



CIO believes the risk-reward in US stocks is slightly more balanced in the near term and continues to expect gains ahead, as reflected by our June 2026 S&P 500 price target of 6,400. (UBS)

CIO bumps S&P 500 year-end 2025 price target to 6,000 from 5,800

28 May 2025, 11:15 UTC, written by US Editorial Team UBS Editorial Team

On the heels of the de-escalation in trade frictions between the US and China, we downgraded US equities from Attractive to Neutral on 12 May, following a sharp rise in US stocks over the prior month.

The Neutral stance reflects CIO views that the near-term risk-reward for US stocks looks more balanced now that markets are higher than 2 April levels, the day that President Trump imposed “Liberation Day” tariffs. Valuations tell a similar story, with the S&P 500’s forward P/E now higher than its five-year median.

In addition, tariffs have already been dialed back on every major trading partner as the US engages in a negotiation process. So, trade-related upside catalysts appear to be less prevalent. And it’s certainly possible that there could be a re-escalation in trade frictions during these negotiations.

Furthermore, the economy still needs to adjust to the higher tariff levels that President Trump has put in place. As a result, economic data look poised to soften in the months ahead. We don’t think this is a major source of downside risk for US equities, but it could be a modest headwind.

That said, we still think the bull market is intact and stocks can continue to move higher over the coming year. After digesting the tariff impact, economic data should begin to improve later this year driven by a pickup in real wage growth, clarity on tax policy, deregulation, and potential Fed rate cuts.

The S&P 500 performance when the VIX volatility index declines to a more normal level (<23) after spiking above 40. In seven of the eight times this has happened in the last 35 years, the S&P 500 continued to rise with an average gain of 13%. In the current episode, the VIX fell below 23 on 2 May. If stocks behave in line with the average experience, the S&P 500 could rise to over 6,400 by May 2026.

We take a slightly more conservative approach because we don't think the Fed will embark on a powerful easing cycle like it has done in past episodes. We set our June 2026 S&P 500 price target at 6,400. We also bump up our year-end 2025 price target to 6,000 from 5,800. This change is driven by an increase in our S&P 500 EPS estimate for 2025 owing to a solid first-quarter reporting season and slightly higher expectations for GDP growth in the second half of the year on a rapid deescalation in trade frictions.

The first-quarter reporting season also demonstrated that spending on AI remains robust, with Meta slightly raising its capital spending plans for 2025. Microsoft posted much better-than-expected cloud revenue growth and confirmed that data center capital spending for its next fiscal year—starting in July—will continue to grow. Industrial and power companies that sell to data centers also reiterated the solid outlook. Continued investment spending and AI adoption is an important driver for US equities.

To recap, we think the risk-reward in US stocks is slightly more balanced in the near term. But we continue to expect gains ahead, as reflected by our June 2026 S&P 500 price target of 6,400.

Main contributors: David Lefkowitz, Nadia Lovell, Matthew Tormey

Original report: [UBS Equity Compass: Strategic shifts as trade clouds lift, 22 May 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.