

UBS House View

Investment Strategy Guide:
Stirred, not shaken?

June 2026 | Chief Investment Office GWM | Investment research



UBS

In this report

- 04** Monthly Letter
- 14** Messages in Focus
- 16** Asset allocation implementation
- 18** US economic outlook
- 20** Equities
- 21** US equities
- 22** Bonds
- 24** Commodities
- 25** Foreign exchange

June

CIO Monthly Livestream

4 June 2026 1:00 p.m. ET

- [Join the event at ubs.com/ciolive](https://ubs.com/ciolive)
- [Add to calendar](#)

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

Publisher

UBS Financial Services Inc.
CIO Global Wealth Management
1285 Avenue of the Americas
12th Floor
New York, NY 10019

This report was published
on 22 May 2026

Lead authors

Mark Haefele
Ulrike Hoffmann-Burchardi

Authors (in alphabetical order)

Andrew Dubinsky
Jason Draho
Leslie Falconio
Wayne Gordon
Michael Gour
David Lefkowitz
Nadia Lovell
Barry McAlinden
Dominic Schnider
Frank Sileo
Giovanni Staunovo

Cover image

Shutterstock

Editors

Jess Hoeffner
Steven Faucher
Laura Amoroso

Project management

John Collura
Shawn Awan
Samantha Infantino

Design

John Choi
Helena Powers
Cheryl Seligman
Sunil Vedangi
CIO Content Design

Dear reader

Investors continue to navigate a unique mix of forces: persistent geopolitical disruptions, shifting inflation and rate narratives, and rapid advances in artificial intelligence that are reshaping growth expectations and market leadership. Yet despite a heavily disrupted Strait of Hormuz and rising bond yields, equity markets have continued to trade around record highs, as fundamentals have remained strong.

US equities in particular have continued to demonstrate resilience, and the earnings backdrop has strengthened meaningfully. First-quarter results marked the fastest growth in four years, with broad-based beats across sectors and continued strength in AI-linked industries. Reflecting this improved earnings trajectory, we have raised our 2026 S&P 500 EPS forecast to USD 335 (20% year-over-year growth, up from our prior 11% estimate) and now see the S&P 500 reaching 7,900 by year-end. While near-term upside may be capped at times by yield moves and leadership rotation, we believe the bull market remains intact, with stocks poised to move higher, and continue to keep equities at Attractive.

On the macro front, oil and the status of the Middle East conflict remain important swing factors. While supply disruptions remain significant, market adjustments, policy support, and oil reserve

releases have helped limit the broader economic impact. We expect near-term price pressures to remain elevated but not high enough to derail growth, though a prolonged disruption would pose upside inflation risks.

Our base case calls for two rate cuts over the next 12 months, but the timing has shifted later, as core PCE goods inflation remains too firm alongside solid growth and stabilizing labor market conditions. We now expect rate cuts in December 2026 and March 2027.

Staying diversified remains essential in navigating an uncertain environment. In fixed income, yields have moved higher and are likely to remain volatile amid persistent inflation concerns. We have increased our forecast for the 10-year US Treasury yield to around 4.25% by December 2026, from 4.00%. While longer-duration bonds face greater exposure to fiscal and inflation risks, we see more compelling risk-reward in short- and medium-duration high-quality bonds, particularly with yields at elevated levels.

As always, we recommend reviewing your portfolio with your UBS Financial Advisor to ensure your strategy is well aligned with your long-term goals.



Ulrike Hoffmann-Burchardi

Chief Investment Officer Americas and
Global Head of Equities
UBS Global Wealth Management

Follow me on LinkedIn

[linkedin.com/in/ulrike-hoffmann-burchardi-ubs](https://www.linkedin.com/in/ulrike-hoffmann-burchardi-ubs)

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 to learn more.

Stirred, not shaken?

Earnings boom

Strong earnings are likely to support further gains for stocks over the medium term, though we recommend diversifying beyond the megacaps.

Oil risks

Oil supply disruption remains a key risk to watch, but we expect prices to remain contained enough to avoid a broader economic growth shock.

Bond yields rise

Although yields may be volatile and longer-duration bonds bear elevated fiscal and inflation risks, we believe the risk-reward for short- to medium-term quality bonds remains appealing.

Asset allocation

We rate equities as Attractive and like the US, Japan, Switzerland, and emerging markets (EMs). In fixed income, we favor quality and EMs. We also like commodities.



Mark Haefele

Global Chief Investment Officer
Wealth Management

Follow me on LinkedIn

[linkedin.com/in/markhaefele](https://www.linkedin.com/in/markhaefele)



Our views, live with Q&A

The next CIO global monthly livestream will take place on 26 May. [Join here.](#)

In equities, we recommend diversifying beyond the megacaps.

Equity markets have continued to push higher over the past month, with strength in semiconductors and other AI-linked parts of the market more than offsetting concerns about constrained energy supply through the Strait of Hormuz. That has made for an unusual backdrop: Equities have set new highs even as one of the world's most important energy chokepoints remains heavily disrupted, and as inflation concerns push bond yields higher.

Stock investors have stayed upbeat in part because the earnings picture, especially in AI-capex-linked sectors, has remained healthy enough to sustain risk appetite. US companies reported the best earnings growth in four years in the first quarter. Meanwhile, despite the geopolitics, oil prices are close to unchanged since the end of March.

This has validated our approach of remaining focused on fundamentals rather than being swayed by headlines. The S&P 500 is up 8% year to date, though strong earnings growth has meant equity valuations have not become significantly more stretched despite higher index levels.

In this letter, I focus on three questions for investors. First, is the current surge in corporate earnings sustainable? Second, can markets continue to withstand elevated (or even higher) oil prices? And third, what does the recent rise in yields mean for the equity outlook?

Our view is that equities will likely move higher over the medium term, based on a combination of strong earnings, oil prices that stay contained enough to avoid a broader growth shock, and a Federal Reserve that remains supportive. But there are risks to each part of that view, and portfolios should reflect that balance. And in an economy and global market so complex, no single factor should be viewed in isolation.

In equities, we recommend staying invested but diversifying exposure beyond the megacaps. The Magnificent 7 index is up 6% year to date versus about 65% for the Philadelphia Semiconductor index, demonstrating the importance of broader diversification across the AI

value chain. Regionally, we continue to view the US market as appealing, and also like Japan, Switzerland, and emerging markets. Although yields may remain volatile in the near term and longer-duration bonds bear elevated fiscal and inflation risks, we believe the risk-reward outlook for short- to medium-term quality bonds is attractive. We also continue to favor exposure to commodities and alternatives, alongside select hedging strategies.

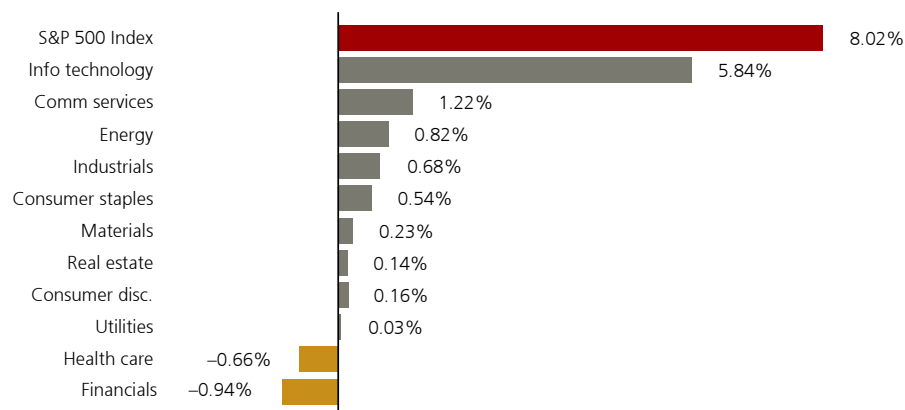
The surge in earnings

US quarterly earnings rose at the fastest pace in four years.

The recent surge in corporate earnings has been remarkable. With about 95% of S&P 500 companies having reported, first-quarter earnings per share are up 27% year over year. Even on our adjusted basis¹, underlying first-quarter EPS grew by 19% year over year, the fastest pace in four years. About 80% of companies have beaten sales and EPS estimates, above historical averages. And while semiconductor firms have led the way, the median EPS beat, at 5.7%, is better than the longer-term average since 2015, suggesting a broadening of profit growth.

Expectations are also rising. The 12-month forward bottom-up consensus EPS estimate for the S&P 500 has been increasing at one of the fastest rates in the past 20 years—it’s up to USD 354, compared with USD 320 three months ago. While the increase has been concentrated—four semiconductor companies plus the energy sector account for more than 50% of the rise over the past three months—the estimate for the median company is also up 3.4%.

Figure 1
Tech has led the rally in the S&P 500
Contributions to S&P 500 year-to-date performance, in %



Sources: Bloomberg, UBS as of 19 May 2026

¹ We strip out significant one-time items that can cloud the underlying earnings trajectory; e.g., one-time earnings boosts from some megacap companies and one-time charges within pharma.

Is all this sustainable?

We think that provided the US consumer and the labor market hold up, continued economic growth and AI adoption should drive further US earnings increases, supporting additional market gains over the medium term.

We expect S&P 500 earnings to grow by 20% this year.

Our expectation is for S&P 500 EPS of USD 335 in 2026, representing 20% year-over-year growth—a significant increase over our prior estimate of 11%. In our base case, we now see the S&P 500 reaching 7,900 by year-end (our previous target was 7,500). And elsewhere, we expect MSCI Asia ex-Japan profits to rise 62% this year, with companies in the technology supply chain driving significant growth. In Europe, we expect earnings to grow by 8%, a pickup after three years of stagnation.

One of the main risks to the rally would be a shift in earnings momentum. A larger-than-average number of companies are beating expectations and by a wider margin than usual. Should this trend reverse, it could shift the focus back to the long-term question of whether current AI investment will ultimately generate meaningful returns.

We do expect AI capex to keep rising in the years ahead and believe supply bottlenecks in chips are unlikely to resolve quickly (particularly given the technical complexity and capital intensity involved). At the same time, it is not yet clear how the gains from AI might ultimately be spread across the economy, and there are likely to be periods ahead when realized profit growth is weaker. We therefore advocate staying invested to benefit from rising earnings while diversifying across the AI value chain to mitigate company-specific risks.

Oil prices

Oil disruption remains a key risk to watch.

If earnings have been the market's main source of optimism, oil has been an important source of macro risk. Global oil supply experienced the largest single-month disruption in history in March, according to the International Energy Administration (IEA). It declined by a further 1.8 million barrels per day (mb/d) in April, taking total losses since February to 12.8 mb/d, equivalent to about 12% of pre-war global supply. And as of the end of April, global observed oil inventories had fallen by a combined 246 million barrels since the start of the war.

Yet, the equity market impact has so far been less than feared, and economies have held up in part because of various buffers. US consumers have been supported in the first half of the year by larger-than-usual tax refunds. Governments around the world have proposed or introduced measures such as fuel subsidies and cuts in excise duties to support consumers. Meanwhile, in March, IEA member countries agreed to make 400 million barrels available from emergency reserves, the largest coordinated release in the agency's history. US oil exports have also risen.

On the demand side, energy-saving measures have been put in place. For example, governments in several Asian countries are encouraging people to work remotely. Other measures include limits on air conditioner use and reducing travel by public officials. The IEA forecasts that global demand will decline by 2.4 mb/d in the second quarter of 2026. While we would avoid firm conclusions until final data arrive in a few months, we believe the reported fall in demand reflects supply constraints more than prices. Petrochemical demand has likely been hit hard by restricted feedstock availability (naphtha, ethane, and LPG), while transport fuels appear less affected so far.

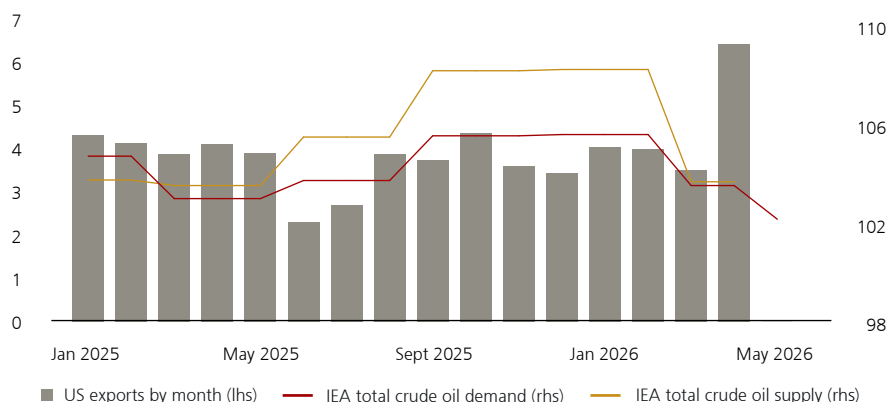
While Brent crude prices remain elevated, they are below their April peaks.

Brent crude prices are currently around USD 106/bbl, up roughly USD 35/bbl compared with late February, though below peaks of near USD 128/bbl in early April. We forecast Brent crude at USD 105/bbl at the end of September and USD 95/bbl at year-end.

Figure 2

US crude oil exports hit new highs as global demand remains unmet

US Department of Energy total US crude oil export data, in mb/d; IEA total world crude oil demand and oil supply, in mb/d; year to date



Sources: Bloomberg, UBS as of 18 May 2026

The adaptability of the energy market demonstrates the importance of investors focusing on prices rather than headlines when making investment decisions related to geopolitics. We have trimmed exposure to energy-sensitive markets, including Europe and India, but remain positive on most global equity markets, given the relatively muted impact on oil prices and the global economy so far.

Oil prices are likely to rise if energy supply disruption continues for a prolonged period.

At the same time, we are conscious that buffers are finite, and if disruption to energy supply continues for a prolonged period, oil prices are likely to rise, particularly if fighting restarts and energy infrastructure is damaged further. There is a risk that the US could resume military strikes, or that the US or other players in the region could seek to “force the issue” by seizing control of the Strait. As such, while retaining a positive view on global equities, we also advocate exposure to broad commodities as a geopolitical hedge and recommend using periods of low volatility to consider strategies with a degree of capital preservation.

A renewed rise in oil prices could lead investors to fear some mix of higher interest rates or a slowdown in growth. We don’t see a particular “tipping point” at which oil prices will suddenly start to drive markets again, but we continue to advocate progressively adjusting portfolios as oil prices rise.

In a risk-case scenario of a continued low rate of energy flows through the Strait of Hormuz for another 3-6 months, or widespread destruction of energy infrastructure in the Middle East, we believe Brent crude prices could spike toward USD 150-200/bbl, though we would expect them to drop below USD 100/bbl by year-end owing to demand destruction.

Bond yields

Inflation concerns have pushed bond yields higher in recent weeks.

With financing costs increasingly important for AI investment, and with energy prices contributing to higher inflation, the path for bond yields is a third key variable—and in recent weeks, bond yields have been rising. The 30-year US Treasury yield recently reached its highest level since 2007 at 5.18%. Yields on 30-year government bonds have hit 15-year highs in Germany, 28-year highs in the UK, and a record high in Japan.

One factor driving this is inflation. The headline US consumer price index rose 3.8% in April, the fastest annual rate since May 2023—and employment remains firm: The April payrolls report showed nonfarm employment rising by 115,000. Another is expectations for Fed policy rates. One notable signal is that the two-year Treasury yield is now above the current federal funds rate, suggesting that markets are entertaining the possibility of Fed rate hikes. Pricing in interest rate futures markets currently shows a 25bps Fed hike by March 2027.

We believe that markets continue to overestimate the potential extent of rate hikes from most major central banks. We do expect the European Central Bank (ECB) to raise policy rates in the months ahead, though this is already more than priced in by markets. We also note President Christine Lagarde’s vigilance about growth risks alongside inflation worries.

We believe the bar for a Fed rate hike remains high.

We believe that the bar for a Fed hike remains high—particularly when current policy rates are modestly restrictive and wage growth is falling, and we think new chair Kevin Warsh will be inclined to look through higher inflation caused by one-off factors. The new Fed chair also views AI as a structurally disinflationary force and favors a range for the central bank's inflation target instead of a fixed number. We still expect the next move in US policy rates to be down, not up, and forecast 25bps rate cuts in December and March. However, in the current environment, the risks are that these are delayed further.

In the UK, where fiscal policy concerns have also played a role, we believe the likelihood of any new government pursuing an overly expansive fiscal path that unsettles markets is low. And in Japan, the government is expected to deliver a fiscal consolidation plan in June, while higher tax revenues should also improve the country's fiscal fundamentals.

Still, while the Strait of Hormuz remains closed, inflation concerns are likely to persist and yields are likely to remain volatile. This month, we have increased our December 2026 forecast for the 10-year US yield to 4.25% from 4.00%.

We expect oil-related economic headwinds to slow overall growth in the second half of the year.

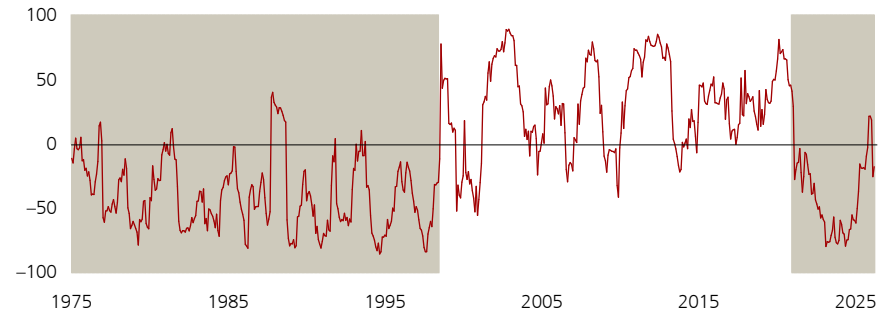
However, a prolonged closure would also increase the downside risks to growth, and we expect oil-related economic headwinds to slow overall growth in the second half of the year. We also continue to expect sequential core goods inflation in the US to moderate later this year. Ultimately, if risks to growth materialize, this could lead to rate cuts from major central banks.

With yields elevated and markets currently focused on inflation (rather than growth) risks, we believe the risk-reward outlook for quality bonds remains appealing, particularly in the short- and medium-duration segment. We remain more cautious on longer-term yields. Both market and survey-based measures of US inflation expectations remain well anchored, in our view. But if the Fed starts to be perceived as being slow to act on inflation, combined with concerns over fiscal sustainability and uncertainty about Fed balance sheet policy under the new chair, this could push yields higher at the long end of the yield curve.

Higher bond yields can put pressure on equity markets.

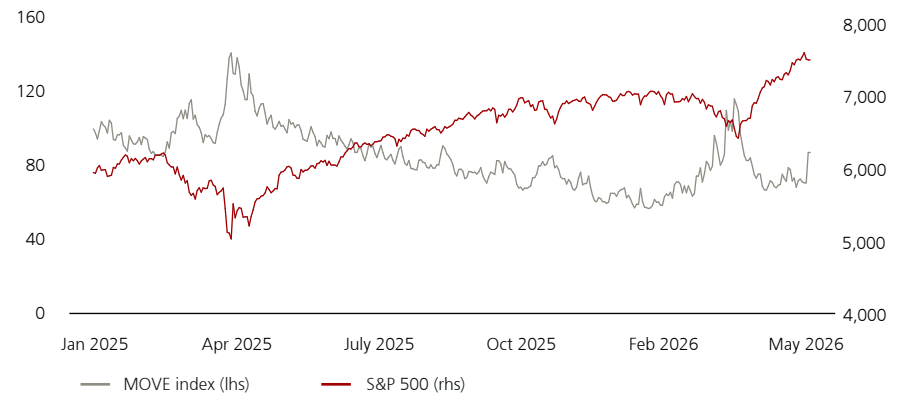
What do higher yields mean for equities? Higher bond yields can be a headwind for stocks because they mean that companies' future earnings are discounted more heavily, which puts pressure on valuations and tightens financial conditions. The main fear for markets currently is too much inflation—a reversal of the situation from 2000-2022, when the fear was not enough inflation—and in this environment, the correlation between equities and yields is more likely to be negative, in our view. We're therefore monitoring the risk of yields moving significantly higher.

Figure 3
Inflation concerns tend to lead to negative stock-yield correlations
Correlation between the rolling yearly change in S&P 500 and the rolling yearly change in 10-year US Treasury yield



Sources: Bloomberg, UBS as of 19 May 2026

Figure 4
Rate volatility can unsettle equity markets
ICE BofA MOVE Index , S&P 500 Index



Sources: Bloomberg, UBS as of 19 May 2026

Nevertheless, while yield moves may trigger volatility in equity markets, we believe the medium-term outlook for stocks remains positive. First, the strong corporate earnings environment, as I discussed earlier, is an important offset to yield concerns. Second, we believe the economic backdrop remains solid. Although potentially higher yields may

dampen consumer spending at the margin, they are unlikely to curtail government and corporate spending. And third, historically, the velocity of yield moves tends to be more impactful than the absolute level (as the inverse relationship between the MOVE index of bond volatility and the S&P 500 suggests). While we have seen a slight rise in yield volatility, the overall impact on equities and credit spreads has not, at least so far, been material. So, we believe the current environment is one where equity market leadership may rotate and volatility may increase, rather than one that calls for a broad risk-off move.

Investment ideas

Strong earnings growth is likely to support further gains for equities over the medium term.

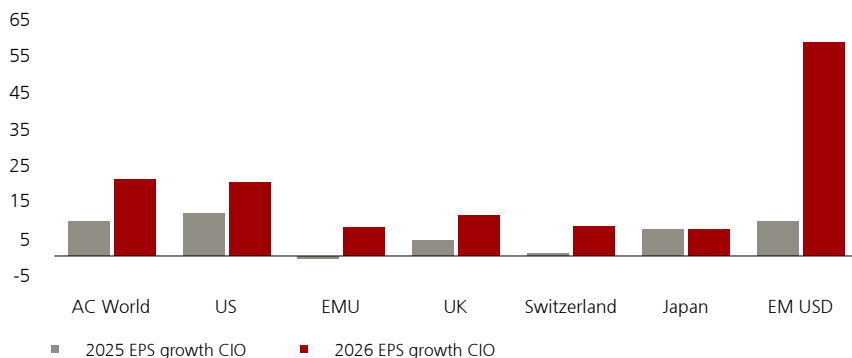
Diversify across equities. We expect equity markets to move higher over the medium term, supported by strong earnings, contained oil prices, and a steady Fed. However, high market concentration, bond market fears, and macro uncertainty mean diversification is essential.

We recommend: 1) diluting portfolio concentration by adding exposure to markets like Japan, emerging markets, China (including tech), global health care, Switzerland, and European consumer discretionary; 2) broadening megacap exposure to the AI value chain, industrials, automation, and space; and 3) using megacap rallies to rebalance into structured investments and multifactor strategies for better downside protection. With high dispersion and low correlations, there are strong opportunities, in our view, to differentiate between companies based on fundamentals.

Figure 5

We expect broad-based earnings growth in 2026

CIO 2025 and 2026 earnings growth expectations for select equity markets, in % (MSCI indices, for Eurozone: Euro Stoxx 50)



Sources: Datastream, UBS, as of 19 May 2026

We recommend a diversified approach to investing in transformation innovation.

Invest in transformational innovation. Although AI-linked stocks have run a long way, we believe that transformational innovation remains a critical market and portfolio alpha driver. We believe investors should build a dedicated allocation to transformational innovation to capture structural alpha emanating from *AI, Power and resources*, and *Longevity*. Given competition and overinvestment risks, we recommend a diversified approach, both within and across trends. Given current high dispersion and low correlation, we take an actively managed approach to our Transformational Innovation Opportunities (TRIOs).

Lock in yields. We believe that markets continue to overestimate the potential extent of rate hikes from most major central banks, even if some near-term hikes may happen, for example in Europe. The recent sell-off in global bond markets presents an opportunity for investors to lock in yields by adding to quality bonds, particularly in the short- and medium-maturity segment. In Europe, yields may remain volatile as the ECB tightens policy, so selectivity is important. Fiscal and inflation risks are higher in longer-duration debt. Holding select exposure to higher-beta segments—such as emerging markets, high yield, or subordinated debt—can also help build a diversified income strategy. Equity income strategies and yield-generating structured investment strategies can further support diversified income.

Investors can consider hedging strategies to insulate portfolios against risks.

Hedge market risks. Global equities have set new all-time highs, though residual risks remain, with the Strait of Hormuz still closed, rising AI competition, and amid elevated fiscal deficits. Investors can use a period of relative market calm to consider adding hedges to manage portfolio risks. This includes locking in yields on short- and medium-duration government bonds, or by replacing linear equity exposure with strategies offering a degree of downside protection. The goal is to reduce the risk of large drawdowns while maintaining participation in potential rebounds.

Favor commodities. With higher energy prices one of the key potential risks to global markets, we believe broad commodities remain a useful portfolio diversifier. Oil prices could yet rise substantially if supply remains constrained while inventories are drawn down. With gold prices still down 14% since the start of the Middle East conflict, we see an opportunity for investors to build exposure, with central bank demand and concerns over rising global debt levels providing support. Meanwhile, industrial metals offer exposure to themes such as electrification and the energy transition, and energy can be an important hedge against inflation and potential renewed supply disruptions. We recommend an allocation to broad commodities, with a focus on active management.

Alternatives can play an important role in diversifying portfolios.



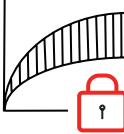
Diversify with alternatives. With stock-level dispersion unusually high and correlations unusually low, this creates a favorable environment for hedge fund managers to generate alpha by focusing on individual company selection, rather than relying on broad macro trends. And with equity-bond correlations on the rise, alternatives can help diversify portfolios more effectively. Investors with significant exposure to any individual fund manager or strategy should look to broaden their allocations across diversified alternative strategies—such as private markets, multi-strategy hedge funds, and real estate—to better manage risk and capture opportunities outside traditional equities and bonds.

A handwritten signature in black ink, appearing to read "Mark Haefele". The signature is fluid and cursive, with the first name "Mark" being larger and more prominent than the last name "Haefele".

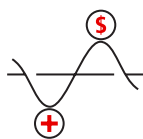
Mark Haefele
Chief Investment Officer
Global Wealth Management

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
<p>Diversify across equities</p> 	<p>We expect equity markets to move higher over the medium term, supported by strong earnings, contained oil prices, and a steady Fed.</p> <p>However, high market concentration, bond market fears, and macro uncertainty mean diversification is essential. We recommend:</p> <ol style="list-style-type: none"> 1) diluting portfolio concentration by adding exposure to markets like Japan, emerging markets, China (including tech), global health care, Switzerland, and European consumer discretionary; 2) broadening megacap exposure to the AI value chain, industrials, automation, and space; and 3) using megacap rallies to rebalance into structured investments and multifactor strategies for better downside protection. <p>With high dispersion and low correlations, there are strong opportunities, in our view, to differentiate between companies based on fundamentals.</p>	<ul style="list-style-type: none"> • Preferred markets for diversification (Japan, Singapore, Australia, EM, China, China tech, global health care, Switzerland, European consumer discretionary, and luxury) • AI, industrials and automation robotics, and space • Capital preservation strategies • Long-only multifactor strategies
<p>Invest in transformational innovation</p> 	<p>Although AI-linked stocks have already experienced significant gains, we believe that transformational innovation remains a key driver of market and portfolio alpha.</p> <p>We believe investors should build a dedicated allocation to transformational innovation to capture structural alpha emanating from AI, Power and resources, and Longevity.</p> <p>Given competition and overinvestment risks, we recommend a diversified approach, both within and across trends. Given current high dispersion and low correlation, we take an actively managed approach to our TRIOS.</p>	<ul style="list-style-type: none"> • AI • Power and resources • Longevity
<p>Lock in yields</p> 	<p>We believe that markets continue to overestimate the potential extent of rate hikes from most major central banks, even if some near-term hikes may happen, for example in Europe.</p> <p>The recent sell-off in global bond markets presents an opportunity for investors to lock in yields by adding to quality bonds, particularly in the short- and medium-maturity segment.</p> <p>Fiscal and inflation risks are higher in longer-duration debt. Holding select exposure to higher-beta segments—such as emerging market debt—can also help build a diversified income strategy.</p> <p>Equity income strategies and yield-generating structured investment strategies can further support diversified income.</p>	<ul style="list-style-type: none"> • Diversified fixed income strategies (with preference for quality bonds and EM bonds) • Equity income strategies • Yield-generating structured investment strategies

MIFs

Hedge market risks

Elevator pitch

Global equities have set new all-time highs, though residual risks remain, with the Strait of Hormuz still closed, rising AI competition, and elevated fiscal deficits.

Investors can use a period of relative market calm to consider adding hedges to manage portfolio risks.

This includes locking in yields on short- and medium-duration government bonds, or by replacing linear equity exposure with strategies offering a degree of downside protection. The goal is to reduce the risk of large drawdowns while maintaining participation in potential rebounds.

Investment ideas

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

Favor commodities

With higher energy prices one of the key potential risks to global markets, we believe broad commodities remain a useful portfolio diversifier. Oil prices could still rise substantially if supply remains constrained while inventories are drawn down.

With gold prices still down 14% since the start of the Middle East conflict, we see an opportunity for investors to build exposure, with central bank demand and concerns over rising global debt levels providing support.

Meanwhile, industrial metals offer exposure to themes such as electrification and the energy transition, and energy can be an important hedge against inflation and potential renewed supply disruptions.

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

- Gold
- Broad commodities
- Copper

Asset allocation implementation

The asset class preferences (left) reflect an absolute view on risk-adjusted expected returns for individual asset classes. These preferences are translated into recommended asset allocation tilts (right) based on our "ABCDH" portfolio criteria (page 17).

Jason Draho, PhD, Head of Asset Allocation Americas; **Andrew Dubinsky**, US Senior Economist; **Paul Hsiao**, Senior Asset Allocation Strategist; **Michael Gourd**, Asset Allocation Strategist; **Ian Spencer**, Asset Allocation Strategist; **Danny Kessler**, Asset Allocation Strategist

Asset class preferences

Based on absolute risk-adjusted return expectations for individual asset classes

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

Asset allocation tilts

Relative to strategic asset allocation; aligned with common portfolio building blocks

	Asset allocation tilts
Cash	
Fixed income	-
US fixed income	-
US govt short	-
US govt Int	-
US govt long	-
US Munis	
Agency MBS	
CMBS	
US Investment Grade	
US High Yield	
Emerging markets hard currency	+
Equity	+
Global Equities	+
US Equity	
US Large cap growth	
US Large cap value	
US Mid cap	
US Small cap	
Int'l Developed Markets	
Emerging Markets	
Commodities	
Gold	+
Oil	

ABCDH portfolio criteria

Criteria	Description	Current assessment
Alpha	Alpha positions are those that do not rely on a view of market direction to generate excess returns.	Strong earnings results from semiconductors and hyperscalers have eased concerns that the AI trade has lost its appeal. Sectors that benefit from the first and second derivatives of the AI trade (real infrastructure assets and adopters) should continue to perform well in this environment. Recent increases in oil prices and interest rates are putting pressure on non-AI beneficiaries and could extend to AI if oil prices remain elevated.
Beta	Beta positions are those that either increase or decrease overall portfolio sensitivity to market risk.	We maintain a preference for increasing beta relative to the SAA benchmark. While geopolitics and policy pose near-term market risks, the economy is still in a reflationary regime and the fundamentals suggest it will stay there over the medium term. This is reflected by the upgrade to our S&P 500 EPS growth forecast for 2026, now at 20%. To express this positive beta view, we prefer adding to global equities, funded by US government bonds.
Carry	Carry positions are those that increase portfolio income relative to their funding sources.	The spread widening that occurred in March has largely retraced for most fixed income asset classes and is now back near recent tights. Consequently, we recommend being selective in searching for carry, generally favoring high-quality fixed income. USD emerging market sovereign debt offers relatively attractive risk-adjusted expected returns, and taxable munis provide tax-equivalent yields superior to Treasuries.
Duration	Duration positions either shorten or lengthen portfolio duration relative to the benchmark.	The recent rise in Treasury yields across the entire curve, driven by inflation concerns and pricing in Fed rate hikes, appears overdone, in our view. We expect yields to fall by year-end, as these concerns ease and the Fed resumes cutting rates in December. But yields could go higher in the near term if a sustainable peace deal between the US and Iran doesn't lead to lower oil prices. Overall, we recommend modestly extending duration by targeting intermediate (7-year) rather than short (3- to 5-year) maturities.
Hedging	Hedging positions aims to minimize potential portfolio losses if other allocations do not perform as expected.	While the macro regime is reflationary, rising inflation is challenging to hedge because the resulting higher rates can adversely impact almost all asset classes. Gold has suffered due to the higher rates, but it remains an attractive diversifier over the medium term against geopolitical and de-dollarization risks.

US economic outlook

Solid first-half activity trends as fiscal stimulus offsets energy headwinds

Andrew Dubinsky, US Senior Economist

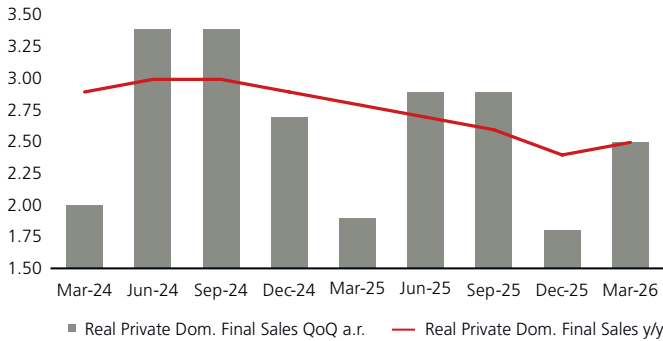
Overview

US growth remains resilient in mid-2026, with 1Q GDP rebounding to 2% annualized, supported by firm private demand and still-loose financial conditions. While higher oil prices pose a near-term headwind, momentum remains constructive into 2Q. However, with fiscal support set to fade, activity is likely to slow in the second half of the year. At the same time, disinflation has been slower than expected, delaying the conditions needed for Fed easing. The Fed retains an easing bias but remains in wait-and-see mode, and we now expect rate cuts to begin later, in December 2026, followed by March 2027 as growth cools and inflation moderates.

Growth

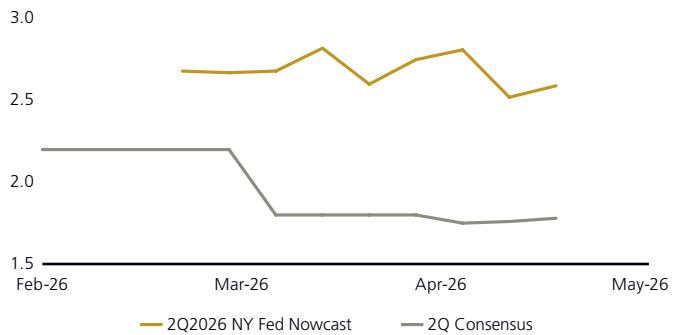
Growth rebounded in 1Q, with solid underlying details—particularly private domestic final sales at 2.5%—pointing to firm demand. Early 2Q tracking remains solid, at around 2.0%, supported by consumer spending and investment, alongside continued support from tax cuts and accommodative financial conditions. Business investment remains a key tailwind, driven by AI-related spending. However, higher oil prices are weighing on real incomes, and growth is likely to moderate in the second half as fiscal support fades and energy headwinds build. Overall, these forces should keep full-year growth near trend at around 2.0%, though with a softer profile into year-end.

Figure 1
Private spending was strong in 1Q despite energy headwinds



Source: Bloomberg, UBS as of 20 May 2026

Figure 2
Nowcasts show solid trends in 2Q and above the consensus GDP estimate q/q SAAR, %



Source: New York Fed, Bloomberg, UBS as of 20 May 2026



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

Read the report >

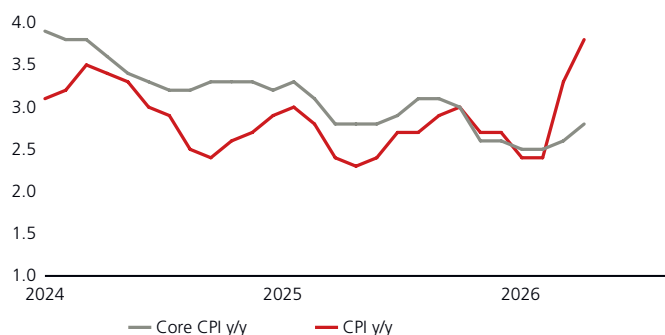
Inflation

Inflation remains elevated, with headline inflation likely peaking in the coming months. Core CPI rose to 2.8% y/y in April, while core PCE is tracking closer to 3.3% y/y, reflecting persistent goods inflation. Tariffs continue to exert upward pressure—adding roughly 0.8pp to core inflation—while supply bottlenecks could potentially delay goods disinflation. Higher oil prices should push headline inflation above 4.0% near term, though pass-through to core remains limited. Encouragingly, services disinflation is ongoing, supported by easing rent measures, and wage growth below 3.5% y/y remains consistent with contained services inflation. Goods disinflation should resume, but progress has been slower than expected.

Fed policy

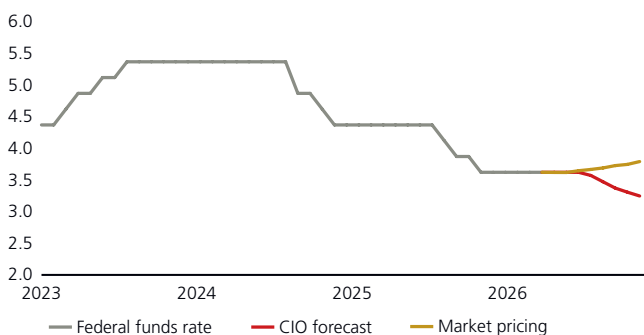
The Fed remains on hold, with an easing bias. Sticky core goods inflation, supply-side uncertainty, and more stable labor market conditions have pushed back the timing of policy normalization. The absence of sustained goods disinflation and uncertainty around oil prices argue for patience. While markets have priced in hikes over the next 12 months, the bar for tightening remains high given moderating wage growth and anchored inflation expectations. The Fed is therefore likely to wait for clearer evidence on inflation and growth before acting. We now expect two 25bps cuts in December 2026 and March 2027, bringing the policy rate toward 3.00-3.25%.

Figure 3
Headline inflation likely to peak at over 4% in the coming months from higher oil prices
Core and CPI y/y



Source: Bloomberg, UBS as of 20 May 2026

Figure 4
Federal Reserve pricing shows hikes despite the easing bias
Mid-point of FOMC policy rate range



Source: Bloomberg, UBS as of 20 May 2026

Equities

We remain Attractive on global equities. Equities have reached new highs, as markets have looked past the US-Iran conflict and refocused on strong underlying fundamentals. The overall macro backdrop remains constructive, supported by resilient consumption, robust access to capital, supportive fiscal policies, and a recovery in manufacturing. Structural trends should remain favorable, though we recommend a selective approach within the AI sector. Technology sectors are likely to remain leaders, but we expect earnings growth and performance to broaden through 2026.

Eurozone

⊖ NEUTRAL

EURO STOXX 50 (index points, current: 5,960) December 2026 target

House view	6,300
↗ Positive scenario	7,100
↘ Negative scenario	4,400

Note: All current values as of 21 May 2026

We rate Eurozone equities Neutral owing to an improving earnings outlook, a supportive structural backdrop, and reasonable valuations. Although we see further upside in our base case, risks to energy flows remain, and we favor a more selective approach for the time being. We continue to see strength in AI and electrification, firmer commodity earnings, and larger auto base effects. We upgrade our forecasts for Euro Stoxx 50 earnings to grow 8% in 2026 and 15% in 2027. We favor cyclicals that overlap with structural trends alongside defensive opportunities from the recent market sell-off.

Japan

⊕ ATTRACTIVE

TOPIX (index points, current: 3,854) December 2026 target

House view	4,100
↗ Positive scenario	4,300
↘ Negative scenario	2,800

Note: All current values as of 21 May 2026

We rate Japanese equities as Attractive. Since the US-Iran ceasefire, AI-related stocks have driven Japanese equities, with only a few sectors recovering to pre-conflict levels. Given high concentration in market positioning and rising yields in the US and Japan, we believe sector rotation is likely, with elevated short-term volatility until bond markets stabilize. A supportive domestic inflation and reform backdrop underpins the outlook, despite lingering risks from higher raw material prices and war related demand uncertainty. We see opportunities in banks, AI-linked firms, and laggards.

Emerging markets

⊕ ATTRACTIVE

MSCI EM (index points, current: 1,676) December 2026 target

House view	1,820
↗ Positive scenario	1,880
↘ Negative scenario	1,200

Note: All current values as of 21 May 2026

We rate emerging market equities as Attractive, supported by leadership in AI innovation and manufacturing, improved corporate governance in Asia, higher commodity prices, and resilient macro. We forecast 58% earnings growth for EM equities in 2026 and revised our December 2026 MSCI EM target to 1,820. We continue to favor a diversified and active approach to EM equities, given rising concentration risks and shifting market leadership, focusing on beneficiaries of AI, domestic policy support, and structural improvements. We favor an equal-weighted approach to reduce positioning risk.

UK

⊖ NEUTRAL

FTSE 100 (index points, current: 10,443) December 2026 target

House view	11,000
↗ Positive scenario	12,000
↘ Negative scenario	7,200

Note: All current values as of 21 May 2026

We rate UK equities as Neutral. While we see UK equities as well supported, we favor markets that are either more cyclical in the event of a quick resolution to energy flows or have higher structural growth exposure. We see a supportive backdrop with reasonable valuations and accelerating earnings—we forecast 11% earnings growth this year and 10% in 2027. Our preferences tilt toward an improving cyclical outlook and structural trends. We upgraded our views on European consumer discretionary and health care, and continue to rate the industrials, IT, and real estate sectors as Attractive.

US equities

Despite continued uncertainty about the resumption of energy flows from the Middle East, US stocks have powered to new highs. Hopes for an end to the conflict, strong 1Q results, and AI momentum have driven the rise. Our Attractive view on US equities continues to be based on resilient growth, a supportive Federal Reserve, and the AI rollout.

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

US equities

+ ATTRACTIVE

The first-quarter earnings season is nearly complete and the results have been strong. This has prompted us to increase our S&P 500 earnings estimates. Our 2026 EPS estimate is now USD 335 (20% growth) and we introduce a 2027 EPS estimate of USD 375 (12% growth). The increase in profits is somewhat concentrated, with about half of the upward revision related to semiconductors and another quarter to the energy sector. All-in, we continue to believe that the bull market remains intact and that the main near-term risks to equities stem from continued disruptions to energy flows. Finally, the increase in our EPS estimates drive our S&P 500 price targets higher to 7,900 for year-end 2026 and the introduction of an 8,200 target for June 2027.

US equities – sectors

We favor a selective approach to our sector positioning, with a combination of cyclical and secular exposure. A few of our recommended sectors offer both angles. In industrials, long cycle end-markets like aerospace 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 in the sector. Fiscal stimulus should give a boost to consumer spending. On the more cyclical side, financials should benefit from easing regulations 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

We are neutral across size segments. Large-caps have recently made up some lost ground on a relative performance basis driven by the strong earnings season. However, small-caps continue to outperform year to date. Fiscal support from the One Big Beautiful Bill Act and Federal Reserve rate cuts are beneficial. Still, our neutral view reflects a balance between a supportive current environment and the potential for less favorable conditions over the remainder of the year as fiscal stimulus wanes and growth decelerates.

US equities – style

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

S&P 500 (index points, current: 7,446)

December 2026 target

House view	7,900
↗ Upside	8,700
↘ Downside	5,200

Note: All current values as of 21 May 2026

Figure 1

Selective within US equity sectors

S&P 500 sector preferences

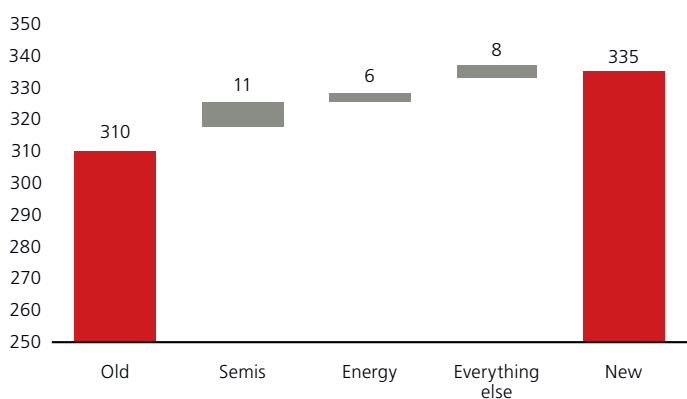
	Unattractive	Neutral	Attractive
US equities			
Communication services		=	
Consumer discretionary			+
Consumer staples		=	
Energy		=	
Financials			+
Health care			+
Industrials			+
Information technology		=	
Materials		=	
Real estate		=	
Utilities			+

Source: UBS, as of 21 May 2026

Figure 2

Semis and energy play a key role in our increased earnings estimate

Contribution to increase in CIO S&P 500 2026 EPS estimate, in USD



Source: FactSet, UBS, as of 21 May 2026

Bonds

As the war in the Middle East has progressed, bond investors are questioning how central banks should respond. While markets have shifted hawkishly, particularly in Europe, and exhibited significant muscle memory to the early stages of the 2022 Russia-Ukraine war, we believe the parallel is misplaced. Unlike in 2022, the current environment is characterized by slower growth, softer labor markets, inflation near targets, and policy rates already close to neutral. This gives central banks more flexibility to look through a temporary energy-driven inflation spike, and we expect the case for Fed easing to return later this year. We have an Attractive view on emerging market bonds and see good carry in investment grade corporates. High yield credit remains as Neutral.

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

+ ATTRACTIVE

US 10-YEAR YIELD (current: 4.6%) December 2026 target

House view **4.25%**

Note: All current values as of 21 May 2026

Over the past two weeks, US interest rates have undergone one of their most pronounced repricing episodes in recent memory, with the 10-year Treasury yield breaking decisively above 4.50%—a level that had served as our technical ceiling heading into 2026—and subsequently touching 4.68%, the highest since January 2025. The 30-year yield reached 5.19%, the highest level since July 2007. Since the ceasefire announcement the first week of April, equity, credit, and volatility have all retraced to prewar levels witness at the end of February, but not the level of interest rates, as the market began adjusting its expectation of the future rate path. We have guided investors to not overextend interest rate risk and remain at the short end of the yield curve.

Emerging market bonds

+ ATTRACTIVE

EMBIG DIV. / CEMBI DIV. SPREAD (current: 242bps / 207bps) December 2026 target

House view **260bps/240bps**

↗ Positive scenario 220bps/190bps

↘ Negative scenario 500bps/450bps

Note: All current values as of 21 May 2026

We keep emerging market credit as Attractive. The asset class has shown resilience in the face of ongoing geopolitical stress, enhancing its role as a key portfolio diversifier amid fiscal challenges in developed markets. We expect rangebound to slightly wider spreads during the investment horizon, which should result in carry-driven high-single-digit total returns. Key risks include US policy uncertainty, inflation concerns, 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: 75bps) December 2026 target

House view **90bps**

↗ Positive scenario 70bps

↘ Negative scenario 180bps

Benchmark: ICE BofA

Note: All current values as of 21 May 2026

All-in yields stand at 5.2% for US IG, which remains elevated versus historical levels (based on data since 2010) and provides a reasonable amount of cushion against the risk of rising rates or spreads. Credit fundamentals remain solid, with EBITDA growth exceeding debt growth, and we expect limited credit-quality deterioration in our base case. We believe the total return outlook for IG is supported by the high level of outright interest rates, with additional upside potential in the event of faster-than-expected rate cuts. We recommend investors with excess cash holdings add short to medium-duration IG bonds for income.

US high yield corporate bonds

= NEUTRAL

USD HY SPREAD (current: 280bps) December 2026 target

House view **300bps**

↗ Positive scenario 260bps

↘ Negative scenario 650bps

Benchmark: ICE BofA

Note: All current values as of 21 May 2026

Following the announcement of an Iran ceasefire, spreads have returned to pre-conflict levels, as investor sentiment has shifted and risk appetite has increased. Fundamentally, HY credit metrics remain healthy and default rates are low. CIO forecasts default ratios to around 2% in the next 12 months. We view the current 7.3% yield an attractive carry opportunity for yield-seeking investors and expect returns to be driven primarily by carry not price appreciation with limited spread compression.

Municipal bonds

+ ATTRACTIVE

We keep our preference as Attractive. YTD munis are roughly flat, but are still outperforming Treasuries, IG corporates and MBS. The index tax-equivalent yield of 6.5% is attractive, at the 90th percentile over the last decade. Strong flows have helped drive relative outperformance and we expect better absolute performance over the summer as technicals improve. Short and longer duration munis continue to outperform intermediates. Credit remains resilient.

Non-US developed fixed income

= NEUTRAL

Long-maturity non-US developed market (DM) yields have reached decade highs over the last month, as disruptions in the Strait of Hormuz have increased upside inflation risks and pushed market expectations toward more hawkish policy paths. Forward markets now imply around 75bps of tightening over the next year for the ECB and BoJ, compared with roughly 35bps for the US. Most major DM economies are net energy importers, reinforcing concerns that central banks may need to tighten policy in response to higher inflation. UK yields have also been pressured by elevated political uncertainty. However, we question whether the extent of rate hikes currently priced by markets will be sustained, given the negative growth impact of this energy supply shock. Despite this, US Treasuries continue to offer among the highest yields in developed markets. As a result, we do not see a compelling case for a strategic allocation to non-US bonds at this time.

Additional US taxable fixed income (TFI) segments

Agency bonds

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

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

Mortgage-backed securities (MBS)

+ ATTRACTIVE

With the recent rise in interest rates and volatility, agency MBS spreads have started to widen. At 118bps spread, the current coupon remains tighter than the peaks of 130bps in March, but have recently started to lag as the market turns hawkish on the Fed path. We continue to prefer high-quality fixed income and technical tailwinds such as lower supply and rising bank demand, which remain drivers to total returns.

AGENCY MBS SPREAD (current: 118bps)	December 2026 target
House view	90bps
➤ Positive scenario	80bps
➤ Negative scenario	160bps

Note: All current values as of 21 May 2026

Preferred securities

= NEUTRAL

The sharp mid-May rate backup pummeled preferreds, wiping out year-to-date gains for retail USD 25 pars, where duration exceeds

8.5 years. With their variable-rate coupons, institutional preferreds held up better and still have year-to-date gains of over 1%. Since the start of the year, retail preferred yields have climbed more than the 10-year Treasury's ~40bps rise, creating selective opportunities. USD 1,000 par yields are up less but offer better yield-per-duration and should continue to benefit from limited supply. Locking in higher yields provides a better cushion for returns, even as further spread compression looks less likely.

Treasury Inflation-Protected Securities (TIPS)

= NEUTRAL

Inflation expectations have started to rise in the back end of the curve, an indicator monitored by the Fed. With the ceasefire continuing longer than anticipated, forward oil prices are starting to rise, resulting in higher gasoline and energy prices for a prolonged period. We believe TIPS are rich and retain a Neutral view.

US 10-YEAR REAL YIELD (current: 2.15%)	December 2026 target
House view	1.60%
➤ Positive scenario	0.75%
➤ Negative scenario	2.30%

Note: All current values as of 21 May 2026

Figure 1

UBS CIO interest rate forecast

In %

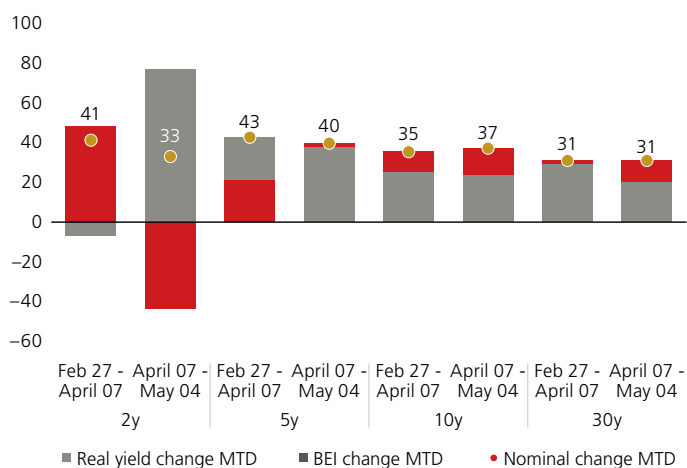
UST	Current	Sep-26	Dec-26	Mar-27	Jun-27
2-year	4.1	3.8	3.8	3.5	3.3
5-year	4.2	4.0	3.9	3.6	3.4
10-year	4.6	4.3	4.3	4.0	4.0
30-year	5.1	4.8	4.8	4.5	4.5

Source: Bloomberg, UBS, as of 21 May 2026

Figure 2

Since the start of April, the driver of long-term yields has shifted from real rates to breakevens

Yield, in bps



Source: Bloomberg, UBS, as of 19 May 2026

Commodities

Commodities have had a solid year overall, led by energy. While results are mixed within the asset class, all commodity sectors still contributed to the performance. Maintaining an allocation to commodities, with a focus on active management, can help investors hedge against inflation and energy supply shocks, in our view.

Dominic Schnider, CFA, CAIA, Strategist, UBS Switzerland AG; **Giovanni Staunovo**, Strategist, UBS Switzerland AG; **Thomas Veraguth**, Strategist, UBS Switzerland AG; **Wayne Gordon**, Strategist, UBS AG Singapore Branch

Commodities

+ ATTRACTIVE

GOLD (current: USD 4,543/oz) December 2026 target

+ ATTRACTIVE

House view	USD 5,900/oz
↗ Positive scenario	USD 5,500
↘ Negative scenario	USD 7,000

Note: All current values as of 21 May 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 102.58/bbl) December 2026 target

= NEUTRAL

House view	USD 95/bbl
------------	------------

Note: All current values as of 21 May 2026

Precious metals

Gold prices reached record average levels in the first quarter of 2026, delivering positive returns despite heightened volatility following the onset of the Iran war. Increased physical investment demand and Asian flows are balancing out slower demand for gold exchange traded funds, particularly in the latter part of 1Q. Uncertainty surrounding upcoming midterm elections and tariff negotiations, expectations of a weaker US dollar, and declining real interest rates (as the Fed cuts) will likely reinvigorate ETF inflows, alongside continued central bank demand. We believe these drivers could collectively push prices toward USD 5,900/oz by late 2026.

Base metals

LME copper prices briefly exceeded USD 14,000 per metric ton in May, supported by sulfur shortages and constrained scrap and concentrate supply in China. Our copper price forecasts are USD 14,000/mt for September 2026, USD 14,500/mt for December 2026, and USD 15,000/mt for March 2027, and we are introducing a new end-June 2027 forecast of USD 15,500/mt. We reiterate our market deficit estimate of 520,000 mt for 2026. Against this backdrop, we prefer to maintain a long position in copper and would look to add on price pullbacks.

Agriculture

Agricultural markets experienced divergence in May, shaped by the outcomes of the Trump-Xi meeting and evolving medium-term global supply and demand for grains. A significant development was China's commitment to purchase approximately USD 17 billion annually in US agricultural products from 2026 to 2028, including an estimated 25 million tons of US soybeans each year.

Crude oil

Global observed inventories plunged by 246 million barrels combined in March and April, with the total loss in production likely to hit 1 billion barrels at the end of May. Given these disrupted volumes, and with flows via the Strait of Hormuz still restricted, we once again raise our oil forecasts. In the near term, we continue to see the risks as skewed to the upside for prices.

Foreign exchange

NOK and AUD are Attractive

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

We maintain a Neutral view on the US dollar. The currency has modestly appreciated over the past month, supported by more hawkish Fed policy expectations. Stronger US CPI data and the ongoing Middle East conflict have increased upside inflation risks, contributing to a 0.7% rise in the DXY. Looking ahead, we continue to expect a weaker dollar over the medium term against many G10 and EM currencies, reflecting structural headwinds such as the US twin deficits. However, these pressures are likely to be offset in the near term by a relatively stronger US macro

backdrop. US growth remains strong in the first half of the year, and data surprise indicators are still firm. In contrast, euro area data has been softer, with oil-related headwinds weighing on activity. This divergence in cyclical momentum should provide ongoing support for the dollar. Overall, we expect US structural headwinds to be broadly offset by cyclical growth outperformance, resulting in a stable near-term USD outlook with a gradual weakening bias over the medium term.

FX strategy

	Unattractive	Neutral	Attractive
USD		⊖	
EUR		⊖	
GBP		⊖	
CHF		⊖	
JPY		⊖	
CAD		⊖	
NOK		⊖	
SEK		⊖ →	⊕
AUD			⊕
NZD		⊖ →	⊕
CNY			⊕
EM carry*			⊕

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

FX forecasts

	Current	Sep-26	Dec-26	Mar-27	Jun-27
EURUSD	1.16	1.18	1.20	1.20	1.20
USDJPY	159	156	154	152	150
GBPUSD	1.34	1.37	1.40	1.40	1.40
USDCHF	0.79	0.79	0.78	0.78	0.78
USDCAD	1.37	1.35	1.35	1.35	1.35
AUDUSD	0.72	0.73	0.74	0.75	0.76
NZDUSD	0.59	0.62	0.63	0.64	0.64
USDSEK	9.34	8.98	8.75	8.67	8.58
USDNOK	9.26	9.15	8.92	8.83	8.75

Sources: SIX Financial Information, UBS, as of 21 May 2026

Investment committee

The UBS investment process is designed to achieve replicable, high-quality results through applying intellectual rigor, strong process governance, clear responsibility, and a culture of challenge.

Based on the analyses and assessments conducted and vetted throughout the investment process, the Chief Investment Officer (CIO) formulates the UBS Wealth Management Investment House View at House View Investment Meeting (HVIM). Senior investment professionals from across UBS, complemented by selected external experts, debate and rigorously challenge the investment strategy to ensure consistency and risk control.

The participants in the HVIM include top market and investment expertise from across all divisions of UBS:

- Mark Haefele (Chair)
- Solita Marcelli (*)
- Ulrike Hoffmann-Burchardi
- Paul Donovan
- Min Lan Tan
- Themis Themistocleous
- Adrian Zuercher
- Mark Andersen

We recognize that a globally derived house view is most effective when complemented by local perspective and application. As such, UBS has formed a Wealth Management Americas US Investment Strategy Group:

- Ulrike Hoffmann-Burchardi
- Alejo Czerwonko
- Jason Draho (chair)
- Leslie Falconio
- David Lefkowitz

(*) Business area distinct from Chief Investment Office Global Wealth Management

Cautionary statement regarding forward-looking statements

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

Explanations about asset classes

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

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

Statement of risk

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

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

Preferred securities: Prospective investors should consult their tax advisors concerning the federal, state, local, and non-U.S. tax consequences of owning preferred stocks. Preferred stocks are subject to market value fluctuations, given changes in the level of interest rates. For example, if interest rates rise, the value of these securities could decline. If preferred stocks are sold prior to maturity, price and yield may vary. Adverse changes in the credit quality of the issuer may negatively affect the market value of the securities. Most preferred securities may be redeemed at par after five years. If this occurs, holders of the securities may be faced with a reinvestment decision at lower future rates. Preferred stocks are also subject to other risks, including illiquidity and certain special redemption provisions.

Municipal bonds: Although historical default rates are very low, all municipal bonds carry credit risk, with the degree of risk largely following the particular bond’s sector. Additionally, all municipal bonds feature valuation, return, and liquidity risk. Valuation tends to follow internal and external factors, including the level of interest rates, bond ratings, supply factors, and media reporting. These can be difficult or impossible to project accurately. Also, most municipal bonds are callable and/or subject to earlier than expected redemption, which can reduce an investor’s total return. Because of the large number of municipal issuers and credit structures, not all bonds can be easily or quickly sold on the open market.

Appendix

Emerging Market Investments

Investors should be aware that emerging market assets are subject to, among others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and socio-political risk, interest rate risk, and higher credit risk. Assets can sometimes be very illiquid, and liquidity conditions can abruptly worsen. CIO GWM generally recommends only those securities it believes have been registered under federal US registration rules (Section 12 of the Securities Exchange Act of 1934) and individual state registration rules (commonly known as "Blue Sky" laws). Prospective investors should be aware that to the extent permitted under US law, CIO GWM may from time to time recommend bonds that are not registered under US or state securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws.

Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Sub-investment grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher yielding bonds for shorter periods only.

Nontraditional Assets

Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

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

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

Hedge Fund Risk: There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.

Managed Futures: There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.

Real Estate: There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.

Private Equity: There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.

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

Foreign Exchange/Currency Risk: Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

Global asset class preferences definitions

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities

Note: For equities, we have collapsed "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive" from the five-tier rating system that is found in the Equity Compass into 3 tiers.

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 utilise 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 Manage-

ment 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 B/2026. CIO82652744

© UBS 2026. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

© 2026 UBS Financial Services Inc. All rights reserved. Member SIPC.
All other trademarks, registered trademarks, service marks and registered
service marks are of their respective companies.

UBS Financial Services Inc. ubs.com/financialservicesinc

UBS Financial Services Inc. is a subsidiary of UBS AG.

