



(UBS)

Next phase of stock gains could come from a broader range of opportunities

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The Chief Investment Office (CIO) thinks the latest market correction should be considered in the context of the strong rally this year. Both the Kospi and the Philadelphia Semiconductor index remain around 90% higher than at the start of the year, while the Nasdaq has risen 23% since the end of March, when there were first signs that the US and Iran were open to ending their conflict.

With traffic through the Strait of Hormuz now picking up and geopolitical risks subsiding, CIO believes the resilient macroeconomic backdrop and robust fundamentals should continue to support corporate earnings growth and markets more broadly. In fact, while CIO remains confident in the AI growth story, they also expect that the next phase of stock gains will come from a broader range of opportunities.

Continued growth in AI capex should underpin further gains in the AI-led part of the market. First-quarter results confirmed that hyperscalers remain committed to their heavy capital expenditure plans. CIO expects overall AI-related capex to rise by 68% year over year in 2026 to around USD 820 billion, followed by a further 21% increase

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in 2027 to roughly USD 990 billion, with upside risks to these estimates. These are substantial growth rates, but they are occurring in an environment where demand for AI tokens continues to outpace supply. Cloud growth at the major platforms accelerated to 40% year over year in the first quarter, with reported advance orders for compute resources totaling USD 2 trillion. CIO therefore believes the rally in AI-linked stocks can continue to support the overall market.

The rest of the market also has the potential to contribute to returns. A resilient US economy, solid labor market, and strong credit creation could all help support earnings outside the AI complex, enabling the rally to broaden further. A supportive consumer backdrop should help underpin consumer discretionary stocks, the recent pickup in the ISM Manufacturing index points to improving conditions for industrials and other cyclical parts of the market, and the relative resilience of the health care sector points to a role that is larger than just a defensive investment. CIO expects S&P 500 earnings per share to grow 20% this year and 12% in 2027.

Both Asia and Europe offer appealing opportunities. CIO also expects the rally to continue beyond the US market and see compelling opportunities globally. Asia offers an attractive combination of strong earnings growth, AI leaders, and undemanding valuations, and CIO expects MSCI Asia ex-Japan earnings to rise 72% this year. While they continue to see opportunities in the region's AI hardware supply chain, CIO also sees underlying strength beyond technology and scope for gains to broaden as energy flows normalize.

So, the Chief Investment Office remains constructive and believe investors should stay invested, while keeping diversification at the center of portfolio construction. The past few months have shown how quickly narratives can shift, how costly excess cash can become when markets move higher, and how single-stock selection represents both an opportunity and a risk.

Original report – [Equities can move higher despite tech sell-off, 24 June 2026.](#)

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