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Invest where the equity rally is broadening

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The earnings season is gaining momentum and the equity rally is broadening—positive fundamentals are returning to the spotlight. Investors should position themselves for a further expansion of the equity upswing.

Despite ongoing headlines about geopolitical disruptions, the earnings season for fourth-quarter 2025 corporate results is gradually gaining traction. While reports continue to circulate about potential new tariff hikes from the White House or a possible shutdown of US government agencies, positive fundamentals are likely to return to the spotlight in the coming days. These factors should continue to support equity markets and help the ongoing rally to broaden out from the (US) technology sector to other regions and industries.

In the US—the market furthest along in the earnings season—the technology sector has delivered the strongest results, with average earnings growth of over 20%. The basic materials and financial sectors have also delivered good results. In Europe, corporate results so far have also been solid: the median stock achieved earnings growth of around 10% year-over-year in the fourth quarter.

In Switzerland, by contrast, the earnings season is only just beginning. While earnings growth in the SMI last year was mainly driven by the large-cap names, we expect a broader base in 2026: for the SMI, we forecast earnings growth of 5%, while consensus for the 50 largest companies stands at 9%. The main risks for the Swiss equity market are likely to remain currency risk and the fragile economic outlook.

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Against this overall solid backdrop, we expect a significant rise in global equity markets by the end of 2026. The main drivers are likely to be the anticipated pick-up in global economic growth and the prospect of lower policy rates, which should ease the burden on companies and consumers and increase the attractiveness of equities. The rally is likely to broaden further and no longer be driven solely by the immediate beneficiaries of AI infrastructure build-out.

Investors who have so far been underweight equities should consider increasing their equity allocation. Those who have focused heavily on individual stocks, US technology names, or Swiss equities could benefit from targeted diversification into less-followed technology stocks or other sectors. In the AI segment, we believe it makes sense to invest not only in infrastructure companies but also in those already using artificial intelligence productively and generating revenues. In the US, cyclical sectors such as consumer, financials, and health care also offer attractive additions, as they could particularly benefit from the economic recovery. A global perspective is also worthwhile: Europe is set for a noticeable pick-up in earnings growth, while in Asia, China's drive for technological independence could open up new opportunities.

A broadly diversified portfolio opens up opportunities to benefit from these various growth drivers and helps cushion the risk of individual market developments. In times of heightened geopolitical uncertainty, we believe broad portfolio diversification is especially important. By spreading investments across different asset classes, regions, and sectors, risks can be further reduced and portfolio resilience strengthened. The impact of individual political or economic events on total wealth can thus generally be mitigated. Diversification also offers the chance to benefit from different global growth opportunities and to buffer market fluctuations. Especially in volatile phases, broadly diversified portfolios have proven to help achieve more stable returns over the long term.

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