For UBS marketing purposes

CIO favors putting cash to work in stocks and high grade and investment grade bonds. (UBS)

Markets position for possible ceasefire in Ukraine

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US President Donald Trump announced on Wednesday that he had a phone call with Russian President Vladimir Putin in which both leaders agreed to "start negotiations immediately" on ending the war in Ukraine. Trump called Ukrainian President Volodymyr Zelenskiy on Wednesday as well.

President Trump also told reporters that he planned to meet President Putin in Saudi Arabia, which would mark the first in-person meeting between the leaders of the two countries since Putin met former US President Joe Biden in Geneva in 2021. In recent days, global markets have positioned for progress toward a negotiated end of the Russia-Ukraine war, which began almost three years ago: The euro and eastern European currencies strengthened, European equities rose, while oil prices fell.

Our view: Our base case is for a ceasefire to be reached during the year, though negotiations may be protracted given the lack of trust and distance between desired outcomes. Ending the fighting would likely involve Ukraine losing some territory—with the goal of reclaiming it later via diplomatic means—but gaining security guarantees and reconstruction commitments. Russia may negotiate sanctions relief and partial gas flow resumption to Europe. However, gas flows are unlikely to return to pre-war levels, in our view. Upside scenarios include rapid progress toward a ceasefire—an outcome that we believe the market is currently partially pricing in. But the path to the ceasefire is by no means certain. Moreover, while we think the Kremlin's calculus ultimately favors a deal, it appears in no hurry to accept one.

For investors, we continue to recommend regional diversification and a mix of stocks, bonds, real estate, and alternative investments to protect against geopolitically induced market turbulence, while also being exposed to positive risk scenarios. In the current situation, we caution against taking an overly narrow view on individual assets purely from the perspective of a perceived increase in likelihood of a ceasefire in Ukraine. Global growth and inflation dynamics, central banks' policy decisions, and the Trump administration's trade policies remain the more relevant drivers of portfolio returns, in our view. Accordingly, we favor putting cash to work in stocks, and high grade and investment grade bonds and considering investment in the AI opportunity and power and resources. We see hedges for political risks—not only around the war in Ukraine—in gold, oil, and via using structured investments.

For more analysis, see the **Global risk radar: Markets position for possible ceasefire in Ukraine**, published 13 February 2025.

Also see the US Daily: **US inflation higher than expected in January, 13 February 2025.**