Positive US economic surprises, the growth potential of Chinese stimulus measures, and global rate cuts create a favorable environment for equities. (UBS)

CIO believes the outlook is brightening for global equities

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Resilient growth and potential policy changes in the US, more forceful policy interventions in China, and the continuation of the global rate-cutting cycle establish a more constructive backdrop for global stocks. Exposure to US stocks—especially technology—is crucial to capturing the AI opportunity, in CIO's view.

CIO also see opportunities in Asia ex-Japan equities, and European small- and mid-sized firms remain compelling on a 1-3 year horizon.

We still view the US market as Attractive.

- We continue to see robust US growth amid a benign environment, lower interest rates, and the continued structural tailwind from AI.
- Lower corporate taxes and/or deregulation of the energy and financial sectors under a Trump administration could provide additional support
- We hold a December 2025 S&P 500 price target of 6,600 and like financials, technology, and utilities in particular.

Small- and mid-sized Eurozone companies remain compelling.

- We expect real GDP growth to accelerate. Rising wages and falling inflation should lead to an increase in consumption and industrial activity.
- Less restrictive financial conditions and lower interest rates should support this segment given their higher dependence on bank lending and variable rate debt.

- European small- and mid-caps are currently at a 20-year low P/E ratio compared to large caps—a compelling opportunity over the 1-3 year time horizon.

We also find Asia ex-Japan equities appealing.

- The region should benefit from further US Fed easing, as well as indirectly from China's stimulus spending.
- South Korea and Taiwan ride the structural AI growth story, while India and Southeast Asia boast resilient growth from domestic-oriented markets.

Did you know?

- After two years of pressure, global earnings have recovered through this year, while forward earnings expectations are improving thanks to positive US economic growth surprises and Chinese stimulus potential. CIO's bottom-up analysis sees 10% EPS growth for MSCI AC World in 2024 and almost the same in 2025.
- Historically, when the Fed eases policy in the context of a soft landing, US equities rise 18% on average in the 12 months after the first Fed rate cut.

Investment view

We believe the outlook is brightening for global equities, driven by the global rate-cutting cycle, robust earnings, and more resilient growth. Lower corporate taxes and deregulation in the US might also prove supportive. China's appetite for further policy stimulus as the need arises should also help boost global equities.

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Original report - **Which regions shine brightest for stocks?, 11 November 2024.**