



(UBS)

CIO maintains a positive investment outlook for global equities

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Global equities climbed to a new all-time high on Monday, as investors largely looked through geopolitical concerns and await key US economic data this week.

Developments in Venezuela remain in the headlines, with ousted leader Nicolás Maduro pleading not guilty in his first US court appearance. Meanwhile, the US administration is reportedly considering ways to rebuild the South American country's energy infrastructure.

But despite the headlines, the macro and structural drivers that underpinned last year's equity rally remain intact, and they support a constructive outlook for global equities, in our view.

The Fed is likely not done with policy easing. While Minneapolis Fed President Neel Kashkari described policy rates as "pretty close to neutral," we believe the US central bank is on track to cut interest rates this quarter, given a sluggish labor market and contained inflation. The latest ISM Manufacturing Index showed factory activity in the US slowed to the weakest level since October 2024. Meanwhile, shelter cost pressure is falling, and wage inflation is easing from the slack in the labor market. We expect the labor market to remain weak, with early signs that some jobs are being

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replaced by artificial intelligence (AI). Another 25-basis-point rate cut would bring the total easing since September to one percentage point, providing a meaningful boost to economic growth throughout this year.

Fiscal stimulus in major economies should support global growth. In addition to looser monetary policy, we see three sources of fiscal stimulus that should bolster the US economy in the first part of this year: tax refunds from the One Big Beautiful Bill Act (OBBBA), delayed spending from the government shutdown, and government spend on defense and industrial infrastructure. This should also encourage a broadening out of equity performance, as corporate earnings in non-AI segments should benefit more from the stimulus. Globally, fiscal stimulus and infrastructure investment in major advanced economies are likely to support growth, providing a supportive backdrop for risk assets.

So, while geopolitical risks could fuel volatility, we maintain a positive investment outlook for global equities, forecasting around 10% upside for the MSCI All Country World index by the end of this year. Underallocated investors should add to our preferred markets: In addition to the US, we favor China and its tech sector, Europe, and Japan.

Original report – [Global equity outlook remains positive on fundamentals , 6 January 2026.](#)

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