We believe the fundamental backdrop remains supportive for equities, driven by solid economic and earnings growth, likely interest rate cuts, and rising investment in AI.

Can equities rally from all-time highs?

28 June 2024, 8:56 pm CEST, written by UBS Editorial Team

The S&P 500 has extended its rally into June, setting a new all-time high. While various economic and geopolitical risks remain, we believe solid economic and earnings growth, the prospect of lower interest rates, and rising investment in AI should create a supportive backdrop for equities. In our base case, we see the S&P 500 ending the year around 5,500.

The S&P 500 rose 0.6% in the week ending 21 June. The rally was broad-based, supported by solid economic data. Chipmaker NVIDIA briefly overtook Microsoft to become the largest listed company in the world, but its shares pulled back toward the end of the week.

What you need to know about CIO's House View

The S&P 500 rallied to a new all-time high in June.

- As of 21 June, the S&P 500 was up nearly 15% year to date.
- The index set a new record closing high on 18 June.
- Signs of a soft landing for the US economy and increasing investment in AI have boosted equities.

But we believe the fundamental backdrop remains supportive for equities.

- US economic growth remains solid, and we expect inflation to continue its gradual downward trend.
- The Federal Reserve is on track to cut interest rates this year, likely starting in September.
- We expect earnings growth of 11% for the S&P 500 in 2024. Our end-2024 target for the index is 5,500.

We continue to favor tech stocks, but also see opportunities for investors looking to diversify.

- With AI-related companies likely to drive strong earnings growth in the years ahead, we recommend that investors hold strategic exposure to the tech sector.
- We also recommend focusing on quality growth in other areas of the equity market, including “Europe's Magnificent 7” stocks and select benchmark heavyweights in Asia.
- At a country level, we like UK equities, supported by our expectation of an earnings rebound this year.

Investment view

We see a supportive backdrop for equities amid resilient economic and earnings growth, falling inflation, and rising AI investment. We believe investors should ensure they build sufficient exposure to AI, and also seek quality growth opportunities beyond tech. Structured strategies with capital preservation features can help investors build more defensive equity exposure.

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