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Chief Investment Office GWM
Investment Research

Are stock market highs a worry or an opportunity?

CIO Essentials

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- In spite of lingering market worries, major world stock markets have posted gains in 2026, with some hovering near record highs.
- CIO still expects global stocks and bonds to deliver further gains by year-end, in excess of staying in cash.
- We discuss three potential paths to avoid holding too much cash, overcome investing anxieties, and stick to long-term plans.

Source: UBS

Investors who remained in cash amid geopolitical uncertainty, oil supply shocks, AI-driven market shifts, and higher bond yields may have missed out on recent equity market gains.

Resilient economic growth, a strong first-quarter earnings season, and further positive AI announcements have all powered global stock markets higher. The S&P 500 has gained around 9% so far this year and sits just below its record high. Many European markets are currently posting mid-single-digit gains for the year. Thanks to AI chip demand, South Korea's KOSPI has rallied more than 100% in 2026.

It is true that bond yields have exhibited increased volatility, with Japanese yields reaching all-time highs. Investor fears that higher-for-longer oil prices will force central banks to raise interest rates have boosted borrowing costs, which has weighed on some corners of global equity markets.

And in Europe, we now expect the central bank to hike rates by 50 basis points by the end of the year, so selective investing is key as the European Central Bank tightens policy.

Nevertheless, benign macro forces, strong first-quarter earnings momentum, and below-average positioning all speak to further gains for global stocks by year-end. The ride may be bumpy, but ups and downs do not mean sitting in cash is the only strategy.

We suggest three ideas for anxious investors to "climb the wall of worry" and fulfill their financial plans:

1. Top up existing, diversified portfolios. We believe a robust core portfolio is the foundation for long-term performance. CIO suggests allocating 30-70% of assets to equities, with at least half in US stocks and at least 20% in global equities, including Europe and emerging markets. Up to 30% can be dedicated to structural growth themes such as AI, Power and resources, and Longevity. Fixed income could comprise 15-50% of assets, balanced across government bonds and more growth-sensitive corporate debt. We like short- and medium-maturity bonds.

2. Rebalance portfolios. Large market moves over the year to date may have shifted portfolios away from financial plans. Rebalancing is one way to get back on track. It involves reducing assets that have performed well, and adding to those that have lagged. Making this a disciplined exercise may help lock in gains, manage risk, and avoid emotional decision making in turbulent times.

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3. Add fresh ideas to "core" portfolios. Building a steady core portfolio can give investors confidence to be more nimble, opportunistic, or risk-focused with other parts of their wealth. Fearful investors can hedge market risks by considering gold exposure, which has proven to be an effective longer-term hedge against market stress. More adventurous investors can pursue tactical equity opportunities away from their home market. Diversifying to find fresh sources of return, alternative income-generating assets, or assets that help smooth portfolio returns can improve resilience and adaptability to changing market conditions.

Uncertainty is a feature of investing, not a bug—whether worries about oil supply resumptions, the extent of stress in credit markets, or the sustainability of the AI trade.

But recent market action has also shone a spotlight on the opportunity cost of not being invested. Now is the time to put surplus cash to work, and refocus on long-term goals and the tools to achieve them.

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The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
Attractive: We consider this asset class to be attractive. Consider opportunities in this asset class.
Neutral: We do not expect outsized returns or losses. Hold longer-term exposure.
Unattractive: We consider this asset class to be unattractive. Consider alternative opportunities
Note: For equities, we have a five-tier rating system with two additional preferences
Most Attractive: We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
Least Attractive: We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse "Most Attractive" with "Attractive" and "Least Attractive" with "Unattractive."

Appendix

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