



(UBS)

CIO maintains a positive outlook on US equities

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Despite the barrage of recent headlines, the Chief Investment Office (CIO) thinks a cyclical growth acceleration, combined with structural trends, will continue to underpin their favored sectors in US equities.

A resilient US economy should support the equity market overall. While the December payrolls came in lower than market expectations, the improvement in the unemployment rate and solid average hourly earnings suggest that a modest growth acceleration may be in store, especially amid easier financial conditions and the stimulus from the One Big Beautiful Bill Act (OBBBA). We now expect the US economy to expand by 2.1% this year, up from our previous forecast of 1.7%, and believe that such resilience in growth should support 10% earnings per share growth in the S&P 500 in 2026.

Upcoming bank earnings are likely to remind investors of robust fundamentals. Interest rate caps are difficult to implement, and any executive order or unilateral policy change will likely face immediate legal challenges. In Congress, legislation to cap credit card interest rates was introduced in both chambers last year, but neither the House version nor the Senate plan gained traction. Additionally, if a cap were imposed, card issuers and lenders would likely prioritize protecting margins over volumes. This would result in tighter lending standards and fewer loans, which could hurt consumer spending and GDP growth—a key priority for the administration in an election year. A cap would also likely have only limited impact, in our view, as it likely only applies to new loans and the duration may last only one year. Issuers could also offset the lost interest income by imposing new fees. We maintain our Attractive rating on US

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financials, and would view any sharp pullbacks in bank stocks as potential opportunities, especially as the yield curve and capital market activities have been supportive for the sector.

Structural trends in AI, electrification, and longevity remain key drivers of stock performance. Our main takeaway from the CES tech conference last week is that the rapid pace of innovation should continue to support strong growth in AI compute, and we believe that the peak in the compute cycle remains several years away. We continue to see value in the enabling layer of the AI value chain, but after three years of concentrated gains, we see room for a catchup from companies that leverage AI to improve business outcomes. Additionally, we believe spending of more than USD 32tr over the next decade on power and electrical infrastructure bodes well for utility firms, while clarity over most favored nation (MFN) pricing agreements should drive incremental investor inflows into the health care sector.

So, we maintain a positive outlook on US equities, forecasting the S&P 500 to reach 7,700 by the end of this year. Investors should consider broadening or adding to their portfolio exposure.

Original report – [US equity rally remains intact despite headline volatility, 12 January 2026.](#)

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