



(UBS)

# Some messages to focus on during this period of volatility

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**According to the UBS Chief Investment Office (CIO), the rebound in global markets offers investors an opportunity to take stock, diversify portfolios, and prepare for what is likely to be a volatile second quarter, while positioning for longer-term equity gains.**

Market volatility is likely to remain elevated in the weeks ahead as investors assess rapidly shifting tariff developments and consider the potential implications for growth, inflation, central bank policy, and financial markets.

In CIO's base case, it expects tariff moderation and Federal Reserve rate cuts to support a rebound in the S&P 500 to 5,800 by year-end, despite slowing US growth. CIO sees the 10-year Treasury yield declining to 4.0%.

Here are some ways to invest during this period of volatility:

**Review your plan.** The recent market swings have underlined the appeal of the UBS Wealth Way\* approach, which helps families segment their wealth—based on their purpose and time horizon—into three strategies using the Liquidity. Longevity. Legacy. framework. Investors with a well-funded Liquidity strategy can confidently look through volatility and focus on action items within their control.

*\*UBS Wealth Way is an approach incorporating Liquidity. Longevity. Legacy. strategies that UBS Financial Services Inc. and our Financial Advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different time frames. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment.*

**Navigate political risks.** Investors whose discomfort at recent stock volatility tempts them to sell into strength risk foregoing future gains. Another way to navigate political risks and bouts of volatility while staying invested may be substituting existing direct equity exposure for structured strategies with capital preservation features. Despite falls in major sovereign bond yields to pre-"Liberation Day" levels in some major markets, interest rates still remain elevated relative to recent history, leading to relatively appealing pricing on capital preservation approaches.

**Seek durable income.** The increase in bond yields in volatile trading in recent days offers investors respectable total return potential with added diversification benefits for portfolios. In a downside scenario CIO would expect 10-year Treasury yields to fall to 2.5%, offering potentially significant capital gains for investors. Investors at the longer end of the yield curve need to remain mindful of volatility related to fiscal concerns and the unwinding of technical hedge fund "basis trades."

**Diversify with hedge funds.** By dynamically adapting to macro shifts, hedge fund strategies like discretionary macro, equity-market neutral, select relative value, or multi-strategy can cushion portfolios in volatile and down markets, and potentially prosper amid a fast-changing macroeconomic environment.

**Look through volatility.** CIO continues to see strong long-term potential in its Transformational Innovation Opportunities (TRIO)—Artificial intelligence, Longevity, and Power and resources. While companies exposed to each of these ideas have been caught up in near-term derisking, CIO expects structural trends to be the biggest drivers over the long term. ([Click here](#) to read more on phasing into markets).

**Trade the range in currencies.** In the near term, CIO sees an opportunity to benefit from currently elevated levels of currency volatility by trading what it expects to be near-term ranges in key pairs, including EURUSD (centered around 1.10), USDCHF (centered around 0.86), and GBPUSD (centered around 1.31).

Over the medium term, CIO believes a more sustained period of weakness for the US dollar is likely, particularly if the Fed cuts interest rates more quickly than expected in response to weakness in US economic growth. Investors looking to position for longer-term dollar weakness while monetizing short-term volatility can consider selling the risk of a higher US dollar.

CIO also believes gold will continue to offer portfolio diversification benefits, particularly in adverse scenarios. In CIO's base case, it targets gold prices of USD 3,200/oz.

Original report: [Equity markets rebound on tariff pause, 10 April 2025.](#)

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