



(UBS)

# How investors can position themselves to thrive in 2026 and beyond

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**The Chief Investment Office (CIO) believes AI and technology will remain the key drivers of global equity markets in 2026.**

In their Year Ahead publication, *Escape Velocity?*, CIO discusses the factors that should underpin equities more broadly, and how investors should position their portfolios.

Here are the key messages.

**Transformational innovations, combined with supportive economic conditions, should underpin equities more broadly.** Continued strong capex and growing evidence of AI monetization will fuel further gains for AI-linked stocks in 2026, in our view. But the opportunities related to AI also include the power and resources sector, as higher electricity demand is driving new investment across power generation, energy storage, and grid infrastructure. We also see structural growth opportunities in longevity—the companies helping people live longer and healthier lives. Overall, with Fed rate cuts until the end of the first quarter providing a further tailwind, we expect the S&P 500 to reach 7,700 by the end of next year.

**Beyond the US, we see attractive opportunities in Japan, Europe, and China.** While Japan-China tensions warrant close monitoring, we continue to rate Japanese equities as Attractive, as corporate earnings are rebounding and accommodative government policies should support the market. China's tech sector, meanwhile, stands out as a top global opportunity amid ongoing innovation, policy support, robust earnings growth, and appealing valuations. For

Europe, we recently upgraded the market to Attractive, projecting earnings per share growth of 7% for the Euro Stoxx 50 index for 2026. We favor industrials, technology, utilities, and “European leaders,” supported by major infrastructure and defense investment.

**We upgrade commodities to Attractive, while gold remains an effective portfolio diversifier.** Supply constraints and rising cyclical and structural demand should support energy, metals, and agriculture next year. Meanwhile, we expect gold demand to rise further in 2026, thanks to anticipated further Fed cuts, lower real yields, continued geopolitical uncertainties, changes in the domestic US policy environment, and increasing fiscal risks. We think exposure to the precious metal will continue to prove valuable for diversified portfolios.

**Quality bonds still have an important role in portfolios, despite government debt concerns.** We expect medium-duration quality bonds to deliver mid-single-digit returns in 2026, with higher returns possible in adverse scenarios. We are more cautious about riskier parts of fixed income given very tight credit spreads. Income-seeking investors in markets where bond yields are low can also consider dividend or option strategies in equities for income generation.

We believe that by building a clear plan, deploying excess cash, constructing a strong core portfolio across equities, fixed income, and alternatives, as well as selectively hedging risks, investors can position themselves to thrive in 2026 and beyond.

Read more in our Year Ahead outlook: [Escape velocity?](#)

Original report: [Strong AI outlook should underpin markets in 2026, 20 November 2025.](#)

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