



Investors should focus on long-term gains and portfolio resilience by diversifying across equities, quality bonds, gold, and alternatives amid ongoing geopolitical and market volatility. (UBS)

A bumpy path ahead reinforces the importance of holding a resilient portfolio

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The re-escalation in hostilities interrupted recent optimism over a potential deal that could reopen the Strait of Hormuz, suggesting that bridging the gap between Washington and Tehran remains challenging.

We still believe an eventual diplomatic solution should emerge, and a resilient economic backdrop and robust earnings growth mean that investors should stay positioned for long-term equity gains through diversified exposure. But the likely bumpy path ahead also reinforces the importance of holding a resilient portfolio that can withstand near-term volatility.

Add quality bonds for appealing and durable income. Despite the more hawkish rhetoric from policymakers last week, we continue to believe that major central banks are likely to look through the current spike in oil prices as they should have a limited effect on underlying inflation. We believe the potential for second-round effects is lower this time than in the 2022-23 rate-hiking cycle, because inflation is less elevated to start with, labor markets are less tight, and price pressures are more narrowly concentrated. We therefore see an appealing opportunity in short- to medium-maturity quality bonds, as we expect government bond yields to fall from their current highs when markets adjust

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interest rate expectations. If oil prices stay elevated for longer, yields should also fall as investor focus turns to recession risk and rate cuts.

Consider gold for its role as a store of value. The latest World Gold Council report showed that demand for bullion remains strong, and a jump in demand for gold bars and coins highlights the metal's appeal for retail investors as a diversifying tool. With central bank purchases remaining robust, recovering ETF demand, and ongoing fiscal deficit concerns, we continue to expect gold to rise toward USD 5,900/oz by the end of the year. Gold also performs well when growth expectations fall and central banks cut rates, underscoring its effectiveness as a portfolio hedge and diversifier.

Use structured investments and alternatives for defensive positioning and diversified return streams.

Structured strategies offer investors tools to tailor their equity exposure according to their market outlook and risk appetite. This means that, provided one is willing and able to bear associated risks such as issuer default and liquidity constraints, replacing part of a portfolio's stock exposure with structured investments may help make the positions more defensive. Alternative investments can also be valuable in long-term portfolios, as they can offer differentiated returns and diversification beyond traditional stock and bond investments. Investors should stay selective and align allocations with their liquidity needs and risk objectives while also managing alternatives' unique risks, which may include limited liquidity.

So, instead of attempting to "trade" geopolitical events, we maintain the view that investors should position for long-term equity gains while managing near-term volatility through thorough diversification across asset classes, regions, and sectors.

Original report – [Maintain a diversified portfolio amid geopolitical volatility, 8 May 2026.](#)

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