CIO believes the bull market is intact, and stocks will likely rise further over the next year. (UBS)

CIO still recommends a full strategic allocation to US stocks

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The S&P 500 has been reaching fresh all-time highs for the first time since February. This reflects the resilience of the US economy, optimism over the outlook for AI, and confidence that the worst of the trade conflict is over.

CIO expects this combination of factors to help push stocks higher over the coming year. But after a 25% rally from April's low and continued uncertainty regarding tariffs, we see phasing into markets as the best way to mitigate near-term risks.

US equities reached fresh record highs, exceeding February's levels.

- Investors shrugged off the recent Middle East conflict, driving the S&P 500 above its previous peak in February.
- On 3 July, the index hit a record high of 6,279, up 26% from its low point on 8 April, when anxiety over US tariffs was at its most intense.
- After such a strong rally, we see limited further upside in 2025. Given uncertainty over trade and Fed policy investors should expect bouts of volatility.

But despite potential headwinds, we still recommend a full strategic allocation to US stocks.

- Uncertainty over trade is likely to subside in coming months, in our view, allowing investors to focus more consistently on the resilience of the US economy, strong earnings growth, and the positive outlook for AI.
- Our base case is for 6% earnings growth for the S&P 500 this year and 7.5% next year.

- While US growth looks set to remain solid, it should moderate sufficiently to permit around 100 basis points of easing from the Fed in the coming 12 months, helping stocks.

Investors who are underallocated to equities can consider ways to build long-term exposure.

- Phasing into the market can be an effective way to position for medium- and longer-term upside while managing timing risks and uncertainty over the coming months.
- We continue to see long-term growth opportunities in AI, power and resources, and longevity.

Investment view

We rate US equities as Neutral, but this is not a "negative" stance. We believe the bull market is intact, and stocks will likely rise further over the next year. But the economy will have to adjust to higher tariffs, and this could lead to a period of weaker economic data, which could be a modest headwind for equities in the near term. We focus on select US sectors, including: financials, technology health care, utilities, and communication services—while identifying structural growth opportunities in AI, power and resources, and longevity.

Original report - **What to watch in the week ahead, 7 July 2025.**

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