



A solid US economy, positive earnings growth, and the continuation of the global rate-cutting cycle set up a constructive environment for stocks. (UBS)

What's next for equities?

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CIO anticipates further volatility amid tariff concerns. We continue to expect gains for the S&P 500 and see the index reaching 6,600 by year-end. CIO believes a solid US economy, healthy corporate earnings growth, and further advancements in AI should support the rally.

CIO also sees opportunities in Asia ex-Japan equities, including Taiwan and India. In Europe, we like EMU small and mid-cap stocks and Swiss high-quality dividends.

Equity markets have had a volatile start to the year.

- The S&P 500 set its first record closing high of 2025 on 23 January, before a tech-led tumble amid concerns over the profitability of US big tech and tariff uncertainty.
- US President Donald Trump has paused an additional 25% tariff on imports from Canada and Mexico, while the additional 10% duty on all imports from China have gone into effect. Separately, he said 25% tariffs on all imports of steel and aluminum will be announced soon.

But we think the fundamental backdrop remains constructive.

- Uncertainty over US trade and fiscal policy, inflation, and the pace of Fed easing will continue to trigger volatility.
- But tariffs on Canada and Mexico are unlikely to be sustained, and US economic growth should represent a tailwind for stocks. Gradual Fed rate cuts are also positive for equities.
- Artificial intelligence will likely remain a key driver of equity market returns for several years.

We believe there is more to go in equities.

- We expect the S&P 500 to rise to 6,600 by December 2025.
- Elsewhere, we see opportunities in Asia ex-Japan, including Taiwan and India. We also favor Eurozone small and mid-cap stocks, the health care sector, and high-quality dividend stocks in Switzerland.
- Investors who are underinvested in AI can use periods of volatility to gain exposure. Structured strategies with capital preservation features can help investors navigate market volatility while staying invested.

Did you know?

- Historically, stocks have performed well after volatility spikes. The S&P 500 delivered 12-month total returns of around 15% after the VIX index rose above 25, versus 11% in all periods.
- Within the US equity market, the IT, financial, utilities, and health care sectors are among those we see as Attractive.
- We believe that the recent development of DeepSeek, a lower-cost AI model, will ultimately lead to even broader proliferation of AI, enhancing growth and productivity.
- We expect 9% earnings per share growth for the S&P 500 in 2025.

Investment view

A solid US economy, positive earnings growth, and the continuation of the global rate-cutting cycle set up a constructive environment for stocks. Exposure to US stocks and especially technology is crucial to capture the AI opportunity, in our view. We also see opportunities in Eurozone small and mid-cap stocks and in Asian ex-Japan equities. Structured strategies can help investors navigate market volatility.

Original report: [What's next for equities?, 10 February 2025.](#)

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