



CIO's base case is for a "soft landing," and more upside for equity indexes and quality bonds. (UBS)

Revising our potential scenarios for the Year Ahead

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Since we published our Year Ahead outlook on 16 November, global equities (MSCI All Country World Index) have rallied by 3.8% and high-quality bonds (Bloomberg Eurodollar Aa or Higher, 5–7 Years Index) by 3.5%. The S&P 500 is now up 13.9% from its October low, and the 10-year US Treasury yield is about a full percentage point lower than its October highs.

We believe successful investing from here will be about finding parts of the market that can deliver attractive returns across a range of potential scenarios, or those companies and sectors that can allow investors to capture further upside if markets continue to move higher.

In fixed income, with rate cuts firmly on the horizon, we reiterate the need for investors to manage liquidity—limiting cash balances and locking in yields. Although yield volatility is likely to remain high in the near term, we expect positive returns for quality bonds across a range of market scenarios in 2024.

In equities, we continue to see quality stocks as a core holding for investors. History shows they tend to outperform in periods of slowing economic growth, as we expect in our base case. We keep a most preferred stance on the US IT sector, home to many quality stocks. By also complementing core holdings in quality stocks with tactical exposure to small caps, investors should be well positioned to capture more upside if markets continue to move higher.

In currencies, while we expect modest US dollar strength in the near term, the Fed's dovish pivot sets the stage for a weaker dollar over 2024. Meanwhile, we see upside in both oil and gold prices.

We think a balanced portfolio of equities, bonds, and alternatives is the best way for investors to preserve and grow wealth over time. We expect upside for balanced portfolios in our base case and upside scenario; see diversification, discipline,

and rebalancing as key in a fast-moving market; and think the recent rally in broad equity and bond markets means investors need to consider tapping into a broader range of opportunities, including active management and alternatives.

For more, see the full report - [Year Ahead 2024: Scenario update](#), 5 January, 2024.

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