

UBS House View

Investment Strategy Guide:

War, Warsh, and what to do now

October 2026 | Chief Investment Office GWM | Investment research



UBS

In this report

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

October

CIO Monthly Livestream

1 October 2026 1:00 p.m. ET

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Publisher

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

This report was published
on 18 September 2026

Lead authors

Mark Haefele
Ulrike Hoffmann-Burchardi

Authors (in alphabetical order)

Andrew Dubinsky
Jason Draho
Leslie Falconio
Paul Hsiao
Danny Kessler
David Lefkowitz
Nadia Lovell
Barry McAlinden
Sudip Mukherjee
Dominic Schnider
Frank Sileo
Giovanni Staunovo

Cover image

Unsplash

Editors

Jess Hoeffner
Steven Faucher
Laura Amoroso
Kat Van-Hoof
Aaron Kreuscher

Project management

John Collura
Shawn Awan
Samantha Infantino

Design

John Choi
Helena Powers
Cheryl Seligman
CIO Content Design

Dear reader

Markets are being tested by a combination of higher oil prices, elevated interest rates, and ongoing geopolitical uncertainty. At the same time, investors continue to grapple with questions around the durability of the artificial intelligence investment cycle and the implications of rising government debt.

Despite these concerns, we remain constructive on equities. Resilient economic growth and robust earnings should continue to support further market gains over the next six to 12 months. While recent rate hikes by the Federal Reserve and European Central Bank may create periods of volatility, history suggests that equity performance has depended more on the trajectory of growth and earnings than on the start of a tightening cycle. Manufacturing activity remains expansionary, AI-related investment continues to provide support, and we expect earnings growth to remain the primary driver of equity returns.



Ulrike Hoffmann-Burchardi

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

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

In fixed income, the recent rise in yields to multiyear highs has improved the opportunity set for investors, enhancing both the income and diversification benefits of bonds. We favor measured increases in duration exposure through high-quality bonds, while attractive yields and strong fundamentals support investment-grade corporate bonds and preferred securities. We also continue to see attractive opportunities in high-yield bonds and mortgage-backed securities. Together, these exposures can provide an important source of portfolio resilience.

The greater risk to portfolios may be remaining on the sidelines. Holding excess cash can feel comfortable during periods of uncertainty, but inflation, taxes, and foregone compounding can erode long-term wealth. In our view, investors should maintain sufficient liquidity while putting excess cash to work.

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

Ulrike Hoffmann-Burchardi



Election Watch 2026

Follow our Chief Investment Office's election research on the US midterm elections. Please visit ubs.com/electionwatch to learn more.

On the ball

Rally intact

Resilient economic growth and robust earnings should support further equity gains over the next six to 12 months, despite higher rates and geopolitical uncertainty.

AI bubble?

We view AI as transformational, not simply a speculative bubble. Falling costs, expanding use cases, and strong infrastructure demand should continue to support earnings.

Debt concerns

Higher debt-servicing costs are a risk, but the effects will differ across asset classes. This strengthens the case for thoughtful portfolio construction rather than remaining uninvested.

Stay invested

Over time, inflation, taxes, withdrawals, and missed compounding can make waiting to invest a risky choice. Investors should put cash in excess of liquidity needs to work.



Mark Haefele

Global Chief Investment Officer
Wealth Management

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



Our views, live with Q&A

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The war in the Middle East has pushed Brent crude oil prices back above USD 100 per barrel. Inflation is proving sticky. And the artificial intelligence (AI) investment boom is colliding with tight memory supply and a debate around safety. Both the European Central Bank and the Federal Reserve have also increased interest rates by 25 basis points at their September meetings. Fed Chair Kevin Warsh said that the central bank had removed a “dose of accommodation,” as “the plain fact is that inflation is too high and has been for too long.”

Despite all this, we believe the equity rally will continue over the next six to 12 months. Of course, rate hikes will not produce more oil or chips, and rising government debt will complicate the outlook.

But we have learned over the years that investors should not automatically assume that geopolitical shocks will cause lasting market weakness or that debt challenges will affect every asset negatively. With earnings growth still strong and lower inference costs stimulating AI adoption, we believe the fundamental supports for the rally remain intact.

Indeed, for many investors, we see a bigger problem than oil, chips, or the Fed: An excessive fear of investing, leading too many to hold far more cash than they need while waiting for a better time to invest. This is understandable: Cash feels safe over short horizons. But over time, inflation, taxes, withdrawals, and missed compounding can make waiting the riskier choice for long-term investors.

In this letter, we explain why we believe the rally will continue in the months ahead. We also address four pressing concerns: all-time highs and valuations, the AI investment cycle, government debt and interest rates, and the war in Iran and its impact on oil prices. Finally, we remind investors with heavy cash balances about the imperative to invest.

We expect equities to rally further, supported by solid economic growth, strong corporate earnings, and tailwinds from AI investment.

Elevated inflation supports nominal GDP and corporate revenue growth.

Why we think the rally will keep going, despite everything

We believe the equity rally will continue over the coming six to 12 months for five reasons:

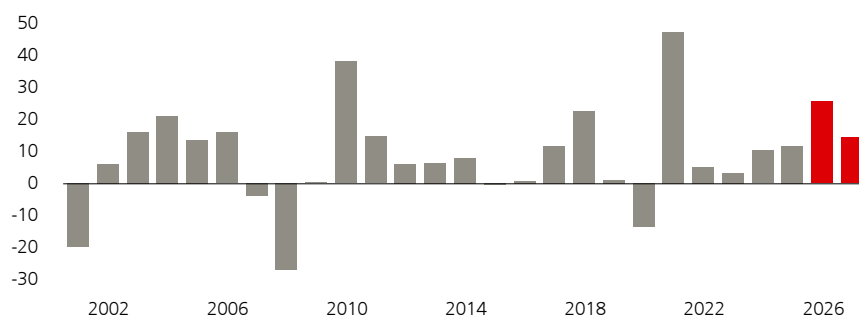
First, the global economy remains on solid footing. US factory activity has stayed in expansion for eight consecutive months (on average, the ISM has remained expansionary for three years), while the Eurozone manufacturing PMI for August marked the strongest reading in over four years. Defense spending in Europe also provides fiscal support. Across Asia, economic growth remains resilient, and we expect Japan's economic expansion to accelerate in 2027. A solid growth backdrop means markets should be able to tolerate higher yields.

Second, we think Fed and ECB hikes in the context of resilient growth should not yet be of major concern to equity market investors. Historically, the time to be concerned about market performance after rate hikes is when growth starts to falter. We expect just one more 25-basis-point hike from the Fed, and the Fed's own model suggests the two hikes would reduce economic growth by only a few tenths of a percentage point.

Third, earnings remain the central market driver. At the end of 2Q26, US nominal GDP was growing at 6.6% year over year (broken down approximately into 2.1% real GDP growth and a 4.4% increase in the GDP deflator, the broad price measure for domestically produced output). This economic backdrop offers a favorable environment for companies to grow revenues and generate profits. An improving labor market should sustain consumer spending, while stronger manufacturing activity provides evidence that growth is broadening beyond a narrow technology story.

Fourth, AI-related investment remains a powerful tailwind. With second-quarter results validating both growing demand for and returns on AI infrastructure investment, we believe strong AI-related spending should continue to support earnings and economic growth, as well as investor confidence.

Figure 1
Earnings remain the central market driver
S&P 500 earnings growth, % y/y



Sources: FactSet, UBS, as of 15 September 2026

Robust earnings mean that stocks should perform despite 10-year yields at multi-year highs.

Overall, we forecast S&P 500 earnings to grow 25% this year, followed by a 14% increase in 2027, and we expect earnings growth in the Eurozone to be 15% for both this year and next. Such robust earnings mean that stocks should continue to perform well despite the 10-year yield closing in on levels that weighed on risk appetite in previous episodes.

Fifth, oil and inflation remain risks, but our base case is for relatively limited energy disruption and an inflation shock that does not become sufficiently broad or persistent to derail growth. If the conflict de-escalates on a sustained basis and energy production and refining conditions improve, the Fed may need to tighten only modestly more from here. Other sources of US inflation appear relatively balanced, with limited pressure from wages and housing only offset by rising costs for select inputs linked to the AI capital-spending cycle, notably memory chips.

None of this means we expect a straight-line rally. If inflation were to reaccelerate, prompting a more prolonged tightening cycle, or if oil disruption intensifies to a point that threatens growth, that would justify greater caution. More prolonged tightening could also create access-to-capital concerns for parts of the AI ecosystem where external financing has become more relevant. This, or another negative AI shock—such as a slowdown in capex momentum versus expectations—would also make us more cautious. A further risk is that long-term yields rise to a level that sharpens concerns about the affordability of government debt and undermines liquidity and investor confidence.

But for now, we think the balance of evidence favors staying invested while diversifying and managing concentration risk.

Addressing key concerns

Markets close to all-time highs and expensive valuations may deter some investors.

Many investors I speak to acknowledge the case for the rally to continue. But many also remain hesitant about putting excess cash to work, because of a handful of persistent concerns. Here are four of the most important:

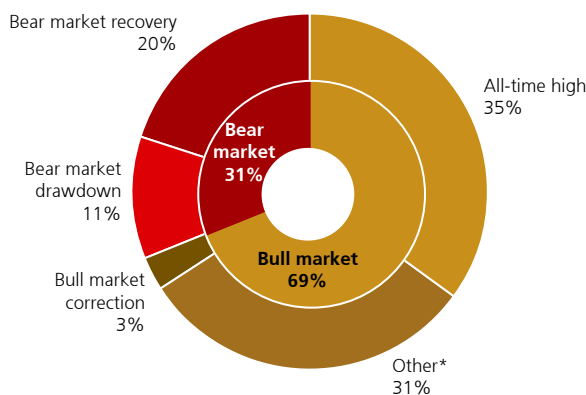
Concern 1: Markets are close to all-time highs and valuations look high

At the time of writing, the S&P 500 is just 3% below its record high. Based on consensus earnings estimates, it currently trades at around 19x 12-month forward earnings, versus a 25-year average of 16.7x. The longer-term cyclically adjusted price-to-earnings (CAPE) ratio appears even more elevated: At around 40.6x, it stands in approximately the 99th percentile since 1881.

Figure 2

All-time highs are not a rare occurrence

Historical analysis of S&P 500 total returns, 1926-2025



*Within 10% of an all-time high

Sources: Bloomberg, UBS, as of 17 September 2026

All-time highs are neither rare nor a reliable warning signal.

These figures understandably concern investors. But while “all-time high” can sound like an alarm bell, history suggests it is neither rare nor a reliable warning signal. Over the last 100 years, the S&P 500 has traded either at or within 10% of an all-time high for more than two-thirds of the time. Over the last 30 years, its average return in the 12 months following an all-time high has been 11.7% (compared to 10% in all other periods).

Meanwhile, valuations have a poor record as short-term timing tools. Alan Greenspan’s famous warning about “irrational exuberance” in December 1996 was followed by a near quadrupling of the Nasdaq over the next three years. While cyclically adjusted measures such as the CAPE have historically provided some guidance on longer-term returns, they can also struggle during periods of structural change. Today’s CAPE still incorporates pandemic-era earnings weakness while only partially reflecting the sharp increase in corporate profitability seen in recent years.

If today’s earnings growth proves sustainable, seemingly rich valuations can quickly become more reasonable.

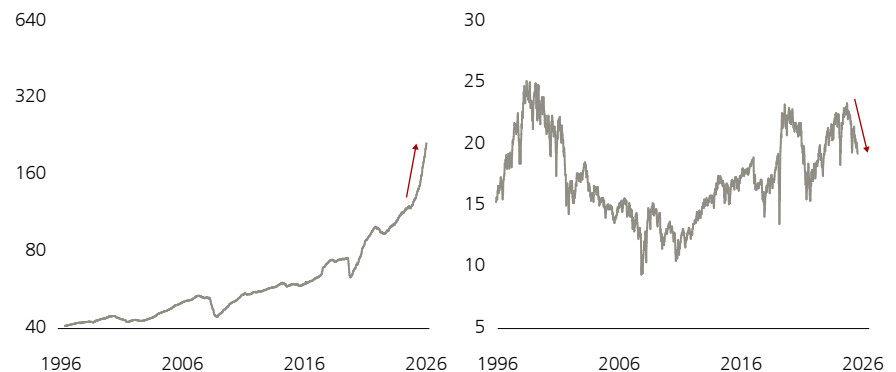
Most importantly, valuations depend on earnings. If today’s earnings growth proves sustainable, seemingly rich valuations can quickly become more reasonable. We have already seen this in the semiconductor sector, which now trades at roughly 21x forward earnings, below the 24x average since the launch of ChatGPT and well below the 33x peak reached earlier in the cycle.

More broadly, despite the surge in market levels, the S&P 500's forward price-to-earnings (P/E) ratio also stands only at the 72nd percentile of the past 25 years' history: Expensive, but not exceptionally so. It is also entirely plausible that the CAPE ratio falls while markets rise in the years ahead, as earnings catch up with what may prove to be a new normal for profitability.

Figure 3

Remember, valuations depend on earnings as well as multiples

S&P 500 earnings per share (lhs) and 12-month forward P/E ratio (rhs)



Sources: Bloomberg, UBS, as of 15 September 2026

Of course, whether today's valuations prove reasonable will ultimately depend on earnings continuing to grow, which brings us to the concern that markets may depend too heavily on a single theme: artificial intelligence.

Concern 2: Is AI a bubble?

AI models are becoming more capable and cheaper to use. Lower costs are encouraging adoption and supporting compute demand.

Capital expenditure (capex) on AI has been enormous. We expect global AI-related capex to reach around USD 900bn in 2026 and USD 1.2tr in 2027.

If AI proves to be another speculative boom and investment rates drop sharply, today's earnings expectations are likely to disappoint. But if AI investment leads to a transformation in how businesses operate, today's earnings growth may represent only the beginning of a much longer surge in corporate profitability.

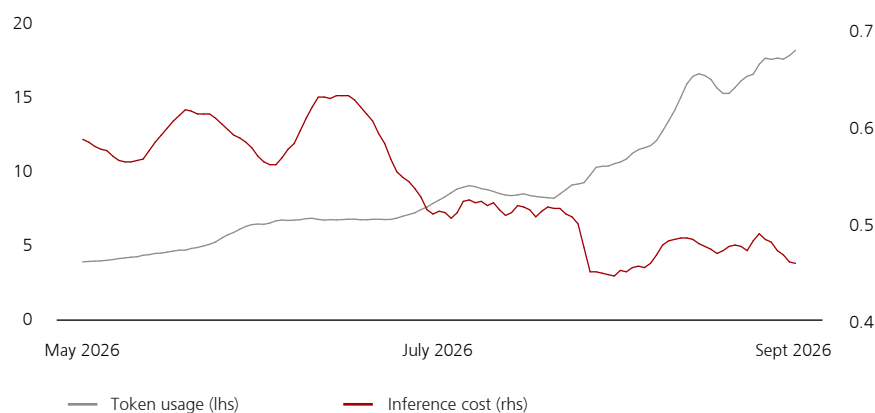
Our view is that AI is better understood as a technological transformation than a speculative bubble. One reason is that capabilities continue to improve rapidly. The latest models are increasingly able to interact directly with existing software and perform tasks across applications that were not originally designed for AI automation. This is expanding the universe of potential use cases beyond chatbots and content generation, creating opportunities across research, operations, software development, customer service, and knowledge work more broadly.

A second reason is that falling costs appear to be stimulating demand rather than destroying it. According to OpenRouter data, since the end of June, blended AI token pricing has fallen by around 42%, while volumes have increased by roughly 176%. This reflects a familiar pattern from previous technological revolutions: When a technology becomes cheaper and more capable, adoption tends to accelerate as new use cases emerge.

Figure 4

Token usage is rising as costs come down

OpenRouter 7-day average aggregate token usage (lhs; tr) and cost of frontier model inference (rhs; USD/mn tokens)



Sources: Openrouter, Bloomberg, UBS, as of 15 September 2026

This dynamic also helps explain why demand for AI infrastructure remains strong. Recent earnings reports across the semiconductor, networking, and cloud-computing ecosystem suggest that demand for AI compute continues to exceed expectations. NVIDIA recently raised its revenue growth outlook for the next fiscal year to 70%, well above prior consensus expectations of 42%, while Broadcom, Dell, and Oracle have all reported stronger-than-expected AI-related demand.

Important uncertainties remain. It is not yet clear how the economics of AI will ultimately be distributed.

Of course, important uncertainties remain. It is not yet clear how the economics of AI will ultimately be distributed between chip designers, cloud providers, model developers, and application companies. Nor is it certain that current levels of investment will generate returns sufficient to justify the capital being deployed. One concern we are also watching closely is whether rising memory prices absorb an increasing share of AI spending. If higher capex simply raises the cost of building the same amount of usable infrastructure, returns on investment could disappoint even while headline spending remains impressive.

But technological revolutions rarely arrive in a neat, orderly, and perfectly priced fashion. And for investors, we think the more important question is not whether every AI investment succeeds, but whether AI can continue to expand aggregate earnings and economic activity. We believe it can.

Concern 3: Government debt: risk or reality?

One of the dominant stories in markets this year has been the rise in government bond yields.

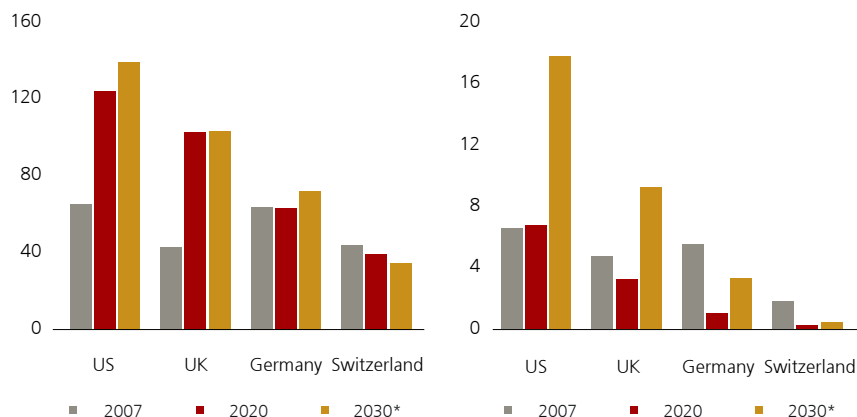
One of the dominant stories in markets this year has been the rise in government bond yields. The 10-year US Treasury yield has risen above 5.0%, while long-dated yields in Germany and Japan have also reached multi-decade highs. One concern that repeatedly resurfaces in my conversations with clients is whether government debt levels are becoming unsustainable.

Government debt has risen materially since the global financial crisis. According to the IMF, debt-to-GDP ratios for the UK, US, France, and Japan rose from 43%, 65%, 66%, and 150%, respectively, in 2007 to 102%, 124%, 116%, and 207% by the end of last year. For much of that period, the increase in debt carried little fiscal cost because bond yields fell sharply and central banks became major buyers of government bonds.

Figure 5

Debt levels and servicing costs are a point of concern

General government debt-to-GDP ratio (lhs; %) and net cost of debt to government revenues (rhs; %)



* CIO estimate assuming yields remain elevated
Sources: IMF, UBS, as of 14 September 2026

That environment has now changed. Since yields bottomed in 2021, central banks have raised interest rates and simultaneously begun reducing their bond holdings. Governments must therefore refinance large quantities of debt at substantially higher borrowing costs. We estimate that if yields remain near current levels, annual net interest costs could rise to 17.7% of revenues in the US, 9.2% in the UK, 7.5% in France, and 5.4% in Japan by 2030.

Higher debt-servicing costs could lead to higher taxes, lower government spending, tighter financial conditions, or some combination of the three. Higher bond yields also raise borrowing costs for households and businesses while increasing the discount rate applied to future corporate earnings.

Rising debt is a reason to think carefully about portfolio construction, not necessarily a reason to avoid investing.

But high debt levels do not automatically imply poor investment returns. Governments have several ways to manage debt burdens, including growth, inflation, fiscal adjustment, and financial repression. And the path chosen matters enormously for investors. Some outcomes would be challenging for productive assets, while others could prove more damaging to cash and fixed-income investors than to equities.

For example, aggressive fiscal tightening could weaken demand and corporate earnings, weighing on equities and real estate. By contrast, a gradual reduction in debt through moderately higher inflation, negative real interest rates, and financial repression could erode the purchasing power of cash and fixed-rate bonds, while equities and other assets with pricing power would be relatively better placed.

The lesson for us is not that rising debt is harmless, but that its effects are unlikely to be uniform across asset classes. Rising debt is therefore a reason to think carefully about portfolio construction, not necessarily a reason to avoid investing, and potentially even a reason to consider it.

Concern 4: Geopolitics and a more uncertain world

Markets frequently sell off when geopolitical crises emerge, but those declines are often driven more by uncertainty than by lasting economic damage.

Investors are once again grappling with geopolitical risk. The immediate concern is the continuing US-Iran conflict and disruptions to energy flows through both the Strait of Hormuz and the Red Sea.

Brent crude has risen back above USD 100 per barrel, while reduced Middle Eastern exports and depleted inventories have made the market more vulnerable to further escalation. The US Energy Information Administration estimates that global oil inventories have fallen by around 400 million barrels this year and expects substantial Middle Eastern output to remain offline through year-end.

These developments matter. Higher oil prices can weigh on growth, push inflation higher, and increase pressure on central banks to keep interest rates elevated. But the challenge for investors is that they must make two forecasts at once: first, whether a geopolitical event will prove economically significant, and second, whether the consequences are already reflected in asset prices. History suggests that both forecasts are harder to make than they might seem.

Markets frequently sell off when geopolitical crises emerge, but those declines are often driven more by uncertainty than by lasting economic damage. Our analysis puts the median duration of an S&P 500 geopolitical drawdown at just 16 days. Since the attack on Pearl Harbor in 1941, the S&P 500 has been higher 12 months after the start of a geopolitical crisis roughly three-quarters of the time and recovered within a month in around half of cases.

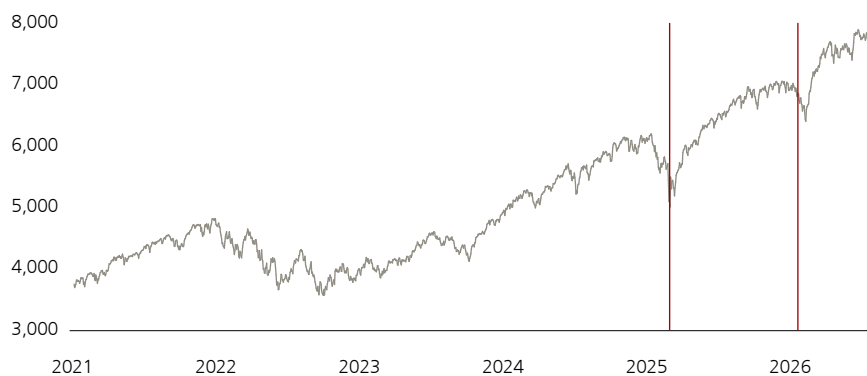
History suggests that geopolitical shocks are rarely a sufficient reason to stop investing.

We have seen similar patterns recently. Following President Trump's "Liberation Day" tariff announcement on 2 April 2025, the S&P 500 fell 11.5% in five trading sessions before recovering those losses within a month. Earlier this year, after the first US strikes on Iran, the market fell 7.8% over 21 trading sessions but recovered its starting point within nine trading days thereafter.

Figure 6

Geopolitics-related market shocks tend to fade

S&P 500 with annotations marking the recent tariff and oil shocks



Sources: Bloomberg, UBS, as of 14 September 2026

Of course, the current conflict could still escalate, and the supply crunch could worsen. But investors should also remember that geopolitical situations can change quickly—as we have seen many times in 2026. A ceasefire, a reopening of disrupted energy flows, increased production elsewhere, or a diplomatic agreement could all ease pressure on oil markets much faster than is currently assumed. In our view, investors should therefore be cautious about assuming that current geopolitical fears will persist indefinitely.

History suggests that geopolitical shocks are rarely a sufficient reason to stop investing. For diversified portfolios, the long-term cost of remaining uninvested has often proved greater than the temporary cost of living through a geopolitical drawdown.

Why investing remains critical for the long-term

To overcome the combined challenge of inflation, taxes, longevity, and withdrawals, investors need a higher long-term return than cash is likely to provide.

By definition, a portfolio needs to earn a return equal to inflation to maintain its purchasing power. If it must also fund withdrawals, taxes, or a longer-than-expected lifetime, a meaningful positive real return is likely required.

In our view, cash is unlikely to meet that hurdle over the long term. Even today's high cash yields are partly offset by inflation and, in many jurisdictions, taxation. We also do not expect the current unusually high real cash rates to persist indefinitely. We estimate the long-run pretax real return on cash at just 0.7%.

To overcome the combined challenge of inflation, taxes, longevity, and withdrawals, investors need a higher long-term return than cash is likely to provide.

Let's take a simplified illustration. Suppose an investor starts with USD 10mn and withdraws USD 400k each year, with withdrawals rising each year in line with inflation. After 28 years, a portfolio earning a cash-like real return of 0.7% would be depleted. Using data from the UBS Global Investment Returns Yearbook, a global equity portfolio would have lasted longer than 28 years on approximately 98% of occasions, with a median remaining balance of USD 31.1 million in real terms.

In this respect, cash is best thought of as a tank of water, while equities are more like a river. The tank is more predictable day to day, but if it is continually drawn upon, it will eventually run dry. The river is less predictable, but over time offers a much greater chance of replenishing itself.

The greatest threat to long-term wealth creation therefore is often not a single market correction, but the decision to remain on the sidelines while waiting for certainty. In our view, investors should focus less on finding the perfect entry point and more on building a disciplined process: maintaining sufficient liquidity for near-term needs while steadily putting excess cash to work in pursuit of their long-term goals.

Investment conclusion

Given this imperative to invest and our view that the balance of evidence favors staying invested, we recommend that investors position for further upside while diversifying and managing concentration risk. Investors should position for opportunity but also avoid becoming dependent on any single outcome.

Position for market upside

Elevated valuations, fiscal concerns, and geopolitical risks may make waiting for a better entry point seem prudent. Yet resilient growth, broadening S&P 500 earnings growth of 14% next year, and estimated AI investment of USD 1.2tr in 2027 continue to support equities, while strong profit growth is helping moderate valuation pressures. We expect positive returns across the US and most global markets, although selectivity remains important as expectations are elevated. Investors should maintain diversified core equity exposure, reduce concentrated single-stock positions, and consider capital preservation or structured participation strategies where drawdown tolerance is limited. On a relative basis, we prefer Eurozone, Asia ex-Japan, and emerging market equities for their more pro-cyclical exposure over the more defensive UK and Swiss markets.

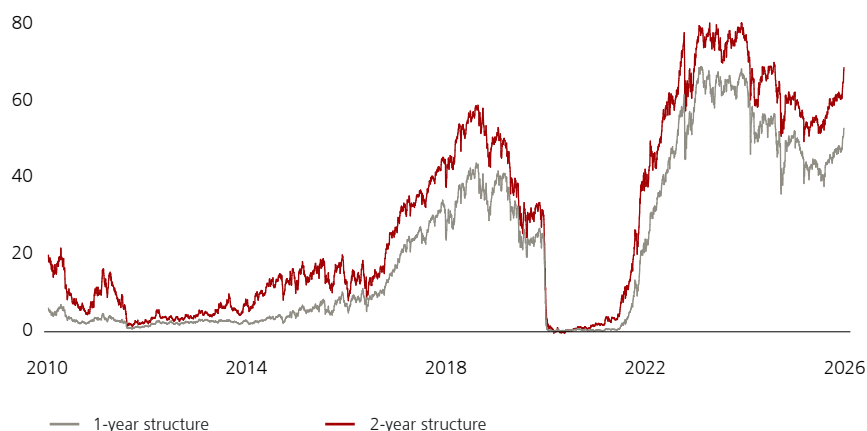
Consider capital preservation

Capital preservation strategies can help investors retain exposure to further equity-market gains while managing the risk of a drawdown. They may be particularly relevant for investors with concentrated positions, lower loss tolerance, near-term spending needs, or substantial gains they wish to protect. Rather than treating investing as an all-or-nothing decision, investors can consider replacing part of their linear equity exposure with strategies designed to limit losses while retaining measured upside participation. This can improve portfolio resilience, reduce concentration risk, and make it easier to remain invested through volatility. The appropriate structure should reflect each investor's objectives, time horizon, liquidity needs, and risk tolerance.

Figure 7

Consider capital preservation: Capture upside while hedging against downturns

Indicative upside participation levels (%) for S&P 500 structures with 100% capital preservation, based on USD swap rates



Sources: Bloomberg, UBS, as of 14 September 2026

Opportunities emerging in fixed income

We view fixed income as Attractive, with opportunities across regions and market segments. Emerging market bonds offer appealing yields and diversified return potential. In high-quality bonds, investors can consider adding exposure in the medium- to long-term maturity range, where yields provide income, potential price gains if growth slows, and portfolio diversification. Stronger investment grade issuers offer attractive carry across medium maturities, while higher-risk credit should remain relatively short dated. We are more cautious on the longest maturities given fiscal concerns and rising AI-related issuance. Investors should calibrate credit and duration risk to their objectives—for example, more income-focused investors may prefer shorter maturities to reduce duration risk. In Switzerland, diversified income sources remain especially important.

Position for a commodity upcycle

Rising government debt, geopolitical risks, and growing power demand related to AI strengthen the role of real assets in diversified portfolios. Investors can consider actively managed commodity strategies that adapt as leadership shifts across industrial metals, energy, agriculture, and precious metals. Gold can retain a measured strategic role as a portfolio diversifier, but oversized precious metals allocations may offer a source of funds. Within commodities, we favor copper most on a relative basis, supported by investment in power grids, data centers, and electrification. We see silver as less attractive on a relative basis. Position sizes should reflect commodity volatility and each investor's broader real-asset exposure.

We also continue to recommend a number of strategic investment priorities, including:

Put cash to work. Investors should optimize returns on necessary cash, retain sufficient liquidity for near-term needs, and phase excess capital into markets to reduce timing risk.

Invest in transformational innovation. Diversified exposure to AI, power and resources, and longevity can capture structural growth while reducing reliance on a narrow group of market leaders.

Diversify with alternatives. A diversified allocation to alternatives—including hedge funds, private equity, and private credit—can help broaden return drivers and strengthen resilience when traditional equity and bond diversification is less effective.



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
Position for market upside 	Elevated valuations, fears about government debt, and geopolitical risks can make it appear prudent to wait before investing in equity markets. Yet rapid earnings growth is allowing valuations to fall even as markets rise. We expect resilient economic growth, broadening earnings gains in 2027, and continued AI investment to support equities. While we expect positive returns across most global equity markets, our preferred markets include the Eurozone, Asia ex-Japan, and emerging markets. Our preferred US equity sectors are consumer discretionary, financials, health care, industrials, and utilities. Switzerland and the UK are least preferred on a relative basis.	• Core global equity exposure • Targeted exposure to Transformational Innovation Opportunities (TRIOs) and longer-term investments • Position for a cyclical broadening (through our preferred regional markets and sectors) • Multifactor strategies • Structured equity participation and yield strategies
Opportunities emerging in fixed income 	Higher bond yields have improved the prospective returns available across fixed income and provide an opportunity to build more durable portfolio income. While we see attractive absolute returns across the fixed income spectrum, we particularly like emerging market bonds, which have attractive yields and offer diversified return potential. From a duration perspective, we see most value in the five- to 10-year portion of the curve. In the US, we recently upgraded preferreds and investment grade bonds to attractive, which both offer strong yields and fundamentals with increasing investor demand.	• Emerging market bonds • Target the five- to 10-year duration portion of the yield curve • Global fixed income • Rate-linked income opportunities

Source of funds

- Excess single-name exposure
- Excess US tech exposure
- Cash
- Money market funds
- Expiring fixed-term deposits

Source of funds

- Cash
- Money market funds
- Expiring fixed-term deposits

MIFs

Elevator pitch

Investment ideas

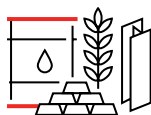
Consider capital preservation

Capital preservation strategies offer a way to retain some exposure to market upside while managing the risk of a potential equity market drawdown. Investors who are unable or unwilling to accept the full potential extent of an equity-market drawdown can consider replacing part of their linear equity exposure with strategies designed to limit losses while retaining measured participation in gains. This can be a way to protect accumulated wealth, reduce concentration risk, and avoid treating investing as an all-or-nothing decision.

- Capital preservation strategies

Source of funds

- Existing equity allocations
- Cash
- Money market funds
- Expiring fixed-term deposits

Position for a commodity upcycle

Rising government debt, geopolitical risks, and growing power demand related to AI strengthen the role of real assets in diversified portfolios. To gain exposure, investors can consider actively managed commodity strategies that can adapt as leadership shifts across industrial metals, energy, agriculture, and precious metals. Gold can retain a measured strategic role as a portfolio diversifier. Within commodities, on a relative basis we favor copper most, since it is supported by investment in power grids, data centers, and electrification. We see silver as less attractive on a relative basis and may provide a source of funds where precious metals allocations have become oversized.

- Broad commodities
- Copper
- Structured investment strategies in gold

Source of funds

- Excess gold
- Cash
- Money market funds
- Expiring fixed-term deposits
- Correcting overexposure to other asset classes

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 19).

Jason Draho, PhD, Head of Asset Allocation Americas; **Andrew Dubinsky**, US Senior Economist; **Paul Hsiao**, Senior 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

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

 Asset class preference has been **upgraded**

 Asset class preference has been **downgraded**

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	

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, commonly known indexes, House View scenarios, and analyst convictions over the next 12 months.

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.	Second-quarter earnings have been received favorably by the market, with S&P 500 EPS growth over 30% and broadly positive guidance. Sectors benefiting from the first- and second-order effects of the AI trade—such as consumer discretionary, financials, health care, industrials, and utilities—should continue to perform well in this environment. Index volatility has remained muted, while single-stock dispersion remains elevated, though it has retreated from extreme levels, implying continued alpha opportunities.
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. Macro conditions are supportive, with the economy currently in a reflationary regime, and it should remain that way over the medium term. Earnings fundamentals are even stronger, boosted by AI investment. Declining inflation should keep the Fed on hold, allowing yields across the Treasury curve to fall. A continued rise in energy prices and a policy error are near-term risks. We prefer to express this beta view by adding to global equities.
Carry	Carry positions are those that increase portfolio income relative to their funding sources.	Spreads across most fixed income asset classes are near recent tight and below their long-term averages. Investment-grade technology credit remains an outlier as the market continues to absorb more than USD 200bn of year-to-date AI-related issuance. Consequently, we are selective when seeking carry, generally favoring a diversified allocation to high-quality fixed income. We maintain a preference for agency MBS and high-quality CMBS, and prefer to take corporate credit risk through high yield, which offers higher income with lower interest-rate sensitivity.
Duration	Duration positions either shorten or lengthen portfolio duration relative to the benchmark.	Volatility on rates is likely to remain elevated especially on the long end of the curve. We expect the yield curve will steepen with short-end yields declining as the market prices out expected Fed rate hikes. Longer-duration yields may remain elevated with the risk that stronger growth, firming term premiums, and higher inflation expectations contribute to a rise in long-end yields. As a result, we maintain a short-to intermediate-duration bias.
Hedging	Hedging positions aims to minimize potential portfolio losses if other allocations do not perform as expected.	While the macro regime is reflationary, high/rising inflation is challenging to hedge because the resulting higher rates can hurt almost all asset classes. Gold has recently benefited with the buyback announcement from the Treasury and is an attractive diversifier over the medium to long term against rising geopolitical and de-dollarization risks.

US economic outlook

Resilient growth and slow disinflation pushed Fed to hike and set a low bar for more tightening

Andrew Dubinsky, US Senior Economist

Overview

While inflation has moderated from its peak, progress has slowed, with core PCE inflation still running above 3.0% and risks from supply bottlenecks re-emerging. Against this backdrop, the Fed ended its pause with a 25bps hike in September and signaled broad support for further rate increases. We expect a follow-up hike in December and view two hikes in 2026 as the most likely path. However, the risk of a third hike has increased, given stronger growth, elevated inflation, and policymakers' belief that monetary policy is not yet clearly restrictive.

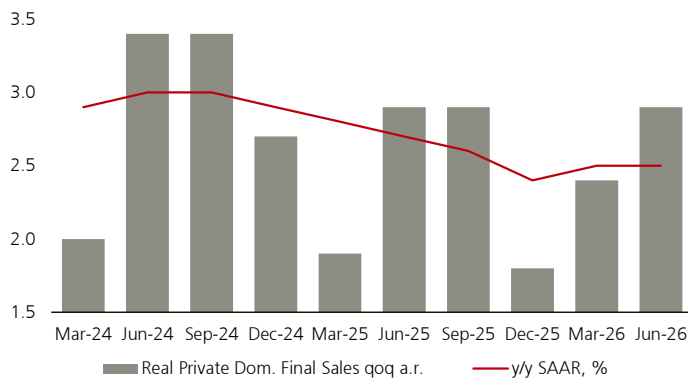
Growth

Economic activity in the second half of the year has remained solid, supported by earlier tax cuts, stock market-driven wealth gains, and strong AI-related business investment. Third-quarter GDP growth is tracking above 2.5%, aided by robust domestic demand. While fiscal support should fade gradually over the coming year, easing inflation pressures on real incomes and continued investment spending should help growth remain near 2.0% through 2027. Recent activity data have been strong enough to reinforce the Fed's view that policy is not obviously restrictive. Solid labor markets and spending trends have strengthened policymakers' confidence that the economy can absorb somewhat higher interest rates without a significant slowdown, supporting the case for additional tightening.

Figure 1

Private spending was strong in 1H and momentum looks solid in 3Q

Real Private Domestic Final Sales q/q a.r and y/y (%)

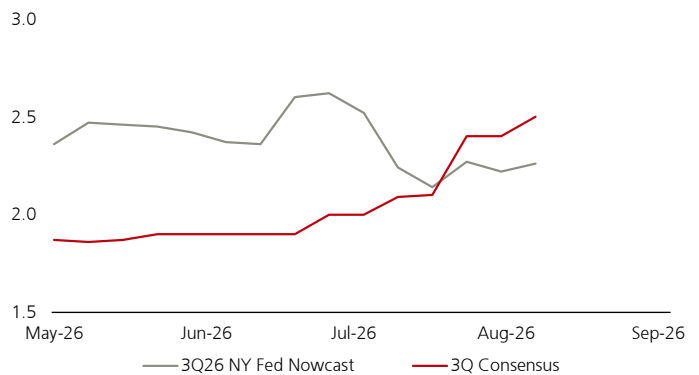


Source: Bloomberg, UBS, as of 16 September 2026

Figure 2

Nowcasts show strong underlying activity above trend near the 3Q GDP consensus

q/q SAAR, %



Source: New York Fed, Bloomberg, UBS, as of 16 September 2026



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

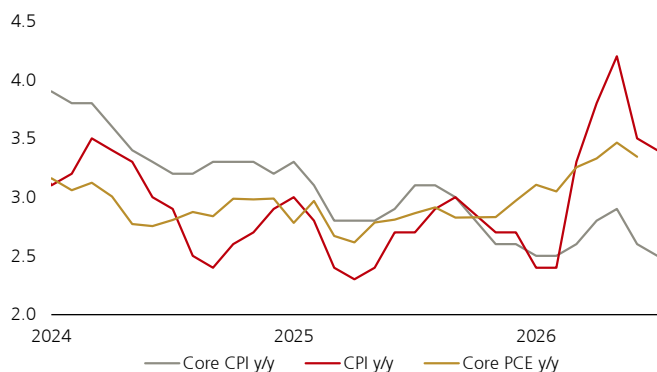
Read the report >

Inflation

Inflation remains the Fed's primary challenge. Core CPI eased to 2.4% y/y in August, but core PCE inflation is still running above 3.3% y/y, while recent month-on-month improvements have stalled. Although tariff-related goods inflation has moderated and upcoming benchmark revisions are expected to lower measured inflation by roughly 0.2 percentage points, policymakers appear increasingly skeptical that underlying inflation will return to target quickly. Rent inflation and wage growth continue to cool, but AI-driven demand pressures and Middle East-related supply bottlenecks remain important upside risks. Chair Warsh's comments suggest that he places greater weight on inflation trends over six months or longer and on the breadth of price pressures than on near-term monthly improvements.

Figure 3

The disinflation trend paused in August but more is expected in 2H
Core PCE, Core CPI and CPI y/y (%)



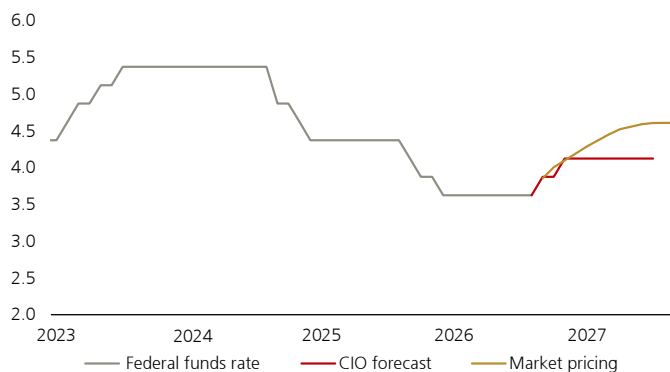
Source: Bloomberg, UBS as of 15 September 2026

Fed policy

The September FOMC meeting ended a roughly three-quarter pause, with the Committee raising rates by 25bps and signaling that policy is likely to remain restrictive for longer than previously expected. Chair Warsh pointed to three factors supporting tighter policy since July: resilient economic activity, insufficient progress on inflation, and rising geopolitical and commodity-price risks. We expect a follow-up hike in December and view two hikes in 2026 as the most likely outcome, as steady disinflation should weaken the case for a larger tightening cycle. However, risks remain skewed toward additional tightening if inflation proves persistently elevated or growth remains stronger than expected.

Figure 4

We expect the FOMC to hike twice, less than market pricing
Mid-point of FOMC policy rate range



Source: Bloomberg, UBS as of 16 September 2026

Equities

We rate global equities Attractive. Equities are hovering near all-time highs, with strong earnings and upside potential from AI outweighing rising monetary and domestic policy and geopolitical concerns, in our view. 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. We expect earnings growth and performance to broaden through 2026.

Eurozone

▲ ATTRACTIVE

EURO STOXX 50 (index points, current: 6,267)	June 2027 target
House view	7,100
➤ Positive scenario	7,600
➤ Negative scenario	4,700

Note: All current values as of 16 September 2026

We rate Eurozone equities as Attractive, which we see as supported by a cyclical recovery in earnings, an improved structural backdrop, and reasonable valuations. Energy disruptions and higher interest rate expectations are a near-term headwind, but when this comes alongside an improving economic backdrop, earnings growth can more than offset the effect of higher discount rates on valuations. We continue to expect 15% earnings growth in both 2026 and 2027, driven by strong secular drivers, cost control, and high growth in commodities. We favor a combination of cyclical and structural growth.

Japan

▲ ATTRACTIVE

TOPIX (index points, current: 4,062)	June 2027 target
House view	4,500
➤ Positive scenario	4,800
➤ Negative scenario	2,800

Note: All current values as of 16 September 2026

We rate Japanese equities as Attractive. While higher US rates continue to weigh on valuations, markets have largely priced in further Fed tightening, with futures implying roughly two additional rate hikes by year-end. Meanwhile, a USDJPY range of 150-155 should have only a limited impact on earnings, provided economic growth remains resilient. Corporate earnings remain a key driver. Strong profit growth, supported by AI-related investment, cyclical recovery, and value-enhancing corporate reforms, has led us to raise our FY2026 earnings growth forecast to 12%.

Emerging markets

▲ ATTRACTIVE

MSCI EM (index points, current: 1,687)	June 2027 target
House view	1,920
➤ Positive scenario	2,050
➤ Negative scenario	1,300

Note: All current values as of 16 September 2026

We rate Emerging market equities as Attractive. Resilient earnings, attractive valuations, and continued investment in AI and advanced technologies support the EM investment case. Fed tightening can initially increase volatility, but EM equity performance depends more on the overall direction of the dollar, real yields, and growth than on policy rates alone. We expect any tightening-related volatility to be temporary, and the asset class to remain supported by AI investment, resilient manufacturing activity, and improving earnings breadth. Light investor positioning provides further support.

UK

▲ ATTRACTIVE

FTSE 100 (index points, current: 10,688)	June 2027 target
House view	11,500
➤ Positive scenario	12,300
➤ Negative scenario	7,700

Note: All current values as of 16 September 2026

We rate UK equities as Neutral. We see a supportive backdrop with reasonable valuations and strong earnings—we forecast 16% earnings growth this year and 9% in 2027. Higher interest rates are a near-term risk, and can weigh on equity valuations; however, the improving economic backdrop in combination with high commodity exposure in the UK market means that earnings can more than offset the effect of higher discount rates. We see attractive absolute returns for the UK market following the recent pullback, but we expect UK equities to lag other regions.

US equities

We retain our Attractive view on US equities. We believe the bull market remains intact, driven by: 1) a resilient economy and strong profit growth, and 2) AI investment and adoption. While monetary policy is no longer a tailwind, we do not expect the Fed to raise rates enough for it to become a meaningful headwind, although this warrants monitoring.

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

US equities

▲ ATTRACTIVE

We maintain a positive bias despite the recent shift in our outlook for Fed policy, which now calls for a slight tightening in monetary policy. In our view, this shift is not material enough to derail the corporate profit outlook or undermine the economy's positive cyclical momentum. For example, the ISM Manufacturing Index has remained in expansionary territory for eight consecutive months. Historically, such periods of expansion have lasted nearly three years on average, suggesting that the current cyclical upswing may still have considerable room to run. Moreover, strong corporate profit growth should limit the risk of significant layoffs and, in turn, downside risks to consumer spending. We expect S&P 500 earnings per share to grow by 25% in 2026 and 14% in 2027.

US equities – sectors

Several of our recommended sectors offer a combination of cyclical and secular exposure. Within industrials, long-cycle end markets such as aerospace provide structural growth, while segments such as transportation offer potential upside from a shorter-cycle recovery. In consumer discretionary, AI adoption is a key growth driver for the sector's largest companies, while wealth effects and easing tariff headwinds should help keep consumer spending resilient. Financials should benefit from regulatory easing and robust capital markets activity. Finally, if economic growth disappoints, we expect health care and utilities to prove more defensive, with utilities also offering some exposure to AI-related trends.

US equities – size

Smaller size segments have benefited this year from a broadening earnings recovery, strengthening manufacturing activity, and AI infrastructure spending. However, higher interest rates are likely to be a greater headwind for this cohort while large caps offer stronger balance sheets and greater exposure to durable AI trends. Small cap relative valuations leave scope for long-term outperformance.

US equities – style

Value has outperformed this year driven by resilient economic activity, recovering manufacturing, strong energy performance, and improving earnings across cyclical industries. Growth stocks have still delivered positive returns, supported by robust earnings and AI investment. However, higher bond yields and volatility in software have limited relative performance. We believe balanced exposure remains appropriate.

S&P 500 (index points, current: 7,638)

June 2027 target

House view	8,400
▲ Upside	9,500
▼ Downside	5,500

Note: All current values as of 17 September 2026

Figure 1

Selective within US equity sectors

S&P 500 sector preferences

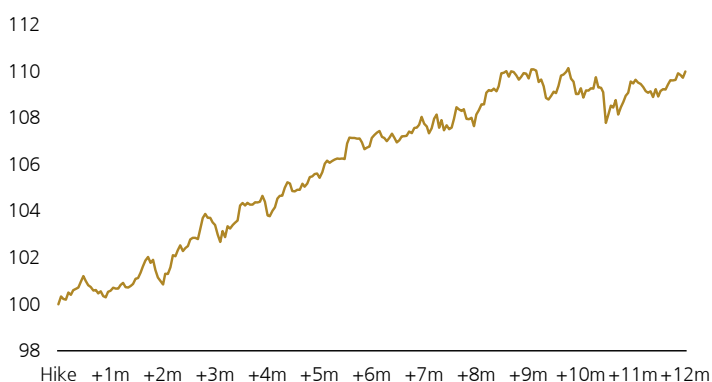
	Absolute view
US equities	▲ Attractive
Communication services	= Neutral
Consumer discretionary	▲ Attractive
Consumer staples	= Neutral
Energy	= Neutral
Financials	▲ Attractive
Health care	▲ Attractive
Industrials	▲ Attractive
Information technology	= Neutral
Materials	= Neutral
Real estate	= Neutral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

Source: UBS, as of 17 September 2026

Figure 2

Stocks usually rise after Fed starts to hike

Average S&P 500 price change after first Fed rate hike, 16 observations, indexed, since 1954



Source: Bloomberg, UBS, as of 16 September 2026

Bonds

We maintain an Attractive view on bonds. The FOMC raised the fed funds rate by 25bps this month to 3.75-4.00%. Given near-term inflation dynamics, we anticipate a follow-up hike by year-end. Importantly for the asset class, market expectations already price in another 75bps of hikes, but our base case is that these hikes will not materialize. We expect the high level of absolute yields to be the primary driver of total returns across fixed income segments. Higher yields also provide a sizable return cushion against further increases in rates. As policymakers have become increasingly concerned about instability in long-term rates and, ultimately, their credibility, we see rate hikes as providing some stability in longer maturities. Therefore, we see tactical opportunities to extend duration.

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; **Sudip Mukherjee**, Fixed Income Strategist

Government bonds

▲ ATTRACTIVE

US 10-YEAR YIELD (current: 4.96%)	June 2027 target
House view	4.5%

Note: All current values as of 16 September 2026

Investors are demanding higher compensation for locking up their money for a prolonged period, pushing the 10-year Treasury above 5% and 30-year Treasury yield to 5.35%, the highest level since 2007. Uncertainty about the Fed's path, persistently sticky inflation, increased hyperscaler supply, fiscal pressures, a global rise in yields, and a prolonged Middle East conflict have all contributed to the rise in interest rates. While the rise in interest rates may cause some discomfort for fixed income investors, it is coming against a strong backdrop. We expect another rate hike from the Fed later this year, but we see hikes as providing some stability to longer-maturity yields.

Emerging market bonds

▲ ATTRACTIVE

EMBIG DIV. / CEMBI DIV. SPREAD (current: 236bps / 206bps)	June 2027 target
House view	185bps/175bps
➤ Positive scenario	145bps/145bps
➤ Negative scenario	420bps/390bps

Note: All current values as of 16 September 2026

We keep emerging market credit as Attractive. The asset class has been resilient in the face of ongoing geopolitical stress, enhancing its role as a key portfolio diversifier amid developed markets' fiscal challenges. We expect rangebound to slightly wider spreads over the investment horizon, which should result in carry-driven, mid-to high-single-digit total returns. Key risks include U.S. policy uncertainty, inflation worries, and potential for escalation in trade or geopolitical tensions.

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

US investment grade corporate bonds

▲ ATTRACTIVE

US IG SPREAD (current: 80bps)	June 2027 target
House view	80bps
➤ Positive scenario	70bps
➤ Negative scenario	180bps

Benchmark: ICE BofA

Note: All current values as of 16 September 2026

We recently moved to an Attractive view. All-in yields stand at 5.75% for US IG, remaining elevated relative to historical levels since 2010. This provides a large amount of cushion against the risk of rising rates or spreads. Issuer credit fundamentals remain supported by a robust earnings environment, and we don't expect credit quality to deteriorate much in our base case. We also expect additional hyperscaler debt issuance to be absorbed by the market. 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 government bond yields move lower.

US high yield corporate bonds

▲ ATTRACTIVE

USD HY SPREAD (current: 276bps)	June 2027 target
House view	300bps
➤ Positive scenario	250bps
➤ Negative scenario	650bps

Benchmark: ICE BofA

Note: All current values as of 16 September 2026

We have an Attractive view on HY. The asset class benefits from solid fundamentals, healthy balance sheets, low default risk, and a supportive economic backdrop. Although credit spreads are tight, the current 7.7% yield offers a compelling carry. Over the next 12 months, we expect returns to be driven primarily by income rather than price appreciation. Key risks include higher oil prices, persistent inflation, and geopolitical tensions which could push yields higher.

Municipal bonds

= NEUTRAL

We remain Neutral. Munis continued to experience elevated volatility, driven by Treasury rate volatility. YTD munis are now underperforming IG corporates. The index tax-equivalent yield at 7.3% is attractive, at the 95th percentile of its 20-year historical range. Technicals remain challenged and are expected to weaken in the near term given record supply and lower redemption demand. The curve is steep and long-dated, high-quality 5s are trading at a discount. The belly of the curve has improved the most in terms of relative value. Rate risk remains the principal risk factor in the near term. We prefer 1- to 15-year on the curve and high-quality bonds.

Non-US developed fixed income

= NEUTRAL

Bond yields have risen globally, and long-maturity non-US benchmark yields are at or near the upper end of their long-term ranges. A common factor in the sell-off has been policy-rate repricing, driven by additional hikes over the past month and a low threshold for further hikes. Market pricing reflects this tightening bias, with around 80 bps of ECB hikes and more than 90 bps of BoJ hikes priced over the next year. A rising term premium has also been a key contributor to the increase in JGB yields. Globally, current yield levels offer an attractive combination of income, diversification, and medium-term return potential. Energy price spikes stemming from events in the Middle East remain a key source of uncertainty. We expect central banks to deliver fewer hikes than markets currently price as inflation moderates. US Treasuries continue to offer some of 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 have an Unattractive view on agency debt. With spreads tight, we see greater value and higher yields in agency MBS and taxable municipals. The current spread is +13bps (versus +9bps last month).

Mortgage-backed securities (MBS)

▲ ATTRACTIVE

We maintain an Attractive allocation to agency MBS and high-quality CMBS. This allocation versus their corporate counterpart has worked well in 2026, but we acknowledge that if a continued rise in interest rates should persist, both sectors will face temporary performance headwinds. Mortgage rates have reached 6.9%, the highest level since May 2025, as the housing market continues to face headwinds due to rising interest rates. However, the higher yields offered within the sector, combined with government backing and liquidity, continue to offer technical demand for the sector.

AGENCY MBS SPREAD (current: 118bps)

June 2027 target	85bps
House view	100bps
➤ Positive scenario	80bps
➤ Negative scenario	160bps

Note: All current values as of 16 September 2026

Preferred securities

▲ ATTRACTIVE

We recently moved to an Attractive view. USD 25 par preferred duration reached a decade high, increasing vulnerability to the benchmark rate surges of July and September. Lower-duration USD 1,000 pars proved more resilient, returning roughly 1.5% YTD versus -3.6% for USD 25 pars. The roughly 5pps gap reflects losses for USD 25 pars and gains for USD 1,000 pars in three of the past four months—a rare occurrence. Mean reversion suggests potential gains for USD 25 pars, especially if Treasury yields stabilize. Although spreads across most credit sectors remain near historical lows, USD 25-par preferreds offer competitive yields versus IG corporates, high yield, and USD 1,000-par preferreds.

Treasury Inflation-Protected Securities (TIPS)

= NEUTRAL

The growth outlook, alongside the fiscal and supply backdrop combined with rising uncertainty, has been a tailwind for elevated real yields. While 30-year TIPS remain the cheapest area of the real yield curve, near 3%, given the volatility of the back end, we recommend this area of the curve for longer-term investors who view the 3.0% inflation-adjusted yield as an attractive longer-term entry point.

US 10-YEAR REAL YIELD (current: 2.59%) June 2027 target

House view	2.25%
➤ Positive scenario	1.25%
➤ Negative scenario	2.75%

Note: All current values as of 16 September 2026

Figure 1

UBS CIO interest rate forecast

In %

UST	Current	Sep-26	Dec-26	Mar-27	Jun-27
2-year	4.7	4.4	4.4	4.3	4.3
5-year	4.9	4.5	4.5	4.4	4.4
10-year	5.0	4.6	4.6	4.5	4.5
30-year	5.4	5.0	5.0	4.9	4.9

Source: Bloomberg, UBS, as of 16 September 2026

Figure 2

The prices of USD 1000 par and 25 par preferreds have diverged
Indexed to September 2023



Source: ICE BofA, UBS, as of 15 September 2026

Commodities

Broad commodities have delivered strong performance this year, with our benchmark, the CMCI Commodity Total Return Index, rising more than 30% since the start of the year. We believe commodities can provide both a structural source of returns and portfolio protection when rising inflation expectations weigh on equities and bonds. Historically, their relatively low correlation with traditional asset classes has made commodities a valuable source of diversification. We also see a supportive longer-term backdrop, driven by electrification, growing power demand, investment in AI infrastructure, and supply constraints across several markets.

Dominic Schnider, CFA, CAIA, Strategist, UBS Switzerland AG; **Giovanni Staunovo**, Strategist, UBS Switzerland AG; **Thomas Veraguth**, Strategist, UBS Switzerland AG

Commodities

 ATTRACTIVE

GOLD (current: USD 4,545/oz) June 2027 target
= NEUTRAL

House view	USD 5,200/oz
 Positive scenario	USD 3,800
 Negative scenario	USD 6,000

Note: All current values as of 16 September 2026. Gold may sometimes be considered a relative “safe haven” asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.

Gold

Gold may face further near-term volatility after the Fed’s latest rate hike, but we do not believe the strategic investment case has changed. Gold’s resilience during periods of rising real yields suggests that traditional rate-based valuation models capture only part of the story. Reserve-accessibility concerns, sanctions risk, elevated government debt, and questions about fiscal sustainability have increased the appeal of an asset that is not another institution’s liability.

Base metals

Industrial metals have delivered solid gains year to date, although performance has varied across the complex. We remain constructive on copper and aluminium, supported by tight supply, persistent market deficits, and structural demand from electrification and infrastructure investment. Copper remains our preferred exposure, as supply constraints continue to outweigh near-term demand concerns. Meanwhile, uncertainty surrounding potential US Section 232 tariffs on refined copper and Panama’s future mine supply remain a key focus for the market.

BRENT (current: USD 105.83/bbl) June 2027 target
= NEUTRAL

House view	USD 85/bbl
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Note: All current values as of 16 September 2026

Crude oil

Oil prices have continued to trend higher in recent weeks. Inventory dynamics still point downward, indicating that the market remains under-supplied. According to the International Energy Agency, global visible oil inventories fell by 95 million barrels in August. Since February, global visible oil inventories have declined by 507 million barrels. Tightness is also evident in crude oil time spreads, and the steeper backwardation of the futures curve.

Foreign exchange

We maintain an Attractive view on the GBP, NOK, and CNY

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

We maintain a Neutral view on the US dollar. The currency has strengthened over the past month as the Fed has raised rates and policy-tightening expectations have risen on the back of strong activity data. However, we are seeing a clear economic rebound in Europe, helped by fiscal easing, which should contain dollar appreciation. In addition, global rate expectations have adjusted substantially in recent weeks and now leave less room for further

surprises. We expect the high-carry commodity theme to support both GBP and NOK and maintain an Attractive view on both currencies. Looking ahead, we expect a weaker dollar over the medium term against many G10 and EM currencies, reflecting structural headwinds such as the US twin deficits. However, in the near term, a materially weaker USD appears unlikely while the Fed maintains a strong hawkish bias.

FX strategy

	Absolute vs. USD
USD	= Neutral*
EUR	= Neutral
GBP	▲ Attractive
CHF	= Neutral
JPY	= Neutral
CAD	= Neutral
AUD	= Neutral
NZD	= Neutral *.
NOK	▲ Attractive
CNY	▲ Attractive

*USD Absolute view vs. G10 currencies

.* Asset class preference has been **upgraded**

*. Asset class preference has been **downgraded**

FX forecasts

	Current	Dec-26	Mar-27	Jun-27	Sep-27
EURUSD	1.15	1.16	1.18	1.2	1.2
USDJPY	155	160	158	158	158
GBPUSD	1.35	1.38	1.39	1.41	1.41
USDCHF	0.82	0.81	0.79	0.77	0.77
USDCAD	1.39	1.39	1.38	1.36	1.36
AUDUSD	0.71	0.7	0.71	0.72	0.73
NZDUSD	0.58	0.57	0.58	0.59	0.6
USDSEK	9.78	9.48	9.24	8.92	8.83
USDNOK	9.35	9.22	8.98	8.75	8.75

Sources: SIX Financial Information, UBS, as of 17 September 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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Version C/2026. CIO82652744

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