

# Year Ahead 2022

UBS House View

Global

Chief Investment Office GWM  
Investment Research



A Year of Discovery

**Year Ahead 2022 – UBS House View**

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UBS AG London Branch. Please see the important  
disclaimer at the end of the document.



Angkor Wat (Cambodia) Pexels / Van Trang Ho



# Foreword

Welcome to the *Year Ahead 2022*.

After two years marked by disruption, loss, lockdown, and reopening, we're on the cusp of a *Year of Discovery*.

We expect a year of two halves. Elevated growth and inflation in the first half will create opportunities in cyclical markets, including the Eurozone. But with lower growth and inflation to come in the second half, we also see healthcare, a relatively defensive sector, as well-positioned. Meanwhile, continued low rates, yields, and spreads mean investors will need to think differently to find yield.

Looking further ahead, the net-zero carbon transition and surging technological disruption are proving to be the biggest investment trends of the decade. This brings opportunity in greentech and sustainable solutions, and in enabling technologies like AI, big data, and cybersecurity.

We hope that this *Year Ahead 2022* brings you the context, perspective, and ideas you need to navigate our changing world. We look forward to helping you move ahead with confidence.



A handwritten signature in black ink.

Iqbal Khan

Co-President, UBS Global  
Wealth Management,  
and President, UBS EMEA



A handwritten signature in black ink.

Tom Naratil

Co-President, UBS Global  
Wealth Management,  
and President, UBS Americas

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Mark Haefele

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To find out more about the Year Ahead 2022, visit [ubs.com/yearahead-exclusive](https://ubs.com/yearahead-exclusive)

# Outlook 2022



# 2022 will be a Year of Discovery

Financial markets face a Year of Discovery, as we find out what “normal” rates of growth and inflation look like, and how economic policy responds, after two years dominated by the effects of the pandemic. It will be a Year of Discovery for many individuals, too, as we rediscover lost pleasures while considering the enduring impact of the pandemic on our lives, goals, and values. The year ahead presents an opportunity to align your portfolio with the key trends impacting our world, and with what matters most to you.



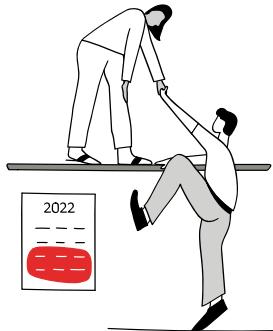
**Mark Haefele**  
Chief Investment Officer  
Global Wealth Management



## Inflation

### Discovering new supply-demand equilibria

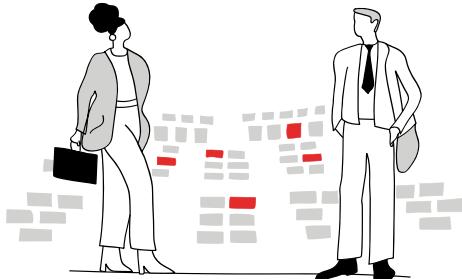
We expect currently elevated rates of inflation to subside over the course of 2022, as supply-demand mismatches resolve, energy prices stabilize, and labor market frictions ease. This should be supportive of equities, by alleviating risks to corporate margins and reducing the likelihood that interest rates will need to be hiked quickly. Nonetheless, the process of discovery of a new balance between supply and demand will create uncertainty that investors will need to navigate.



## Growth

### A year of two halves

We think 2022 will be a year of two halves, with world economic growth well above trend in the first half, followed by normalization in the second half, as reopening completes, excess savings are spent, and emergency stimulus measures are withdrawn. We expect regional dynamics to follow a similar pattern, with developed economies delivering unusually strong performance relative to emerging economies in the first half, before emerging economies return to higher relative growth in the second half.



## Policy

### Finding the right balance

We expect central banks to reduce their emergency monetary accommodation in 2022, with the Federal Reserve likely to end its quantitative easing program by the middle of the year, and the European Central Bank (ECB) further trimming its bond-buying program. We expect the Bank of England, the Bank of Canada, and the Reserve Bank of New Zealand to raise interest rates. But with both inflation and economic growth likely to be falling by midyear, policymakers are likely to be cautious of the risk of overtightening.



## Outlook

### A Year of Discovery

We start the year with a positive stance on equities, and particularly the winners from global growth, including Eurozone stocks, though slower growth over the course of 2022 should also start to favor healthcare, a defensive sector. Low rates, yields, and spreads speak in favor of a continued hunt for "unconventional" yield. We also have a positive stance on the US dollar. Looking longer-term, we see opportunity in disruptive technologies—artificial intelligence (AI), big data, and cybersecurity—and in investments related to the net-zero carbon transition.

# Investing in 2022 and beyond



## Buy the winners from global growth

With economic growth likely to remain strong in the first half of 2022, we see Eurozone and Japanese equities, US mid-caps, global financials, commodities, and energy equities as beneficiaries. We have also identified 22 high-conviction stocks for 2022.

[› Read more on page 26](#)



## Seek opportunities in healthcare

Although we expect growth to be strong as we enter 2022, favoring cyclical sectors, slower growth over the course of the year should start to favor more defensive parts of the market. Healthcare is attractively priced in our view and provides both defensive and structural growth characteristics.

[› Read more on page 31](#)



## Seek unconventional yield

We think central banks are likely to scale back emergency accommodation, but interest rates will remain low by historical standards. Investors seeking income will therefore need to look for "unconventional" yield sources, including US senior loans, Asia high yield, active fixed income strategies, synthetic and private credit, and dividend-paying stocks.

[› Read more on page 34](#)



### Position for a stronger dollar

We think a combination of Fed tapering and slowing global growth should favor the US dollar in 2022. More broadly, amid diverging central bank policies, we expect the currencies of the “hawks”—the British pound, US dollar, and Norwegian krone—to appreciate relative to those of the “doves”—the Swiss franc, euro, and Japanese yen.

[› Read more on page 39](#)



### Invest in disruptive technologies

We focus on three major technologies enabling disruption in the decade ahead: AI, big data, and cybersecurity. Investors should diversify portfolios beyond mega-cap technology stocks and include mid-caps, as well as consider private equity allocations to tap into otherwise hard to access growth opportunities.

[› Read more on page 51](#)

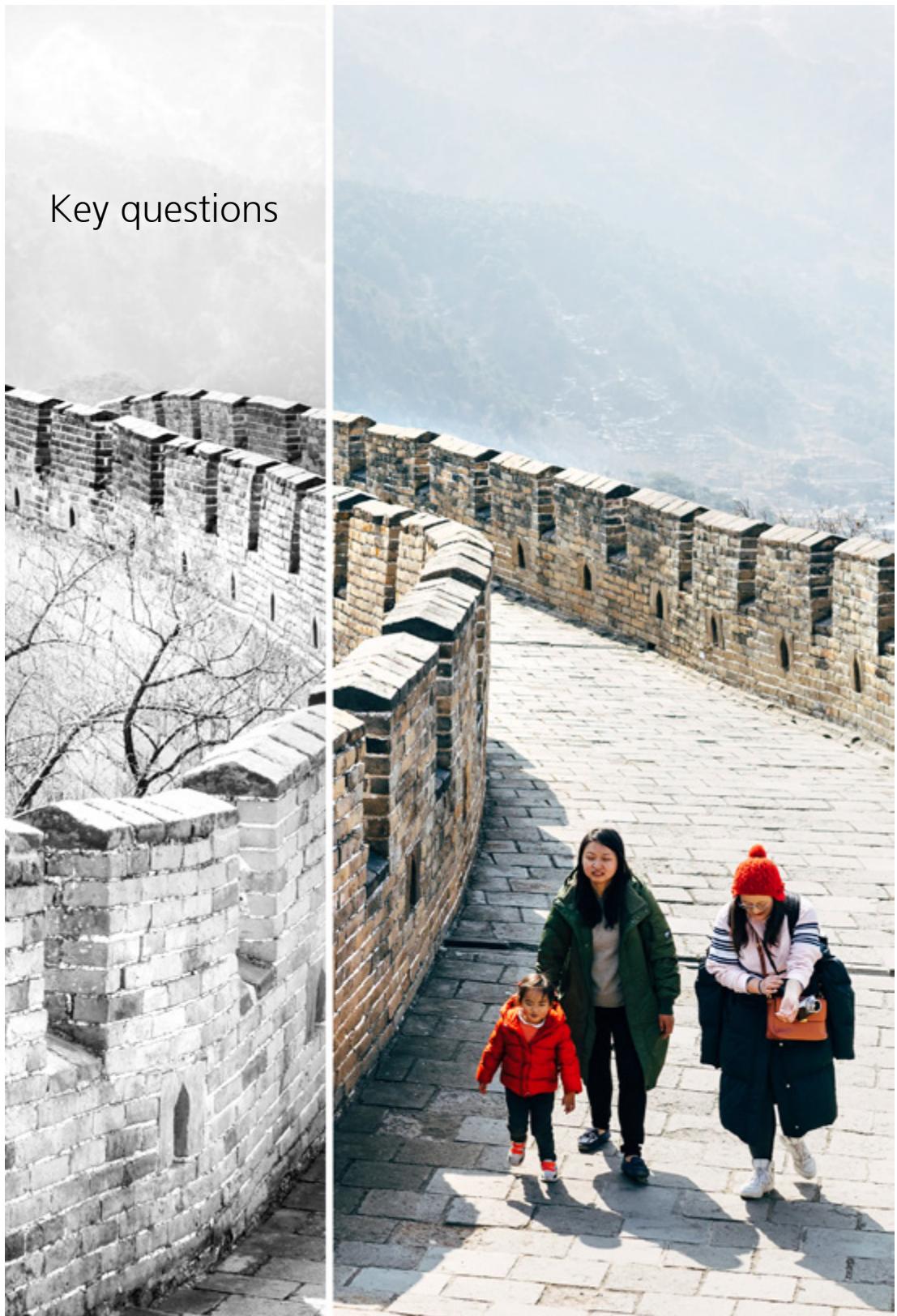


### Position for the net-zero carbon transition

We believe the road to net-zero carbon will be one of the most consequential investment trends of the coming decade. We see opportunity across green-tech, clean air and carbon reduction solutions, and traditional commodities, as well as in carbon trading strategies and environmental, social, and governance (ESG) leaders.

[› Read more on page 56](#)

## Key questions





# Is inflation here to stay?

In 2021, the prices of goods and services rose more than they did in any year since 2008, leading to concerns about the potential impact on consumer spending, interest rates, and corporate margins. In our base case, we think inflation will fall from currently high levels over the course of 2022, reducing the pressure on consumers, interest rates, and corporations, and supporting equities.

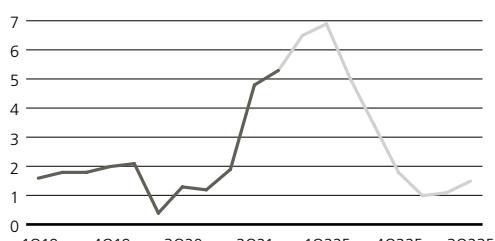
## Supply-demand mismatches will resolve

We view this year's spike in inflation as the result of an exceptional surge in demand for goods that has outstripped the ability of supply to keep pace, exacerbated by pandemic-related supply chain disruptions. The result has been a combination of delivery delays, stock shortages, and price increases for certain goods. But while inflation has proven broader and longer-lasting than expected, the prices of some of the goods and services most impacted by surging demand, such as used cars and apparel, have started to normalize.

Figure 1

We expect inflation to subside in 2022

US CPI inflation, % y/y, with UBS forecasts



Source: UBS, as of November 2021

As demand shifts back from manufactured goods toward services, we expect new equilibria between supply and demand to be found.

### We expect energy prices to stabilize

We also expect energy prices to stabilize, albeit at somewhat higher levels than today, as new production capacity comes online in key regions. This should allow for an easing in both the upward pressure on inflation and downward pressure on economic growth. Risks to our view would include an unusually cold winter in the Northern Hemisphere, which could deplete inventories, and climate policy, which needs to carefully balance rising energy demand with progress toward zero-carbon targets.

### Easing labor market frictions should reduce wage pressure

Labor shortages have been a challenge in some sectors as economies have reopened. More than 30 million people quit their jobs in the US in the year to August, and, at the time of writing, around 5 million fewer people are participating in the US labor force than prior to the pandemic. This has contributed to record job vacancy rates and higher wage growth. Looking ahead, we expect more workers to return to the labor force and for quit rates to normalize, easing labor market pressures and stabilizing pay growth.

49%

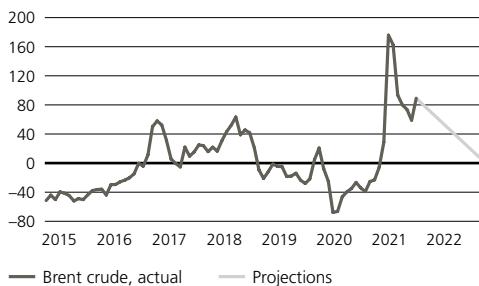
of surveyed investors expect inflation to rise faster over the next 12 months, with 38% adding to stocks as a portfolio response.

Source: 3Q21 UBS Investor Sentiment Survey

Figure 2

### Energy price rises expected to moderate

Brent prices, y/y change in %, with CIO forecasts



Source: Bloomberg, UBS, as of September 2021



## **What does our inflation outlook mean for investors?**

We expect year-over-year rates of inflation to fall from 6.5% at the end of 2021 to 1.8% by the end of 2022 in the US, from 4.1% to 1.2% in the Eurozone, and to modestly rise from 1.5% to 2.3% in China. We think this should be supportive of equities, by alleviating risks to corporate margins and reducing the likelihood that interest rates need to be hiked quickly. If our view proves correct, we expect

continued good performance among assets we consider to be the winners from global growth, including Eurozone and Japanese equities and US mid-caps. Commodity-linked and energy equities also look attractive, as we would expect them to benefit in the event both of strong growth and of persistently high inflation.

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### Risk radar

## What if inflation proves more 'sticky' than expected?

Our view is that inflation will recede over the course of 2022, but there is a chance it remains persistently high for longer than we expect. This could come from a variety of potential sources: Adverse winter weather could deplete commodity inventories and keep prices elevated; environmental regulation could mean higher-than-expected taxes on pollution; or labor markets may not recover in the way we would ordinarily expect. It may also simply take longer for pandemic-related issues to resolve.

The risk for markets from such a scenario is multifold. First, a sustained rise in consumer prices could start to weigh on consumer demand. Second, central bank officials may misjudge signals in the data and raise interest

rates too soon, too quickly, or too far. Third, a series of "transitory" shocks combined with central bank inaction may de-anchor consumer and business inflation expectations, leading to self-fulfilling inflation and requiring central banks to hike rates aggressively to regain credibility.

Investment ideas that could benefit in a sticky inflation environment include stocks of companies with pricing power, energy stocks, commodities, and infrastructure. Fears about inflation can also lead equity-bond correlations to rise, in which case hedge funds can help diversify portfolios. Gold has value as a strategic portfolio diversifier, but its relationship with inflation is weak.

## UBS Wealth Way

# Why is inflation important, and how do you prepare for it?

In the short term, inflation can cause portfolio volatility by influencing expectations for economic growth and the path of interest rates. Over the longer term, inflation erodes the real value of wealth, reducing the amount of goods and services that a given amount of money can buy.

Inflation is particularly problematic when interest rates are below the rate of inflation. Since 2008, USD cash has lost 17% of its purchasing power, GBP 18%, EUR 13%, and CHF 1%.

To help mitigate the risk of longer-term wealth erosion, investors have several options: 1) invest in assets and portfolios with positive expected real returns; 2) consider investing in companies that have higher levels of pricing power; 3) include stocks of commodity producers or actively managed commodity strategies within a well-diversified asset allocation; and 4) consider currency diversification, since very high rates of inflation have historically tended to be local phenomena.

To aid the process of preparing for inflation, the UBS Wealth Way approach helps to organize your financial life into three purpose-built strategies: Liquidity—designed to meet your near-term needs; Longevity—for your longer-term needs; and Legacy—for needs that go beyond your own.

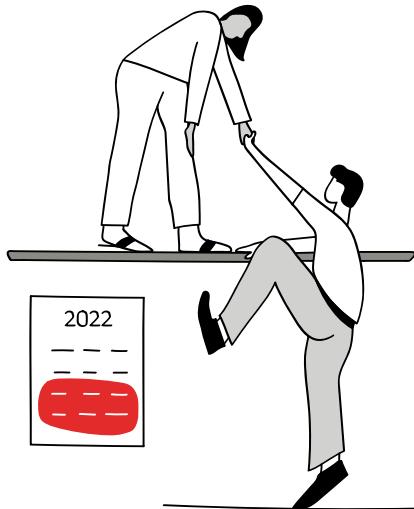
This framework allows you to assess how different inflation assumptions may affect your ability to meet your lifetime spending goals, and adjust objectives such as your target retirement date or spending plans accordingly.

› *For more on this topic, see our report "Inflation rates and planning: The 'retirement smile.'"*

UBS Wealth Way is an approach incorporating Liquidity, Longevity, Legacy, strategies that UBS Switzerland AG, UBS AG and UBS Financial Services Inc. and our advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different timeframes. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability.

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# What will drive growth in 2022?



We expect 2022 to be a year of two halves, with world economic growth well above trend in the first half before normalizing in the second half as reopening effects fade. We think the currently strong growth momentum will favor cyclical sectors of the equity market, while normalization later in the year will support healthcare, a defensive sector.

61%

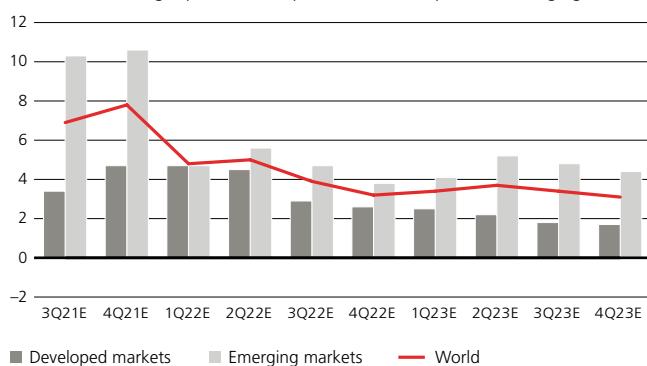
of surveyed investors are optimistic about the outlook for the global economy over the next 12 months.

Source: 3Q21 UBS Investor Sentiment Survey

Figure 3

## We expect a year of two halves

Real GDP, % change quarter-over-quarter, for developed and emerging markets



Source: Haver, CEIC, National Statistics, UBS, as of November 2021

## A year of two halves

In the first half of 2022, we expect global growth to continue to be driven by economic reopening, the rundown of excess savings, and business restocking. But we expect growth rates to normalize in the second half, with accumulated savings mostly exhausted, quantitative easing reduced, and economic reopening largely complete. We expect year-over-year global GDP growth of 4.7% in 2022, down from 6% in 2021, with average quarter-over-quarter growth slowing down from 4.9% in the first half to 3.5% in the second half.

## From developed to emerging

We expect regional dynamics to follow a similar “two halves” pattern, with developed markets delivering unusually strong growth relative to emerging markets in the first half. In the second half, we expect emerging markets to start to deliver stronger growth relative

to developed markets. Overall, we forecast GDP growth of 4.8% in the Eurozone and 4.2% in the US, compared with 5.7% for Asia ex-Japan, including China at 5.4%.

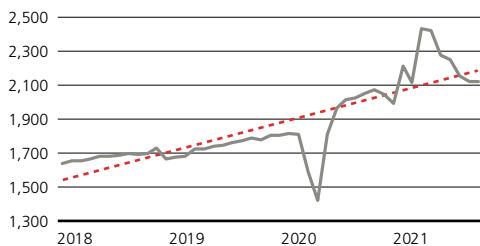
## From goods to services

2021 saw very high levels of economic growth, but also unusual patterns of consumer spending, with heavier-than-usual consumption of goods. As consumers rediscover their appetite for travel and entertainment, we expect 2022 to see a shift from spending on manufactured goods to spending on services. Overall, we expect consumer spending growth rates to slow as accumulated savings are depleted, and see business spending as a stronger contributor to growth in 2022.

Figure 4

### A shift from goods...

US real durable goods spending, 2012 chained dollars, seasonally adjusted annual rate

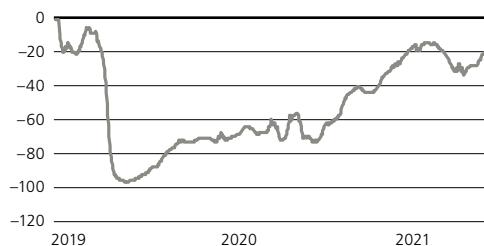


Source: Bloomberg, UBS, as of October 2021

Figure 5

### ...to services

US TSA traveler throughput vs. 2019, in %, 7-day moving average



Source: Bloomberg, TSA, UBS, as of October 2021



## **What does our growth outlook mean for investors?**

We think the growth dynamics in 2022 support entering the year with a bias toward cyclical sectors and developed markets. In this context, we like the Eurozone, Japan, and US mid-caps, as well as reopening beneficiaries across the US, Europe, and Asia.

But as the pace of the recovery slows as the year progresses, the drivers behind these positions are likely to weaken. Investors should

thus consider balancing cyclical exposure with healthcare, a defensive sector we like, and seeking companies more exposed to business and government expenditures. With stronger earnings and growth to come, the recent weakness in emerging markets and China can also be seen as a potential opportunity to build up long-term strategic exposure to the region.

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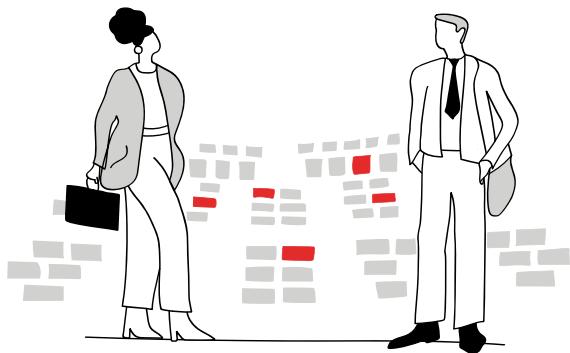
### Risk radar

## What are the downside risks to growth?

- Sustained supply chain disruptions, elevated energy prices, and higher wage costs are passed through to consumer prices, leading to weaker demand.
- Major central banks overreact to elevated inflation and tighten too early, too quickly, or too aggressively.
- Regulatory tightening in China inadvertently triggers a significant downturn in the property market, leading to substantially lower economic growth in the country and its main trading partners.
- COVID-19 resurges due to virus mutations or signs of fading vaccine efficacy result in new economic restrictions.

- US-China tensions reignite and impact global trade, or issues surrounding Iran's nuclear program affect oil supplies and prices.

Investment ideas that could outperform in a lower-growth environment include defensive equities including healthcare, long-duration bonds, and the US dollar. Structured solutions can also offer a degree of downside protection.



# What will economic policymakers do?

We expect the Fed to end quantitative easing by the middle of the year, the ECB to further trim its bond-buying program, and the Bank of England, the Bank of Canada, and the Reserve Bank of New Zealand to raise interest rates. But with inflation and economic growth likely to fall by midyear, policymakers will be cautious of the risk of overtightening. In our base case, we do not expect tighter policy to forestall positive equity market returns.

## Navigating policy risks

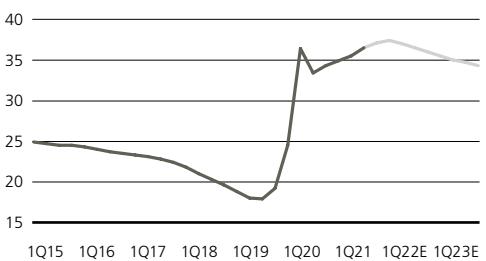
Economic policy error is one of the key risks for investors and the global economy in 2022. Ultimately, we expect both growth and inflation to normalize in the second half of the year, but uncertainty about the timing, rate, and sequence of that normalization means investors and central banks are similarly vulnerable to either overreaction or complacency.

## Moderately tighter policy

In our base case, we expect the Fed to finish tapering its monthly bond-buying program by mid-2022, but we think policymakers are more likely to err on the side of looser policy

Figure 6

We expect the Fed to taper asset purchases but stay accommodative  
Fed balance sheet in % of GDP, with UBS forecasts



Source: UBS, as of November 2021

in the event of unclear economic signals. If inflation falls in line with our projections, US rates could remain on hold until 2023, and we expect the ECB and Bank of Japan to keep rates on hold for even longer. We do expect modest rate hikes in 2022 from the Bank of England, the Bank of Canada, and the Reserve Bank of New Zealand.

### Fiscal policy will play a supporting role

We expect fiscal policy to play a lesser role in 2022. We forecast global budget deficits to tighten to 5% of GDP, from 7.6% in 2021, albeit still wider than the 3.4% in 2019. The US's USD 1 trillion infrastructure bill is smaller than first indicated, though we expect fiscal policy in the Eurozone and Japan to be more supportive. Germany is likely to run a more persistent deficit under a new government; the largest proportion of funds from the European Union recovery fund may be disbursed in 2022–23; and new fiscal spending in Japan may be worth about 4–5% of GDP.

Figure 7

We expect 10-year Treasury yields to rise moderately, to 2% by December 2022  
10-year bond yields for select countries, in %



Source: Bloomberg, UBS, as of November 2021



### What does our policy outlook mean for investors?

- **Bonds.** We expect strong near-term growth to drive tighter monetary policy and higher yields across the curve. We expect the curve to flatten, with shorter-term yields rising more than longer-term yields, as the rise of longer-term yields should level off as they approach the “equilibrium” level of interest rates. The Fed’s projections put the longer-run (equilibrium) rate at 2.5%. We forecast 10-year yields to rise to 2% by the end of 2022.
- **Equities.** We favor equity markets where policy is likely to remain looser for longer, and where the gaps between earnings yields and government bond yields are largest, i.e., the Eurozone and Japan. Global financials should benefit from modestly higher yields, while tighter monetary policy should generally favor value stocks over growth stocks, and be detrimental to bond proxies like consumer staples, one of our least preferred sectors.
- **Currencies.** Amid diverging central bank policies, we expect the currencies of the “hawks”—the US dollar (USD), British pound (GBP), Canadian dollar (CAD), Norwegian krone (NOK), and New Zealand dollar (NZD)—to appreciate against those of the “doves”—the euro (EUR), Swiss franc (CHF), Japanese yen (JPY), and Swedish krona (SEK).



36%

of surveyed investors globally expect interest rates to rise within the next year, led by 47% in the US.

Source: 3Q21 UBS Investor Sentiment Survey

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### Risk radar

## Is the worst over for China?

Shifting regulatory priorities in China caught the market by surprise in 2021, pulling its equity market down by 30% from January to October.

We expect weak economic growth to persist into the first quarter of 2022. However, we think many of the negatives are now priced in, the regulatory path should soon become clearer, and in a year of two halves we expect growth to accelerate from the second quarter as Beijing balances its long-term goal of “common prosperity” with a more immediate goal of supporting growth.

With strong earnings and policy support ahead, we think investors with a long-term mindset should start to accumulate exposure to the market’s growth sectors. For the medium term, we advise investing alongside strategic priorities, including greentech. In the short term, we prefer cyclicals.

We see three policy risks for investors in China: First, new policies—for example efforts to create a “civilized” internet—could weigh on major sectors in the equity market. Second, changing regulation in key sectors such as real estate could slow the wider economy. Third, US-China relations could deteriorate unexpectedly.

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# Scenario analysis

Upside scenario	Central scenario	Downside scenario
<b>Inflation / Central banks</b> Inflation fears abate, or elevated inflation is accompanied by strong economic growth. Major central banks keep rates at low levels but start reducing asset purchases on an accelerated timeline, as the recovery beats expectations.	US inflation stays at elevated levels into early 2022 before gradually falling toward 2% by mid-2022. Major central banks reduce accommodation, though all maintain an easing bias. The Fed finishes tapering by mid-2022.	Inflation stays persistently high while growth disappoints. Energy prices spike and remain persistently high at least until mid-2022. The Fed surprises the market with more aggressive tightening.
<b>Growth</b> Growth stays well above long-term trend.	Growth decelerates but remains above long-term trend.	Growth decelerates earlier and more sharply than expected.
<b>Fiscal</b> Higher-than-expected fiscal spending continues to support the global economy.	Fiscal impulse fades as governments account for economic recovery.	Diminishing fiscal impulse unable to compensate for economic weakness.
<b>COVID-19</b> The current COVID-19 wave fades or economic restrictions are broadly lifted faster than expected.	Economic reopening continues at a gradual pace throughout 2022. The current COVID-19 wave does not escalate to the extent that new lockdowns are required.	Consumption does not fully recover, e.g., due to more resistant COVID-19 mutations, continued public fear, or recurrent economic restrictions.
<b>China</b> COVID-19-related restrictions start to be lifted after the Winter Olympics. Regulatory crackdown eases.	Growth stabilizes. COVID-19-related restrictions start to be lifted in 2Q22.	Continued and greater-than-expected COVID-19 restrictions delay economic reopening until 2H. More broad-based property market crisis or further regulatory tightening takes place.
<b>Geopolitics</b> A partial rollback of existing US-China trade tariffs raises global growth.	The US takes a multilateral and more predictable approach to trade policy.	US-China tensions reignite over trade or Taiwan.
<b>Asset class impact (forecasts for June 2022)</b>		
<b>S&amp;P 500</b> (Spot: 4,680)* 5,200	5,000	4,000
<b>Euro Stoxx 50</b> (Spot: 4,345)* 5,000	4,750	3,700
<b>MSCI EM</b> (Spot: 1,269)* 1,450	1,400	1,100
<b>SMI</b> (Spot: 12,379)* 13,800	13,000	10,600
<b>TOPIX</b> (Spot: 2,019)* 2,320	2,250	1,800
<b>US IG spread**</b> (Spot: 62bps)* 45bps	80bps	150bps
<b>US HY spread**</b> (Spot: 303bps)* 270bps	350bps	550bps
<b>EMBIG spread**</b> (Spot: 350bps)* 300bps	360bps	550bps
<b>EURUSD</b> (Spot: 1.16)* 1.18	1.12	1.09
<b>Gold</b> (Spot: USD 1,826/oz)* USD 1,450–1,550/oz	USD 1,750/oz	USD 1,950–2,050/oz

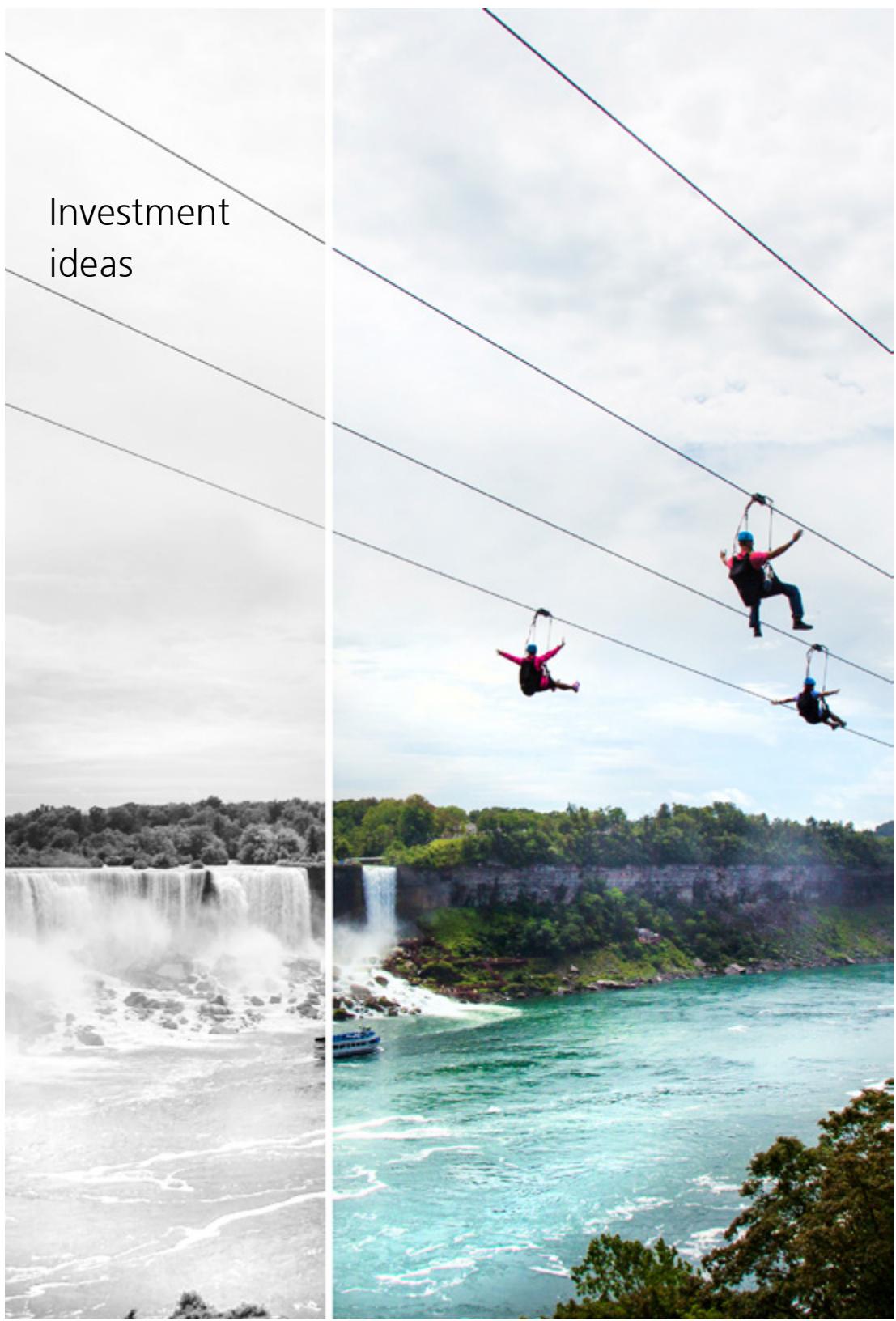
\* Spot prices as of 9 November 2021

\*\* During periods of market stress, credit bid-offer spreads tend to widen and result in larger ranges. Percentage changes refer to expected total return (t.r.) for the indicated spread levels

Note: Asset class forecasts above refer to the respective macro scenarios. Individual asset prices can be influenced by factors not reflected in the macro scenarios.

Source: UBS, as of November 2021

Investment  
ideas



Niagara Falls (Canada/United States) Unsplash / Alexander Ross

# Buy the winners from global growth



Global economic growth is likely to remain above trend for the first half of 2022, and we see Eurozone and Japanese equities, US mid-caps, global financials, commodities, and energy stocks as beneficiaries. Among our “22 for ‘22” stock picks, we combine companies that benefit from consumer spending on services with those exposed to business and government spending.

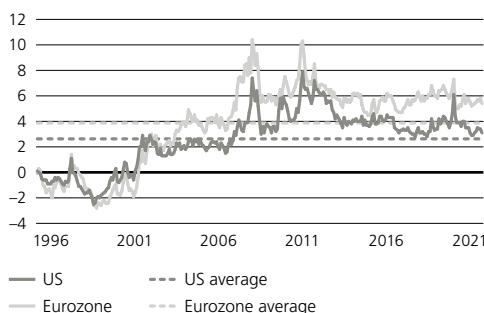
We expect global earnings growth of 10% in 2022. Within that, we expect cyclicals to post the highest earnings growth rates, given their greater sensitivity to economic growth. In particular, we like the Eurozone and Japanese equity markets, global financials, and

US mid-caps. We also like commodities and energy stocks, which would also benefit in case inflation is more persistent than in our base case. By contrast, we see only limited upside potential for global industrials, real estate, and consumer staples.

Figure 1

## Eurozone equities look attractive relative to bonds

Equity risk premium (forward 12-month earnings yield – nominal bond yield)

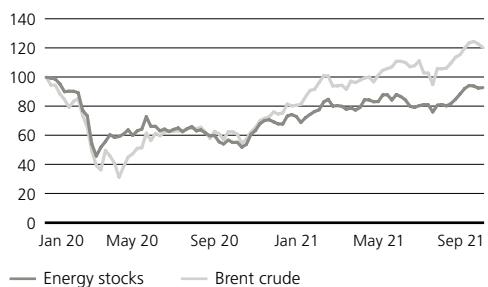


Source: Refinitiv Datastream, UBS, as of November 2021

Figure 2

## Energy stocks yet to fully price in high oil prices

MSCI ACWI Energy Index, Brent crude oil price, rebased to 100



Source: Bloomberg, UBS, as of November 2021

## Japanese equities

We expect further relaxation of COVID-19 restrictions to lift both economic growth and investor sentiment for Japan. Under new Prime Minister Fumio Kishida, we expect a fiscal spending package worth roughly 4–5% of GDP. Monetary policy is also likely to remain relatively loose and contribute to a weaker yen. The TOPIX index trades at 14.4x 12-month forward earnings, making it cheap relative to the 18.6x and 21.1x multiples for the MSCI All Country World Index (ACWI) and the S&P 500, respectively. We expect earnings growth of 9% for the fiscal year ending March 2023.

## US mid-caps

US mid-caps offer a balance between cyclical and quality exposure, which we think is attractive at this point in the cycle, as we transition from high to slower growth. Mid-caps (Russell Midcap Index) are outpacing large-caps in terms of earnings growth, while trading at a roughly 20% valuation discount—the largest in 15 years. In a portfolio context, mid-caps also offer some protection against the risk of bond yields rising faster than we expect: In recent months, the relative performance of mid-caps has been correlated with bond yields.

## Global financials

The financials sector has historically done well when yields are modestly rising. We expect 10-year US Treasury yields to rise from close to 1.6% at the end of October to 2% by June 2022. Fundamentally, we believe financials' earnings should benefit from improved loan growth and credit quality, and the release of loan-loss provisions.

## Commodities and energy stocks

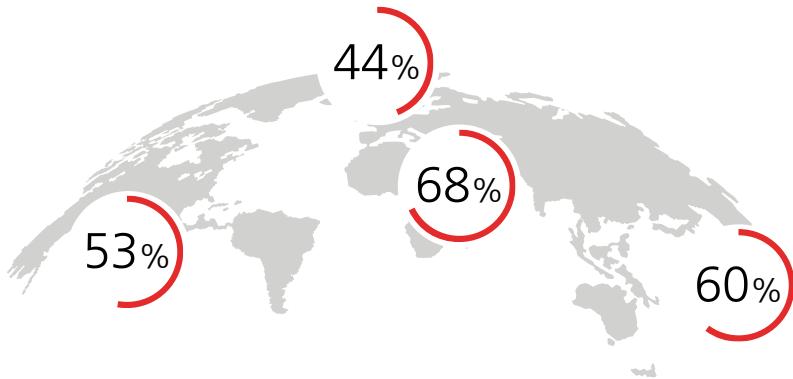
We expect commodity prices to stabilize in 2022. But many commodity-linked equities have yet to reflect an extended period of high prices. We estimate, for example, that energy stocks are still only factoring in a long-term Brent crude oil price of USD 60/bbl.

We also see value in industrial metals, particularly copper, aluminum, and nickel, which are expected to benefit from the net-zero carbon transition.

This could favor a more active approach to commodity allocation, which may also provide investors with a hedge in case commodity supply challenges lead to more persistent inflation.

## 22 for '22

We expect reopening dynamics to continue to drive returns at the start of the year as excess consumer savings are spent. More than USD 4 trillion in excess savings have been accumulated in the US, Eurozone, UK, Canada and Australia. As the year progresses, we think business spending will play a larger role in driving returns, as companies expand capacity, restock inventories, and target increased market share. As a result we expect solid growth in this segment of the economy and identify stocks in eight sectors across regions that are poised to benefit. Overall, our selection of 22 stocks aims to outperform the global equity index.



Home bias is still prevalent, with investors across Europe, the Middle East, and Africa (68%), Asia (60%), the US (53%), and Switzerland (44%) picking their own market as the most attractive opportunity in the next six months.

Source: 3Q21 UBS Investor Sentiment survey

### **Caution on global consumer staples, real estate, and industrials**

We have a cautious sector outlook on global consumer staples, real estate, and industrials—especially in stocks that have recently outperformed the broader market, although we do still see opportunities in select names.

The consumer staples sector (MSCI ACWI Consumer Staples Index) is expensive relative to its own history at over 20x forward price-to-earnings (P/E) ratio. It is also facing rising input costs, and could be at risk if bond yields rise more quickly than we expect. Meanwhile, the real estate sector is facing structural headwinds in the office and retail segments as a result of the pandemic.

We are also cautious on the industrials sector. We think cyclical sectors should generally do well in the first half of 2022, but having already rallied by more than 27% (MSCI ACWI Industrials Index) in the past year, valuations for industrials are now relatively expensive. Their current forward P/E of 19.4x stands well above both the 10-year (15.8x) and the 20-year (15.5x) averages. Furthermore, muted economic activity in China and cost pressures for small- and mid-cap manufacturers could weigh on returns.

## Time for Europe

**After underperforming US equities each year for the past decade, Euro-zone equities are one of our preferred markets as we enter 2022.**

The Eurozone market is cyclical, and so is well placed to benefit from a resolution to supply chain challenges and inventory restocking. Current investor positioning to the region is light: Among UBS Wealth Management self-directed clients, just 3% of equity holdings are in MSCI EMU stocks, compared with the Eurozone's 9% weight in the MSCI ACWI Index. In the coming months Eurozone equities should be supported by accommodative monetary and fiscal policy, strong GDP and earnings growth.

### **The market is also home to various longer-term themes:**

- *Europe's digital leaders.* We expect the second wave of digital transformation to focus more heavily on the Industrial Internet of Things (IIoT). Europe, as an industrial heavyweight, enjoys a competitive edge when it comes to combining the physical and digital worlds.
- *European greentech.* The region's greentech leaders consist of companies



active in renewable energy, energy efficiency, batteries, hydrogen, and digitalization, which should start to benefit from Europe's energy transition and the Green Deal—the biggest green stimulus program the world has ever seen.

- *European "Q-GARP."* Investors in Europe can benefit from seeking high-quality, growing companies trading at reasonable valuations. We see this as an effective strategy for both good times and bad, avoiding the volatility that can be associated with investing in any one particular style.

62%

of surveyed investors say they buy and hold for the long term, with 38% buying during dips in the market.

Source: 3Q21 UBS Investor Sentiment survey

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### UBS Wealth Way

## I feel like I missed the rally. Why should I buy now?

Even though equity markets touched record highs multiple times this year, it's important to remember that record highs tend to be followed by further positive momentum: Subsequent 12-month returns after a record high for the S&P 500 have averaged 11.9% since 1960, versus 11.8% at any other 12-month period. Tactically, we are positive on stocks given strong economic growth, solid earnings, and low bond yields.

But given the difficulty and potential costs of market timing, decisions about whether to buy or sell should mostly be made in the context of an overall financial plan. One benefit of the UBS Wealth Way framework is that it can put market cycles within the context of meeting your financial goals, and help you and your family to develop investment strategies that are tailored to meeting your goals over specific time horizons.

For example, over 20-year horizons, total returns on US stocks have always been positive. For a balanced portfolio, returns have been universally positive for even shorter periods. If history is any guide, this means that provided you address near-term needs through your Liquidity strategy, continuing to invest your Longevity strategy for growth should keep your portfolio building toward longer-term financial goals.

For investors with excess cash to put to work, but who are still worried about the risk of bad timing, there are defensive approaches to entering the market that may help. For example, investors can set a specific schedule to commit capital; write puts (if they are able to) in order to earn a premium and potentially buy on dips; or invest in a dynamic asset allocation that adjusts equity risk exposure systematically to help manage the risk of significant declines.

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# Seek opportunities in healthcare



Although we expect economic growth to be strong as we enter 2022, favoring cyclical sectors, we think a slowdown over the course of the year could start to favor more defensive parts of the market. We see healthcare as cheap relative to its long-term average, while also offering structural growth opportunities.

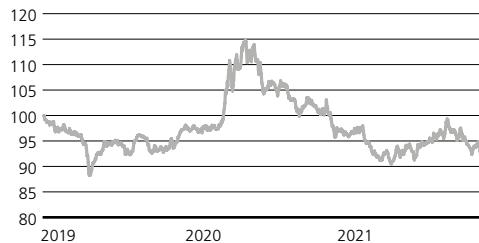
Global healthcare has underperformed this year (13% for MSCI ACWI Healthcare Index vs. 17% for MSCI ACWI), as rhetoric around US healthcare reform—notably efforts to control drug pricing—weighed on sentiment. But with risks now largely priced into valuations,

in our view, and with economic growth likely to slow in 2022, we think healthcare can play a valuable role in investor portfolios in the year ahead, providing both defensive characteristics and structural growth exposure.

Figure 3

## Healthcare has underperformed in recent years

Relative performance of the MSCI ACWI Health Care sector vs. MSCI ACWI, indexed

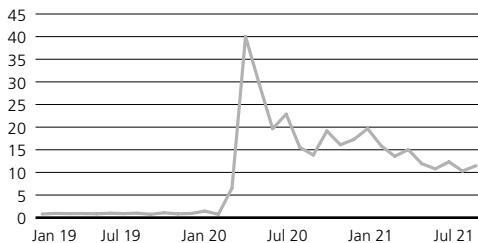


Source: Bloomberg, UBS, as of November 2021

Figure 4

## The pandemic kick-started telemedicine adoption

Telemedicine visits as a % of total medical visits



Source: IQVIA, Credit Suisse, UBS, as of November 2021



of surveyed investors cited interest in adding healthcare exposure to their portfolios over the next six months.

Source: 3Q21 UBS Investor Sentiment survey

**Global healthcare.** Over the past 20 years, the sector has traded at an average 10% premium to global equities, but today this premium is just 2%. Pharma stocks appear particularly cheap, trading at a 16% discount to MSCI ACWI on a 12-month forward price-to-earnings basis, close to 20-year lows.

Increased clarity on US policy should remove a key overhang: At the time of writing, Senate Democrats appear to be reaching a compromise on drug pricing that would have a limited impact on the sector.

**Medical devices.** Medtech stocks account for around a third of healthcare market capitalization and offer both defensive characteristics and structural growth exposure. Structurally, medtech benefits from demographic trends, consistently growing end-markets, new product introductions, and emerging market growth. We think earnings should be supported in the near term as patients undergo medical procedures that were deferred during the pandemic. The industry also faces less US political pressure on pricing than pharmaceutical companies.

**Healthtech.** Health technologies focus on digital innovations that aim to make healthcare more efficient by improving outcomes while saving costs. For example, we expect higher telemedicine utilization levels to persist vs. pre-pandemic times, supporting the expansion of virtual healthcare business models. We also see structural growth in wearable devices and digital health-tracking technologies. Long-term investors can also consider direct investments through private equity to capture an illiquidity premium and gain access to companies at an early stage of growth.

**Genetic therapies.** Unlike traditional drugs, which are usually developed to slow disease progression or relieve symptoms, genetic therapies aim to cure diseases by modifying or removing human genetic information. The US Food and Drug Administration has approved seven such treatments thus far, and it expects to approve 10–20 new therapies every year by 2025. We estimate that the first genetic therapy treatments to reach the market could achieve combined annual sales exceeding USD 20 billion in the years to come. We recommend a diversified portfolio of companies exposed to the theme given the idiosyncratic risks of drug development.

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## UBS Wealth Way

# What about my own healthcare needs?

A healthy 65-year-old couple living to 87 (male) and 89 (female) in the US is expected to spend USD 606,337 in future dollars on medical expenditures, according to HealthView Services forecasts. In order to make sure you size your Longevity strategy to meet your objectives, you will need to estimate your future retirement spending.

It's important to keep three key aspects in mind. First, healthcare costs are expected to rise at a faster clip than economy-wide inflation. In the US, for example, HealthView Services forecasts a 4.9% annual rise in health-

care prices for the foreseeable future. Second, as households advance through retirement, health-related expenditures often make up an increasing portion of total spending. Third, it's important to consider all potential costs—not just the obvious costs, such as monthly premiums—as well as each expense's variability.

Acknowledging the difference between stable and variable healthcare costs will be particularly helpful as you size and structure your Liquidity strategy in a way that matches your spending needs.

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# Seek unconventional yield

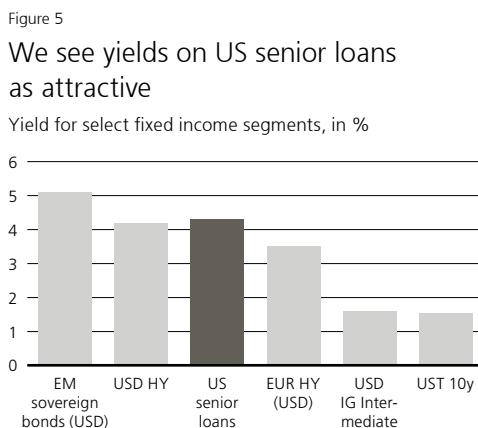


We think central banks are likely to scale back monetary accommodation in 2022, but remain cautious about overtightening. Rates, yields, and spreads are likely to remain low by historical standards. Investors seeking to boost income will therefore need to look for unconventional yield sources, including US senior loans, private credit, synthetic credit, active strategies, and dividend-paying stocks.

With credit spreads across the US and Europe compressing in 2021, income-oriented investors face a challenge meeting income targets. With inflation averaging around 2.7% in Asia, 2.2% in the Eurozone, and 4.2% in the US for 2022, according to our forecasts, those

holding excess cash or high-quality bonds are likely to experience real wealth destruction.

**US senior loans.** These floating-rate assets currently offer an average yield of 4.3% and have seen the largest fixed income net inflows so far in 2021, at USD 40 billion (as of the end of October) for US loans prime funds, compared with net outflows of USD 6.3 billion (as of 4 November) for US high yield. We think strong, if slowing, economic growth should limit default risks in 2022. And if higher interest rates materialize, senior loans should be relatively well insulated due to their floating-rate nature.



Note: Indexes include: JPMorgan EMBIG Diversified, ICE BofA US High Yield Index, S&P/LSTA Leveraged Loan Index, ICE BofA Euro High Yield Index, Bloomberg US Corporate Bond Index  
Source: Bloomberg, UBS, as of October 2021

**Private credit.** For investors willing and able to lock up capital and accept the additional risk this entails, direct lending can provide enhanced income opportunities in excess of public market returns. A typical yield according to our estimates for first-lien loans to middle-market companies ranges between 400 and 600 basis points above benchmark rates.

**Synthetic credit.** For investors in Europe, an alternative approach to holding cash bonds is

to combine a money market investment with credit default swaps, a structure that allows investors to avoid exposure to interest rate movements. Due to the ECB's bond-buying program, synthetic credit risk premiums are significantly higher than those of comparable cash bonds in many cases.

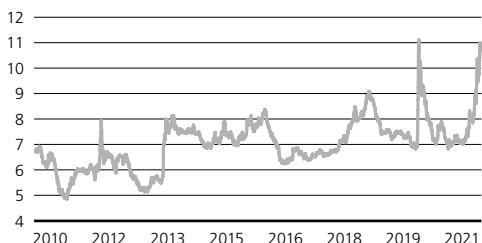
**Active strategies.** Active approaches may also help boost returns. For example, we believe there is opportunity in identifying companies whose credit ratings are on the cusp of migrating from the high yield category to the investment grade category. After the wave of pandemic-driven rating downgrades increased the ranks of issuers who lost their investment grade status, "rising stars" on their way to regaining or gaining that status are now coming through. We also see opportunity in ESG engagement high yield bonds (i.e., bonds issued by companies that could benefit from specific identifiable ESG improvements). Successful engagement can lessen downside risk and boost the returns of specific companies.

**Asia high yield.** One segment of the public bond market that offers attractive yields in our view is Asia high yield. High yield bonds from China have been clear underperformers over the past year amid Beijing's policy tightening on the property sector. But recent policy measures have been more supportive, and we expect a relief rally in the coming months—although the path to recovery will likely be bumpy. The asset class (JACI HY Index) offers 10.5% yield-to-maturity for a 3-year duration, far in excess of global peers, and we do think spreads should tighten. As a relatively new asset class, implementation options may be limited in some regions.

Figure 6

### Asia HY bond yield close to 10%, compensating for elevated risks

JPMorgan JACI High Yield, yield-to-maturity, in %



Source: Bloomberg, UBS, as of November 2021

**Dividend-paying stocks.** Dividend yields currently stand at 1.3% for the S&P 500, 2.8% for the Euro Stoxx 50, and 2.4% for MSCI Asia. But for investors seeking income, dividend-focused strategies can enhance income beyond these average figures. In the first year of economic recoveries, dividends have historically contributed only 8% of total returns, but this contribution tends to rise as recoveries mature. Since 1986, dividends have contributed about 26% of the MSCI World's total return.

36%

of surveyed investors named dividend-paying stocks as their preferred plan to add portfolio yield if rates continue to stay low.

Source: 3Q21 UBS Investor Sentiment survey

## UBS Wealth Way

# How much wealth do I need to support my lifestyle?

Low interest rates and bond yields mean investors need more capital to generate a given amount of income. But income doesn't only need to come from coupons or dividends, and in a low-rate world it can be more efficient to create income from a combination of coupons, dividends, and selling investments.

Looking at required wealth-to-spending multiples can help you to determine an appropriate "withdrawal rate" from balanced portfolios and identify how much of your wealth is needed for your own lifetime expenses. This can give you the context and confidence to earmark the rest of your wealth for a Legacy strategy, where you can invest it more aggressively with the objective of maximizing the after-tax wealth you can give to improve the lives of others.

In the table below, we look at how much wealth you would need to save in your Liquidity and Longevity strategies for various time horizons, targeting an 85% probability of success. Taking more portfolio risk can reduce the capital needed to fund a longer planning horizon, given the ability to compound investment gains over time. For example, an investor targeting a 40-year retirement would need to save 25.5x their annual spending if they invested in a Moderately Aggressive portfolio, or 28.8x if they invested in a Conservative portfolio. For shorter time horizons, riskier portfolios generally require more wealth, due to the greater risk of experiencing an early decline, as well as limited time to recover. As always, in the event of uncertainty about the right portfolio, considering time horizon, psychological comfort with day-to-day volatility, and other related factors is crucial.

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Wealth-to-spending multiple required to fund retirements of different lengths, with an 85% probability of success

Retirement Years	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
10	9.6x	9.6x	9.6x	9.6x	9.7x
20	17.4x	17.1x	16.9x	16.7x	16.8x
30	23.7x	22.8x	22.2x	21.7x	21.7x
40	28.8x	27.3x	26.3x	25.5x	25.5x
50	32.8x	30.5x	29.1x	28.0x	27.8x
60	36.1x	33.2x	31.2x	29.9x	29.6x
70	38.8x	35.3x	33.0x	31.4x	31.1x

Based on equilibrium Capital Market Assumptions for US portfolios. Results include a Liquidity strategy funded with 3 years of cash flow needs, and assume that taxes on dividends and capital gains are included in spending amounts.

Source: UBS

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56%

of surveyed investors said they maintain an allocation to alternatives, whereas those who don't said they were too risky (37%) or didn't know enough about them (31%).

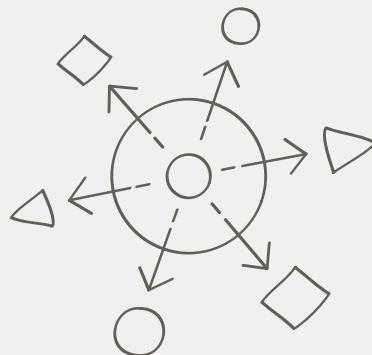
Source: 3Q21 UBS Investor Sentiment survey

## Diversify with alternatives

As well as making it difficult to generate income, low interest rates and bond yields also make it challenging to diversify portfolios. Furthermore, fears around inflation tend to increase the correlation between stocks and bonds. Including alternatives such as hedge funds, in addition to equities and bonds, can help improve portfolio diversification and potential returns.

After delivering double-digit returns in 2020, according to HFR indexes, the average hedge fund is up between 5% and 10% year-to-date. The asset class registered over USD 18 billion of net inflows this year, and recent survey data indicates that investors plan to allocate more in the coming months.

We think the asset class offers an appealing combination of the potential for attractive risk-adjusted returns, historically



less downside sensitivity than equities, and low correlations to other asset classes. Tactical and structural themes such as inflation, economic normalization, sustainability, digitalization, and deglobalization present opportunities for managers to generate alpha.

# Position for a stronger dollar



We think a combination of slowing global economic growth, declining Fed asset purchases, and reduced US fiscal stimulus will be supportive of the US dollar in the year ahead. More broadly, we expect appreciation for currencies exposed to tightening monetary policies, including the USD, GBP, CAD, NOK, and NZD, relative to those still bound to relatively loose policies, such as the CHF, EUR, JPY, and SEK.

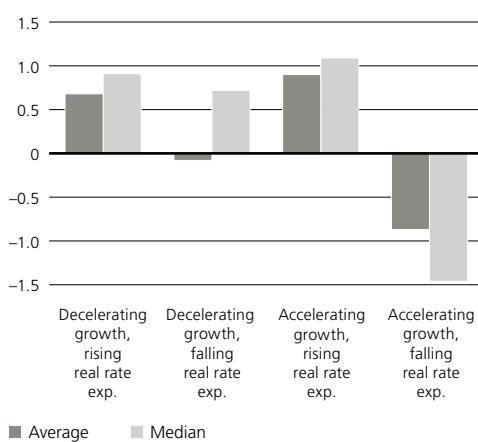
**Buy the dollar.** The US dollar remains overvalued in measures of purchasing power parity. However, tighter Fed policy should both support the dollar and hurt emerging market currencies and those of export-oriented regions, such as the EUR. Yield differentials should also favor the greenback: We expect the yield gap between 10-year US Treasuries and German Bunds to rise to 200 basis points from 175 basis points currently. In addition, the US is relatively well insulated against energy market risks—it recently became a net fuel exporter for the first time since the 1950s.

**Hawks vs. doves.** More broadly, we expect divergence in monetary policies around the world to drive currency dispersion. We group global central banks into relative “hawks,” who are in the process of withdrawing stimulus or hiking rates, and “doves,” who favor maintaining accommodative policy and low rates for longer. As such, we expect appreciation for the USD, GBP, CAD, NOK, and NZD—currencies exposed to tightening

Figure 7

US dollar does well when GDP growth is positive and real rates are rising

Performance of the DXY Index in %, quarterly data since 1996



Source: UBS, as of October 2021

monetary policies—relative to CHF, EUR, JPY, and SEK, which are still bound to relatively loose policies.

**Cautious on gold.** Many of the drivers that tend to be positive for the US dollar—tighter central bank policy, less US fiscal stimulus, and rising real rates—tend to be negative for gold. Furthermore, we think falling inflation is likely to reduce hedging demand. Overall, we expect gold prices to fall to USD 1,650/oz by end-2022. As a result, we think investors

should consider hedging their strategic exposure or utilizing limited upside expectations to generate yield.

 **16%** of surveyed investors in Switzerland expect a rate increase next year, compared with 47% in the US.

Source: 3Q21 UBS Investor Sentiment survey

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### UBS Wealth Way

## How should I think about currency allocations in my portfolio?

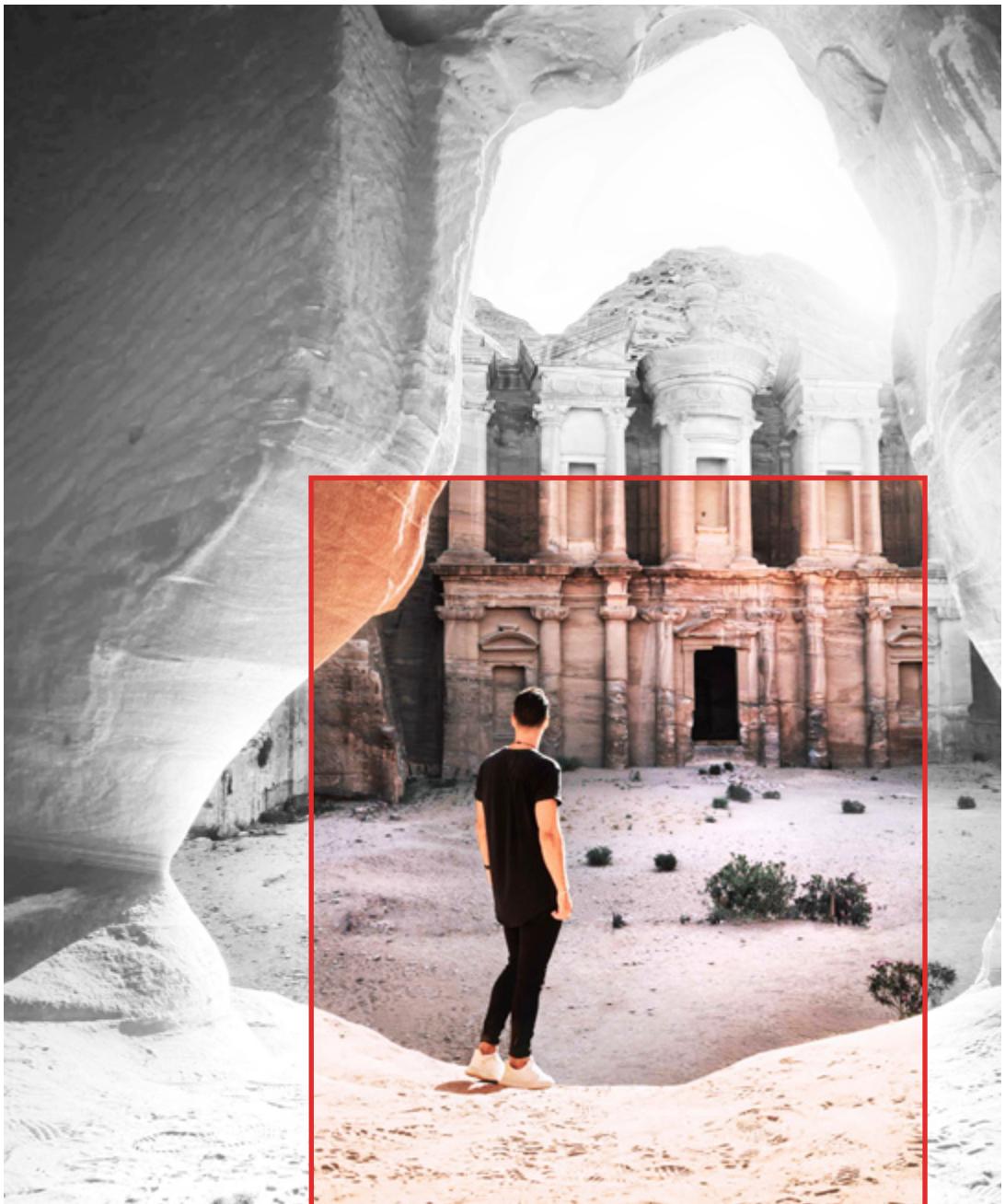
As a general principle, we think investors should own the currencies in which they have liabilities or spending plans. For example, a Eurozone-based investor whose family spends most of their time and money in Europe should generally keep the majority of their wealth in euros or hedged into euros.

For other investors, however, a wider mix of currencies may be more suitable. For example, some investors may find that they have assets

in excess of future liabilities or spending needs, in which case return maximization becomes a primary goal. Historical analysis suggests that an equal-weighted basket of currencies has provided higher returns than the US dollar over the long term. US-based investors with a globally diversified portfolio should benefit from this tailwind, as long as they don't apply broad currency hedging in their portfolio.

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## The Decade of Transformation



# The Decade Ahead

The pandemic advanced many of the key trends we previously identified as defining our Decade Ahead. Technological disruption, localization, and monetary and fiscal coordination have accelerated, while political calls for wealth redistribution and environmental action have grown. Even demographic trends have been affected as labor market participation has dropped.

## Technological disruption

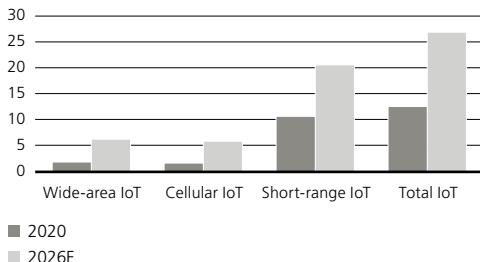
We expect a Year of Discovery to see somewhat lower usage for some of the technological trends most heavily accelerated by the pandemic—such as e-commerce, telemedicine, and video conferencing—as individuals return to the “real world.” But at the same time, the long-term factors driving these trends remain intact. Amid concern about elevated inflation, it is also important to note that technological disruption is a disinflationary force, improving efficiencies and suppressing wage growth.

## Monetary and fiscal coordination

After two years in which bond-buying programs have absorbed the majority of net government issuance, central bank bond purchases will be tapered in 2022. That said, the pandemic has demonstrated the capacity of central banks to facilitate large fiscal spending packages, so we expect quantitative easing to remain part of the policy tool kit in the years to come, and think monetary and fiscal responses to future crises will become increasingly coordinated. This limits the scope for increases in bond yields, presents a threat to central bank independence, and poses upside risks for inflation and currency volatility.

## Technological disruption is set to continue

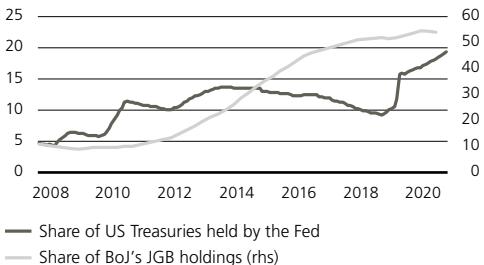
IoT connections, 2020 – 2026, in billions



Source: Ericsson, UBS, as of February 2021

## Central banks hold an increasing share of government debt

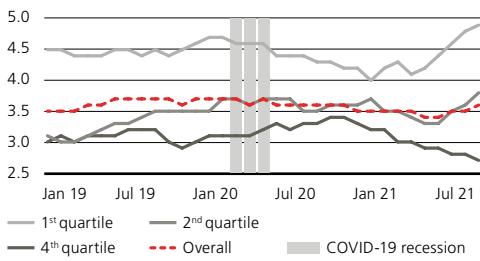
Share of total US Treasuries held by Federal Reserve and share of BoJ's JGB holdings (% of total issued)



Source: Bloomberg, UBS, as of November 2021

## Political calls for wealth redistribution have grown

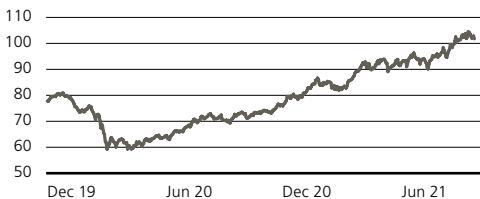
Federal Reserve Bank of Atlanta wage growth tracker by wage level, 12-month moving average of median wage growth for each category



Source: Federal Reserve Bank of Atlanta, as of October 2021

## The road to net-zero carbon risks sustained higher commodity prices

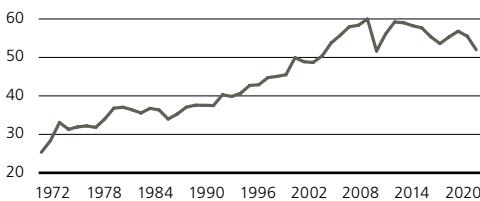
Bloomberg commodity excess return index



Source: Bloomberg, UBS, as of November 2021

## Deglobalization intact—driven by tech, supply chain, security, environmental concerns

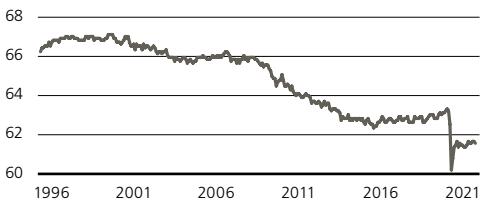
World trade as % of GDP



Source: World Bank, UBS, as of October 2021

## The pandemic exacerbated demographic pressures

US labor force participation rate, in %



Source: Bloomberg, UBS, as of October 2021

## Wealth redistribution

The entrenchment of the knowledge economy, acceleration of technological trends, and rise in asset prices all contributed to higher gains for capital over labor during the pandemic. But, at the same time, political forces in favor of wealth redistribution also accelerated. Measures such as a global minimum corporate tax, higher US corporate and upper-income tax rates, and China's "common prosperity" drive were all introduced or debated over the past year. Over the next decade, we expect fiscal policy to become more redistributive. Although redistributive policies tend to be an immediate negative for investors, they could be positive over time if they boost aggregate economic growth by increasing the spending capacity of the average household.

## Environmental action

The economic effects of the net-zero carbon transition began to manifest in 2021 in the form of significant increases in commodity prices and volatility. If mismanaged, the transition to net-zero carbon risks an extended period of higher commodity prices, which would in turn bring social, political, and economic challenges. Government action to force consumers and businesses to pay for the cost of pollution and emissions may also drive higher inflation. Given the sheer scale of investment required, we believe the road to net-zero carbon is one of the most important investment trends of the next decade, creating significant investment opportunities in greentech, clean air, and carbon reduction solutions.

## Deglobalization

Global trade bounced strongly in 2021 amid high consumer demand for manufactured goods, but we expect it to grow at a slower pace in 2022. Global political dynamics do not currently appear to support an increase in protectionist measures, yet neither do they support a reduction in the barriers imposed in the late 2010s. Disputes over climate policy represent a potential future flashpoint that could inspire new barriers to trade. Even without such barriers, the broader trend of localization—driven by technologies like automation as well as considerations of supply chain security and environmental impact—remains intact.

## Demographics

The pandemic encouraged higher rates of retirement and resignation, exacerbating labor supply challenges and potentially weighing on longer-term economic potential if workers do not return to the labor force. Meanwhile, China's working-age population is now shrinking, and while some emerging markets have vast pools of young workers, many of these countries also look likely to take longer to recover from the economic damage caused by the pandemic. Overall, we expect demographic forces to contribute to lower growth and inflation, and suppress interest rates.

# Investing in the Decade Ahead

A transformational start to the 2020s has raised the probability of a shift in the longer-term economic regime, though in our base case we expect a return to something similar to the “lower for longer” dynamics of the 2010s. Higher stock valuations, tighter credit spreads, and lower interest rates mean investors need to take on risk to achieve positive expected real returns. In the years ahead, we expect equities and corporate credit to deliver higher returns than cash and government bonds, see alternative assets playing an important role in portfolio diversification, and think non-US equities have higher return potential than US equities.

## Lower for longer, stagflation, or the 'Roaring 20s'?

As pandemic-related drivers of economic growth begin to subside in the second half of 2022, we will start to discover whether the longer-term economic regime has changed. In our base case, we expect a return to something similar to the “lower for longer” dynamics that prevailed in the 2010s. But amid significant disruptions, we will be monitoring for potential regime change into “Roaring 20s” or “stagflation” scenarios.

## Scenarios for the Decade Ahead

Scenario			
	Bear case <b>Stagflation</b>	Base case <b>Lower-for-longer</b>	Bull case <b>'Roaring 20s'</b>
Description	Growth slows while inflation remains elevated. Aggressive central bank rate hikes risk triggering recession	Low, if modestly higher, interest rates; moderate growth; and inflation rates close to central bank targets	Growth and inflation are both boosted, supporting higher interest rates
Catalysts	Labor markets are tight, sustaining inflationary wage growth Commodity prices stay high for the long term Emissions pricing means costs rise Inflation expectations become unanchored, creating a positive feedback loop for inflation	Technology remains a disinflationary force Demand for capital remains lower than supply Demographic forces are headwinds to rising rates and inflation	Disruptive technologies drive a productivity boom Capital spending soars as businesses adapt to the demand surge starting in 2021 Governments pump up investment in support of the green transition Wage growth among lower-income workers boosts consumer spending
Investment consequences	Higher bond yields and lower equity valuations Weak returns on most financial assets, particularly after accounting for inflation Real assets in favor versus nominal assets	Low bond yields and high equity valuations Low returns for bonds and moderate returns for risky assets Growth stocks in favor versus value stocks	Higher bond yields Falling equity valuations but potentially compensated for by higher earnings growth Good prospective returns Value stocks in favor versus growth stocks

Source: UBS

## Asset class views

### Cash and bonds

Government bond yields moved higher in 2021, and we expect interest rates to rise modestly in the coming years. However, in our base case we still expect returns on cash and government bonds to be negative after accounting for inflation. The effects of technology, demographics, and monetary-fiscal coordination are likely to suppress yields and rates. Investors looking to protect purchasing power should consider diversifying into credit and alternative assets.

### Credit

Positive, if muted, longer-term growth should limit credit default risks in the US and Europe, and we think corporate credit spreads are wide enough to provide a long-term return pickup over government bonds, although historically tight spreads limit the scope for excess returns and heighten interest rate risks. The exception are Asian bonds, where spreads are currently very high due to uncertainties in the Chinese property market, and where we see high return potential alongside high volatility. We expect a diversified allocation to corporate bonds to provide higher returns than cash or government bonds over the long term.

### Equities

Strong earnings growth and low interest rates have supported developed market equity returns in recent years, but slower economic growth, wealth redistribution policies, and climate policies could present challenges for earnings in the years ahead. Nonetheless, equities remain one of the few asset classes in which we expect meaningful real returns over the coming decade, and we see valuations remaining supported by relatively low interest rates.

Regionally, valuations suggest that the out-performance of US equities over global peers is unlikely to continue in the next decade. Emerging market equity valuations are relatively cheap. We believe a globally diversified equity allocation will be a key contributor to both portfolio growth and income in the years ahead.

### Alternatives

Correlations between equities and bonds rose in 2021, as hopes and fears about inflation and monetary policy had similar effects on both asset classes. With monetary and fiscal policy considerations likely to remain important drivers of the market in the decade ahead, we think hedge funds will play a vital role in improving diversification, beyond what is possible with simple equity-bond portfolios. Private markets, meanwhile, can provide investors with access to companies and strategies that are unavailable in public markets, offering exposure to active management and in some cases an illiquidity premium.

## Currencies

The Japanese yen and the British pound look undervalued in terms of purchasing power parity, so we expect them to appreciate over the long term, even if we expect some weakness for the yen in 2022, as investors seek higher-yielding currencies. We believe international investors holding Japanese and UK equities should not currency-hedge their holdings in order to benefit from longer-term yen and pound appreciation.

## Commodities

We think economic development, urbanization, population growth, and the process of electrification will underpin demand for commodities in the years ahead. Meanwhile, supply, already constrained by years of under-investment, could remain limited by climate-related policies. More extreme weather conditions could also lead to both supply and demand volatility. Diversification and active management of commodity investments remains important, as the divergent performance of individual commodities has shown this year.

## Real estate

We think core real estate's ability to provide rental income is attractive in a low-yield world, and it is one of the few asset classes we expect to deliver positive real returns in the years ahead, even if valuations mean absolute returns are likely to be lower than in the recent past. Real estate is also a good potential hedge against the risk of stagflation. Given significant structural changes in the aftermath of the pandemic, selection and active management of real estate portfolios is key.

### UBS Wealth Way

## How should I construct my ideal asset allocation?

One primary goal of an asset allocation is to maximize the value of your retirement assets, and ensure that you have enough wealth to sustain your desired lifetime spending. With this in mind, a key question is: "How much risk should we take?" The answer—which depends on your time horizon, psychological comfort with volatility, and spending needs—can be guided by using the UBS Wealth Way framework.

Higher risk portfolios generally lead to higher returns and more growth over multiyear periods, but there is a clear trade-off between long-term growth potential and short-term portfolio volatility. As we mention on p. 30, balanced portfolios historically have recovered far more quickly from bear market losses than all-equity portfolios. This "time under water"

window—generally three to five years—is key to structuring a plan for your financial success.

During your working years, your paychecks fund your spending, so you can outwait a bear market. As you near retirement, there is a risk that you could be forced to lock in otherwise temporary bear market losses, as you tap into your wealth for spending. We therefore recommend building a Liquidity strategy with enough cash, bonds, and borrowing capacity to cover three to five years of your cash flow needs. The Liquidity strategy can fund short-term spending needs during market drawdowns, and allow you to confidently remain invested in your Longevity strategy—the funds needed for the rest of your retirement spending—for growth and income to support your lifestyle.

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UBS Wealth Way is an approach incorporating Liquidity, Longevity, Legacy, strategies that UBS Switzerland AG, UBS AG and UBS Financial Services Inc. and our advisors can use to assist clients in exploring and pursuing their wealth management needs and goals over different timeframes. This approach is not a promise or guarantee that wealth, or any financial results, can or will be achieved. All investments involve the risk of loss, including the risk of loss of the entire investment. Timeframes may vary. Strategies are subject to individual client goals, objectives and suitability.

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# Investment ideas



Machu Picchu (Peru) Shutterstock

# Invest in disruptive technologies



The trend of technological disruption affords significant opportunity for investors in the decade ahead, and we focus on the three major technologies enabling it: artificial intelligence, big data, and cybersecurity. We expect these “ABC technologies,” along with 5G, to grow faster than the tech sector as a whole. Plugging into these growth drivers will require investors to look beyond just mega-cap tech stocks and focus on mid-cap names that could prove to be “the next big thing.”

## The ABCs of technology: AI, big data, cybersecurity

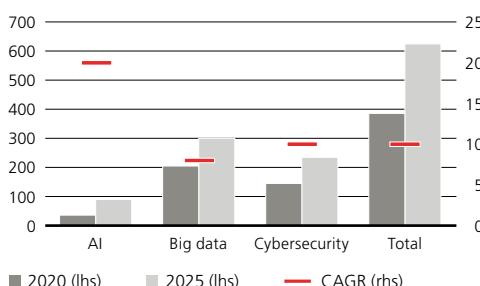
As businesses and governments sharpen their focus on the ABC technologies, we expect the combined revenues of the three segments to

grow from USD 386 billion in 2020 to USD 625 billion in 2025. AI revenues should rise the fastest by almost 20% a year, with big data and cybersecurity growing at 8–10% a year but with greater potential for margin expansion. Overall, we expect companies

Figure 1

### Strong growth expected for the ABCs of tech

Addressable market (USD bn, lhs) and projected growth rate (CAGR %, rhs)

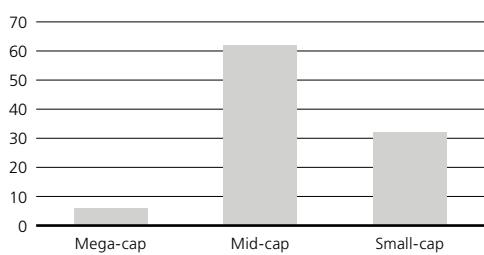


Source: UBS, as of November 2021

Figure 2

### Looking beyond the mega-caps

Breakdown of ABCs of tech by market cap



Source: Bloomberg, Factset, UBS, as of November 2021

exposed to our “ABCs of tech” theme to deliver 16% earnings per share (EPS) growth per year.

**Artificial intelligence.** AI is already widely used in areas such as navigation, pricing, advertising, facial recognition, and translation. In the years to come, we believe companies will increasingly turn to AI to improve customer experiences, reduce the cost of providing products and services, and develop new business lines. We expect the market for AI services and hardware to grow 20% a year to reach USD 90 billion by 2025, and it could even surprise to the upside if improvements in computing power, research and development, and machine learning and deep learning capabilities exceed our expectations.

**Big data.** It has become commonplace to say that data is the new oil. Indeed, we are surrounded by this digital commodity: We expect the global data universe to expand more than tenfold from 2020 to 2030, reaching 660 zettabytes—equivalent to each person on the planet having 610 iPhones (128 GB). But just like oil, data needs to be refined before it can be put to use to automate business processes, boost efficiencies, or improve the quality of strategic decision-making.

Data travels through six distinct stages during its life: creation, transmission, storage, processing, consumption, and monetization. We focus on companies that touch on all of the steps within the digital data life cycle, and expect the big data market to grow 8% a year from 2020 to 2025. Our estimates may prove conservative if big data adoption in emerging markets is greater than we expect.

**Cybersecurity.** The number of connected devices is growing rapidly, but at the same time nearly 330 million people in 10 countries experienced cybercrime in the last 12 months, according to the 2021 Norton Cyber Safety Insights Report. Meanwhile, at the enterprise level, shifting to cloud computing has cut company costs significantly, but it has increased the potential impact of an online attack.

We expect the cybersecurity industry to grow by an average of 10% during 2020–25 thanks to steadily higher enterprise IT spending and the stronger adoption of cloud security. Cybersecurity is also one of the most defensive segments within IT. Reflecting its importance, enterprise spending on cybersecurity has grown by high-single-digit rates in recent years, whereas broader IT spending has grown only by low- to mid-single-digit rates.

### ...and 5G

We believe the rollout of 5G technology, which is 20 times faster and 90% lower in latency than 4G, will bolster the impact of the ABC technologies, enabling various applications that were not feasible before. These include fixed wireless access, autonomous driving, immersive augmented and virtual reality (AR/VR), telesurgery, massive Industrial Internet of Things, data-driven agritech, and highly connected smart cities.

We see opportunity in 5G enablers and platform beneficiaries, and estimate a mid-teens earnings growth potential over three years.



of surveyed investors consider tech the most attractive sector to invest in, followed by healthcare (64%) and energy (62%).

Source: 3Q21 UBS Investor Sentiment survey

### Looking beyond the mega-caps

Investing in the tech mega-caps that dominate major equity benchmarks (roughly 20% of the MSCI ACWI) affords investors some exposure to the ABCs of technology. These incumbents have their own strategies around disruptive technologies that could strengthen their position in these and related fields, like cloud computing. We have continued to see strength in tech mega-cap names, but entering 2022, valuations are around 30x forward P/E with low-teens expected earnings growth next year, and larger tech firms remain exposed to regulatory risks.

History also shows that the largest companies tend to change over time, and incumbents don't last forever. As such, we believe it is important for investors to also focus on newer, more agile, faster-growing companies to gain exposure to new trends and technological innovations. This can be done in both public and private markets:

**Small- and mid-cap tech.** We see three key reasons to focus on small- and mid-cap tech stocks in the years ahead. First, faster earnings growth: Consensus expects high-double-digit rates for smaller tech firms versus low- to mid-double-digits for larger firms. Second, lower regulatory and tax risks: Smaller firms are likely to be less subject to government scrutiny than mega-caps. Third, consolidation: Smaller tech companies may benefit from mergers as maturing mega-caps attempt to acquire growth.

**Private equity.** Investors can also gain exposure to early-stage growth companies not yet available in public markets through private equity. According to PitchBook, some 437,000 tech companies globally are privately held, compared with just 8,100 that are listed on public exchanges. Currently, private equity investors are particularly active in sectors such as healthtech, fintech, digital subscriptions, and those that benefit from the shift to more sustainable economies.

### UBS Wealth Way

## Should I include cryptos in my portfolio?

In order to achieve the highest probability of meeting your goals, we believe most investors are best served by a strategy that combines growth with relatively limited drawdown risks in the Longevity strategy. Very high volatility in crypto coins and tokens means we view direct exposure to these assets as suitable only for highly risk-tolerant and speculative investors.

Some investors dedicate a small portion of their portfolios to "entertainment" trades, separate from the assets earmarked for lifetime spending in the Longevity strategy. This could be a healthy way to reduce the urge to speculate with Longevity strategy assets, and to learn important investing lessons without jeopardizing your overall financial success. But it's important to only allocate amounts you are prepared to live without in such accounts.

UBS Financial Services Inc. does not conduct any business within the digital asset space.

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## Crypto, digital assets, and fintech

Digital assets have been one of the hottest market segments in recent years. While many have focused on price fluctuations of crypto coins, we see the most significant long-term value creation potential in companies that can benefit from applications based on the underlying distributed ledger technology (DLT).

These technologies offer the potential for greater efficiency, security, and transparency, and we estimate that the adoption of such technology could boost global GDP by more than USD 1 trillion over the next decade, representing a significant growth opportunity for the companies that provide services for DLT-based ecosystems and for enablers and platform operators.

More broadly, while technology has always been a key differentiator in the financial services industry, the pandemic triggered a dramatic shift toward contactless, mobile payments, and e-commerce, while the need for cost savings and competition from startups are forcing incumbent financials to also launch fintech services.



A combination of these trends means we expect fintech revenues to grow from USD 225 billion in 2020 to USD 750 billion in 2030, implying an average annual growth rate around three times faster than the broader financials sector's revenue growth rate. With double-digit earnings growth over the next decade, we expect fintech to be one of the fastest-growing industries globally.

# Position for the net-zero carbon transition



We believe the net-zero carbon transition will prove to be one of the most consequential investment trends of the coming decade. We see opportunity across greentech, clean air and carbon reduction solutions, as well as in carbon trading strategies and ESG leaders.

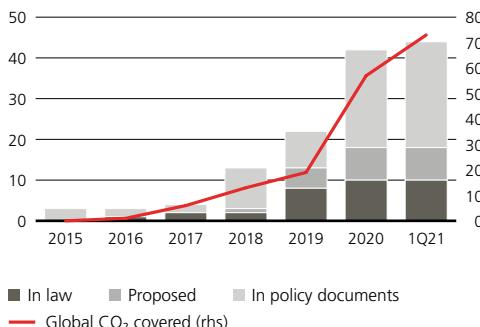
Fifty-nine countries, responsible for 55% of global emissions, have pledged to reach net-zero carbon by 2050. The US plans to reach

80% clean electricity and 50% electric vehicle sales by 2030. The EU aims for 55% lower emissions, for 40% of energy to come from

Figure 3

Net-zero emissions pledges have accelerated

Number of national net-zero pledges (lhs) and share of global CO<sub>2</sub> emissions covered (rhs)

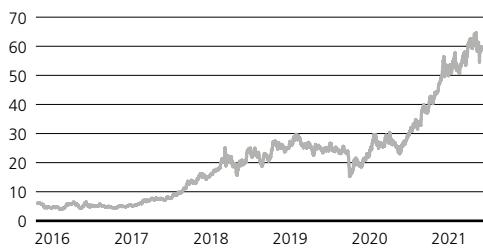


Source: International Energy Agency (2021), Net Zero by 2050, IEA, Paris, UBS, as of October 2021

Figure 4

European carbon prices tripled in the past year

EUA front-month futures prices in euro per metric ton



Source: Bloomberg, UBS, as of October 2021

renewable sources by the end of this decade, and for all new cars to be zero-emission by 2035. China aims to raise its non-fossil-fuel share of energy supply to 25% by 2030.

Yet world energy consumption continues to grow. The International Energy Agency (IEA) projects that world energy consumption will increase nearly 50% by 2050. The recent rise in the prices of crude oil, natural gas, and coal to multiyear highs highlights the need for substantially higher investment in green technologies to successfully achieve a net-zero carbon transition while minimizing economic disruption.



of surveyed investors cited climate change related sustainable strategies as those that resonated the most.

Source: 3Q21 UBS Investor Sentiment survey

We see investment opportunities in a number of main areas:

**Greentech, clean air, and carbon reduction**

Most of the reductions in global CO<sub>2</sub> emissions through 2030 will be driven by replacing some fossil fuel usage with renewable energy. In its net-zero pathway, the IEA expects that 90% of electricity generation will come from renewable sources by 2050 (up from 25% in 2018), with wind and solar photovoltaics together accounting for nearly 70%.

We see the biggest short- to medium-term investment opportunities in five areas:

- 1) clean energy;
- 2) energy efficiency and digitalization;
- 3) electrification and batteries;
- 4) bioenergy; and
- 5) intermediaries like financials.

Over the longer term, we also expect new investment opportunities to become more prominent in two additional areas:

- 6) hydrogen; and
- 7) carbon capture, utilization, and storage.

## **Traditional commodities and commodity producers**

The net-zero carbon transition is likely to entail higher commodity prices and cause periods of commodity price volatility in the years ahead. And while reducing emissions should increase renewable power generation and storage capacity, it will not happen overnight. We therefore believe that investing in traditional commodities and commodity producers, alongside greentech, is a diversified, realistic way to navigate the broader macroeconomic trend toward net-zero.

## **Carbon trading strategies**

Carbon markets are another way investors can engage in the net-zero transition. Putting a price on carbon is a key mechanism in some government strategies to curb demand and encourage investment in low-emission technologies. Prices of carbon, which can be quite volatile, under the EU Emissions Trading System (ETS) recently hit a record high, having rallied over 90% year-to-date amid higher energy demand and anticipation of tighter environmental regulations.

We think that the shrinking availability of emission allowances and the broadening scope of carbon trading to more sectors will

support carbon prices over the medium to long term, albeit with high volatility. The implementation of cap-and-trade systems should benefit industries that are more efficient at managing their carbon emissions, and we expect companies that are leaders in managing their carbon footprint to benefit from the long-term net-zero carbon transition.

## **Sustainable asset classes**

Overall, a fully sustainable portfolio can help investors position for this transition to net-zero through a variety of components. First, ESG leader strategies may invest in companies which have demonstrated better energy management. Second, ESG thematic equities may provide exposure to longer-term climate solutions, while green bonds can help channel financing toward such solutions or help companies finance their transition overall. Third, ESG engagement strategies could extend investor influence to accelerate climate responses by companies. And fourth, multilateral development bank bonds can direct capital toward emerging markets to support those countries with their net-zero transition efforts.

› *Read more on the specific ESG strategies in our education primers.*

## The dawn of climate inflation?



Below is an interview with Davide Serra, CEO and Founder of Algebris Investments. Serra and his team have been vocal about the potential for "climate inflation" and its potential consequences for economies and markets.

### **Why do you think climate policies could drive inflation?**

Ever since 1970, humanity has been running a "biocapacity deficit," using more resources than the Earth can regenerate. Economic theory tells us that persistent deficits should drive inflation. But this hasn't happened, because our biocapacity deficit was never priced. Now, politicians are turning their attention to pricing these externalities, through measures like Europe's Emissions Trading System and other pollution or emission-based taxes.

### **What is the magnitude of the impact you're expecting?**

One way to think about it is to consider how much prices would need to rise in order to sufficiently curb consumption. In a base case, the UN expects global resource extraction to grow to 190 billion tons by 2060. But to remain in a sustainable scenario, we need to reduce this by 25%. With price elasticity around  $-0.35v$ , achieving such a large reduction in consumption would require prices to increase by as much as 70–75% by 2060. That equates to around 0.9% per year.

### **What are the consequences for central bank policy and investing?**

Central banks have struggled for years to reach their 2% inflation targets. But pricing externalities would be enough to turn years of disinflation into a future of above-target inflation. In turn, that could mean a change in the paradigm away from endless quantitative easing and negative interest rates, toward something different. For investors, this would have consequences for everything from equity valuations to bond prices to style tilts.

This statement contains views which originate from outside Chief Investment Office Global Wealth Management (CIO GWM). It is therefore possible that the statement does not fully reflect the views of CIO GWM.

## UBS Wealth Way

# How can I use sustainable investing to help achieve my goals?

The pandemic and evolving environmental issues have led many families to reassess their values and what they consider important in life. This has resulted in growing questions about how investors can use their capital to make a difference to the causes they feel passionate about.

The UBS Wealth Way approach identifies goals, ambitions, and values that go beyond the financial, fueling decisions that aim to support future generations and make a lasting positive impact.

For example, within Liquidity strategies, investors can use cash alternatives such as ESG money market funds, or build a bond ladder using sustainable bonds (including green, social, sustainability, and sustainability-linked bonds) or multilateral development bank bonds.

Within Longevity strategies, investors can align their capital deployment with sustainability goals, by considering a fully sustainable

asset allocation, or complementing their existing portfolio with thematic ideas like clean air and carbon reduction, or others aligned with the UN's Sustainable Development Goals.

And the inherent long-term horizon of a Legacy strategy provides investors with the flexibility to invest for impact. Possibilities include growth equity or venture capital solutions in areas such as healthcare and education, where fund managers aim to drive measurable change while targeting market-rate or superior returns.

Philanthropy can also form part of Legacy strategies. Investors may choose to donate immediately using Legacy strategy funds, or alternatively seek to make potential charitable gifts go further by putting funds to work in structures like donor-advised funds or private foundations, where they can keep growing before they are granted or donated.

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## Appendix



# 2021 in review

2021 saw the interplay of vaccine rollouts, fiscal stimulus, economic reopening, and strong earnings growth, with fears of new COVID-19 variants and elevated inflation. Stocks and commodities rallied, while bonds sold off.

## 3 things we got right

- ✓ Vaccines would facilitate a sustainable recovery
- ✓ Stocks would continue to move higher
- ✓ Oil prices would increase substantially

## 3 things we got wrong

- ✗ Growth and inflation exceeded our expectations
- ✗ Bond yields rose by more than we expected
- ✗ The US dollar appreciated, against our expectations

Here is what happened as a result:

## Economy

In *Year Ahead 2021*, we said we expected the wide availability of vaccines to put Europe and North America on the path to a sustainable recovery, and this bore out. Economic growth and corporate earnings both exceeded our expectations. Developed economies are poised to grow 4.9% this year, versus our estimate of 4.2%, and S&P 500 earnings are on track to expand by more than 45%, surpassing our expectation of a 22% year-over-year growth for 2021. GDP growth in China also exceeded expectations, albeit by a lesser margin.

## **Stocks**

We said that we expected stocks to move higher in 2021, and the MSCI ACWI is up 17% at the time of writing. We focused on stocks and markets with greater potential to “catch up” following their weak performance in 2020. Although this proved correct, notably for energy and financials, the already well-performing US market continued to outperform, due to exceptionally strong earnings growth.

## **Bonds**

Bond yields increased beyond our expectations, triggered by a combination of higher-than-expected GDP growth and inflation. The 10-year US Treasury yield is 1.6% at the time of writing, versus about 0.8% at the time we published *Year Ahead 2021*. European yields also surpassed our expectations, but to a lesser extent: The 10-year German Bund yield is –0.2% at the time of writing, versus our original expectation of –0.4% by end-December 2021.

## **Currencies**

We expected the US dollar to weaken over the course of 2021, but it has marginally strengthened. This was due in part to the very robust expansion of the US economy, which has driven US rate expectations higher. The market is currently pricing two to three rate hikes by the end of 2022. Last year we didn’t expect any rate hikes for the foreseeable future.

## **Commodities**

We expected oil prices to increase substantially in 2021, from USD 44/bbl at the time we wrote *Year Ahead 2021* to USD 60/bbl by the end of this year. Oil prices met and exceeded our expectations, as a combination of resurgent demand, low inventories, and supply challenges created a “perfect storm” for commodity markets in the second half.

# Asset class forecasts

## Currencies

### Developed markets

	Spot	Jun 22	Dec 22	PPP
<b>EURUSD</b>	1.14	1.12	1.10	1.34
<b>USDJPY</b>	114	116	116	68
<b>GBPUSD</b>	1.34	1.35	1.34	1.64
<b>USDCHF</b>	0.92	0.96	0.98	0.83
<b>EURCHF</b>	1.05	1.08	1.08	1.11
<b>EURGBP</b>	0.85	0.83	0.82	0.82
<b>AUDUSD</b>	0.73	0.72	0.70	0.72
<b>USDCAD</b>	1.26	1.27	1.28	1.23
<b>EURSEK</b>	10.01	10.00	10.00	9.89
<b>EURNOK</b>	9.95	9.70	9.70	10.85

Source: UBS, as of 12 November 2021

### Emerging markets

	Spot	Jun 22	Dec 22
<b>USDCNY</b>	6.39	6.60	6.65
<b>USDIDR</b>	14,235	14,600	14,800
<b>USDINR</b>	74.4	78.0	79.0
<b>USDKRW</b>	1,180	1,180	1,180
<b>USDRUB</b>	72.9	70.0	73.0
<b>USDTRY</b>	9.99	10.20	10.80
<b>USDBRL</b>	5.42	5.50	5.50
<b>USDMXN</b>	20.49	20.20	20.50

Source: UBS, as of 12 November 2021

## Commodities

	<b>Spot</b>	<b>Jun 22</b>	<b>Dec 22</b>
<b>Brent crude oil (USD/bbl)</b>	82.2	85.0	85.0
<b>WTI crude oil (USD/bbl)</b>	80.8	82.0	82.0
<b>Gold (USD/oz)</b>	1,865	1,750	1,650
<b>Silver (USD/oz)</b>	25.3	22.0	20.0
<b>Copper (USD/mt)</b>	9,711	11,500	11,500

Source: UBS, as of 12 November 2021

## Rates and bonds

	<b>Base rates</b>			<b>10-year yields (%)</b>		
	<b>Current</b>	<b>2022E</b>	<b>2023E</b>	<b>Spot</b>	<b>Jun 22</b>	<b>Dec 22</b>
<b>USD</b>	0.08	0.08	0.33	1.56	2.00	2.00
<b>EUR</b>	-0.50	-0.50	-0.50	-0.26	0.00	0.00
<b>CHF</b>	-0.75	-0.75	-0.75	-0.18	-0.05	-0.05
<b>GBP</b>	0.10	0.75	1.25	0.91	1.05	1.10
<b>JPY</b>	-0.10	-0.10	-0.10	0.08	0.15	0.15

Source: UBS, as of 12 November 2021

# Economic forecasts

	GDP growth (%)				Inflation (%)			
	2020	2021E	2022E	2023E	2020	2021E	2022E	2023E
<b>Americas</b>								
US	-3.4	5.5	4.2	3.0	1.2	4.6	4.2	1.4
Brazil	-4.1	5.1	1.2	2.2	3.2	8.1	6.8	3.6
Canada	-5.3	5.3	5.8	3.5	0.7	3.4	3.5	1.5
<b>Europe</b>								
Eurozone	-6.5	5.1	4.8	2.0	0.3	2.5	2.2	1.5
Germany	-4.9	2.8	4.9	1.8	0.4	3.1	2.1	1.4
France	-8.0	6.7	3.8	1.7	0.5	2.0	1.4	1.0
Italy	-9.0	6.2	4.5	1.5	-0.1	1.8	1.5	0.8
Spain	-10.8	4.6	6.1	3.3	-0.3	2.9	2.5	0.8
UK	-9.7	7.0	4.6	1.5	0.9	2.4	3.4	1.8
Russia	-3.0	4.4	3.0	2.1	3.4	6.6	6.3	4.1
Switzerland	-2.5	3.1	3.1	1.7	-0.7	0.6	0.7	0.6
<b>Asia</b>								
China	2.3	7.6	5.4	5.0	2.5	0.9	2.0	1.6
Japan	-4.7	2.1	3.1	1.4	0.0	-0.2	0.5	0.8
India	-7.3	9.5	7.7	6.0	6.2	5.4	4.8	4.3
South Korea	-0.9	3.9	3.0	2.9	0.5	2.3	2.0	1.3
<b>Developed markets</b>	-4.7	4.9	4.2	2.5	0.7	3.1	2.9	1.3
<b>Emerging markets</b>	-2.0	6.8	5.1	4.5	4.1	4.4	4.7	3.7
<b>World</b>	-3.1	6.0	4.7	3.6	2.6	3.8	3.9	2.7

E= Estimate

Source: UBS, as of 12 November 2021

# Impressum

## **Year Ahead 2022 – UBS House View**

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This report reflects the insights and perspective from the entire CIO team across the globe and demonstrates the intellectual leadership of UBS.

### **Global Chief Investment Officer**

Mark Haefele

### **Editor in Chief**

Kiran Ganesh

### **Supervisory analyst**

Mark Boehme

### **Project manager**

Sagar Khandelwal

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### **Contact**

[ubs.com/cio](http://ubs.com/cio)

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