(UBS)

Strong earnings results and outlook should fuel further gains

3 November 2025, 13:25 UTC, written by UBS Editorial Team

October ended on a strong note, with major stock indices posting gains for the month despite the flare-up of US-China trade tensions. The S&P 500 has now risen six months in a row, and the MSCI All Country World has gained for seven straight months—the longest winning streak for both indices since 2021.

Concerns over high valuations persist, and the Federal Reserve's policy outlook appears murkier amid the ongoing US government shutdown. But despite the strong gains in equity markets this year, we continue to believe that this bull market has room to run and investors should position to benefit from the rally.

Strong earnings results and outlook should fuel further gains. Megacap tech results last week confirmed accelerating demand for cloud services and AI compute, offering some reassurance to investors that rising capital spending is likely to be rewarded over time. Importantly, it's not just the tech firms that are doing well—the breadth and magnitude of earnings beats across the S&P 500 companies that have reported so far have exceeded historical averages. With company revenue in aggregate on pace to grow more than 7% for the third quarter, S&P 500 earnings per share growth for the three-month period should come in at about 12%, better than our initial expectations of 10%.

Valuations have little relationship with returns over the following year. We have highlighted that valuations have historically been a poor predictor of 12-month returns, as the strength of earnings growth and the outlook for Fed rate cuts are more important drivers. In addition, sectors with higher valuations, such as IT and communication services, now comprise a larger share of equity benchmarks compared to 20 years ago. If we assumed the same weights as 20 years ago, the forward price-to-earnings (P/E) ratio of the MSCI All Country World Index would be closer to its long-term average. The P/E ratios for today's tech giants are also far lower than for the tech firms at the peak of the dotcom bubble.

Fear of losses can lead to underperformance. The probability of seeing a loss on any given day is just under 50%, but losses have been much less common for longer time horizons. For example, stocks (i.e., the S&P 500) have never experienced a loss over a 20-year period, and a balanced, well-diversified portfolio's gains are even more consistent. This means that short-term returns can skew our perception of risk and reward, making us more susceptible to making emotional decisions. Additionally, while fear of investing at the wrong moment can be paralyzing, missing long-term trends can be far more damaging to one's portfolio than enduring short-term drawdowns.

So, investors should not be fearful of the strong performance and should continue to position to benefit from further gains ahead, in our view. Participation in transformative trends is often essential for long-term wealth preservation and appreciation, so we continue to favor our *Artificial intelligence, Power and resources*, and *Longevity themes*.

Original report – **Strong equity rallies should not deter investors, 3 November 2025.**

Disclaimer

Hong Kong / Singapore: For Global Wealth Management clients of UBS AG Singapore / Hong Kong branch, please refer to the HK/SG Marketing Material Disclaimer .

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. Additional Disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

This document and the information contained herein are provided solely for your information and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS**. 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.