

# UBS House View

Investment Strategy Guide:

Navigating uncertainty, staying resilient

April 2026 | Chief Investment Office GWM | Investment research



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## April

### CIO Monthly Livestream

2 April 2026 1:00 p.m. ET

- [Join the event at ubs.com/ciolive](https://ubs.com/ciolive)
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# Dear reader

Markets are navigating a turbulent environment shaped by geopolitical tensions, rapid shifts in artificial intelligence, and ongoing credit market concerns.

With no clear resolution to the US-Iran conflict in sight, concerns over sustained energy supply interruptions are weighing on investor sentiment. The hostilities have disrupted around 15 million barrels per day of oil flows through the Strait of Hormuz, with LNG supplies heavily constrained. If oil prices remain above USD 120/bbl for more than six months, it would have a meaningful impact on inflation and growth. However, our base case remains for eventual de-escalation and resumption of tanker flows, but crude prices are likely to stay elevated around USD 90/bbl into the end of June. On the Federal Reserve, we believe ongoing downside risks in the labor market coupled with moderating core goods inflation should allow for two more rate cuts in the second half of the year.

Despite elevated risks, US equities have been resilient. The S&P 500 is down modestly year to date, underscoring the market's ability to withstand uncertainty and maintain strength amid volatility. We favor a selective sector approach, with industrials,

consumer discretionary, and financials offering both cyclical and secular growth opportunities, while health care and utilities provide defensiveness if economic growth slows. We expect the S&P 500 to end the year higher.

While the long-term outlook for AI growth remains intact, questions about the sustainability of capital spending and the risk of software industry disruption persist. Not all players will thrive, so we advise bringing US tech allocations back in line with benchmarks and diversifying across the AI value chain and regions.

In the fixed income realm, volatility reflects inflation and debt concerns, but high-quality bonds—especially in the three- to five-year duration—offer attractive yields and diversification. We expect benchmark yields to eventually fall if the crisis abates or growth concerns intensify. In private credit, fears of AI-driven disruption in software have raised concerns. We view systemic risks as contained and maintain a neutral stance on direct lending, favoring senior, sponsor-backed exposures.

As always, we recommend consulting your UBS Financial Advisor to ensure these views are aligned with your broader financial plan.

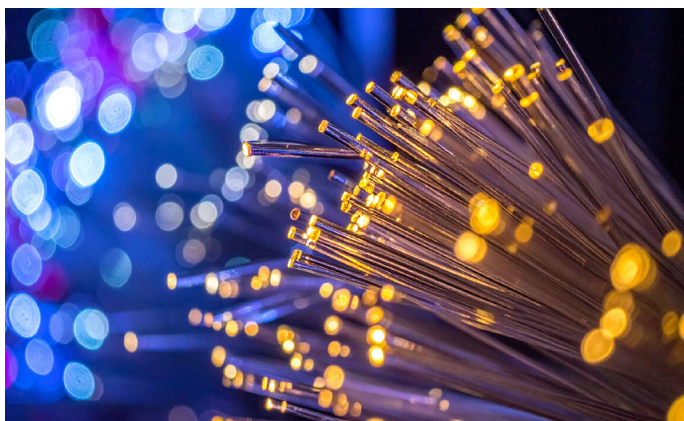


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A handwritten signature in black ink, appearing to read 'Ulrike Hoffmann-Burchardi'.

Ulrike Hoffmann-Burchardi



## 250 years of US innovation

Transformational innovation has been an engine of US economic growth since the nation's founding. A review of the past suggests many parallels to what lies ahead. Please visit [ubs.com/celebrating-us-innovation](https://ubs.com/celebrating-us-innovation) to learn more.

# Navigating uncertainty, staying resilient

## Energy shock

As the Middle East crisis continues, a potentially prolonged disruption to global energy supplies is a key risk for markets.

## Balancing risks

Despite geopolitical risks, and ongoing concerns around AI and credit markets, the economic backdrop remains broadly supportive for markets.

## How to position

Most investors should stick to their existing plan. Attempts to “market time” geopolitical events rarely work. Since January, we’ve advised diversifying, rebalancing, and hedging.

## Asset allocation

We rate equities as Attractive, and like the US, Europe, Japan, China, and broad emerging markets. We also favor quality bonds, broad commodities, and gold.



**Mark Haefele**

Global Chief Investment Officer  
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### Our views, live with Q&A

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Investors face a complex landscape. The most pressing issue is a potentially prolonged disruption to global energy supplies. But questions about the sustainability of AI capital spending and the risk of software industry disruption have not gone away. Meanwhile, volatility in bond markets reflects inflation and debt concerns.

At the same time, a military or political solution that restores oil and gas flows from the Middle East would likely see markets rebound. Fiscal stimulus should keep global economies resilient, provided we avoid a prolonged period of high energy prices. And with inflation now lower than it was at the onset of the 2022 energy price spike, we do not believe central banks will be forced into raising interest rates.

Our recommendation for long-term investors is clear: Stay invested. History shows that attempts to “market time” geopolitical events often result in failure. Our base case is that equity markets will end the year higher, and that bond yields will end the year lower. Periods of volatility can also represent attractive times for investors looking to deploy cash to “phase in.”

Nonetheless, the path by which energy flows will be restored is still unclear; Iran is still both able and willing to disrupt shipping, the potential effectiveness of a military convoy is unclear, and further strikes on energy infrastructure would pose longer-term supply risks.

In January, we said that investors should rebalance, diversify, and hedge. In a *CIO Alert* published on 9 March, we recommended building a plan for navigating the crisis the longer it lasts, using oil prices to help guide progressive portfolio derisking, should it prove necessary. So while we hold an Attractive stance on equities overall, we also emphasize regional and sectoral diversification, managing concentration risks, building allocations to quality bonds, broad commodities, gold, and alternatives, as well as making specific reductions to risk and adding hedges where appropriate.

Following our downgrades to the US information technology and US communication services sectors in February, we have reduced European financials to Neutral. We have also positioned for short-term US dollar upside, especially relative to cyclical currencies, which could be an effective hedge against the crisis lasting for longer.

While the future is uncertain and risks are elevated, by staying invested, diversifying, and hedging, we believe portfolios can navigate current challenges and capture future opportunities.

### **US-Iran conflict**

We believe investors should be cautious about assuming a swift resumption of energy flows.

President Donald Trump has stated that, while the US is “not ready to leave” the military operation in Iran yet, it would do so “in pretty much the very near future.” Nevertheless, we believe investors should be cautious about assuming a swift resumption of energy flows.

Unlike Venezuela, the US has not quickly installed a “friendly” leadership successor, and finding one is likely to be challenging. Even if the US wants to “declare victory,” Iran and maritime operators have a say in when the Strait of Hormuz will reopen. Ships may prefer to wait, especially with a US Navy escort potentially arriving soon. In the latest twist, President Trump has invited other nations, including China, to bring warships to the Strait to open the shipping lanes. Meanwhile, Israel continues to kill top Iranian leaders. Finally, we see signs of the conflict escalating with both sides targeting energy infrastructure that may take time to replace.

From here, we believe it will require a combination of military and political means to fully restore energy flows.

US Energy Secretary Chris Wright has stated that a first convoy to escort ships could be ready by the end of March. Key indicators to watch will include the size of the convoy that can be accommodated, how many shipowners and captains are willing to participate, and whether the convoy can successfully traverse the Strait undamaged.

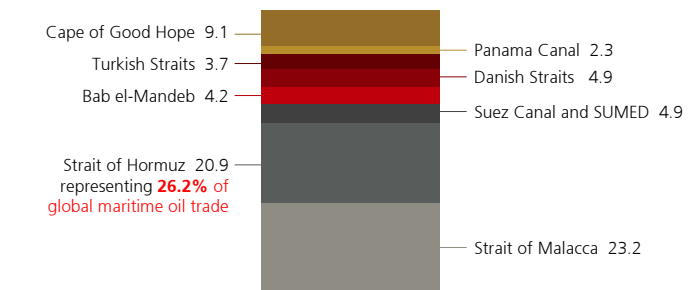
That said, we believe that escorts alone will be unable to fully restore shipping to pre-crisis levels. So, to the extent Iran retains the capability to disrupt shipping and strike energy infrastructure, a political resolution becomes key to a full restoration. A positive scenario for markets could see the US “declaring victory” while agreeing to concessions on Iranian security and sovereignty. Such a scenario would also entail military activity peaking and not broadening regionally, Israel joining a ceasefire, and only limited further damage to critical oil and gas infrastructure. Conversely, a negative scenario for markets would involve US, Israeli, or Iranian leaders remaining unwilling to compromise, and/or rising domestic instability within Iran making the situation more difficult to control.

The Strait of Hormuz is a key conduit for seaborne oil trade.

*The economic impact*

Prior to the conflict, around 20 million barrels of crude oil and refined products passed through the Strait of Hormuz each day, according to the US Energy Information Administration. While Iran is still exporting some oil, and alternative routes such as the Saudi Arabian and UAE pipelines are being used to bypass the Strait, we estimate that around 15 million barrels per day are currently disrupted. LNG supplies are also heavily constrained: Qatari LNG—which accounts for about 20% of global supply and is primarily exported to South Asia—is currently fully disrupted. While some alternative fuel sources may be utilized (e.g., other LNG, coal), this still leaves a significant shortfall, meaning that the balance must be achieved through demand destruction.

Figure 1  
The Strait of Hormuz is a key chokepoint for the global oil trade  
Volume of crude oil and petroleum liquids transported through select global chokepoints in the first half of 2025, in million barrels per day



Sources: Vortexa, IEA, UBS, as of 17 March 2026

History shows that even sharp price spikes rarely lead to lasting reductions in global oil demand.

In the immediate term, we think the adjustment is likely to fall most heavily on price-sensitive segments such as discretionary travel, emerging market consumption, and certain freight activities. However, history shows that even sharp price spikes rarely lead to lasting reductions in global oil demand. The world economy has become less oil-intensive, but much of the remaining demand is concentrated in sectors that are less responsive to price, implying that oil prices may need to rise significantly to force meaningful demand cuts.

If sustained, higher energy costs will eventually feed through to the economy.

Short-term economic effects are likely to be shaped more by consumer behavior than by oil prices alone. While higher gasoline and airfare costs may prompt households to cut back, some of this spending could be redirected to other areas, limiting the overall impact on GDP.

If the disruption persists, however, higher energy costs will eventually feed through to consumer confidence and economic growth. We estimate that if oil stays above USD 120/bbl for more than six months, US inflation could rise by around 150 basis points above

previous expectations to be closer to 4% and GDP growth could be about 50 basis points less than initially assumed, finishing closer to 2% in 2026. In parts of Europe and Asia, governments may step in with fiscal support to cushion consumers, potentially limiting the impact on inflation and growth. However, we have to acknowledge that with energy prices already high for a number of weeks and likely to remain there in the near future, modestly higher inflation and weaker growth will already be a feature in the coming quarters. Some central banks have started to acknowledge this with a shift to a more hawkish tone in their communications.

As we think about the market impact of a bear case scenario, we note that we may see two phases. In a first phase, markets are likely to focus more on the near-term inflationary impact of higher energy prices, with modestly weaker equity markets, higher interest rate expectations, higher bond yields, a stronger US dollar, and muted performance from gold. This is similar to the dynamic at play since the start of the war.

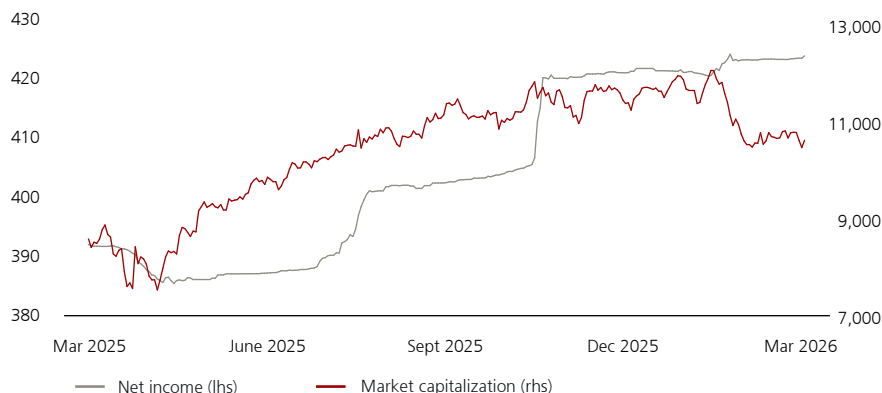
If energy prices stay higher for longer, in a second phase the markets are likely to begin to price slower economic growth. We think this would imply much weaker equity markets, much lower interest rate expectations and bond yields (as markets price central bank rate cuts), a weaker US dollar (we think the Federal Reserve would cut further and faster than the European Central Bank), and strong performance from gold.

**Artificial intelligence**

Questions over AI capital spending and disruption risks have not gone away.

While the US-Iran conflict remains a key risk to markets as we write, uncertainty extends beyond geopolitics: Prior to the start of the conflict, investors were questioning the sustainability of AI capital spending and the risks of software industry disruption.

Figure 2  
 Hyperscaler stocks are down despite upward revisions to earnings estimates  
 Big 4 hyperscalers combined FY26 net income consensus estimates (lhs) and combined market capitalization, USD bn (rhs)



Source: Refinitiv, UBS, as of 17 March 2026

We expect the total addressable market for AI to continue to grow.

We believe the long-term outlook for AI growth remains intact and expect the total addressable market will continue to grow. Anthropic's annual revenue run rate has reached USD 19bn, up from just USD 1bn at the start of 2025, based on media reports, demonstrating accelerating demand for AI agents. And pricing for NVIDIA's H100 graphics processing unit (GPU)—which is primarily used by enterprises for AI applications and can be seen as a measure of available compute supply versus demand—has continued to trend higher, defying the typical decline in GPU pricing<sup>1</sup>.

However, we have concerns that the market may not easily digest all the debt and equity issuance that AI companies foresee. Furthermore, continued growth in AI capabilities is posing risks to the "moats" of existing digital platforms. According to METR's Long Horizon benchmark, while AI software capabilities previously doubled every seven months, Anthropic's Claude Opus 4.6 more than doubled its predecessor's performance in just 2.5 months.

For now, it is hard to tell who the "winners" will be when the dust settles. Some software companies will inevitably see reduced demand and/or slimmer margins. Others may be able to evolve from selling tools to selling measurable outcomes, with AI agents creating powerful engines for new demand for companies capable of packaging and pricing according to value delivered.

Investors should take a diversified and active approach across the AI value chain.

To balance rising risks with opportunities, we believe investors should bring allocations to the US tech sector back into line with benchmarks and ensure they take a diversified and active approach across the enabling, intelligence, and application layers of the AI value chain. China's internet sector remains another source of opportunity, in our view, where the recent surge and proliferation of AI agents could accelerate adoption across cloud, edge, and enterprise use cases. And barring an escalation into a Middle East risk-case scenario, we believe certain segments in Asia and Europe, such as Japanese robotics, European analog, Korean memory, and the Taiwanese supply chain, offer robust growth at attractive valuations.

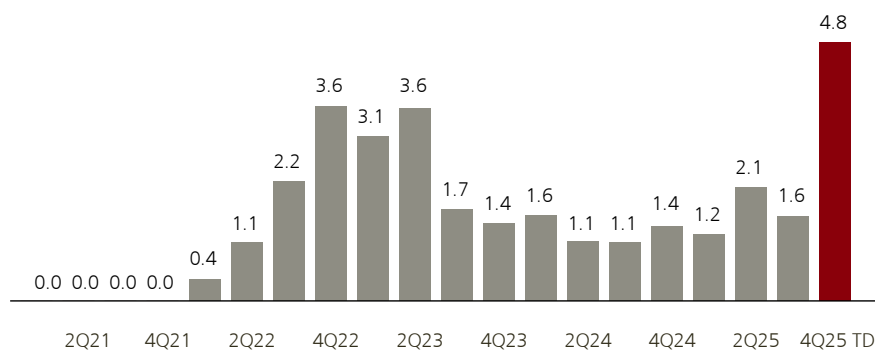
### Private credit

The private credit market has been affected by fears of AI-driven disruption.

Fears of AI-driven disruption in software also resurfaced concerns about the private credit market in the first quarter, raising fears that some firms with weaker business models may face refinancing risk. Recent headlines have added to negative sentiment on the space, with the writing down of some loan valuations and limits being placed on redemptions (gating) from some funds. Private credit also faces risk if energy prices stay high and trigger a downturn in global growth.

<sup>1</sup> For context, GPU prices usually fall over time as older hardware becomes less capable relative to newer releases and therefore commands lower pricing.

Figure 3  
 Direct lending business development companies report increased redemptions  
 Cliffwater Direct Lending Index (Perpetual); redemption rate as a percentage of net asset value



Sources: Cliffwater, UBS, as of March 2026

Loan vintage is becoming increasingly important as the credit cycle matures.

Last September, we downgraded direct lending as an asset class from Attractive to Neutral, reflecting a more balanced return outlook. Our rationale was based on anticipated rate cuts, tight spreads, and bifurcation in credit quality. Looking ahead, these factors remain in play. Meanwhile, loan vintage is also becoming increasingly important, with loans originated in 2021-22 under greater distress and default risk. As the credit cycle matures, and given the increased stress faced by some software vendors, we expect defaults to tick higher to 4%.

For long-term investors, the asset class still offers relatively attractive yields and diversification benefits, in our view, and should add value to a well diversified portfolio over the long term. That said, like with any other private asset strategy, investors must be prepared to tolerate illiquidity. This is also true for evergreen vehicles, which can restrict redemptions to protect against forced asset sales, though it should also be noted that gating is not a direct reflection on the credit quality of a lender’s loan book. We recommend investors consider biasing exposure toward funds focusing on senior, sponsor-backed, upper-middle-market loans in non-cyclical sectors, which are proving more durable.

Importantly, we also view systemic risks stemming from private credit as contained. Direct lending remains a relatively small segment within the broader credit markets. Most lenders operate with underutilized leverage, maintain adequate coverage cushions, and exhibit limited asset-liability mismatches or run risk.

Our core guidance for long-term, diversified investors is: stay invested.

### Investment ideas

For long-term investors who are already well diversified, our core guidance is to stay invested. We do not believe the current period of elevated energy prices will have a meaningful impact on where markets trade over the longer run, and attempts to time market corrections often result in missed opportunities and increased risk. Periods of volatility can also represent attractive times for investors holding high cash balances to “phase in” to investments. At the same time, we believe investors should focus on diversification, and progressively add market hedges the longer the Middle East crisis lasts.

Figure 4  
Stay invested: Equity markets weather geopolitical shocks over the long run  
MSCI AC World index; select geopolitical events annotated and US recessions highlighted in grey



Source: Bloomberg, UBS, as of 17 March 2026

Investors should consider adding hedges to manage portfolio risks.

*Hedge market risks.* Volatility is likely to remain elevated as markets digest the implications of higher energy prices, rising AI competition, and signs of stress in parts of the bond and credit markets. Investors should consider adding hedges to manage portfolio risks. This includes adding equity downside risk management, upside hedges for perceived “safe-haven” currencies (such as the US dollar), and commodity exposure. The goal is to reduce the impact of large drawdowns while maintaining participation in potential rebounds.

*Favor commodities.* Commodities can help investors hedge against inflation and supply shocks, and can be a useful portfolio diversifier in an environment of elevated geopolitical risk and energy market disruption. Despite muted performance since the start of the Iran conflict, we believe gold will continue to act as a geopolitical hedge going forward, with central bank demand and concerns over rising global debt levels providing support. We expect the gold price to rise to USD 6,200/oz by June.

Meanwhile, industrial metals, especially copper, offer exposure to themes such as electrification and the energy transition. We recommend maintaining an allocation to broad commodities, with a focus on active management.

We recommend broadening equity exposure across sectors, regions, and styles.

*Diversify across equities.* The potential risks of portfolio concentration are rising. A period of higher energy prices will help some and hurt others. AI capex growth is decelerating from a high level. And the risk of AI disruption is spreading. To participate in a medium-term rebound in stocks while managing specific risks, we recommend broadening equity exposure across sectors, regions, and styles. This includes going beyond US tech, adding to global industrials and US utilities, building exposure to Asia (including Japan and China), and adding more predictable income. Investors with concentrated positions should diversify and rebalance.

In the US, in addition to our preference for industrials and utilities, we favor the health care sector, which offers defensive characteristics, as well as consumer discretionary and financials. Our base case is that the S&P 500 rises to 7,700 by year-end, with the US economy likely to deliver solid performance and corporate earnings likely to be relatively resilient, provided energy prices do not rise substantially higher. We forecast earnings per share growth of 11% this year.

In Europe, we like “leaders” across sectors—including defense stocks—to provide structural growth and diversification. In APAC, along with Japan and China, we see opportunities in Australia, India, and Singapore.

We cut our view on European banks from Attractive to Neutral in light of a more balanced risk-reward outlook. If the oil price shock proves longer-lasting, investors should prepare to further reduce investments in sectors most sensitive to economic cycles and energy price shocks, or to allow exposure to reduce naturally by not actively rebalancing in these areas.

We see an opportunity for investors to add to quality bonds.

Alternatives can help investors diversify income and return sources.

*Invest in transformational innovation.* While AI remains a powerful driver of long-term growth, the risk of overinvestment and capital misallocation is rising. We recommend a diversified approach to transformational innovation, including not only AI, but also *Power and resources* and *Longevity*.

*Seek diversified income.* Government bonds have been volatile in recent weeks amid fears around inflation, higher interest rates, and potential fiscal risks. We think this offers an opportunity for investors to add to quality bonds— particularly in the medium-duration segment—as a source of diversification and income. We expect that benchmark yields will eventually fall either if the crisis abates, or if it extends and markets begin to fear weaker growth.

Concerns about private credit are currently elevated. For investors with well-diversified and appropriately sized allocations, we believe private credit is likely to add value to portfolios over the medium to long term. For those looking to grow or diversify allocations, we believe investors should focus on senior-secured, sponsor-backed exposures and robust manager selection.

*Diversify within alternatives.* As geopolitics and oil supply concerns unsettle markets, alternatives can play a critical role in diversifying income and return sources. Investors with significant exposure to individual hedge funds or managers should consider broadening into diversified alternative strategies, including private markets, multi-strategy hedge funds, and real estate, to manage risk and benefit from opportunities beyond traditional equities and bonds.



Mark Haefele  
Chief Investment Officer  
Global Wealth Management

## Global forecasts

### Economy

Real GDP y/y, in %

	2025E	2026E	2027E
<b>US</b>	2.1	2.2	2.1
<b>Canada</b>	1.7	1.6	1.7
<b>Japan</b>	1.2	1.1	1.1
<b>Eurozone</b>	1.5	1.3	1.4
<b>UK</b>	1.3	1.1	1.4
<b>Switzerland</b>	1.3	1.3	1.2
<b>Australia</b>	2.0	2.4	1.9
<b>China</b>	5.0	4.5	4.6
<b>India</b>	7.6	7.0	7.0
<b>EM</b>	4.6	4.3	4.5
<b>World</b>	3.5	3.3	3.4

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

	2025E	2026E	2027E
<b>US</b>	2.7	2.8	2.2
<b>Canada</b>	2.1	2.5	2.0
<b>Japan</b>	3.2	1.6	1.9
<b>Eurozone</b>	2.1	2.2	2.0
<b>UK</b>	3.4	2.4	2.0
<b>Switzerland</b>	0.2	0.3	0.6
<b>Australia</b>	2.8	4.0	2.8
<b>China</b>	0.0	0.6	0.8
<b>India</b>	1.9	3.7	4.1
<b>EM</b>	3.8	3.5	3.1
<b>World</b>	3.3	3.0	2.7

Sources: Haver, CEIC, National Statistic, Bloomberg, UBS, as of 19 March 2026. Latest forecasts available in the Global forecasts publication, published weekly.

### Asset classes

	Spot	June 2026	Dec 2026
<b>Equities</b>			
S&P 500	6,625	7,300	7,700
Eurostoxx 50	5,737	6,400	6,600
FTSE 100	10,305	10,300	10,500
SMI	12,765	13,800	14,000
MSCI Asia ex-Japan	993	1,048	1,107
MSCI China	82	88	95
Topix	3,717	4,000	4,100
MSCI EM	1,517	1,680	1,720
MSCI AC World	1,207	1,310	1,380

#### Currencies

EURUSD	1.15	1.15	1.20
GBPUSD	1.33	1.34	1.40
USDCHF	0.79	0.79	0.78
USDCAD	1.37	1.36	1.35
AUDUSD	0.71	0.70	0.74
EURCHF	0.91	0.91	0.93
NZDUSD	0.58	0.59	0.63
USDJPY	159	155	148
USDCNY	6.88	6.80	6.70

	Spot	June 2026	Dec 2026
<b>Benchmark yields, in %</b>			
USD 2y	3.77	3.60	3.25
USD 10y	4.27	4.20	3.75
CHF 2y	0.05	0.00	0.00
CHF 10y	0.34	0.40	0.50
EUR 2y (Germany)	2.44	2.30	2.00
EUR 10y (Germany)	2.94	2.80	2.50
GBP 2y	4.10	4.00	3.50
GBP 10y	4.74	4.50	3.90
JPY 2y	1.26	1.30	1.30
JPY 10y	2.22	2.10	2.10

#### Commodities

Brent crude, USD/bbl	107.4	90.0	85.0
Gold, USD/oz	4,833	6,200	5,900

Sources: SIX Financial Information, Bloomberg, UBS, as of 19 March 2026. Latest forecasts available in the Global forecasts publication, published weekly.

# Messages in Focus

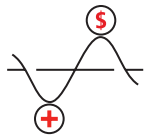
The Messages in Focus (MIFs) are a set of high-conviction investment narratives from CIO. These narratives combine our top views across asset class preferences, short-, medium-, and longer-term themes, and alternatives.

## MIFs

## Elevator pitch

## Investment ideas

### Hedge market risks



Volatility is likely to remain elevated as markets digest the implications of higher energy prices, rising AI competition, and signs of stress in parts of the bond and credit markets.

Investors should consider adding hedges to manage portfolio risks. This includes equity downside risk management, upside hedges for perceived “safe-haven” currencies (such as the US dollar), and commodity exposure.

The goal is to reduce the risk of large drawdowns while maintaining participation in potential rebounds.

- Capital preservation strategies
- Quality bonds
- Gold
- Build a liquidity strategy

### Favor commodities



Commodities can help investors hedge against inflation and supply shocks, and can be a useful portfolio diversifier in an environment of elevated geopolitical risk and energy market disruption.

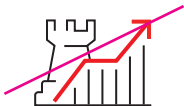
Despite muted performance since the start of the Iran conflict, we believe gold will continue to act as a geopolitical hedge going forward, with central bank demand and concerns over rising global debt levels providing support.

Meanwhile, industrial metals, especially copper, offer exposure to themes such as electrification and the energy transition.

We recommend maintaining an allocation to broad commodities, with a focus on active management.

- Gold
- Broad commodities
- Copper

### Diversify across equities



The potential risks of portfolio concentration are rising. A period of higher energy prices will help some and hurt others.

The AI capex cycle is decelerating from a high level. And the risk of AI disruption is spreading.

To participate in a medium-term rebound in stocks while managing specific risks, we recommend broadening equity exposure across sectors, regions, and styles.

This includes going beyond US tech, adding to global industrials and US utilities, building exposure to Asia (including Japan and China), and adding more predictable income.

Investors with concentrated positions should diversify and rebalance.

- Global equities
- Regional equities:
  - EM and APAC: China, China tech, Japan, India, Australia, Singapore
  - Europe: European industrials, IT, and leaders, Germany
- US sectors: Industrials, financials, health care, consumer discretionary, utilities
- Long-only multifactor strategies

MIFs

**Invest in TRIO**



Elevator pitch

While AI remains a powerful driver of long-term growth, the risk of overinvestment and capital misallocation is rising.

We recommend a diversified approach to transformational innovation, including not only *AI*, but also *Power and resources* and *Longevity*.

Investment ideas

- AI
- Power and resources
- Longevity

**Seek diversified income**



Government bonds have been volatile in recent weeks amid fears around inflation, higher interest rates, and potential fiscal risks. We think this offers an opportunity for investors to add to quality bonds, particularly in the medium-duration segment, as a source of diversification and income.

Concerns about private credit are currently elevated. For investors with well-diversified and appropriately sized allocations, we believe private credit is likely to add value to portfolios over the medium to long term.

For those looking to grow or diversify allocations, we believe investors should focus on senior secured, sponsor-backed exposures and robust manager selection.

- Securitized credit (MBS, CMBS)
- Diversified fixed income strategies (with preference for quality bonds, EM sovereign)
- Equity income strategies
- Yield-generating structured investment strategies

# 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
- Emerging market USD fixed income
- Global equities
- US equities
- International developed market equities
- Emerging market equities
- Commodities
- Gold

## Implementation guidance

Over the past month, the 2026 outlook has been jolted by the start of the Iran conflict, which adds a new downside risk: sustained increases in oil prices could weigh on growth and delay rate cuts. Prior to the conflict, strong private sector momentum from 2025 appeared to be carrying into 2026, with 1Q GDP tracking around 3%. Fiscal stimulus and loose financial conditions should keep growth running above 2% through 2026, with large tax refunds linked to the OBBBA likely resulting in some frontloaded growth. With goods inflation set to peak before midyear, we still expect the Fed to cut rates twice later this year, bringing the policy rate to 3.00-3.25%.

Given the high current levels of market volatility and the prospect of uncertainty to continue for potentially weeks or months to come, we stress that investors should look to **hedge market risks**. As markets digest the implications of higher energy prices, rising AI competition, and signs of stress in parts of the bond and credit markets, hedging strategies can help preserve capital. We continue to like traditional macro hedges like high-quality bonds and gold, but also note that investors who have built out their liquidity strategy are well-positioned to withstand near-term volatility and maintain their focus on longer-term portfolio objectives.

While geopolitical risks are currently high, our base case macro outlook remains attractive, which 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. However, the risks of portfolio concentration are higher and the risk of AI disruption is spreading. To participate in future rallies while managing specific risks we recommend broadening exposures and **diversifying across equities**. This includes adding to global industrials and US utilities and building exposures overseas including in Asia generally (and Japan and China specifically). However, we remain constructive on US equities overall and maintain our June and December 2026 S&P 500 EPS estimates of USD 277 (+11% growth) and USD 310 (+12% growth), respectively. Correspondingly, our June and December 2026 S&P 500 price targets remain 7,300 and 7,700, respectively, though we note higher downside risks to those estimates versus a month ago on the premise of higher-for-longer oil prices as a result of the US/Israel war against Iran.

Within US equities, we remain neutral on value versus growth and maintain our sector preferences. We keep our Attractive views on industrials, financials, health care, consumer discretionary, and utilities. We like industrials, as the recent increase in the ISM manufacturing index gives us incremental confidence in a cyclical manufacturing improvement and the sector is exposed to attractive secular themes like US re-industrialization, aerospace demand, infrastructure build-outs, and electrification. Financials should benefit from increased capital market activity, easing regulations, and improving net interest income. Health care should benefit from improved policy clarity, attractive valuations, and potential earnings upside. Consumer discretionary should benefit from fiscal stimulus in the first half of the year and housing market improvements. Utilities' defensive properties offer relative protection against an economic growth downturn and remain a key component of the secular AI theme with respect to increased electricity demand by data centers. Beyond the information technology sector broadly (on which we maintain a Neutral view), we continue to view AI as a key driver of equity returns over the coming years and recommend a diversified and active approach across the enabling, intelligence and application layers. 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 can help investors hedge against inflation and supply shocks, and can be a useful portfolio diversifier in an environment of elevated geopolitical risk and energy market disruption. We continue to believe gold

will act as a geopolitical hedge, which central bank demand and concerns over rising global debt levels will likely provide support. We also like industrial metals, and copper specifically, as it offers exposure to themes like electrification and the energy transition.

Lastly, while government bonds have been volatile recently amid higher inflation concerns, higher rates and potential fiscal risks, we believe the current environment offers an attractive

opportunity for investors to **seek diversified income**. We like quality bonds, including securitized credit (we remain Attractive on MBS and CMBS). Emerging market hard currency sovereign bonds also provide an attractive source of carry, while equity income strategies offer a valuable complement to fixed income assets as investors diversify their income sources.

## Our preferences

	Unattractive	Neutral	Attractive		Unattractive	Neutral	Attractive
<b>Cash</b>		=		<b>Equity</b>			+
<b>US Fixed Income</b>				US Equity			+
Government		=		Comm Services		=	
Municipals		=		Cons Discretionary			+
Agency MBS			+	Cons Staples		=	
CMBS			+	Energy		=	
Investment Grade Corporate		=		Financials			+
High-Yield Corporate		=		Health Care			+
Senior Loans		=		Industrials			+
Preferreds		=		Info Technology		=	
Emerging Markets			+	Materials		=	
<b>Commodities</b>			+	Real Estate		=	
Gold			+	Utilities			+
Oil		=		Emerging Markets			+

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

# US economic outlook

Above trend outlook on track

**Andrew Dubinsky**, US Senior Economist

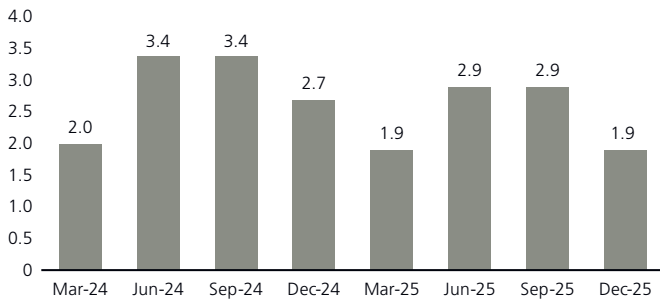
## Overview

US private demand remained solid in late 2025, with early 2026 growth tracking around 2-3%. Stimulative fiscal policy, loose financial conditions, and easing tariff-related inflation pressures should keep US growth running above trend (above 2%) through 2026, even with some modest oil-related drag. With goods inflation expected to peak by midyear, we expect the Fed to begin easing later in 2026, delivering two rate cuts and bringing the policy rate to 3.00-3.25%.

## Growth

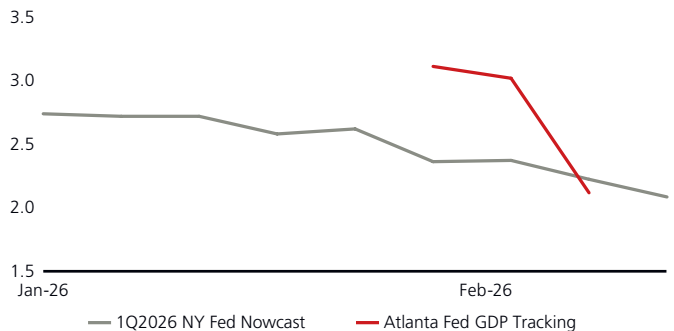
Private domestic sales rose a solid 1.9% in 4Q, supported by contributions from both consumption and business investment, while a 1ppt drag from the government shutdown weighed on headline GDP growth. We expect growth in the first half of 2026 to be strong as households spend larger, OBBBA-boosted refund checks, up to USD 100bn higher y/y, and as shutdown effects unwind. Oil prices may weigh modestly on consumer spending if the conflict drags on. Business investment remains a key tailwind, with AI-driven capex and recent tax changes supporting above-average investment growth into 2026.

Figure 1  
Private domestic demand, consumption and investment, has remained solid



Source: Bloomberg, UBS as of 18 March 2026

Figure 2  
Nowcast shows solid underlying activity, 1Q GDP tracking remain above trend



Source: New York Fed, Bloomberg, UBS as of 18 March 2026



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

**Read the report >**

## Inflation

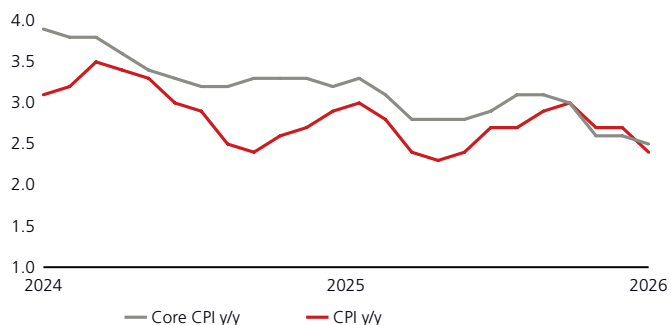
Core CPI inflation remained at 2.5% y/y in February, while core PCE inflation tracking remains firmer at slightly above 3%, in part due to different goods index weights. Core goods prices remain elevated relative to pre-pandemic norms, and tariffs are likely to keep some upward pressure on goods inflation through 1H26 before decelerating. Oil effects should mostly be a factor for headline inflation and, starting in March, headline CPI could go above 3%. Following the IEEPA decision and subsequent policy changes, the overall tariff level has fallen by roughly 3pp, helping to support disinflation in the second half of the year in the core index. Service disinflation should continue, supported by softening lease trends and contained wage growth.

## Policy

Against a backdrop of firmer growth, higher uncertainty from the Iran conflict, and lingering goods inflation, we expect the Fed to remain cautious in the near term. If labor market conditions remain stable, hesitancy to look through tariff-driven inflation reduces the likelihood of near-term cuts. As goods inflation peaks and service disinflation continues, we expect the Fed to begin easing later in 2026, delivering two 25bps cuts that bring the policy rate to 3.00-3.25%. The Fed's preference to move policy closer to its estimated neutral rate near 3% supports a gradual easing path as growth cools in the second half of the year.

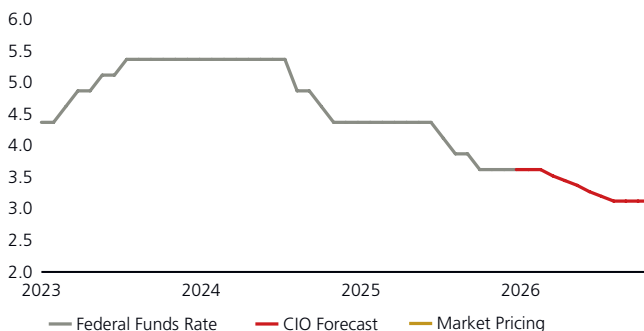
Figure 3  
Core CPI and headline inflation should diverge in March from higher oil prices

Core and CPI y/y



Source: Bloomberg, UBS as of 18 March 2026

Figure 4  
Federal Reserve pricing for the next cut has been pushed out  
Mid-point of FOMC policy rate range



Source: Bloomberg, UBS as of 18 March 2026

# Equities

Global equities continue to grind higher, but leadership is evolving. 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: 5,614) December 2026 target

House view	6,600
<b>↗</b> Positive scenario	7,100
<b>↘</b> Negative scenario	4,400

Note: All current values as of 18 March 2026

We remain Attractive on Eurozone equities. In our base case, we see upside for Eurozone equities, supported by an improving cyclical outlook, a more favorable structural backdrop, and still reasonable valuations. We expect earnings to be the primary driver of equity returns, and forecast earnings to accelerate 7% in 2026 and 18% in 2027 following three years of stagnation. Our preferences in the region therefore continue to tilt toward beneficiaries of an otherwise improving cyclical outlook and structural growth trends.

## Japan

**+** ATTRACTIVE

**TOPIX** (index points, current: 3,609) December 2026 target

House view	4,100
<b>↗</b> Positive scenario	4,400
<b>↘</b> Negative scenario	2,500

Note: All current values as of 18 March 2026

We maintain an Attractive view on Japanese equities. Unless oil prices rise well above USD 100 per barrel and remain elevated, we believe the Topix has broadly bottomed out. In CIO's base case (conflict remains contained in the short term and oil prices gradually decline) investors' focus should return to fundamentals. We have trimmed our FY26 EPS growth forecast to +7% from +10%. However, given Japan's heavy reliance on oil imports, sustained high crude prices remain a critical risk. Volatility will likely be elevated in the near term until the direction of oil prices becomes clearer.

## Emerging markets

**+** ATTRACTIVE

**MSCI EM** (index points, current: 1,476) December 2026 target

House view	1,720
<b>↗</b> Positive scenario	1,900
<b>↘</b> Negative scenario	1,200

Note: All current values as of 18 March 2026

We continue to rate Emerging Markets equities as Attractive. Despite recent volatility from geopolitical tensions and higher oil prices, we maintain our constructive outlook on EM equities as fundamentals remain resilient and history shows such shocks are typically short-lived. We maintain our EM earnings growth forecast of 29% for this year, and our MSCI EM index target of 1720 for December 2026. We maintain our preferences for mainland China, China's tech sector, India, South Korea, Brazil, Malaysia, and Indonesia.

## UK

**=** NEUTRAL

**FTSE 100** (index points, current: 10,064) December 2026 target

House view	10,500
<b>↗</b> Positive scenario	11,300
<b>↘</b> Negative scenario	7,200

Note: All current values as of 18 March 2026

We remain Neutral on UK equities. We believe UK equities are reasonably valued, and we expect earnings to pick up over the next two years, but we see less upside for the UK than global equities from here. The FTSE 100 trades at 13.5x forward P/E versus its median since 1990 of 12.8x, and we expect earnings growth to pick up to 5% this year and 15% in 2027. In the region, we favor beneficiaries of an improving cyclical outlook in our base case and structural growth trends. We have reduced banks to Neutral, but continue to favor IT, industrials, real estate, and our "European leaders" theme.

# US equities

Despite the conflict in the Middle East, we retain our Attractive view on US equities. In our base case, we expect oil flows to resume by April. We therefore believe the macro drivers of the bull market remain in place: healthy profit growth, supportive Fed policy, and the adoption of AI.

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

## US equities

**+** ATTRACTIVE

A dizzying number of headlines are driving stocks this year. Despite these developments, stocks are only down modestly year to date. We believe the market’s resilience reflects a still-supportive equity backdrop, despite the ongoing concerns. Regarding the US-Iran conflict, our base case is only for a brief disruption to energy supplies. Hence, we expect oil prices to fall from elevated levels, paving the way for stocks to move higher. Furthermore, when the VIX closes higher than 29—a level it reached during the first week of the conflict—the S&P 500 has delivered average returns of more than 20% over the following year. This underscores our view that if the conflict de-escalates, we expect investors to re-engage, driving healthy market gains. However, wars are inherently unpredictable, and if oil flows from the Middle East do not resume soon, we believe equity markets will come under pressure.

## US equities – sectors

Our sector positioning reflects our assumption that energy flows from the Middle East resume relatively quickly. In this scenario, we favor a combination of cyclical and secular exposure. Starting with industrials, long-cycle end-markets like aerospace and defense provide good growth, and segments such as transportation provide short-cycle upside. For consumer discretionary, AI adoption is a key driver for the largest companies. Fiscal stimulus should give a boost to consumer spending. On the more cyclical side, financials should benefit from easing regulations, improving net interest income, and increasing capital markets activity. Finally, if economic growth disappoints, we believe health care and utilities should be more resilient, with the latter also having some exposure to AI trends.

## US equities – size

Small caps continue to outperform large caps year to date, despite escalating US-Iran tensions that have heightened concerns about the outlook for economic growth. In our view, this likely reflects a broadening in earnings growth, which we expect to continue. However, our neutral stance across size segments reflects a balance between the currently supportive environment and the potential for less favorable conditions as the year progresses, with fiscal stimulus waning and economic growth decelerating.

## US equities – style

We have a neutral view on growth and value stocks. The broadening in earnings growth is likely to have a greater positive impact on value. That said, we still expect further upside from growth stocks as supportive tailwinds from AI and other secular growth drivers are likely to drive mid-teens annualized earnings growth over the next few years.

<b>S&amp;P 500</b> (index points, current: 6,606.49)	December 2026 target
<b>House view</b>	<b>7,700</b>
<b>▲ Upside</b>	8,400
<b>▼ Downside</b>	4,500

Note: All current values as of 19 March 2026

Figure 1

## Selective within US equity sectors

S&P 500 sector preferences

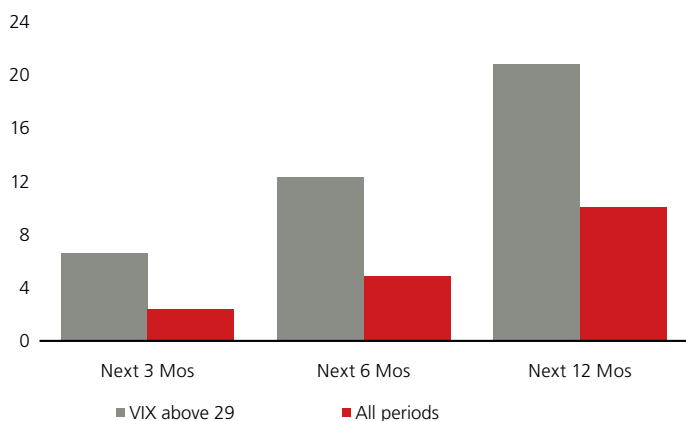
	Unattractive	Neutral	Attractive
<b>US equities</b>			
Communication services		=	
Consumer discretionary			+
Consumer staples		=	
Energy		=	
Financials			+
Health care			+
Industrials			+
Information technology		=	
Materials		=	
Real estate		=	
Utilities			+

Source: UBS, as of 19 March 2026

Figure 2

Spikes in volatility have historically led to attractive returns

Average S&P 500 price return, in %



Source: Bloomberg, UBS, as of 19 March 2026

# Bonds

We anticipate a range-bound nominal yield environment continuing but expect yields to decline later in the year, with 10-year yields likely to spend most of 2026 at 4.0-4.5%. We would lean for a slightly shorter duration at the lower end of this range, adding interest rate risk above the 4.3% level. With the recent Middle East conflict adding to volatility, we anticipate a choppy market ahead. While we continue to anticipate US growth over 2% in 2026, and two non-recessionary Fed cuts for the year, we continue to position in our ranges tactically.

**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 18 March 2026

The 10-year Treasury yield has risen close to 30bps in March, reversing the February decline in Treasury yields. Rising oil prices have led to concerns regarding rising inflation alongside a conflict which adds to an already high deficit. If sustained, slower growth is expected to ensue, with yields resuming their downward trend. We look for yields to decline into the second half of 2026, but for now the 4.0-4.5% range should act as a guide for the 10-year.

## Emerging market bonds

+ ATTRACTIVE

**EMBIG DIV. / CEMBI DIV. SPREAD** (current: 264bps / 237bps) December 2026 target

House view	280bps/250bps
↗ Positive scenario	230bps/190bps
↘ Negative scenario	500bps/450bps

Note: All current values as of 18 March 2026

We keep emerging market credit as Attractive. Fundamentals appear stronger in the current cycle: foreign exchange reserves are higher, current accounts have improved, and fiscal deficits are lower. We expect range-bound to slightly wider spreads over the investment horizon, resulting in carry-driven, high-single-digit return estimates by year-end. Key risks include US policy uncertainty, inflation concerns, weaker oil prices, and potential for escalation in trade and/or geopolitical tensions.

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

## US investment grade corporate bonds

⊖ NEUTRAL

**US IG SPREAD** (current: 91bps) December 2026 target

House view	90bps
------------	-------

↗ Positive scenario	70bps
↘ Negative scenario	180bps

Benchmark: ICE BofA

Note: All current values as of 18 March 2026

Geopolitical tensions continue to weigh on credit markets. Higher Treasury yields and widening credit spreads—now at 91bps, the widest level since May 2025—have pushed IG total returns into modest negative territory YTD. But we expect interest rates to trend lower later in the year and for further spread widening to be limited. With the IG index yield at 5.1%, the outright level of yields is very appealing, and we believe investors with excess cash holdings should look to add medium-duration IG bonds.

## US high yield corporate bonds

⊖ NEUTRAL

**USD HY SPREAD** (current: 320bps) December 2026 target

House view	320bps
------------	--------

↗ Positive scenario	270bps
↘ Negative scenario	650bps

Benchmark: ICE BofA

Note: All current values as of 18 March 2026

We have a Neutral view. Concerns over AI disruption in the software sector and the Iran conflict continue to weigh on credit markets and other risk assets. As a result, HY spreads have widened, and Treasury yields have risen, leading to negative performance. Fundamentally, HY credit metrics are strong and default rates are low. CIO forecasts default rates to stay below average at around 2% in the next 12 months. We view the current 7.2% yield as an attractive carry opportunity.

### Municipal bonds

⊖ NEUTRAL

We have a Neutral view. Munis sold off over the past month after a strong start to the year. Despite the weakness, munis are outperforming Treasuries and IG corporates on a YTD basis. Flows remain strong, but in the near term, weaker technicals and rate volatility risks may pose some headwinds. The tax-equivalent muni index yield of 6.0% is attractive at around the 76th percentile over the last 10 years. Credit fundamentals and index quality remain strong.

### Non-US developed fixed income

⊖ NEUTRAL

Non-US developed market yields rose across regions over the past month, as near-term policy rate expectations increased in both Europe and Japan. Euro area 10-year government yields have risen by around 20bps since the start of the Iran conflict. The oil supply shock has been a common factor in the bond selloff and has resulted in increased volatility. Market pricing of rate hikes has become more widespread, but the RBA is an exception, having already raised policy rates twice this year. US bonds still offer higher yields than those of most developed markets, so we do not recommend a strategic asset allocation to the non-US bond market asset class.

### Additional US taxable fixed income (TFI) segments

#### Agency bonds

We continue to prefer agency MBS over agency debt. While agency MBS spreads have widened recently given the increase in volatility, we look for spreads to compress over the next 6 months.

The current spread is +10bps (versus +6bps last month)

#### Mortgage-backed securities (MBS)

+ ATTRACTIVE

Agency MBS and high-quality CMBS continue to outperform their corporate credit counterparts, even in the face of rising volatility. Year-to-date returns on agency MBS remain positive while IG corporates have recently moved into negative territory. Spreads remain vulnerable in the short term for most fixed income; the liquidity and higher credit rating of MBS should prove a tailwind to returns.

**AGENCY MBS SPREAD** (current: 118bps) December 2026 target

<b>House view</b>	<b>90bps</b>
➤ Positive scenario	80bps
➤ Negative scenario	160bps

Note: All current values as of 18 March 2026

#### Preferred securities

⊖ NEUTRAL

With investor anxiety climbing in recent weeks, driven by geopolitical turmoil and related economic concerns, most high-quality fixed income sectors have suffered. And USD 25 par preferreds, which had strong relative returns in January, have now surrendered nearly

all their year-to-date gains. Valuations have somewhat improved. While five- and 10-year Treasury yields are 10-20bps higher than they were at the start of the year, retail preferred yields have climbed even more. Yield premiums are now at or above the 5-year median. Investors should look to opportunistically add to exposure.

### Treasury Inflation-Protected Securities (TIPS)

⊖ NEUTRAL

The real yield curve has dramatically steepened as short-term inflation expectations spike on the heels of the Middle East conflict. While back-end inflation has remained stable, if the conflict continues, back-end inflation expectations will rise. We remain neutral on TIPS and foresee higher long-term real yields before a decline in 2H26.

**US 10-YEAR REAL YIELD** (current: 1.87%) December 2026 target

<b>House view</b>	<b>1.60%</b>
➤ Positive scenario	0.75%
➤ Negative scenario	2.30%

Note: All current values as of 18 March 2026

Figure 1

### UBS CIO interest rate forecast

In %

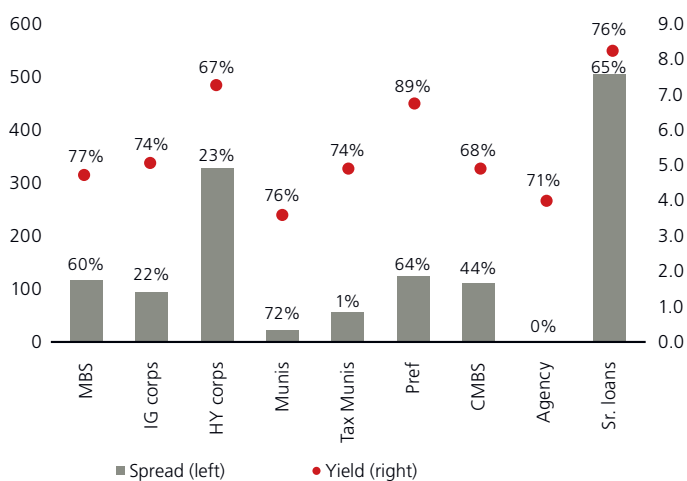
UST	Current	Jun-26	Sep-26	Dec-26	Mar-27
2-year	3.7	3.6	3.5	3.3	3.3
5-year	3.8	3.8	3.6	3.4	3.4
10-year	4.2	4.2	4.0	3.8	3.8
30-year	4.9	4.8	4.6	4.5	4.5

Source: Bloomberg, UBS, as of 18 March 2026

Figure 2

Yields are above the 50th percentile over the past 10 years across all sectors

Spreads (lhs), in bps; Yields (rhs), in %. Percentiles shown, in %



Source: ICE BofA, UBS, as of 16 March 2026

# Commodities

Over the medium term, we expect commodities to deliver strong diversification benefits for traditional bond/equity portfolios amid supportive structural developments. Macroeconomic conditions and market-based signals both remain supportive. Considering the current market environment, we recommend maintaining exposure to active commodity structures.

**Dominic Schneider**, 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 4,650/oz) December 2026 target

+ ATTRACTIVE

House view	USD 5,900/oz
↗ Positive scenario	USD 4,500
↘ Negative scenario	USD 6,600

Note: All current values as of 18 March 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 108.65/bbl) December 2026 target

= NEUTRAL

House view	USD 85/bbl
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Note: All current values as of 18 March 2026

### Precious metals

Gold is often regarded as a "safe-haven" asset when geopolitical tensions arise. But its track record throughout military conflicts shows mixed performance, which is apparent in the latest price fluctuations. We view gold less as a direct hedge against the Middle East conflict (with oil as a better hedge) and more as protection from the monetary and financial effects that wars can cause—especially when those effects include lower real interest rates, worries about currency debasement, or concerns over elevated levels of government debt.

### Base metals

The recent upward momentum in copper prices has paused, with sustained elevated price levels expected through 2026 and seasonal declines in activity around the Chinese Lunar New Year contributing to a period of price consolidation. Our near-term price outlook is cautious, but we expect copper prices to rise annually. As a result, we have increased all forecasts by USD 500/mt (projecting USD 15,000/mt by end-March 2027). Accordingly, we remain positive and suggest maintaining long positions in copper.

### Agriculture

The agricultural sector is transitioning from periods of surplus and market stability to increased volatility, driven by energy costs, geopolitical developments, and trade disruptions. This shift is resulting in elevated price floors and more frequent price rallies. Recent price advances have largely been attributed to heightened risk premiums and stronger asset correlations rather than supply-demand fundamentals.

### Crude oil

With the main crude oil supply route in the Gulf still disrupted and production shut-ins rising, we are raising our oil price forecasts across all tenors, while still expecting flows to resume by end-March or early April. The path of least resistance for crude prices remains upward as long as flows through the Strait are restricted. With a larger supply disruption starting to become visible and impact markets—for products such as diesel, jet fuel, LPG, and naphtha, as well as higher premiums for some crude grades—we are raising our Brent crude oil forecasts to USD 90/bbl by end-June (from USD 65/bbl), USD 85/bbl by end-September (from 65/bbl), USD 85/bbl by end-December 2026 (from USD 67/bbl), and USD 80/bbl by end-March 2027 (from USD 67/bbl); these forecasts assume that flows through the Strait would resume by end-March or early next month.

# Foreign exchange

NOK and AUD are Attractive

**Dominic Schneider**, CFA, CAIA, Strategist, UBS Switzerland AG

We maintained our Neutral view on the US dollar, as the strong cyclical backdrop offsets the structural negatives (e.g., twin deficits). The reserve currency is also well positioned relative to most DM markets for an oil supply shock, since it has an energy trade surplus. In contrast to many commodity-linked currencies, the US dollar is not strongly correlated with the VIX. As a result of these

favorable exposures, the USD appreciated around 2% over the past month, even as US data surprise measures have softened. On the other hand, the pricing of rate cuts has been delayed to 2027 and is more hawkish than our current policy view. In summary, US structural headwinds should be roughly offset by the above-trend growth backdrop, resulting in a stable USD outlook.

## FX strategy

	Unattractive	Neutral	Attractive
USD		⊖	
EUR		⊖	
JPY		⊖	
GBP		⊖	
CHF		⊖	
AUD			⊕
CNY			⊕
EM carry*			⊕

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

## FX forecasts

	Current	Jun-26	Sep-26	Dec-26	Mar-27
EURUSD	1.15	1.15	1.18	1.20	1.20
USDJPY	159	155	152	148	146
GBPUSD	1.33	1.34	1.37	1.40	1.40
USDCHF	0.79	0.79	0.79	0.78	0.78
USDCAD	1.37	1.36	1.35	1.35	1.35
AUDUSD	0.71	0.70	0.71	0.74	0.75
NZDUSD	0.58	0.59	0.60	0.63	0.64
USDSEK	9.35	9.13	8.81	8.58	8.58
USDNOK	9.58	9.74	9.41	9.17	9.17

Sources: SIX Financial Information, UBS, as of 19 March 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

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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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