Daily: Look beyond tech as AI strength persists

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From the studio

Video: Why yields are rising and what it means for the dollar (4 mins)Video: Four reasons to take a closer look at Taiwanese equities (5 mins)Video: Post-Jackson Hole: why we think the Fed keeps rates on hold (4 mins)

Thought of the day

Broadcom provided further evidence that demand for AI infrastructure remains strong, raising its forecast for AI-chip revenue in the fiscal year ending October 2027 to about USD 115bn from more than USD 100bn previously. The company expects the figure to roughly double to USD 230bn in fiscal 2028, while third-quarter AI-chip revenue more than tripled to USD 16.7bn. The update follows strong results from NVIDIA last week, after which its shares rose 8.7%, their best post-results performance since 2024. Without taking a stance on single securities, the results reinforce our view that robust AI investment remains an important driver of the positive equity market outlook.

But encouraging company results do not remove the risks surrounding the theme or the broader market. Continued conflict in the Middle East has kept energy prices and long-dated government bond yields elevated, which can weigh on the valuations of companies whose expected profits extend further into the future. Competition is also increasing across the AI industry, while uncertainty remains over which companies will ultimately capture the returns from rising investment. Investors should therefore retain exposure to the principal drivers of the market cycle, while broadening participation and managing the risk of drawdowns.

Broadening opportunities support positioning for further market gains. Our base case of robust AI investment, broader earnings growth, and resilient economic activity supports further equity market gains. Global AI-related capital expenditure is expected to reach around USD 900bn in 2026 and about USD 1.2tr in 2027, with the opportunity extending beyond the largest technology companies into semiconductors and hardware, software, power infrastructure, utilities, and industrials. The equity rally has also been broadening both geographically and in terms of sectors. The equal-weighted S&P 500, which dilutes the impact of the top US tech firms, is now up 13.9% so far this year, outpacing the 12.8% gain in the tech-heavy Nasdaq Composite. This has been underpinned by widening earnings growth. For the second quarter, the median S&P 500 company beat earnings estimates by around 5.5%, versus an average of around 3.6% since 2015, underlining this broadening of growth. After a few sluggish years, European earnings growth accelerated to 22% in the second quarter, and we now expect 15% growth both for 2026 and 2027. This broader approach is particularly relevant since, excluding strategic holdings, nearly 40% of self-managed equity investors on our platform hold more than half of their equity portfolios in 10 stocks or fewer.

Capital preservation strategies can help investors remain invested while managing risks. Investors do not have to choose between pursuing further gains and mitigating potential losses. Those with concentrated portfolios, lower tolerance for drawdowns, or near-term liquidity needs can consider strategies designed to limit losses while retaining participation in a further market advance. Relatively low implied volatility can improve the terms available by reducing the cost of the options used in many capital preservation strategies, while higher shorter-dated government bond yields can make zero-coupon structures less expensive and leave more capital available for potential market participation. Investors can tailor these approaches by tenor, the floor on losses, and the participation rate. This can allow them to lock in some gains, reduce exposure to richly valued or shock-sensitive holdings, and strengthen portfolio resilience without stepping away entirely from long-term equity opportunities.

The physical AI buildout broadens the opportunity into power and resources. Broadcom's stronger outlook reinforces confidence in sustained AI infrastructure investment, which extends beyond chips into power generation, electricity grids, data centers, cooling systems, and industrial equipment. Together with electrification and rising global power demand, this creates long-term opportunities for companies providing the physical assets needed to expand and modernize energy systems. It should also support select industrial metals, with constrained supply growth underpinning our preference for copper, followed by aluminum, through 2027. Investors can therefore complement technology exposure to power and resources, alongside a broad, actively managed commodity allocation that can enhance diversification against inflation.

So, we remain positive on the equity outlook and believe the latest company results support staying invested in AI. Even so, broadening opportunities and persistent macroeconomic risks reinforce the importance of building exposure more widely. Investors should combine diversified core equity allocations with targeted exposure to transformational innovation and cyclical opportunities, while considering capital preservation strategies where concentration or drawdown risk is elevated. Complementing technology holdings with diversified commodity exposure can provide access to the physical expansion of AI infrastructure while improving portfolio resilience against inflation, energy disruption, and geopolitical risks.

Source: https://www.ubs.com/global/en/wealthmanagement/insights/chief-investment-office/house-view/daily/2026/latest-03092026.html