What to watch in the week ahead

Weekly Global

Mark Haefele, Global Wealth Management Chief Investment Officer, UBS Switzerland AG

- The S&P 500 fell 1.4% last week as long-term Treasury yields rose. This week, investors will be looking for signs that upward pressure on long-end yields can ease. US inflation data and comments from the Jackson Hole symposium will be watched closely. We continue to favor quality bonds with short- and medium-term maturities.
- The tech-heavy Nasdaq 100 declined 2.5% last week, compared with a 0.5% fall for the equal-weighted S&P 500. This week, NVIDIA's results will test the strength of AI infrastructure demand. We favor diversified exposure to companies enabling and benefiting from AI adoption.
- The Stoxx Europe 600 fell 0.6% amid wider global market pressure, but Eurozone business surveys improved. This week's data will test whether stronger confidence is translating into more durable growth. We remain Attractive on Eurozone equities, supported by a broadening earnings recovery.

Can pressure on long-term bonds ease?

The S&P 500 ended last week 1.4% lower as elevated long-term bond yields weighed on equity valuations. The yield on the 30-year US Treasury reached 5.31% on Monday, its highest level since 2007, and ended the week only slightly below that peak at 5.28%. That was despite the US Treasury announcing that it would double the size of its buyback operations for bonds in the 10- to 30-year segment. Minutes from the Federal Reserve's July meeting also showed that officials remained alert to inflation risks. Some favored a rate increase, and many thought further tightening could be needed if inflation failed to improve, even as most expected price pressures to moderate over the rest of the year.

Attention will now turn to July personal consumption expenditures (PCE) inflation data and the Fed's annual Jackson Hole symposium. Investors will assess whether this closely watched inflation measure confirms the softer message from more recent consumer and producer price data. Markets will also parse comments from the Fed's annual gathering, especially Chair Kevin Warsh's speech on Friday, for signs that policymakers have become more comfortable with the inflation outlook. Softer inflation and less hawkish communication could reduce expectations for Fed policy tightening. Persistent fiscal concerns and heavy bond supply may still keep longer-term yields volatile even if the outlook for Fed policy becomes more supportive. Investors will also be hoping for any signs of progress in resolving the conflict in the Middle East, with the US saying it plans to intensify economic pressure on Iran to strike a deal to reopen the Strait of Hormuz. Trade could also remain in the headlines given fresh tensions between the US and Canada over tariffs.

Bond yields, central banks, and inflation

- Read more on how investors can navigate higher long-end yields in our House View Daily.
- Listen to GWM Chief Economist Paul Donovan on the recent trade news and US affordability here.
- Read the latest blog from Jason Draho on what higher long-term yields mean for the US policy outlook.

AI and the technology sector

- Listen to the latest Signal over Noise podcast on how AI may complicate inflation signals, on Apple and Spotify.
- Read more on how to invest in transformational innovation in our House View Briefcase.
- Watch the AI show for our views on what is next in China tech here.

The broadening equity rally

- Read the latest Monthly Letter for more on the factors we expect to underpin the equity rally over the rest of the year.
- Watch Kiran Ganesh discuss market drivers, scenarios, and opportunities in the CIO Monthly video.
- Listen to the Jump Start podcast to learn more about upcoming European data and other key events in the week ahead.

Our base case remains that the Fed keeps rates unchanged for the rest of 2026. We think markets continue to price too much policy tightening and expect benchmark yields to decline as investors reassess the policy outlook. That provides a positive backdrop for quality bonds. But pressure on the long end may take longer to ease, so we continue to favor quality bonds with two- to five-year maturities. Elevated starting yields provide attractive income with less exposure to fiscal, inflation, and liquidity concerns.

Can NVIDIA's results sustain confidence in the AI investment cycle?
Technology shares led last week's equity-market decline. The tech-heavy Nasdaq 100 fell 2.5%, compared with a 1.4% decline in the S&P 500. The equal-weighted S&P 500, which dilutes the influence of the largest US technology companies, edged just 0.5% lower. This indicates that the weakness was concentrated in the large technology stocks that have led much of the market's advance.

Higher bond yields weighed on valuations, adding to questions about whether rising AI investment will generate sufficient returns. NVIDIA's results this week will provide an important test of that concern. Investors will look for evidence that strong spending on AI infrastructure is continuing to translate into demand and revenue. The company's guidance on data-center demand and customer investment plans is likely to be particularly important. Strong demand and constructive guidance would reinforce confidence that the wider AI investment cycle remains on track. A weaker outlook would increase scrutiny of financing costs and investment returns.

Our base case remains that AI spending will be robust. Based on the latest company guidance, we have raised our forecast for global AI capital spending to USD 1.2 trillion in 2027, from around USD 900 billion in 2026. While we think investors should remain invested in AI, it remains important to avoid excessive reliance on a small number of stocks. We favor diversified exposure to companies enabling and benefiting from AI adoption.

Can European data add momentum to the region's rally?
The Stoxx Europe 600 fell 0.6% last week amid wider pressure from rising bond yields and weaker technology shares. But the index still ended the week up 10.5% so far in 2026, and the latest economic data offered encouragement. The Eurozone composite purchasing managers' index rose to 52.1 in August, with manufacturing activity reaching its highest level in more than four years. New orders grew at their fastest pace in 40 months, exports increased for the first time since February 2022, and price pressures eased.

This week, Germany's Ifo survey and Eurozone economic sentiment data, along with inflation releases from France and Spain, will provide further evidence on the outlook. Investors will assess whether improving confidence is translating into stronger activity and corporate earnings. The inflation data will also help determine whether the recovery can continue without adding to pressure on the European Central Bank to tighten policy further. Encouraging growth signals alongside contained inflation could add momentum to the region's equity rally.

Our view on Eurozone equities remains Attractive. Europe's second-quarter results reinforce our view that a strong and increasingly broad earnings cycle is underway. We expect Eurozone companies to grow earnings by

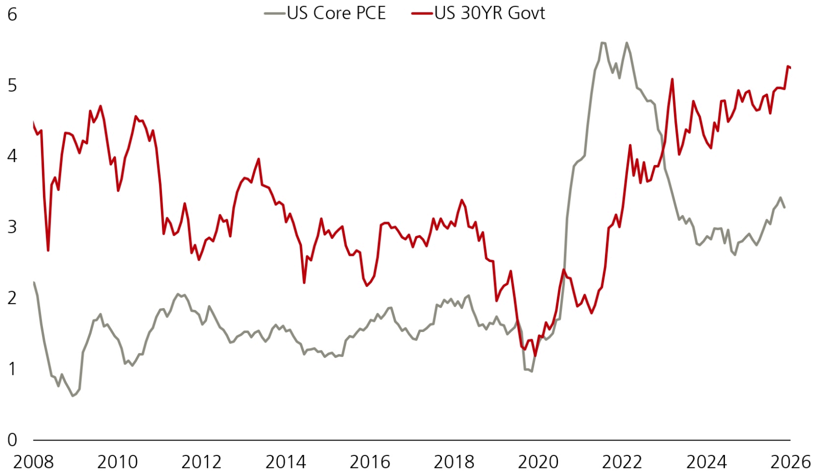
15% in both 2026 and 2027. We still expect one further 25-basis-point ECB rate increase, and persistent energy risks mean subsequent cuts may come later than previously expected. But resilient growth and stronger earnings should matter more for equities than the precise timing of rate cuts. Improved valuations and renewed earnings momentum have also led us to upgrade the European information technology sector to Attractive.

Chart of the week

The 30-year US Treasury yield rose to its highest level since 2007 last week, despite the Treasury doubling its bond-buyback operations. This suggests that fiscal concerns, heavy bond supply, and persistent inflation risks continue to outweigh policymakers' efforts to lower long-term borrowing costs. Softer inflation and a less hawkish Federal Reserve could eventually ease pressure on long-term yields, but volatility may persist. We believe the outlook is more favorable for quality bonds with two- to five-year maturities, which offer attractive income with less exposure to fiscal, inflation, and liquidity risks than long-term bonds.

30-year Treasury yield remains elevated despite softer inflation expectations

30-year Treasury yield, US Core PCE, (%)



Bloomberg, UBS as of 24 August 2026

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.
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- Private Equity: There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- Foreign Exchange/Currency Risk: Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

Global asset class preferences definitions
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities
Note: For equities, we have a five-tier rating system with two additional preferences
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse “Most Attractive” with “Attractive” and “Least Attractive” with “Unattractive.”

Appendix

Risk information
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