



Phasing into the market can be an effective way to position for medium- and longer-term equity upside while managing timing risks, while capital preservation strategies can help navigate near-term downside risks. (UBS)

# Historically, the S&P 500 has performed well after periods of volatility

28 April 2025, 1:37 pm CEST, written by UBS Editorial Team US Editorial Team

**US equities rose for a fourth consecutive day on Friday amid market optimism around trade, interest rate cuts, and earnings, posting the longest advance since January. The S&P 500 index is now just 2.6% below where it stood before US President Donald Trump's "reciprocal" tariff announcement earlier this month, rebounding nearly 11% from its low over the past three weeks.**

A risk event-heavy trading week ahead is likely to test that optimism. US economic data, including April's employment and core inflation and first-quarter GDP, are set to be published this week, while 180 S&P 500 companies representing over 40% of the index's market value are reporting their first quarter earnings, including megacaps Apple, Microsoft, Amazon, and Meta.

Fresh tariff-related headlines are also likely to lead to market swings. While early trade discussions with South Korea, Japan, and India appeared to have made progress, levies on Chinese and European goods remain top of mind for investors. Tariff talks with Beijing appear elusive, and EU Economic Commissioner Valdis Dombrovskis said the US and EU still have a lot of work to do to reach a deal.

But while the latest stock rebound is unlikely to continue in a straight line, we maintain our expectation that the S&P 500 should end the year higher at 5,800.

**Trump's most extreme rhetoric is unlikely to be the landing zone for the ultimate tariff rates.** The Trump administration changing its tariff stance in response to equity and bond market turbulence indicates some sensitivity to market stress. With many countries expressing a desire to negotiate with the US on tariff policy, and the White House eager to demonstrate "success" given Trump's low approval rating, we expect a variety of deals or sector carve-outs to materialize within the 90-day pause period. According to a Bloomberg report, the Trump administration has drafted a framework to handle negotiations with trading partners, and the talks would see the US host negotiations from a select number of countries each week. The Office of the US Trade Representative separately said in a statement that it is "moving ahead quickly with willing trading partners."

**Earnings have been better than feared, and Fed cuts remain in store.** Companies that represent just over a third of the S&P 500 market cap have reported their first-quarter results, and earnings beats are now close to normal, with mostly benign guidance as tariffs have yet to hit the economy. We do expect trends to weaken once higher priced tariffed goods start to hit the shelves in the coming months, but we also think markets are now prepared for this. Companies offered guidance based on the current situation—a 10% "universal" tariff excluding Mexico and Canada, elevated tariffs on China, and sectoral levies on autos, steel, and aluminum—and most of them indicated that tariff costs would have a small to minimal impact on their earnings outlook. While companies may not have accounted for second order effects of a slowdown in demand due to higher prices, we think the market has also factored in some of these negative impacts. Separately, while the Federal Reserve has to balance growth concerns against the risk of a resurgence in inflation, our base case is that the US central bank will cut interest rates by 75-100 basis points this year, providing support to the economy and market sentiment.

**Long-term growth drivers remain intact.** We believe that the trend of innovation as a driver of long-term equity market performance will continue, and we continue to see strong long-term potential in our Transformational Innovation Opportunities—*Artificial intelligence, Longevity, and Power and resources*. We estimate global AI spending to increase by 60% this year to USD 360bn as the AI market broadens, with rising and expanding AI adoption narrowing the gap between AI capex and revenues. The strong outlook for industrial capex from AI participants bodes well for our Power and resources theme, which should continue to benefit from the world's accelerating demand for electricity. Finally, as life expectancy rises and populations age, the Longevity market that includes pharma, medtech, health care services, consumer, financial, and real estate sectors will provide further long-term investment opportunities.

We think investors who entered 2025 with low strategic exposure to US equities should use continuing volatility to grow allocations. Historically, the S&P 500 has performed well after periods of elevated market volatility and low risk sentiment. Phasing into the market can be an effective way to position for medium- and longer-term equity upside while managing timing risks, while capital preservation strategies can help navigate near-term downside risks.

Original report: [US equity rebound to continue alongside volatility, 28 April 2025.](#)

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