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Chief Investment Office GWM
Investment research



The CEO Macro Briefing Book 3Q25

Navigating a slowdown

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Section 1

Insights in brief

Executive Summary: Navigating a slowdown



Macroeconomic Outlook

- **Policy already affecting growth...** 1Q and 2Q GDP reports show significant trade-related swings while the underlying growth momentum shows more signs of slowing.
- **...as Fed readies growth-supporting rate cuts.** Even with inflation likely to swing higher over the next few quarters owing to tariffs, the Fed will likely cut rates to prolong the cycle starting in September.



Operating Environment

- **A bifurcated consumer remains anxious.** Consumers report dour sentiment as they expect higher prices and a weaker labor market ahead. Top earners are likely to continue having an outsized effect on consumption.
- **Labor market conditions weaken further.** Revised job growth numbers show the weakest hiring environment since the pandemic while supply of workers also shrinking owing to immigration policies.



Policy

- **Effects of tariffs and tax bill to be felt in coming quarters.** With “Liberation Day” in the rear-view mirror, companies and households are bracing for higher costs of imports. The One Big Beautiful Bill Act contains several provisions business owners can currently take advantage of, minimizing tax bill.



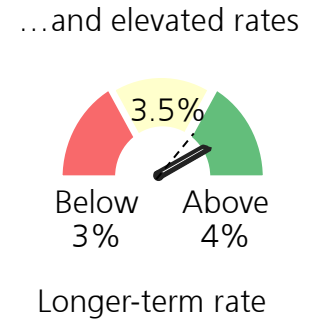
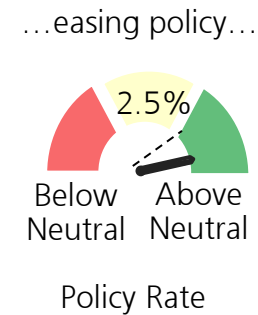
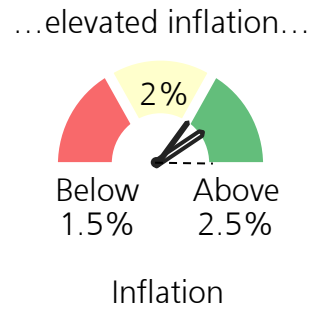
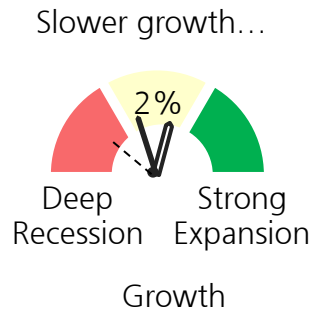
Markets & Deal Activity

- **Equities at all-time highs after “Liberation Day.”** Strong earnings help power the S&P 500 to all-time highs despite lingering tariff weakness.
- **Dealmaking driven by large, AI deals.** IPOs show signs of life after strong performance from high-profile debuts. M&A demand evident but tempered by high interest rates, valuation gaps, and policy uncertainty.

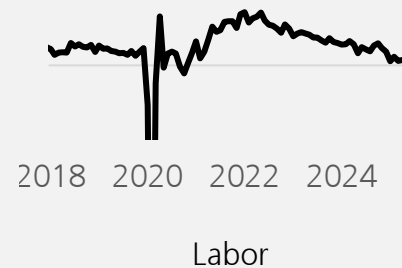
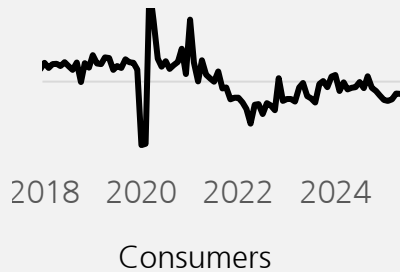
Dashboard Summary: More evidence of a broadening slowdown

Expected Current Six months prior

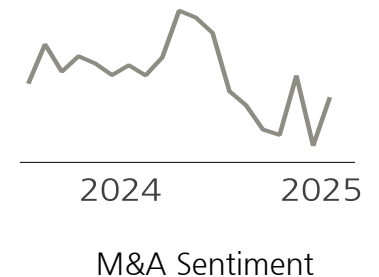
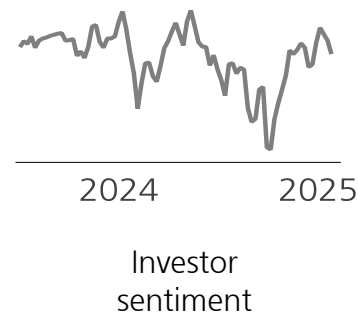
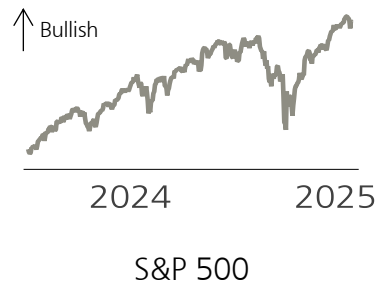
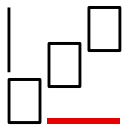
Macroeconomic Conditions



Operating Environment



Markets & Deal Activity



Source: Bloomberg, UBS, as of 5 August 2025

Markets Dashboard: Risk assets struggle amid policy uncertainty

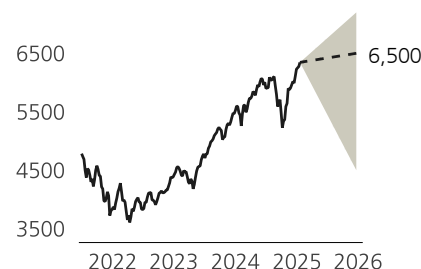
\	Latest	YTD	2Q25	1Q25	2024
S&P 500	6307	7.1%	10.6%	-4.6%	23.3%
Large Cap Growth	4559	11.3%	18.7%	-8.6%	35.1%
Large Cap Value	1933	2.5%	2.5%	-0.2%	9.8%
US Small Cap	2214	-0.2%	8.1%	-9.8%	10.0%
Int'l Developed Markets	1108	7.8%	8.8%	-2.5%	18.4%
S&P 500 Sectors					
Energy	656	-0.3%	-9.4%	9.3%	2.3%
Materials	560	6.0%	2.6%	2.3%	-1.8%
Industrials	1272	14.4%	12.6%	-0.5%	15.6%
Consumer Discretionary	1773	-4.3%	11.3%	-14.0%	29.1%
Consumer Staples	892	3.3%	0.5%	4.6%	12.0%
Healthcare	1530	-3.9%	-7.6%	6.1%	0.9%
Financials	861	6.8%	5.1%	3.1%	28.4%
IT	5207	12.3%	23.5%	-12.8%	35.7%
Utilities	438	13.9%	3.5%	4.1%	19.6%
Real Estate	262	2.4%	-1.0%	2.7%	1.7%
US Gov't					
Munis	1337	0.1%	-0.1%	-0.2%	1.1%
TIPS	365	5.7%	0.5%	4.2%	1.8%
Agency	128	5.3%	1.8%	2.9%	2.8%
US IG	3459	5.1%	1.8%	2.3%	2.1%
US HY	2824	5.2%	3.5%	1.0%	8.2%
Commodities					
Oil	65.9	-9.1%	-8.9%	-0.3%	0.1%
Gold	3377	28.8%	5.7%	19.0%	27.2%
FX					
USD	98	-8.9%	-7.0%	-3.9%	7.1%
EUR	1.16	11.8%	9.0%	4.5%	-6.2%
JPY	147	-6.1%	-4.0%	-4.6%	11.5%
EM FX	1832	6.1%	5.3%	1.7%	-0.7%

Source: Bloomberg, UBS, as of 5 August 2025

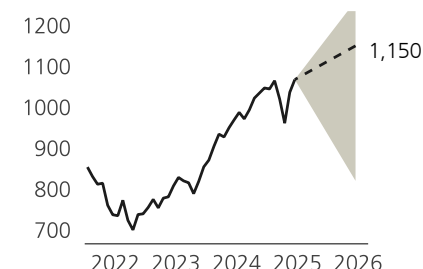


UBS CIO forecasts

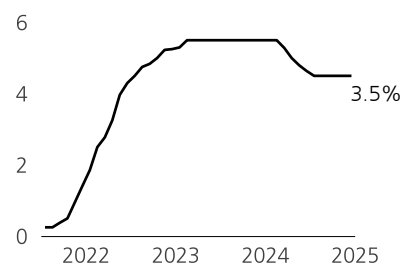
S&P 500



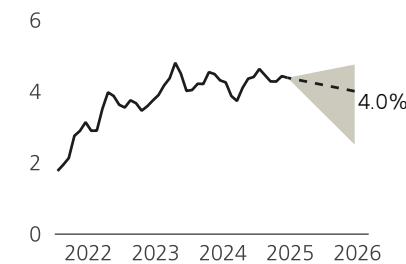
ACWI



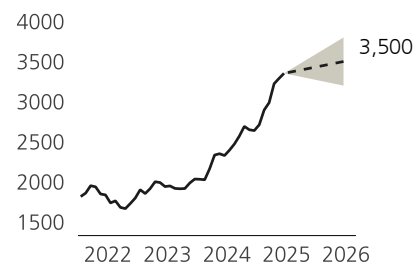
Federal funds rate (%)



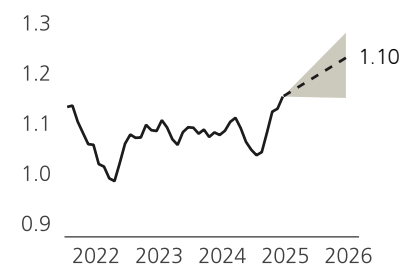
10y Treasury yield (%)



Gold



EUR



Section 2

Macroeconomic outlook

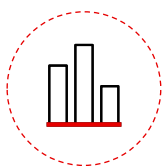
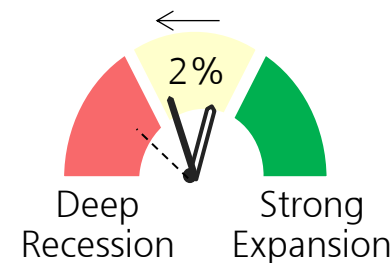
Macro Key Points: Stagflation risk ahead

--- Expected — Current = Six months prior



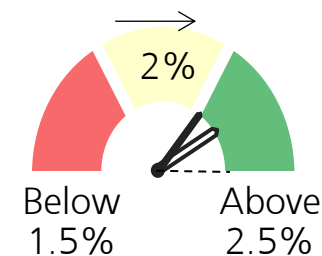
Growth

Slowdown ahead with recession risks rising. Growth numbers already show significant volatility owing to trade policy in the 1Q and 2Q GDP reports. We expect economic activity to slow below trend in the second half of 2025 but no recession unless layoffs rapidly pick up.



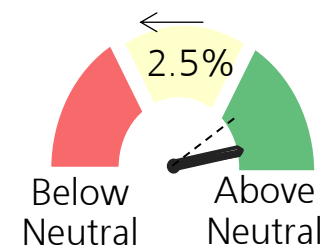
Inflation

Inflation likely to rise owing to tariff effect. Tariffs set to reverse disinflation trend that has occurred throughout 2023 and 2024. Overall price levels should rise but impact is differentiated depending on type of good. Slower wages and weaker economy should dampen services inflation.



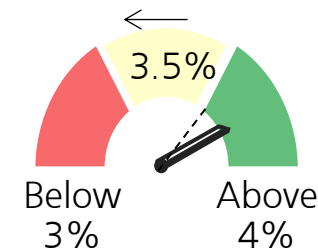
Fed funds rate

Weaker jobs number increases likelihood of imminent rate cut. With nonfarm payrolls showing the weakest job growth numbers since the pandemic, the Fed is likely to start cutting rates again in September, despite higher tariff-related inflationary pressures on the horizon.



10-year yield

Term premiums rising as fiscal fundamentals deteriorate. Volatile tariff policy and the passage of the deficit-widening OBBBA have led many investors to reconsider their position in US assets.

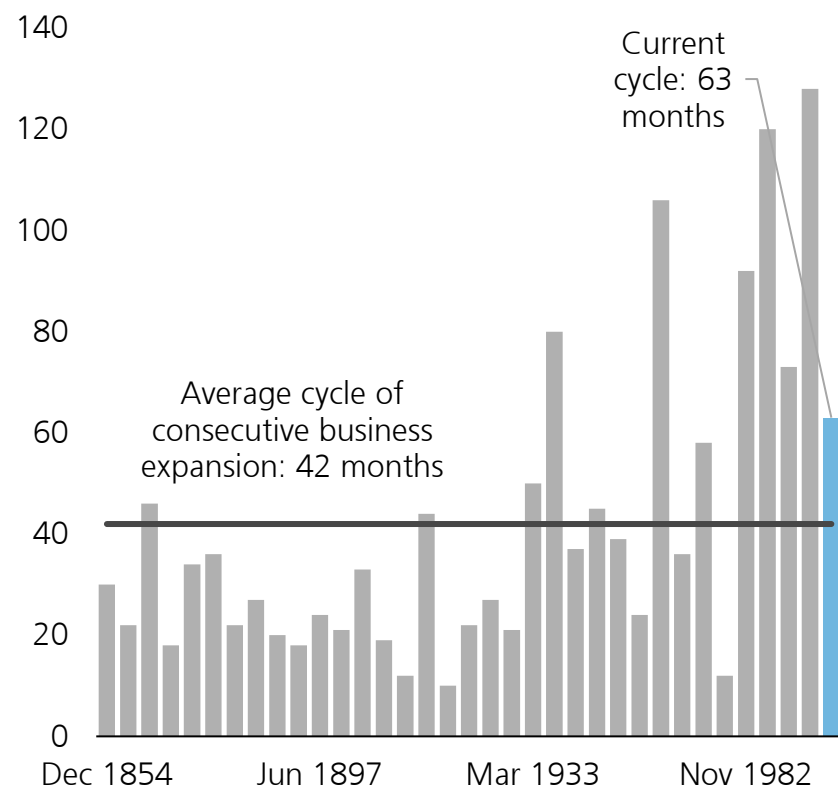


Growth: Policy threatens the sustainability of the cycle

Even before tariffs, forecasters expected slower growth in 2025. Tariffs—which are a growth drag and a complication to enacting rate cuts—will likely slow growth further in the second half of the year.

US experiencing its 7th longest cycle on record (so far)

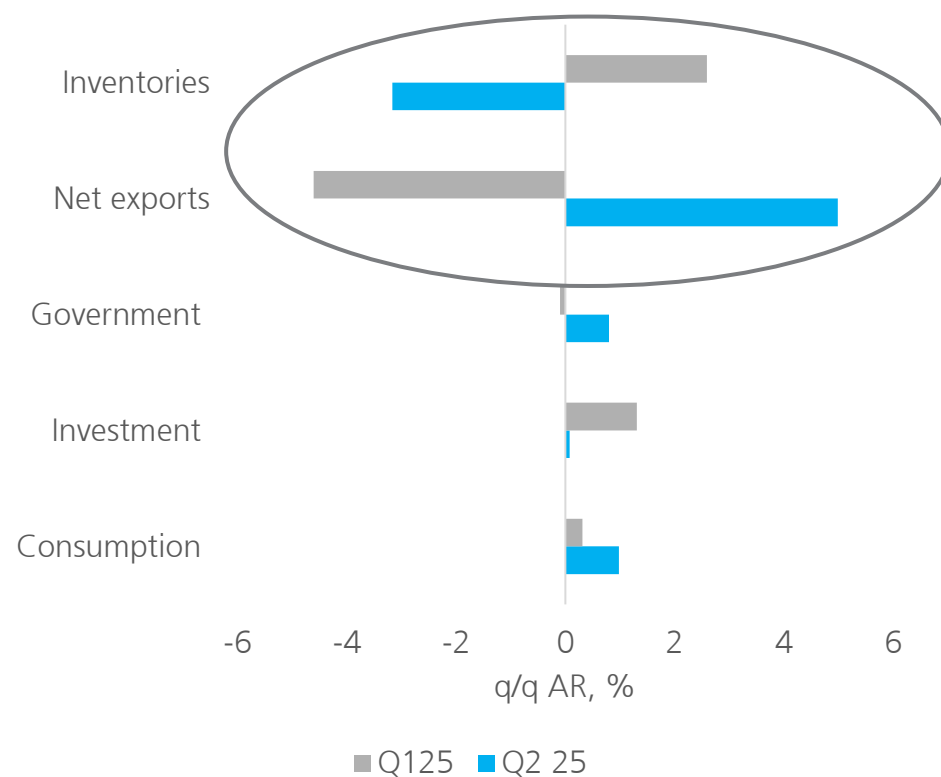
Cycle length, in months



Source: BEA, UBS, as of 5 August 2025

Tariffs already affecting GDP numbers

Contribution to 1Q and 2Q real GDP, q/q SAAR %



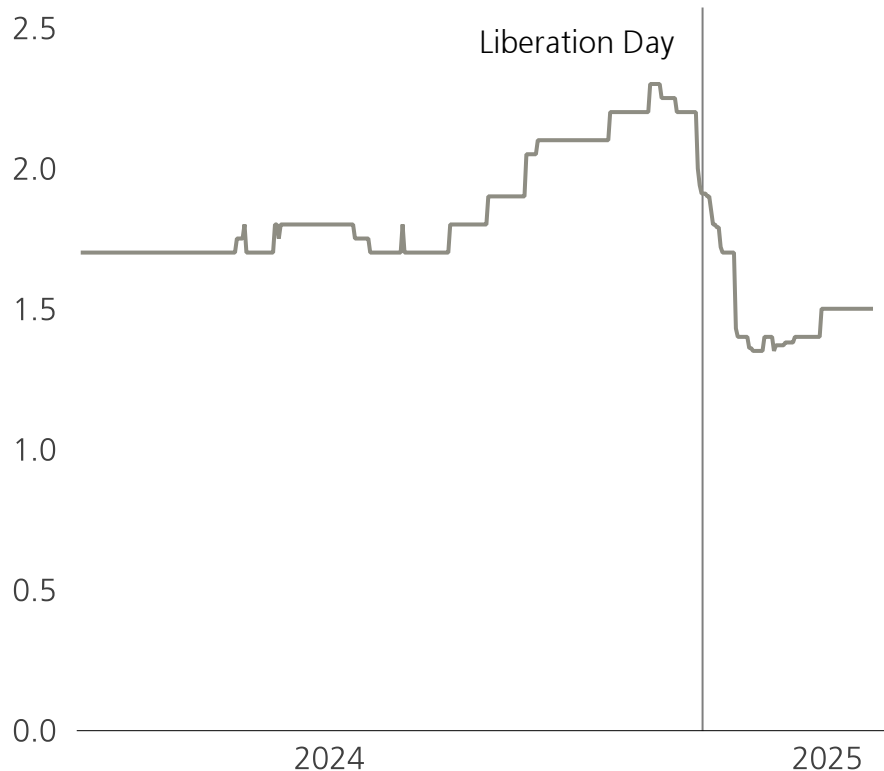
Source: BEA, UBS, as of 5 August 2025

Growth: Slower but not recessionary growth expected ahead for now

Growth expectations have stabilized as market has priced in less restrictive tariffs than what was announced during “Liberation Day” but likelihood of recession creeps higher as economy softens.

2025 stabilizes after “Liberation Day”

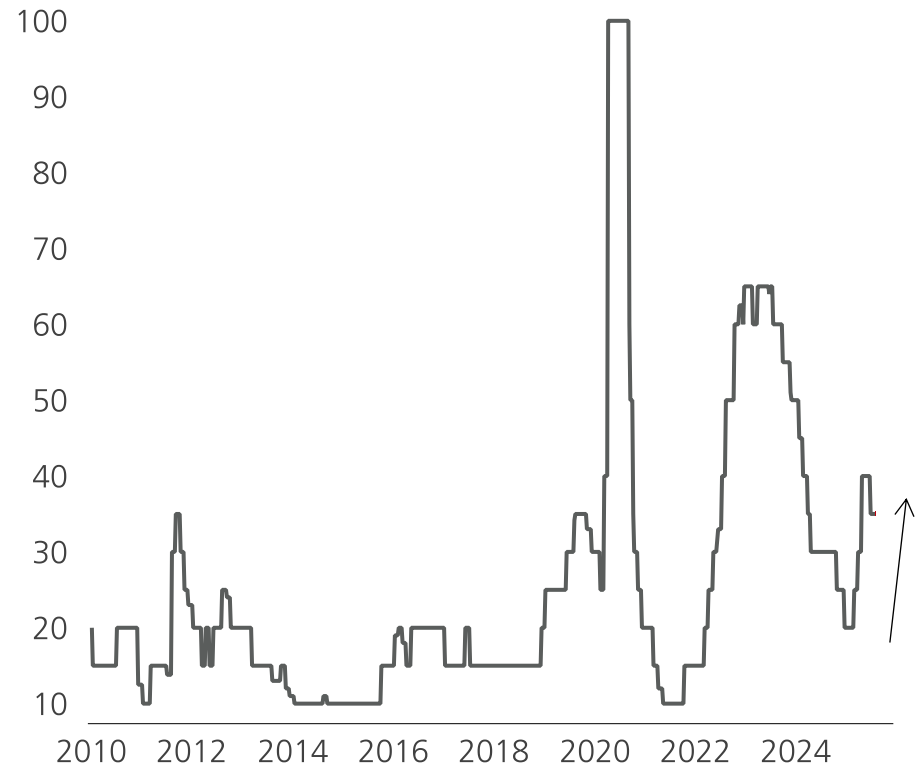
Bloomberg consensus US GDP forecasts, in %



Source: Bloomberg, UBS, as of 5 August 2025

Recession probability rising

Consensus probability of US recession, %



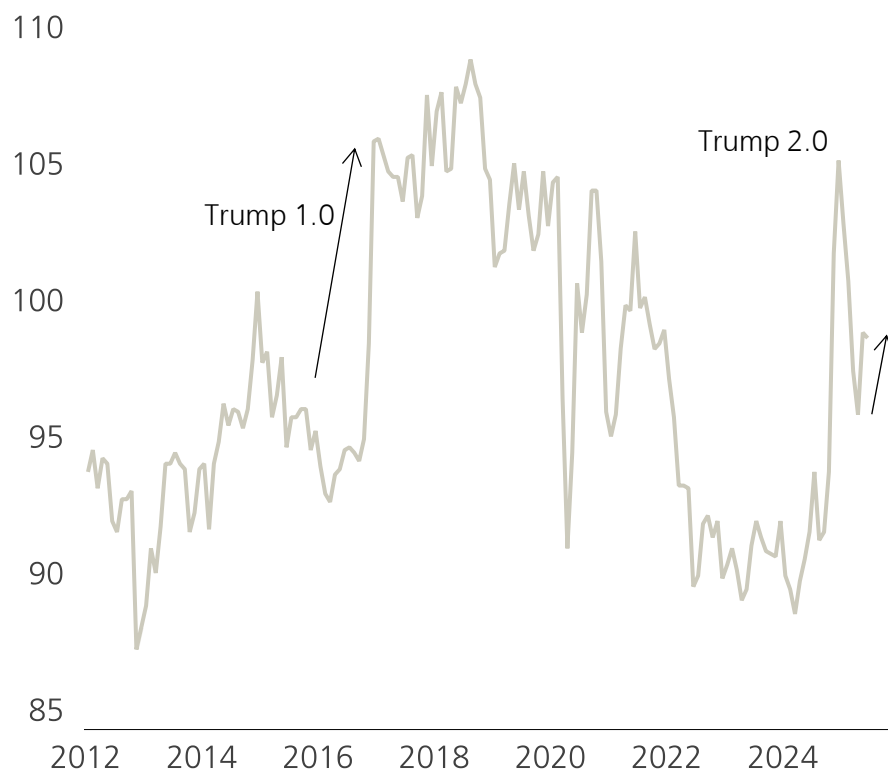
Source: Bloomberg, UBS, as of 5 August 2025

Growth: Business sentiment recovering but uncertainty still high

Business sentiment has started to increase after post-“Liberation Day” slump while uncertainty remains at elevated levels.

Small business sentiment has stabilized

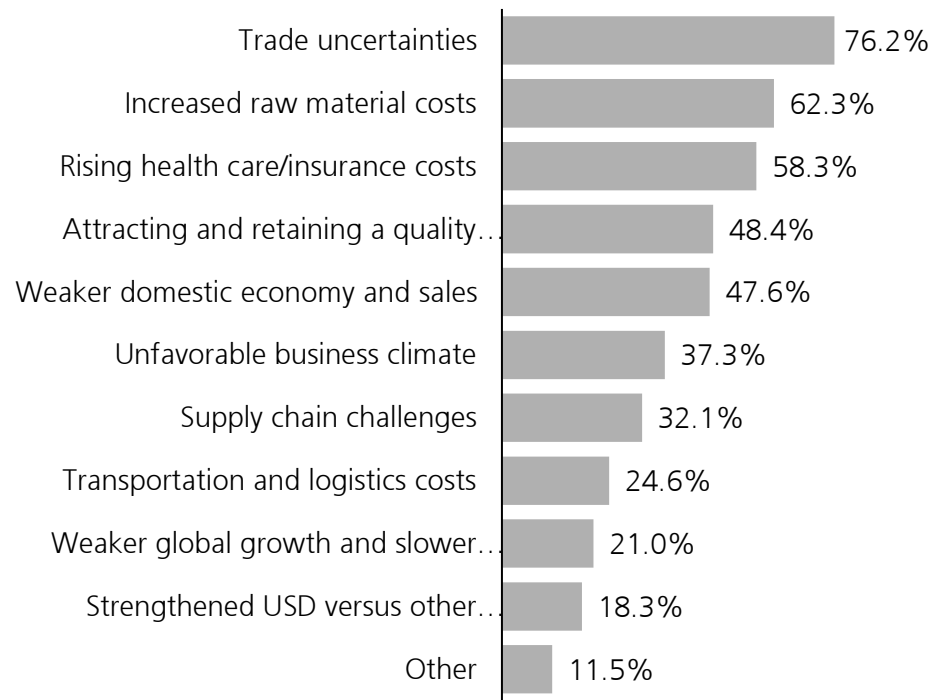
NFIB Small Business Optimism Index



Source: NFIB, Macrobond, UBS, as of 5 August 2025

Trade and rising costs are key challenges for US manufacturers

US Manufacturers' 1Q25 Survey - What are the biggest challenges?



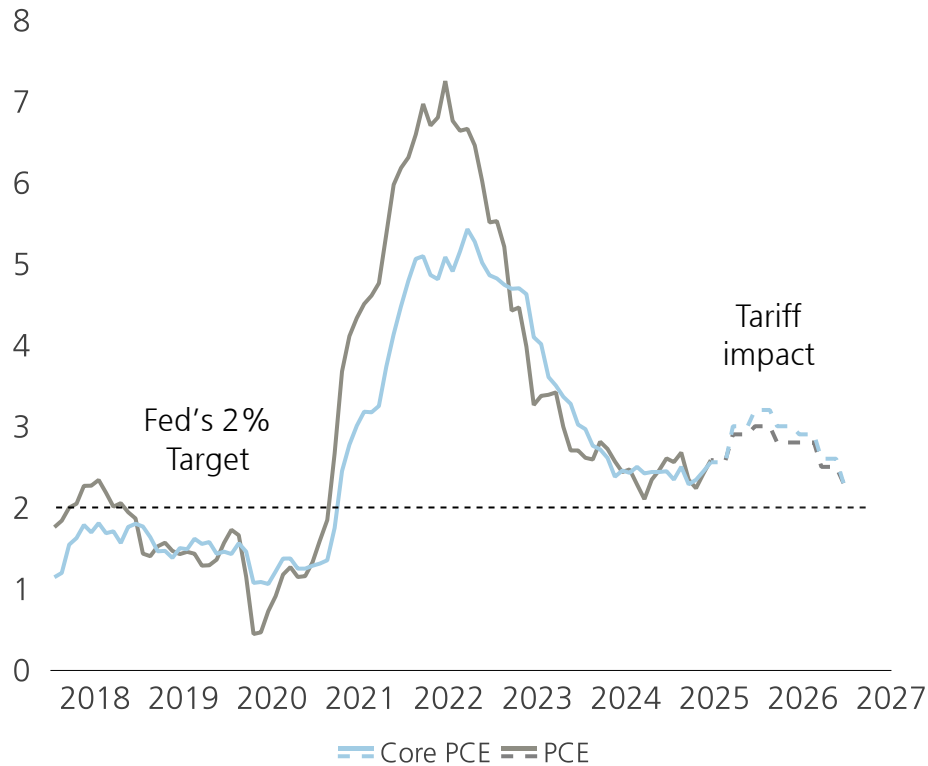
Source: US National Association of Manufacturers, UBS, as of Jul 2025

Inflation: Price increases to accelerate with uneven effects

The sharp slowdown in 2023 and 2024 sets the stage for rate cuts from the Fed; while policymakers signaled they'd like to do more, tariff-related inflation complicates that picture

Tariffs expected to push inflation higher

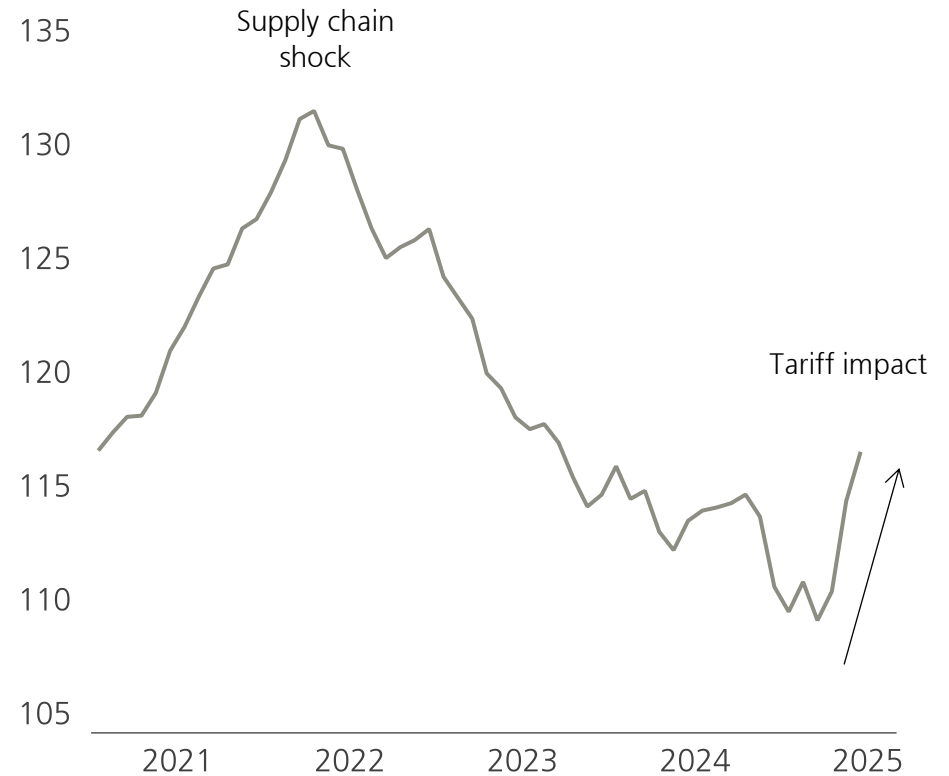
PCE and core PCE, y/y%



Note: Forecasts taken from the consensus on Bloomberg.
Source: BLS, Federal Reserve, UBS, as of 5 August 2025

Some goods already seeing tariff-related price effect

PCE: Household Appliances index



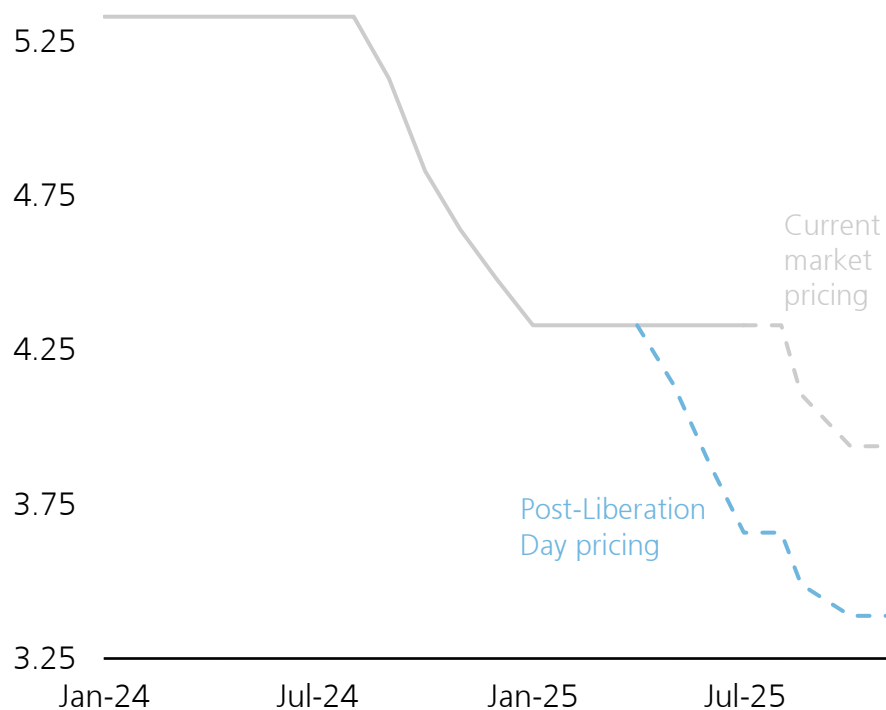
Source: BEA, UBS, as of 5 August 2025

Rates: Fed rate cuts may resume

The Fed cut rates by a total of 100 basis points in 2024, then went on hold since January. The weaker labor market could justify a cut in September, all while a higher premium is built into long-end rates.

Markets pricing in September rate cut after weak labor report

Policy rate, with forecast through end of year, in %



Source: Bloomberg, UBS, as of 5 August 2025

Term premiums reach highest levels in more than a decade

10-year US Treasury term premium, %



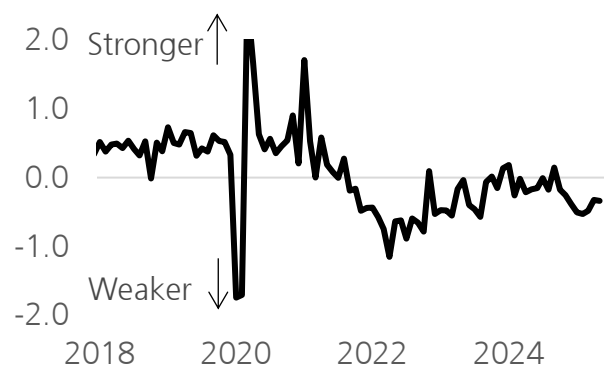
Note: Market-implied neutral rate measured as the 10y1m forward swap

Source: Bloomberg, UBS, as of 5 August 2025

Section 3

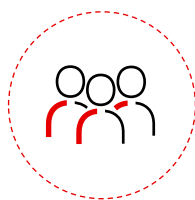
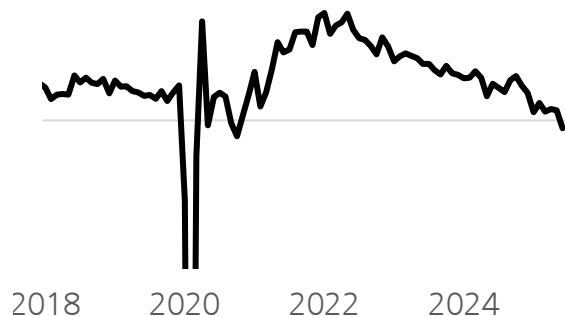
Operational considerations

Operating Environment Dashboard: Slowdown broadening



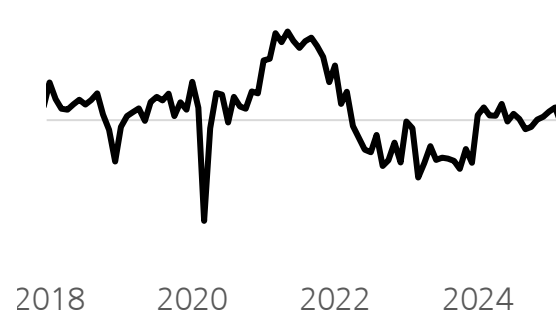
Consumers

- Consumers remain very pessimistic as long-term inflation expectations rise ahead of tariff implementation. Growing evidence of cracks in lower-income households while higher-income households continue reaping the benefits of policy.



Labor

- Job market continues to soften. Revised non-farm payrolls reveal weaker demand as the number of unemployed continues to exceed job openings—a development that we believe policymakers are surely aware of.



Financing

- Despite robust financial conditions, loan demand and corporate bond issuance has decreased on policy uncertainty. More rate cuts can help loosen conditions.

Source: Bloomberg, UBS, as of 5 August 2025

Section 3.1

Consumer

Consumer Key Points: Consumers increasingly stressed and bifurcated



Consumer	-2y																				Today																			
Retail Sales	Orange	Red	Orange	Yellow	Red	Red	Orange	Red	Red	Red	Red	Red	Red	Orange	Orange	Orange	Orange	Yellow	Yellow	Orange	Orange	Orange	Orange																	
Personal Consumption	Yellow	Yellow	Green	Green	Red	Yellow	Green	Red	Green	Orange	Green	Orange	Green	Orange	Green	Red	Red	Green	Orange	Red	Orange	Orange	Orange																	
BRANDS index	Red	Red	Green	Green	Yellow	Green	Green	Red	Green	Green	Green	Green	Red	Green	Red	Red	Red	Red	Yellow	Green	Green	Green	Green																	
Auto sales	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red																	
Real Income	Orange	Red	Yellow	Yellow	Red	Yellow	Yellow	Red	Yellow	Yellow	Orange	Green	Green	Green	Yellow	Yellow	Yellow	Green	Green	Yellow	Yellow	Yellow	Yellow																	
Networth/DPI	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green																	
Savings Rate	Red	Red	Red	Red	Orange	Orange	Orange	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red																	
Debt Service Ratio	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green																	
Sentiment - Macro	Red	Red	Red	Red	Green	Green	Green	Green	Red	Orange	Orange	Yellow	Green	Green	Yellow	Orange	Red	Red	Red	Red	Red	Red	Red																	
Sentiment - Personal	Red	Red	Red	Red	Orange	Orange	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red																	

- **Fundamentals slowing.** Consumer fundamentals continue to show cracks amid slower growth and cooling job market. Balance sheets are at healthy levels but slowing real income likely to weigh on top-line consumption.
- **A 'K-shaped' economy.** Top decile of income owners have benefitted most in the post-pandemic environment and are set to reap the brunt of the gains from the OBBBA. As a result, higher incomes likely to retain a disproportionate share of spending.
- **Consumer sentiment low while price expectations high.** The combined effect of tariffs dominating the headlines and inflation still above the Fed's target acts as a weight on consumer sentiment.

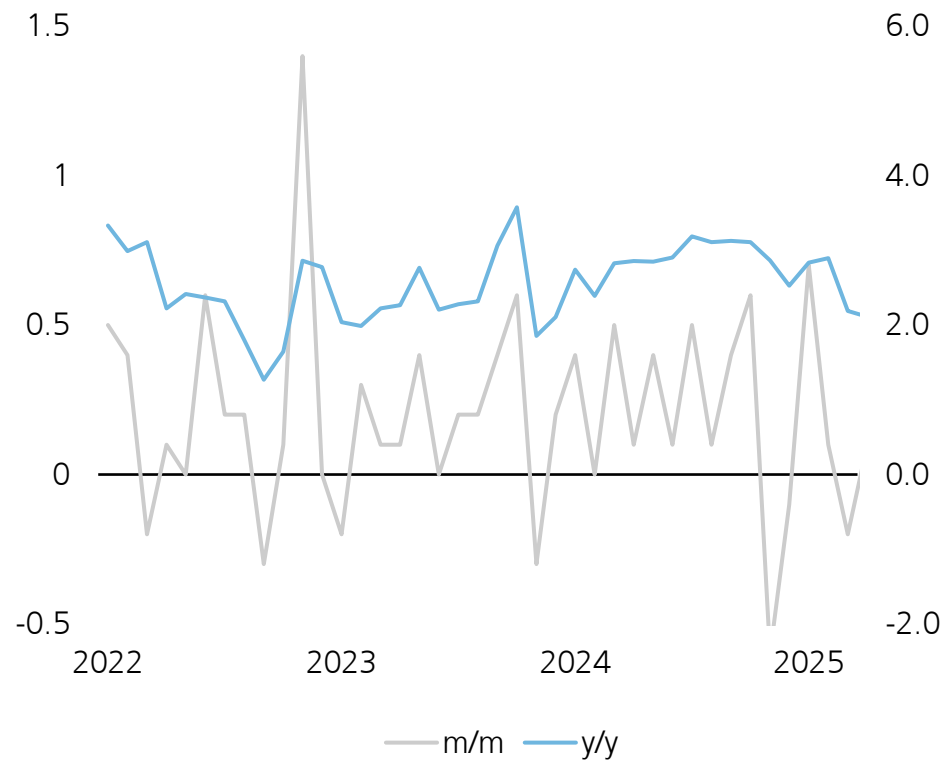
Note: "Retail sales" is measured by the monthly change of the control group; "Personal Consumption" refers to the yearly change in the real PCE; "DPI" stands for "disposable personal income", "Sentiment - Macro / Sentiment - Micro" refers to the business outlook and personal finance subcomponents of the University of Michigan's consumer sentiment survey
Source: Bloomberg, BLS, Federal Reserve, UBS, as of 5 August 2025

Spending: Consumption growth has softened

Real income growth has slowed, and we expect the labor market to soften further, providing less support for consumption growth. In aggregate, household balance sheets remain healthy.

Spending turned weaker in 2Q25

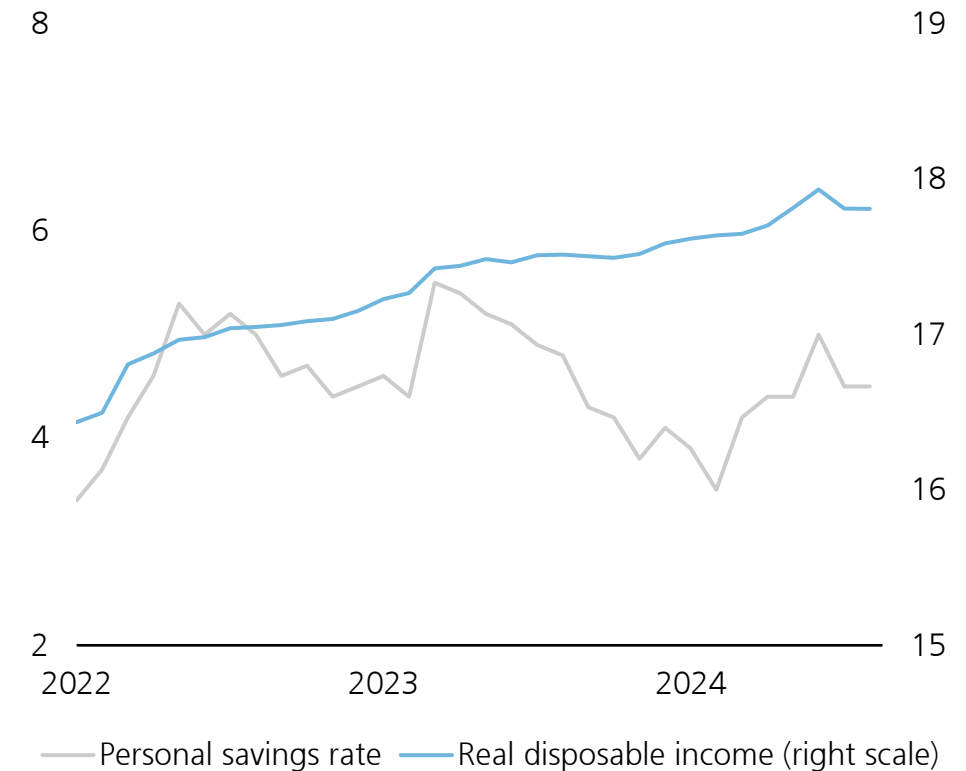
Real personal consumption expenditures, y/y and m/m, in %



Source: Bloomberg, UBS, as of 31 July 2025

Real income growth is slowing, savings rate off lows

Personal savings rate, in %; real disposable income in USD tr



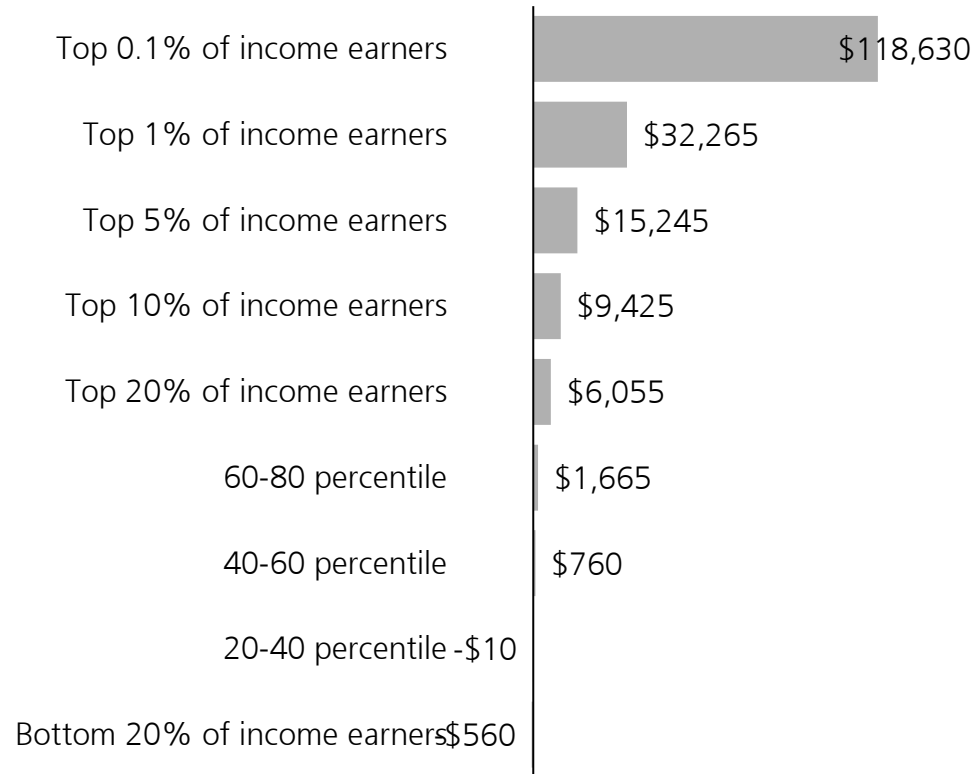
Source: Bloomberg, UBS, as of 31 July 2025

Fundamentals: Consumption increasingly driven by higher incomes

While all segments are richer overall since the pandemic, top incomes have benefited the most and also reap the most benefits from the change in tax policy.

OBBBA offers more benefit to higher-income earners

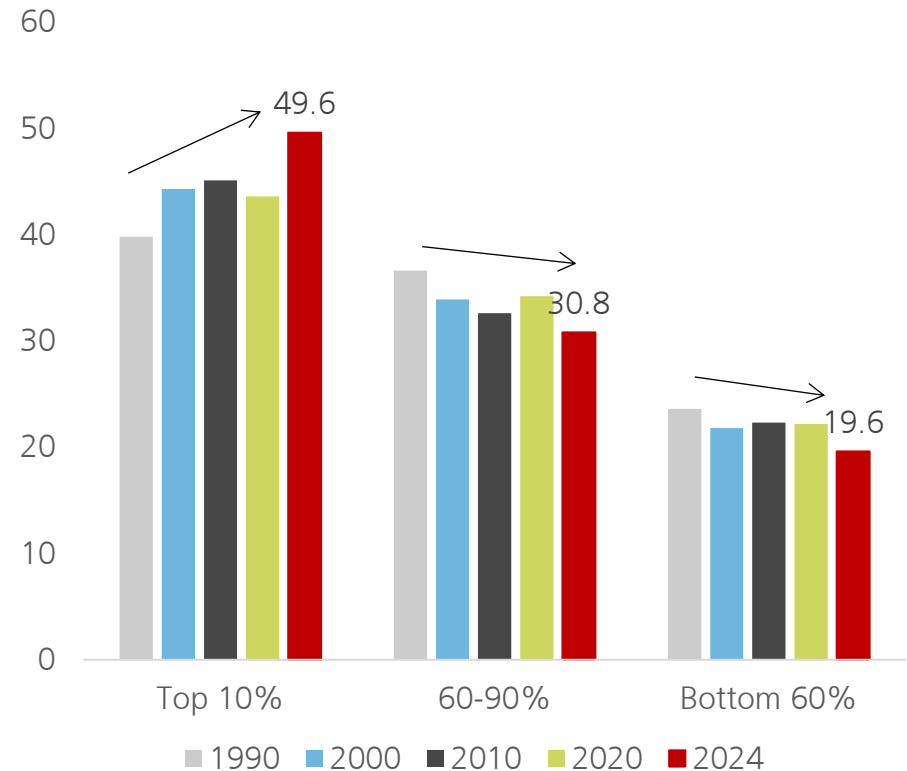
Average change in annual post-tax income by income group under the One Big Beautiful Bill Act, Yale Budget Lab estimates



Source: Yale Budget Lab, Moody's, UBS as of 5 August 2025

Top income decile now drives 50% of total consumption

Share of US personal spending by income bracket, %



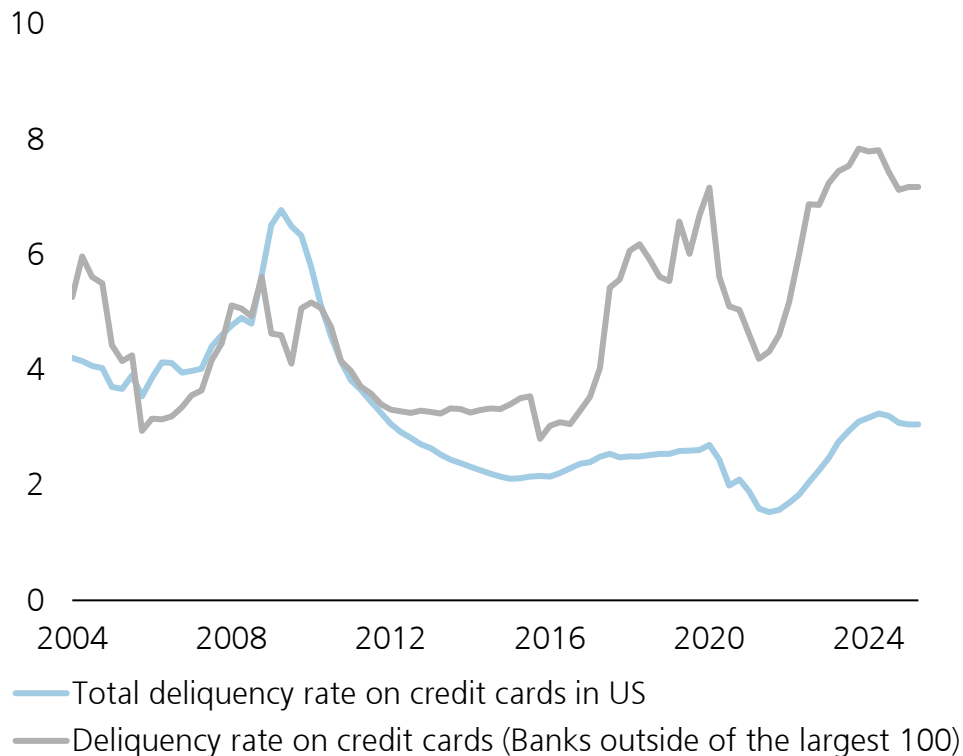
Source: Bloomberg, Federal Reserve, Moody's, UBS as of 5 August 2025

Fundamentals: Signs of lower-end consumer stress rising

Delinquency rates at elevated levels especially for smaller banks while average balance reaches pre-GFC levels despite high interest rates.

Charge-off rate the highest in more than a decade

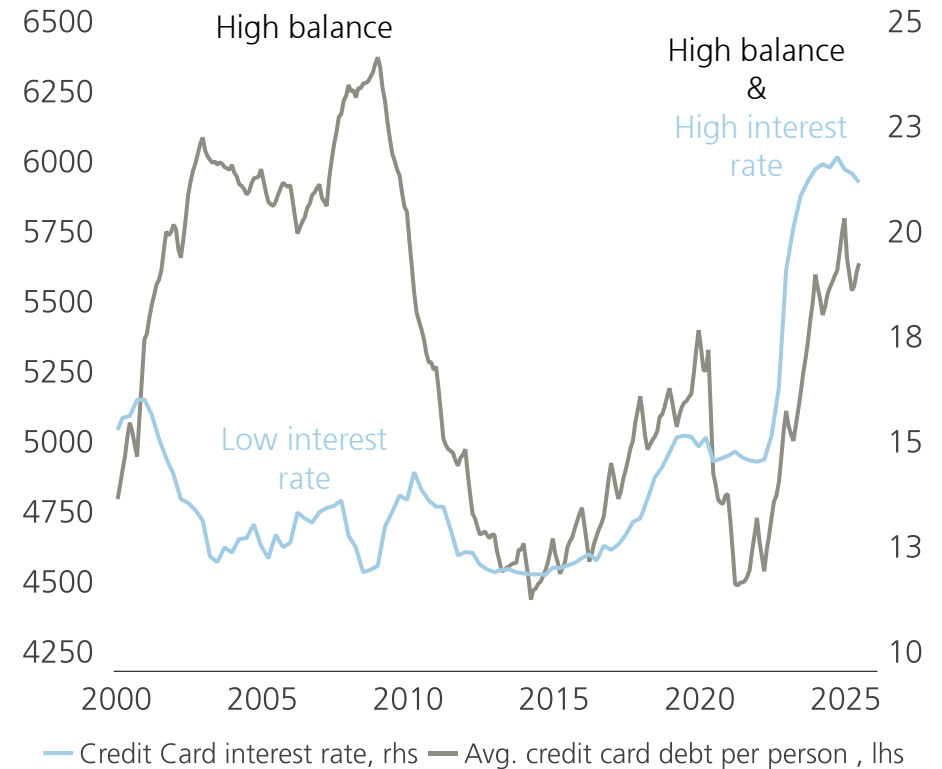
Credit card charge-off rate, %



Source: Federal Reserve Bank, UBS, as of 5 August 2025

Credit card balances accelerate despite high interest rates

Avg. credit card debt per person & avg. credit card interest rate



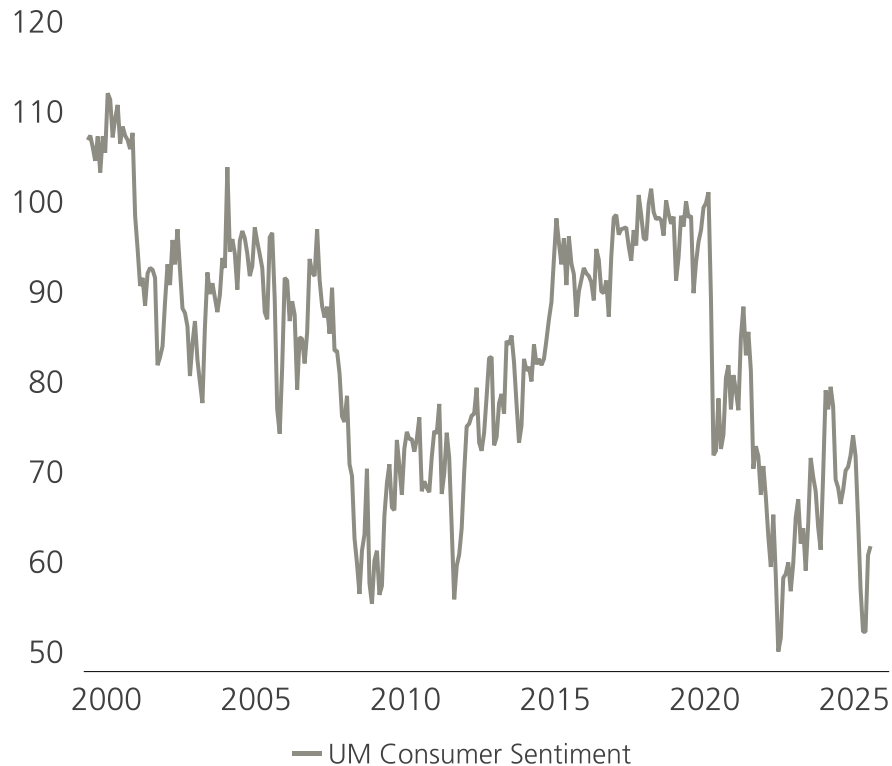
Source: Bloomberg, UBS, as of 5 August 2025

Sentiment: Households brace for incoming price increases

Headlines about tariffs and realized price increases from firms have weighed on consumer sentiment, now exhibiting a sustained shift to higher inflation expectations in the long run.

Sentiment still at very low levels...

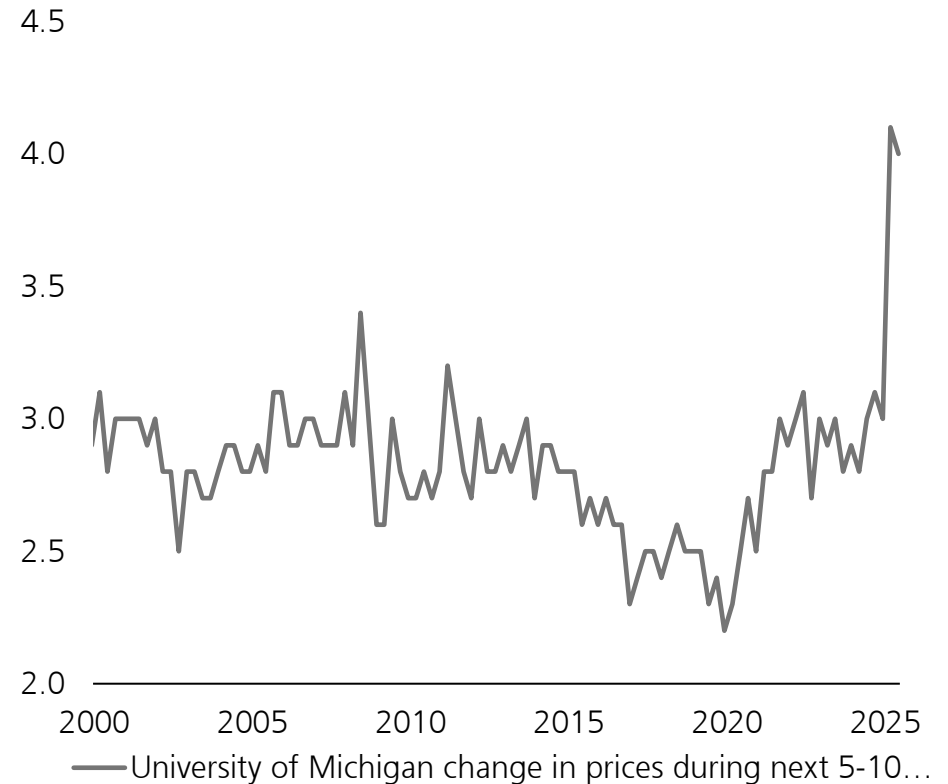
University of Michigan consumer sentiment index



Source: University of Michigan, UBS, as of 5 August 2025

...as households brace for higher incoming prices

University of Michigan change in prices during next 5-10 years, %



Source: Federal Reserve, UBS, as of 5 August 2025

Section 3.2

Labor

Labor Key Points: Short-term strength in the face of general cooling



Labor	-2y												Today											
Payrolls	Yellow	Yellow	Yellow	Orange	Orange	Green	Green	Green	Orange	Orange	Red	Red	Green	Green	Green	Orange	Orange	Yellow	Yellow	Red	Red	Red	Red	Red
ADP Payroll	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Openings	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Average Hourly Earnings (y/y, %)	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Atlanta Fed Wage Tracker (y/y, %)	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
ECI (y/y, %)	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Unemployment	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Prime Age Participation	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Initial Jobless Claims	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
NFIB: Hard to Fill Job	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
NFIB Hiring Intentions	Green	Green	Green	Yellow	Yellow	Orange	Orange	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Job loss likelihood	Orange	Yellow	Yellow	Green	Green	Green	Green	Orange	Green	Green	Green	Green	Orange	Orange	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
ISM Employment	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red

- **Job growth revisions show much weaker picture.** After the release of the July jobs report, the three-month moving average of non-farm payroll change slowed to just 35,000 per month—the weakest reading since the pandemic.
- **Openings tread water amid uncertainty.** Demand for jobs has held relatively steady over the last 12 months despite policy headwinds.
- **Labor supply shrinking.** Overall labor market participation falls while effects of immigration policies push down share of foreign-born workers.
- **Layoffs very low in the private sector.** The layoffs rate has moved slightly higher over the past few months but remains at historically low levels. Steady initial jobless claims also should calm recession watchers.

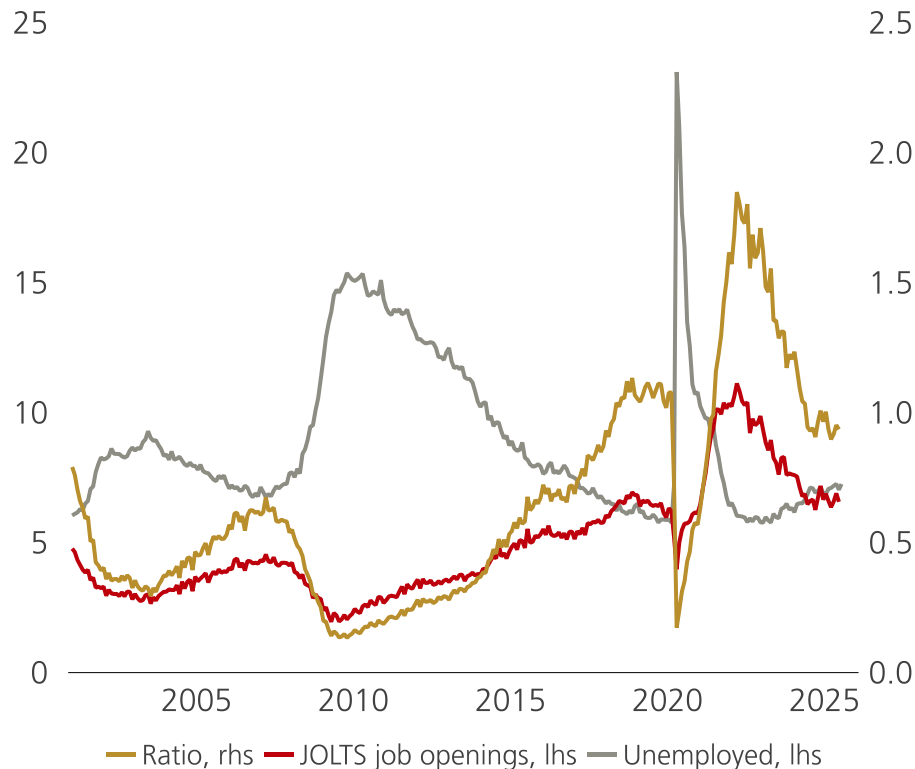
Note: "Payrolls" is represented by 1-month change of non-farm payrolls; "Openings" is represented by share of job openings relative to employment; ECI refers to the yearly change in the employment cost index; "Unemployment" is represented by the unemployment rate; "Prime Age Participation" is represented level of prime age (25-55) labor force participation
Source: Bloomberg, BLS, Federal Reserve, UBS, as of 5 August 2025

Labor Demand: July jobs report highlights softness in labor market

Labor market continues to cool as unemployed now number higher than job openings; July jobs report brought revision showing hiring slowed to the weakest levels since the pandemic

There are more unemployed now than job openings

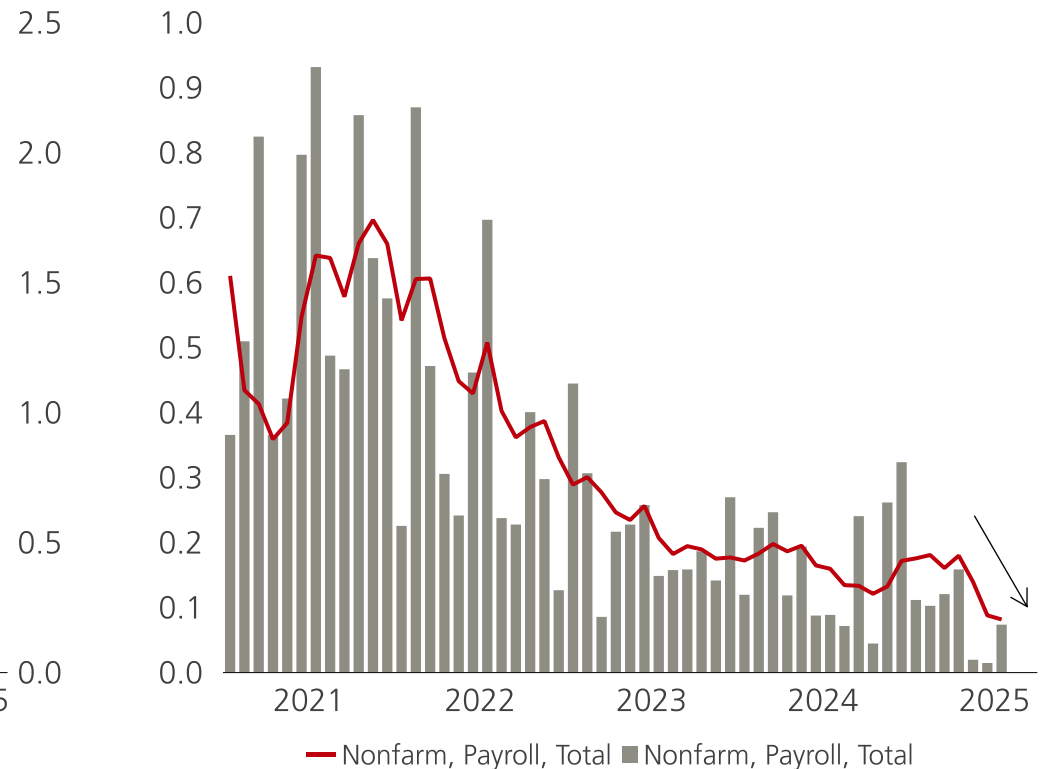
in millions and ratio



Source: BLS, Macrobond, as of 5 August 2025

Hiring has slowed to the slowest pace since the pandemic

Non-farm payrolls, 1-month change in millions



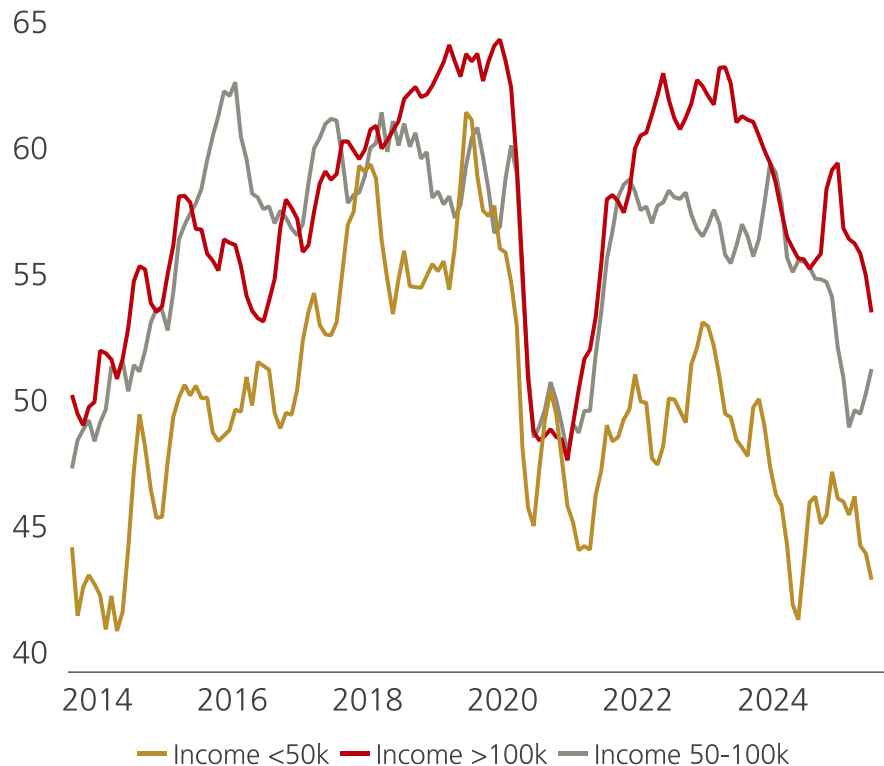
Source: BLS, Macrobond, as of 5 August 2025

Labor supply: Anxious employees loath the quit

Wage growth continues to cool, reflective of slower job market; high levels of uncertainty leading more workers to fear near-term job loss.

Job seekers across income the spectrum very pessimistic

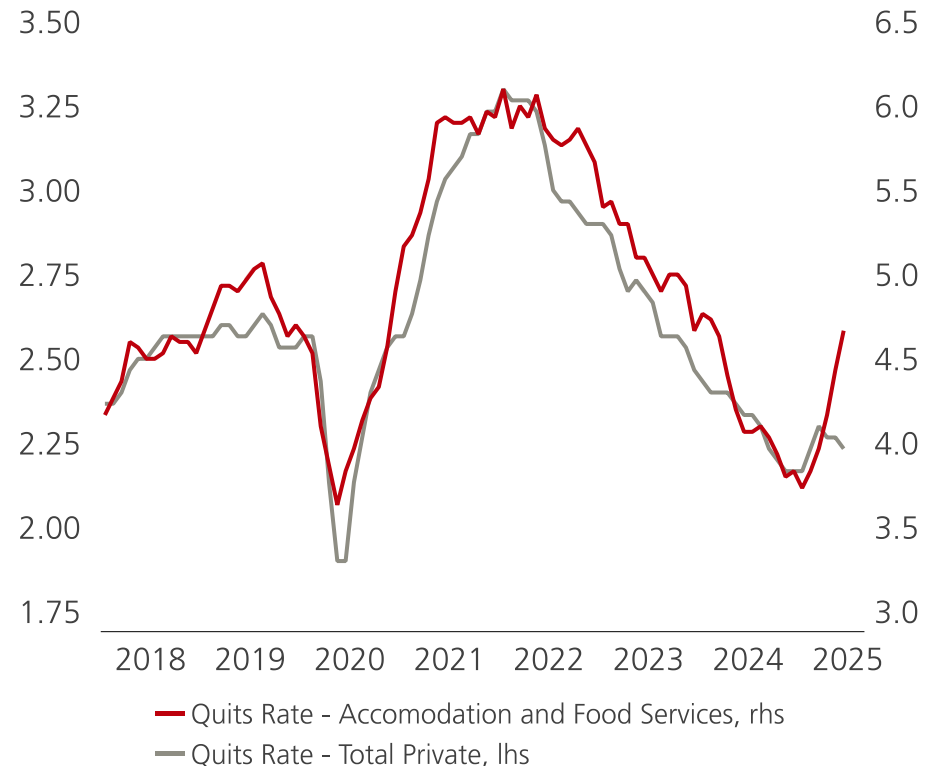
Job finding expectations, 1Q mov. vg. %



Source: Federal Reserve Bank of New York, UBS as of 5 August 2025

Quits rate quite low except for accommodation & food services

Quits rate, 1Q mov. vg. %



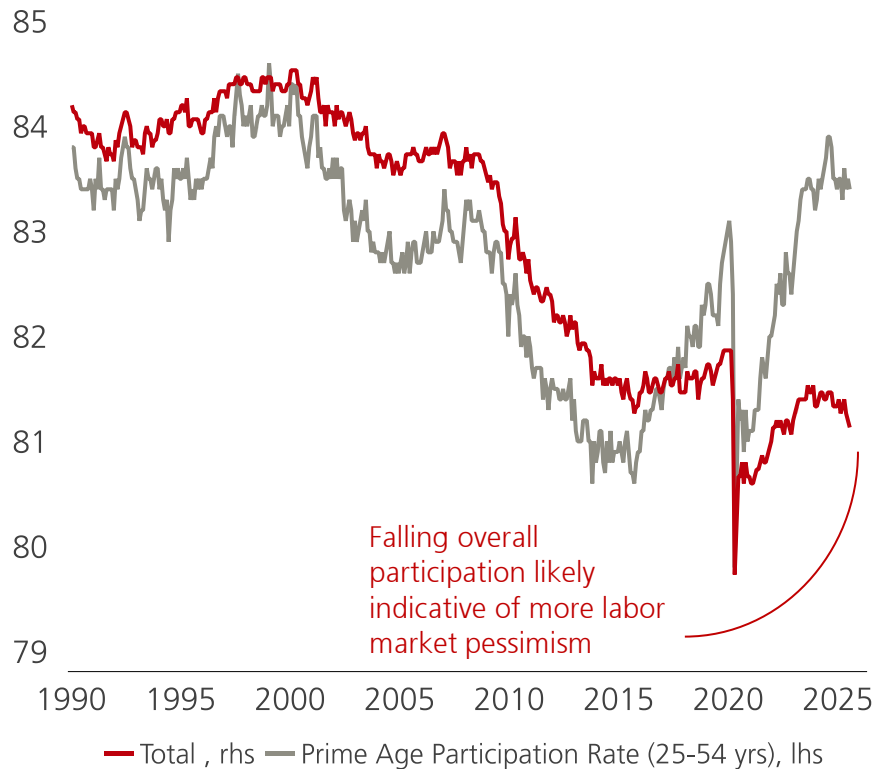
Source: University of Michigan, UBS as of 5 August 2025

Labor Supply: Fewer people working as labor market conditions worsen

There are fewer people working than before; labor force participation retreats to near-historic low levels while immigration policies reversing uptick in share of foreign-born workers.

Prime age participation already high while overall levels fall

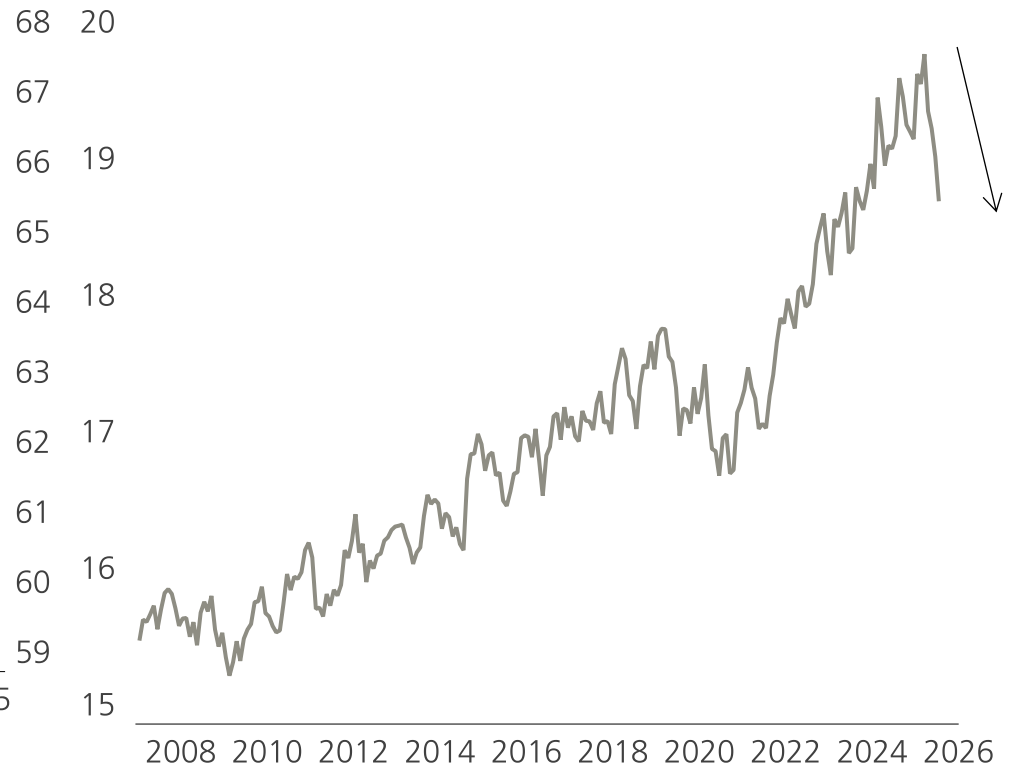
Labor force participation, %



Source: BLS, UBS, as of 5 August 2025

Immigration policies chill foreign-born labor share

Foreign-born workers as % of labor force



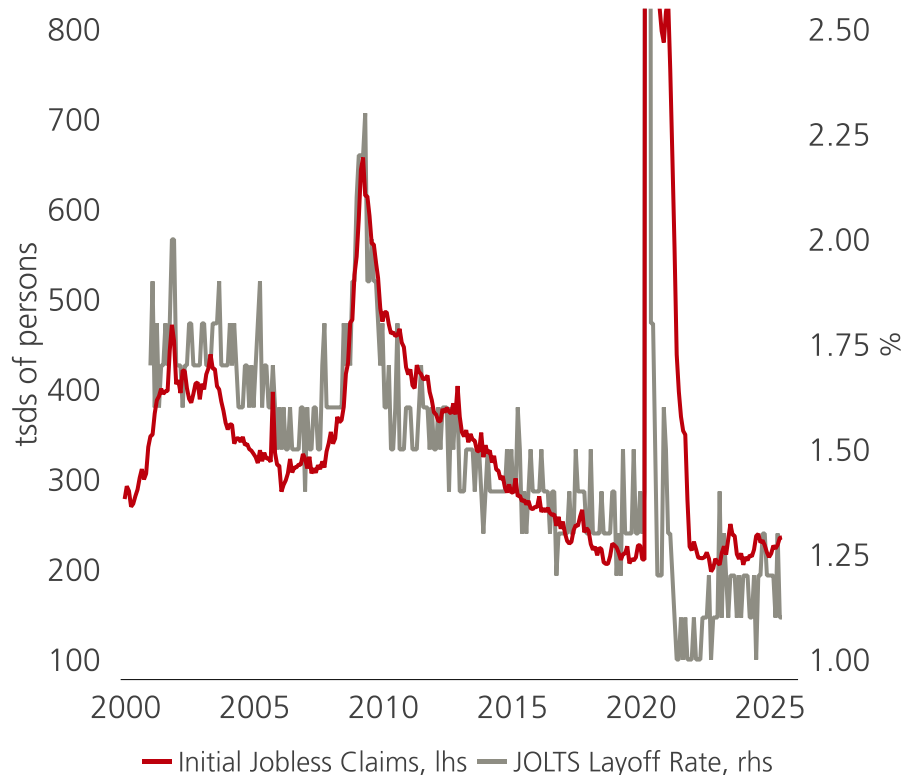
Source: CBO, UBS, as of 5 August 2025

Unemployment: Little evidence of layoffs so far

Hiring has certainly slowed, increasing the anxiety of many job seekers. Yet aside from DOGE-related layoffs from the government, private sector layoff announcements are very low.

Jobless claims and layoff rate still at historically low levels

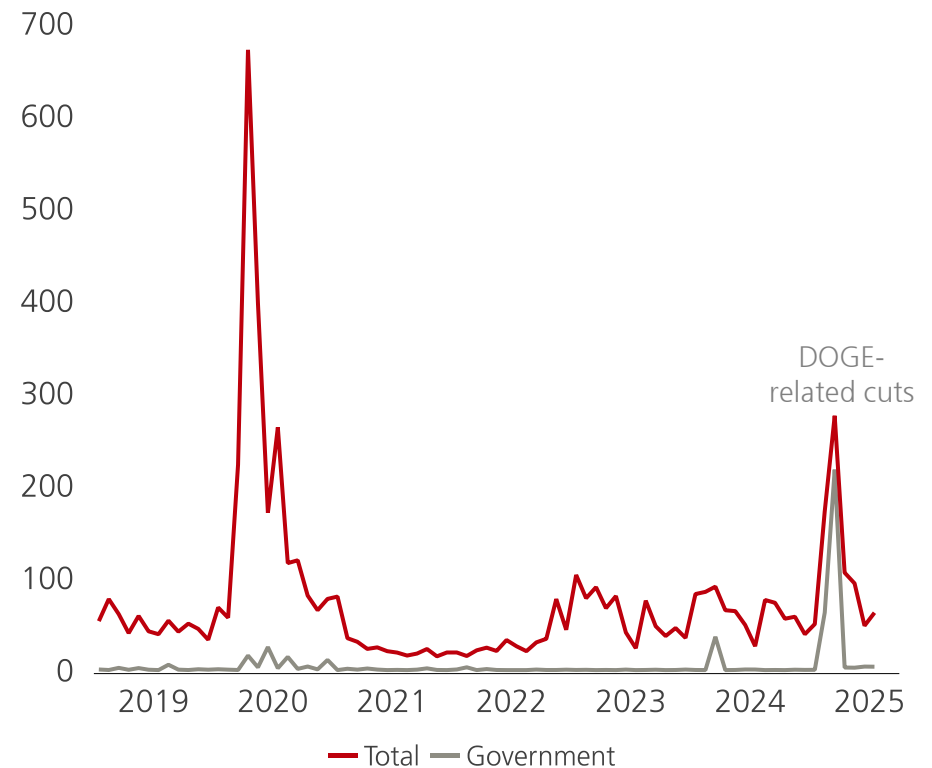
Jobless claims (tsds.) and layoff rate (%)



Note: Axes have been truncated
Source: BLS, UBS, as of 5 August 2025

2025 layoffs almost entirely related to government

Layoff announcements, in thousands



Source: Challenger, Gray, & Christmas, UBS, as of 5 August 2025

Section 3.3

Financing

Financing Key Points: Healthy financial conditions despite volatility



Financing	-2y Today														
Bloomberg FCI	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green
M2	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
SLOOS - Large	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
SLOOS - Small	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
NFIB - Credit Conditions	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
NFIB - Interest Rate	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
CP Spread	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
IG Spread	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
HY Spread	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
HY Issuance	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
IG Issuance	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Outstanding CP	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green

- **Financial conditions remain healthy.** Buoyant equity markets and the expectations of lower rates in the future keep financial conditions in healthy territory, though banks report less loan demand.
- **Corporate issuance strong but HY falters in a more uncertain environment.** Both investment grade and high yield spreads remain at very tight levels despite tariff-induced widening. Issuance continues to accelerate for investment grade bonds but has slowed for high yield bonds as investors prefer more credit-worthy assets.

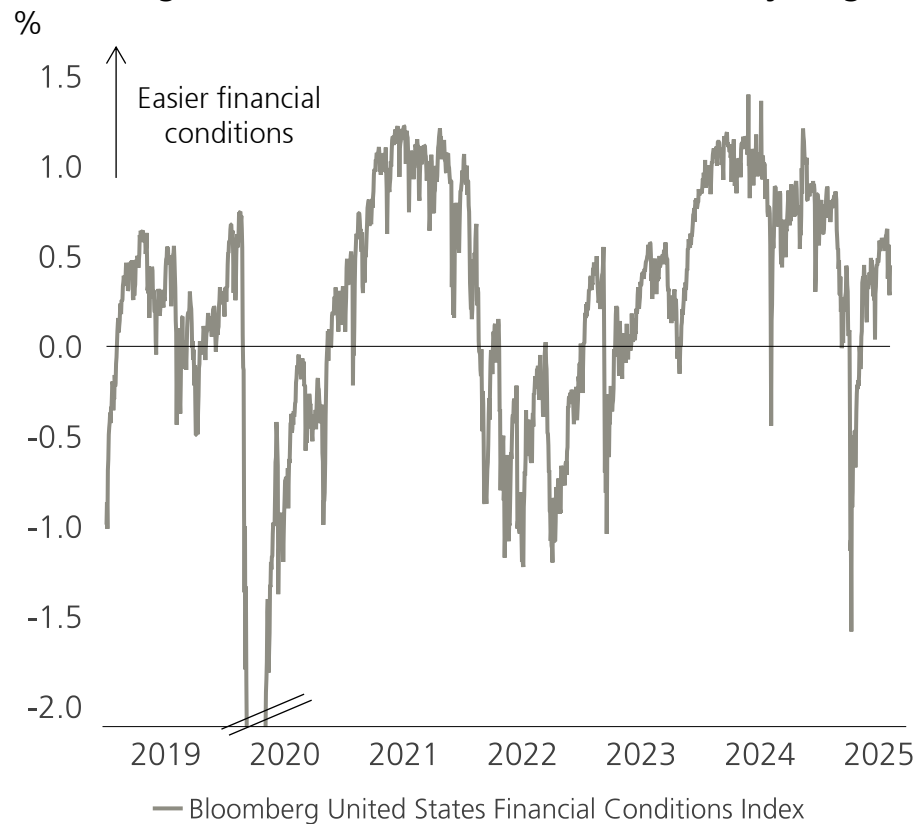
Note: Financial conditions refers to the Bloomberg Financial Conditions index; "SLOOS" refers to the Federal Reserve Senior Loan Officer Survey; IG issuance are measured on a quarterly moving average of monthly issuance data; Availability of Borrowing Costs refers to "Interest Rate on short-term loans" component in the NFIB survey

Source: Bloomberg, NFIB, SIFMA, Federal Reserve, UBS, as of 5 August 2025

Financial Conditions: Despite high rates, conditions generally favorable

Generally favorable financial conditions at the start of 2025 freeze during “Liberation Day” announcement but quickly recover; lending standards close historical averages.

Bloomberg US financial conditions index in healthy range

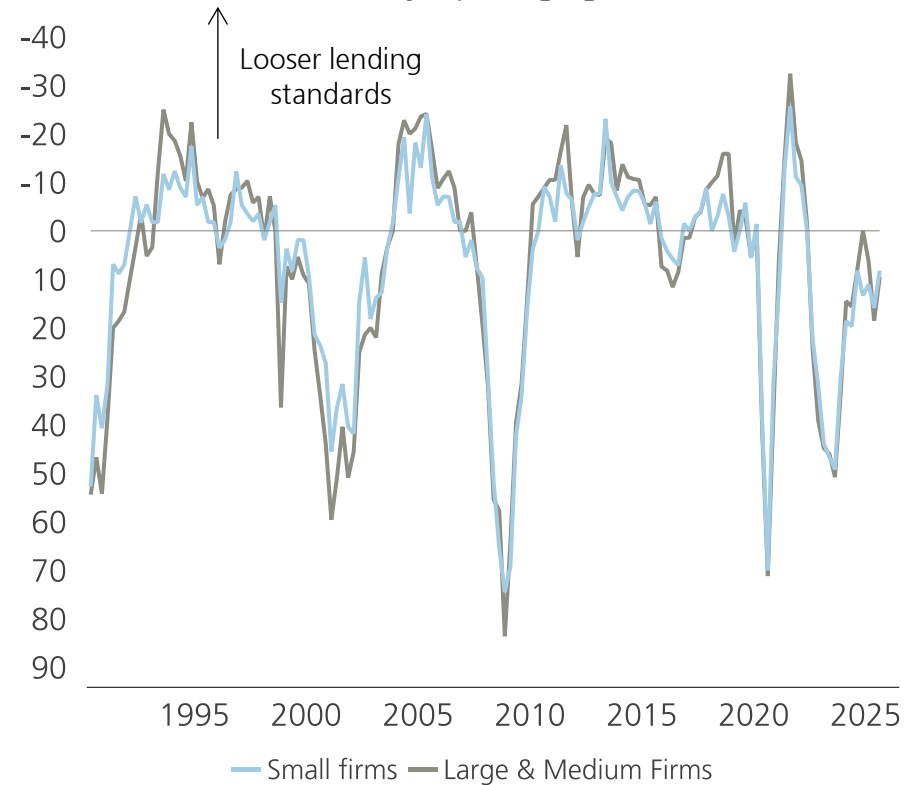


Note: Axes have been truncated.

Source: Federal Reserve, Macrobond, UBS, as of 5 August 2025

Lending standards generally still easing

Fed Senior Loan Officer Survey reporting tighter standards, % inv.



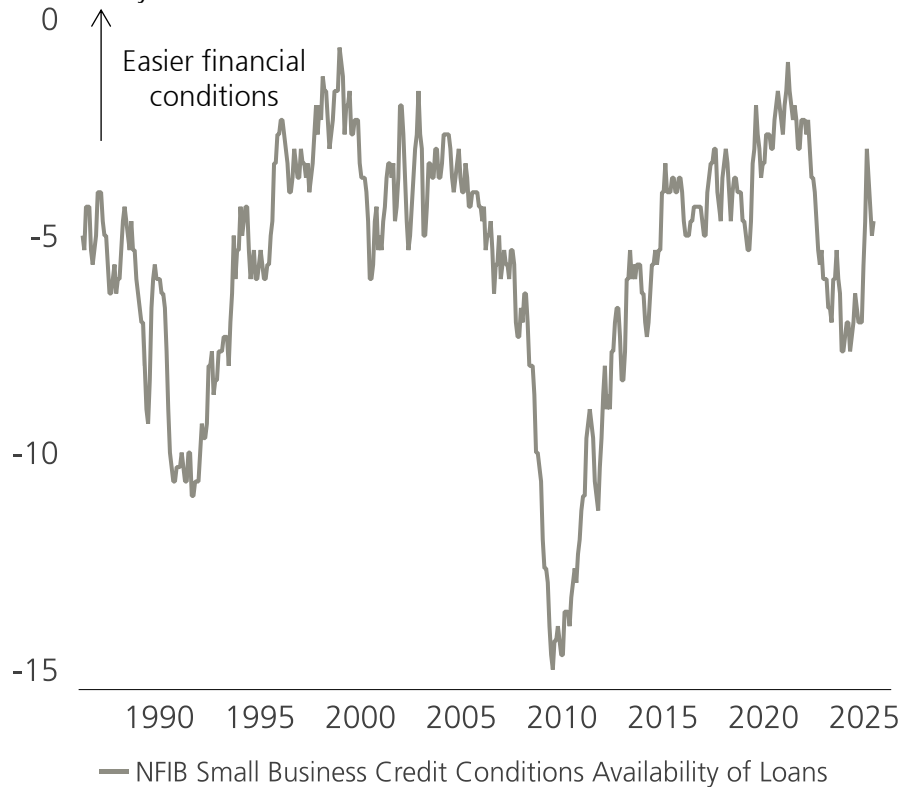
Source: Federal Reserve, Macrobond, UBS, as of 5 August 2025

Financial Conditions: High interest rates limit credit demand

Looser lending standards amid buoyant markets help bolster financial conditions, but banks say loan demand has eased as uncertainty has increased.

Small businesses report satisfactory levels of credit availability

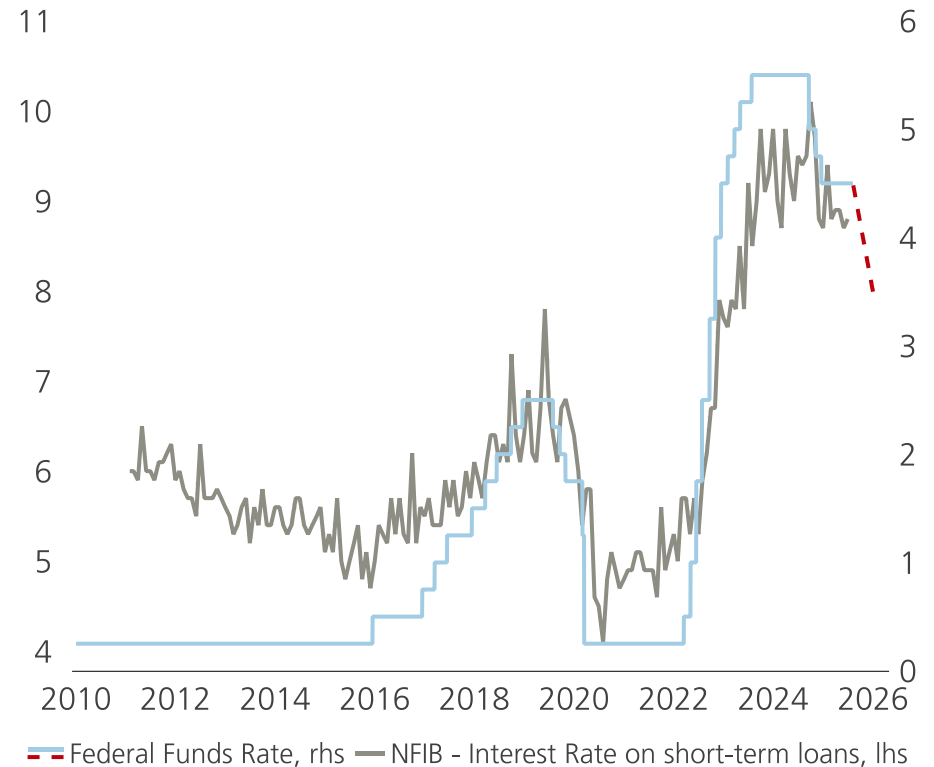
NFIB survey: Credit Conditions index



Source: NFIB, Macrobond, UBS as of 5 August 2025

But loans for smaller businesses still at very high levels

NFIB survey: Actual interest rate paid and policy rate (%)



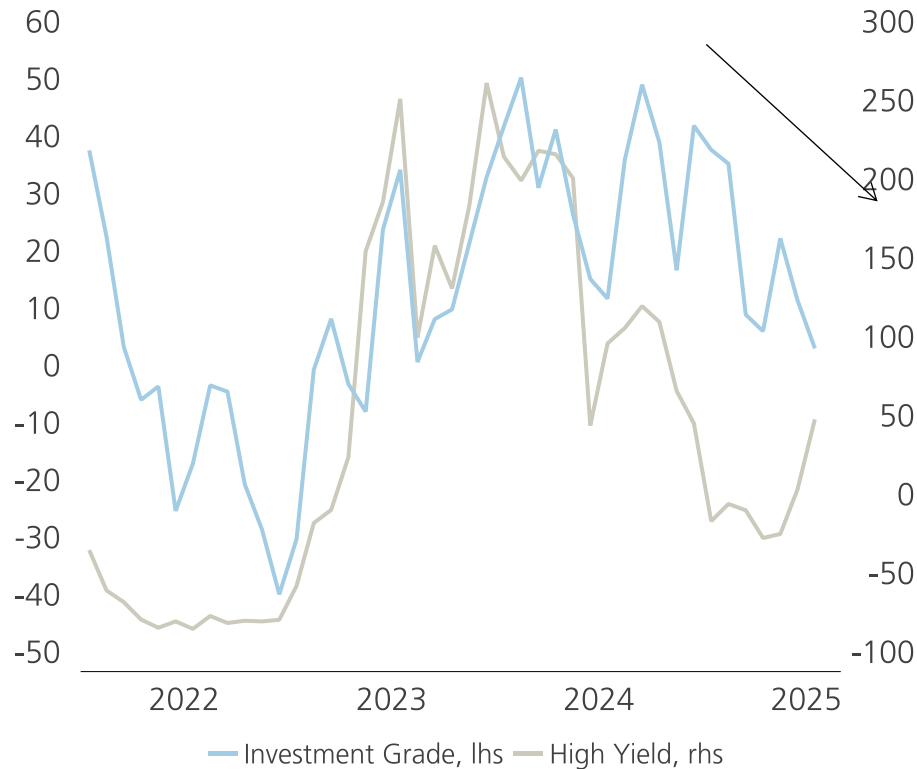
Source: NFIB, Macrobond, UBS as of 5 August 2025

Financial Conditions: Market volatility weighs on bond issuance

After years of strong issuance, policy volatility starting to weigh on high yield and investment grade bond issuance despite very tight spreads.

Corporate bond issuance slows for both IG and HY

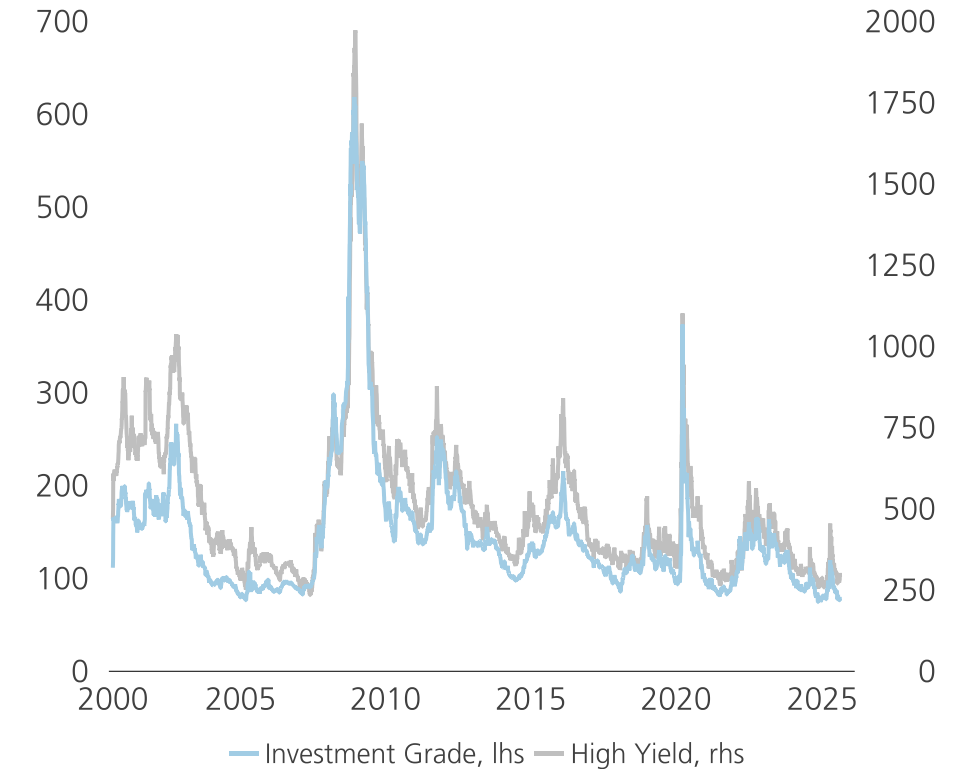
1-quarter mov. avg., y/y change in%



Source: Bloomberg, Macrobond, UBS as of 5 August 2025

Spreads for both IG and HY at historically tight levels

bp



Source: Bloomberg, Macrobond, UBS as of 5 August 2025

Section 4

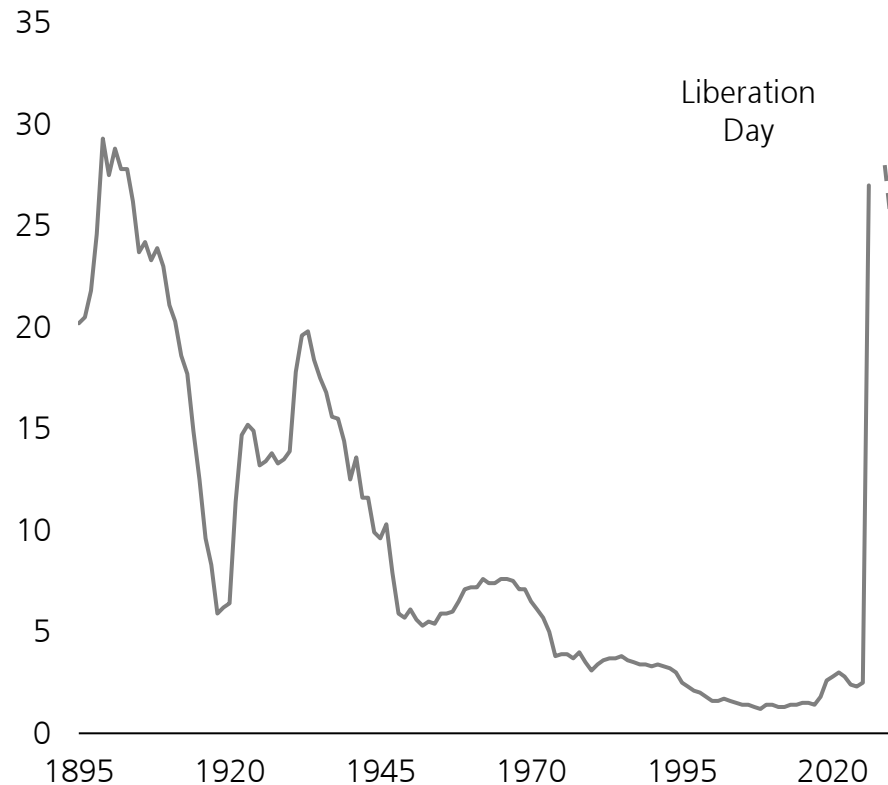
Policy, geopolitics, politics

Policy: Tariffs lower than “Liberation Day” but still highest in decades

The White House has fallen short of its “90 deals in 90 days” adding to increased uncertainty over tariff policy over the next few months.

Tariffs at highest levels in decades

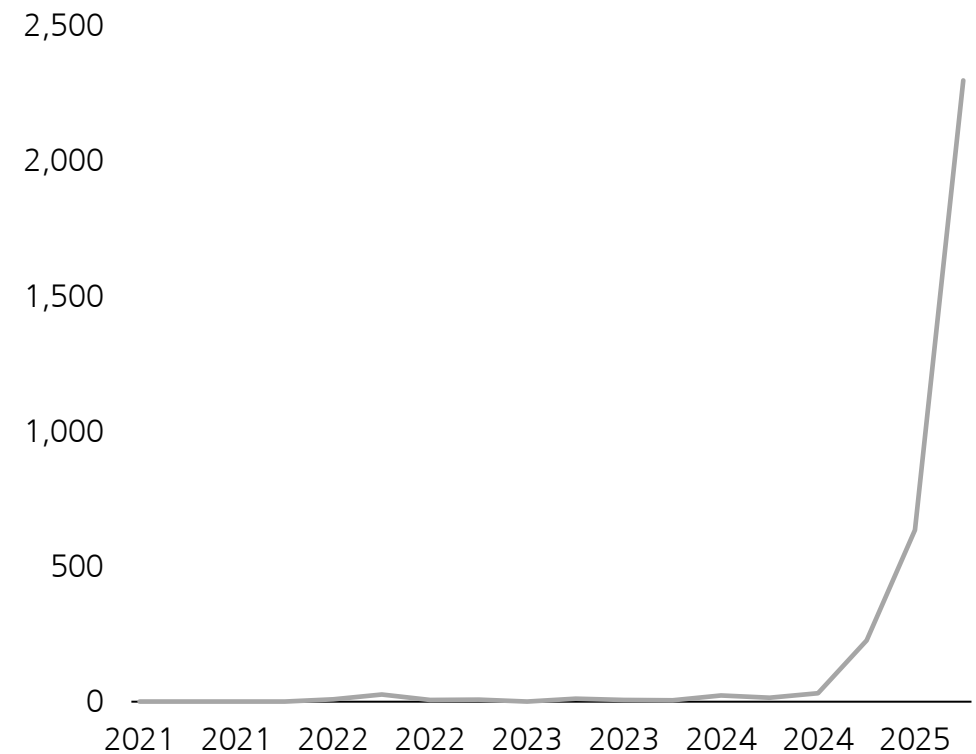
Weighted average effective tariff rate, %



Note: Trump 2.0 Tariff rate assumes a 60% tariff on China, 10% For the rest of the world.
Source: U.S. International Trade Commission, UBS, as of 5 August 2025

Weighing on company earnings and investment decisions

Mentions of tariffs by S&P 500 companies



Source: Bloomberg, UBS, as of 5 August 2025

Policy: OBBA should be beneficial for business owners

Aside from extending the tax brackets and rates from the 2017 Tax Cuts and Jobs Act (TCJA), the One Big Beautiful Bill Act contains provisions business owners can take advantage of.

Provision	Affected group	Effect
Extending TCJA tax bracket and tax rates	Everyone	Lowers tax bill versus TCJA expiration scenario.
Section 199A QBI pass-through	Sole proprietorships, S-corps, partnerships	Excludes 20% of pass-through income from income tax.
Gift/estate tax exemption	HNW/UHNW	Permanently increases gift/estate limit, lowers tax bill for beneficiaries.
Section 168(k) 100% bonus deduction	Manufacturers, construction, real estate...	100% deduction of qualified capital purchases.
Section 174A full R&E expensing	R&D firms, smaller businesses...	Allows for deduction of R&E expenses after 2024 with retroactivity.

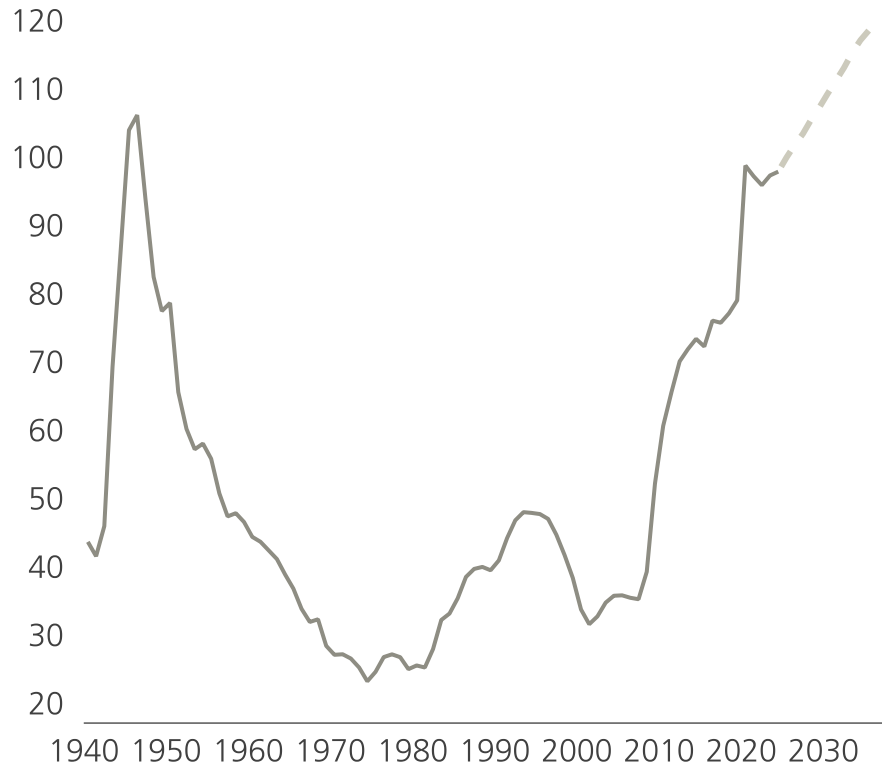
Source: BEA, Bloomberg, UBS, as of 21 July 2025

Policy: After OBBB, more spending bills unlikely

OBBB set to add trillions to already stretched debt levels; interest outlays already the highest in decades and may precipitate financial repression if the level continues to rise.

Debt/GDP ratios already highest since WWII

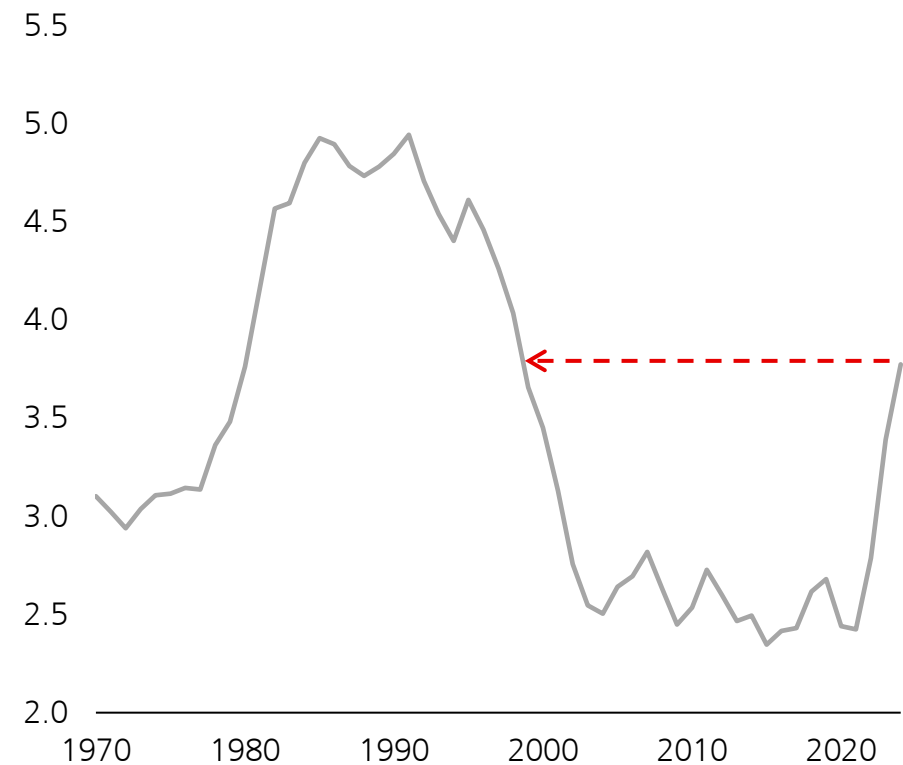
% GDP



Source: CBO, UBS, as of 5 August 2025

Interest payments as share of GDP highest in decades

% GDP



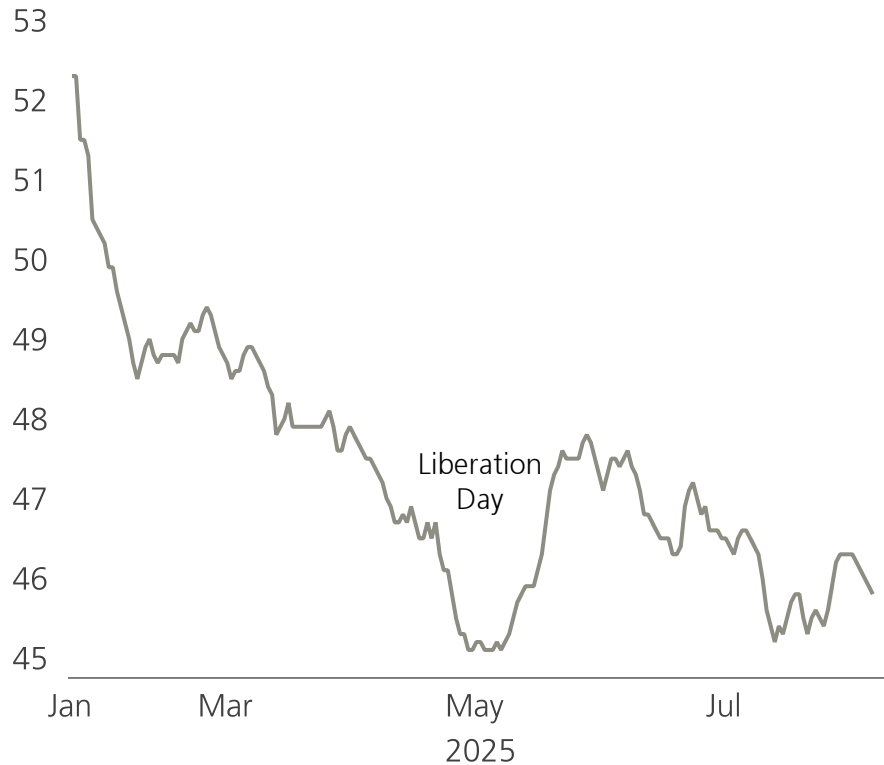
Source: Commerce Department, UBS, as of 5 August 2025

Policy: Trump approval rating quite low six months into presidency

Trump approval slides to post-“Liberation Day” levels amid policy volatility and higher inflation expectations (from Democrats).

Trump's second-term tariff threats higher than his first term

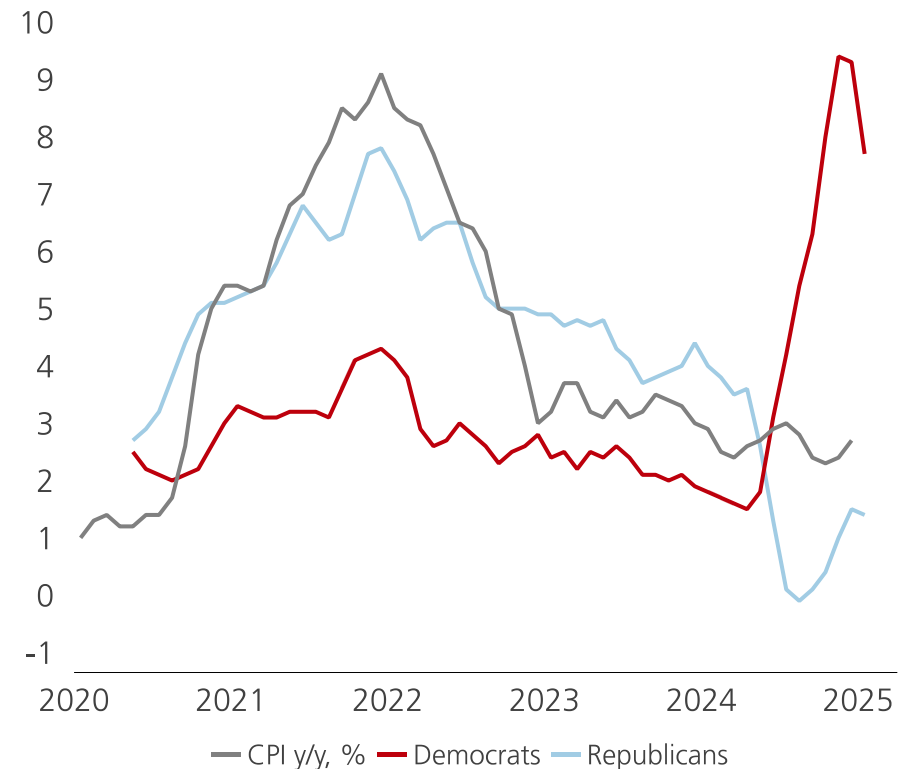
Real Clear Politics - Trump's Approval Rating, %



Source: Real Clear Politics, UBS, as of 5 August 2025

Views on the economy can be partisan

Expected inflation in 1y, %



Source: Bloomberg, UBS, as of 5 August 2025

Section 5

Markets and corporate transactions

Markets Activity Key Points: Markets perform despite slower economy



Equities recover from post-“Liberation Day” weakness now at all-time highs.

Buffered by strong earnings, cyclicals and Mag-7 power US equities to new all-time-highs albeit with historically expensive valuations.



Spreads are not concerning for now. Investment grade spreads still at historically tight levels, but high-yield spreads have not returned to pre-“Liberation Day” lows amid greater uncertainty.



Tariffs dent dealmaking uptick. Despite headwinds like tariffs and high rates, dealmakers still enthusiastic over large, AI-related deals to meet strategic priorities.



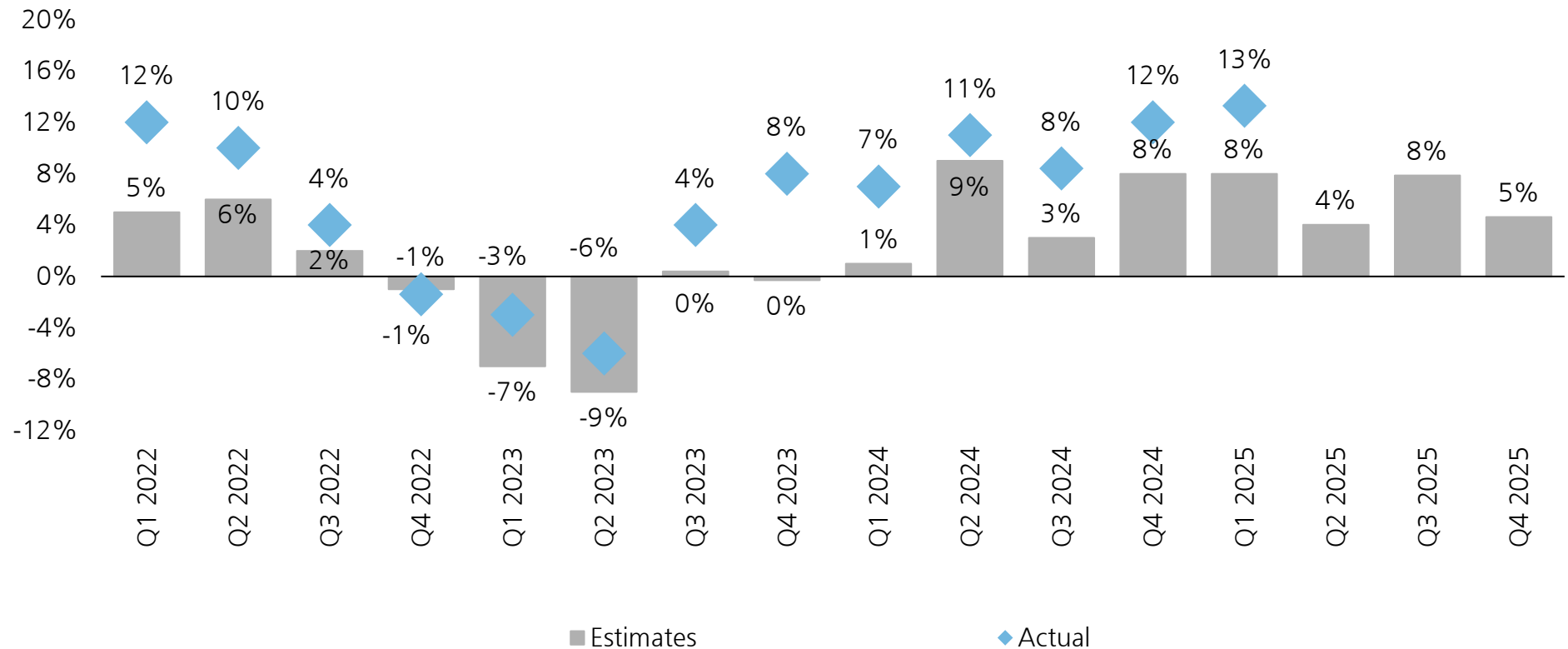
IPOs rebounding owing to strong performance. Uptick in IPO activity in June led by tech and financial services should be a relief for some PE investors holding increasingly older companies. Investor interest in AI and crypto currency related firms remains strong.

Equities: Despite shocks, equities have held up owing to strong earnings

Equities recover post-“Liberation Day” losses and now trend at all-time-highs. Second quarter earnings reports continue to surprise to the upside.

S&P 500 earnings growth has consistently exceeded market expectations

S&P 500 EPS growth, y/y %, actuals vs. consensus estimates per quarter



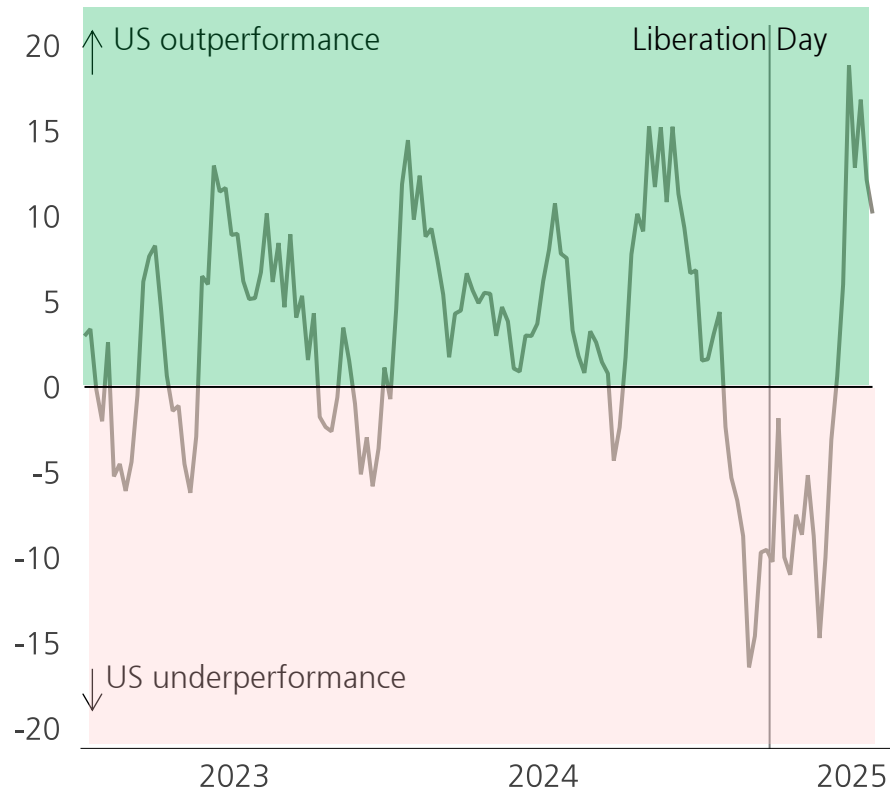
Source: FactSet, UBS, as of 5 August 2025

Equities: US exceptionalism questions linger after “Liberation Day”

US risk assets recover their losses after “Liberation Day” and equities are at all-time-high levels despite trade policy overhang. Dollar weakness the clearest sign of investor aversion to US assets, in our view.

US equities now outperforming DM peers

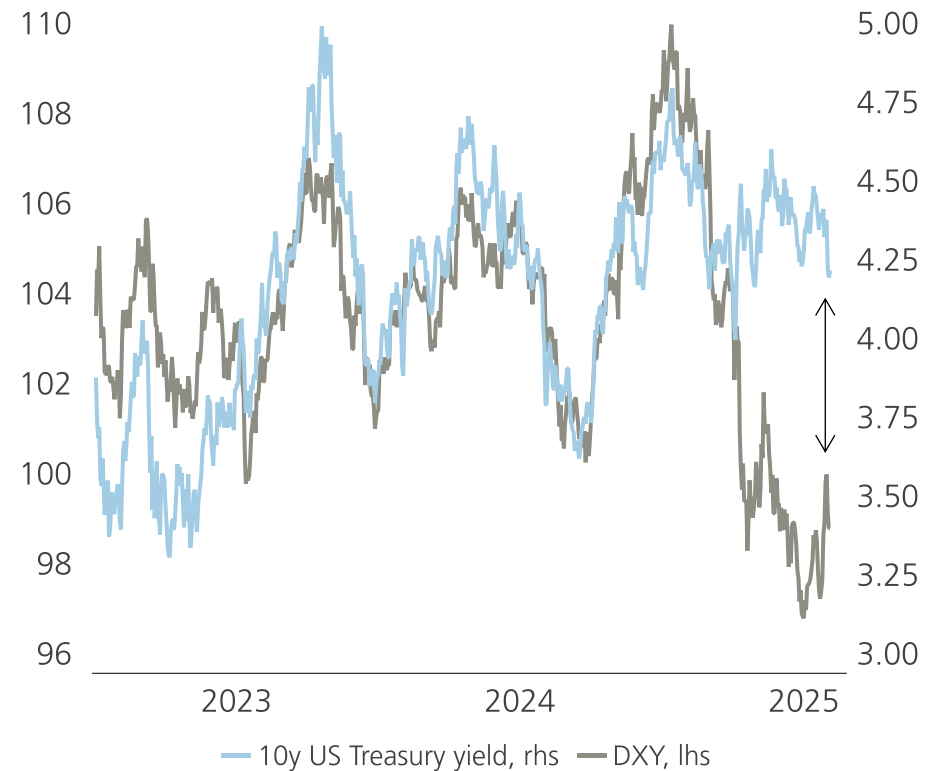
MSCI US – MSCI ACWI ex-US, 30-day rolling returns %



Source: Bloomberg, UBS, as of 5 August 2025

USD at weaker levels despite interest rate differential

DXY USD index and 10y US Treasury yields %



Source: Bloomberg, UBS, as of 5 August 2025

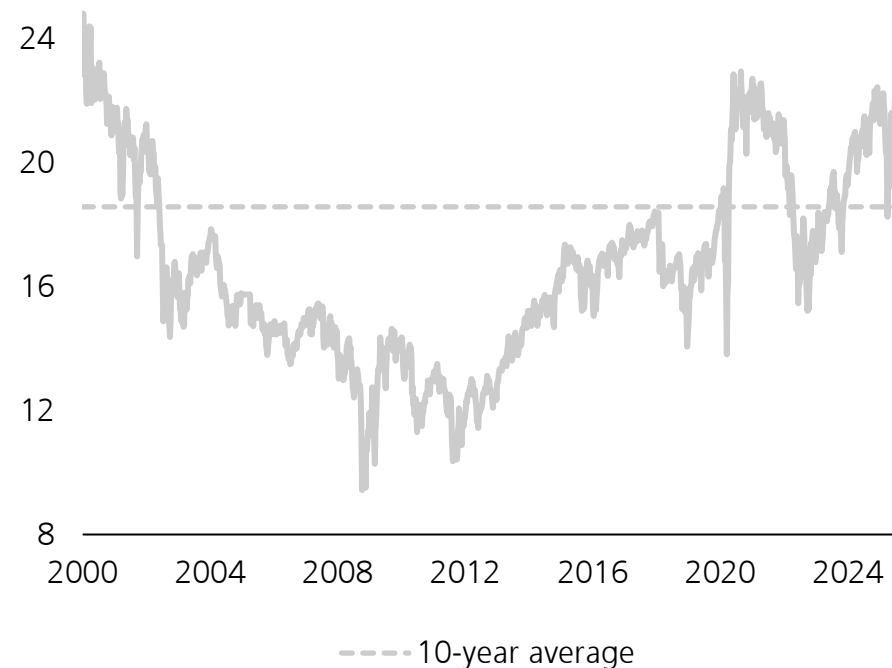
Valuations: Stocks continue to perform despite elevated valuations

US valuations are modestly higher relative to history but justified given earnings trajectory; ex-tech valuations for other sectors look in line with historical averages.

US equity valuations now above 10y average

S&P 500 12-month forward P/E ratio

28

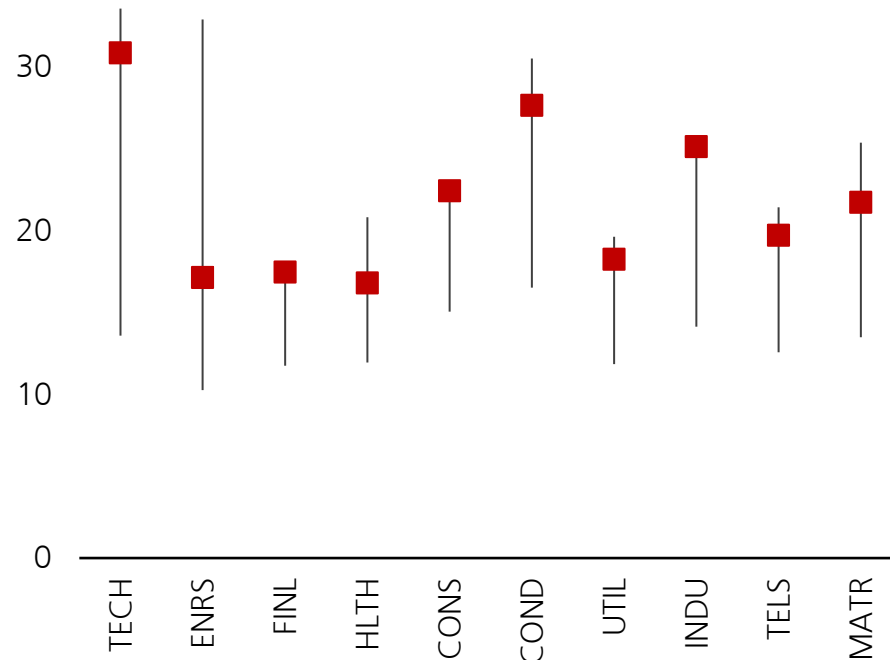


Source: Bloomberg, UBS, as of 5 August 2025

Tech has been driving equities, but valuations look very stretched

S&P 500 P/E ratio range from 2004

40



Note: PE ratios cover between 10th and 90th percentile starting from 2004.

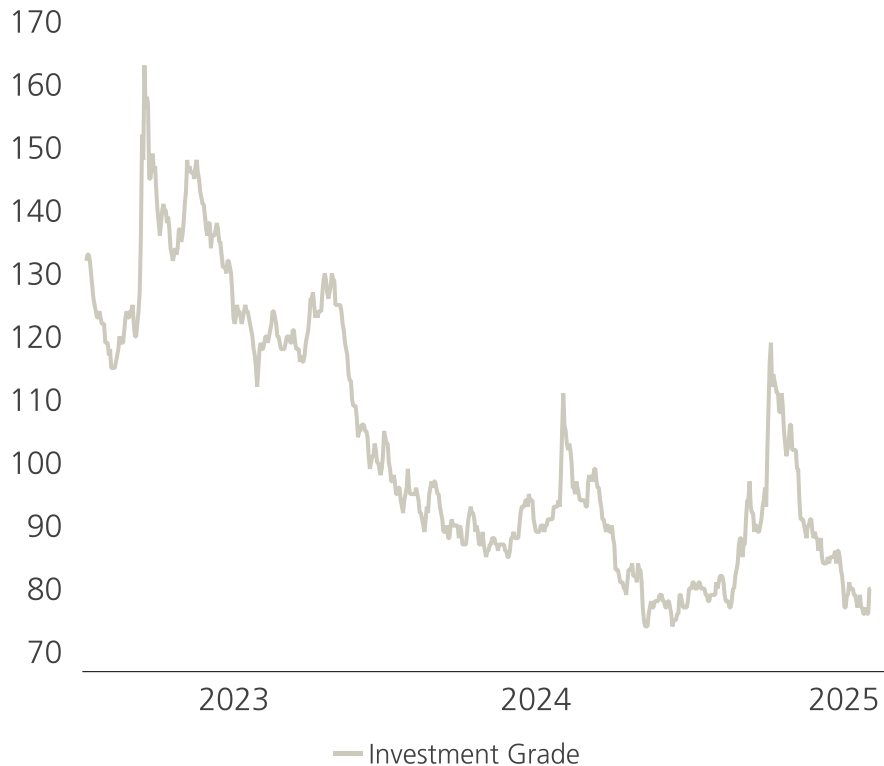
Source: Bloomberg, UBS, as of 5 August 2025

Credit: Wider credit spreads suggest a slowdown, not a recession

Spreads on investment grade and high yield indices have widened from historically tight levels after tariff announcements but are not yet in recession territory.

IG spreads have widened, but not to extreme levels

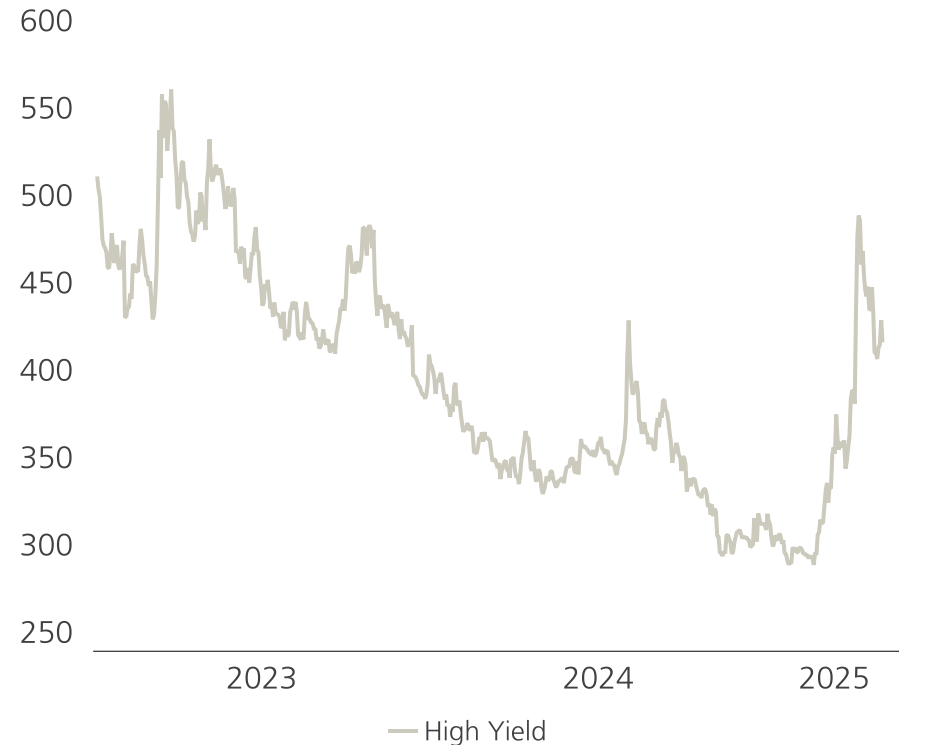
Investment grade bond spread to Treasuries, in %



Source: Bloomberg, UBS, as of 5 August 2025

HY spreads have risen from very tight levels

High yield bond spread to Treasuries, in %



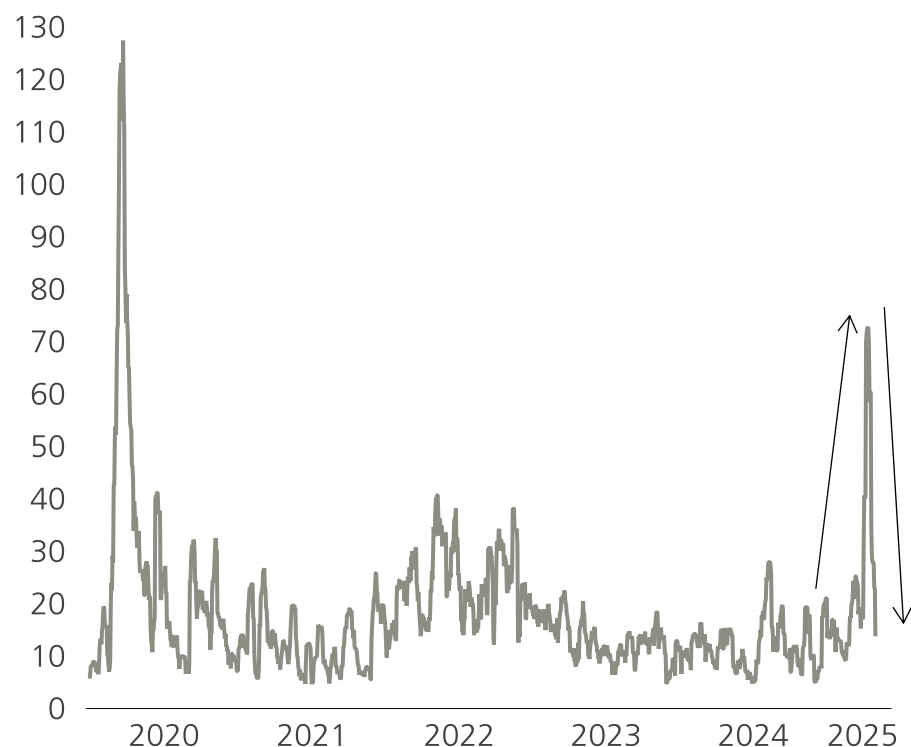
Source: Bloomberg, UBS, as of 5 August 2025

Volatility: Reached multi-year extremes, now back to normal

Equity volatility measured by the VIX index jumped in April but also made a quick retreat owing to the 90-day tariff pause. The skew, a proxy for downside risks, now at lowest levels since 2024.

VIX spiked and now back to more normal levels

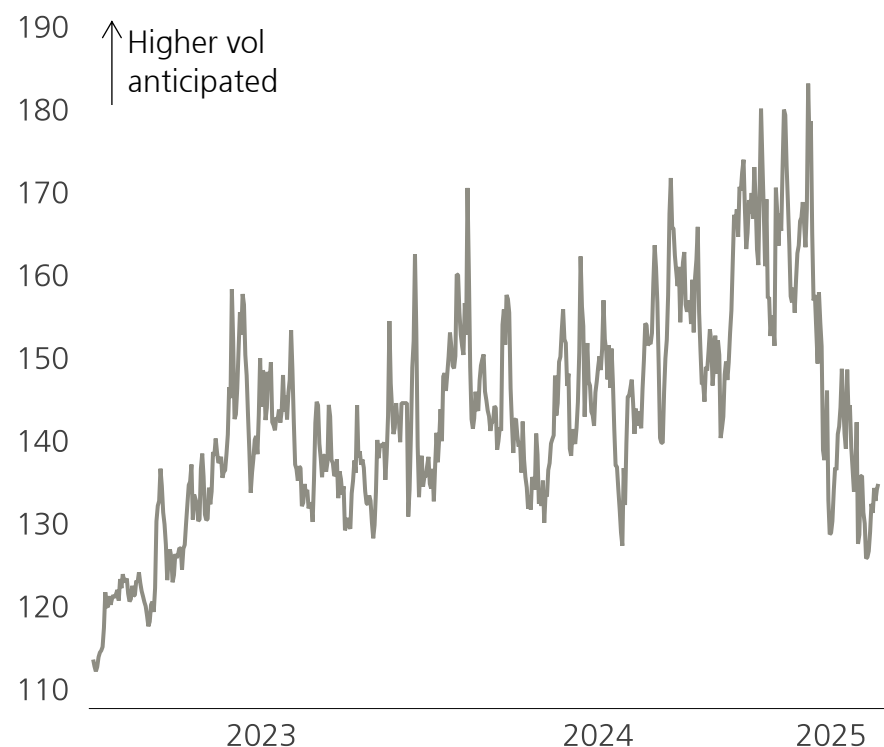
Realized volatility of S&P 500



Source: Bloomberg, UBS, as of 7 April 2025

SKEW index also now back in relative normal territory

CBOE Skew index



Source: Bloomberg, UBS, as of 7 April 2025

M&A: Dealmaking persisting despite confluence of headwinds

Growth-motivated demand for strategic and scale M&A persists despite tariff, interest rate, and valuation gap headwinds.

US dealmaking off to a slow start in 2025

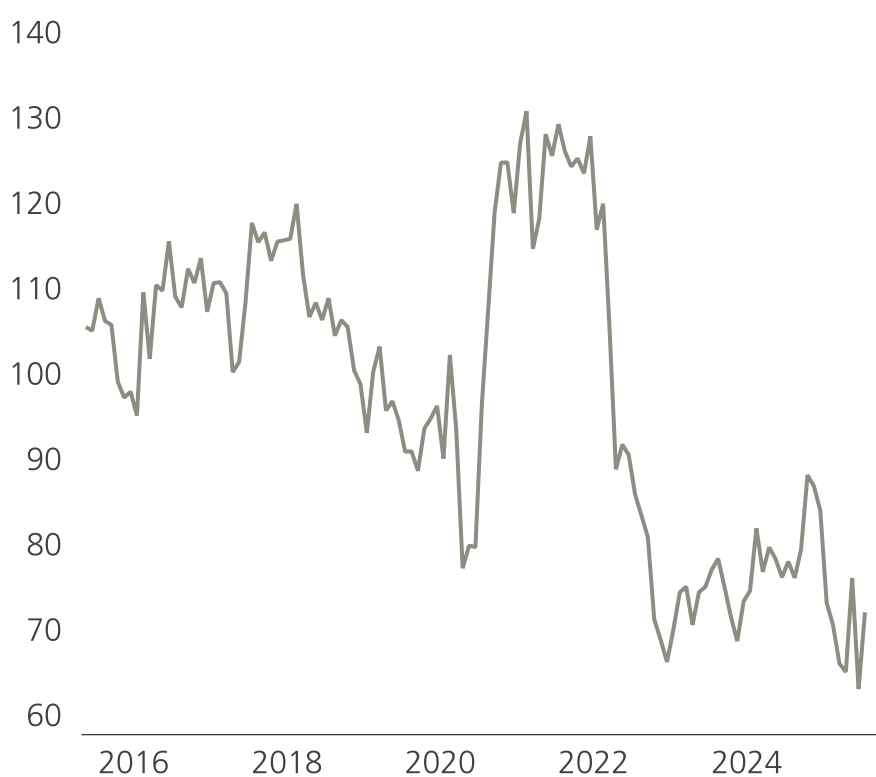
Value (USD bn) and count



Source: Bloomberg, UBS, as of 5 August 2025

US M&A sentiment hovering amongst decade lows

BCG US M&A Sentiment index



Note: A sentiment value over 100 indicates that decision makers expect M&A activity during the next approximately six months to surpass the most recent ten-year average. A value under 100 implies they expect below-average activity.

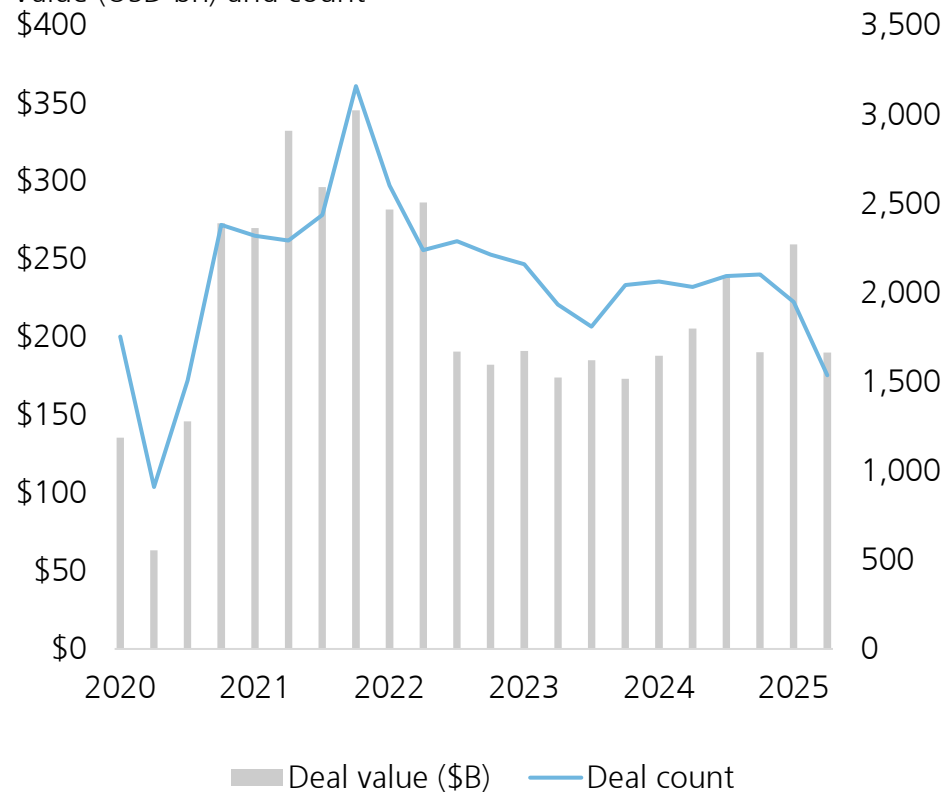
Source: BCG, UBS, as of 5 August 2025

Private Equity: Policy headwinds weigh on activity rebound

Momentum from 2024 in PE dealmaking has stalled due to policy headwinds; the sharp slowdown in exits reiterates need to improve liquidity

PE activity in the US

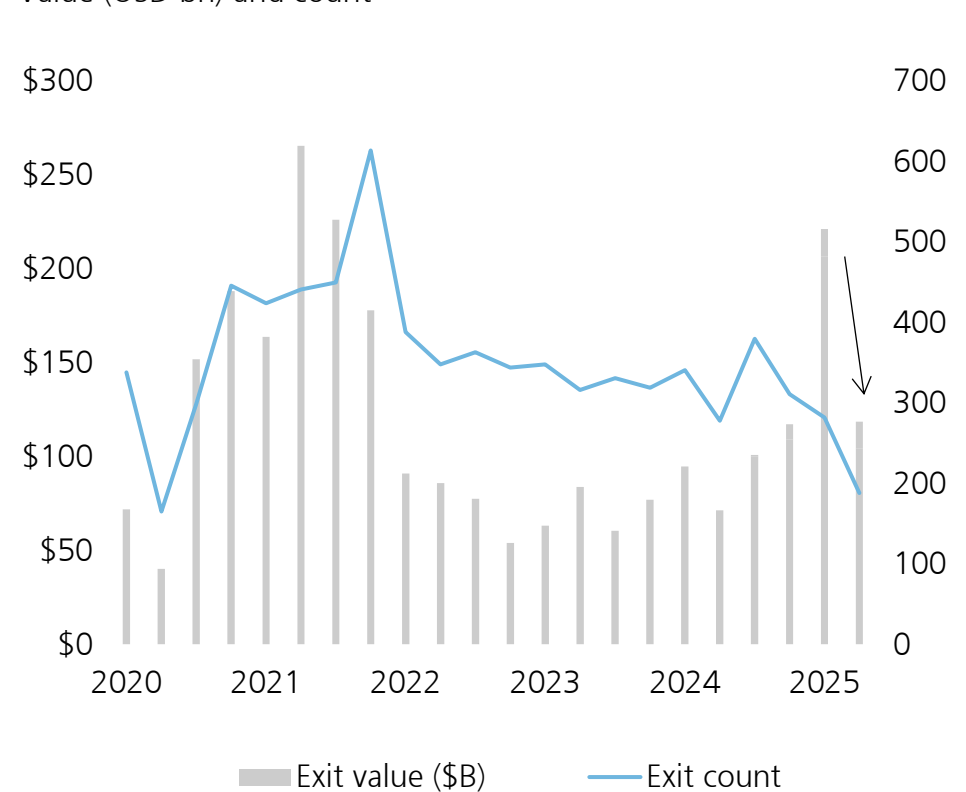
Value (USD bn) and count
\$400



Source: Pitchbook, UBS, as of 5 August 2025

Exit volume fall >40% from 1Q on tariff headwinds

Value (USD bn) and count



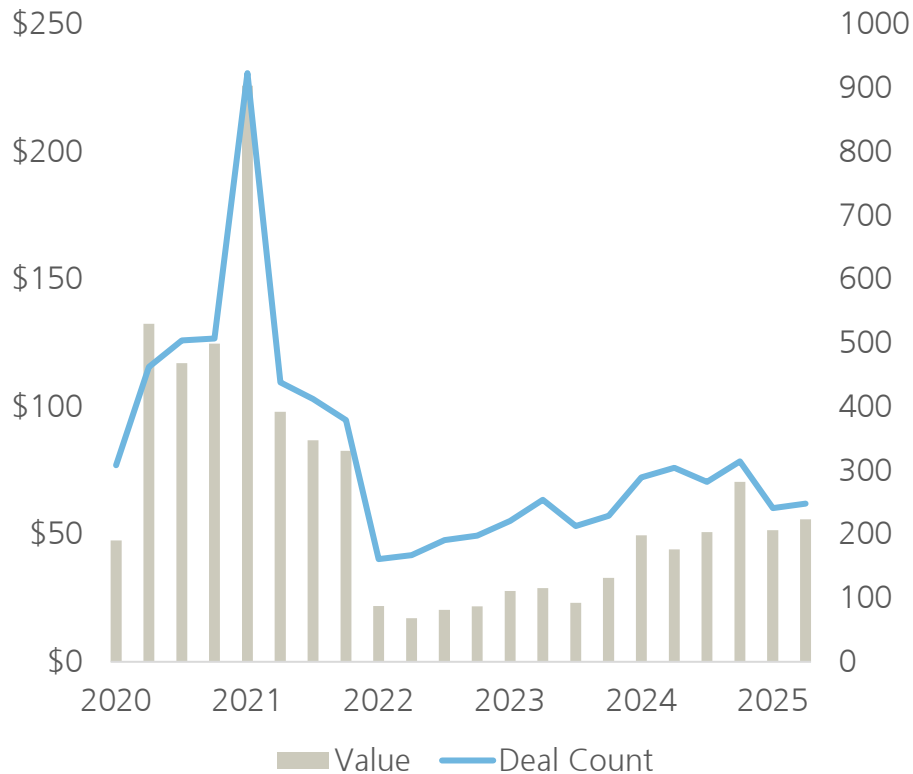
Source: Pitchbook, UBS, as of 5 August 2025

IPO: Green shoots taking hold after years of slow activity

IPO activity continue to recovery—albeit modestly. Optimism around AI and crypto firms may prime markets for more IPOs in the coming months.

IPO market in 1Q25 building on 2024 momentum

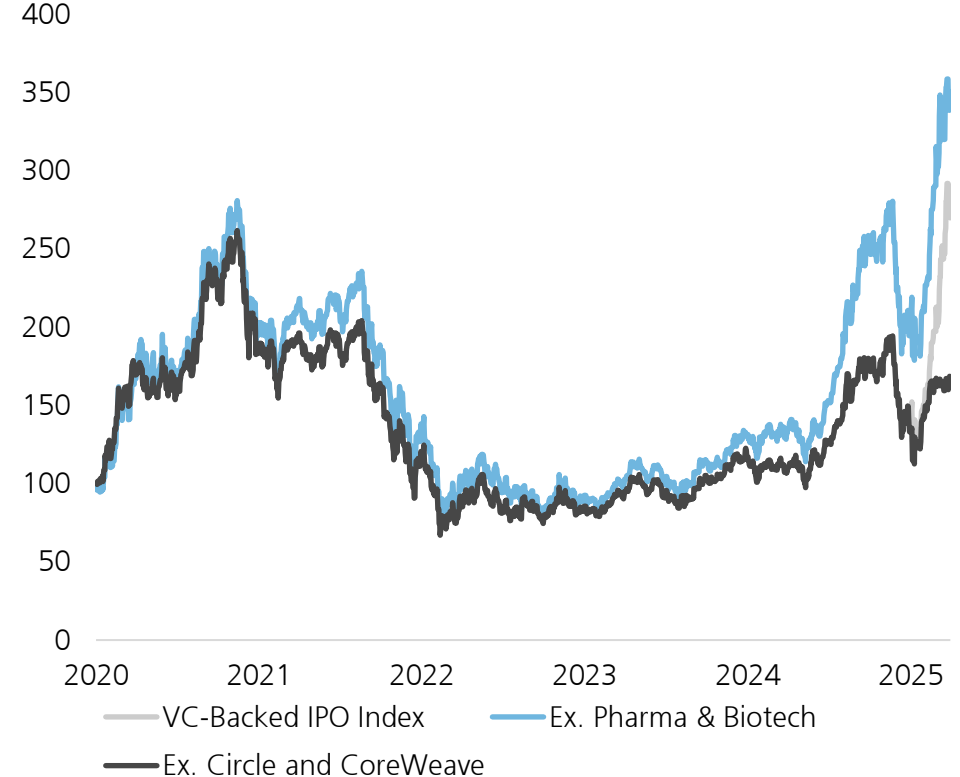
Value (USD bn) and count



Source: Bloomberg, UBS, as of 5 August 2025

Steep recovery of IPO index after recent high performing listings

VC-backed IPO index (3/31/2020=100)



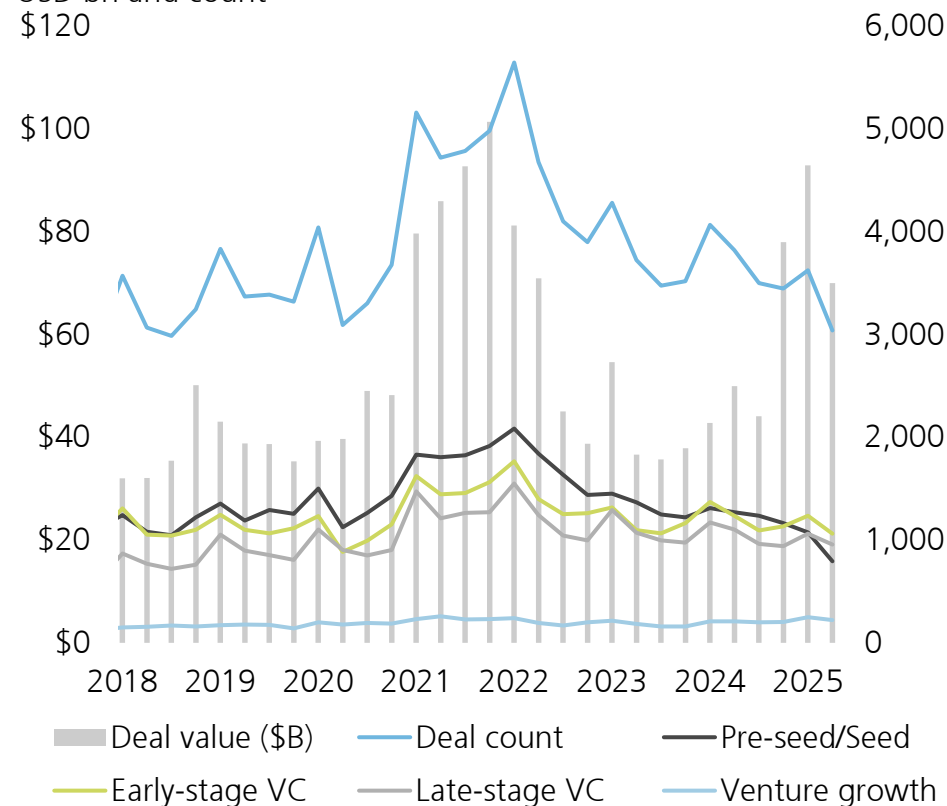
Source: Pitchbook, UBS, as of 5 August 2025

Venture Capital: Focus on large, AI deals continues

Venture activity holding up in 2Q despite tariff and macroeconomic headwinds, though the preference seems biased to larger and AI deals.

Modest slowdown in 2Q expected after outsized AI deals in 1Q

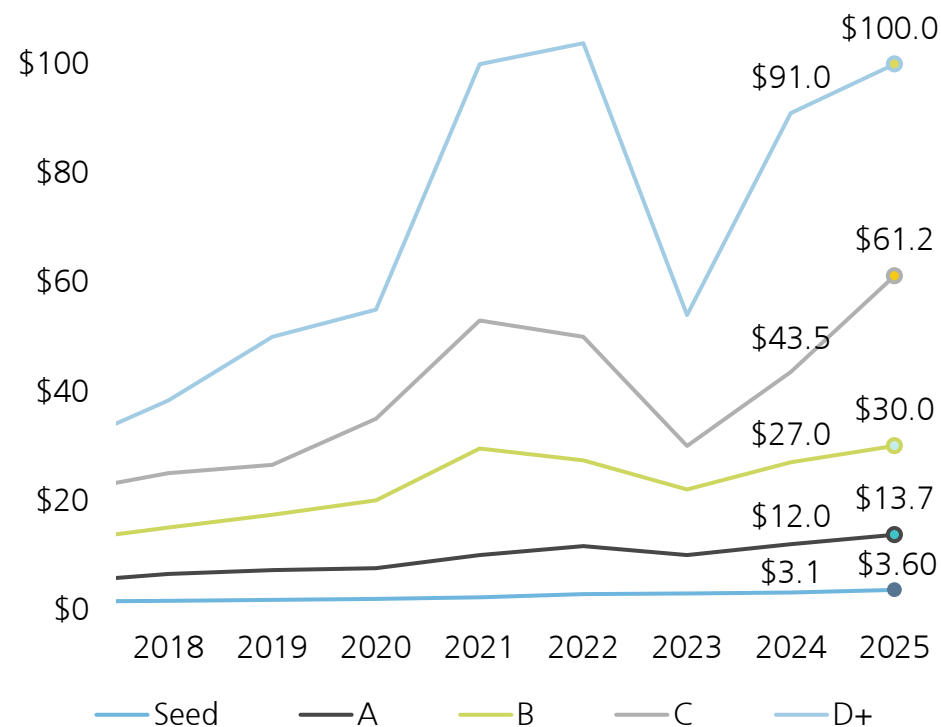
USD bn and count



Source: Pitchbook, UBS, as of 5 August 2025

Deal size increasing across fundraising lifecycle

Median VC deal by value, USD mn



Source: Crunchbase, UBS, as of 5 August 2025

Section 6

Appendix

Risk information

Non-Traditional Assets

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

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

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

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, “junk bonds,” derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer’s “home” currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

Risk information

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