Global Research

April 2026

Top Investment Themes and Trade Ideas for 2026

The story in pictures

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This document has been prepared by UBS AG, London Branch

Top Investment Ideas for 2026

Equities

1. Long S&P500 vs. CDX HY
2. Long US vs Global Equities
3. Long US High Quality vs US Low Quality
4. Long US Investment basket vs Consumer basket
5. Long Europe vs Japan
6. EU banks (SX7E calls) vs US banks (KBE calls)
7. Long MSCI China vs MSCI India
8. Long Nasdaq 100 (NDX) volatility vs. short S&P 500 (SPX) volatility

Government Bonds and Credit

9. Long US 10y
10. Long 30y Italy vs Germany
11. Long UK 30y
12. Pay 10y JPY OIS
13. Pay NZD-AUD 5y5y rates
14. Long 10y Brazil
15. Long EU IG vs. US IG (rates hedged, vol.-adjusted = 2:1)
16. Long Argentina 2035

FX and commodities

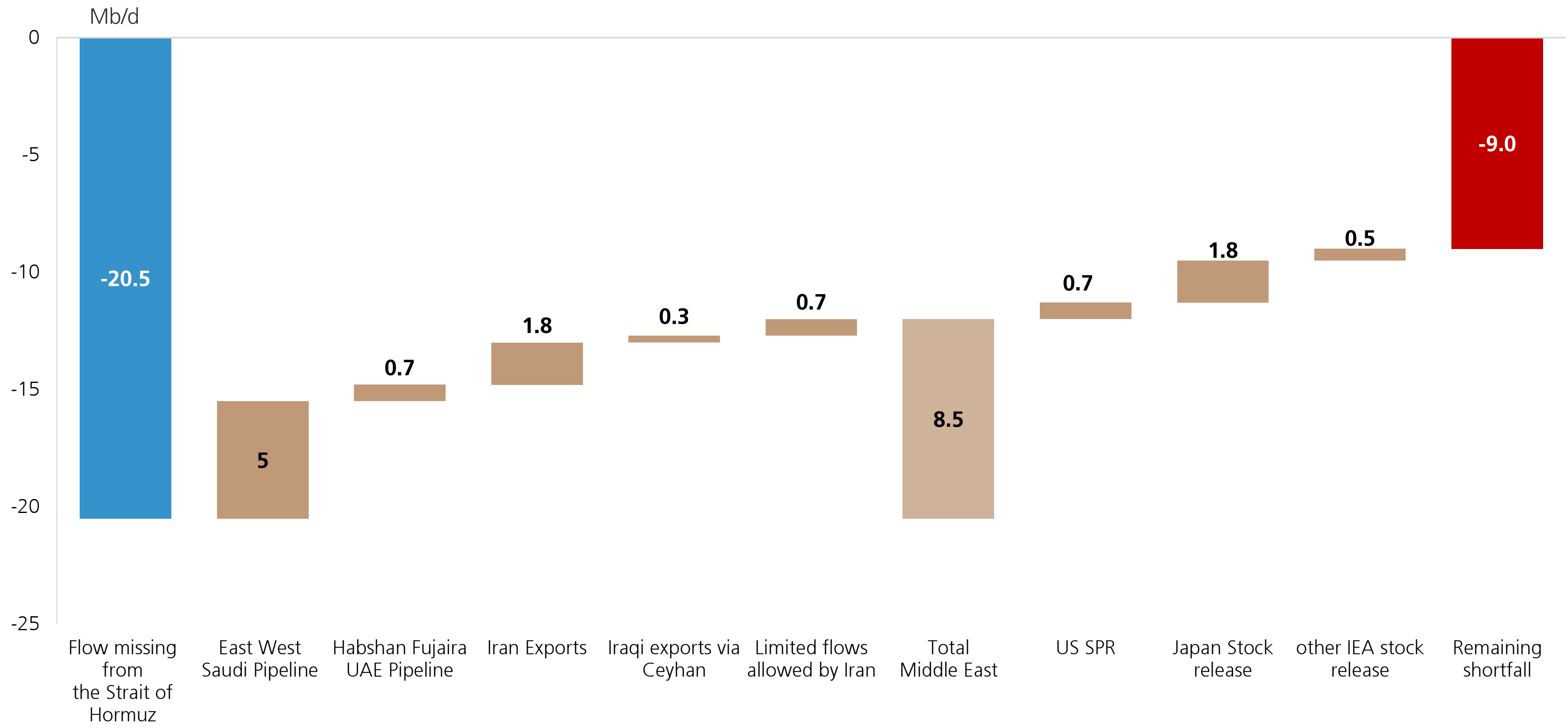
17. Long CNH vs. CFETS Basket
18. Long Gold vs CRB Index
19. Long BRL vs CLP
20. Short EURAUD

Source: Bloomberg, UBS

UBS

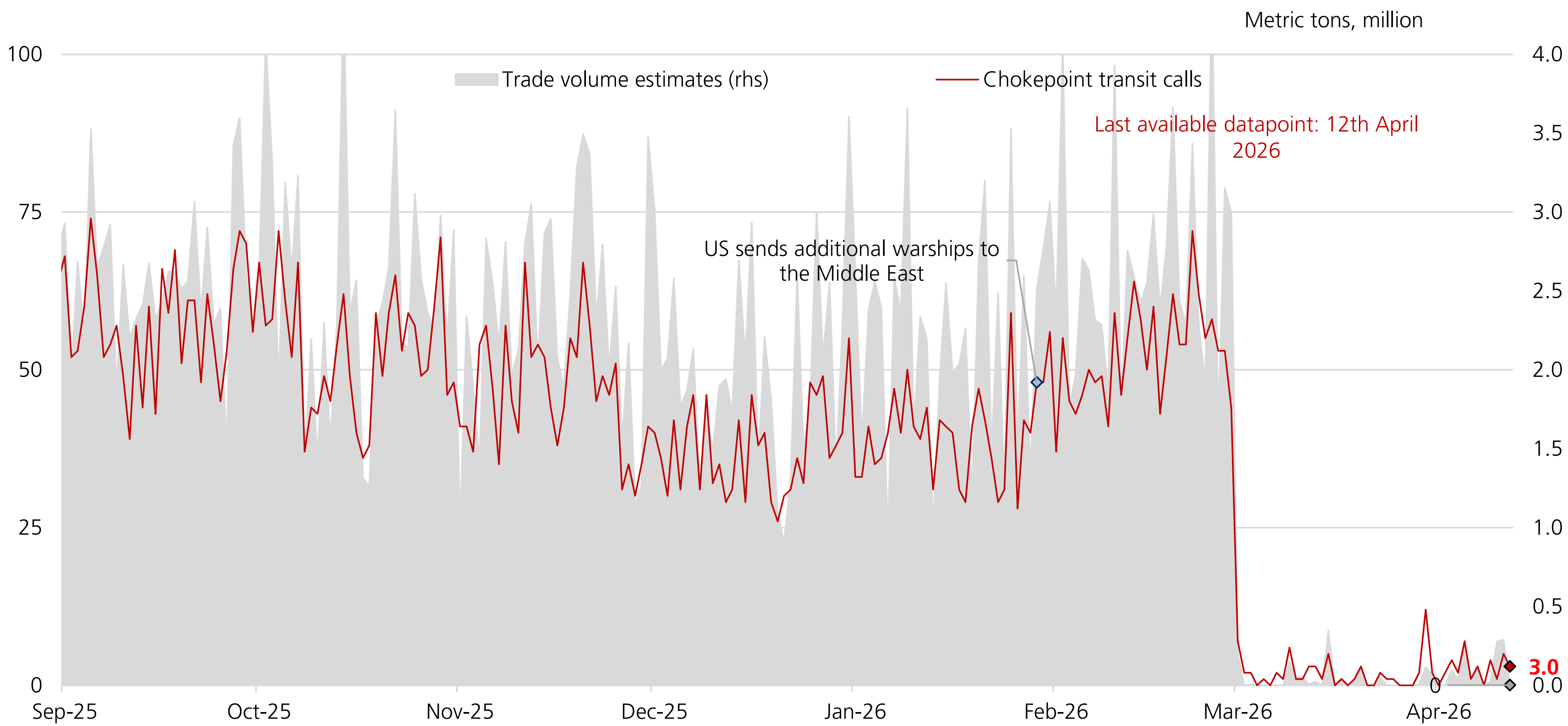
The Iran Conflict: All but priced out

Net of pipeline flows & inventory release, market still potentially short of ~9mln barrels daily



Source: IEA, UBS.

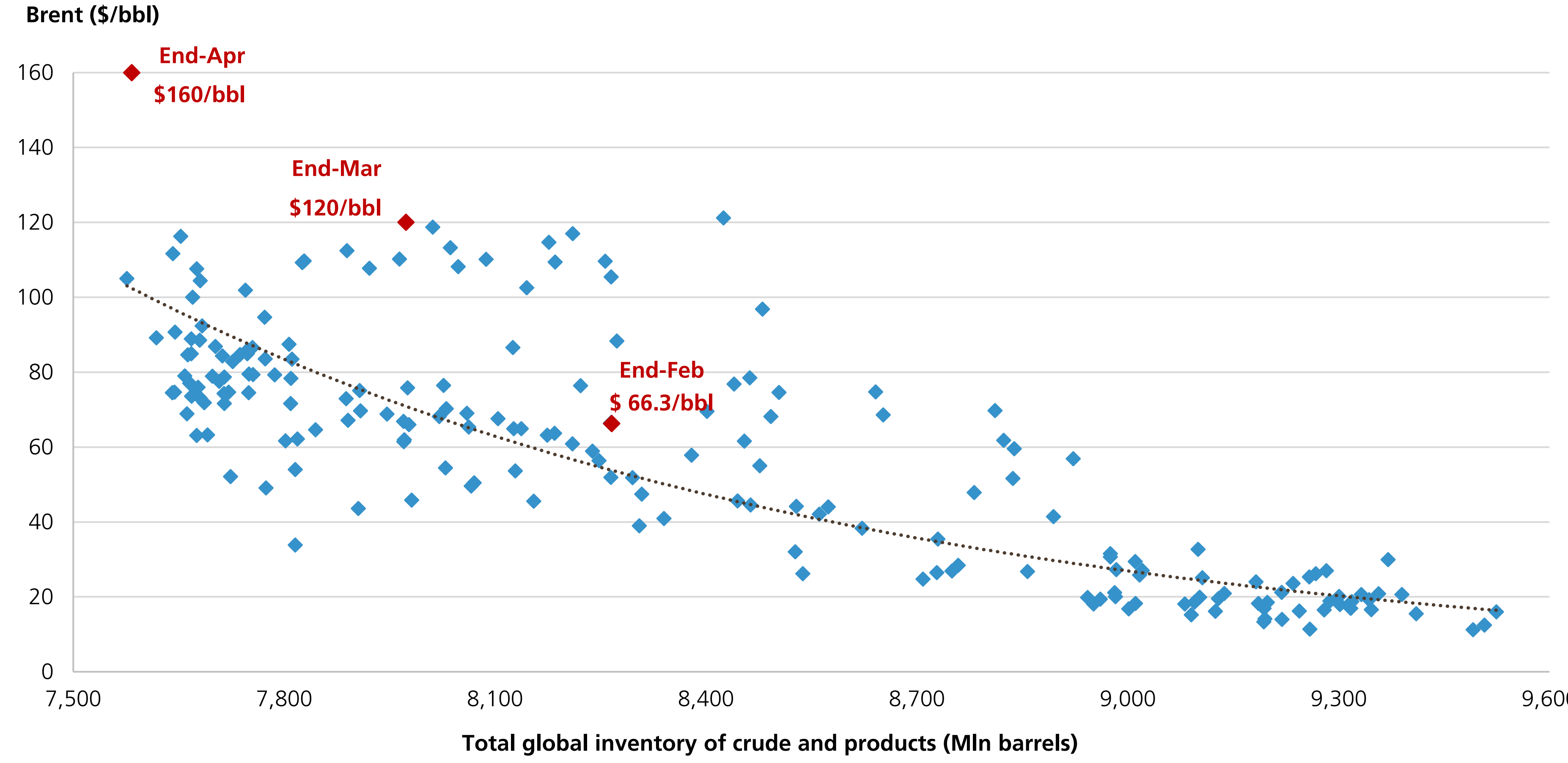
The bad news: This event possibly more serious than the recent past



Source: Bloomberg, UBS.

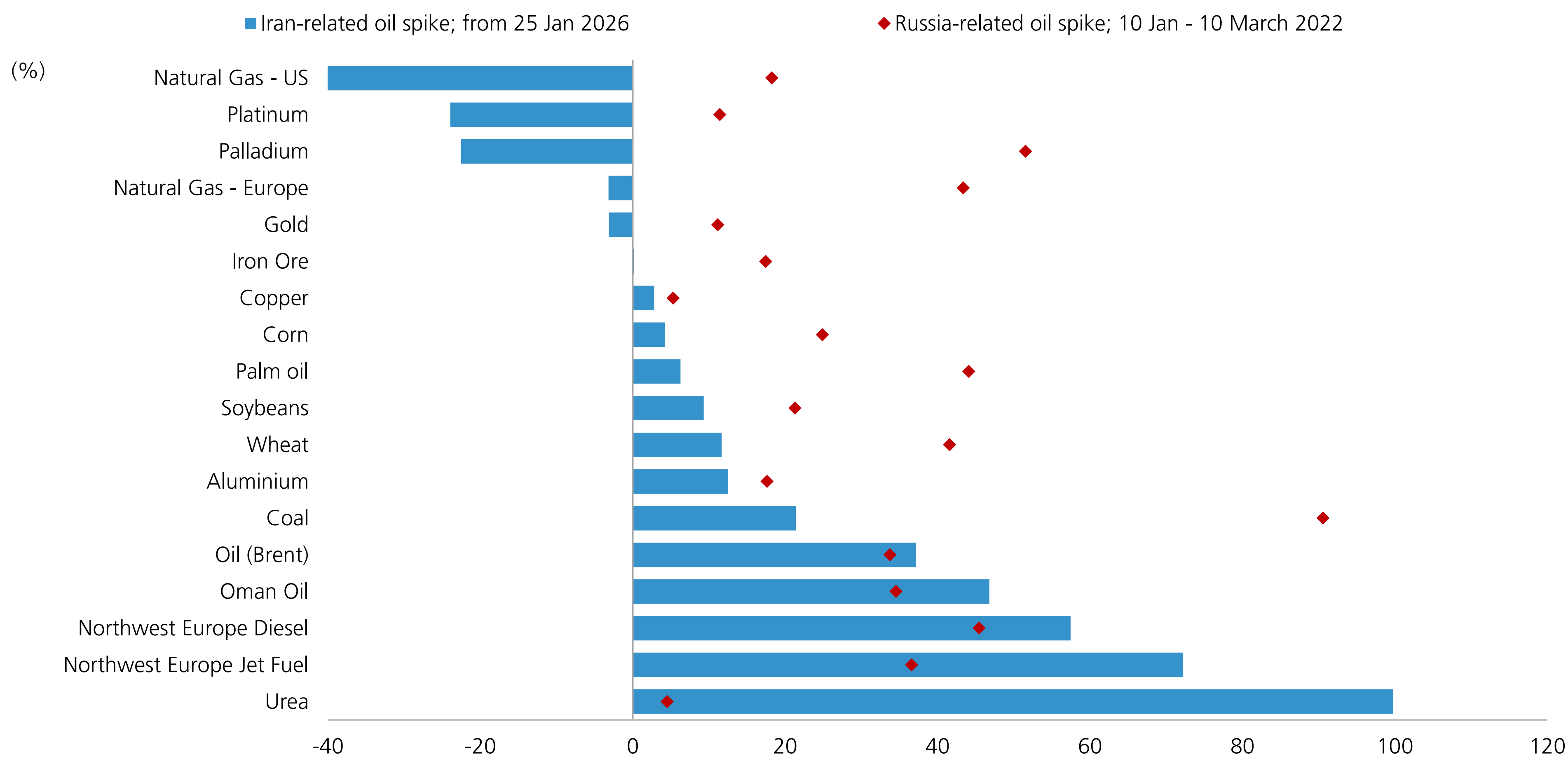
UBS

If Hormuz is still closed, we see scenarios where oil could rise to $150+ pb by end Apr



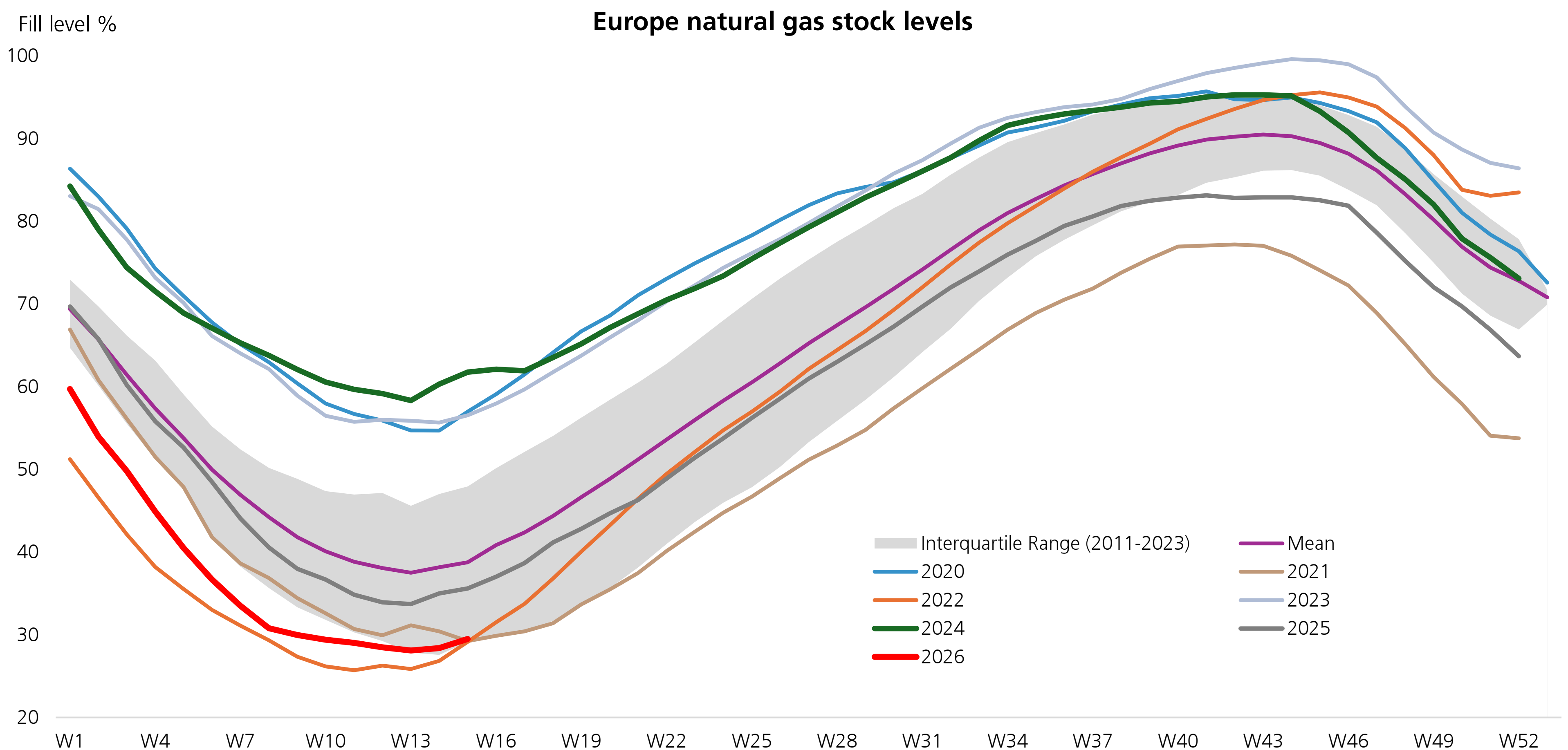
Source: IEA, UBS

Refined product markets are already anticipating a meaningful shortage of crude



Source: Macrobond, Bloomberg, UBS

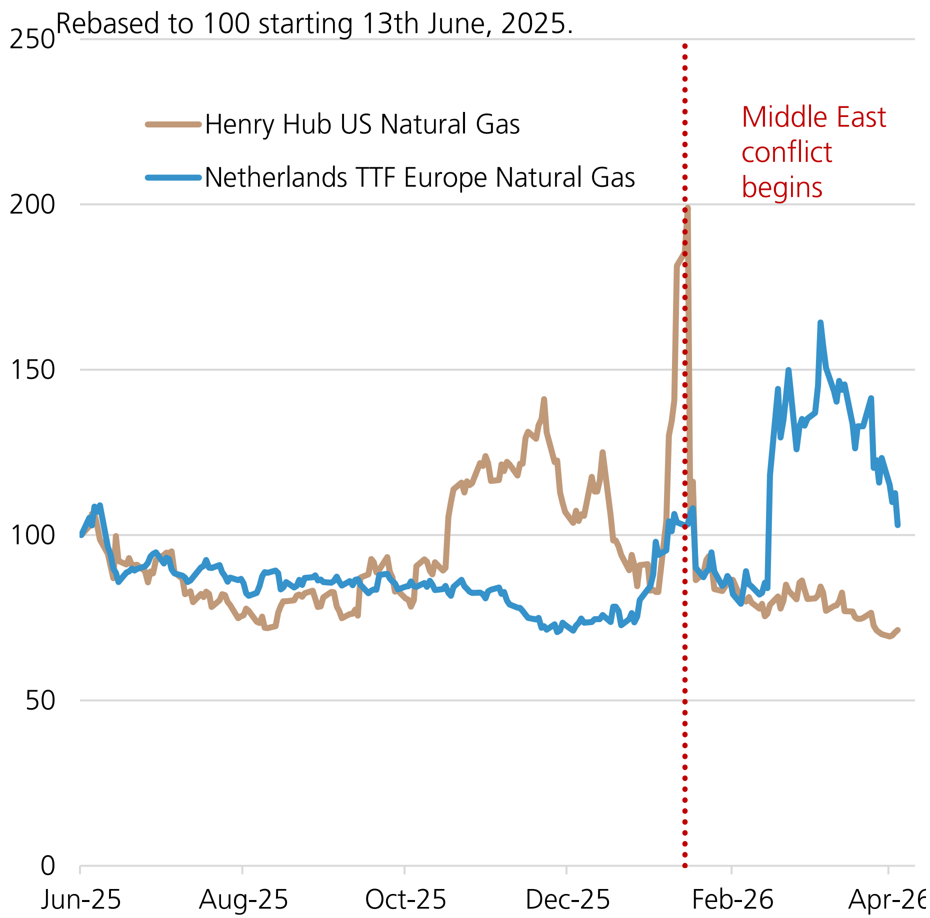
Natgas could be more of a challenge than crude



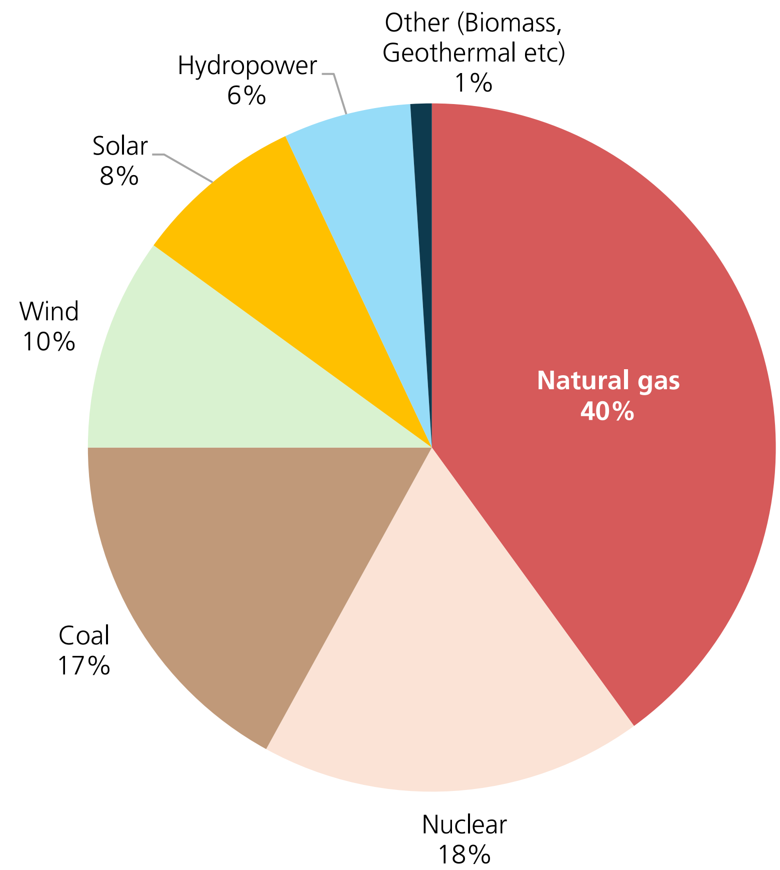
Source: Macrobond, UBS.

US & European crude trade close together, but natgas prices are very regional

Natural gas prices in US and Europe



US electricity generation mix by fuel source (2025 estimate)

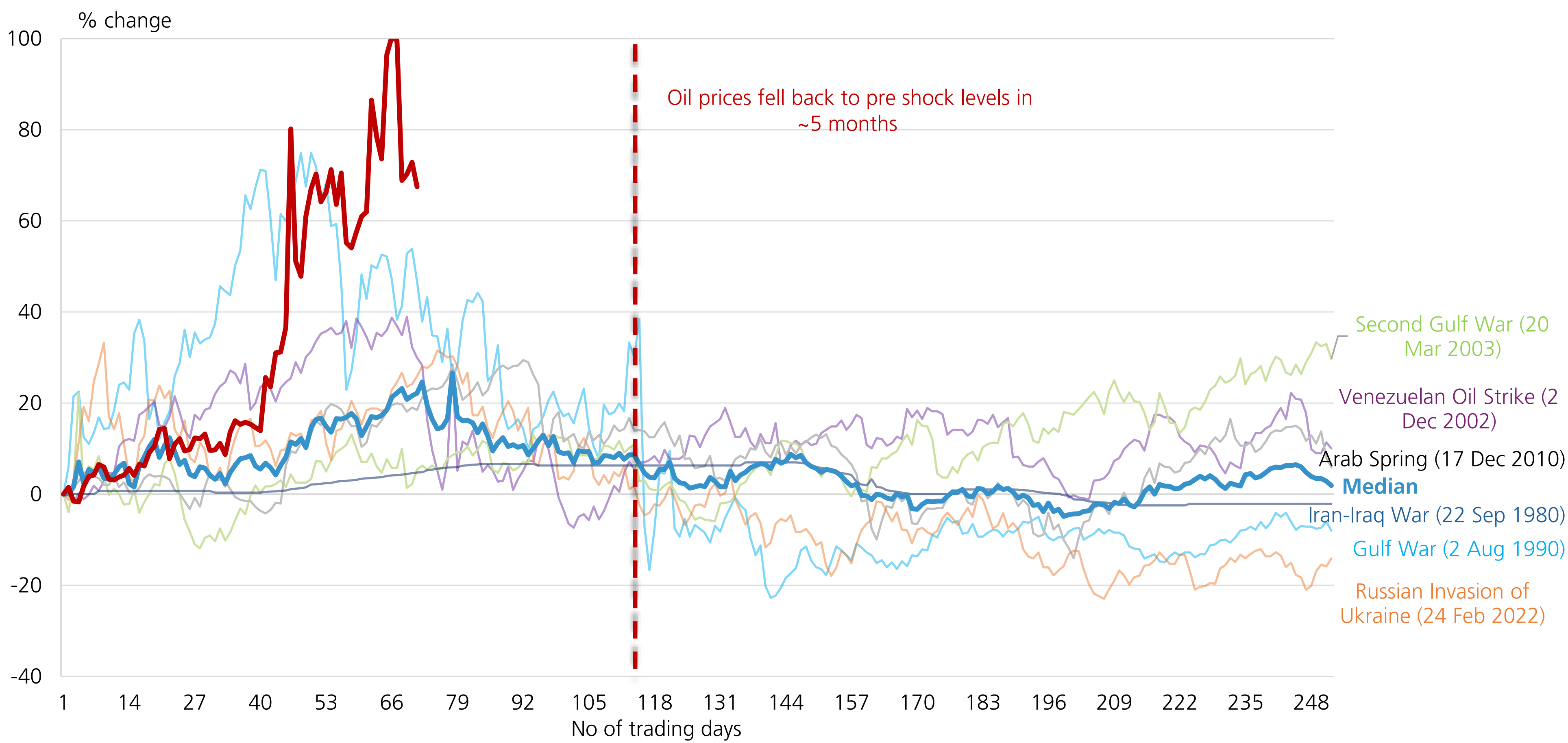


Source: Bloomberg, EIA, UBS.

UBS

Through military events since 1980, oil prices have normalised in roughly 5m

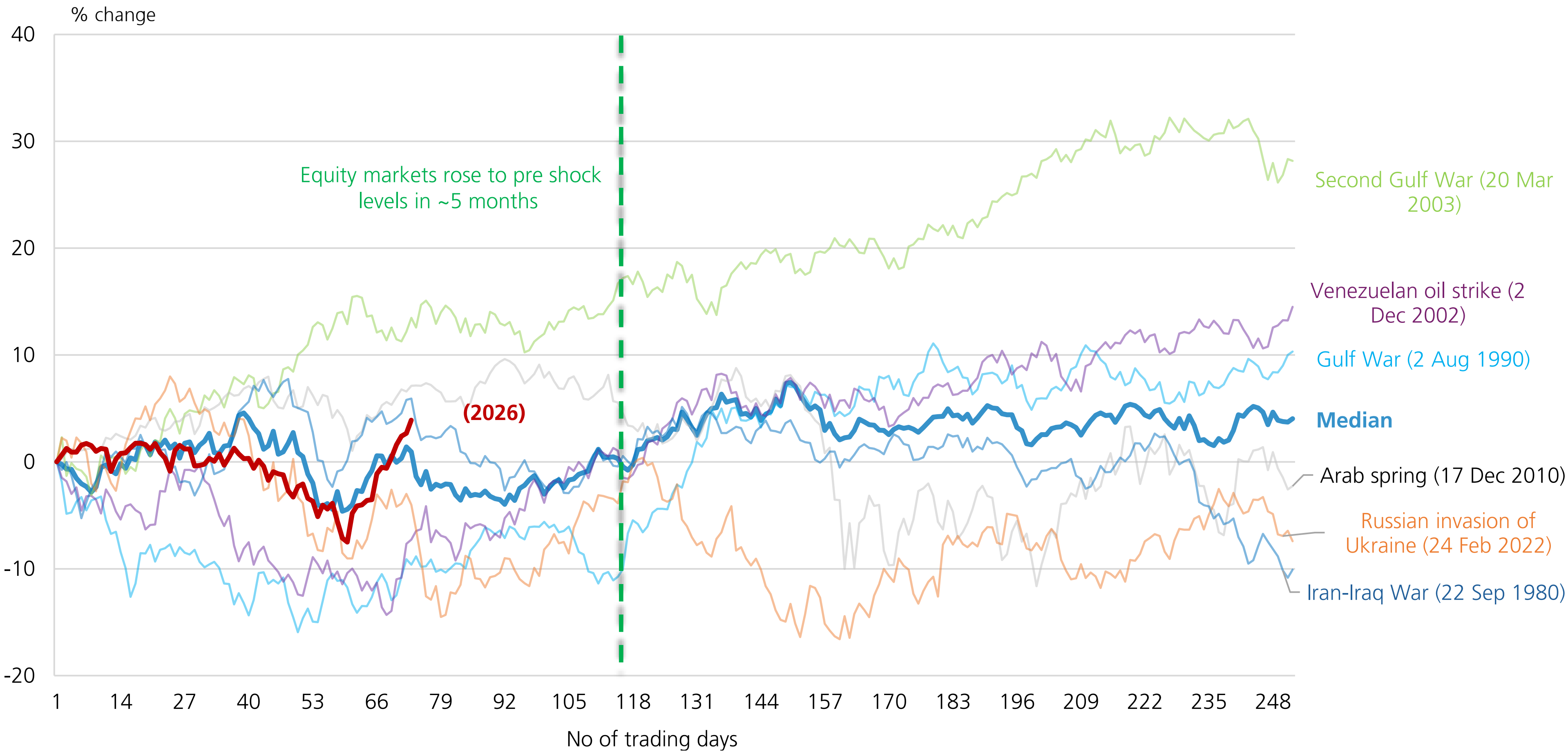
Oil performance around geopolitical shocks post 1980



Source: Macrobond, UBS.

Through military events since 1980, equity markets have also normalized in ~5m

S&P 500 performance after geopolitical shocks post 1980

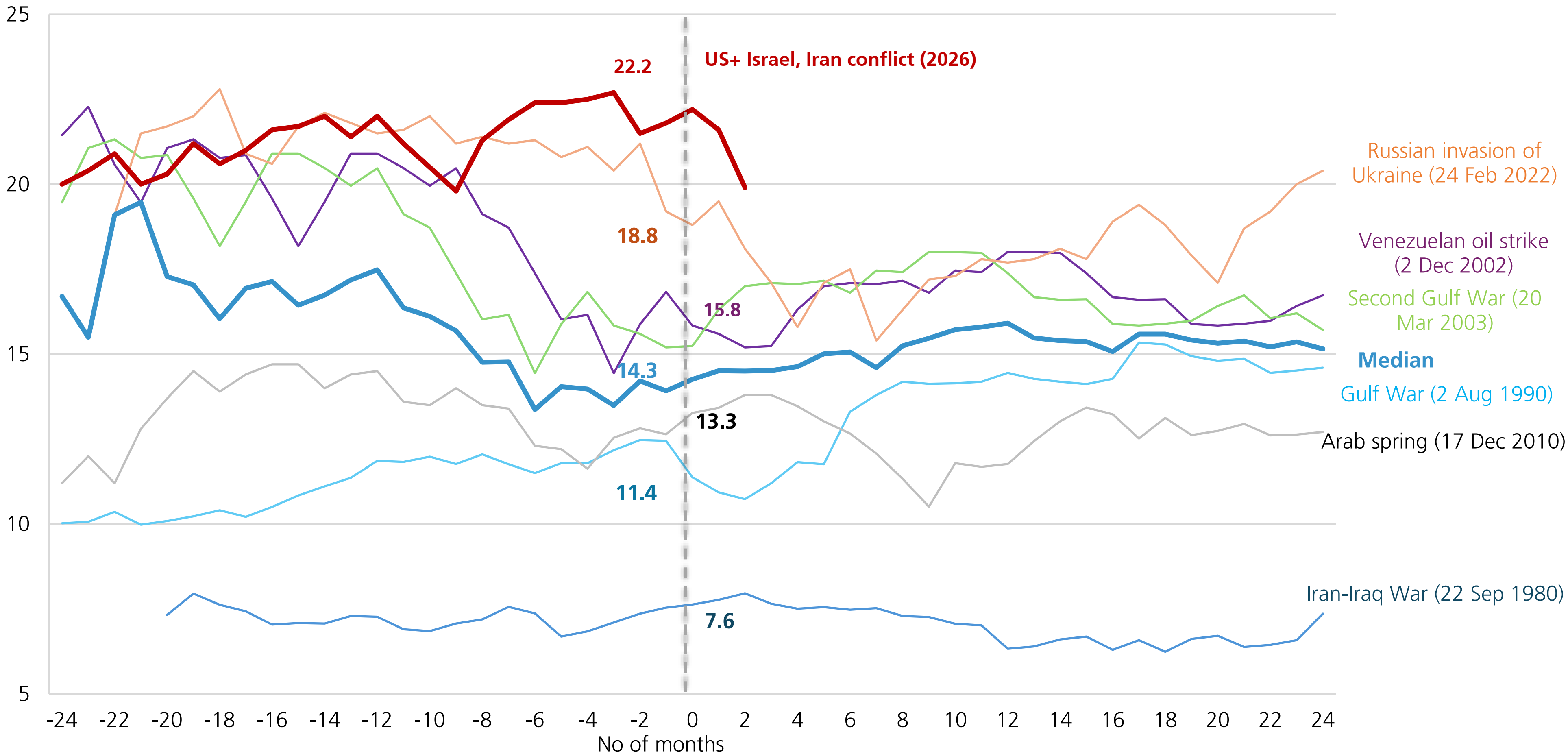


Source: Macrobond, UBS.

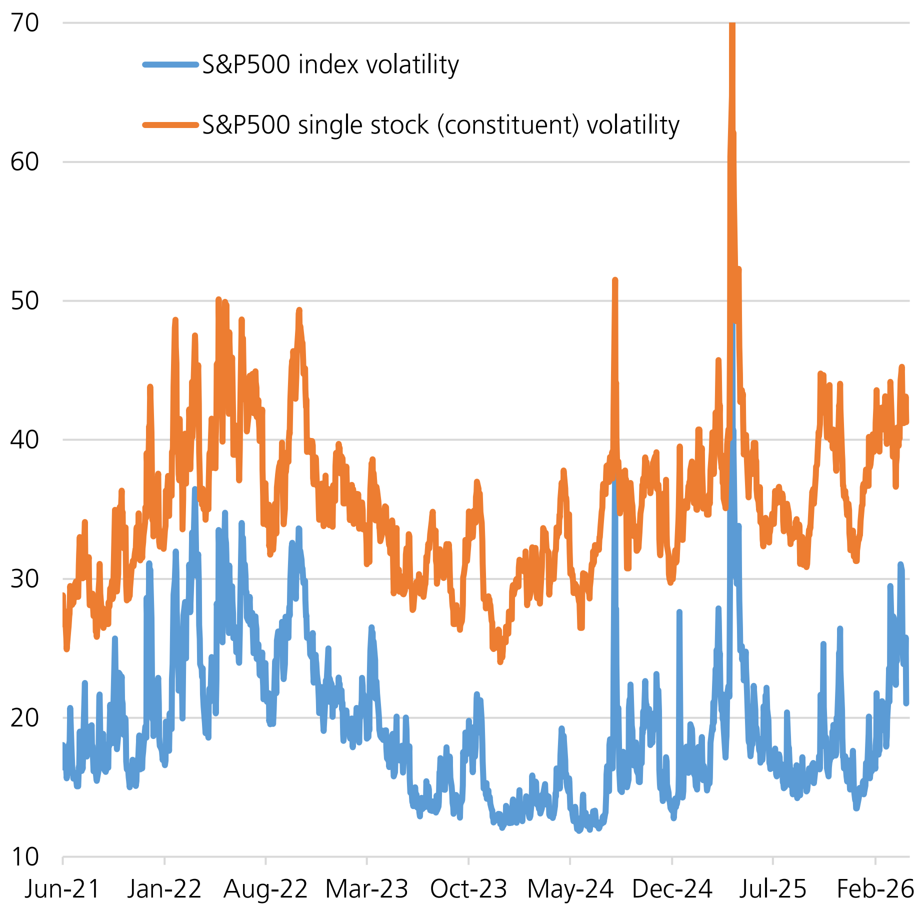
UBS

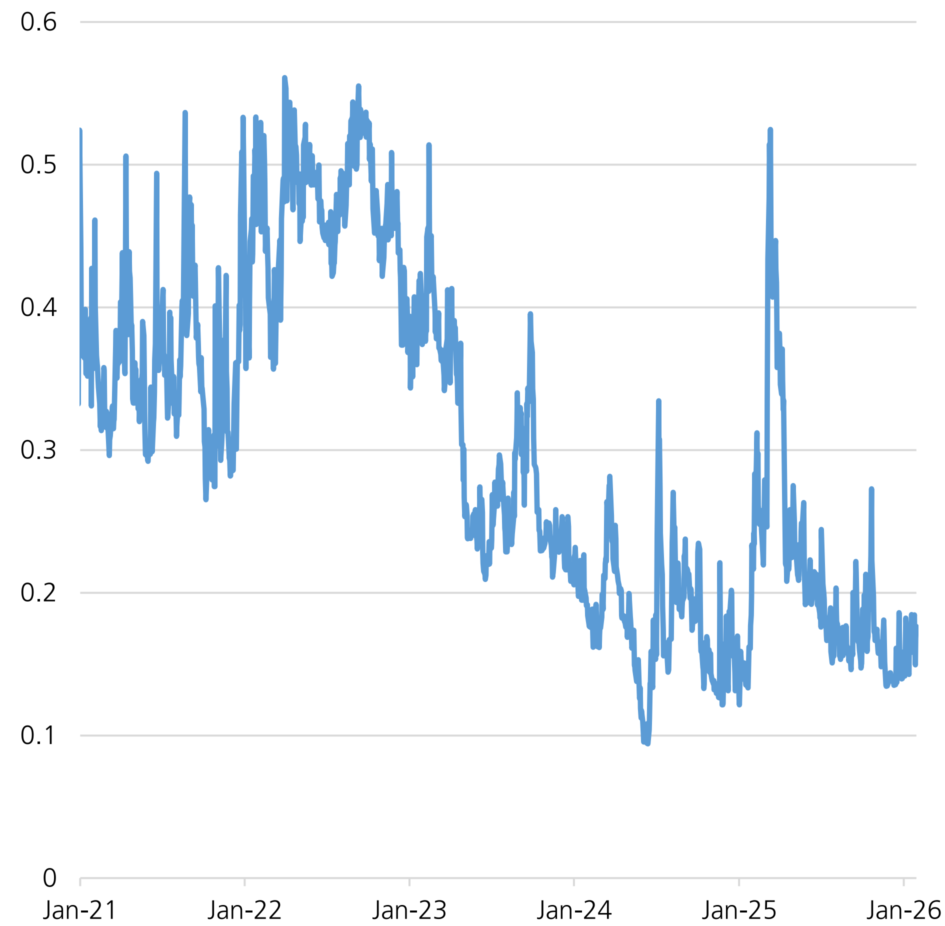
What's different today? The bad news: The starting point of market valuations

S&P 500 12m fwd P/E around geopolitical shocks post 1980



Source: Bloomberg, UBS.





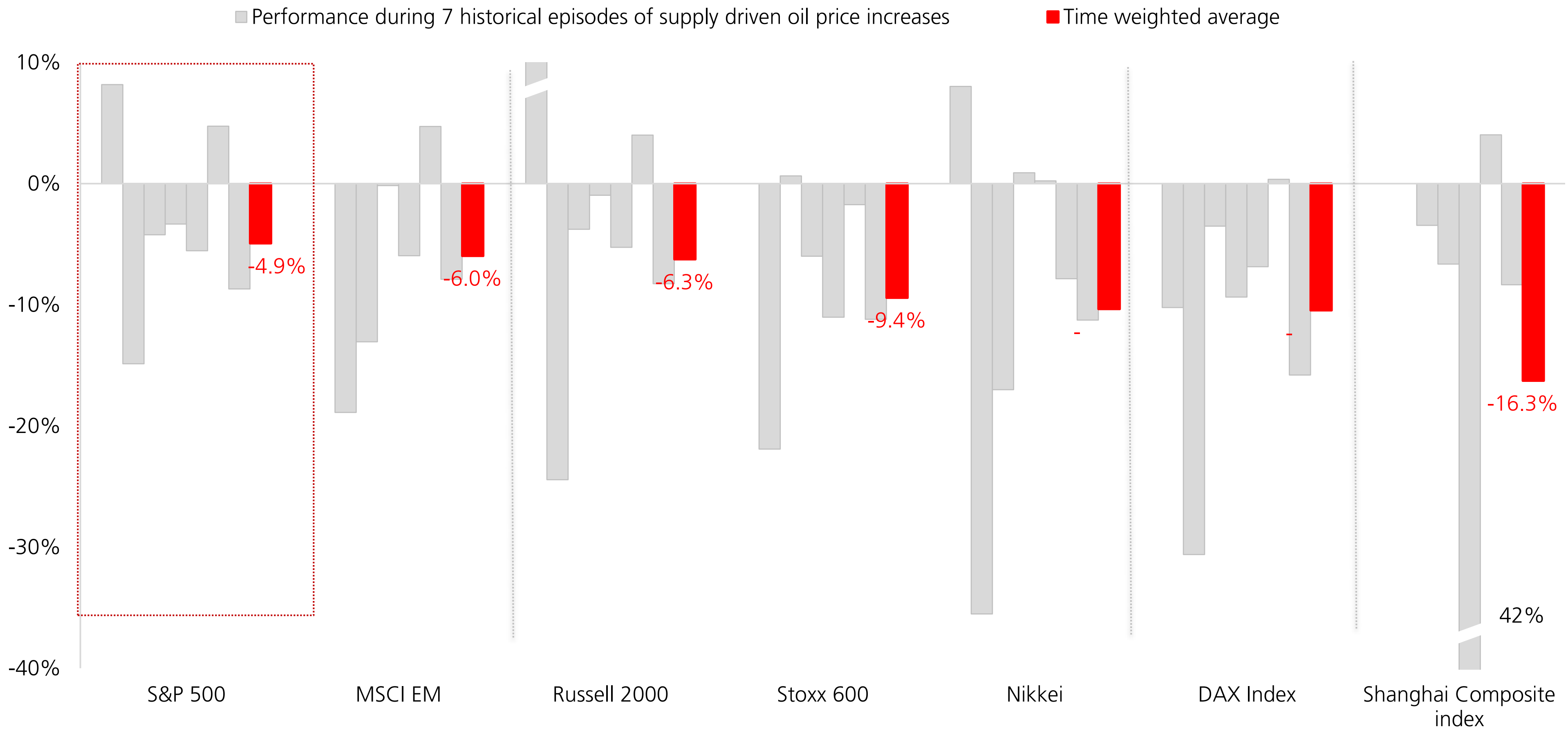
Source: Bloomberg, UBS.

The Fed typically cut rates into recessionary economy after an oil supply shock

Historical periods of supply driven oil price increase in history			**Change during the period**	**Change during the period plus in next 4Q**	**Avg. of 4 quarters from end date**	**Avg. of 12m from beginning**
	Oil price rally beginning	**Oil price rally end**	**Brent** oil price**	**Fed rate (bps)**	**Avg. US real GDP y/y**	**Avg. US CPI y/y**
Yom Kippur War*	Sep-73	Jan-74	380%	-175	-0.5%	9.7%
Iranian Revolution	16-Mar-79	14-Dec-79	146%	1000	-0.3%	12.0%
Gulf war	09-Jul-90	28-Sep-90	163%	-250	-0.2%	5.5%
OPEC supply constraints	11-Apr-00	18-May-00	32%	-225	2.5%	3.4%
Venezuelan oil strike	15-Nov-02	30-Dec-02	42%	-25	2.8%	2.4%
Outages in Venezuela, Iraq, Nigeria	07-Feb-08	04-Jul-08	64%	-275	-2.4%	3.5%
Arab Spring	21-Dec-10	12-Apr-11	36%	0	1.7%	3.0%
Russian invasion	20-Dec-21	08-Mar-22	79%	425	2.1%	8.1%

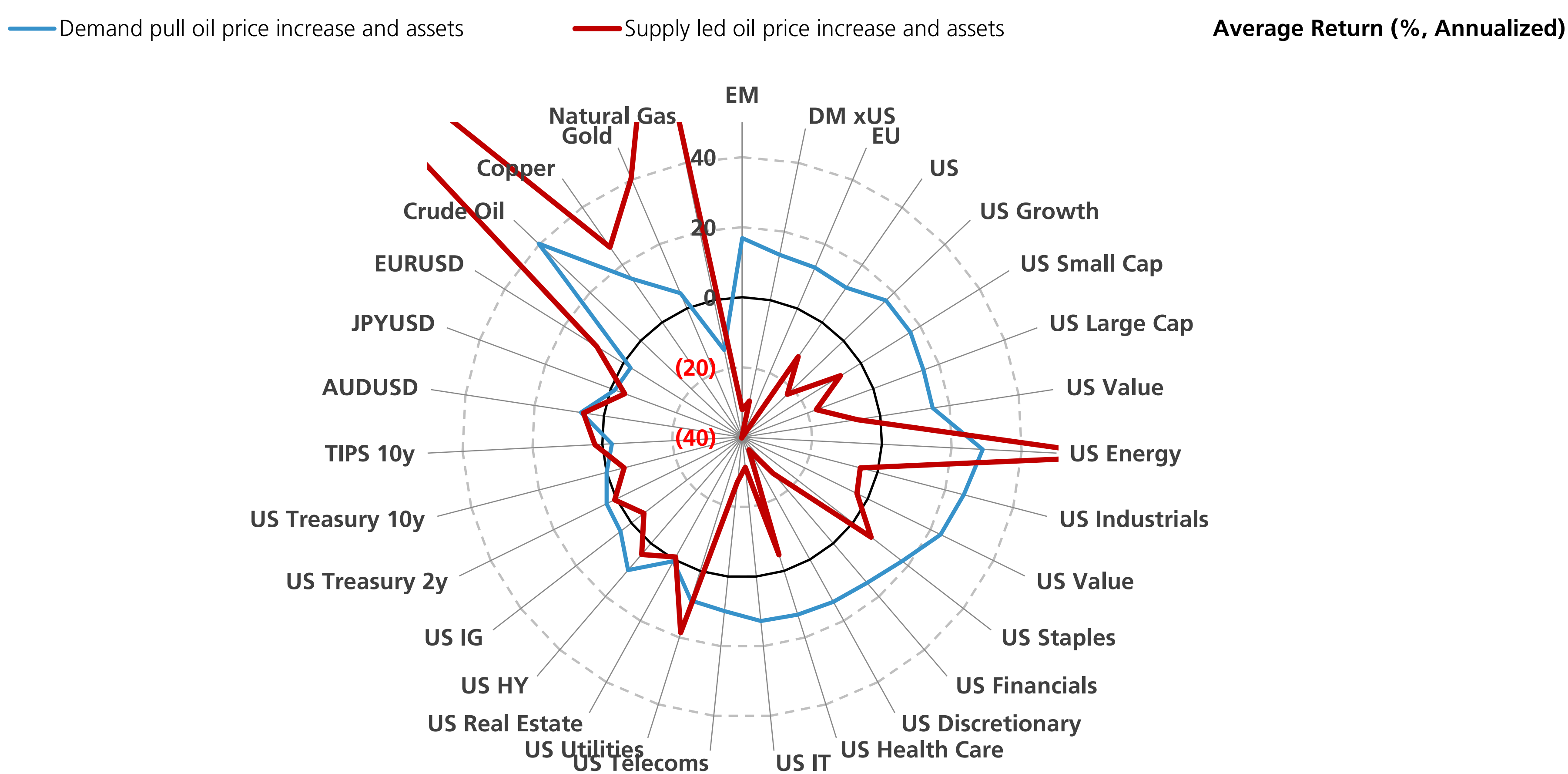
Source: Bloomberg, Macrobond, UBS. Note: *Yom Kipper War not included in our analysis because the oil market microstructure was completely different, in that a) OPEC was a much larger driver of oil price (55-60% of global supply), b) there were few hedging instruments available, c) no SPR like programmes for inventories and **Brent data not available prior to 1985, used WTI for 1979 and World Bank crude oil, Dubai for 1973 calculations.

S&P -4.9%, EM -6%, Stoxx 600 -9.4%, Nikkei -10% through previous oil shocks



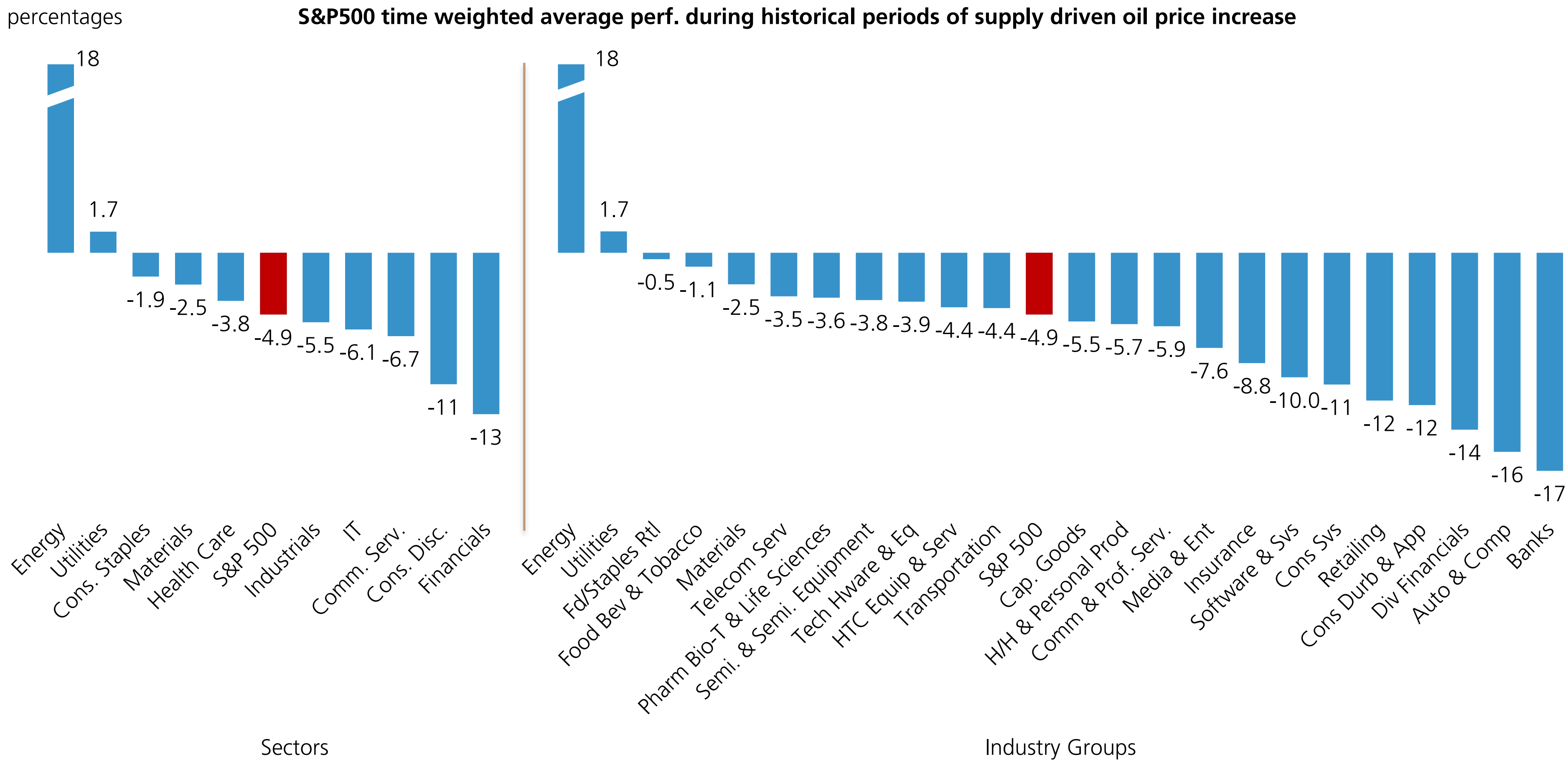
Source: Bloomberg, MSCI, Datastream, UBS. Note: The 7 historical episodes are i) Iranian Revolution ii) Gulf War iii) OPEC Supply Constraints iv) Venezuelan Oil Strike v) Outages in Venezuela, Iraq and Nigeria vi) Arab Spring and vii) Russian invasion

To model asset behaviour we first decompose oil drivers into demand and supply



Source: Bloomberg, UBS

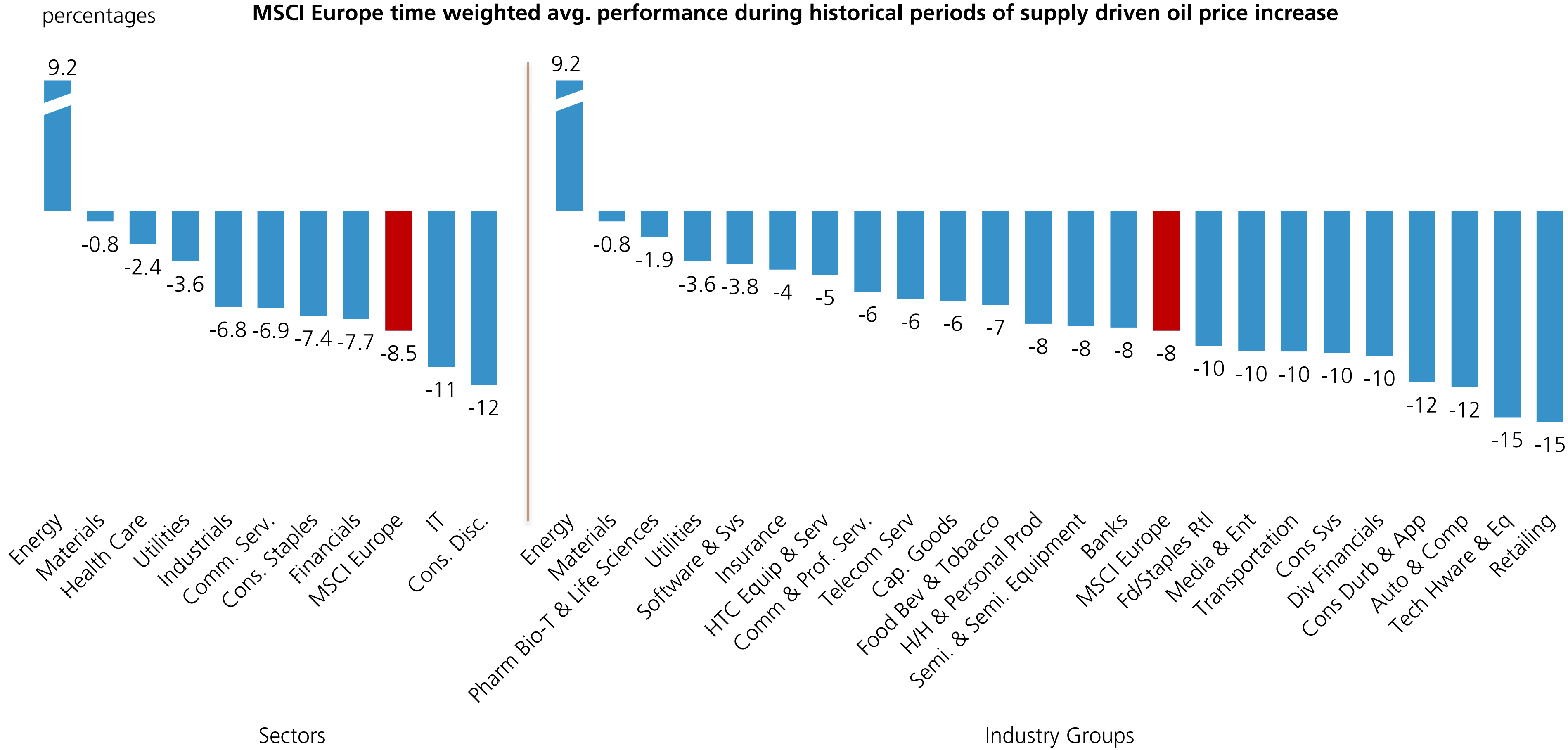
US equities through oil shocks: Banks, Autos, Durables, Retail weakest



Source: Bloomberg, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

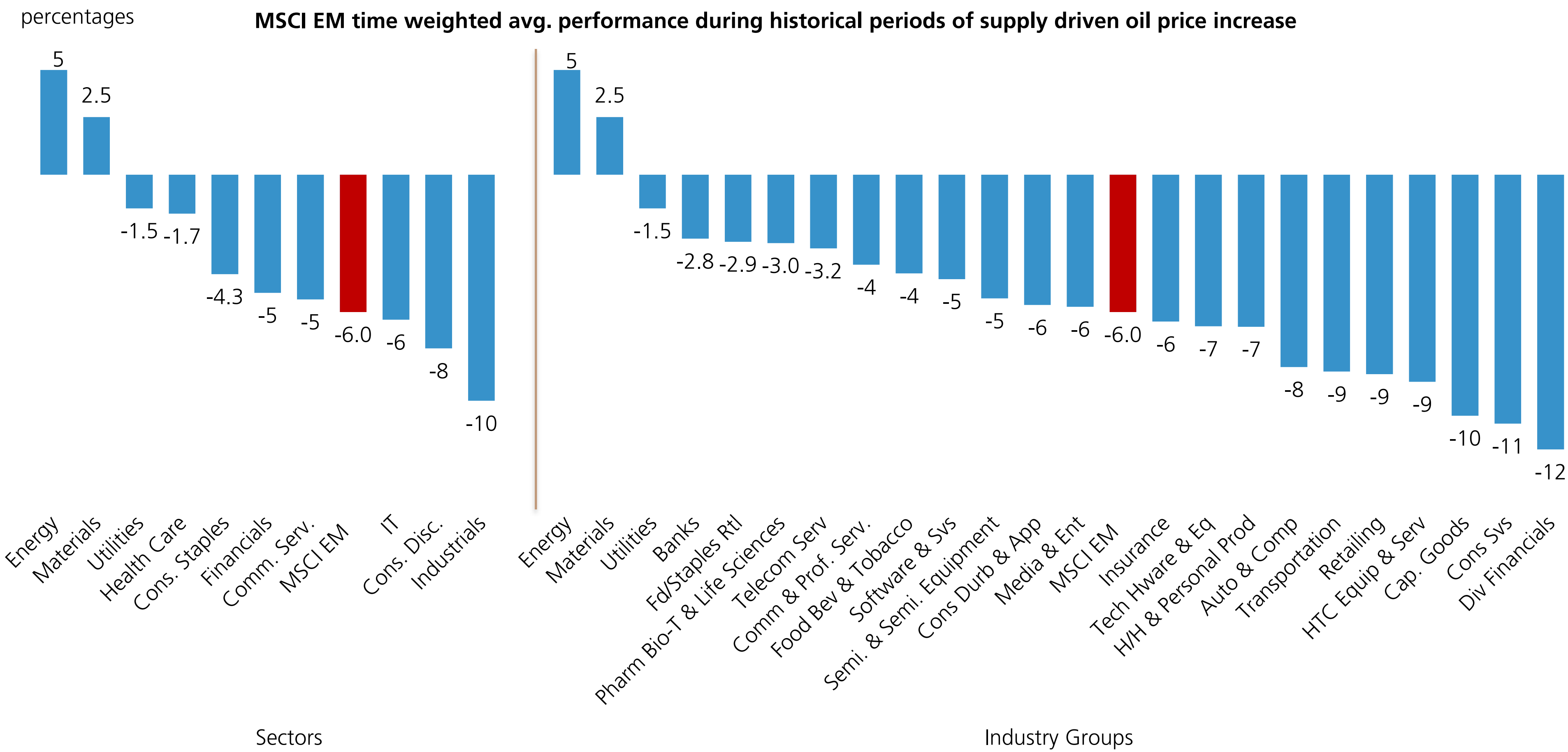
EU equities through oil shocks: Retail, Durables, Auto, DivFins worst performers

MSCI Europe time weighted avg. performance during historical periods of supply driven oil price increase



Source: Bloomberg, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

EM equities through oil shocks: DivFins, ConsServ, Cap Goods worst performers



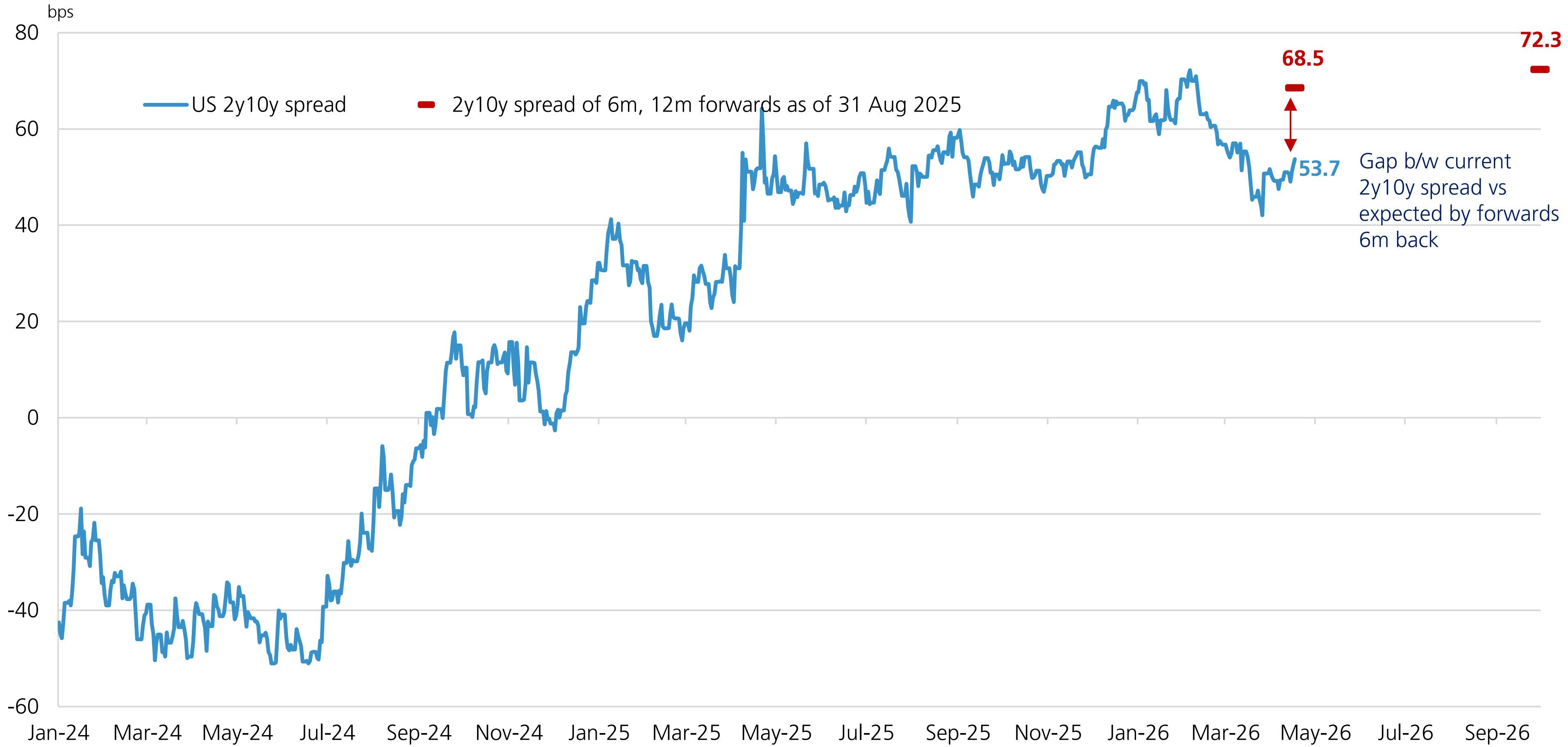
Source: Bloomberg, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

Both 2y and 10y rates rose, 2y more than 10y, in previous oil shocks

Change in asset prices during periods of supply driven oil price increase

	Iranian Revolution	Gulf war	OPEC supply constraints	Venezuelan oil strike	Outages in Venezuela, Iraq, Nigeria	Arab Spring	Russian invasion	Median	Time weighted avg.
Commodities									
Oil	146%	163%	32%	42%	64%	36%	79%	53%	72%
Gold	87%	13%	-3%	7%	2%	5%	15%	6%	6.7%
Copper	-	-1%	8%	-2%	15%	3%	10%	5%	6.7%
Rates									
US 2y yield	163	-39	58	-28	49	14	97	31	28
US 10y yield	133	24	66	-23	22	19	42	23	24
Bunds 2y yield	-	-	63	-32	129	81	11	63	71
Bunds 10y yield	-	-	26	-25	62	45	48	45	42
FX									
EURUSD	5.3%	4.6%	-6.7%	3.8%	8.4%	10.5%	-3.4%	4.2%	4.9%
USDJPY	-14.5%	9.3%	-1.6%	1.7%	0.6%	0.2%	-1.8%	0.4%	1.5%
Credit Spreads									
US HY spreads	-	-	5	-90	51	-89	82	5	0.2
US IG spreads	-	20	10	-28	40	-23	42	15	15

Source: Bloomberg, Macrobond, Datastream, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

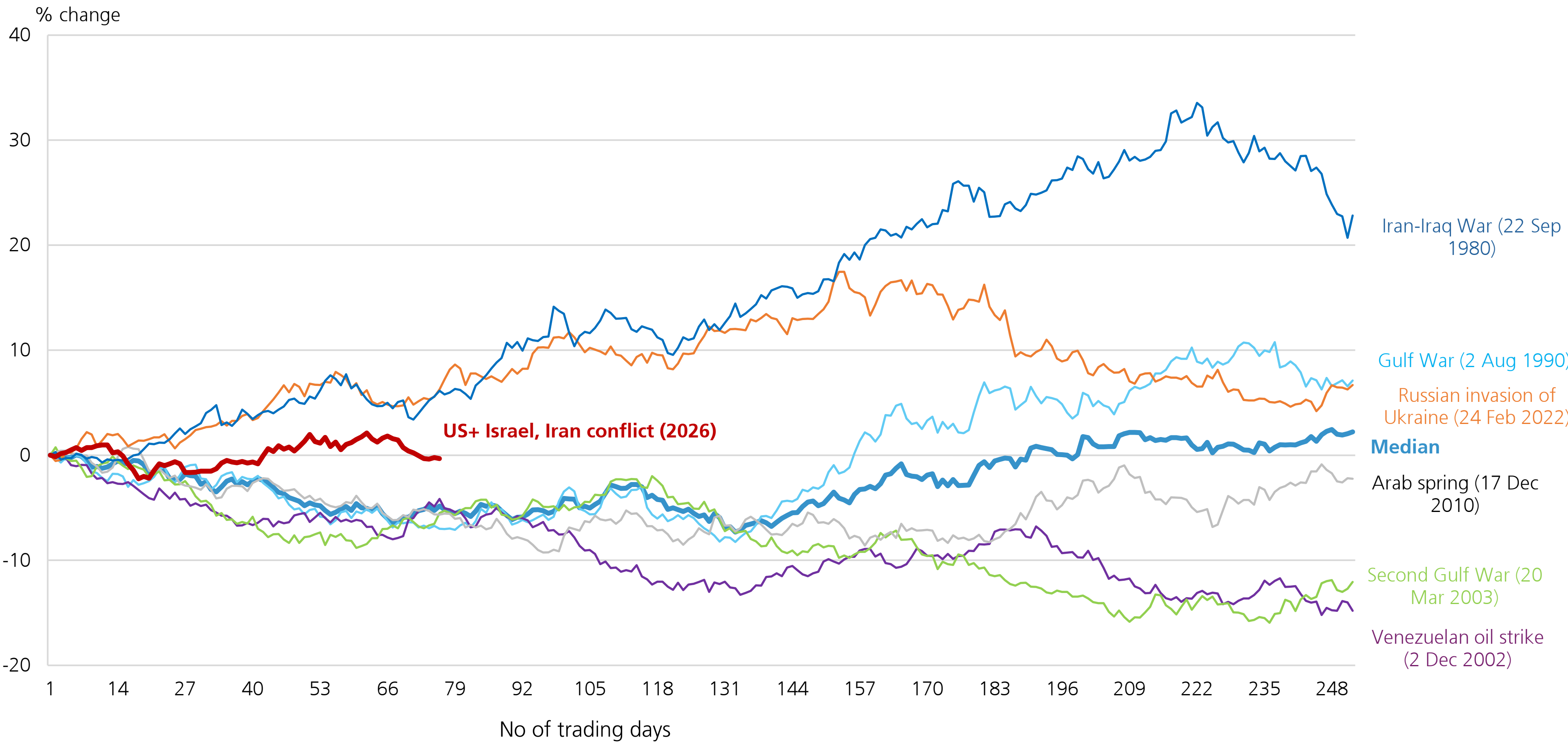


bps
80
60
40
20
0
-20
-40
-60
US 2y10y spread
2y10y spread of 6m, 12m forwards as of 31 Aug 2025
68.5
72.3
53.7
Gap b/w current 2y10y spread vs expected by forwards 6m back
Jan-24
Mar-24
May-24
Jul-24
Sep-24
Nov-24
Jan-25
Mar-25
May-25
Jul-25
Sep-25
Nov-25
Jan-26
Mar-26
May-26
Jul-26
Sep-26

UBS

FX positioning at risk – The short dollar consensus – A more nuanced playbook

DXY performance after geopolitical shocks post 1980

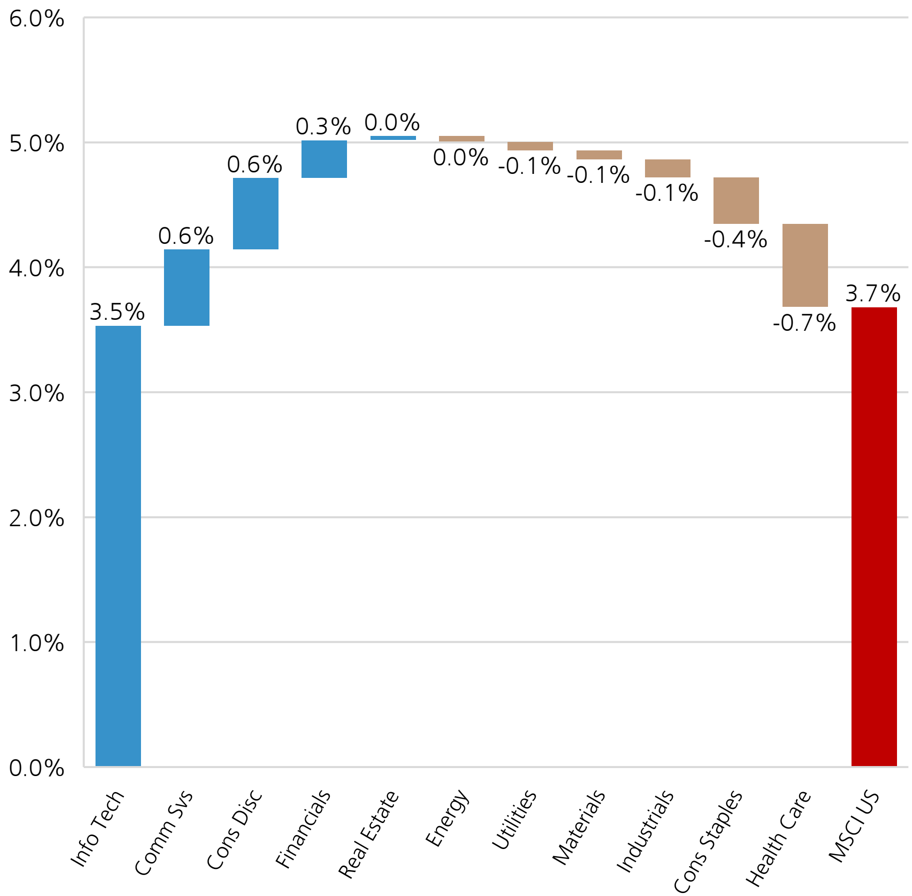


Source: Macrobond, UBS.

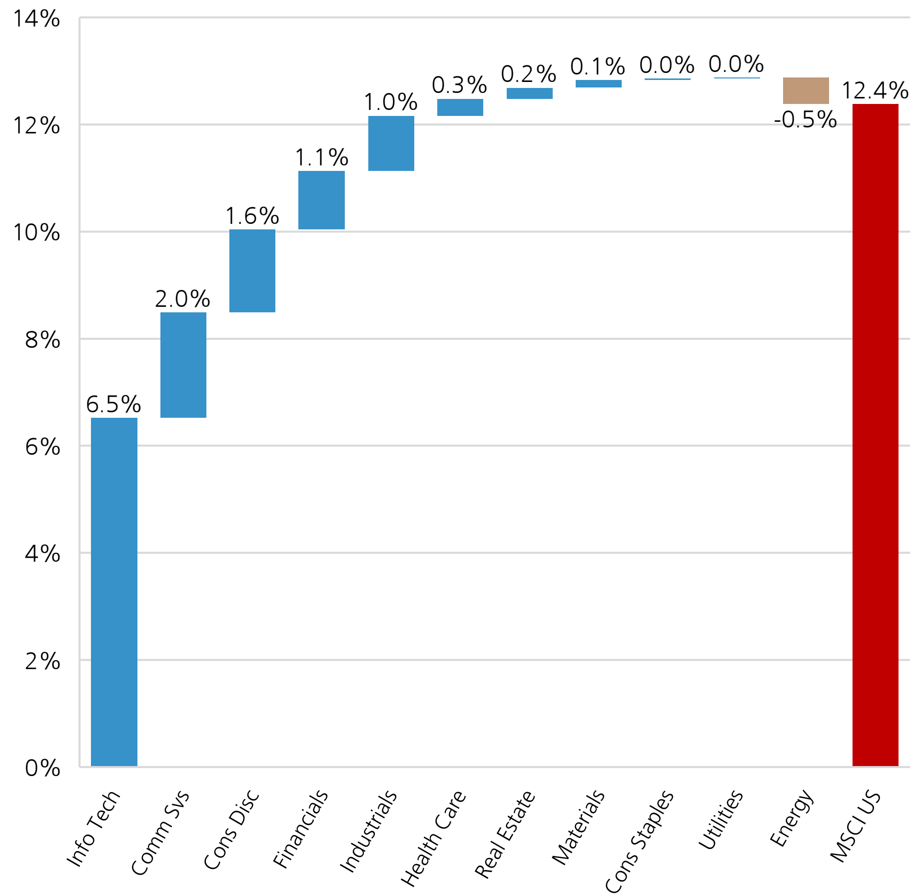
Equities: Moved on, but prior rotations at risk

Sectors’ contribution in MSCI US performance

Sectors’ contribution in MSCI US perf. since Feb 27, 2026



Sectors' contribution in MSCI US perf. since Mar 30, 2026



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

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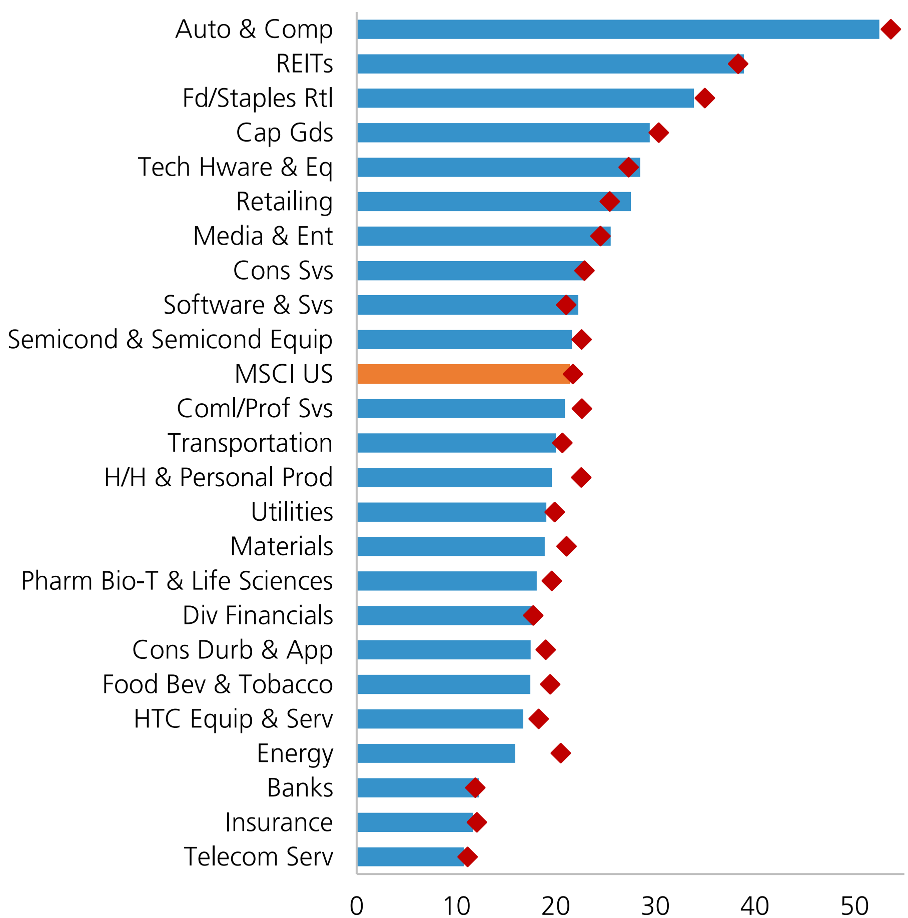
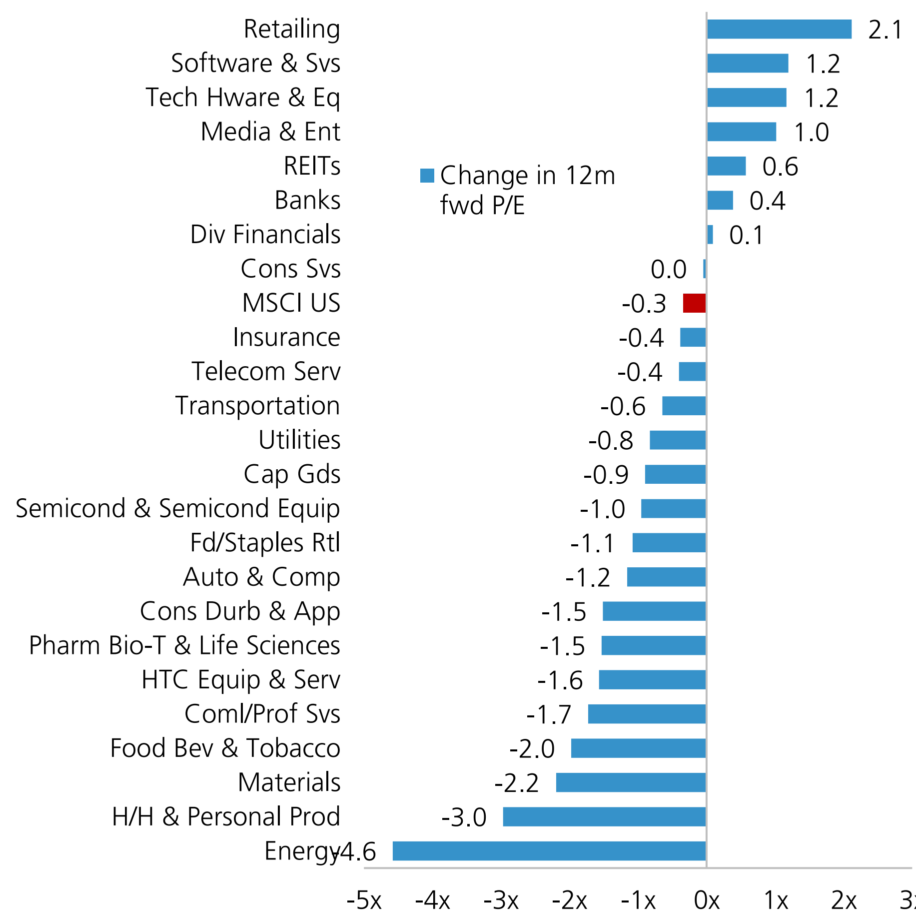
MSCI US 12m fwd P/E

MSCI US 12m fwd P/E on 27 Feb 2026 vs Today



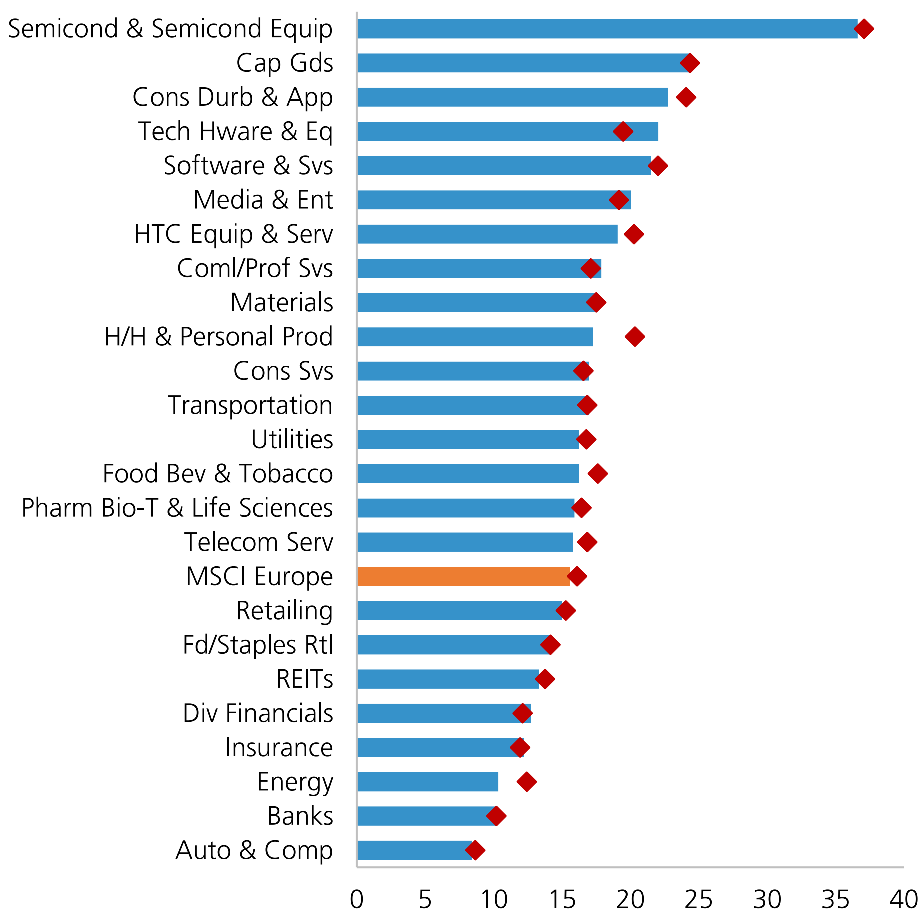
Change in MSCI US 12m fwd P/E since 27 Feb 2026



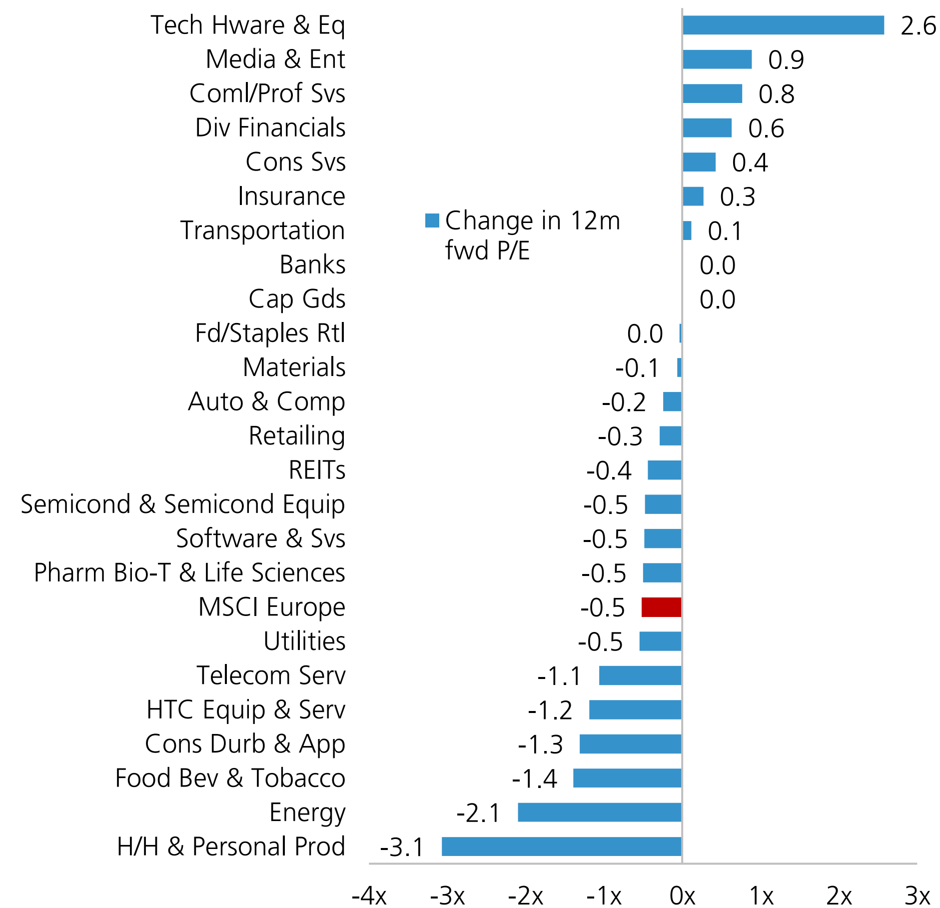
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

MSCI Europe 12m fwd P/E

MSCI Europe 12m fwd P/E on 27 Feb 2026 vs Today



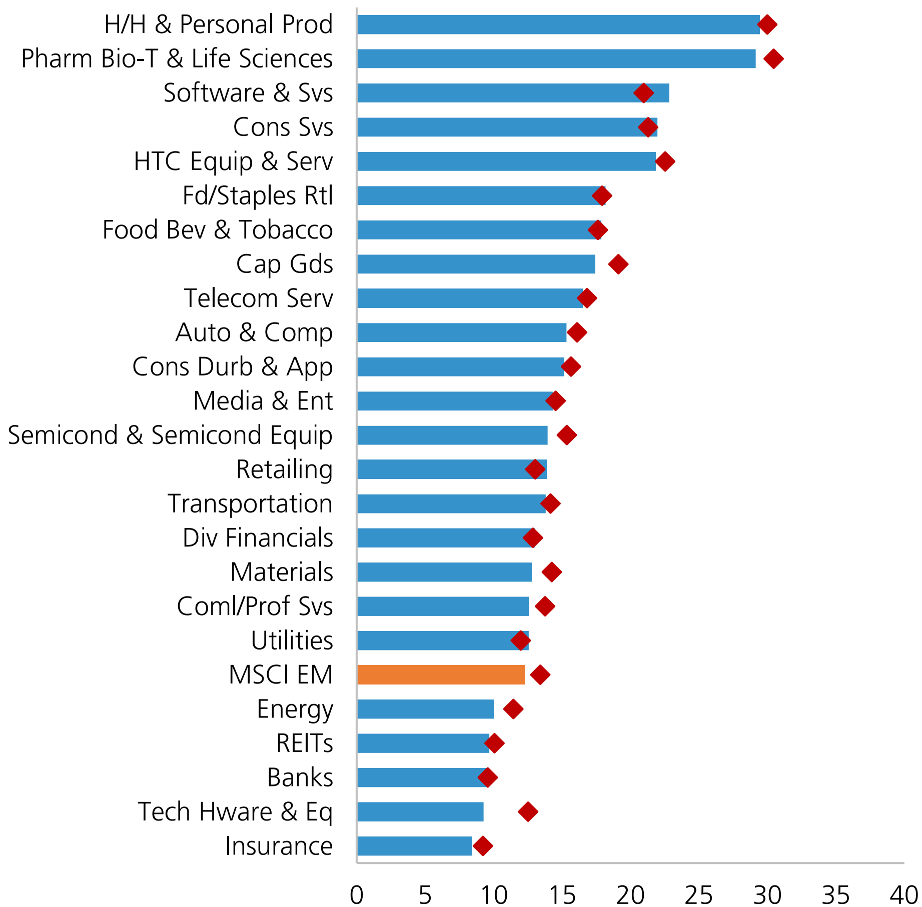
Change in MSCI Europe 12m fwd P/E since 27 Feb 2026



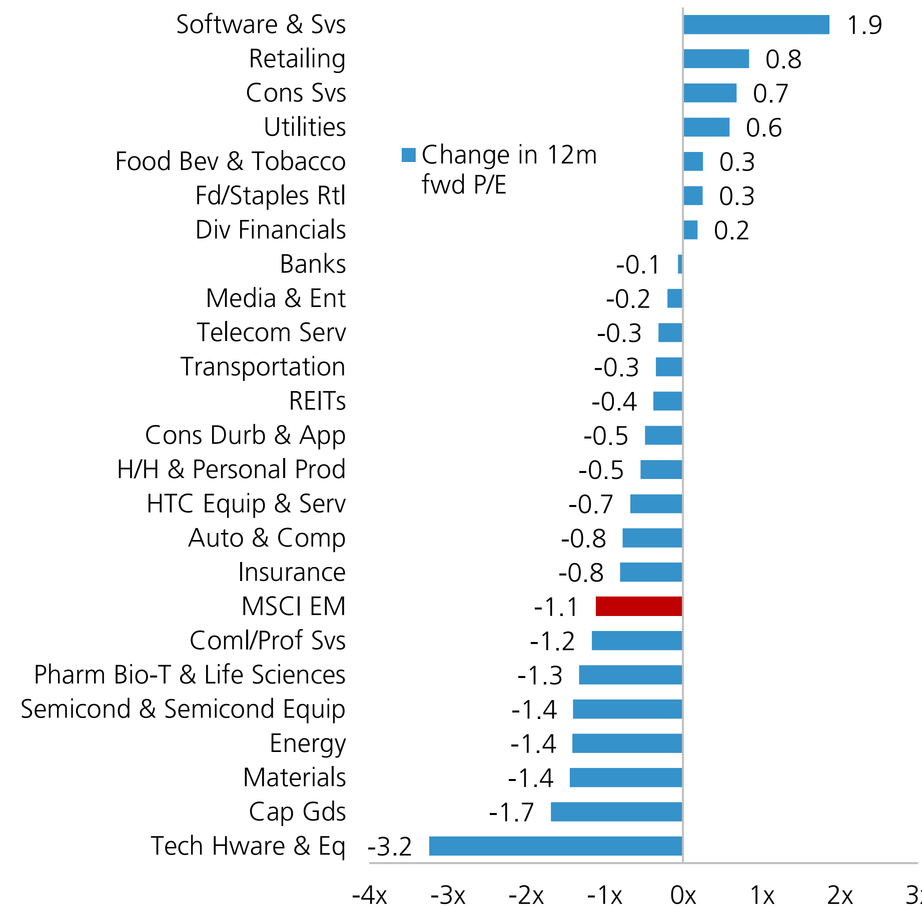
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

MSCI EM 12m fwd P/E

MSCI EM 12m fwd P/E on 27 Feb 2026 vs Today

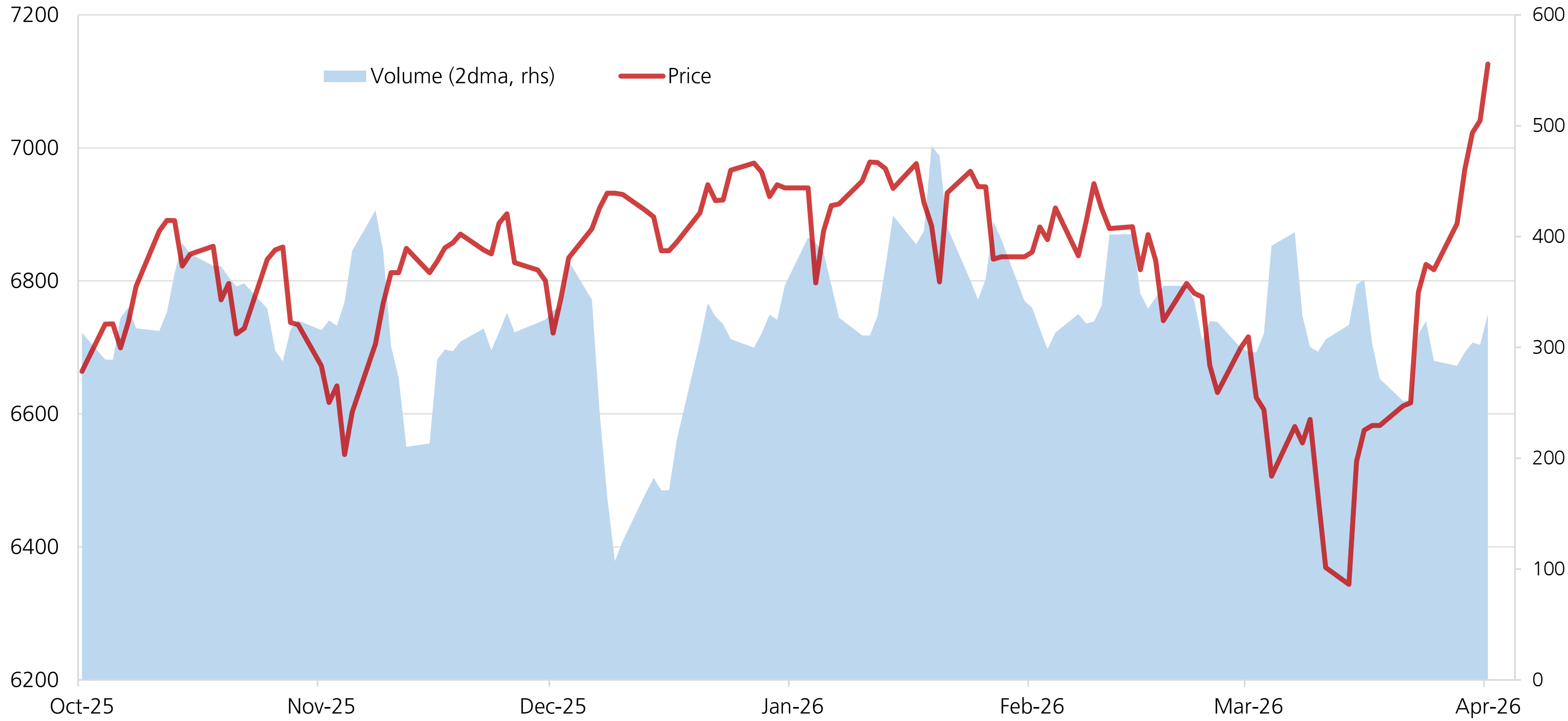


Change in MSCI EM 12m fwd P/E since 27 Feb 2026



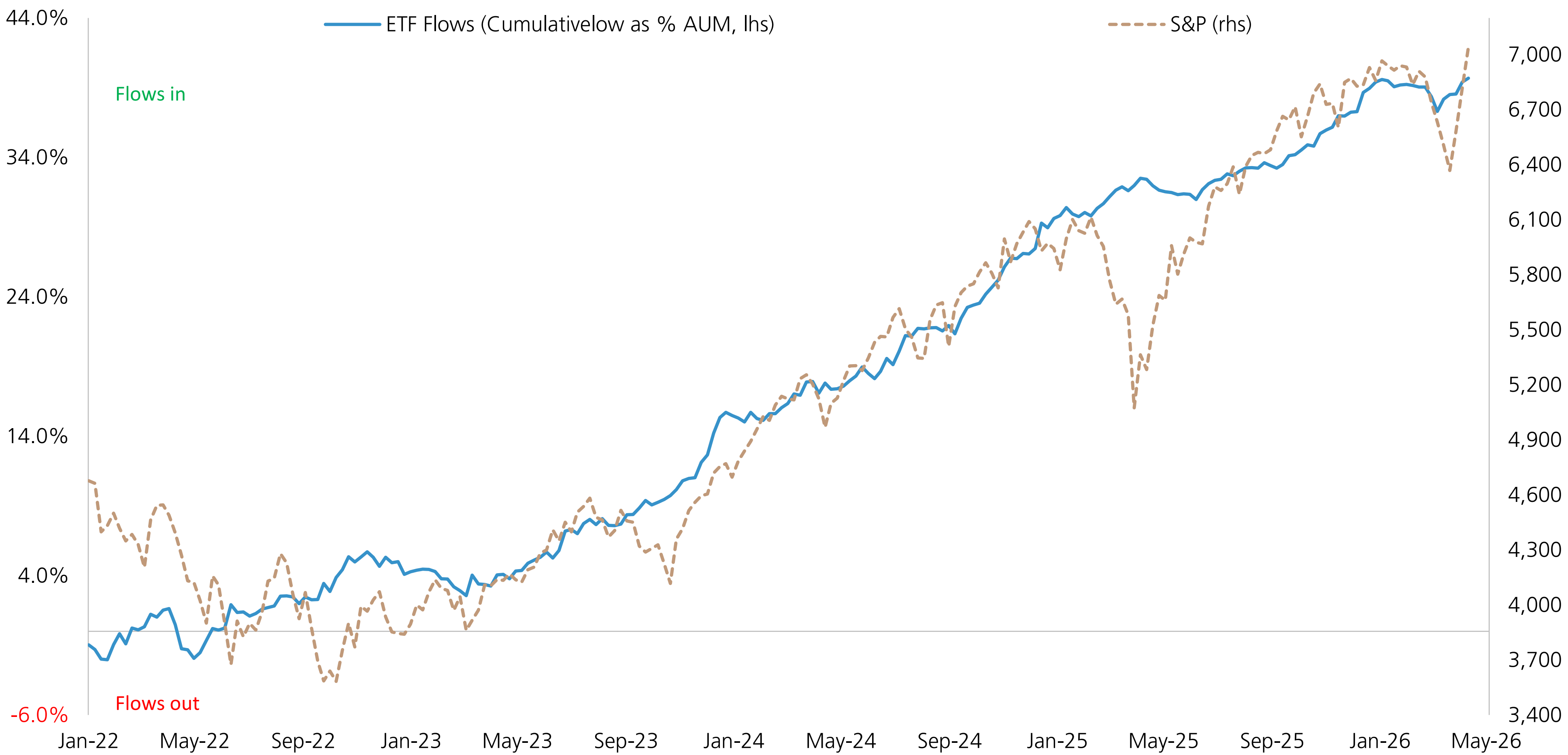
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P 500 price performance & volume



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

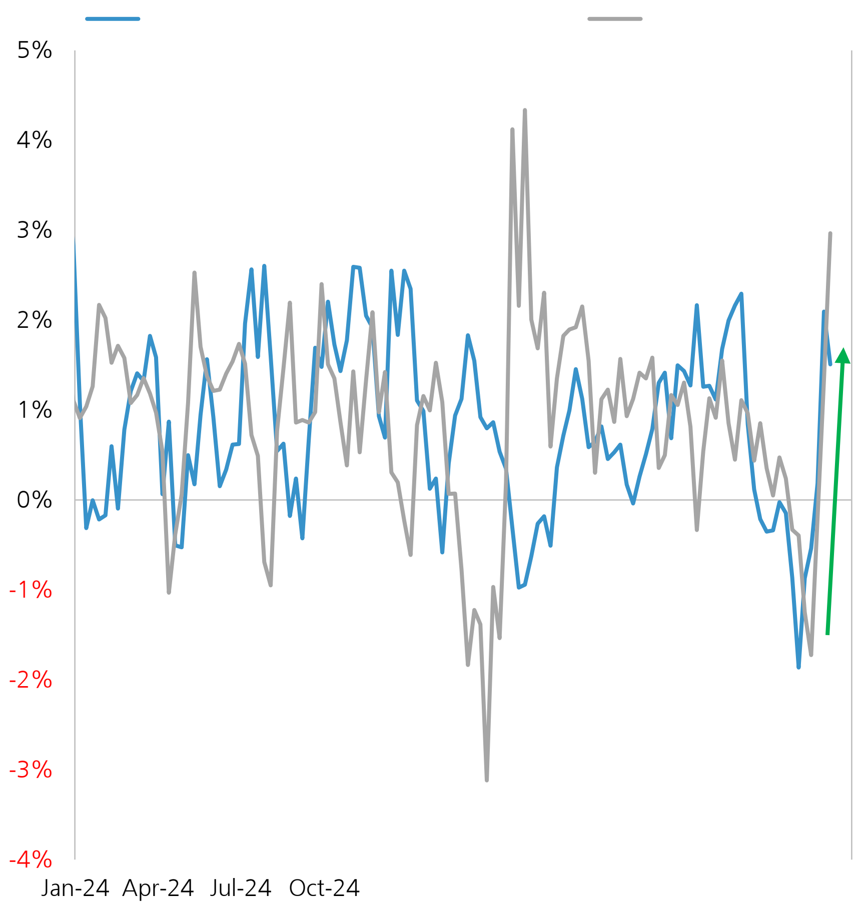
S&P 500 and cumulative ETF flows



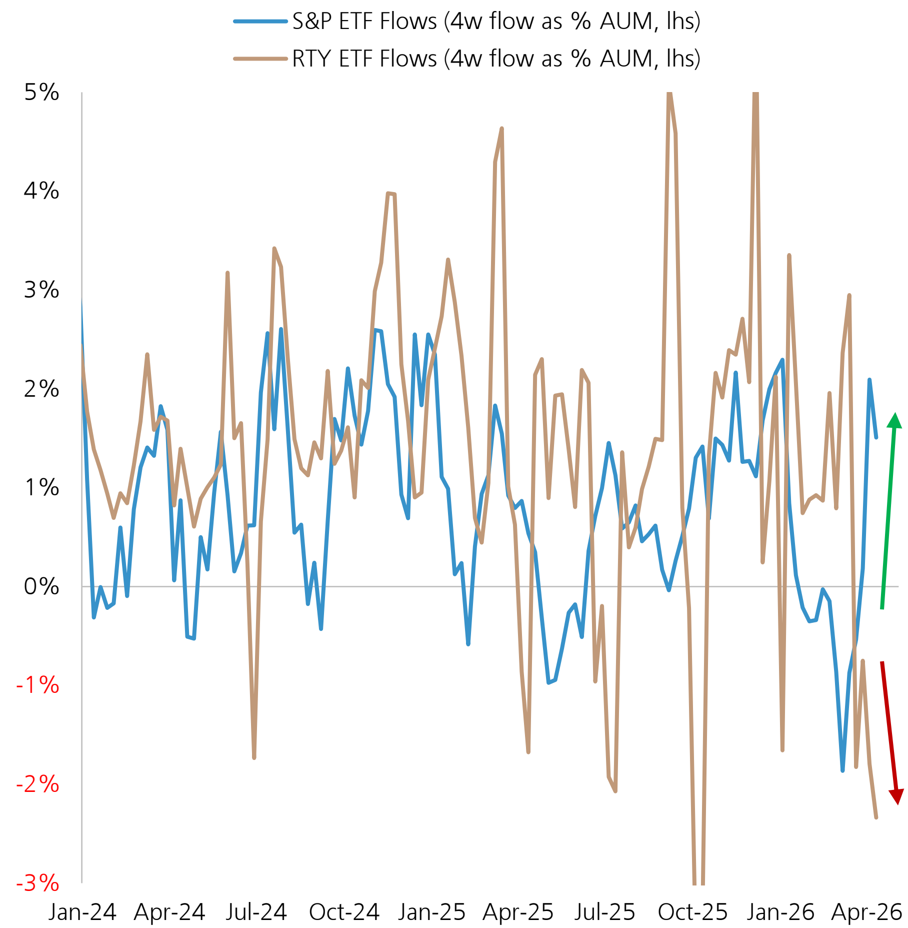
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

Retail mostly bought large caps, and stay away/sold small & mid caps

S&P 500 ETF flows

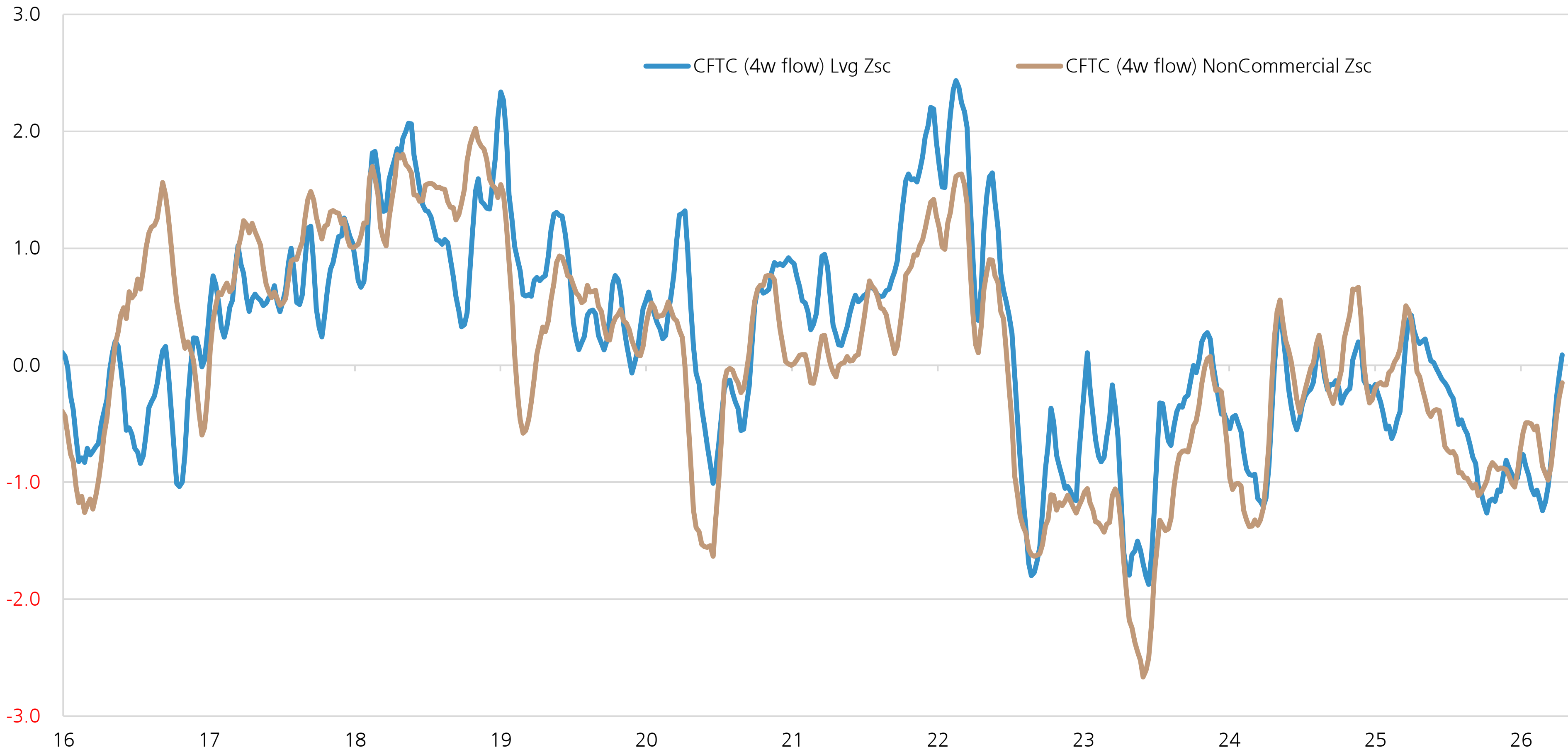


S&P 500 & Russell 200 ETF flows



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

Hedge funds and institutional have both covered their short and are neutral now



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

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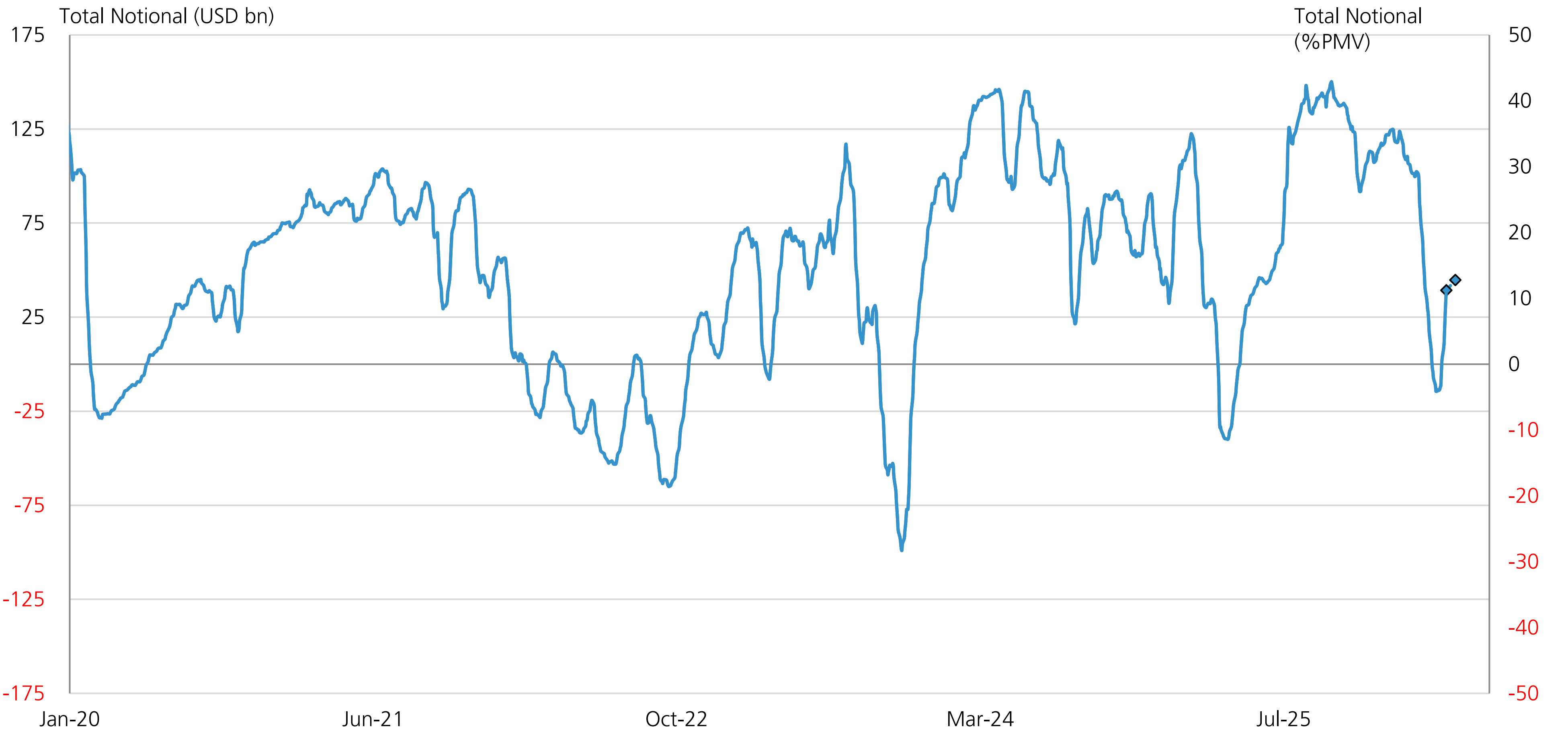
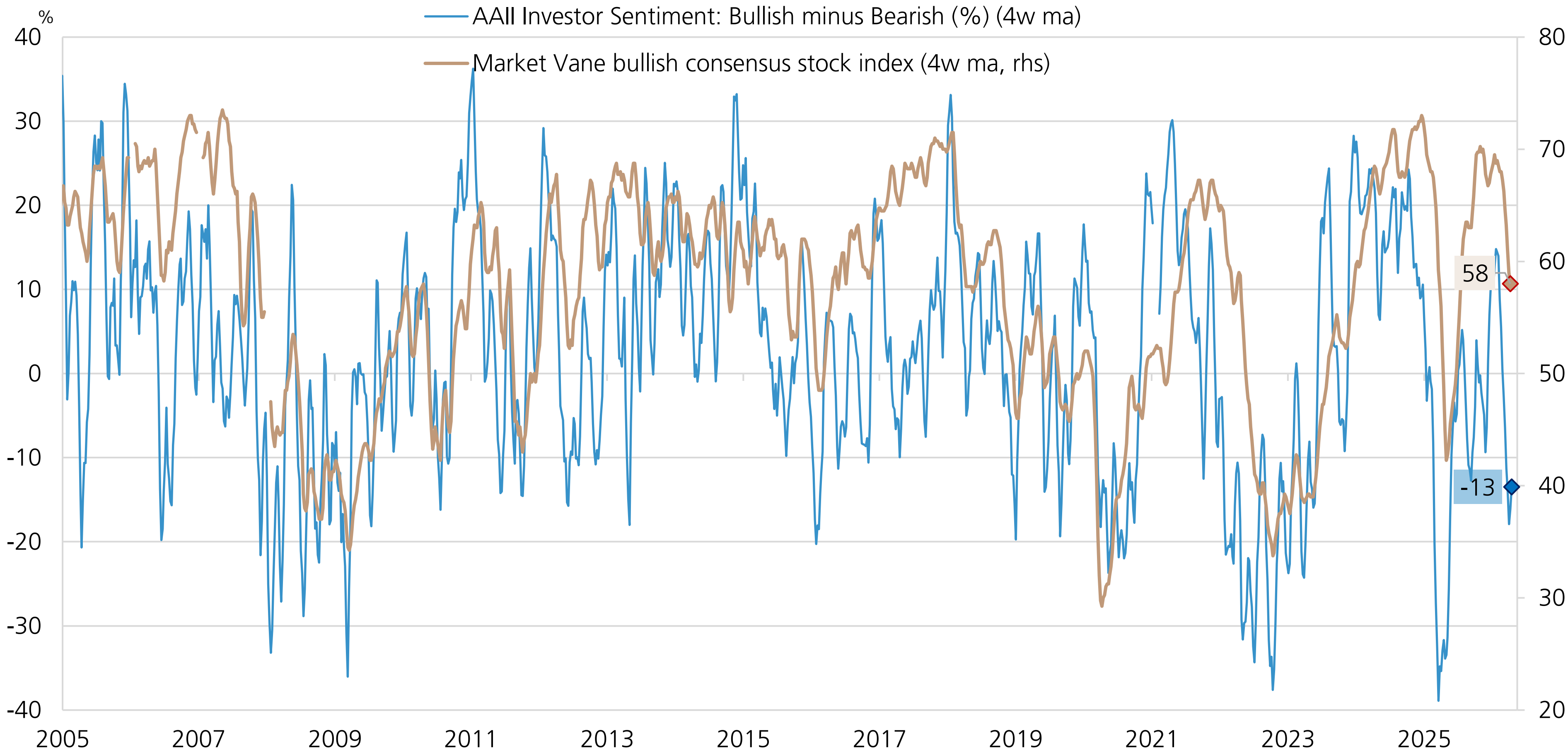
CTA flows into equity



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

AAII bull-bear and MarketVane bullish index

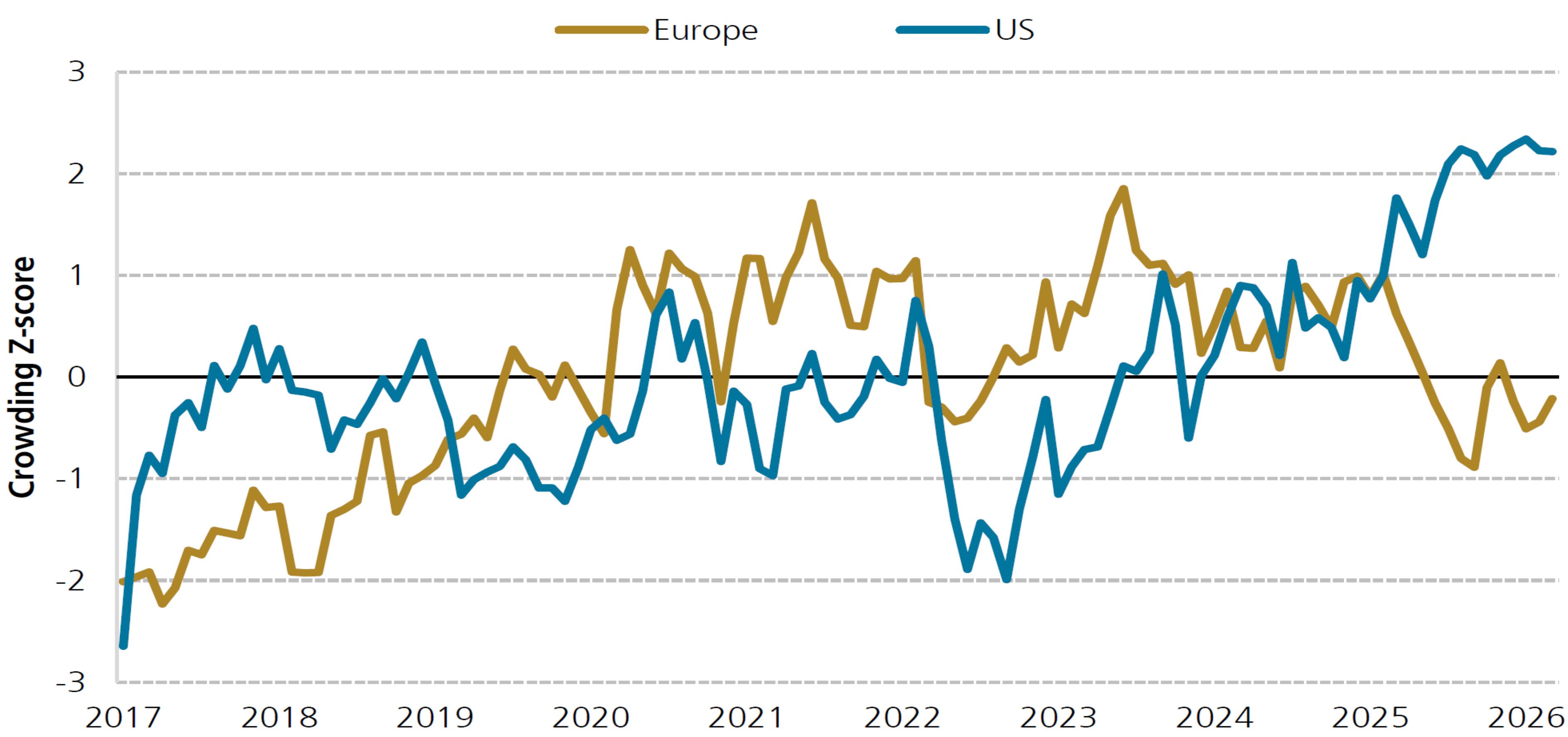


Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

UBS

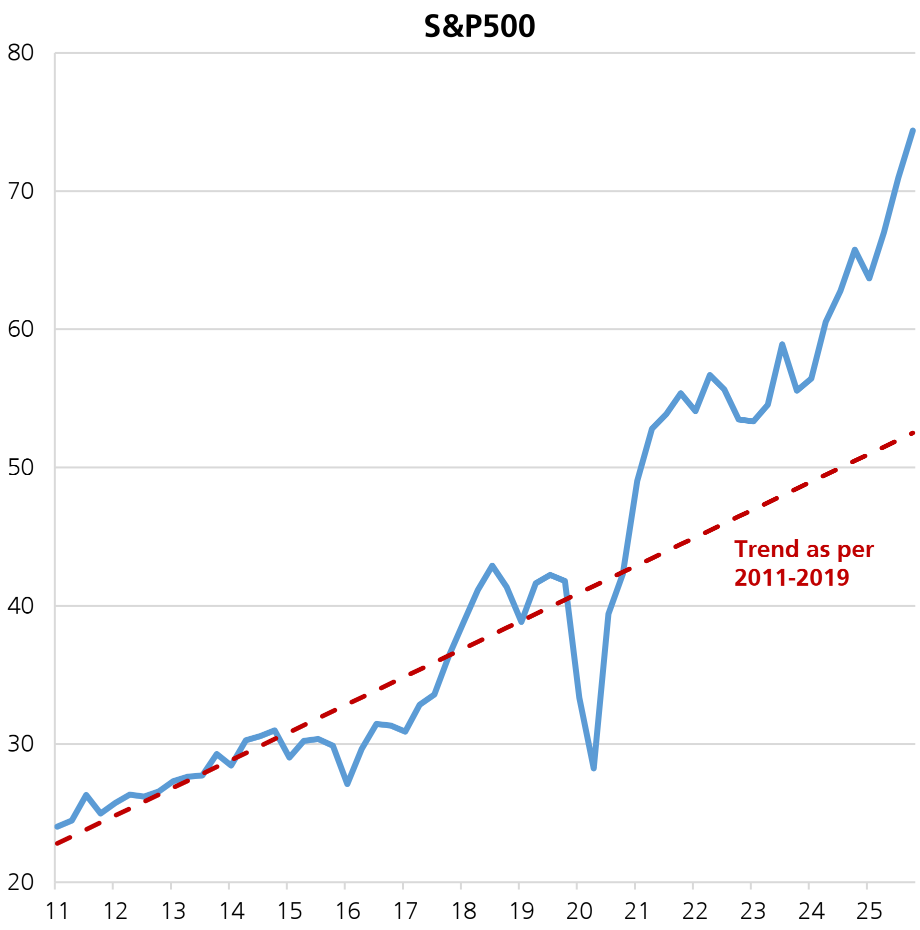
European crowding has faded sharply compared to the US, which is still at a record high

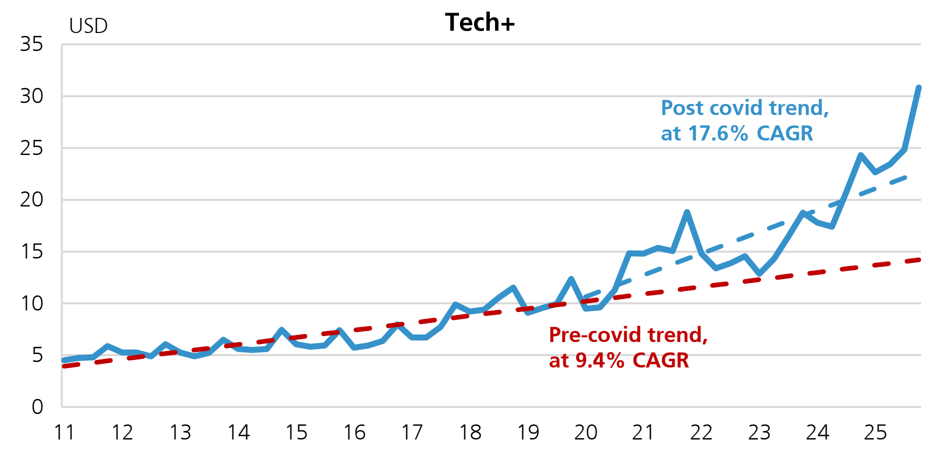
US and Europe crowding z-score

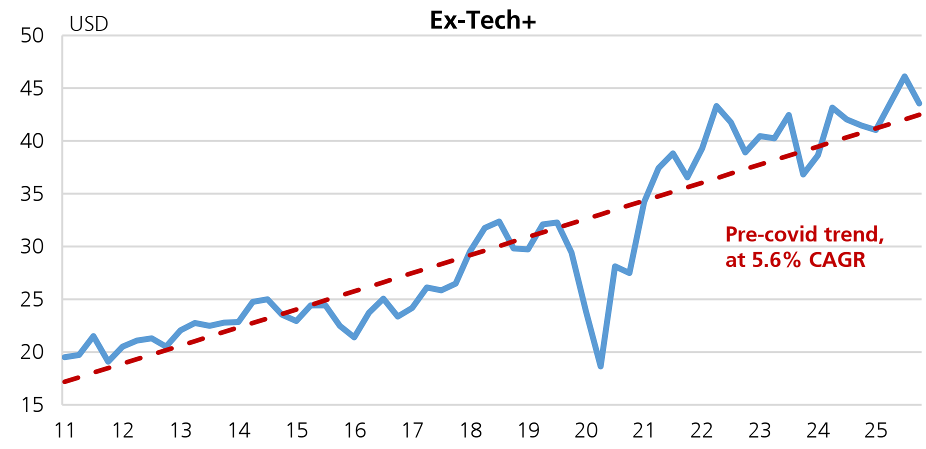


Source: UBS.

S&P 500, Tech+ and Ex Tech+ earnings



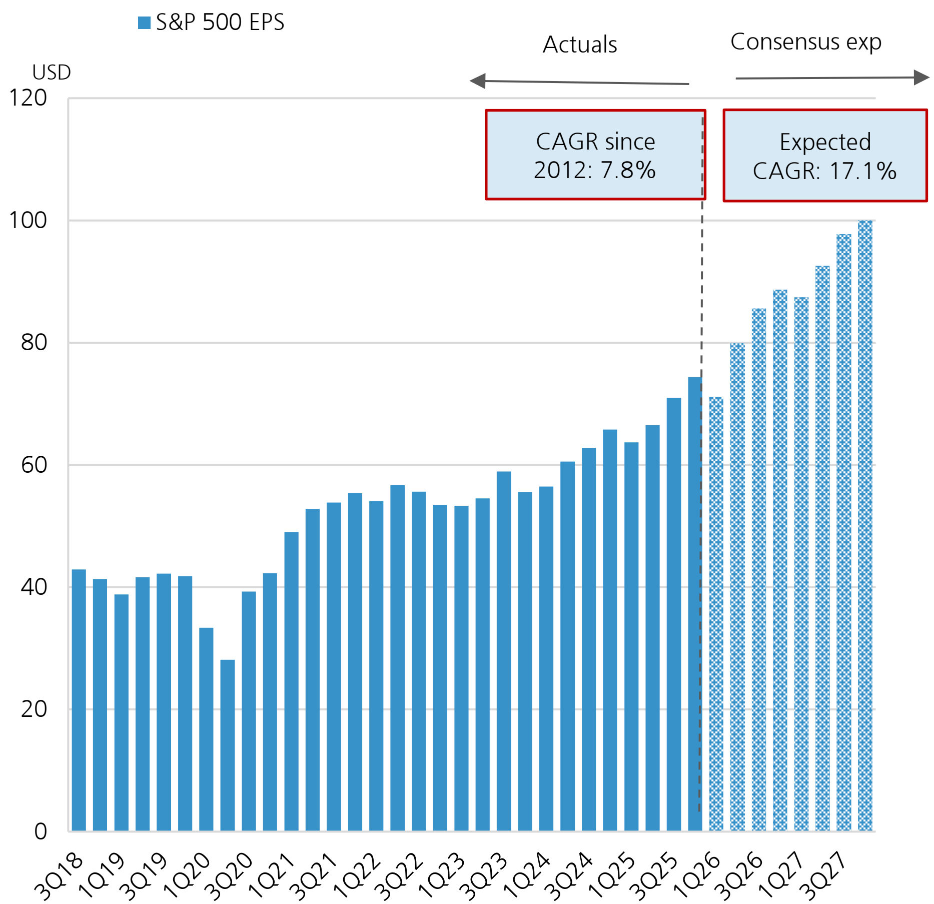




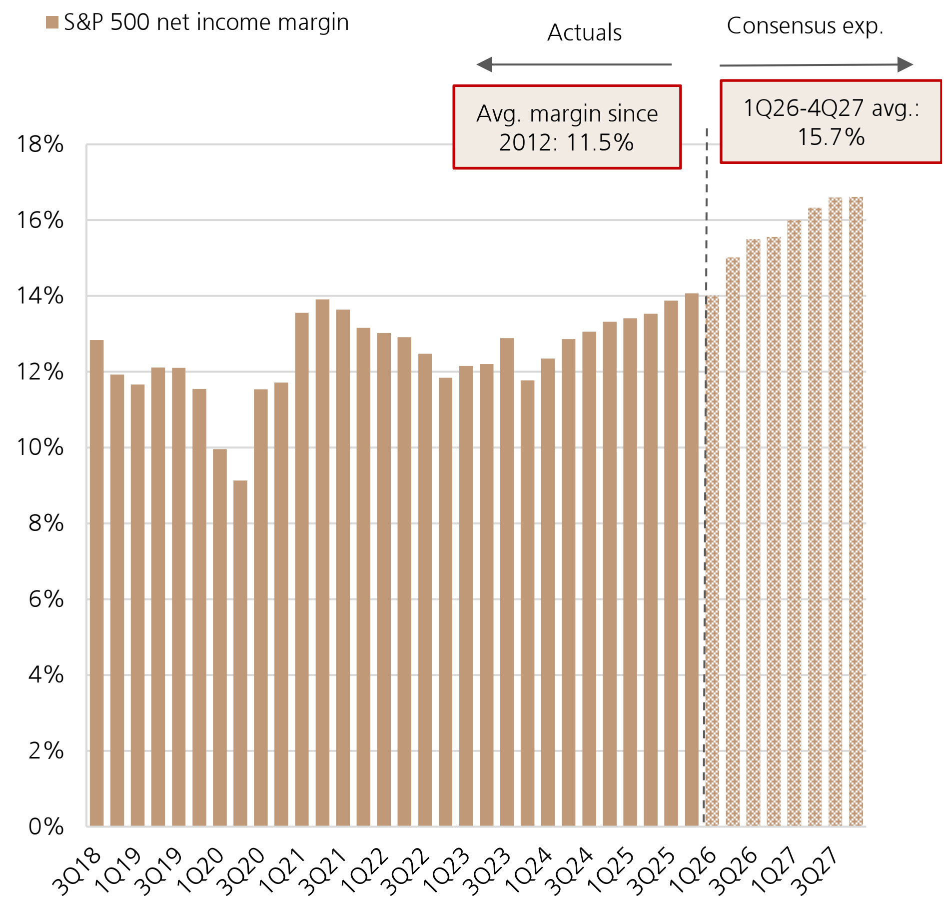
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P 500 earnings and margins

Quarterly EPS



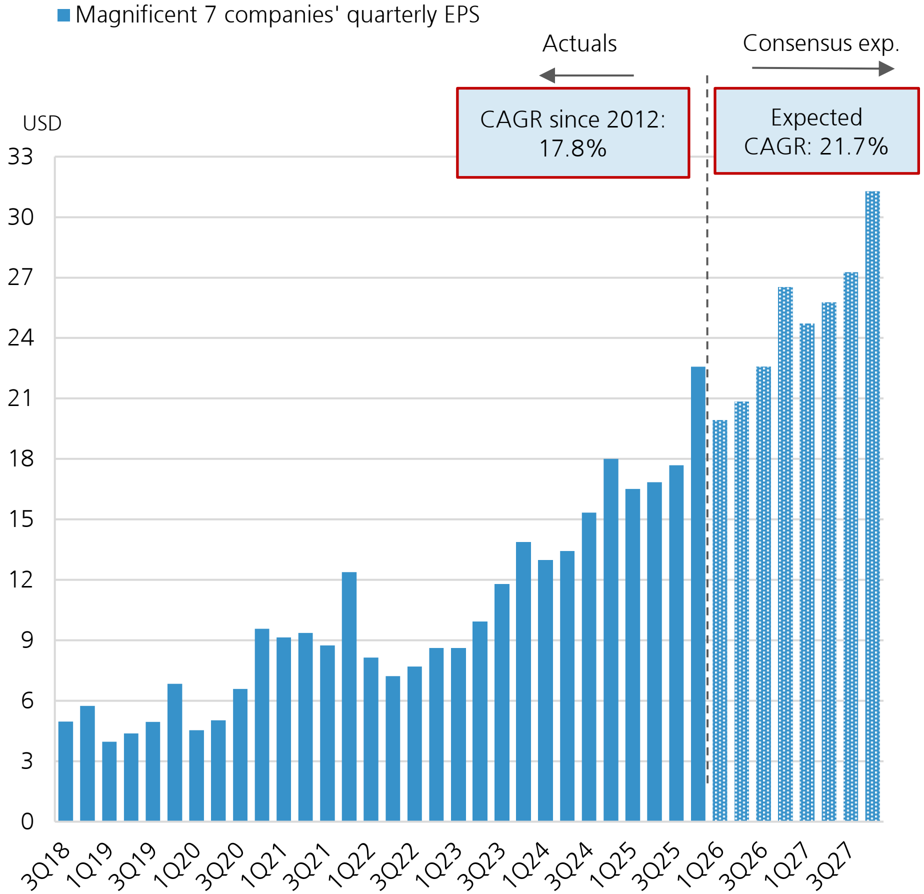
Net income margins



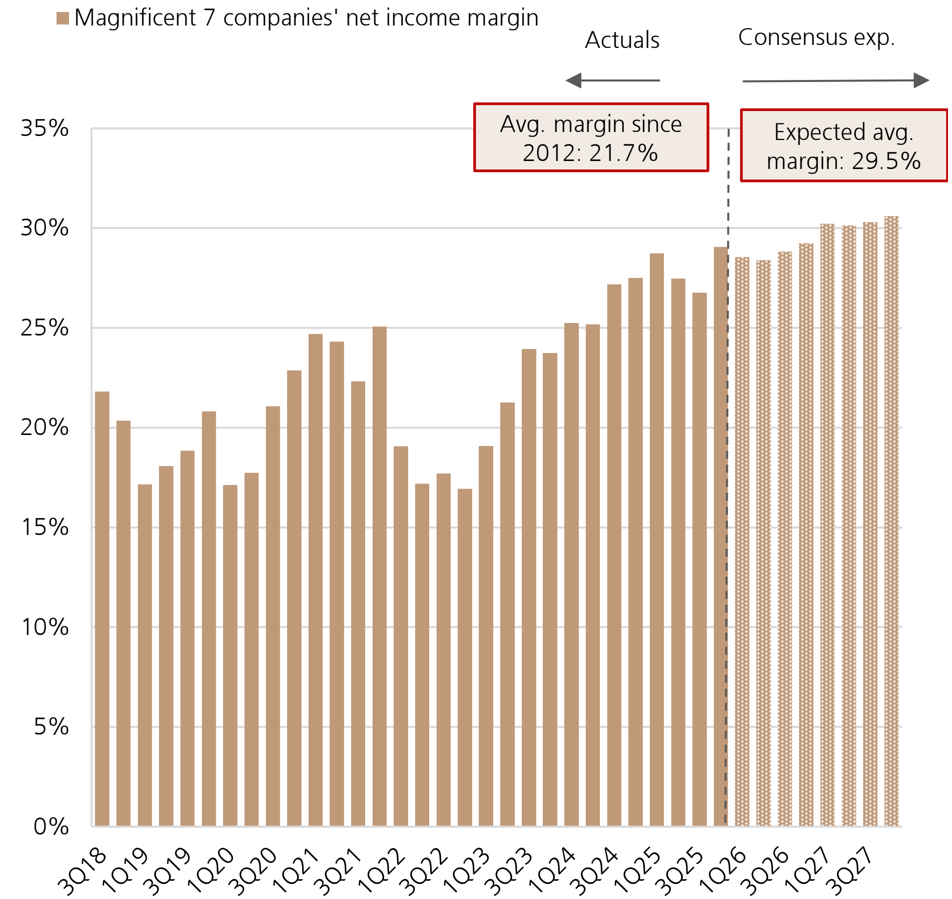
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

Magnificent 7 companies’ earnings and margins

Quarterly EPS



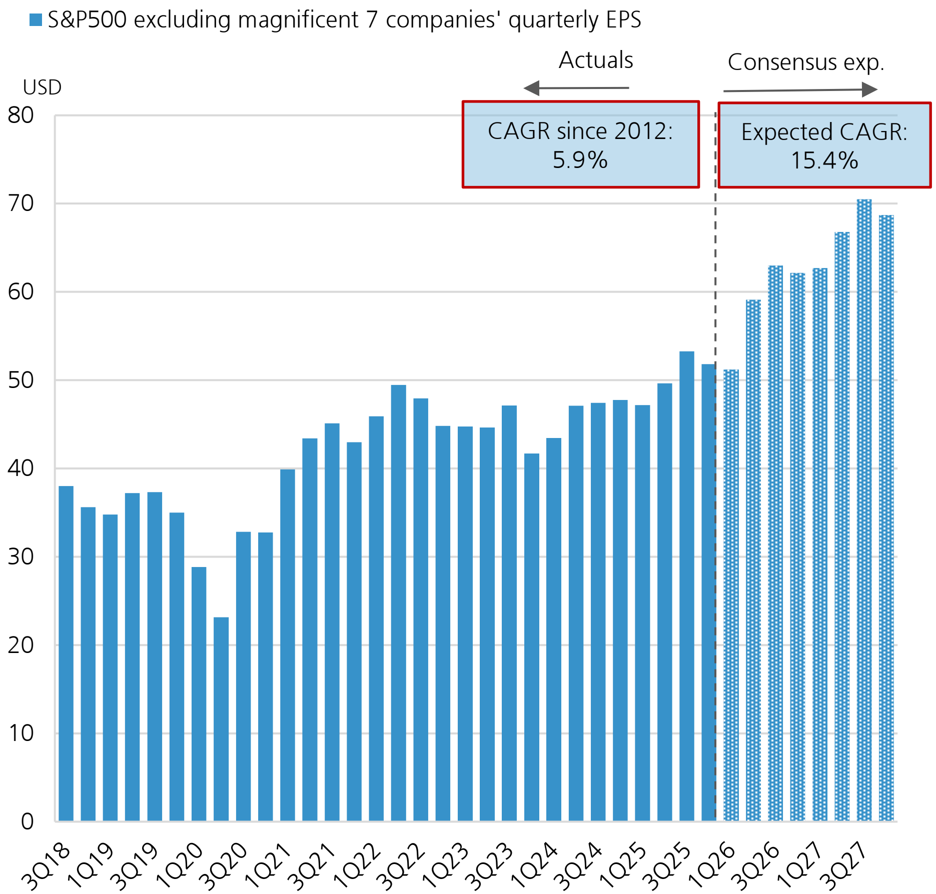
Net income margins



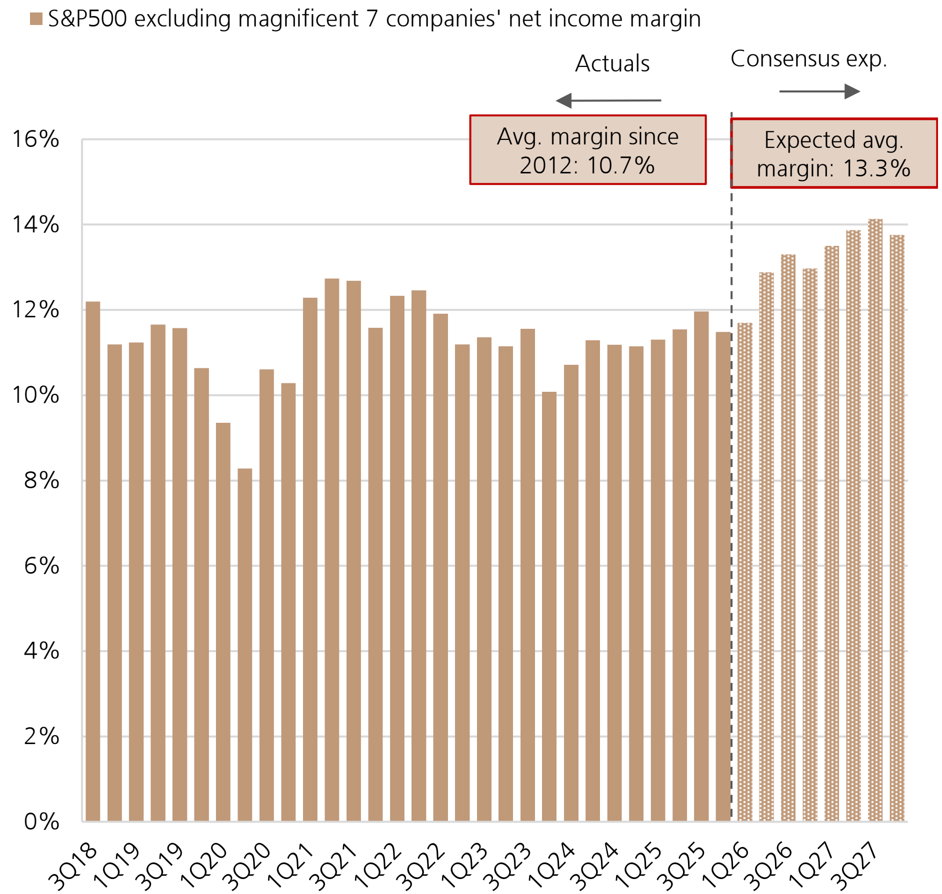
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P 500 excluding magnificent 7 earnings and margins

Quarterly EPS



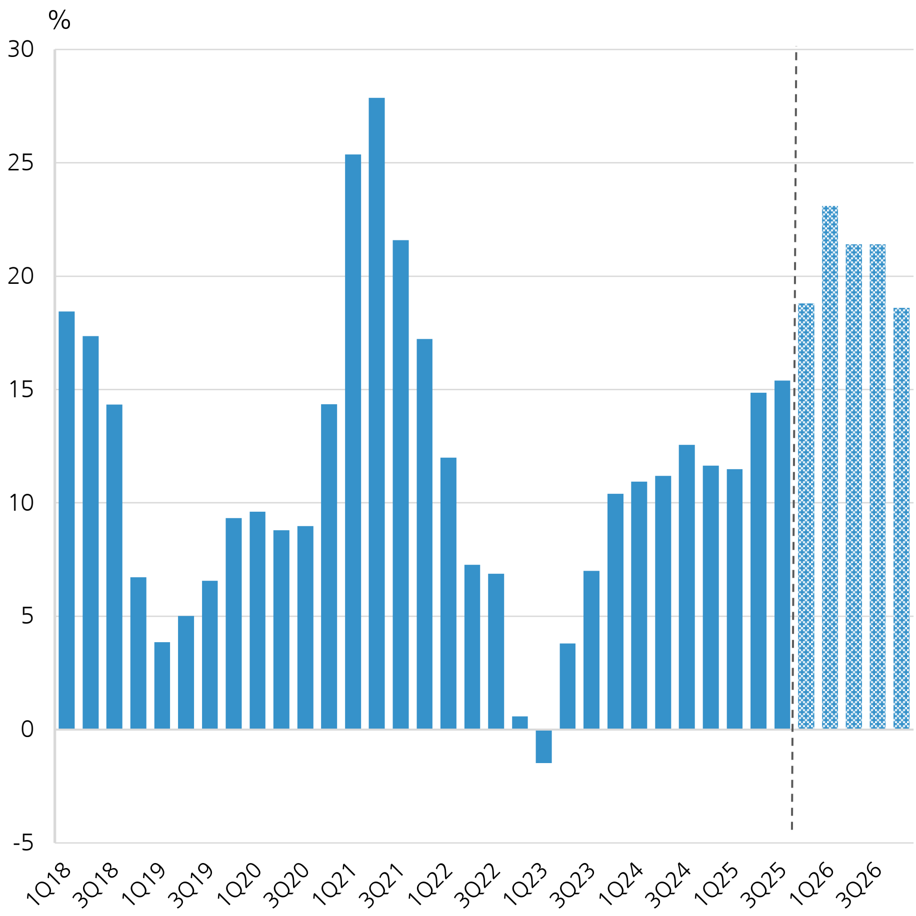
Net income margin



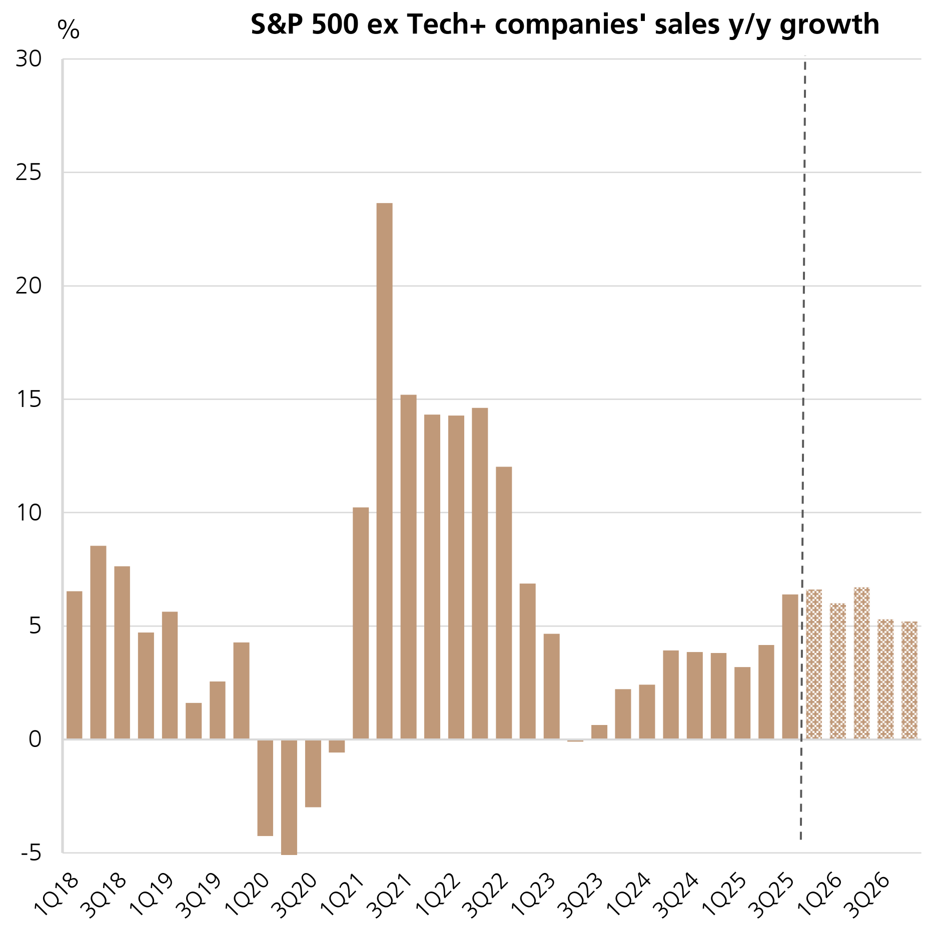
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P500 Tech+ and ex-Tech+ Sales y/y growth

Tech+ companies' sales y/y growth



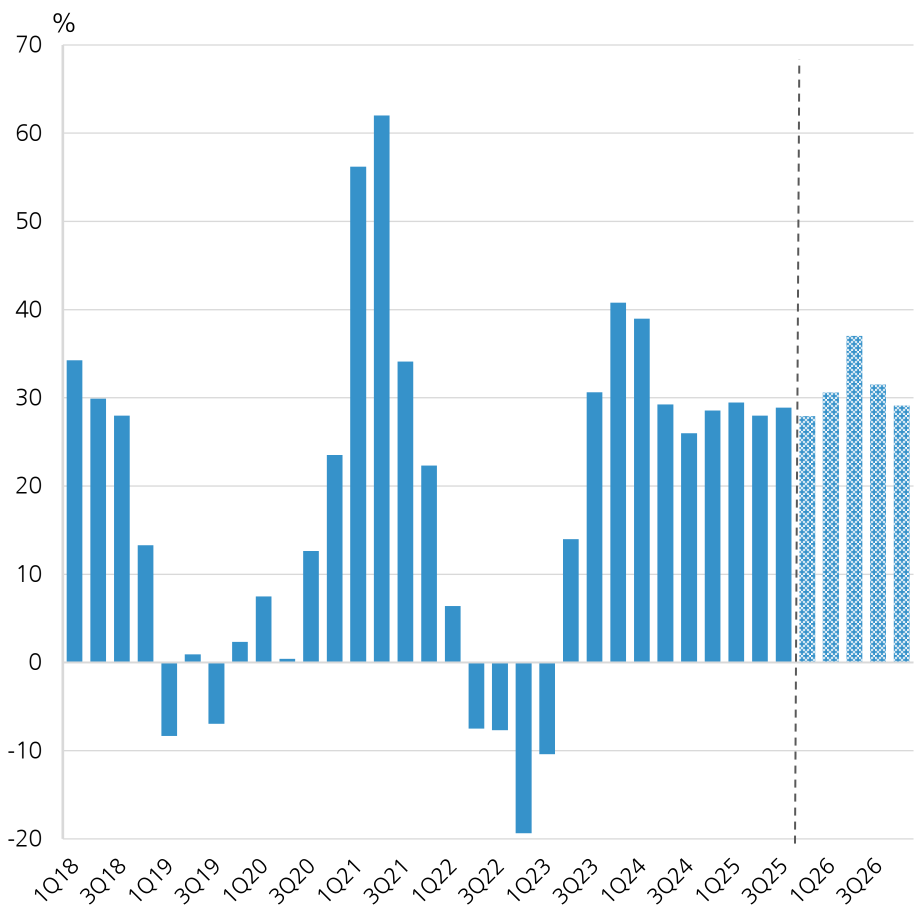
S&P 500 ex Tech+ companies' sales y/y growth

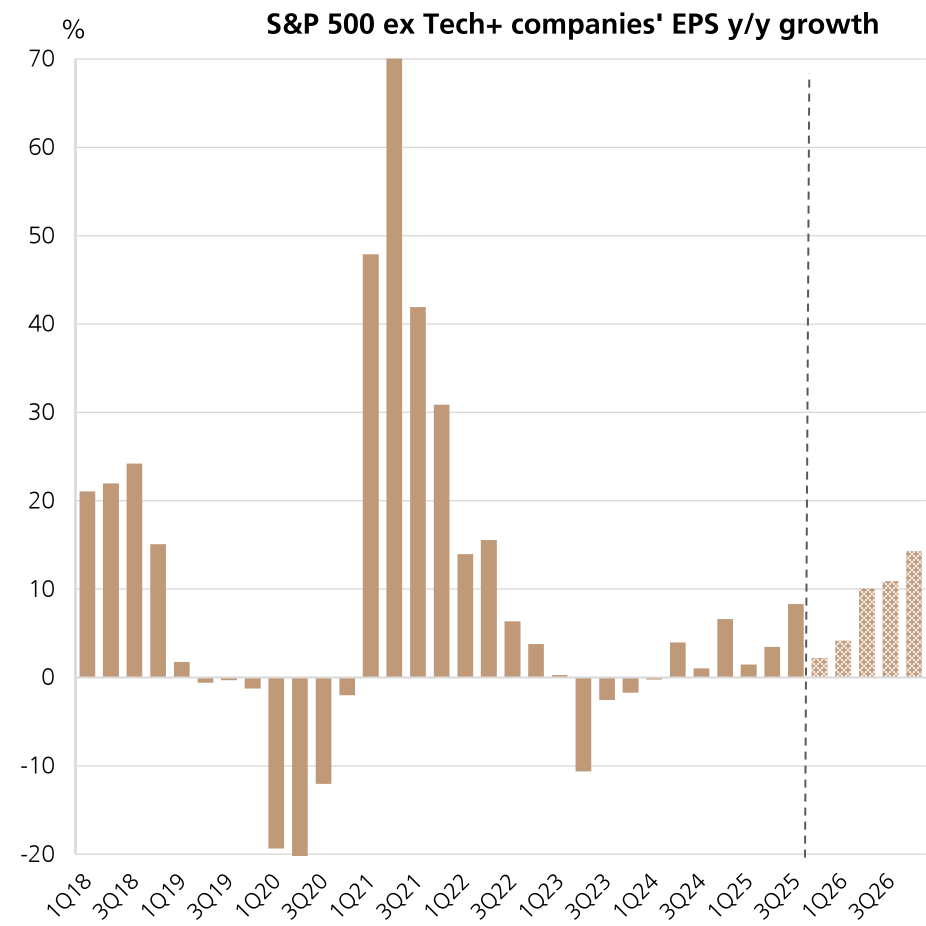


Source: MSCI, Datastream, UBS.

S&P500 Tech+ and ex-

Tech+ companies' EPS y/y growth



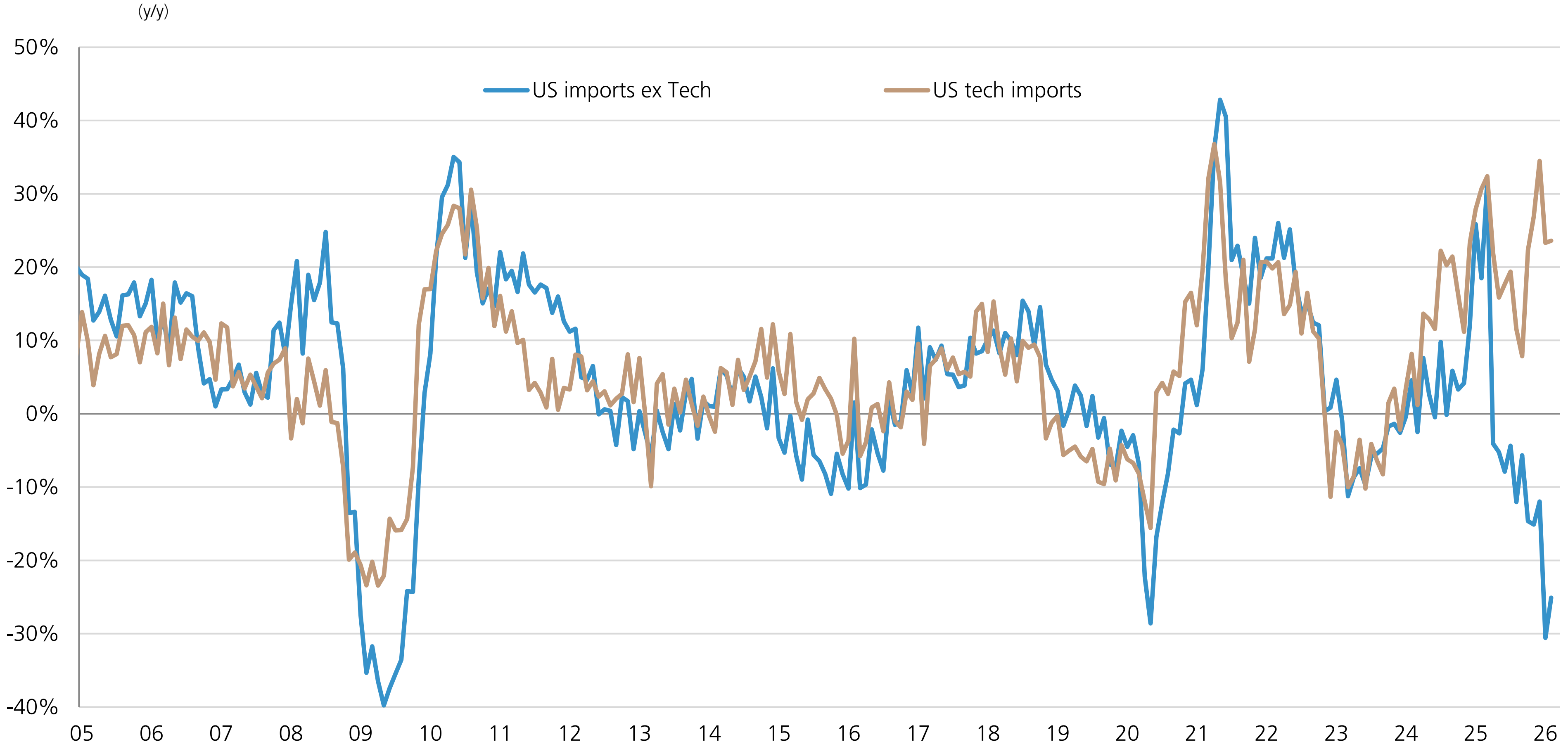


Source: MSCI, Datastream, UBS.

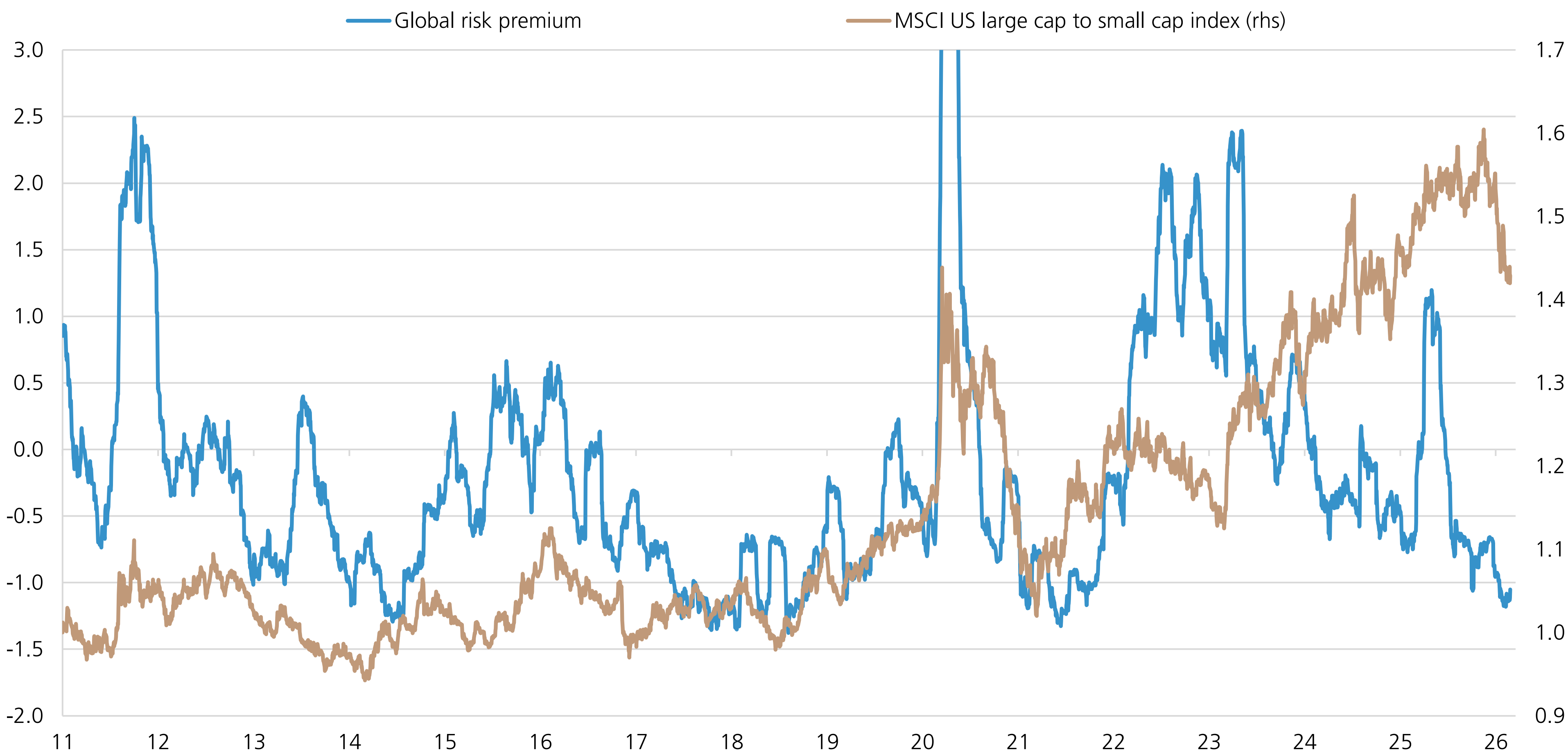
UBS

US tech and ex-Tech imports

US imports tech vs non-tech



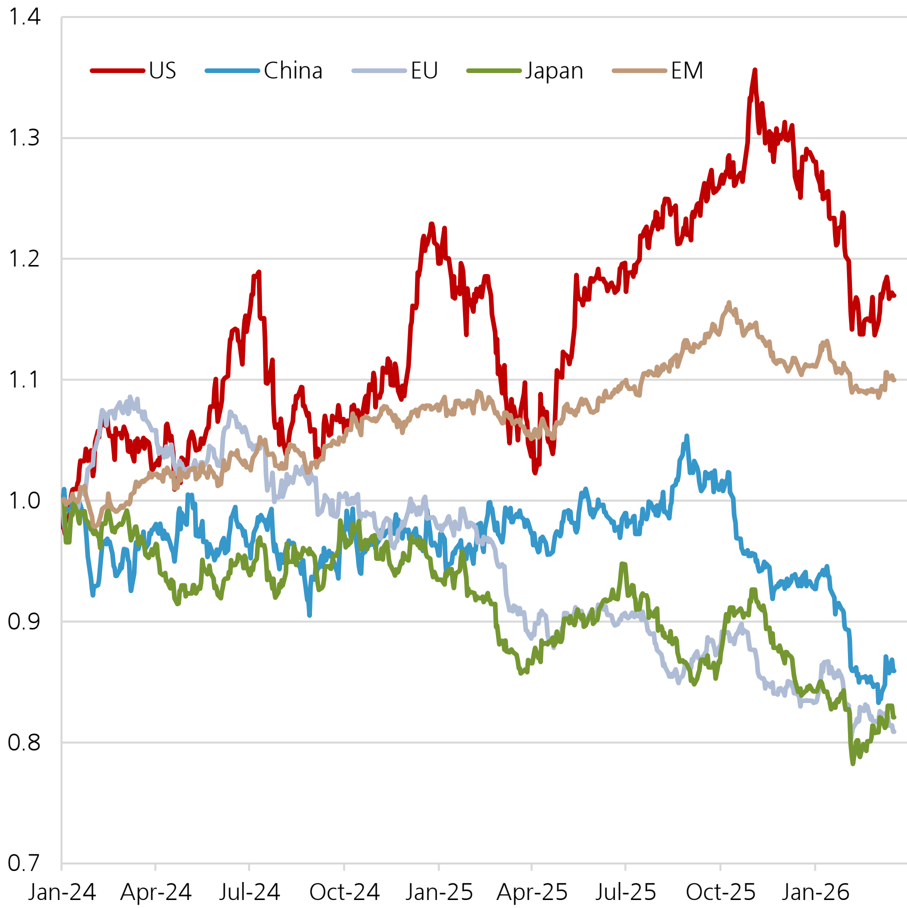
Source: Haver, UBS.



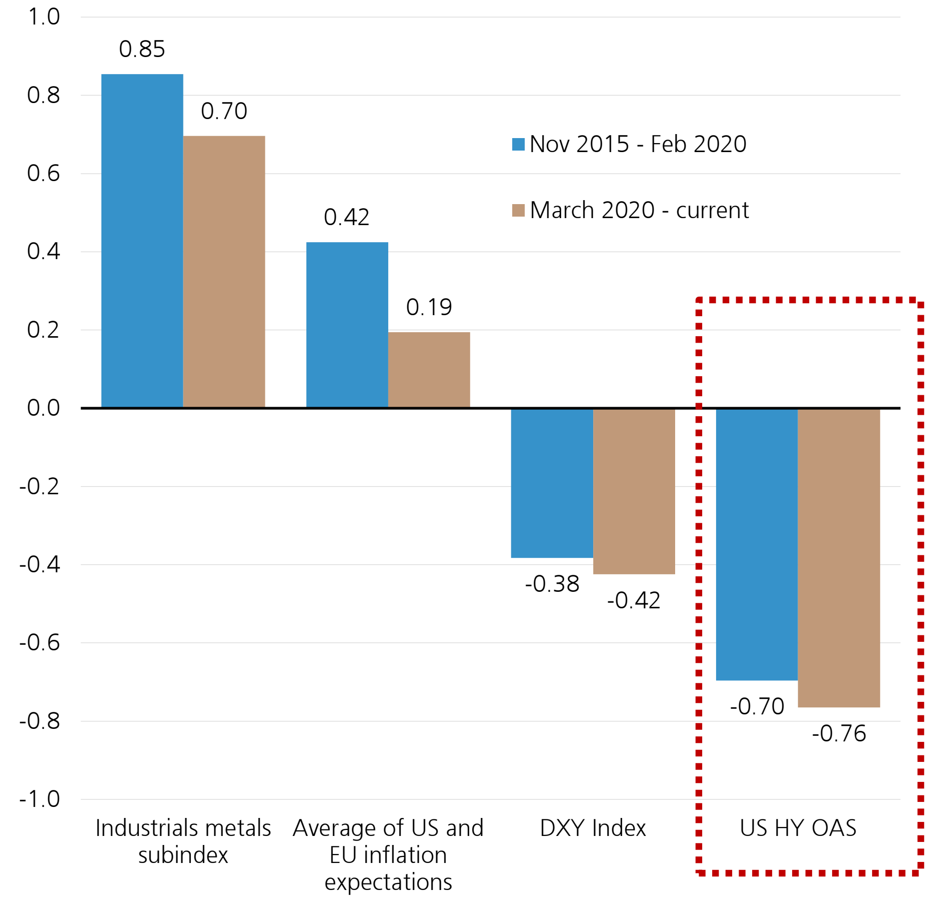
Source: Bloomberg, UBS

Equity rotations at risk – II: Growth to Value – High risk of reversal

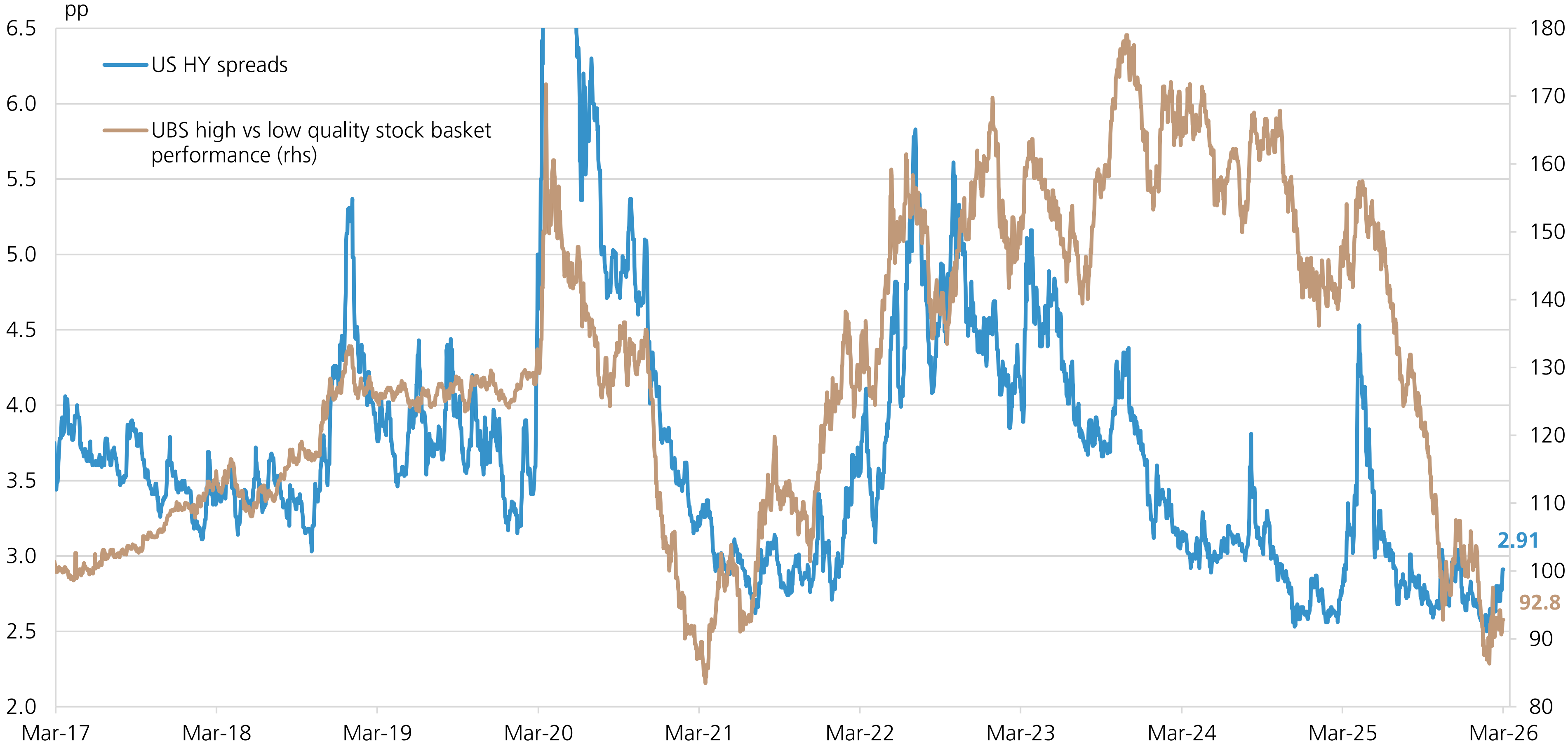
MSCI Growth to Value ratio



Correlation with MSCI World Value index YoY



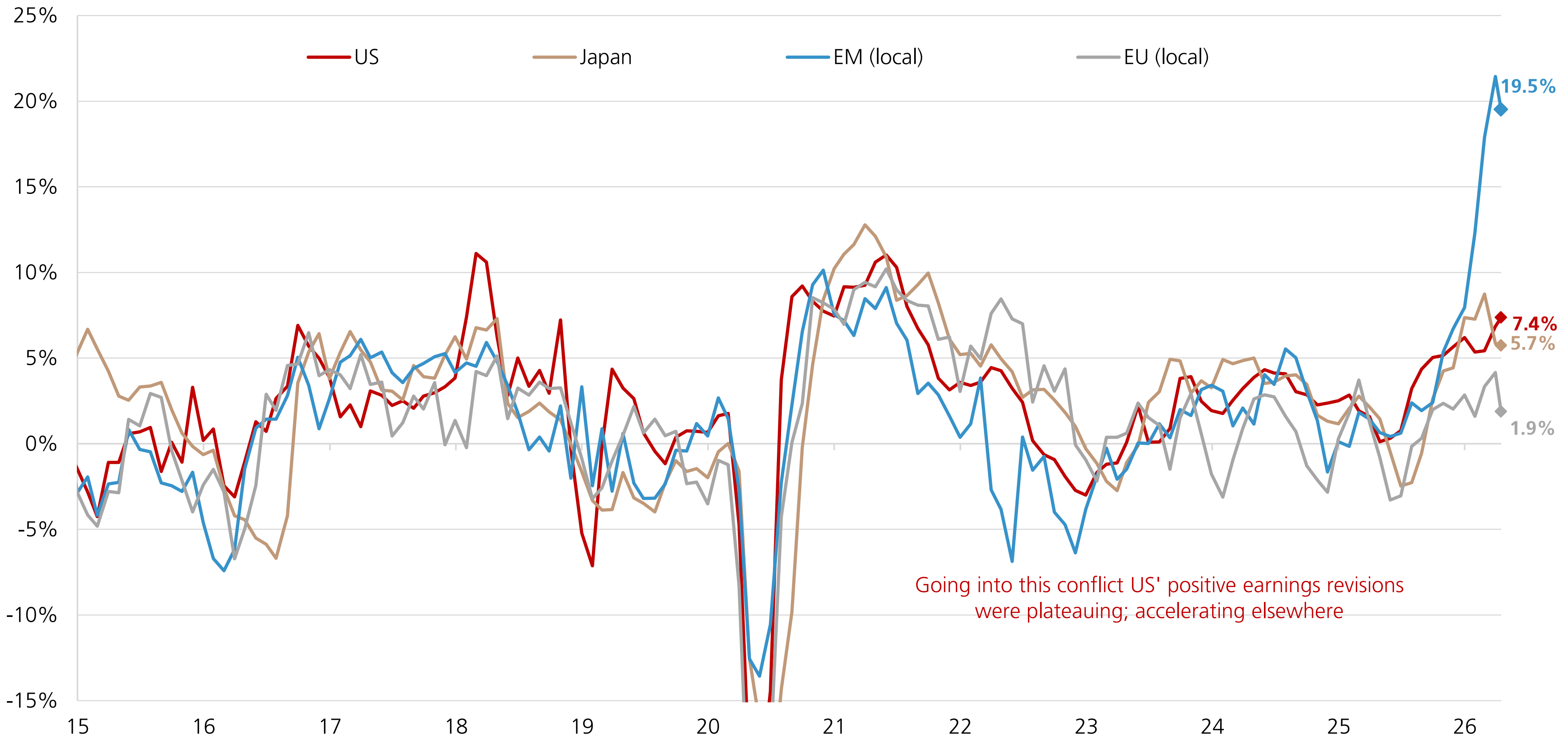
Source: Bloomberg, MSCI, Datastream, UBS.



Source: Bloomberg, UBS.

Equity rotations at risk – IV: US to Global Equities

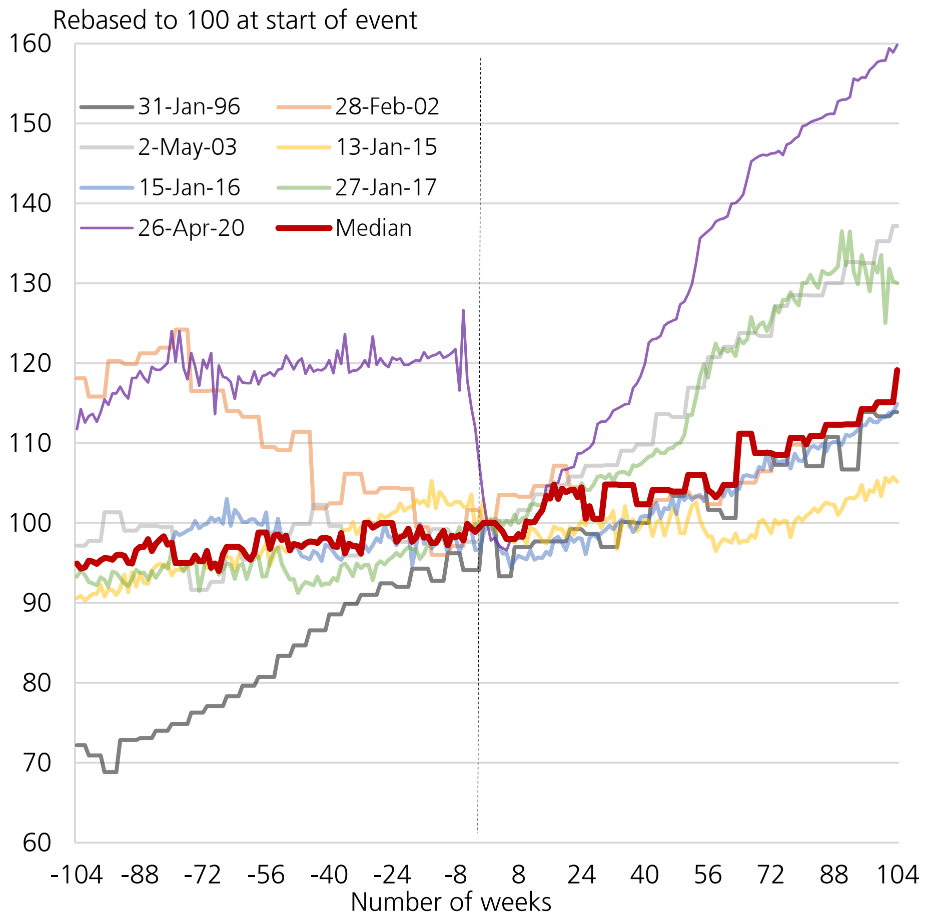
MSCI 3m change in 12m fwd earnings



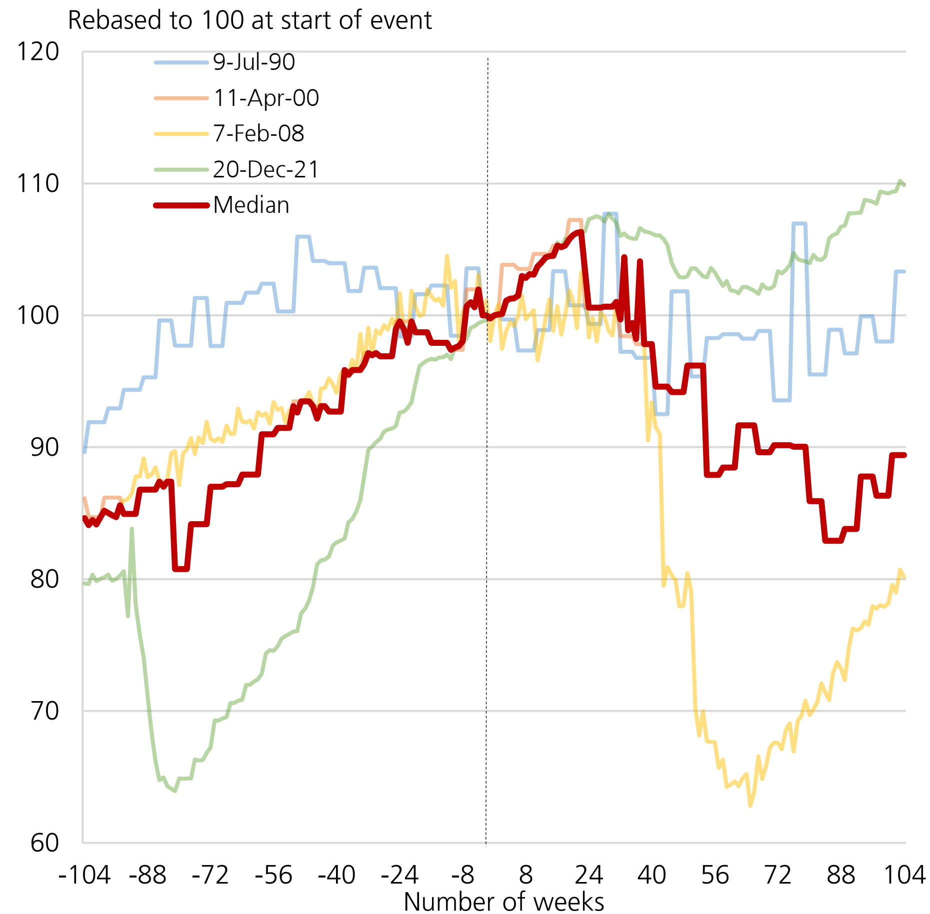
UBS

Oil demand & supply shocks and earnings revisions

MSCI US 12m fwd earnings around oil demand shock

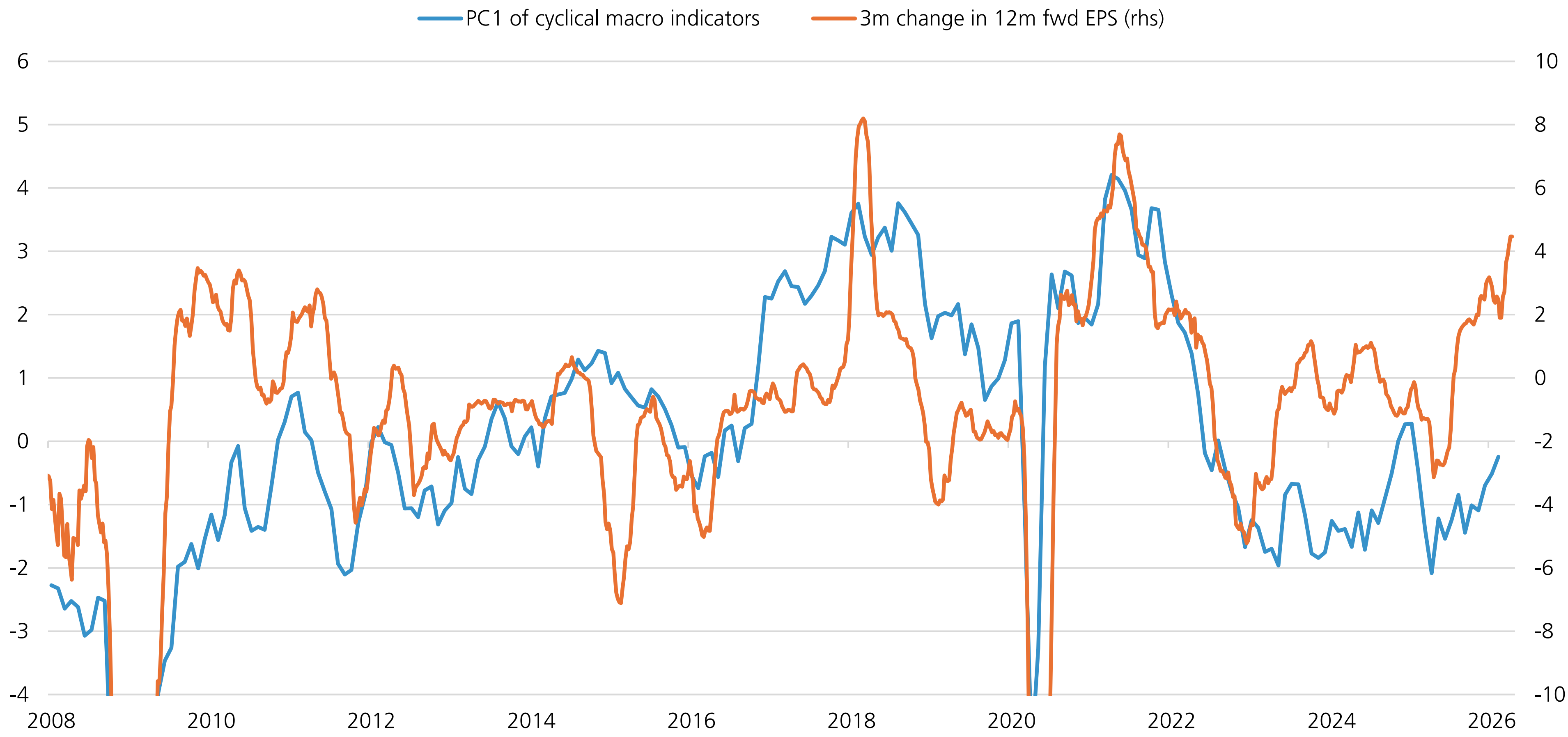


MSCI US 12m fwd earnings around oil supply shock



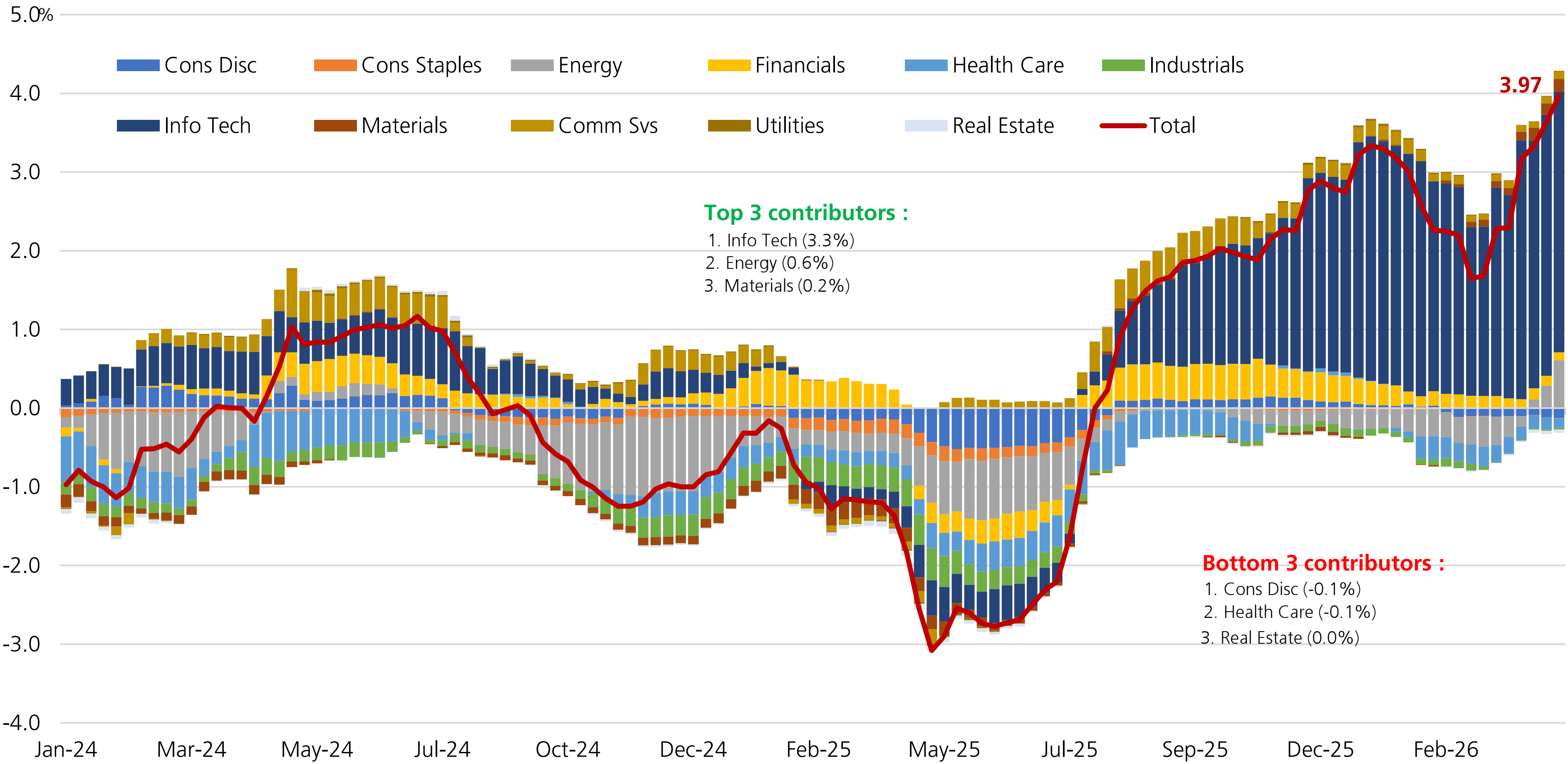
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P500 earnings revisions & first principal component of cyclical macro variables



UBS

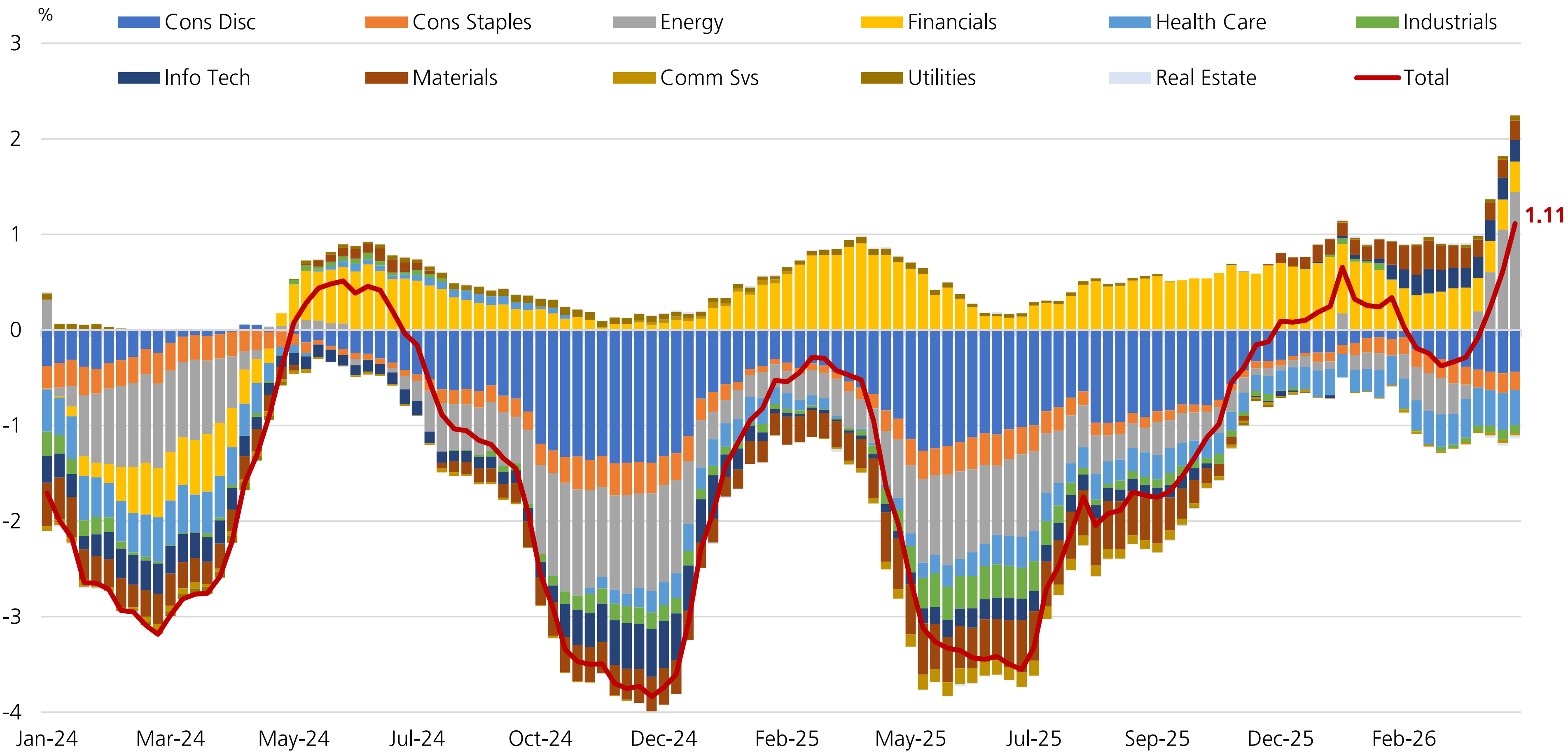
MSCI US sector contribution 3m change in 12m fwd earnings



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

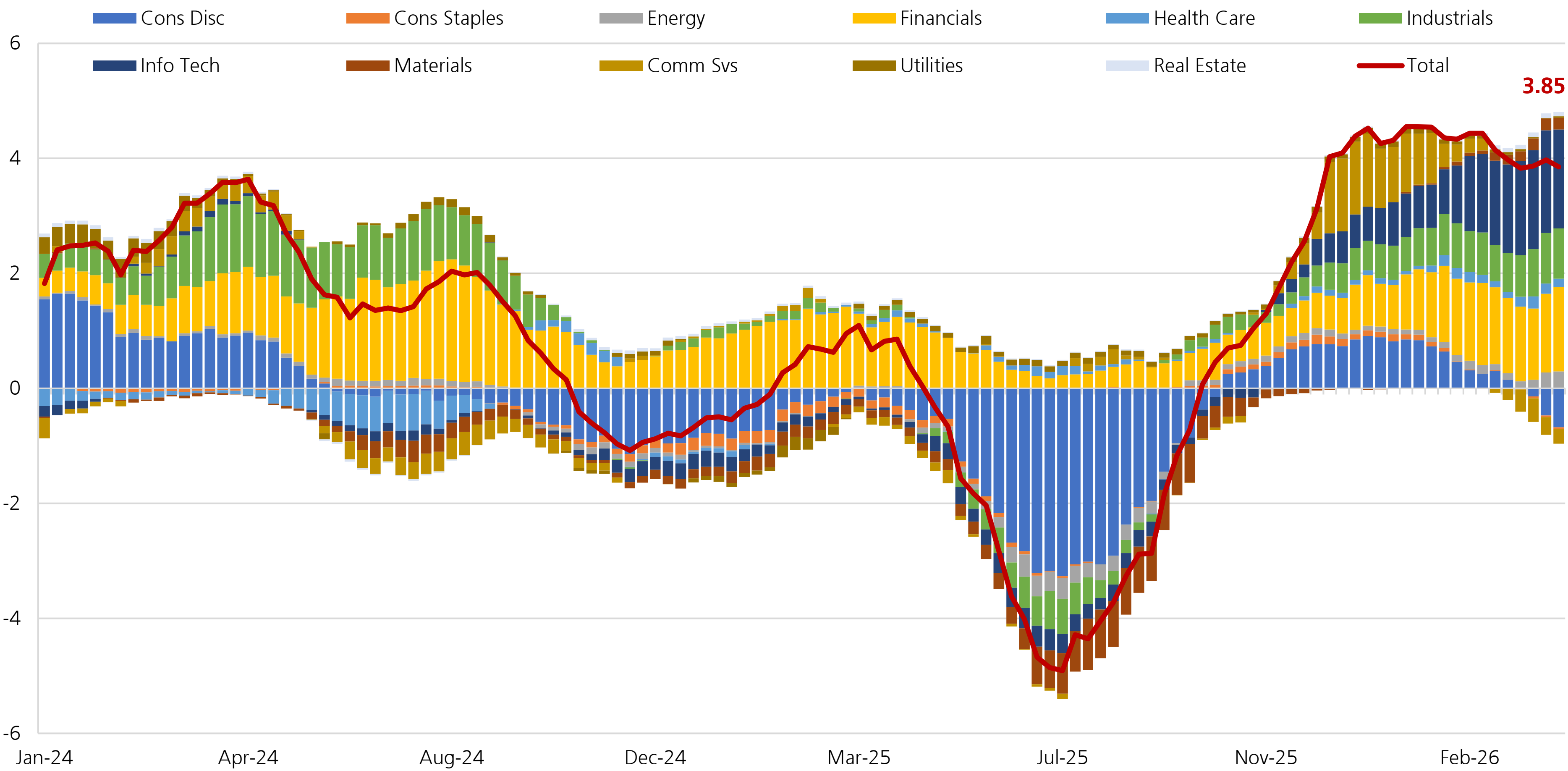
UBS

MSCI Europe sector contribution to 3m change in 12m fwd earnings



Source: MSCI, Datastream, UBS.

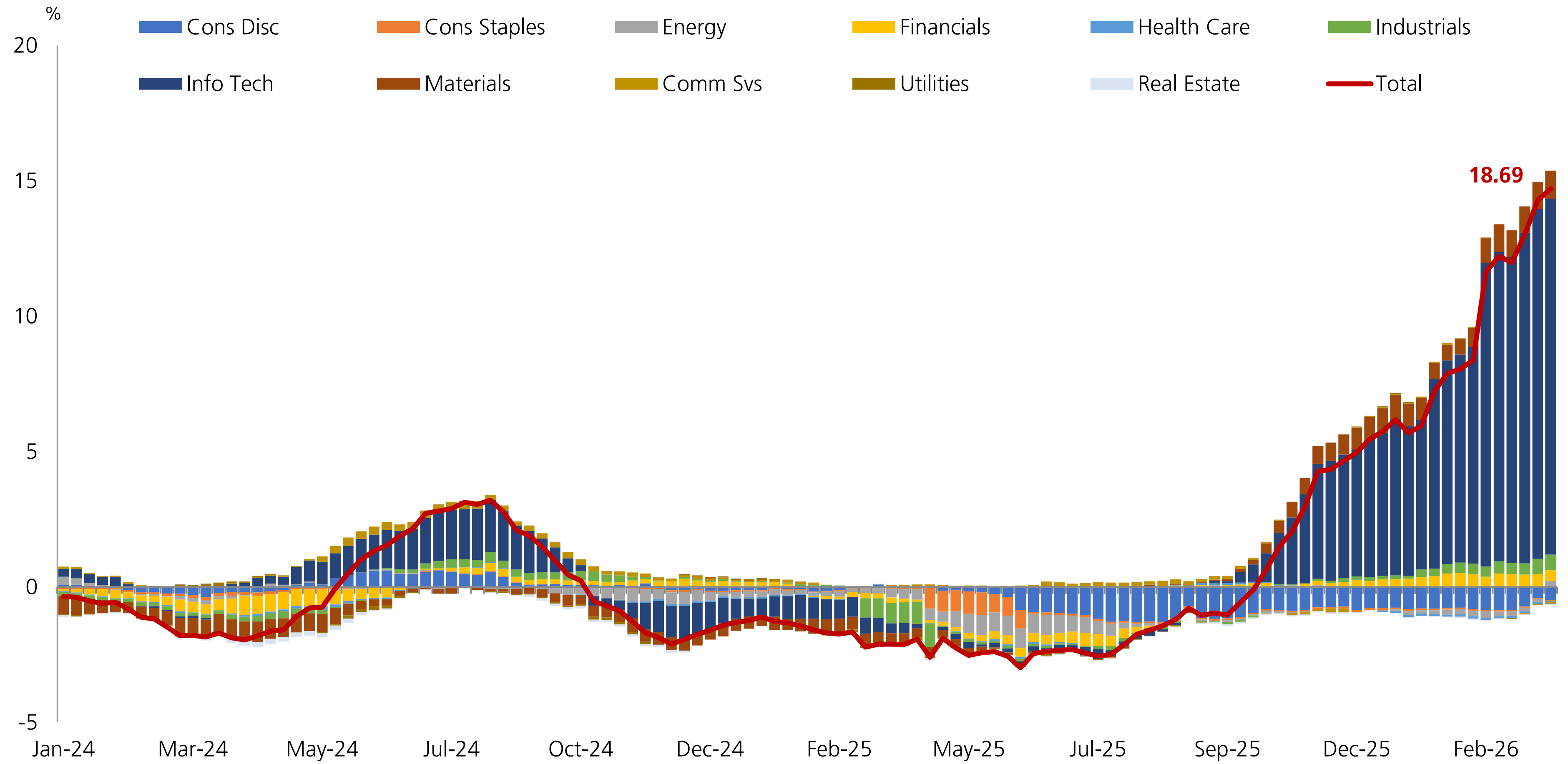
MSCI Japan sector contribution to 3m change in 12m fwd earnings



Source: MSCI, Datastream, UBS.

UBS

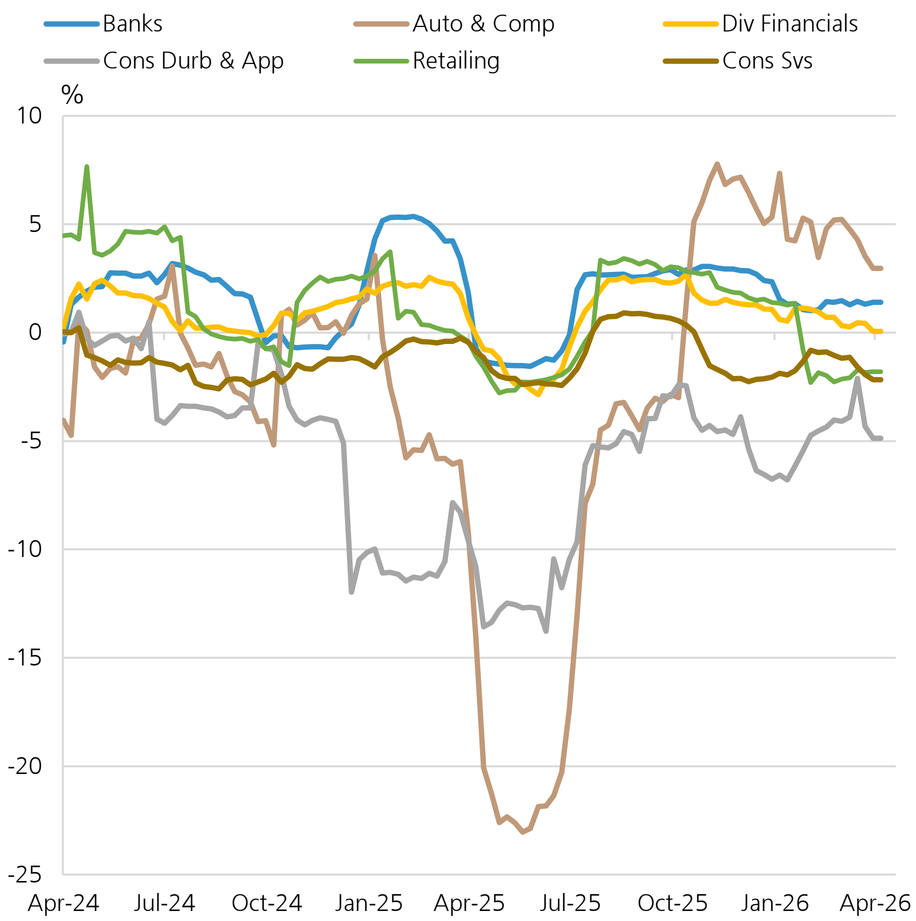
MSCI EM sector contribution to 3m change in 12m fwd earnings



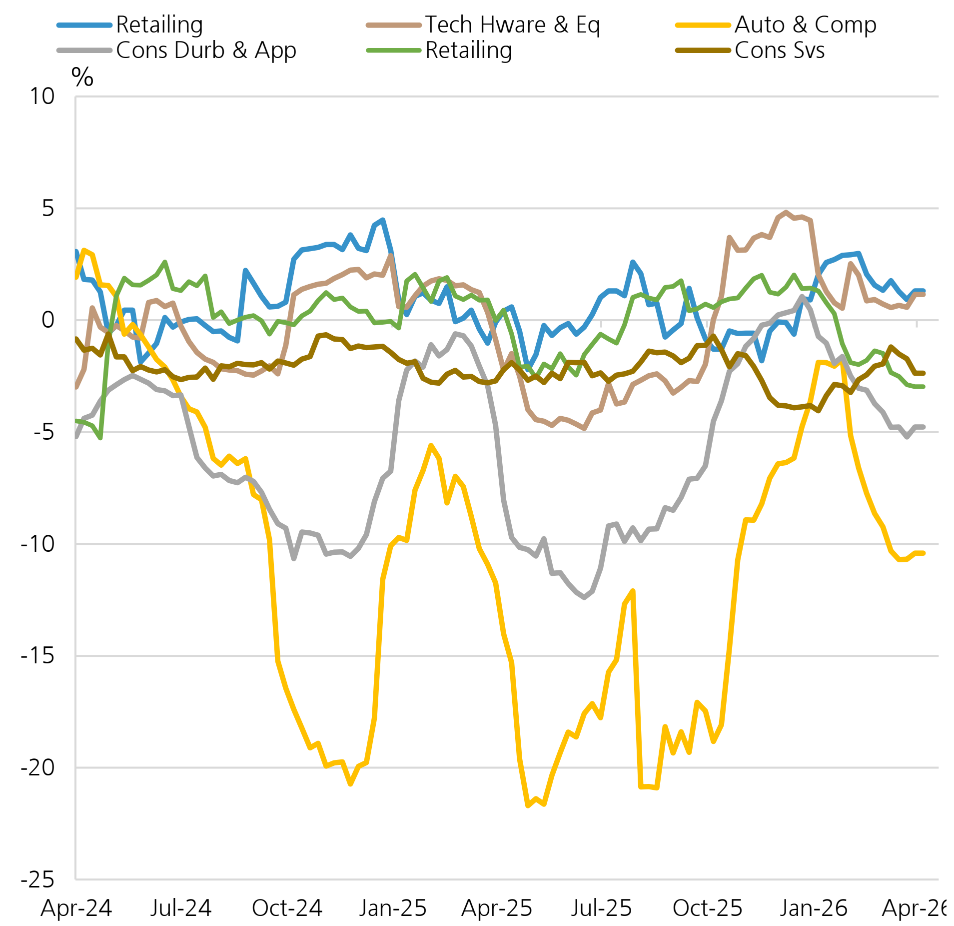
Source: MSCI, Datastream, UBS.

Earnings revisions of oil shock sensitive industry groups

MSCI US 3m change in 12m fwd earnings



MSCI Europe 3m change in 12m fwd earnings



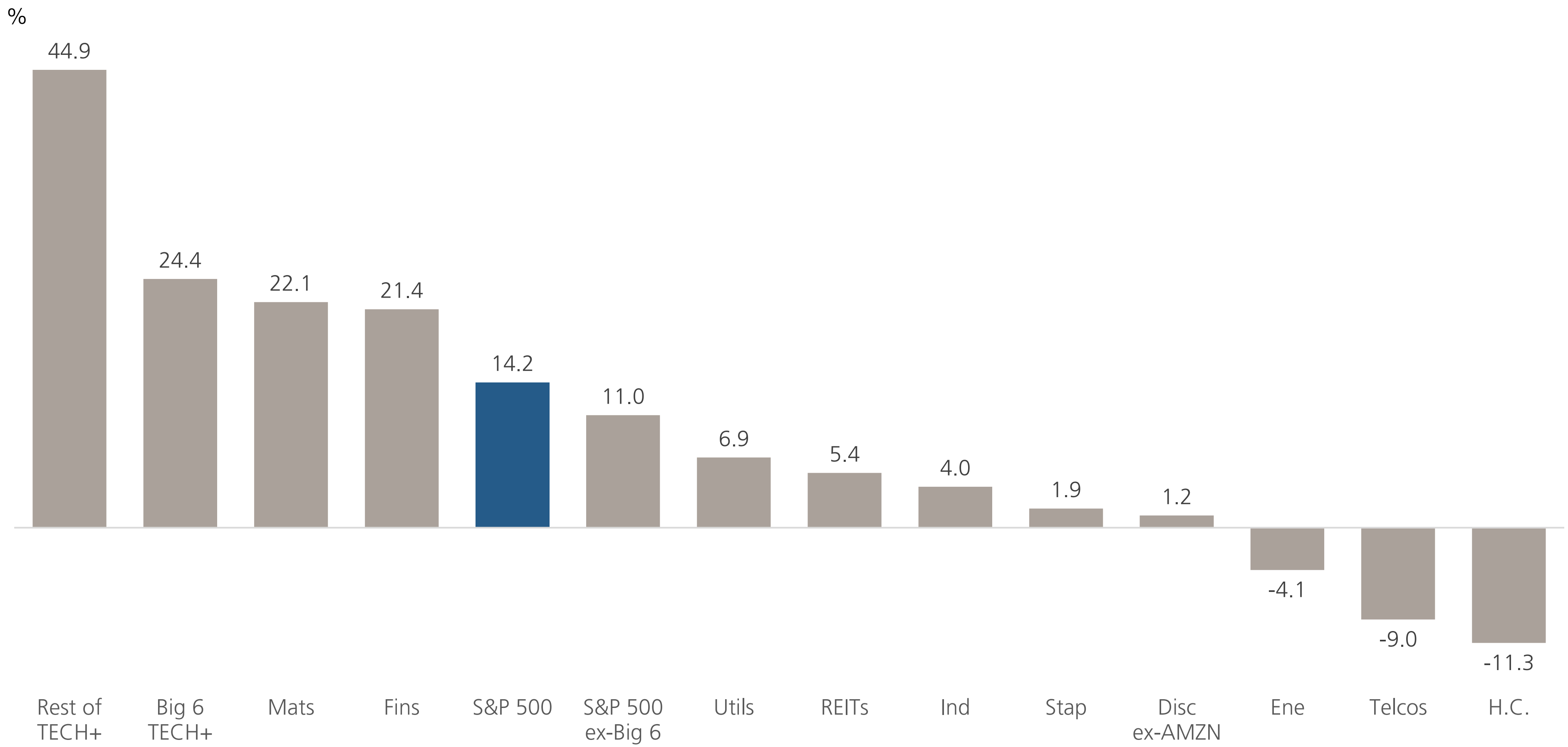
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P500 1Q26 y/y growth expectations

	Weighted Growth YoY (%)				
	Revenue	**Margins**	**Earnings**	**Buybacks**	**EPS**
S&P 500	**9.5**	**4.1**	**13.5**	**0.7**	**14.2**
TECH+	**23.1**	**7.5**	**30.6**	**0.4**	**31.0**
Big 6 TECH+	22.5	1.4	24.0	0.4	24.4
Rest of TECH+	23.9	20.6	44.5	0.4	44.9
Cyclicals	**5.1**	**-3.3**	**1.8**	**1.2**	**3.0**
Energy	3.2	-6.7	-3.5	-0.6	-4.1
Materials	6.3	15.1	21.4	0.7	22.1
Industrials	5.7	-3.3	2.5	1.5	4.0
Discretionary ex-AMZN	5.8	-7.1	-1.3	2.5	1.2
Non-Cyclicals	**6.0**	**-11.0**	**-5.0**	**0.4**	**-4.6**
Staples	6.1	-5.0	1.1	0.7	1.9
Health Care	5.8	-18.0	-12.2	0.9	-11.3
Health Care ex-MRK	*5.9*	*-5.2*	*0.7*	*0.9*	*1.6*
Utilities	8.3	0.3	8.7	-1.8	6.9
REITs	9.2	-2.1	7.1	-1.7	5.4
Telcos	3.3	-14.2	-10.9	1.9	-9.0
Financials	**7.7**	**12.5**	**20.2**	**1.3**	**21.4**
S&P 500 ex-TECH+	*6.0*	*-1.8*	*4.2*	*0.9*	*5.0*
S&P 500 ex-Energy	*10.0*	*4.3*	*14.3*	*0.8*	*15.1*
S&P 500 ex-Financials	*9.7*	*2.3*	*12.0*	*0.6*	*12.6*

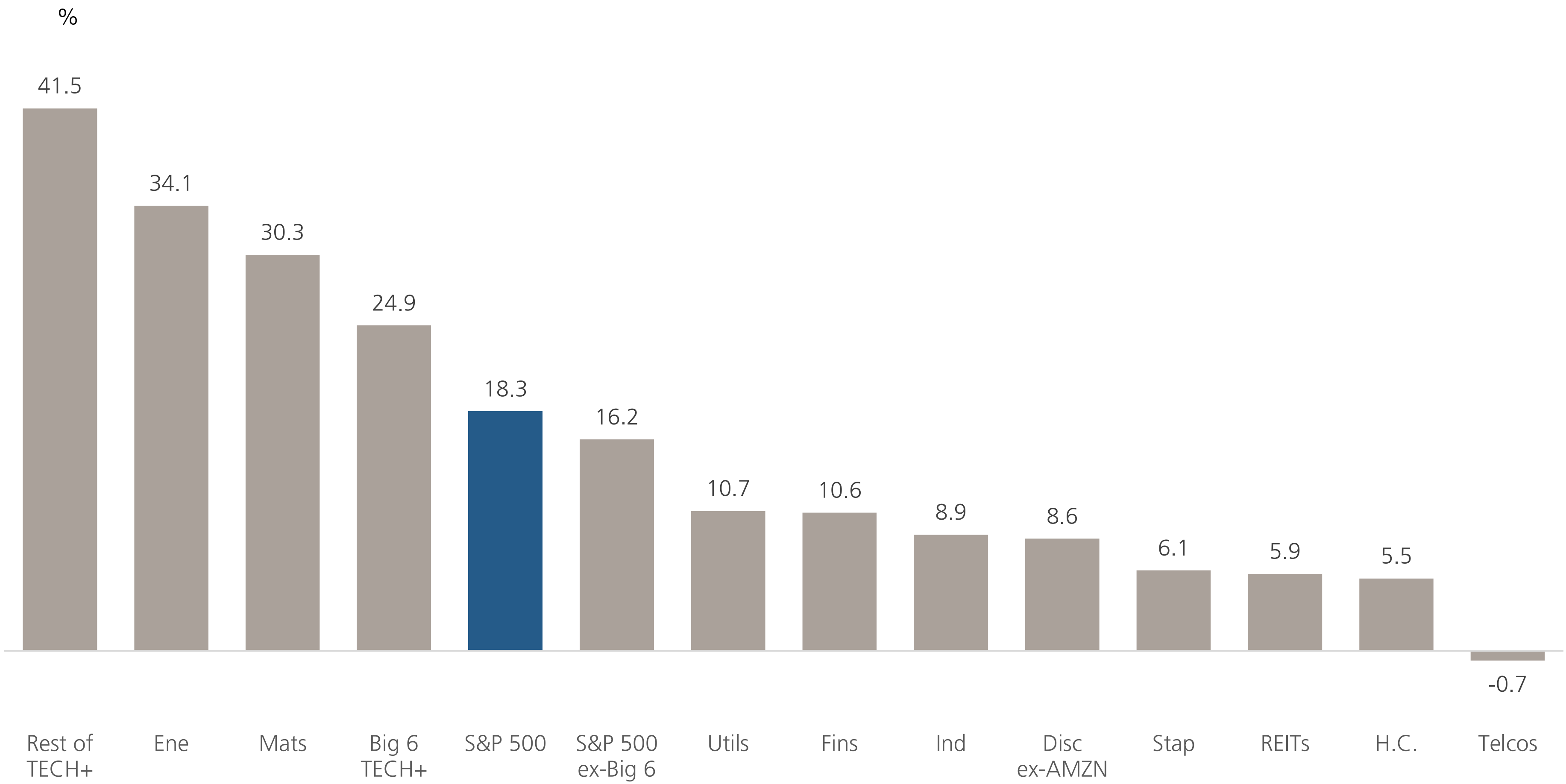
Source: UBS, Consensus estimates

S&P 500 EPS Growth YoY



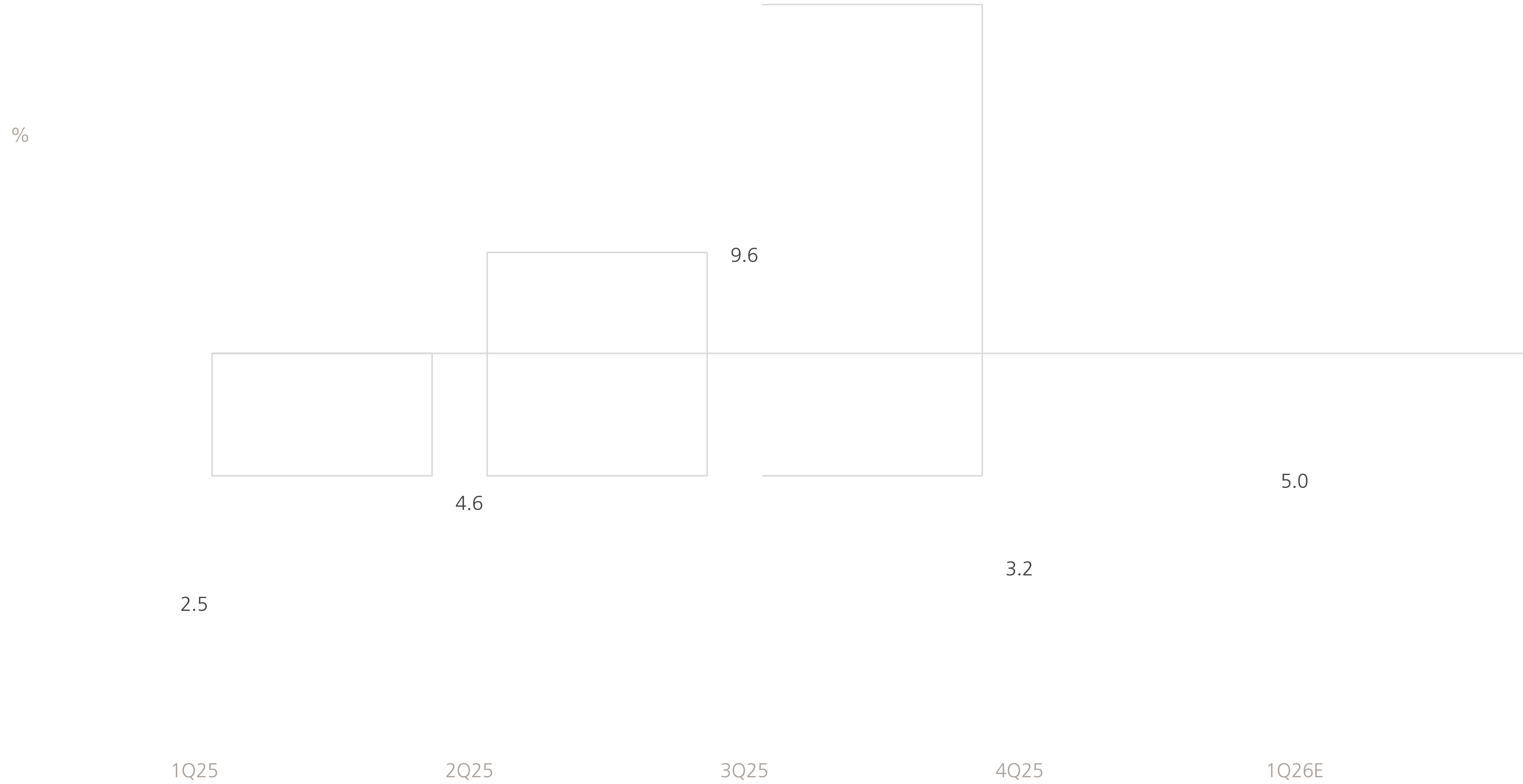
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

S&P 500 EPS Growth YoY



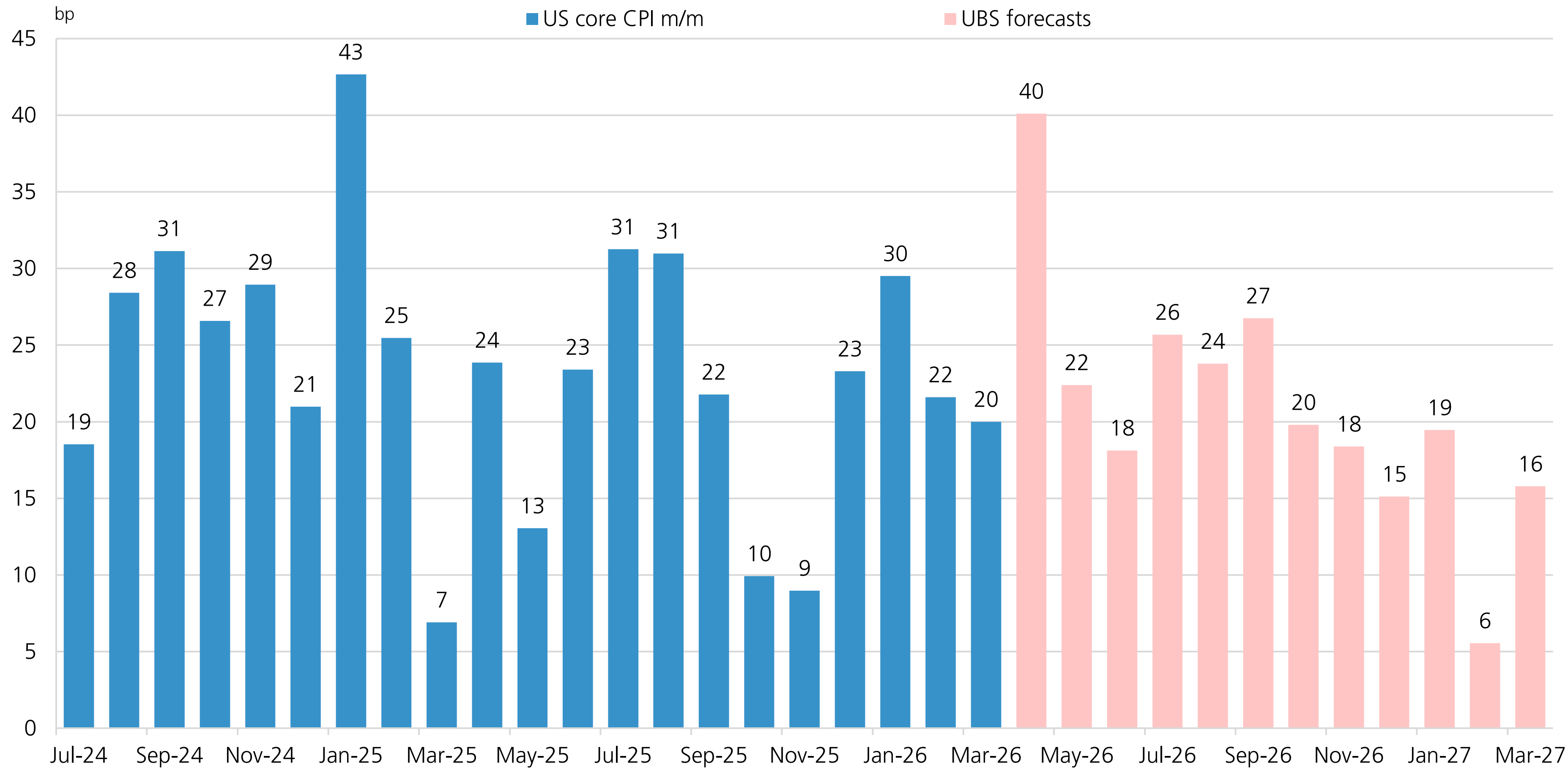
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

S&P 500 ex-Tech+ EPS y/y growth



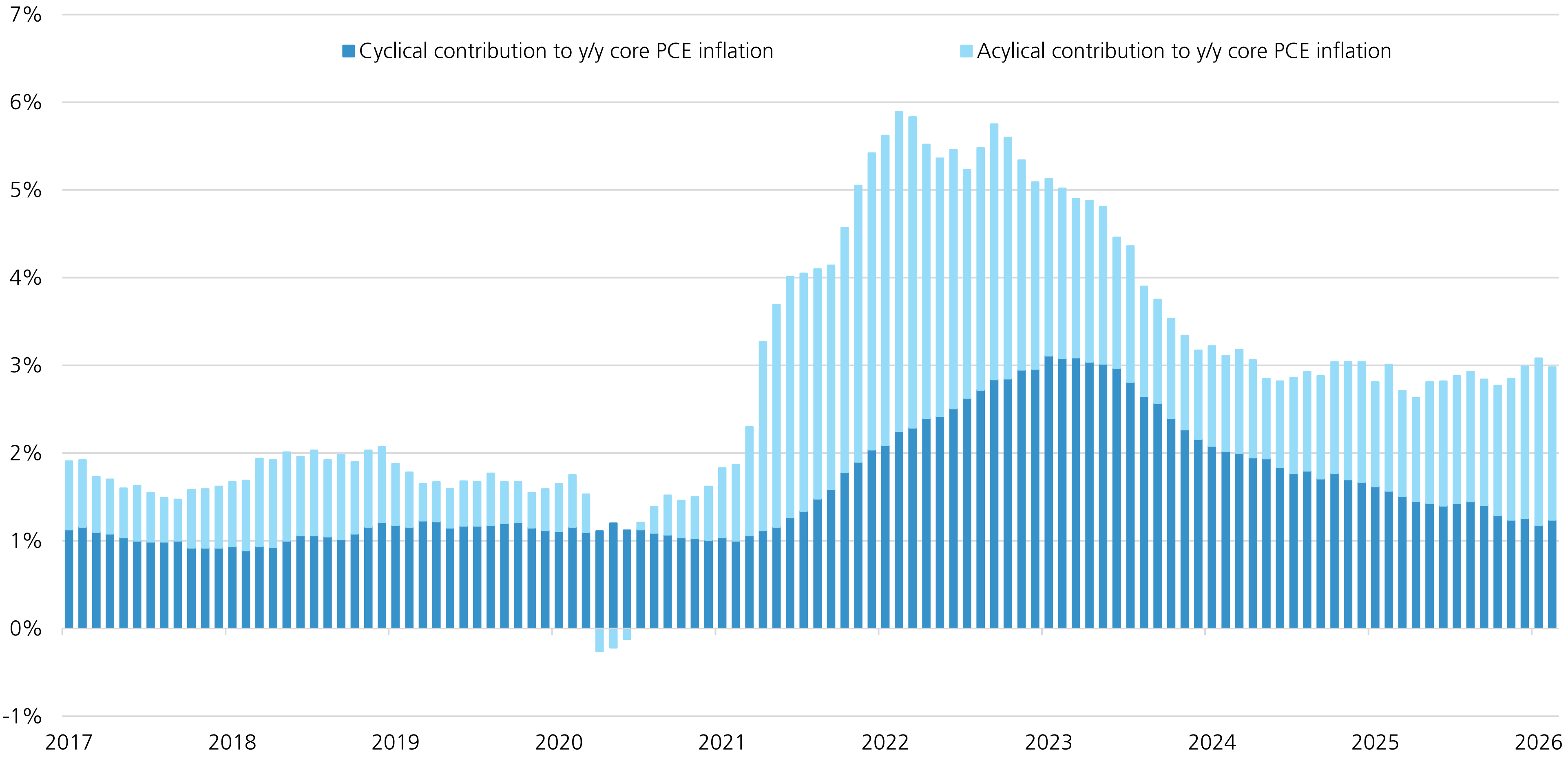
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

US core CPI (m/m)

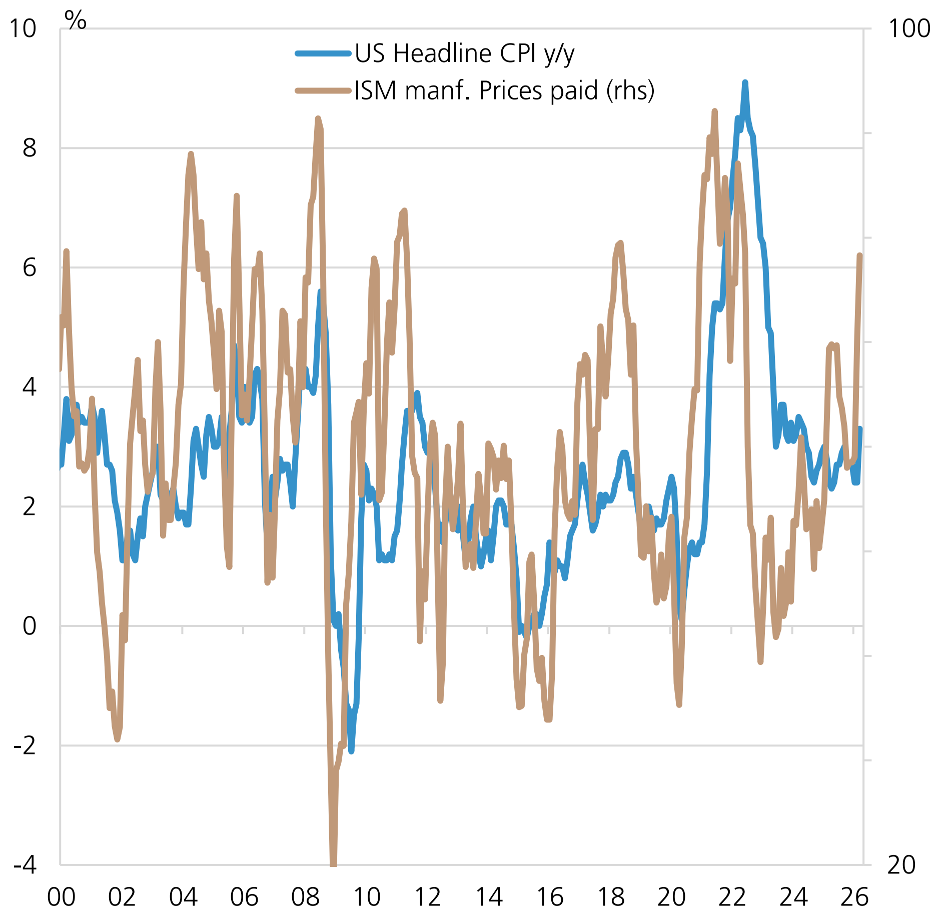


Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

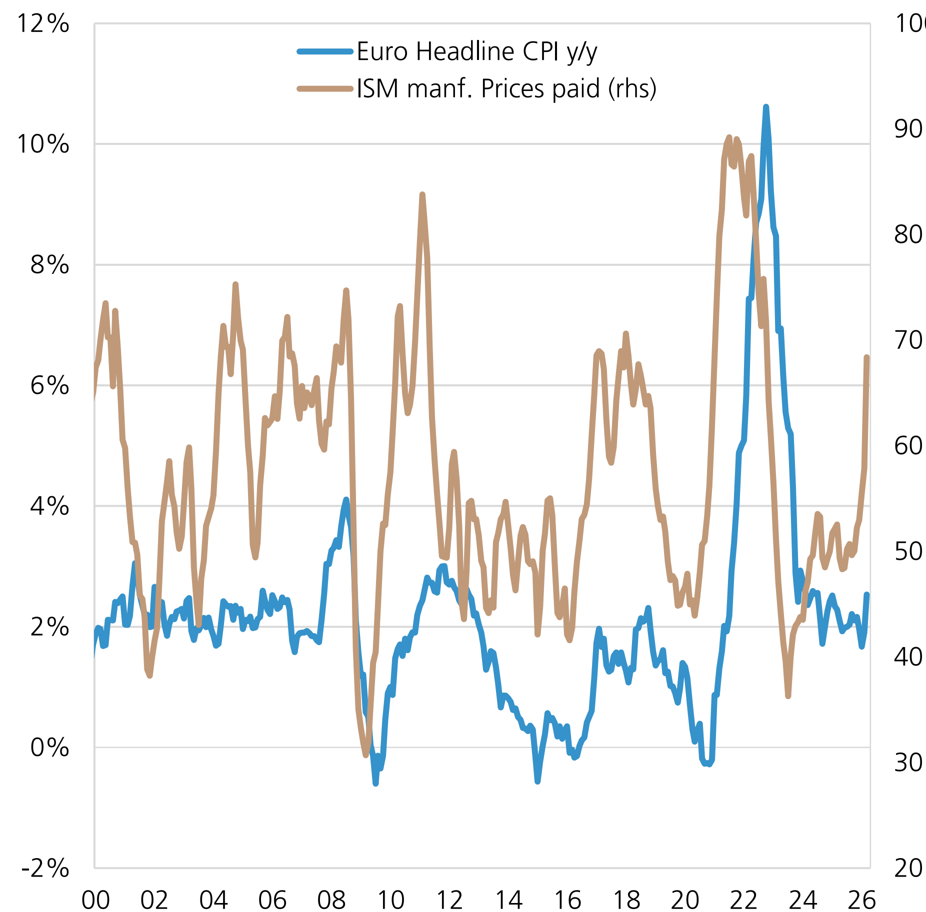
Cyclical & acyclical contribution to core PCE inflation (YoY)



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

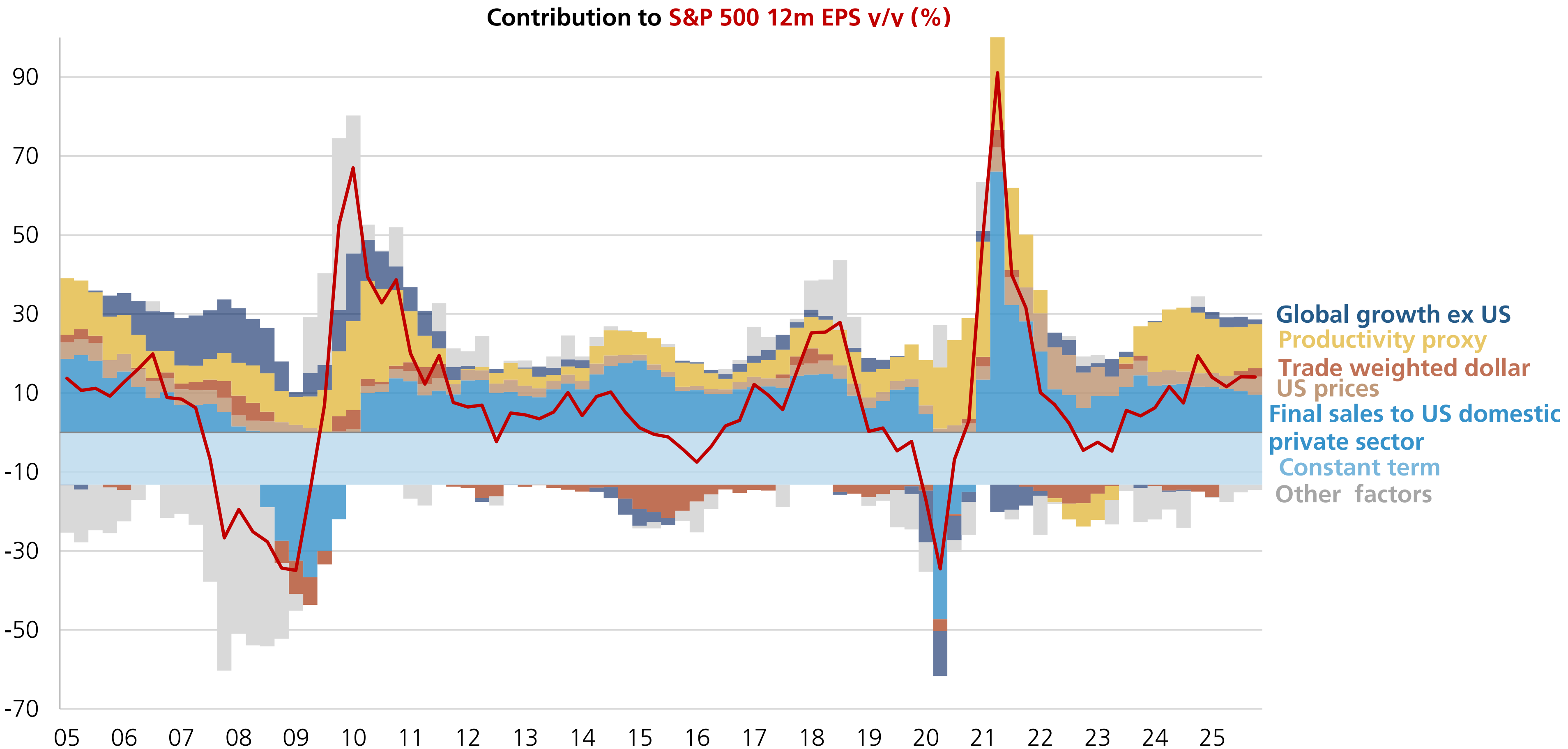


Euro headline inflation vs PMI



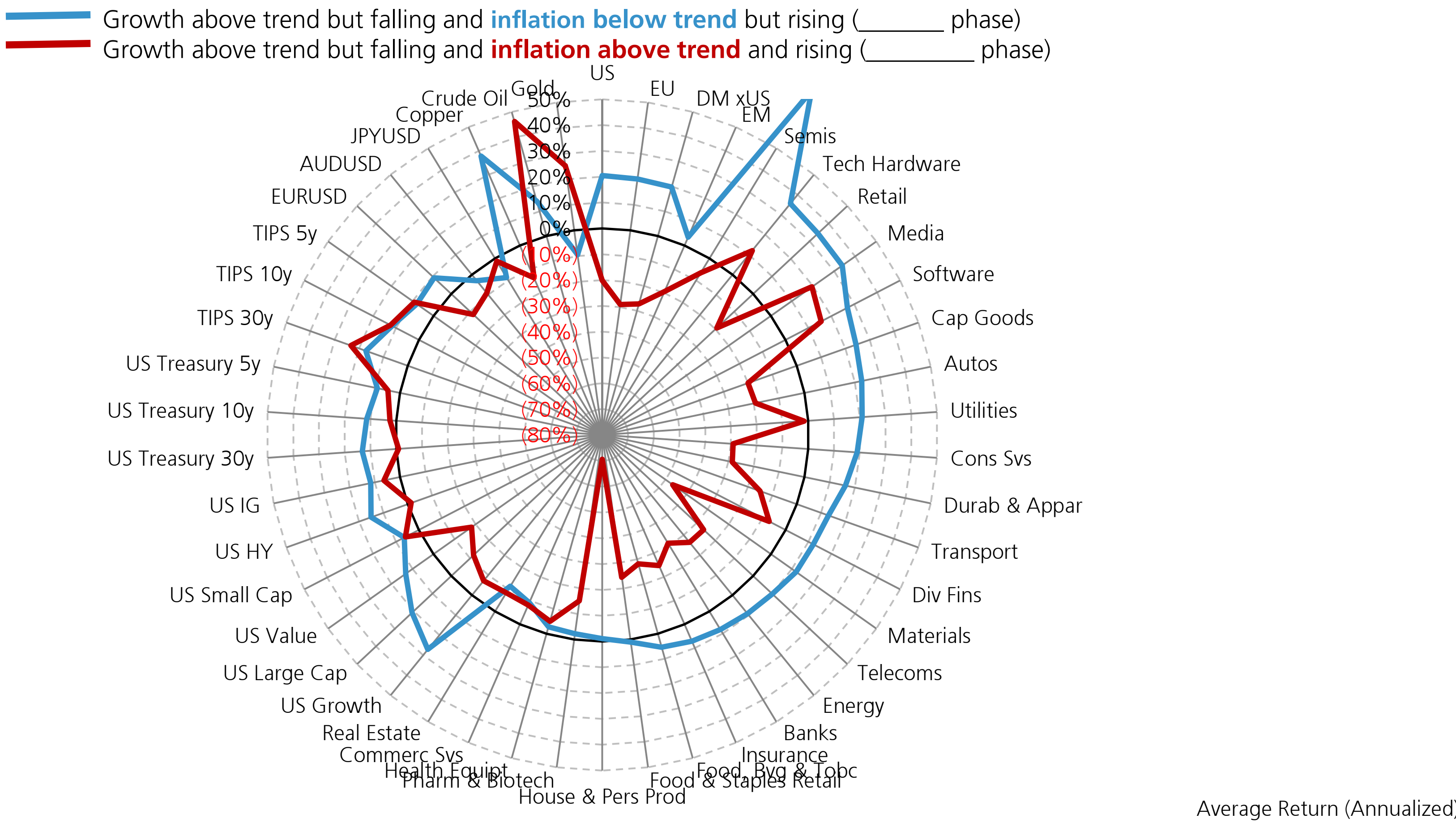
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

S&P500 earnings attribution model



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

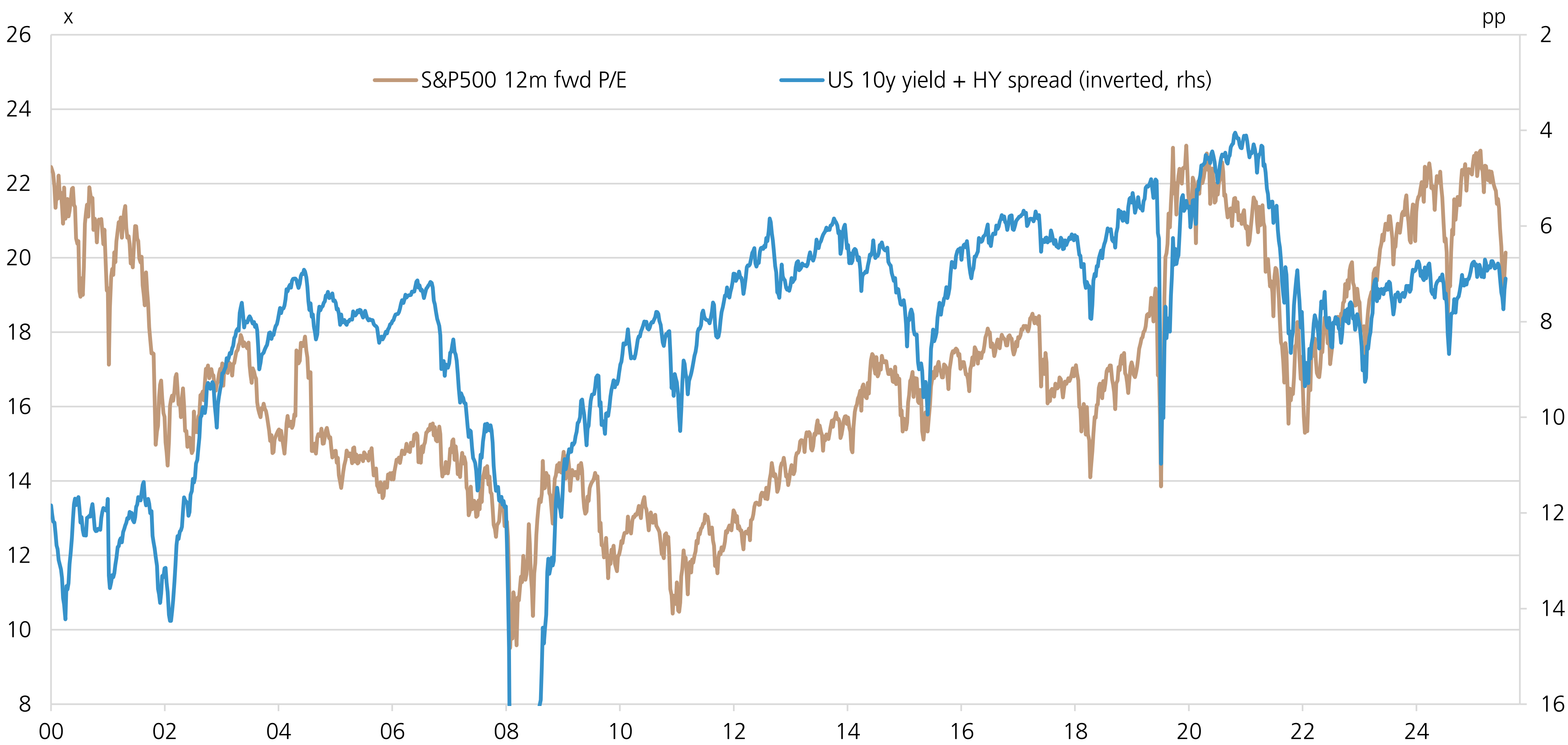
Average annualised returns during different economic phase



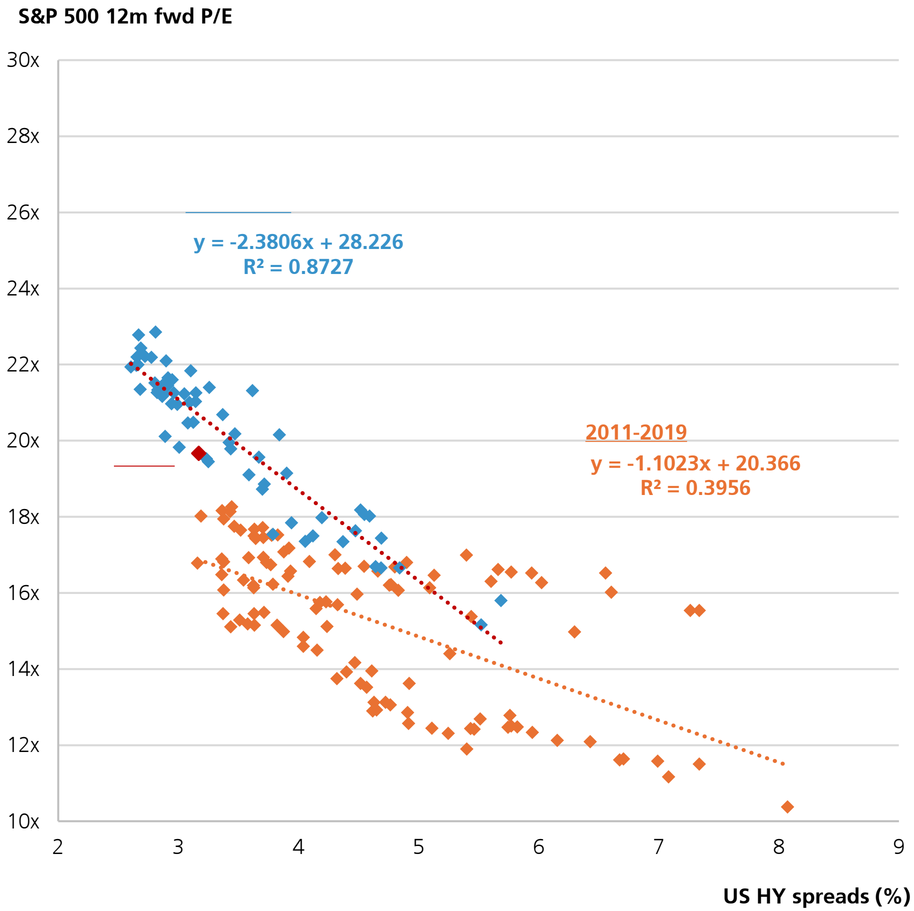
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

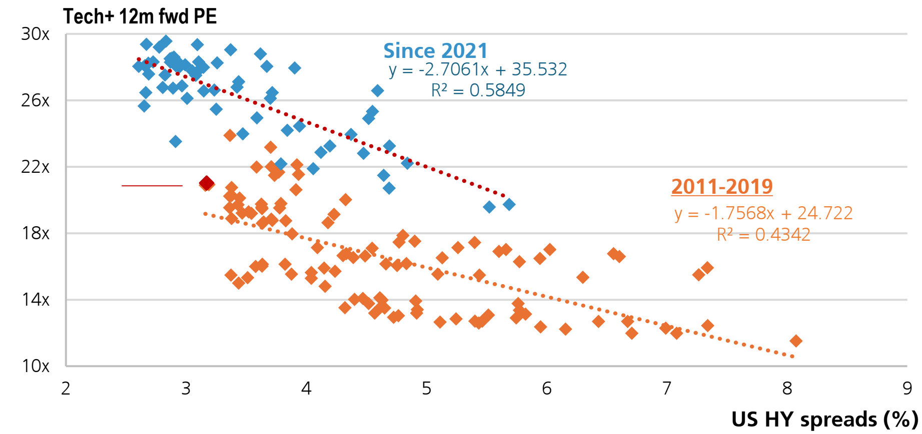
UBS

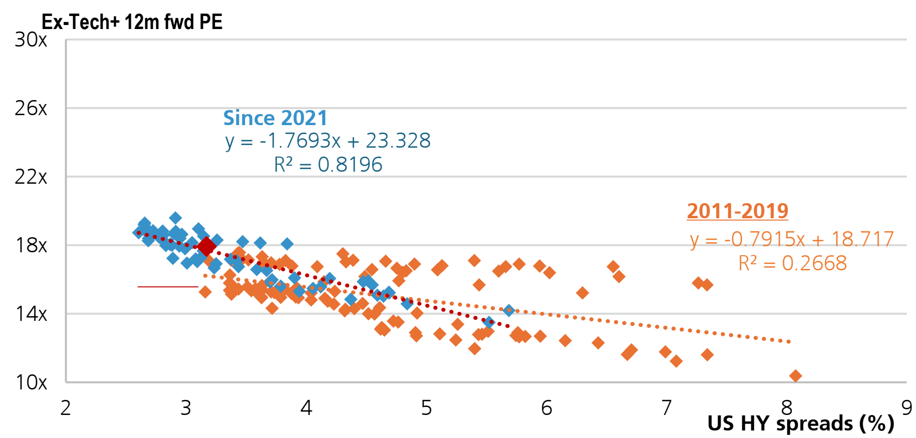
S&P500 12m fwd P/E and and discount rate proxy (US 10y yield + HY spreads)



S&P 500 12m fwd P/E vs US HY spreads





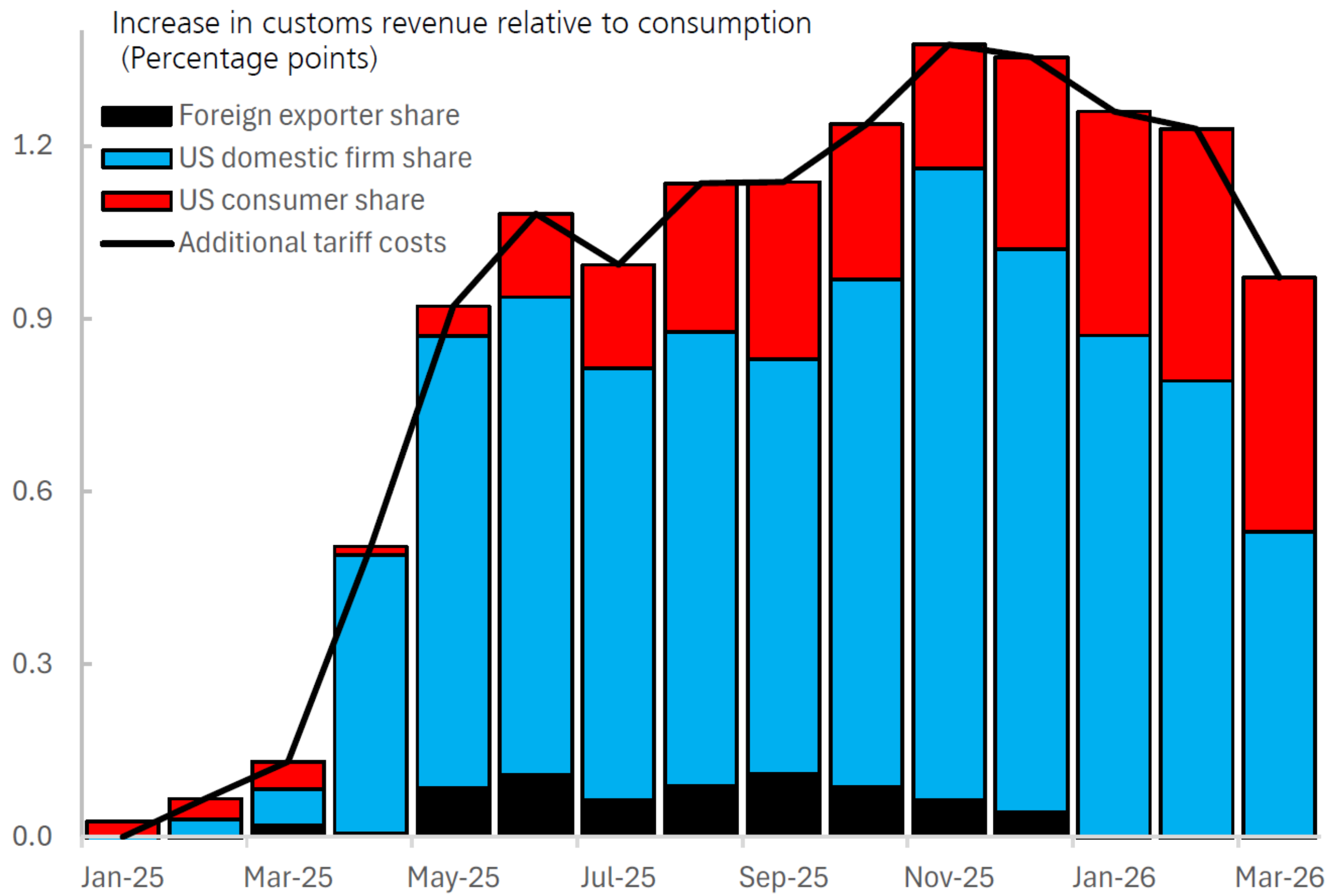


Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS.

UBS

Tariff transmission to consumer prices could run through the middle of ‘26

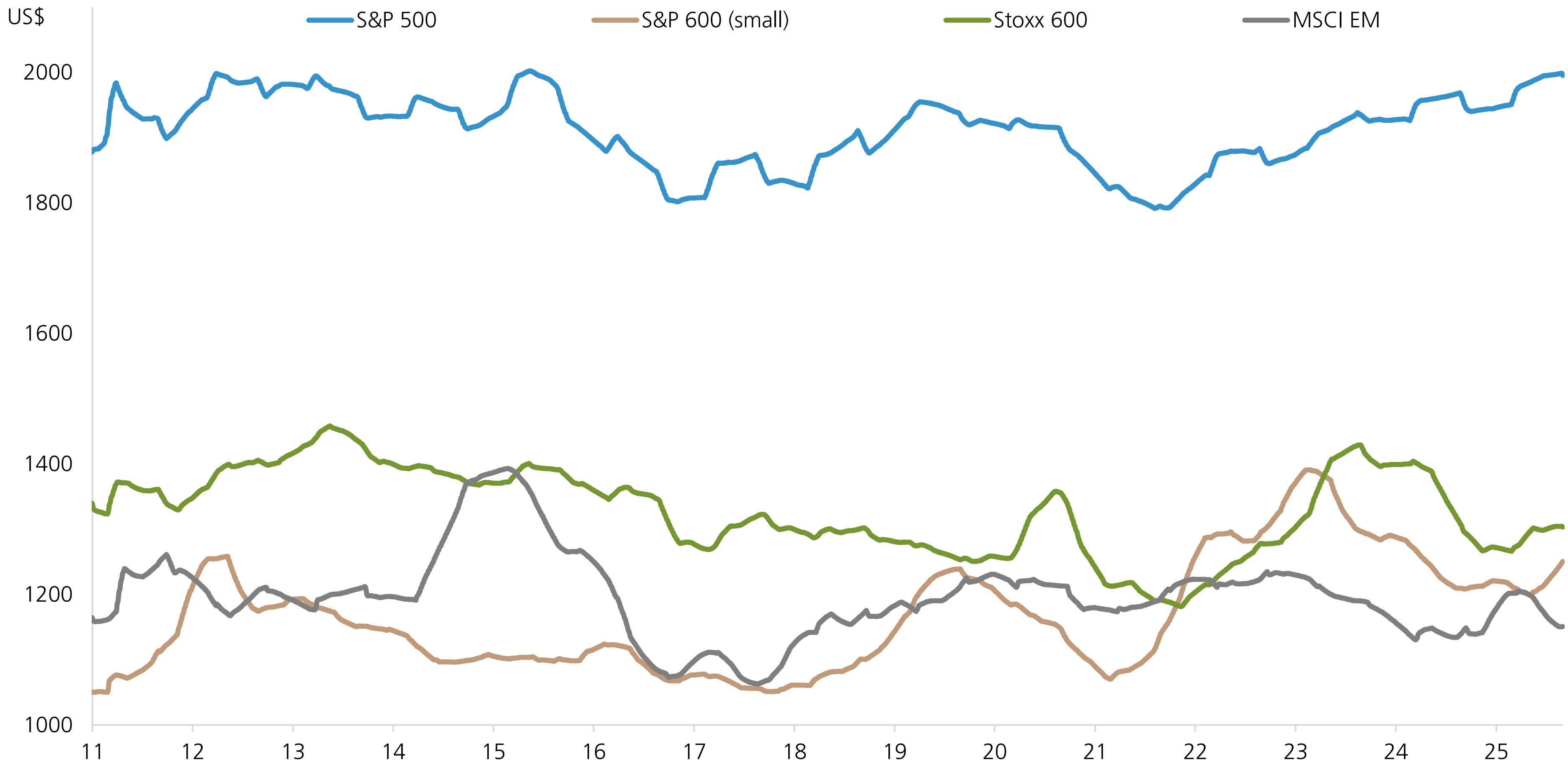
We believe the tariff cost will rotate from margins to prices



Source: Census, BEA, Treasury, Haver, UBS

Will AI productivity diffuse to the real world?

Real sales per employee across markets

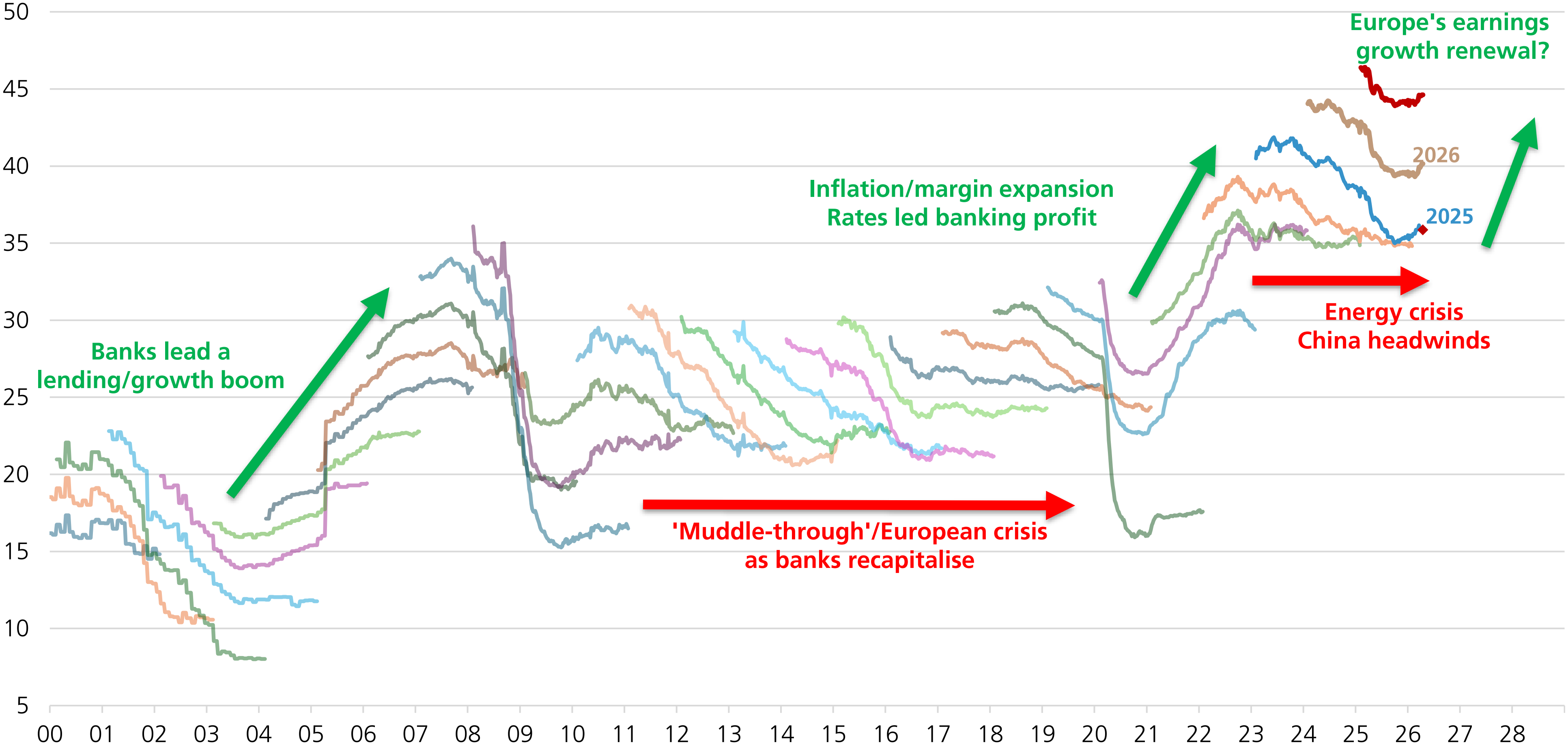


Source: Bloomberg, UBS.

UBS

European earnings: We finally see growth in 2026E

Stoxx 600 annual EPS growth (%)



Source: Refinitiv Eikon, Datastream, UBS.

EPS shows little change since 27-Feb (ex-energy). Downgrades likely coming.

Stoxx sectoral price & EPS change since Feb-27

Stoxx sector	Price Chg	EPS Chg
Energy	14%	34%
Chemicals	2%	-2%
Insurance	1%	4%
Finan. Svcs	0%	-2%
Banks	0%	1%
Media	0%	4%
Utilities	0%	15%
Mining	0%	4%
Technology	-1%	1%
Telcomm	-1%	-1%

Stoxx sector	Price Chg	EPS Chg
Trav&Leisr	-3%	3%
Indu Gd&Ser	-3%	-1%
Constr&Mtr	-4%	-1%
Healthcare	-5%	-1%
Retail	-6%	10%
Auto&Parts	-7%	NA
Real Estate	-8%	4%
FB&T	-8%	2%
CP&S	-10%	0%
PCD&Gs	-12%	-4%

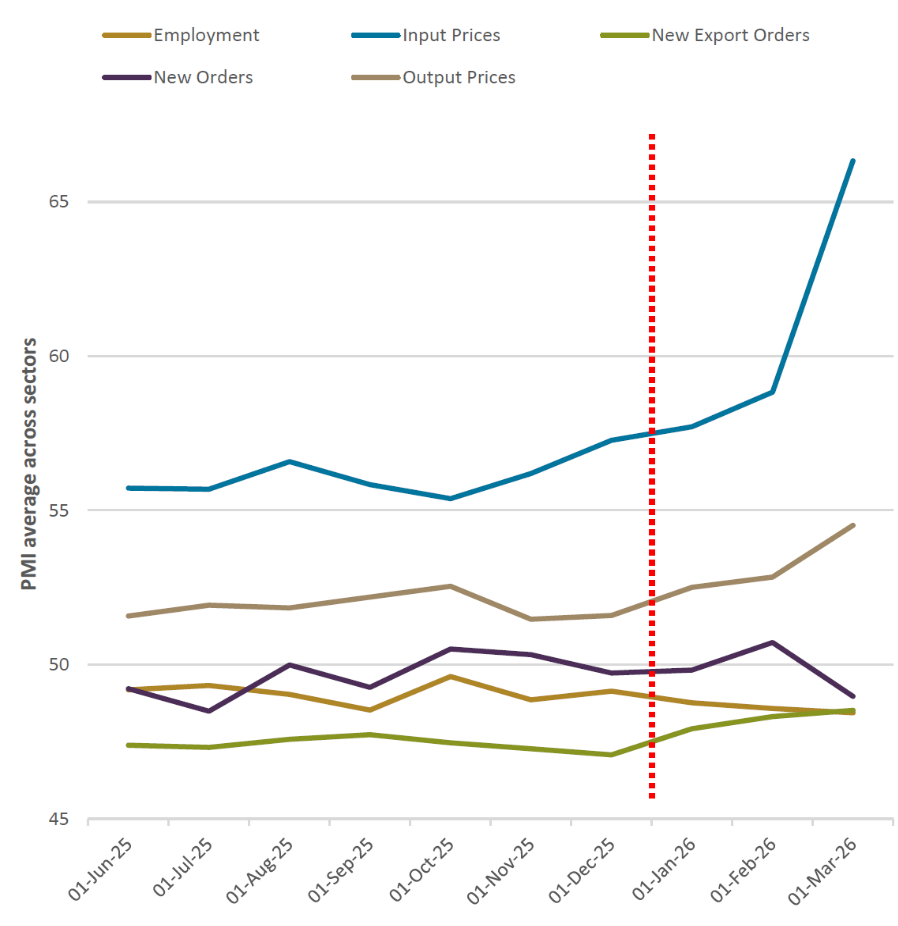
Source: UBS, Bloomberg

Change in PMIs during Q1 & Average PMIs across sectors

Change in PMIs during Q1

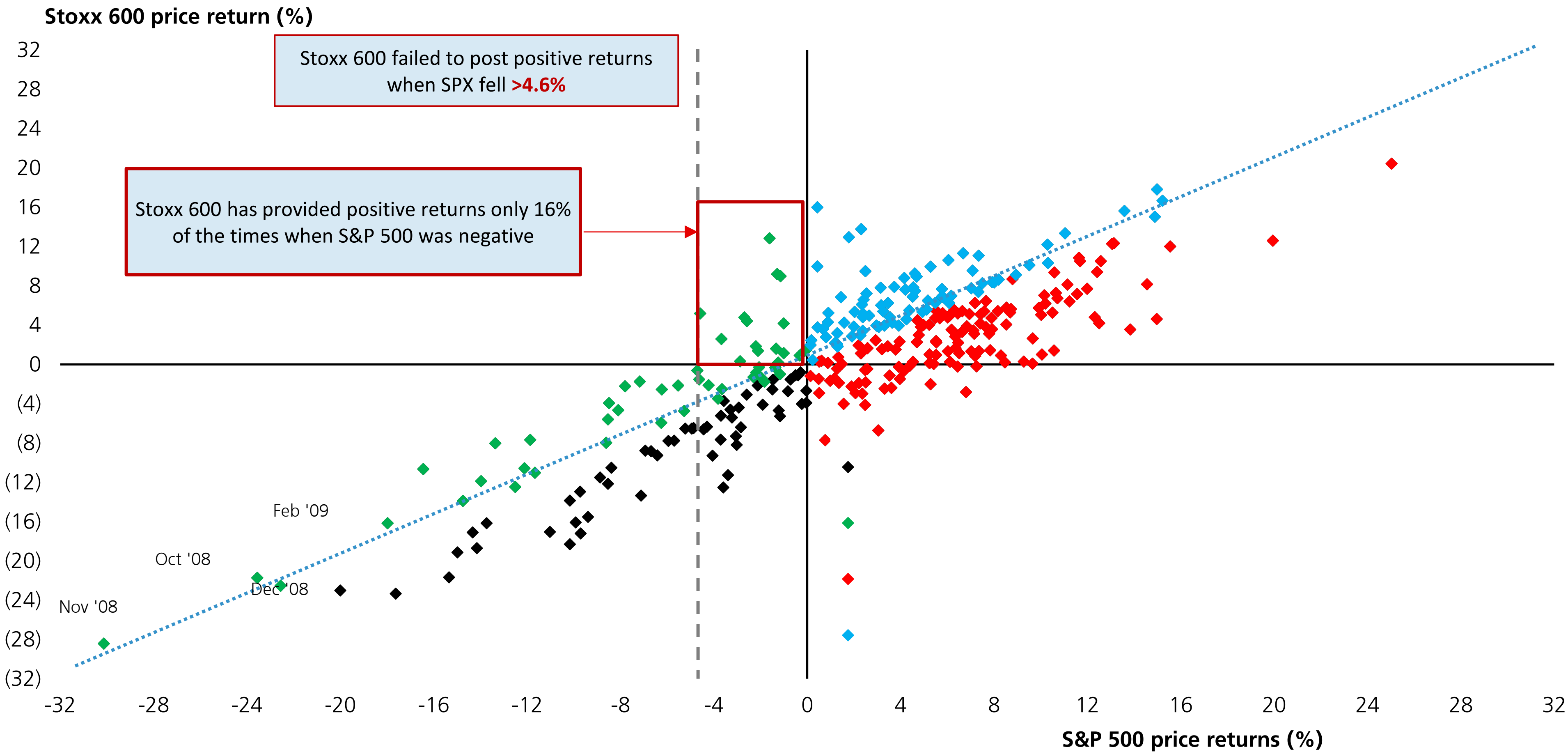
Industry PMI	PMI (overall)	Input Prices	Output Prices	New Orders	New Export Orders	Backlogs of Work	Employment	Finished Goods	Future Output	Output	Quantity of Purchases	Stocks of Purchases	Suppliers Delivery Times
Construction Materials	-1	18	2.6	-7	-7	-2	0	-2	-2	2.9	-1	-1	0.4
Technology Equipment	5.4	15	2.8	5.2	9.4	6.8	1.1	-4	7	6.3	4.8	1.3	-13
Chemicals	5.2	20	8.6	7.8	2.2	4.3	-1	-2	-1	6.1	6.5	4	-8
Industrial Goods	1.3	14	3.6	1	-1	1.4	0.3	0.6	-3	1.5	0.6	-1	-4
Beverages	0.8	14	3.6	1.5	1.8	2.7	-2	-2	-2	-0	0.8	-0	-5
Food	0.2	11	1.8	0.9	1.5		-3	-0	-0	-1	3.3	0.9	-4
Household & Personal Use Products	0.5	16	6.1	0.3	3.4	0	-2	-0	-7	1.6	2.9	2.3	-1
Healthcare Services		6.1	-3	0.1		-1	4		0.4	-3			
Automobiles & Auto Parts	2.7	15	6.4	0.5	9.1	2.1	-1	-4	-8	7.5	5.1	2.5	-4
Transportation		18	9.5	-3		4.5	0.9		-1	-0			
Metals & Mining	3.3	18	11	5.3	0.9	2.4	2.4	-5	1.3	0.2	1	2.7	-6
Machinery & Equipment	1.5	11	3.9	2.3	0	1.8	0.4	1.7	-3	1.3	1.5	-1	-4
General Industrials	-3	11	4.9	-6	-2	-2	-1	0.5	1	-4	-4	-4	0.3
Forestry & Paper Products	-0	8.5	2.9	1.8	-2	2.8	-6	-1	-2	1	-0	-0	-0
Software & Services		4.7	-0	-5		3.1	1.4		-5	-1			
Resources	1.9	14	8.9	3.7	-0	2.5	-2	-2	-1	0.6	1.5	2.6	-4
Real Estate		4.5	0.4	3.6		3.8	0.3		-5	-0			
Tourism & Recreation		1.9	-2	-13		-6	-3		1.2	-9			
Pharmaceuticals & Biotechnology		3	0.5	-6		1.1	-1		-5	1.1			
Other Financial Institutions		0.5	-1	-3		-7	0.7		-2	-3			
Media		3.1	1.6	-3		-0	0		0.1	-7			
Industrial Services		2.3	1.5	-2		-0	-2		-2	0.8			
Banks		2.1	1.7	-5		-1	-6		-5	-4			
Construction & Engineering		0		0			0		0	0	0		0
Commercial & Professional Services		0.3	1	-1		0	-2		-3	1.9			

Input price surge pressures margins



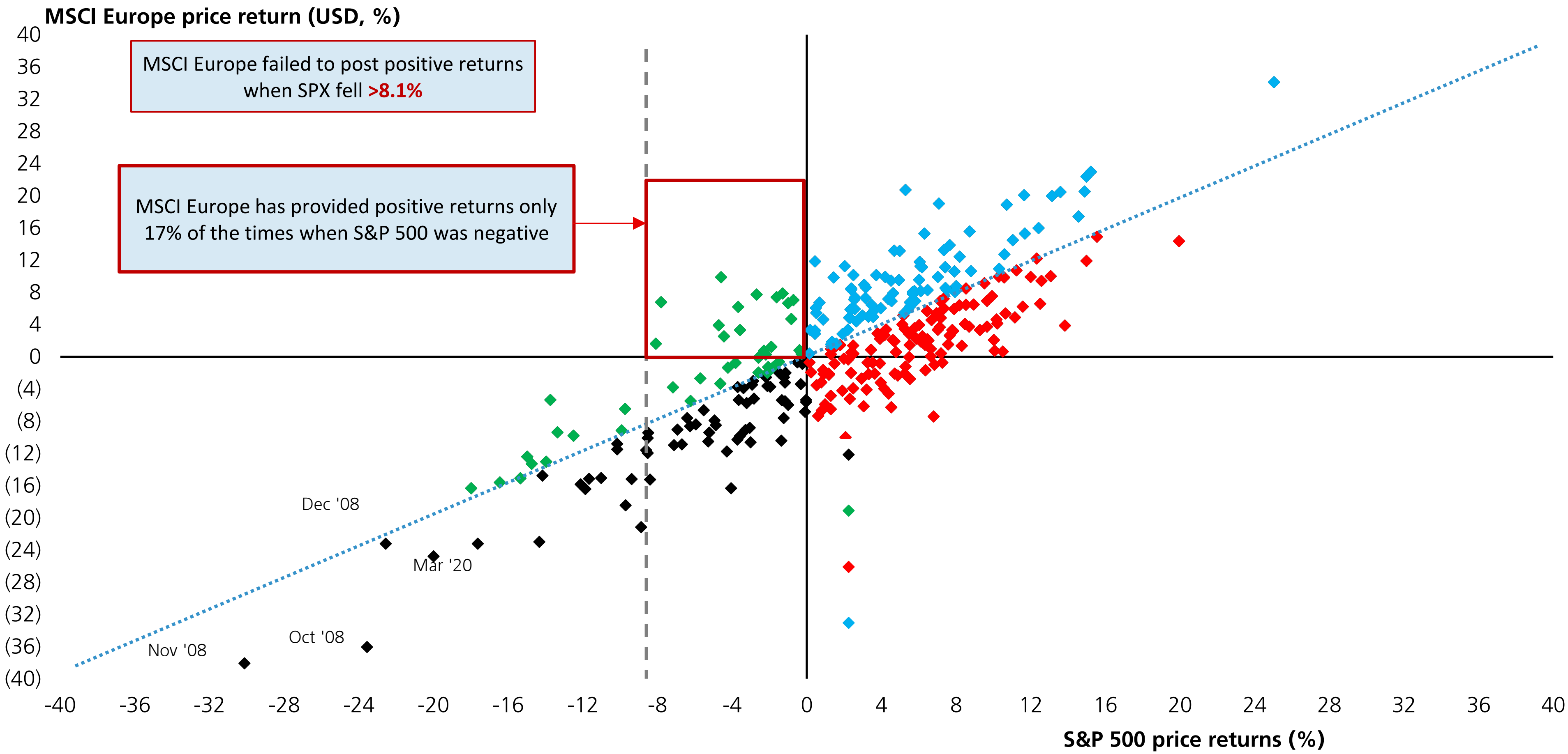
Source: UBS, S&P Global

Stoxx 600 local currency price return threshold when S&P500 is negative



Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

Stoxx 600 USD price return threshold when S&P500 is negative



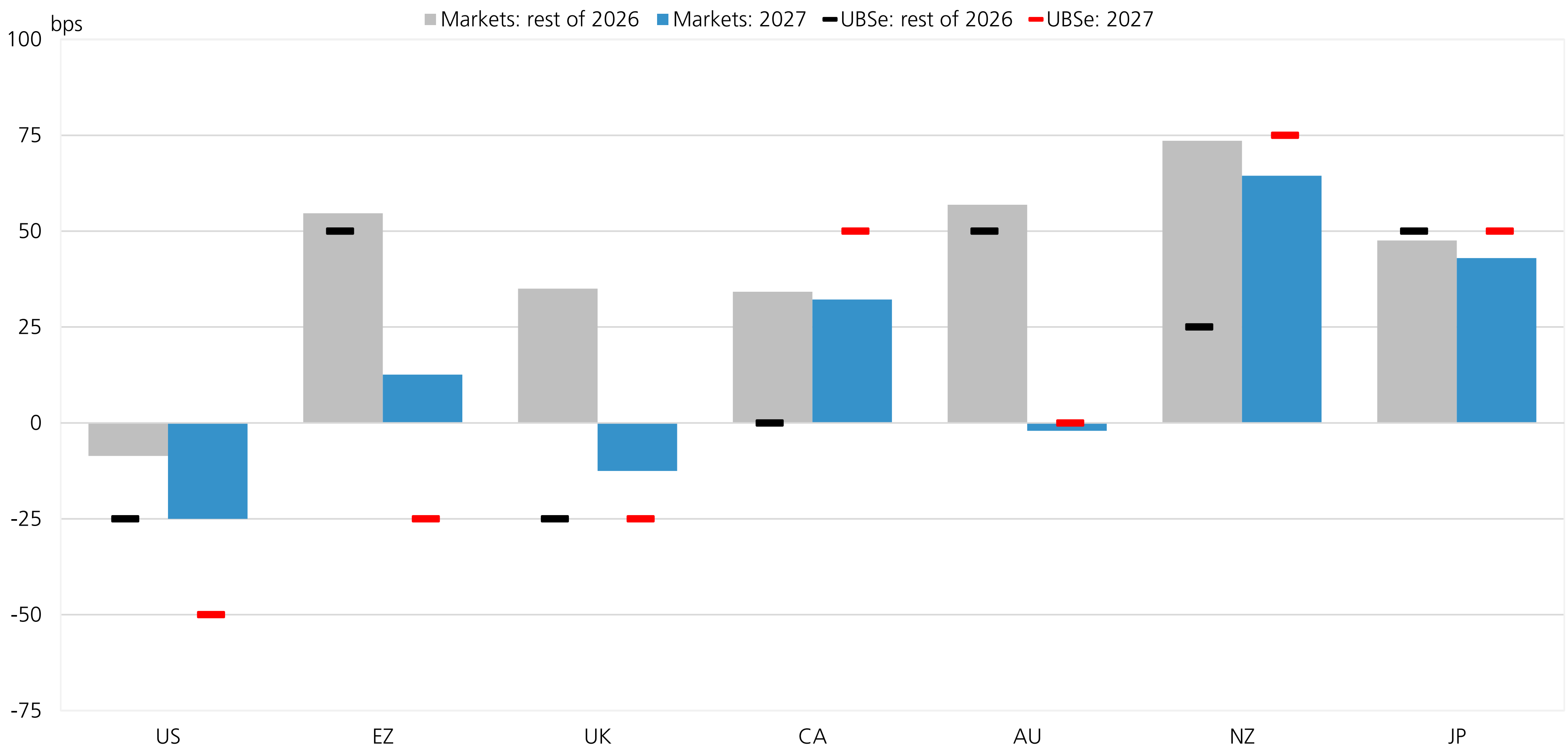
Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

UBS

UBS

Rates: The right tail trade

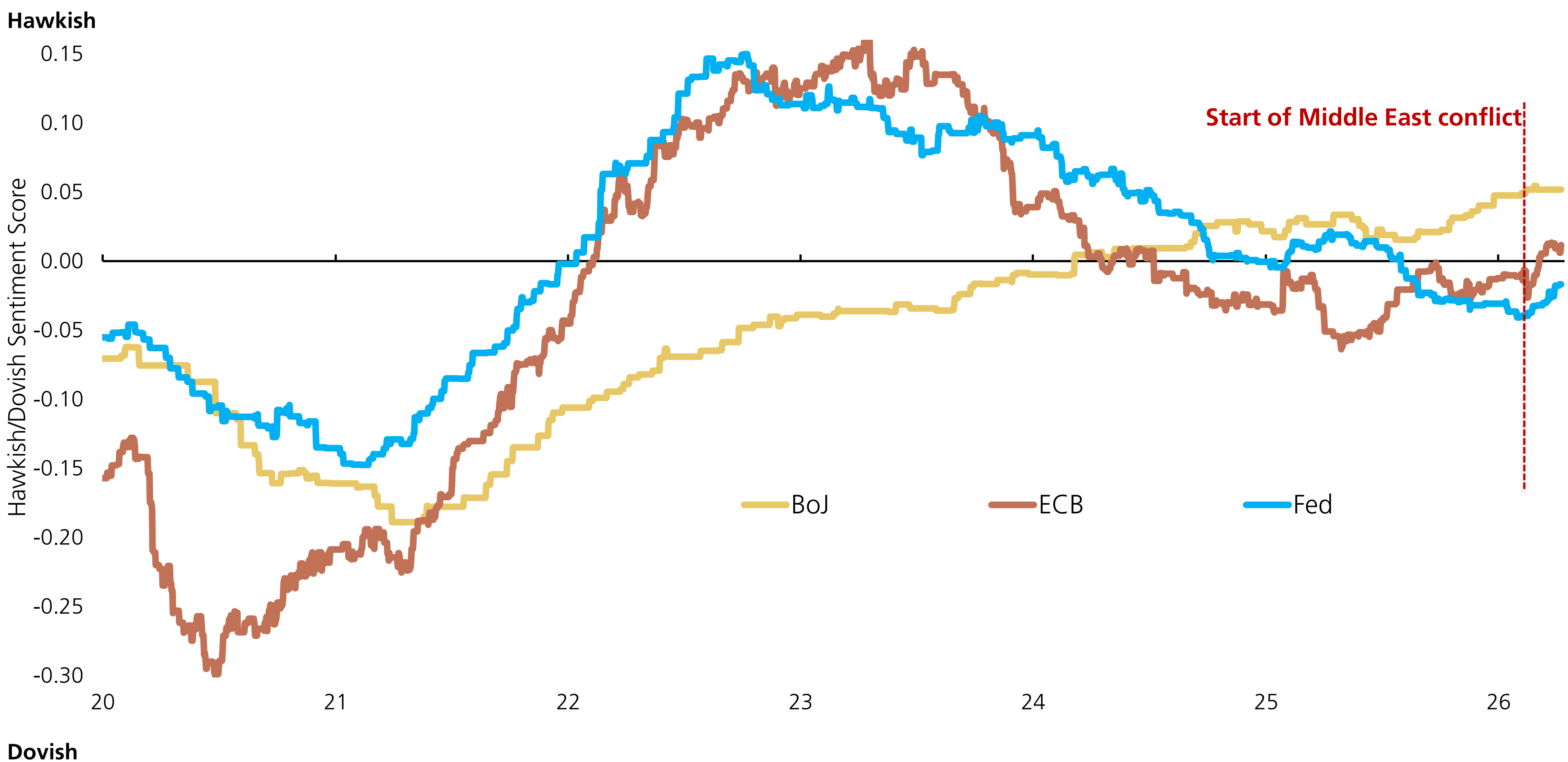
Central bank pricing – Market vs UBSe



Source: EIA, Kpler, UBS estimates.

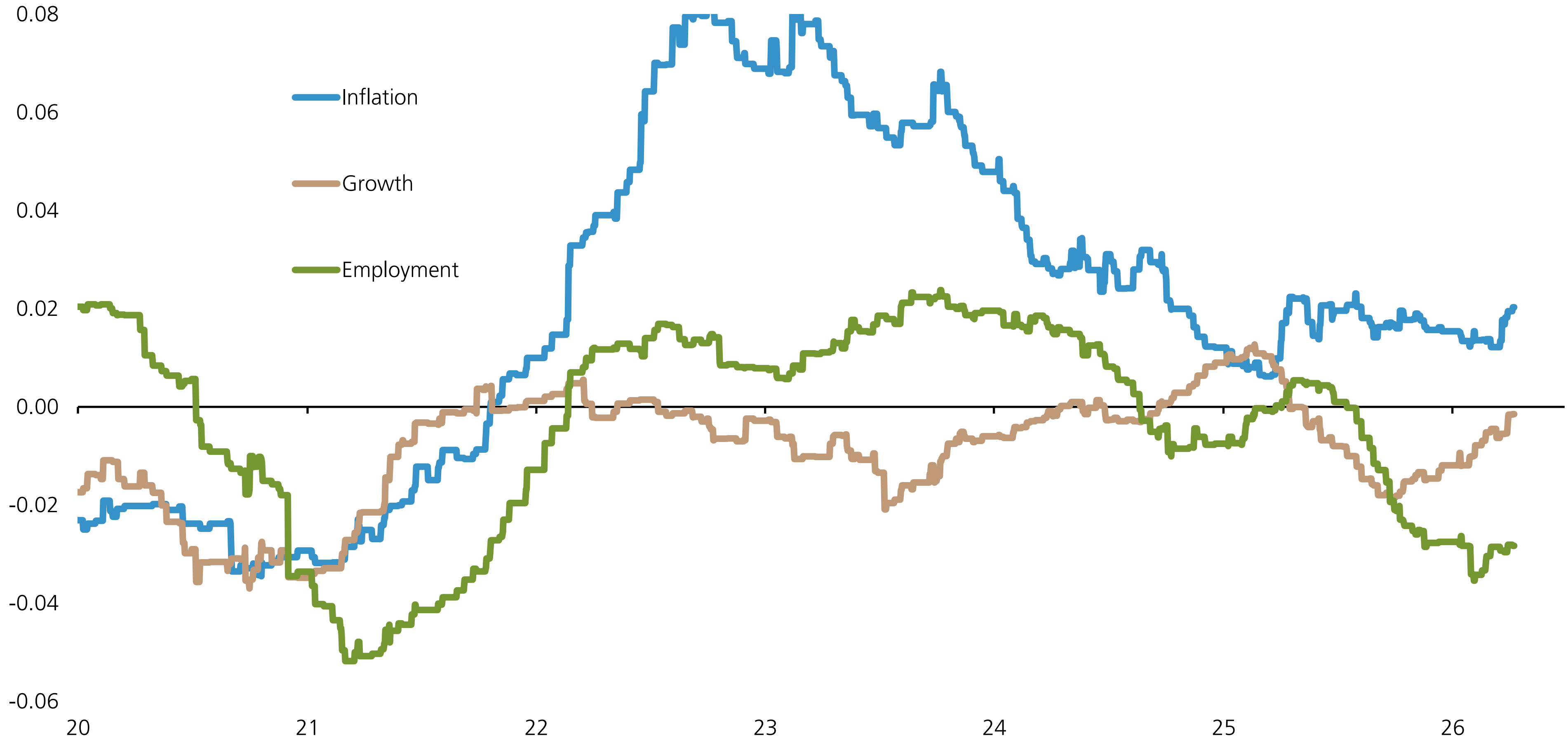
UBS

Central banks' hawkish/dovish score



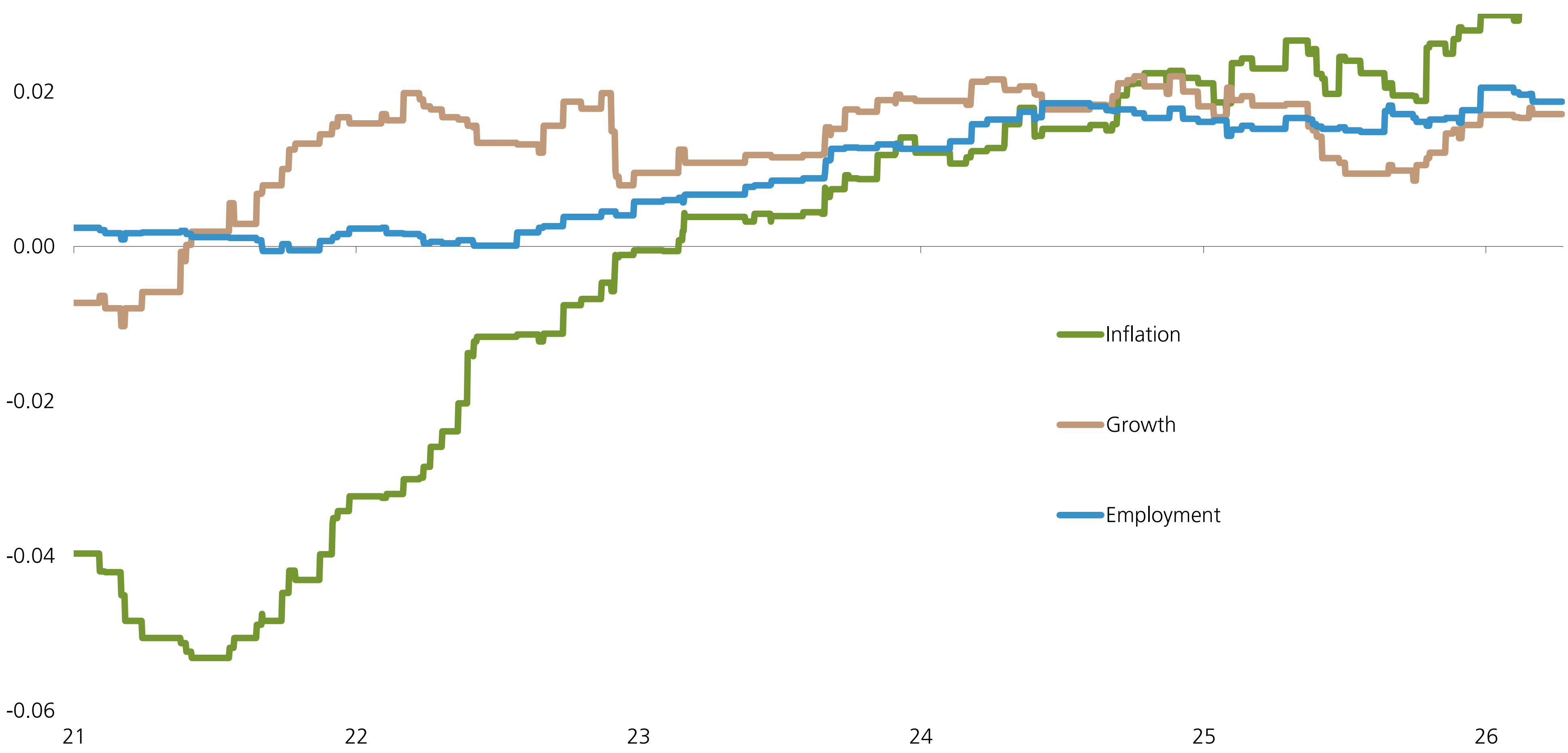
Source: Bloomberg, UBS.

Fed Hawkish/Dovish sentiment score breakdown



Source: Haver, UBS.

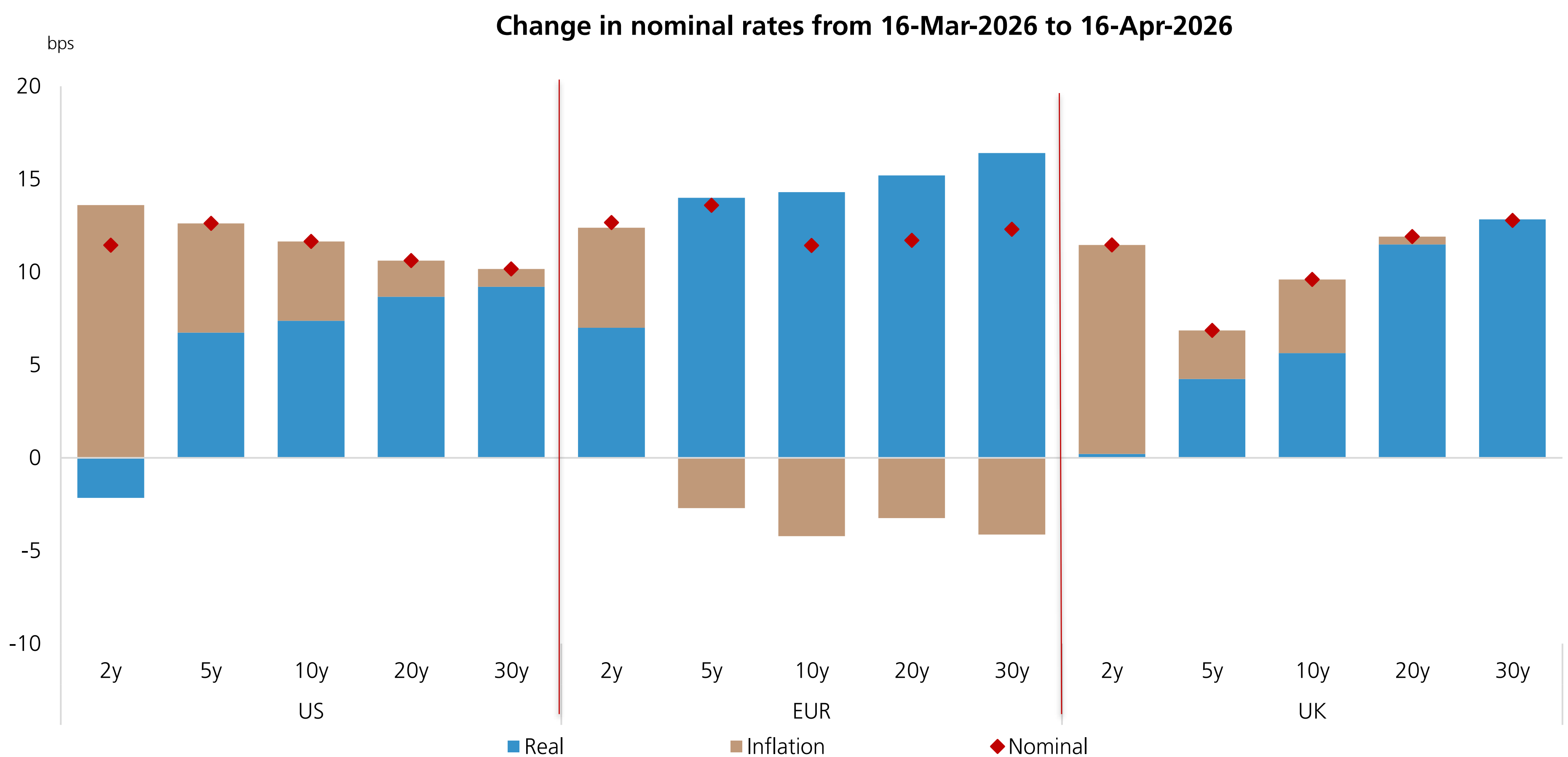
BoJ Hawkish/Dovish sentiment score breakdown



Source: Bloomberg, UBS.

UBS

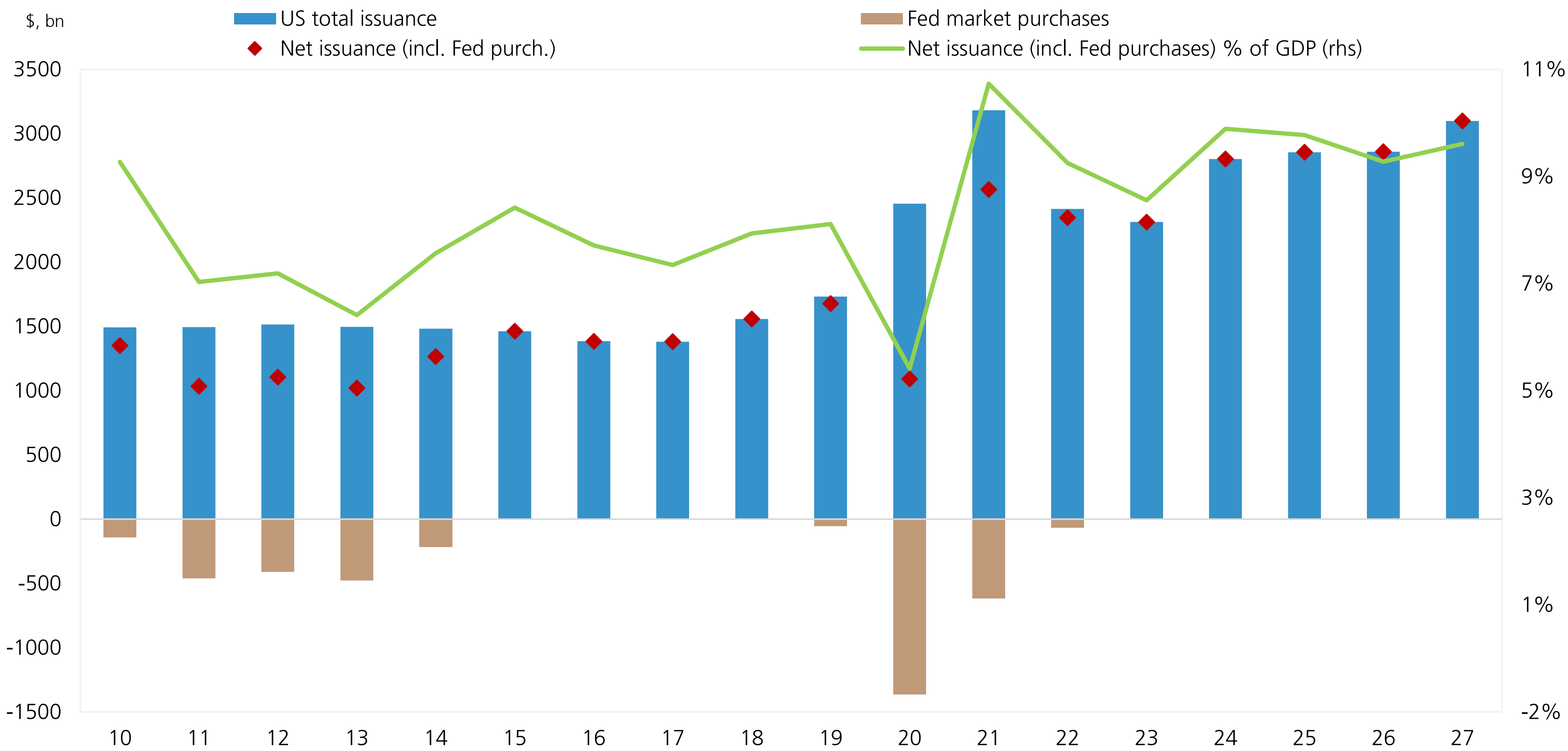
Change in real yields and breakeven rates in last 1m



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS. Note: Change in levels from 16th March 2026 to 16th April 2026

US 10y yields to drop to 3.5%, rise back to 4%

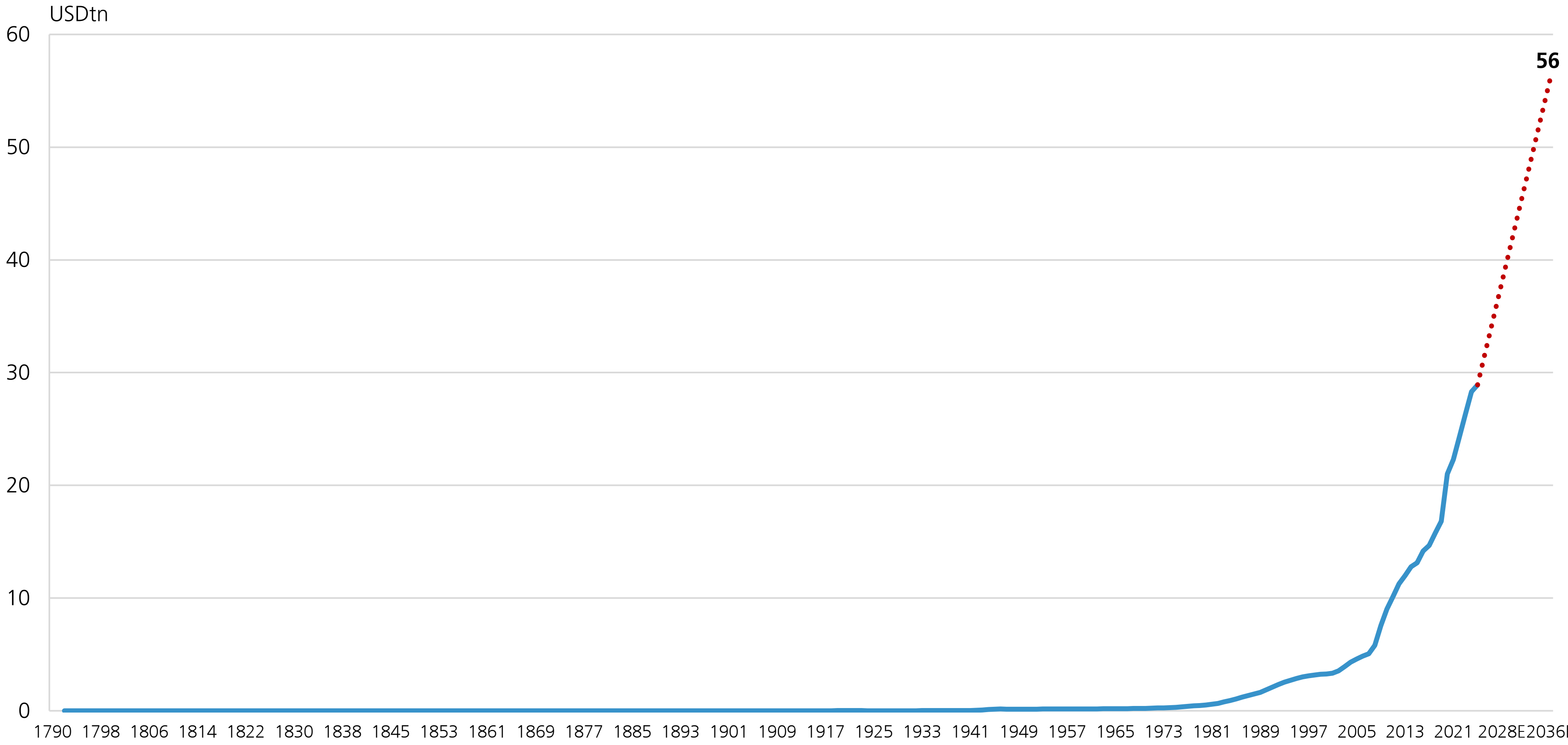
US supply of duration (10y equivalents)



Source: Bloomberg, UBS.

Central banks may cut, but cost of funding will not come down quickly

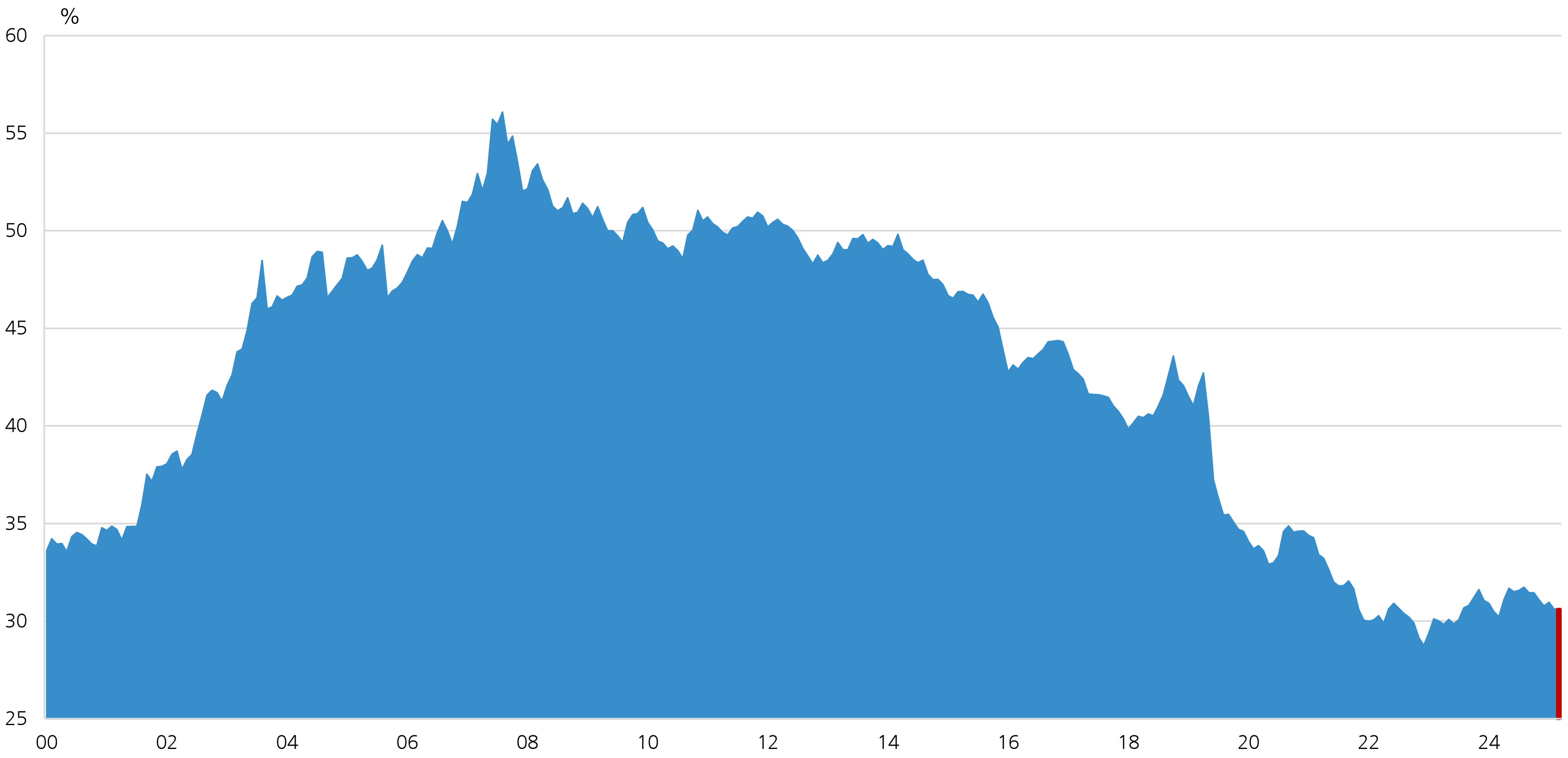
Publicly held US treasuries outstanding



Source: Haver, UBS

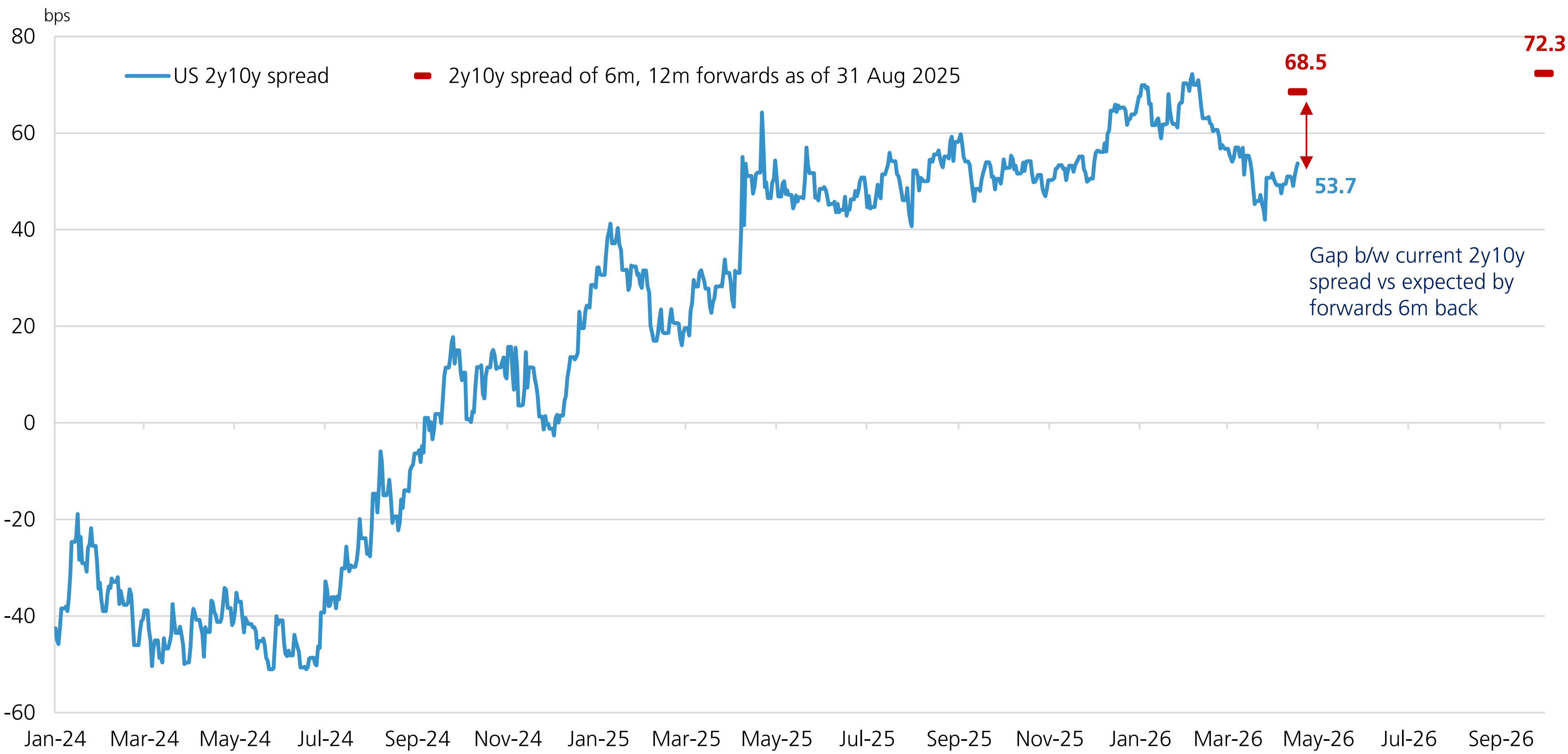
UBS

Foreign holdings of US treasuries as % of outstanding US treasuries



Source: Bloomberg, UBS

UBS



bps
80
60
40
20
0
-20
-40
-60
US 2y10y spread
2y10y spread of 6m, 12m forwards as of 31 Aug 2025
68.5
72.3
53.7
Gap b/w current 2y10y spread vs expected by forwards 6m back
Jan-24
Mar-24
May-24
Jul-24
Sep-24
Nov-24
Jan-25
Mar-25
May-25
Jul-25
Sep-25
Nov-25
Jan-26
Mar-26
May-26
Jul-26
Sep-26

UBS

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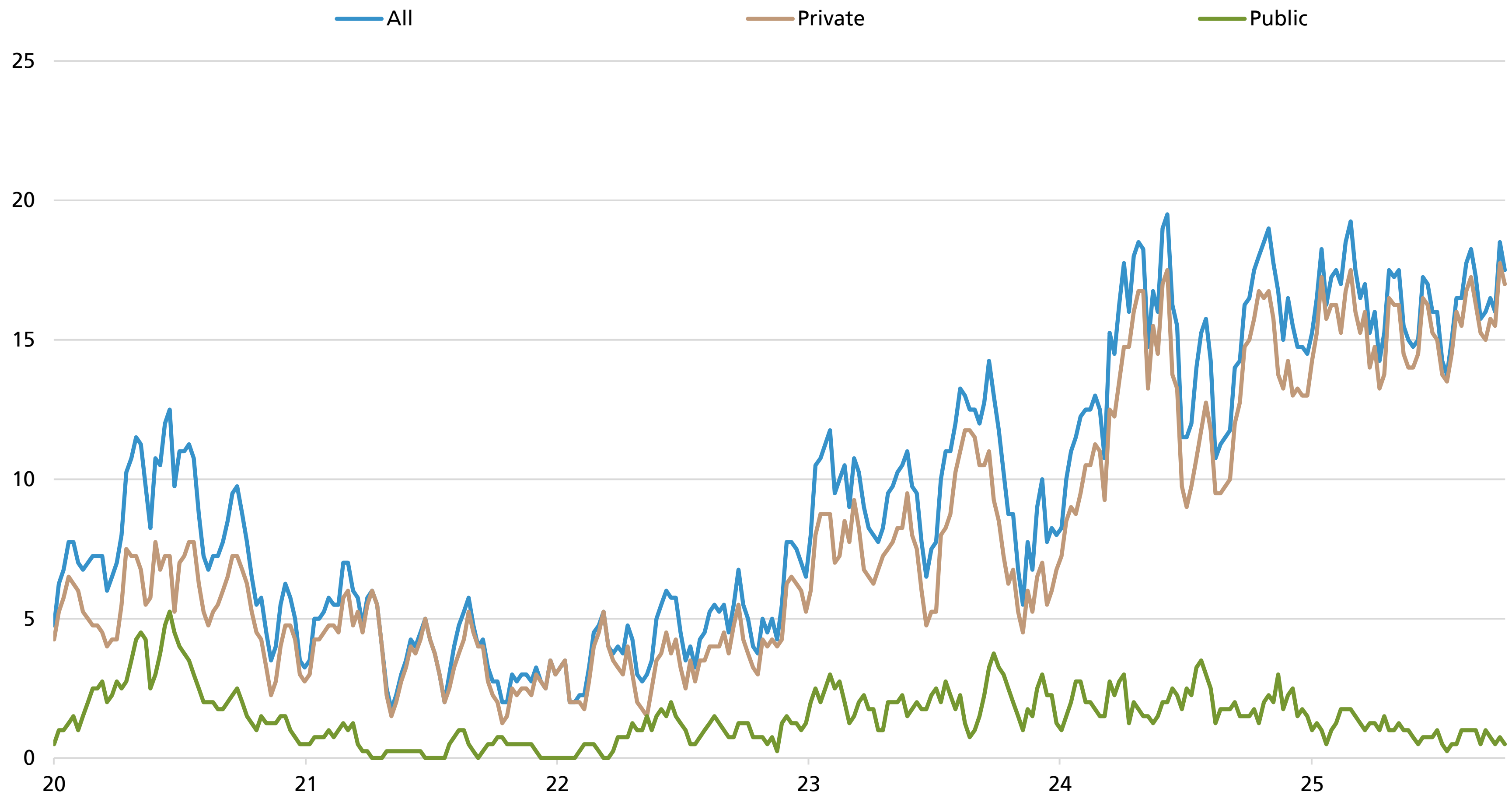
Credit: The left tail trade

Risk-reward for credit inferior to equities

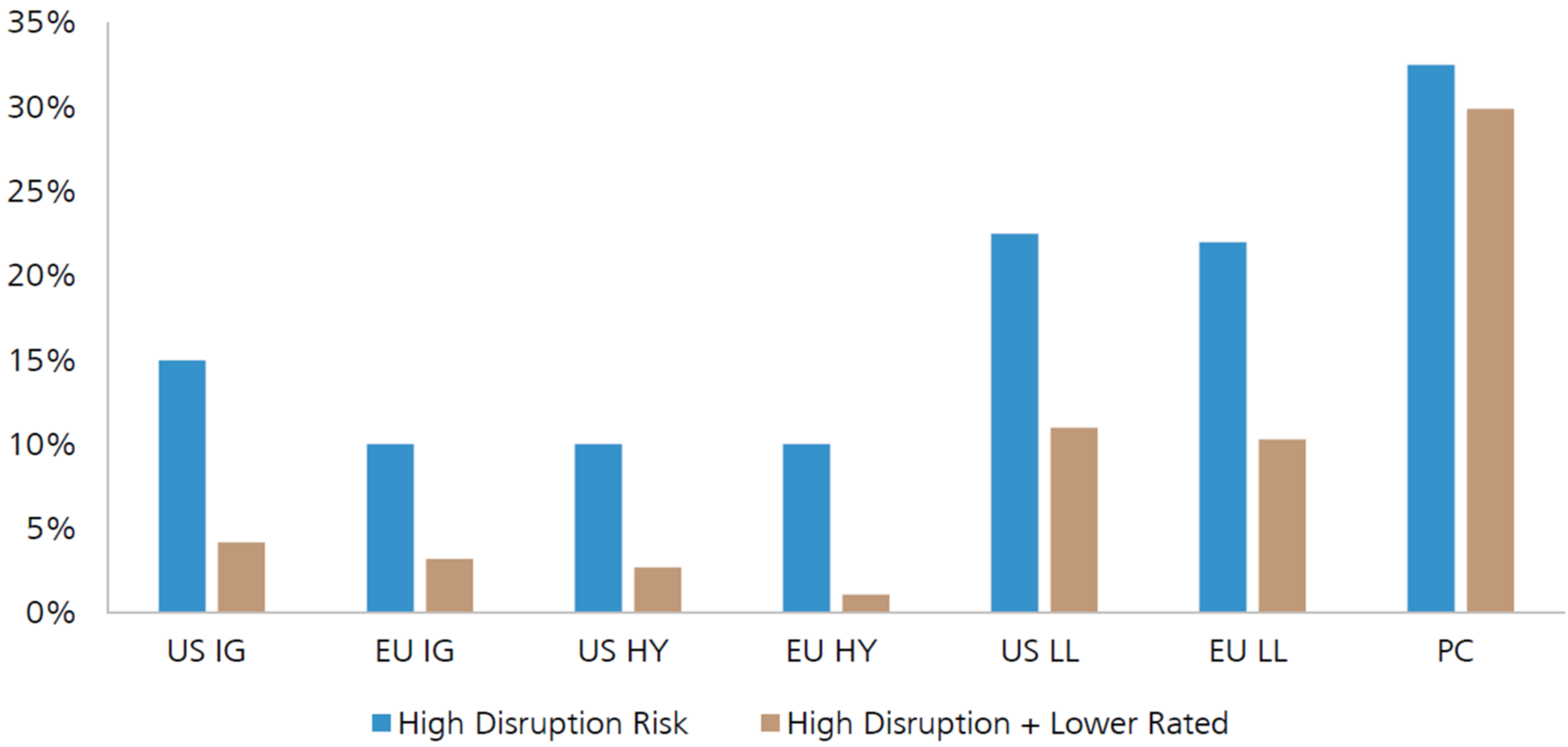
UBS Evidence Lab Bankruptcy monitor



Source: UBS Evidence Lab ________________)

Estimated AI disruption risk on portfolio shares

Estimated share of portfolio at higher risk of AI disruption overall and lower rated portion: loans are more affected



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

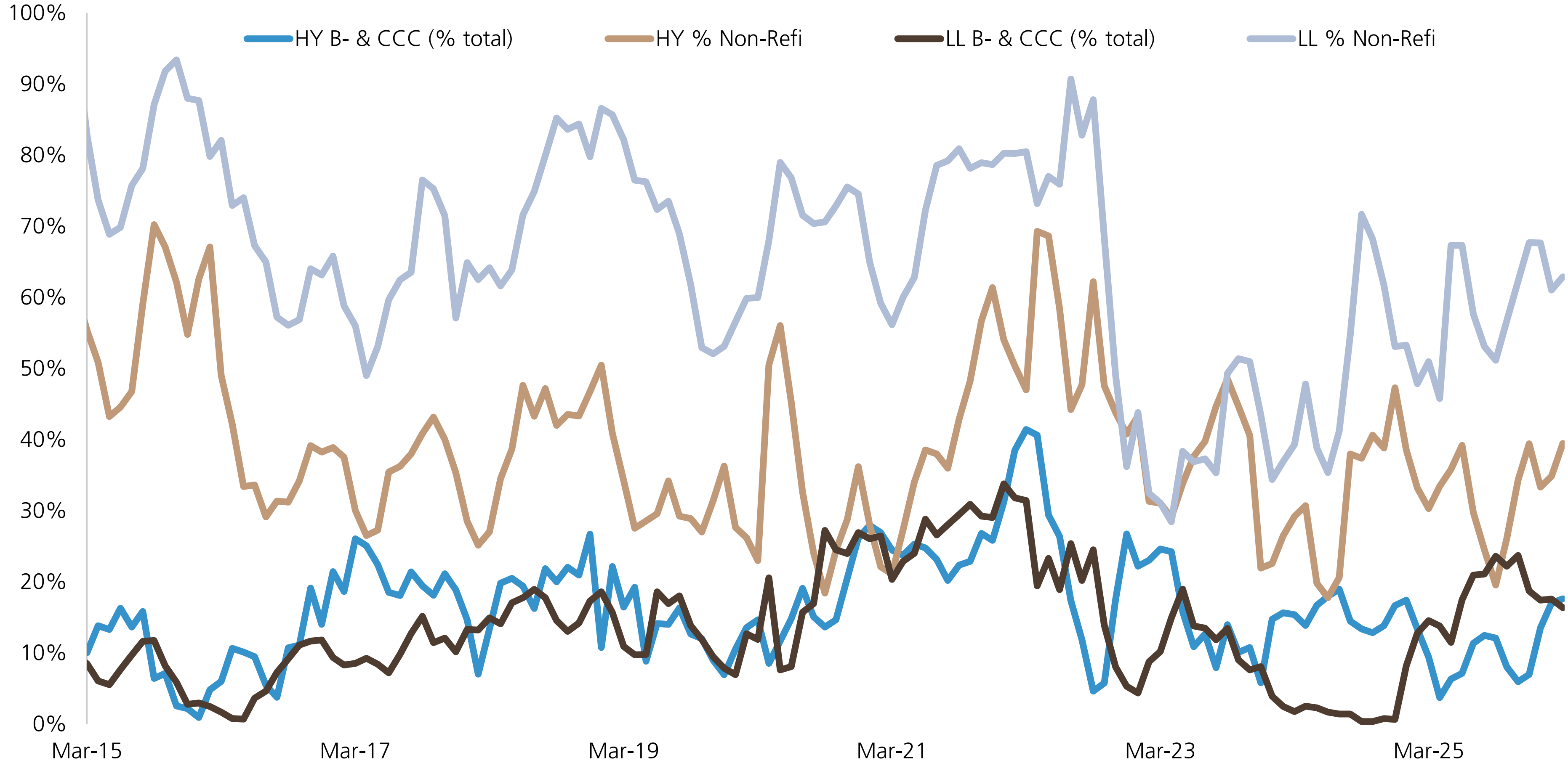
Estimated share of portfolio with higher exposure to Middle East escalation and the lower rated portion

	% of Market	High Quality	Mid Quality	Low Quality	High Disruption x Low Quality
EU LL High Disruption	21%	13%	59%	29%	6%
US LL High Disruption	22%	18%	67%	30%	7%
US PC High Disruption	12%	2%	7%	91%	11%

Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

HY & LL issuances (% of total & non refinancing)

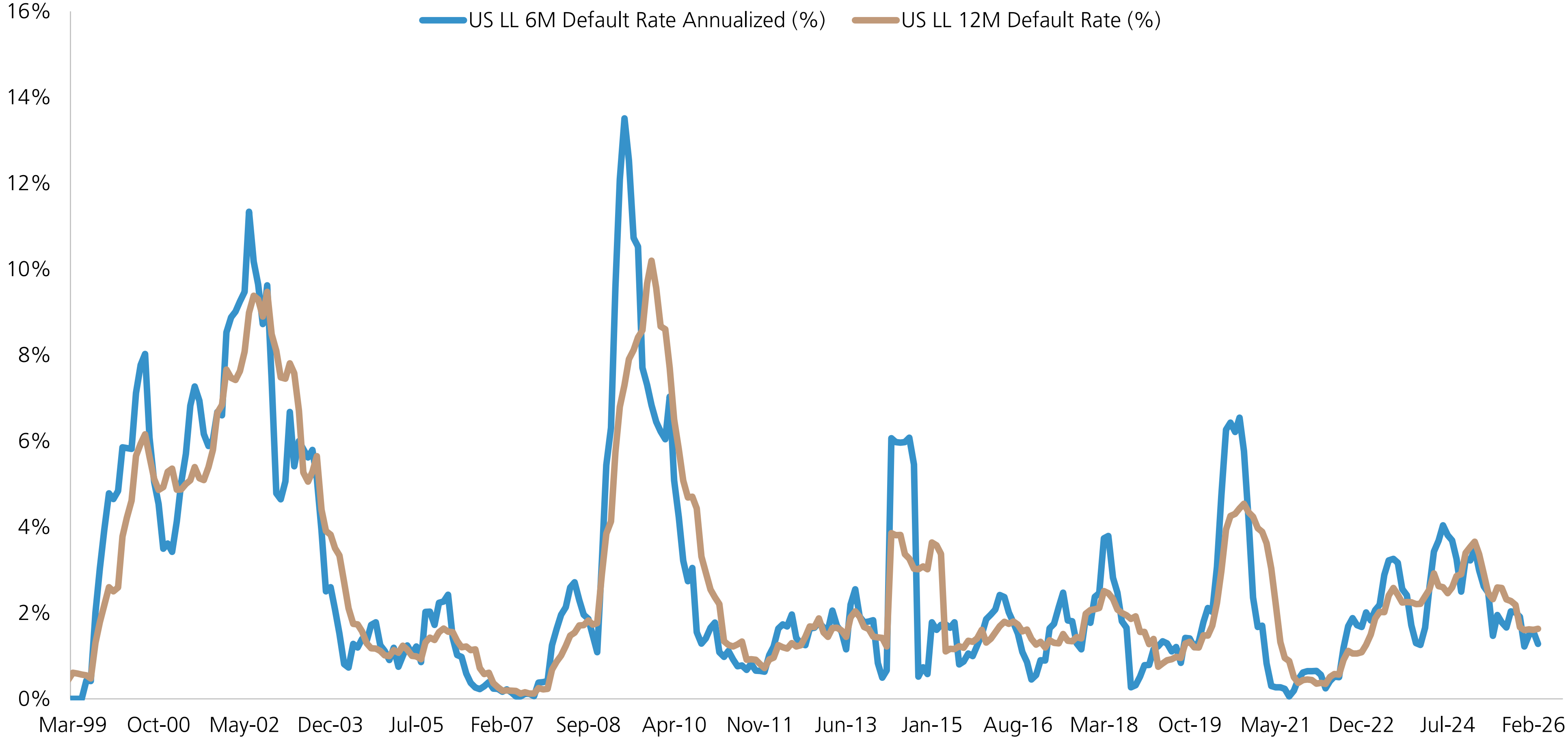
US LL the share of low rated/non-refi is above average/average over the last 3mo. & HY both metrics are below average



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

UBS

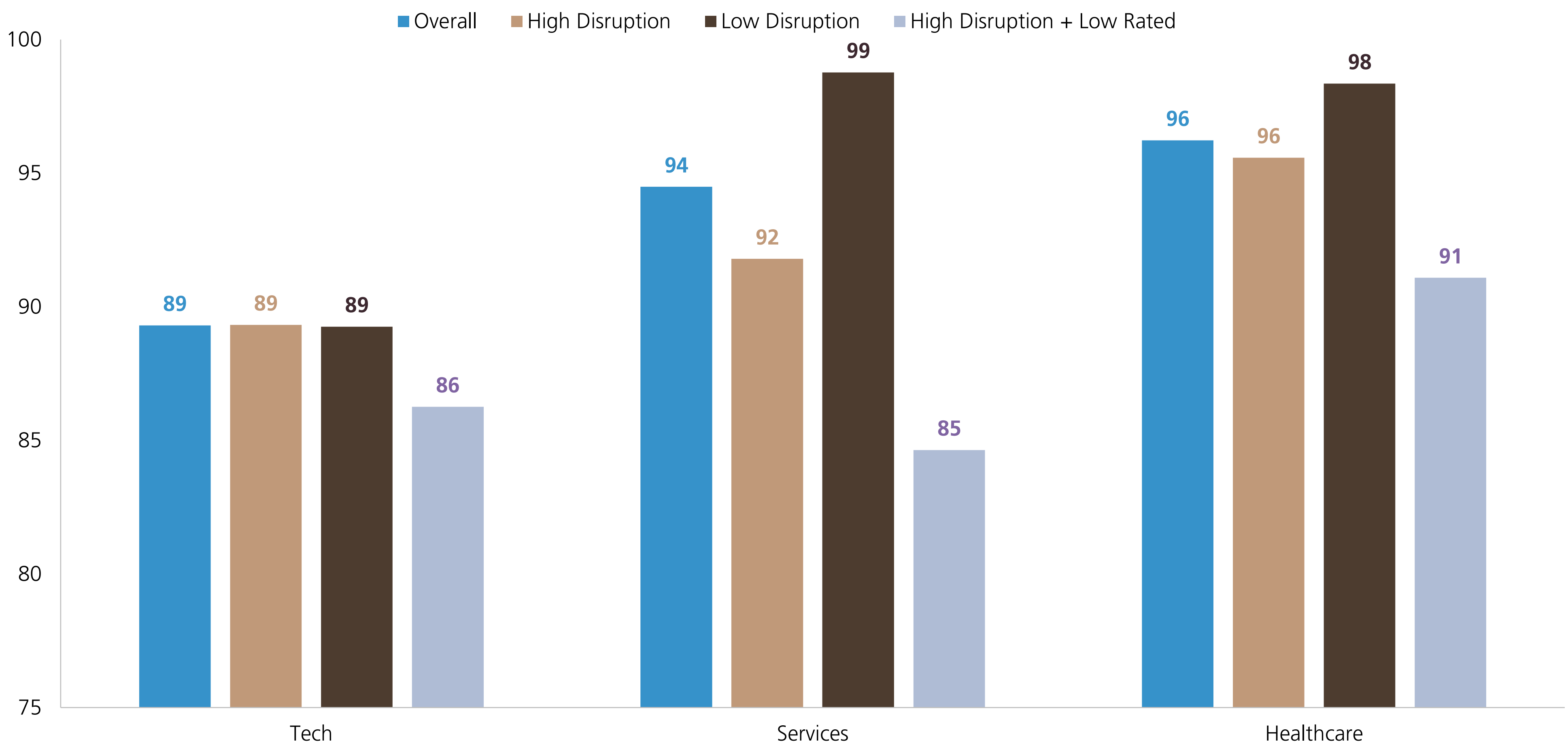
US LL 6M annualized and 12M default rates



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

UBS

Prices of loans by sector in high vs low disruption risk buckets

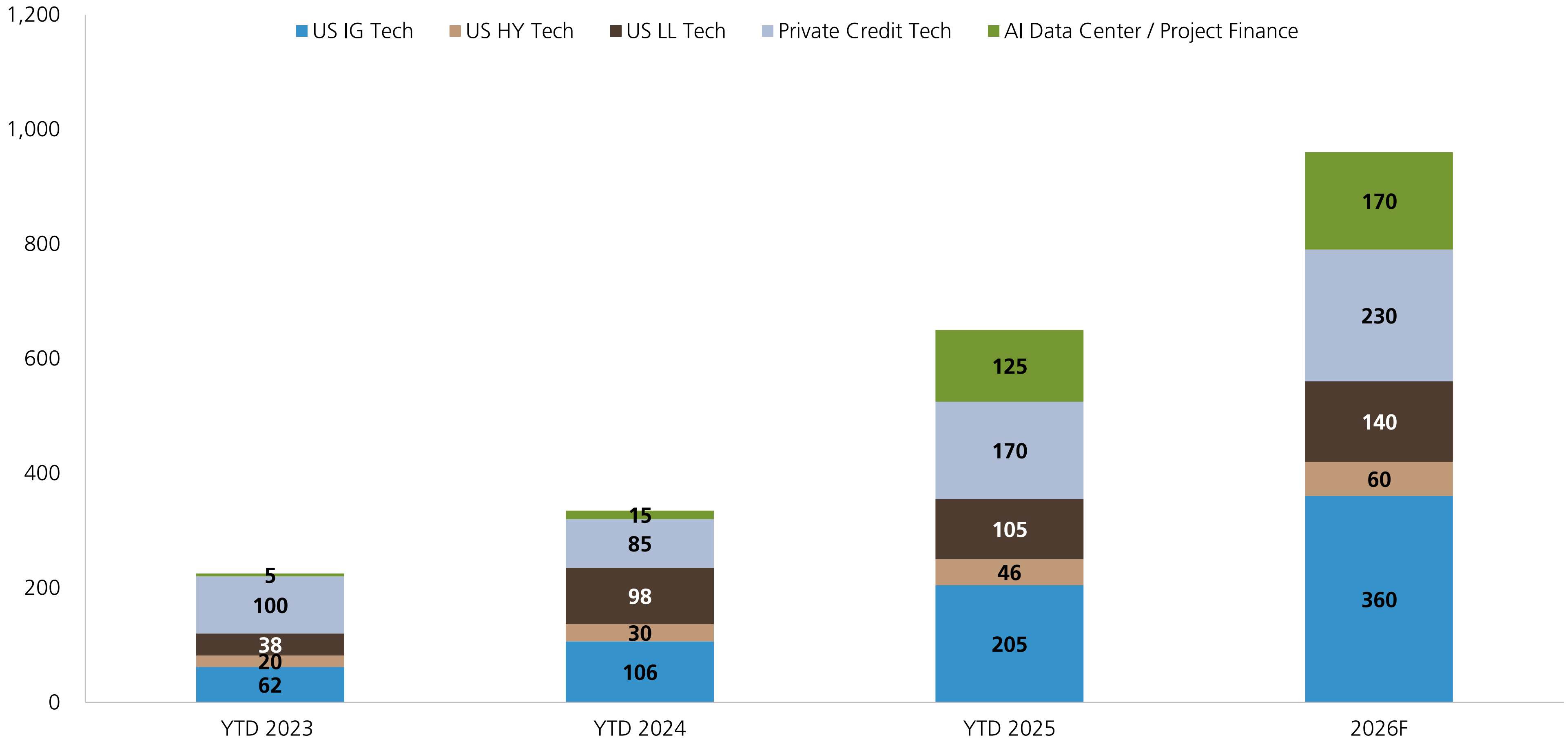


Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

UBS

US tech issuance split by public & private markets

US Tech Issuance Split by Public and Private Markets: from $650bn in 2025 to $900bn in 2026

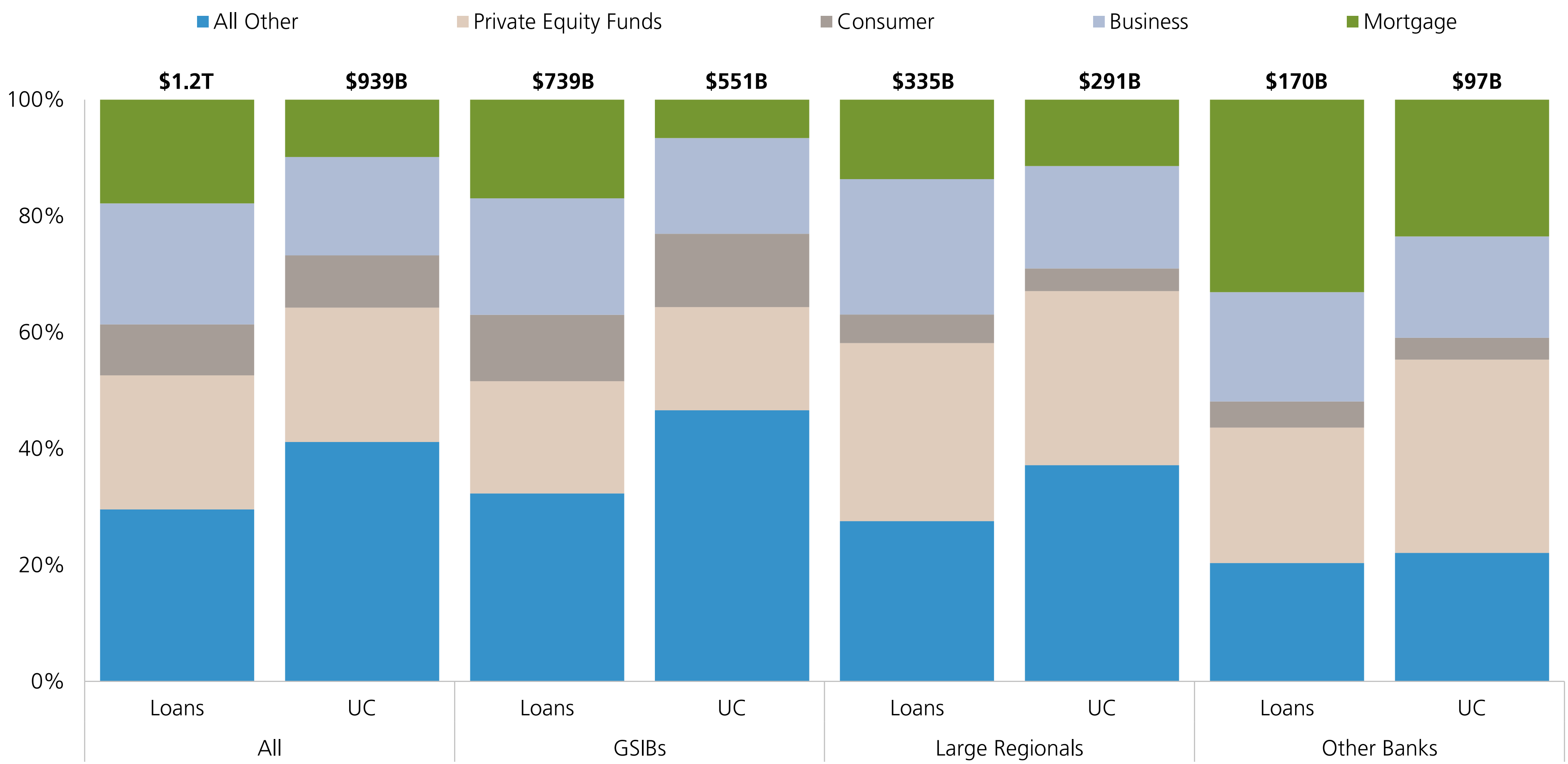


Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

UBS

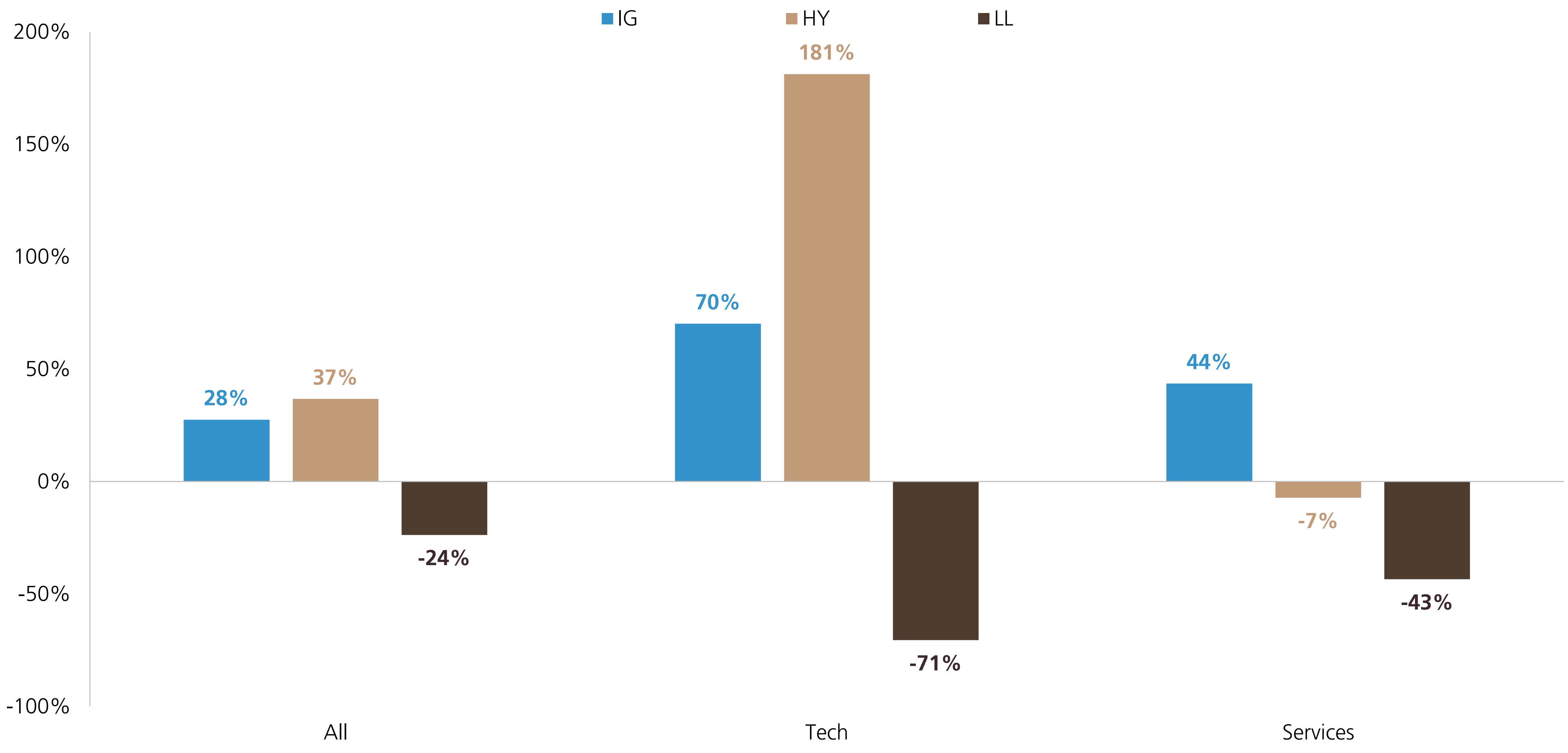
Breakdown of NBFI loans & undrawn commitments

Breakdown of NBFI loans and undrawn commitments by NBFI loan type for banks with assets over $10bn: over $2tn in exposure, primarily with mega cap and large regional banks



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

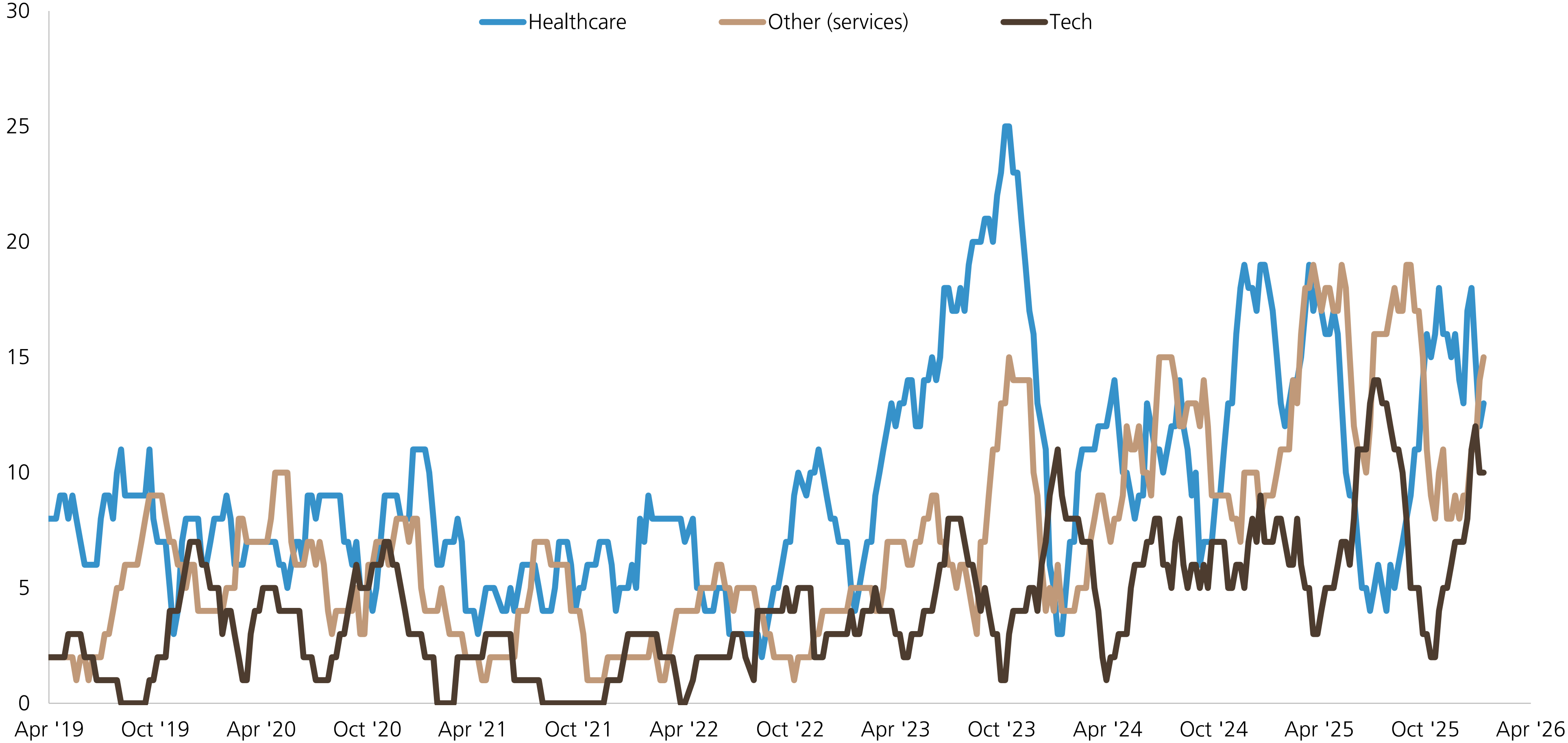
Issuance of US IG, HY & LL (YoY)



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

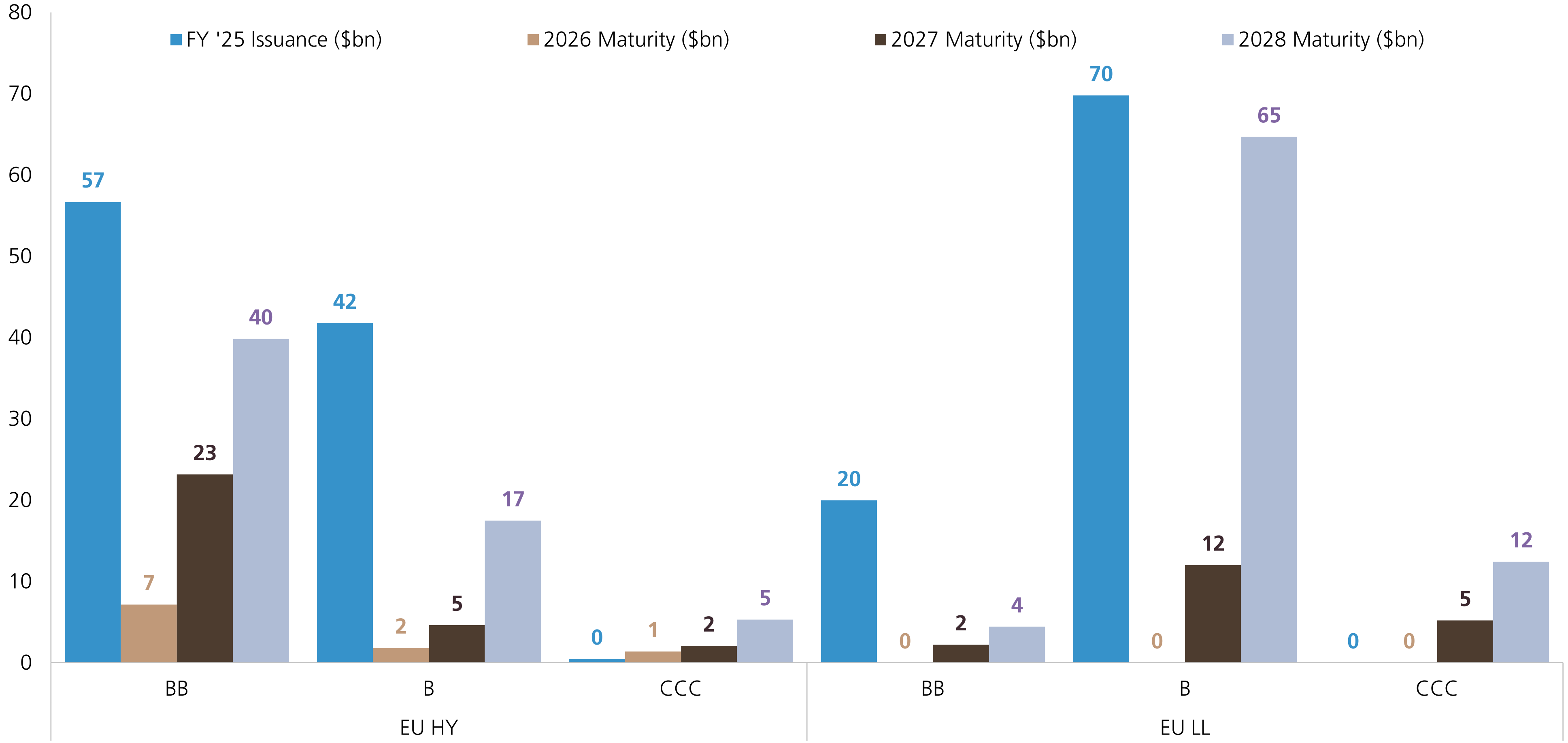
Bankruptcy filing count across sectors

UBS Evidence Lab Corporate Bankruptcy Monitor: filings in services rising near peak levels, but tech falling and healthcare at lower levels



Source: UBS Evidence Lab

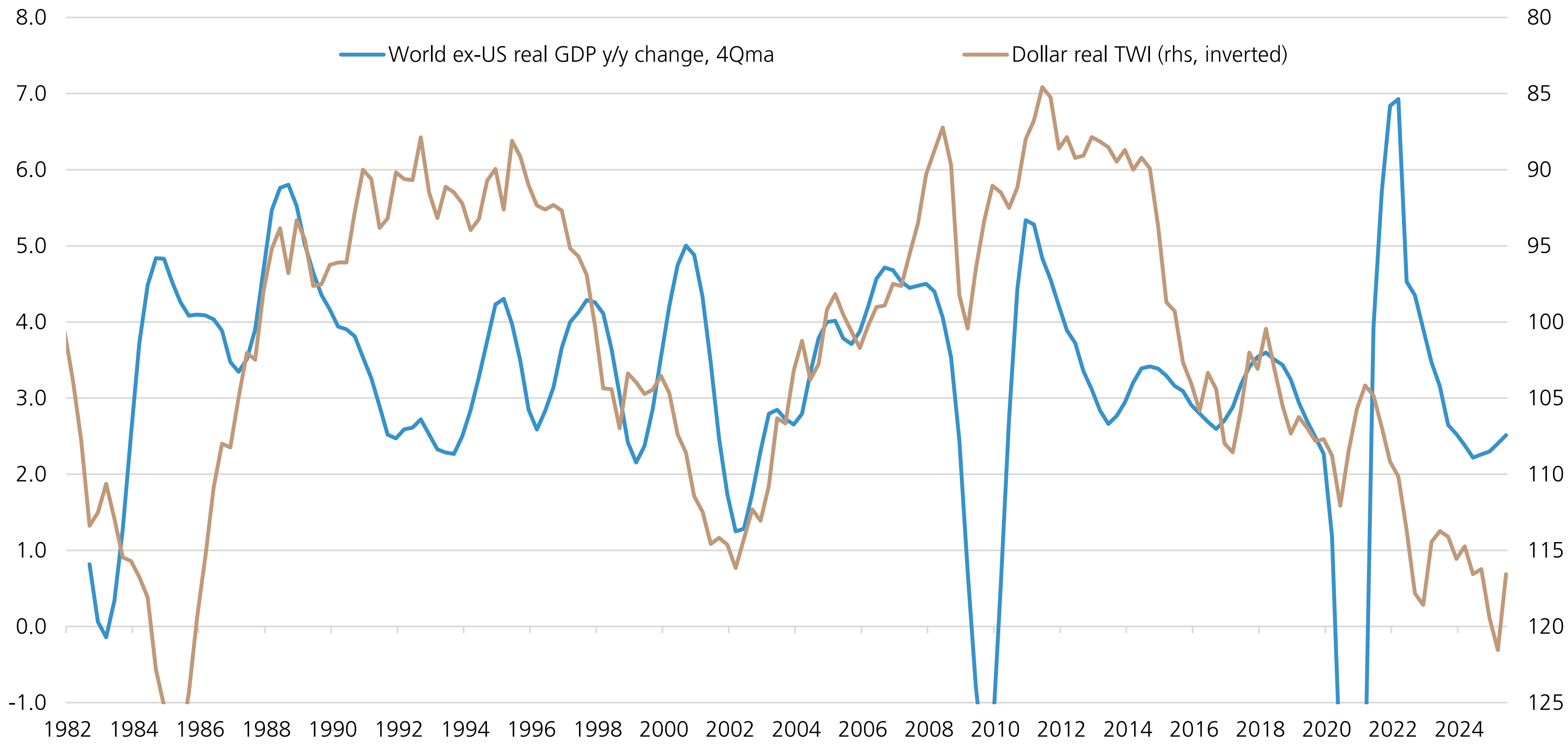
Issuance & maturity of EU HY & LL



Source: Macrobond, MSCI, IBES, Datastream, Bloomberg, Haver, UBS

FX: De-dollarization $,no. Weaker $, likely.

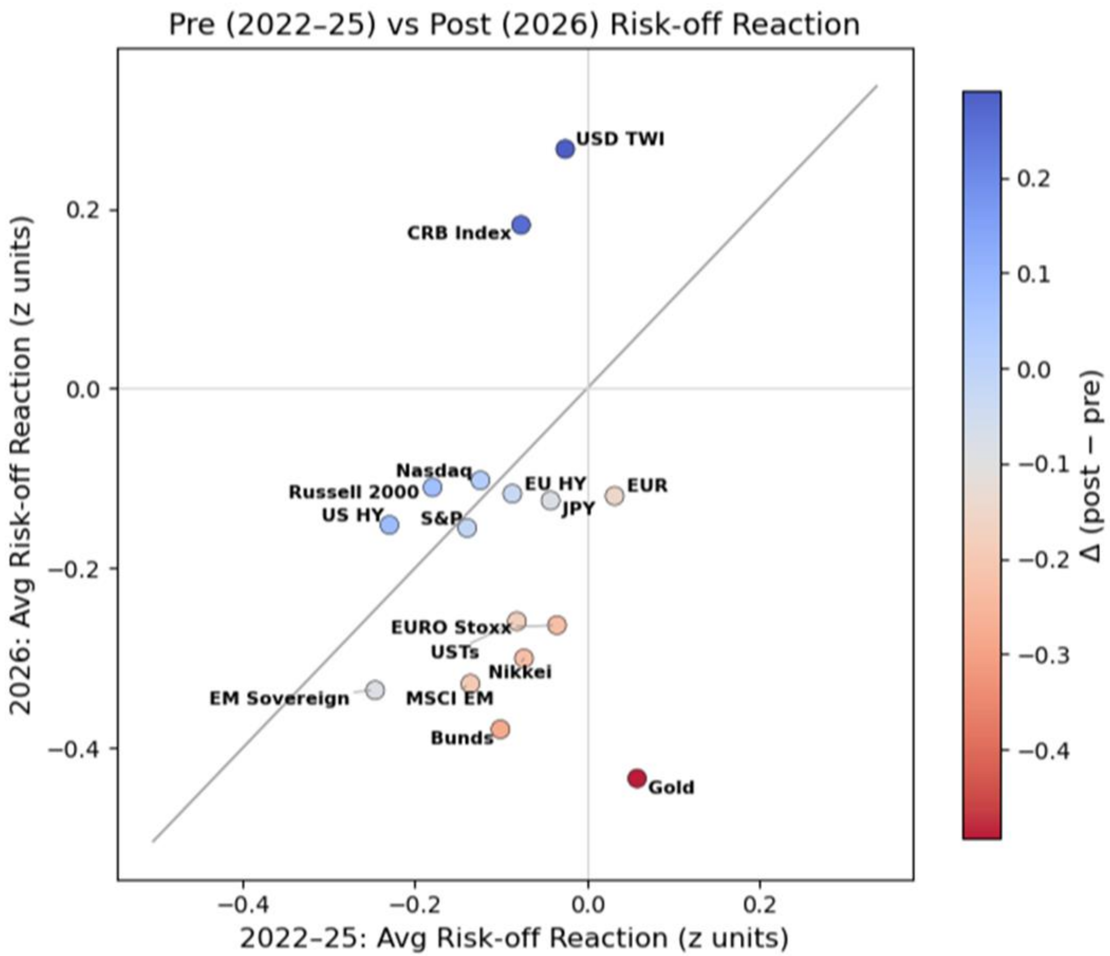
What drives the dollar?



Source:

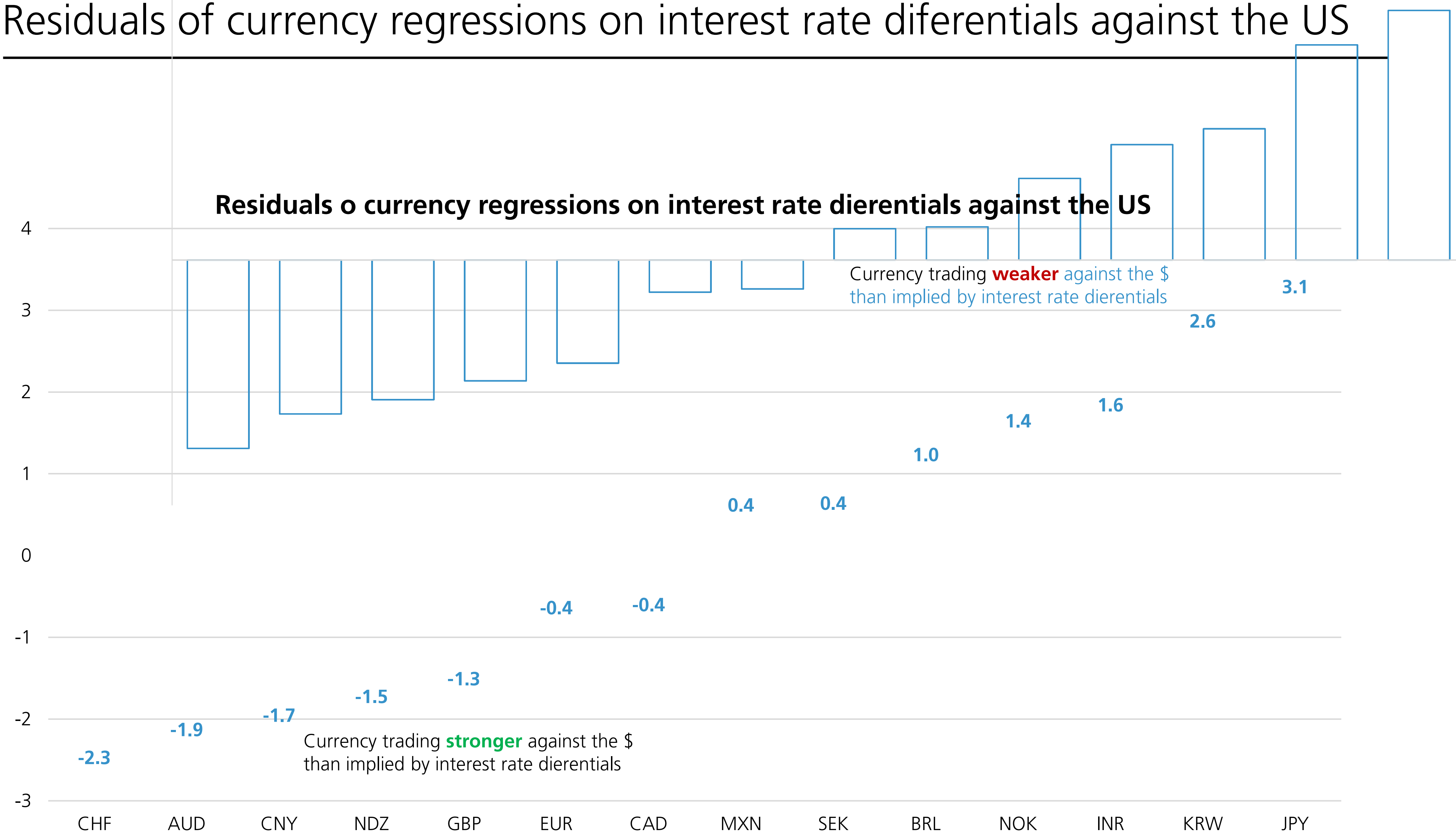
UBS

Average risk-off reaction



Source: Bloomberg, UBS.

Residuals of currency regressions on interest rate diferentials against the US



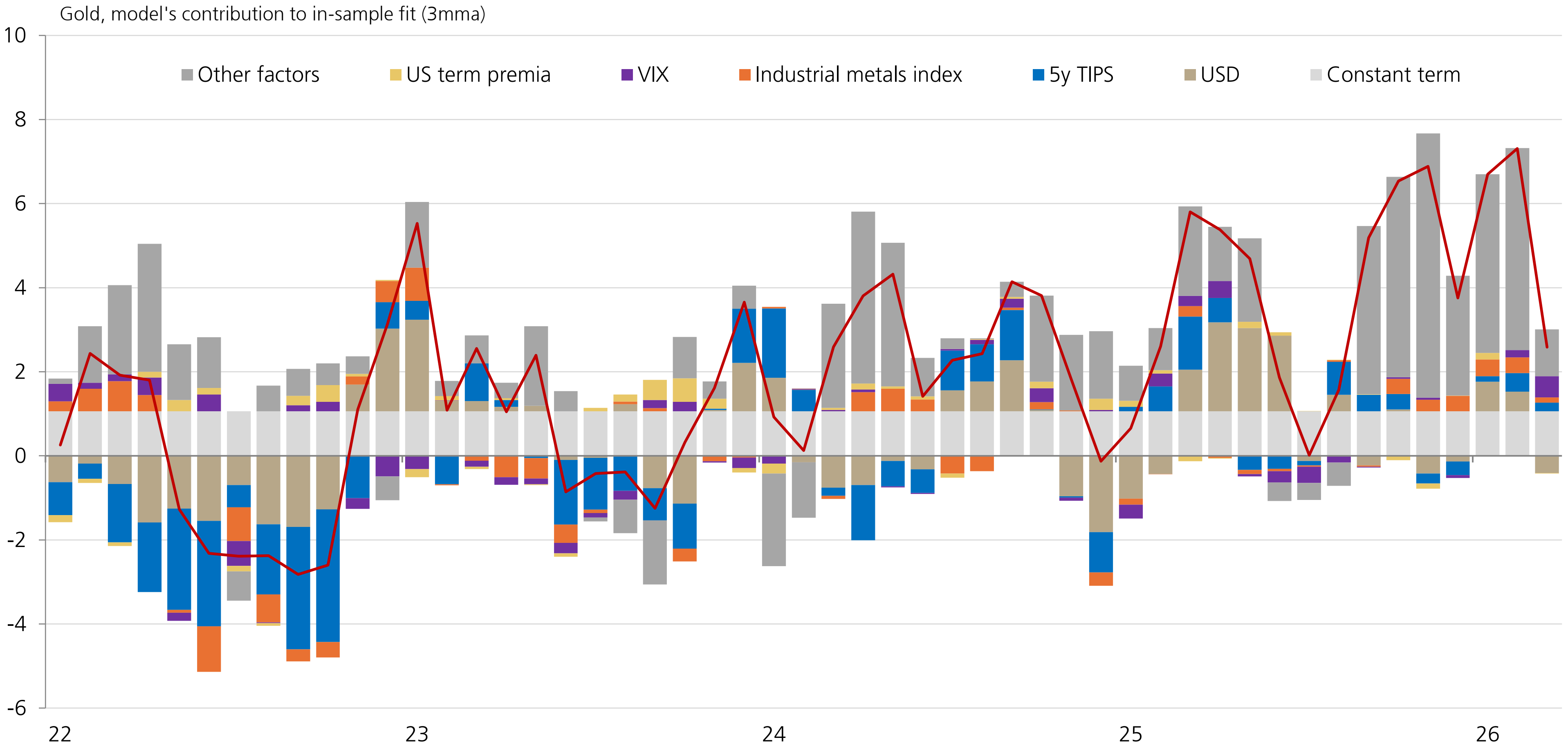
Source: Bloomberg, UBS.

UBS

Gold: Late stages, but some fuel still left

Gold models are broken, but caution warranted when residuals significantly accelerate on no news

Gold model

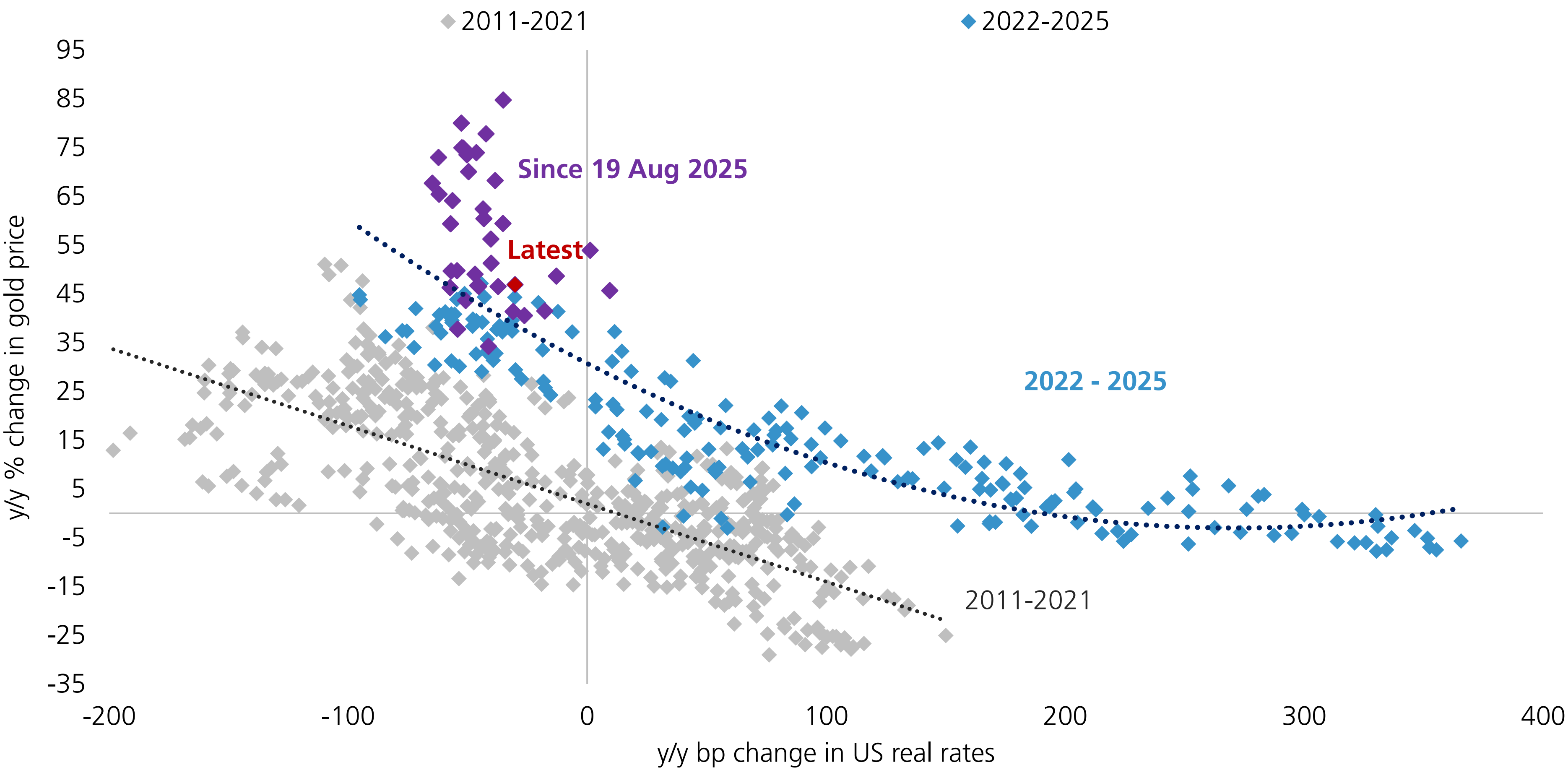


Source: Bloomberg, UBS.

UBS

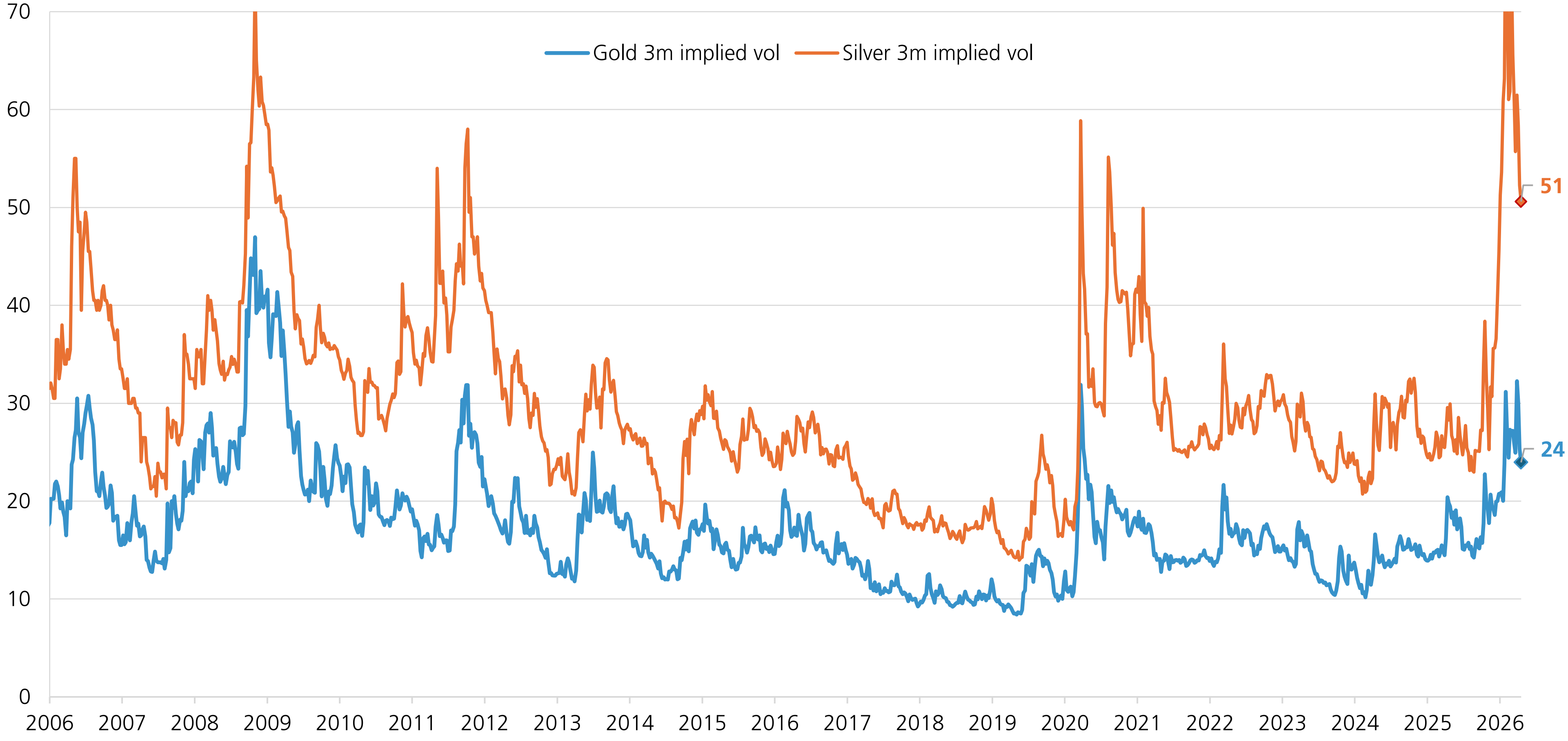
A new acceleration phase since Aug '25 became more stretched in Dec

Gold price and US 5y real rates y/y change



Source: Bloomberg, UBS.

Higher gold volatility is associated weakly with lower future returns



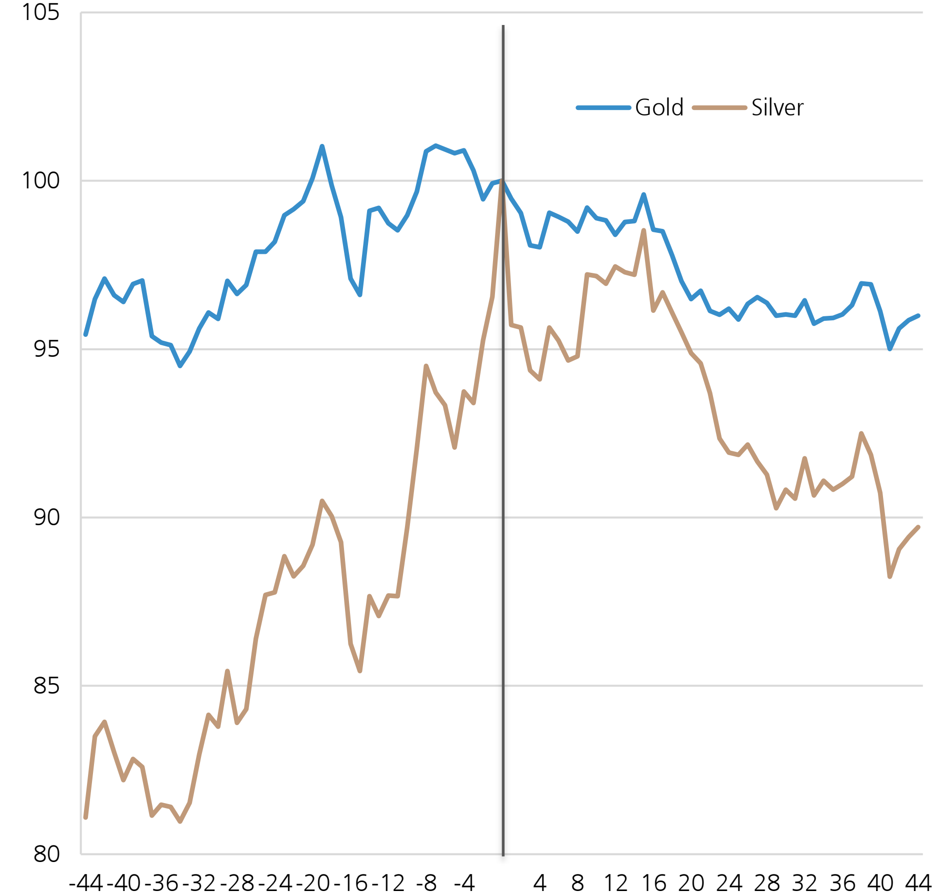
Source: Bloomberg, UBS.

UBS

A surge in silver relative to gold has also typically pointed to weaker returns

Gold Silver Ratio

Gold and Silver average price performance before and after Gold-Silver ratio is in ~65 range

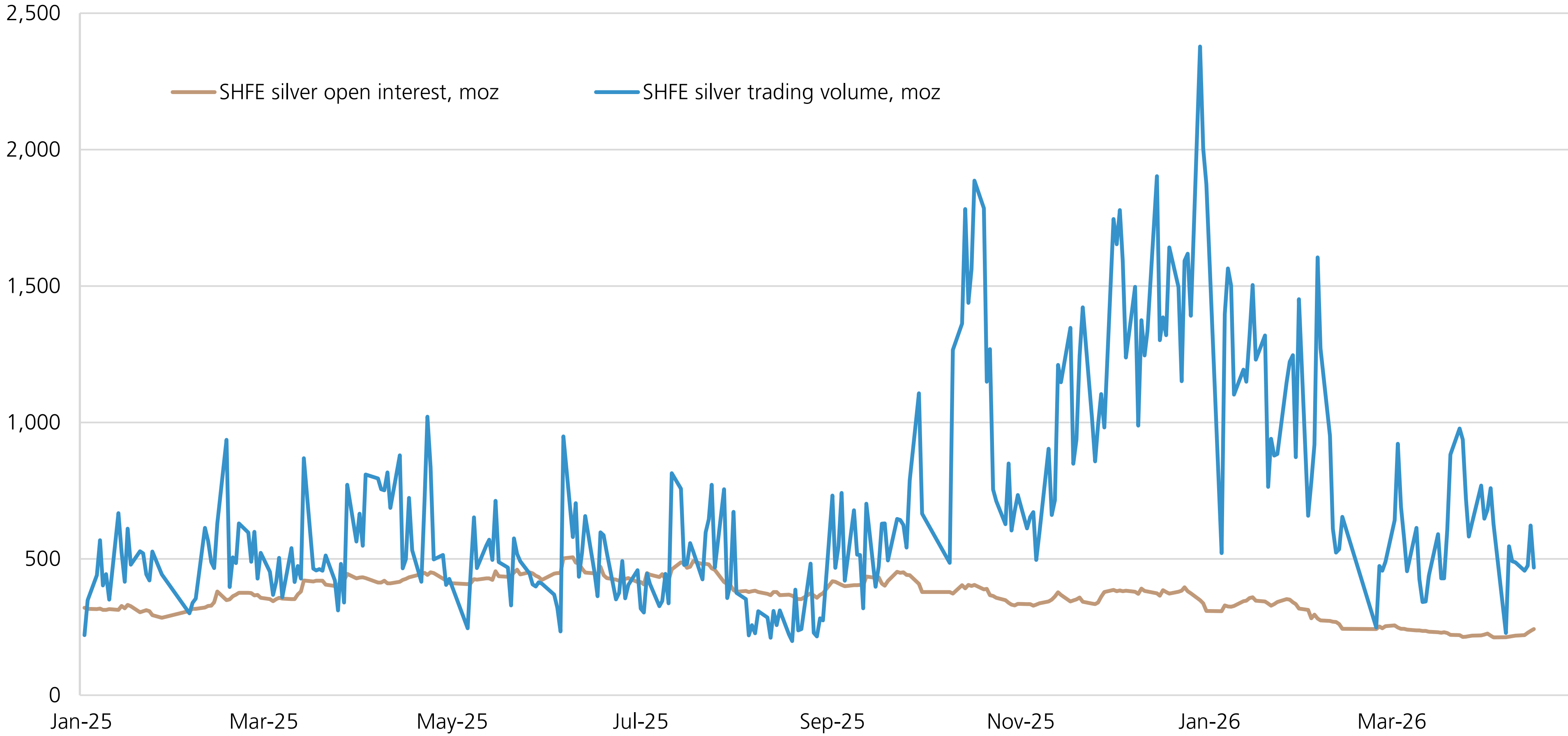


Source: Bloomberg, UBS.

UBS

Some signs of froth in Silver trading in China

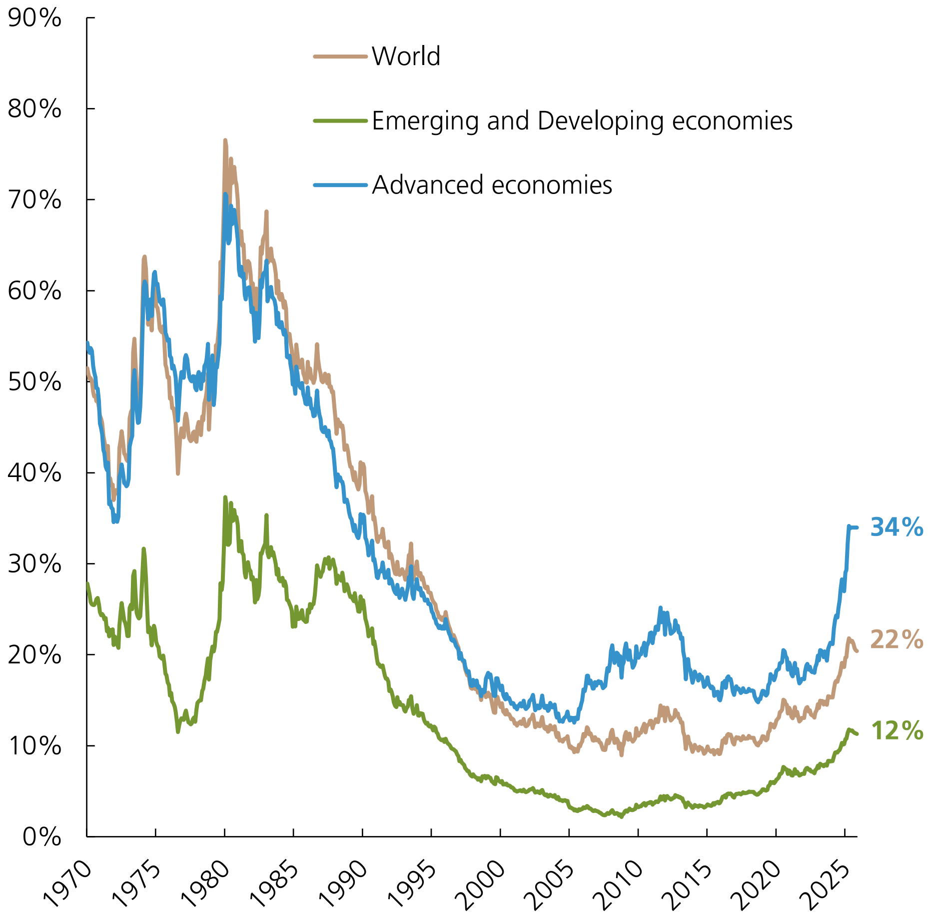
Silver trading volume and open interest



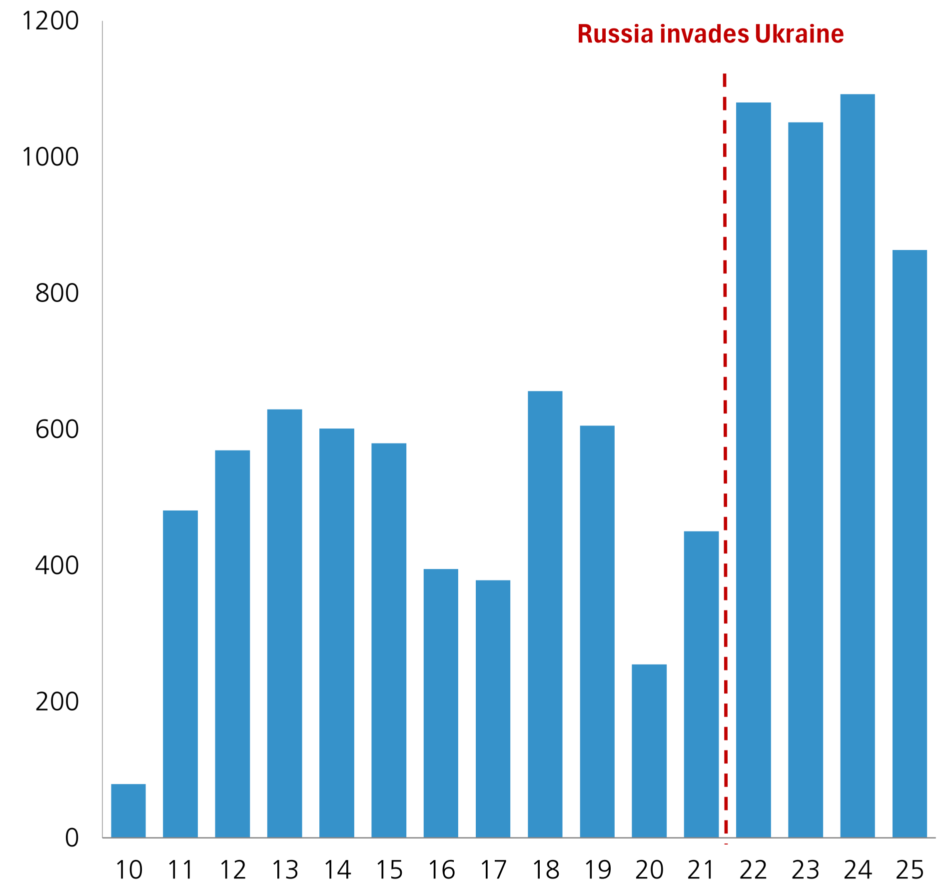
Source: Bloomberg, UBS.

Central bank gold reserves

Central bank gold reserve as % of total reserve



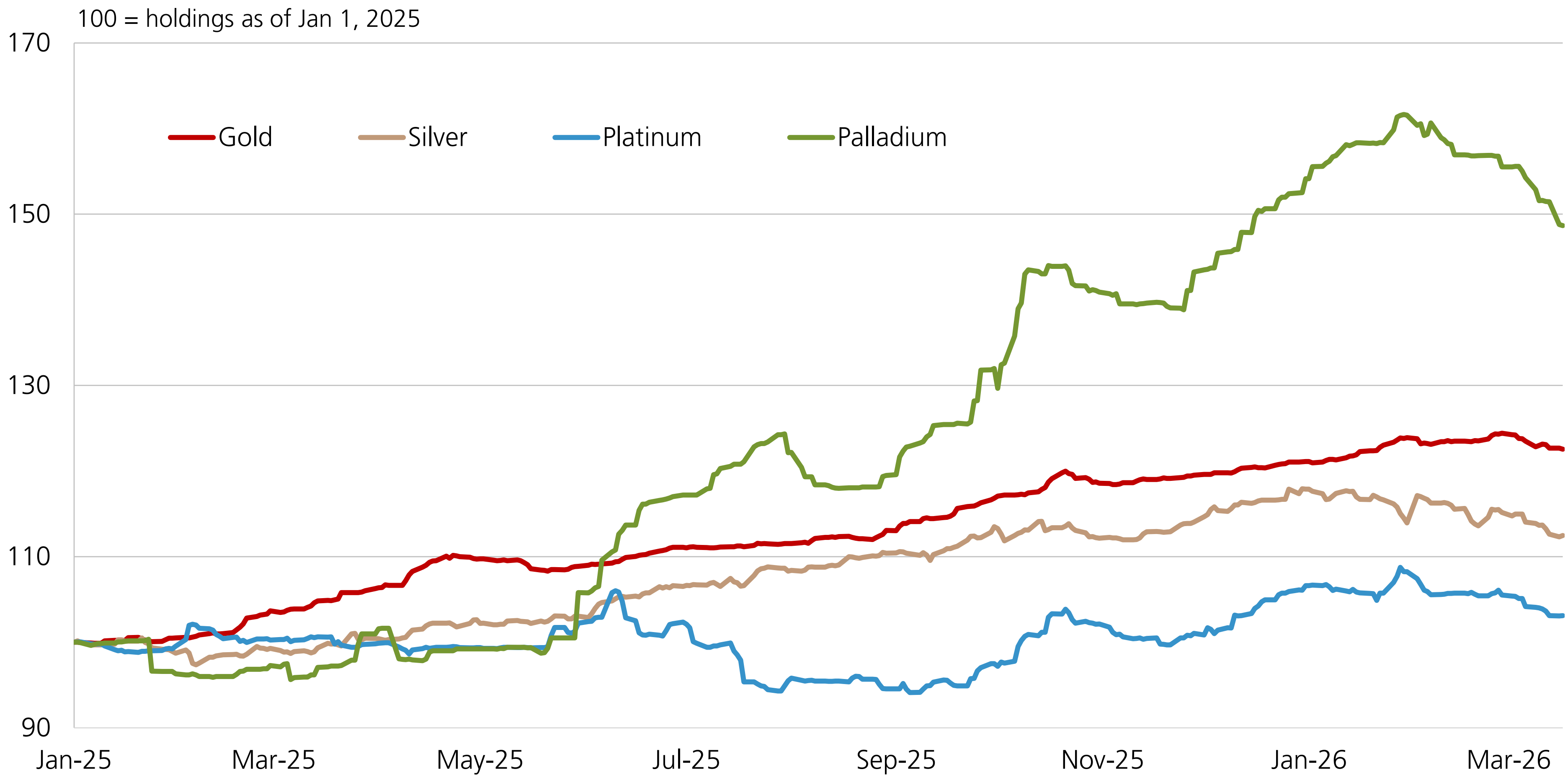
Official sector gold purchases



Source: World Gold Council, UBS.

Private investors are diversifying through gold ETFs in a steady fashion

Precious metal ETF flows



Source: Bloomberg, UBS Note: Index 100 = Jan 2025

UBS

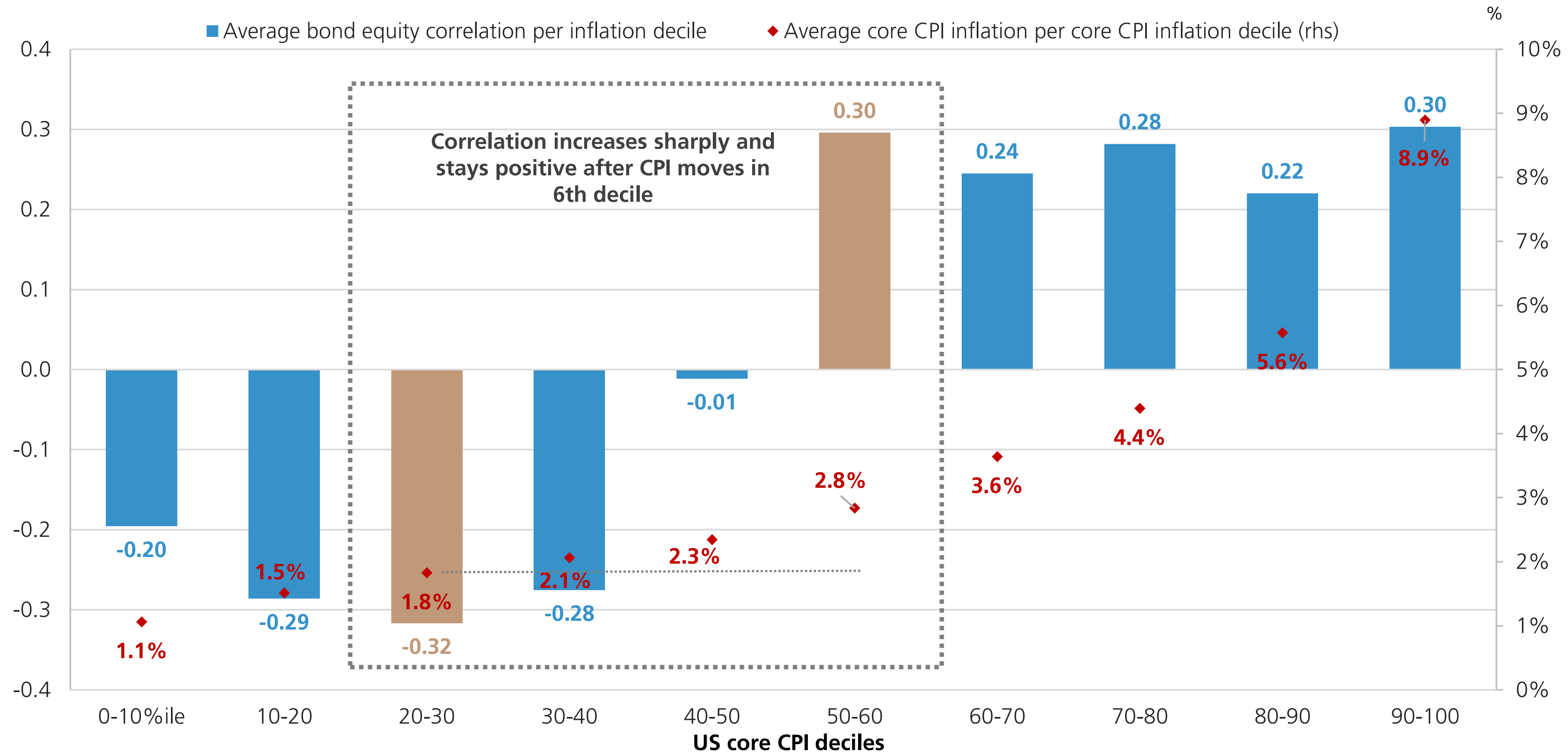
We think the conditions are not in place for a big fall in gold

Macro variables during previous episodes of gold fall

		Nov 1974 to Aug 1976	Sept 1980 to Jun 1982	Jan 1983 to Feb 1985	Nov 1987 to Aug 1999	Aug 2011 to Dec 2015	Median
%	Gold	-20.6%	-31.1%	-19.9%	-5.0%	-9.1%	-19.9%
%	DXY	2.7%	19.5%	16.4%	0.6%	6.6%	6.6%
%	EURUSD	-	-19.7%	-16.6%	-1.2%	-6.0%	-11.3%
%	S&P 500	19.8%	-5.8%	13.8%	14.9%	11.0%	13.8%
%	MSCI World	16.8%	-8.6%	12.4%	9.8%	5.8%	9.8%
bps	US 10y nominal	-7.6	157.6	75.3	-25.5	-10.7	-7.6
bps	US 10y term premium	54.4	49.2	19.3	-13.7	-27.8	-19.2
bps	US 2y nominal yield	-73.7	171.9	51.1	-17.1	16.6	16.6
bps	US IG spreads proxy	-46.3	176.8	-37.8	-26.0	2.1	-26.0
pp	Change in US real GDP, % y/y	3.0	0.3	4.8	0.0	0.1	0.3
pp	Change in US CPI, % y/y	-3.5	-3.0	-0.1	-0.2	-0.7	-0.7
	UMich inflation exp	-	-2.5	0.1	0.0	-0.2	-0.1
	US trade policy uncertainty index	-1.5	-6.6	-6.5	-1.6	0.2	-1.6

Source: Macrobond, Haver, Bloomberg, UBS.

Bond-equity correlation per core CPI inflation decile



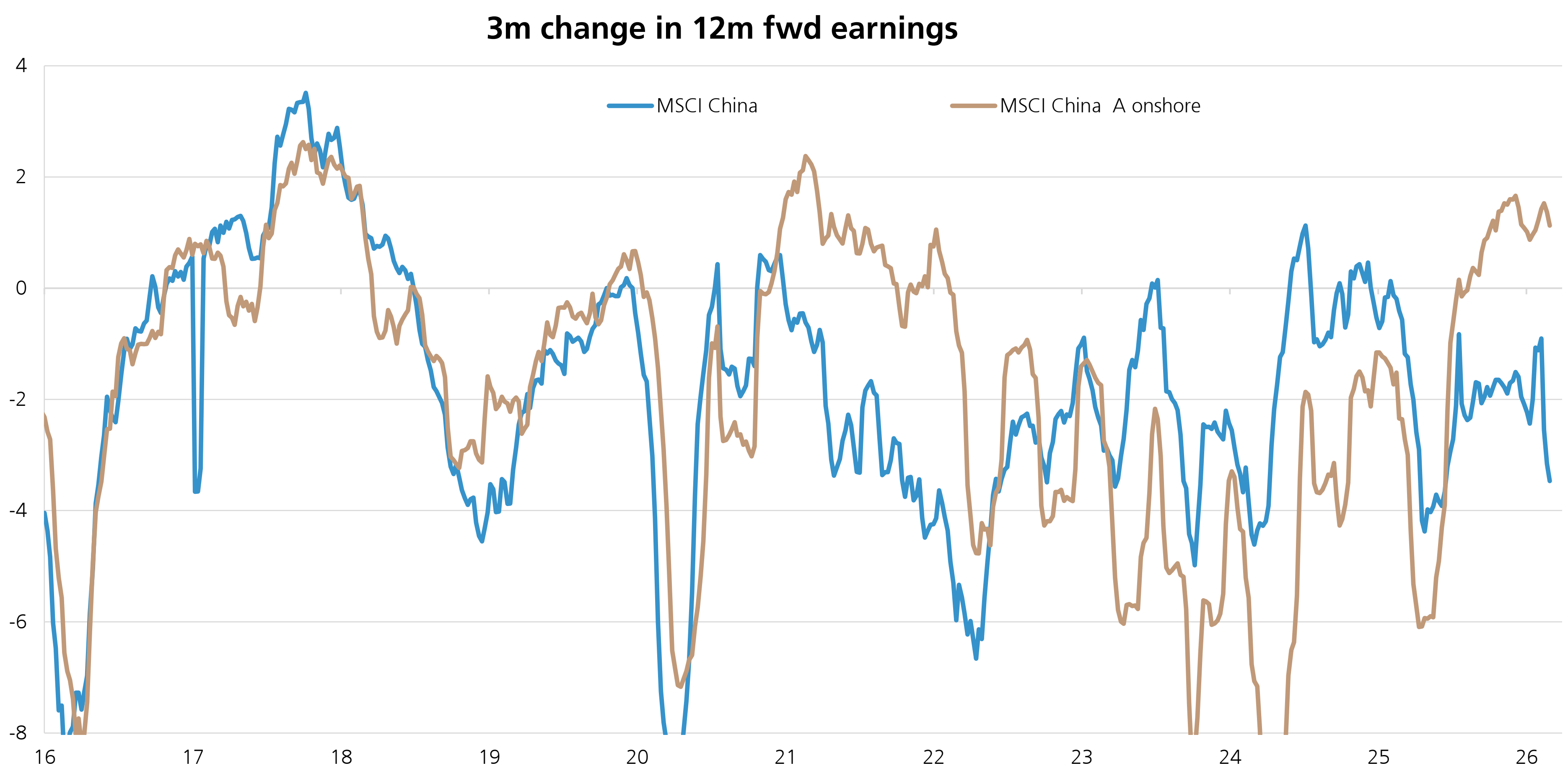
Source: Bloomberg, UBS.

China: The second coming

China export volume and prices relative to world

Source: Bloomberg, UBS.

3m change in 12m fwd earnings of MSCI China and China A shares

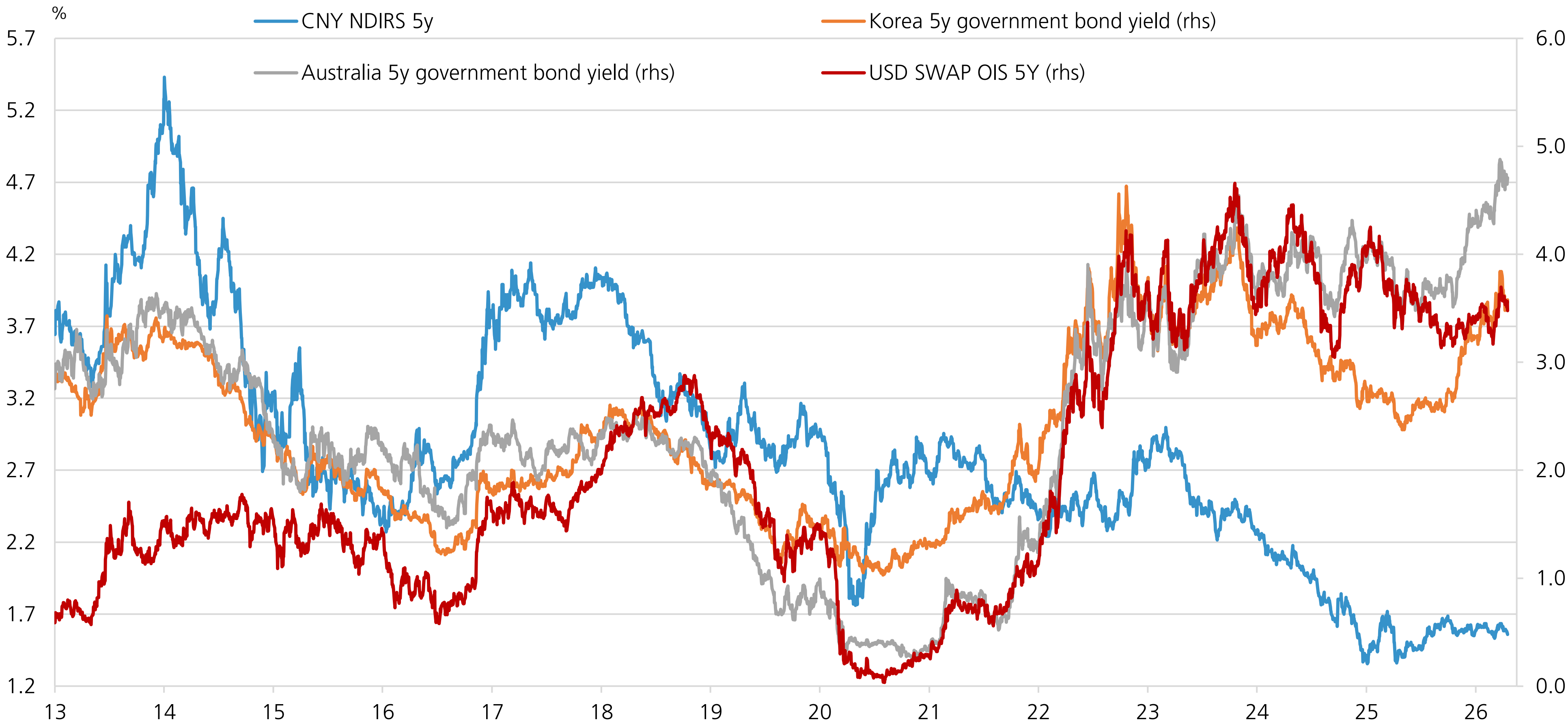


Source: Macrobond, UBS.

China internet equities vs US software ETF

Source: MSCI, IBES, Datastream, Macrobond, Haver, UBS estimates.

China, Australia, Korea 5y rates and USD Swap OIS 5y

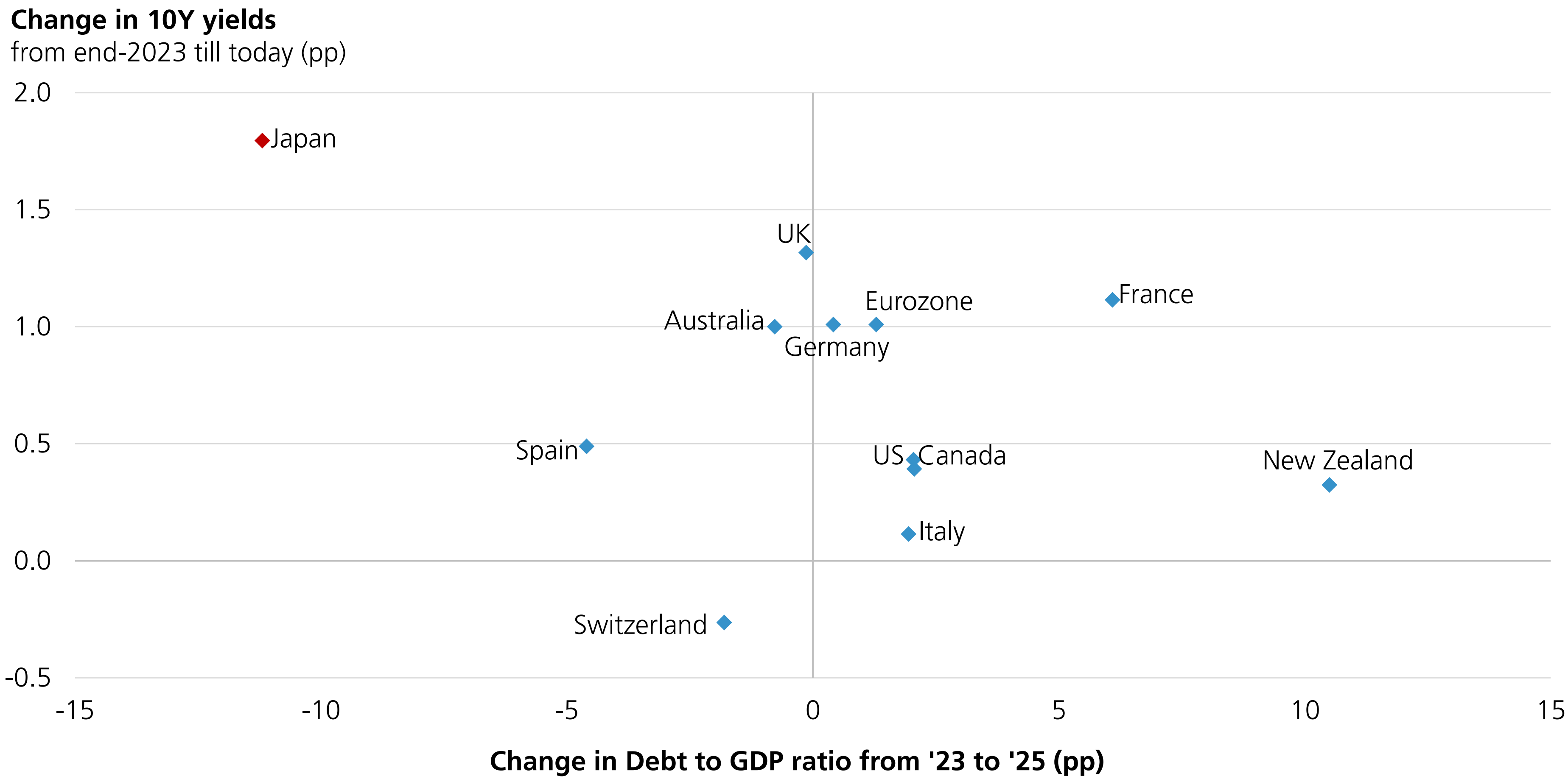


Source : MSCI, Datastream, Bloomberg, Macrobond, Haver, UBS

UBS

Japan: A real problem

JGB yields up more than the change in fiscal parameters would've justified

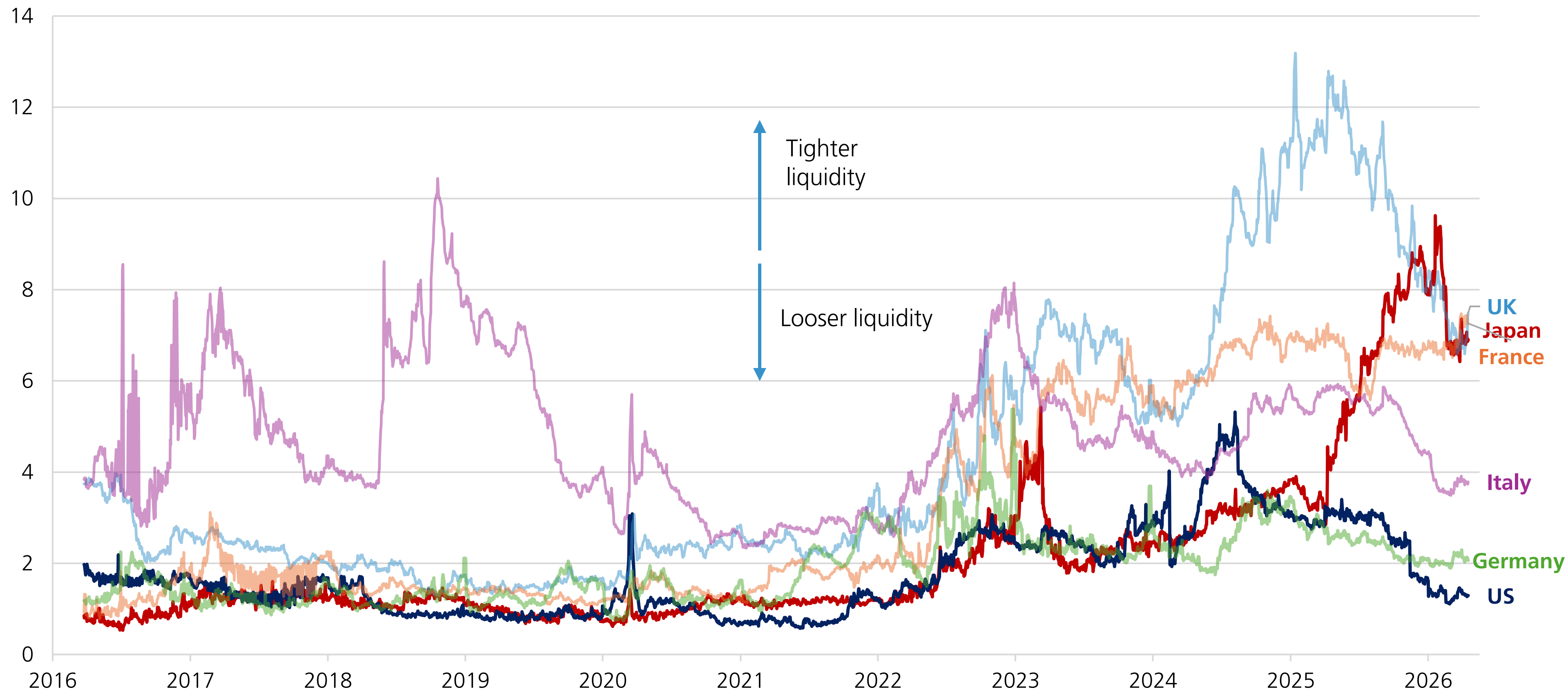


Source: Haver, Bloomberg, UBS.

UBS

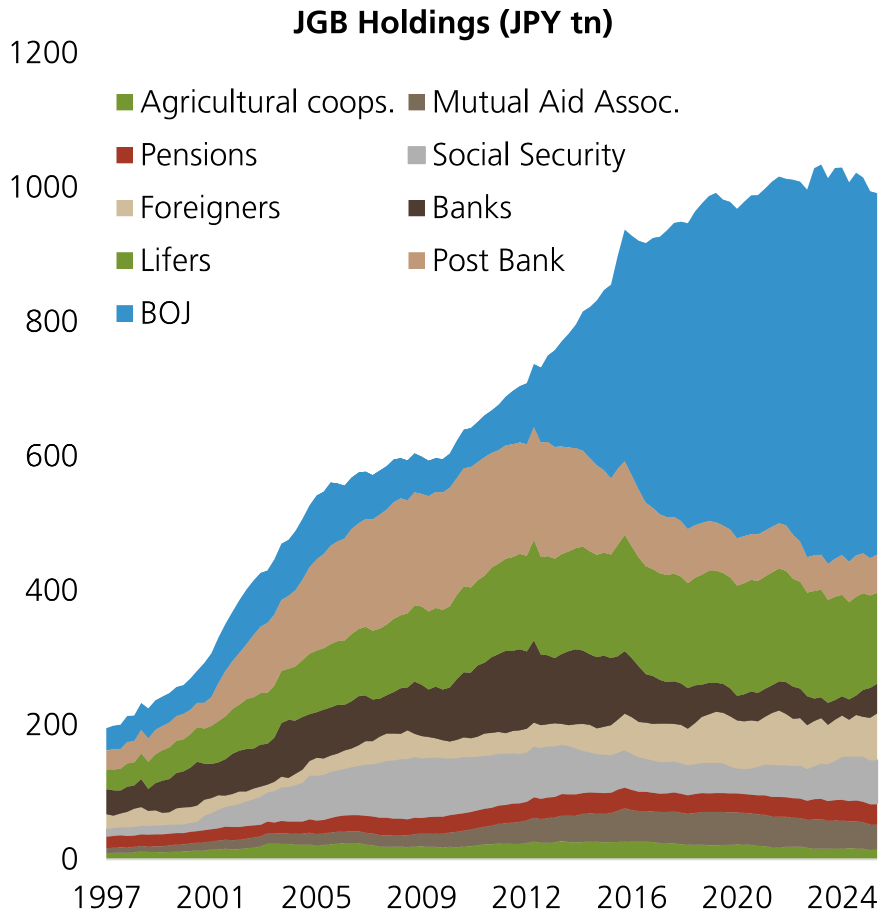
This is partly because thin liquidity, especially long end, has amplified moves

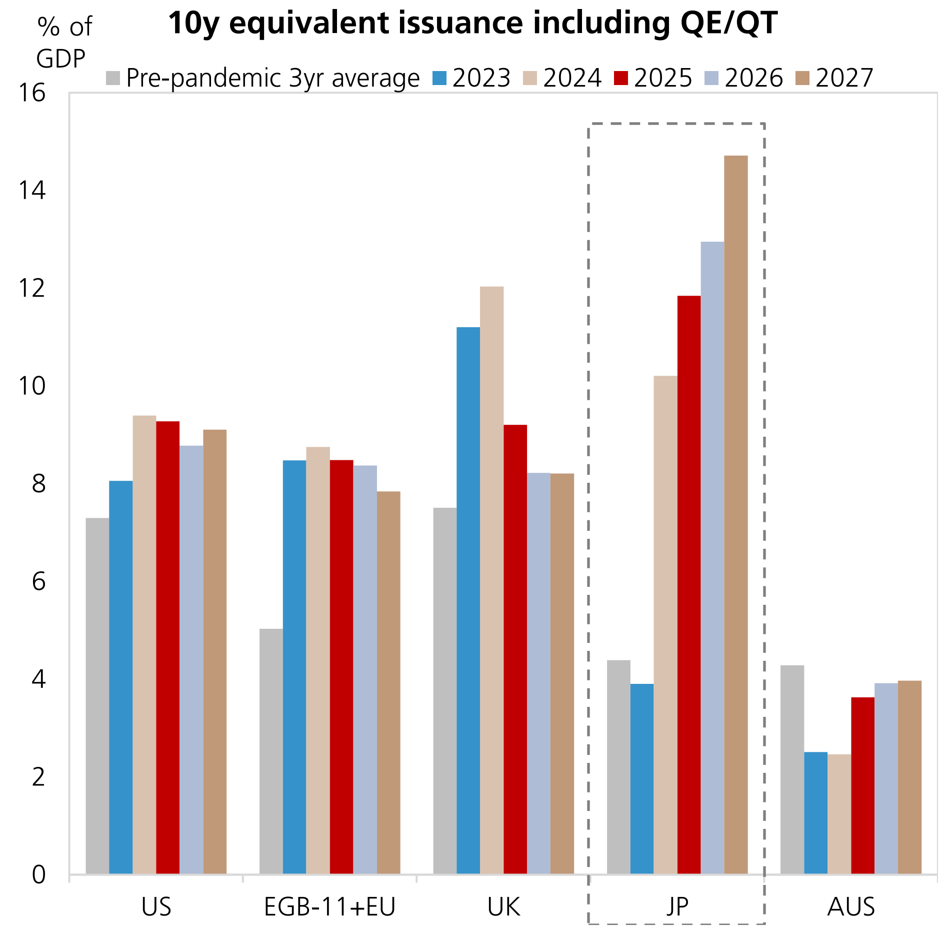
Bloomberg government bond liquidity index



Source: Bloomberg, UBS.

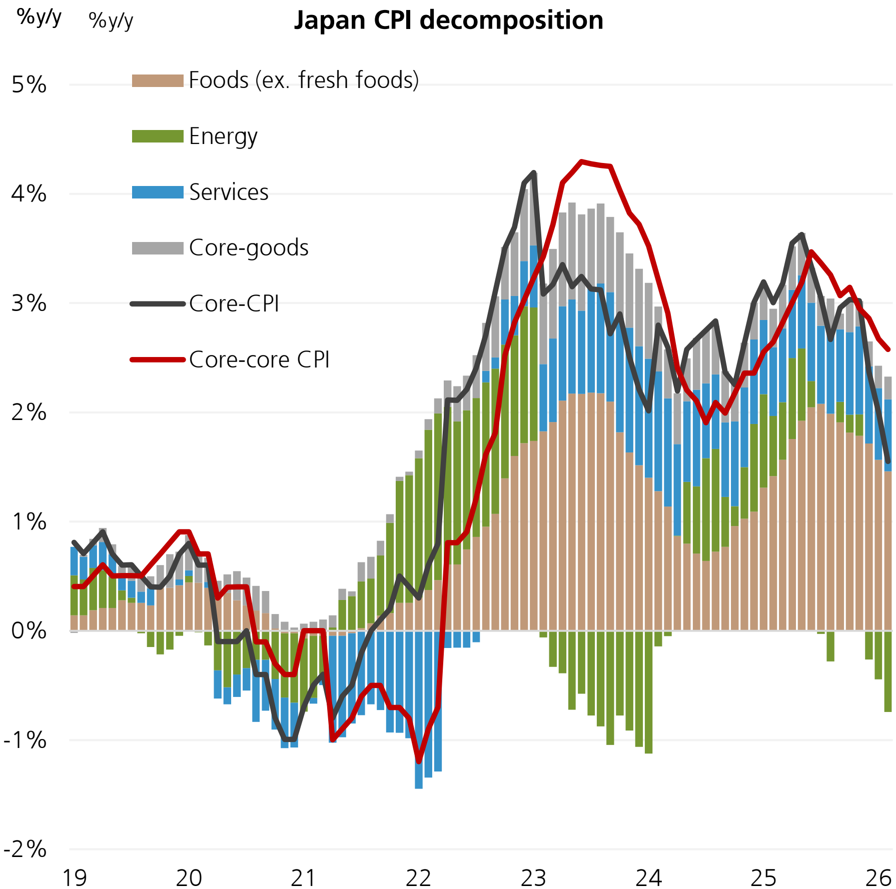
BoJ ownership prevented price discovery. Market finding its feet in near vacuum

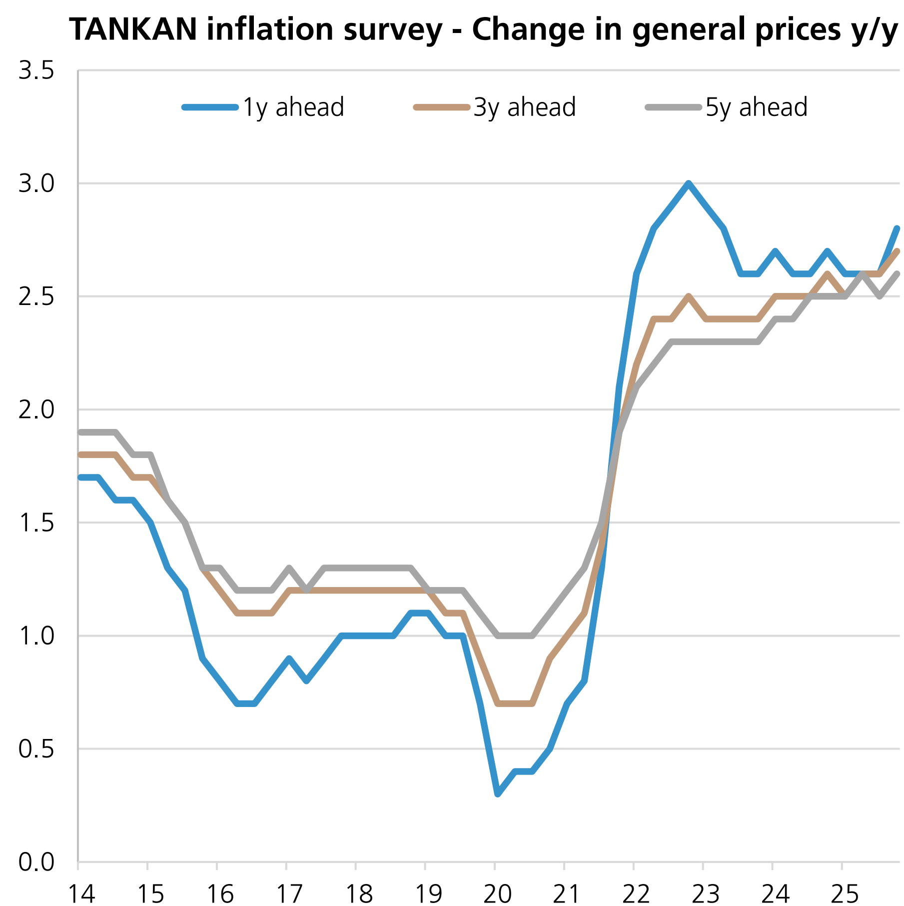




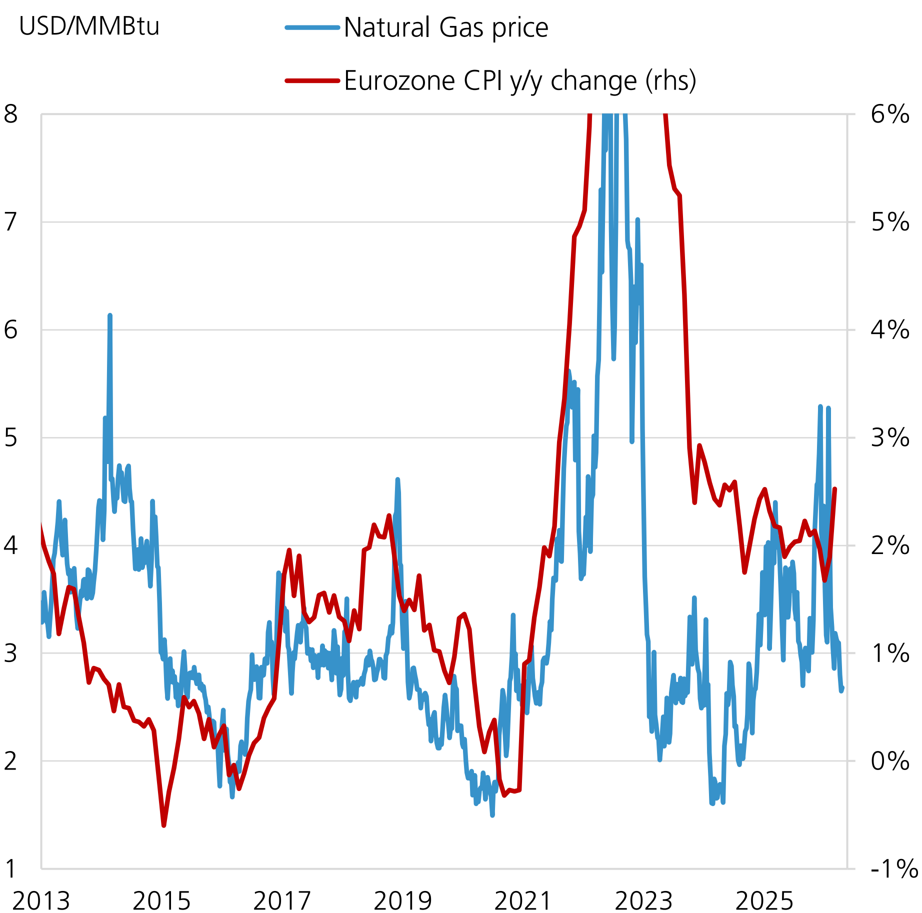
Source: Haver, Bloomberg, UBS.

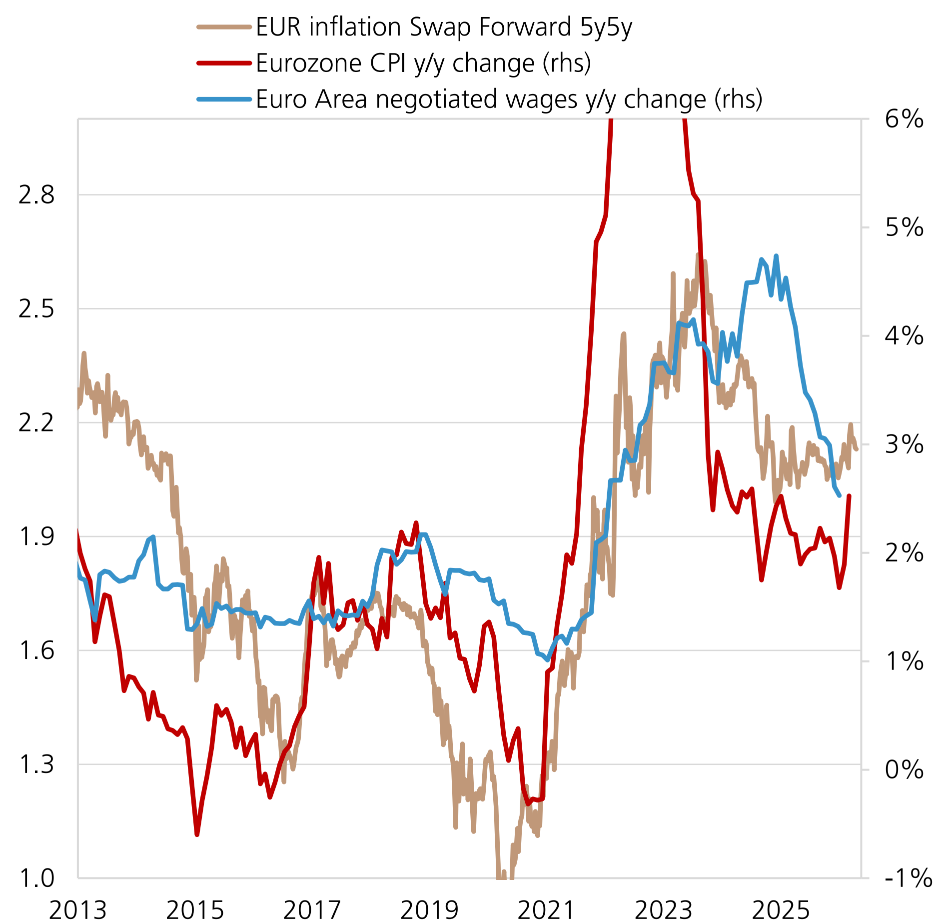
But the key driver higher of yields is high inflation. Thankfully, this may change





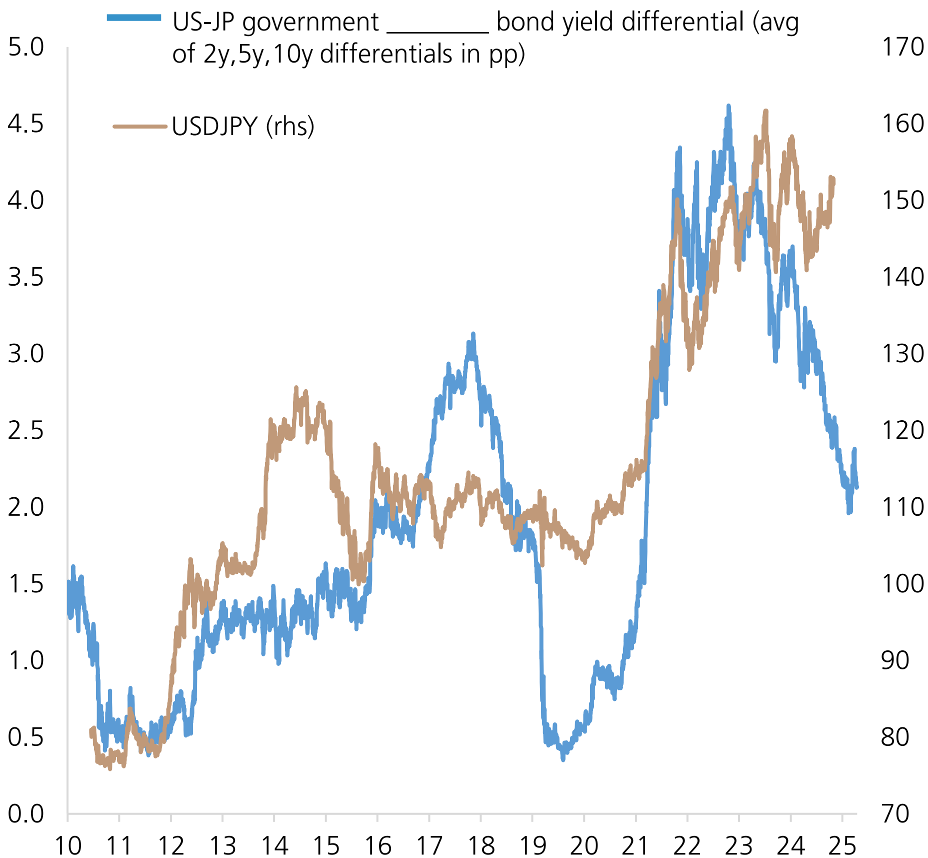
Source: Haver, Macrobond, UBS.

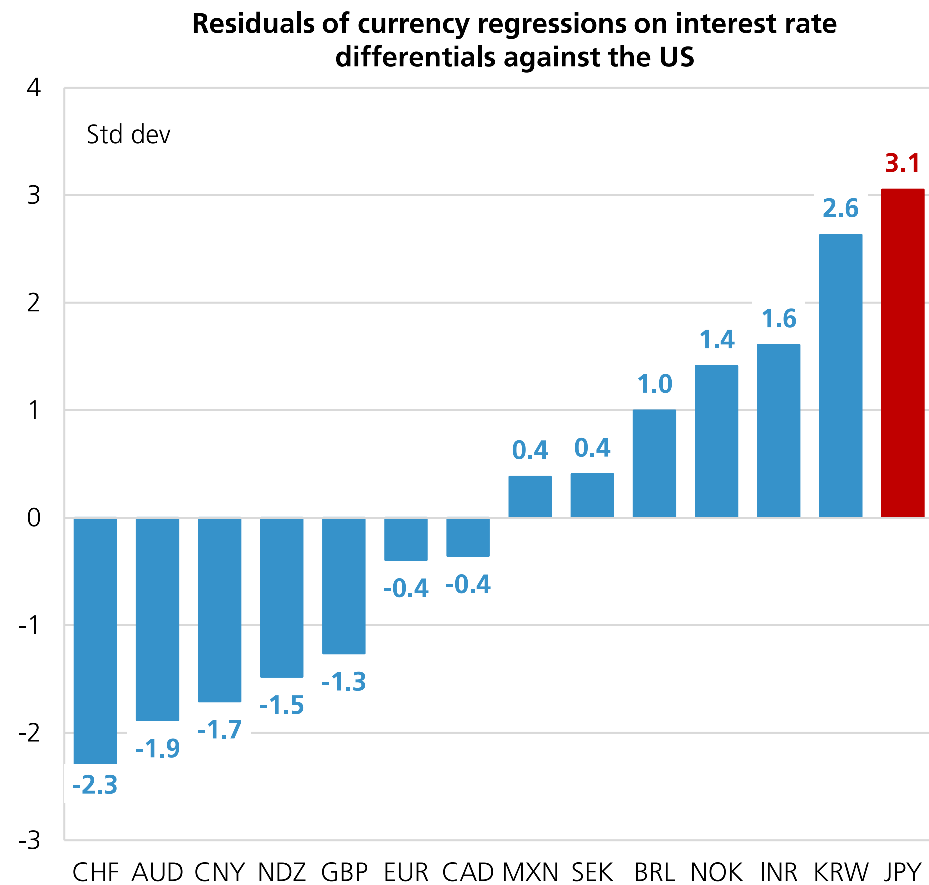




Source: Bloomberg, UBS.

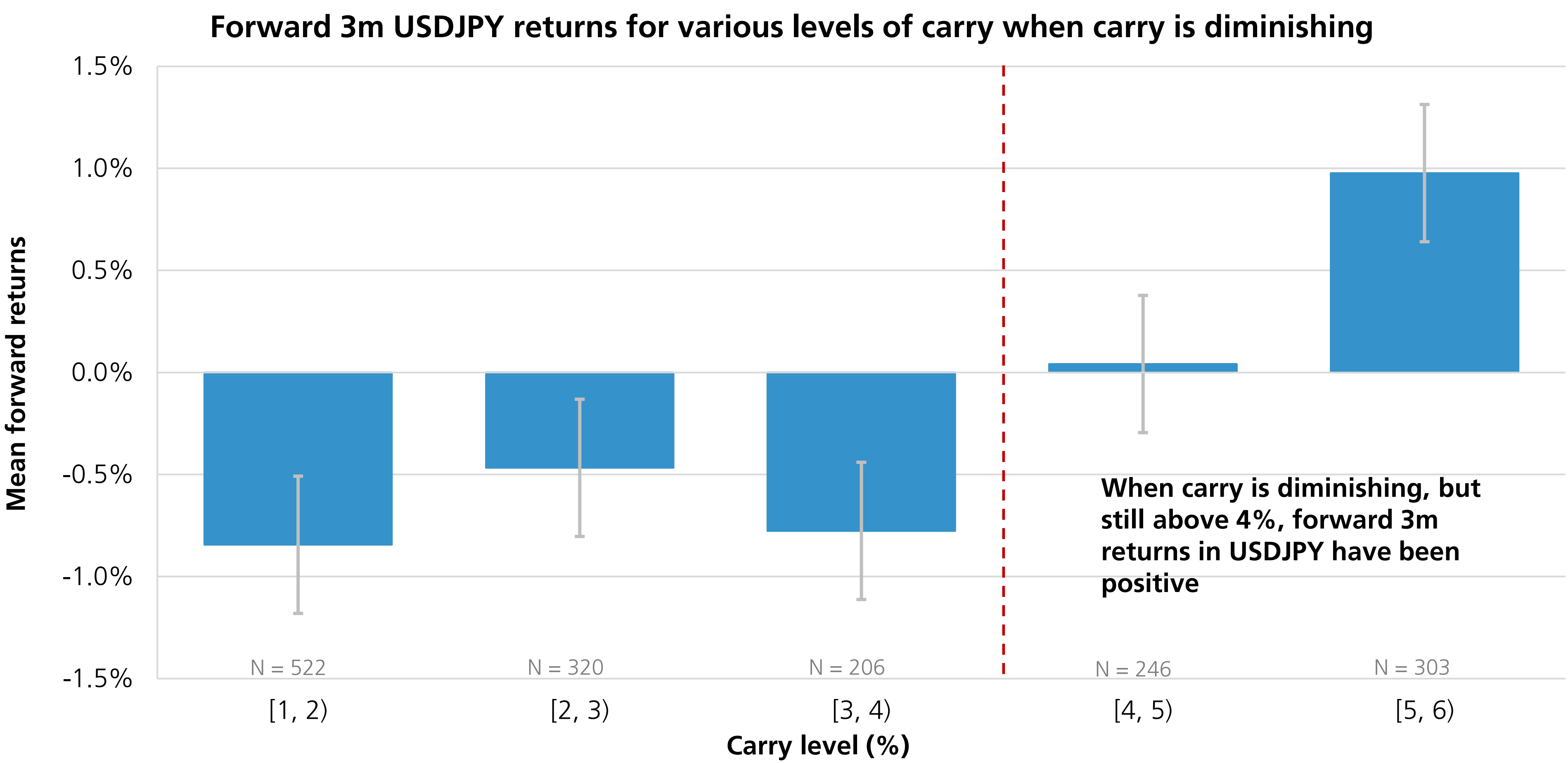
USDJPY's departure from a nominal rates differential-based model is large





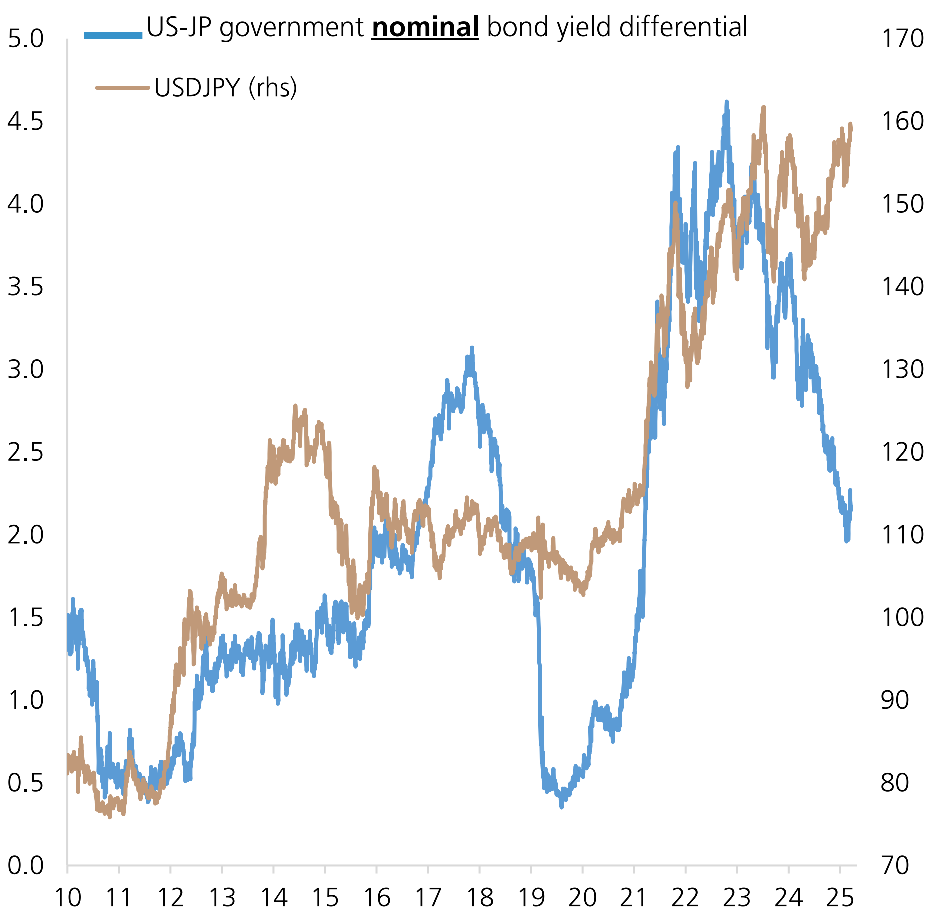
Source: Bloomberg, UBS.

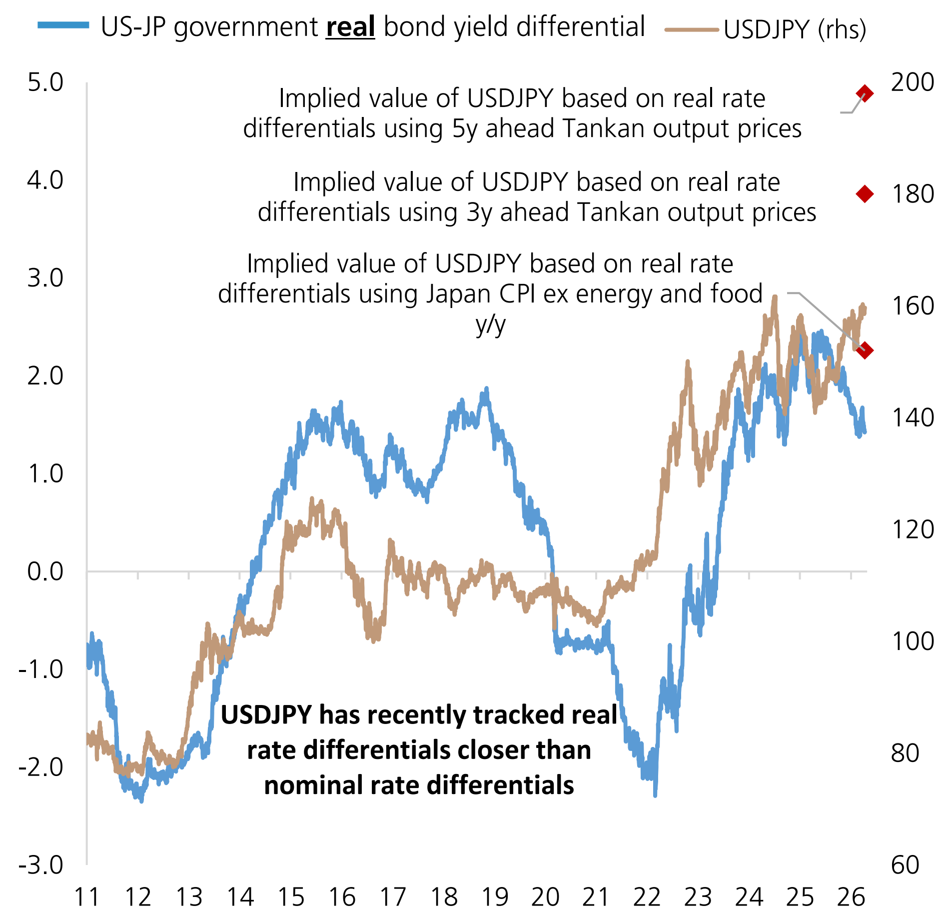
Both the change and the level of carry seem to matter for USDJPY



Source: Bloomberg, UBS. Note: filtered by Δcarry < 1sd (0.45%) over the previous 21 day.

But real rates matter more. The JPY may need lower inflation more than rate hikes

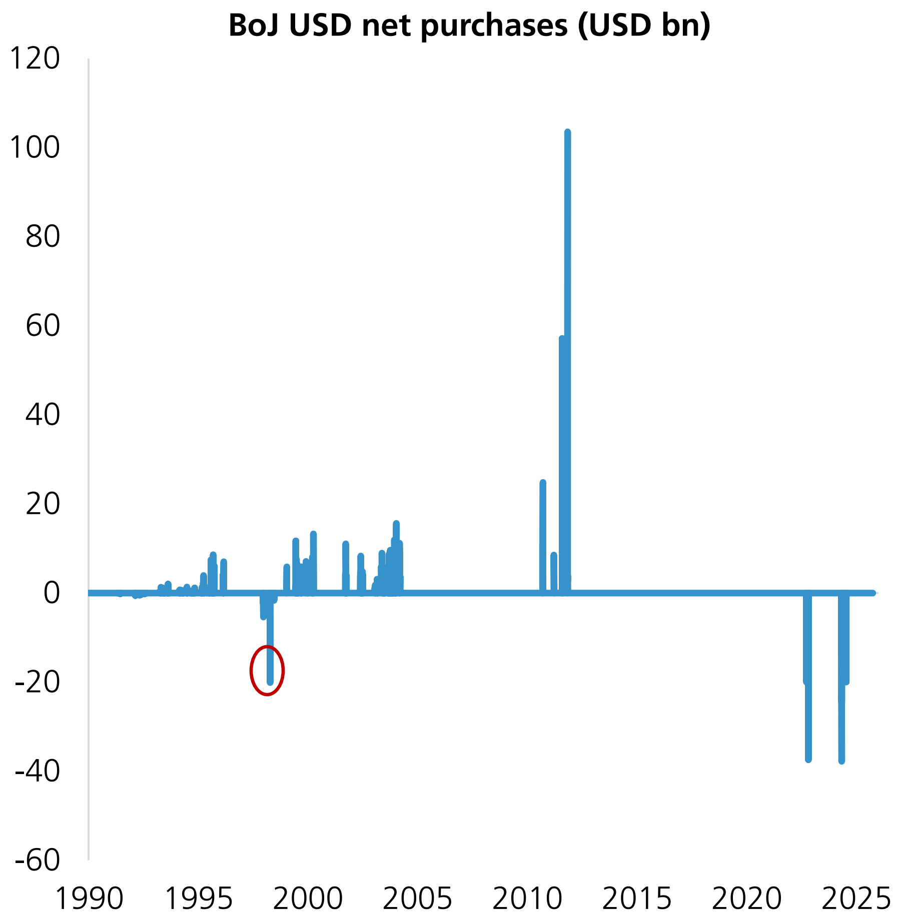


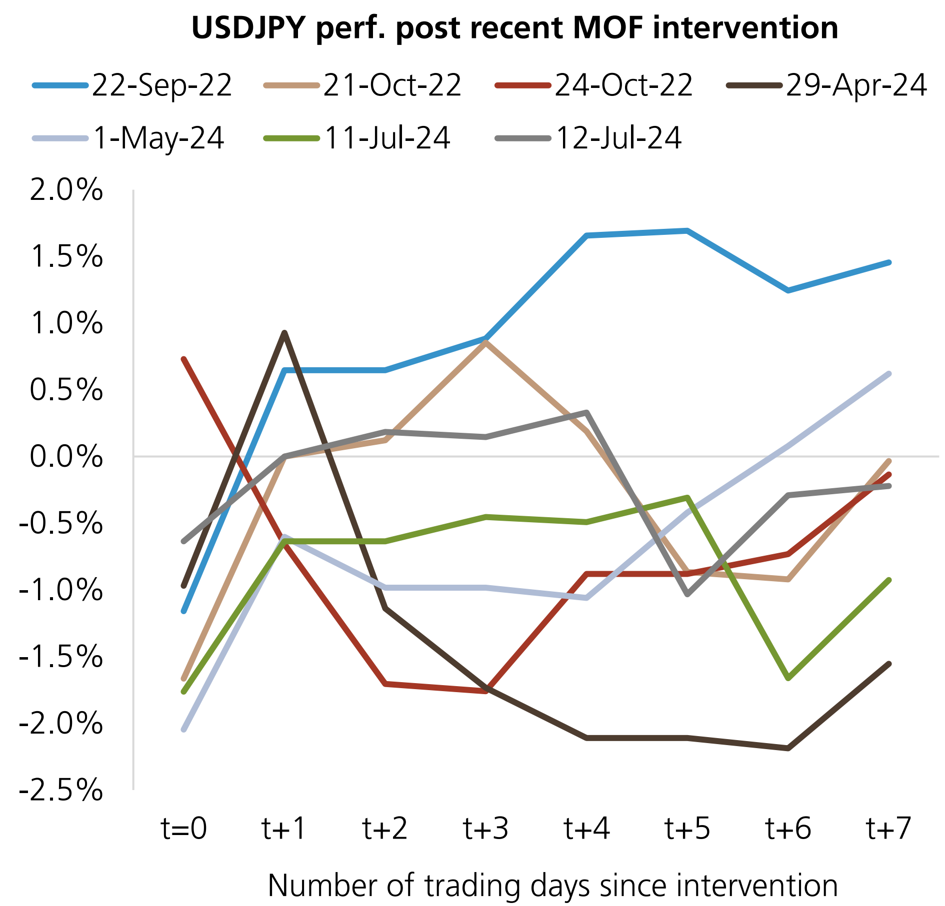


Source: Bloomberg, UBS. Note: a) average of 2y, 5y, and 10y rate differentials used for both charts; b) Real rates calculated using nominal rates minus 36m exponential headline inflation.

UBS

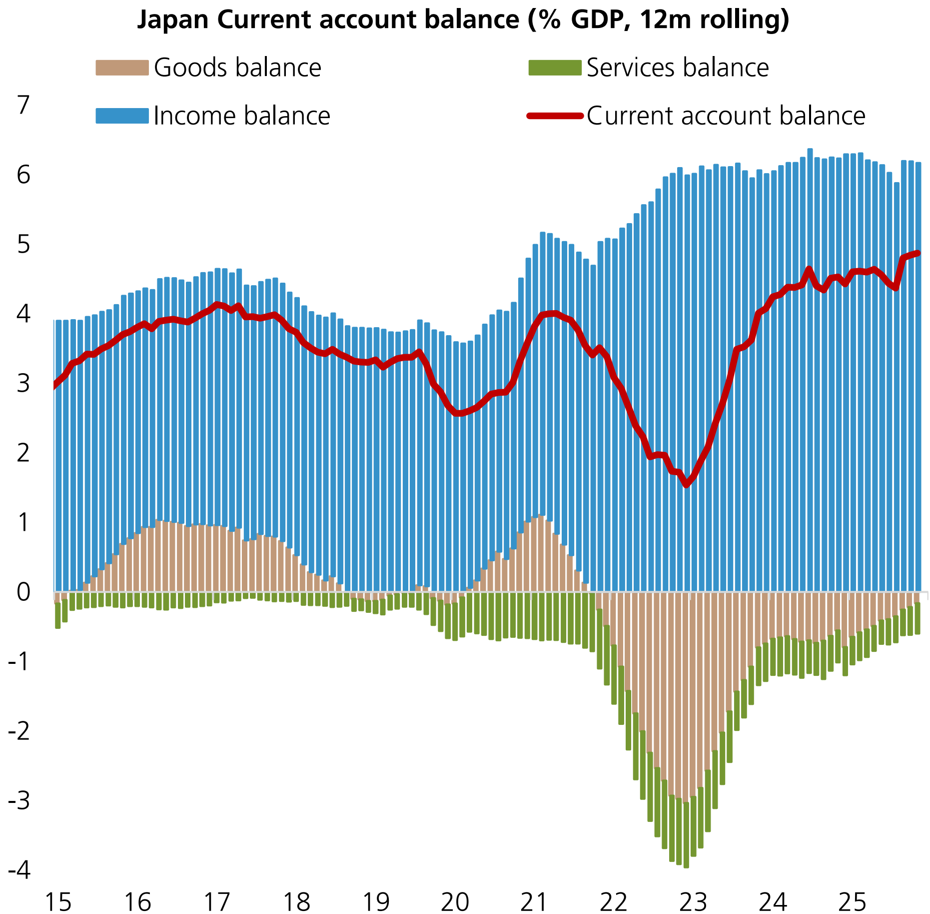
BoJ intervention helps the JPY temporarily. A joint effort with the Fed more potent

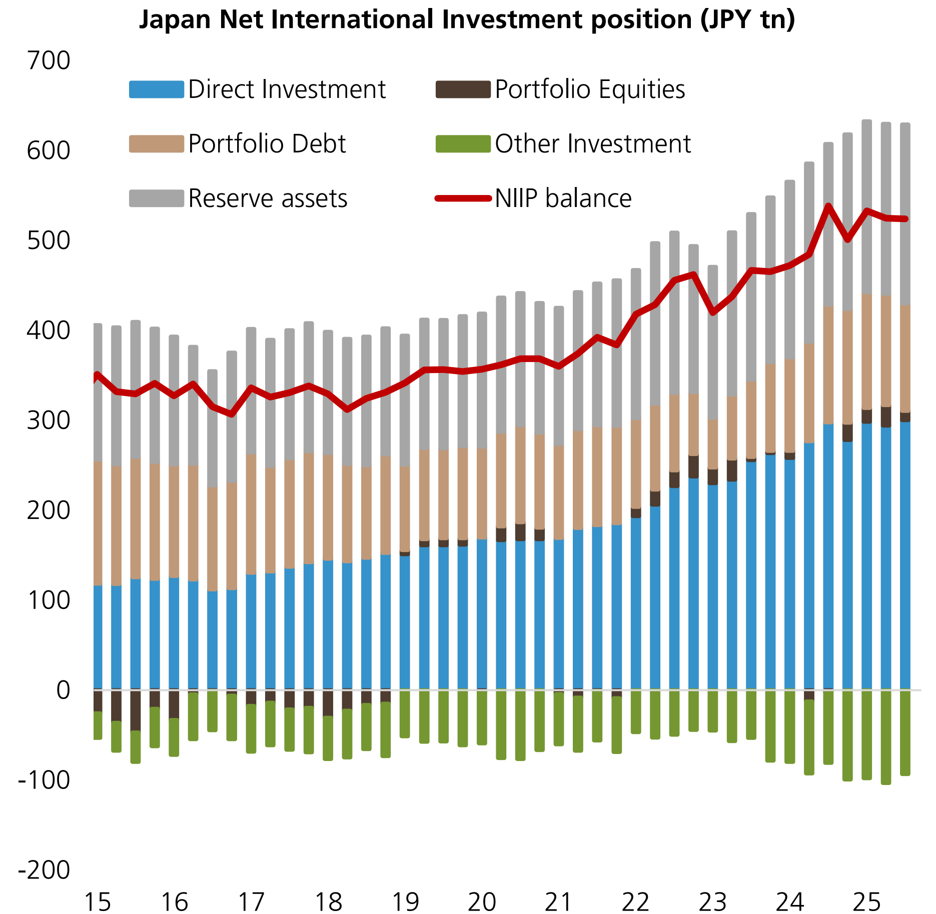




Source: Macrobond, Bloomberg, UBS.

Many differences from the Liz Truss moment, not least Japan's external position





Source: Bloomberg, Macrobond, UBS.

UBS

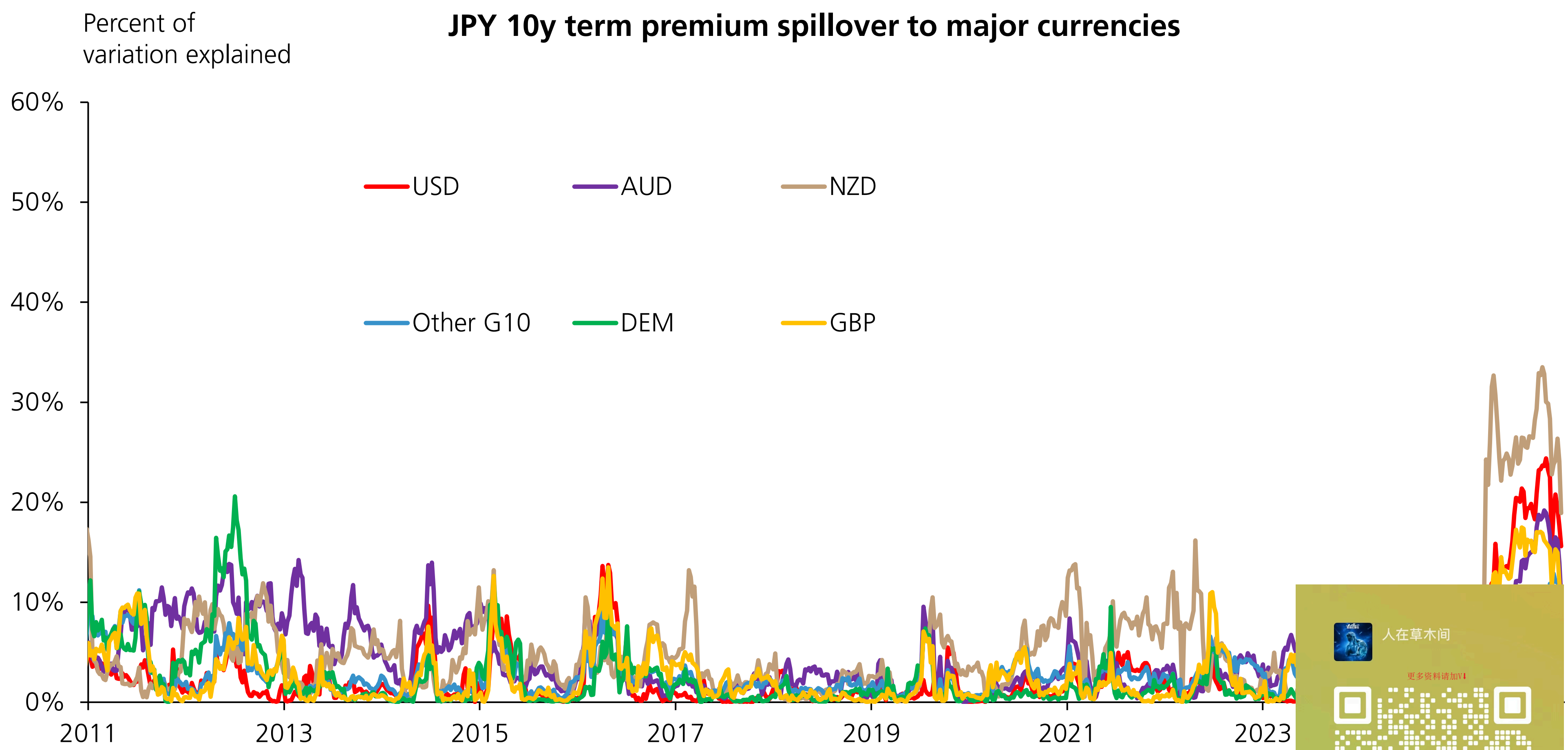
Differences between UK Liz Truss moment 2022 and Japan today

Differences between UK Liz Truss moment 2022 and Japan today

	UK September 2022	Japan January 2026
Fiscal Developments	Mini-budget (23 Sep) with £45bn (~1.8% of GDP) in unfunded tax cuts announced.	Authorities considering a 2-year temporary Food Tax Exemption, implying ~0.8% fiscal slippage.
Macro Backdrop		
CPI Inflation, Current	10%	2.10%
CPI change (from 1y ago)	+7ppt	-1.9ppt
Fiscal Balance (% of GDP), UBSF	-4.8%, 2022	-1.9%, 2026
Fiscal Balance(vs. 2016-19 average)	-2.2ppt	+1.1ppt
Debt to GDP	93%	223%
Debt to GDP, change vs. 2019	+8.7ppt	-8.7ppt
Debt Servicing, % of GDP	3.6%	1.3%
CA Balance (% of GDP)	-1.9%	4.8%
NIIP (% of GDP)	-2.6%	+92%
Market Reaction	10y yields jumped 120bps in three sessions; long gilts/linkers fell >50%.	10y yield up 6bps in week ending 23-Jan; ~60bps rise since elections (mainly rate-hike expectations).
Market Functioning / Central Bank Support	BoE had just signalled QT; pension-fund forced selling triggered dysfunction; sharp dislocation with breakevens vs. real yields diverging by 200bps; notable spillovers to FX, equities, global markets	BoJ has tapered purchases for two years; long-end supply-demand imbalance weighing since 2024 but orderly; thin liquidity amplified 21-Jan move in 30–40y JGBs; spillovers negligible.
Policy Response	BoE intervened to stabilise markets; fiscal plans were rolled back.	Policymakers pro-actively on alert; signaling commitment to disciplined issuance and fiscal stance; BoJ ready to step in if needed; coordinated approach aimed at containing tail-risks despite high debt-to-GDP.
Bottomline	A short, intense market shock amid an already weak macro backdrop and forced selling—lasted roughly a week and hence labelled a "Moment."	Japan's yield adjustment remains orderly. Recent volatility on fiscal-expansion fears was managed by policymakers, with no clear signs of a fiscal tantrum. But a mild market reaction also implies long-end fiscal-risk premia may keep grinding higher if fiscal concerns exacerbate post Elections – especially as DV01 supply to the private sector jumps in coming quarters. Rapid inflation normalization could be the biggest upside risk.

Source: Haver, UBS.

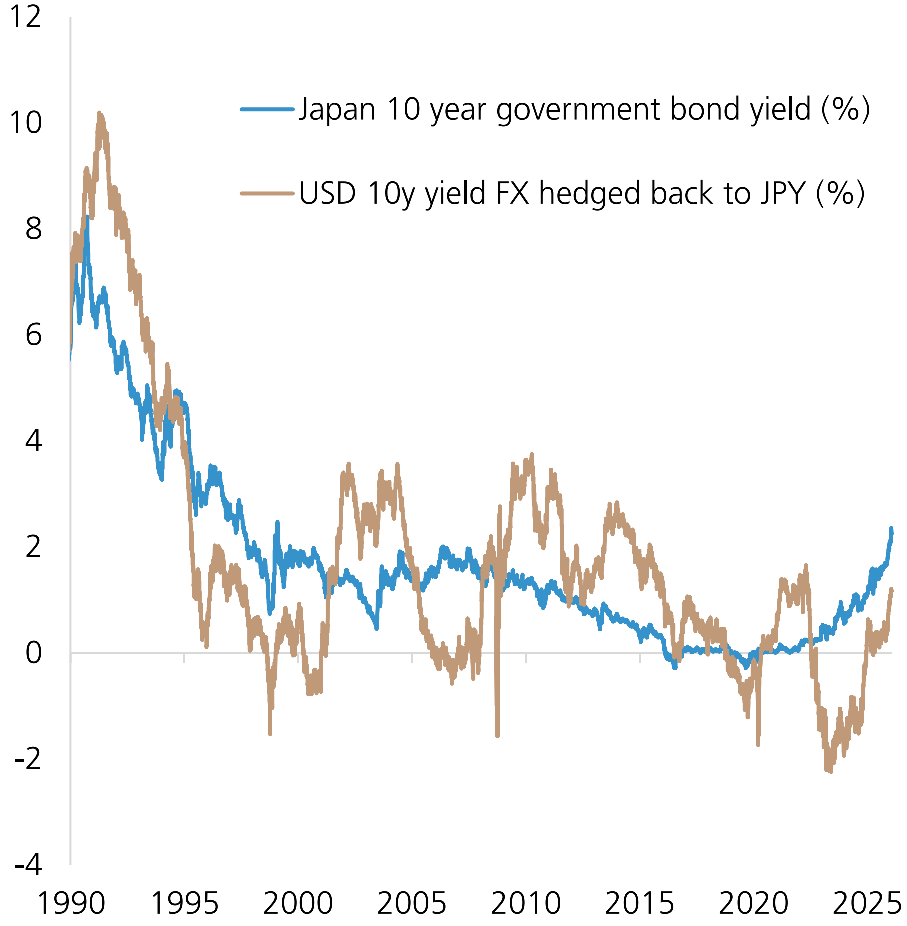
The spillover from JGB weakness to global bonds is rising from a low level

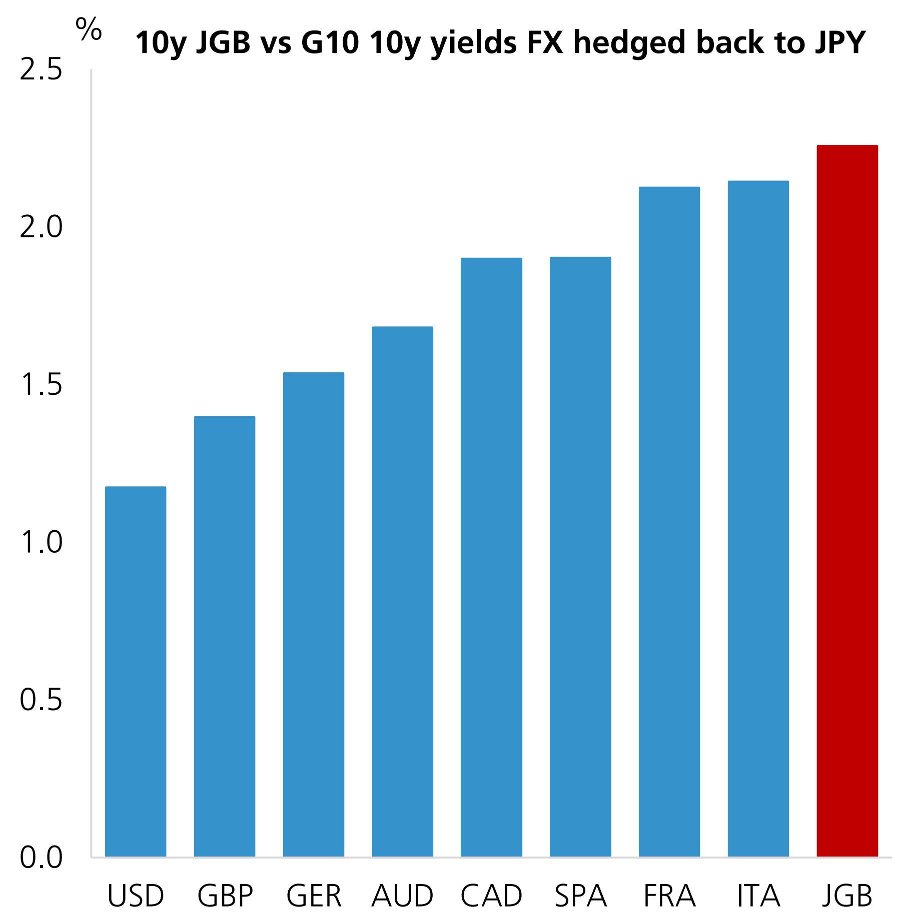


Source: Bloomberg, UBS estimates based on Adrian, Crump and Moench (2013) and Diebold and Yilmaz (2009).

UBS

And Japan may further reduce its purchases of foreign bonds at these JGB yields

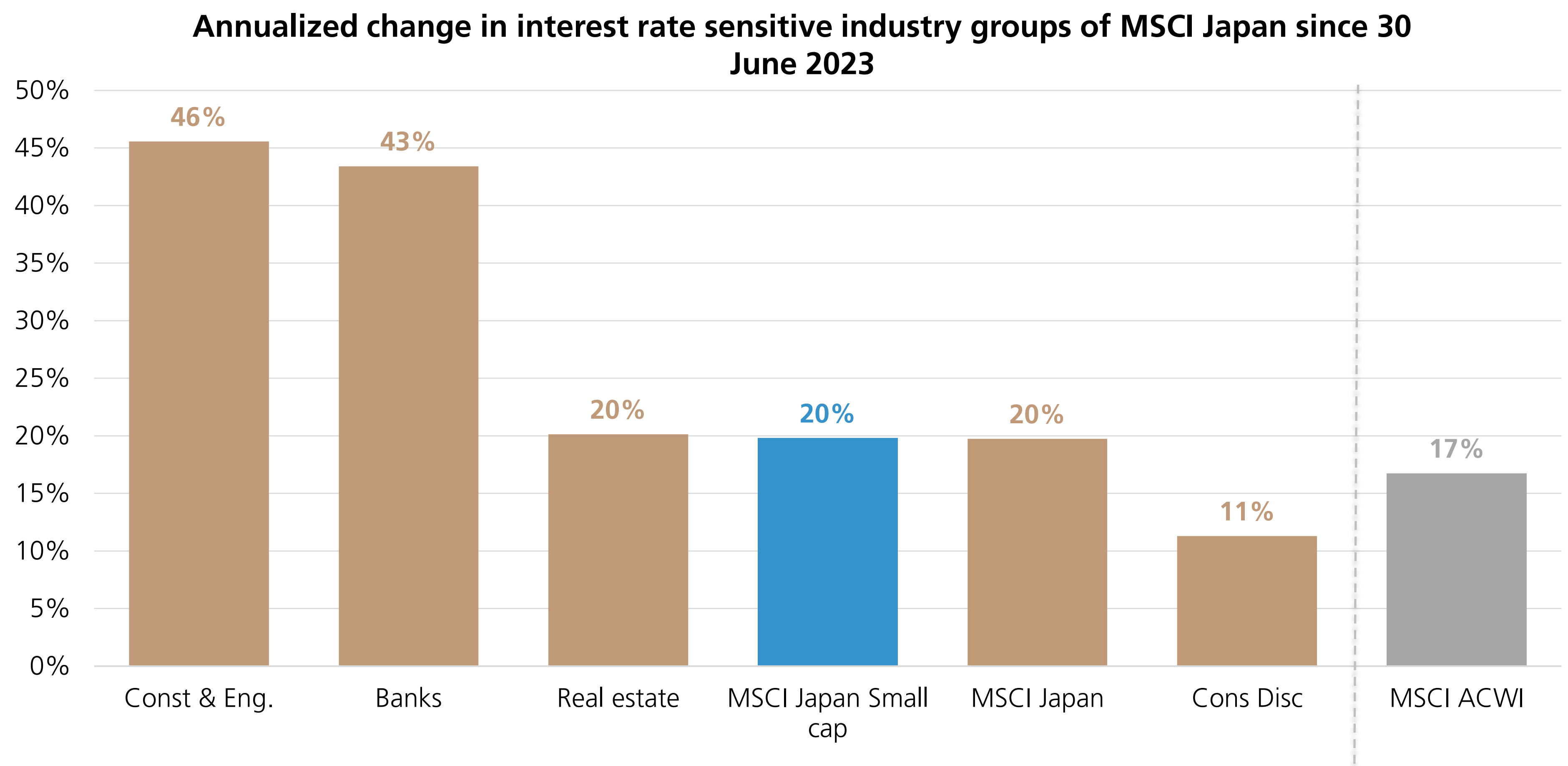




Source: Macrobond, Bloomberg, UBS.

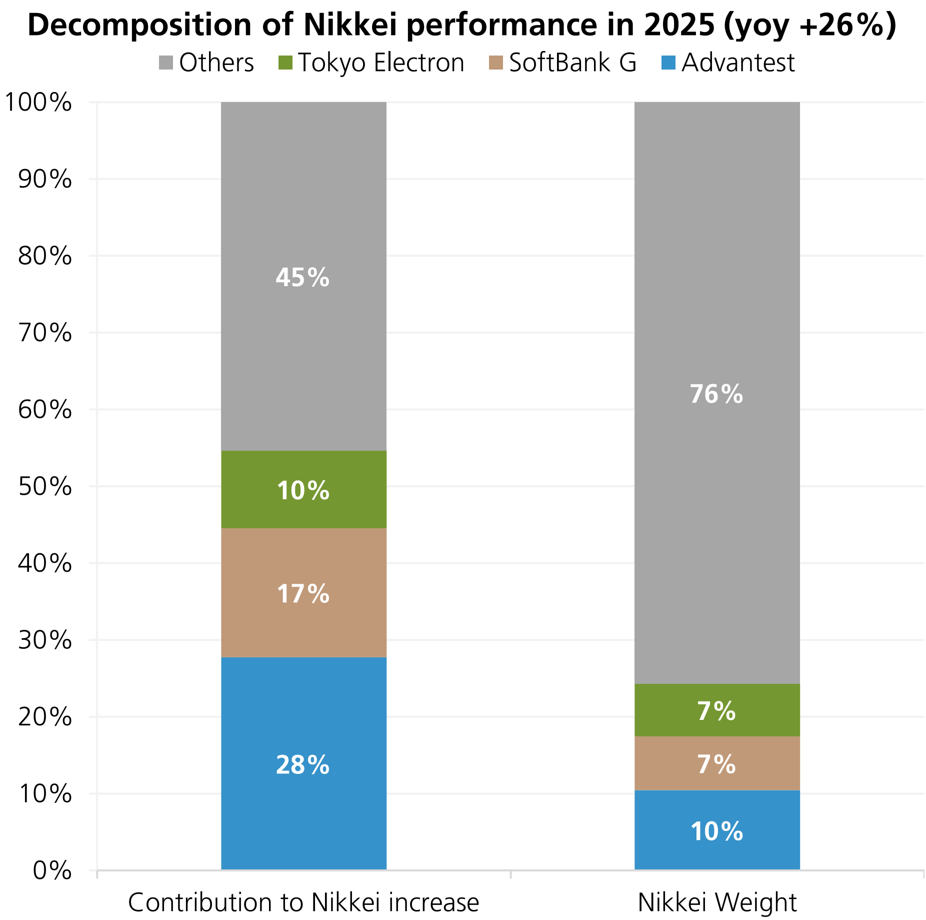
UBS

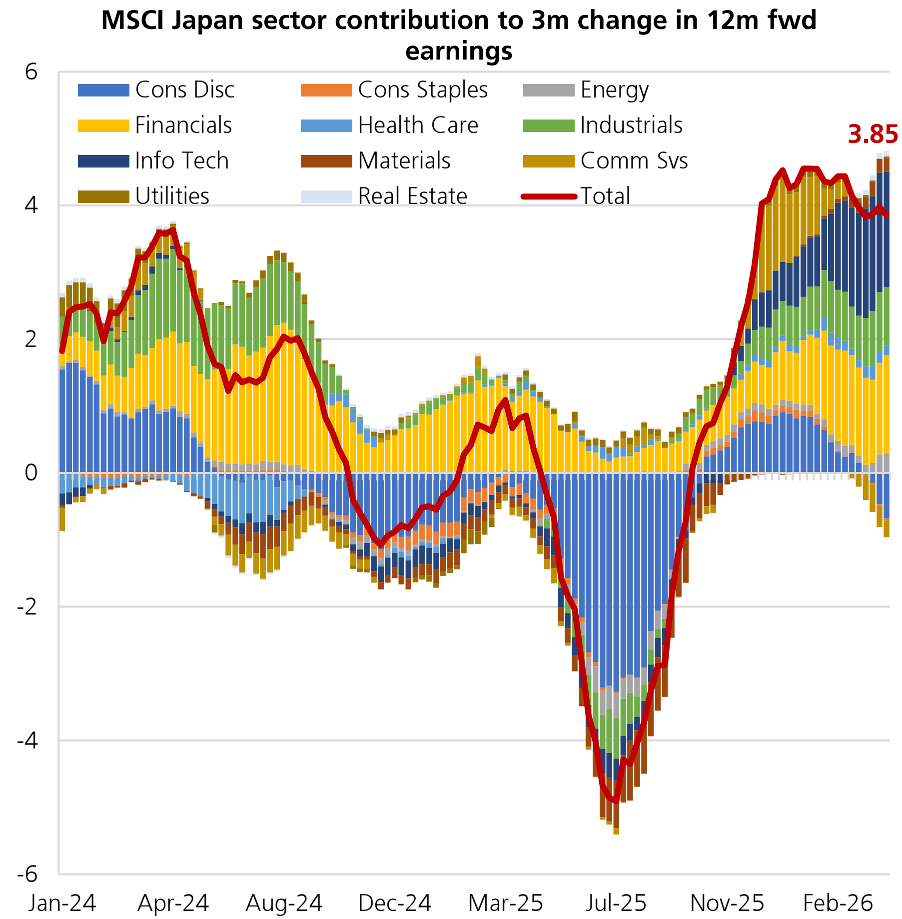
Not a ‘sell Japan’ moment – stocks, even interest rate sensitive stocks, have rallied



Source: MSCI, Datastream, UBS.

Earnings revisions for most cyclical sectors are strong, particularly so for Tech

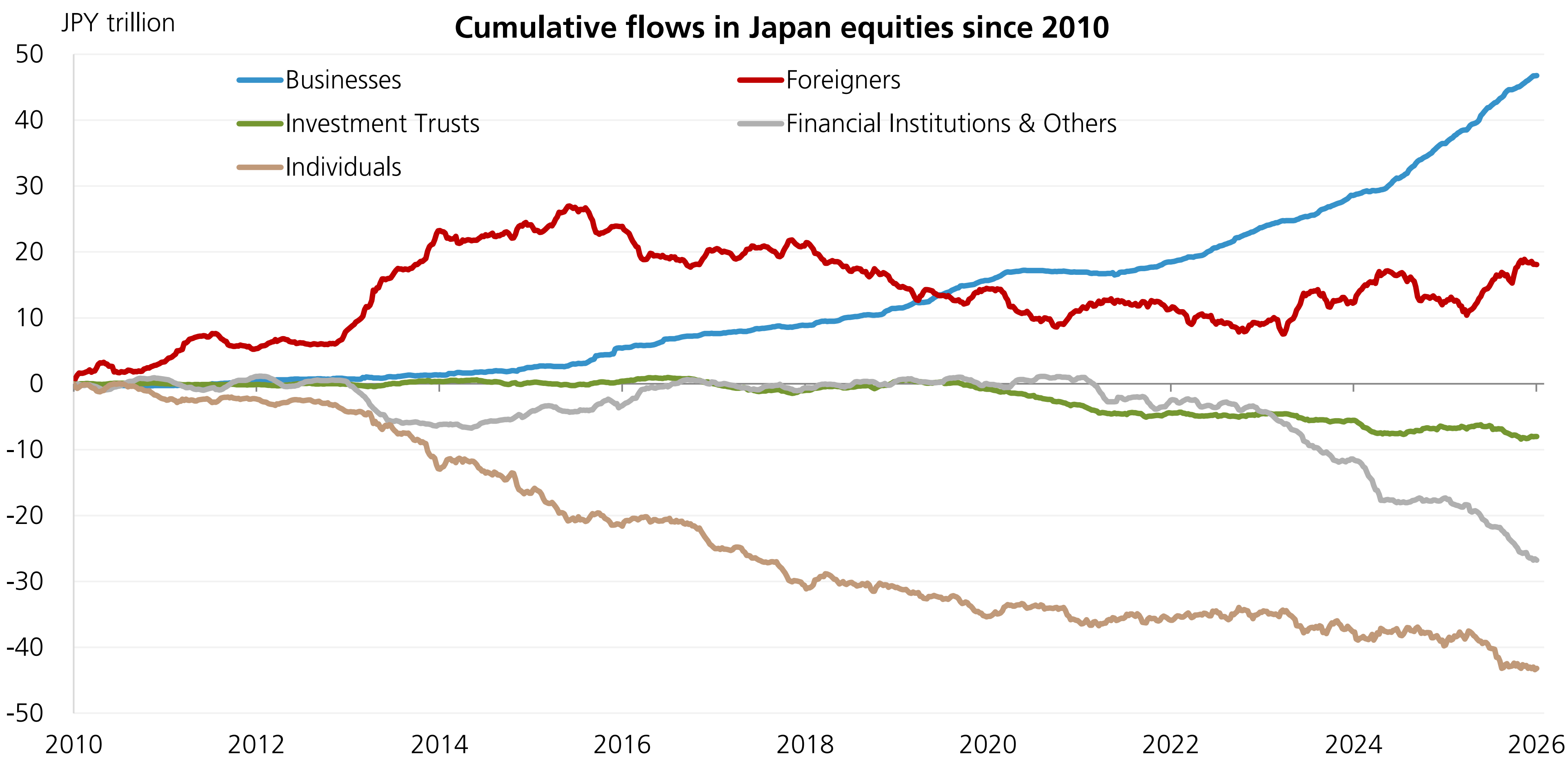




Source: MSCI, IBES. Datastream, UBS.

UBS

Domestic equity scepticism casts doubt on inflation expectations having firmed



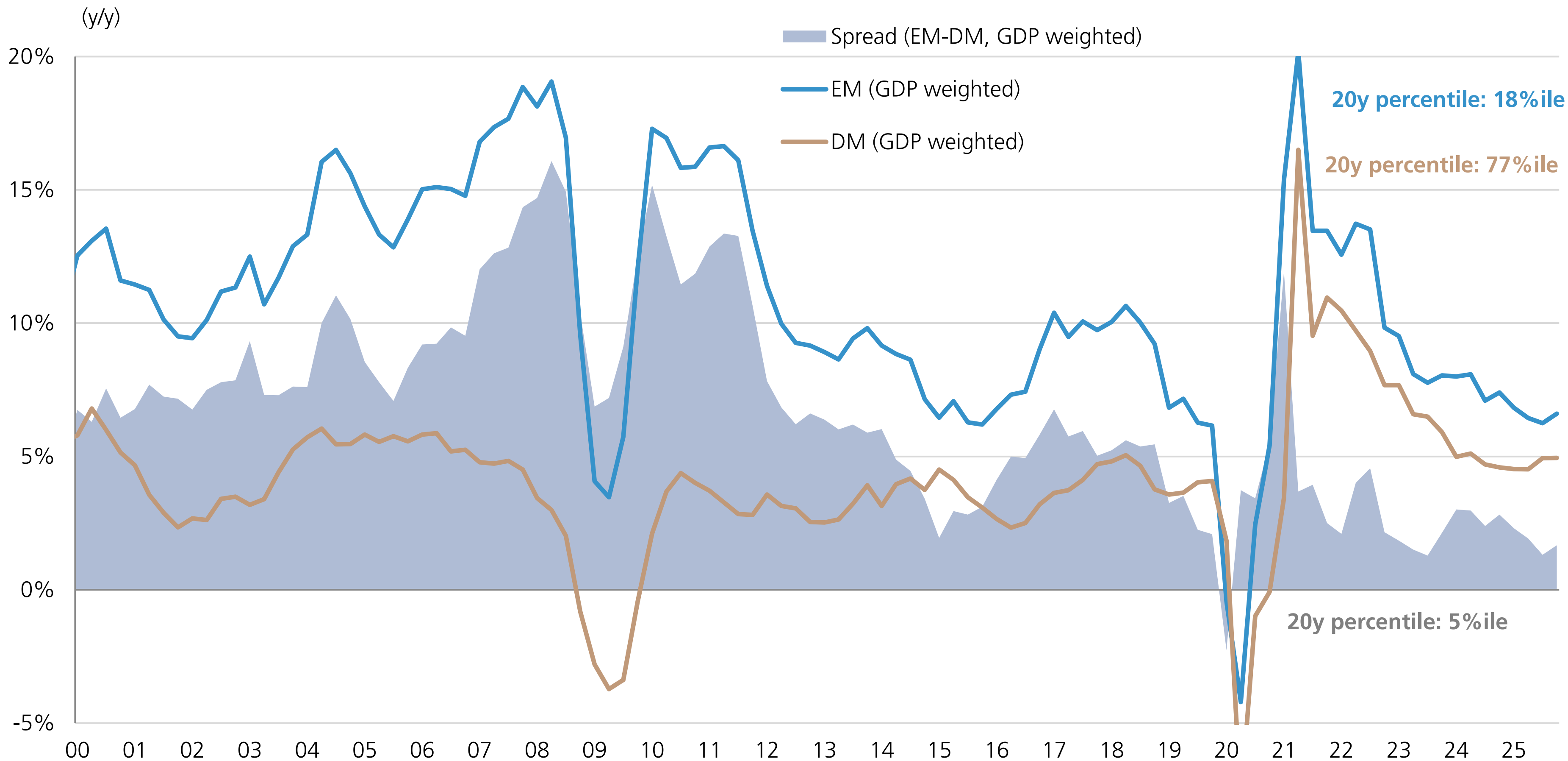
Source: Haver, UBS.

UBS

EM: Low growth also means low inflation

EM-DM growth spread at 1st %ile of its 20y distribution

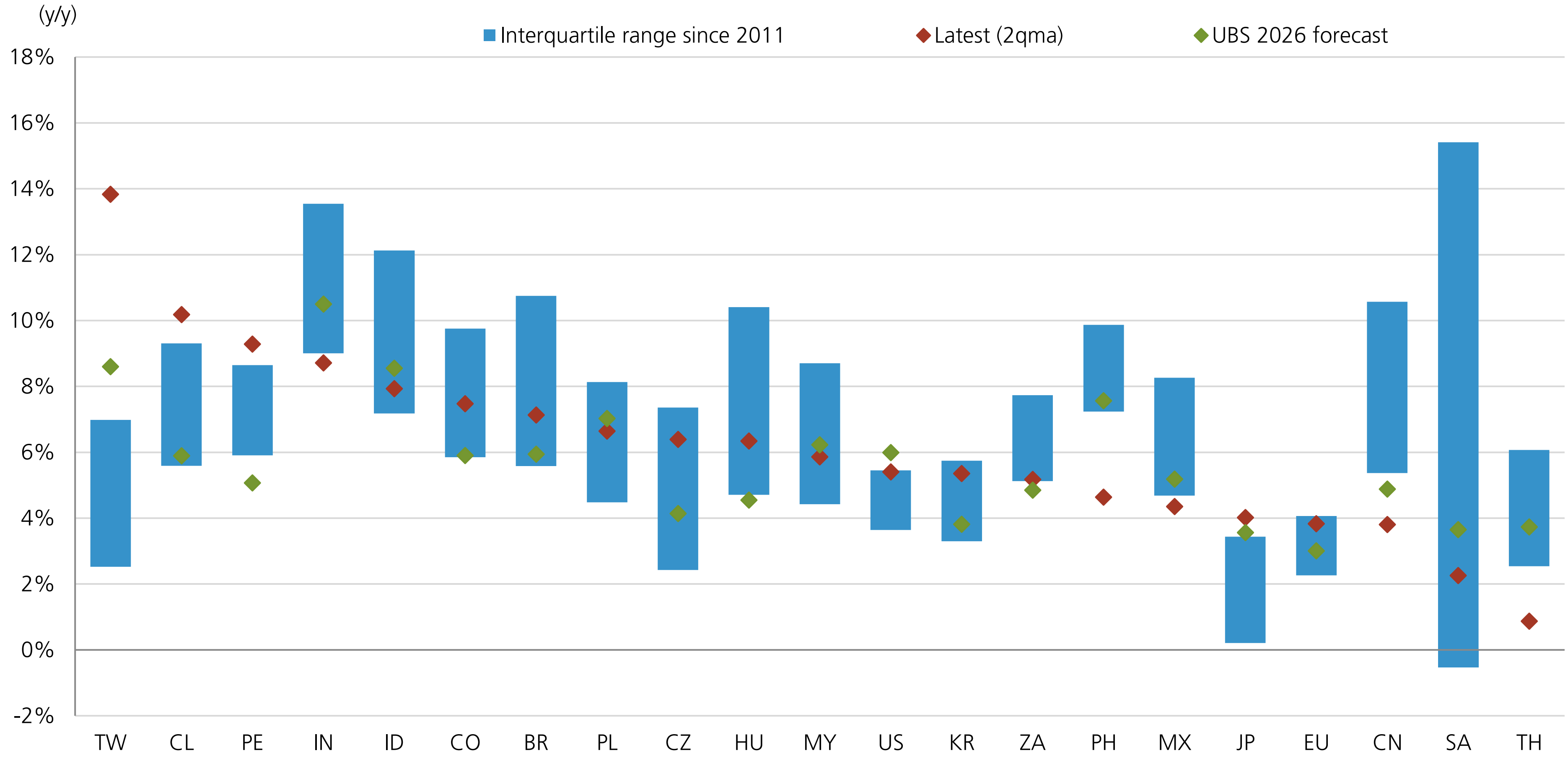
EM vs DM nominal GDP growth



Source: Haver, UBS.

Nominal GDP growth in historical context

Nominal GDP growth

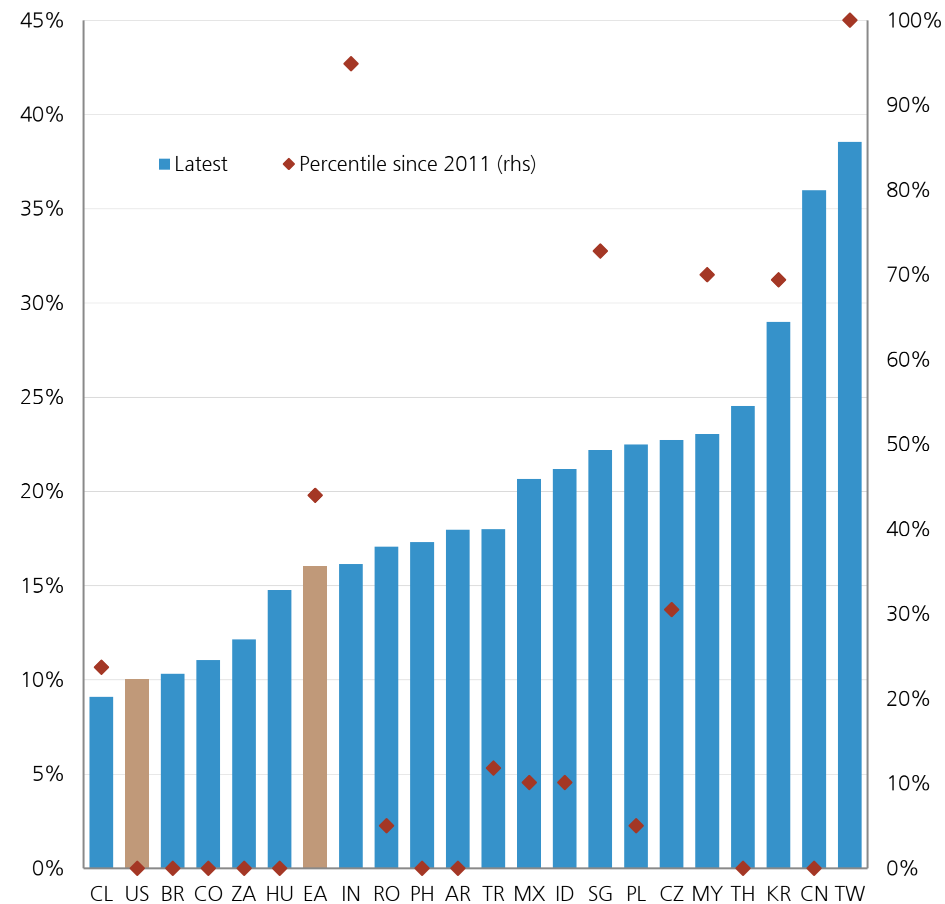


Source: Haver, UBS.

A step-shift down in EM ex China's manufacturing share of GDP

Manufacturing/GDP

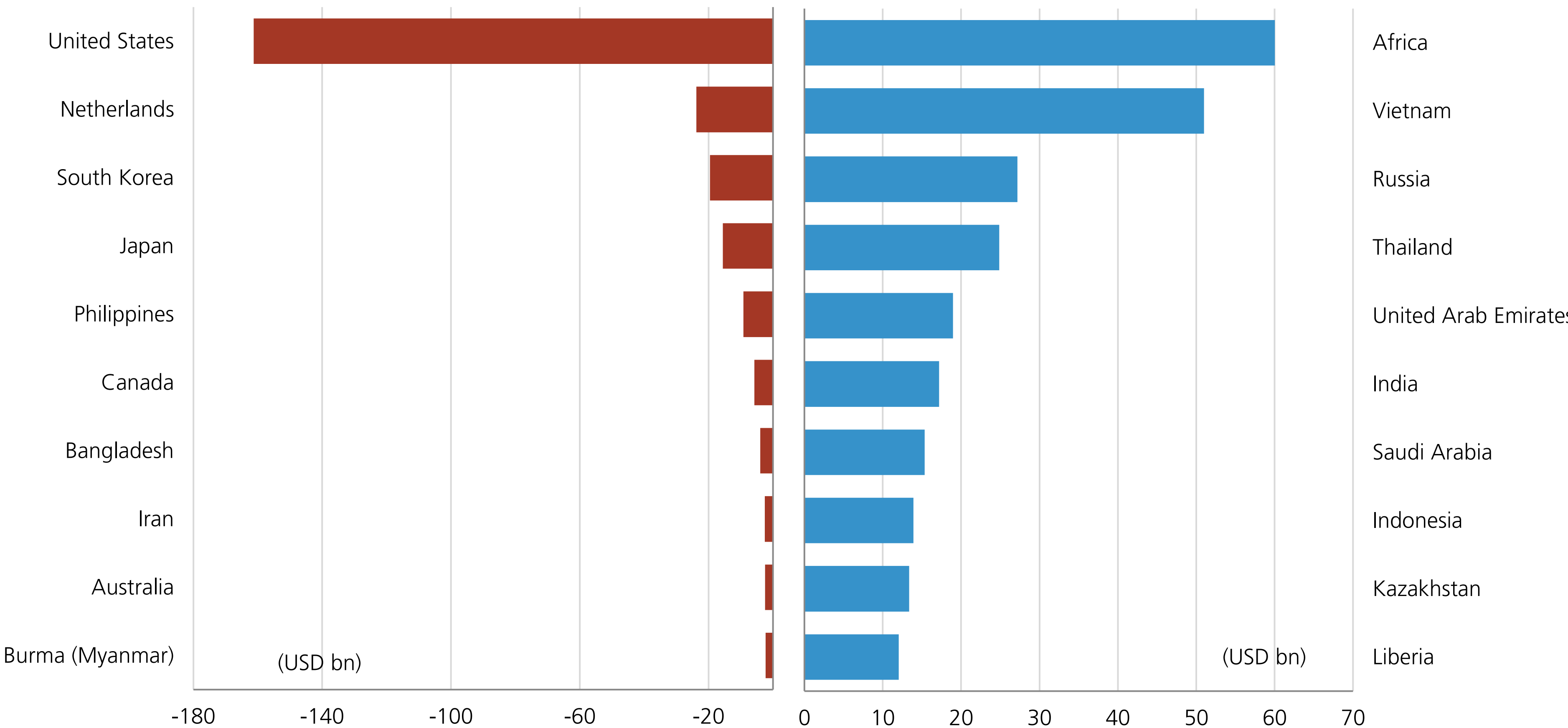
Manufacturing/GDP – by market



Source: Haver, UBS.

The vast majority of China's surging exports are going to EM

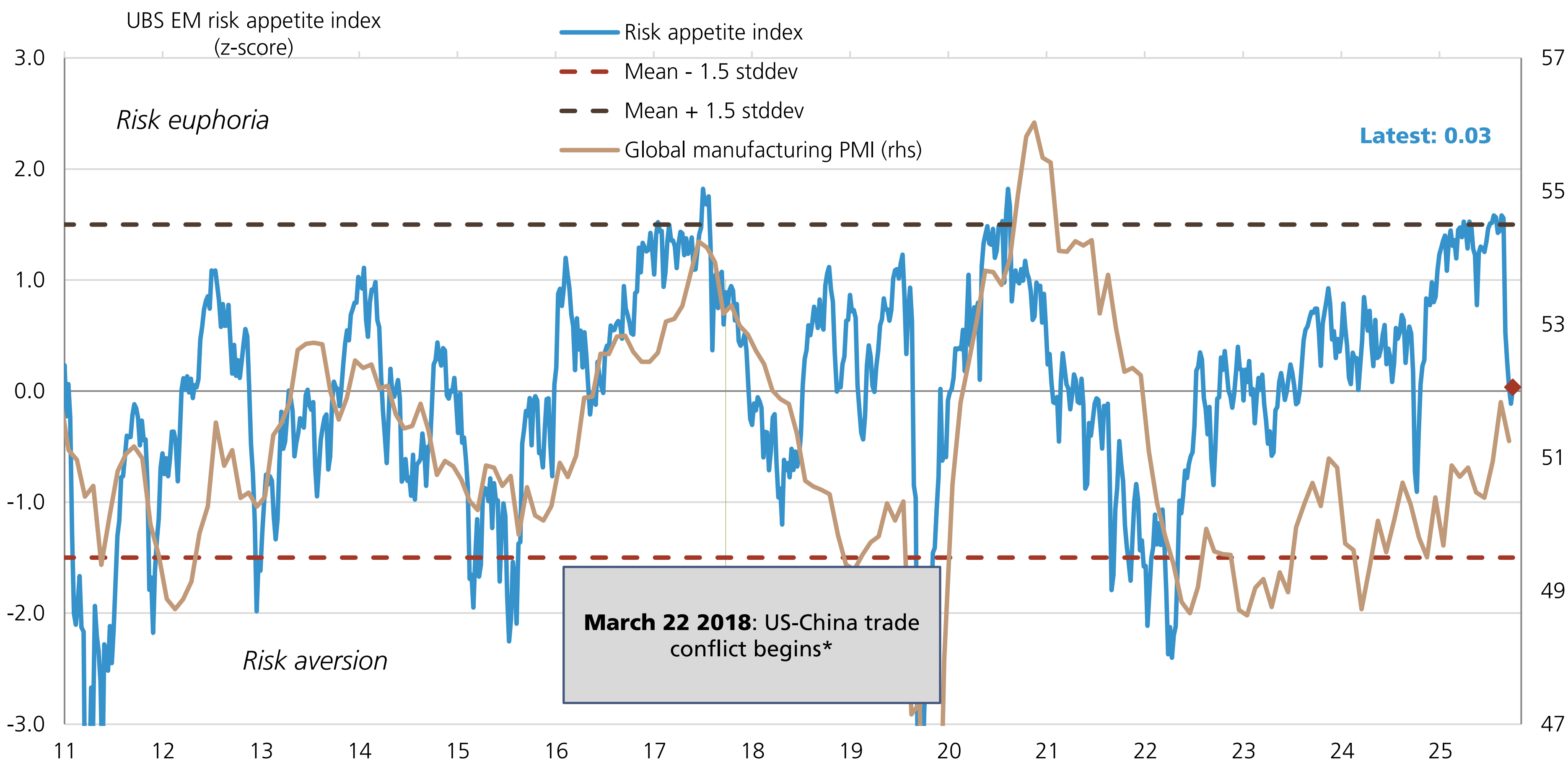
Change in China's export destinations over the last 3y, 12m rolling



Source: Macrobond, UBS.

UBS EM Risk appetite index vs global manufacturing PMI

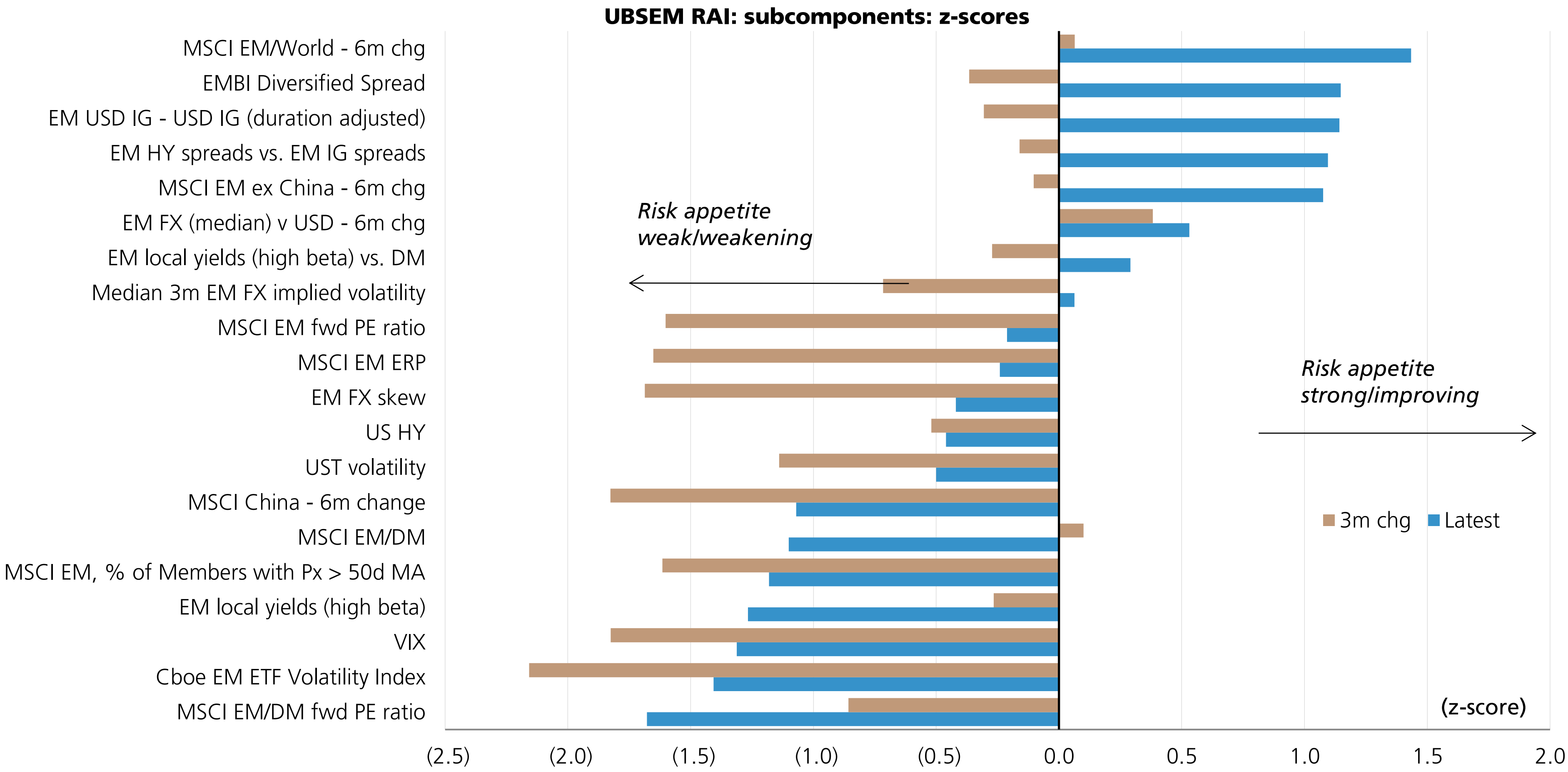
UBS EM Risk appetite index



Source: Macrobond, Bloomberg, UBS. *Trump announced plans to impose 25% tariffs on c.$50bn of Chinese imports on 22 March 2018

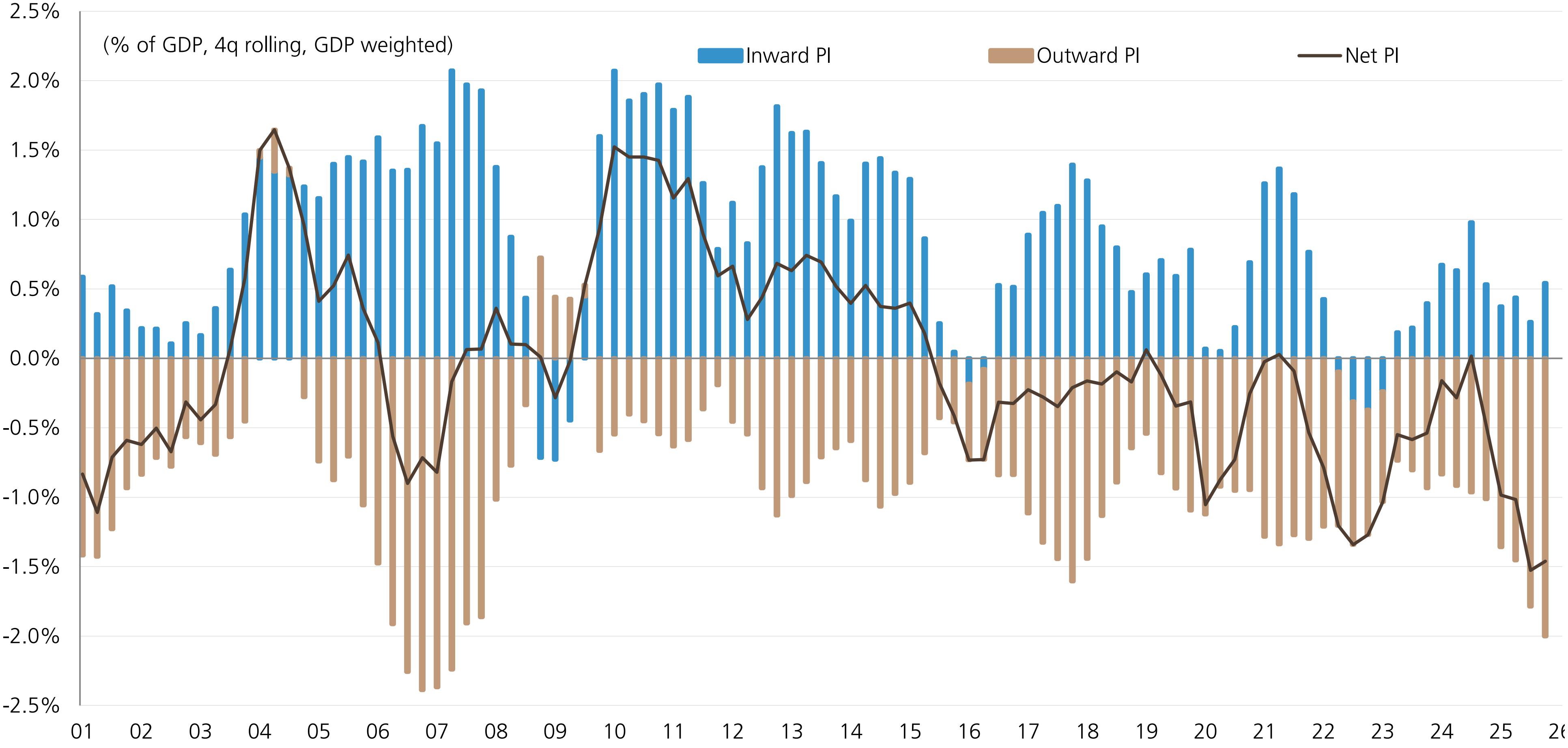
Subcomponents of the UBS EM RAI

UBS EM Risk appetite index - subcomponents



Source: Macrobond, Bloomberg, UBS.

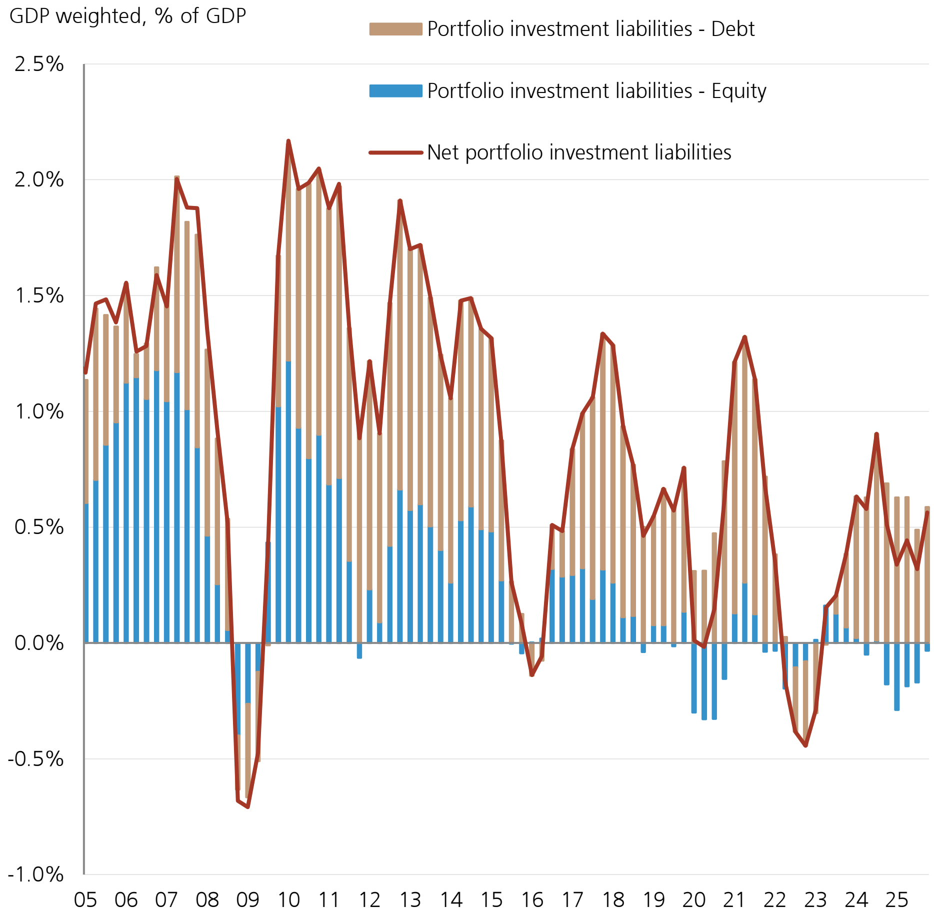
EM portfolio investment flows (Q3 data) – persistent local outflows



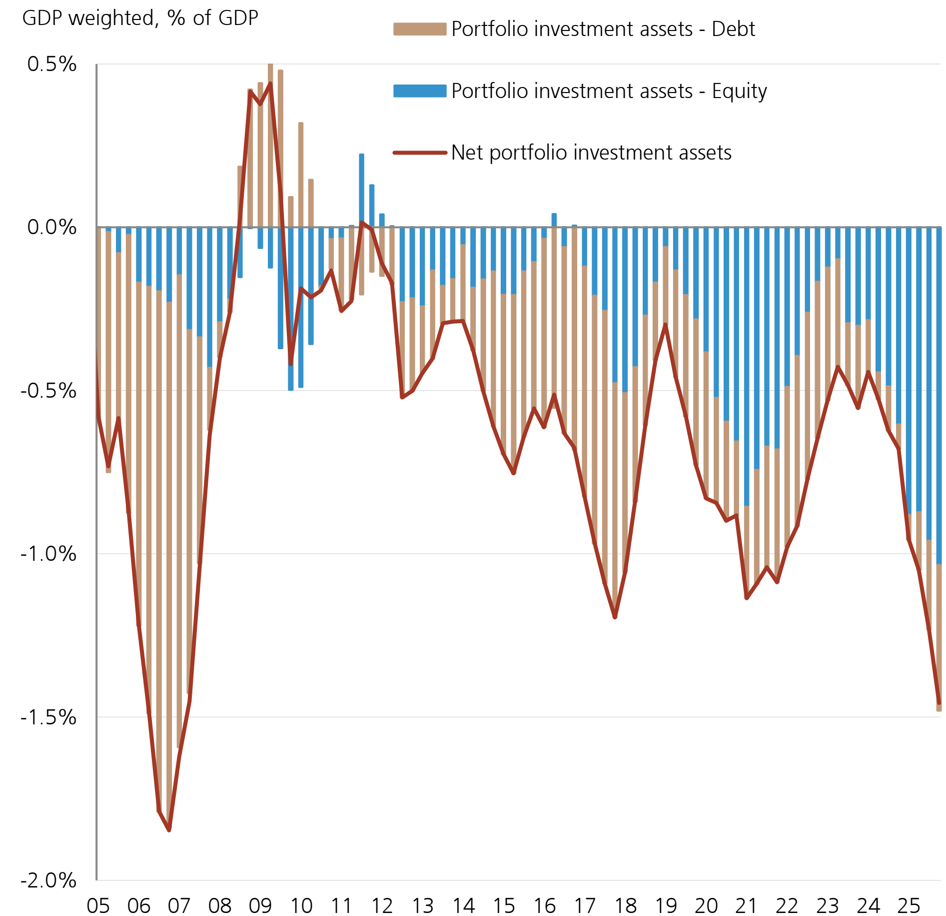
Source: Haver, UBS.

EM portfolio investment flows (Q3 data) – persistent local outflows

EM portfolio investment liabilities - debt vs equity decomposition



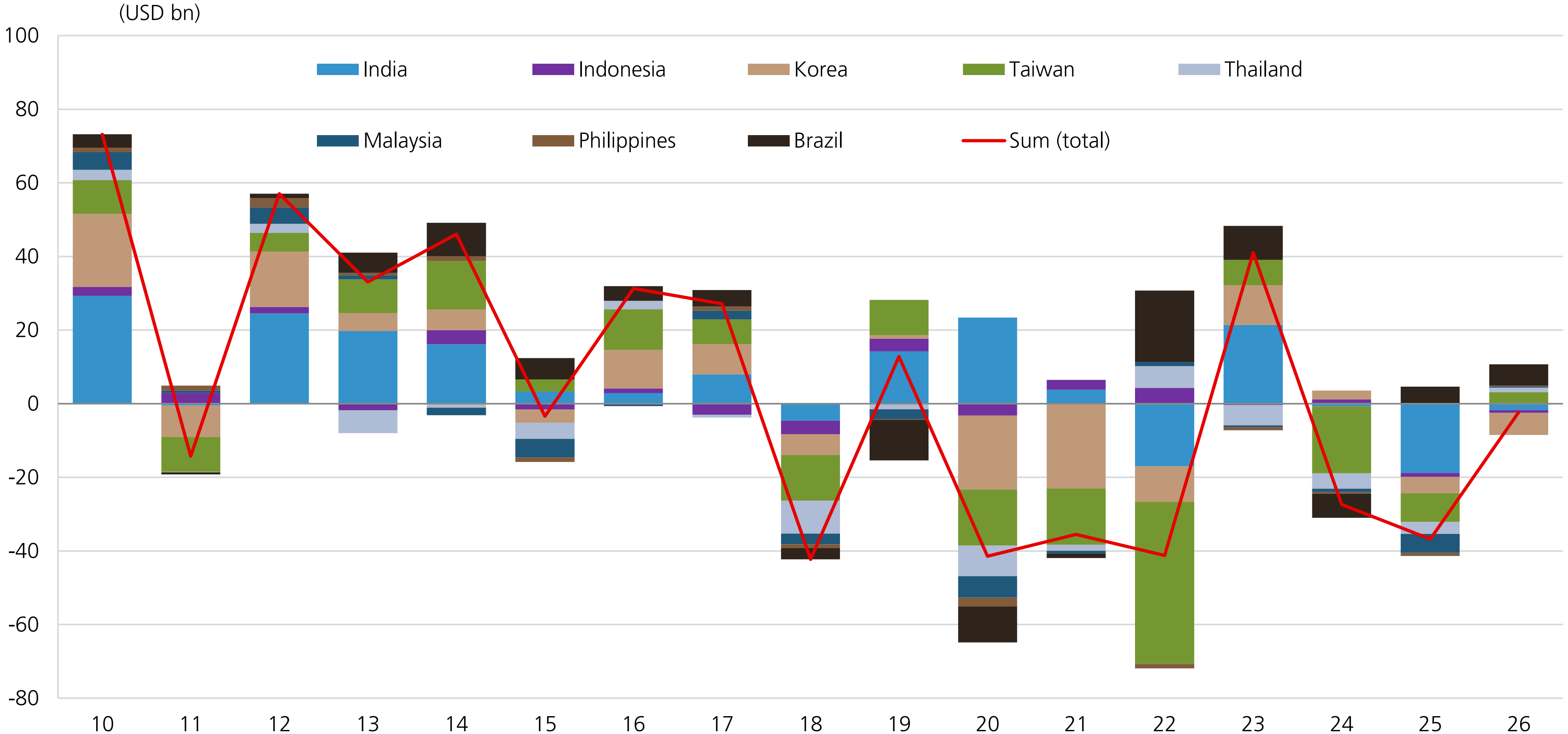
EM portfolio investment assets - debt vs equity decomposition



Source: Haver, UBS.

How quickly are global flows rotating to EM?

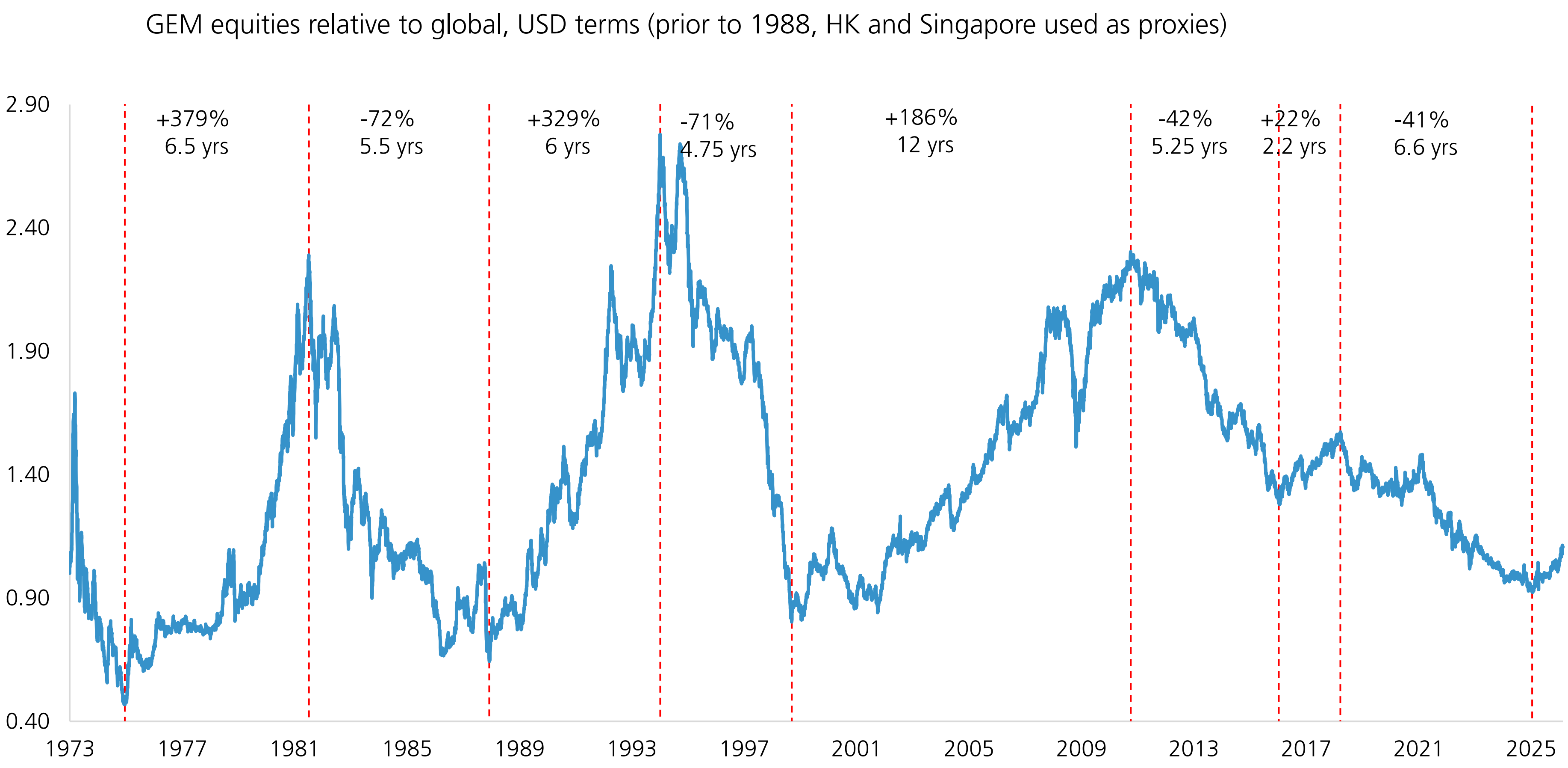
Flows into EM ex China/HK equities



Source: Macrobond, UBS.

EM outperformance has often played out over several years

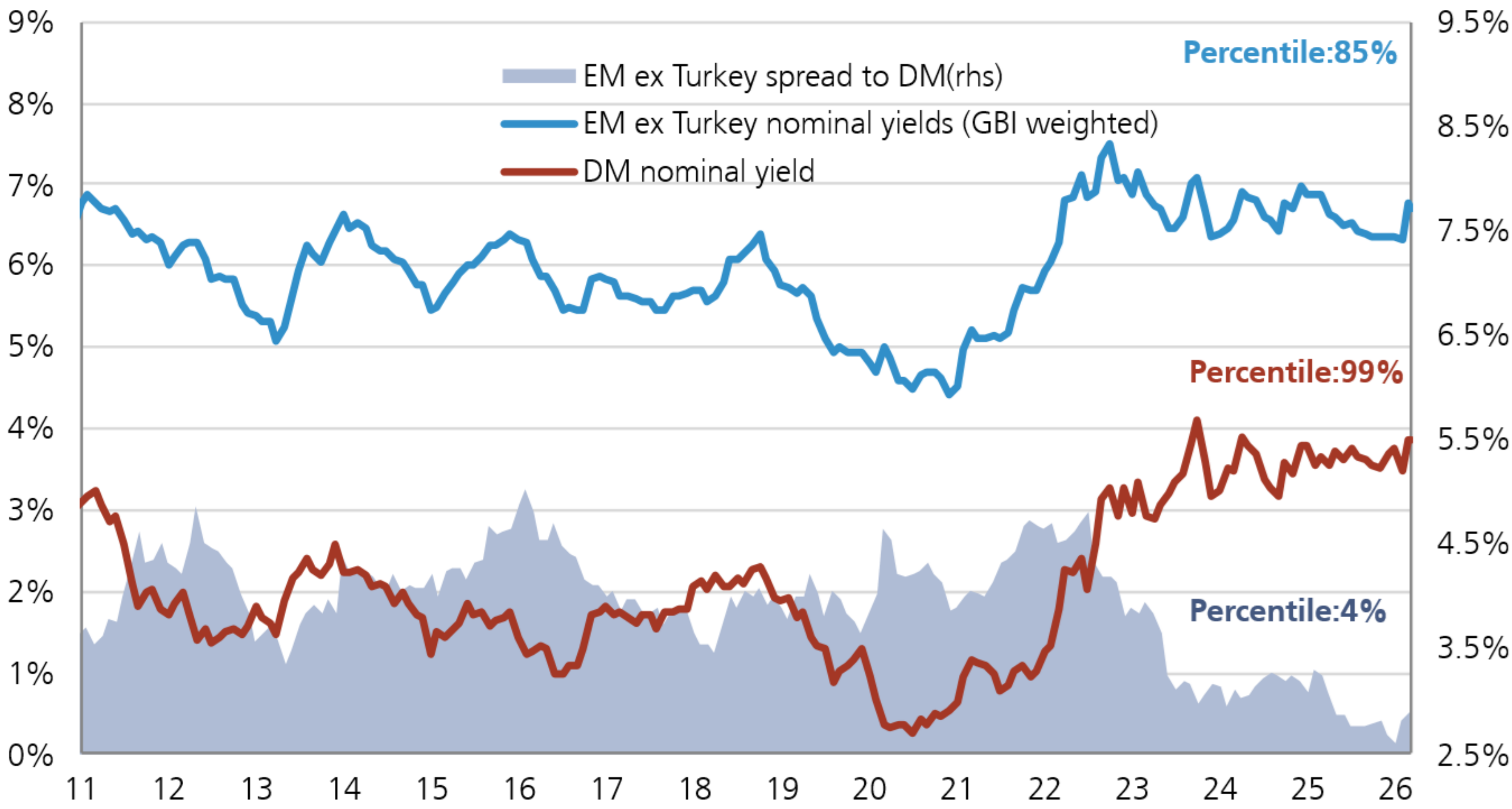
EM outperformance has often played out over several years



Source: IBES, MSCI, Datastream, UBS.

10y EM local yield spreads to DM

EM and DM 10y nominal yields



Source: Haver, Bloomberg, UBS. DM defined here as 75% US, 25% Germany

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Neutral	FSR is between -6% and 6% of the MRA.	40%	21%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 31 March 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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