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News Release

UBS unveils Year Ahead outlook for 2021: A year of renewal

- **We see economic output and corporate earnings rebounding to pre-pandemic levels in 2021**
- **Investors should consider broadening their portfolios beyond large US companies, low-yielding fixed income, and the US dollar**
- **We expect some of 2020's laggards to have biggest upside potential in 2021 – with a focus on cyclical and mid-cap stocks**
- **Investors looking for "The Next Big Thing" should seek opportunities in fintech, greentech, healthtech, or 5G**

Zurich, November 17, 2020 – After an unprecedented year, UBS, the world's leading global wealth manager, expects economic output and corporate earnings to rebound to pre-pandemic levels in 2021.

In a base case scenario, a combination of fiscal stimulus, continued low interest rates, and a vaccine rollout should generate above-average returns for small- and mid-sized companies, select financial and energy stocks, and companies in the industrial and consumer discretionary sectors, according to the annual Year Ahead outlook published by UBS Global Wealth Management's Chief Investment Office.

The report's core recommendations include:

- Diversify portfolios for the next leg higher in equities by looking beyond the resilient, large, and US-based firms that dominated in 2020. Investors should think global, look for catch-up potential, and seek new long-term winners.
- Diversify out of low-yielding cash and bonds and hunt for yield in emerging market US dollar-denominated sovereign bonds, Asian high yield bonds, and select crossover bonds that are close to the dividing line between investment-grade and high-yield rated issuers.
- Position for a weaker US dollar. Investors should diversify across G10 currencies or into select emerging market currencies and gold.

Private market and sustainable investments could be valuable additions to investors' portfolios. Heading into 2021, UBS maintains its preference for sustainable investments for private clients investing globally.

Mark Haefele, Chief Investment Officer at UBS Global Wealth Management, said: "We think 2021 will be the 'year of renewal'. Renewed growth, expansive fiscal and monetary policies, and fresh political leadership mean we should also expect new market leadership in 2021. Looking beyond the year ahead, investors should also consider sectors undergoing technological transformation. If the last decade was about investing in technology itself, we think the next will be about investing in the disruptors challenging the status quo in other industries."

The Next Big Thing

Looking ahead to the next decade, investors face a world that is more indebted, more unequal, more local, but also more digital and, in some respects, more sustainable.

They can find long-term opportunity in trends that have been accelerated by the COVID-19 pandemic and will help power a new and renewable future, especially in sectors undergoing technological disruption. Whether it's the transition to a zero carbon economy, the increased need for a more efficient and holistic healthcare system, or the push to further digitize financial services – the companies exposed to these trends are expected to enjoy above average growth over the longer-term. By 2035 the 5G transition alone should create USD 13.2 trillion of economic value.

Scenario analysis

Upside scenario	Central scenario	Downside scenario
Investment view		
Diversify for the next leg	Hunt for yield	A diversified hedging strategy, including gold, dynamic allocation strategies, long duration, and option structures.
Position for a weaker dollar	Buy into sustainability	
Invest in the Next Big Thing	Diversify into private markets	
Pandemic recovery		
A highly effective vaccine becomes widely available by 1Q21 in leading economies.	An effective vaccine becomes widely available by 2Q21 in leading economies.	Vaccine availability delayed, or with a lower efficacy than initially thought
Social activity fully normalizes by 2Q21	COVID-19 waves recur in the first half, but short-term restrictions and limited public fear allow social activity to normalize alongside a vaccine rollout by 3Q21	Public fear of COVID-19 is elevated, and restrictions on business activity recur throughout 2021, causing social activity to only return to normal by late-2021.
Developed countries' GDP returns to pre-pandemic levels by end-2021	Developed countries' GDP returns to pre-pandemic levels by 2022	Developed countries' GDP returns to pre-pandemic levels by 2023.
Economic policy		
Central bank policy stays accommodative, albeit edging toward a tightening bias later in the year.	Central banks maintain accommodative policy.	Monetary policy support is increased to offset the effects of weak growth, but may be tapered if inflation rises unexpectedly.
Low real rates and a weaker dollar boost global growth	Real interest rates remain low and stable	Real rates rise initially, but subsequently trend down.
Geopolitics		
The US government is able to agree on a larger-than-expected fiscal deal, closer to USD 2tr.	The US government agrees on a fiscal deal worth USD 500bn – 1,000bn, and do not increase tax rates	Ongoing contests to the US election result, or partisan political discourse, create uncertainty about fiscal policy.
The Biden administration begins a partial rollback of existing tariffs on China exports, supporting global growth.	US-China relations remain a long-term issue, but President-elect Joe Biden's foreign policy is more predictable than that of his predecessor.	US-China trade tensions re-escalate, with the fundamental geostrategic rivalry between the US and China not tempered by the new US administration.

Asset class targets for June 2021		
S&P 500 4,000	3,800	2,900
Euro Stoxx 50 3,900	3,600	2,800
MSCI EM 1,390	1,280	900
SMI 11,500	11,000	8,800
USD IG spread 60bps	80bps	200bps
USD HY spread 350bps	400bps	700bps
EMBIG spread 280bps	340bps	550bps
EURUSD 1.25	1.22	1.12
Gold USD 1,600–1,700/oz	USD 1,950/oz	USD 2,200–2,300/oz

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UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS's strategy is centered on our leading global wealth management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. The bank focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

UBS is present in all major financial centers worldwide. It has offices in more than 50 regions and locations, with about 30% of its employees working in the Americas, 31% in Switzerland, 19% in the rest of Europe, the Middle East and Africa and 20% in Asia Pacific. UBS Group AG employs over 68,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

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