



CIO recommends that investors maintain strategic exposure to broad technology, AI, and the US market as a whole (UBS)

# Position for the uptrend in equities to continue

17 February 2026, 19:06 UTC, written by UBS Editorial Team

**The S&P 500 has traded in a 200 point range this year and stands around 3% from its all-time high.**

This masks a setback for the tech sector on worries over the pace of AI spending and stock-specific shocks on the potential for AI software to disrupt industries. Yet a broadening of the equity rally means the equal weighted S&P 500 has outperformed and hovers near its highs. The UBS Chief Investment Office (CIO) believes this is likely to go further, as a wider group of sectors benefits from US fiscal and monetary stimulus.

**The tech sector, which has led the rally in recent years, has come under pressure.**

- The software segment of the tech sector has been hit by worries that AI coding could make it easier for competitors to encroach on incumbent providers.
- The S&P 500 software sector is down around 17% so far in 2026, as of 17 February.
- In addition, investors have been taking a more selective approach to tech stocks, looking for strong earnings and evidence of monetization to justify heavy AI capital spending.

**While we expect lingering uncertainty in tech, a broader range of sectors look set to keep the rally on track.**

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- We recently downgraded US tech to Neutral from Attractive, with the pressures noted above likely to persist.
- A moderation of gains in tech, however, won't end the equity rally, in our view.
- The healthy US economic outlook should benefit sectors like consumer discretionary and banks, while health care and utilities can gain from secular increases in demand.

**So we advise investors to position for the uptrend in equity to continue and to broaden further.**

- We expect the S&P 500 index to be supported by earnings growth of 12% for 2026, helping it to end the year around 7,700, about 13% above current levels.
- Investors with excess exposure to US IT should consider diversifying toward other preferred areas of the market, or using structures strategies to limit potential losses and trim positions systematically.

**Investment view**

We recommend that investors maintain strategic exposure to broad technology, AI, and the US market as a whole. Moving the US IT sector to Neutral is not a negative view on technology as a whole, and it is important to recognize that there is more to the AI opportunity than this sector. We retain our Attractive view on AI. However, we do recommend investors position for a continued broadening of the equity rally.

**Did you know?**

The hardware segment of the IT sector is heavily dominated by smartphone manufacturers. This segment has been performing well owing to the recent strong growth in smartphone units. However, current tech hardware valuations appear full, with a 12-month forward price-to-earnings ratio of 27.7x compared with a 10-year average of 20.0x.

Original report: [Will the US equity rally continue to broaden?, 17 February 2026.](#)

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