Investors speak US November 2022

UBS Investor Sentiment

Balancing act
US investors weigh recession and election concerns with improving stock market outlook

Key findings

Recession at hand | Most investors expect a recession before year end
Election priorities | Economy is top of mind
Not hiring | Business owners cut back on hiring

Recession

Investors expect a recession soon … … and higher inflation in 2023

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>63%</td>
<td>Already here / Before the end of 2022</td>
</tr>
<tr>
<td>26%</td>
<td>First half of 2023</td>
</tr>
<tr>
<td>11%</td>
<td>July 2023 or later</td>
</tr>
<tr>
<td>59%</td>
<td>Increase</td>
</tr>
<tr>
<td>18%</td>
<td>Stay the same</td>
</tr>
<tr>
<td>23%</td>
<td>Decrease</td>
</tr>
<tr>
<td>52%</td>
<td>are reducing spending</td>
</tr>
</tbody>
</table>

Half have already cut spending
The economy is top of mind for upcoming mid-term elections

- **83%** for The economy
- **80%** for Inflation
- **73%** for Foreign policy
- **73%** for Taxes
- **72%** for Healthcare

Investors prefer Republicans on most top issues

<table>
<thead>
<tr>
<th>Issue</th>
<th>Democratic Party</th>
<th>Republican Party</th>
</tr>
</thead>
<tbody>
<tr>
<td>The economy</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Inflation</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Foreign policy</td>
<td>46%</td>
<td>54%</td>
</tr>
<tr>
<td>Taxes</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>54%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Market outlook

Short-term stock market outlook begins to recover, though pessimism remains (in %)

- **Today**
  - Optimistic: 52%
  - Neutral: 13%
  - Pessimistic: 35%

- **3 mos ago**
  - Optimistic: 37%
  - Neutral: 20%
  - Pessimistic: 43%

- **1 yr ago**
  - Optimistic: 61%
  - Neutral: 22%
  - Pessimistic: 17%

Some investors see reasons for market optimism

- **49%** Continuing strong demand for goods and services
- **42%** Employment remains high
- **42%** Return to normal after COVID-19

Politics and inflation are top investor concerns

- **64%** Politics
- **63%** Inflation
- **56%** Risk of recession
- **56%** National debt
- **54%** Geopolitical risk (e.g., Russia/Ukraine)
Mixed reactions to current environment

Many investors poised to act on market moves in the next few months

- **27%** Increase investments
- **65%** Remain the same
- **8%** Decrease investments

If market **increases 10%**

- **31%** Increase investments
- **10%** Decrease investments
- **59%** Remain the same

If market **decreases 10%**

Investors think interest rates will go up further in 2023 …

- **76%** say rates will increase

… and some plan to take action if interest rates increase in the next few months

- **37%** Add to cash
- **27%** Adjust sector allocations
- **24%** Add alternatives

Investors have mixed plans for borrowing

- **19%** Borrow money now before rates increase further
- **24%** Wait until rates are lower to borrow money
- **57%** No current need for borrowing

Younger investors are more likely to borrow sooner (% who would borrow now)

- **39%** Millennial and younger
- **35%** Generation X
- **7%** Baby Boomer and older
Business owners

Amid recession fears, business owners’ optimism drops for their business in the next 12 months …*

25% Neutral (+17)
67% Optimistic (-8)
8% Pessimistic (-9)

… and they are cutting back on hiring and business investment plans*

+16 Net hiring¹ (-11)
26% Hire (-14)
64% Keep workforce the same (+17)
10% Downsize (-3)

+19 Net investing² (-8)
26% Invest more (-13)
67% Invest the same (+18)
7% Invest less (-5)

*Changes since August 2022.

Recession, rising costs are top concerns

64% Recession
63% Rising interest rates
63% Rising healthcare costs
63% Business tax increases
60% Wage inflation

How business owners are addressing higher costs

44% Increasing prices
39% Buying from lower cost providers

Are you ready for what comes next? Talk to a UBS Advisor.
About the survey: UBS surveyed 900 investors and 500 business owners in the US with at least $1M in investable assets (for investors) or at least $1M in annual revenue and at least one employee other than themselves (for business owners), from October 4 – 17, 2022. For the August results, UBS surveyed 899 investors and 498 business owners in the US, from July 5 – 19, 2022. For the previous year results, UBS surveyed 900 investors and 500 business owners in the US, from September 28 – October 18, 2021.

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