UBS House View

Investment Strategy Guide: Nostalgia is not an investment strategy

February 2026 | Chief Investment Office GWM | Investment research

In this report

February

CIO Monthly Livestream

5 February 2026 1:00 p.m. ET

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Dear reader

The New Year has begun with a wave of significant developments, from sweeping White House policy proposals to consequential geopolitical events, shaping the outlook for markets in the months ahead. Despite this, we remain confident in the outlook for US equities. Following three years of strong gains averaging 23% annually, the S&P 500 has further room to run, in our view, supported by resilient economic growth, an accommodative Federal Reserve, and the continued adoption of artificial intelligence.

Fiscal stimulus from the One Big Beautiful Bill Act is set to boost household incomes in the first half of the year. Meanwhile, contained tariff-related inflation pressures and the delayed impact of 2025 rate cuts should further stimulate economic activity.

On the macro front, while there is some risk that the timing of Fed easing could shift to the summer, our base case calls for a 25-basis-point rate cut by the end of the first quarter, which should also provide a favorable backdrop for equities.

AI remains a key driver of market performance, but we see the investment narrative broadening beyond infrastructure as we enter the fourth year of the AI supercycle. The focus is shifting from the enabling layer to the application and intelligence layers, where monetization and operational discipline are becoming key differentiators.

Against this backdrop, market breadth looks poised to improve relative to recent years, so we are upgrading the consumer discretionary sector to Attractive, as companies in this space stand to benefit from fiscal stimulus and potential housing market improvements under the Trump administration. We've also raised our 2026 S&P 500 EPS estimate to USD 310 (+12% growth) and maintain our June and year-end S&P 500 price targets of 7,300 and 7,700, respectively.

In fixed income, 2025 was a strong year, with most assets outperforming cash. While we do not anticipate significant price appreciation by the end of 2026, we recommend high-quality fixed income, as it continues to offer attractive income and a buffer against potential economic or equity market weakness. We've also upgraded emerging market bonds to Attractive given their appealing yields, improving fundamentals (external balances and ratings), and a supportive macro backdrop. Moreover, record supply in investment grade credit has been met with even stronger demand, allowing the IG index to tighten by 4bps year to date. Notably, gold and other precious metals have reached new record highs, driven by ongoing economic concerns and expectations of further rate cuts, as investors seek perceived "safe haven" assets.

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

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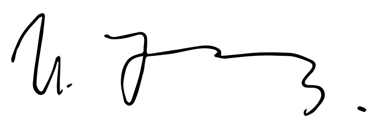

Ulrike Hoffmann-Burchardi

POTUS 47

Investing under Trump 2.0

Visit ubs.com/potus47, a dedicated website tracking ongoing policy developments and the implications for the economy and financial markets.

Nostalgia is not an investment strategy

A new world
We live in a world where the rivalry between major powers is growing, geopolitical risks are rising, and governments may play a bigger role in markets.

A broader rally
Tactically, we expect the evolving AI innovation cycle and the robust economic backdrop to support a continued broadening of the equity rally.

A diversified approach
Strategically, we believe diversification across regions and asset classes is all the more important in a polarized world, where risks are higher and outcomes less predictable.

Asset allocation
We rate equities as Attractive, and like the US, Europe, China, and Japan. We like quality bonds, and upgrade emerging market bonds to Attractive. We also favor gold.

Mark Haefele
Global Chief Investment Officer
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Our views, live with Q&A
The next CIO global monthly livestream will take place on 27 January. Join here.

To paraphrase Canadian Prime Minister Mark Carney's Davos speech, we live in a world of increasing Great Power rivalry. Nostalgia for the old international order is not an investment strategy.

So what is?

With political slogans dominating the headlines, it feels only fitting to borrow from the rhetorical toolkit of the day. So in the remainder of this letter, I'll discuss why we believe that tactically, it is time for "One Big Beautiful Broadening"—where market leadership expands beyond a handful of stocks. Strategically, it is time to "Make Portfolios Diversified Again."

The US administration's new "Donroe Doctrine," strained relations between China and Japan, violence in Iran, and fractures within the NATO alliance over the future of Greenland and Ukraine all point to a more volatile world, with geopolitical blocs seeking greater strategic autonomy.

Meanwhile, the Trump administration's heightened focus on "affordability"—including potential regulation of credit card rates and intervention in the mortgage and real estate markets—and questions about the future direction of fiscal and monetary policy around the world have also drawn investor attention.

For governments everywhere, the challenge of funding strategic autonomy and delivering on voters' priorities—despite aging populations, rising electricity demand, resource scarcity, and labor market disruptions—will ensure that debates over fiscal and monetary policy, as well as rising government intervention in markets, remain prominent features of the investment landscape for years to come.

In the near term, we believe it's important not to overreact to political headlines. We retain a positive stance on markets as resilient economic growth, low or falling interest rates, and structural tailwinds from artificial intelligence should all provide support and more than offset the volatility, in our view.

We recommend that investors broaden their equity market exposures.

To position for further upside potential, we recommend investors broaden market exposures. The bull market so far has seen relatively concentrated gains favoring a few "AI leaders." From here, we expect growth-friendly policies in the US to lift cyclical sectors and AI trade leadership to shift from the "enabling layer" to the "application layer." Beyond US stocks, we also see appealing and reasonably valued opportunities in Asia and Europe.

Strategically, we think geopolitical polarization and government intervention in markets increases the imperative to diversify. While there will be some outperformers from these trends, they will also heighten risks for certain countries, sectors, and companies. And because governments picking winners and losers in markets can lead to a wider range of outcomes, the changing environment underscores the importance of building well-diversified core portfolios, incorporating effective portfolio hedges, and taking a thoughtful approach to currency allocation.

"One Big Beautiful Broadening" for stocks

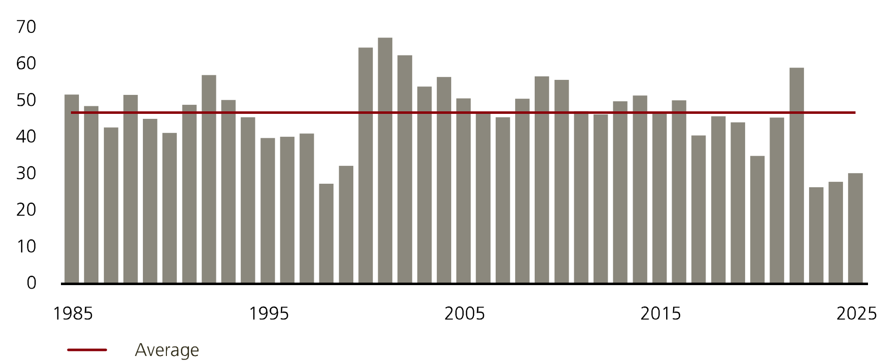
The equity rally in recent years has been led by a handful of AI-linked stocks.

The equity rally of recent years has been narrow. In the US, the so-called "AI7"[1] have dominated returns, appreciating roughly 200% over three years—about five times the gain of the rest of the S&P 500.

Figure 1

The equity market rally in recent years has been concentrated

Percentage of S&P 500 companies that outperformed the index



Sources: Bloomberg, FactSet, UBS, as of January 2026

[1] This group (NVIDIA, Broadcom, AMD, Micron, Alphabet, Amazon, and Microsoft) overlaps with but is not the same as the Magnificent 7.

AI is likely to remain a key driver of equity market performance.

We expect AI to remain a key engine of overall equity performance. While AI capex growth is likely to slow in percentage terms, we still expect robust spending and significant absolute growth in the coming years. We see global AI capex rising at an average annual rate of 25% from 2025 to 2030 (although we acknowledge growth may not be smooth), reaching a run rate of USD 1.3 trillion per annum. And AI adoption and monetization continue to advance. The Ramp AI Index (which estimates the percentage of US businesses with paid subscriptions to AI models, platforms, and tools) rose to 47% in December, roughly doubling from a year earlier.

However, we do expect the rally to broaden from here. Historical innovation cycles show a performance handover from the enablers of a new technology to those that are able to generate revenue from it.

We expect leadership in AI to broaden toward the application layer.

Following this template, we believe that the leadership of the AI trade will broaden, from the semiconductor firms in the enabling layer that have led the rally in recent years, toward the companies in the application layer selling AI solutions to consumers and businesses. The third-quarter earnings season provided early indications of this: Markets responded more positively to the results of tech (and tech-related) companies that are showing progress on monetizing AI, and those that are less reliant on debt to finance their investments.

In the US, we also expect fiscal expansion, loose financial conditions, and AI productivity gains to lift other sectors that have lagged over the past year.

We think US consumer discretionary stocks are likely to benefit from an environment of growing wages, tailwinds from the One Big Beautiful Bill Act, and potential policy actions to support lower- and middle-income groups linked to the "affordability" agenda. We upgrade the sector to Attractive.

We also see appealing opportunities in equity markets beyond the US. European stocks should benefit from the improving global growth backdrop, looser fiscal policy in Germany, and a pickup in corporate earnings.

In China, we expect tech advances, targeted policy support, improving liquidity conditions, and robust capital markets activity to boost equities. DeepSeek's likely launch of its new model next month will also be closely watched by investors. In Japan, the House of Representatives election scheduled for early February could be positive for equity markets if the Liberal Democratic Party secures a majority, enabling a stable Takaichi administration to be formed. We also expect an earnings recovery and corporate reforms to support Japanese stocks in 2026.

The risks and opportunities from government intervention

In the US, affordability is a key focus.

One of the near-term risks to markets is government intervention. A Politico poll conducted in late 2025 highlighted that 56% of Americans consider the high cost of living one of the top issues facing the country. As a result, investors should prepare for more affordability-focused policy announcements in the run-up to the US midterm elections in November.

Mooted areas of intervention in the US domestic economy include consumer finance (such as capping credit card and personal loan rates) and housing (including mortgage market intervention and regulation over institutional buying of single family homes).

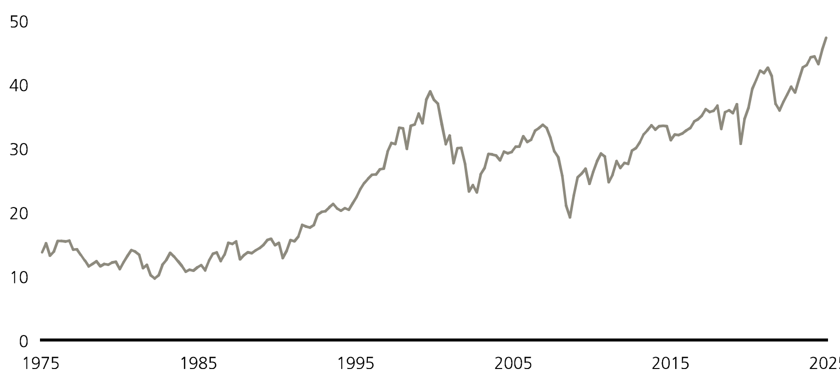
The US administration is likely to be mindful of market-negative policy measures.

However, with 62% of American households owning stocks in one way or another, according to a 2025 Gallup poll, we believe the administration will be mindful about taking policy measures that can have a broad negative market impact. And the sector-specific impact of such announcements will require a nuanced assessment.

Figure 2

A large portion of US household wealth is held in the stock market

US household holdings of equities as a % of total financial assets



Source: US Federal Reserve, UBS, as of January 2026

For example, even if a cap on credit card rates were to be imposed (assuming it was for one year, applying only to new loans rather than existing books), we would expect the overall effect on US financials to be limited, despite some smaller-weighted companies within the sector facing significant impacts. In addition, at Davos, President Trump said he would instruct Congress to work on a rate cap, which signals that an Executive Order or some other unilateral effort is unlikely, and we see little appetite in Congress to work on the initiative. So given support from healthy capital market activity and improving net interest margins, we would view sharp pullbacks in the largest bank stocks as potential buying opportunities.

Meanwhile, proposed restrictions on institutional purchases of single-family homes have recently weighed on sentiment. However, as opposed to an outright prohibition, President Trump's comments at Davos suggest a focus on restricting government agency financing of such purchases by institutions and providing priority for individuals over institutions in buying federally owned assets. In addition, his proposals appear to contain a number of carve-outs, including exempting build-to-rent operators.

The push for strategic autonomy will create beneficiaries.

The drive for strategic autonomy, both in the US and globally, is also likely to create beneficiaries:

- *Global efforts to achieve tech independence* have accelerated, driven by supply chain risks and geopolitical tensions. This month, the US reached a trade deal with Taiwan that will see the latter invest USD 500 billion in the US, including USD 250 billion in direct investment in semis and AI capacity, and USD 250 billion in credit guarantees to support firms in moving operations to the US. Meanwhile, Europe's Chips Act aims for a 20% global market share by 2030.
- *Mainland China's drive for tech self-sufficiency* is a key part of its new Five-Year Plan, with Beijing offering support for homegrown AI models and chipmaking advancements.
- *Energy security and grid modernization* is a key focus. Europe's REPowerEU plan is targeting 600 GW of installed solar photovoltaic capacity and over 500 GW of wind energy by 2030. China's new Five-Year Plan includes a four-trillion-yuan investment (a 40% jump from the previous Five-Year Plan) for the state grid to integrate more wind and solar power.
- *Defense spending* is ramping up, especially in Europe through the ReArm Europe plan and Security Act For Europe (SAFE) loans. Germany's defense outlays are projected to rise to 3.5% of GDP by the end of the decade. In the US, President Trump has called for a military budget of USD 1.5 trillion in 2027, up from USD 901 billion in 2026.

Investment ideas for "One Big Beautiful Broadening"

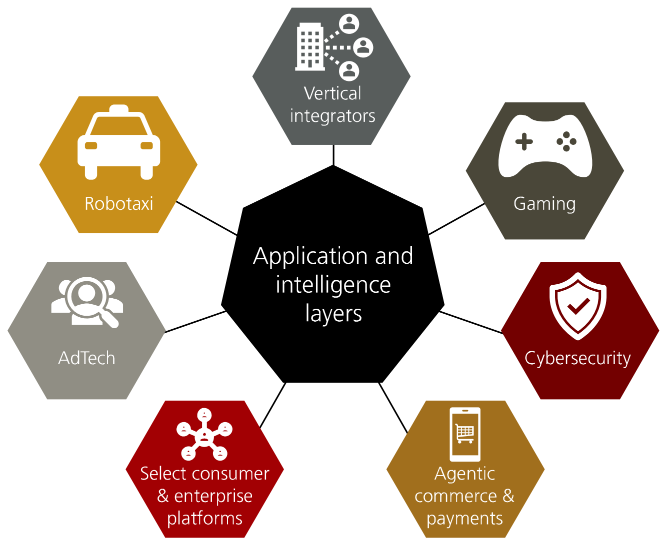
AI, power and resources, and longevity continue to offer growth opportunities.

Invest in transformational innovation. We continue to expect transformational innovation to be a key driver of equity market returns in the years ahead. We see further upside in AI-linked stocks—a core driver for our positive equity market view—albeit with market leadership likely transitioning away from the enabling layer increasingly toward applications. Investors heavily concentrated in AI enabling layer stocks should therefore consider spreading exposure. Meanwhile, the surge in data center demand is continuing to fuel investment in power and grid infrastructure. And we expect companies pioneering treatments and technologies to extend healthy lifespans (including by utilizing AI) to emerge as new market leaders.

Figure 3

Diversification across the AI value chain is important

Key segments within the application and intelligence layers of the AI value chain



Source: UBS, as of January 2026

Investors who are underallocated to stocks should consider adding to equities.

Position for a broadening rally. We expect global equities to rise over 10% by the end of 2026, with the rally continuing to broaden beyond the direct leaders of the AI infrastructure buildout. Investors who are underallocated to stocks should consider adding to equities, while those with concentrated positions in individual stocks or US tech can benefit from diversifying into underappreciated tech stocks or sectors like health care, utilities, and banking.

We like US financials for their improving profitability and increased capital market activity, with upward-sloping yield curves and stronger net interest margins also providing a potential boost. Health care should benefit from clarity over Most Favored Nation policy, M&A activity, and strong demand driven by aging demographics. Longer term, both sectors are also well placed to deploy AI to improve efficiency and business outcomes, in our view.

In our base case, we see the S&P 500 rising to 7,700 by the end of the year and expect earnings per share growth of 12% for 2026.

We also see upside in Europe, Japan, China, and emerging markets, making a broad global equity allocation increasingly attractive. Incorporating long-only multifactor quantitative strategies can further enhance diversification and help manage risk, particularly amid ongoing political and macroeconomic uncertainty.

In Europe, after three years of earnings stagnation, we forecast acceleration of 7% in 2026 and 18% in 2027. Over our tactical horizon, we expect stocks in the Eurozone to outperform those in the UK.

We see compelling opportunities in China and broader Asia.

Seek opportunities in China. For those seeking diversification beyond the US and US tech, China and broader Asia present compelling opportunities, in our view. AI innovation and spending are driving growth in China's tech sector, where we expect earnings to rise significantly in 2026. This is fueling Chinese equities more broadly, supported by healthy liquidity and reasonable valuations. Expanding exposure to Asia, including India and Singapore, can help improve portfolio balance.

"Make Portfolios Diversified Again"

The start of 2026 has already brought geopolitical flashpoints.

The start of 2026 has brought a series of geopolitical flashpoints: the capture of Venezuelan President Maduro; heated discussions over the future of Greenland; protests in Iran; tensions between China and Japan; and a stalemate in diplomatic efforts in the Russia-Ukraine war. Meanwhile, US-China frictions persist, especially around trade in technology and critical materials.

These developments point to a world that is less predictable, less "global," and increasingly fragmented. Regions are prioritizing "strategic autonomy," forming economic and security blocs to shield themselves from external shocks and to pursue their own agendas.

It is not my role to say how I think the world *should* work but to try and understand how it *does* work, and guide investment accordingly.

While the impact of geopolitical crises on global equity markets has historically tended to be short-lived—and investors who exited markets owing to such concerns have often missed out on subsequent recoveries—it is important to recognize that escalation of conflicts, sanctions, or policy shifts do have the potential to affect investors over the longer term.

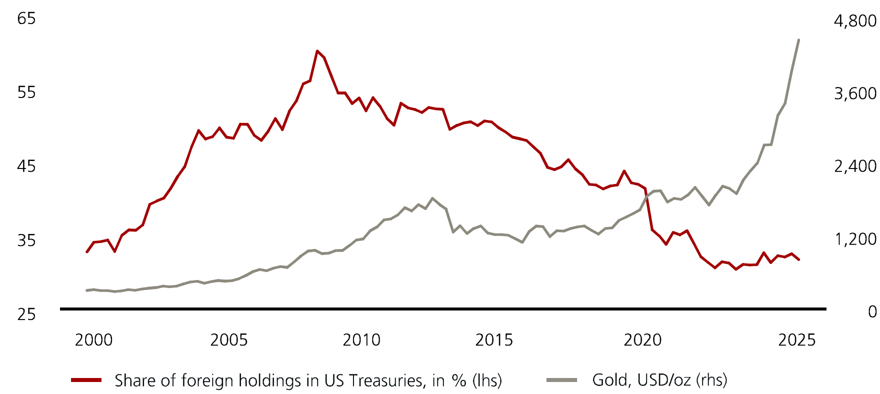
Geopolitical concerns have contributed to demand for gold.

For example, mounting concerns that geopolitical tensions could expose overseas holdings in government debt to capital controls, sanctions risk, or asset freezes have contributed significantly to the sustained rally in gold since 2022.

Figure 4

Foreign holdings of US Treasuries have fallen while gold has risen

Share of foreign holdings in US Treasuries, % (lhs) vs. COMEX gold prices, USD/oz (rhs)



Source: US Federal Reserve, US Treasury, Bloomberg, UBS, as of January 2026

The quest for strategic autonomy could put additional pressure on government finances.

Meanwhile, we expect the quest for strategic autonomy to add to government spending at a time when deficits are already elevated. This month's sell-off in longer-term government bonds in Japan and, to a lesser but still notable extent, in the US demonstrates the kind of pressures that can arise when fiscal policy is questioned.

The impact of geopolitical events on wider financial markets tends to be smaller when the resolution is quick and conclusive. A prolonged standoff or a retaliatory tariff escalation between the US and Greenland/Denmark/the EU, with both sides exerting economic and political pressure on one another, would in our view have the most damaging effect on risk assets—in particular in Europe. Markets welcomed President Trump's comments in Davos that he would not use force in Greenland and his decision not to impose fresh tariffs on Europe since a framework for negotiation had been established with NATO. This is consistent with our base case that tensions over Greenland are not a reason to change our overall positive view toward risk assets, though we are mindful of potential short-term volatility, since the outcome remains uncertain.

For more on our views on the potential scenarios stemming from the geopolitical developments around the world, please see our latest Global Risk Radar publication, published on 22 January 2026.

Building a well-diversified core portfolio is all the more important in a polarized world.

Against this backdrop, building a well-diversified core portfolio becomes more essential than ever. Portfolios concentrated in a single region, sector, or currency are increasingly vulnerable to sudden shocks and shifts in policy direction. Strategic diversification means thoughtfully spreading exposures across geographies, asset classes, sectors, and currencies, so that no single event or policy shift can derail overall performance. Periods of volatility triggered by bond sell-offs—before potential central bank intervention—may also present tactical opportunities.

Investment ideas to "Make Portfolios Diversified Again"

Quality bonds, gold, and capital preservation strategies can help insulate portfolios.

Hedge market risks. Rising geopolitical and political risks against a backdrop of still-low volatility provides investors an opportunity to diversify and hedge potential market risks. Combining capital preservation strategies and structured investments can help lock in gains and maintain upside potential during periods of low volatility. We also believe quality bonds offer attractive yields and can buffer portfolios, while gold's diversification benefits remain appealing, in our view. Holding sufficient liquidity can also help investors avoid forced selling in the event of a market drawdown.

Favor commodities. We believe that recent strong performance from industrial and precious metals has scope to continue, and we see commodities set to play a more prominent role in portfolios in 2026, with returns driven by supply-demand imbalances, geopolitical risks, and long-term trends. For investors with substantial allocations and significant unrealized profits in gold, broadening commodity exposure to include copper, aluminum, and agricultural assets can help diversify sources of future return.

Seek diversified income. Tight credit spreads and concerns about government debt suggest a nuanced approach to yield generation. We like high grade and investment grade bonds, see attractive return potential in emerging market bonds, and also like diversified income strategies across equities, fixed income, and structured investments.

We see emerging market bonds as Attractive.

We have upgraded emerging market bonds to Attractive. Yields remain appealing, fundamentals (external balances and ratings) have been on an improving trend, and the macro backdrop is supportive, in our view.

We also believe this is an important time for investors to review currency allocations and ensure that they are broadly consistent with expected personal future spending. The behavior of the US dollar in response to recent geopolitical tensions demonstrates the changing nature of currency performance, and investors should try to reduce the risk that currency swings undermine their financial goals.

Mark Haefele
Chief Investment Officer
Global Wealth Management

Global forecasts

Economy

Real GDP y/y, in %

	2025E	2026E	2027E
US	2.2	2.4	2.1
Canada	1.5	1.8	1.8
Japan	1.2	1.1	0.9
Eurozone	1.4	1.1	1.4
UK	1.4	1.1	1.4
Switzerland	1.2	1.3	1.2
Australia	1.9	2.3	2.2
China	5.0	4.5	4.6
India	7.4	6.5	6.5
EM	4.6	4.2	4.4
World	3.4	3.2	3.3

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

	2025E	2026E	2027E
US	2.7	2.7	2.3
Canada	2.0	2.1	2.0
Japan	3.2	1.8	2.2
Eurozone	2.1	1.8	2.0
UK	3.4	2.0	2.0
Switzerland	0.2	0.3	0.6
Australia	2.8	3.5	2.7
China	0.0	0.4	0.8
India	1.9	3.7	4.0
EM	3.8	3.3	3.2
World	3.3	2.9	2.7

Source: Haver, CEIC, National Statistic, Bloomberg, UBS, as of 22 January 2026. Latest forecasts available in the Global forecasts publication, published weekly.

Asset classes

	Spot	June 2026	Dec 2026
Equities			
S&P 500	6,876	7,300	7,700
Eurostoxx 50	5,883	6,400	6,600
FTSE 100	10,138	10,300	10,500
SMI	13,157	13,800	14,000
MSCI Asia ex-Japan	957	1,030	1065
MSCI China	87	100	102
Topix	3,590	3,700	3,800
MSCI EM	1,480	1,580	1,640
MSCI AC World	1,232	1,310	1,370

	Spot	June 2026	Dec 2026
Benchmark yields, in %			
USD 2y	3.58	3.25	3.25
USD 10y	4.24	3.75	3.75
CHF 2y	–0.12	0.00	0.00
CHF 10y	0.27	0.40	0.50
EUR 2y (Germany)	2.09	1.75	1.50
EUR 10y (Germany)	2.88	2.25	2.25
GBP 2y	3.69	3.50	3.50
GBP 10y	4.46	4.25	4.25
JPY 2y	1.23	1.10	1.20
JPY 10y	2.29	2.00	2.00

Currencies			
EURUSD	1.17	1.20	1.20
GBPUSD	1.34	1.36	1.35
USDCHF	0.79	0.79	0.79
USDCAD	1.38	1.36	1.35
AUDUSD	0.68	0.71	0.73
EURCHF	0.93	0.95	0.95
NZDUSD	0.58	0.58	0.59
USDJPY	158	152	148
USDCNY	6.97	6.90	6.80

Commodities			
Brent crude, USD/bbl	65.2	65.0	67.0
Gold, USD/oz	4,831	5,000	4,800

Source: SIX Financial Information, Bloomberg, UBS, as of 22 January 2026. 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
Position for a broadening rally	We expect global equities to rise over 10% by the end of 2026, with the rally continuing to broaden beyond the direct leaders of the AI infrastructure buildout. Investors who are underallocated to stocks should consider adding to equities, while those with concentrated positions in individual stocks or US tech can benefit from diversifying into underappreciated tech stocks or into sectors like health care, utilities, and banking. We also see upside in Europe, Japan, China, and emerging markets, making a broad global equity allocation increasingly attractive. Incorporating long-only multifactor quantitative strategies can further enhance diversification and help manage risk, particularly amid ongoing political and macroeconomic uncertainty.	• Global equities • Long-only multifactor • US equities • European equities; European leaders • Global banks, US health care, consumer discretionary, and utilities, Japan equities
Favor commodities	We believe that recent strong performance from industrial and precious metals has scope to continue, and we see commodities set to play a more prominent role in portfolios in 2026, with returns driven by supply-demand imbalances, geopolitical risks, and long-term trends. For investors with substantial allocations and significant unrealized profits in gold, broadening commodity exposure to include copper, aluminum, and agricultural assets can help diversify sources of future return.	• Gold • Broad commodities
Seek diversified income	Tight credit spreads and concerns about government debt suggest a nuanced approach to yield generation. We like high-quality bonds (including securitized credit like MBS and CMBS), see attractive return potential in diversified EM sovereign bonds, and also like diversified income strategies across equities, fixed income, and structured investments.	• Securitized credit (MBS, CMBS) • Diversified fixed income strategies (with preference for quality bonds, EM sovereign) • Equity income strategies • Yield-generating structured investment strategies

MIFs	Elevator pitch	Investment ideas
Hedge market risks	Rising geopolitical and political risks against a backdrop of still-low volatility provides investors an opportunity to diversify and hedge potential market risks. Combining capital preservation strategies and structured investments can help lock in gains and maintain upside potential during periods of low volatility. We also believe quality bonds offer attractive yields and can buffer portfolios, while gold's diversification benefits remain appealing, in our view. Holding sufficient liquidity can also help investors avoid forced selling in the event of a market drawdown.	• Capital preservation strategies • Quality bonds • Gold • Build a liquidity strategy
Invest in transformational innovation	We continue to expect transformational innovation to be a key driver of equity market returns in the years ahead. We see further upside in AI-linked stocks—a core driver for our positive equity market view—albeit with market leadership likely transitioning away from the enabling layer increasingly toward applications. Investors heavily concentrated in AI enabling layer stocks should therefore consider spreading exposure. Meanwhile, the surge in data center demand is continuing to fuel investment in power and grid infrastructure. And we expect companies pioneering treatments and technologies to extend healthy lifespans (including by utilizing AI) to emerge as new market leaders.	• AI • *Power and resources* • *Longevity*
Seek opportunities in China	For those seeking diversification beyond the US and US tech, China and broader Asia present compelling opportunities, in our view. AI innovation and spending are driving growth in China's tech sector, and we expect earnings to rise significantly in 2026. This is fueling Chinese equities more broadly, supported by healthy liquidity and reasonable valuations. Expanding exposure to Asia, including India and Singapore, can help improve portfolio balance.	• 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 Emerging market USD fixed income
- Global equities
- US equities
- International developed market equities
- Emerging market equities
- Commodities
- Gold

Implementation guidance

The US economy remains robust, with the recent third revision to 3Q25 GDP growth coming in at 4.4%. While uncertainty related to US tariffs remains, the consumer and the labor market show resilience. With the benefit of forthcoming fiscal support in the form of enhanced tax rebates, inflation still under control, and markets pricing an additional cut to US policy rates this year, the macroeconomic setup is positive for risk assets early in 2026.

The attractive macro outlook reinforces our positive view toward risk assets generally and equities overall. We keep our Attractive view on global equities, US equities, international developed market equities, and emerging market equities. We expect the equity rally to broaden beyond the direct leaders of the AI infrastructure buildout and recommend investors **position for a broadening rally**. In the US, our June and December 2026 S&P 500 EPS estimates are USD 277 (+11% growth) and USD 310 (+12% growth), respectively. Correspondingly, our June and December 2026 S&P 500 price targets are 7,300 and 7,700, respectively.

Within US equities, we remain neutral on value versus growth and make one change to our sector preferences by upgrading consumer discretionary to Attractive. The sector should benefit from fiscal stimulus and from moving past peak tariff headwinds, both of which should support consumer spending. Fed rate cuts and policies to address affordability may help lead to a pickup in housing activity. Elsewhere, we maintain our Attractive view on communication services, financials, health care, utilities, and information technology. Communication services is Attractive owing 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 will remain a key driver of equity returns over the coming years. Consequently, we believe it is 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 benefiting from significant investments. We also like vertically integrated megacaps, 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. We also specifically advise **investing in transformational innovation**. Our favorite themes are AI, Power and resources, and Longevity.

We think investors should continue to **favor commodities,** which we think are set to play a more prominent role in portfolios this year. Returns should be driven by supply-demand imbalances, geopolitical risks, and long-term trends. Following the back of the strong precious metals rally recently, we recommend investors with higher levels of exposure diversify into other areas, including copper, aluminum, and agriculture.

Finally, with tight spreads and concerns around government debt—with the most recent concerns rising in Japan—we think investors should take a nuanced approach to yield generation and recommend **seeking diversified income.** We continue to like higher-quality bonds, including securitized credit like MBS and CMBS. We also see attractive return potential in diversified EM sovereign bonds.

Our preferences

	Unattractive	Neutral	Attractive
Cash		=	
Fixed Income		=	
US Gov't FI		=	
US Gov't Short		=	
US Gov't Intermediate		=	
US Gov't Long		=	
TIPS		=	
US Agency MBS			+
US CMBS			+
US Municipal		=	
US IG Corp FI		=	
US HY Corp FI		=	
Senior Loans		=	
Preferreds		=	
EM Hard Currency FI		= →	+
EM Local Currency FI		=	
Commodities			+
Gold			+
Oil		=	

	Unattractive	Neutral	Attractive
Equity			+
US Equity			+
US Large Cap		=	
Comm Services			+
Cons Discretionary		= →	+
Cons Staples		=	
Energy		=	
Financials			+
Health Care			+
Industrials		=	
Info Technology			+
Materials		=	
Real Estate		=	
Utilities			+
US Growth Equity		=	
US Value Equity		=	
US Mid Cap		=	
US Small Cap		=	
Int'l Developed Markets			+
Emerging Markets			+

Changes are based on the US asset class preferences table found in UBS House View Monthly Extended: January 2026, published on 11 December 2025.

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, 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 5-tier rating system that is found in the Equity Compass into 3 tiers. These ratings are primarily on commonly known indexes

US economic outlook

Policy impact turns real

Paul Hsiao, Asset Allocation Strategist Americas

Overview

GDP growth is tracking at 2% in 4Q, down from 3Q owing to the government shutdown. A rebound is expected in early 2026 as shutdown effects fade and fiscal policy remains supportive. While GDP remains strong, labor market data suggest gradual cooling, with low private job growth trends. We expect the Fed to cut rates at least once more, given softening labor conditions and contained inflation.

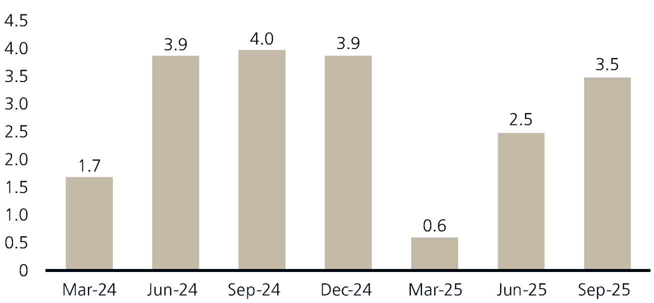
Growth

Growth ended 3Q at 4.3%, with modest increase in real income offset by household spending fueled by wealth gains. Early 2026 should see strong consumption owing to elevated tax refunds and lower tax withholding from the OBBBA. Business investment remains robust, led by AI-related equipment and data center structure spending, with favorable tax policy continuing to support capex this year. Faster-than-expected adoption of AI could boost 2026 productivity, leading to an upside in activity.

Figure 1

Consumption has recently accelerated, aided by wealth gains

q/q SAAR, %

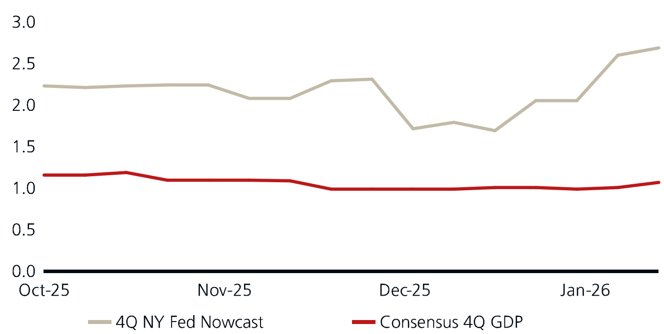


Source: Bloomberg, UBS as of 21 January 2026

Figure 2

Nowcasts shows solid underlying activity; shutdown weighing on GDP consensus

q/q SAAR, %



Source: Bloomberg, UBS as of 21 January 2026

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

Read the report ›

Inflation

Recent inflation figures have moderated, with shutdown-related distortions contributing to the decline in annual core CPI to 2.6% as of December. Core goods prices were stable in the most recent report; however, tariffs are anticipated to place continued upward pressure on inflation through the first half of 2026. Uncertainty regarding tariff policy remains, particularly considering an upcoming Supreme Court ruling that may influence the legal basis for IEEPA tariffs. We expect slowing in services inflation owing primarily to reduced rent growth. Nonetheless, upside risk to inflation remains, resulting from possible second round effects of earlier tariff measures.

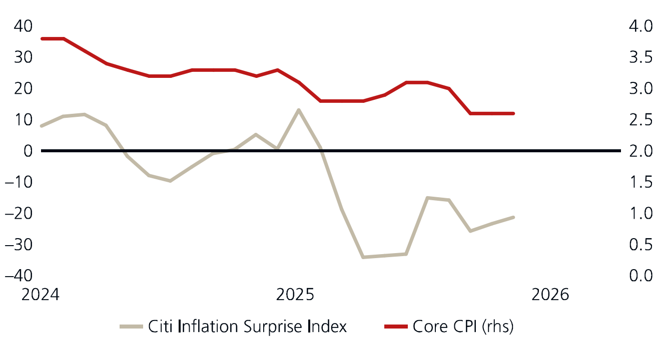
Policy

We expect the Fed to cut rates once more in 1Q, with further cuts possible in 2026 owing to persistent labor market concerns and inflation near target after excluding tariff effects. After the December FOMC indicated a higher bar for more cuts, markets now anticipate the next full cut in the summer and a total of 1.8 cuts by year-end, to 3.18%. The makeup of the 2026 FOMC and particularly the nomination of Chair Powell's successor (expected soon) remain important to policy direction. The arguments in the Governor Lisa Cook case were heard on January 21, and the outcome affects the extent of how fast the White House could reshape the Federal Reserve Board. In January, the Fed began a reserve management purchase (RMP) program to prevent reserve scarcity, and no major balance sheet changes are expected this year.

Figure 3

Federal Reserve expected to continue lowering rates

Mid-point of FOMC policy rate range



Source: Bloomberg, UBS as of 21 January 2026

Figure 4

Federal Reserve expected to continue lowering rates

Real PCE, 3-month annualized change, %

Source: Bloomberg, UBS as of 21 January 2026

Equities

Global equities continue to grind higher, albeit at a slower pace. Performance has broadened, with cyclical regions and sectors sharply outperforming recently. Structural trends, which we seek to capture through our TRIOs, should continue to provide strong support. In addition, our confidence in a cyclical recovery is intact, driven by easing tariff headwinds, anticipated Fed rate cuts, and increasingly supportive fiscal policies. Against this backdrop, we recommend a diversified allocation across regions and sectors. We anticipate close to 12% EPS growth for MSCI AC World next year.

Eurozone

ATTRACTIVE

EURO STOXX 50 (index points, current: 5,883)	December 2026 target
House view	**6,600**
↗ Positive scenario	7,100
↘ Negative scenario	4,400

Note: All current values as of 22 January 2026

We remain Attractive on Eurozone equities. We see further upside, supported by an improving cyclical outlook, a more favorable structural backdrop, and reasonable valuations. We expect earnings to be the primary driver of equity returns, and forecast earnings to accelerate 7% in 2026. We continue to like the European industrials, IT, and utilities sectors as beneficiaries of global secular changes. We expect the banks and Germany to benefit from the improving cyclical outlook and the German fiscal stimulus, and continue to like real estate as a lagged beneficiary of the past ECB rate cuts.

Emerging markets

ATTRACTIVE

MSCI EM (index points, current: 1,480)	December 2026 target
House view	**1,640**
↗ Positive scenario	1,720
↘ Negative scenario	1,120

Note: All current values as of 22 January 2026

We rate Emerging Markets equities as 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. Our preferred markets are China tech, China, India, Brazil, and Indonesia, reflecting secular growth opportunities, robust liquidity, and compelling domestic drivers across the region. We revise up our MSCI EM index forecast to 1,640 by December 2026.

Japan

ATTRACTIVE

TOPIX (index points, current: 3,590)	December 2026 target
House view	**3,800**
↗ Positive scenario	4,200
↘ Negative scenario	2,300

Note: All current values as of 22 January 2026

We rate Japanese equities as Attractive. After a strong year-to-date rally, some profit-taking may emerge ahead of the 8 February snap election, but we forecast further upside over the medium term if the LDP is able to secure a single party majority, as expected. Our Attractive view is supported by multiple catalysts, particularly in the first half of the year, beyond the election itself. We prefer sectors benefiting from domestic policy (IT service, defense, banks, real estate), as well as those tied to global themes, including power, data centers, automation, and select autos.

UK

NEUTRAL

FTSE 100 (index points, current: 10,138)	December 2026 target
House view	**10,500**
↗ Positive scenario	11,300
↘ Negative scenario	7,200

Note: All current values as of 22 January 2026

We remain Neutral on UK equities, which are supported by reasonable valuations, supportive global policy, and an improving earnings outlook. Within the wider region, we favor more economically sensitive markets over the UK. We see an improving outlook for profits, and forecast 5% earnings growth in 2026. We favor structural and cyclical beneficiaries in the region, including the banking, industrials, IT, real estate, and utilities sectors as beneficiaries of a combination of global secular changes, an improving cyclical outlook, and supportive policy.

US equities

We maintain our Attractive view on US equities. We believe the backdrop remains favorable, driven by resilient economic growth, supportive Federal Reserve policy, and AI investment and adoption.

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

With a flurry of White House policy proposals and a number of geopolitical events, 2026 is off to an eventful start. However, our views on the US stock market have not changed. We believe the main drivers of the bull market remain in place: (1) resilient economic growth; (2) a supportive Federal Reserve; and (3) AI investment and adoption. Additionally, the fourth quarter earnings season results will likely support our view for continued durable earnings growth and for broadening trends to remain intact. As a result, market breadth looks poised to improve compared to the very low levels of the past three years.

US equities – sectors

This month, we upgraded consumer discretionary from Neutral to Attractive. Incoming fiscal stimulus will likely continue to support consumer spending, and a possible pickup in housing activity should provide incremental support for the sector. Within financials, increasing capital markets activity and M&A, as well as improving net interest income, should support strong earnings growth. AI remains a key driver 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 there is upside from AI power demand.

US equities – size

We have a neutral view across size segments. In recent months, the relative performance of small caps versus large caps has been closely tied to the outlook for Federal Reserve rate cuts. But with the Fed likely to deliver only one rate cut in 2026, we believe the tailwinds for small caps may become less pronounced. Valuations for small caps remain at a steep discount to large caps, setting up for potentially more attractive relative returns over a long-term time horizon.

US equities – style

We have a neutral view on growth and value stocks. Value is outperforming growth to kick off the year, as Fed rate cuts, resilient economic growth, incoming fiscal stimulus, and broadening earnings growth have been key tailwinds. High exposure to financials and our preferred defensive sectors are also supportive. On the other hand, growth companies have delivered impressive earnings growth that we believe is poised to continue. AI and other secular drivers are likely to remain the primary tailwinds.

S&P 500 (index points, current: 6,913)	December 2026 target
House view	**7,700**
↗ Upside	8,400
↘ Downside	4,500

Note: All current values as of 22 January 2026

Figure 1

Upgraded consumer discretionary to Attractive

S&P 500 sector preferences

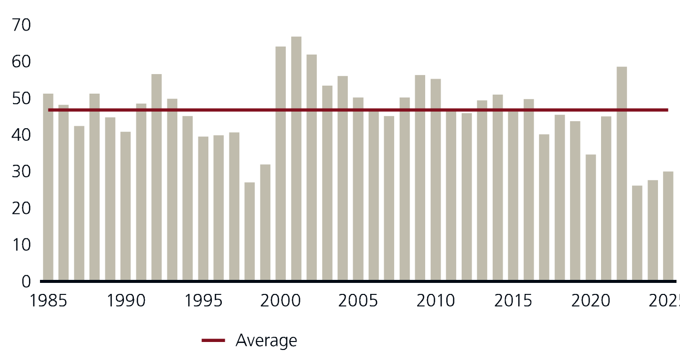
	Unattractive	Neutral	Attractive
US equities			
Communication services			+
Consumer discretionary			→ +
Consumer staples		=	
Energy		=	
Financials			+
Health care			+
Industrials		=	
Information technology			+
Materials		=	
Real estate		=	
Utilities			+

Changes are based on the US asset class preferences table found in UBS House View Monthly Extended: January 2026, published on 11 December 2025.
Note: S&P 500 sector preferences
Source: UBS, as of 22 January 2026

Figure 2

Market breadth was narrow once again

Percentage of S&P 500 companies that outperformed the index, in %



Source: FactSet, UBS, as of 31 December 2025

Bonds

With growth stronger than anticipated, the market is now pricing in less than two cuts in 2026, starting in July. We anticipate a range-bound nominal yield environment, with 10-year yields likely to spend most of 2026 between 4.0% and 4.5%. We would lean slightly short duration at the lower end of this range, adding interest rate risk around the 4.4% level and reducing it near 3.75%. We continue to prefer securitized products over corporate credit.

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: 4.2%)	December 2026 target
House view	**3.8%**

Note: All current values as of 22 January 2026

The 10-year yield broke out of its multi-month range of 4.0-4.2%. Geopolitical risks, the supreme court ruling, and upcoming economic data should be a tailwind to higher volatility in the near term. We remain bearish in the short term but look for yields to reach 3.75% in the first half of this year.

US investment grade corporate bonds

NEUTRAL

US IG SPREAD (current: 77bps)	December 2026 target
House view	**90bps**
↗ Positive scenario	60bps
↘ Negative scenario	180bps

Benchmark: ICE BofA
Note: All current values as of 22 January 2026

We hold a Neutral allocation in investment grade (IG) corporates versus agency MBS and CMBS. Nonetheless, IG remains supported by attractive absolute yields averaging 4.8%, well above the 10-year average. While IG spreads are at historical tights and may widen, any move is likely to be limited. Supportive factors—including low recession risk, a dovish Fed, strong investor demand, and solid credit quality—should continue to underpin the market, in our view.

Emerging market bonds

ATTRACTIVE*

EMBIG DIV. / CEMBI DIV. SPREAD (current: 249bps/225bps)	December 2026 target
House view	**280bps/250bps**
↗ Positive scenario	230bps/190bps
↘ Negative scenario	500bps/450bps

Note: All current values as of 22 January 2026

We upgrade emerging market credit to Attractive*. The asset class has benefited from resilient global growth and strong demand for commodities, and it is increasingly recognized as a key diversifier. We expect rangebound-to-slightly-wider spreads over the investment horizon, resulting in high-single-digit return estimates by year-end. Key risks include U.S. policy uncertainty, inflation concerns, weaker oil prices, and potential for escalation in trade and/or geopolitical tensions.

*We hold an Attractive view on EM Hard Currency bonds and a Neutral view on EM Local Currency bonds.

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

US high yield corporate bonds

NEUTRAL

USD HY SPREAD (current: 269bps)	December 2026 target
House view	**320bps**
↗ Positive scenario	270bps
↘ Negative scenario	650bps

Benchmark: ICE BofA
Note: All current values as of 22 January 2026

We have a Neutral view. HY was a strong performer, returning 8.5% in 2025. We expect mid-single-digit returns this year, with gains mostly from carry. We have reduced our spread target from 350bps to 320bps, as we expect a milder economic slowdown. Fundamentally, credit metrics are strong and par default rates remain stable at 1.2%. CIO forecasts default rates to remain below average, at around 2% in the next 12 months. Although credit spreads in HY are currently tight, the 6.6% yield remains attractive.

Municipal bonds

NEUTRAL

We have a Neutral view. Munis started 2026 on a strong note, outperforming most other US fixed income assets, driven by strong technicals and inflows. Five-year and 10-year muni-Treasury ratios have richened. Rising Treasury yields and supply may put some pressure on muni yields. The tax-equivalent index yield of 6% is attractive. Credit fundamentals remain strong, but rating upgrades are past peak momentum. We prefer larger, higher-quality issuers.

Non-US developed fixed income

NEUTRAL

Non-US development market yields largely rose across regions from a combination of tighter policy expectations in a few regions (e.g., ECB) and a more uncertain Japanese fiscal outlook. The ECB left the rates on hold, and policy repricing contributed to German yields rising to near yearly highs. In recent weeks, Japanese long bond yields have risen to multi-decade highs following expectations of more active fiscal policy. Despite rising yields, US bonds still offer higher yields than most developed markets, and as a result we do not recommend a strategic asset allocation position in the asset class.

Additional US taxable fixed income (TFI) segments

Agency bonds

We expect agency supply to increase over the next several months; strong demand will likely keep spreads tight. We prefer agency MBS to agency debt given the higher yield.

The current spread is +8bps (versus +13bps last month)

Mortgage-backed securities (MBS)

ATTRACTIVE

We maintain an Attractive view on agency MBS and an Attractive view on high quality CMBS. Agency MBS has outperformed with the recent GSE buy program announcement. Current coupon yields versus IG corporates have moved from +60bps in the summer to +4bps currently. We maintain an Attractive view, as the market trends to our positive scenario outlook and we look for a limit to widening spreads. With high-quality CMBS at 112bps and a 4.90% yield, we continue to recommend securitized product in a balanced portfolio.

AGENCY MBS SPREAD (current: 93bps)	December 2026 target 85bps
House view	**100bps**
↗ Positive scenario	80bps
↘ Negative scenario	160bps

Note: All current values as of 21 January 2026

Preferred securities

NEUTRAL

The preferred securities sector ended 2025 with somewhat improved valuation as performance weakened into year-end. But a strong rebound in the early weeks of the new year has led to less attractive relative value, especially in the face of rising Treasury rates. Subsequently, the sector may be vulnerable to a pullback over concerns related to geopolitics or monetary, fiscal, and trade policy. Still, the broader trend should remain positive given robust yield demand and the lack of competitive yield alternatives. While we expect somewhat volatile monthly performance, we look for any pullback in the weeks ahead to become more tactically bullish.

Treasury Inflation-Protected Securities (TIPS)

NEUTRAL

Long-end, 10-year breakeven inflation (BEI) has remained anchored at 2.20-2.30, as fear of tariff-driven inflation subsides and CPI owners' equivalent rent declines. While the short end remains correlated to changes in oil prices, we find value in longer-end TIPS but wait for a better entry point, as we look for real yields to rise over the near term.

US 10-YEAR REAL YIELD (current: 1.9%)	December 2026 target
House view	**1.60%**
↗ Positive scenario	0.75%
↘ Negative scenario	2.30%

Note: All current values as of 21 January 2026

Figure 1

UBS CIO interest rate forecast

In %

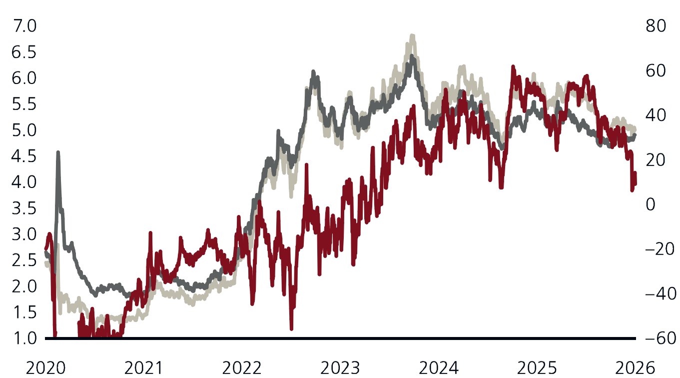
UST	Current	Mar-26	Jun-26	Sep-26	Dec-26
2-year	3.6	3.3	3.3	3.3	3.3
5-year	3.8	3.5	3.5	3.3	3.3
10-year	4.2	4.0	3.8	3.8	3.8
30-year	4.9	4.5	4.5	4.5	4.5

Source: Bloomberg, UBS, as of 22 January 2026

Figure 2

MBS boosted by Trump's USD 200bn mortgage purchase directive

Yields, left, in %, and spread, right, in bps



Source: Bloomberg, UBS, as of 21 January 2026

Commodities

Commodity prices are projected to rise in the high single digits during 2026, driven by all sectors. Energy and agriculture lead the forward-looking return outlook. Our optimism about the asset class is primarily influenced by structural factors, while risks tied to cyclical growth appear more evenly distributed. Gold, copper, sugar, soybean oil, and live cattle stand out among individual commodities. Rising prices benefit yield-focused strategies and help to diversify portfolio returns.

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

ATTRACTIVE

GOLD (current: USD 4,832/oz) — December 2026 target

ATTRACTIVE

House view	USD 4,800/oz
Positive scenario	USD 4,200
Negative scenario	USD 5,400

Note: All current values as of 21 January 2026. Gold is considered a safe-haven asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.

BRENT (current: USD 65.24/bbl) — December 2026 target

NEUTRAL

House view	USD 67/bbl

Note: All current values as of 21 January 2026

Precious metals

Since supplies are difficult to ramp up, demand factors will take center stage. Lower US interest rates (both real and nominal), a weaker US dollar in the first half of the year and continued fiscal deficits in major economies should sustain demand. Still, after significant price increases, further gains may be limited unless there are major shocks to economic policy or interest rates. We predict gold at USD 5,000/oz during the first half of 2026.

Base metals

Limited growth in copper and aluminum supply is likely to persist in 2026, which should boost prices due to ongoing market shortages. Our projected copper price for December 2026 is USD 14,000/mt, driven by both short-term and long-term demand trends. For commodities like zinc, where supply can better adjust, we foresee prices dropping.

Agriculture

Grains and soft commodities faced challenges in 2025, ending the year down by around 5% and 8%, respectively. The January USDA report showed a continuing grain surplus, with corn prices falling most due to higher-than-expected yields and harvested area. Cocoa performed worst among softs, and faces ongoing pressure from weaker demand. Outside this, weather-related uncertainties remain elevated in 2026 as the ENSO patterns swing from La Niña to El Niño.

Crude oil

While the oil market is currently well supplied, in line with seasonal patterns, the balance should tighten as we move into the second half of the year as growth in non-OPEC+ production levels off. With global economic conditions stable and oil demand rising, OPEC+ will likely regain influence over pricing. We expect Brent crude oil to reach USD 67 per barrel by the end of 2026.

Foreign exchange

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

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

The dollar depreciated sharply in early 2025 after a decline in US exceptionalism premiums, but strong GDP growth and positive data surprises have slowed further declines. Fed guidance has reduced expectations for quick rate cuts, while European data have been surprising positively but not enough to lift the euro significantly. We believe further Fed easing and ongoing US twin deficits will weaken the US dollar's valuation. Geopolitical risks may push investors to diversify away from the dollar, reducing foreign investors' overweight allocation to USD assets. The elevated likelihood of substantial Fed personnel changes raises the chance of a dollar-negative US easing cycle.

FX strategy

	Unattractive	Neutral	Attractive
USD	−		
EUR			+
JPY		=	
GBP		=	
CHF		=	
AUD			+
CNY		= →	+
EM carry*			+

Changes are based on the US asset class preferences table found in UBS House View Monthly Extended: January 2026, published on 11 December 2025.
*Our preferred EM carry currencies are MXN, BRL, ZAR and INR

FX forecasts

	Current	Dec-25	Mar-26	Jun-26	Sep-26
EURUSD	1.17	1.20	1.20	1.20	1.20
USDJPY	158	155	152	150	148
GBPUSD	1.35	1.36	1.36	1.36	1.35
USDCHF	0.80	0.78	0.79	0.79	0.79
USDCAD	1.39	1.37	1.36	1.35	1.35
AUDUSD	0.67	0.68	0.70	0.70	0.70
NZDUSD	0.58	0.57	0.58	0.59	0.59
USDSEK	9.18	9.00	8.92	8.83	8.75
USDNOK	10.04	9.58	9.50	9.42	9.33

Sources: SIX Financial Information, UBS, as of 22 January 2026

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

Cautionary statement regarding forward-looking statements

This report contains statements that constitute "forward-looking statements," including but not limited to statements relating to the current and expected state of the securities market and capital market assumptions. While these forward-looking statements represent our judgments and future expectations concerning the matters discussed in this document, a number of risks, uncertainties, changes in the market, and other important factors could cause actual developments and results to differ materially from our expectations. These factors include, but are not limited to (1) the extent and nature of future developments in the US market and in other market segments; (2) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates, whether or not arising directly or indirectly from the current market crisis; (3) the impact of these developments on other markets and asset classes. UBS is not under any obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Explanations about asset classes

Our preferences represent the longer-term allocation of assets that is deemed suitable for a particular investor and were developed and approved by the US Investment Strategy Committee. Our preferences are provided for illustrative purposes only and will differ among investors according to their individual circumstances, risk tolerance, return objectives and time horizon. Therefore, our preferences in this publication may not be suitable for all investors or investment goals and should not be used as the sole basis of any investment decision. Minimum net worth requirements may apply to allocations to non-traditional assets. As always, please consult your UBS Financial Advisor to see how our preferences should be applied or modified according to your individual profile and investment goals.

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

Statement of risk

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

Fixed income: Bond market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables. Corporate bonds are subject to a number of risks, including credit risk, interest rate risk, liquidity risk, and event risk. Though historical default rates are low on investment grade corporate bonds, perceived adverse changes in the credit quality of an issuer may negatively affect the market value of securities. As interest rates rise, the value of a fixed coupon security will likely decline. Bonds are subject to market value fluctuations, given changes in the level of risk-free interest rates. Not all bonds can be sold quickly or easily on the open market. Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning any securities referenced in this report.

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
Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, 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.

Private Credit: There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial 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.

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 and commonly known indices, 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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