

UBS House View

Investment Strategy Guide: Investing as the Fed cuts rates

October 2025 | Chief Investment Office GWM | Investment research



UBS

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October

CIO Monthly Livestream

1 October 2025 at 1:00 p.m. ET

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Dear reader

Markets continue to set new records as solid corporate earnings and expectations for additional Federal Reserve rate cuts bolster sentiment. The Fed's decision to lower rates by 25 basis points at its September meeting was driven by signs of labor market weakness and subdued inflation pressures. Historically, rate cuts during non-recessionary periods have supported equity market performance. However, we remain watchful of potential economic uncertainties and inflation risks.

While price pressures could increase in the coming months, we believe the Fed will prioritize recent labor market weakness over what is likely to be a temporary rise in inflation. We expect the September rate cut to mark the start of a series, with a further 75 basis points of cuts likely through the first quarter of 2026.

In terms of positioning, we maintain a Neutral view on US equities, but we believe the bull market remains intact, as the combination of solid earnings growth, AI tailwinds, and Fed easing should support further gains through the middle of next year. Our sector preferences remain unchanged, with Attractive views on financials, information technology, communication services, health care, and utilities. We continue to see long-term growth opportunities in areas like AI, power and resources, and longevity.

In fixed income, we expect the coming months to be shaped by slowing growth, the Fed's pivot toward easier monetary policy, and fiscal pressures that could heighten volatility. While the yield curve has steepened in 2025, a trend we anticipate will continue, the curve may flatten in the short term given a more dovish Fed outlook. We expect yield (carry), rather than spread compression, to be the primary driver of returns in the months ahead. We recently shifted to a Neutral view from Attractive on investment grade corporate bonds, but maintain an Attractive view in agency MBS and CMBS. We continue to prefer high-quality securities in the intermediate part 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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Investing as the Fed cuts rates

Fed to cut further

We expect the Fed to cut rates further as it “looks through” near-term inflation and focuses on a cooling jobs market.

Bull market intact

A combination of Fed easing, robust earnings growth, and AI tailwinds should support further gains for global equities in the coming year.

Put cash to work

The resumption of the Fed rate-cutting cycle increases the imperative for investors to put cash to work in diversified portfolios.

Asset allocation

In equities, we upgrade the Japanese market to Attractive. We also like quality bonds and gold, but rate the US dollar as Unattractive.



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Philosophers, moviegoers, and sports fans alike have long pondered what happens when an unstoppable force meets an immovable object. Recent events are leading economists and investors to come to grips with some philosophical paradoxes of their own.

How will the Federal Reserve square a weakening US labor market with rising inflation? Should equity investors look past high valuations and bank on robust earnings growth? Will lower rates and slowing growth override bond market worries about debt sustainability?

In short, we believe the September rate cut will mark the start of a series for the Fed, with a further 75 basis points of rate cuts between now and the first quarter of 2026. We expect policymakers to “look through” near-term inflation and focus on the notable recent deterioration in the US labor market instead.

We believe a combination of Fed easing, robust earnings growth, and AI tailwinds should support further gains for global equities in the coming year. Investors looking to manage timing risks should consider phasing in and using market dips to add exposure to preferred areas. Regionally, we like the Japanese equity market, which we have upgraded to Attractive.

The fixed income outlook is more finely balanced, in our view. For quality fixed income, we believe lower rates and slowing growth will offset fiscal worries, and we expect yields to trade around current levels over the coming months. In a portfolio context, quality fixed income offers an appealing combination of income and the potential to rally in the event of a steeper-than-expected slowdown in economic growth—unlike cash. High yield credit looks less appealing, in our view, given historically tight spreads. The private credit outlook is bifurcated, so a selective approach is warranted, though we continue to see attractive potential returns for quality funds.

Elsewhere, we expect the euro and the Australian dollar to strengthen against the US dollar. With the Fed set to cut interest rates more quickly than in other regions, a high outstanding volume of unhedged overseas investment in the US, and a still-significant twin current-account and fiscal deficit, we believe the path of least resistance for the US dollar is lower.

We expect gold prices to rise further.

We also expect gold to rally further, benefiting from a weaker dollar, robust central bank demand, lower real interest rates, investor concerns about rising government debt levels, the potential for financial repression, and ongoing geopolitical risks.

The resumption of the Fed rate-cutting cycle increases the imperative for investors to put cash to work. We believe this is an important time to review cash holdings, build an effective liquidity portfolio, and deploy excess cash into the various opportunities that present themselves across financial markets.

The Fed: Squaring a weaker labor market with higher inflation

The Fed cut rates by 25 basis points in September.

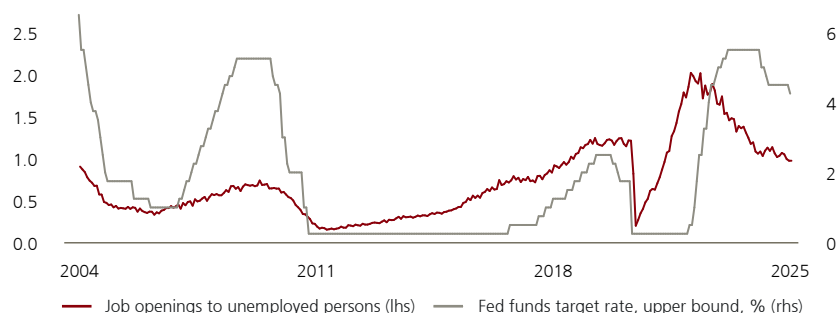
The Fed cut interest rates by 25 basis points at its September meeting, and policymakers' projections (the "dot plot") point to the prospect of further reductions at the next two meetings. Compared with the last FOMC meeting in July, when the Fed stated that "labor market conditions remain solid," the committee now "judges that downside risks to employment have risen." So, even though inflation has "moved up and remains somewhat elevated," the fed funds effective range was lowered to 4.00-4.25%. The reduction was the first of the year, after the central bank cut rates by 100bps in 2024.

We expect the Fed to cut interest rates further in the months ahead owing primarily to a notable weakening in the labor market. At the press conference following the September FOMC meeting, Chair Jerome Powell said that "labor demand has softened and the recent pace of job creation appears to be running below the break-even rate needed to hold the unemployment rate constant." Nonfarm payrolls growth has averaged just 27,000 per month since May (or -45,000 a month if we exclude jobs in health care and social assistance). This month, the Bureau of Labor Statistics announced an estimated -911,000 revision to total nonfarm payrolls in the 12 months to March. Meanwhile, jobless claims are also trending upward and have reached their highest level since late 2021.

Figure 1

The Fed is likely to prioritize labor market weakness over short-term inflation

Ratio of US job openings to unemployed persons (lhs) vs. fed funds target rate, upper bound, % (rhs)



Source: Bloomberg, UBS, as of September 2025

The Fed will need to balance labor market concerns with an eye on inflation.

Chair Powell has stated that he only expects a one-off price increase from tariffs.

Of course, the Fed will need to balance labor market worries with an eye on inflation. Headline consumer price inflation accelerated to 2.9% y/y in August, in line with consensus expectations but still the highest reading since January. Core inflation, which excludes food and energy prices, remained stable at 3.1% y/y. Some leading indicators of consumer price inflation also suggest it will rise in the months ahead—the ISM services prices paid index is now at 69.2 (from 60.9 in March)—although US producer prices unexpectedly fell 0.1% in August, marking the first monthly decline since April.

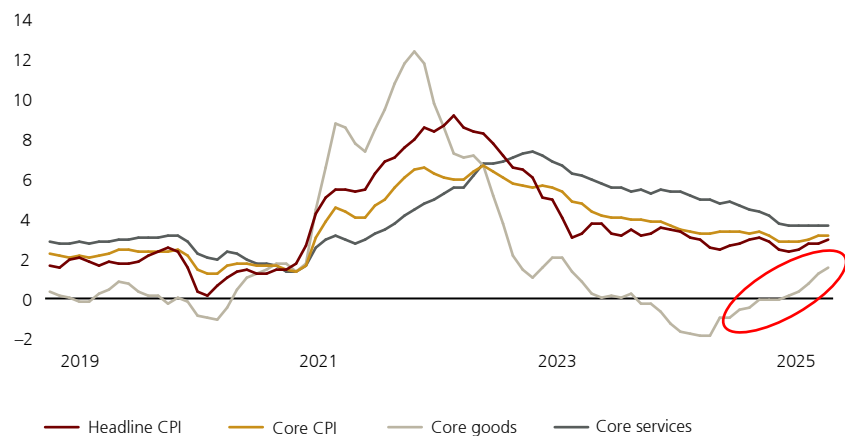
The Fed will also be mindful that some tariff-related price increases could prove sticky even if the Supreme Court rules that some tariffs should be reversed. Lower levels of immigration may also mean that, in future, inflation may become a challenge at lower levels of jobs growth.

Nonetheless, we believe the Fed will prioritize labor market weakness over what is still likely to be a temporary increase in inflation. The price passthrough from tariffs has proven slower than expected in the Fed's opinion, and Chair Powell reiterated he is expecting an only one-off price increase from tariffs. FOMC economic projections show inflation near the target in 2027, and Chair Powell noted that both market and survey measures of longer-run inflation expectations are "rock solid" in showing inflation at levels consistent with the Fed's 2% target.

Figure 2

Core inflation starting to rise

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



Source: Bloomberg, UBS, as of September 2025

At 4.00-4.25%, the federal funds rate is also still above the average estimate of “neutral,” so the Fed also has room to cut rates before running the risk of stoking higher inflation. We estimate that the Fed will cut interest rates by a further 75bps between now and the first quarter of 2026. In a downside scenario, if labor market weakness proves to be more severe or durable, we believe the Fed could cut rates by 200-300bps by mid-2026.

Equities: We expect rate cuts, AI, and consumption to drive further gains

Lower Fed rates should support equities.

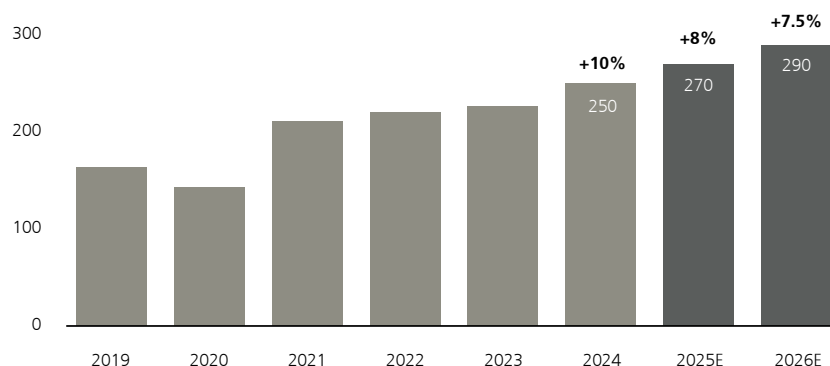
We believe lower Fed interest rates should offer a favorable backdrop for US equities. Historically, a Fed easing cycle in a non-recessionary environment has helped support stocks. And a recession still looks unlikely, despite slowing labor market growth: The Atlanta Fed GDPNow estimate for third-quarter growth is tracking at 3.3%, and retail sales grew 5.0% y/y in August.

Furthermore, corporate earnings growth is solid, with profits growing by 8% in the second quarter, ahead of our initial estimate of 5%. The strength was broad-based, with nearly 80% of S&P 500 companies beating sales estimates and a median earnings per share (EPS) beat of 4.3% (against 3.5% typically). We expect S&P 500 EPS growth of 8% (to USD 270) in 2025 and 7.5% (to USD 290) in 2026.

Figure 3

Corporate earnings growth is likely to stay robust

S&P 500 yearly earnings per share, in USD, including CIO forecasts



Source: Haver, UBS, as of September 2025

Corporate balance sheets remain in good shape.

In addition, corporate and aggregate household balance sheets are in good shape, and the US government is starting to tilt its focus beyond trade and toward deregulation, which should be generally supportive for stocks. Recent share price performance from the likes of Broadcom and Oracle also shows the potential for a combination of idiosyncratic

AI-related developments at individual companies to support markets. In our base case, we see the S&P 500 reaching 6,800 by June 2026, while in a bull case we believe the index could reach 7,500.

There are reasons to be mindful. Current valuations are high compared to long-term averages. The S&P 500 forward price-to-earnings ratio, at 22.6x, is in the 99th percentile over the past 20 years (or 20.1x, excluding the Magnificent 7 stocks). The S&P 500 is also heavily concentrated, with the top 10 stocks by market cap making up 40% of the index weight. We expect Magnificent 7 companies to account for more than two-thirds of S&P 500 EPS growth in 2025. And after such a strong recent run, a period of consolidation should not come as a surprise, in our view. Investors looking to manage timing risks should consider phasing in and using market dips to add exposure to preferred areas.

AI capex trends remain intact.

We believe the long-term potential for transformational innovation to drive performance is strong. We expect global AI capex to grow 67% y/y to USD 375bn in 2025 and 33% y/y to USD 500bn in 2026, and we note that consensus forward estimates for capex have been surpassed threefold over the past two years.

Elsewhere, we remain constructive on the power and resources theme, supported by sustained commercial demand, robust order backlogs, and ongoing investment in data centers and utilities—all of which point to continued growth for companies in the sector.

We also continue to see longevity as a key transformative trend. Over the longer term, we believe aging populations and increased demand for products that can expand healthy lifespans (including in areas like obesity, oncology, and medical devices) will drive above-average growth for companies exposed to these shifts.

We upgrade the Japanese equity market to Attractive.

Regionally, we like the Japanese market, which we upgrade to Attractive. We see multiple specific catalysts for Japanese equities. Liberal Democratic Party (LDP) leadership changes may lead to more accommodative fiscal policy under the next government versus the current administration. We also expect a bottoming-out of earnings forecasts and an acceleration in buyback announcements to support sentiment. Over the medium term, we see the potential for corporate governance reforms to drive higher return on equity (Japanese companies have among the lowest return on equity of major markets). Relative valuations appear reasonable: The Topix currently trades on a forward P/E ratio of around 16x—not cheap versus its long-term average of 13.8x, but still a roughly 30% discount to the S&P 500 (in line with its five-year average discount).

We remain Neutral on Eurozone equities as we wait for clearer signs of a durable global manufacturing recovery. We continue to favor a selective approach within European equities, including via our “Six ways to invest in Europe” theme, which is well-positioned to take advantage of the expected increase in EU defense and German infrastructure spending. We also maintain a preference for high-quality European stocks. From a sector standpoint, we favor industrials and information technology, which are benefiting from transformational innovation and structural growth.

Fixed income, currencies, and commodities: Balancing lower rates and debt concerns

Concerns about debt sustainability are in focus.

At a time when media headlines are focusing on debt sustainability, central bank independence, and political developments in France, Japan, and the UK, it might be surprising to note that bond market volatility is actually at the lowest level in around 3.5 years, while 10-year bond yields are close to year-to-date lows (US, Switzerland) or in line with recent averages (most of Europe, ex-France).

In our view, the price action in the bond market demonstrates that the trajectory for growth, interest rate policy, and demand for credit are likely to be larger near-term influences than longer-term fiscal worries. And we believe that near-term factors will remain supportive of quality bonds in the months ahead.

While we expect yields to trade close to current levels over the coming months, we do see value in exposure to quality bonds in excess of strategic benchmarks, particularly in medium-term maturities. Bond exposure offers the potential for capital gains in the event of a more pronounced economic slowdown.

Governments and central banks have a range of tools to help keep bond yields contained.

Of course, government debt is rising quickly, deficits show few signs of closing, and changes to central bank governance or mandates could lead to at least temporary risk premia for government debt. Nonetheless, given the level of control that both governments and central banks have over bond supply and demand, regulation, and their mutual interest in keeping yields contained, we also believe investors shouldn't be too hasty in extrapolating worries about government deficits and debt loads into expectations of higher bond yields.

For example, the US Treasury is already addressing long-end rate pressures by shifting debt issuance to the short end of the yield curve and increasing buybacks of longer-dated bonds. The Fed's proposal to lower Supplementary Leverage Ratio (SLR) requirements could also unlock USD 200-500 billion in bank capital for absorbing Treasury issuance.¹

In some countries, government debt issuance is being skewed toward the short end of the curve.

Elsewhere, the Japanese Ministry of Finance has started skewing issuance to the short end and reducing long-end issuance. The European Central Bank has developed a plethora of tools throughout the years (one example of which is the Transmission Protection Instrument, aiming to prevent "financial fragmentation") and has demonstrated the flexibility to contain bond yields when necessary. In the UK, the Debt Management Office also recently decided to shift issuance away from the long end of the curve, while the Bank of England (BoE) announced that it will scale back its quantitative tightening program to GBP 70bn per year (from GBP 100bn per year previously). The BoE also acknowledged recent pressures at the long end of the gilt market, signaling an intention to reduce the proportion of longer-dated bonds in active sales.

But if not through higher bond yields, where should investors expect concerns about higher government debt levels to show up in the markets? One way to think about it is that we used to live in a world of fixed exchange rates and market interest rates. Yet it has been an evolving

¹The SLR discourages banks from holding Treasuries by requiring them to hold capital against total exposures, including assets considered "safe." Lowering the SLR would allow banks to expand low-risk activities, such as Treasury and repo intermediation. The Fed is also reviewing broader capital requirements, with expectations that future changes such as those under Basel III Endgame will be less stringent than initially proposed.

For investors, the risks inherent in “currency mismatches” are likely to rise.

The value of gold as a diversifier is likely to remain strong.

trend in large capitalist economies for interest rates to become more managed than currencies. So, if there are concerns about debt sustainability, they may be more heavily reflected in currency values (which are still determined by the market) rather than in bonds.

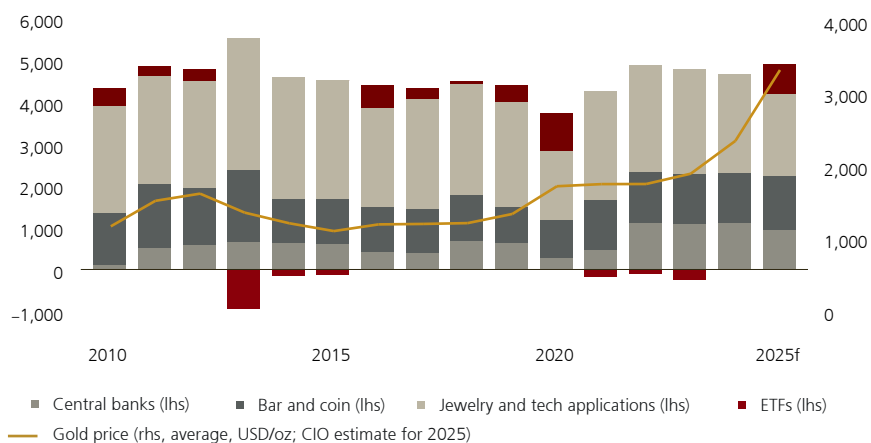
We believe this has two important implications for investors:

First, with different regions likely to take different paths in managing their debt loads, the risks inherent in mismatches between the currency of your assets and the currency of your spending or liabilities are likely to rise. We note that in recent years, many investors have held US dollar exposure in excess of their personal requirements, in part due to ample opportunities in US capital markets, higher interest rates than in the rest of the world, and the US dollar’s perceived status as a “safe-haven” currency. Overall, we estimate that G10 foreign investors hold USD 14tr in unhedged positions.

Now, with the US’s relative interest rate advantage likely to fall, we believe investors should carefully consider their appropriate personal currency mix, review their allocations to US dollar assets, and hedge exposure (if required) to bring dollar allocations closer to balance. In our base case, we expect EURUSD to rise to 1.23 by June 2026.

Second, with government debt rising in almost all regions, the value of gold as a diversifier is likely to remain strong. A combination of falling real interest rates and concerns about global geopolitics as well as measures governments could take to deal with rising debt loads should be supportive. Institutional demand for gold also remains high, and investment demand has increased. In our base case, we see the gold price reaching USD 3,900/oz by June 2026.

Figure 4
Gold demand set to reach multi-year highs
Gold prices, USD/oz; gold demand according to source, mts



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

Lower interest rates increase the imperative for investors to put cash to work.

Robust earnings growth, lower rates, and AI tailwinds should support equities.

We expect the US dollar to resume its downward trend in the months ahead.

Investment ideas

Put cash to work. The Fed has resumed its rate-cutting cycle, and rates are already low in much of Europe. This increases the imperative to put cash to work, and we believe investors should limit cash holdings to those needed for near-term expected portfolio withdrawals. Investors can potentially improve upon cash returns by: (1) optimizing their liquidity strategy, (2) phasing excess liquidity into diversified portfolios to participate in long-term market gains while managing timing risks, and (3) considering ways to replace income with equity income or yield-generating structured strategies. Annuities and borrowing capacity can also help investors manage cash flow more efficiently.

Buy on dips in equities. We believe lower interest rates, robust earnings growth, and AI tailwinds will support further upside for global equities over the coming year. Investors underallocated to equities and looking to manage timing risks should consider phasing in and using market dips to add exposure to preferred areas. Globally, we recommend areas benefiting from transformational innovation, including AI, power and resources, and longevity. In the US, we favor the tech, health care, utilities, and financials sectors. In Europe, we like Swiss high-quality dividends, European quality stocks, European industrials, and our “Six ways to invest in Europe” theme. In Asia, we prefer Japan, China’s tech sector, Singapore, and India. We also see opportunities in Brazil.

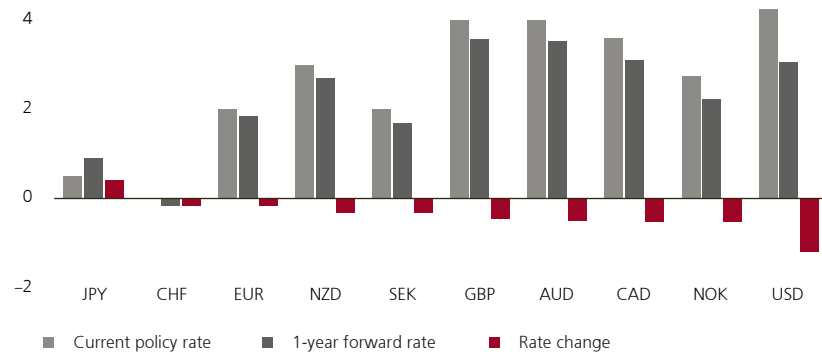
Invest in transformational innovation. We believe investors focused on transformational innovation will outperform broader markets. The AI trend continues to drive equity performance, and we expect global AI revenues to grow at a 41% compound annual growth rate through 2030, benefiting infrastructure, semiconductors, and applications. Rising data center demand is pushing US electricity prices higher, spurring record investment in grid infrastructure. We also see opportunities in longevity, as companies providing products and services that help extend healthy lifespans are gaining momentum. Health care sector momentum is improving, and we expect the global obesity drug market to reach USD 200 billion by 2030. Oncology and medical device firms are also set to benefit from structural growth.

Reduce excess dollar exposure. After a period of relative stability, we expect the US dollar to resume its downward trend in the months ahead. The Fed is set to cut interest rates more quickly than in other regions, there is a high outstanding volume of unhedged overseas investment in the US, and the economy’s significant current account and fiscal deficits pose headwinds. Tactically, we prefer the euro, Australian dollar, and Norwegian krone. Strategically, we believe investors should review their currency allocations to ensure they match future liabilities and spending needs.

Figure 5

The US is likely to see steeper rate cuts than elsewhere

1-year forward rate, in %



Source: Bloomberg, UBS, as of September 2025

Gold remains an effective portfolio hedge and diversifier.

Go for gold. Gold has rallied strongly year to date. In our view, the yellow metal remains an effective portfolio diversifier and hedge against political and economic risks. We expect gold to benefit from lower real interest rates, a weaker dollar, robust central bank demand, and investor concerns about rising government debt levels, the potential for financial repression, and ongoing geopolitical risks.

Diversify with alternatives. We believe building portfolios for opportunity and resilience can be enhanced by adding alternative investment levers. In our view, including an allocation to alternatives can improve the diversification, growth potential, and downside protection that investors seek. 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
Chief Investment Officer
Global Wealth Management

Global forecasts

Economy

Real GDP y/y, in %

	2024	2025E	2026E
US	2.8	1.7	1.4
Canada	1.2	2.0	2.0
Japan	0.1	0.8	0.5
Eurozone	0.9	1.1	0.9
UK	1.1	1.2	1.1
Switzerland	1.4	0.9	1.3
Australia	1.0	1.9	2.2
China	5.0	4.7	3.8
India	6.5	6.4	6.3
EM	4.5	4.3	3.9
World	3.4	3.1	2.8

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

	2024	2025E	2026E
US	3.0	2.8	3.4
Canada	2.4	2.2	2.1
Japan	2.7	3.4	2.2
Eurozone	2.4	2.1	1.8
UK	2.5	3.4	2.2
Switzerland	1.1	0.2	0.5
Australia	3.2	2.5	2.7
China	0.2	-0.2	-0.1
India	4.6	2.4	4.5
EM	8.0	3.9	3.3
World	5.7	3.3	3.0

Source: Bloomberg, UBS, as of 18 September 2025. Latest forecasts available in the *Global forecasts* publication, published weekly.

Asset classes

	Spot	June 2026
Equities		
S&P 500	6,600	6,800
Eurostoxx 50	5,370	5,600
FTSE 100	9,208	9,300
SMI	11,999	12,600
MSCI Asia ex-Japan	885	910
MSCI China	90	93
Topix	3,146	3,350
MSCI EM	1,348	1,310
MSCI AC World	1,161	1,190

Currencies		
EURUSD	1.19	1.23
GBPUSD	1.37	1.40
USDCHF	0.79	0.76
USDCAD	1.38	1.32
AUDUSD	0.67	0.70
EURCHF	0.93	0.94
NZDUSD	0.60	0.62
USDJPY	146	138
USDCNY	7.11	7.00

	Spot	June 2026
Yields, in %		
USD 2y Treasury	3.55	3.25
USD 10 year Treasury	4.09	3.75
CHF 2y Eidg.	-0.14	0.00
CHF 10y Eidg.	0.16	0.50
EUR 2y Bund	2.00	1.75
EUR 10y Bund	2.68	2.25
GBP 2y Gilt	3.96	3.50
GBP 10y Gilt	4.63	4.25
JPY 2y JGB	0.88	1.10
JPY 10y JGB	1.60	1.70

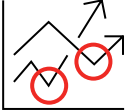


Commodities		
Brent crude, USD/bbl	68.0	65.0
Gold, USD/oz	3,660	3,900

Source: Bloomberg, UBS, as of 18 September 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
Buy on dips in equities 	<p>We believe lower interest rates, robust earnings growth, and AI tailwinds will support further upside for global equities over the next six to 12 months.</p> <p>Investors underallocated to equities and looking to manage timing risks should consider phasing in and using market dips to add exposure to preferred areas.</p> <p>Globally, we recommend areas benefitting from transformational innovation, such as artificial intelligence (AI), power and resources, and longevity.</p> <p>In the US, we favor the tech, health care, utilities, and financials sectors. In Europe, we like Swiss high-quality dividends, European quality stocks, European industrials, and our “Six ways to invest in Europe” theme. In Asia, we prefer Japan, China’s tech sector, Singapore, and India. We also see opportunities in Brazil.</p>	<ul style="list-style-type: none"> • Phasing-in 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, European industrials Asia: Japan, China tech, Singapore, India Brazil
Go for gold 	<p>Gold remains an effective portfolio diversifier and hedge against political and economic risks, in our view.</p> <p>We expect gold to benefit from lower real interest rates, a weaker US dollar, robust central bank demand, and investor concerns about rising government debt levels, the potential for financial repression, and ongoing geopolitical risks.</p>	<ul style="list-style-type: none"> • Gold
Put cash to work 	<p>The Fed has resumed its rate-cutting cycle, and rates are already low in much of Europe.</p> <p>This increases the imperative to put cash to work, and we believe investors should limit cash holdings to those needed for near-term expected portfolio withdrawals.</p> <p>Investors can potentially improve cash returns by optimizing their liquidity strategy, phasing excess liquidity into diversified portfolios to participate in long-term market gains while managing timing risks, and considering ways to replace income like equity income or yield-generating structured strategies.</p> <p>Annuities and borrowing capacity can also help investors manage cash flow more efficiently.</p>	<ul style="list-style-type: none"> • Optimize liquidity: High-quality and securitized bonds, select credit opportunities, active fixed and multi-asset income strategies, and capital preservation strategies • Invest excess liquidity: Phasing into diversified portfolios • Income generation: Equity income strategies (e.g., high quality dividend stocks) and yield-generating structured investments • Annuities and borrowing capacity

MIFs

Reduce excess dollar exposure

Elevator pitch

After a period of stability, we expect the US dollar to resume its downward trend in the months ahead.

The Fed is set to cut interest rates more quickly than other regions will cut their respective rates, there is a high outstanding volume of unhedged overseas investment in the US, and the economy's significant twin current and fiscal deficit looms.

Tactically, we prefer the euro, Australian dollar, and Norwegian krone.

Strategically, we believe investors should review their currency allocations to ensure they match future liabilities and spending needs.

Investment ideas

- Tactically increase allocations to EUR, NOK, and AUD
- Strategically review USD exposure
- Consider switching USD bond holdings to EUR IG

Invest in transformational innovation

We believe investors focused on transformational innovation will outperform broader markets.

The AI topic continues to drive equity performance, and we expect the global AI market to grow at a 37% compound annual growth rate through 2030, benefiting infrastructure, semiconductors, and applications.

Rising data center demand is pushing US electricity prices higher, spurring record investment in grid infrastructure.

We also see opportunity in longevity, as companies offering products and services to extend healthy lifespans gain traction.

Health care sector momentum is improving, and we expect the global obesity drug market to reach USD 200 billion by 2030, with oncology and medical device firms also set to benefit.

- 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
- New US CMBS
- Gold

Implementation guidance

This month the Fed delivered its first interest rate change of 2025, cutting the fed funds rate by 25bps to a range of 4.00-4.25%. The justification for the change was growing weakness in the labor market, which was evident in the latest Non-Farm Payroll report for August that added just 22,000 jobs and shifted the unemployment rate higher to 4.3%. We continue to expect the Fed to cut an additional 25bps at each of the next three FOMC meetings, bringing the effective range down to a more neutral level of 3.25-3.50%. More aggressive cuts would likely only come in the event of substantial labor market weakness, which we don't expect.

Turning to equities, we continue to hold a constructive view on the US market and maintain our June 2026 S&P 500 price target of 6,800 with a bull case target of 7,500. Stocks should be supported by continuing rate cuts and strong earnings growth: we forecast 7.5% earnings growth for 2026 following expected 2025 earnings growth of 8%. We also remain optimistic on the outlook for AI. During the most recent earnings season, big tech companies indicated that AI investment spending will continue into next year.

Given our outlook, we have a few key messages regarding how we recommend investors position their portfolios. First, we think investors should continue to **go for gold**, as it should benefit from lower real interest rates, a weaker dollar, robust central bank demand, and investor concerns about rising government debt

levels, the potential for financial repression, and ongoing geopolitical risks. Headline risks can cause quick selloffs in the markets, boosting the appeal of perceived safe havens in this environment.

Elsewhere, with US equities at or near all-time highs, and given our constructive outlook towards risky assets, we suggest investors **buy on dips in equities** as we think pullbacks will be short-lived and stocks could make new record highs before the end of the year.

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, especially large US banks, 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, we see AI remaining a key driver of equity returns over the coming years. Consequently, 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 is benefitting 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.

Lastly, with the rate-cutting cycle back on, we recommend investors **put cash to work**. As rate cuts come to pass, cash and other short-term deposits will provide incrementally less income. We continue to like the quality part of the fixed income market and specifically like securitized credit at current levels (US Agency MBS and US CMBS are both Attractive). We expect the 10-year Treasury yield to remain rangebound, with fiscal expansion pushing long-end yields higher while softer data and Fed easing provide offsets.

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

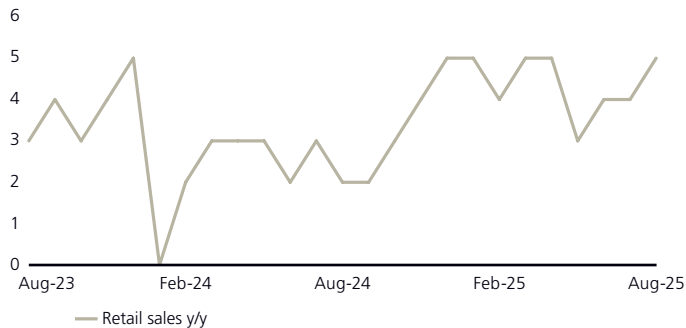
Overview

Despite a collection of headwinds, recent data have shown the US economy running at a healthy pace and on track for an above-trend GDP print in 2Q25, opening the door for upside risk to our call of a growth slowdown in the second half of 2025. Income and spending have surprised to the upside even under the backdrop of policy volatility, tariff-led inflation, and weaker job growth—which should help the US economy avoid recession. As we see in the latest retail sales numbers, consumption continues to grow at a healthy pace, but momentum is increasingly driven by higher-income households, as lower-income households are squeezed by higher prices and worsening job prospects. Additional rate cuts from the Federal Reserve would be an additional tailwind to the US economy.

Figure 1

Retail sales accelerating despite weaker jobs market

Retail sales y/y change in %



Source: Bloomberg, UBS as of 18 September 2025

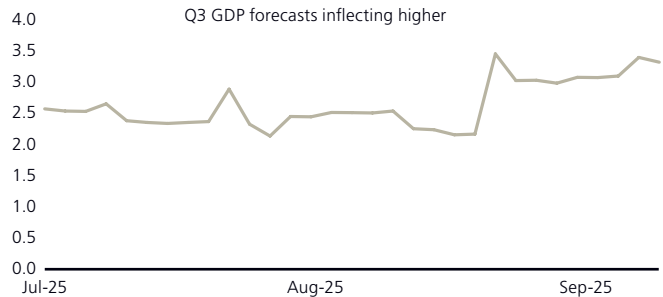
Growth

Weaker labor market data notwithstanding, recent data releases show the US economy running at a healthy pace. The widely watched Atlanta Fed GDPNow Forecast shows an above-trend print on the horizon for 3Q (a 3.3% annualized pace, to be precise) which would be a welcome number following a headline 3.3% annualized quarterly pace in 2Q. Retail sales surprised to the upside in August, driven by wealthier households, while lower incomes are increasingly squeezed by a softer labor market and tariff-related price increases. Our prior expectation of a soft patch during the second half of the year could be challenged if consumption keeps this strong pace. Incoming rate cuts from the Federal Reserve and AI-related investment are additional tailwinds for the US economy.

Figure 2

Consumption growth has moderated

Retail sales in USD bn



Source: Bloomberg, UBS as of 18 September 2025



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

Read the report >

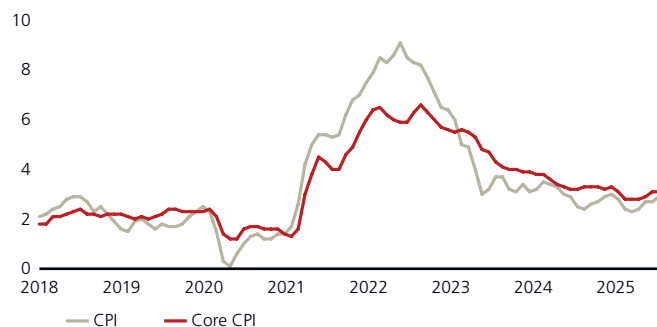
Inflation

Headline and core inflation are edging up higher as tariffs are starting to have a more pronounced effect on prices. The down-trend in core inflation has stalled and inflected higher since July. Our expectation of monthly increases of 0.3-0.4% should push year-end inflation above 3% as tariff-led price increases work their way into the economy through early 2026. Producers from both the manufacturing and non-manufacturing parts of the economy report higher prices as retailers, not consumers, look like they have been bearing the brunt of price increases for the time being. More stringent immigration policies can further limit the labor pool and disrupt supply chains, leading to higher prices. Yet the slowdown in the labor market, limited spending amidst higher prices, and continued disinflation in shelter prices should help limit the likelihood of runaway inflation as the Fed signals more rate cuts ahead.

Figure 3

Core inflation starting to rise

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



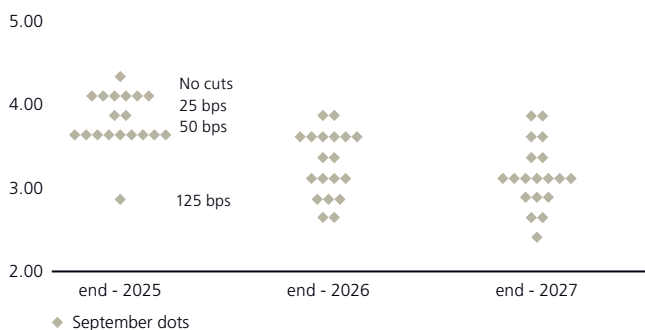
Source: Bloomberg, UBS as of 18 September 2025

Policy

While the 25bps “risk management” cut during the Fed’s September 2025 meeting was widely anticipated by markets, the release of the revised “dot plot” penciled in two additional rate cuts in 2025 by a close 10-9 margin. Two more rate cuts this year would be in line with our base case. Stephen Miran, the recent appointee from President Trump, made a notable dissent, calling for a 50bps rate cut in the September meeting—signaling the preferred policy direction from the White House. Policymakers also penciled in one rate cut in 2026 and 2027, which would bring the policy rate right around estimates of the neutral rate. Higher-than-expected inflation over coming months combined with a rebound in the labor market would weaken the case for additional rate cuts.

Figure 4

Dots from FOMC Summary of Economic Projections, in %



Source: Fed, UBS, as of 18 September 2025

Equities

Global equities have extended their gains, supported by resilient corporate earnings and buoyant investor sentiment. We see scope for further gains, but selectivity and diversification remain key as markets navigate shifting macroeconomic dynamics. We recommend investors use any periods of volatility or market pullbacks as opportunities to add exposure—particularly to our Transformational Innovation Opportunities (TRIOs): Artificial Intelligence, Power and resources, and Longevity.

Eurozone

⊖ NEUTRAL

EURO STOXX 50 (index points, current: 5,370)	June 2026 target
House view	5,600
➤ Positive scenario	6,200
➤ Negative scenario	4,200

Note: All current values as of 18 September 2025

We remain Neutral on Eurozone equities as markets navigate near-term macro uncertainty. We see a brightening outlook, with many of Europe's challenges now behind us. We expect earnings growth to accelerate to 5% in 2026 and 15-20% in 2027, with room for margins to expand if top-line sales volumes can pick up, which should support European equities in time. We would use any pullbacks to selectively add to the region. We favor using pullbacks to phase into high-quality stocks, beneficiaries of positive policy developments, and the European industrials and IT sectors.

Japan

⊕ ATTRACTIVE

TOPIX (index points, current: 3,146)	June 2026 target
House view	3,350
➤ Positive scenario	3,550
➤ Negative scenario	2,300

Note: All current values as of 18 September 2025

We upgrade Japanese equities to Attractive in our global asset class preferences. We believe Japan's domestic structural reforms are being increasingly recognized as key drivers of alpha, and we see several other tailwinds that should bolster the domestic market, including better-than expected trade deals with the US and its trading partners and the potential for more accommodative policies following the upcoming LDP leadership election. Looming Fed rate cuts and the resilience of the US economy and market should also support Japanese equities.

Emerging markets

⊖ NEUTRAL

MSCI EM (index points, current: 1,348)	June 2026 target
House view	1,310
➤ Positive scenario	1,420
➤ Negative scenario	980

Note: All current values as of 18 September 2025

We remain Neutral on EM overall, but favor markets and sectors with solid domestic demand and structural growth themes—especially China tech, India, Brazil, Indonesia, and the Philippines. China tech stands out as our preferred market, driven by rapid advances in AI, cloud investment, and domestic chip development. Strong EM FX trends and the prospect of Fed easing should help sustain valuations and attract flows, giving EM central banks flexibility to ease further. We recommend adding exposure to preferred EM markets on pullbacks, as selectivity is key.

UK

⊖ NEUTRAL

FTSE 100 (index points, current: 9,208)	June 2026 target
House view	9,300
➤ Positive scenario	10,300
➤ Negative scenario	7,000

Note: All current values as of 18 September 2025

We remain Neutral on UK equities and recommend selective exposure. We expect earnings to contract 3% this year, but think 2025 will mark the bottom and see an improving outlook for profits from next year, including 5% in 2026, and a potentially faster recovery in 2027. We believe it is too early to look that far ahead, as the near-term outlook for growth remains uncertain. Our preferences tilt to more resilient, higher-quality companies with structural growth exposure to either key longer term themes or positive European policy developments, including IT, industrials, and real estate.

US equities

We have a Neutral view on US equities. Stocks continue to hit record highs, and we believe the bull market remains intact. But the market may already be pricing in considerable optimism on trade developments, a lack of near-term catalysts, and elevated valuations.

David Lefkowitz, CFA, Head of US Equities; **Nadia Lovell**, Head of Global Equity Strategy & Management; **Matt Tormey**, US Equity Strategist

US equities overview

⊖ NEUTRAL

US equities

US stocks continued to hit record highs in recent weeks as it became clear the Fed was on track to cut rates. At the September FOMC meeting, the Fed followed through and resumed its rate-cutting cycle. Historically, the S&P 500 has performed well when the Fed is cutting rates during non-recessionary periods. Part of our conviction in the non-recessionary outcome stems from our view that there are not many imbalances in the economy to unwind. We therefore believe stocks are poised for further gains. But we maintain our Neutral view, as it seems stocks have already priced in tariff concerns, and valuations have moved up even for non-Mag 7 companies.

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 over time. Utilities offer defensive exposure if economic growth slows, and we see potential upside from AI power demand.

US equities – size

We have a Neutral view across size segments. Small-cap stocks have lagged year to date, likely owing to their more cyclical nature, as higher tariffs will likely have some impact on economic growth. That said, small-cap valuations are not demanding, in our view, and this has historically led to outperformance over longer time horizons. In the near term, it's our base case that the Federal Reserve will continue to cut rates. We believe that this could boost the earnings outlook for small caps, but that the scope of the rate cuts will matter.

US equities – style

We have a Neutral view on growth and value stocks. Despite trading at elevated relative valuations, growth stocks have been delivering impressive earnings growth that we think is poised to continue. While value stocks don't have exposure to the same AI tailwinds, trends within financials should improve due to deregulation and a pickup in business activity. Defensive companies should offer a hedge if stocks experience any bouts of volatility from a slowdown in economic activity.

S&P 500 (index points, current: 6,632)

June 2026 target

House view	6,800
↗ Upside	7,500
↘ Downside	4,500

Note: All current values as of 18 September 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			+

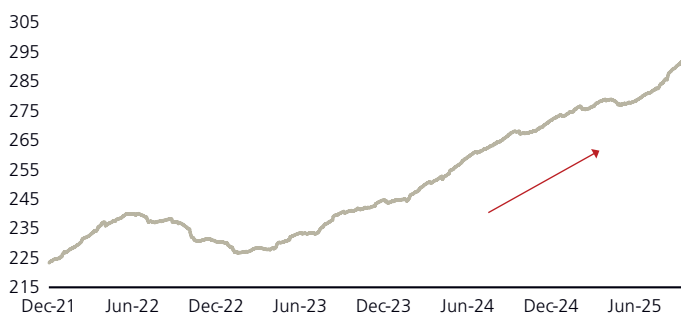
Note: S&P 500 sector preferences

Source: UBS, as of 18 September 2025

Figure 2

Better earnings outlook supporting US equity strength

S&P 500 bottom-up consensus forward earnings-per-share estimate (in USD)



Source: FactSet, UBS, as of 15 September 2025

Bonds

We expect the fourth quarter to be characterized by slowing growth, a pivot in monetary policy, and persistent fiscal pressures that will contribute to heightened volatility. The yield curve has steepened in 2025, and we expect this trend to continue, although some short-term flattening may occur given the Federal Reserve's dovish outlook. Our preference is for high-quality fixed income assets in the intermediate part of the yield curve, which appears best positioned to benefit from policy easing and relative value. We expect yield (carry), rather than spread compression, to be the primary driver of returns in the coming months.

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: 4.1%) June 2026 target

House view	3.75%
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Note: All current values as of 18 September 2025

The US 10-year Treasury yield has spent the majority of 2025 between 4.0% and 4.6%. While we have chosen to take interest rate risk in higher-quality spread product to earn incremental carry for most of the year, we are getting close to the bottom of the recent Treasury range. Based on our projection of a 4.0% year-end 10-year yield and assuming our slower growth but non-recessionary outlook holds, we believe trimming interest rate risk between 3.75% and 4.00% provides a good entry point over the next several months.

Emerging market bonds

NEUTRAL

EMBIG DIV. / CEMBI DIV. SPREAD (current: 287bps/237bps) June 2026 target

House view	350bps/275bps
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Positive scenario	290bps/210bps
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Negative scenario	550bps/500bps
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Note: All current values as of 18 September 2025

We maintain our Neutral stance on emerging market credit. Valuations are back at historically tight levels, suggesting that the asset class, particularly the lower-rated issuers, remains vulnerable to potential setbacks. We expect range-bound to wider spreads over the next six to 12 months, offering investors a mid-single-digit interest rate carry. Key risks include US policy uncertainty, inflation concerns, weaker oil prices, and potential for escalation in trade and/or geopolitical tensions.

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

US investment grade corporate bonds

NEUTRAL

US IG SPREAD (current: 75bps) June 2026 target

House view	90bps
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Positive scenario	80bps
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Negative scenario	180bps
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Benchmark: ICE BofA

Note: All current values as of 18 September 2025

We recently moved to a Neutral allocation in IG corporates against agency MBS and CMBS. That said, IG remains supported by solid absolute yields and market expectations that rates on cash instruments will decline. Some spread widening may occur alongside slower growth and rising unemployment, especially given that credit spreads are currently at the 25-year tight. We still view IG's carry potential to be appealing, with support from an average coupon level that has risen to 4.6%—the highest level in a decade.

US high yield corporate bonds

NEUTRAL

USD HY SPREAD (current: 271bps) June 2026 target

House view	350bps
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Positive scenario	280bps
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Negative scenario	650bps
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Benchmark: ICE BofA

Note: All current values as of 18 September 2025

We have a Neutral view. We see limited potential for further spread compression as spreads are currently at their 10-year historical lows. Our base case is for slower growth this year, which makes spreads more vulnerable to widening in response to negative news. Fundamentally, credit metrics are strong and par default rates remain stable at 1.2%. Yet, the attractiveness of a 6.6% yield is diminishing, as yields have reached a three-year low and offer little compensation for the additional risk.

Municipal bonds

⊖ NEUTRAL

We remain Neutral. Munis continue to rally as rates decline and supply moderates. However, technicals may weaken in the near term as we expect redemption demand to decline. Nonetheless, opportunities persist as tax-equivalent yields are still attractive. The curve remains steep, favoring longer maturities. Fundamental credit quality remains stable. Given still tight spreads and slower economic growth expectations, we prefer larger, higher-quality issuers.

Non-US developed fixed income

⊖ NEUTRAL

Over the past month, bond yields in non-US developed markets mostly fell, as confidence increased on further rate cuts from the Federal Reserve. On foreign exchange markets, the dollar was modestly down against other major currencies, boosting the value of non-dollar bonds in dollar terms. These factors left the asset class slightly higher for the month. With US bonds offering higher yields than in most other developed markets, we do not recommend a strategic asset allocation position on the asset class.

Additional US taxable fixed income (TFI) segments

Agency bonds

We continue to prefer agency MBS over agency debt. While spreads have remained very tight in the debt sector, we see better performance in agency MBS given the sector's more favorable spread and carry.

The current spread is +13bps (versus +10bps last month).

Mortgage-backed securities (MBS)

+ ATTRACTIVE

We maintain an Attractive view on agency MBS and add an Attractive view on high-quality CMBS. After a lengthy wait, agency MBS has accelerated, with current coupon spreads versus Treasuries falling to a 12-month low of 115bps. While agency MBS spreads have tightened, they are still wide of long-term averages and still attractive versus IG corporates. CMBS index spreads are at 129bps, offering about 50bps of pickup versus IG corporate bonds. Strong fund flows have supported YTD CMBS returns of 6.72%. The dovish outlook for the Fed is a strong tailwind for the sector as well, and we believe there is further outperformance on the horizon.

AGENCY MBS SPREAD

June 2026 target

House view	100bps
➤ Positive scenario	100bps
➤ Negative scenario	185bps

Note: All current values as of 18 September 2025

Preferred securities

⊖ NEUTRAL

After flat year-to-date returns through May, preferreds have delivered more consistent positive returns in June through September. We began 2025 with muted return expectations based on the sector's tight valuations, and we believe the streak of monthly gains is unsustainable. But while we're likely to see a pullback at some point before year-end, the lack of competitive yield alternatives should continue to support preferreds. The sector should benefit from a benign rate backdrop and supportive supply-demand dynamics.

Treasury Inflation-Protected Securities (TIPS)

⊖ NEUTRAL

The TIPS index continues to dominate fixed income performance in 2025. The TIPS index has returned to over 7.4% year-to-date, while the US Treasury index is up 5.9%. The outperformance of TIPS has been led by the rise in short-term inflation expectations. While 10-year real yields are approaching their 25-year average, they appear low given the current fed funds rate. We view real yields similarly to nominal yields and believe they are currently on the richer side.

US 10-YEAR REAL YIELD (current: 1.71%)	June 2026 target
House view	1.50%
➤ Positive scenario	0.75%
➤ Negative scenario	2.30%

Note: All current values as of 18 September 2025

Figure 1

UBS CIO interest rate forecast

In %

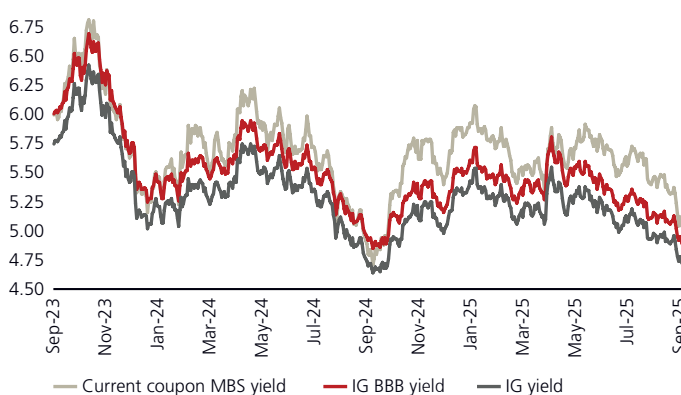
UST	Current	Dec-25	Mar-26	Jun-26	Sep-26
2-year	3.58	3.50	3.25	3.25	3.25
5-year	3.67	3.50	3.50	3.50	3.25
10-year	4.13	4.00	4.00	3.75	3.75
30-year	4.75	4.75	4.50	4.50	4.50

Source: Bloomberg, UBS, as of 19 September 2025

Figure 2

Current coupon MBS yields remain above IG corporates

Yield, in %



Source: Bloomberg, UBS, as of 17 September 2025

Commodities

Precious metals continue to stand out versus other commodity sectors (in fact, against all asset classes), with gold reaching fresh record highs and silver at a 14-year high. Livestock has also delivered strong double-digit gains in 2H, while energy, industrial metals, and agriculture all struggled. We expect these sector trends to persist until year-end, but in 2026, we see an uplift in broad commodity indices as a cyclical recovery emerges.

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 3,660 /oz) June 2026 target
ATTRACTIVE

House view	USD 3,900/oz
Positive scenario	USD 3,600
Negative scenario	USD 4,200

Note: All current values as of 19 September 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

Precious metal performance has outstripped everything else in 2025, with political decisions in the US, elevated fiscal deficits in key economies, ongoing geopolitical tensions, and a recent decline in real interest rates creating a favorable environment for strong investment demand. We expect these price-supportive dynamics to persist next year and silver and gold to outperform platinum and palladium given a less supportive industrial demand backdrop, particularly into year-end. We remain long gold in our global asset allocation and continue to recommend a mid-single-digit allocation for diversification purposes within a portfolio context (for those with an infinity for the metal).

Base metals

Copper prices rallied above USD 10,000/metric ton before settling lower in recent days. Prices fell as higher prices weighed on Chinese buying appetite, and the first domestic deliveries entered US LME warehouses (since late 2024), which signals greater difficulty in finding buyers for elevated domestic supplies. Lingering demand-side risks are headwinds for the market in the short term, but supply and demand estimates point toward market deficits coming back to the fore later in the year.

BRENT (current: USD 67.95/bbl) June 2026 target
NEUTRAL

House view	USD 65/bbl
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Note: All current values as of 19 September 2025

Agriculture

Livestock price performance, particularly live cattle, has been a standout year to date, with our expectations of acute market tightness (due to a multi-year decline of US breeding cow numbers) coming to fruition. We believe prices will begin to affect beef demand in 2H, which limits potential upside, in our view. Grains, meanwhile, have been in the doldrums, as planted areas expanded globally and weather risks moderated. Nonetheless, we see limited downside risk at current levels, although elevated roll costs keep us sidelined in the short term. Soft commodities also corrected, although we believe coffee and cocoa prices will remain structurally elevated as supply-side issues persist.

Crude oil

Oil prices have moved sideways in the third quarter, with natural gas prices remaining under downward pressure owing to strong supply growth and weaker power demand. While oil inventories have increased in 2Q and 3Q of this year, the majority has ended up in China, keeping OECD oil inventories low in recent months. And with oil demand set to decline moderately over the coming months after peaking in August, record high oil production in South America (Brazil, Guyana), strong production growth in Canada and Norway, and OPEC+ still unwinding its production cuts, we expect the oil market to be better supplied in the months ahead.

Foreign exchange

The USD is Unattractive, EUR, NOK, and AUD are Attractive

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

The Fed has finally cut rates by 25 basis points and is signaling further reductions ahead. While widely anticipated, the prospect of lower real rates should continue to weigh on the USD, potentially driving single-digit declines.

The combination of a cyclical slowdown, structural imbalances, and still-rich valuation gives the USD an unfavorable risk-reward profile. This is reflected in increased demand for FX-hedged USD assets by foreign investors.

We prefer long positions in high-yielding currencies versus low yielders, both within the G10 and in emerging markets. While this approach carries a pro-growth and risk-on posture, we see attractive carry opportunities and expect growth to recover in 2026.

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	Dec-25	Mar-26	Jun-26	Sep-26
EURUSD	1.19	1.21	1.22	1.23	1.23
USDJPY	146	142	140	138	136
GBPUSD	1.37	1.39	1.39	1.40	1.40
USDCHF	0.79	0.78	0.77	0.76	0.76
USDCAD	1.38	1.34	1.33	1.32	1.32
AUDUSD	0.67	0.68	0.70	0.70	0.70
NZDUSD	0.60	0.60	0.62	0.62	0.62
USDSEK	9.26	8.93	8.77	8.62	8.54
USDNOK	9.81	9.34	9.18	9.02	8.94

Sources: SIX Financial Information, UBS, as of 18 September 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

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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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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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