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What to watch in the week ahead

Weekly Global

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- Markets faced conflicting signals on the outlook for Fed rates last week as inflation exceeded expectations, but policymakers continued to indicate patience. Flash purchasing managers' indices will provide the main US activity and price signals this week. We expect measured further tightening.
- Concerns about financing the AI buildout weighed on technology shares last week. A busy earnings calendar will test AI investment and monetization, semiconductor demand, and consumer resilience. We believe robust profit growth can support further equity gains.
- Global economic growth has remained resilient despite higher borrowing and energy costs. Data from China, the UK, Europe, Canada, and the US will provide a broader test this week. We continue to favor diversified exposure across sectors and regions.

Will the Fed remain patient despite stronger inflation?
Markets faced conflicting signals on the outlook for Federal Reserve rates last week. Core consumer prices rose 0.3% month over month in September, above the 0.2% consensus forecast for a second consecutive month and lifting the annual rate to 2.6% from 2.4%. Producer prices rose 1.3%, their largest monthly increase in four and a half years and well above the 0.5% consensus forecast. Although energy accounted for much of the producer price increase, prices rose across a broader range of goods and services. Rate expectations then moved in the opposite direction late in the week after Fed Chair Kevin Warsh avoided signaling an imminent increase. "I don't prejudge meetings," he said, adding that he did not believe in indicating in advance what he might do at the remaining meetings this year.

Investors may receive limited additional policy guidance before the Fed's 27-28 October meeting. Officials have entered their communications blackout, while the US calendar lacks a major inflation or employment release. Housing indicators and weekly jobless claims will provide some evidence on activity, but attention is likely to focus on Friday's flash purchasing managers' indices. Investors will assess whether manufacturing and services activity remain resilient and whether the surveys' input-price measures indicate that higher energy and other costs are feeding into broader inflation. These signals could influence expectations at the margin, although they are unlikely to provide the clarity normally offered by consumer inflation or employment data.

Our base case remains for the Fed to leave rates unchanged in October before delivering measured further tightening. September's inflation data

US rates and inflation

- Stronger-than-expected inflation data have led us to revise our Fed outlook and expect an additional rate hike by March 2027. Read Core inflation reaccelerates, supporting a third Fed hike by Andrew Dubinsky.
- Elevated starting yields offer attractive income, potential capital gains, and diversification as markets price a more aggressive Fed tightening path than we expect. Read Quality bonds for income and diversification.
- For more on the outlook for the Fed and fixed income in the week ahead, listen to our weekly Jumpstart.
- Listen to our latest Investors Club on US inflation and yields.

AI and equity markets

- The AI investment cycle continues to support growth, earnings, and market performance. Read The AI "flywheel" was spinning in 3Q by Jason Draho and Andrew Dubinsky for our latest assessment of the AI economy and the sustainability of the current investment boom.
- Diversified exposure can help investors participate in transformational innovation while managing concentration risks. Explore How can I invest in transformational innovation? by Ulrike Hoffmann-Burchardi and Delwin Kurnia Limas for opportunities across artificial intelligence, power and resources, and longevity.
- Watch out latest AI show.

Global growth and energy

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strengthened the case for additional rate increases, but did not justify an immediate move, particularly given recent communication from Fed officials favoring patience. Markets continue to price a more aggressive tightening path than we expect. We remain positive on equities and fixed income , believing resilient growth and strong profits can help markets absorb measured tightening. Elevated starting yields also provide attractive income and potential capital gains in quality bonds.

Can earnings restore confidence in the equity rally?
The third-quarter earnings season has begun against a more challenging market backdrop. The S&P 500 fell 1.1% on Friday, taking its weekly decline to 2%, as concerns about financing the AI buildout weighed on technology shares. Investors have become more discriminating between well-funded technology companies and more indebted infrastructure providers as higher yields raise the cost of capital. Semiconductor shares have also come under pressure, with the Philadelphia Semiconductor Index down around 12% this month, although it remains 57% higher this year.

The coming results will provide several distinct tests. Meta Platforms will offer evidence on whether revenue and profit growth can keep pace with heavy investment in AI infrastructure, and whether monetization can sustain that spending. SpaceX should provide a different perspective on the AI buildout, including how a capital-intensive business spanning connectivity and AI is funding its expansion and translating investment into growth. Semiconductor-equipment manufacturer Lam Research and chipmaker Texas Instruments should provide a broader reading on semiconductor demand, encompassing AI-related investment and the wider industrial and electronics cycle. Investors will also be watching for signs that accelerating cloud revenue growth at hyperscalers is supporting continued investment in the data centers and computing infrastructure needed to power the growing use of AI. Tesla will offer another reading on consumer demand and technology investment, while Netflix should provide evidence on household demand and the ability of subscription businesses to sustain revenue growth and margins.

The reporting season has started strongly. Around 10% of the S&P 500 by market capitalization has reported, with aggregate earnings 4.1% above estimates and with 75% of companies exceeding projections. We forecast S&P 500 earnings per share growth of 28% for the September quarter, supported by AI demand, improvement in cyclical industries, and resilient consumer spending. AI-related capital expenditure is estimated to rise 84% this year to USD 900bn, while semiconductor profits should account for around half of third-quarter earnings growth. We expect strong profits to support further equity gains, although demanding expectations may contribute to continued volatility. Investors should retain diversified exposure across sectors, regions, and the AI value chain.

Can global growth withstand higher borrowing and energy costs?
Economic activity has remained resilient despite higher interest rates, elevated energy prices, and renewed inflation concerns. US growth ran at close to a 2.5% annualized rate in the first half of the year and likely approached 3% in the third quarter. September retail sales rose 0.8% month over month, although the narrower control-group measure increased by a more modest 0.1%. Brent crude briefly exceeded USD 110 a barrel on Friday for the first time since May, adding to the pressure from higher borrowing costs. In Europe, elevated energy costs and fiscal concerns have contributed to higher government bond yields, but underlying activity has held up better than feared.

- Strong Chinese exports point to continued resilience in global demand despite higher borrowing and energy costs. Read China's September exports strengthened further by Kathy Li and Yifan Hu.
- Commodity markets continue to be supported by AI-related investment, electrification, and geopolitical risks. Read What's next for commodities? by Giovanni Staunovo and Dominic Schnider.
- Supportive macroeconomic and market signals reinforce the diversification case for commodities, while CIOhas increased the allocation to precious metals in our commodity strategy. Read CIO Active Commodity Strategy by Giovanni Staunovo and Hannes Hütt.
- Energy prices, affordability concerns, and geopolitical developments remain important drivers of the global growth and inflation outlook. Listen to Paul Donovan's daily audio: The Fast and the Furious .

The coming week provides a broad test of this resilience. China will release third-quarter GDP, industrial production, and retail sales data, followed by a People's Bank of China policy decision. UK labor market and inflation figures will help investors assess the balance between wage pressures, consumer demand, and the prospect of further Bank of England tightening. Canadian inflation data will provide a similar signal for monetary policy. Friday's flash purchasing managers' indices for the US, Germany, the Eurozone, and the UK should offer a timely reading on global business activity and whether higher input costs are feeding into wider price pressures.

Our base case remains for resilient, if uneven, global expansion. We forecast world growth of 3.2% in 2026 and 3.4% in 2027, including Eurozone growth of 0.8% and 1.2% and Chinese growth of 4.5% and 4.6%, respectively. We believe resilient activity and strong corporate earnings will support equity returns, even as measured monetary tightening creates periods of volatility. Investors should maintain diversified exposure across regions and sectors, combining secular growth themes with cyclical beneficiaries. We also continue to rate fixed income as Attractive, with higher starting yields offering income and potential diversification if growth or inflation falls short of market expectations.

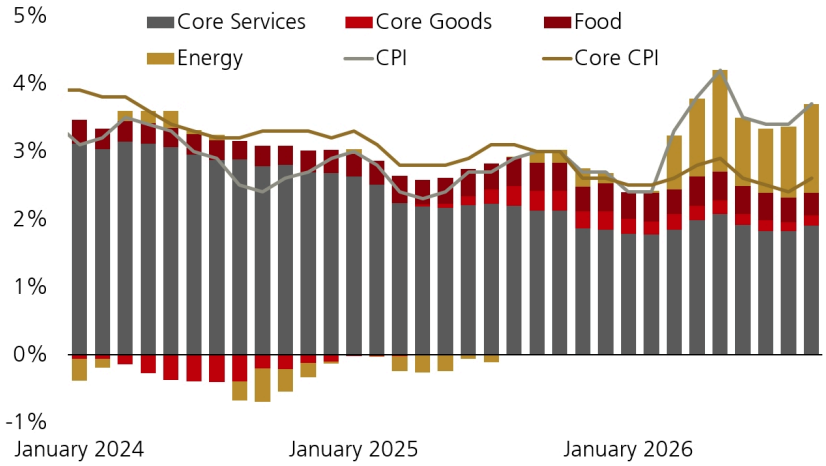
Chart of the week

US consumer price data for September was published last week. Core consumer inflation ticked up to 2.6% year over year, up from 2.4% for August. Headline inflation remained elevated—rising to 4% year over year—due in part to high energy prices. Nonetheless, investors lowered expectations for an interest rate hike at the Fed's October meeting—with federal funds futures pricing now impliying around a 15% likelihood of a rate rise, down from 22% a week ago.

Investors may receive limited additional policy guidance before the Fed's 27-28 October meeting. Our base case remains for the Fed to pause hiking in October before resuming along a measured tightening path in December.

We continue to expect no Fed hike in October

US headline and core CPI and contributions, % y/y



Source: Bloomberg, UBS, as of 19 October 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.
- 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.
- 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.
Absolute view
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. 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."
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.
Relative preferences
For the multi asset view, we also include relative preferences to help investors compare between items.
Preferred: We view this item more favorably than others within its asset class.*
Neutral: We see this item similarly to others within its asset class.*
Least preferred: We view this item less favorably than others within its asset class.*
*In the case of cross-asset, compared to other asset classes.
Note: 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.

Appendix

Risk information
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