

OCTOBER 2026

NEWSLETTER

Financial Market Outlook (Short Term)

Appealing		Less Favoured
- Preferred regional markets (US, Europe, Eurozone, Switzerland, UK, EM, Asia ex-Japan, Japan, China A-shares, India, Malaysia, Singapore, Taiwan, Australia) - Preferred sectors (industrials, health care, consumer discretionary, US financials, US utilities, European banks, European IT)	Equities	- Excess single-name megacap exposure - Excess US tech exposure - Cash - Money market funds - Expiring fixed-term deposits
- High grade, investment grade, high yield, and emerging markets bonds - Diversified fixed income strategies (with preference for quality bonds, EM credit, high yield)	Bonds	- Excess cash - Money market funds - Expiring fixed-term deposits
- GBP - NOK	Currencies	- Excess cash - Money market funds
- Broad commodities - Copper - Structured investment strategies in gold - Active commodity strategies	Precious Metals & Commodities	- Excess cash - Money market funds

Asset Allocation

Equities: US, Europe, Eurozone, Switzerland, UK, EM, Asia ex-Japan, Japan, China A-shares, India, Malaysia, Singapore, Taiwan, and Australia = Attractive.

Bonds: High-grade, investment-grade, high-yield, and emerging market bonds = Attractive.

Currencies: GBP, NOK, and CNY = Attractive.

Commodities: Broad commodities, copper, gold, and active commodity strategies = Attractive.

Equities

The global earnings cycle continues to strengthen, supported by improving manufacturing activity and robust AI investment. Modest policy tightening may create volatility, but should not derail the equity outlook, while economic growth and corporate profits remain resilient.

We maintain our Attractive view on key regions such as the US, Europe, and Asia. At the sector level, we favor a combination of cyclical sectors, such as consumer discretionary and banks, and sectors exposed to structural trends, such as industrials and health care.

Transformational innovation remains a critical market driver. We believe investors should build a dedicated allocation to opportunities in AI, Power and resources, and Longevity.

Bonds

We maintain an Attractive recommendation on the bond asset class, with corresponding Attractive recommendations on the high grade, investment grade, emerging market, and high yield subsegments.

The past month has been challenging for bonds, with yields reaching new cyclical highs. Inflation concerns and the escalating conflict in the Middle East continue to disrupt energy markets and pressure prices.

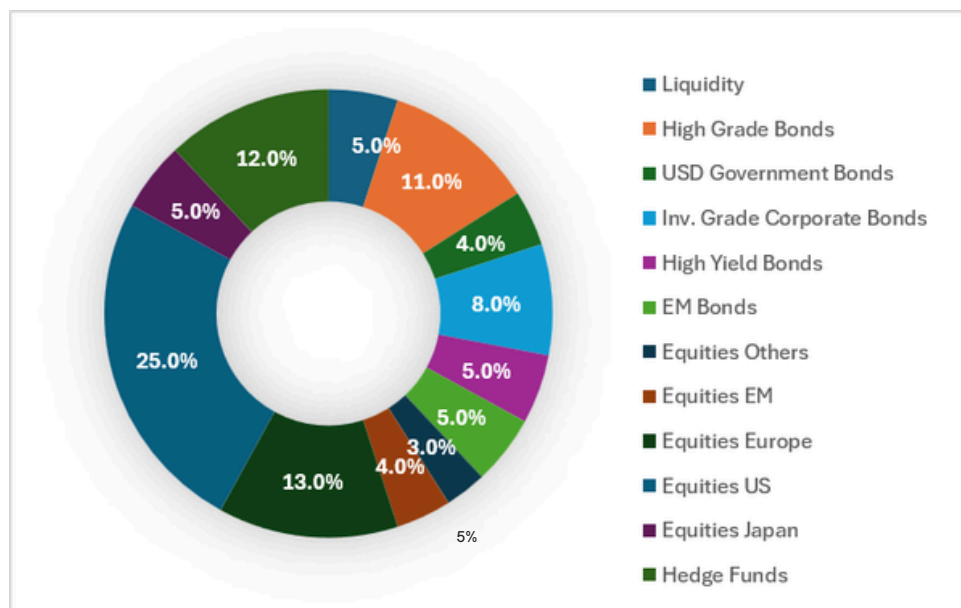
As a result, central banks have maintained a more hawkish stance, pushing short-term rates higher as markets price in further rate hikes. Our view has evolved accordingly. While we previously expected the Federal Reserve to remain on hold this year, stronger US growth and renewed inflation risks led us to anticipate further tightening.

Currencies

The Iran conflict continues to influence FX markets through higher oil prices and inflation expectations. Markets now price significant additional ECB and Fed tightening, although we believe expectations may be somewhat excessive. Despite a more hawkish Fed outlook, we expect a weaker USD owing to US fiscal concerns and upcoming midterm elections.

The backdrop remains supportive for carry strategies as yield differentials widen and volatility stays low. Relative to the US dollar, we maintain Attractive views on the GBP, NOK, and CNY, while moving the NZD to Neutral following softer labor market data and a less hawkish RBNZ. We also remain Neutral on the EUR and JPY relative to the dollar, and the USD on an absolute basis. The CHF should continue to serve as a key funding currency and underperform on a total-return basis.

Balanced USD Model Portfolio



Source: UBS Houseview monthly, October 2026

Economy and Interest Rates

Following the strong economic figures in the second quarter, fears that energy prices would dampen economic growth have subsided. However, the inflation shock could now turn out to be greater than expected—as could the resulting tightening of monetary policy.

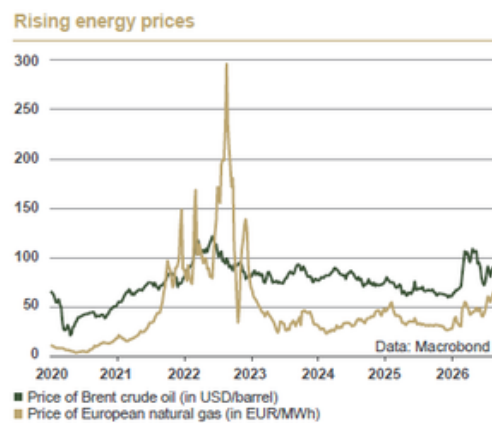
With no solution in sight in the Middle East, prices for oil, gas, and refined products such as gasoline and diesel are skyrocketing. As a result, inflation rates remain elevated. For central banks, however, the key question is whether second-round effects will materialize: for example, if companies raise their prices due to higher transportation and energy costs, or if workers demand wage adjustments to offset inflation. In that case, inflation rates outside the energy sector would also rise, triggering a significant inflation shock that central banks would have to combat with higher interest rates. Second-round effects and overly hesitant central banks were the reason why the inflation shock five years ago was so severe.

Second-round effects take time to materialize. Although they are not yet visible in the inflation data, the ECB expects them to occur. That is why it has already raised interest rates twice and will do so again in December. The Federal Reserve also tightened monetary policy in September. This marks the start of a moderate cycle of interest rate hikes that will continue over the next few quarters. U.S. inflation is driven not only by the energy sector but also by domestic demand. A more restrictive monetary policy is therefore appropriate, regardless of the energy price shock. The SNB, on the other hand, is in the comfortable position of being able to wait and see. The inflation shock is not yet over significant enough to threaten price stability, which is why no action by the National Bank is required for the time being.

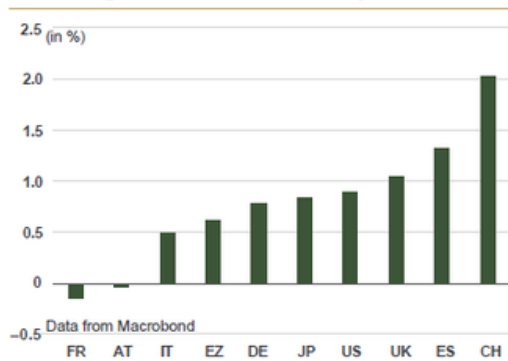
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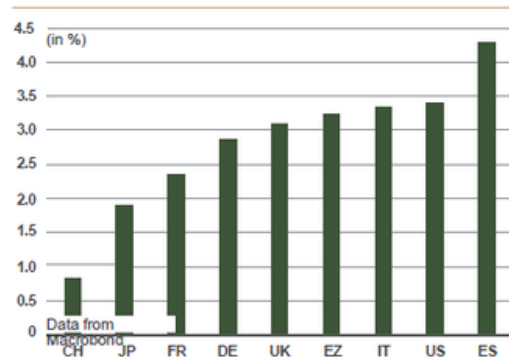
The economy proved surprisingly resilient in the first half of the year. Economic growth was relatively strong, and private consumption was barely affected by higher inflation. Sentiment indicators and economic data suggest that the positive economic momentum will continue in the third quarter. Central banks can therefore focus on inflation and be confident that any interest rate hikes will not stifle economic activity. However, the longer the tense situation in the Middle East keeps the inflation rate at an elevated level, the greater the risk of second-round effects—and thus the burden on the economy.



Economic growth in the first half of the year



Current inflation rates



Source: LLB October 2026

Key Figures 2026

Equity Indices (Local Currencies)				Currencies			
AMERICA	31.12.2025	02.10.2026	% Chg YTD		31.12.2025	02.10.2026	% Chg YTD
DOW JONES IND.	48'063.29	51'176.96	+6.48%	EUR/USD	1.1747	1.1240	-4.31%
S&P 500	5'881.63	7'722.72	12.81%	USD/JPY	148.59	158.07	0.91%
RUSSELL 2000	2'481.911	2'832.89	15.18%	USD/CHF	0.9726	0.8313	4.88%
NASDAQ COMP	23'241.99	27'190.86	16.99%	GBP/USD	1.3474	1.3139	-2.08%
CANADA - TSX	31'712.00	35'502.65	11.95%	USD/CAD	1.3725	1.4220	3.60%
MEXICO - IPC	64'308.29	64'531.68	0.56%	EUR/CHF	0.9310	0.9329	0.20%
BRAZIL IBOVESPA	161'125.00	192'114.55	19.23%				
COLOMBIA COLCAP	2'474.76	2'549.16	-9.76%				
ASIA	31.12.2025	02.10.2026	% Chg YTD	Commodities (USD)			
				PRECIOUS METALS	31/12/2025	02.10.2026	% Chg YTD
JAPAN- NIKKEI	50'339.00	68'409.46	36.98%	GOLD USD/OZ	4'315.00	4'178.86	-3.16%
H.K. HANG SENG	25'630.00	23'972.26	-6.47%	SILVER USD/OZ	71.31	60.87	-14.36%
CHINA CSI 300	4'629.00	4'357.61	-6.25%	PLATINUM USD/OZ	2'054.00	1'171.40	-16.57%
EUROPE	31.12.2025	27.08.2026	% Chg YTD	ENERGY	31/12/2025	02.10.2026	% Chg YTD
EURO STOXX 50	5'791.00	6'238.50	7.72%	WTI Crude Oil	57.42	92.87	41.47%
UK - FTSE 100	9'931.00	10'461.95	5.34%	Brent Crude Oil	60.85	102.31%	68.13%
GERMANY - DAX	19,909.14	25'231.20	3.02%	Natural Gas	3.69	2.97%	-19.51%
SWITZERLAND - SMI	13'267.48	13'698.67	3.25%				
SPAIN - IBEX 35	17'703.80	19'085.30	10.27%				
PORTUGAL - PSI 20	8'263.65	9'416.78	13.95%				
Volatility				Interest Rates Government Bonds			
	31.12.2025	02.10.2026	% Chg YTD		3 Months	2 Years	10 Years
SPX (VIX)	14.95	15.31	1.74%	USA	4.103	4.825	5.280
				GERMANY	2.455	3.05	3.4549
				SWITZERLAND	-0.080	0.180	0.525
				UK	4.053	4.8188	5.3721
				JAPAN	1.271	1.908	3.088

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