

UBS House View

Investment Strategy Guide: Wealth in the time of euphoria

November 2025 | Chief Investment Office GWM | Investment research



UBS

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November

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6 November 2025 at 1:00 p.m. ET

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The next edition of the *UBS House View: Investment Strategy Guide* will be published in January 2026.

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Dear reader

Markets entered the fourth quarter close to record highs, driven by solid corporate earnings, steady consumer spending, and advancements in artificial intelligence. While 2025 has been marked by exuberance in equity markets, renewed trade tensions between the US and China served as a reminder that volatility can surface even amid strong momentum. However, we believe an all-out trade war remains unlikely, with both sides looking to avoid major disruption.

While we can't rule out further volatility, we believe risk assets should continue to be supported by fresh momentum in artificial intelligence, a more accommodative policy backdrop, and a stronger US growth outlook. Against this backdrop, we have upgraded US equities to Attractive, reflecting our confidence in the equity bull market.

Recent announcements of multi-billion-dollar partnerships between hyperscalers and AI chip firms underscore the robust demand for AI compute capacity, while economic data highlight US growth exceeding expectations. As a result, we have also raised our S&P 500 earnings forecasts to USD 275 for 2025 (+10% year-over-year growth) and USD 295 for 2026 (+7%), reinforcing our positive outlook for corporate profitability.



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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 slowing growth and dovish monetary policy to shape returns in the coming months. While the yield curve has steepened in 2025, we anticipate short-term flattening as the Fed pivots further. We favor the 3- to 5-year area of the curve, which appears best positioned to benefit from policy easing and relative value, and maintain an Attractive view on high-quality income assets, including agency MBS and CMBS. We expect yield (carry) to drive returns rather than spread compression, reflecting the stability of income in a low-volatility yield environment.

We thank you for your engagement throughout the year as we publish this final edition of the Investment Strategy Guide for 2025, and look forward to reconnecting with you in our next issue in January 2026.

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

Ulrike Hoffmann-Burchardi



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Wealth in the time of euphoria

AI in focus

We expect further gains for AI-linked stocks over the coming year amid robust capex trends and rising demand.

More room to run

Beyond AI, we see additional supportive factors for equities, including better-than-expected US economic growth and lower US interest rates.

Stay diversified

Amid all the questions about AI, investors should stay focused on their long-term financial goals and ensure their portfolios are well diversified.

Asset allocation

We upgrade equities to Attractive. Regionally, we like the US, Japan, and China. We also favor quality bonds and gold.



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Twenty-six years ago, in the fall of 1999, I sat, as I do today, writing to clients about our investment positions in an era of tech stock euphoria. In 1999, I thought tech enthusiasm was overdone, and I am going to argue the opposite in this letter.

Yet before I get to our current positioning, I want to point out that the dotcom bubble made a fool of almost everyone at some point. This AI euphoria will likely do the same. During the dotcom era, getting out too early had what felt like disastrous consequences: Between the start of 1995 and March 2000, the Nasdaq Composite increased almost sevenfold. Getting out too late also felt disastrous: The Nasdaq fell almost 80% from its peak before bottoming in 2002.

But while it was almost impossible not to get things badly wrong at least for a time, it was also not impossible to survive and prosper. When the Nasdaq started to plunge in 2000, US REITs, Treasuries, gold, and oil traded flat or higher. Furthermore, by the time the bubble was all said and done, it still hadn't paid to go against the internet. Between the start of 1995 and the end of 2002, the Nasdaq Composite delivered a respectable average return of 7% per year.

What do these lessons hold for today?

First, it's nearly impossible to time the market just right; investors should make sure the success or failure of their long-term plan is not dependent on doing so. An important part of this is staying focused on one's investment goals.

Second, in the end, missing long-term trends can be far more painful than enduring short-term drawdowns. The dotcom bubble and crash look like a blip on the chart from today's vantage point.

Investors should hold exposure to AI, but also ensure portfolios remain well diversified.

Third, while markets can be subject to potent forces with ramifications across all asset classes, investor portfolios do not need to be completely beholden to them. We believe it is important to have exposure to artificial intelligence (AI). We also believe it is necessary to diversify portfolios beyond it.

In the remainder of this letter, I explain why we believe this bull market has further to run, describe the forces within and beyond AI that we think will drive it, and highlight where we see the best tactical opportunities in markets today.

But while a part of my job is to keep our clients updated on our tactical views, the most important part is to help them protect and grow wealth in the longer term. So I conclude with some thoughts on how we think investors can put ideas to work in a way that can allow them to benefit if we're right about the AI boom, manage losses if we're wrong, and stay on course to prosper in the long term.

More room to run

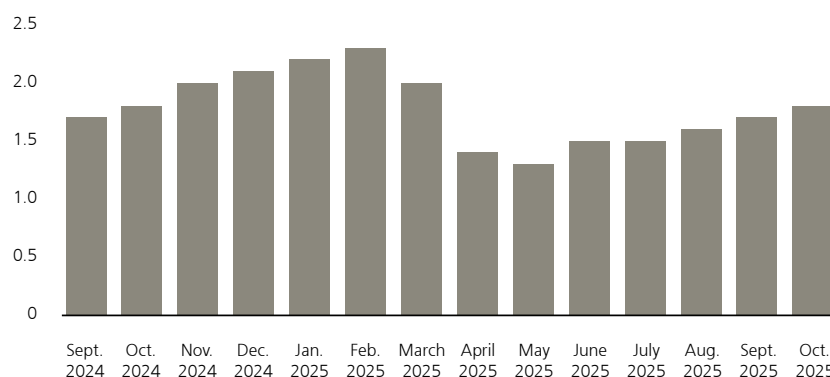
We upgrade global equities to Attractive.

Although the equity bull market is now entering its fourth year, we believe it has further to run. We are therefore upgrading global equities to Attractive this month.

Continued performance from US technology stocks is an important prerequisite for a continuation of the bull market, and in our base case, we expect AI-linked stocks to rise further. But we also believe better-than-expected US economic growth, lower US interest rates, and AI development in other regions, notably in China, will broaden the drivers of future market upside beyond US tech.

Recent multi-billion-dollar partnerships between hyperscalers and AI chip firms have strengthened our confidence that AI-related capital expenditures (capex) will exceed expectations and remain robust for longer. Meanwhile, economic data have shown US growth exceeding expectations—the Bloomberg consensus forecast for 2025 GDP growth has increased 0.5 percentage point since its May low.

Figure 1
US GDP growth is exceeding expectations
Bloomberg consensus US GDP forecast for 2025 (mean), % y/y



Source: Bloomberg, UBS, as of 14 October 2025

The US earnings outlook is robust.

These two factors have led us to raise our US earnings growth expectations for 2025 and 2026: We now expect S&P 500 earnings per share of USD 275 in 2025 (10% y/y growth) and USD 295 in 2026 (7% y/y growth), both a USD 5 increase over our previous forecasts. In our base case, we see the S&P 500 reaching 7,300 by June 2026.

Overall, we expect a further 9% rally in global stocks (MSCI All Country World Index) by June 2026. These gains could materialize even faster if the upcoming earnings season delivers stronger-than-expected results. US bank earnings so far indicate consumer spending remains durable and credit trends are benign despite recent high-profile bankruptcies. And recent AI capex announcements could lead to an acceleration in data center and utility-linked orders.

AI: The drivers from here

AI-linked stocks are likely to remain a key driver of global equity performance.

The performance of global equities in the months and years ahead will depend heavily on the performance of AI-linked stocks, and we believe their performance from here will depend on two factors.

First, will capex trends continue to meet expectations? Strong capex has been the biggest driver of AI performance so far, and we think it is likely to continue to be the most important return driver over the next 6-12 months.

Second, will investors retain confidence that AI companies will ultimately be able to earn attractive returns on the investments they are making? This is likely to be the most important factor over the next two years or more.

Taking these in turn:

Will capex continue to meet expectations?

For capex to keep meeting—or surpassing—expectations in the near term, we believe that tech management teams and the investors who finance them need to: a) retain confidence that demand will ultimately absorb planned capacity build-outs, and b) believe that new sources of demand could require even higher rates of investment.

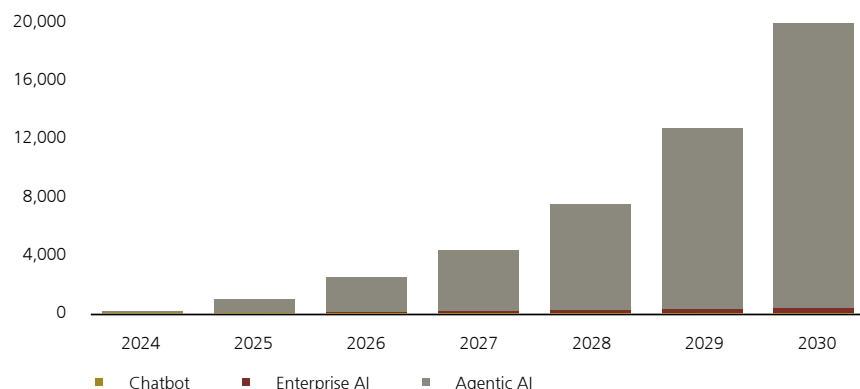
While the already installed AI chip capacity is sufficient to cope with a 25x increase¹ in chatbot usage by individuals, we believe that anticipation about the growth of agentic AI—AI systems capable of autonomous decision-making and action—and physical AI, such as robots and autonomous vehicles, should provide tech management teams and investors alike the necessary confidence for AI capex to continue to rise.

¹ We estimate an annual growth rate of 50% in consumer users, which compares with the eight-fold increase in ChatGPT users over the past two years.

Figure 2

Estimated compute demand for chatbot, enterprise, and agentic AI

In exaFLOPS



Source: UBS, as of 15 October 2025.

Note: ExaFLOPS stands for one quintillion (10^{18}) floating point operations per second. It is a unit used to measure the processing speed of supercomputers, indicating how many complex calculations the system can perform every second.

We believe agentic AI will be a key way that businesses use the technology.

Businesses are becoming increasingly important AI users, and we believe that agentic AI will be a key way that businesses use the technology in the future. Agentic systems are designed so that individual AI agents perform just one part of an overall task, so multiple agents are required to replicate knowledge worker roles. But if we assume that there are just 375mn AI agents deployed by 2030 (compared to the 1.2bn knowledge workers in the world, according to Gartner estimates), compute demand would be equivalent to 5x the current installed base.²

Physical AI could spur even greater compute demand.

Physical AI could create even greater compute demand. There are already more than 4.5 million robots installed globally (according to the International Federation of Robotics), and forecasts by Bank of America suggest 1 million humanoid robots could be sold annually by 2030. Even if only a fraction of this market is addressed, it will demand far higher computing power.

Overall, we think that over the medium term, even the almost USD 1 trillion of currently planned capex could still fall short of what appears to be needed, and therefore believe that investment growth is likely to continue over the next year.

Will AI companies be able to earn reasonable returns on their investments?

We believe the monetization potential for AI is large, even compared to the substantial capex plans.

Taking a top-down perspective, we believe that the overall monetization potential for AI is large, even compared to the substantial capex plans. In the context of the about USD 100 trillion global economy, if we assume that around one-third of tasks can be automated by AI, the labor share of those tasks (i.e., the portion of their economic value that is attributable to labor) is around half, and AI vendors are able to capture around 10% of the value, this makes for an annual AI revenue opportunity of around USD 1.5 trillion. (For a fuller explanation on this point, please see our August monthly letter, [Charting new highs](#).)

² We model adoption within organizations using a gradual integration schedule—starting from the current 6% penetration and increasing to reach full adoption by 2030. We assume corporate queries are three times more complex than consumer ones and estimate that query volumes per user in corporate settings will be ten times higher than those for consumer chatbot usage.

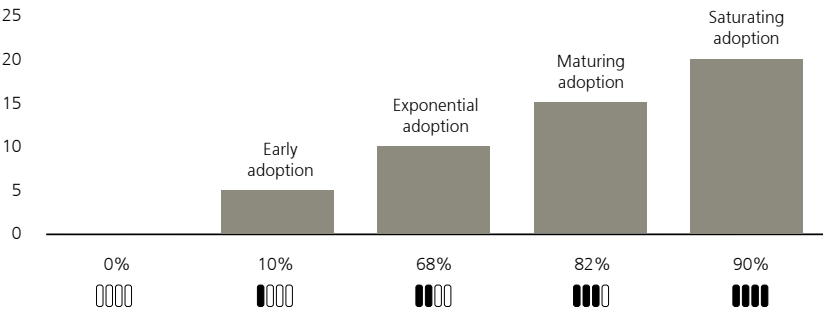
At the same time, we believe it’s still too early in AI’s development as a technology to expect material monetization. History shows that companies often launch new technologies at low or no cost—allowing users to understand, adopt, and grow reliant on them—before companies raise prices or add fees. This pattern is evident across social media, cloud storage, streaming services, and both consumer and enterprise software. We expect AI to follow a similar path.

As such, we believe that, for now, the key trends to watch are the breadth of AI adoption, the depth with which it is being integrated into consumer lives and business processes, and early indications on the value it is creating. Over time, if adoption is sufficiently broad, use is sufficiently deeply integrated, and it is creating sufficient value, we believe that tech firms will be readily able to monetize the value, as they have demonstrated in the past.

AI adoption is growing rapidly.

On these factors, we remain encouraged. US Census Bureau data show that AI adoption improved from 9.2% in the US in the second quarter of 2025 to 9.7% in the third quarter, and we expect the AI industry to reach a 10% adoption rate by end-2025. AI will likely have reached this milestone in three years, compared with five years for smartphones and 24 years for e-commerce. Our analysis of those prior technology trends shows that adoption accelerates once 10% penetration is reached.

Figure 3
Lessons from smartphone adoption in the US suggest we will soon enter the exponential growth phase for generative AI
Smartphone adoption rate (x-axis) and number of years (y-axis)



Source: US Census Bureau, World Bank, Company reports, UBS, as of September 2025

Early adopters of AI are seeing economic benefits.

Early AI adopters are also seeing the economic benefits. For example, in an interview this month, JPMorgan CEO Jamie Dimon said that the bank was already recouping its USD 2bn per year investment in AI, with an equivalent amount of cost savings, and that this was “the tip of the iceberg.” The second-quarter earnings season also provided signs of reassurance on monetization, even at this early stage in AI development. Alphabet attributed a “material portion” of the 27% y/y growth in cloud revenues to AI and machine learning workloads.

The risks

As with any investment boom, investors should be mindful of the risks.

Investors must acknowledge that there has been no investment boom in history in which capital expenditures perfectly matched future demand in every facet of the industry in question. The dotcom era saw the overbuilding of fiber-optic networks, much of which went unused for years. The shale oil boom led to oversupply and price collapses. And the solar industry experienced periods of excess manufacturing capacity before demand caught up.

This AI investment boom will also face periods when it appears as though supply is overshooting potential demand and when bottlenecks (for example in energy supply) constrain development. Investors may face periods in which tech firms fear that pricing power will prove insufficient to pay investments back, and when investments risk obsolescence as a result of new technological developments.

There has also been no investment boom in history that didn't bring leverage and financial engineering, and the risks associated with them. The dotcom era brought use of complex stock options and aggressive accounting. The housing boom was fueled by securitization. And the shale energy surge relied on high yield debt.

As capital pours into AI, investors should remain mindful that financial innovation often accompanies rapid growth that will bring vulnerabilities alongside opportunities. In this regard, the apparent circularity of some AI investments, with an increasing trend of large firms buying stakes in one another and the signing of forward purchase or investment agreements, is a cause for concern. While we do not currently view the scale of these deals as overwhelming in the context of the overall ecosystem, investors will need to monitor the risk that a further proliferation of such deals could introduce real or implicit leverage into the system and amplify the vulnerability to single points of failure.

The AI boom is also not immune to other macro forces that can add volatility.

With all this in mind, and as I discuss later in the letter, while positioning to profit from the expected further rally in AI stocks, it is crucial that investors build portfolios in a way that can weather the inevitable periods when fears about oversupply or overleverage lead to a (potentially substantial) correction.

What are the market drivers beyond AI?

Beyond AI, we see other positive drivers for equities.

While continued performance from the AI trade is likely a prerequisite for further upside for global equities, we do believe there are additional reasons to hold a positive view on global stocks.

First, we think the prospect of further Federal Reserve rate cuts and more supportive US fiscal policies—including measures such as capex and R&D expensing, cutting taxes on tips, and lighter regulation—should provide a modest tailwind to cyclical sectors as we move into 2026. An important point of difference between the current boom and the dotcom era is that the Fed was hiking rates in 1999, while it resumed the rate-cutting cycle last month.

Second, data suggest that the broader US economic environment is also trending better than expected. Middle- and high-income households continue to benefit from wealth effects, supported by rising asset prices and low fixed mortgage rates locked in during

the pandemic. Recent data show that the economy remains resilient (US retail sales grew 0.6% m/m in August), and we have raised our corporate earnings growth forecasts for 2025 and 2026.

It is encouraging that the tariffs announced so far appear to have had only a limited economic impact, even if the effects are likely to continue feeding through in the coming months. Tariff-related developments can still create short-term market volatility, as we have seen in the past month. Looking ahead, the Supreme Court hearings on tariffs related to the International Emergency Economic Powers Act in November and ruling later this year or in early 2026 will likely bring tariff headlines back into focus. If the measures are ruled unlawful, the tariff landscape can be expected to change meaningfully.

Where are the best opportunities in markets today, beyond the US?

China's tech sector offers opportunities, in our view.

We rate **China tech** among the Most Attractive sectors globally. The AI trend has proven supportive and the sector has rallied more than 30% year-to-date (Hang Seng Tech Index). We believe China's strategic push for tech self-sufficiency and innovation is creating the foundation for that rally to continue. Technology-related sectors now drive the bulk of MSCI China's performance, and leading firms are generating strong earnings owing to advances in AI, cloud, and domestic chip development.

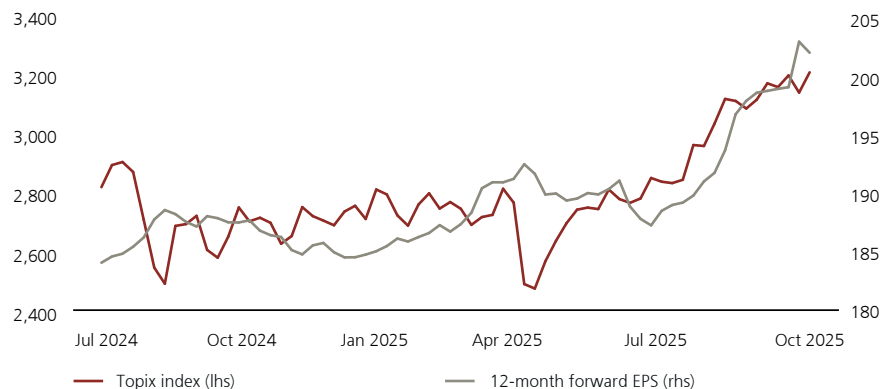
Despite the continuation of US-China tensions, we also see broader **Chinese** equities as Attractive. We believe supportive liquidity conditions (M2 money supply growth was 8.4% y/y in September), targeted policy measures, and retail asset reallocation from deposits should bolster the market. MSCI China now trades at around 13 times forward earnings—above its historical average, but the 30% discount to MSCI ACWI is in line with historical levels.

Our positive view on China's tech sector, and the Chinese market more broadly, should also prove supportive of **emerging market** (EM) indices, in our view. Fed rate cuts and a weaker US dollar should offer general support, while resilient EM currencies and benign macro trends could also help attract new flows and warrant higher valuations. Valuations remain appealing versus global peers, with MSCI EM trading at around 14x forward earnings (a 27% discount to MSCI ACWI).

Figure 4

Japanese corporate earnings bottomed out earlier than expected

Topix index (lhs) and 12-month forward EPS, in JPY (rhs)



Source: Bloomberg, UBS, as of October 2025

We hold a positive view on Japanese equities.

We continue to see **Japan's** equity market as Attractive. The market initially advanced after the selection of Sanae Takaichi as the new leader of the ruling Liberal Democratic Party (LDP), with investors positioning for a more expansionary fiscal agenda (including tax cuts, subsidies, and stimulus) and a more dovish monetary outlook. While the rally ebbed after the LDP's coalition partner of 26 years, Komeito, withdrew its support, our base case remains that Takaichi will ultimately be appointed prime minister. We therefore expect political uncertainty to fade, believe Japan's structural reform story remains intact, and anticipate a policy mix that will underpin corporate earnings growth and support domestically oriented sectors, particularly those tied to infrastructure, technology, and national security. The Topix also trades at a discount to global peers.

Global banks are appealing in the current environment.

We also have a positive view on **global banks**, which today are better capitalized, more liquid, and have less risky balance sheets following several years of deleveraging and strategic realignments. Combining this position of strength with more normalized yield curves, deregulatory tailwinds, and a resilient macroeconomic backdrop makes global banks appealing investments at current valuations, in our view.

The recent agreement between Pfizer and President Trump to lower drug prices and invest in US manufacturing and research, in exchange for a three-year grace period on planned tariffs on pharmaceutical imports, has boosted investor sentiment toward the **health care** sector and the *Longevity* opportunity more broadly. We expect structural growth stemming from the increasing demand for products and services that can expand healthy lifespans.

We also believe investors are underestimating both the scale and the durability of the upside in **utilities** and in the *Power and resources* opportunity more broadly. OpenAI's recently announced deals are adding to the electricity and grid infrastructure demand that is accelerating globally, and we expect USD 3tr in annual investment across power generation, energy storage, grid infrastructure, and data centers by 2030, backed by strong commercial customer demand to secure capacity for new projects.

Positioning to prosper for the long term

Booms often arise alongside transformative innovations.

Booms and bubbles can be difficult for investors. They often arise alongside transformative innovations that lay the foundation for substantial long-term wealth creation (see railroads in the 1800s or the internet in the 1990s). Yet, such periods of exuberance also bring anxieties: the fear of investing at the wrong time, the temptation to chase performance, and the risk of making decisions that can permanently destroy wealth.

So how can investors position themselves to prosper over the long term while avoiding short-term pitfalls?

1. **Remember your overall investment outlook.** For some, investing is a long-term endeavor. For others, it is a short-term contest. Taking the time to reflect and focus on one's personal objectives, time horizon, and risk appetite can help investors avoid costly mistakes and benefit from long-term wealth creation.
2. **Get your strategic asset allocation right.** Designing a portfolio mix that is right for an investor's objectives and regularly rebalancing so they stick to their target allocation throughout the market cycle can help investors stay disciplined and avoid the temptation to chase performance or exit the market during periods of stress. A well-diversified

Participation in transformative trends is often key for long-term wealth preservation and growth.

Investors who are underallocated to equities should reallocate excess cash toward stocks.

portfolio—balanced across equities, fixed income, alternatives, and cash—serves as a safeguard against the risks of exuberant markets, and the diversification inherent in a well-constructed asset allocation remains one of the most effective tools for managing risk.

3. **Visualize scenarios.** Considering a range of positive and negative scenarios for markets and one's own financial needs can help investors stress-test plans, identify vulnerabilities, and ensure they are comfortable with their risk exposures before volatility strikes. This forward-looking approach can help investors build a more robust portfolio, stay calm amid periods of volatility, and avoid overreacting during short-term market moves.
4. **Don't sit it out.** While fear of investing at the wrong moment in a market bubble can be paralyzing, participation in transformative trends is often essential for long-term wealth preservation and appreciation, provided it aligns with risk tolerance and goals. Since the start of 2000, even including the dotcom crash, a US equity portfolio with benchmark tech exposure (S&P 500) would have outperformed a portfolio without tech (S&P 500 ex-IT sector) by 61%.
5. **You don't have to time it perfectly, and you don't have to try.** The desire to wait for the "perfect" moment can lead to missed opportunities, while trying to time the market often proves futile. Strategies like phasing investments over time through regular contributions or rebalancing, using systematic or quantitative signals, or utilizing capital preservation strategies can help investors build up long-term positions while managing short-term timing risks.
6. **Keep adequate liquidity.** We typically recommend holding between two and five years' worth of expected portfolio withdrawals in a safe liquidity strategy. Keeping such a strategy can provide a safeguard against having to sell assets at depressed prices in case of a market crash. It can provide investors with the confidence that short-term needs are taken care of, allowing them to keep a long-term focus with their other investments.
7. **Use leverage with care.** The flip side of keeping ample liquidity is to use leverage with care. While borrowing, or buying investments with embedded leverage, can amplify gains in a rising market, it can also magnify losses when markets turn down. Being forced to sell investments at depressed prices to meet margin calls is one way that investors can permanently impair wealth. Using leverage conservatively, if at all, can help ensure resilience through volatility.

How to invest today

Against a backdrop of solid growth and transformative change, we believe the next chapter of this rally still holds promise. We think investors should review current allocations to equities and ensure they are at least consistent with, or modestly higher than, their long-term strategic asset allocation targets. If investors are currently "underweight" equities, we believe they should reallocate excess cash, bond, or high yield credit holdings toward stocks.

We also think that investors should reassess exposures within equities, ensuring adequate focus to our preferred sectors and markets, which are exposed to secular growth (we like the US, China, and global technology), transformational innovations (*AI, Power and resources*, and *Longevity*), and have clear catalysts that could drive earnings upgrades (Japan and global banks).

Quality bonds and gold remain appealing, in our view.

For diversification beyond stocks and AI, we continue to see quality bonds as Attractive, and we would expect them to rally in the event of fears about the health of the US economy or the durability of the AI rally. With yields still elevated, the risk-return for quality bonds is appealing, and they have ample scope to appreciate in a more adverse scenario. The outlook for lower-quality credit remains bifurcated, in our view, with recent bankruptcies highlighting vulnerabilities in some parts of the market. We therefore believe a selective approach is warranted in this pocket of the credit market, and we continue to prefer higher-quality segments. Gold also remains an effective portfolio diversifier and hedge against market, political, and economic risks, in our view, even after its strong year-to-date rally.

Key investment ideas

We see further scope for equities to rally in the year ahead.

Add to equities. We expect continued gains for AI-linked companies to support broad market indices, especially in the US and China, where AI exposure is highest. More broadly, lower US interest rates, robust earnings growth, and solid economic fundamentals should drive further upside for global equities over the coming year. At the sector level, we favor US utilities, US health care, global banks, and select European sectors for diversification beyond technology. From a country perspective, we see attractive opportunities in Japan, Brazil, and within Europe, in IT, industrials, and utilities.

Seek opportunities in China. China tech stands out as one of the most attractive opportunities in global equities, in our view, driven by breakthroughs in AI and semiconductors and a structural edge in manufacturing, data, and power. Recent results reinforce the durability of China's tech rally, supported by capex, chip localization, and expanding AI/cloud monetization. We expect this leadership to continue fueling momentum for China equities and the broader Asia index, with supportive liquidity, policy reforms, and improving geopolitical sentiment. Falling US interest rates and a weaker dollar are additional tailwinds. Low valuations and conservative positioning suggest significant potential for further inflows and a rerating.

Gold remains an appealing hedge and diversifier within portfolios.

Go for gold. Gold has rallied strongly year-to-date, with recent momentum driven by rising political and trade-related uncertainties. The yellow metal remains an effective portfolio diversifier and hedge against political and economic risks. Lower real interest rates, a weaker dollar, and renewed concerns about rising government debt or geopolitical uncertainty could spur additional gains toward our upside case of USD 4,700/oz, making gold a valuable component of a resilient investment strategy.

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

Put cash to work. With the Fed resuming its rate-cutting cycle and cash rates already low in much of Europe, we believe investors should limit cash holdings to what's needed for near-term portfolio withdrawals. By optimizing a liquidity strategy—phasing excess cash into diversified portfolios or equities, and considering equity income or yield-generating structured strategies—investors can improve returns and participate in long-term market gains. Annuities and borrowing capacity can also help manage cash flow more efficiently, ensuring capital works harder in the current environment.

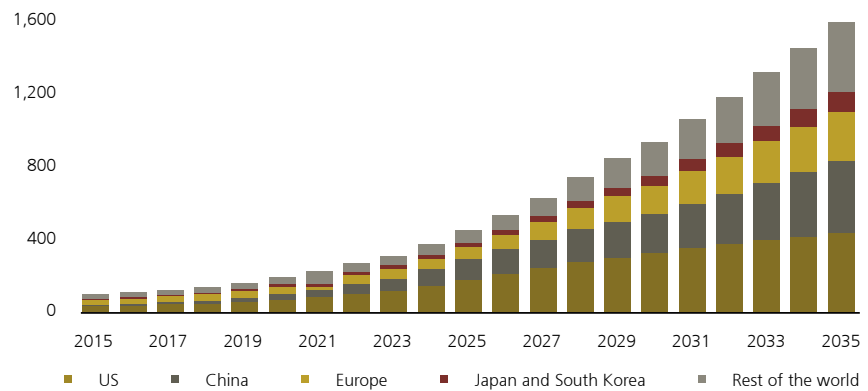
We expect the US dollar to weaken over the coming months.

Reduce excess dollar exposure. We expect the US dollar to weaken in the months ahead, as the Fed is set to cut interest rates more quickly than other regions, the US faces high levels of unhedged overseas investment, and given its current account and fiscal deficits. Tactically, we prefer the euro, Australian dollar, and Norwegian krone. While dollar weakness may be limited by stronger US growth and continued leadership in AI, we recommend investors review currency allocations to ensure they match future liabilities and spending needs.

Figure 5

AI and data centers to fuel growth in electricity demand

Global data center power demand outlook by market, TWh



Source: UBS, as of 15 October 2025

Beyond AI, we see growth opportunities in *Power and resources* and *Longevity*.

Invest in transformational innovation. AI stocks have delivered exceptional returns, raising questions about a potential bubble. However, we believe that robust capex investment, accelerating strategic partnerships, and surging product launches both demonstrate and will drive sustained demand for AI compute. Beyond AI, we identify *Power and resources* and *Longevity* as key themes gaining momentum. Utilities and health care are likely to benefit from these trends as well. We think that investors who focus on transformational innovation should be well positioned to outperform broader markets in the years ahead.

Mark Haefele
Chief Investment Officer
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Global forecasts

Economy

Real GDP y/y, in %

	2024	2025E	2026E
US	2.8	1.9	1.7
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	6.7	6.3
EM	4.5	4.3	3.9
World	3.4	3.2	2.9

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

	2024	2025E	2026E
US	3.0	2.8	3.3
Canada	2.4	2.2	2.1
Japan	2.7	3.4	2.1
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	0.0	0.2
India	4.6	2.4	4.5
EM	8.0	3.9	3.4
World	5.7	3.4	3.0

Source: Bloomberg, UBS, as of 16 October 2025. Latest forecasts available in the *Global forecasts* publication, published weekly.

Asset classes

	Spot	June 2026
Equities		
S&P 500	6,671	7,300
Eurostoxx 50	5,605	5,900
FTSE 100	9,425	9,800
SMI	12,530	13,200
MSCI Asia ex-Japan	892	964
MSCI China	87	100
Topix	3,184	3,400
MSCI EM	1,366	1,470
MSCI AC World	1,179	1,280

Currencies

EURUSD	1.16	1.23
GBPUSD	1.34	1.40
USDCHF	0.80	0.76
USDCAD	1.40	1.32
AUDUSD	0.65	0.70
EURCHF	0.93	0.94
NZDUSD	0.57	0.59
USDJPY	151	148
USDCNY	7.12	6.90

	Spot	June 2026
Yields, in %		
USD 2y Treasury	3.50	3.25
USD 10 year Treasury	4.03	3.75
CHF 2y Eidg.	-0.15	0.00
CHF 10y Eidg.	0.21	0.50
EUR 2y Bund	1.92	1.75
EUR 10y Bund	2.57	2.25
GBP 2y Gilt	3.90	3.50
GBP 10y Gilt	4.54	4.25
JPY 2y JGB	0.90	1.10
JPY 10y JGB	1.65	1.70

Commodities

Brent crude, USD/bbl	61.9	65.0
Gold, USD/oz	4,209	4,200

Source: Bloomberg, UBS, as of 16 October 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 equities 	We expect continued gains for AI-linked companies to support broad market indices, especially in the US and China, where AI exposure is highest. More broadly, lower US interest rates, robust earnings growth, and solid economic fundamentals should drive further upside for global equities over the coming year. At the sector level, we favor US tech, US health care, global banks, and select European sectors for diversification beyond technology. From a country perspective, we see attractive opportunities in Japan, Brazil, and within Europe, in IT, industrials, and utilities.	• Global equities • US equities • Opportunities beyond US IT: global banks, US healthcare and utilities, Japan equities, Brazil equities, European IT, industrials, and utilities
Go for gold 	Gold has rallied strongly year-to-date, and while the rally may be entering its final stages, we still see further upside in our base case. Gold remains an effective portfolio diversifier and hedge against political and economic risks. Lower real interest rates, a weaker dollar, and renewed concerns about government debt or geopolitical uncertainty could drive additional gains, making gold a valuable component of a resilient investment strategy.	• Gold • Gold miners
Put cash to work 	With the Fed resuming its rate-cutting cycle and cash rates already low in much of Europe, we believe investors should limit cash holdings to what's needed for near-term portfolio withdrawals. By optimizing liquidity strategy—phasing excess cash into diversified portfolios or equities, and considering equity income or yield-generating structured strategies—investors can improve returns and participate in long-term market gains. Annuities and borrowing capacity can also help manage cash flow more efficiently, ensuring capital works harder in the current environment.	• Optimize liquidity: High quality bonds incl. securitized credit, 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

We expect the US dollar to weaken in the months ahead, as the Fed cuts interest rates more quickly than other regions, and the US faces high levels of unhedged overseas investment, current account, and fiscal deficits.

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

While dollar weakness may be limited by stronger US growth and continued leadership in AI, we recommend investors review 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

AI stocks have delivered exceptional returns, raising questions about a potential bubble.

However, we believe that robust capex investment, accelerating strategic partnerships, and surging product launches both demonstrate and will drive sustained demand for AI compute.

Beyond *AI*, we identify *Power and resources*, and *Longevity* as key themes gaining momentum.

Utilities and health care are likely to benefit from these trends.

We think that investors who focus on transformational innovation should be well positioned to outperform broader markets in the years ahead.

- AI
- *Power and resources*
- *Longevity*

Seek opportunities in China

China tech stands out as one of the most attractive opportunities in global equities, driven by breakthroughs in AI and semiconductors, and a structural edge in manufacturing, data, and power.

Recent results confirm the durability of China's tech rally, supported by capex, chip localization, and expanding AI/cloud monetization.

We expect this leadership to continue fueling momentum for China equities and the broader Asia index, with supportive liquidity, policy reforms, and improving geopolitical sentiment.

Falling US interest rates and a weaker dollar are additional tailwinds. Low valuations and conservative positioning suggest significant potential for further inflows and re-rating.

- China technology
- China equities
- Broad Asia exposure

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 CMBS
- **NEW** Global equities
- **NEW** US equities
- **NEW** Emerging market equities
- Gold

Implementation guidance

The US economic outlook has improved over the past month, despite the federal government shutdown delaying the release of critical economic data. Growth expectations for 2025 and 2026 are now higher, and roughly in line with trend growth. The increase stems from resilient consumer spending and the potential drag from tariffs being less than initially expected. The labor market remains soft, with slow job growth, but also low layoffs. Because of labor market weakness, and despite the better growth outlook, we still expect the Federal Reserve to cut rates another 75bps, with 25bps cuts in October, December, and once more in the first quarter of 2026.

The better macro outlook contributed to our upgrading of equities overall, US equities, and emerging market equities to Attractive. News of strategic partnerships in leading AI companies and structural trends, including continued high capital expenditure into AI infrastructure, was another factor in this upgrade. In the US, we bumped up our 2025 and 2026 S&P 500 EPS estimates to USD 275 (+10% growth) and USD 295 (+7% growth), respectively. Correspondingly, we increased our year-end and June 2026 S&P 500 price targets to 6,900 and 7,300. We also raised our global EPS growth estimate to 8% for this year and expect high-single-digit growth next year. Our updated message is to **buy 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. 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 tech, AI is expected to remain a key driver of equity 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 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. Additionally, we specifically advise **investing in transformational innovation**. Our favorite themes are *AI, Power and resources, and Longevity*.

We think investors should continue to **go for gold**, which 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 sell-offs in markets, boosting the appeal of perceived safe havens in this environment.

Finally, 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

Paul Hsiao, Asset Allocation Strategist Americas

Overview

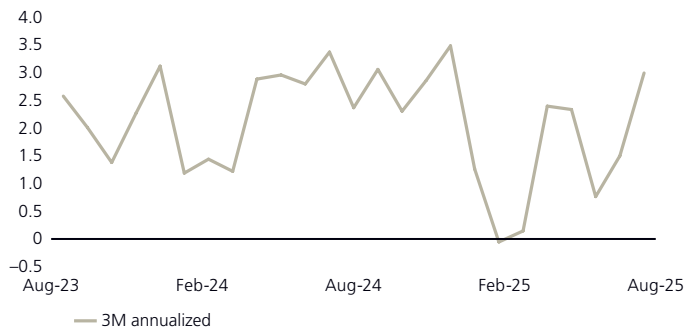
With the government shutdown delaying important data releases, the narrative of “better-than-expected growth” should persist as the Atlanta Fed GDP tracker shows 3Q GDP running significantly above trend, which could push annual real GDP growth close to 2%. Despite slow jobs growth, higher incomes are increasingly powering consumption, helped by financial markets at all-time highs. Tariff-influenced inflation has been surprisingly modest, with peak effects still likely to come over the next few months. Very slow jobs growth strengthens the case for further rate cuts.

Growth

Recent data releases show the US economy continuing to expand, with estimates of 3Q GDP growth running above trend. Despite a slowdown in jobs growth, consumption spending remains robust, increasingly driven by higher incomes. AI-related investment continues to provide a tailwind. The economy faces pressure in the near term as tariff prices get absorbed by the consumer, but the One Big Beautiful Bill should provide some stimulus in early 2026. The ongoing government shutdown delays some economic releases, leading markets to “fly blind” in the meantime. The shutdown is also negative for growth, especially if layoffs continue and paychecks get delayed, weighing on consumption.

Figure 1

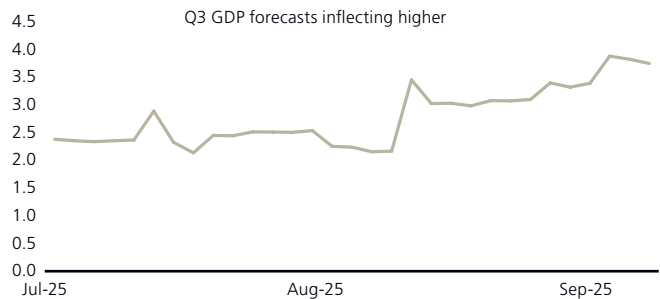
Consumption has recently accelerated, helped by higher incomes
Real PCE, 3-month annualized change, %



Source: Bloomberg, UBS as of 15 October 2025

Figure 2

Atlanta Fed's GDPNowcast expects nearly 4% growth in 3Q
q/q SAAR, %



Source: Bloomberg, UBS as of 15 October



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

Read the report >

Inflation

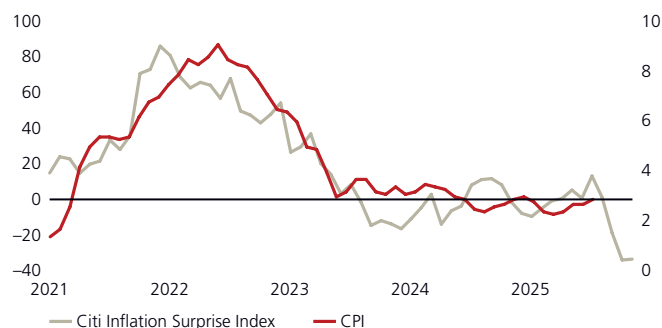
Tariff-related price increases have so far not been as bad as feared; indeed, the latest available inflation data have been surprising to the downside. We expect prices to rise on a broad range of goods, with effects peaking around 4Q25/1Q26. At the same time, shelter inflation should trend lower.

Policy

Since the Fed appears to focus more on the weaker labor data than on its inflation target, we expect 75bps of additional rate cuts through early 2026, bringing monetary policy to a neutral stance. Markets are more dovish, virtually fully pricing in rate cuts in October and December along with three more rate cuts by the end of 2026, which would bring the federal funds rate to around 3%. In a recent speech, Chair Powell also signaled the end of quantitative tightening, reiterating our view of lower longer-term rates and a marginally more dovish policy stance. Hasset has emerged as the front-runner to replace Chair Powell next year in what likely would be a more dovish Federal Reserve in 2026. Stronger-than-expected growth over the coming months combined with a rebound in the labor market would weaken the case for additional rate cuts.

Figure 3

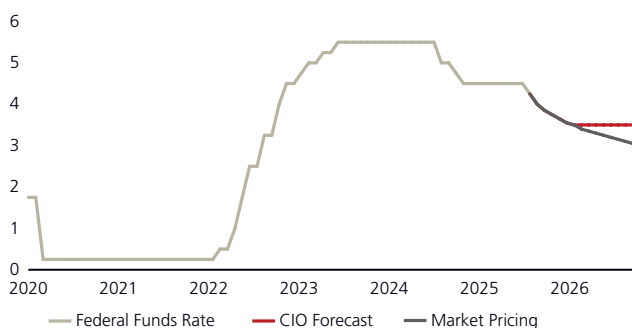
Very modest evidence of tariff inflation so far
Inflation surprises have been surprising to the downside



Source: Bloomberg, UBS as of 15 October 2025

Figure 4

Federal Reserve expected to continue lowering rates
Real PCE, 3-month annualized change, %



Source: Bloomberg, UBS as of 15 October 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: 5,605) June 2026 target	
House view	5,900
📈 Positive scenario	6,400
📉 Negative scenario	4,200

Note: All current values as of 15 October 2025

We remain Neutral on Eurozone equities. European equities are supported by reasonable valuations, supportive global policy, and an improving earnings outlook. After two years of stagnation, we see earnings growing 5% in 2026 and 15-20% in 2027, with room for profit margins to expand if topline sales volumes pick up. Our preferences tilt to structural transformation beneficiaries (IT, industrials, utilities), high-quality exporter laggards, and select exposure to European monetary (e.g., real estate) and fiscal policy via our "Six ways to invest in Europe" theme.

Japan

⊕ ATTRACTIVE

TOPIX (index points, current: 3,184) June 2026 target	
House view	3,400
📈 Positive scenario	3,600
📉 Negative scenario	2,300

Note: All current values as of 15 October 2025

We rate Japanese equities as Attractive. While elevated volatility may persist in the coming weeks, our investment thesis remains intact, and we anticipate a recovery once short-term uncertainty subsides. We think Japan's domestic structural reforms will be key drivers of alpha. There is the potential for more accommodative policies due to pro-growth dynamics and Takaichi's recent electoral victory, signaling a likely dovish monetary policy stance ahead. In addition, looming Fed rate cuts and the resilience of the US economy and market should support Japanese equities.

Emerging markets

⊕ ATTRACTIVE

MSCI EM (index points, current: 1,366) June 2026 target	
House view	1,470
📈 Positive scenario	1,580
📉 Negative scenario	1,030

Note: All current values as of 15 October 2025

We upgrade Emerging Markets equities to Attractive, driven by a constructive macro backdrop, softer US dollar trends, and accelerating innovation in technology and AI—predominantly in China. This view is further supported by improving financial conditions, stronger flow dynamics, and a renewed search for geographical diversification. We also upgrade China Tech to Most Attractive. Against this backdrop, we raise our June 2025 MSCI EM index forecast to 1,470, underpinned by improving earnings expectations.

UK

⊖ NEUTRAL

FTSE 100 (index points, current: 9,425) June 2026 target	
House view	9,800
📈 Positive scenario	10,500
📉 Negative scenario	7,000

Note: All current values as of 15 October 2025

We remain Neutral on UK equities. UK equities are supported by reasonable valuations, supportive global policy, and an improving earnings outlook. We expect earnings to contract further this year but think 2025 will mark the bottom, and we see an improving outlook for profits from next year. We favor selective exposure to the UK, focusing on structural transformation beneficiaries (IT, industrials, utilities), high-quality exporter laggards, and select exposure to monetary (e.g., real estate) and fiscal policy via our "Six ways to invest in Europe" theme.

US equities

This month, we upgraded US equities from Neutral to Attractive. As we’ve been articulating for some time, we believe the backdrop for US stocks remains favorable, driven by resilient economic growth, Fed rate cuts, and a boom in AI investment spending.

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

US equities overview

+ ATTRACTIVE

US equities

A few factors drive our upgrade. First, the risk that tariffs will drive a pronounced economic slowdown have fallen, especially with the Fed now endorsing additional rate cuts. Second, AI investment trends should remain favorable. And third, we think the supportive environment for stocks can persist for longer than we had anticipated. The outlook for earnings remains favorable as well. The third-quarter earnings season is underway; we expect S&P 500 EPS growth of ~10%, reflecting healthy earnings beats. As part of our upgrade, we raised our 2025 and 2026 S&P 500 EPS estimates to USD 275 (10% growth) and USD 295 (7% 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 catalyst for information technology and communication services. Secular growth in digital advertising should also support communication services. Signs of policy clarity and attractive valuations should benefit health care. Utilities offer defensive exposure if economic growth slows, and we see upside from AI power demand.

US equities – size

We have a Neutral view across size segments. In recent weeks, small caps have nearly caught up to large caps on a year-to-date basis. Federal rate cuts and the prospects for more on the horizon have provided a nice boost, and there has also—finally—been some improvement in the small cap earnings outlook. In the near term, we question if this can continue given the increased costs of tariffs. Furthermore, we don’t expect the Fed to cut rates significantly, so we wonder how much of a boost small companies will get from lower rates. That said, historically over longer time horizons, current attractive valuations relative to large caps have led to small-cap outperformance.

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 value companies should offer a hedge if stocks experience any bouts of volatility from a slowdown in economic activity.

S&P 500 (index points, current: 6,629)	June 2026 target
House view	7,300
↗ Upside	8,000
↘ Downside	4,500

Note: All current values as of 16 October 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			+

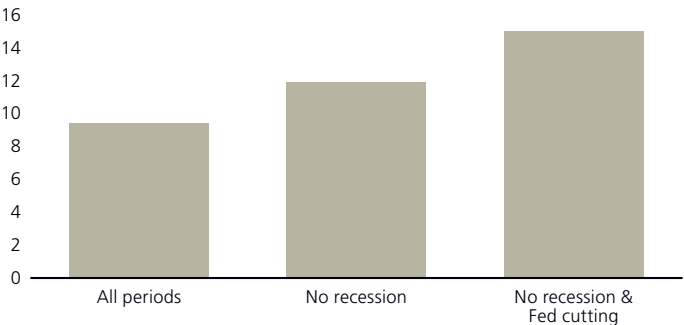
Note: S&P 500 sector preferences

Source: UBS, as of 16 October 2025

Figure 2

Fed cuts during non-recessionary periods should support equities

Average annualized monthly S&P 500 returns, since 1970, in %



Source: Bloomberg, UBS, as of 15 October 2025

Bonds

We expect the fourth quarter to be characterized by slowing growth, easier monetary policy, and ongoing fiscal pressures that are likely to increase market volatility. Although the yield curve has steepened in 2025 and we expect this trend to persist, there may be periods of short-term flattening owing to the Federal Reserve's dovish outlook. Our preference is for high-quality fixed income assets in the short to intermediate part of the yield curve, which are well positioned to benefit from policy easing and offer attractive relative value. We expect yield (carry), rather than spread compression, to be the main 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: 4.0%) June 2026 target

House view **3.8%**

Note: All current values as of 15 October 2025

As the market anticipated, the Fed cut the fed funds rate by 25bps at its September meeting, but the pace and magnitude of its cutting cycle remain uncertain. The recent pause in most fundamental economic indicators because of the government shutdown does not give the Fed more clarity; however, the likelihood that the Fed cuts another 25bps in October is currently priced by the market at 95%. The 10-year Treasury has held a tight 4.00-4.25% range. With interest rates remaining range-bound, we lowered our duration risk near a 4.0% 10-year yield and look to extend duration toward 4.4%. We maintain our exposure in the three- to five-year area of the yield curve.

Emerging market bonds

NEUTRAL

EMBIG DIV. / CEMBI DIV. SPREAD (current: 288bps/248bps) June 2026 target

House view **320bps/275bps**

Positive scenario 275bps/225bps

Negative scenario 550bps/500bps

Note: All current values as of 15 October 2025

We maintain our Neutral view on emerging market credit. Valuations are at historically tight levels, suggesting that the asset class, particularly the lower-rated issuers, remains vulnerable to potential setbacks. We expect range-bound to slightly 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: 78bps) June 2026 target

House view **90bps**

Positive scenario 80bps

Negative scenario 180bps

Benchmark: ICE BofA

Note: All current values as of 15 October 2025

We maintain a Neutral view on 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 near their 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: 295bps) June 2026 target

House view **350bps**

Positive scenario 280bps

Negative scenario 650bps

Benchmark: ICE BofA

Note: All current values as of 15 October 2025

We reiterate our 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, in our view, and par default rates remain stable at 1.2%. Yet, the attractiveness of a 6.9% 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 enjoyed a strong rally in September as the curve bull flattened. Net inflows into IG munis in September were the largest in the last 12 months, with longer maturities receiving the largest share. Despite the recent flattening, the 10-year to 30-year curve slope is very steep, favoring longer maturities. Muni credit fundamentals remain strong. Given still tight spreads and a weakening labor market, 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, with markets more confidently pricing in additional rate cuts from the Federal Reserve. On foreign exchange markets, the dollar modestly fell against other major currencies, boosting the value of non-dollar bonds in dollar terms. These factors left the asset class modestly higher for the month. With US bonds offering higher yields than those of most other developed markets, we do not recommend a strategic asset allocation position in 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 +9bps (versus +13bps last month).

Mortgage-backed securities (MBS)

+ ATTRACTIVE

We maintain an Attractive view on agency MBS and CMBS. Agency MBS performance has been driven by lower interest rate volatility, increased demand due to deregulation, and expensive corporate credit. Current coupon MBS is yielding 5.15%, while the IG corporate BBB index is yielding just 5.05%. The greater liquidity and higher quality far outweigh the lower credit of IG corporates. CMBS index spreads are at 125bps, offering about 40bps of pickup versus IG corporate bonds. 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 15 October 2025

Preferred securities

⊖ NEUTRAL

After five consecutive monthly gains, preferreds have begun to stall in October. An extension of the consistent streak of positive returns was a bit unsustainable given current valuations against an uncertain economic backdrop. Preferreds may continue to get swept up in broader macro uncertainties related to monetary, fiscal, and trade policy in the near term. However, the demand for yield, lack of competitive yield alternatives, a benign rate backdrop, and supportive supply-demand dynamics should all continue to support preferreds beyond that.

Treasury Inflation-Protected Securities (TIPS)

⊖ NEUTRAL

Real yields have declined in 2025 as nominal yields have dropped faster than inflation expectations. As a result, TIPS have returned 7.4% YTD, a leader among fixed income. A more persistent inflationary impulse remains a risk to the market, as witnessed by the large divergence within the FOMC's forecast for the fed funds rate. While we monitor inflation expectations, given the large decline witnessed in real yields in 2025, we maintain a Neutral recommendation on the TIPS market.

US 10-YEAR REAL YIELD (current: 1.72%) June 2026 target	
House view	1.50%
➤ Positive scenario	0.75%
➤ Negative scenario	2.30%

Note: All current values as of 15 October 2025

Figure 1

UBS CIO interest rate forecast

In %

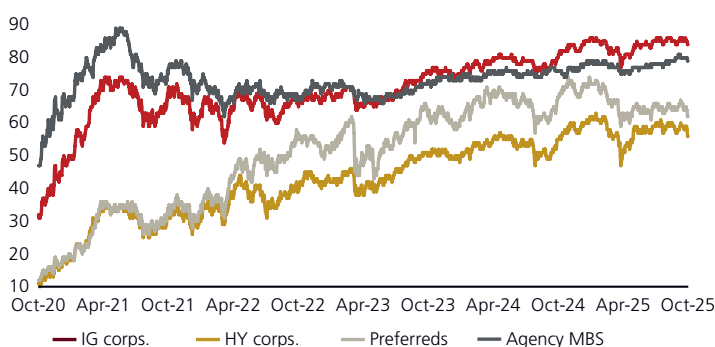
UST	Current	Dec-25	Mar-26	Jun-26	Sep-26
2-year	3.5	3.5	3.3	3.3	3.3
5-year	3.6	3.5	3.5	3.5	3.3
10-year	4.0	4.0	4.0	3.8	3.8
30-year	4.6	4.8	4.5	4.5	4.5

Source: Bloomberg, UBS, as of 15 October 2025

Figure 2

The majority of yields in IG corporates is due to the level of Treasury rates

Treasury yield contribution to total yields, in %



Source: Bloomberg, ICE BofA, UBS as of 13 October 2025

Commodities

Near-term growth concerns remain a headwind for commodities. But the asset class offers more than just exposure to economic swings. We believe risks around US politics, geopolitics, and weather, among other factors, speak for commodity exposure in the second half of 2025.

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 4,340/oz)

June 2026 target

⊕ ATTRACTIVE

House view	USD 4,200/oz
↗ Positive scenario	USD 3,700
↘ Negative scenario	USD 4,700

Note: All current values as of 17 October 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

Gold has rallied strongly year-to-date, with recent momentum driven by rising political and trade-related uncertainties. The yellow metal remains an effective portfolio diversifier and hedge against political and economic risks, in our view. Lower real interest rates, a weaker dollar, and renewed concerns about rising government debt or geopolitical uncertainty could spur additional gains toward our upside case of USD 4,700/oz, making gold a valuable component of a resilient investment strategy.

Base metals

Our copper forecasts continue to indicate greater upside potential, though this is materializing more quickly owing to elevated supply risks. We have raised our end-September forecast to USD 11,500/mt (previously USD 11,000/mt), with all other forecasts brought forward by one quarter. From an investment perspective, we maintain our view to sell downside price risks in copper to achieve a yield pickup in the short run. Longer term, we like to be outright long the metal.

BRENT (current: USD 61.91/bbl)

June 2026 target

⊖ NEUTRAL

House view	USD 65/bbl
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Note: All current values as of 16 October 2025

Agriculture

Agricultural markets have been under pressure over the past month, as easing immediate weather risks, particularly in South America, demand destruction, and a rise in US-China and US-Brazil trade hostilities have weighed on all sectors (ex-coffee). The decline in cocoa prices has been particularly notable after they rallied almost 200% last year, although we think the sharp slump, driven by improving supply-demand dynamics, has now gone too far. Widespread rainfall in West Africa amid hikes to farmgate prices is likely to encourage farmers to harvest and deliver more beans for processing and export. That said, forward-looking predictions of further demand-side weakness seem exaggerated, in our view.

Crude oil

We continue to expect Brent to stay in the USD 60-70/bbl trading range. Oil demand likely already peaked for the year and should gradually fall over the coming months. With South American supply expected to increase a bit more, the oil market should become better supplied in the coming months. As a result, we expect modestly lower oil prices by year-end. We maintain a more constructive price outlook for mid-2026 and 2H26. Supply growth in the US has already fallen amid current price levels, and by mid-2026, the market focus will likely shift to 2027, when we expect modest supply growth in non-OPEC+ countries and continued demand growth.

Foreign exchange

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

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

The Fed's rate-cut cycle has begun with markets expecting five more rate cuts through the end of 2026—more dovish than CIO forecasts. While widely anticipated, the prospect of lower real rates should continue to weigh on the USD, potentially leading to single-digit declines—especially as the Fed signals the end of quantitative tightening in the coming months. Further policy volatility may also weigh on the USD.

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		=	
EM carry*			+

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

*Our preferred EM carry currencies are MXN, BRL, ZAR and INR

FX forecasts

	Current	Dec-25	Mar-26	Jun-26	Sep-26
EURUSD	1.16	1.21	1.22	1.23	1.23
USDJPY	153	152	150	148	145
GBPUSD	1.34	1.39	1.39	1.40	1.40
USDCHF	0.80	0.78	0.77	0.76	0.76
USDCAD	1.40	1.34	1.33	1.32	1.32
AUDUSD	0.66	0.66	0.68	0.70	0.72
NZDUSD	0.58	0.57	0.58	0.59	0.60
USDSEK	9.43	8.93	8.77	8.62	8.54
USDNOK	9.98	9.34	9.18	9.02	8.94

Sources: SIX Financial Information, UBS, as of 17 October 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

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

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Our preferences do not assure profits or prevent against losses from an investment portfolio or accounts in a declining market.

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Equities: Stock market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables.

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Preferred securities: Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning preferred stocks. Preferred stocks are subject to market value fluctuations, given changes in the level of interest rates. For example, if interest rates rise, the value of these securities could decline. If preferred stocks are sold prior to maturity, price and yield may vary. Adverse changes in the credit quality of the issuer may negatively affect the market value of the securities. Most preferred securities may be redeemed at par after five years. If this occurs, holders of the securities may be faced with a reinvestment decision at lower future rates. Preferred stocks are also subject to other risks, including illiquidity and certain special redemption provisions.

Municipal bonds: Although historical default rates are very low, all municipal bonds carry credit risk, with the degree of risk largely following the particular bond's sector. Additionally, all municipal bonds feature valuation, return, and liquidity risk. Valuation tends to follow internal and external factors, including the level of interest rates, bond ratings, supply factors, and media reporting. These can be difficult or impossible to project accurately. Also, most municipal bonds are callable and/or subject to earlier than expected redemption, which can reduce an investor's total return. Because of the large number of municipal issuers and credit structures, not all bonds can be easily or quickly sold on the open market.

Appendix

Emerging Market Investments

Investors should be aware that emerging market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and socio-political risk, interest rate risk, and higher credit risk. Assets can sometimes be very illiquid, and liquidity conditions can abruptly worsen. CIO GWM generally recommends only those securities it believes have been registered under federal US registration rules (Section 12 of the Securities Exchange Act of 1934) and individual state registration rules (commonly known as "Blue Sky" laws). Prospective investors should be aware that to the extent permitted under US law, CIO GWM may from time to time recommend bonds that are not registered under US or state securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Sub-investment grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher yielding bonds for shorter periods only.

Nontraditional Assets

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

Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance, and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments; there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund, and should consider an alternative investment fund as a supplement to an overall investment program. In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

Hedge fund risk: There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-US securities and illiquid investments.

Managed futures: There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.

Real estate: There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.

Private equity: There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.

Foreign exchange/currency risk: Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in US dollars, changes in the exchange rate between the US dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a US investor.

Global asset class preferences definitions

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

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities.

Note: For equities, 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 3 tiers.

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