



(UBS)

Monthly Letter: What we will be watching over the holidays

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As we approach the holiday season, it's a good time to reflect on our investment strategies and consider some of the key factors to watch in markets over the next few weeks and months. In our latest monthly letter, we also share some New Year's resolutions for building robust portfolios for 2025 and beyond.

In our Year Ahead outlook, we discussed how investors should prepare for 2025, including positioning for lower interest rates, and for more upside in US stocks and gold. Still, there will be a lot of economic and geopolitical news over the next few weeks, so in our latest Monthly Letter, we discuss some of the things we will be monitoring closely.

First, US trade policy is evolving fast, with President-elect Donald Trump proposing tariffs on several countries. In our base case, we expect selective, rather than universal, tariffs to be levied. While these would have a negative impact on individual sectors and countries, we do not believe they would derail the US economy's growth momentum.

In Europe, the political environment is uncertain after government collapses in France and Germany. At the same time, market expectations for the Eurozone economy next year are low, so we see scope for a positive surprise. Our base case is for a steady improvement in Eurozone consumer spending as inflation and interest rates fall and income growth stays solid. In China, we're watching for more concrete details on policy support. Recent announcements suggest a commitment to stimulus, but we believe more actionable measures may be needed to support a sustained rally in Chinese equities.

We'll also be keeping an eye on the Federal Reserve's last meeting of the year, which takes place on 17-18 December. We expect another interest rate cut, but the focus will be on its outlook for 2025 and how political developments may influence its decisions.

Despite these uncertainties, we expect US stocks to rally further in the coming year, driven by a strong US economy, falling interest rates, and growth in AI. In our base case, we see the S&P 500 reaching 6,600 by the end of 2025. As the global rate-cutting cycle continues, we recommend seeking durable portfolio income, including in quality bonds, diversified fixed income, and equity income strategies. We also like gold, as the precious metal has been one of the standout performers of 2024, and we expect further gains next year as investors look for hedges in an uncertain environment.

As the year comes to a close, we also share some annual New Year's resolutions for your portfolio.

- The first is to put cash to work. Historically, stocks have outperformed cash over the long term. And with interest rates likely to fall further, we think now is a good time to invest.
- Second, we recommend that investors strengthen their core portfolio by diversifying across regions, asset classes, and sectors. This approach is designed to grow wealth steadily over the long term, and can help investors stay on track if markets get volatile.
- Next, diversify with alternatives like private equity and real estate. We believe these investments can enhance growth and help smooth overall portfolio returns, provided investors are able to tolerate associated risks like illiquidity.
- Lastly, think about going sustainable. Many asset classes now offer sustainable options that can perform well while aligning with your values.

Whatever your aspirations for the coming year, we hope these resolutions can help you build a robust portfolio for 2025 and beyond.

Read more in the latest monthly letter, "[What we will be watching over the holidays.](#)"

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