



While some may worry investor reticence signals deeper trouble, CIO sees multiple catalysts ahead that should help reignite equity market momentum into early 2026. (UBS)

Multiple catalysts ahead should help reignite equity market momentum

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While the oft-recurring December rally hasn't presented itself so far, CIO believes early 2026 will offer up its own set of market drivers that may boost investors and underpin our constructive view on global equities.

A quiet December stands out against historical patterns. Since 1929, December has been the second-best month for the S&P 500, averaging a 1.3% gain that is second only to July. Historically, much of this December advance has been backloaded to the second half of the month, which is why the "Santa rally" moniker persists.

While some may worry investor reticence signals deeper trouble, we see multiple catalysts ahead that should help reignite equity market momentum into early 2026:

Earnings growth should keep firing into next year. Corporate earnings have continued to surpass expectations this year, with Tech sector results in particular driving optimism, and forward estimates proving resilient despite macro uncertainty. We note that forward price-to-earnings multiples are only marginally higher than at the start of the year, reinforcing the fact that earnings growth and not valuation bubbles have driven market gains. Bottom-up earnings estimates have continued to be revised higher, and we expect robust profit growth to remain a key driver of equity

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performance into the year ahead. We forecast S&P 500 earnings per share will grow around 10% year over year in 2026, helping to push the index up to 7,700 by end-2026.

New Fed leadership, more easing should support risk assets. The next Federal Reserve chair, expected to be named in January, could prompt markets to price in a more dovish policy stance. Leading candidates have reinforced this outlook: Kevin Hassett's latest remarks included his view that inflation is "actually quite low" and that the Fed still "has plenty of room to cut," while Christopher Waller has also advocated for further rate reductions toward neutral. After a third consecutive rate cut in December, we expect another in the first quarter of 2026. With unemployment at a four-year high and inflation moderating, policymakers have ample scope to support growth. Historically, Fed easing outside recessions has provided a strong tailwind for equities.

The Supreme Court ruling may provide better tariff clarity. The pending ruling on President Trump's tariff powers, likely to come in January or February, will provide more clarity for manufacturers and markets. Our base case is that the IEEPA tariffs will be repealed, which could temporarily lower the effective US tariff rate and offer short-term relief for both GDP and inflation. However, we do not expect a lower tariff regime to persist, with the administration already confirming it will swiftly rebuild trade barriers using alternative statutes and tariffs. Ultimately, we think the ruling may trigger swings in sentiment rather than a lasting rally, supporting our views on both portfolio diversification and gold as a geopolitical hedge.

So regardless of whether a December rally materializes, we believe investors should position for further advances in equity markets. We maintain our Attractive rating on US equities. We find compelling opportunities in tech, health care, utilities, as well as financials, which should broaden the foundation for further gains.

We also see opportunities in quality bonds, especially medium-duration government and investment grade bonds, which should benefit as US rates decline. Gold, which we think can rise to USD 4,500/oz by June, remains a useful portfolio hedge against policy and geopolitical risks. With the appeal of the US dollar eroding, and US dollar weakness likely to persist into the first half of 2026, we recommend investors review their currency allocations and ensure portfolios are well-diversified for the year ahead.

Original report - [Why 2026 catalysts matter more than any year-end rally, 22 December 2025.](#)

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