



From a global lens, the boost in US stocks will likely be offset by relatively weaker European stock market performance. (UBS)

Fog lifting: Clear path ahead for US equities to hit all-time highs

27 November 2024, 5:33 pm CET, written by UBS Editorial Team US Editorial Team

With the dense fog around the US election outcome lifted, we see a clear path ahead for US equities to hit all-time highs into the year-end. The Federal Reserve's 25-basis-point cut after the election should seal a soft landing or better for the economy this year.

Looking ahead, a continuation of the 2017 tax cuts and lower corporate tax rates should stimulate economic growth and corporate profits. Financials should benefit from President-elect Donald Trump's focus on deregulation, which should spur consolidation of smaller and mid-sized banks as well as an uptick in investment banking activity across sectors.

Meanwhile, AI momentum continues unabated—a bright spot during the US earnings season among sprinkles of cyclically weaker data points in smartphones and PCs. It's unlikely that tech will lose its leadership of US equity markets and give way to a significant broadening of S&P index weights in the near future. While current concentration levels are nearing historical peaks, we see this concentration persisting or even increasing into the New Year; year-end seasonality typically favors a continuation of momentum instead of reversion.

Nonetheless, risks remain. The US is still set to ban exports of semi components to China, which was likely pushed out from the usual October cadence because of the election. The election outcome has led to higher interest rate expectations, which typically weighs on share prices, as investors now anticipate higher inflation in the long term; two-year breakevens ticked up 20bps after the election and could rise further depending on the size of fiscal expansion and tariffs. Moreover, volatility related to geopolitical events is unlikely to end with Trump back in power.

From a global lens, the boost in US stocks will likely be offset by relatively weaker European stock market performance. Europe's local economies lack fiscal stimulus and structural innovation, and they may now be subject to further US tariffs.

One intriguing market outside the US is China. With Trump's threat of 60% tariffs on Chinese imports hanging over the fate of the Chinese economy, President Xi's only likely offset is domestic stimulus, the size of which has so far underwhelmed increasingly heightened expectations. The strong language from the October Politburo meeting suggests that Beijing is set to scale up the support. The government will likely carefully calibrate the fiscal stimulus in response to the severity of the US's actions. With Trade Representative Robert Lighthizer's reappointment, we remain on the sidelines on China until we see how its equities react amid the turmoil.

Main contributor: Ulrike Hoffmann-Burchardi

For much more on asset allocation and positioning, see the original report: [UBS Equity Compass: Fog lifting, 21 November 2024](#).

The document and the information contained herein is intended for UBS internal use only and solely for the UBS employee to whom it was provided. It may in no circumstances be distributed outside of UBS. Information contained in this document has not been tailored to the specific needs, investment objectives, personal and financial circumstances of a client or any other recipient outside of UBS. This document shall not be construed to include any legal or tax advice, investment research, sales prospectus, an offer or a solicitation of an offer to enter in any investment activity. Neither UBS nor its directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this document. For further information, please contact the document owner.

Important information

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at www.ubs.com/workingwithus.

© UBS 2024. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.