Investors can navigate near-term volatility and position for longer-term gains by phasing into US equities or balanced portfolios, or by utilizing capital preservation strategies. (UBS)

The merit of phasing-in strategies

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Rather than waiting for the “perfect” moment, investors who phase into markets with discipline are more likely to capture rebounds and build long-term wealth.

By sticking to a plan, maintaining diversification, and taking advantage of market dips, investors can position portfolios for recovery and future growth—even when the outlook feels uncertain.

While US stocks may remain choppy amid trade talks, we expect gains by year-end.

- With many countries expressing a desire to negotiate with the US on tariff policy, and the Trump administration now somewhat pressured to demonstrate success, we expect a variety of deals or sector carveouts in the 90-day tariff pause period.
- Bearish sentiment on US equities can be a good contrarian indicator. In March, the American Association of Individual Investors’ (AAII) weekly survey showed that, on average, only 22% of investors expected stocks to rise over the next six months.
- We expect the S&P 500 to rise to 5,800 by the end of 2025 as tariff uncertainty eases, the Fed cuts interest rates, and investors’ focus shifts toward the prospect of a rebound in US earnings growth in 2026.

We see merit in phasing-in strategies in US stocks or diversified portfolios.

- We recommend phasing excess cash into diversified portfolios. These can comprise building blocks of stocks, bonds, commodities, and alternative assets that match an investor's objectives and reflect their constraints.
- After volatility spikes, such as when the VIX exceeds 30, the S&P 500's average 12-month forward return has historically been over 15%.

Disciplined approaches can help meet goals and overcome biases.

- Our analysis shows that phasing into balanced portfolios over 12 months has outperformed remaining in cash in most one- and five-year periods, even when starting during significant market drawdowns.
- A disciplined, phased approach helps manage the risk of poor timing, reduces the influence of emotion, and provides more opportunities to benefit from market dips and rebounds.

Did you know?

- Historically, the S&P 500 has averaged a 16% return in the 12 months following instances where AAII bullish sentiment readings were below 25%, compared with an average return of just over 9% in all periods.
- Since 1950, the S&P 500 has seen 23 days with drops of 5% or more, and 18 months with declines of 10% or more. The Euro Stoxx 50 has experienced 13 days with drops of 5% or more and 8 months with declines of 10% or more since 2003, while the SMI has seen 7 days and 5 months of similar magnitude.
- Balanced portfolios (60/40) have delivered positive returns in 88% of rolling five-year periods in the US, and since 2003, in 85% and 87% of periods for Europe and Switzerland respectively, based on CIO analysis.

Investment view

While we expect near-term volatility to remain high, we anticipate equities will rise by year-end as the Trump administration strikes deals to reduce tariffs, and as rate cuts and potential fiscal support improve investor sentiment. Investors can navigate near-term volatility and position for longer-term gains by phasing into US equities or balanced portfolios, or by utilizing capital preservation strategies.

Original report - **How can I phase into equities?, 25 April 2025.**

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