



CIO continues to expect the S&P 500 to end the year higher, and recommends phasing in and tactically buying the dip in US equities, including quality AI names. (UBS)

# Phasing in and tactically buying the dip in US equities

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**US equity futures are up ahead of Monday's open following reports that President Donald Trump's planned reciprocal tariffs expected in a week's time may be more measured than feared. The improved sentiment follows the S&P 500's first weekly gain in five weeks, taking the benchmark 2.6% higher than its March low.**

Citing officials familiar with the matter, Bloomberg reported that Trump's coming wave of tariffs is set to be more targeted than threatened in recent weeks. Some countries will reportedly be exempt, and existing levies on steel and other metals may not be cumulative. Separately, Trump said that he planned to speak with Chinese President Xi Jinping and that the US trade chief would speak with his Chinese counterpart this week.

The exact breadth and scale of the tariffs remain to be seen, and a cycle of tit-for-tat escalation is also possible in the weeks following the announcement, potentially triggering further bouts of market volatility. But we retain the view that US equities will end the year higher, and view the near-term volatility as a buying opportunity.

**The outlook for US economic growth remains positive.** Our economic forecasts do not call for a recession in the US. In our base case, a wide range of selective tariffs and counteractions are likely to lead to slower economic growth compared to last year, but they should not prevent the US economy from expanding by around 2%—its historical trend rate—this year. In addition, we expect the Federal Reserve to continue easing policy, with its Summary of Economic Projections last week indicating 50 basis points of interest rate cuts by the end of this year. We believe a resilient US economy should underpin healthy earnings growth for the S&P 500 in 2025.

**Our analysis indicates a strategy that buys equities after a 10% drawdown would deliver higher returns than those waiting for 15% or 20% declines.** Historical performance is no guarantee of future results, but waiting for larger drawdowns risks being out of the market should it bounce back quickly. Our back-testing analysis since 1990 showed that a strategy that increases equity exposure after a 10% correction delivered the highest return and Sharpe ratio (which measures the risk-adjusted returns of a portfolio) compared to those that wait for 15% or 20% drop. Even though losses can be significant at a -10% entry, they have historically been more than offset by other periods when equities rebound quickly.

So, we acknowledge that policy-driven uncertainty could pose further risks to the stock markets, and believe portfolio diversification and hedging strategies remain key. But we continue to expect the S&P 500 to end the year higher, and recommend phasing in and tactically buying the dip in US equities, including quality AI names.

Original report: [Buying the dip in US equities, 24 March 2025.](#)

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