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2 February 2026, 13:23 UTC
Chief Investment Office GWM
Investment Research

What to watch in the week ahead

Weekly Global

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- The price of gold fell 9% on Friday, its largest one-day decline since 2013, after President Trump nominated Kevin Warsh as the next chair of the Federal Reserve. The market's perception that Warsh may be less dovish than several alternative choices eased concerns over the long-term value of the dollar, which had been supporting gold. Can the precious metal rebound this week?
- The Fed struck a more optimistic tone on the US labor market last week, reducing the urgency of lowering rates. Will this more upbeat view of employment conditions be supported by this week's official jobs report for January?
- The earnings season is well under way, with many of the top US tech companies having already reported results. This week, a further 20% of the S&P 500 by market cap will unveil results. Will this support the equity rally and market confidence over the outlook for AI?

How will markets react to Trump's Fed nominee and US data?

The big news for markets last week was the nomination of Kevin Warsh as the next chair of the Federal Reserve. The announcement of President Trump's choice contributed to a 9% fall in the gold price on Friday, the largest single-day decline since 2013, with investors viewing Warsh as less dovish than several alternative candidates. Although Warsh has spoken in favor of lower rates, he has also called for a reduction in the size of the Fed's balance sheet. As a result, his nomination appears to have reduced investor worries over the long-term value of the US dollar, which had been adding to demand for precious metals. Gold came under further pressure on Monday.

A key question this week will be whether gold can regain its poise or rebound. US economic data will also be in focus, with the release of the jobs report for January. That follows indications from the Fed at its policy meeting last week that labor market conditions show "some signs of stabilizing" after an extended period of deterioration. This stabilization should allow the Fed to be more patient in cutting rates over the coming months. This week's jobs data could help investors evaluate how long any potential hiatus in rate cuts will be. Economists are expecting the latest employment report to support the Fed's more relaxed view, with job creation of 70,000, up from 50,000 in the prior month. The unemployment rate is expected to hold steady at 4.4%.

Our view is that, despite the recent volatility, positive drivers remain in place for both gold and equities. On gold, we believe several factors added to

Learn more about the outlook for Fed policy

- Kevin Warsh was nominated to become the next Fed chair. We think this news is meaningful, but not transformative for the near-term outlook. Find out why in this blog.
- For a deeper dive into what we expect out of the Fed this year, read this US economy report.
- Discover what we think Fed policy means for investors in this UBS House View Briefcase.

Dig deeper into CIO's take on equities

- Listen to the latest "Signal over Noise" podcast with Ulrike Hoffmann-Burchardi, CIO Americas and Head of Global Equities.
- To put the Fed and earnings news into context, check out this blog from the CIO equities team.
- The latest edition of CIO's *250 years of US innovation* series focuses on the assembly line and how lessons from another era can inform us about the present.

Look here for more CIO views on currencies

- Traditionally, a weaker currency heralds consumer price inflation, but modern trading behavior has weakened that relationship. Discover more in this blog by GWM Chief Economist Paul Donovan.

the speed of the decline alongside the Fed nomination, including profit taking after recent gains. We believe the main drivers of the gold rally remain intact, including strong central bank demand and lower real interest rates. As a result, we view the recent correction as a bout of volatility in a structural uptrend, rather than suggesting the end of the bull market. On equities, we also remain positive. Our expectation is that the Fed has not yet finished easing, adding to a benign backdrop for global stocks.

Can the US dollar regain solid footing?

The other major market impact from the selection of Warsh to head the Fed was on currency markets, where the news contributed to a rebound in the US dollar after a recent swift fall. The DXY, which tracks the US currency against six major peers, has recovered around 1% from its low point last week, at the time of writing.

Investors will now be looking to see if the US currency can build on this momentum. Even after the bounce late last week and on Monday, the DXY index is still down around 1.3% so far this year. That was following a 9.4% fall last year, its worst annual performance since 2017. At its low point last week, the US currency reached its weakest level since February 2022.

One factor influencing the currency will be developments in US economic data, including the payrolls report. A strong reading could cause markets to further pare back expectations for Fed easing, helping the US currency. Official comments could also continue to sway the currency in the short term, especially after President Trump appeared last week to endorse the recent decline in the dollar. Investors will also be on the alert for any intervention from Japanese authorities to support the yen.

We maintain our Unattractive view on the US dollar, as we expect the Fed to cut rates further and the headwinds from the twin (fiscal and current-account) deficits to persist. With the greenback also losing some of its perceived "safe haven" characteristics in recent geopolitical flare-ups, we believe investors should try to reduce the risk that currency swings undermine their financial goals and consider the benefits of diversification.

Will the rest of the earnings season support the equity rally?

The bulk of the "Magnificent 7" companies—including Apple, Meta, Microsoft, and Tesla—unveiled their quarterly results last week. While there were various company-specific developments, the flurry of tech results underlined our view that capital spending on AI remains robust and progress toward monetizing AI has been encouraging. Overall, these developments reinforce our confidence that AI will remain a key driver for equity performance, and we see beneficiaries broadening into the intelligence and application layers.

This week is also significant in the results season, with about 20% of the S&P 500 by market capitalization reporting. Amazon and Alphabet will be the highlights, leaving only NVIDIA to report among the top technology firms.

We believe the leadership of the AI trade will continue to broaden, from semiconductor firms in the enabling layer that have led the rally in recent years toward companies in the application layer selling AI solutions to consumers and businesses.

- Learn more about recent developments in Japan and their implications for markets in JPY and JGBs: Facts versus fears.
- Dive into this UBS House View Brefcase, where we ask: What should I do with my US dollar exposure?

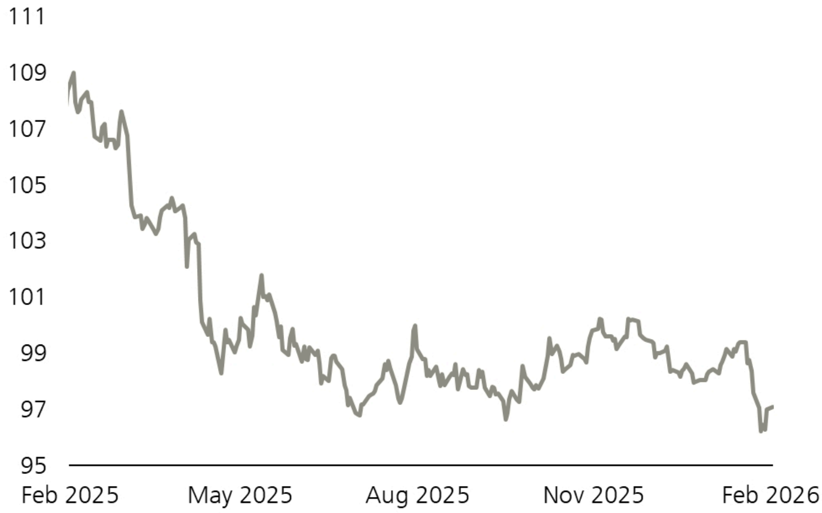
In addition, we believe US consumer discretionary stocks are likely to benefit from an environment of growing wages, tailwinds from the One Big Beautiful Bill Act, and potential policy actions to support lower- and middle-income groups linked to the “affordability” agenda. We recently upgraded the sector to Attractive.

Chart of the week

The US dollar has seen some volatility in recent weeks. We maintain our Unattractive view on the US dollar, as we expect the Fed to cut rates further and the headwinds from the twin deficits to persist. With the greenback also losing some of its perceived “safe haven” characteristics in recent geopolitical flare-ups, we believe investors should try to reduce the risk that currency swings undermine their financial goals and consider the benefits of diversification. Tactically, we believe there is upside for the Chinese yuan, Australian dollar, and Norwegian krone against the US dollar, and favor holding a basket of emerging-market carry currencies.

Investors should try to align the currency of their portfolio with the currencies of their spending patterns and liabilities

DXY index



Bloomberg, UBS, as of 2 February 2026

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- 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.
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- Private Equity: There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
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Most attractive – We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
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.
Least attractive – We consider this asset class to be among the least attractive. Seek more favorable alternative opportunities.

Appendix

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