# US-Iran tensions reinforce the case for portfolio resilience

## UBS House View - Daily US

Ulrike Hoffmann-Burchardi, Chief Investment Officer Americas and Global Head of Equities, UBS Financial Services Inc. (UBS FS)
Mark Haefele, Global Wealth Management Chief Investment Officer, UBS Switzerland AG
Daisy Tseng, Strategist, UBS AG Singapore Branch
Jon Gordon, Strategist, UBS AG Hong Kong Branch
Teck Leng Tan, CFA, Strategist, UBS AG Singapore Branch
Delwin Kurnia Limas, CFA, CIO Equity Strategist, UBS AG Singapore Branch

*Prefer to listen? The UBS House View Daily is now available in audio across multiple platforms. Today's edition will be available shortly. Listen on UBS, Spotify, or Apple Podcasts.*

Listen on UBS

LISTEN ON Spotify

Listen on Apple Podcasts

### From the studio

**Podcast: Jump Start I 2Q earnings, CPI data, US-Iran update** (7 mins)

**Video: Investors Club I Is the AI memory supercycle intact?** (6 mins)

**Video: Equity strategy amid strong earnings and record highs** (5 mins)

### Thought of the day

Tensions between the US and Iran escalated further over the weekend, with the US military launching more strikes on Iran after the latter's drone and missile attacks against US allies, including Kuwait, Jordan, and Qatar. Iran's Islamic Revolutionary Guard Corps said it would not allow any vessels to pass through the Strait of Hormuz, although a maritime advisory group said that a southern route through the waterway remains open to shipping.

Brent crude oil was trading 3.6% higher at USD 78.8/bbl at the time of writing, the 10-year Treasury yield was moving higher toward 4.6%, and gold was down 1.2% to around USD 4,070/oz. S&P 500 futures were pointing 0.4% lower ahead of the US market open.

The continued hostilities over the past week underscore the challenge of finding a lasting agreement between Washington and Tehran, casting doubt on the future of the interim peace deal signed last month, which aimed to reopen the Strait and end the war within 60 days. Still, we believe both sides remain incentivized to avoid a return to all-out war, and we expect robust earnings growth and a resilient economic backdrop to provide further support for markets.

Our view remains that global equities have room to move higher, and we expect bond yields to fall when markets scale back expectations for central bank tightening. For investors, maintaining a diversified portfolio remains key, and we see additional ways to bolster portfolio resilience.

### What to watch: 14 July

- Australia consumer confidence in July by Westpac
- China's balance of trade in June
- US CPI in Jun
- Fed Chair Warsh testimony

**Consider gaining exposure to broad commodities.** Commodities have historically exhibited low correlations with equities and bonds, while offering effective long-term inflation protection. In the current environment, we believe energy exposure can help buffer against renewed supply disruptions, El Niño-related risks should support agricultural commodities, and the AI boom and electrification trend remain positives for industrial metals. Gold, meanwhile, should stay supported by central bank demand, continued diversification away from the US dollar, and global debt concerns over the long term.

**Use capital preservation strategies for more defensive positioning.** Investors do not have to choose between pursuing upside and protecting against downside risk, as capital preservation strategies can help investors remain invested while reducing the impact of drawdowns. Currently, we see value in locking in gains where appropriate, de-risking select exposures, and using structured investments to help manage downside risk. Additionally, capital preservation strategies can be customized for tenor, loss avoidance, and participation, allowing investors to tailor the degree of protection and upside participation.

**Include an allocation to alternatives such as hedge funds.** Based on initial HFRI data as of the end of June, hedge funds' solid 7.6% overall return during the first six months of this year marked the best first-half performance since 2021. Given their broader and more flexible mandates, hedge funds can dynamically adjust positions, deploy leverage, and hedge key risks. We like global macro and relative value strategies, and think a modest allocation to select hedge funds can enhance portfolio resilience and smooth overall return outcomes. Investors, however, should stay selective and align allocations with their liquidity needs and risk objectives.

So, while geopolitical risks may continue to weigh on market sentiment, we think broad commodities, capital preservation strategies, and select hedge funds can help diversified portfolios better withstand near-term volatility.

## Caught our attention

**South Korea's volatility.** SK Hynix's shares in Seoul fell more 15% on Monday as investors booked profits following a 12.8% jump in the chipmaker's Nasdaq debut on Friday. A lower second-quarter earnings forecast from local brokerage KIS also contributed to the decline, although the firm stated that the earnings forecast revision was due to an adjustment in its long-term pricing assumptions for high-bandwidth memory (HBM) chips rather than concerns over fundamentals. The Kospi ended Monday nearly 9% lower, bringing its decline over the past three weeks to over 25%. Still, the benchmark's year-to-date gains remain above 60%. The Korean won, meanwhile, held onto recent gains against the US dollar.

*Our view:* Without commenting on single securities, we maintain a constructive outlook on semiconductors overall, as they remain the key beneficiaries of big tech companies' growing AI investments, and believe the medium-term AI demand story remains intact amid robust adoption trends and expanding agentic AI workloads. We do, however, believe that selectivity within the industry is key, and we see particular opportunities in semiconductor equipment stocks and foundries. Separately, we think the recent stability in the Korean won against the greenback should continue, as SK Hynix's USD 26.5bn Nasdaq listing could provide supportive capital flows for the currency over the medium term. With markets moving past peak Fed tightening pricing, we see scope for the USDKRW to move lower over the next 6-12 months.

**Raising India equities to Attractive.** Since peaking in September 2024, the Nifty 50 has underperformed MSCI EM Asia by around 60 percentage points, reflecting a relative loss of momentum as global investors rushed into AI- and semiconductor-linked markets. India's market, by contrast, is more exposed to traditional growth drivers and industries, such as financials, consumption, health care, industrials, and services. We have now upgraded India to Attractive, as that relative weakness has created a better entry point, and as the cyclical backdrop has begun to inflect. While US-Iran tensions have escalated in the past few days, we expect both sides to de-escalate over the medium term, which should encourage lower oil prices and ease a key macroeconomic headwind for India.

*Our view:* India now appears to be moving past its macroeconomic, earnings, and market troughs. We expect economic growth to improve as energy-related pressure fades, capital spending firms up, and as supportive fiscal settings begin to feed more clearly into domestic activity. Valuations and earnings also look more supportive, while profit growth looks set to return to a double-digit pace over the next two years. With foreign positioning still low, an anticipated revival in offshore inflows and stronger earnings could support a retest of the Nifty's previous highs over the next 12 months. Investors will still need to be mindful of the risks, such as the market's limited exposure to the AI capex cycle, rupee volatility, and geopolitics. Still, for global investors with little or no India exposure, we think a low-single-digit allocation is worth considering.

## Market update

| 13 Jul 2026 | | Percent change. For volatility indices, net change in points. For valuation, change in price to earnings per share. For yields, net change in bps | | | |
|---|---|---|---|---|---|
| | Current (*) | 1D | 5D | 1M | YTD |
| VIX Index | 15.0 | -1 | -1 | -3 | +0 |
| S&P 500 | 7575 | +0.4% | +1.2% | +1.9% | +10.7% |
| S&P 500 trailing P/E (**) | 24.5x | | +0.2x | +0.1x | -0.8x |
| S&P 500 forward P/E (**) | 20.5x | | +0.1x | +0.0x | -1.5x |
| S&P 500 forward P/E ex-Mag 7 (**) | 19x | | +0.0x | +0.1x | -0.7x |
| Nasdaq-100 | 29825 | +0.3% | +1.7% | +0.6% | +18.1% |
| Russell 2000 | 2978 | -0.5% | -0.6% | +1.1% | +20.0% |
| STOXX Europe 600 | 639 | -0.3% | -1.7% | +1.0% | +8.0% |
| Swiss market index | 14235 | +0.1% | -0.5% | +3.8% | +7.3% |
| Shanghai Composite | 3914 | -2.1% | -3.2% | -2.9% | -1.4% |
| Nikkei 225 | 67243 | -1.9% | -3.6% | +1.9% | +33.6% |
| US 10-year Treasury | 4.57 | +1 | +10 | +9 | +40 |
| US 2-year Treasury | 4.22 | +1 | +11 | +14 | +75 |
| Germany's 10-year Bund | 3.08 | +2 | +13 | +9 | +23 |
| Germany's 2-year Bund | 2.67 | +3 | +13 | +6 | +55 |
| EURUSD | 1.141 | -0.1% | -0.3% | -1.6% | -2.9% |
| EURCHF | 0.92 | -0.0% | -0.2% | -0.2% | +0.8% |
| USDCHF | 0.81 | +0.1% | +0.5% | +1.8% | +2.1% |
| USDJPY | 162 | +0.3% | +0.0% | +1.1% | +3.4% |
| US dollar index | 101 | +0.1% | +0.2% | +1.3% | +2.8% |
| Brent crude, USD/bbl | 79 | +3.7% | +9.5% | -9.7% | +29.6% |
| Gold, USD/oz | 4061 | -1.3% | -2.6% | -3.7% | -6.5% |

(*) or last close if not available, (**) weekly update

Source: Bloomberg, Factset, UBS

Appendix

**Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments).** Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Private Credit:** There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

**Global asset class preferences definitions**
The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid and commonly known indices, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.
**Attractive:** We consider this asset class to be attractive. Consider opportunities in this asset class.
**Neutral:** We do not expect outsized returns or losses. Hold longer-term exposure.
**Unattractive:** We consider this asset class to be unattractive. Consider alternative opportunities
**Note: For equities, we have a five-tier rating system with two additional preferences**
**Most Attractive:** We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.
**Least Attractive:** We consider this asset class to be among the least attractive. Seek more favorable alternatives opportunities.
When equities are included with the other asset classes in the three-tier rating system, we collapse “Most Attractive” with “Attractive” and “Least Attractive” with “Unattractive.”

## Appendix

**Risk information**
UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.
**Generic investment research – Risk information:**
This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. UBS may utilise artificial intelligence tools (“AI Tools”) in the preparation of this document. Notwithstanding any such use of AI Tools, this document has undergone human review.
In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting

market information.
Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it. The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.
Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.
This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.
**Important Information About Sustainable Investing Strategies:** This terminology refers to definitions in the UBS Sustainable Investing Framework and does not refer or relate to any product specific regulatory labelling regime or naming conventions. Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or sustainable investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or sustainable investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.
**External Asset Managers / External Financial Consultants:** In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.
**USA:** Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS (Brasil) Corretora de Valores S.A., UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule**.
For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.
Except as otherwise specified herein and/or depending on the local entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
Version C/2026. CIO82652744