

UBS House View

Investment Strategy Guide: Staying on message

July 2026 | Chief Investment Office GWM | Investment research



UBS

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July

CIO Monthly Livestream

2 July 2026 1:00 p.m. ET

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Dear reader

The first half of the year has highlighted a notable dynamic for investors: Despite ongoing geopolitical risks, elevated inflation, and shifting Fed expectations, markets have remained well supported by resilient US growth and the continued expansion of AI.

The US economy has remained robust through the first half of 2026, supported by strong private demand, tax cuts, and still-accommodative financial conditions. At the same time, inflation has proven more persistent, with recent data reflecting continued pressure from energy, tariffs, and AI-related demand. As a result, the Federal Reserve has turned more hawkish than expected, adopting a prolonged “wait-and-see” stance.

While the first Fed meeting led by Kevin Warsh increased the likelihood of rate hikes, we do not expect near-term hikes given anchored inflation expectations. We expect the Fed to remain on hold through 2026, with rate cuts beginning in March 2027 and continuing later in the year as growth moderates and inflation gradually eases. Overall, this backdrop remains supportive for stocks.

We maintain our Attractive view on US equities, supported by continued economic resilience, solid earnings growth, and ongoing

AI-driven investment. While technology stocks have been key contributors to performance, gains have broadened, with the equal-weighted S&P 500 performing in line with the market-cap-weighted index year to date, underscoring this improved breadth. We also note that equity issuance is picking up after a subdued period, but we do not expect this to act as a material headwind for markets, as issuance remains manageable relative to market size and is likely to be offset by continued share buybacks.

In fixed income, elevated yields continue to offer attractive income opportunities, particularly as the Fed is likely to remain on hold through 2026. We see more compelling risk-reward in short- and medium-duration high-quality bonds, where investors can lock in yields while limiting exposure to duration-related volatility. High-quality bonds remain supported by solid fundamentals and elevated all-in yields, and we see scope to redeploy excess cash into these segments.

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

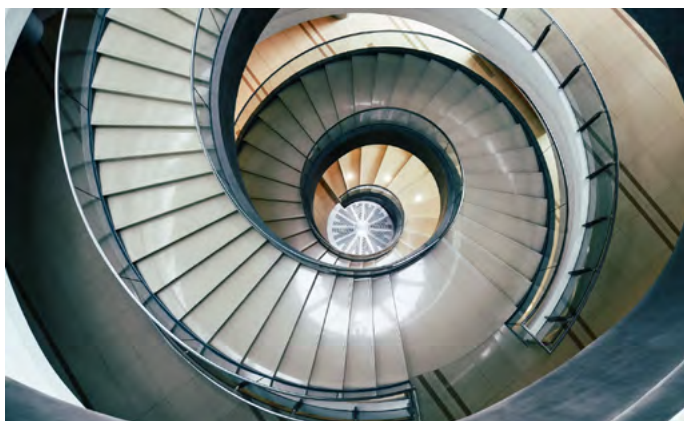


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Staying on message

Onward and upward?

We expect equity markets to move higher over the next 12 months, driven primarily by strong earnings growth. Focusing on fundamentals rather than headlines remains key.

Managing risks

Key risks to monitor in the second half of the year include a loss of confidence in the AI growth story, weak delivery from the wider economy, and higher financing costs.

Concentration issues

We believe the wide performance gap between individual stocks magnifies the risk of holding concentrated equity positions and reinforces the case for a diversified core portfolio.

Asset allocation

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



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I asked AI in December 2025, “What will be the big geopolitical and economic forces I need to pay attention to in 2026?” It answered: “the medium is the message.” That’s a witticism AI told me is funny.

The point is that while there has been a lot going on, AI has proven to be the most important force driving markets this year, and AI-linked stocks have helped propel equity indexes higher despite rising bond yields, geopolitical risks, and firmer inflation. Investors who focused too heavily on geopolitical headlines in the first half missed the more important market signal. And, while US stocks have made headlines, many global indexes have outperformed. Japan’s Nikkei 225 index has risen by around 40% this year and South Korea’s Kospi index is up more than 100%.

Looking ahead, our base case is that equities can move higher over the next six and 12 months, and we expect the S&P 500 to reach 8,200 by June 2027. We remain mindful of a range of risks, including a loss of confidence in the AI growth story, weaker-than-expected delivery from the ex-AI economy, and higher financing costs. However, our base case sees continued strength in AI capital expenditure, a resilient US economy, ongoing fiscal spending around the world, and strong credit creation continuing to support corporate earnings growth and markets more broadly.

In a post-zero-interest-rate world, we are seeing a rising dispersion between the performance of individual stocks, magnifying the risks for concentrated equity portfolios. Diversification is the cornerstone of our investment philosophy. Yet, we note that, excluding strategic holdings, almost 40% of equity investors on our platform with self-managed portfolios hold more than half of their equity portfolio in just 10 stocks or fewer. We believe the current environment reinforces the argument for diversifying the core portfolio at the center of equity allocations, while complementing this with targeted exposure to structural growth opportunities.

We believe the risk-reward in quality bonds remains appealing.

In fixed income, we believe the current risk-reward in quality bonds looks appealing, with markets still pricing in too many rate hikes, in our view. If sustained, the US-Iran peace agreement could reduce the pressure on central banks to raise rates, although policymakers are likely to remain vigilant for signs of more persistent inflation. Meanwhile, on gold, we recently lowered our price forecasts to reflect the expected delay of Federal Reserve rate cuts until 2027.

In commodities more widely, we believe investors should consider broadening exposure to hedge a wider range of risks. In currencies, we expect the US dollar to remain well bid into the third quarter as the US economy stays resilient and US rates remain high.

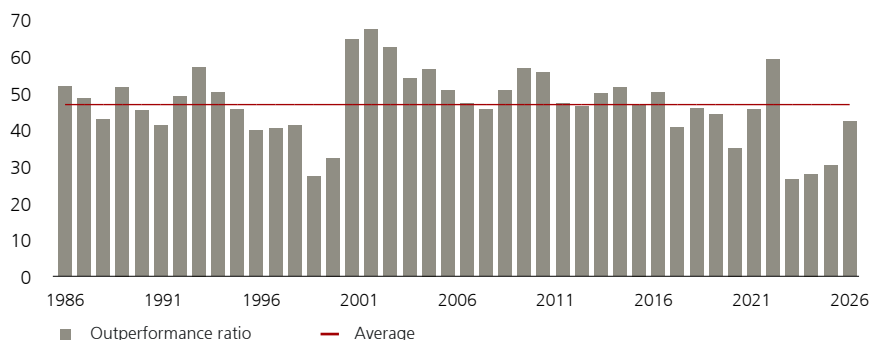
The first half of the year has shown how quickly narratives can shift, how costly excess cash can become when markets move higher, and how single-stock selection represents both an opportunity and a risk. We remain constructive and believe private investors should stay invested, while keeping diversification at the center of portfolio construction.

Why we believe equities can still move higher

Semiconductor and memory-related stocks have outperformed in the first half.

The AI rally has been one of the defining features of markets in the first half of the year, with semiconductor, chip equipment, and memory-related stocks performing strongly as demand for computing power has continued to rise. But participation has also improved beneath the surface: Around 40% of S&P 500 constituents have outperformed the index this year—better than the previous three years and close to the longer-term average. Meanwhile, the equal-weighted tech index has delivered roughly double the performance of the market-cap-weighted tech index.

Figure 1
The rally is broadening
Percentage of stocks within the S&P 500 outperforming the index



Sources: FactSet, UBS, as of 18 June 2026

As we look ahead to the second half, we believe that the AI-led part of the market can drive further gains and that the rally will continue to broaden across the rest of the market.

While questions are emerging over whether expectations for AI have moved too far, we continue to view it as a powerful structural investment opportunity. Demand is not only intact, but broadening across enterprises, with clear evidence that supply remains constrained in both compute and memory.

Hyperscalers remain committed to their capital expenditure plans.

First-quarter results confirmed that hyperscalers remain committed to their heavy capital expenditure plans. We expect overall AI-related capex to rise by 68% year over year in 2026 to around USD 820 billion, followed by a further 21% increase in 2027 to roughly USD 990 billion, with upside risks to these estimates. These are large growth rates, but they are also occurring against a backdrop in which demand for AI tokens continues to outstrip supply. Cloud growth at the major platforms accelerated to 40% year over year in the first quarter, and they reported USD 2 trillion worth of advance orders in compute resources.

We therefore believe the rally in AI-linked stocks can continue to support the overall market, particularly in the “picks and shovels” of the AI buildout, where demand visibility, pricing power, and earnings momentum remain the strongest and most directly tied to the capex cycle. These dynamics are especially evident in stocks linked to chipmaking equipment, processors, chip manufacturers, chip assembly and integration, power and sensor chips, and memory. At a regional level, we believe this should be most supportive of the US, South Korea, and Japan—where we retain Attractive ratings—as well as Taiwan (Neutral).

Beyond AI, we believe the rest of the market has the potential to contribute to returns. A resilient US economy, solid labor market, strong credit creation, and continued fiscal support could all help support earnings outside the AI complex, enabling the rally to broaden further. A supportive consumer backdrop should help underpin consumer discretionary stocks, and the recent pickup in the ISM Manufacturing index points to improving conditions for industrials and other cyclical parts of the market. We expect S&P 500 earnings per share to grow 20% this year and 12% in 2027.

We see appealing opportunities in Asian equity markets.

We also expect the rally to continue beyond the US market and see compelling opportunities globally. Asia’s equity markets offer an appealing combination of strong earnings growth, AI leaders, and attractive valuations. We expect MSCI Asia ex-Japan earnings to rise 72% this year, led by North Asia’s AI hardware supply chain, but we also see underlying strength beyond technology and scope for gains to broaden, particularly if the US-Iran deal proves durable, prompting a rebound in oil and rate-sensitive sectors like airlines, industrials, real estate, and financials. We also like Japan’s equity market, which offers diversified exposure to the global AI supply chain, a cyclical recovery, and ongoing corporate reforms. In Europe, we see opportunities in industrials, health care, and consumer discretionary, and favor companies with resilient earnings, exposure to global demand, and structural growth drivers.

Higher interest rates are a potential headwind for equity markets, but in our base case, we think the risks from this channel may be overstated. US headline consumer price inflation rose to a three-year high of 4.2% in May, but wage growth was 3.4% year over year (versus a long-term average of 4%), suggesting inflation pressure from labor costs

remains relatively contained.¹ That leaves us expecting no Fed rate hikes from here, and potentially a resumption of rate cuts in 2027, particularly if energy prices fall sustainably. In the Eurozone, inflation risks are currently in focus. We expect one further rate hike, but we think policymakers are also likely to remain mindful of growth risks.

In our base case, we believe the S&P 500 will reach 8,200 by June 2027. In that timeframe, we also expect close to 10% upside for MSCI Asia ex-Japan, 7% for Japan's Topix index, and 5% for the Euro Stoxx 50. This view is primarily supported by earnings growth—we forecast 21% globally this year and 12% in 2027.

Risk scenarios

Risks include loss of confidence in AI, a weakening of the broader economy, and higher financing costs.

While our base case for equities is positive, investing in the current environment also requires close attention to a range of risk scenarios to construct robust portfolios.

Loss of confidence in AI

One key risk, in our view, is that investors lose confidence in the durability of AI capex or in the economy's ability to convert that spending into profit. While investment spending remains strong—and we believe it will remain so—the market will likely become more focused on whether rising AI investment leads to monetization.

If demand for AI compute, tokens, or enterprise services falls short, or if adoption proves slower than hoped for, valuations could be reassessed, especially in areas where capex has surged and overbuild concerns are mounting. More broadly, if AI benefits take longer to appear in productivity, earnings, or end-market demand, investor focus could shift from capex-driven enthusiasm to near-term cash flow and monetization discipline, driving sharper rotations across the sector.

Another risk is that the pace of AI infrastructure buildout—across data centers, chips, and power—fails to keep up with surging demand. Supply chain bottlenecks, permitting delays, power grid constraints, or shortages of critical components could slow deployment, limiting the ability of hyperscalers and enterprises to monetize AI investments. If infrastructure cannot come online fast enough, it could also cap near-term revenue growth, delay adoption, and trigger investor disappointment—even in the face of strong underlying demand.

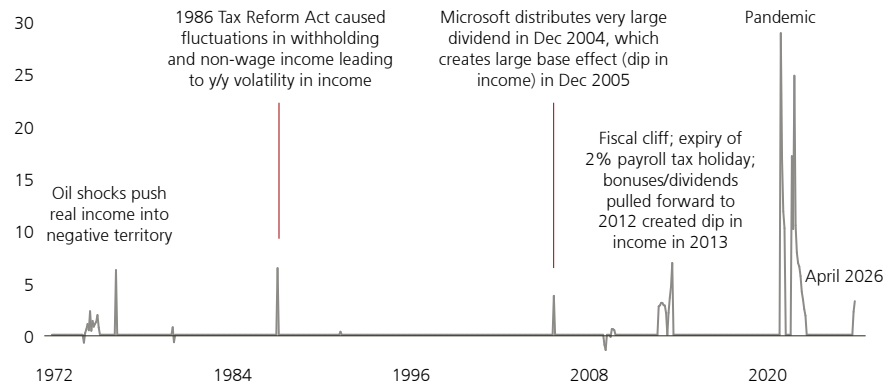
Weak delivery from the non-AI economy

We are also monitoring signs of weakness in the broader US economy outside of the AI ecosystem. We note that real consumption growth is now exceeding real income growth by a larger margin than historical norms, as elevated inflation continues to weigh on real income growth. Wealth effects, which are concentrated among higher-income households, are helping sustain consumption. The result is a widening gap between resilient aggregate spending and weaker income dynamics across the broader economy.

¹ Wage growth is typically viewed as inflationary when it exceeds the sum of the inflation target and trend productivity growth. With wage growth around 3.4% and productivity running solidly above 2%, wage gains are currently broadly consistent with the Fed's inflation objective and limit demand-side inflation risk.

Figure 2

US real consumption growth is exceeding real income growth by a large margin
 Instances where US consumption exceeded real disposable income, y/y % differential



Sources: Haver, UBS, as of 18 June 2026

US consumers may become less willing to spend.

This leaves the US economy exposed if consumers become less willing to spend, or if periods of stock market weakness begin to feed through into weaker credit creation and consumer confidence.

Economic risks stemming from geopolitics and politics that we are monitoring in the second half include the durability of the US-Iran peace agreement; the pace at which shipping through the Strait of Hormuz normalizes; US trade policy amid the likely shift toward product- or country-based tariffs; and the US midterm elections in November, which could have implications for the fiscal policy outlook.

Higher financing costs for governments and companies

Rising inflation has prompted concerns about more hawkish central bank policy.

Another risk is higher financing costs for governments, businesses, or consumers. This could stem from higher-than-expected central bank interest rates due to rising inflation, higher government borrowing costs from fiscal sustainability concerns, or fears of excess corporate issuance.

Higher inflation, driven in part by firmer energy prices, has already pushed the European Central Bank in a more hawkish direction and made it likely that the Fed remains on hold until 2027. There is a risk that central banks could be forced to become more hawkish still if inflation continues to come in higher.

Nevertheless, current market pricing for central bank policy rates looks somewhat hawkish to us, particularly if the fall in energy prices due to the recent Iran peace deal proves sustainable. In the US, we think headline inflation likely peaked above 4% in May. We believe the combination of a new regime under Chair Kevin Warsh and a wide dispersion of views among FOMC members implies a higher bar for near-term policy rate moves in either direction. Slower growth trends and disinflation in the second half of the year

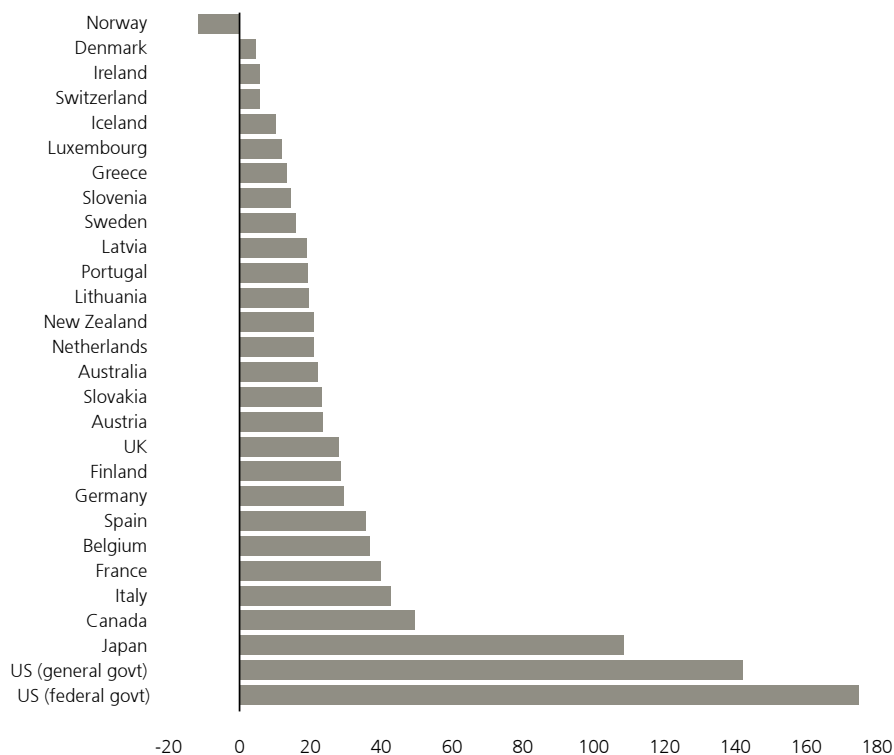
should help support a pivot toward lower policy rates in 2027, in our view. We still expect the policy rate to ultimately move toward a 3.00-3.25% range, from 3.50-3.75% currently.

For the ECB, we expect one more hike in the coming months, though we believe markets may be overpricing the risk of further hikes, especially if energy prices continue to decline, and as growth momentum remains weak. In the UK, we expect the Bank of England to keep rates on hold for the rest of 2026, with the next move likely a cut in early 2027 as inflation ebbs. Meanwhile, we expect the Swiss National Bank to keep its policy rate on hold at 0% for the remainder of the year.

Concerns about long-term debt sustainability could increase.

Of course, if central bank rates do rise more than we expect and term premiums begin to increase meaningfully, this could feed into concerns about longer-term debt sustainability, with debt service ultimately absorbing a rising share of government revenues. Countries with high debt levels and large near-term funding needs, including the US, Japan, France, and Italy, are particularly exposed if bond yields remain elevated. Much of the existing debt that comes due for refinancing over the next four years was issued during the low-interest-rate decade (2010-2021), so as this is currently being rolled over, the cost of debt financing on budgets is commensurately increasing. Including debt rollover and deficit financing, the US needs to fund USD 13.2 trillion over the next 12 months, and Japan about USD 1.6 trillion.

Figure 3
Higher financing costs could increase fiscal sustainability concerns
Near-term funding needs by country, in % of GDP



Note: Debt due in 12m + estimated fiscal deficit for 2026, divided by estimated revenues
Sources: IMF World Economic Outlook, Bloomberg, UBS as of 18 June 2026

We would expect central banks or governments to respond if yields rise too far. Responses could involve changing the maturity profile of new bond issues, central bank buying, or additional changes to regulation to support demand for government debt.

Corporate issuance is picking up.

On the corporate side, although demand for public credit remains resilient (with spreads close to multi-decade lows), we also note that weaker investor sentiment around private credit could make it more expensive for firms looking to raise money through that channel, while initial public offering (IPO) and M&A activity is also picking up. The overall volume of equity issuance is likely to remain marginal in the context of the US market's roughly USD 72 trillion capitalization (or USD 140-150 trillion globally). However, over time, lower barriers to insider sales could lead to a more significant volume of equity sales, potentially increasing competition for capital and raising equity risk premia more broadly.

Can equity markets absorb new issuance?

After a long quiet spell, US equity issuance is picking up sharply. IPO issuance is on track to reach USD 200-350bn this year, with secondary offerings potentially exceeding USD 400bn, according to our estimates. In absolute dollar terms, both estimates would represent record highs.

But we do not think the scale of equity issuance will prove a material headwind for US equity markets, for several reasons:

First, while the absolute dollar value of issuance is set for an all-time high, relative to the total US equity market capitalization of USD 72 trillion it is only slightly above the long-term average as a percentage of the Russell 3000 free-float market cap. From this perspective, we believe equity markets should be able to accommodate the increase in issuance.

Second, sustained share buybacks mean net equity supply could still shrink this year. US share buybacks have totaled

USD 1.2 trillion over the past 12 months, and we expect repurchases to remain around that level through the balance of the year.

Third, academic literature and our own analysis suggest that there is no consistent relationship between changes in IPO activity and forward market returns. Even the five largest US-domiciled IPOs since 1990 showed no discernible effect on broader US equity performance in the surrounding weeks.

The stronger historical relationship is that IPO activity is a coincident indicator—issuance tends to rise when markets are strong and fall when conditions materially weaken. This makes sense: When markets are up, investors are more willing to invest in new issues and companies usually get higher valuations for their shares.

To read more, please see our US equities report, "A closer look at equity issuance" (17 June 2026).

Investment implications

We believe equity markets can continue to move higher over the remainder of the year.

We believe equity market indexes can move higher over the remainder of the year. Our base case is for continued growth in the AI ecosystem, supported by still-resilient economic growth more broadly. But amid various risks, from weaker confidence in AI to softness in the broader economy and potentially higher financing costs, portfolio construction matters as much as market direction.

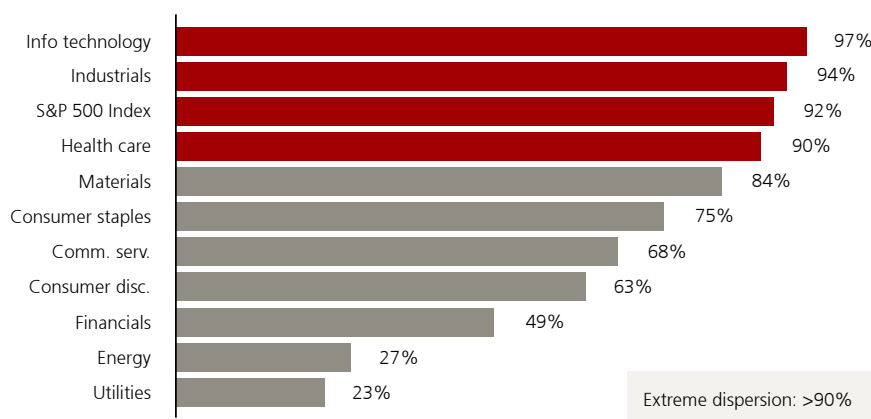
Diversify across equities

So far this year, the performance of an individual investor’s equity portfolio has been influenced by stock selection more heavily than usual—a trend we expect to continue. This creates greater upside potential from owning the right stocks, but also greater risk from holding the wrong ones. To balance risk and opportunity, we believe investors should ensure their core equity allocation is broadly diversified. Our preferred regions include the US, Asia (including Japan, China, and Singapore), Australia, emerging markets, Switzerland, and Germany.

Figure 4

Equity dispersion is high

Percentile of performance dispersion of 3-month returns within stocks across S&P 500 sectors; data since 1980



Sources: Bloomberg, Goldman Sachs, UBS as of May 2026

Invest in transformational innovation

We favor a diversified approach to investing in transformational innovation.

We see three transformational innovations shaping the market outlook: AI’s rapid expansion is driving strong earnings and investment beyond US tech, but also raising concentration risks as the market broadens to semiconductors, software, and applications. Surging demand for data and electrification is fueling record capital flows into energy infrastructure, renewables, and critical resources, with companies at the heart of this transition reporting robust order books. Meanwhile, the longevity sector stands out for its resilience and growth potential, as health care companies benefit from diversified supply chains and a wave of clinical breakthroughs, even as AI disruption and geopolitical uncertainty remain in focus.

Concentration risks in equity portfolios

Concentration risk deserves greater attention in today's market, in our view. Wider dispersion between performance at the individual stock level means portfolio allocations may have drifted away from strategic targets, and portfolio outcomes can now diverge much more sharply from benchmark returns, especially for investors whose equity exposure is concentrated in a small number of direct holdings. The risk of being in the "wrong stock" at the "wrong time" is increasing. And portfolios with a large share of equity exposure in just a handful of stocks may be more vulnerable to company-specific disappointments and shifts in market leadership.

Despite diversification being at the core of our philosophy, our analysis suggests this risk is meaningful for many clients with self-managed portfolios: Excluding strategic holdings,

nearly 40% of our equity investors hold more than half of their equity portfolio in just 10 stocks or fewer. Nearly 25% hold more than three-quarters of their equity portfolio in 10 stocks or fewer—and for some, a handful of stocks makes up their entire equity portfolio.

We believe now is an important time for investors to review their equity holdings and take steps to diversify concentrated positions. We believe the best response is to strengthen diversification across sectors, styles, and regions. Signs of a broadening equity rally reinforce our conviction that the current environment offers a wide opportunity set. And, in fast-moving markets, investors can consider actively managed, dynamic, and diversified strategies to help navigate market shifts and adjust equity holdings accordingly.

Consider capital preservation

Investors can manage downside risks in equity portfolios by balancing return-seeking exposure with strategies designed to help preserve capital and improve resilience. In our view, combining diversified core equity exposure with capital preservation strategies can help investors participate in upside while also managing downside risk.

Broaden commodity exposure

We believe investors should consider broadening commodity exposure with active management. Gold upside may be more limited in the months ahead, and a broader commodities allocation may offer a better balance of return potential and risk mitigation. Energy exposure can help buffer against renewed supply disruptions, while broader commodity exposure can provide diversification if geopolitical stress continues to feed through into inflation. El Niño-related risks may support agricultural commodities, while the AI boom and electrification remain structural positives for industrial metals.

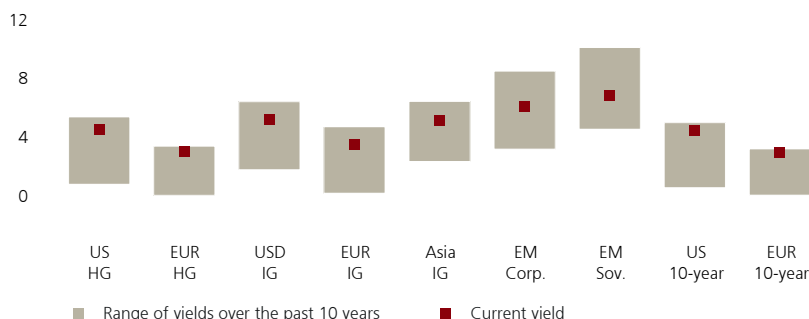
Lock in yields

The recent sell-off in global bond markets has created an opportunity for investors to lock in attractive yields by adding to quality bonds, particularly in the short- and medium-maturity segments. We believe markets continue to overestimate the extent of further tightening from most major central banks. Fiscal and inflation risks are greater in longer-duration debt. Select exposure to higher-beta income segments, equity income strategies, and yield-generating structured strategies can further support diversified portfolio income.

We favor broad commodity exposure.

All-in yields on quality bonds remain appealing, in our view.

Figure 5
All-in yields are solid
Yields across fixed income segments, in %



Indexes used: Bloomberg Eurodollar AA+ 5-7 year index, Euro Aggregate AA+ 5-7 year index, Bloomberg US Aggregate Corporate Bond index, Bloomberg Euro Aggregate Corporate Bond index, JACI Investment Grade Bond Index, CEMBI Diversified Bond Index, EMBIG Diversified Bond Index, US 10-year Treasury, German 10-year Bunds
Sources: Bloomberg, UBS, as of 18 June 2026

Diversify with alternatives

With stock-level dispersion high and equity-bond correlations also elevated, we believe alternatives can play an increasingly important role in both diversification and portfolio resilience. Hedge funds may be well placed to capture alpha through security selection and help reduce portfolio volatility, while private markets, multi-strategy approaches, and real estate can provide alternative sources of return. Investors with concentrated exposure to any single manager should consider broadening allocations to improve portfolio balance and resilience.

Conclusion

We believe the outlook remains constructive and favor a diversified approach.

The outlook remains constructive, in our view. Innovation, resilient growth, and structural investment trends continue to support markets. But higher valuations and a wider range of macro and geopolitical risks mean investors need to think carefully about portfolio construction, managing concentration risks in particular.

For investors, that argues for staying engaged, remaining selective about opportunities, and ensuring portfolios are anchored by a diversified core. In a market that still offers upside but is less forgiving of concentration and poor timing, discipline and diversification remain essential.

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>So far this year, the performance of an individual investor's equity portfolio has been influenced more heavily by stock selection than usual, and we think that is likely to remain the case in the months ahead.</p> <p>This creates greater upside from owning the right names but also greater risk from holding the wrong ones.</p> <p>To balance risk and opportunity, we believe investors should first ensure that the core of their equity allocation is much more broadly diversified.</p>	<ul style="list-style-type: none"> • Diversify single-stock exposure • Preferred regional markets (US, Asia ex Japan, Japan, Singapore, Australia, EM, China, Switzerland, Germany) • Preferred sectors (global industrials, global health care, European consumer discretionary, China tech) • European leaders and luxury • Multifactor strategies
<p>Invest in transformational innovation</p>	<p>We think investors can potentially enhance returns by complementing a diversified core equity allocation with targeted exposure to long-term innovation themes.</p> <p>In our view, a dedicated allocation to transformational innovation can help investors capture structural growth drivers while complementing the resilience of a broader core portfolio.</p> <p>Within AI, we favor the “picks and shovels”—including semiconductors and hardware, semicaps, CPUs, foundries, memory, optics, and GPUs—while remaining more selective on megacap platforms.</p>	<ul style="list-style-type: none"> • <i>AI</i> • <i>Power and resources</i> • <i>Longevity</i>
<p>Lock in yields</p>	<p>We continue to believe quality fixed income can play an important role as both a source of income and a portfolio hedge.</p> <p>The recent sell-off in global bond markets has created an opportunity for investors to lock in attractive yields by adding to quality bonds, particularly in the short- and medium-maturity segments.</p> <p>We believe markets continue to overestimate the extent of further tightening from most major central banks.</p> <p>Fiscal and inflation risks are greater in longer-duration debt.</p> <p>Select exposure to higher-beta income segments like emerging market debt and equity income strategies can further support diversified portfolio income.</p>	<ul style="list-style-type: none"> • Diversified fixed income strategies (with preference for quality bonds and EM bonds) • Equity income strategies

MIFs

Elevator pitch

Investment ideas

Consider capital preservation

Investors can manage downside risks in equity portfolios by balancing return-seeking exposure with strategies designed to help preserve capital and improve resilience.

In our view, combining diversified core equity exposure with capital preservation strategies can help investors participate in upside while also managing downside risk.

- Capital preservation strategies

Broaden commodity exposure

We believe investors should consider broadening commodity exposure.

Gold upside may be more limited in the months ahead, and we think a broader commodities allocation may offer a better balance of return potential and risk protection.

Energy exposure can help protect against renewed supply disruptions, while broader commodity exposure can provide diversification if geopolitical stress continues to feed through into inflation.

El Niño-related risks may support agricultural commodities, while the AI boom and electrification remain structural positives for industrial metals.

We recommend a diversified, actively managed allocation across commodities.

- 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, such as industrials. 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. The peak of geopolitical and policy risk has abated in the short term. 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 announcement of a ceasefire in Iran has helped rates fall, especially on the long end of the curve. We expect yields to continue moderating through year-end as the Fed sends stronger signals for incoming cuts. Yields could go higher in the near term if the conflict heats up and the oil supply remains constrained. Overall, we recommend modestly extending duration by targeting intermediate (7 year) rather than short (3-5 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 amid slowing demand, but it remains an attractive diversifier over the medium to long term against rising geopolitical and de-dollarization risks.

US economic outlook

Resilient first-half growth, but longer Fed pause as inflation remains elevated

Andrew Dubinsky, US Senior Economist

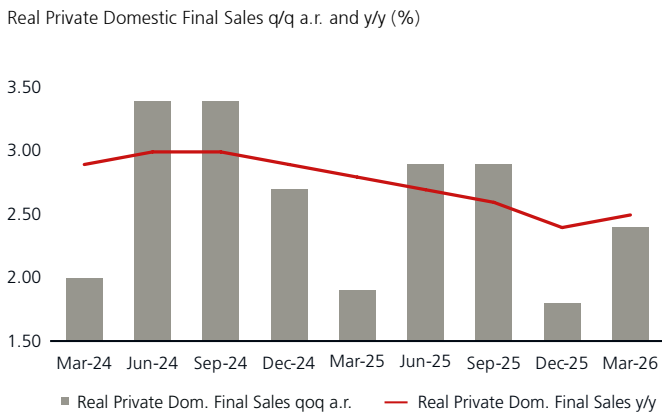
Overview

US growth has remained strong in mid-2026, supported by resilient private demand, tax cuts, and still loose financial conditions. While energy headwinds persist, activity momentum has held up through the first half of the year. However, with fiscal support set to fade and real income pressured by elevated inflation, growth is likely to soften into the second half. At the same time, inflation has edged higher in May, pushing the Fed toward a longer pause. We expect the Fed to remain in wait-and-see mode, with no rate cuts until 2027 as disinflation progresses gradually.

Growth

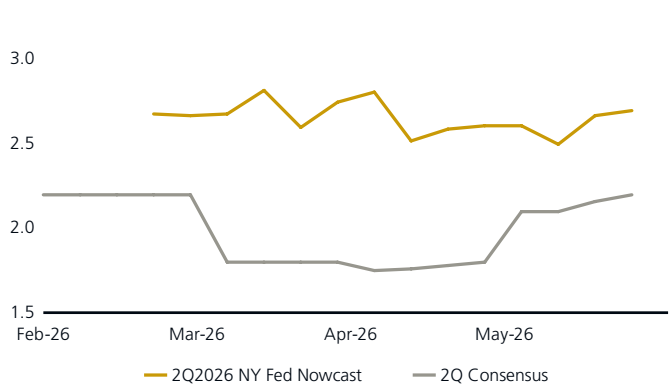
Growth has remained solid through the first half of the year, supported by strong consumption and business investment, particularly in AI-related sectors. Early 2Q tracking is firm at around 2.5%–3%, reflecting continued support from tax cuts and sizable stock market gains. However, higher energy prices are weighing on real incomes, and growth is expected to slow in the second half as fiscal stimulus fades. While investment remains a key tailwind, softer income growth and fading policy support should lead to a more moderate growth profile into year-end, keeping full-year activity near trend, around 2%, but with clear signs of cooling in the 2H.

Figure 1
Private spending has remained strong in 1H despite energy headwinds



Source: Bloomberg, UBS as of 17 June 2026

Figure 2
Nowcast shows strong underlying activity above trend and the 2Q GDP consensus



Source: New York Fed, Bloomberg, UBS as of 17 June 2026



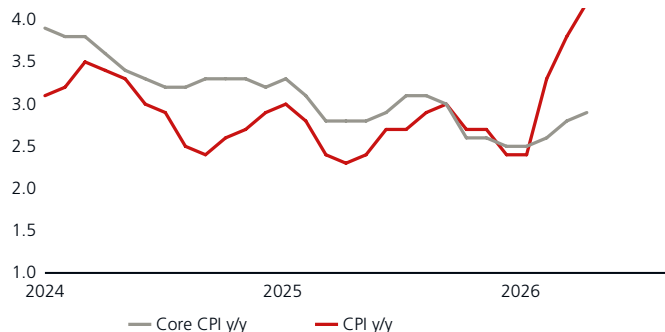
For our **global economic forecasts**, please see our report *Global forecasts*.

Read the report >

Inflation

Inflation moved higher in May, with core CPI edging up to 2.9% y/y and headline CPI rising to 4.2% on energy effects. May could mark the peak in inflation given the recent decline in gasoline prices. Core PCE is tracking around 3.4% y/y with sizable contributions from tariff effects, around 0.8pp, and AI demand. While tariff pass-through appears to be moderating and goods disinflation is beginning to re-emerge, progress remains uneven. Services disinflation is expected to resume, supported by softer rent measures and recent wage disinflation. Headline inflation could be near a peak if gasoline prices stabilize, but AI-driven demand and ongoing Middle East-related energy risks remain key upside risks, keeping overall inflation elevated into 2H.

Figure 3
 May could mark the peak of headline inflation, core disinflation expected in 2H
 Core and CPI y/y (%)

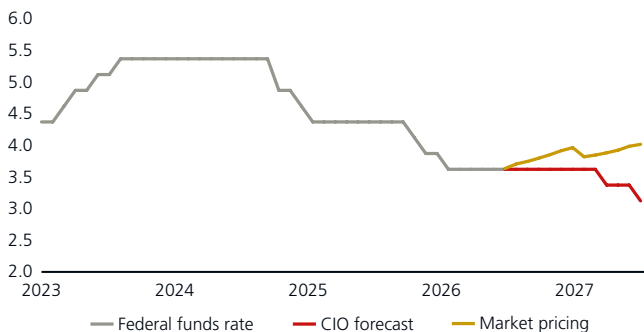


Source: Bloomberg, UBS as of 17 June 2026

Fed policy

The Fed remains on hold, with the elevated inflation and ongoing upside risks reinforcing a prolonged wait-and-see stance. Concerns around overlapping supply shocks and inflation persistence have reduced confidence in “looking through” near-term price pressures, while stable labor market conditions limit the urgency to ease. Despite the hawkish outcome of the first Warsh FOMC meeting in June and market pricing, we don’t expect near-term hikes given the anchored inflation expectations, 2H disinflation outlook, and moderating wage growth. The Fed is therefore likely to maintain restrictive policy through 2026, waiting for clearer evidence of sustained disinflation. We now expect rate cuts to begin only in 2027 as inflation moves more convincingly toward target. We expect two cuts to bring the policy rate to the 3.00-3.25% range in mid-2027.

Figure 4
 FOMC market pricing of hikes is hawkish vs. the CIO forecast
 Mid-point of FOMC policy rate range



Source: Bloomberg, UBS as of 17 June 2026

Equities

We rate global equities as Attractive. 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: 6,300)	June 2027 target
House view	6,600
↗ Positive scenario	7,400
↘ Negative scenario	4,700

Note: All current values as of 17 June 2026

We rate Eurozone equities as Neutral due to an improving earnings outlook, a supportive structural backdrop, and reasonable valuations. We see further upside in our base case, but limited catalysts to drive the region drives us to recommend a more selective approach. Following three years of stagnation, we reiterate our expectation of close to 25% earnings growth over the next two years, supported by secular growth drivers, corporate cost control, and a cyclical pickup in manufacturing.

Japan

⊕ ATTRACTIVE

TOPIX (index points, current: 4,013)	June 2027 target
House view	4,300
↗ Positive scenario	4,500
↘ Negative scenario	2,800

Note: All current values as of 17 June 2026

We rate Japanese equities Attractive. TOPIX rebounded recently and is up 15% YTD. AI is likely to remain the core earnings driver in the near term, but we see scope for a broader market rally as easing geopolitical risks and energy normalization support a catchup by lagging cyclical sectors. Strong FY25 results led us to revise our FY26 earnings growth forecast to 10% from 7%. Supported by solid earnings, valuations have moderated, with P/E now at 16.7x, which we view as reasonable. Japanese companies remain well positioned in the global AI supply chain.

Emerging markets

⊕ ATTRACTIVE

MSCI EM (index points, current: 1,783)	June 2027 target
House view	1,920
↗ Positive scenario	2,050
↘ Negative scenario	1,300

Note: All current values as of 18 June 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 earnings resilience. We forecast 63% earnings growth for EM equities in 2026, have revised our December 2026 MSCI EM target to 1,850, and we introduce our June 2027 price target of 1,920. We remain positive on mainland China and its tech sector. South Korea continues to benefit from memory demand, higher DRAM pricing, and corporate governance initiatives. We favor a diversified and active approach to EM equities.

UK

⊖ NEUTRAL

FTSE 100 (index points, current: 10,509)	June 2027 target
House view	11,300
↗ Positive scenario	12,300
↘ Negative scenario	7,700

Note: All current values as of 17 June 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—we forecast 11% earnings growth this year and 10% in 2027. Our preferences in the region favor cyclical earnings improvers, structural growth opportunities, and beneficiaries of lower interest rates than current market expectations. We prefer European industrials, consumer discretionary, health care, and real estate sectors.

US equities

As the second half of the year approaches, we believe stocks are poised for further gains. The key drivers of the bull market remain intact: resilient economic and profit growth, a supportive Federal Reserve, and the continued rollout 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

While tech stocks have been key contributors to the rally this year, performance has been relatively broad-based. Similar gains for both the equal-weighted S&P 500 and the market-cap weighted version underscore a supportive macroeconomic environment. We believe the increase in equity issuance this year will not hinder further market gains. Issuance has been depressed in recent years and there is capacity for companies to raise significant capital before reaching above-average levels relative to the size of the US equity market. Buybacks should continue to outpace supply this year. While the first Fed meeting led by Kevin Warsh increased the likelihood of rate hikes, we continue to believe inflation will improve as tariff- and energy-related inflation subsides. Therefore Fed rate hikes—which would be an incremental headwind for stocks—are not in our base case.

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 potential. For consumer discretionary, AI adoption is a key driver for the largest companies in the sector. Fiscal stimulus, wealth effects, and moving past peak tariff headwinds should keep spending resilient. 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. We believe small caps have benefitted so far this year from improved forward earnings estimates. Incremental fiscal support and previous Fed rate cuts have likely led to this outcome. Still, our neutral view reflects a balance between a supportive current environment and the potential for less favorable conditions as the year progresses and 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. Nonetheless, 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, in our view.

S&P 500 (index points, current: 7,500)	June 2027 target
House view	8,200
↗ Upside	9,000
↘ Downside	5,500

Note: All current values as of 18 June 2026

Figure 1

Selective within US equity sectors

S&P 500 sector preferences

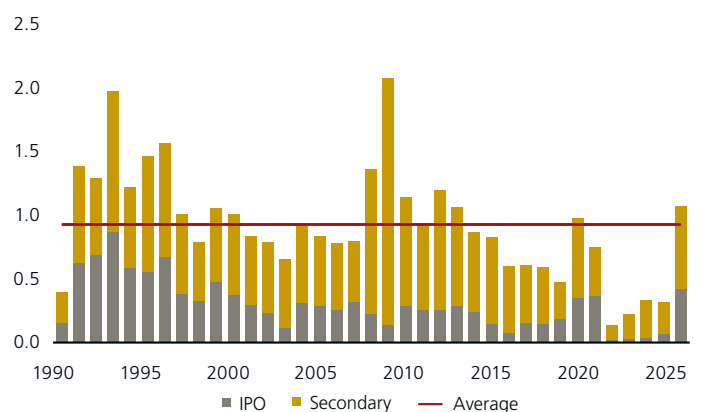
	Unattractive	Neutral	Attractive
US equities			
Communication services		=	
Consumer discretionary			+
Consumer staples		=	
Energy		=	
Financials			+
Health care			+
Industrials			+
Information technology		=	
Materials		=	
Real estate		=	
Utilities			+

Source: UBS, as of 18 June 2026

Figure 2

Equity issuance to rise this year, but consistent with long-term average

Issuance (IPO and secondary offerings) as a percentage of Russell 3000 free float market cap, actuals, and 2026 CIO estimate



Source: Bloomberg, UBS, as of 17 June 2026

Bonds

Elevated yields remain appealing both on an outright basis and relative to cash, and should be the main driver of returns. We prefer shorter-dated bonds as the Fed is likely to stay on hold for an extended period with more meaningful adjustments on hold until the Fed’s task force process is complete and the committee has greater clarity on the economic outlook. Slower growth trends and disinflation in the second half of the year should help support a moderation in Treasury yields and pivot toward lower policy rates in 2027. We have an Attractive view on emerging market bonds and see good carry in investment grade corporates. High yield credit and preferreds remain 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: 4.5%) June 2027 target

House view	4.0%
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Note: All current values as of 17 June 2026

Yields across the Treasury curve have risen in response to the market’s rate hike expectations following recent economic data releases and the hawkish Fed meeting on 17 June. In response to the repricing, the yield curve flattened as the 2-year yield rose 13bps after the Fed meeting to 4.19%, while the 10-year increased 5bps to 4.49%. The rise in yields is creating opportunities in fixed income. Short-term bonds look compelling, as 2-year Treasury yields are roughly 45bps above three-month Treasury bill yields, offering a meaningful pickup in income without requiring investors to take on significant duration risks. For investors who have been sitting in money market funds or cash equivalents, this is a good moment to consider locking in some of that yield at the short end of the curve.

Emerging market bonds

+ ATTRACTIVE

EMBIG DIV. / CEMBI DIV. SPREAD (current: 226bps / 205bps) June 2027 target

House view	250bps/220bps
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↗ Positive scenario	210bps/190bps
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↘ Negative scenario	500bps/450bps
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Note: All current values as of 17 June 2026

We keep emerging market credit as Attractive. The asset class has shown resilience in the face of geopolitical stress, enhancing its role as a key portfolio diversifier amid fiscal challenges in developed markets. We expect range-bound 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: 74bps) June 2027 target

House view	80bps
-------------------	--------------

↗ Positive scenario	70bps
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↘ Negative scenario	180bps
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Benchmark: ICE BofA

Note: All current values as of 18 June 2026

All-in yields stand at 5.2% for US IG, remaining elevated versus historical levels (based on data since 2010) and providing 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 benchmark rates move lower. 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: 263bps) June 2027 target

House view	300bps
-------------------	---------------

↗ Positive scenario	250bps
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↘ Negative scenario	650bps
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Benchmark: ICE BofA

Note: All current values as of 18 June 2026

We maintain a Neutral view. Year to date, HY returns have gained 1.8%, outperforming most fixed income sectors. Fundamentally, HY credit metrics remain healthy and robust. Default rates are currently low, and CIO forecasts default ratios to be around 2% over the next 12 months. We view the 7.0% yield to be an attractive level for yield-seeking investors. With spreads at historical lows, we 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 (index total return of 1.7%) have outperformed Treasuries, IG corporates, and

MBS. Strong flows and stronger technicals have supported performance, offsetting elevated supply pressures. The index tax-equivalent yield of 6.2% continues to be attractive. Munis have richened relative to Treasuries and corporates YTD. However, they continue to provide healthy yield pickups on a tax-equivalent basis for investors in the highest tax brackets. The AAA curve remains steep, and credit remains resilient.

Non-US developed fixed income

⊖ NEUTRAL

Long-maturity non-US DM yields traded in a 20-40bps range over the past month but are now modestly lower on news of a potential deal to reopen the Strait of Hormuz alongside lower oil prices. Rate markets have shown more sensitivity to Strait disruptions than most other asset classes owing to their sensitivity to inflation and policy rate expectations. The ECB has increased policy rates over the past month. Market expectations continue to point to more hawkish policy paths across regions. Forward markets imply around 40bps of tightening over the next year for the ECB and BoJ, slightly below the US outlook. Most major DM economies are net energy importers, reinforcing concerns that central banks may need to tighten policy in response to higher inflation. However, we continue to question whether the extent of rate hikes currently priced by markets will be sustained, given the negative growth impact of this energy supply shock. 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 6 months.

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

Mortgage-backed securities (MBS)

+ ATTRACTIVE

The second-half outlook for agency MBS is yield over spread. The five-year forward projected annualized return is over 6.0%, given the current coupon yield of 5.4%—impressive returns alongside liquidity and higher quality. With IG corporate spreads currently sitting at 74bps, the tightest spread level in 25 years, and current coupon MBS at 107bps over Treasuries, we continue to see value within MBS but recognize that volatility will likely remain over the next several months.

AGENCY MBS SPREAD (current: 107bps)

House view	(Dec 2026 target) 90bps
June 2027 target	
➤ Positive scenario	80bps
➤ Negative scenario	160bps

Note: All current values as of 17 June 2026

Preferred securities

⊖ NEUTRAL

Preferreds have struggled so far in June, posting just marginally

positive returns through mid-month. Shifting expectations for growth and inflation drove rates higher. Preferreds look fairly valued—but pockets of opportunity are emerging. Fixed-rate retail preferreds with historically high nominal yields near 7% may also offer price appreciation potential against a backdrop of moderating growth and inflation. While yield premiums are below historical averages, locking in higher nominal yields provides a better cushion for returns, even without further spread compression.

Treasury Inflation-Protected Securities (TIPS)

⊖ NEUTRAL

As rate expectations have shifted higher, breakeven inflation expectations have held their recent levels around 2.3% in 10y breakeven, putting upward pressure on real yields, with 10y real yields reaching 2.2%, their highest level since May 2025. Year to date, TIPS have been among the leaders in fixed income, coming in near 1% total return, outperforming sectors such as IG and MBS. With the potential for real yields to continue rising higher, we remain Neutral on the sector and look for a better entry point.

US 10-YEAR REAL YIELD (current: 2.2%) June 2027 target

House view	1.60%
➤ Positive scenario	0.75%
➤ Negative scenario	2.30%

Note: All current values as of 17 June 2026

Figure 1

UBS CIO interest rate forecast

In %

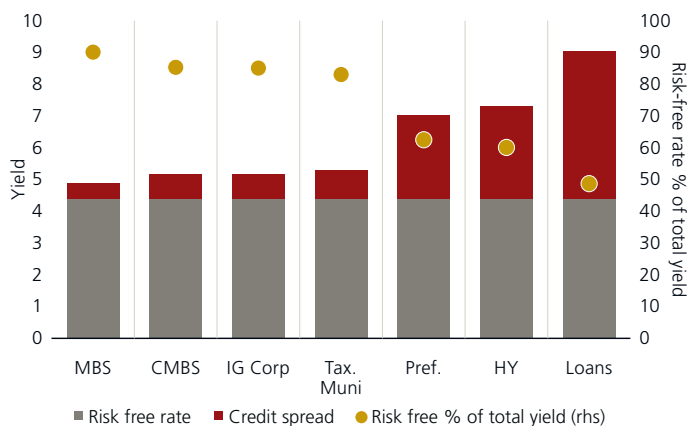
UST	Current	Sep-26	Dec-26	Mar-27	Jun-27
2-year	4.2	3.8	3.8	3.5	3.3
5-year	4.3	4.0	3.9	3.6	3.4
10-year	4.5	4.3	4.3	4.0	4.0
30-year	4.9	4.8	4.8	4.5	4.5

Source: Bloomberg, UBS, as of 17 June 2026

Figure 2

With spreads tight, Treasury rates account for 50% or more of total yield across sectors

Yield (left, in %) and UST % of yield (right)



Source: Bloomberg, FactSet, UBS as of 17 June 2026

Commodities

We believe broad commodity exposure offers an attractive mix of diversification and growth potential. Commodities offer a valuable hedge against inflation and supply shocks, and their typically low correlation with equities and bonds makes them an effective portfolio diversifier, especially in periods of market stress. With US-Iran tensions cooling, restoring restricted flows in the Strait of Hormuz is expected to take time. Meanwhile, lingering geopolitical uncertainty, structural demand trends (such as electrification), and a looming El Niño for agriculture all support the case for maintaining exposure.

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 4,379/oz)	June 2027 target
⊖ NEUTRAL	
House view	USD 5,200/oz
↗ Positive scenario	USD 4,000
↘ Negative scenario	USD 6,000

Note: All current values as of 18 June 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 79.6/bbl)	June 2027 target
⊖ NEUTRAL	
House view	USD 90/bbl
Note: All current values as of 18 June 2026	

Precious metals

Gold's momentum has slowed in recent weeks, with its "safe-haven" appeal offset by stronger-than-expected US economic data, higher real yields, a firmer USD, and less dovish market expectations for the Federal Reserve outlook. The move in prices mirrors the spike-and-consolidation pattern seen in past geopolitical crises, though gold also entered this period with elevated valuations and dovish Fed expectations as tailwinds, making it more sensitive now to macro drivers.

Base metals

Copper's price momentum has largely faded since May, with prices consolidating within a USD 13,250-14,050/mt range. This has brought year-to-date gains to around 10%. Regional inventory dynamics continue to diverge: US tariff uncertainty is still diverting metal into the US, while Chinese inventories have declined seasonally but now show signs of bottoming out. Sliding oil prices are shaping global growth expectations, suggesting a potential pickup could lie ahead. We therefore reiterate our expectation of a market deficit in copper this year and anticipate higher prices in 2H26.

Agriculture

Agricultural commodities have been mixed this quarter, with the CMCI Agriculture TR Index declining 0.33%. Performance was driven by a sharp divergence between subsectors, with softs rising 1.84%, while grains have fallen 3.0% and livestock has declined 0.93%. The move reflects improving supply conditions across major grain markets, while weather concerns and tightening balances supported selected soft commodities.

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 by the end of May. Given these disrupted volumes and the restrictions on flows through the Strait of Hormuz, we again raised our oil forecasts. In the near term, we continue to see the risks as skewed to the upside for prices.

Foreign exchange

We maintain an Attractive view on the CNY, AUD, NZD, and SEK, and have added the GBP

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

We maintain a Neutral view on the US dollar. The currency has appreciated over the past month, supported by stronger macro data—particularly better job growth trends—and more hawkish Fed policy expectations. US CPI inflation reached new highs at 4.2% y/y and the Middle East conflict remains an upside inflation risk, contributing to a 1.4% rise in the DXY in the past month. 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 muted in the near term by a stable policy rate with market pricing of hikes. The US-euro area growth divergence theme has continued, as euro area forecasts have been relatively softer with oil-related headwinds weighing on activity. This divergence in cyclical momentum and low probability of near-term Fed rate cuts should provide ongoing support for the dollar in the near term. 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			⊕
SGD		⊖	

*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	1.16	1.18	1.20	1.20
USDJPY	160	158	156	154	152
GBPUSD	1.34	1.35	1.37	1.40	1.40
USDCHF	0.79	0.80	0.79	0.78	0.78
USDCAD	1.40	1.35	1.35	1.35	1.35
AUDUSD	0.71	0.73	0.74	0.75	0.76
NZDUSD	0.58	0.60	0.62	0.63	0.64
USDSEK	9.40	9.14	8.90	8.67	8.58
USDNOK	9.51	9.31	9.07	8.83	8.75

Sources: SIX Financial Information, UBS, as of 17 June 2026

Investment committee

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

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

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

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

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

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

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

Cautionary statement regarding forward-looking statements

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

Explanations about asset classes

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

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

Statement of risk

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

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

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

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

Appendix

Emerging Market Investments

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

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

Nontraditional Assets

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

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

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

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

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

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

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

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

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

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

Global asset class preferences definitions

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

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

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

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

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

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