(UBS)

CIO retains positive view toward global equities

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While volatility is set to pick up amid a resurgence of trade-war concerns, the Chief Investment Office (CIO) expect President Donald Trump's tariff threat over Greenland to follow the same pattern that we have seen over the past year—from "Liberation Day" tariff announcements to deals that involved investment commitments in the US.

With the Trump administration prepared to negotiate and de-escalate, our view is that tensions over Greenland are not a reason to change our overall positive view toward global equities.

Positive global growth outlook provides a favorable backdrop. Real GDP growth is one of the most important macro drivers for equity markets, in our analysis, and the four largest economies in the world are all in fiscal expansion mode. In the US, tax cuts and stimulus measures in the One Big Beautiful Bill Act should boost growth, while delayed spending from the government shutdown and the lagged effects of Federal Reserve easing are also supportive of the economy. Chinese authorities have signaled targeted fiscal support, while Germany's spending package of EUR 500bn over the next decade breaks from fiscal conservatism. In Japan, the cabinet in November approved the largest spending package since the COVID pandemic. Together, these countries make up more than 50% of global GDP, and their broad fiscal stimulus measures should boost growth and equity markets.

Robust earnings should drive equity returns. Solid economic growth bodes well for corporate profits, which should fuel further gains in equities. We expect S&P 500 earnings per share to increase by 12% this year, compared to our 2025 estimate of 11.0%. In other parts of the world, profit growth is gathering pace—we forecast MSCI China earnings growth to rebound to 13.6% this year, from 2.5% last year, while Japanese companies should see earnings rise to 8.0% in FY26, from 3% in FY25. In Europe, we expect earnings to accelerate 7% in 2026 and 18.0% in 2027 following three years of stagnation.

So, while we are mindful of potential short-term volatility, we expect global equities to rise further and recommend underallocated investors to add exposure. Those who are concerned of market swings should ensure they hold a well-diversified portfolio, and consider gold or capital preservation strategies to manage potential drawdowns.

Original report: **Global equities can move higher, despite volatility, 20 January 2026.**

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