

UBS House View

Investment Strategy Guide:

Quiet...too quiet

August 2025 | Chief Investment Office GWM | Investment research



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August

CIO Monthly Livestream

7 August 2025 at 1:00 p.m. ET

- [Join the event at ubs.com/ciolive](https://ubs.com/ciolive)
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Dear reader

Markets have remained resilient in recent months, reaching record levels despite persistent uncertainty. But the calm feels uneasy as investors weigh mounting risks beneath the surface. President Trump's latest tariff threats signal a sharper turn in trade negotiations approaching the 1 August trade deadline, while his intensified criticism of Fed Chair Jerome Powell raises questions about the central bank's independence. Speculation about removing Powell has sparked concerns over potential disruptions to monetary policy, though we believe the president is unlikely to take such a step.

Despite these uncertainties, markets have shown resilience. Equities remain up around 28% since the April "Liberation Day" low, with the S&P 500 and Nasdaq recently hitting record highs, buoyed by AI optimism and outperformance by mega-cap tech companies. While the surface may appear calm, the underlying risks could still trigger further volatility in the weeks ahead.

The US economy continues to deliver mixed signals amid persistent headwinds and uncertainty. The labor market has remained resilient, and both consumer sentiment and retail sales have recently exceeded consensus estimates. While tariffs are contributing to higher prices, inflationary pressures are easing in some service sectors. However, risks remain—growth is subdued, manufacturing activity shrank for the fourth consecutive month in June, and inflation remains above the Fed's target.

While elevated fiscal deficits and renewed trade tensions could dampen investor confidence and global demand, they are unlikely to push the US into a recession, in our view. We forecast GDP growth to slow to around 1.5% in 2025, down from 2.8% in

2024, as the impact of tariffs and other policy changes becomes more apparent. Against this backdrop, we still expect the Fed to cut rates by 100 basis points, starting in September.

The spotlight is on second-quarter earnings for US equities. We expect overall earnings growth to slow to around 5% this quarter from 9% in 1Q. The Magnificent Seven's profit growth remains a key driver but is set to moderate, with mega-cap earnings projected to rise about 20%—down from around 30% in recent quarters. We maintain a Neutral view on the sector, as we believe stocks already reflect easing trade and geopolitical risks. Investors should prepare for potential market volatility in the near term, but we still see further gains for the S&P 500 and expect the index to reach 6,500 within the next 12 months.

In fixed income, shifting yields have reflected changing market expectations as investors respond to evolving Fed signals and tariff developments. Heightened uncertainty around trade policy, fiscal deficits, inflation, and Fed policy has contributed to volatility and a steeper yield curve. While fiscal deficits remain a concern, we believe the US can manage its debt for the time being, supported by deep capital markets and the US dollar's reserve currency status. Despite these moves, we maintain our expectation for the 10-year Treasury yield to trend lower—albeit not in a straight line. We continue to favor high-quality fixed income in this environment, with preferences for investment grade credit and agency MBS, in the intermediate area of the yield curve.

As always, we recommend speaking with your UBS financial advisor to determine how these views align with your broader financial plan.



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Quiet...too quiet

Riding high

Equity markets have rallied to record highs. But with risks remaining, we recommend preparing for potential near-term market volatility.

Long and variable lags

The impact of tariffs is feeding through to the US economy. However, we would expect a tariff-led economic slowdown to be mild and short-lived, rather than recessionary.

Fed in focus

Questions about the Federal Reserve's independence have moved back into focus for investors. We believe such concerns add to headwinds for the US dollar.

Asset allocation

In equities, we like structural growth themes such as AI, Power and resources, and Longevity. We also favor quality bonds and gold, but see the US dollar as Unattractive.



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Our views, live with Q&A

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It's quiet...a little too quiet.

Movie fans will know that feeling of tension when the hero steps into supposedly dangerous new territory only to find nothing there. Many investors are feeling a similar sense of unease about current market highs, listening for the sound of the "TACO" trade going "crunch" underfoot.

We're dealing with the highest tariffs since the 1930s, fears about government debt sustainability, geopolitical uncertainty, and threats to Federal Reserve independence. Yet economic activity has so far held up. After a brief shock in April, equity markets have moved higher, with global stocks now trading at record levels. Rate volatility has declined, and credit spreads are tight. Even the US dollar—one exception to this period of "quiet" in markets—has stabilized after its recent swings.

In this letter, we consider some of the key risks to markets over the coming weeks, including the potential for the recent optimism over trade deals to be challenged, evidence of a larger economic impact from tariffs, and wrangling about Fed leadership. In the context of bullish market sentiment, we believe that some combination of these is likely to contribute to market volatility in the weeks ahead.

Nevertheless, we would expect market swings to be temporary. We believe trade negotiations will ultimately lead to moderate policy (albeit with high tariffs by historical standards). We would expect a tariff-led economic slowdown to be mild and short-lived, rather than recessionary. While a shift toward more dovish Fed leadership may unnerve investors temporarily, we believe that the Trump administration understands the cost of a steeper yield curve. Meanwhile, we believe structural trends, notably AI, will remain supportive of corporate earnings over the medium and longer term.

We recommend strategies to prepare for potential market volatility in the near term.

To prepare for potential near-term volatility, we believe those investors already invested in equities in line with their strategic benchmarks should consider implementing short-term hedges, while those underallocated to stocks should prepare to add exposure on potential market dips. Our preferred areas within equities include the US technology, health care, financial, and utilities sectors, while in Asia, we like the Chinese tech sector, India, and Singapore. In Europe, we favor Swiss high-quality dividend stocks, European quality, and our “Six ways to invest in Europe” theme. We also like the Brazilian market. We believe market dips would offer a good opportunity for investors to build exposure to our Transformational Innovation Opportunities of *Artificial intelligence, Power and resources, and Longevity*.

In fixed income, our preference is for high grade and investment grade bonds. We believe tight credit spreads and risks of changes to the market narrative around economic growth make the risk-return for both high yield bonds and senior loans less appealing at this stage. Although we expect 10-year bond yields in most major markets to be lower by year-end, from a duration standpoint, we continue to favor intermediate maturities (five to seven years) given the risk of higher volatility at the long end of the curve.

We expect further US dollar depreciation in the months ahead. We target EURUSD at 1.23 and USDCHF at 0.76 by June 2026. But the significant interest rate differential between the USD, and the euro and Swiss franc in particular means that hedging or underweighting the US dollar is expensive. We believe this is an important time for investors to ensure their strategic currency allocations are appropriate for their personal situations and recently published a guide on how to do this (see [“A practical guide to currency allocation”](#) for more).

The “TACO” (and “WACO”) trade

Markets have continued to rally despite tariff threats.

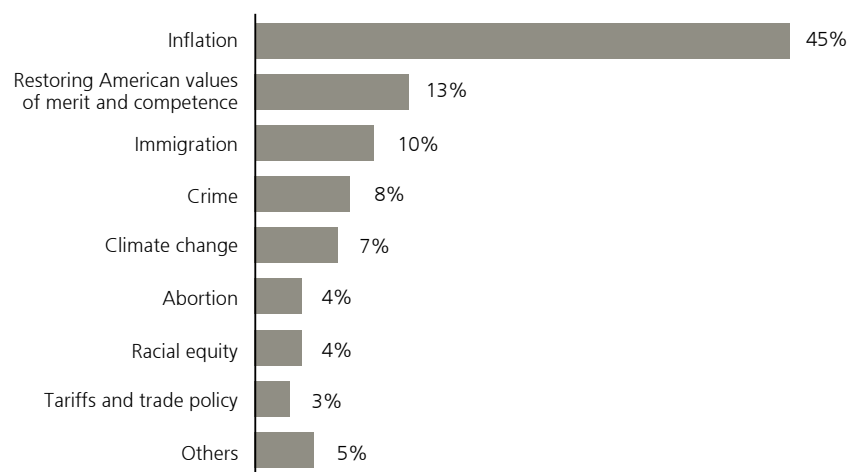
Markets have proven resilient to most of the recent tariff threats, as investors have grown accustomed to the idea that, faced with market volatility or potentially painful retaliation from counterparts, one side can be expected to back down. The “TACO (Trump Always Chickens Out) trade”—a term that was popularized after first being described in the *Financial Times* in May—and its counterpart, the “WACO (World Always Chickens Out) trade,” encapsulate this view.

The trade has been working well for investors in recent weeks, with a US trade deal with Japan (setting tariffs at 15%) and media reports that a similar deal with the European Union is “close” helping global markets break new record highs. And ultimately we do not believe the US administration wants tariffs so high that they choke off trade, risk pushing the economy into recession, or reignite inflation. Inflation remains a key concern for US voters: In a recent Harvard CAPS/Harris poll, 45% of respondents cited inflation as the most important issue to them personally, while only 3% cited tariffs and trade policy.

Figure 1

Inflation remains an important concern in the US

Most important issue, % of respondents



Source: Harvard CAPS/Harris Poll, UBS, as of July 2025

Meanwhile, the high degree of dependence on US technology services and on security and defense means that we believe the EU will also be keen to reach a deal (while embarking on longer-term self-sufficiency initiatives).

Nonetheless, the degree of confidence markets appear to have in inexorable progress toward trade deals suggests that near-term disappointments are possible if deals fail to materialize, are subsequently revisited, or if other sector-level tariffs prove more aggressive than expected. Indeed, a key challenge with the “TACOWACO” trades is that buoyant equity markets may embolden negotiating parties to take aggressive stances.

The long and variable lags

We expect the effective US tariff rate to settle close to 15%.

We believe that while trade policy still has the power to shock, the range of potential tariff outcomes has become narrower. A 10% tariff on imports into the US appears to have become well established as a “floor” for most countries. Equally, with various agreements already in place, we also see it as unlikely that the overall US effective tariff rate will exceed 20%. In our base case, we expect it to settle close to 15% by year-end.

Tariffs are likely to weigh on US economic growth and boost inflation.

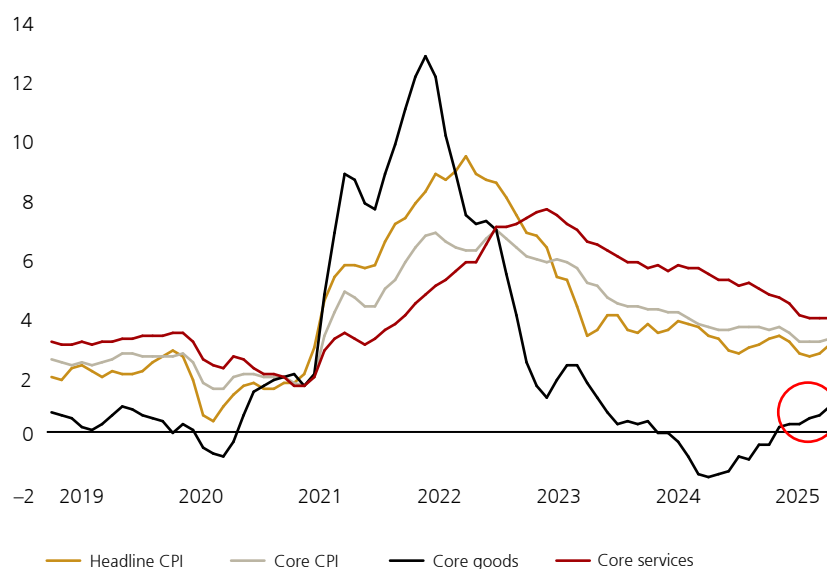
Although lower than the 28% that was threatened in the immediate aftermath of “Liberation Day,” this still represents a sixfold increase on tariff levels in 2024 and is evidence that, in a bigger-picture context, Trump doesn’t “chicken out.” The scale of the impact on both the US and global economy remains to be seen.

In general, we believe that tariffs will have a negative impact on US growth and will boost US inflation. Beneath the headline inflation rate, there were signs of tariffs feeding through into the June consumer price index data, with core goods inflation rising to a two-year high. While the tariff impact may surprise markets as it starts to bite, we believe the resilience of the US consumer should help the US economy avoid recession. Retail sales rebounded in June. The University of Michigan measure of consumer sentiment has bounced off its low in April, while inflation expectations have come down from their highs. And in aggregate, household balance sheets remain strong.

Figure 2

Tariff impact revealed beneath headline inflation

US headline, core, commodities ex-food and energy (core goods), services ex-energy (core services) CPI, y/y %



Source: Bloomberg, UBS, as of July 2025

Economic data in the weeks and months ahead will be key.

Data in the weeks and months ahead will be key to determining the validity of our assessment. Several factors remain unclear. Although tariffs have been implemented since April, the effect of stocking and destocking, and the time lags inherent in supply chains, mean that the true economic impact of tariffs will be hitting the shelves around now. It remains unclear how exporters, importers, or consumers will divide the economic costs. And we do not yet know how much extended and new tax cuts in the One Big Beautiful Bill Act (partly funded through tariff revenue) may act as an offsetting stimulus.

We will therefore be closely watching retail sales, inflation, and consumer spending data, and listening for comments in the ongoing second-quarter earnings season about whether suppliers, companies themselves, or consumers are expected to bear the cost of tariffs.

The risk cases are that tariffs either have a larger-than-expected impact on inflation (which would both hurt consumer spending and make the Fed's position more difficult) or that companies accept a larger-than-expected hit to margins to retain volumes (weighing on corporate profits). With equities having proven sanguine about the potential economic costs of tariffs so far, evidence of either of these trends emerging could quickly change the optimistic market narrative.

In the Eurozone, we expect tariffs to dampen activity in export-related sectors and weigh on business confidence. However, an expansionary fiscal package from Germany, together with modestly less restrictive fiscal policy in other parts of the bloc, should help offset some of the negative impact. Low interest rates, a robust labor market, and high levels of precautionary savings should also support domestic demand.

China's economy is likely to grow by around 4.7% this year.

In China, second-quarter GDP growth was stronger than expected amid front-loaded exports and resilient consumption. We still expect growth to slow in the second half of the year, and Beijing is unlikely to introduce stimulus measures in the near term. Nonetheless, we now see full-year GDP growth reaching around 4.7%, with the potential for upside if targeted policy support for the property sector and tariff-affected industries is put in place.

Whose committee is it anyway?

President Trump has repeatedly criticized Fed Chair Powell.

Few things are certain in markets. One thing that comes close is that Jerome Powell will no longer be the chair of the Federal Reserve in 10 months' time. The way in which he ends his term may have a bigger bearing on markets than the fact that it will end.

President Trump has returned to the subject frequently. In recent weeks, he has stepped up criticism of the Fed chair, claiming that Powell is a "knucklehead," "doing a lousy job," and calling for interest rate cuts of "3 points." Reports also suggest that President Trump showed some House Republicans a draft letter firing Powell. The President later stated that it was "very unlikely" he would fire the Fed chair.

From here, several scenarios are possible. Powell could be allowed to continue until the end of his term in May 2026 and be replaced by a (supposedly) more dovish but experienced central bank practitioner. Powell could be allowed to continue and be replaced with a Trump loyalist. Trump could move to undermine Powell before the end of his term, for example by attempting to remove him, or by naming a successor—either from within the Fed or externally—who would effectively act as a “shadow Fed chair.” At an extreme, the President could try to push through legislation to change the Fed’s mandate or its independence, though this would be unlikely to pass given the required 60 votes in the Senate.

We do not believe external political interference with the Fed will make a material difference to monetary policy. Decisions are made by committee, of which the chair is just one member, and we believe that committee members will remain focused on their stated mandate. And while the president does nominate members of the committee, meaningfully changing its composition takes years, likely stretching beyond Trump’s term.

Our base case is for 100 basis points of interest rate cuts over the next year. Although we expect the US economy to hold up relatively well in the face of tariffs, growth is still likely to remain below trend (supporting the case for a reduction in interest rates), and we believe the Fed will likely look through a one-time inflation increase from tariffs. It’s also worth noting that, politics aside, the rotation of regional Fed presidents, existing governors, and the forthcoming departure of Governor Adriana Kugler in January are set to shift the composition of voting members on the FOMC in a more dovish direction next year.

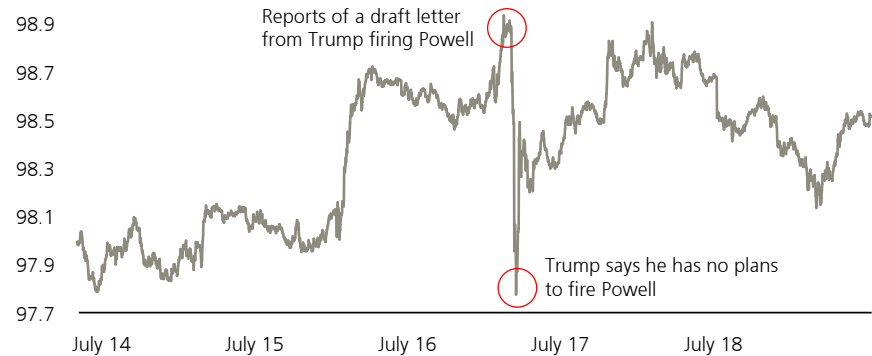
We continue to see the US dollar as Unattractive.

We expect lower interest rates, combined with fears about political interference, to affect the US dollar. We continue to see the US dollar as Unattractive and favor reviewing currency allocations to reduce excess US dollar holdings. Given the US’s twin fiscal and current account deficits, it is reliant on marginal foreign buying to keep the dollar and bond yields stable. Central bank independence provides overseas investors with a sense of reassurance that short-term political expediency will not interfere with the long-term stability in inflation and the value of the currency. A 1% sell-off in the US dollar trade-weighted index on 16 July, corresponding to a 20ppt increase in the probability of Trump firing Powell, according to Polymarket, gives a sense of scale on the potential impact of interference.

Figure 3

The US dollar has been sensitive to concerns about Fed independence

DXY index, Monday 14 July to Friday 18 July



Source: Bloomberg, UBS, as of July 2025

Market volatility may resurface in the near term amid low volumes.

Investment ideas

The next few weeks are potentially risky. Investor sentiment toward equities is optimistic (the American Association of Individual Investors' survey has recorded a net bullish reading in recent weeks), and positioning has rebounded from the depressed levels seen after "Liberation Day." We are entering a quiet summer period for trading volumes in the US and Europe. And, as we have highlighted, several risks remain on the table, any or all of which could contribute to market volatility amid low volumes.

At the same time, we continue to believe these risks will ultimately prove short-lived, and in 12 months' time, we would expect equity markets to be higher and most government bond yields to be lower.

How to navigate this environment?

Prepare for market volatility. After a strong run for global equities and with risks on the horizon, we believe investors who are already allocated to equities in line with their strategic benchmarks should consider implementing short-term hedges, while those underallocated should prepare to add exposure on potential market dips in the weeks ahead. We see the S&P 500 reaching 6,500 by June 2026. Within US equities, we like tech, health care, utilities, and financials. In Asia, we favor China's tech sector, India, and Singapore. In Europe, we like Swiss high-quality dividends, European quality, and our "Six ways to invest in Europe" theme. We also like Brazil.

Invest in transformational innovation. We expect structural growth ideas—*AI*, *Power and resources*, and *Longevity*—to deliver attractive returns in the years ahead and would use any dips to build exposure. In *AI*, diversified exposure across infrastructure, semiconductors, and applications should capture accelerating adoption and monetization. We expect *Power and resources* to continue to benefit from surging electricity demand. Meanwhile, *Longevity* is supported by demographic shifts and rapid innovation in health care, medtech, and wellness.

We favor investment grade bonds.

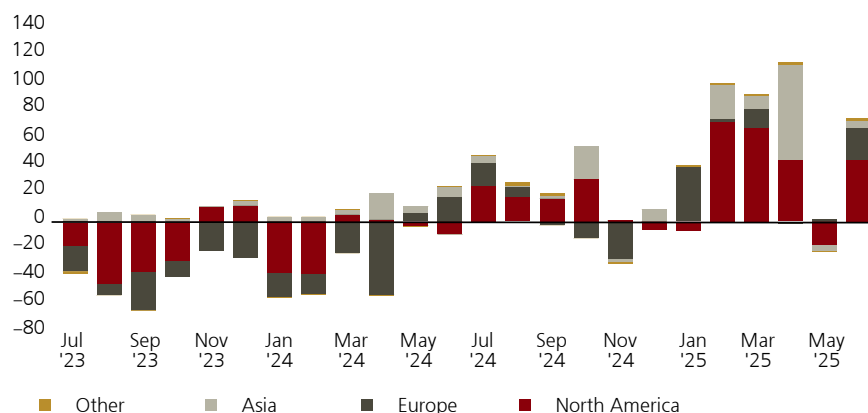
Buy quality bonds. We see an attractive risk-reward in quality (investment grade) bonds. Yields remain relatively high. We believe the risk-return for high yield bonds and senior loans looks less appealing at this stage owing to tight spreads. From a duration standpoint, we continue to favor medium duration (five to seven years), given the risk of higher volatility at the long end of the curve.

Navigate political risks. Gold remains an effective hedge against political risks, in our view. Although the Iran-Israel conflict has lessened in severity in recent weeks, geopolitical risks remain. And gold can also be an effective hedge against potential fears of external political interference at the Fed, elevated budget deficits, and the risk of higher-than-expected inflation. We maintain our USD 3,500/oz target and do not rule out the potential for prices to exceed this level if political risks escalate.

Figure 4

Demand for gold exchange-traded funds (ETFs) recovered after outflows in May

Net gold ETF flows by region, in metric tons



Source: World Gold Council, UBS, as of July 2025

We recommend investors consider an allocation to alternatives.

Reduce excess dollar exposure. Questions about Fed independence and rising US debt levels continue to undermine the US dollar's traditional role as a perceived "safe haven" during periods of market uncertainty and as a "default" currency for many international investors. While high US interest rates make hedging dollar exposure expensive, we believe that investors should respond to the changing nature of global currencies by reviewing their currency allocations and aligning them with those required to meet liabilities or spending plans.

Diversify with alternatives. Uncertainty about the diversifying power of defensive havens like US Treasuries and the US dollar increases the importance of alternative portfolio diversifiers. We recommend that investors consider an allocation to alternatives including hedge funds, private credit, value-oriented buyouts, and quality global real assets to help deliver returns, but also expose investors to a broader array of return drivers and enhance portfolio resilience. Investors should be aware of the various risks and drawbacks when investing in alternatives, including illiquidity, limited transparency, and the use of leverage.



Mark Haefele
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Global forecasts

Economy

Real GDP y/y, in %

	2024	2025E	2026E
US	2.8	1.5	1.4
Canada	1.2	2.0	2.0
Japan	0.2	0.5	0.5
Eurozone	0.9	0.7	1.0
UK	1.1	0.8	1.1
Switzerland	1.4	0.9	1.4
Australia	1.0	1.7	2.1
China	5.0	4.7	3.8
India	6.5	6.4	6.7
EM	4.5	4.2	3.9
World	3.3	2.9	2.8

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

	2024	2025E	2026E
US	3.0	2.9	3.3
Canada	2.4	2.2	2.1
Japan	2.7	3.4	1.9
Eurozone	2.4	2.1	1.8
UK	2.5	3.3	2.1
Switzerland	1.1	0.2	0.5
Australia	3.2	2.4	2.7
China	0.2	-0.2	-0.1
India	4.6	3.2	4.5
EM	8.0	4.0	3.1
World	5.7	3.4	2.9

Source: Bloomberg, UBS, as of 24 July 2025. Latest forecasts available in the *Global forecasts* publication, published weekly.

Asset classes

	Spot	June-26
Equities		
S&P 500	6,359	6,500
Eurostoxx 50	5,344	5,600
FTSE 100	9,061	9,000
SMI	12,077	12,600
MSCI Asia ex-Japan	829	864
MSCI China	82	86
Topix	2,926	3,050
MSCI EM	1,265	1,310
MSCI AC World	1,118	1,150

Currencies		
EURUSD	1.17	1.23
GBPUSD	1.36	1.40
USDCHF	0.79	0.76
USDCAD	1.36	1.32
AUDUSD	0.66	0.70
EURCHF	0.93	0.94
NZDUSD	0.60	0.64
USDJPY	146	136
USDCNY	7.16	7.00

	Spot	June-26
Yields, in %		
USD 2y Treasury	3.88	3.75
USD 10 year Treasury	4.38	4.00
CHF 2y Eidg.	-0.11	0.00
CHF 10y Eidg.	0.42	0.50
EUR 2y Bund	1.84	1.50
EUR 10y Bund	2.64	2.25
GBP 2y Gilt	3.88	3.50
GBP 10y Gilt	4.64	4.25
JPY 2y JGB	0.83	0.90
JPY 10y JGB	1.59	1.30


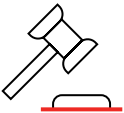

Commodities		
Brent crude, USD/bbl	68.5	68
Gold, USD/oz	3,388	3,500

Source: Bloomberg, UBS, as of 24 July 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
Prepare for market volatility 	<p>After a strong run for global equities and with risks on the horizon, investors who are already allocated to equities in line with their strategic benchmarks should consider implementing short-term hedges and those underallocated should prepare to add exposure on potential market dips in the weeks ahead.</p> <p>In the US, we like US tech, health care, utilities, and financials.</p> <p>In Europe, we like Swiss high-quality dividends, European quality, and our "Six ways to invest in Europe" theme.</p> <p>In Asia, we like China's tech sector, Singapore, and India. We also like Brazil.</p>	<ul style="list-style-type: none"> • Phasing-in strategies • Capital preservation strategies • Preferred areas: US: Technology, health care, utilities, financials Europe: Swiss high-quality dividend and income strategies, "Six ways to invest in Europe," quality stocks Asia: China tech, Singapore, India Brazil
Navigate political risks 	<p>Gold remains an effective hedge against political risks, in our view.</p> <p>Although the Iran-Israel conflict has lessened in severity in recent weeks, geopolitical risks remain.</p> <p>And gold can also be an effective hedge against potential fears of political interference at the Fed, elevated budget deficits, and the risk of higher-than-expected inflation.</p> <p>We maintain our USD 3,500/oz target and do not rule out the potential for prices to exceed this level if political risks escalate.</p>	<ul style="list-style-type: none"> • Gold • Alternatives incl. hedge funds
Buy quality bonds 	<p>We see a better risk-reward in quality (high grade and investment grade) bonds.</p> <p>Yields remain relatively high, while high yield bonds and senior loans look less attractive at this stage due to their tighter spreads.</p> <p>From a duration standpoint, we continue to favor medium duration, given the risk of higher volatility at the long end of the curve.</p>	<ul style="list-style-type: none"> • Agency MBS and investment grade bonds • Select credit opportunities in APAC and Europe

MIFs

Reduce excess dollar exposure

Elevator pitch

Questions about Fed independence and rising US debt levels continue to undermine the US dollar's traditional role as a perceived "safe haven" during periods of market uncertainty and as a "default" currency for many international investors.

While high interest rates make hedging dollar exposure expensive, we believe that investors should respond to the changing nature of global currencies by reviewing their currency allocations and aligning them with those required to meet liabilities or spending plans.

Investment ideas

- Hedge USD exposure implicit in US assets
- Increase allocations to EUR and AUD
- Reduce excess USD cash exposure
- Switch USD bond holdings to EUR IG

Invest in transformational innovation

We expect structural growth ideas—AI, power and resources, and longevity—to deliver attractive returns in the years ahead and would use any dips to build exposure.

In AI, diversified exposure across infrastructure, semiconductors, and applications should capture accelerating adoption and monetization.

We expect power and resources to continue to benefit from surging electricity demand.

Meanwhile, longevity is supported by demographic shifts and rapid innovation in health care, medtech, and wellness.

- AI
- Power and Resources
- Longevity

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

- US Agency MBS
- US investment grade corporate bonds
- Gold

Implementation guidance

US equity markets have continued their strong performance over the past month and are now up roughly 8% since the beginning of June. The rally has gotten tailwinds from solid US economic data as well as US policy decisions, from passage of the One Big, Beautiful, Bill (OBBB) to tariff policy as the Trump administration converges toward a universal (with exceptions) 15% rate on trade partners. We continue to think policy-driven uncertainty peaked in the first half of 2025 and expect inflation and growth dynamics to be the major focus for markets through the remainder of the year.

We expect US economic growth to slow in the coming months, but not enough to trigger a recession. As tariff-driven price inflation increasingly gets passed on to end consumers, spending should pull back, dampening growth. The timing and sequencing of this is important, and we expect to see the tariff impact on inflation become more evident in the next few months. Given there is typically a lag between higher prices and the pullback in consumption, we are anticipating weaker growth into the end of the year.

Turning to the Fed, we still expect the first rate cut to come in September, as several FOMC participants have expressed the view that tariff-induced inflation is likely to be a one-off price increase rather than the start of a sustained pattern of higher price adjustments. Given that view and the likely slowdown in job growth, we forecast the FOMC to cut by 25bps at four consecutive meetings starting in September, for a full 1% reduction in policy rates by 1Q26. This assumes that there will be volatile headlines around tariffs, but that the ultimate effective rate will settle around 15%. In our view, this will hurt economic growth but won't be high enough to trigger a recession.

Given our outlook, we have a few key messages for how investors should position their portfolios. First, we think investors should continue to consider using positions in gold as a hedge to help **navigate political risks**, including both tariff-related and fiscal concerns. Headline risks can cause quick sell-offs in risk asset markets, boosting the appeal of safe havens in this environment. We also think investors should **buy quality bonds** to dampen portfolio volatility. High-quality fixed income like Agency MBS or investment grade corporate bonds remain Attractive in our view, and the high yields currently available can help produce portfolio income and hedge against equity market declines.

The S&P 500 has recently been setting all-time highs, and technical indicators suggest returns over the coming months could be lower than in recent months and with greater volatility. We forecast the S&P 500 to reach 6,500 by next June, with sizable price swings likely before January. Consequently, we recommend investors **prepare for market volatility**. Specifically, we recommend that investors with equity allocations above their strategic targets consider implementing short-term hedges. And for investors with equity allocations below their strategic targets, we recommend adding exposure on potential market pullbacks in the weeks ahead.

Within US equities, we remain Neutral on value versus growth and make no changes to our sector preferences. We maintain our Attractive view on communication services, financials, health care, utilities and information technology. Communication services is Attractive due to solid digital advertising trends and investor enthusiasm around AI. Financials should benefit from ongoing deregulatory initiatives and could see further shareholder capital distribution following the latest round of stress test results. Health care should benefit from improved policy clarity, attractive valuations, and potential earnings upside. Within the tech sector, AI should remain a key driver of equity market returns over the coming years. Consequently, we believe it's 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 benefits from significant investments. We also like vertically integrated mega-caps, which are well positioned across the value chain. Within a portfolio context we also like utilities, as they are defensive and should do well in the event of weaker economic activity.

Our preferences

	Unattractive	Neutral	Attractive		Unattractive	Neutral	Attractive
Cash		=		Equity		=	
				US Equity		=	
Fixed Income		=		US Large Cap		=	
US Gov't FI		=		Comm Services			+
US Gov't Short		=		Cons Discretionary		=	
US Gov't Intermediate		=		Cons Staples		=	
US Gov't Long		=		Energy		=	
TIPS		=		Financials			+
US Agency MBS			+	Health Care			+
US CMBS		=		Industrials		=	
US Municipal		=		Info Technology			+
US IG Corp FI			+	Materials		=	
US HY Corp FI		=		Real Estate		=	
Senior Loans		=		Utilities			+
Preferreds		=		US Growth Equity		=	
EM Hard Currency FI		=		US Value Equity		=	
EM Local Currency FI		=		US Mid Cap		=	
				US Small Cap		=	
Commodities		=		Int'l Developed Markets		=	
Gold			+	Emerging Markets		=	
Oil		=					

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 owing 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

Policy impact turns real

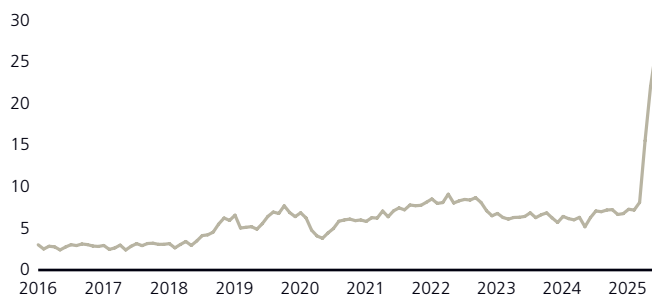
Brian Rose, PhD, Senior US Economist

Overview

Sentiment indicators turned sharply lower early this year amid extraordinarily high policy uncertainty. With some trade deals coming through and the reconciliation budget in the books, there is now less uncertainty and sentiment has bottomed out. However, the actual impact of policy changes is starting to be felt. In Figure 1, tariff revenues have increased sharply, representing real Americans paying real taxes on imported goods. Consumption growth has moderated after a strong 2024 (Figure 2) and tariffs are being passed through more broadly into retail prices (Figure 3). Tariffs and tougher immigration policy hurt economic growth while also pushing up inflation, creating more difficult policy choices for the Fed. Figure 4 indicates that markets now expect fewer Fed rate cuts this year even after negative GDP growth in 1Q. Our base case calls for cuts to resume in September, but this could be delayed if the labor data hold up.

Figure 1

Tariffs becoming a significant source of revenue
Customs duties net receipts, in USD bn



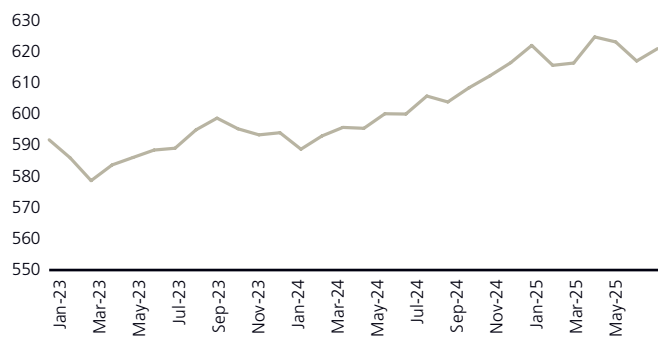
Source: Bloomberg, UBS as of 23 July 2025

Growth

GDP data has been heavily distorted by the front-loading of imports ahead of the tariff hikes, making it difficult to judge what really happened to growth in the first half of the year. The official data might end up showing a growth rate near 1% in 1H25, but we suspect actual growth was somewhat stronger. As shown in Figure 2, retail sales growth slowed after a strong 2024, but at least consumer spending has held up better than sentiment. Nonfarm payrolls have been resilient so far, averaging a solid 150,000 increase per month in 2Q25. We expect more sustained weakness over a broad range of indicators in 2H25, including much slower payroll growth, as policy uncertainty is supplanted by the actual negative impact of tariffs, tighter immigration policy, and government spending cuts. AI-related activity and overall healthy private-sector balance sheets, in addition to modest fiscal stimulus from the reconciliation budget, should help to avoid an outright recession.

Figure 2

Consumption growth has moderated
Retail sales in USD bn



Source: Bloomberg, UBS as of 23 July 2025



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

Read the report >

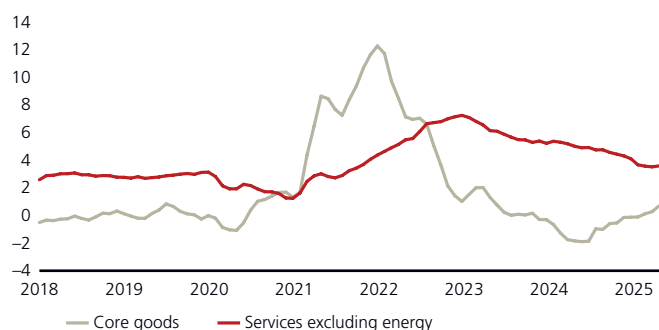
Inflation

The most recent inflation data show tariffs starting to feed through into retail prices more broadly. As shown in Figure 3, core goods inflation, which excludes food and energy, hit a two-year high of 0.7% in June. Core services inflation is still somewhat elevated and progress has stalled recently, but shelter inflation should trend lower in the months ahead, helping to contain overall inflation. Tepid consumer spending and pushback against high prices should also work to limit inflationary pressure. We still expect tariffs to push up prices over the remainder of the year, with headline CPI inflation reaching around 3.5% by year-end, but that outlook depends on what happens after the self-imposed 1 August deadline for reaching trade deals. More aggressive implementation of the administration's immigration policies could potentially lead to labor shortages and supply chain disruptions that become an additional driver of price increases.

Figure 3

Tariffs starting to push up goods prices

Core CPI goods and services, year-over-year change in %



Source: Bloomberg, UBS as of 23 July 2025

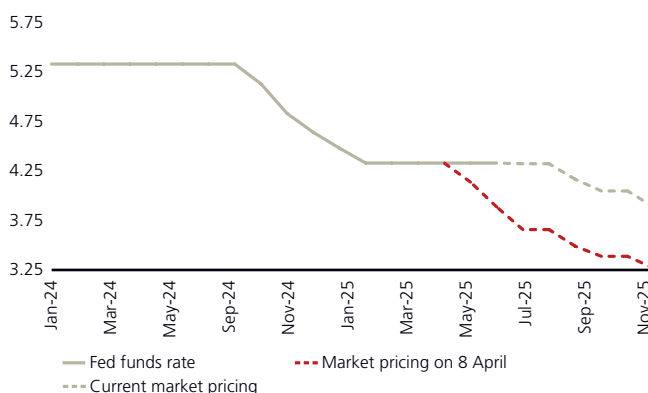
Policy

As shown in Figure 4, on 8 April, just before the pause on reciprocal tariffs was announced, the market was pricing in more than 100bps of rate cuts by the end of 2025. However, with inflation above-target and the unemployment rate still low at 4.1%, the Fed's dual mandates have not provided a compelling reason to cut rates and market pricing is now below 50bps of cuts. Our base case calls for rate cuts of 100bps starting in September, with 50-75 bps of that in 2025. However, we continue to believe that the Fed will need to see weaker labor data before it cuts and that it could end up staying on hold for longer if the labor market remains near full employment. On the fiscal side, Republicans passed their reconciliation budget (One Big, Beautiful, Bill), eliminating risks around the debt ceiling and providing a modest stimulus over the next 12 months. However, a bipartisan deal on the ordinary budget will be needed to avoid a government shutdown after 30 September.

Figure 4

Market pricing fewer Fed rate cuts

Fed funds rate and futures market pricing, in %



Source: Bloomberg, UBS as of 23 July 2025

Equities

We are Neutral on global equities. While we see upside potential over the next 12 months, we believe the near-term risk-reward is less compelling this summer. Lingering tariff uncertainty and the prospect of softer economic data could introduce some short-term volatility. We therefore maintain a Neutral stance. Over the next 12 months, reduced policy uncertainty, resilient consumption, central bank cuts, and robust structural trends should support the asset class.

Eurozone

⊖ NEUTRAL

EURO STOXX 50 (index points, current: 5,355)	June 2026 target
House view	5,600
📈 Positive scenario	6,200
📉 Negative scenario	4,200

Note: All current values as of 25 June 2025

We remain Neutral on Eurozone equities. We see a challenging backdrop over the next few months, limiting near-term upside. But as the negative catalysts pass, the outlook for European equities into 2026 starts to improve. We remain below consensus with our near-term Eurozone earnings forecasts of 0% growth this year (consensus 2%) and 5% for 2026 (consensus 12%). We recommend using pullbacks to phase into high-quality European stocks, our “Six ways to invest in Europe” theme, and transformational opportunities that can support the European industrials and IT sectors.

Japan

⊖ NEUTRAL

TOPIX (index points, current: 2,978)	June 2026 target
House view	3,050
📈 Positive scenario	3,140
📉 Negative scenario	2,200

Note: All current values as of 25 June 2025

We remain Neutral on Japanese equities. The trade deal reached between Japan and the US on 23 July was both earlier and more favorable than the market had anticipated, improving sentiment toward Japanese equities. Still, considerable uncertainty around global trade agreements is likely to persist in the near term. A short-term pause in momentum is also probable, given the strength of the post-deal rally. We still view the trade deal and 1Q FY25 earnings as a turning point for select beneficiaries. We favor adding to lagging, high-quality cyclical.

Emerging markets

⊖ NEUTRAL

MSCI EM (index points, current: 1,267)	June 2026 target
House view	1,310
📈 Positive scenario	1,390
📉 Negative scenario	980

Note: All current values as of 25 June 2025

We maintain our Neutral view on emerging market equities. With current valuations less compelling after the recent rally, we expect near-term consolidation as investors digest earnings, economic data, and tariff rhetoric. We downgrade Taiwan to Neutral this month. We believe above-average valuations, 4Q slowdown risks, and ongoing tariff concerns should limit short-term upside. We retain a positive view on mainland China's tech sector, supported by robust earnings growth, AI innovation, and easing chip restrictions. We favor India and Brazil owing to their strong fundamentals and supportive macro catalysts.

UK

⊖ NEUTRAL

FTSE 100 (index points, current: 9,138)	June 2026 target
House view	9,000
📈 Positive scenario	10,300
📉 Negative scenario	7,000

Note: All current values as of 25 June 2025

We remain Neutral on UK equities and recommend selective exposure. While we see a more positive medium-term outlook for the entire European region, we believe near-term growth uncertainty and currency headwinds for corporate profits warrant a more cautious approach for the time being. We expect earnings to contract further this year but believe 2025 will mark the bottom and see an improving outlook for profits from next year. Our preferences tilt to more resilient, higher-quality companies with structural growth exposure to either key longer-term themes or positive European policy developments.

US equities

We have a Neutral view on US equities. We believe that the bull market is intact and that stocks will likely rise further over the next year. However, there could be a pause in market gains in the short term.

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

US equities overview

⊖ NEUTRAL

US equities

US stocks have recently reached new all-time highs in their recovery from April's tariff-induced sell-off. While we believe there are further gains ahead, there could be a pause in the bull market in the short term. US President Donald Trump continues to threaten higher tariffs and extend the timeline for reaching trade agreements, likely keeping a damper on business investment decision-making. The delay could also further push out the timing of Fed rate cuts if tariff-related inflation materializes later. Lastly, the 2Q earnings season is underway. We expect more resilient results and for S&P 500 EPS to grow 5% y/y. Our S&P 500 EPS estimates are unchanged for 2025 and 2026 at USD 265 (6% growth) and USD 285 (7.5% growth), respectively.

US equities – sectors

Within financials, deregulation is a key driver for the banks. Net interest income and capital markets activity should improve. AI remains a key driver for information technology and communication services. Secular growth in digital advertising should also support communication services. Policy clarity and attractive valuations should benefit health care. Utilities offer defensive exposure if economic growth slows, and there is upside from AI power demand.

US equities – size

We have a neutral view across size segments. Small and mid-caps have lagged large caps year to date. This is likely due to their more cyclical nature as higher tariffs will still have an impact on economic growth. However, attractive valuations relative to large caps have historically led to outperformance for small caps over longer time horizons. In the near term, potential Fed rate cuts could boost the earnings outlook for small caps, but the scope of the rate cuts will matter.

US equities – style

We have a neutral view on growth and value stocks. Growth stocks are at record highs and currently trade at elevated relative valuations. But these companies have been delivering impressive earnings growth that we think is poised to continue. While value stocks don't have exposure to AI tailwinds that we're bullish on, financials are the largest sector in the benchmark. Trends in this sector should improve owing to deregulation and a pickup in business activity. Defensive companies in the benchmark should offer protection if stocks experience any bouts of volatility due to continued trade frictions or a slowdown in economic activity.

S&P 500 (index points, current: 6,363)

June 2026 target

House view	6,500
↗ Upside	7,200
↘ Downside	4,500

Note: All current values as of 23 July 2025

Figure 1

Selective positioning

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

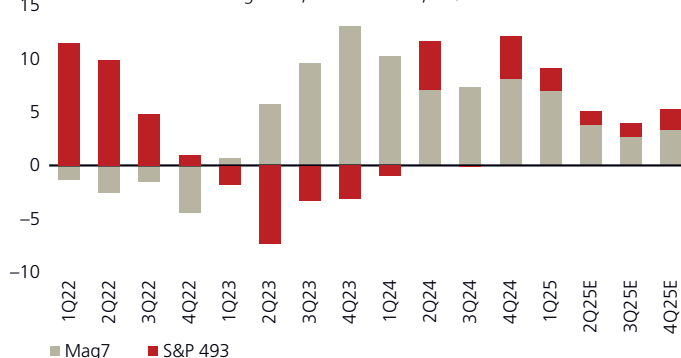
Note: S&P 500 sector preferences

Source: UBS, as of 24 July 2025

Figure 2

EPS growth is slowing but remains healthy

Contribution to S&P 500 EPS growth, CIO estimates, in %



Source: FactSet, UBS, as of 23 July 2025

Bonds

We continue to anticipate lower yields by the end of the year trending toward 4%. However, while volatility has fallen to a three-year low, uncertainty regarding tariff-related impacts on growth and inflation remains. Therefore, this may not be a straight line lower, as markets continue to adjust sentiment on a data-dependent Fed.

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: 4.39%) June 2026 target

House view	4.00%
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Note: All current values as of 23 July 2025

The US 10-year Treasury remains rangebound, hovering at 4.25-4.75% for the majority of 2025. The long end of the yield curve continues to lag as rates rise globally and concerns linger over a rising deficit. The correlation of 10-year Treasury yields and the projected fed funds rate remains high, and therefore likely volatile moving forward. We use the extremes in rates to adjust our interest rate positioning.

Emerging market bonds

⊖ NEUTRAL

EMBIG DIV. / CEMBI DIV. SPREAD (current: 310bps/250bps) June 2026 target

House view	375bps/300bps
➤ Positive scenario	290bps/210bps
➤ Negative scenario	550bps/500bps

Note: All current values as of 23 July 2025

We keep a Neutral stance on emerging market credit. Fundamentals remain robust and demand for bonds is strong, but valuations are already tight and the asset class remains vulnerable to potential setbacks. We expect rangebound to slightly wider spreads over the next six to 12 months, providing investors with a mid-single-digit interest rate carry. Key risks include U.S. policy uncertainty, inflation concerns, and the potential for an escalation in trade and/or geopolitical tensions.

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

US investment grade corporate bonds

⊕ ATTRACTIVE

US IG SPREAD (current: 81bps) June 2026 target

House view	90bps
➤ Positive scenario	80bps
➤ Negative scenario	180bps

Benchmark: ICE BofA

Note: All current values as of 23 July 2025

We hold an Attractive view. In recent months, IG spreads have continued to grind tighter to 81bps, just 3bps above the post-GFC tight that was reached in November 2024. With spreads currently at the low end of their historical range, we believe the total return outlook is mainly supported by carry, with potential upside from falling government bond yields. We find IG's yield of 5.0% to be appealing and believe investors with excess cash holdings should look to medium-duration IG bonds to lock in durable income.

US high yield corporate bonds

⊖ NEUTRAL

USD HY SPREAD (current: 290bps) June 2026 target

House view	350bps
➤ Positive scenario	300bps
➤ Negative scenario	650bps

Benchmark: ICE BofA

Note: All current values as of 23 July 2025

We have a Neutral recommendation on high yield. We see limited spread compression, as spreads have returned to the low end of their 10-year historical average. Fundamentally, credit metrics remain strong with aggregate leverage at 4.3x below its long-term average. CIO's forecast for the HY default rate is 2-3% for the next 12 months. The 7.0% yield should support total returns if spreads were to widen.

Municipal bonds

⊖ NEUTRAL

We remain Neutral. Munis underperformed in 1H25 as elevated supply led to a bear steepening of the curve beyond 10 years. Negative price action overwhelmed coupon income in 1H25. We expect 2H25 to produce better performance than 1H25. Tax-equivalent muni index yield continues to hover near 15-year highs, representing attractive long-term value. We prefer the three- to seven-year and 17- to 30-year range on the curve. We prefer larger, higher-quality issuers.

Non-US developed fixed income

⊖ NEUTRAL

Over the past month, bond yields in non-US developed markets moved mostly higher, with especially large moves in Germany and Japan. On foreign exchange markets, the dollar was mixed but overall weaker against other major currencies, boosting the value of non-dollar bonds in dollar terms. These factors were offsetting, leaving the asset class little changed for the month. With US bonds offering higher yields than those in most other developed markets, we do not recommend a strategic asset allocation position on the asset class.

Additional US taxable fixed income (TFI) segments

Agency bonds

We continue to prefer agency MBS over agency debt. While spreads have remained tight in the debt sector, agency MBS has maintained a range of 130-160bps. We see better performance in agency MBS given current spread and carry and therefore remain Neutral on agency debt.

The current spread is +8bps (versus +11bps last month)

Mortgage-backed securities (MBS)

+ ATTRACTIVE

Although interest rate volatility has declined to nearly a three-year low, agency MBS spreads have lagged. The unknowns ahead regarding policy impact on interest rates and continued rhetoric regarding the Fed have kept investors sidelined. We continue to believe spreads will compress in the second half, as deregulation and tight corporate credit remain a tailwind to the sector.

AGENCY MBS SPREAD (current: 150bps)

December 2025 & June 2026 target 130bps

House view	105bps
➤ Positive scenario	95bps
➤ Negative scenario	160bps

Note: All current values as of 23 July 2025

Preferred securities

⊖ NEUTRAL

Preferreds have lagged HY and IG this year. We began 2025 with muted return expectations based on the sector's tight valuations. But scant value has been a persistent challenge within most credit sectors. The lack of competitive yield alternatives will likely bolster preferreds from here, especially as its relatively weaker performance in the first half has improved its yield comparisons. The sector should benefit from a benign rate backdrop and supportive supply-demand dynamics.

Treasury Inflation-Protected Securities (TIPS)

⊖ NEUTRAL

While inflation expectations have remained anchored in the long end, there has been a recent uptick in the trend. With the 1 August tariff deadline nearby and the expectation of a higher anticipated PCE, we could see a rise in expectations over the near term. We continue to prefer 10-year TIPS at a 2.25-2.50% yield and await a better entry point.

US 10-YEAR REAL YIELD (current: 1.92%)

June 2026 target

House view	1.50%
➤ Positive scenario	0.75%
➤ Negative scenario	2.30%

Note: All current values as of 23 July 2025

Figure 1

UBS CIO interest rate forecast

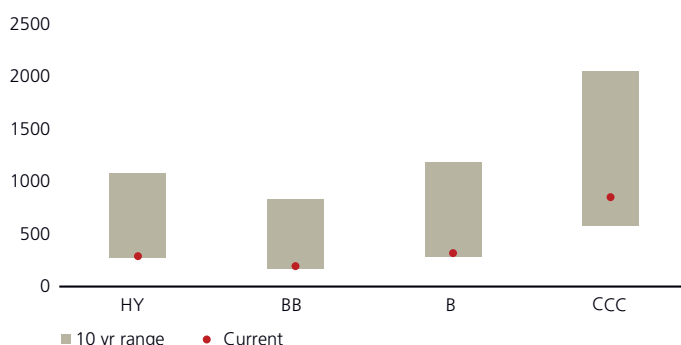
In %

UST	Current	Sep-25	Dec-25	Mar-26	Jun-26
2-year	3.9	3.8	3.8	3.8	3.8
5-year	3.9	3.8	3.8	3.8	3.8
10-year	4.4	4.0	4.0	4.0	4.0
30-year	4.9	4.8	4.8	4.8	4.8

Source: Bloomberg, UBS, as of 23 July 2025

Figure 2

HY corporate spreads are at 10-year historical lows



Source: Bloomberg, ICE BofA, UBS, as of 22 July 2025

Commodities and listed real estate

Our benchmark, the UBS CMCI commodity total return index, is up by a mid-single-digit percentage year-to-date. Positive roll gains in several commodities due to a downward-sloping futures curve and elevated cash collateral returns as US interest rates stay elevated continue to provide tailwinds. We anticipate high-single-digit total returns over the next 12 months.

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 3,369 /oz) June 2026 target
ATTRACTIVE

House view	USD 3,500/oz
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Note: All current values as of 25 June 2025. Gold is considered a safe-haven asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.

Precious metals

In April 2025, gold prices experienced significant fluctuations, reaching an all-time high of USD 3,500/oz in mid-April before declining to around USD 3,300/oz by month's end—a 5% pull-back from the peak. World Gold Council's first-quarter demand trends report signals ongoing strong investment and central bank buying, with overall demand reaching 1,206 metric tons, its strongest first quarter since 2016. Accordingly, we see gold well supported by perceived safe-haven and diversification demand and like to use the elevated volatility to sell price downside in XAUUSD at a strike of USD 3,150/oz or below.

Base metals

Copper prices are up over 39% year-to-date in the US and a solid 11% in London (LME). US prices would likely rise even higher if Trump implements the threatened 50% tariff on copper imports. With prices set to stay at high levels, US copper imports should slow as consumers draw on cheaper inventories. This may result in softer prices outside the US (i.e., at the LME). But limited supply growth globally—a key driver of the metal's persistent market deficit—means any price weakness is likely to be modest and short-lived.

Agriculture

Agriculture has staged a modest recovery so far this quarter, with our benchmark CMCI index up almost 2.0% quarter-to-date to be broadly flat this year. Sector wise, grains and oilseeds have led the recovery, with wheat, soybeans, and soybean oil leading the rebound as weather and policy-related risks emerged to drive short covering.

BRENT (current: USD 69.18/bbl) June 2026 target
NEUTRAL

House view	USD 68/bbl
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Note: All current values as of 25 June 2025

Crude oil

Crude oil prices remain supported by tight markets in key regions, likely driven by modest OPEC+ production increases and Chinese oil stockpiling activity. But the market may loosen up as we approach the end of the year, which could lead to lower prices. So, we expect Brent to stay in the USD 60-70/bbl trading range for now and then potentially test the lower part of that range later in the year.

Listed real estate

RUGL Index (current: USD 6,302) June 2026 target

House view	USD 8,000
Positive scenario*	USD 8,000
Negative scenario*	USD 6,800

Note: All current values as of 25 June 2025
*Positive and Negative scenarios reflect December 2025 targets.

We like companies that seek growth and engage in acquisitions or accretive issuance, while exhibiting strong pricing power, profitable pipelines, attractive yield gaps, and robust cash flows. Companies trading at discounts offer opportunistic potential returns only if they manage to grow their activities, which is a challenge. Also, because their average capital costs are still slightly increasing, selectivity is required. We expect real estate values to recover and profit from further rental growth over the medium term.

Foreign exchange

The USD is Unattractive; EUR and AUD are Attractive.

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

We maintain our Unattractive view on the USD, expecting macro and geopolitical headwinds to persist. Global investors are likely to continue reassessing their US exposure in the quarters ahead. The euro remains our preferred alternative, supported by fiscal stimulus in Germany and increased European defense spending. We also retain an Attractive rating on the Australian dollar, which should benefit from high yields and limited direct exposure to the US-China trade dispute.

Elsewhere, the Chinese yuan remains Neutral, with a gradual recovery expected as trade tensions ease. Despite offering the lowest yield in the G10, we remain Neutral on the Swiss franc, which continues to serve as a haven in such uncertain times. We continue to favor the Norwegian krone and Swedish krona, both of which should benefit from European fiscal stimulus, with the NOK in particular offering strong total return potential. The British pound, too, stands to gain from the broader European reflation story and continued high yields, despite the Bank of England's gradual easing. We remain Neutral on the Japanese yen, as the low carry and the slow-moving Bank of Japan don't provide immediate catalysts to position in the yen, in our view.

Emerging market currencies nearly moved in a straight line up over the first half of the year, briefly interrupted by the "Liberation Day" announcement on tariffs in early April. For the second half of the year, we expect US dollar softness to prolong the supportive backdrop, with interest rate carry doing its part to add to total returns. We believe it is worth considering the Egyptian pound again to gain exposure to a high carry currency in diversified portfolios. We also remain on the lookout for opportunities to sell USD upside against emerging market currencies for yield enhancement; lately, this included opportunities in USDZAR and USDILS.

Geopolitical uncertainty has remained elevated for several years, and we believe this environment is likely to continue. Recent events have demonstrated that political instability is having a growing influence on macroeconomic conditions. The impact of tariffs on the US dollar will largely hinge on the next moves by the US administration. In our base case, we expect the trade war to weaken the US economy in coming quarters, prompting rate cuts by the Federal Reserve and resulting in a weaker dollar. However, if the trade war were unfolds in a more supportive way for the US economy, the Fed would be less likely to cut rates, which could allow the USD to rebound meaningfully.

FX strategy

	Unattractive	Neutral	Attractive
USD	⊖		
EUR			⊕
JPY		=	
GBP		=	
CHF		=	
AUD			⊕
CNY		=	

Changes are based on the Foreign exchange preferences table found in UBS House View Monthly Extended

FX forecasts

	Current	Sep-25	Dec-25	Mar-26	Jun-26
EURUSD	1.17	1.19	1.21	1.22	1.23
USDJPY	146	142	140	138	136
GBPUSD	1.36	1.38	1.39	1.39	1.40
USDCHF	0.79	0.78	0.78	0.77	0.76
USDCAD	1.36	1.35	1.34	1.33	1.32
AUDUSD	0.66	0.66	0.68	0.70	0.70
NZDUSD	0.60	0.61	0.62	0.64	0.64
USDSEK	9.52	9.08	8.84	8.69	8.54
USDNOK	10.12	9.50	9.26	9.10	8.94

Sources: SIX Financial Information, UBS, as of 25 July 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 (*)
- Ulrike Hoffmann-Burchardi
- Paul Donovan
- Min Lan Tan
- Themis Themistocleous
- 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:

- Ulrike Hoffmann-Burchardi
- Alejo Czerwonko
- Jason Draho (chair)
- Leslie Falconio
- David Lefkowitz
- Brian Rose

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

Cautionary statement regarding forward-looking statements

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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.

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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.

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Nontraditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments).

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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.

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