While the Fed may take a more gradual approach to policy easing in 2025, CIO believes the global rate-cutting cycle is likely to continue. (UBS)

Putting cash to work should remain a strategic priority for investors

27 January 2025, 5:09 pm CET, written by UBS Editorial Team US Editorial Team

The Federal Reserve has signaled a more gradual pace of policy easing for 2025. But central banks around the world are still likely to cut interest rates this year, and we believe putting excess cash to work and seeking durable income should remain a strategic priority for investors.

Government and investment grade bonds, diversified fixed income exposure, and equity income strategies can all play a role in sustaining portfolio income.

The Fed has signaled a more gradual pace of policy easing for 2025.

- The Federal Reserve cut interest rates by 100 basis points in 2024.
- However, its December projections imply only 50bps of rate cuts in 2025, down from expectations for 100bps previously.
- Elsewhere, the larger-than-expected 50bps rate cut in Switzerland in December means we only expect a further 25bps of cuts from the Swiss National Bank in 2025.

But the global rate-cutting cycle still has further to go.

- We expect the Fed to cut rates by 25bps in both June and September.

- We see potential for swifter rate cuts in the Eurozone, where we forecast 100bps in 2025. We also expect a further 100bps of cuts from the Bank of England.
- Cash rates could fall more sharply in the event of surprise weakness in economic data.

So we believe putting cash to work should remain a strategic priority for investors.

- We recommend that investors deploy excess cash, money-market holdings, and expiring fixed-term deposits into assets that can offer more durable income.
- Absolute fixed income yields remain attractive, in our view, and can be locked in.
- Government and investment grade bonds, diversified fixed income, and equity income strategies can help investors generate sustainable income.

Did you know?

- Cash's long-term underperformance compared to other asset classes is a structural phenomenon. Stocks have beaten cash in 86% and 100% of all 10- and 20-year holding periods, respectively, and by more than 200x overall since 1926.
- A bond ladder is a portfolio strategy involving the purchase of bonds with staggered maturities, allowing investors to receive a steady stream of income as bonds mature at different intervals.
- Equity income strategies include dividend, covered call, and structured investment strategies. Such strategies may be particularly appealing in a falling-rate environment as they can provide a steady income stream while potentially enhancing returns.

Investment view
While the Fed may take a more gradual approach to policy easing in 2025, we believe the global rate-cutting cycle is likely to continue. For investors, we believe this reinforces the case for redeploying cash, money-market holdings, and fixed-term deposits into other assets that can provide more durable income. A combination of government and investment grade bonds, diversified fixed income, and equity income strategies can help investors sustain portfolio income.

Original report: **How should investors put cash to work?, 27 January 2025.**

Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of it its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Additional Disclaimer relevant to Credit Suisse Wealth Management: Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website https://www.credit-suisse.com. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html to read the full legal disclaimer applicable to this document.