UBS

10 February 2026, 10:25 UTC
Chief Investment Office GWM
Investment Research

Downgrading US information technology

UBS House View - Daily US

Ulrike Hoffmann-Burchardi, Chief Investment Officer Americas and Global Head of Equities, UBS Financial Services Inc. (UBS FS)
Mark Haefele, Global Wealth Management Chief Investment Officer, UBS Switzerland AG
David Lefkowitz, CFA, CIO Head of US Equities, UBS Financial Services Inc. (UBS FS)
Nadia Lovell, Head of Global Equity Strategy & Management, UBS Financial Services Inc. (UBS FS)
Kiran Ganesh, Strategist, UBS Switzerland AG
Vincent Heaney, Strategist, UBS AG London Branch

From the studio

Podcast: **Signal over Noise with Ulrike Hoffmann-Burchardi** (8 mins)
Video: **The AI Show | Correction in the software industry and how to position next** (5 mins)
Video: **Deep Dive | US Financials: Earnings and the deregulation tailwind for 2026** (6 mins)
Video: **UBS Explains | Warsh nominated as Fed Chair, what's next?** (4 mins)

Thought of the day

What happened?

Tech stocks continued to recover on Monday after a week of mixed investor reactions to higher AI capex spending as well as fears that advances in AI would disrupt the software sector. The main worry has been that an upgrade to coding tools by Anthropic—a private company that offers the Claude chatbot—could disrupt the business models of some software firms. A second major theme was a more selective approach to tech stocks, with investors looking for strong earnings and monetization potential to justify heavy AI capital spending. Finally, there was also a rotation away from tech toward other parts of the market.

What do we expect?

After a 6% rally in the S&P 500 information technology sector over the past two trading sessions, we downgrade the sector to Neutral from Attractive for three reasons:

A likely deceleration in hyperscaler capex growth. Based on guidance from hyperscalers, capex could reach USD 700bn this year—a more than fourfold increase over three years. This level of capex will consume almost 100% of hyperscalers' cash flow from operations compared with a 10-year average of 40%. Investor concerns about the sustainability of capex growth could be an overhang, and we note that spending is now increasingly being funded by external debt or equity financing.

In our view, capex growth is likely to moderate from these levels, which could improve investor perceptions of those doing the spending, but is a potential negative for some companies in the enabling layer. Depending on the speed of progress in monetization, we continue to expect higher levels of capex over the longer term to support growth of agentic and physical AI,

What to watch: 11 February

- US January jobs report
- China January CPI and PPI
- Results from Cisco Systems, McDonald's, Siemens Energy, and others

This report has been prepared by UBS Financial Services Inc. (UBS FS), UBS Switzerland AG, UBS AG London Branch.
Please see important disclaimers and disclosures at the end of the document.

to the benefit of companies in both the enabling and application layers.

Software uncertainty could linger. AI could have a meaningful impact on the software industry, making it easier for competitors to encroach on incumbent software providers. The threat of increased competition makes it difficult for investors to have conviction in the growth rate and profitability of firms in the software industry, and we believe uncertainty about the outlook could linger for some time.

At the same time, the disruption in software could be seen as a validation of the monetization potential for AI, which ultimately should benefit both the intelligence and application layers. More recently, the sell-off in software has also been relatively swift and broad, meaning that some individual stocks that have suffered recently may ultimately offer appealing longer-term value.

Tech hardware valuations look full. Tech hardware is the final segment of the IT sector and is heavily dominated by smartphone manufacturers. This segment has been performing well due to the recent strong growth in smartphone units, which seems to be partly driven by an aging installed base of phones. However, current tech hardware valuations appear full, with a 12-month forward price-to-earnings ratio of 27.7x compared with a 10-year average of 20x and five-year average of 24x. There is also potential for smartphone growth to cool as replacement demand is satisfied.

How do we invest?
We recommend that investors maintain strategic exposure to broad technology, AI, and the US market as a whole.

Moving the US IT sector to Neutral is also not a negative view on technology as a whole, and it is important to recognize that there is more to the AI opportunity than this sector. The S&P 500 IT sector comprises only 24% of our *AI* Transformational Investment Opportunity (TRIO), and we retain our Attractive view on AI.

The US economy is also benefiting from both fiscal and monetary stimulus. We expect a further two rate cuts of 25bps from the Federal Reserve this year, and financial conditions are already loose. Solid economic growth, in part supported by productivity gains, is fueling corporate earnings, which we believe are on track to grow 14% in the ongoing fourth-quarter earnings season. We expect 12% earnings growth for full-year 2026. We maintain our June 2026 and December 2026 S&P 500 price targets of 7,300 and 7,700, respectively.

Nevertheless, we do think investors should review current exposures to US technology or diversify exposures that are above benchmark levels. For reference, MSCI USA IT comprises 21% of the MSCI AC World index. In light of rising competitive risks, investors should also review concentrated exposures to individual software firms, particularly those "pure-play" companies that do not have diversified business models.

To navigate potential risks and to benefit from what we expect to be a broadening market rally, we think investors with excess exposure to US IT should consider diversifying toward other preferred areas of the market, including banks, health care, utilities, communication services, and consumer discretionary.

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 innovative new therapies. Longer term, both sectors are also well positioned to deploy AI to improve efficiency and business outcomes, in our view. Meanwhile, the utilities sector should continue to benefit from increased power demand.

Caught our attention

AI capex wave fuels record US bond issuance. Google parent Alphabet reportedly launched a USD 20bn bond offering on Monday, increased from USD 15bn after drawing more than USD 100bn in orders, and kickstarting a major multi-currency funding push to support rising AI investments. The firm is also lining up banks for a rare 100-year "century bond" as part of its debut sterling issuance this week, according to the Financial Times, and preparing a Swiss franc bond sale as well. This follows Oracle's USD 25bn deal on 2 February, which also drew significant demand. Big tech firms are increasingly tapping the bond market to fund their growing AI infrastructure buildout plans.

Our view: As discussed in the *Thought of the day* above, heavy AI capex has important implications for tech sector margins and cash flow. For credit investors, the wave of new AI-linked supply appears manageable for now. Without taking any single company views, we continue to see strong global demand for quality issuers, with yields still attractive and corporate fundamentals solid. We continue to favor US investment grade bonds, especially medium-duration ones, given yields above cash rates and lower rate volatility. While spreads may widen modestly on rising issuance, we expect total returns to be supported by carry and falling rates.

Market update

10 Feb 2026

Percent change. For volatility indices, net change in points. For valuation, change in price to earnings per share. For yields, net change in bps

	Current (*)	1D	5D	1M	YTD
VIX Index	17.5	+0	-0	+3	+3
S&P 500	6965	+0.5%	-0.2%	-0.0%	+1.7%
S&P 500 trailing P/E (**)	24.5x		-0.8x	-0.9x	-0.8x
S&P 500 forward P/E (**)	21.5x		-0.7x	-0.6x	-0.5x
S&P 500 forward P/E ex-Mag 7 (**)	19.6x		-0.4x	-0.4x	-0.1x
Russell 2000	2689	+0.7%	+1.8%	+2.5%	+8.3%
Euro Stoxx 600	621	-0.0%	+0.5%	+1.9%	+4.9%
Shanghai Composite	4128	+0.1%	+1.5%	+0.2%	+4.0%
Nikkei 225	57651	+2.3%	+5.4%	+11.0%	+14.5%
US 10-year Treasury	4.18	-2	-8	+2	+2
US 2-year Treasury	3.47	-1	-9	-6	+0
Germany's 10-year Bund	2.82	-2	-7	-4	-3
Germany's 2-year Bund	2.07	-1	-5	-4	-5
EURUSD	1.191	-0.1%	+0.7%	+2.1%	+1.4%
EURCHF	0.91	-0.0%	+0.4%	+1.9%	+1.9%
USDCHF	0.77	+0.1%	-1.1%	-3.8%	-3.2%
USDJPY	156	-0.2%	-0.1%	-1.7%	-0.8%
US dollar index	97	+0.1%	-0.6%	-2.3%	-1.4%
Brent crude, USD/bbl	69	-0.2%	+2.4%	+8.8%	+13.3%
Gold, USD/oz	5051	+2.0%	+9.3%	+12.2%	+16.4%

(*) or last close if not available, (**) weekly update

Source: Bloomberg, Factset, UBS

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.

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 a five-tier rating system with two additional preferences
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

Risk information
UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.
The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.
Generic investment research – Risk information:
This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. UBS may utilize artificial intelligence tools ("AI Tools") in the preparation of this document. Notwithstanding any such use of AI Tools, this document has undergone human review.
In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on

the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.

Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it.

The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.

Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.

This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.

USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS (Brasil) Corretora de Valores S.A., UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule**.

For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.

Additional Disclaimer relevant to Credit Suisse Wealth Management

You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website . In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your

Relationship Manager.
Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
Version A/2026. CIO82652744
© UBS 2026. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.