UBS House View

Monthly Letter | 23 January 2025 | Chief Investment Office GWM, Investment Research

Tariffs top of mind

President Trump has reiterated his intention to take an aggressive stance on tariffs. In our base case, we see the effective US tariff rate on Chinese imports rising to 30%.

Volatility likely

Investors should prepare for market volatility and potential policy surprises by considering portfolio diversification and hedging approaches.

US economy robust

While tariffs are a risk, we still expect a solid US economy, healthy earnings growth, and gradual Fed rate cuts to create a favorable backdrop for equities.

Asset allocation

We see US equities as Attractive and favor AI-related stocks. In fixed income, we favor government and investment grade bonds. We also like gold.

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Prepare for Trump 2.0

Since Donald Trump won the US presidential election and the Republicans gained control of Congress, long-end government bond yields have increased, the dollar has strengthened, and equity markets have become more volatile. The challenge for investors now is to understand the implications of potential changes in US policy.

Tariffs are top of mind for many investors. This is the area where the president has the most unilateral authority to alter the market consensus around continued growth and receding inflation.

In this letter we detail our latest tariff scenarios, consider how they may affect our broader investment scenarios for the year ahead, and address the implications for investors.

In short, we believe investors should prepare for the Trump administration to pursue aggressive tariffs. On his first day in office, the president announced and signed a flurry of executive orders and other actions. The most tangible trade-related action came in the form of a memorandum directing federal agencies to investigate and address "unfair" trade and currency policies by other countries. China's adherence to the 2020 trade deal and the US-Mexico-Canada Agreement (USMCA) were singled out.

The scope and severity of possible tariff outcomes remains uncertain. Our base case, to which we assign a 50% probability, is for the US effective tariff rate on China to rise to 30%, and for China to retaliate. We also expect efforts to limit transshipments, protect US technology interests, and impose tariffs on some EU exports.

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We are also monitoring for a risk case, which could include 10-20% universal tariffs on all US goods imports, a larger tariff of around 60% on China, or sustained, broad, and large tariffs against Mexico and Canada. This scenario would have a more negative impact on markets and the economy.

These tariff scenarios are a key determinant in our broader investment scenarios. We believe the most likely outcome (50% probability) is for growth despite tariffs. US growth momentum is currently strong, we continue to believe the Federal Reserve will cut interest rates by 50bps in 2025, and we see a limited overall macroeconomic impact from an effective tariff rate of 30% on direct imports from China.

What does all this mean for investors from here?

The risk-reward for equities remains attractive, in our view.

We believe that the risk-reward for equities is attractive, although investors should prepare for near-term tariff-related volatility. We expect around 10% upside for US stocks over the balance of 2025 thanks to solid economic growth, AI tailwinds, and gradually falling yields.

We also view the outlook for high grade and investment grade bonds as positive. In our base case, we expect the 10-year Treasury yield to fall to 4.0% by the end of 2025 as growth and inflation gradually slow, and as the Fed cuts rates.

We see upside to gold both in our base case and in our bear case risk scenarios.

We expect EURUSD to rise to 1.06 by the end of 2025, but given likely near-term volatility we like to harvest volatility in major currency pairs, rather than taking strong directional views. We see upside to gold both in our base case and in our bear case risk scenarios.

The coming weeks are likely to see volatility in markets, so we reemphasize the importance of diversification. But while the path ahead may be uncertain, we continue to see opportunities for investors who are well prepared and adaptable.

US trade policy in focus

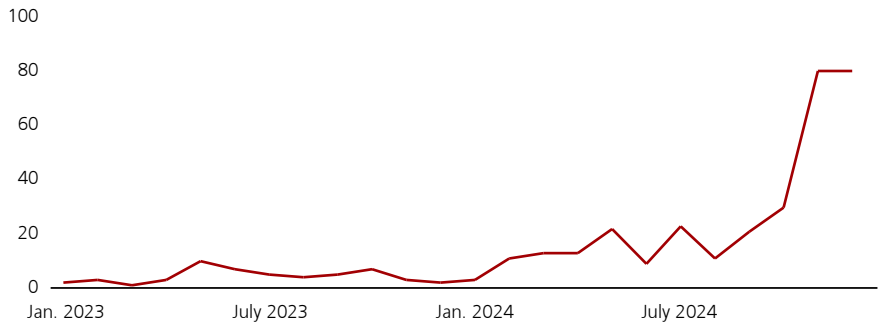
President Trump has reiterated his intention to take an aggressive stance on tariffs.

On his first day in office, President Trump reiterated his intention to take an aggressive stance on tariffs, and we believe that investors should prepare for this to be the case.

Figure 1

Tariffs are top of mind for investors

Number of mentions of tariffs in S&P 500 companies' earnings transcripts



Source: Bloomberg, UBS, as of January 2025

Already, he has issued a memorandum directing federal agencies to investigate persistent trade deficits and address "unfair" trade and currency policies by other countries, reporting back by 1 April. The memo singled out China's compliance with the 2020 trade deal and the USMCA. The president also told reporters that he was considering a 25% tariff on Mexico and Canada. On universal tariffs, he said "we may, but we're not ready for that yet."

In our base case, we expect the effective US tariff rate on Chinese imports to rise to 30%.

In our base case, we expect the effective tariff rate on China to rise to 30% (from 11% currently). We also expect measures to protect technological interests, rules limiting transshipments, and tariffs on EU autos. Possible retaliation by China includes imposing tariffs, weakening the Chinese yuan, and restricting critical mineral exports.

At the same time, we do not believe that aggressive tariffs will necessarily lead to a major negative impact on the broader US economy. Up to a third of China's exports to the US avoid tariffs by supply chain rerouting, and those that do not reroute currently account for just 12% of US imports by value, down from 18% in 2015. Non-tariff retaliations by China can still cause challenges in select areas, like critical minerals and agricultural supply chains, though currency actions and/or selling of Treasury bonds may not have as much of an impact as they once could have had. China's official holdings of US Treasuries have fallen from USD 1.1tr to USD 768bn over the past three years and should be seen in the context of a total refinancing need of USD 10tr this year.

The Fed is likely to look through one-off price increases because of tariffs.

We do not believe that tariffs would necessarily lead to persistently higher inflation. Using market-based gauges, there is little sign that inflation expectations have become unanchored. The Fed is likely to look through one-off price increases because of tariffs. And the central bank's own analysis of 2018-19 suggests that it is the potential impact on growth that would concern them more than the inflation impact.

What could lead to a worse outcome for markets and the economy?

- *Mexico and Canada* together account for about 30% of the US's total trade, more than twice the share of direct trade with China (12%). We consider broad-based and long-lasting tariffs on Mexico or Canada to be unlikely, given significant economic and political investment in the USMCA (including from President Trump himself), eventual signs of cooperation from Mexico on border security and drug enforcement, and the risk of potentially damaging retaliation.

  President Trump's threatened 25% tariff could be an example of an "escalate to de-escalate" negotiation tactic. If the tariffs were announced, but the news flow suggests they would not be sustained, then we would view market volatility as a potential buying opportunity, particularly in US equities, which we rate as Attractive.

Conversely, if the 25% tariffs appear set to be broad and sustained, then we would likely need to lower our growth forecasts, raise our inflation forecasts, and reconsider our positive view on risk assets. This would particularly be the case if it were to appear likely that the tariffs would be in place for six months or more and if they appeared likely to provoke second-round inflation effects.

- *Universal or not?* The impact of individual tariffs is often mitigated by supply chains adjusting (by sourcing in different locations) and/or consumers adapting (by purchasing different products). But if Trump pursues blanket universal tariffs (i.e., tariffs on all US imports), such adaptation would not be possible, and longer-term growth estimates would likely need to be downgraded.

We believe that universal tariffs would likely be hampered by legal challenges.

We believe that universal tariffs would likely be hampered by legal challenges and could require Congressional approval, where ideological differences on free trade could hinder their passage. But there is a chance that the president's national emergency justification may prove sufficient for such challenges to be

Potential tariff outcomes

We expect trade policy, including the use of tariffs, to play a central role in the Trump administration's agenda. While the range of possible policy permutations is wide, we group the potential outcomes into the following four scenarios:

Aggressive (50% probability): The US effective tariff rate on China rises to 30%, primarily on industrial and capital goods, stepped up over time from the current 11%. China retaliates, but the impact on the US economy is limited given the relatively low level of US exports to China. Retaliation could include sanctions of US companies, allowing the Chinese yuan to weaken, and limits on critical minerals exports. The US pursues efforts to protect and promote US technology interests, including critical minerals. The US focuses on Rules of Origin to limit transshipments of goods through Vietnam, Mexico, and elsewhere. The US imposes tariffs on EU autos (including EVs). The EU retaliates.

This tariff scenario is consistent with our base case macro scenario of "growth despite tariffs," to which we assign a 50% probability.

Highly aggressive (25%): Universal tariffs of 10-20% are imposed on all US imports, with a higher 60% rate on Chinese goods, and/or high (e.g., 25%), broad, and sustained tariffs on Canada and Mexico. Court challenges against the use of presidential authority to impose universal tariffs fail. Retaliation occurs globally.

This tariff scenario is consistent with our bear case macro scenarios of a "tariff shock," to which we assign a 15% probability, and a "hard landing," to which we assign a 10% probability.

Limited (15%): The US delays action against China and revisits the Phase 1 trade deal negotiated during Trump's first term. Some export restrictions and product-based tariffs are imposed on technology goods and items important to economic and national security. The US pursues a policy of "escalate to de-escalate" with USMCA countries and other allies, with most issues resolved without sustained tariffs. The USMCA is reviewed in 2026.

Benign (10%): The US reaches a deal with China with a reliance on purchase quotas and otherwise uses very limited tariffs to achieve balanced trade.

The "limited" and "benign" tariff outcomes are consistent with our bull case "strong growth" macro scenario, to which we assign a 25% probability.

rebuked. If they were to be enacted and ratified, it would mark a fundamental and potentially long-term shift in US economic policy and would be a negative for both markets and growth.

We are also monitoring the risk that, even in the absence of widespread selective or universal tariffs being imposed, companies use trade taxes as an excuse to raise prices. This could raise inflation concerns at the Fed.

- *Policies beyond trade: immigration.* While much investor focus has been on tariffs, President Trump has also declared a national emergency at the southern border and stated that the process of returning undocumented immigrants would begin immediately. While funding is currently not available for such a deportation program, the risk, if the policy were to be enacted on a large scale, is that the US labor supply could be reduced. This could contribute to higher inflation, particularly in service sectors, and have a negative impact on consumer demand and hence growth.

House View scenarios

Overall, we see the following scenarios for the remainder of the year:

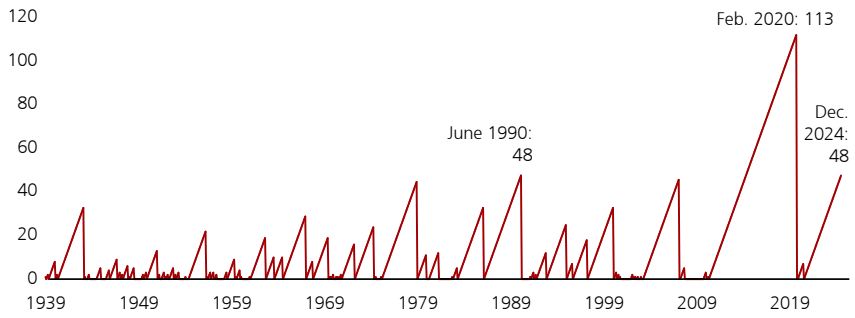
Our base case is for solid US economic growth despite tariffs.

Base case: growth despite tariffs (50%). As described above, we do not believe that our base case expectations of 30% effective tariffs on China, select tariffs on Europe, and some efforts to limit transshipments will be particularly damaging to still-solid US growth. Nor do we believe such tariffs would preclude inflation from continuing to fall from current levels, enabling the Fed to cut rates by 50bps later this year. In this scenario, we would expect the 10-year Treasury yield to fall to 4.0% and US and Asia-ex Japan equities to rally by around 10%.

Figure 2

The US has seen one of the longest streaks of consecutive positive monthly job growth

Number of months with consecutive payroll gains in the US, since 1939



Source: Bloomberg, UBS, as of January 2025

	Bull case: strong growth	**Base case: growth despite tariffs**	**Bear case: tariff shock**	**Bear case: hard landing**
Probability	**25%**	**50%**	**15%**	**10%**
Market path	**Bond returns flat, equities up** Equity markets rally amid strong US growth, accelerating consumption, and optimism about the impact of AI on earnings. Bond yields trend slightly up.	**Bond returns slightly up, equities up** Equities rise owing to a stable and positive outlook for GDP and earnings growth. Bond yields fall slightly over the course of the year.	**Bond returns down slightly, equities down** Equities and bonds suffer a correction due to fears of economic stagnation, a rising US fiscal deficit, and a longer period of tighter monetary policy.	**Bond returns up, equities sharply down** Global equities post double-digit losses, credit spreads widen. Valuations in AI stocks drop substantially. Safe-haven assets, such as high-quality bonds, gold, the US dollar, the Swiss franc, and the Japanese yen, appreciate.
Economic growth	The US economy continues to surprise positively, aided by policy support from deregulation and lower taxes. China's economy turns the corner as policy stimulus proves more effective than expected and a US trade deal is reached quickly. European growth is lifted by improving global demand.	The US economy continues to grow at a stable pace of around 2.0% over the next 12 months. Other Western economies experience weaker but positive growth in line with market expectations. Policy stimulus in China helps to stabilize economic activity.	The disruption to global trade leads to lower US domestic demand and much weaker global economic growth, though likely falling short of a US or global recession.	Global growth falls over the next 12 months owing to weakness in consumer spending and labor markets and/or a fall in AI-related investments. GDP contracts for one or more quarters in the US and the Eurozone. Policy stimulus in China fails to stabilize the economy.
Inflation	Continues to fall in Europe but stabilizes above target in the US as fiscal stimulus lifts consumption.	Resumes its weakening trend in the developed world. Further softening in US core PCE opens door for more Fed rate cuts by mid-2025.	Remains elevated in the US as each subsequent round of tariffs puts additional upward pressure on prices. Inflation in targeted countries normalizes less quickly as currencies weaken to offset the tariff impact.	Falls as demand for goods and services collapses.
Central banks	The Fed pauses as inflation normalization stalls. Other central banks cut rates in line with expectations as inflation continues to normalize despite stronger-than-expected economic activity.	All major central banks ease policy by mid-2025 with the exception of the Bank of Japan. The Fed cuts rates by 50bps in 2025. The ECB cuts rates by 25bps every meeting until mid-2025.	Central banks adopt a more cautious approach to monetary easing for fear of a longer period of above-target inflation and dis-anchoring inflation expectations.	Major central banks cut rates swiftly at first signs of an economic downturn, bringing monetary policy back into accommodative territory. The Fed lowers its policy rate by at least 200bps over the next 12 months.
US politics / Geopolitics	US corporate tax cut to 20% or lower. A quick trade deal happens between the US and its main trading partners.	President Trump extends the time frame of temporary tax relief policies in the US but stops short of lowering US corporate taxes. Selective tariffs are implemented on US imports, mainly targeting China, with some tariff retaliation by other countries. The chances of a cease fire deal in the Ukraine have increased.	The Trump administration imposes large tariffs on imports from multiple countries, with proportionate retaliation by targeted trading partners.	

Note: Each scenario narrative represents a non-exhaustive list of events that could lead to a market path outlined in our scenario targets. The probabilities represent CIO's view on the overall probability of reaching the market targets for the given scenario, rather than the probability of a single event or chain of events materializing.

Source: UBS, as of January 2025

Other aspects of the Trump policy agenda could facilitate stronger growth.

Bull case: strong growth (25%). While there is significant focus on tariffs, we shouldn't forget that other aspects of the Trump policy agenda could facilitate stronger growth. We also note that data over the past month—including stronger-than-expected US payrolls growth and lower-than-expected core inflation—has supported this scenario. An economic bull case could see US growth stay around 2.5% while inflation stays in the 2-3% range, with continued optimism about artificial intelligence proving additionally supportive for markets.

In such a scenario, we would expect the Fed to keep interest rates on hold at 4.5%, the 10-year US bond yield to rise to 5.25%, and global equities to rally by about 15-20%.

In a tariff shock scenario, stocks and bonds would likely suffer.

Bear case: tariff shock (15%). If trade policy proves highly aggressive, we believe it would be likely (albeit not certain) that both equity and bond markets would sell-off as growth forecasts are revised down, inflation forecasts are pushed up, and countervailing forces like AI or pro-growth policies prove insufficient to offset this.

In such a scenario, the Fed and other global central banks would likely consider delaying further rate cuts to manage inflation expectations, and risk premia would likely rise. We would expect the 10-year Treasury yield to rise to 5.0%, US equities to fall by around 15%, and European and emerging market equities to fall by around 20%.

Bear case: hard landing (10%). We also shouldn't neglect a background concern that US consumer spending finally "cracks"—for example, if unemployment rises significantly.

In such a scenario, we would expect rapid interest rate cuts as central banks attempt to support demand, the 10-year Treasury yield to fall to 2.5%, and global equities to decline by around 25%.

What are the key messages for investors?

Here are our key messages for investors looking to navigate this backdrop of diverse potential outcomes:

Equities

A resilient US economy and solid earnings growth should support equities.

We believe investors should position for *more to go in stocks*. Tariff risks, US fiscal policy concerns, and shifting expectations around inflation and Fed policy are likely to keep equity markets volatile in the near term. But we believe the combination of resilient US economic activity, solid earnings growth, lower borrowing costs, and the potential for greater capital market activity will lead stocks higher over the balance of 2025.

In our base case, we see the S&P 500 reaching 6,600 by the end of the year, and believe it could even hit 7,000 in the event of a strong growth scenario. We also

see value in maintaining diversified exposure to Asia ex-Japan. In Europe, we like EMU small- and mid-cap stocks and Swiss high-quality dividend stocks.

We think investors should focus on continuing to *seize the AI opportunity*. In 2025, we expect high rates of investment in AI, including the USD 500 billion "Stargate" investment plan, to start to be followed by growth in applications. Investors should focus on listed megacaps and innovative private companies to capitalize.

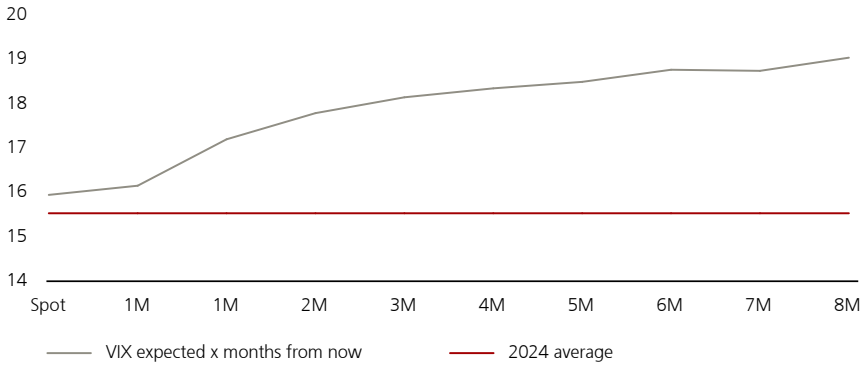
Investors can consider opportunities across the power and resources value chain.

We also like companies exposed to *power and resources*. A mixture of AI advancements, decarbonization, and economic development is boosting electricity demand. We believe the market is underestimating the opportunity this may create across the power and resources value chain, including in utilities, infrastructure, power equipment, and storage.

Figure 3

Markets expect a more volatile year

VIX index, x months from now based on futures, and average volatility in 2024



Source: Bloomberg, UBS, as of January 2025

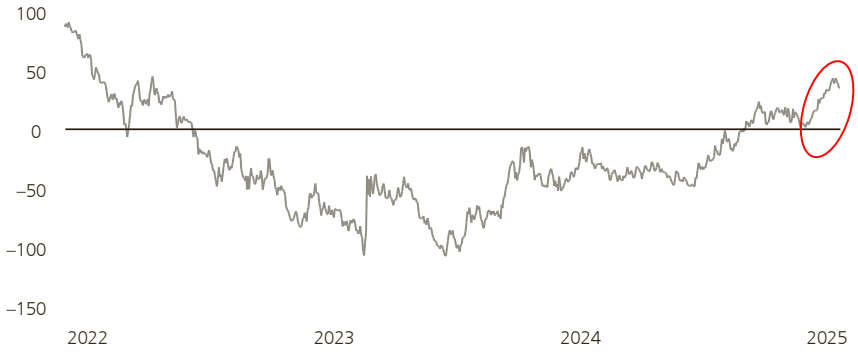
We see an opportunity to lock in attractive yields on quality bonds.

Bonds

Long-end rates have moved higher since the US election owing to robust US economic data, a repricing of Fed rate-cutting expectations, and fiscal concerns. Yields have come off their peak, but we believe they remain attractive. We favor high-quality segments, particularly government and investment grade bonds.

We forecast lower yields over 2025 as inflation cools and the Fed gradually cuts policy rates. Given the recent curve steepening, we recommend investors to improve yields by switching from cash into medium-duration bonds.

Figure 4
The US yield curve has normalized
2-year/10-year Treasury yield spread, in bps



Source: Bloomberg, UBS, as of January 2025

In our base case, we expect the 10-year Treasury yield to fall to 4.0% this year.

In our base case, we expect the 10-year Treasury yield to fall to 4.0% in 2025. While yields could rise in the event of a tariff shock or a strong growth scenario, elevated starting yields should help cushion the total return outlook. And in a hard landing scenario, quality bonds would likely rally sharply, helping offset the decline in equities.

We also see other opportunities for diversifying and boosting portfolio income, including through diversified fixed income strategies, senior loans and private credit, and equity income strategies.

Key targets for December 2025	Spot*	Bull case: strong growth	Base case: growth despite tariffs	Bear case: tariff shock	Bear case: hard landing
MSCI AC World	1,061	1,240 (+17%)	1,140 (+7%)	890 (–16%)	800 (–25%)
S&P 500	6,086	7,000 (+15%)	6,600 (+8%)	5,100 (–16%)	4,500 (–26%)
EuroStoxx 50	5,206	5,900 (+13%)	4,900 (–6%)	4,000 (–23%)	3,800 (–27%)
SMI	12,208	14,200 (+16%)	12,200 (–0%)	10,500 (–14%)	10,200 (–16%)
MSCI EM	1,082	1,250 (+15%)	1,160 (+7%)	870 (–20%)	850 (–21%)
Fed funds rate (upper bound)	4.50	4.50	4.00	4.00	1.00
US 10y Treasury yield (%)	4.61	5.25	4.00	5.00	2.50
US high yield spread**	259bps	250bps	300bps	450bps	700bps
Euro high yield spread**	301bps	300bps	340bps	500bps	700bps
US IG spread**	70bps	55bps	70bps	120bps	180bps
Euro IG spread**	96bps	90bps	105bps	160bps	200bps
EURUSD	1.04	1.10 (+6%)	1.06 (+2%)	0.98 (–6%)	1.05 (+1%)
Commodities (CMCI Composite)	1,853	2,000 (+8%)	1,935 (+4%)	1,725 (–7%)	1,600 (–14%)
Gold***	USD 2,771/oz	USD 2,550/oz (–8%)	USD 2,850/oz (+3%)	USD 3,050/oz (+10%)	USD 3,150/oz (+14%)

* Spot prices as of market close of 22 January 2025. Developed market constituents of the MSCI All Country (AC) World index display in the local currency. The MSCI EM index displays in US dollar. Values in brackets are expected percentage changes from the quoted spot levels. Dividends, share buybacks and other sources of carry are not included.

** During periods of market stress, credit bid-offer spreads tend to widen and result in larger ranges.

*** Gold is a safe-haven asset whose price tends to rise when risk assets, such as equities, fall, and vice versa.

Note: The asset class targets above refer to the respective macro scenarios. Individual asset prices can be influenced by factors not reflected in the macro scenarios.

Currencies
Robust US economic data and ongoing uncertainty around the extent and nature of tariffs are likely to keep the US dollar strong in the near term. But elevated investor positioning and the dollar's high valuation still favor a reversal of first-half gains as we move toward the latter part of the year. In our base case, we forecast EURUSD at 1.02 in June and 1.06 in December.

Elsewhere, we downgrade the Swiss franc to Neutral given the prospect that Swiss interest rates remain far lower than in other regions. We also move the British pound to Neutral given our expectation for US dollar strength in the near term.

Harvesting currency volatility can enhance portfolio income.

We like using the higher volatility in currency markets to enhance portfolio income. Over one to three months, we like yield pickup opportunities by selling the upside in EURUSD and the downside in USDCHF. Over six months, we like selling the upside in CHFJPY, EURGBP, and EURAUD, and selling the downside in GBPUSD, GBPCHF, and AUDUSD.

Commodities

We believe gold remains appealing as a portfolio hedge.

We continue to *go for gold*. We expect central bank purchases and falling real interest rates to underpin strong demand, and we believe gold remains appealing as a portfolio hedge amid residual inflation, fiscal, and persistent geopolitical concerns. We expect gold to rally to USD 2,850/oz later this year in our base case. We also see upside for silver prices in 2025.

Risks to oil prices remain skewed to the upside in the short term, in our view. Current prices do not offer sufficient incentives for US producers to increase their output, despite President Trump's "drill baby drill" mantra. We also do not expect OPEC+ to increase its output, and believe the group is only likely to adjust its production policy if supply disruptions materialize. We continue to forecast Brent crude to trade around USD 80/bbl this year and like to sell its downside price risks.

Risk management
As the Trump administration's policy agenda takes shape, investors should prepare for market volatility and consider portfolio diversification and hedging approaches. In equities, capital preservation strategies can help manage downside risks. Investors should manage allocations to long-duration bonds carefully, given the fiscal risks in the US. We think long USDCNY could be an effective hedge against trade risks, while oil prices could move higher if sanctions on Iran are stepped up. We also continue to see gold as an effective hedge against geopolitical and inflation risks.

Mark Haefele
Chief Investment Officer
Global Wealth Management

Global forecasts

Economy

Real GDP y/y, in %

	2023	2024E	2025E
US	2.9	2.8	2.1
Canada	1.1	1.2	2.0
Japan	1.5	-0.2	1.1
Eurozone	0.5	0.7	0.9
UK	0.4	0.8	1.1
Switzerland	0.7	1.4	1.3
Australia	2.1	1.0	1.9
China	5.2	4.8	4.0
India	8.2	6.3	6.3
EM	4.7	4.3	4.0
World	3.4	3.2	3.0

Inflation (average CPI), y/y, in %

	2023	2024E	2025E
US	4.1	3.0	2.6
Canada	3.9	2.4	2.2
Japan	3.3	2.6	2.2
Eurozone	5.5	2.4	2.2
UK	7.4	2.5	2.4
Switzerland	2.1	1.1	0.5
Australia	5.6	3.2	2.5
China	0.2	0.4	0.1
India	5.4	4.8	4.2
EM	7.3	8.1	3.9
World	6.1	5.7	3.2

Source: Bloomberg, UBS, as of 23 January 2025. Latest forecasts available in the *Global forecasts* publication, published weekly.

Asset classes

	Spot	June-25	Dec-25
Equities			
S&P 500	6,086	6,300	6,600
Eurostoxx 50	5,206	4,850	4,900
FTSE 100	8,545	8,100	8,200
SMI	12,208	12,000	12,200
MSCI Asia ex-Japan	702	748	780
MSCI China	64	62	68
Topix	2,737	2,870	2,910
MSCI EM	1,082	1,120	1,160
MSCI AC World	1,061	1,090	1,140
Currencies			
EURUSD	1.04	1.02	1.06
GBPUSD	1.23	1.23	1.29
USDCHF	0.91	0.91	0.88
USDCAD	1.44	1.44	1.40
AUDUSD	0.63	0.63	0.66
EURCHF	0.94	0.93	0.93
NZDUSD	0.57	0.54	0.56
USDJPY	156	156	149
USDCNY	7.28	7.50	7.50

	Spot	June-25	Dec-25
2-year yields, in %			
USD 2y Treas.	4.30	3.75	3.75
EUR 2y Bund	2.24	2.00	1.75
GBP 2y Gilts	4.35	3.75	3.50
CHF 2y Eidg.	0.13	0.10	0.10
JPY 2y JGB	0.70	0.80	1.00
10-year yields, in %			
USD 10y Treas.	4.61	4.00	4.00
EUR 10y Bund.	2.53	2.25	2.25
GBP 10y Gilts	4.63	4.00	4.00
CHF 10y Eidg.	0.40	0.30	0.30
JPY 10y JGB	1.20	1.20	1.20
Commodities			
Brent crude, USD/bbl	79	80	80
Gold, USD/oz	2,771	2,800	2,850

Source: Bloomberg, UBS, as of 23 January 2025. Latest forecasts available in the *Global forecasts* publication, published weekly.

Disclaimer / Risk Information

Non-Traditional Assets

Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

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

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

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