



(UBS)

CIO maintains June and year-end S&P 500 price targets of 7,300 and 7,700

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Based on the supportive macroeconomic environment, the UBS Chief Investment Office (CIO) expects a solid set of earnings results, with the S&P 500 posting 12% growth for 4Q.

CIO's estimates embed a 4% earnings beat, which could even prove to be somewhat conservative based on the strength from the early reporters, which are beating by more than 5%. Encouragingly, so far, the earnings beats are a function of strong revenue beats. CIO expects revenue growth of more than 8%.

Similar to the previous quarter, earnings growth should continue to broaden out. To be sure, the Magnificent 7 mega-cap growth companies (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla) will still be important drivers of S&P 500 profit growth. These companies will likely account for more than half of S&P 500 EPS growth in 4Q. In aggregate, earnings for this group will likely rise nearly 25%. But the rest of the market is not doing badly either. CIO expects the remaining 493 companies in the index to post growth of around 10%. There is a chance that all 11 sectors of the S&P 500 will generate profit growth in the quarter—the first time this has happened since 2021.

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AI still in focus

AI will undoubtedly be a key area of focus once again. We are now more than three years past the launch of ChatGPT and while very strong investment spending trends have supported earnings and overall market performance, investors will be more attuned to a path toward monetization. This is becoming increasingly important considering the truly huge sums that are being spent on AI infrastructure. This has prompted investor concerns about the likely return on this investment. As a result, and after rising aggressively over the last two years, there is likely less upside to AI capex. So, it stands to reason that companies that can demonstrate they are, in fact, generating revenues and profits from AI investment will likely be rewarded by investors. As a result, the AI theme is likely to broaden out into the intelligence / application layers. Encouragingly, CIO expects cloud service provider revenue growth to accelerate during the quarter.

Outlook supported by earnings

A good earnings season should support further gains in US equities. More specifically, CIO thinks the earnings season will give investors confidence in the durability of earnings growth, which is a key driver of market returns over one-year horizons. Stocks tend to have a good correlation with the change in forward bottom-up consensus estimates. This relationship is even tighter when the Fed is not hiking interest rates, which is the environment CIO expects this year.

CIO's positive outlook for the market is also underpinned by fiscal stimulus measures that will hit the economy in the first half of the year, ongoing and lagged effects of Fed rate cuts, continued AI adoption, and the passing of peak tariff headwinds. Admittedly, valuations are high, but valuations have little to no relationship with returns over shorter time horizons. Earnings momentum matters much more, and CIO expects the momentum to remain positive.

Key risks we are monitoring include any signs of an increase in inflation expectations or higher interest rates, any setbacks to AI adoption, or an unexpected sharp slowdown in the labor market.

CIO's June 2026 and December 2026 S&P 500 price targets are 7,300 and 7,700. Its 2025 and 2026 S&P 500 EPS estimates are USD 277 (11% growth) and USD 310 (12% growth). As mentioned, CIO increased its 2026 EPS estimate by USD 5 largely due to strong semiconductor memory chip demand.

Original report – [S&P 500 EPS: Profit growth continues , 13 January 2026.](#)

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