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Chief Investment Office GWM
Investment research

The CEO Macro Briefing Book 3Q26

Sailing through uncertainty

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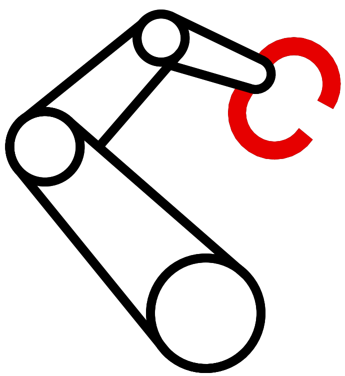
UBS

Executive Summary: Sailing through uncertainty

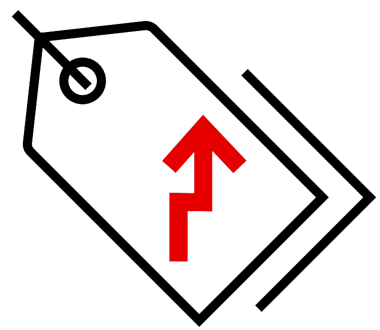
Going into the second half of the year, uncertainty remains elevated as businesses and markets anticipate the developments following the midterm elections, Fed policy, and geopolitical events

AI boosting productivity and entrepreneurship



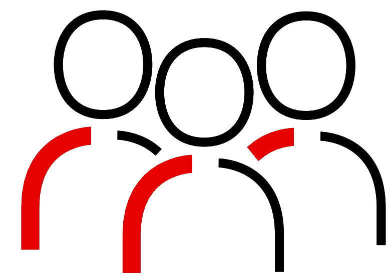
Even before the broad adoption of AI, productivity was rising in the US economy. Now, entrepreneurship is supercharged amidst a 'no-hire, no-fire' environment.

Prices still top of mind for businesses and consumers



Consumer sentiment still trending at very low levels as businesses face higher energy and computer-related input prices.

Policy uncertainty ahead with midterm elections, Fed, and geopolitics

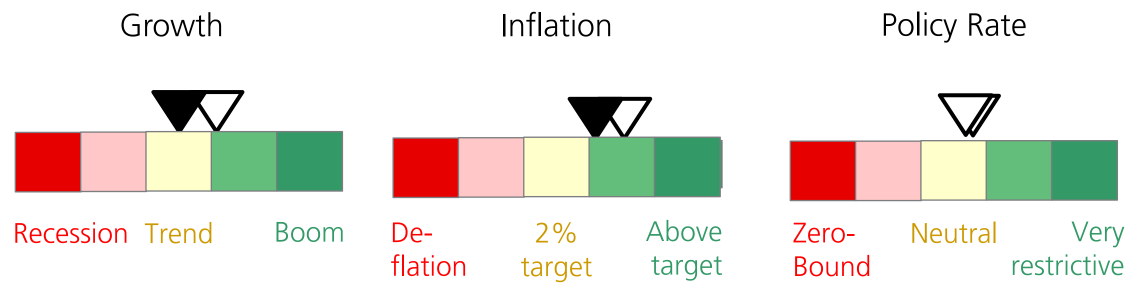


In the coming months, policy developments related to the midterm elections and gyrations in Fed policy to dominate investor and C-suite discussions.

Executive Summary: Sailing through uncertainty

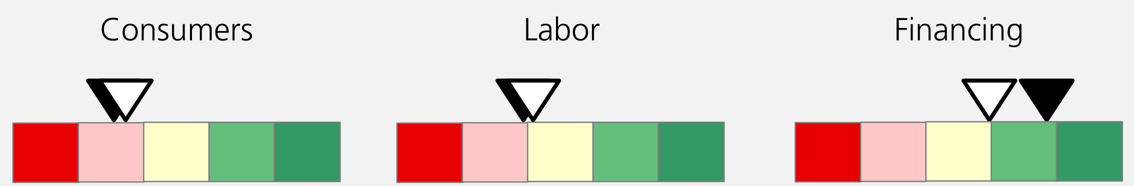
Last quarter Current

Macroeconomic Conditions



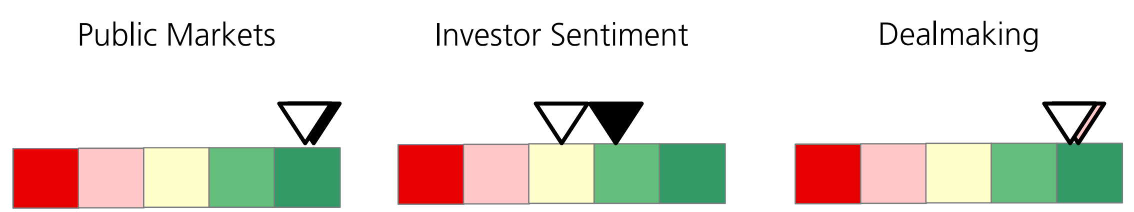
- Headline inflation to accelerate while core inflation to slow with growth expectations.
- We expect Fed to tilt more dovish in the second half of the year.

Operating Environment



- Consumer spending stable despite high prices.
- Labor market stabilizes with more AI anxiety.
- Financing conditions improve despite more hawkish Fed.

Markets & Deal Activity



- Equities continue strong year-to-date performance.
- Dealmaking continues to reward larger, strategic, AI-related deals.

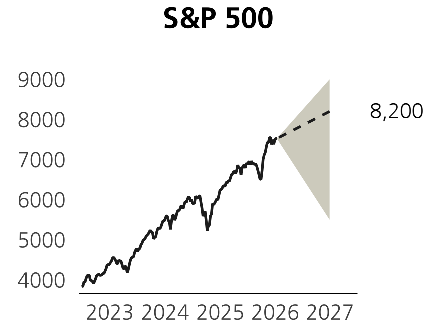
Markets Dashboard

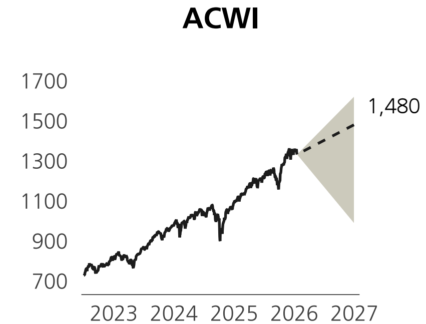
Performance	Latest	YTD	Q2 26	Q1 26	2025
S&P 500	7429	9.7%	14.9%	-4.6%	16.4%
Large Cap Growth	5389	10.6%	21.7%	-8.3%	21.4%
Large Cap Value	2260	8.6%	7.5%	-0.4%	11.0%
US Small Cap	2945	20.4%	21.2%	0.6%	11.3%
Int'l Developed Markets	1336	10.9%	14.7%	-2.9%	18.0%
S&P 500 Sectors					
Energy	917	30.4%	-14.0%	37.2%	5.0%
Materials	637	9.0%	1.6%	9.3%	8.4%
Industrials	1545	15.2%	14.5%	4.3%	17.7%
Consumer Discretionary	1769	-2.3%	9.1%	-9.3%	5.3%
Consumer Staples	930	7.4%	-0.3%	7.0%	1.3%
Healthcare	1892	3.5%	8.3%	-5.3%	12.5%
Financials	934	2.4%	8.6%	-9.8%	13.3%
IT	6570	17.8%	31.6%	-9.3%	23.3%
Utilities	469	5.2%	-1.2%	7.5%	12.7%
Real Estate	293	12.9%	7.6%	1.9%	-0.3%
US Gov't	2415	-0.5%	0.3%	0.0%	6.3%
Munis	1396	1.3%	2.5%	-0.2%	4.2%
TIPS	370	0.7%	0.9%	0.3%	7.0%
Agency	130	0.2%	0.2%	0.3%	7.7%
US IG	3517	-0.3%	1.4%	-0.5%	7.8%
US HY	2959	2.0%	2.5%	-0.5%	8.6%
Oil	89.2	47.9%	-31.4%	76.6%	-19.9%
Gold	4054	-5.6%	-14.1%	8.1%	64.6%
USD	101	2.9%	1.2%	1.7%	-9.4%
EUR	1.14	-3.0%	-1.1%	-1.6%	13.4%
JPY	164	4.1%	2.4%	1.3%	-0.3%
EM FX	1872	1.0%	1.3%	-1.1%	7.2%

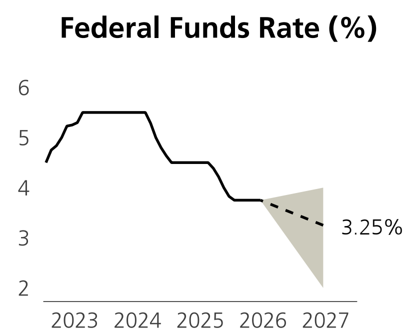
Source: Bloomberg, UBS, as of 21 July 2026

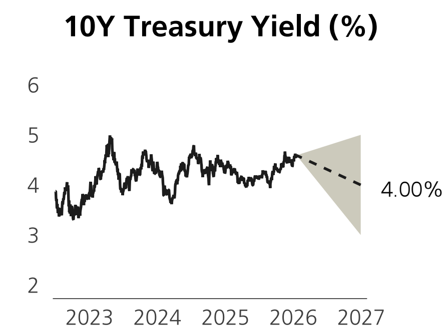
Negative Positive

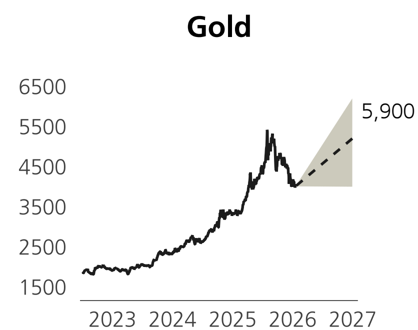
UBS CIO Forecasts for June 2027

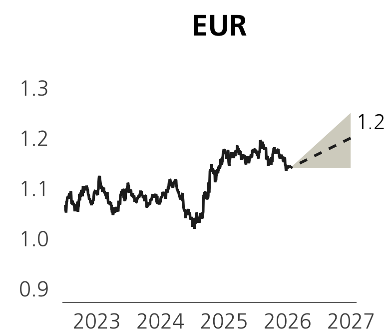










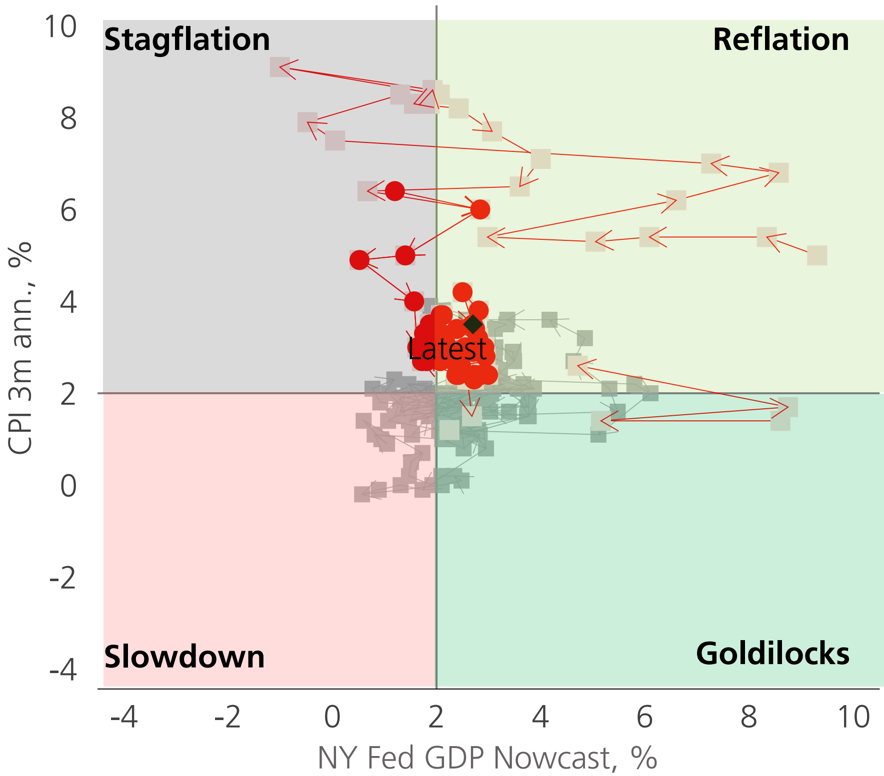


Macro regime: Reflation regime persists, Goldilocks next?

A resilient macroeconomic backdrop and slowing services inflation balance out “stagflationary” risks from higher oil prices. “Reflation” regime has persisted so far with a slower inflation trajectory ahead.

Macroeconomic regime quadrants

New York Fed Nowcast & CPI 3m ann. change, %



Source: Bloomberg, Macrobond, as of 21 July 2026

Current regime: Reflation

- Geopolitical tensions in the Middle East have moderated but remain unsettled; recession risk remains low, but the Fed signaled a hawkish hold in the June FOMC meeting.
- June’s CPI report delivered increasing conviction that peak inflation is behind us, reducing the need for an imminent rate hike. Wage growth continues to moderate, limiting inflation concerns, though real income remains soft.
- Coincident GDP trackers from the Federal Reserve suggest above-trend 2Q26 GDP print, despite oil-related headwinds.
- We expect the Fed to stay in an extended wait-and-see mode before pivoting to a more dovish stance during the first half of 2027 after a period of sustained disinflation and slower growth trends.

What we expect: A moderating economy in 2H 2026

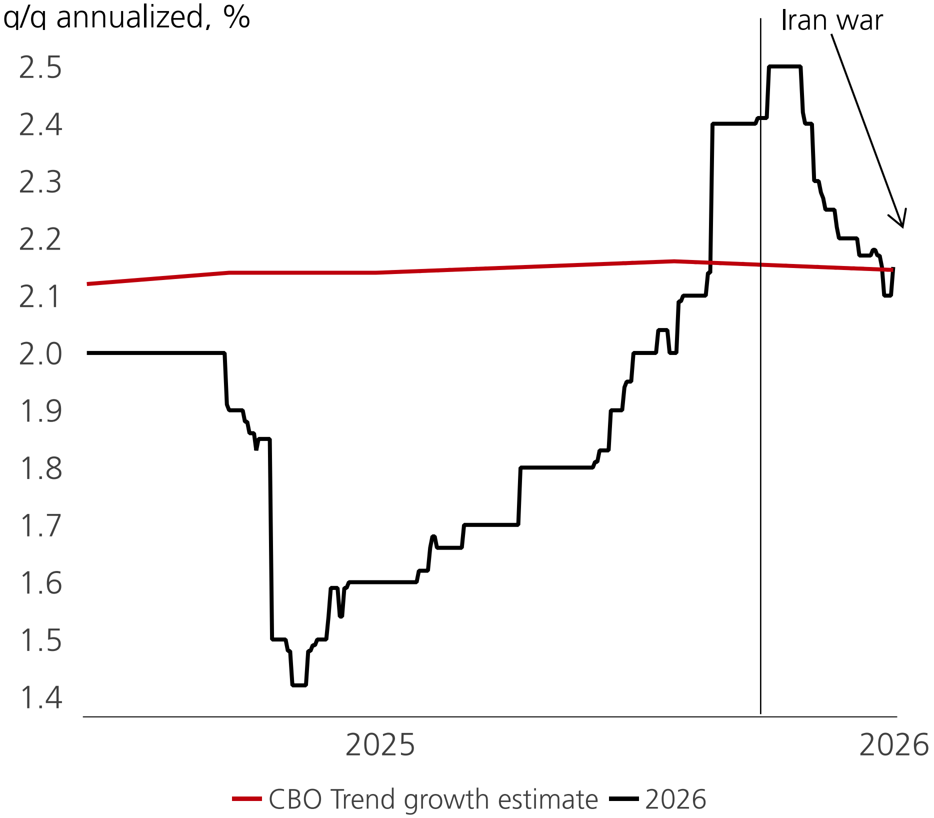
- An improving inflation outlook should support stronger real income growth for consumers in 2H26.
- US growth should remain near trend in 2026 as fiscal support and loose financial conditions offset oil headwinds into midyear. With disinflation slower than expected, we expect the Fed to remain in wait-and-see mode.

Macroeconomic Conditions: Higher prices dampens outlook

Overall growth expectations have held up despite war, yet small business outlook has diminished thanks to higher input prices.

Iran war has halted trend of growth upgrade

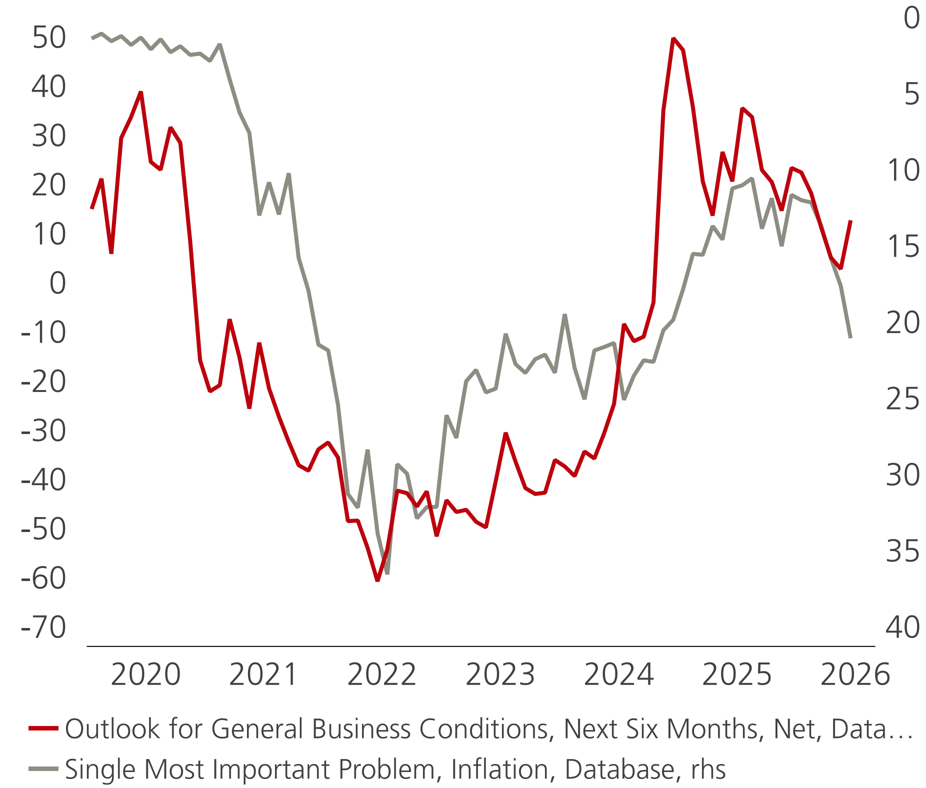
q/q annualized, %



Source: Bloomberg, UBS, as of 17 July 2026

Inflation weighing on small business outlook

NFIB index



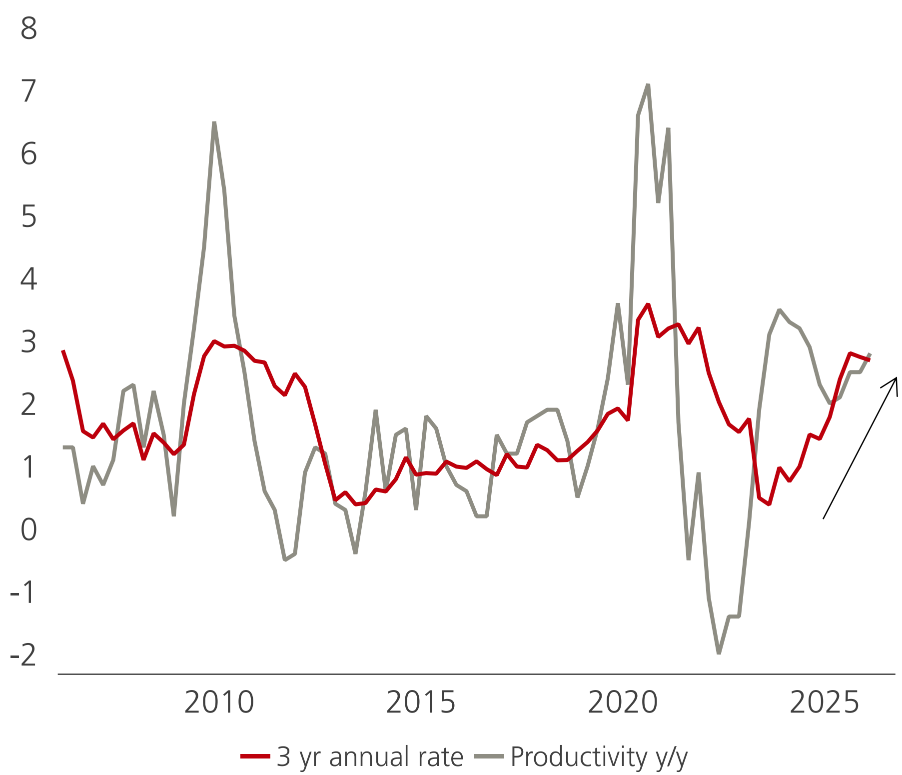
Source: Bloomberg, NFIB, UBS, as of 17 July 2026

UBS

Macroeconomic Conditions: Entrepreneurship is booming

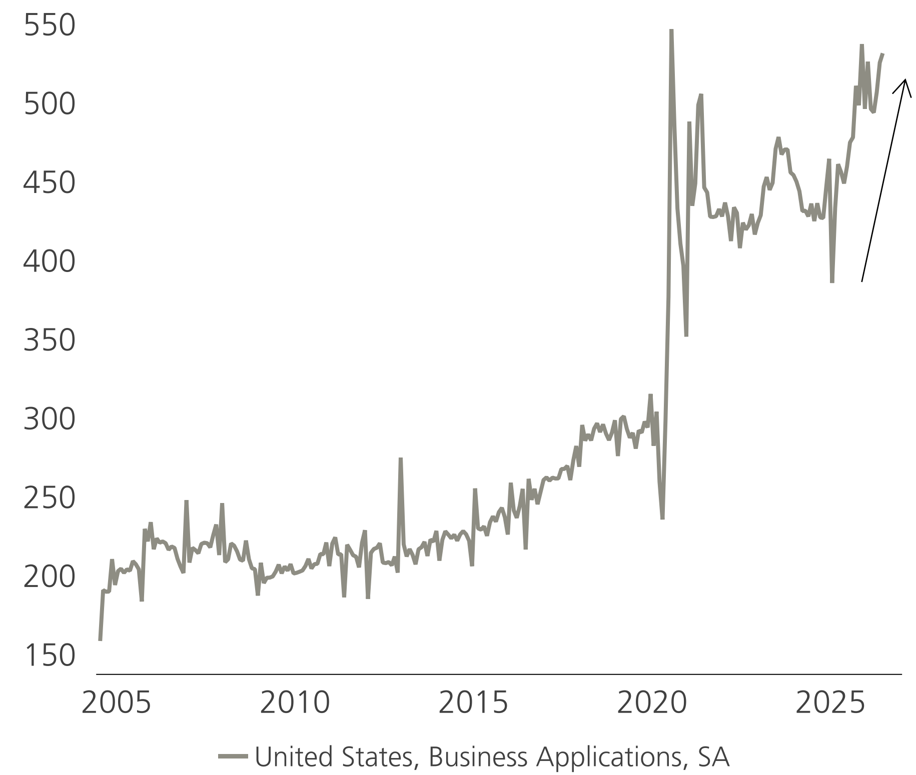
American new business formation has surged since the pandemic and receiving second boost thanks to broader AI adoption.

Productivity trends are well above the 1.2% 2010-2019 avg
Nonfarm business output per hour annualized rate



Source: Macrobond, UBS, as of 27 April 2026

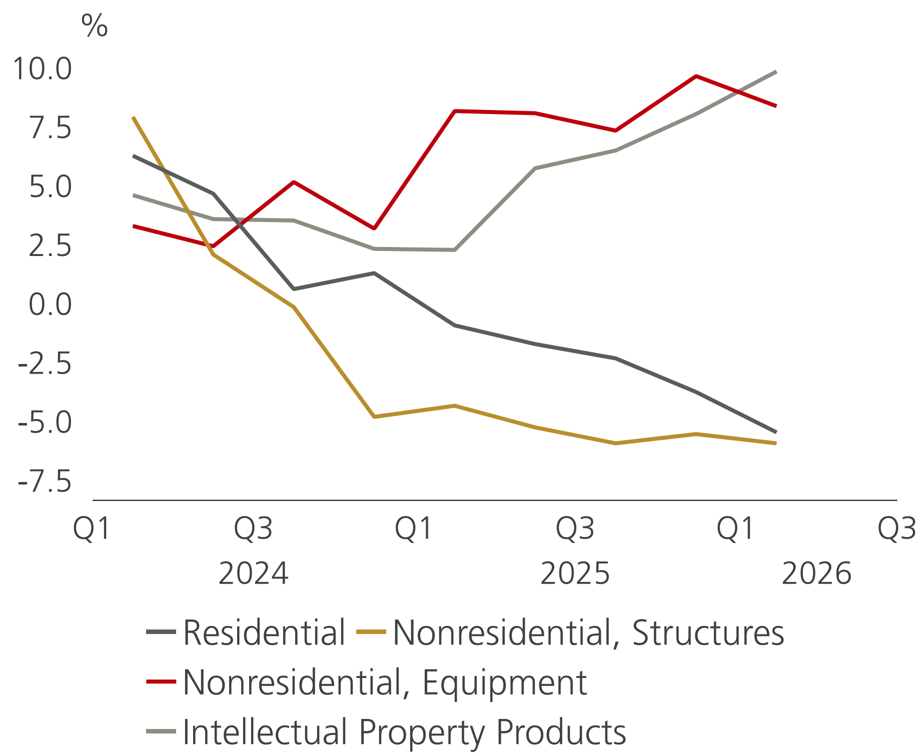
Business applications at all time highs helped by AI
Business applications, tsds



Macroeconomic conditions: Tech leading investment

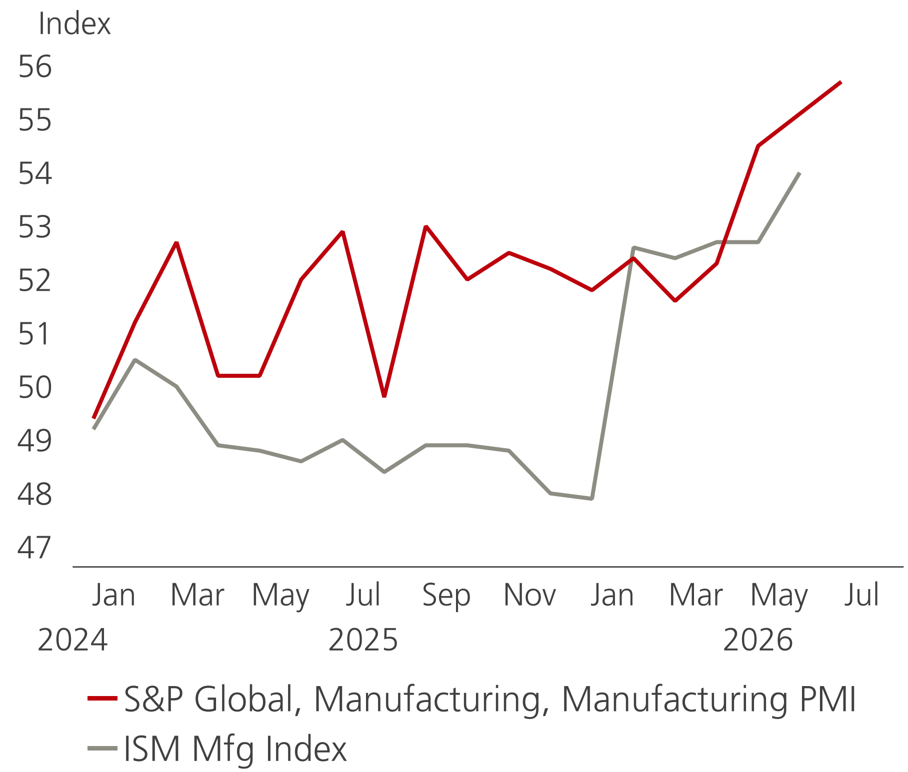
AI capex has led to narrow strength in equipment and IPP (e.g., software). Stimulative fiscal policy from OBBBA and fading tariff uncertainty should help investment breadth improve.

AI capex has driven equipment and IPP investment
Real fixed investment by type, y/y



Source: Bloomberg, UBS, as of 27 April 2026

Business surveys have shown a manufacturing broadening
S&P Markit and ISM Manufacturing (over 50 = expansionary)

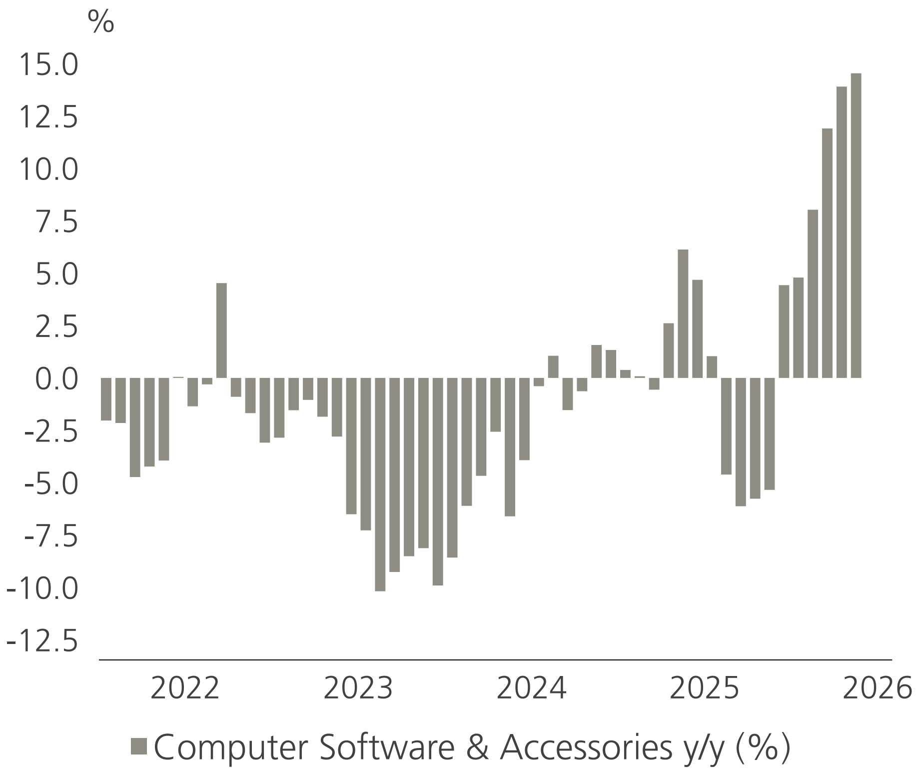


Source: Bloomberg, UBS, as of 27 April 2026

Macroeconomic Conditions: Importers facing high inflation

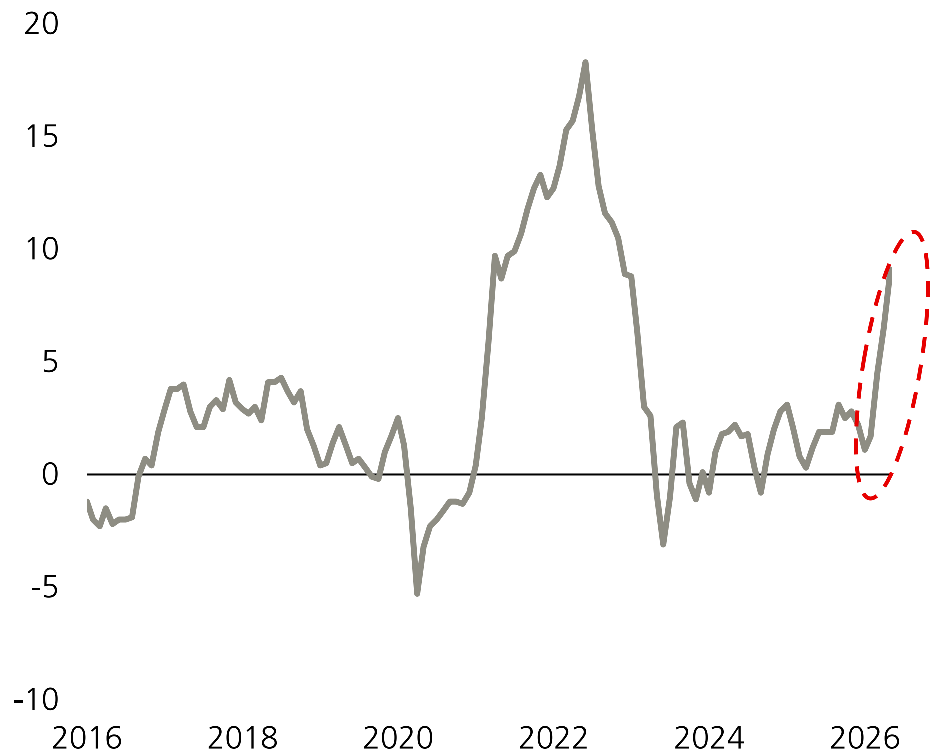
Producers facing elevated input price costs as software & accessory prices continue to accelerate and PPI the highest since 2022 thanks to Middle East conflict.

AI demand pushing tech imports higher
Computer software & accessories y/y %



Source: BLS, Bloomberg, UBS as of 4 May 2026

Producer prices pushed higher also by US-Iran conflict
US PPI Finished Goods, y/y %



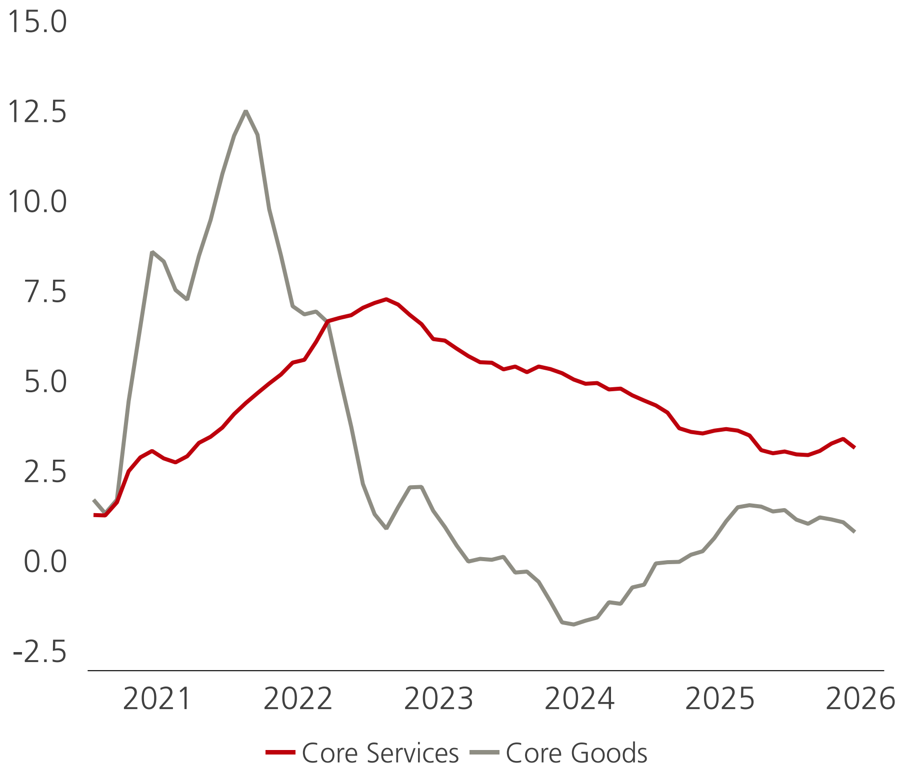
Source: Bloomberg, UBS, as of 4 May 2026

Macroeconomic Conditions: Fed to look through inflation acceleration

Various inflation measures from the Fed show only a modest rise in core inflation as peak policy led inflation (war/tariffs) likely behind us.

Tariff effect still relatively modest

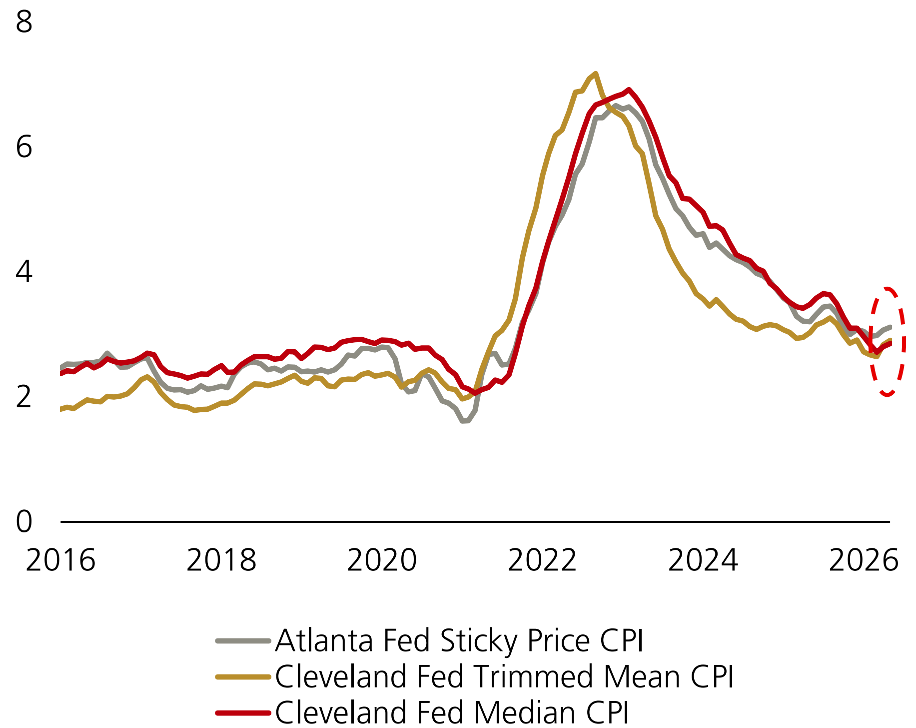
year/year %



Source: BLS, Bloomberg, UBS as of 20 July 2026

Various Fed inflation measures show only modest rise

Various US inflation indices, year/year, %

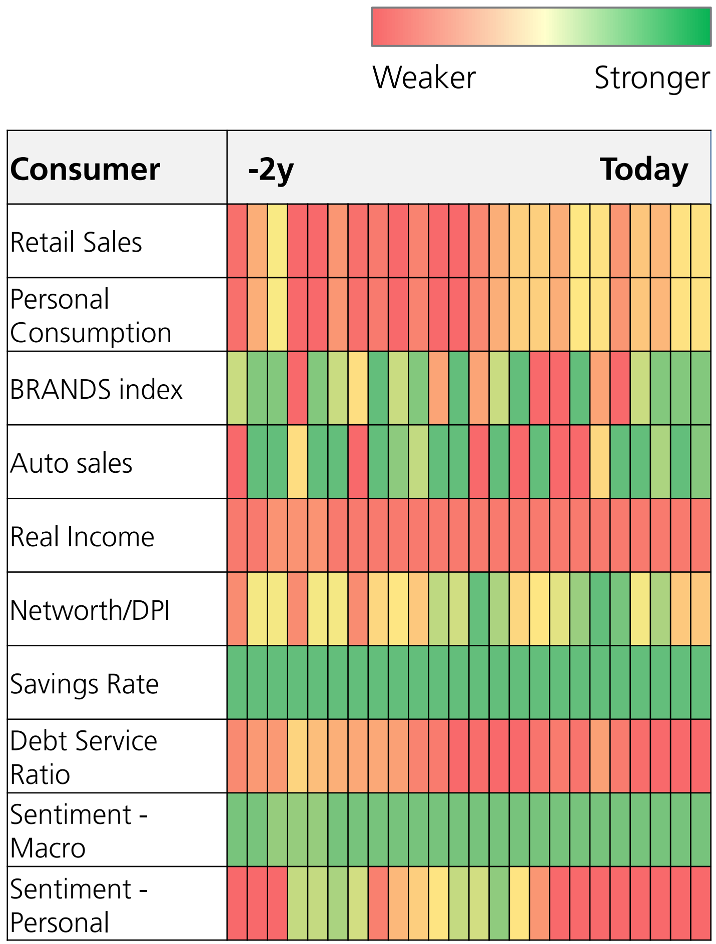


Source: Bloomberg, UBS, as of 20 July 2026

UBS

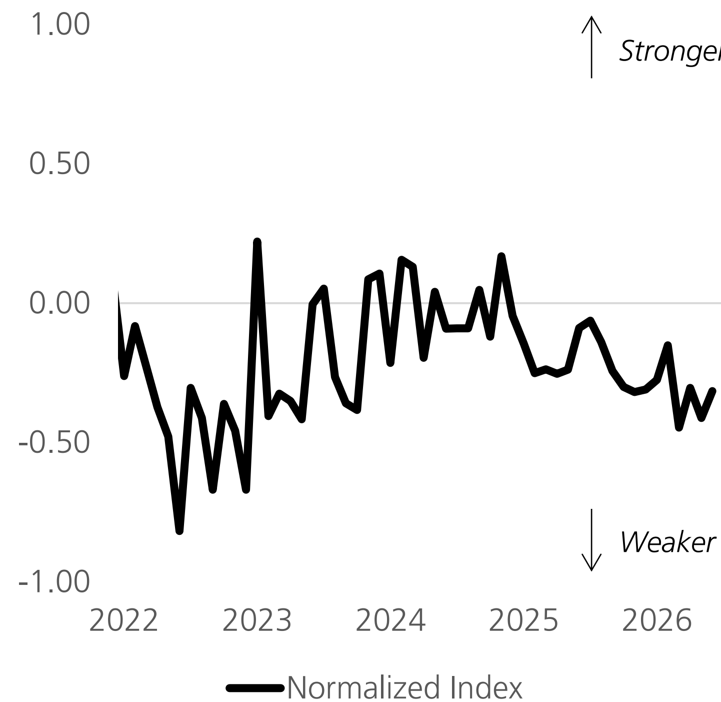
Consumer key points: Fundamentals soften with some relief ahead

- **Consumers continue spending despite higher prices.** Consumption remains steady even as income and savings indicators decline.
- **K-shaped economy helped by rising financial assets.** Top share of income earners increasingly driving consumption as household wealth is tied to rising stock market.



Note: "Retail sales" is measured by the monthly change of the control group; "Personal Consumption" refers to the yearly change in the real PCE; "DPI" stands for "disposable personal income," "Sentiment – Macro / Sentiment – Micro" refers to the business outlook and personal finance subcomponents of the University of Michigan's consumer sentiment survey.
Source: Bloomberg, BLS, Federal Reserve, UBS, as of 20 July 2026

Consumer Composite score still negative
Z-score



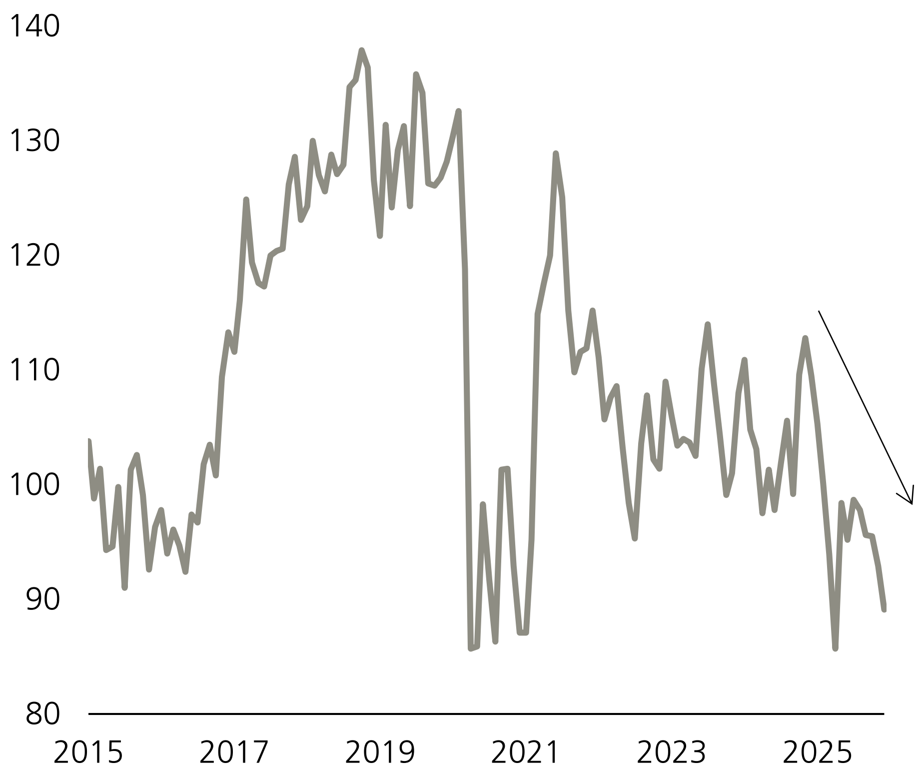
Note: The Consumer Composite score takes the average of the z-scores of the indicators in the heatmap.
Source: Bloomberg, Federal Reserve, BEA, UBS as of 20 July 2026

UBS

Operating Conditions: Consumers feel gloomy ahead of midterms

Households say they struggle against rising cost of living and consumer sentiment drops to the lowest levels since the pandemic recession.

Consumers pessimistic to start 2026
Conference Board consumer confidence index



Source: University of Michigan, UBS, as of 17 July 2026

Savings rate near historical lows
Savings rate, % Disposable personal income

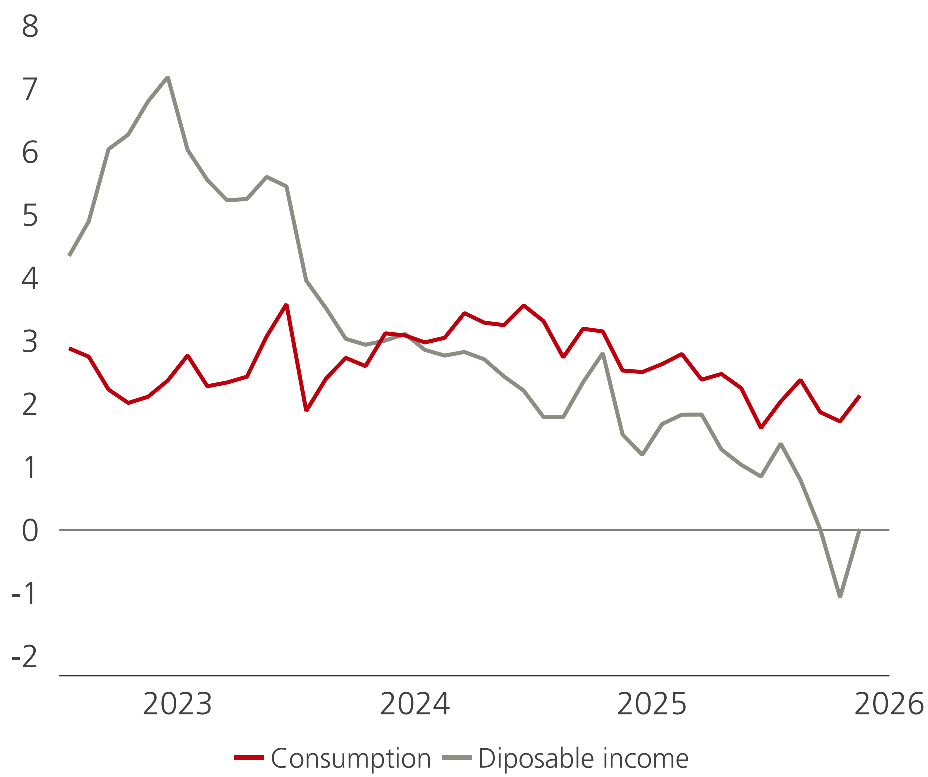
Source: BEA, UBS, as of 17 July 2026

Operating Conditions: Consumers increasingly stretched

Disposable income growth slowing into negative territory, as consumption remains steady. Consumption mix different than last year.

Spending outpacing income growth

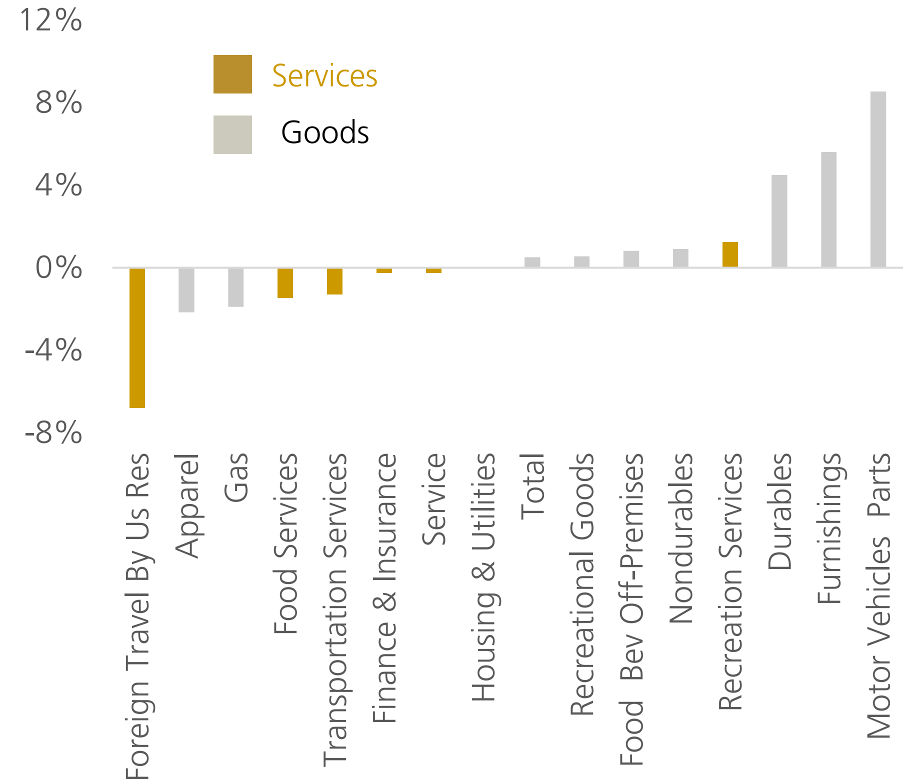
Real personal spending and disposable income y/y %,



Source: BEA, UBS, as of 21 July 2026

Agg spending about the same as 2025, but mix is different

2026 vs 2025 PCE growth, %



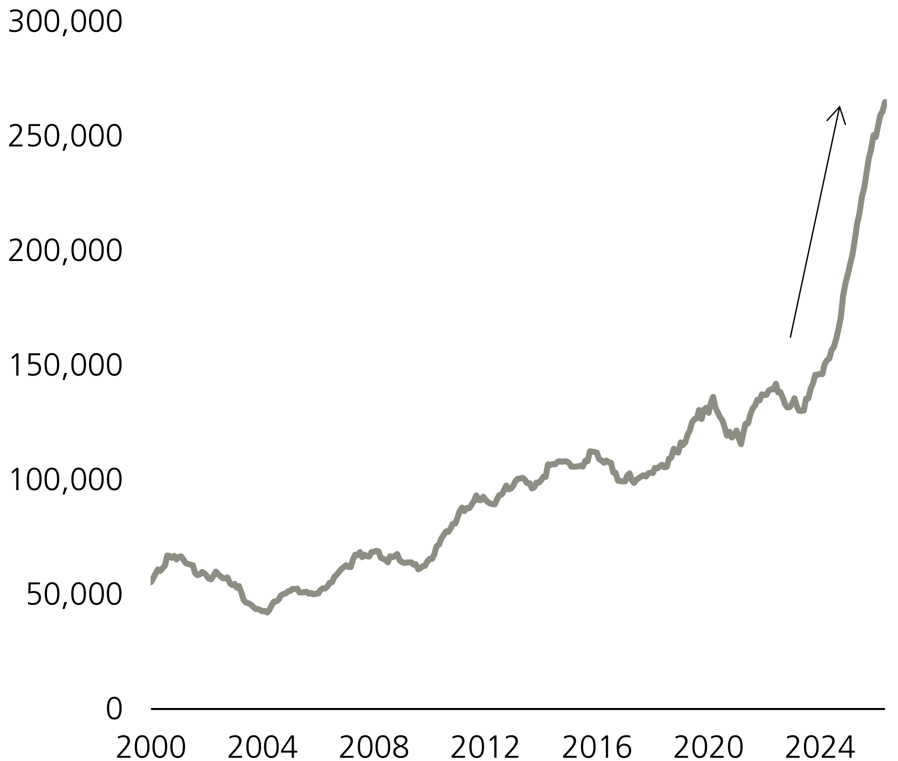
Note: Growth differential calculated by subtracting this year's YTD growth from last year's.
Source: BEA, UBS, as of 21 July 2026.

UBS

Operating Conditions: Consumption supported by wealth effect

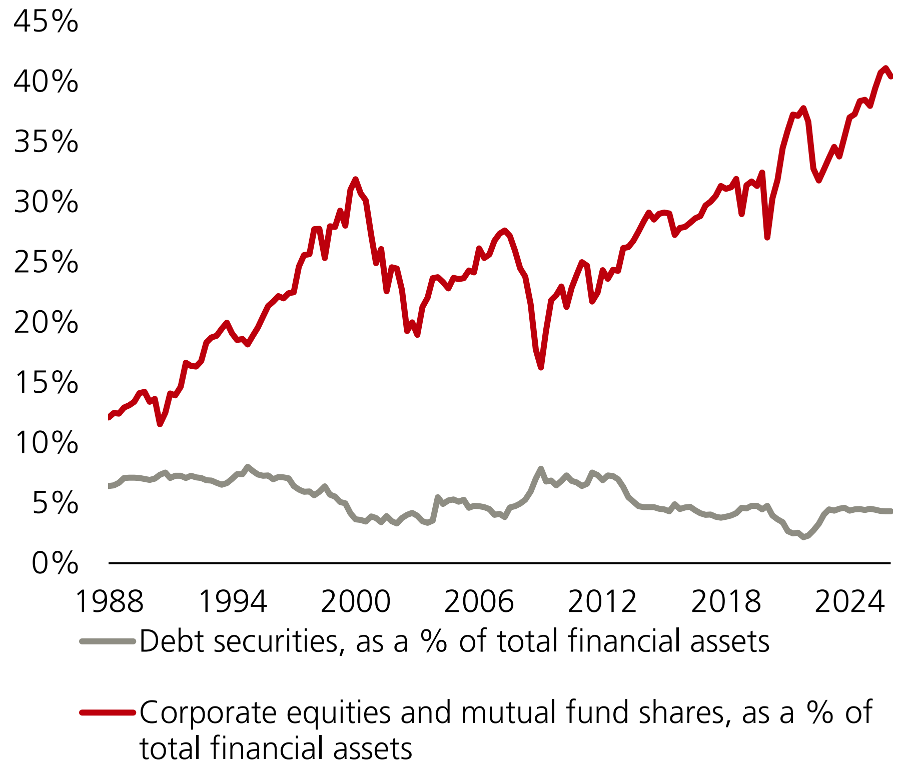
US household allocation to US equities reaches an all-time high supporting consumption but also increasing risk incase of stock market reversal.

Value of stock market investment has risen sharply
Median value of US HH Stock Market Investment, 12M mov. avg.



Source: University of Michigan, UBS, as of 17 July 2026

US households have increased their equity allocation
% of total financial assets



Source: Bloomberg, UBS, as of 17 July 2026

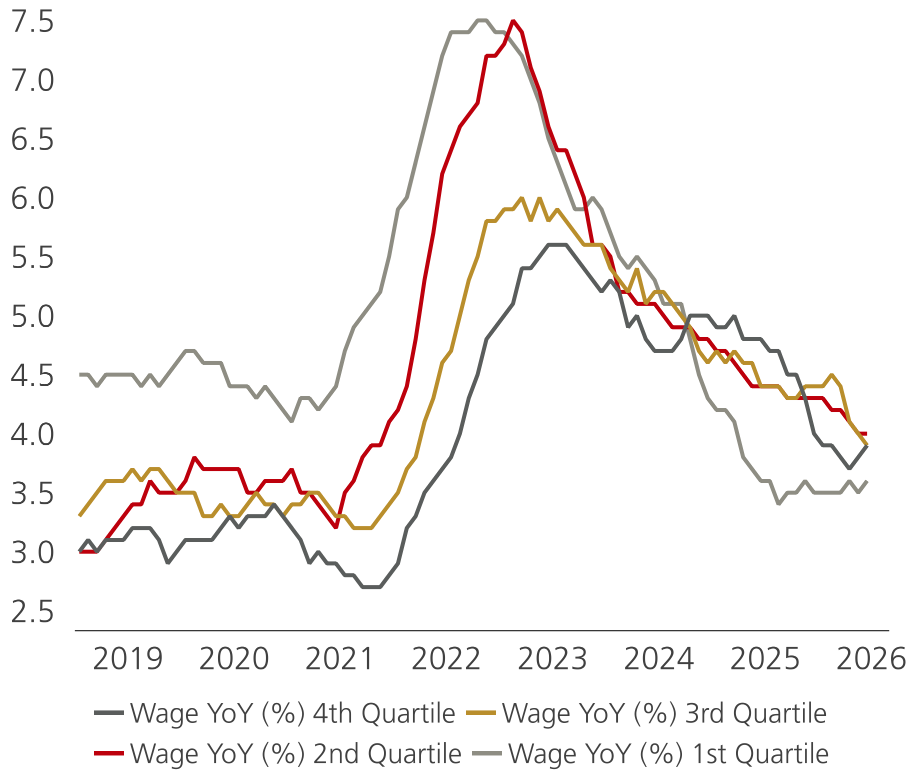
UBS

Operating Conditions: Mixed evidence of a K-shaped economy

Income growth for higher earners are slowing at a faster rate than other quintiles but higher incomes lead consumption.

Wage growth for higher earners falling faster

Wage growth y/y, %

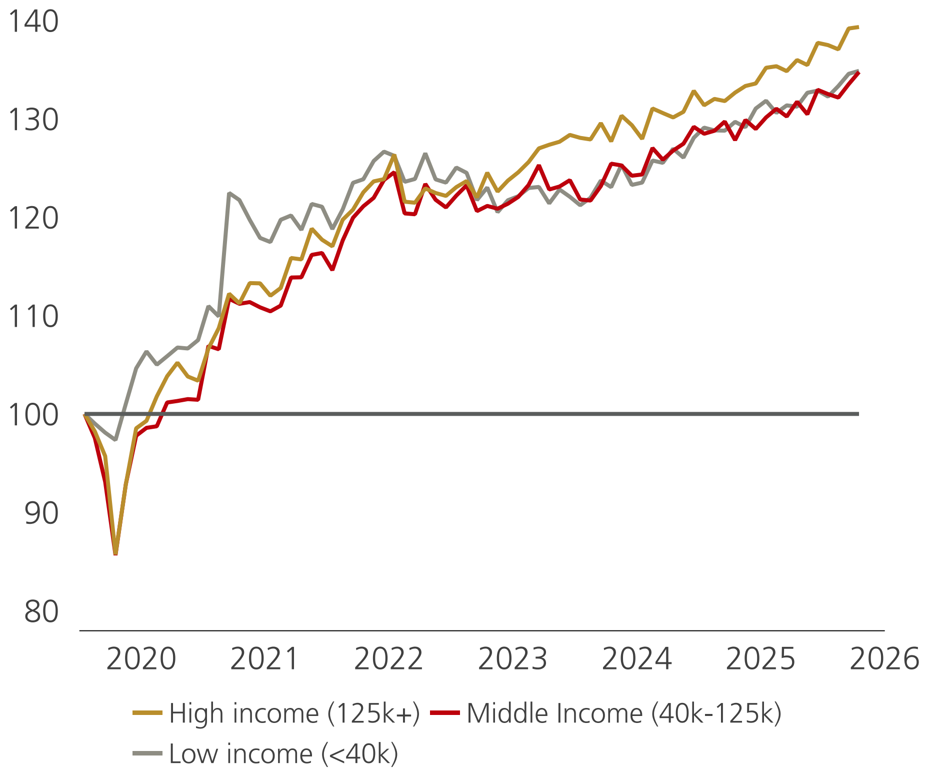


Note: Wage quartiles in descending order, i.e. 4th quartile is highest

Source: BLS, UBS, as of 17 July 2026

High incomes leading consumption but barely

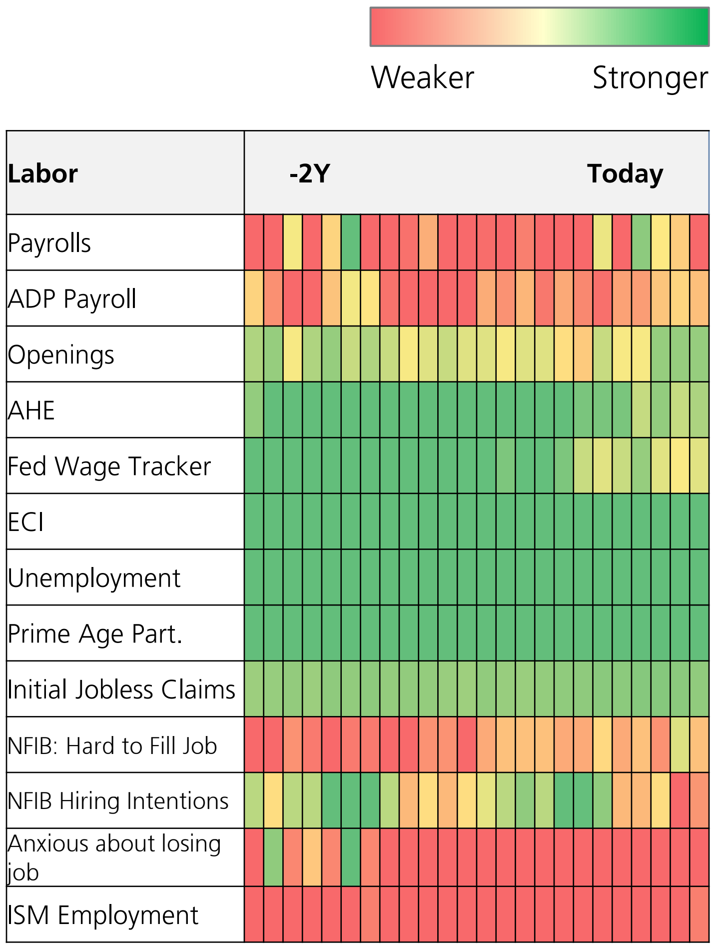
Real consumption relative to pre-pandemic levels. (2020=100)



Source: BLS, UBS, as of 17 July 2026

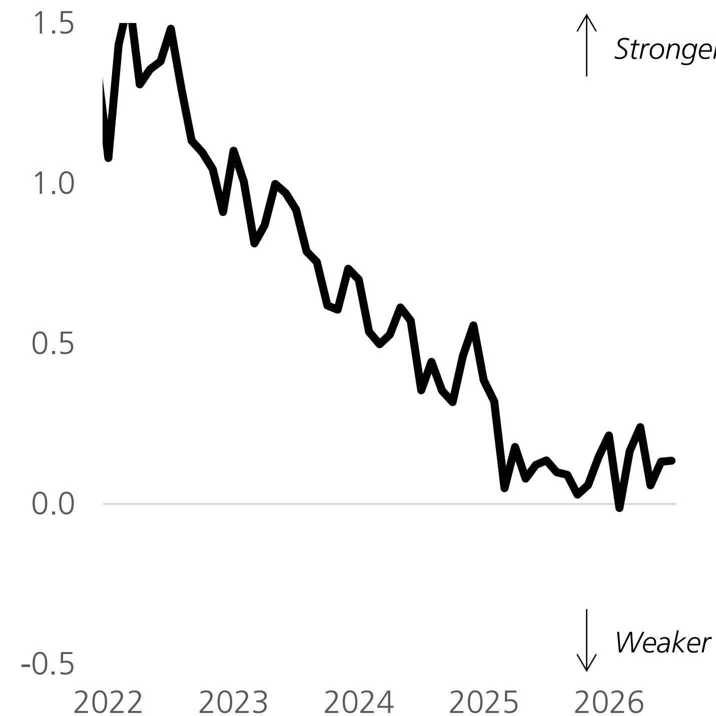
Labor Key points: Conditions stable as non-farm payrolls swing positive

- **"No-hire, No fire" market persist.** Layoff rate remails low despite greater job losses in tech sector. Non-farm payrolls swing into positive territory as unemployment rate falls, limiting the need for an imminent rate cut from the Federal Reserve.



Note: "AHE" stands for average hourly earnings, "ECI" stands for "Employment cost index. "Labor confidence" taken from the University of Michigan consumer confidence survey.
Source: Bloomberg, BLS, University of Michigan, Federal Reserve, UBS, as of 20 July 2026

Labor Composite score
Z-score



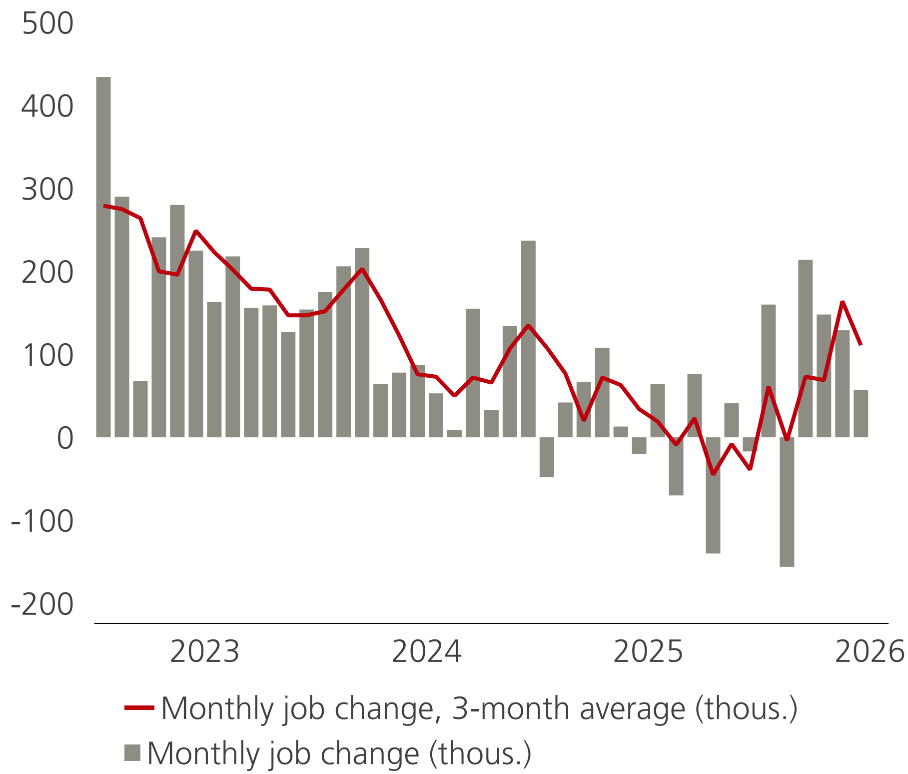
Note: The Composite score takes the average of the z-scores of the indicators in the heatmap.
Source: Bloomberg, BLS, UBS as of 20 July 2026

UBS

Operating Conditions: Layoff announcements up, but not unemployment

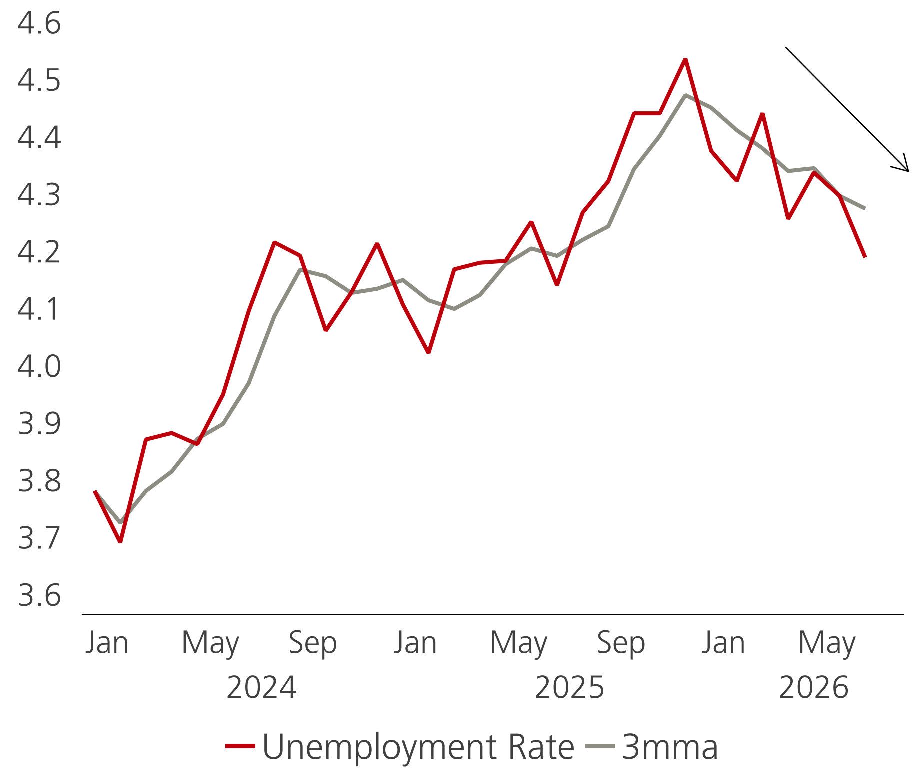
Even with geopolitical jitters and broader adoption of AI, initial jobless claims near a historical low. Unemployment rates have also been moving lower as latest payrolls data surprises to the upside.

Nonfarm payrolls have swung back into positive
in tsds



Note: Axes have been truncated
Source: Bloomberg, Macrobond, UBS, as of 4 May 2026

The unemployment rate has started to trend lower
Unemployment rate (%) and 3-month moving average

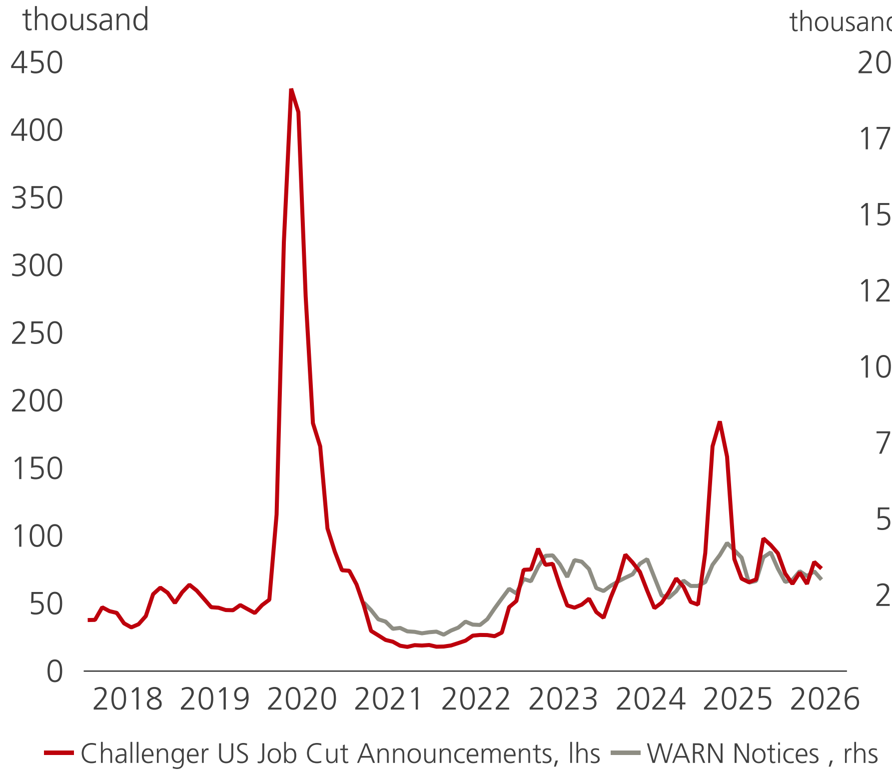


Source: Macrobond, UBS, as of 22 April 2026

Operating Conditions: Layoffs are still a micro story

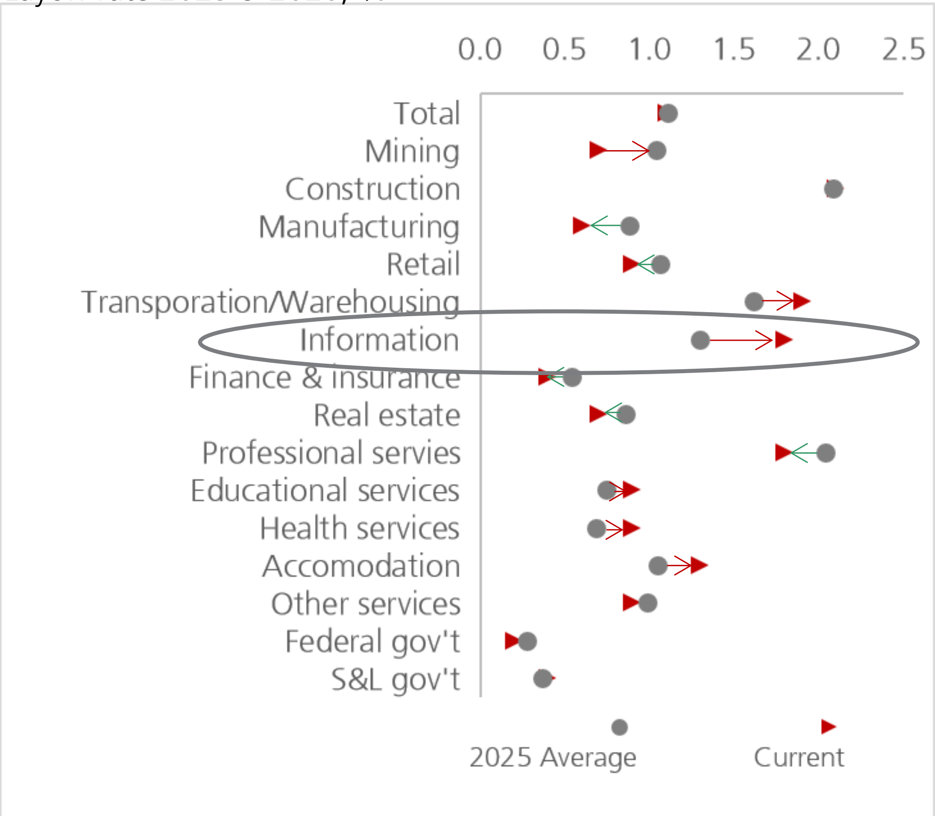
Overall layoff rate has moved little since last year and announced layoffs also relatively stable; tech sector is the big outlier, with a significantly higher year-over-year layoff rate

Layoff announcements generally low
in tsds



Source: Department of Labor, Challenger Gray and Christmas, UBS as of 17 July 2026

Overall layoff rate stable but differentiation under the hood
Layoff rate 2025 & 2026, %

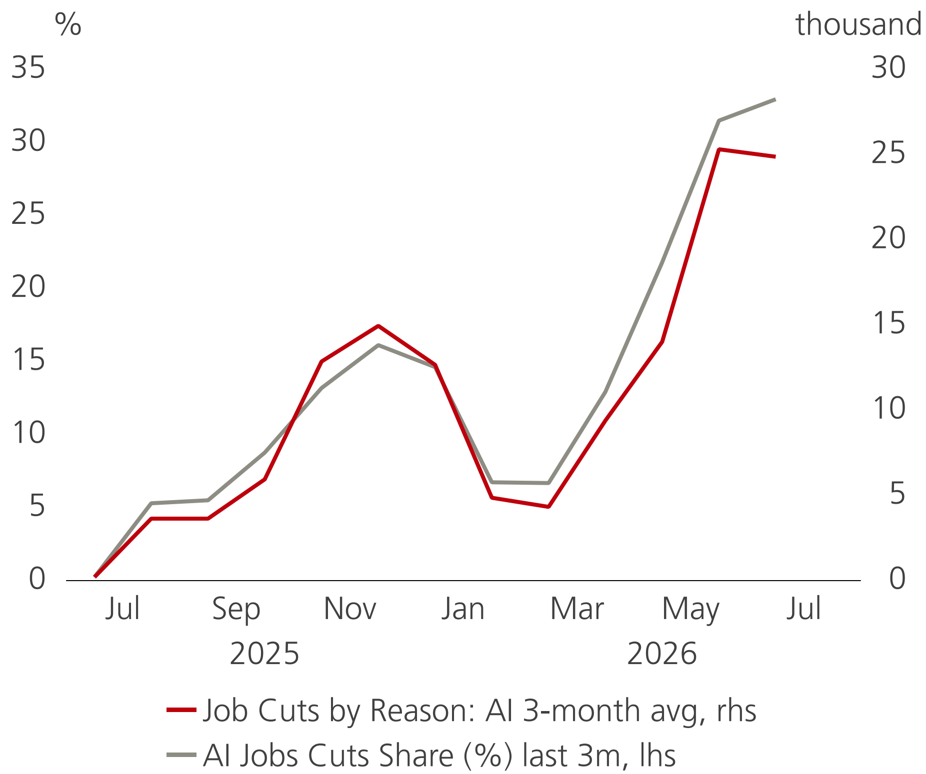


Source: BLS, UBS as of 17 July 2026

Operating Conditions: AI blamed for job losses

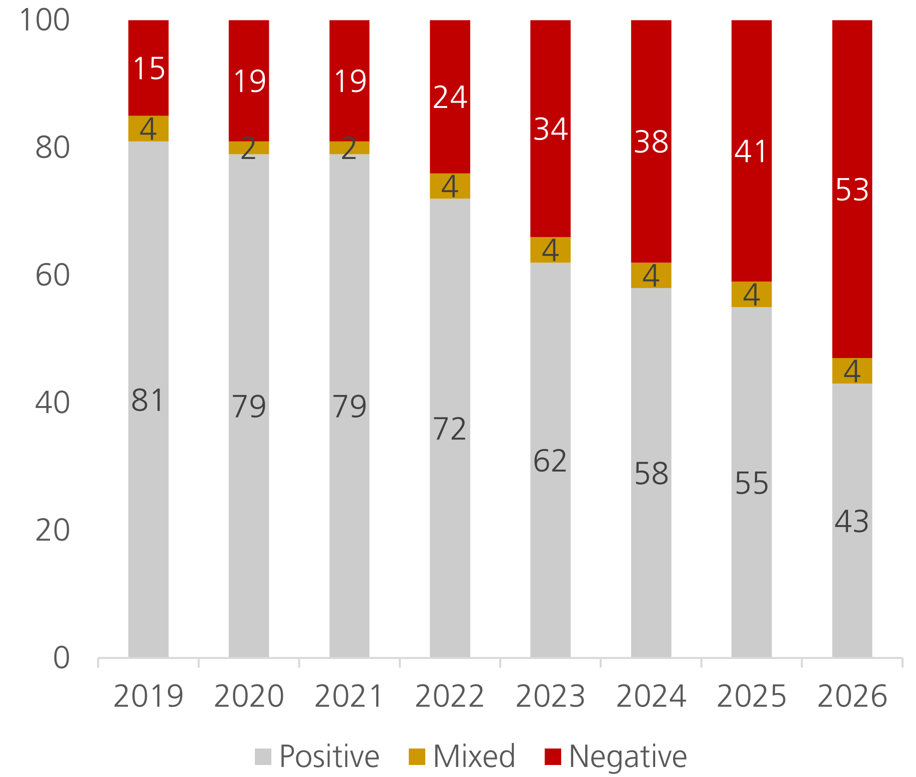
Even though the labor market has broadly stabilized, mentions of AI during job cuts is rising leading to increasing negative sentiment among employees.

Ai increasingly being blamed for some job cuts
% and tsds



Source: BEA, UBS as of 15 July 2026

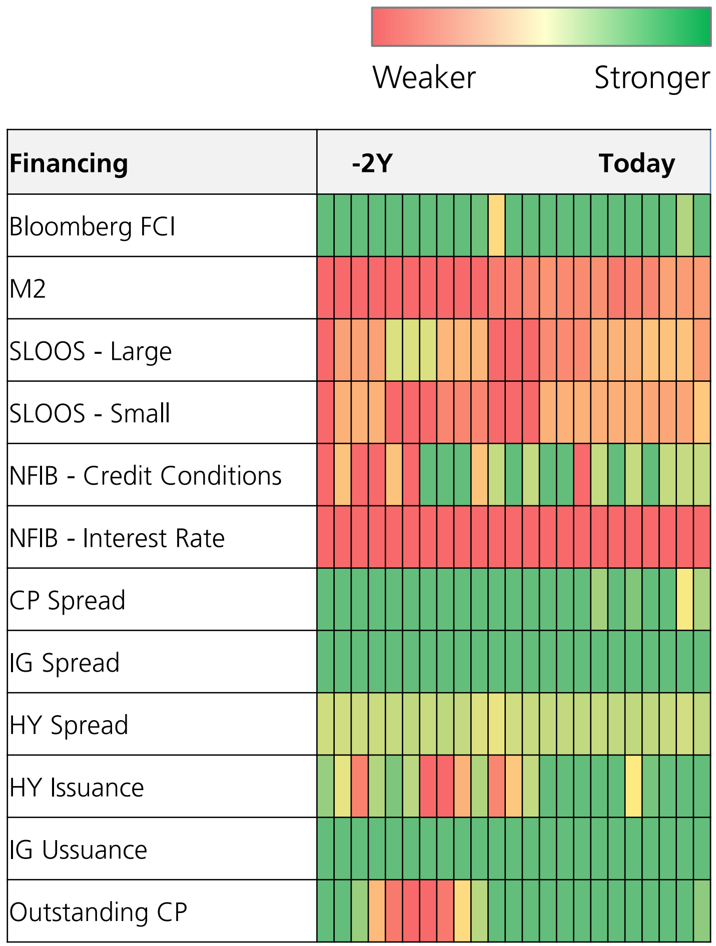
Leading to employees increasingly viewing AI negatively
Sentiment of reviews mentioning AI, %



Source: Glassdoor, UBS, as of 15 July 2026

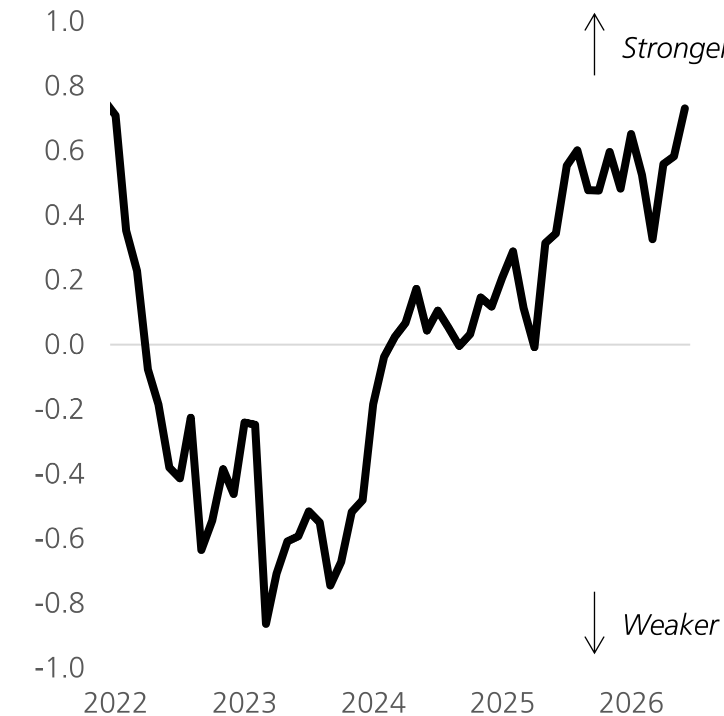
Financing Key points: Credit conditions improve at tail end of 2025

- **Credit conditions increasingly accommodative.** Small to medium-sized businesses report ample credit availability but higher rates thanks to Fed's more hawkish stance and lingering effects from the Iran conflict.



Note: Financial conditions refers to the Bloomberg Financial Conditions index; "SLOOS" refers to the Federal Reserve Senior Loan Officer Survey; IG issuance are measured on a quarterly moving average of monthly issuance data; Availability of Borrowing Costs refers to "Interest Rate on short-term loans" component in the NFIB survey
Source: Bloomberg, NFIB, SIFMA, Federal Reserve, UBS, as of 20 July 2026

Financing composite softer after Iran war
Z-score

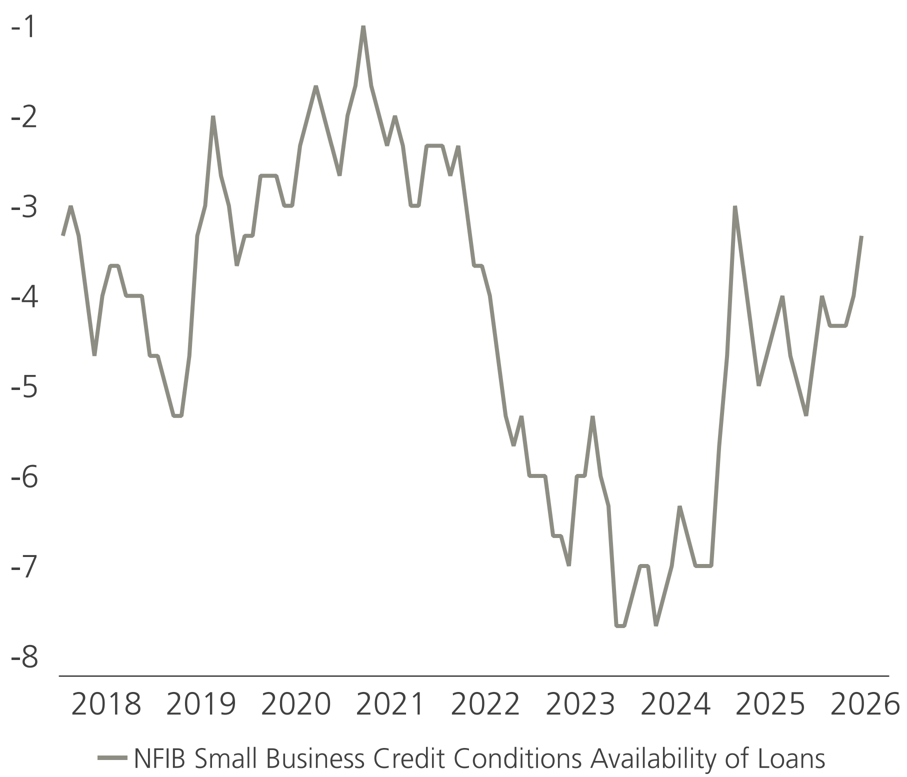


Note: The Composite score takes the average of the z-scores of the indicators in the heatmap.
Source: Bloomberg, BLS, UBS as of 20 July 2026

Operating Conditions: Credit conditions accommodative, unchanged

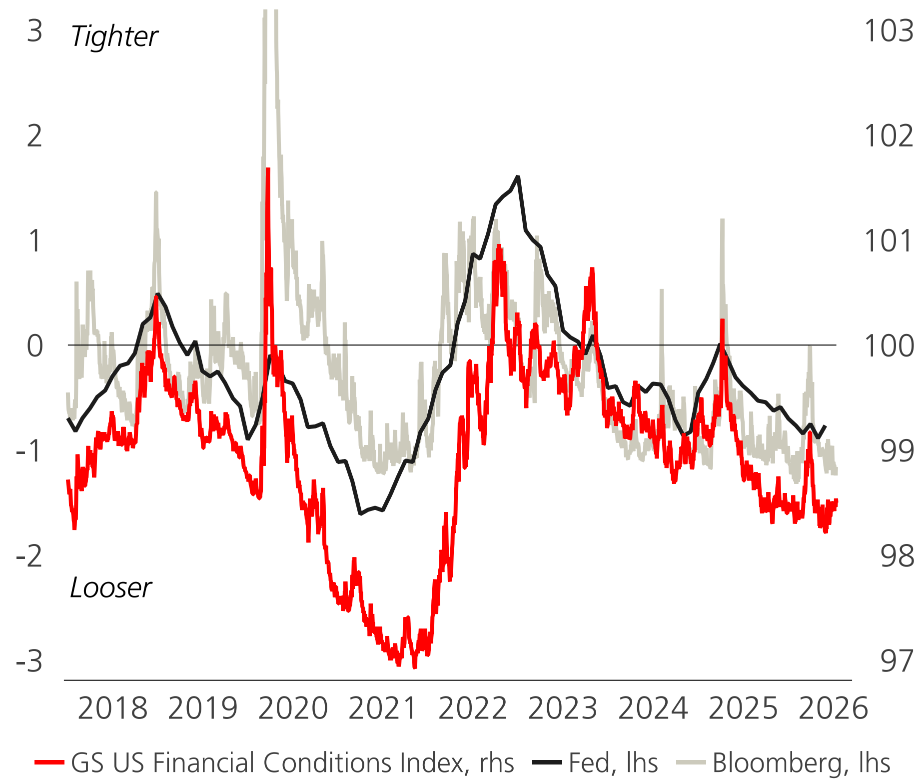
Interest rates are the lowest in years, as multiple indications of financial conditions show that the environment is generally favorable for businesses to take on loans.

Small business say loan availability increased
NFIB survey – Loan Availability , %



Note: Axes have been truncated
Source: Bloomberg, Macrobond, UBS, as of 20 July 2026

Financial conditions continue easing
Bloomberg, Fed, GS Financial conditions indices



Note: Axes have been truncated
Source: Bloomberg, Macrobond, UBS, as of 20 July 2026

UBS

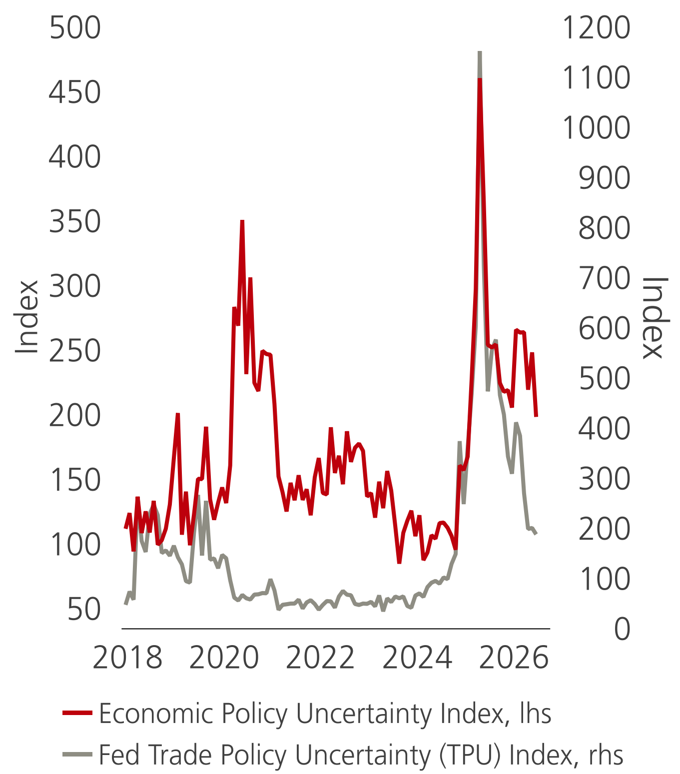
Tariffs: 'Rebuilding' the tariff wall in name only

New round of tariffs unlikely to change effective tariff rate, Treasury has already refunded billions of dollars to companies who say they will use refunds to cushion earnings against input costs.

- **New tariffs unlikely to materially alter effective tariff rate.** The expiration of Section 122 tariffs on 24 July is unlikely to materially change the US tariff backdrop, as the administration is expected to replace them with new Section 301 tariffs that keep the effective tariff rate near current levels.
- **Tariff refunds ongoing.** After Supreme Court ruling, US firms already received tens of billions worth of refunds used to protect margins.

Policy uncertainty has declined

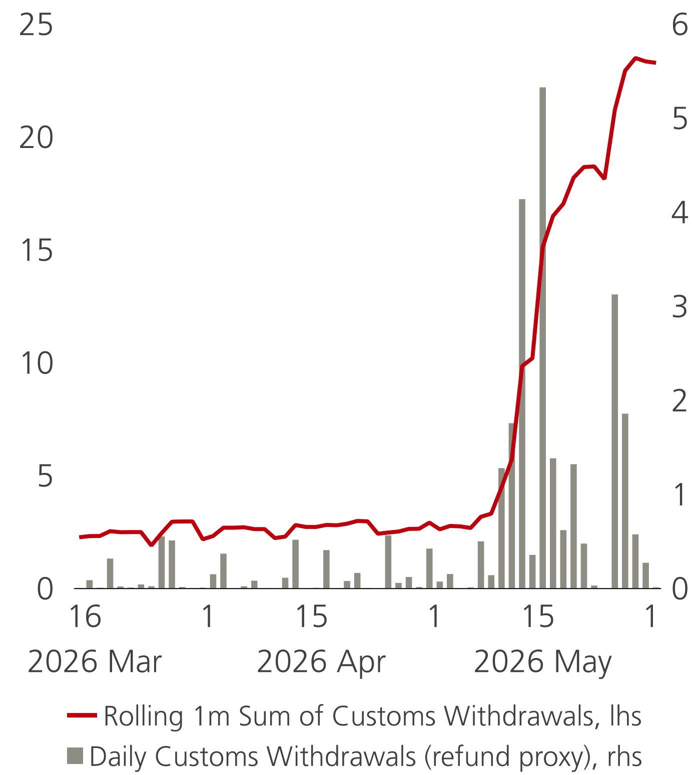
US economic policy uncertainty index and trade



Source: Bloomberg, UBS, as of 21 July 2026

Billions worth of tariffs already refunded

Cumulative and daily refunds, USD $B



Source: US Treasury, Macrobond, UBS, as of 21 July 2026

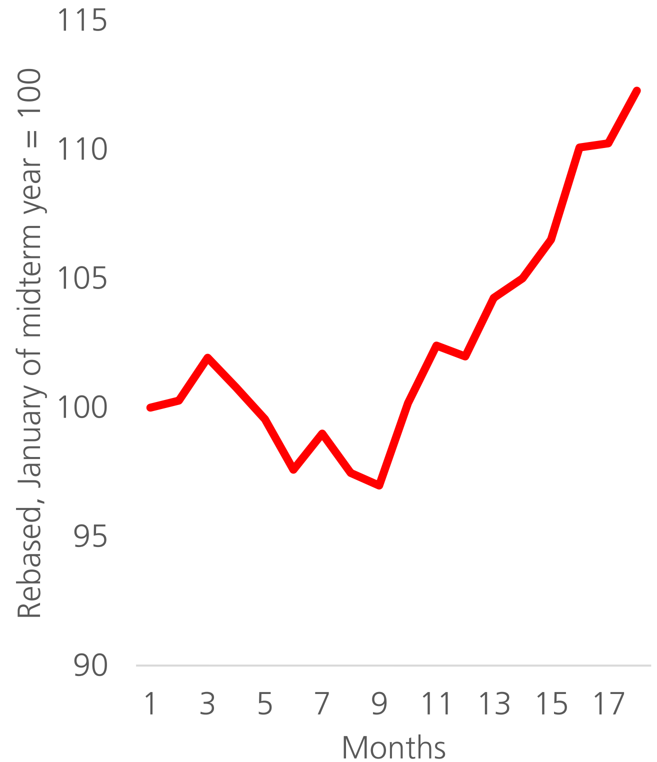
Politics: Midterms likely to bring divided government

A Democratic House is the base case which would limit the White House's legislative agenda. Risk assets tend to do well in the months following an election, but US/Iran conflict can be a wild card.

- **A divided government should be expected**. Our base case is for the Democrats to retake the House. Winning the senate is a longer-shot, requiring Dems to win 3 tossups and 1 lean R race.
- **Risk assets rise after midterm elections.** Historically, average S&P performance tends to take off in the months following midterm elections. This year, we expect the US/Iran conflict to be a geopolitical Wildcare with implications for the USD and rates leading to Election Day.

Stocks tend to rise following midterm election

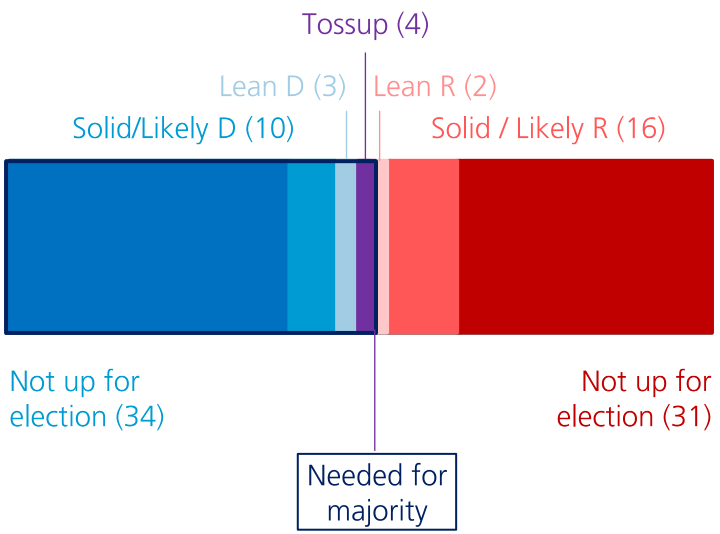
S&P 500 performance during midterm years



Source: Bloomberg, Macrobond, as of 21 July 2026

Dems need to win all tossups for Senate majority

Senate Seats by elections odds



Note: Both Independent Senators Bernie Sanders and Angus King grouped with Democrats not up for election.
Source: Cook Political Report, UBS, as of 21 July 2026

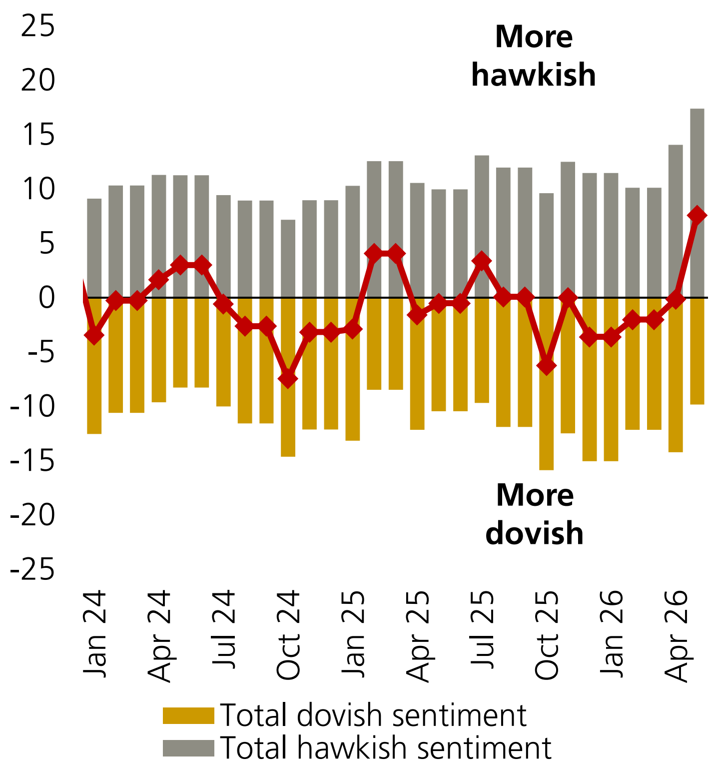
Fed: Hawkish stance to pivot in closer to year-end

Chair Warsh began his tenure adopting a more hawkish stance. Yet recent inflation data and our expectations of more modest growth could tilt the Fed more dovish in the second half of the year.

- **Macro conditions to soften Fed stance.** Our more dovish call on the Fed is predicated growth moderating in the second half of the year amid slowing inflation. We expect the economy to remain in "reflation," setting up conditions for inflation to fall and growth to stick close to trend, allowing the Fed to shift to a more dovish stance entering next year.

Fed in a more hawkish stance

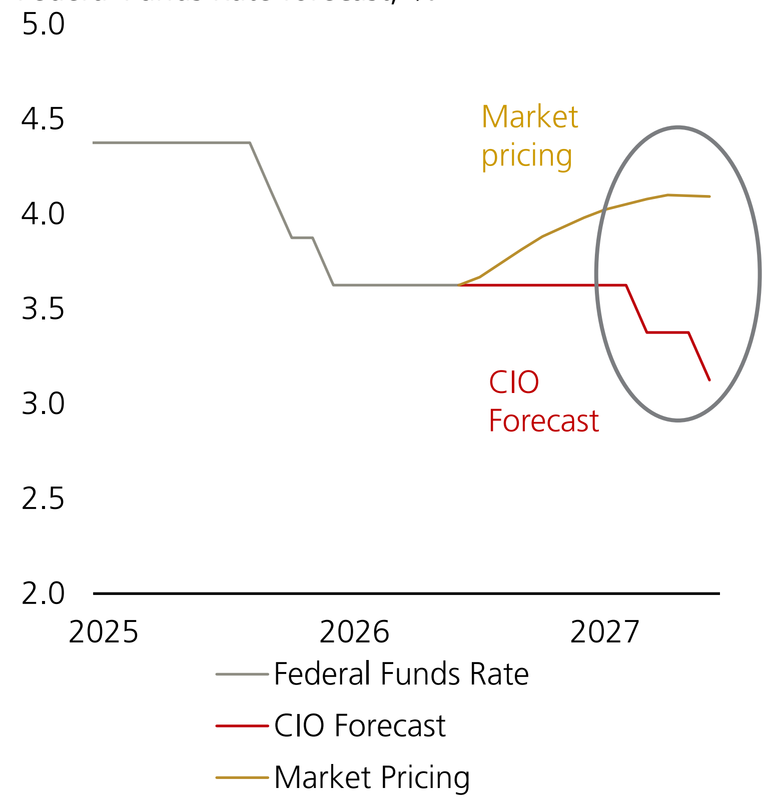
Bloomberg Fed minutes sentiment index



Source: Bloomberg, Macrobond, as of 30 June 2026

We are more dovish, expecting two cuts in 2027

Federal Funds Rate forecast, %



Source: Bloomberg, Macrobond, as of 20 July 2026

UBS

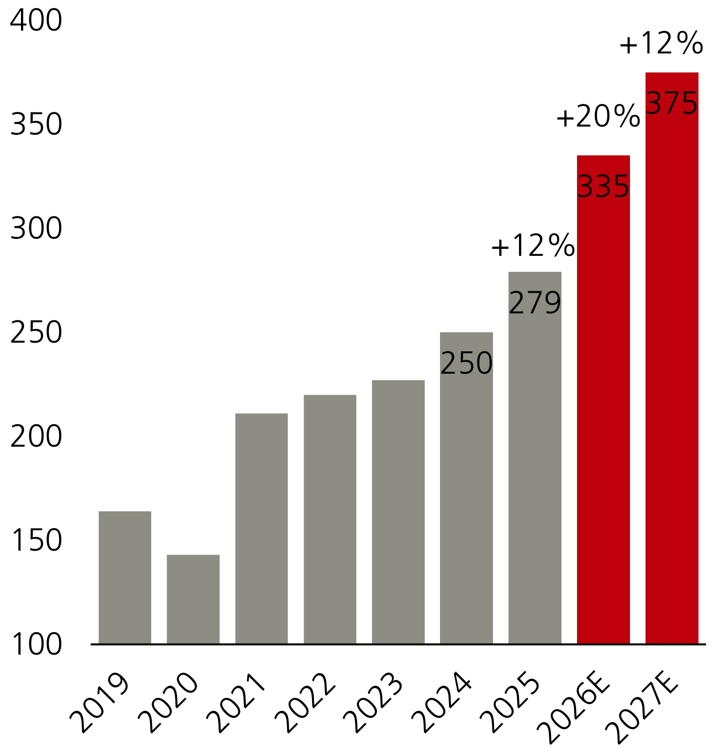
Markets: Equities reach record highs, thanks to strong fundamentals

Despite growing geopolitical headwinds, high oil prices, and the prospect of fewer rate cuts than anticipated, equities reach new highs thanks to robust 1Q earnings reporting and healthy 2Q guidance.

- **Equity resilience is supported by fundamentals.** First-quarter S&P 500 earnings growth was the strongest in four years, reflecting still-healthy economic activity, continued AI-related investment, and improving earnings in some more cyclical areas of the market.

We upgraded our 2026 EPS growth to 20%

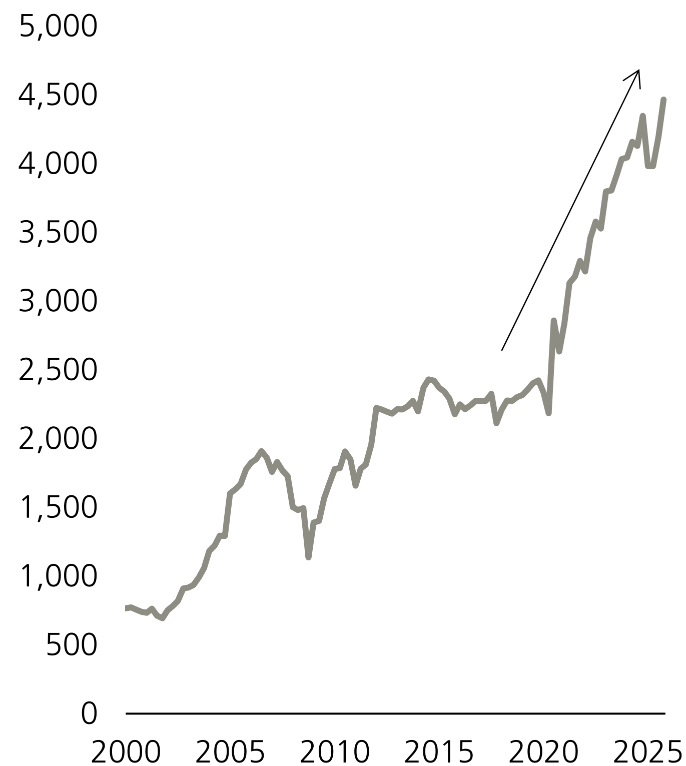
S&P 500 yearly EPS, including CIO forecasts



Source: FactSet, Bloomberg, UBS, as of 20 July 2026

Corporate profits keep rising

US aggregate corporate profits, in USD billions



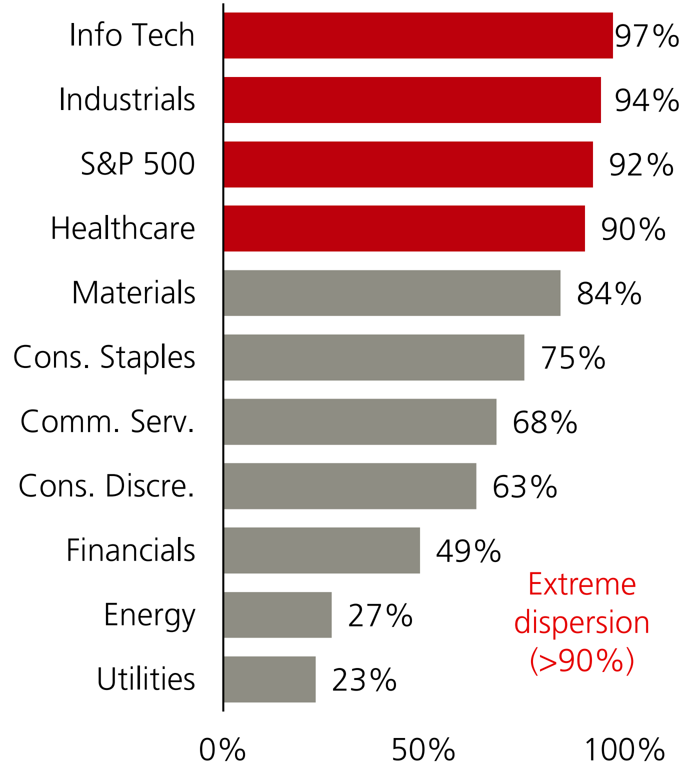
Note: Data range from 1990. Grey bars capture 5%-95% of range.
Source:, Bloomberg, UBS, as of 20 July 2026

Markets: Elevated and high dispersion suggest alpha opportunities

The gap between outperforming and underperforming market segments is widening, as increased scrutiny of AI-related trades and persistently elevated rate expectations shape near-term dynamics.

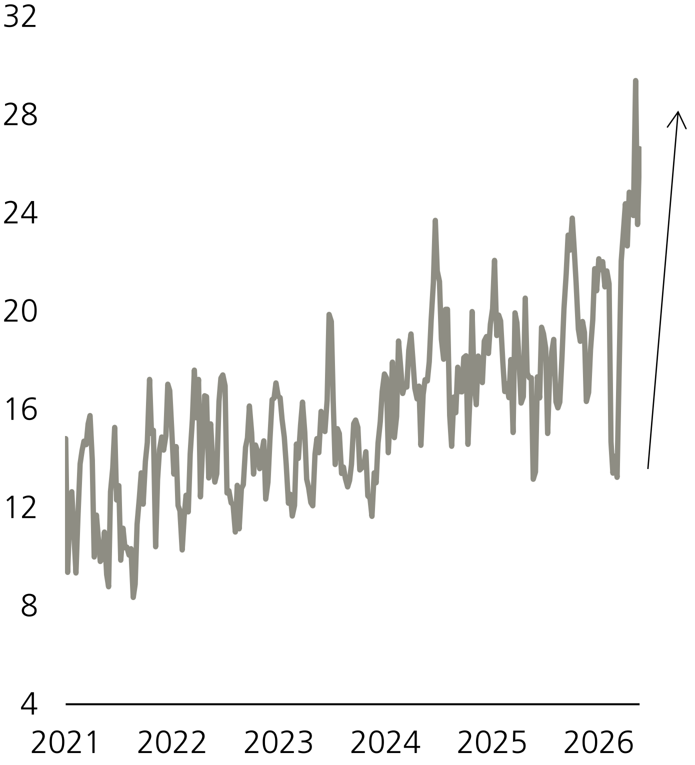
- **Equities are broadening out as dispersion remains high.** Equity markets can move higher as strong earnings broaden beyond AI, but high stock-level dispersion means portfolio outcomes depend more than ever on what investors ow

Dispersion within US equities is high
Percentile since 1980, %



Note: Dispersion measured across stock constitutions in sector based on 3M returns.
Source: Bloomberg, UBS, as of 18 Jun 2026

Single stock volatility is widening
Spread btwn S&P 500 constituent and VIX



Source: Bloomberg, UBS, as of 18 Jun 2026

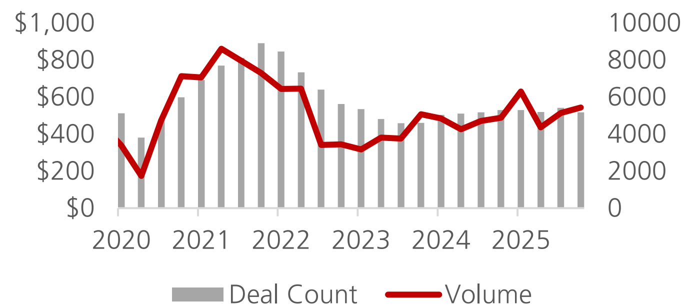
UBS

Markets: AI and strategic deals are big themes in 2026 dealmaking

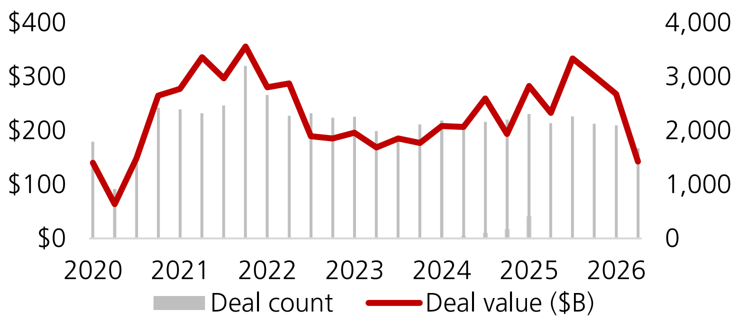
Dealmaking continues to make inroads despite headwinds from more hawkish Fed policy and increased uncertainty over tariffs and geopolitics.

- **M&A deal count barely budged while value increased.** Broader activity remains resilient as PE cedes to strategic deals. Multiples held steady as sellers refused deals that repriced downwards. Power and utility deals surge on integrating data center related projects.
- **PE recent momentum stalled.** Policy uncertainty and higher rates hampered greater exit activity in the first half of the year. Despite a pickup in exit activity, US dry powder hovers at a record USD 1.1tr, leading to greater interest in other exit routes like continuation funds.
- **IPO activity accelerates, while market waits for mega-IPO.** Debuts of AI-related companies could push 2026 to record levels.
- **VC makes all time highs.** Deal value in 1Q exceeds every year except for 2021 and 2025 but heavily concentrated in top five deals. Sector breadth ex-software was robust, but AI-related names captured the attention of investors.

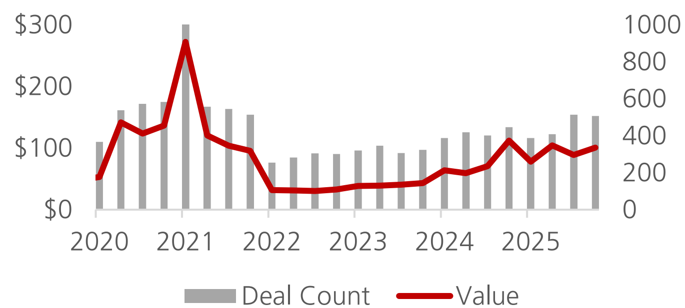
M&A activity volume increased despite flat deal count
bn $ and count



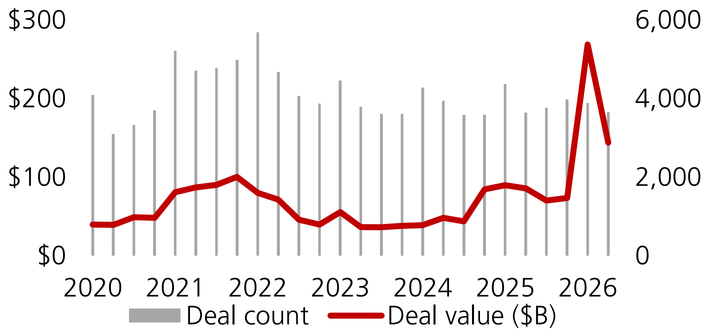
PE dealmaking increasing
bn $ and count



IPOs have the busiest quarter since 2021
bn $ and count



Venture hits a record in Q1 2026
bn $ and count



Source: Pitchbook, Bloomberg, UBS, as of 22 July 2026

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Appendix

Risk information

Non-Traditional Assets

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

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

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

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

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

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

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

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

- **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.

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