



(UBS)

# CIO thinks investors underallocated to stocks should add to their equity exposure

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**Demand for AI compute remains strong, and the UBS Chief Investment Office (CIO) estimates that the required compute capacity in the coming years could be orders of magnitude greater than today's installed base. CIO do not see evidence of an investment bubble, with company fundamentals in aggregate still robust, and they expect the total addressable market for AI to reach USD 3.1tr in revenue potential by 2030—a 30% compound annual growth rate over the next five years.**

The macro backdrop is also favorable. The latest US jobs data this week are consistent with CIO's expectation for another 25-basis-point interest rate cut by the Federal Reserve in the first quarter of next year. Fed Governor Christopher Waller also said that monetary policy remains restrictive, and that a softening labor market supports a measured approach to further easing.

**US equities have room to rally further.** CIO expects the S&P 500 to reach 7,300 by June next year and 7,700 by the end of 2026, driven by strong estimated earnings growth of 10% and looser Fed policy. In addition to the transformative force of AI, CIO believes the structural trends of electrification and longevity will also drive equity performance for the long term.

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**China remains Attractive, and we view the correction in tech as an opportunity to add exposure.** China's tech shares have fallen sharply over the past two and a half months, with the Hang Seng TECH index down over 19% since its early October high. But CIO expects the sector to recover over time, maintaining their preference on the broader Chinese market as well as its tech sector.

**European equities should benefit from a recovery in growth.** Eurozone industrial production in October rose at the fastest pace in five months, and the December flash PMI rounded off the region's best quarterly performance in two and a half years. CIO anticipates that positive macroeconomic momentum in the Eurozone will persist, and expect corporate profit growth to pick up to 7% in 2026 and 18% in 2027.

So, CIO thinks investors underallocated to stocks should add to their equity exposure, which typically accounts for 30-70% of total assets in a growth-oriented portfolio. Investors underexposed to China technology could use structured strategies to build positions. These can include yield-generating structures that seek to acquire stocks at lower prices, or structures with capital preservation features for investors with a bullish longer-term view but fearful of further potential consolidation.

Original report – [Add exposure to global equities amid supportive backdrop , 18 December 2025.](#)

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