

Daily: Stay invested near record highs

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Thought of the day

US stocks retreated from record highs as concerns about inflation and elevated government bond yields weighed on investor sentiment. The S&P 500 fell 0.2% on Wednesday, with futures pointing to a lower open on Thursday.

Brent crude oil was up 3.8% at USD 104/bbl at the time of writing amid reports that the White House was considering fresh strikes against Iran before the US midterm elections. Production shut-ins in the Gulf of Mexico due to a developing hurricane also added to supply concerns and fueled inflation angst.

Additionally, reports that several major tech companies were seeking to raise billions of dollars in debt have kept Treasuries under pressure, although a strong auction of 10-year US notes later offered some relief. The 10-year Treasury yield rose as high as 5.36% in intraday trading on Wednesday before pulling back from the 24-year peak.

Markets may have to climb a renewed wall of worry to set fresh records, but waiting for these concerns to fade could mean missing further gains. We believe investors should focus less on finding a perfect entry point and more on maintaining exposure while managing concentration and timing risks through a disciplined portfolio approach.

A strong market can improve the way investors take risk. Strong performance need not prompt an all-or-nothing choice between chasing the rally and moving to cash. It can instead provide an opportunity to review allocations, trim positions that have become overly dominant, and redirect capital toward a wider range of sectors and regions. This allows investors to participate in further gains while reducing reliance on the narrow group of holdings that has delivered the strongest recent returns.

Waiting for a more comfortable entry point can create a mismatch with long-term goals. Market clarity often emerges only after prices have already adjusted, leaving investors who remain on the sidelines vulnerable to missed compounding opportunities and the gradual erosion of their cash holdings from inflation, taxes, and withdrawals. A more disciplined approach is to distinguish between liquidity needed for near-term spending and capital intended for long-term growth, then phase surplus cash into a diversified portfolio rather than allowing investment decisions to depend on a single market level.

Risk should be managed through portfolio design rather than market forecasts. Record highs can coexist with genuine risks, including elevated valuations, geopolitical disruption, and higher yields. Investors do not need to predict which concern will trigger the next pullback to prepare for it. Diversified core equity exposure, periodic rebalancing, and capital preservation strategies where appropriate can make it easier to remain invested while keeping potential drawdowns aligned with individual objectives and risk tolerance.

So, investors should not interpret persistent market worries as a sign that the rally is over. We believe the more durable approach is to remain positioned for long-term gains through a well-diversified portfolio. Investors willing and able to tolerate the associated risks can also consider broad commodities and alternatives, such as hedge funds, for differentiated sources of return.

Source: <https://www.ubs.com/global/en/wealthmanagement/insights/chief-investment-office/house-view/daily/2026/latest-08102026.html>