(UBS)

Investors have an opportunity to rebalance from a position of strength

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President Donald Trump said the Strait of Hormuz would be "open to all" if the Islamic Republic accepts the latest US proposals.

Axios reported that the one-page framework would involve Iran agreeing to suspend further enrichment of uranium in return for the release of frozen Iranian funds and the removal of sanctions. Tehran, meanwhile, said it was reviewing the peace proposal and would convey its response.

What do we think?

Our advice through the conflict has been to remain invested and avoid "trading" geopolitical events. We have continued to view US and global equities as Attractive, while preferring to progressively derisk more energy-exposed markets.

Our base case has been that an eventual diplomatic solution would allow the focus of investors to return to resilient economic fundamentals, robust earnings growth, advances in AI, and the potential for further rate cuts from the Federal Reserve. The recent market rebound is consistent with historical precedent following geopolitical crises, with the S&P 500 trading higher after three months two-thirds of the time, based on data going back to 1940.

Focus is now shifting back to first-quarter earnings, with S&P 500 earnings on track to grow by around 17%—the fastest pace in four years. The AI theme remains a key driver, with strong results among large tech platforms and across the broader supply chain, including utilities and power-related businesses benefiting from rising data center demand. Earnings growth is also broadening across sectors, supported by resilient consumer spending and signs of a cyclical recovery. We continue to expect low double-digit earnings growth for the full year, with upside risks given the positive momentum and the expanding impact of AI across industries.

The recent rally provided another reminder of how a resolution to the conflict, or hopes thereof, can quickly drive markets higher. However, some caution is also still warranted. Iran has yet to agree to the US plan, and the publicly stated negotiating positions of the two sides remain far apart—including on issues such as Iran's nuclear program, free transit through the Strait of Hormuz, and Iran's support for regional proxies.

The lagged effects of the disruption remain to be fully felt, and it is also not clear how quickly, and to what extent, traffic through the Strait will normalize. Shipowners and insurers could remain skeptical about the safety of travel through the waterway. Against this backdrop, while we retain an Attractive stance on most global equity markets—including the US, China, Japan, and Switzerland—we remain Neutral on the Eurozone and India due to their greater sensitivity to higher energy prices.

The recent resilience in markets provides investors with an opportunity to rebalance from a position of strength, positioning to benefit from further market upside while diversifying potential risks.

Original report – **Middle East optimism lifts markets, 7 May 2026**

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