



With additional Fed cuts likely ahead that will weigh on the performance of cash, investors should ensure sufficient exposure to equities, fixed income, and gold in a diversified portfolio. (UBS)

# Favorable environment building for equities, bonds, and gold

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**Treasury yields fell and the US dollar extended declines on Tuesday after US retail sales in December showed no growth from the previous month and fourth-quarter employment costs increased by the least since the second quarter of 2021. The 10-year Treasury yield fell 5 basis points to 4.13%, the lowest level this year.**

The softer-than-expected print led investors to price in more Federal Reserve easing this year. It also came ahead of today's labor report and Friday's consumer price index that could further shape market expectations on the Fed's interest rate path. Additionally, the Bureau of Labor Statistics will publish its annual benchmark revisions to job numbers, and markets anticipate a sizable downward adjustment to payrolls for the year through March 2025.

While volatility could pick up as investors assess the incoming data, we think the outlook for further Fed easing is unlikely to change. We see two 25-basis-point rate cuts by the end of September, and believe this creates a favorable environment for equities, bonds, and gold.

**US equities have room to move higher amid a broadening rally.** Fed rate cuts in non-recessionary periods are supportive for equities, and this macro backdrop remains a key pillar of our positive outlook. With the US economy also benefiting from fiscal stimulus, we expect 12% earnings growth for S&P 500 companies this year, which should underpin the market's next leg up.

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**Quality fixed income and emerging-market bonds offer appealing yields.** With cash rates likely to fall further, high grade government and investment grade corporate bonds remain an important source of yield and diversification, in our view. We expect medium-duration quality bonds (four to seven years) to deliver mid-single-digit returns from a mix of yield and capital appreciation. We also like emerging market bonds in this environment, as absolute yields are appealing, and continued USD weakness should ease dollar debt servicing costs in developing nations. We expect the majority of returns to come from interest rate declines and carry.

**Gold's bull market remains intact.** Gold has recovered to above USD 5,000/oz in recent days following the sharp drop at the end of January, and we believe there is room for bullion to rebound further as the Fed's easing regime remains unchanged. In fact, lower US real interest rates, persistent geopolitical worries, and policy uncertainty should continue to drive demand for gold.

So, with additional Fed cuts likely ahead that will weigh on the performance of cash, investors should ensure sufficient exposure to equities, fixed income, and gold in a diversified portfolio.

Original report – [Data to support Fed easing outlook, 11 February 2026.](#)

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