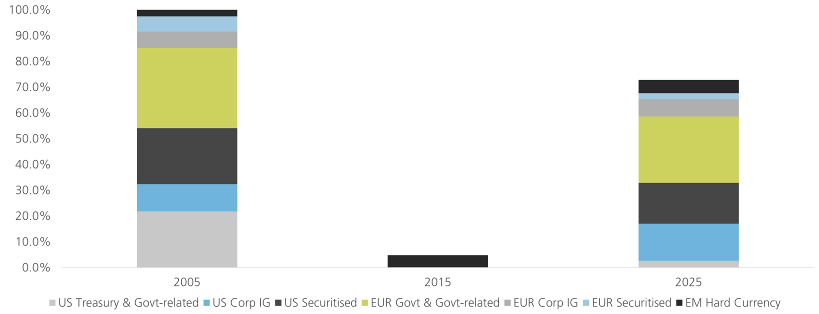
- Read more on Europe and Japan: The ECB is in 'a good place' for the time being and BoJ: On hold, raises inflation outlook.

Explore more about the US earnings season

- Read our latest blog: Strong results from tech for highlights and analysis of the second quarter earnings season.
- Read our Big 4's AI progress report for the latest on how leading tech firms are advancing in artificial intelligence.
- On Thursday, 7 August at 7.00 p.m CEST / 1:00 p.m. ET, our experts will discuss the latest tariff developments, views on the market, and implications for investors. Add to your calendar, and join live at ubs.com/ciolive.

Quality bonds look appealing

Proportion of fixed income market yielding more than the current USD cash rate (in USD or USD-hedged terms).*



Source: Bloomberg, UBS, as of July 2025.

*Selected universe includes Bloomberg US Agg, Bloomberg EUR Aggregate and Bloomberg EM Hard Currency Aggregate. Yields are in USD or hedged into USD using estimated 1m hedging costs based on FX forward rates (annualised). 2005 and 2015 refer to year-end. 2025 refers to 30 June 2025. Current USD cash rate refers to 3m T-bill rate.

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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.

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In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

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- 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.
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Appendix

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