



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?

10 February 2025, 3:03 pm CET, written by UBS Editorial Team US Editorial Team

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.](#)

Disclaimer

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. Additional Disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

This document and the information contained herein are provided solely for your information and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.** Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Additional Disclaimer relevant to Credit Suisse Wealth Management: Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit <https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html> to read the full legal disclaimer applicable to this document.

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.