UBS House View

Investment Strategy Guide:
Divided

November 2026 | Chief Investment Office GWM | Investment research



UBS

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November
CIO Monthly Livestream
5 November 2026 1:00 p.m. ET

- Join the event at ubs.com/ciolive
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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 face a more complex mix of risks and opportunities, as higher energy prices, elevated bond yields, and geopolitical tensions contrast with continued strength in corporate earnings. Political uncertainty ahead of the US midterm elections adds another factor, but we believe developments in earnings, artificial intelligence, inflation, and interest rates will ultimately matter more for portfolios.

Against this backdrop, we maintain an Attractive view on US equities. We expect third-quarter S&P 500 earnings per share to rise 28% year over year, supported by AI capital expenditure, improving manufacturing activity, and resilient consumer spending. Although semiconductor profits account for around half of that growth, opportunities extend beyond technology.

We recommend diversified exposure to cyclical and structural growth opportunities, favoring the transformational innovation opportunities (TRIOs) of *AI, Power and resources,* and *Longevity,* alongside preferred sectors including financials, industrials, utilities, health care, and consumer discretionary. Although the pace of gains may moderate, we believe a broadening earnings cycle can continue to support the market, and we see scope for the S&P 500 to advance further, reaching 8,400 by mid-2027.
In fixed income, the sharp rise in yields has materially improved prospective returns. Although inflation, fiscal concerns, and additional monetary tightening could keep markets volatile, current yields provide greater income and a larger cushion against further rate increases. We maintain an Attractive view on high-quality bonds, such as investment-grade corporates and agency MBS, with a preference for the short- to intermediate-term portion of the yield curve, where current yields offer an attractive risk-reward balance. We remain cautious about the longest maturities given elevated issuance and fiscal uncertainty.

Higher energy prices remain an important risk, particularly as disruptions to Middle Eastern and Russian energy infrastructure keep physical markets tight. Yet economic activity and corporate earnings have remained resilient, and we believe geopolitical risks are better managed through diversification than by withdrawing from markets.

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



Ulrike Hoffmann-Burchardi



Ulrike Hoffmann-Burchardi
Chief Investment Officer Americas and
Global Head of Equities
UBS Global Wealth Management

Follow me on LinkedIn
linkedin.com/in/ulrike-hoffmann-burchardi-ubs



Election Watch 2026

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

Divided

Earnings resilience

AI demand continues to support strong earnings growth. Within equities, we favor diversified exposure to structural and cyclical opportunities while reducing concentrated stock positions.

Bond repricing

Yields have risen sharply in recent months. We believe high-quality bonds offer sufficient income to cushion against a further rise in yields. In our base case, we expect yields to decline over the next 12 months.

Energy risks

Energy disruption poses growth and inflation risks, but geopolitical developments alone do not justify a defensive investment stance. Broad commodities can diversify and hedge portfolios.

Beyond midterms

US politics is in focus as the midterms approach. But key market drivers like earnings, AI, and rates should matter more for portfolios. We would not treat the midterms as a binary directional market event.



Mark Haefele
Global Chief Investment Officer
Wealth Management

Follow me on LinkedIn
linkedin.com/in/markhaefele

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We estimate a 90% chance that the US midterms in November will result in a divided government, with Democrats controlling at least one chamber of Congress. But politics is not the only source of division. Investors are increasingly split over three questions: whether strong earnings growth can continue, where bond yields go next, and how geopolitical tensions will affect energy prices and markets.

On earnings, we remain constructive. We expect third-quarter S&P 500 earnings per share to grow 28% y/y. Yet with semiconductor profits contributing around half of that, management commentary on AI adoption and monetization will be crucial to determine whether the exceptional pace of AI investment can continue. We favor a diversified mix of structural and cyclical opportunities and reducing concentrations in single-stock positions.

On yields, investors are divided between concern about renewed inflation and hopes that tighter policy will ultimately contain price pressures. In our base case, we expect yields to decline over the next 12 months. Following the recent repricing, we believe high-quality bonds offer sufficient income to cushion against a further rise in yields. We favor medium- and longer-duration bonds but remain cautious on the longest maturities given fiscal concerns and elevated issuance.

On geopolitics, renewed disruption to energy flows has intensified concerns over oil prices and inflation. While a prolonged supply shock would present downside risks, we do not think the geopolitical developments alone justify a more defensive investment stance. Broad commodity exposure can help diversify portfolios and provide protection against further disruption.

The US political divide may attract attention in the coming weeks, but questions over earnings, AI, and interest rates are likely to matter more for portfolios. In this letter, we examine those key questions and set out how investors can navigate them.

Rather than position for a single outcome, investors should remain diversified and focus on durable sources of growth and income.

Equities: Can earnings continue to underpin markets?

We expect third-quarter S&P 500 earnings per share to grow 28% from a year earlier.

With the third-quarter earnings season now underway, we forecast S&P 500 earnings-per-share growth of 28% y/y, driven by a combination of AI demand, an improving industrial cycle, and resilient higher-income consumers.

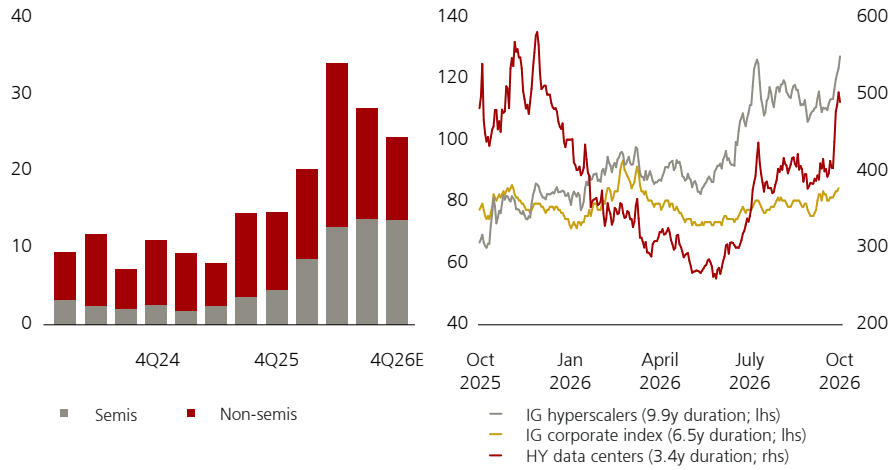
AI remains the main growth engine. We expect AI capital spending to reach USD 900bn this year, with semiconductor profits contributing about half of third-quarter earnings growth. We also expect average cloud revenue growth to accelerate from 48% in the June quarter to 58% y/y in the September quarter. As investors increasingly focus on monetization, management commentary around pricing, capacity constraints, and returns on investment will be key to shaping expectations.

Within the AI ecosystem, risks are rising, particularly in the more capital-intensive areas of the AI buildout, where funding pressures and execution risks could reinforce each other. Recent share-price pressure on some specialized AI computing providers known as neoclouds—whose single-product business model focuses on renting compute capacity—illustrates these concerns. Nevertheless, broader demand trends remain robust, reflected in rising GPU rental prices and strong semiconductor earnings.

Figure 1

AI continues to drive earnings growth, though greater selectivity is evident

Contribution to S&P 500 EPS year-over-year growth (%), actuals and CIO estimates (lhs chart); Bond spreads, in bps (rhs chart)



Sources: FactSet, Bloomberg, BofA, UBS, as of 20 October 2026

The US industrial cycle is improving.

Beyond tech, we expect cyclical segments of the market to see robust earnings growth. The new orders component of the ISM Manufacturing Index has been in expansion territory for nine consecutive months, supporting manufacturers, industrials, and other cyclical businesses.

Aggregate consumption is also healthy: US retail sales grew 6% y/y in September, despite pressure on lower-income households from higher energy costs and interest rates. Long corporate debt maturities should also limit interest rate risks: Non-financial S&P 500 companies have a weighted average debt maturity of approximately 11 years.

Higher energy prices are raising costs for travel, retail, and manufacturing. But we expect the aggregate earnings impact to remain limited for now, with the principal earnings drivers outweighing pressure on the most energy-intensive businesses.

Outside the US, we forecast 15% Eurozone earnings growth in both 2026 and 2027, supported by a pick-up in manufacturing, continued cost discipline, and higher investment in AI, electrification, and defense. Political risks—particularly in France—may cause volatility, but corporate fundamentals remain solid, in our view.

European equities have also historically performed well when rising interest rates accompany resilient economic activity. Across the last ten tightening periods from the Federal Reserve, following the initial policy move, European equities were on average 5% higher after six months and 14% higher after 12 months.

In Asia, with earnings growth running well ahead of price appreciation this year, equity valuations are now at multi-decade lows (the MSCI Asia ex-Japan trades at a 12-month forward price-to-earnings ratio of around 9x). Yet AI investment trends remain intact, supporting a robust earnings outlook for the region. We expect 20% profit growth next year and continue to see Asian equities as Attractive.

Robust corporate earnings growth should continue to support equities.

Overall, corporate earnings growth remains strong and should continue to support equities, although a slowdown from the exceptional pace seen earlier this year may moderate market gains. We expect the S&P 500 to reach 8,400 by end-June 2027. We recommend diversified exposure to cyclical and structural growth, favoring *AI, Power and resources,* and *Longevity.* We like financials, industrials, utilities, health care, and consumer discretionary in the US. We also like Eurozone equities, and Japan, India, Taiwan, and Singapore in Asia.

We recommend a selective and diversified approach to AI. We continue to limit exposure to neoclouds amid funding and construction pressures, and favor well-funded hyperscalers for their better risk-reward. We also like high-quality semiconductor and hardware beneficiaries of AI spending and believe investors should consider exposure to defensive areas of tech such as payment networks, select consumer electronics names, and select software companies.

Fixed income: Has the bond market repriced enough?

Yields have reached multi-decade highs.

Bond markets have repriced dramatically in recent months. The 10-year US Treasury yield reached 5.36% in early October, its highest level since 2002, though it has since moderated to around 5.1%. German 10-year Bund yields rose above 3.6% in late September. French 10-year yields were above 5% at the time of writing.

The ongoing wars in the Middle East and Ukraine have added to inflation. US monthly consumer price inflation accelerated to 0.6% in September from 0.4% in August, with core inflation at 0.3% for a second consecutive month. In the Eurozone, headline inflation accelerated to a three-year high of 3.8% y/y. Recent Fed communications indicate that policymakers are concerned that consumer inflation expectations could become de-anchored, and we now expect the Fed to raise interest rates again in both December and March.

Meanwhile, fundraising for AI-related investment is adding to bond supply, and geopolitical developments are adding to uncertainty. In Europe, the bond market also appears to be demanding a premium for fiscal concerns: Over the past three months, the yield spread between 10-year French OATs and German Bunds has widened by around 75 basis points to 158bps. Contagion effects have also pushed spreads wider on other Eurozone sovereigns and weighed on the euro.

We think current yields offer sufficient income to compensate for the risk of a further yield increase.

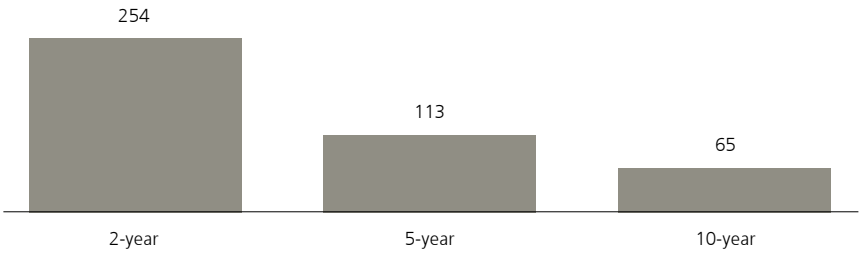
Against this backdrop, investors have understandably focused on how much further yields might rise. Yet attempting to forecast the precise peak in yields is both difficult and, from a long-term perspective, potentially less important than investors assume. With bond yields at these levels, we think the more important question is whether they provide sufficient income to compensate for the risks of further monetary tightening, persistent inflation, and fiscal uncertainty. We think they do.

Unlike in equities, the bar for performance in fixed income has been dropping. At current yields, US Treasury yields in the two-, five-, and 10-year maturities would need to rise by around 254, 113, and 65 basis points, respectively, for capital losses to offset the income earned. We view such a move as unlikely: A spike in yields of that magnitude from here would likely prompt a swift response from policymakers, as it would have a negative impact on the real economy and could reveal financial stability risks.

Figure 2

Yields would have to rise much further for bonds to lose money

Rise in US Treasury yields from current levels needed for capital losses to offset income earned over one year, in basis points



Source: UBS, as of 22 October 2026

We continue to rate fixed income as Attractive.

We see fixed income as Attractive. In our base case, we expect a moderate decline in yields over the next 12 months. Futures already price roughly three further Fed rate hikes, slightly more than we expect, suggesting that a significant amount of tightening is reflected in current yields. More importantly, we believe bonds offer attractive portfolio characteristics. With yields at current levels, investors are being paid to hold duration while gaining a valuable hedge against downside growth scenarios.

Oil and diesel: Should investors worry?

Exports from the Middle East increased in September.

In September, crude oil and refined product exports from the Middle East stood at around 80% of pre-conflict levels. This reflected a partial restoration of flows through the Strait of Hormuz—including "dark" shipping, in which vessels obscure their movements or cargo origins—and rerouting through Saudi Arabian, UAE, and Turkish pipelines.

However, in October, geopolitical risks re-intensified. Iranian attacks on shipping in the Strait of Hormuz have increased: According to the British maritime security service UKMTO, 26 confirmed attacks took place from 1-18 October compared with 14 for September as a whole. Elsewhere, Russia continues to strike Ukraine, and Ukrainian attacks on Russian refineries and oil infrastructure resumed after a brief halt. The conflict between Saudi Arabia and the Houthis also continues to pose risks to energy infrastructure.

In response, Brent crude prices have risen from a low of USD 72/bbl in June to around USD 110/bbl currently. Diesel prices are also elevated and remain above 2022 levels. In our base case, we see Brent crude prices staying high in the near term, given that tightness in the physical market leaves prices vulnerable to renewed attacks or further supply outages.

We believe prices could moderate into next year, assuming higher flows through new pipelines and additional production growth from other locations, though developments remain contingent on how the Middle East conflict evolves. Today's prices, for example, are influenced by high shipping costs (the cost of shipping crude from the Middle East to Asia is USD 30-40/bbl compared with below USD 5/bbl pre-conflict).

Over the medium term, we expect the global energy system to continue adapting to the disruption.

Our medium-term oil outlook assumes that the global energy system will continue adapting to the disruption. OPEC crude production rose by 0.92 million barrels per day month on month in September to 25.1 million (based on OPEC secondary sources), with both Saudi Arabia and Iraq increasing their exports. Trade routes are adapting as Middle Eastern exporters expand existing pipelines to bypass the Strait of Hormuz or plan to build new ones. Higher prices should also support production growth in other regions such as the Americas. In our base case, we see Brent crude prices moderating to USD 90/bbl in the first half of 2027. That said, in the event of a diplomatic agreement resulting in a normalization of oil flows, prices would likely retreat faster.

The impact on global GDP growth from higher oil prices has so far been limited. Oil prices have risen by around USD 40/bbl on average compared with last year. In isolation, we estimate such a price increase could reduce global GDP growth by 0.3-0.5 percentage points, with the amount varying for each economy depending on how much energy they import. But the AI investment cycle and the strength of household balance sheets have enabled consumption to remain resilient. Moreover, following the 2022 oil shock, economies have become more adaptable to rising energy prices.

Looking ahead, energy prices will likely continue to present a headwind for the global economy, but barring a significant and sustained rise from here, this should fade over the next 12 months.

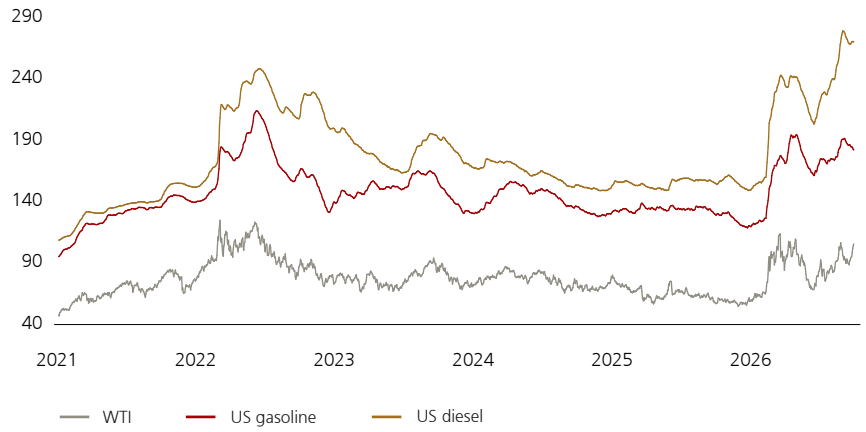
Refined-product prices are elevated.

A complication compared with the 2022 energy price shock is that this year, refined-product prices have become increasingly disconnected from crude oil. Damage and disruption to refineries in the Middle East and Russia have reduced the supply of finished products. While global refinery throughput has risen from its April lows, it stood at 81.8 million barrels per day in September, according to the International Energy Agency—about 2.8 million barrels per day below levels from a year earlier. The remaining refineries cannot quickly make up the shortfall.

Figure 3

Crude oil has risen, but refined products have risen further

US crude oil and average retail fuel prices, in USD per barrel



Note: Retail prices include taxes and other distribution costs.
Sources: Bloomberg, UBS, as of 20 October 2026

We consider a risk scenario in which gasoline and diesel prices rise further.

Given this backdrop, we have modelled a risk scenario in which US gasoline prices rise to USD 170/bbl and US wholesale diesel prices to USD 250/bbl (from currently around USD 130/bbl and USD 200/bbl, respectively). Such high prices would likely result in some form of demand destruction, limiting further price increases. They could materialize if, for example, attacks on shipping in the Middle East and on

energy infrastructure in Russia continue, leading to an acute supply squeeze.

In such a scenario, we would expect US growth to slow toward the low 1% range, but we would still not expect a recession: A sharp rise in oil or diesel prices alone would not necessarily trigger the factors associated with larger economic impacts such as a collapse in AI investment, severe financial stress, disorderly credit conditions, or a major market breakdown.

So, while the outlook remains uncertain, we do not think geopolitical developments alone justify a more defensive investment stance. Broad commodity exposure, including energy, can improve portfolio diversification and provide protection against a prolonged supply disruption. More broadly, tight physical markets remain consistent with our view that the fundamentals continue to support a commodity upcycle.

Investment ideas

US midterms: A shift in the balance of power

Ahead of the US midterm elections on 3 November, we assign a 50% probability to a Democratic sweep of Congress, a 40% probability to split congressional control, and a 10% probability that Republicans retain both chambers. While we expect the balance of power to change, narrow majorities and the president's veto should limit the chances of sweeping new legislation.

The president would retain considerable authority over tariffs, foreign policy, and regulation, even if Congress and the Supreme Court could challenge some tariff measures. We also do not expect a change in congressional control to derail data center expansion, since most related decisions are made at the state and local levels.

The most visible effects would likely be greater oversight and more difficult fiscal negotiations. Democratic control could soften or delay spending cuts, while debt ceiling negotiations in 2027 may create volatility and result in less fiscal tightening than currently expected. Reversing enacted tax cuts also appears unlikely.

Nonetheless, we continue to expect Treasury yields to decline over the next year. Fiscal concerns are likely to persist, but we think that easing inflation is likely to prove a more powerful force in lowering rates.

Overall, we would not treat the midterms as a binary directional event. For markets, trends in AI investment, earnings, inflation, interest rates, and geopolitics are likely to matter more than the composition of Congress. Investors should monitor shifts in congressional control and the 2027 debt ceiling while keeping portfolios anchored to durable drivers such as economic growth and corporate earnings.

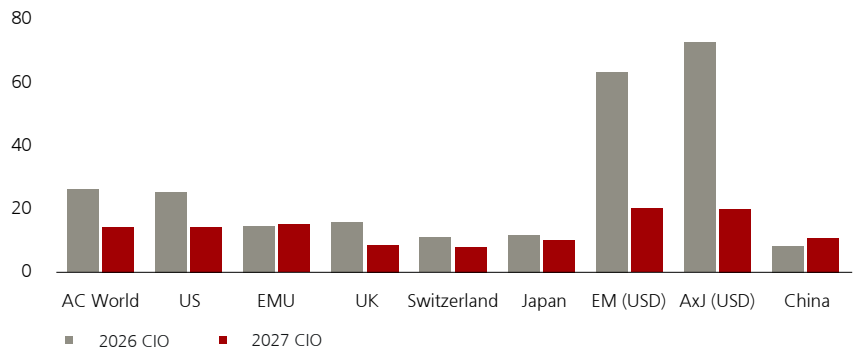
Strong earnings growth should support the equity rally.

Position for market upside: Markets are adjusting to higher bond yields, firmer energy prices, and persistent geopolitical risks, but earnings and economic activity remain resilient. We expect third-quarter S&P 500 earnings-per-share growth of 25-30%, supported by AI investment, an improving industrial cycle, and healthy aggregate consumption. Investors should remain invested through diversified exposure to cyclical and structural growth opportunities and use market strength to reduce concentrated single-stock positions. Higher rates and energy costs warrant selectivity, but do not justify a broadly defensive stance.

Figure 4

We expect broad-based earnings growth in 2026 and 2027

CIO earnings-per-share growth forecasts, in %, y/y



Note: MSCI indices except for the US (S&P 500), Eurozone (Euro Stoxx 50), UK (FTSE 100), Switzerland (Swiss Market Index), and Japan (TOPIX).
Sources: UBS, as of 22 October 2026

Capital preservation strategies can help investors limit the impact of a market drawdown.

Consider capital preservation: We expect strong earnings to support equities, but higher interest rates, energy costs, geopolitical risks, and uncertainty around AI monetization could generate volatility. Capital preservation strategies can help investors remain invested while limiting the impact of a market drawdown. They may be particularly relevant for investors with concentrated positions, substantial gains, lower loss tolerance, or near-term liquidity needs. Investors should calibrate preservation and upside participation to their objectives rather than treating the outlook as an all-or-nothing decision.

Opportunities emerging in fixed income: The recent bond market repricing has restored meaningful return potential to high-quality fixed income. Current yields provide attractive income and a substantial cushion against further increases, while bonds could also benefit if inflation moderates or economic growth weakens. We favor selective exposure to medium- and longer-duration high-quality bonds. We remain more cautious on the longest maturities given fiscal concerns and elevated issuance. Investors should focus less on identifying the precise peak in yields and more on using current starting yields to strengthen portfolio income and diversification. In Switzerland, where fixed income yields remain low, a more diversified approach to income generation remains important, in our view.

Broad commodity exposure can help insulate portfolios.

Position for a commodity upcycle: Renewed disruption to energy supply has highlighted the diversification value of commodities. Broad commodity exposure, including energy, can provide protection against a prolonged supply disruption and inflationary pressures. Tight physical markets also continue to support the case for a commodity upcycle, although allocations should be actively managed and sized for volatility.

We also continue to recommend key strategic investment actions:

Investors should put excess cash to work.

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 our Transformational Innovation Opportunities of *Artificial intelligence, Power and resources,* and *Longevity* can capture structural growth while reducing reliance on a narrow group of market leaders.

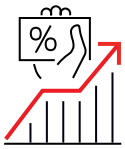
Diversify with alternatives. A diversified allocation to alternatives can help broaden return drivers and strengthen resilience when traditional equity and bond diversification is less effective.

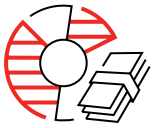
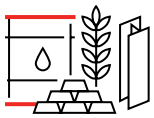


Mark Haefele
Chief Investment Officer
Global Wealth Management

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 	Markets are adjusting to higher bond yields, firmer energy prices, and persistent geopolitical risks, while earnings and economic activity remain resilient. We expect third-quarter S&P 500 earnings-per-share growth of 25-30%, supported by AI investment, an improving industrial cycle, and healthy aggregate consumption. Investors should maintain diversified exposure to cyclical and structural growth opportunities, while using market strength to reduce concentrated single-stock positions. Higher rates and energy costs warrant a selective approach, but do not justify a broadly defensive stance.	• Core global equity exposure • Targeted exposure to Transformational Innovation Opportunities (TRIOs) and longer-term investments • Preferred regional markets and sectors • Multifactor strategies • Structured equity participation and yield strategies **Source of funds** • Excess single-name exposure • Excess US tech exposure • Cash • Money market funds • Expiring fixed-term deposits
Opportunities emerging in fixed income 	We expect strong earnings to support equities, but higher interest rates, energy costs, geopolitical risks, and uncertainty about AI monetization could generate volatility. Capital-preservation strategies can help investors maintain market exposure while limiting the impact of a market drawdown. They may be particularly relevant for investors with concentrated positions, substantial gains, limited tolerance for losses, or near-term liquidity needs. Investors should balance downside protection and upside participation in line with their objectives rather than making an all-or-nothing investment decision.	• Emerging market bonds • Target the 5- to 7-year duration portion of the yield curve • Global fixed income • Rate-linked income opportunities **Source of funds** • Cash • Money market funds • Expiring fixed-term deposits

MIFs	Elevator pitch	Investment ideas
Consider capital preservation 	We expect strong earnings to support equities, but higher interest rates, energy costs, geopolitical risks, and uncertainty about AI monetization could generate volatility. Capital-preservation strategies can help investors remain invested while limiting the impact of a market drawdown. They may be particularly relevant for investors with concentrated positions, substantial gains, limited tolerance for losses, or near-term liquidity needs. Investors should balance downside protection and upside participation in line with their objectives rather than making an all-or-nothing investment decision.	• Capital preservation strategies **Source of funds** • Existing equity allocations • Cash • Money market funds • Expiring fixed-term deposits
Position for a commodity upcycle 	Renewed energy-supply disruptions have highlighted the diversification benefits of commodities. Broad commodity exposure, including energy, can provide protection against a prolonged supply disruption and inflationary pressures. Tight physical markets continue to support the case for a commodity upcycle, although allocations should be actively managed and sized appropriately to account for volatility.	• Actively managed 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 17).

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*	▲ Attractive
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.
*See Moving munis to Attractive, 1 October 2026

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.	Third-quarter earnings have started on good footing, with the potential to reach 30% yearly EPS growth despite higher input costs and higher rates. Sectors benefiting from the first- and second-order effects of the AI trade (including consumer discretionary, financials, health care, industrials, and utilities) should continue to perform well in this environment. Index volatility has increased following a recent tech-related sell-off and 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. Despite the recent sell-off led by semiconductors, we maintain a positive view on equities given a reflationary macroeconomic outlook and improving earnings fundamentals boosted by AI investment. Near-term risks include a continued rise in energy prices or a monetary policy error. We prefer to express this beta view by adding to global equities, funded from U.S. government bonds.
Carry	Carry positions are those that increase portfolio income relative to their funding sources.	Spreads across most fixed income asset classes have recently widened from historically tight levels but remain below their long-term averages. We are selective when seeking carry, generally favoring a diversified allocation to high-quality fixed income. We continue to favor emerging market debt, which offers strong carry and underappreciated high quality.
Duration	Duration positions either shorten or lengthen portfolio duration relative to the benchmark.	Rates remained elevated, creating attractive opportunities to extend duration even the belly of the curve has rallied over the past few weeks as investors have flocked to safe havens amidst an equity sell-off. We recommend targeting the five- to seven-year portion of the Treasury curve, which we think will benefit the most from rate hike repricing as the economy eventually cools and disinflation returns. Select long-dated government yields have become appealing to those looking for portfolio diversification, although we remain cautious on the longest-dated maturities.
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 can be an attractive diversifier over the medium to long term against rising geopolitical and de-dollarization risks, and benefits from robust central bank buying.

US economic outlook

Growth Strength and Slow Disinflation Reinforce the Case for Additional Tightening

Andrew Dubinsky, US Senior Economist

Overview

Growth and inflation data have both surprised to the upside over the past month. First-half 2026 GDP growth was revised up to 2.4%, while third-quarter growth is tracking at around 3.2%, supported by strong private demand, AI-related capital spending, and resilient consumer spending. Meanwhile, September inflation came in firmer than expected, with headline CPI rising to 3.7% y/y, core CPI increasing to 2.6% y/y, and core PCE tracking near 3.1%. We continue to expect the Fed's recalibration cycle to include additional hikes in December 2026 and March 2027, reflecting stronger growth, elevated inflation, and policymakers' view that monetary policy is not yet clearly restrictive.

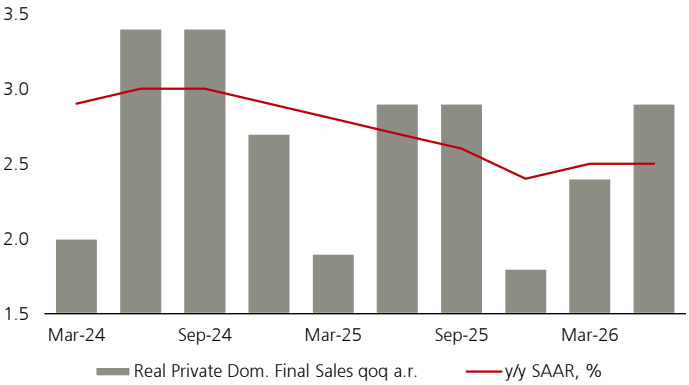
Growth

Economic activity has remained remarkably strong, supported by earlier tax cuts, stock market-driven wealth gains, and robust AI-related business investment. Third-quarter GDP growth is tracking at around 3.2%, with strength coming primarily from consumption and business investment rather than volatile inventories or trade. Although recent data have been stronger than expected, we do not expect the current pace of growth to persist. Fiscal policy is set to shift from a tailwind to a modest headwind in 2027, while consumption appears to be running somewhat ahead of underlying income growth. Even so, AI investment should continue to support activity, helping growth settle closer to 2% through 2027 rather than slow sharply.

Figure 1

Private spending was strong in 1H and continued in 3Q

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

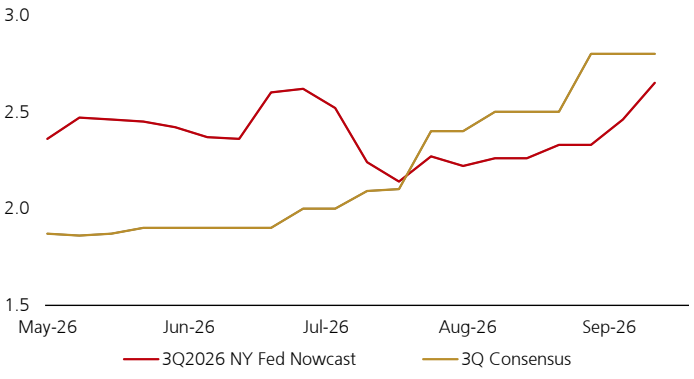


Source: Bloomberg, UBS as of 20 October 2026

Figure 2

Nowcasts show above trend activity, near the 3Q GDP consensus which is almost 3%

q/q SAAR, %



Source: New York Fed, Bloomberg, UBS as of 20 Oct 2026

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

Read the report ›

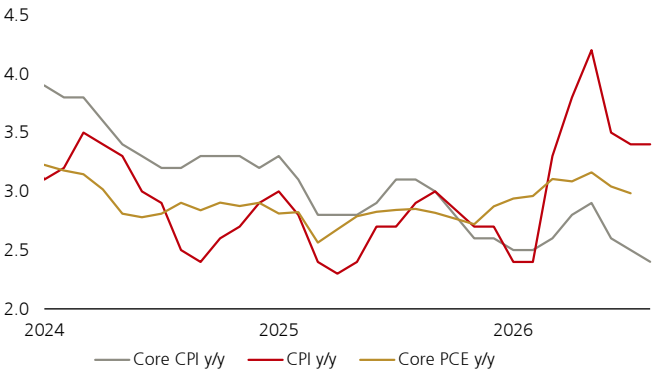
Inflation

Inflation remains the Fed's primary challenge. September CPI delivered a hawkish surprise, with headline CPI rising to 3.7% y/y and core CPI increasing to 2.6% y/y as both energy and underlying price pressures strengthened. Core PCE inflation is tracking at around 3.1%, suggesting that progress toward the Fed's target has stalled. Although tariff-related inflation effects have largely subsided and base effects should become more favorable in early 2027, policymakers remain concerned about persistent price pressures. Rent inflation and wage growth remain broadly consistent with the inflation target, but AI-related demand and supply bottlenecks stemming from disruptions in the Middle East remain important upside risks. Overall, inflation is likely to continue improving gradually and move closer to target by mid-2027.

Fed policy

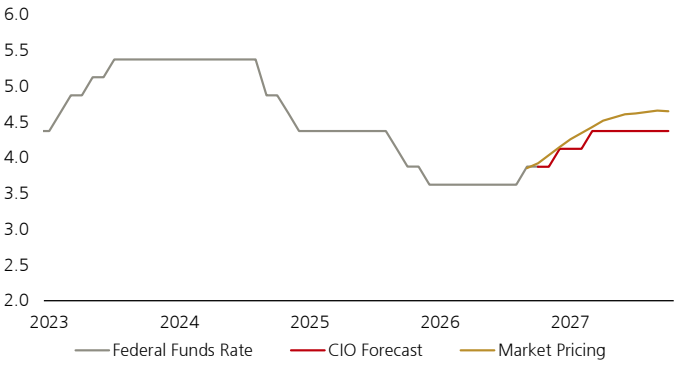
The September FOMC meeting began what increasingly appears to be a three-hike recalibration cycle. Recent communication from Fed officials suggests policymakers are focused on maintaining credibility while inflation remains well above target. We expect additional rate hikes in December 2026 and March 2027, bringing the total tightening cycle to 75bps. This still differs from a traditional tightening campaign aimed at creating a slowdown. Instead, policymakers appear focused on moving policy into modestly restrictive territory. Resilient economic activity, insufficient progress on inflation, and elevated geopolitical and commodity-price risks will likely be highlighted at the October meeting. Risks remain tilted toward additional tightening if inflation stays elevated or geopolitical developments generate further supply-side inflation pressures.

Figure 3
September inflation rose on higher energy prices
Core PCE, Core CPI and CPI y/y (%)



Source: Bloomberg, UBS as of 20 October 2026. September core PCE is a projection.

Figure 4
We expect the FOMC to hike twice more
Mid-point of FOMC policy rate range



Source: Bloomberg, UBS as of 20 October 2026

Equities

We rate global equities Attractive. Markets have continued to rise despite higher bond yields, elevated energy prices, and geopolitical uncertainty. We believe resilient economic growth, solid corporate earnings, and accelerating AI investment should continue to support equities, even as further Fed tightening creates periods of volatility. Strong earnings growth remains the key support for markets. Artificial intelligence remains the dominant driver of global earnings growth, supported by rising investment in data centers, semiconductors, cloud infrastructure, and power capacity.

Eurozone

▲ ATTRACTIVE

EURO STOXX 50 (index points, current: 6,087)	June 2027 target
House view	**7,100**
↗ Positive scenario	7,600
↘ Negative scenario	4,700

Note: All current values as of 21 October 2026

We maintain Eurozone equities as Attractive. Concerns over AI investment, higher interest rates, and higher oil prices have all lead to a recent market derating. But corporate earnings strength remains impressive, and we see little evidence that strength is at risk. AI demand is robust and compute supply-constrained, with few signs that oil prices are disrupting growth. We anticipate a strong 3Q season, with revenues increasingly contributing to strength, alongside cost discipline and strong investment-led demand. We forecast Eurozone earnings to grow 15% in 2026 and another 15% in 2027.

Emerging markets

▲ ATTRACTIVE

MSCI EM (index points, current: 1,615)	June 2027 target
House view	**1,920**
↗ Positive scenario	2,050
↘ Negative scenario	1,300

Note: All current values as of 21 October 2026

We rate EM equities as Attractive owing to resilient earnings, attractive valuations, and continued AI investment. Market volatility will likely persist through the fourth quarter as investors adjust to a higher-for-longer interest rate environment, rising bond yields, and ongoing geopolitical uncertainty. However, we believe much of this pessimism is already reflected in valuations. Valuations currently trade near their lowest levels in two decades on a 12-month forward price-to-earnings ratio basis, all while AI monetization trends remain intact, offering a compelling value proposition.

Japan

▲ ATTRACTIVE

TOPIX (index points, current: 3,998)	June 2027 target
House view	**4,500**
↗ Positive scenario	4,800
↘ Negative scenario	2,800

Note: All current values as of 21 October 2026

We maintain an Attractive view on Japanese equities. While higher US rates continue to weigh on valuations, September-quarter earnings season should refocus investors on fundamentals. Corporate guidance is likely to be revised, leading to upward revisions in consensus EPS estimates. 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%.

UK

▲ ATTRACTIVE

FTSE 100 (index points, current: 10,725)	June 2027 target
House view	**11,500**
↗ Positive scenario	12,300
↘ Negative scenario	7,700

Note: All current values as of 21 October 2026

We see UK equities as Attractive, supported by reasonable valuations and solid earnings growth. We forecast profits rising 16% this year but slowing to 9% in 2027. While we see more upside for other regions, the UK market can offer relative resilience with its high commodity exposure helping offset risks around oil prices and rates, and its low IT exposure limiting risks from AI-investment uncertainty. We see an ongoing cyclical recovery supported by investments across AI, electrification, defense, and re-shoring, which favors more cyclical markets like the Eurozone over the UK.

US equities

We retain our Attractive view on US equities. In our view, the key drivers are a resilient economy, strong profit growth, and AI investment and adoption. While monetary policy is no longer a tailwind, we do not expect the Fed to raise rates enough to create a meaningful headwind; however, this risk bears watching.

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

US equities

▲ ATTRACTIVE

While valuations have been under pressure from higher interest rates, earnings growth has been solid, and the forward 12-month S&P 500 EPS estimate continues to rise. As we've articulated, we do not expect the Fed to raise rates meaningfully. In contrast to the rate hikes of 2022, the labor market is not currently a source of inflation, which should limit the risk that higher rates cause a meaningful slowdown in economic growth. Turning to the third-quarter earnings season, we expect corporate profits to grow by 28%, assuming a normal level of beats. While growth is now decelerating, this should not be problematic for stocks as long as earnings-revision expectations remain supportive. We continue to expect 25% S&P 500 EPS growth in 2026 and 14% growth in 2027.

US equities – sectors

Several of our recommended sectors offer both cyclical and secular exposure. In industrials, long-cycle end markets such as aerospace provide attractive growth, while segments such as transportation offer short-cycle upside. Within consumer discretionary, AI adoption is a key driver for the largest companies in the sector. Wealth effects and fading tariff headwinds should support resilient spending. On the more cyclical side, financials should benefit from regulatory easing and strong capital markets activity. Finally, if economic growth disappoints, we believe health care and utilities should prove more resilient, with utilities also offering some exposure to AI trends.

US equities – size

Small-caps now trail mid- and large-caps year to date. Smaller market-cap segments had been supported by the broadening earnings recovery, strengthening manufacturing activity, and AI infrastructure spending. In recent months, however, these stocks have come under pressure amid renewed concerns about economic growth, higher interest rates, elevated inflation, and the prospect of additional Fed tightening. Over the longer term, attractive small-cap relative valuations provide scope for outperformance.

US equities – style

Value stocks remain comfortably ahead of growth stocks year to date, largely because of the strong performance of semiconductors. The segment has also been supported by resilient economic activity, a recovery in manufacturing, strong energy performance, and improving earnings across cyclical industries. Nevertheless, the outlook for growth stocks remains constructive, given their exposure to secular trends such as AI and solid earnings growth.

S&P 500 (index points, current: 7,757)	June 2027 target
House view	**8,400**
↗ Upside	9,500
↘ Downside	5,500

Note: All current values as of 21 October 2026

Figure 1

Selective within US equity sectors

S&P 500 sector preferences

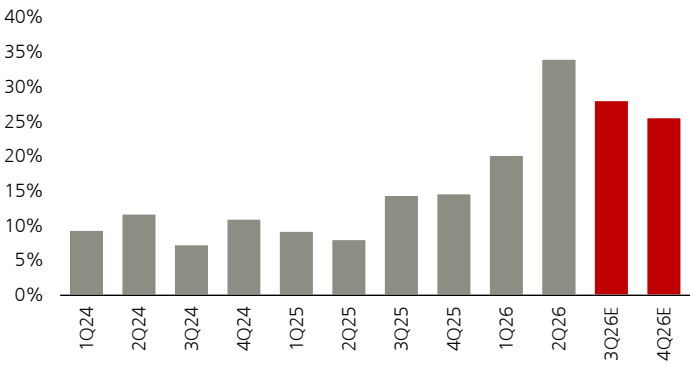
	Absolute view
US equities	▲ Attractive
Communication services	= Neutral
Consumer discretionary	▲ Attractive
Consumer staples	= Neutral
Energy	= Neutral
Financials	▲ Attractive
Health care	▲ Attractive
Industrials	▲ Attractive
Information technology	= Neutral
Materials	= Neutral
Real estate	= Neutral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

Source: UBS, as of 22 October 2026

Figure 2

Earnings growth still strong, but decelerating

S&P 500 EPS, y/y growth, actuals and CIO estimates



Source: FactSet, UBS, as of 22 October 2026

Bonds

We maintain an Attractive view on the bond classes below. Despite the stronger-than-expected inflation data, recent comments from Federal Reserve officials have suggested little urgency to raise rates further, reducing pressure on markets to price in an October hike. In our view, markets remain overly hawkish, pricing in around 75bps of additional tightening over the next 12 months. While we expect a further 50bps of tightening by 1Q27, we do not see this as the start of a new tightening cycle similar to that of 2022. As long as economic activity remains broadly resilient, and financing conditions stay supportive, we believe credit spreads should remain well anchored despite a modestly higher rate environment.

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: 5.1%)	September 2027 target
House view	**4.8%**

Note: All current values as of 21 October 2026

The third quarter culminated in a sharp Treasury sell-off in September as investors reassessed the outlook for economic growth, inflation, oil prices, and Fed policy. The 10-year Treasury yield rose above 5.3%, its highest level since 2002, but has since declined toward 5.1%. We continue to prefer positioning in the short- to intermediate-term (five- to seven-year) portion of the yield curve, but would selectively extend duration as yields rise. At current levels, Treasuries provide ample cushion against further rate increases. We expect the Fed to raise rates twice by the end of 1Q27, but recognize that economic fundamentals will dictate its actions. We expect 10-year Treasury yields to trend lower to a range of 4.5-5.0% by June 2027.

Emerging market bonds

▲ ATTRACTIVE

EMBIG DIV. / CEMBI DIV. SPREAD (current: 197bps / 192bps)	June 2027 target
House view	**185bps/175bps**
↗ Positive scenario	145bps/145bps
↘ Negative scenario	420bps/390bps

Note: All current values as of 21 October 2026

We maintain our Attractive view on emerging-market credit. The asset class has remained resilient despite ongoing geopolitical stress, reinforcing its role as a key portfolio diversifier amid fiscal challenges in developed markets. We expect spreads to remain rangebound or tighten slightly over the investment horizon, supporting carry-driven, mid-to-high-single-digit total returns. Key risks include U.S. policy uncertainty, inflation concerns, and the potential for an 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: 87bps)	June 2027 target
House view	**80bps**
↗ Positive scenario	70bps
↘ Negative scenario	180bps

Benchmark: ICE BofA
Note: All current values as of 21 October 2026

We view IG corporates as Attractive. All-in yields for US IG stand at 5.9%, up 110bps since the start of the year. This provides a substantial cushion that can support positive total returns for the asset class. Issuer credit fundamentals remain underpinned by a robust earnings environment, and we don't expect credit quality to deteriorate meaningfully in our base case. We also expect the market to absorb additional AI-related debt issuance. Credit spreads are tight, but we expect them to remain well anchored, while elevated yields should support steady investor demand.

US high yield corporate bonds

▲ ATTRACTIVE

USD HY SPREAD (current: 333bps)	June 2027 target
House view	**300bps**
↗ Positive scenario	250bps
↘ Negative scenario	650bps

Benchmark: ICE BofA
Note: All current values as of 21 October 2026

We view HY as Attractive. In September, the HY market came under pressure from higher rates, with all-in yields rising by more than 100bps during the month and spreads widening by around 50bps to nearly 330bps. Rising yields were driven by a combination of persistent inflation, higher oil prices, and a hawkish Fed. Nevertheless, the asset class benefits from solid fundamentals, healthy balance sheets, and low default risk. The current 8.4% yield offers compelling carry. We expect returns to be driven by income, not price appreciation.

Municipal bonds

▲ ATTRACTIVE

We moved Munis to Attractive from Neutral on 1 October. Munis experienced a steep and historic sell-off in September, driven by a spike in Treasury rates. They have rallied MTD in October but continue to underperform Treasuries and IG corporates on a YTD basis. The muni index yield of 4.5% (equivalent to a taxable yield of 7.5%) is attractive and remains near two-decade highs. High starting yields should support strong long-term total returns. Credit fundamentals remain resilient, and we expect technicals to improve over the next few months.

Non-US developed fixed income

= NEUTRAL

Bond yields remain elevated globally but have retreated from their early October highs, with most major non-US 10-year yields trading modestly lower month to date. The year-to-date bond selloff has been driven primarily by policy-rate repricing, with markets now pricing policy rates near, or in some cases above, their 2023 peaks. While changes in short rate expectations account for most of the move in yields, term premia have also rebounded recently, particularly in Europe. As inflation moderates, we expect central banks to deliver fewer hikes than markets currently price. 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 maintain 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 +17bps (versus +13bps last month).

Mortgage-backed securities (MBS)

▲ ATTRACTIVE

We maintain our Attractive allocation to agency MBS and high-quality CMBS. Rate volatility was a significant headwind to agency MBS performance in September as mortgage durations extended by nearly 30bps and the 30-year mortgage rate rose to 7.5%. Bank buying has declined, contributing to widening spreads. Rate volatility remains the key variable for agency MBS. The sector now offers higher yields and more attractive spreads than it did at the beginning of the quarter. If Treasury yields stabilize and volatility moderates, investors may benefit from attractive carry and supportive demand dynamics.

AGENCY MBS SPREAD (current: 125bps)

	June 2027 target
House view	**100bps**
↗ Positive scenario	90bps
↘ Negative scenario	160bps

Note: All current values as of 21 October 2026

Preferred securities

▲ ATTRACTIVE

Preferred securities ended a difficult third quarter, down roughly 3.7% as Treasury yields surged in September, with USD 1,000-par preferreds returning -2% and USD 25-par preferreds returning -5.4%. Retail preferred duration extended throughout the quarter to a decade-high 9.2 years in early October, amplifying rate sensitivity. Although Treasury yields have since eased modestly, USD 25-pars have lost more than 6% year to date. Tax-loss selling could weigh on the market into year-end. Still, we see a tactical rebound opportunity, supported by yields above 7% (attractive carry), and greater scope for Treasury yields to stabilize in the months ahead.

Treasury Inflation-Protected Securities (TIPS)

= NEUTRAL

We remain Neutral on the TIPS market. However, with 10-year real yields approaching 3%, the ability to lock in inflation-adjusted income has become increasingly compelling. CIO does not expect sharply higher long-term inflation expectations and views recent inflation concerns as supply-driven rather than demand-driven. Therefore, the primary valuation opportunity lies in elevated real yields, rather than in expectations for a significant widening in inflation breakevens.

US 10-YEAR REAL YIELD (current: 2.75%)

	June 2027 target
House view	**1.60%**
↗ Positive scenario	0.75%
↘ Negative scenario	2.50%

Note: All current values as of 21 October 2026

Figure 1

UBS CIO interest rate forecast

In %

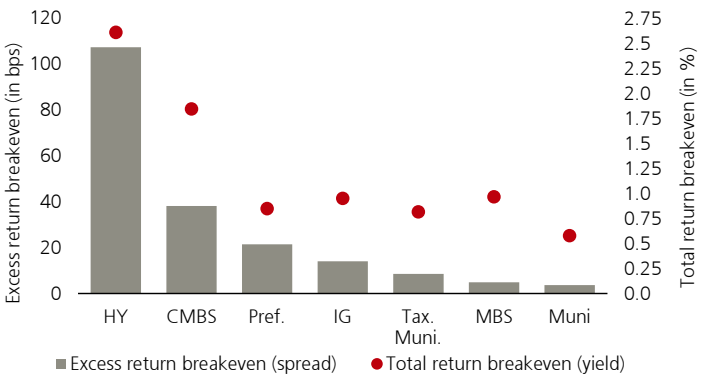
UST	Current	Dec-26	Mar-27	Jun-27	Sep-27
2-year	4.8	4.6	4.6	4.5	4.5
5-year	5.0	4.8	4.7	4.6	4.6
10-year	5.1	4.9	4.9	4.8	4.8
30-year	5.4	5.3	5.3	5.1	5.1

Source: Bloomberg, UBS, as of 21 October 2026

Figure 2

Enhanced yields provide a large cushion and tailwind to total returns

Spread, left, in bps and yield, right, in %



Source: ICE BofA, UBS, as of 20 October 2026

Commodities

Broad commodities have delivered strong performance so far in 2026, with our benchmark—the CMCI Commodity Total Return Index—up more than 30% since the start of the year. We believe commodities can offer both a structural source of returns and portfolio protection when rising inflation expectations put pressure on equities and bonds. Historically, commodities have provided valuable diversification because of their relatively low correlation with traditional asset classes.

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 4,141/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 21 October 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

The gold price has fallen as rising US real yields and a stronger US dollar increase the opportunity cost of holding the metal. As a non-yielding asset, gold typically becomes less attractive when real US yields rise. These macroeconomic headwinds could persist in the near term, leaving prices vulnerable to another test of the USD 4,000/oz level. That said, ETF holdings have remained unusually resilient, with steady inflows in recent weeks. We maintain a positive medium-term view. As markets scale back expectations for Fed rate hikes, we believe gold should regain momentum toward year-end and into 2027.

Base metals

LME copper prices have consolidated below recent highs as headlines around a potential Cobre Panama restart weighed on sentiment, although tight physical market conditions have kept prices supported above USD 14,000/mt. Near-term supply relief remains unlikely as mine supply growth continues to disappoint and concentrate availability remains exceptionally tight, despite ongoing discussions about Cobre Panama. We remain constructive on copper, expecting the market deficit to widen from 219,000 metric tons in 2026 to 379,000 metric tons in 2027, supporting prices toward USD 15,500/mt in 2027.

BRENT (current: USD 109/bbl) June 2027 target

= NEUTRAL

House view	USD 85/bbl

Note: All current values as of 21 October 2026

Crude oil

The release of strategic oil reserves should help contain near-term price spikes by offsetting declines in commercial inventories. However, such releases provide only temporary relief, as they do not eliminate the underlying tightness in the global oil market. Amid continued declines in oil inventories and escalating attacks in the Strait of Hormuz, prompting market participants to price in a higher geopolitical risk premium, we have raised our December oil price forecasts by USD 5/bbl. We now expect Brent to trade at USD 100/bbl and WTI USD 96/bbl by year-end.

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 following its 0.5% gain over the past month, driven by a more hawkish Fed outlook and resilient US economic data. While additional near-term USD strength is possible, we believe the currency is becoming increasingly overbought, limiting further upside. We continue to see opportunities in using the Swiss franc as a funding currency for long positions in the British pound, Norwegian krone, and Chinese yuan. GBP and NOK remain supported by attractive carry, while we see scope for gradual CNY appreciation from current levels. Over the medium term, we expect a weaker US dollar against a broad range of G10 and EM currencies from the twin deficits, although any decline is likely to be constrained in the near term while the Fed maintains a 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	1.12	1.16	1.18	1.2	1.2
USDJPY	158	160	158	158	158
GBPUSD	1.34	1.38	1.39	1.41	1.41
USDCHF	0.83	0.81	0.79	0.77	0.77
USDCAD	1.41	1.39	1.38	1.36	1.36
AUDUSD	0.7	0.7	0.71	0.72	0.73
NZDUSD	0.57	0.57	0.58	0.59	0.6
USDSEK	9.89	9.48	9.24	8.92	8.83
USDNOK	9.37	9.22	8.98	8.75	8.75

Sources: SIX Financial Information, UBS, as of 21 October 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.

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.

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