(UBS)

Diversification remains key to build resilient portfolios for the long term

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US-China trade tensions have weighed on investor sentiment in recent days. The Trump administration is reportedly considering fresh export curbs on a wide range of goods made with US software, while Beijing is demanding sensitive data from some US semiconductor firms in an anti-dumping investigation.

The latest developments came ahead of an anticipated sideline meeting between US President Donald Trump and Chinese President Xi Jinping at next week's APEC summit, with both sides looking to extend a trade truce recently put at risk by renewed tensions. China earlier this month expanded its rare earth export controls, while Trump threatened fresh tariffs against China.

We think the equity bull market has further room to run, and have reiterated that an easing Federal Reserve, durable earnings growth, and AI investment spending support our Attractive view on US equities. We believe it is important to have adequate exposure to US stocks.

But we also believe investors should diversify their portfolios beyond US equities. Any setbacks in US-China relations or potential concerns about the durability of the AI-driven rally could trigger bouts of volatility. Against the current backdrop, we see appealing opportunities in select equity markets in Asia, quality bonds, and gold.

So, while we recommend that investors position to benefit from the expected further rally in US stocks over the next 12 months, diversification remains key to build resilient portfolios for the long term.

Original report – **Diversification beyond US stocks adds portfolio resilience, 23 October 2025.**

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