



(UBS)

# US tech sector is likely to remain a key driver for the market's next leg up

4 December 2025, 14:32 UTC, written by UBS Editorial Team

**Tech stocks have underperformed the broader US equity market despite the recent rebound.**

We maintain our positive outlook on the tech sector as the fundamentals that have supported the AI rally remain strong. We see genuine demand for AI-related products and services, and monetization continues to show encouraging improvements. Salesforce, for example, on Wednesday provided a revenue outlook that exceeded analysts' estimates, driven by increasing customer adoption of its AI tools.

The US tech sector is likely to remain a key driver for the market's next leg up, but its recent underperformance also points to other compelling opportunities across the market.

**Innovative companies focused on promoting longevity and good health should gain further momentum.**

The US health care sector has emerged from a period of policy uncertainty, and we expect greater clarity on drug pricing and pharma tariffs to support improved performance. We anticipate a stronger earnings outlook for 2026, with potential upside to consensus estimates. The structural trend of our *Longevity* theme should also support the sector fundamentally, as investor interest grows in companies helping people live longer, healthier lives. Within health care, we favor exposure to the obesity and cancer treatment space, as well as companies involved in fast-growing medical device segments such as robotic surgery, continuous glucose monitoring (CGM), and cardiovascular care.

**Utilities stand to gain from rising investment in power and grid infrastructure.** The sector benefits from AI-driven power demand and ongoing digital infrastructure buildout, with accelerating electricity demand growth

prompting increased capital spending and robust earnings growth. Electrification of transport and industry is also a positive driver, and companies in the sector have reported strong pipelines of demand and investments in new capacity during the recent earnings season. With the sector trading at a significant discount to the S&P 500 and offering a dividend yield of 2.7%, we see a compelling combination of growth and defensive income potential.

**A resilient macroeconomic backdrop makes banks appealing investments at current valuations.** Banks in the US—and globally—are increasingly well capitalized, profitable, and have less risky balance sheets following several years of deleveraging and strategic realignments. With return on equity of US banks rising to 11.4% in 2025, we anticipate additional gains supported by further deregulation, favorable net interest margin trends, improving loan growth, and strong capital markets activity. We believe the sector offers both attractive valuations and potential for shareholder returns.

So, as we expect US equities to rally into 2026, we think underallocated investors should add exposure. Beyond the tech sector, we expect a good performance from the health care, utilities, and banking sectors to broaden the foundation for further gains.

Original report - [Consider growth beyond tech, 4 December 2025.](#)

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