(UBS)

Investors underallocated to stocks should prepare to add exposure on market dips

6 October 2025, 14:19 UTC, written by UBS Editorial Team

Lower US interest rates, robust earnings growth, and AI tailwinds should support further gains for global equities over the coming year, according to the Chief Investment Office (CIO).

Investors who are underallocated to equities may consider phasing in and using market dips to add exposure to CIO's preferred areas of the market, including structural growth themes like AI. Structured strategies can also help investors manage risks while positioning for potential gains.

Equity market volatility may pick up amid near-term risks.

- While a number of global stock indexes reached all-time highs last week, lingering concerns about the length of the US government shutdown, political uncertainty in France, and a surprise election result in Japan may all lead to higher equity volatility.
- CIO still expects global stocks to post gains over the next 6-12 months, but acknowledge that valuations are high, and the market is heavily concentrated.

Investors underallocated to stocks should prepare to add exposure on market dips.

- Market dips may create opportunities to put money to work in key long-term growth themes like AI, power and resources, and longevity.
- CIO also favors US tech, health care, utilities, and financials; Swiss high-quality dividends, European quality, European industrials, and our "Six ways to invest in Europe" theme; and China's tech sector, Japan, Singapore, India, and Brazil.

Phase-in strategies can help investors build exposure in a disciplined way.

- A disciplined approach to phasing into stocks or balanced portfolios may help manage the risk of poor timing, reduce the influence of emotion, and provide more opportunities to benefit from market dips and rebounds.
- Meanwhile, investors who are fully allocated to stocks and mindful of near-term risks can consider structured strategies with capital preservation features.

Investment view

CIO believes US lower interest rates, robust earnings growth, and AI tailwinds will support further upside for global equities over the coming year. Investors underallocated to stocks should consider phasing in and using market dips to build exposure to preferred areas, including CIO's Transformational Innovation Opportunity (TRIO) themes of AI, Power and resources, and Longevity.

Original report – **How can I prepare for equity market volatility?, 6 October 2025.**

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