CIO believes that the bull market is intact and that stocks will likely rise further over the next year. (UBS)

Does the equity bull market have further to run?

29 September 2025, 15:35 UTC, written by UBS Editorial Team

US stocks have recorded a string of all-time highs in recent weeks, supported by a better-than-anticipated second-quarter earnings season, with strong results from AI-exposed companies, and the start of a second wave of easing from the Fed.

The Chief Investment Office (CIO) believesthe equity bull market has further to run and expect the S&P 500 to reach 6,800 by June 2026. Investors underallocated to equities could consider phasing in and using market dips to add exposure to preferred areas.

US equities are trading at record levels and current valuations are high.

- The S&P 500 retreated modestly last week. But it is still up 13% year to date and trades only a fraction below an all-time high struck on 22 September.
- Valuations are high compared to traditional measures' long-term averages. The S&P 500 forward P/E is at 22.5x and the Shiller CAPE ratio is at 37.9x, both in the 99th percentile over the past 20 years.
- There are also some signs of froth, with meme stocks performing strongly, and some initial public offerings are surging in initial trading.

But we do not believe a market bubble is forming.

- Earnings growth is improving. CIO recently increased its S&P 500 EPS estimates to USD 270 (8% growth) for 2025 and USD 290 (7.5% growth) for 2026.
- Investor sentiment does not appear overly bullish: The American Association of Individual Investors' survey has registered net bearish readings in recent weeks. Institutional positioning also appears cautious.
- One of the typical causes of historical bubbles "popping"—higher interest rates—looks unlikely to materialize in the near term. The Fed last week cut rates for the first time in 2025, and signaled more easing to come.

Did you know?

- Price-to-earnings (P/E) ratios for today's tech giants are far lower than for the tech firms at the peak of the dotcom bubble. For example, if we look at dotcom era market leaders—Microsoft, Cisco, Lucent, Nortel, and AOL—their average forward P/E in 1999 was 82x, substantially higher than the Magnificent 7's 28x average forward P/E over the last 12 months.
- FINRA data shows that margin debt as a percentage of market capitalization rose from 1.7% in May 1999 to 2.6% at the dotcom peak in March 2000. The ratio is currently 1.8%, not far from the 30-year low of 1.5%.

Investment view

CIO rates US equities as Neutral, but this is not a "negative" stance. They believe the bull market is intact, and stocks will likely rise further over the next year. CIO sees the S&P 500 reaching 6,800 by June 2026. They focus on select US sectors, including financials, technology health care, utilities, and communication services—while identifying structural growth opportunities in AI, power and resources, and longevity.

Original report: **What's next for US equities?, 29 September 2025.**

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