



CIO retains a positive outlook on US equities amid a resilient economy, and reiterates the importance of portfolio diversification for investors to navigate the near-term volatility. (UBS)

# The importance of portfolio diversification to navigate near-term volatility

26 March 2025, 2:54 pm EDT, written by US Editorial Team UBS Editorial Team

**Russia and Ukraine have reached separate deals with the US to pause their attacks at sea and develop ways to implement the ban on strikes against energy facilities, according to the White House, marking the first formal commitments by the two warring sides following more than three years of conflict. Washington said that it would help to regain access to the global markets for Russian agriculture and fertilizer exports.**

The agreements came after parallel talks in Saudi Arabia this week, with the parties agreeing to continue working toward “achieving a durable and lasting peace.” However, it was not clear when or how the Black Sea maritime security deals would start, and both Kyiv and Moscow expressed skepticism that the other side would abide by them.

Geopolitical tensions are not the only factor weighing on market sentiment, as investors await the 2 April announcement on the Trump administration’s reciprocal tariffs, while the latest data point to ongoing concerns over the health of the US economy. Stock volatility is likely to pick up again in the near term despite the S&P 500’s 4.6% rebound over the past two weeks.

**The ambiguity in the maritime ceasefire terms suggests geopolitical risks are likely to linger.** Shortly after the US announcement on the deals, Russia said the Black Sea agreements would not come into effect unless several conditions were satisfied, including links between some Russian banks and the international financial system were restored. Ukrainian President Volodymyr Zelenskiy, on the other hand, said he believes the truce did not require sanctions relief to come into

force and would take effect immediately. Both sides said they would rely on Washington to enforce the deals. While recent steps toward a broader peace plan are welcoming, our base case remains that a full ceasefire is unlikely to be reached imminently.

**US consumer confidence slid further amid a poor economic outlook.** US consumer confidence in March fell to the lowest level in more than four years as households worry about higher prices and are downbeat on the economic outlook. The Conference Board survey marked the fourth consecutive month of decline and followed a similarly downbeat consumer sentiment reading from the University of Michigan earlier this month. Additionally, credit card issuer Synchrony said US consumers are starting to curb their spending as higher delinquencies in auto loans, credit cards, and home credit lines suggest financial strains. Our economic forecast does not call for a recession, with recent hard data still indicating a resilient US economy. But poor sentiment amid elevated uncertainty is likely to weigh on market performance in the near term.

**Tariff uncertainty is set to persist in the near term.** Despite recent comments from US President Donald Trump that he may be more “lenient” on the planned reciprocal tariffs, ongoing threats on other sector-specific levies did little to reduce the uncertainty. We believe bilateral deals can be reached to mitigate the breadth and scale of the coming tariffs on 2 April—EU trade commissioner Maros Sefcovic has met with top US trade officials this week, India said it’s open to cutting tariffs on more than half of US imports, and Vietnam has put forward a proposal to cut preferential import tariffs on a range of products—but we still expect the US to announce a significant expansion of tariffs. This, and a possible cycle of tit-for-tat escalation, should add to market volatility in the weeks to come.

So, while we retain a positive outlook on US equities amid a resilient economy, we reiterate the importance of portfolio diversification for investors to navigate the near-term volatility. We like quality bonds, gold, structured strategies, and alternatives such as hedge funds.

Original report: [Volatility may rise as markets count down to tariff announcement, 26 March 2025.](#)

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