

## Global Economics & Strategy

### Global Macro - slide deck

#### Economics

#### Global

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## Pre-conflict baseline

Pre-conflict baseline															
	1Q 26	2Q 26	3Q 26	4Q 26	2026	1Q 27	2Q 27	3Q 27	4Q 27	2027	1Q 28	2Q 28	3Q 28	4Q 28	2028
Global GDP %q/q saar	2.8	3.3	3.4	3.5	3.3	3.3	3.3	3.3	3.2	3.4	3.1	3.3	3.3	3.4	3.2
US GDP %q/q saar	2.3	2.0	1.7	2.4	2.2	1.9	2.0	2.4	2.2	2.1	2.3	2.6	2.7	2.5	2.4
Eurozone GDP %q/q saar	1.0	1.6	1.7	1.7	1.2	1.4	1.2	1.2	1.0	1.4	1.0	1.0	1.0	1.0	1.0
US CPI %y/y	3.4	3.8	3.2	3.2	3.2	2.1	1.6	1.7	1.9	1.9	1.8	1.9	1.9	1.9	1.9
Eurozone CPI %y/y	2.3	2.4	2.2	2.3	2.3	1.8	2.0	2.1	2.1	2.1	1.9	2.1	2.0	2.0	2.0
US policy rate %	3.63	3.63	3.38	3.13	3.13	3.13	3.13	3.13	2.88	2.88	2.88	2.88	2.88	2.88	2.88
Eurozone policy rate %	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
US 10y (bp)	380	400	410	400	400	425	425	450	450	450	450	450	450	450	450
Germany 10y (bp)	250	265	285	300	300	300	300	300	300	300	300	300	300	300	300
S&P 500	6,650	7,150	7,300	7,500	7,500	7,600	7,700	7,800	7,900	7,900	8,100	8,300	8,500	8,700	8,700
STOXX 600	580	620	635	650	650	665	680	690	700	700	715	730	745	760	760
MSCI EM	1,420	1,485	1,550	1,620	1,620	1,665	1,715	1,760	1,805	1,805	1,845	1,885	1,930	1,970	1,970
MSCI China	75	83	91	100	100	103	105	107	110	110	113	115	117	120	120
EURUSD	1.16	1.16	1.16	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
USDJPY	158	158	158	152	152	152	152	152	152	152	152	152	152	152	152
USDCNY	7.05	7.05	7.05	7.00	7.00	7.00	7.00	6.95	6.90	6.90	6.90	6.90	6.90	6.90	6.90
Gold	5,200	5,200	5,700	5,600	5,600	5,250	4,900	5,000	5,000	5,000	5,000	4,800	4,800	4,500	4,500
EM FX	100.0	101.0	100.0	99.0	99.0	99.0	99.0	99.0	98.0	98.0	98.0	98.0	98.0	98.0	98.0
US IG (bp)	85	85	90	85	85	90	85	90	85	85	85	85	80	80	80
US HY (bp)	310	310	350	325	325	350	325	350	325	325	325	325	300	300	300

Source: Bloomberg, UBS estimates. Note: a) Global GDP growth in pre-conflict baseline scenario is calculated using forecasts of major global economies and may differ slightly from UBS Global growth forecasts because of difference in number of countries used in calculations. ; b) Except GDP growth, all annual numbers are year-end. The quarterly inflation numbers are EOP; c) For GDP growth, quarterly data is qoq saar, yearly data is yoy; d) Effective Fed Funds rates used; e) EM FX defined here as GBI-EM weighted currencies vs. USD (higher values = EM appreciation / USD depreciation and vice versa).

## 2-month disruption

Scenario 2: 2-month disruption															
	1Q 26	2Q 26	3Q 26	4Q 26	2026	1Q 27	2Q 27	3Q 27	4Q 27	2027	1Q 28	2Q 28	3Q 28	4Q 28	2028
Global GDP %q/q saar	2.6	2.4	2.7	3.2	3.0	3.3	3.5	3.4	3.3	3.2	3.4	3.4	3.3	3.5	3.4
US GDP %q/q saar	2.3	1.4	1.4	2.3	2.0	1.9	2.0	2.4	2.2	2.0	2.7	2.6	2.7	2.5	2.5
Eurozone GDP %q/q saar	0.8	0.7	0.5	0.8	0.8	1.3	1.6	1.2	0.9	1.1	1.0	1.0	1.0	1.0	1.0
US CPI %y/y	3.4	4.4	3.5	3.6	3.6	2.3	1.4	2.0	2.0	2.0	1.8	1.6	1.6	1.6	1.6
Eurozone CPI %y/y	2.6	3.5	3.3	3.4	3.4	2.6	2.1	2.2	2.2	2.2	2.1	2.0	2.0	2.0	2.0
US policy rate %	3.63	3.63	3.63	3.63	3.63	3.38	3.13	3.13	3.13	3.13	2.88	2.63	2.63	2.63	2.63
Eurozone policy rate %	2.00	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.00	2.00	2.00	2.00	2.00
US 10y (bp)	431	445	450	450	450	425	425	425	425	425	400	400	375	375	375
Germany 10y (bp)	295	300	275	275	275	250	250	250	225	225	225	225	225	225	225
S&P 500	6,550	6,000	6,450	6,900	6,900	7,250	7,400	7,600	7,700	7,700	8,000	8,200	8,400	8,600	8,600
STOXX 600	570	510	560	600	600	625	635	650	670	670	685	700	710	725	725
MSCI EM	1,420	1,300	1,355	1,410	1,410	1,490	1,575	1,660	1,740	1,740	1,775	1,810	1,845	1,880	1,880
MSCI China	75	68	73	78	78	82	86	90	95	95	98	101	104	110	110
EURUSD	1.16	1.16	1.16	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14	1.14
USDJPY	158	165	160	160	160	160	160	160	160	160	160	160	160	160	160
USDCNY	6.88	6.95	6.90	6.85	6.85	6.85	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80
Gold	4,300	4,000	4,300	5,000	5,000	5,500	5,500	5,800	5,800	5,800	5,800	5,800	5,500	5,500	5,500
EM FX	100.0	96.0	98.0	100.0	100.0	102.0	101.5	101.5	101.0	101.0	101.0	101.0	101.0	101.0	101.0
US IG (bp)	85	105	100	90	90	90	85	90	85	85	85	85	80	80	80
US HY (bp)	310	400	375	325	325	350	325	350	325	325	325	325	300	300	300

Source: Bloomberg, UBS estimates. Note: a) Global GDP growth in pre-conflict baseline scenario is calculated using forecasts of major global economies and may differ slightly from UBS Global growth forecasts because of difference in number of countries used in calculations. ; b) Except GDP growth, all annual numbers are year-end. The quarterly inflation numbers are EOP; c) For GDP growth, quarterly data is qoq saar, yearly data is yoy; d) Effective Fed Funds rates used; e) EM FX defined here as GBI-EM weighted currencies vs. USD (higher values = EM appreciation / USD depreciation and vice versa).

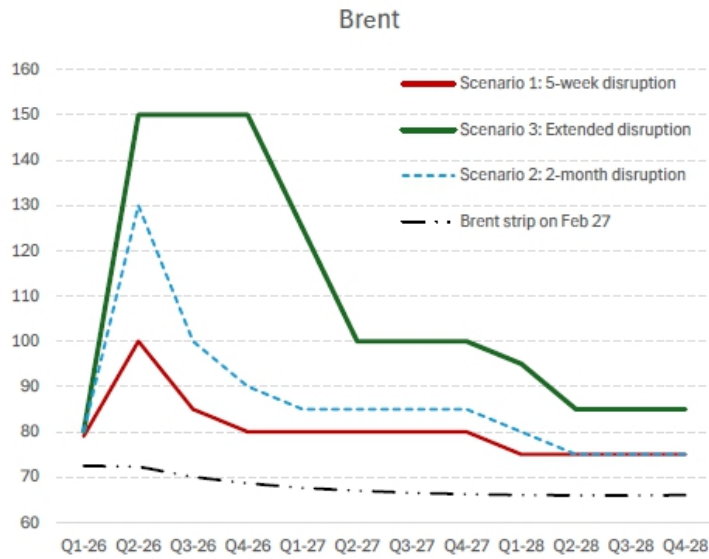
## Extended disruption

Scenario 3: Extended disruption															
	1Q 26	2Q 26	3Q 26	4Q 26	2026	1Q 27	2Q 27	3Q 27	4Q 27	2027	1Q 28	2Q 28	3Q 28	4Q 28	2028
Global GDP %q/q saar	2.6	0.4	1.3	2.7	2.4	3.1	3.5	3.8	3.6	2.8	3.5	3.5	3.5	3.6	3.6
US GDP %q/q saar	2.3	-0.7	-1.2	1.5	1.3	1.8	2.4	3.1	2.9	1.6	2.7	3.0	3.2	2.9	2.9
Eurozone GDP %q/q saar	0.9	-1.7	-1.2	0.0	0.1	0.2	1.1	2.1	1.6	0.4	1.2	1.2	1.0	1.0	1.3
US CPI %y/y	3.4	4.8	4.7	5.1	5.1	3.1	1.4	1.2	0.9	0.9	1.7	1.7	1.5	1.5	1.5
Eurozone CPI %y/y	2.6	4.0	4.1	4.3	4.3	3.2	1.9	1.8	1.7	1.7	1.8	2.0	1.9	1.9	1.9
US policy rate %	3.63	3.63	3.38	2.63	2.63	1.63	0.63	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Eurozone policy rate %	2.00	2.25	2.00	1.50	1.50	1.50	1.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
US 10y (bp)	431	445	450	450	450	375	275	250	250	250	275	300	300	300	300
Germany 10y (bp)	295	300	275	250	250	225	225	175	175	175	200	225	225	225	225
S&P 500	6,400	5,350	5,600	5,750	5,750	6,050	6,350	6,700	6,850	6,850	7,000	7,200	7,400	7,600	7,600
STOXX 600	540	450	450	460	460	480	500	520	540	540	560	585	620	650	650
MSCI EM	1,420	1,095	1,140	1,155	1,155	1,200	1,245	1,285	1,330	1,330	1,385	1,440	1,495	1,550	1,550
MSCI China	75	60	62	65	65	70	73	76	80	80	82	84	87	90	90
EURUSD	1.16	1.14	1.12	1.10	1.10	1.11	1.12	1.13	1.14	1.14	1.15	1.16	1.17	1.18	1.18
USDJPY	158	165	170	175	175	171	167	163	160	160	157	155	152	150	150
USDCNY	6.88	7.02	7.17	7.20	7.20	7.17	7.13	7.00	6.90	6.90	6.90	6.90	6.90	6.90	6.90
Gold	4,300	4,000	4,850	5,200	5,200	5,500	5,800	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
EM FX	100.0	92.7	91.1	90.4	90.4	91.4	92.3	93.3	94.5	94.5	94.5	94.5	94.5	94.5	94.5
US IG (bp)	85	120	135	160	160	135	145	120	100	100	85	85	80	80	80
US HY (bp)	310	450	525	575	575	525	550	450	375	375	325	325	300	300	300

Source: Bloomberg, UBS estimates. Note: a) Global GDP growth in pre-conflict baseline scenario is calculated using forecasts of major global economies and may differ slightly from UBS Global growth forecasts because of difference in number of countries used in calculations. ; b) Except GDP growth, all annual numbers are year-end. The quarterly inflation numbers are EOP; c) For GDP growth, quarterly data is qoq saar, yearly data is yoy; d) Effective Fed Funds rates used; e) EM FX defined here as GBI-EM weighted currencies vs. USD (higher values = EM appreciation / USD depreciation and vice versa).

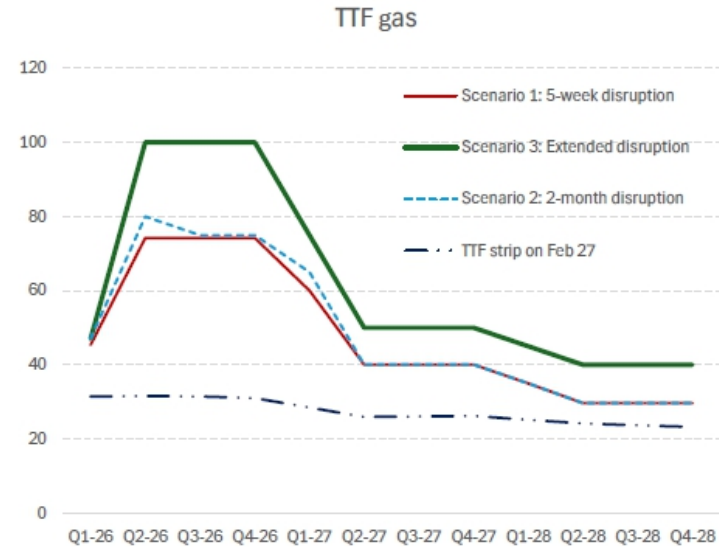
# Oil Team has 3 Scenarios

**Figure 14: Oil Price Scenarios**



Source: UBS, Bloomberg

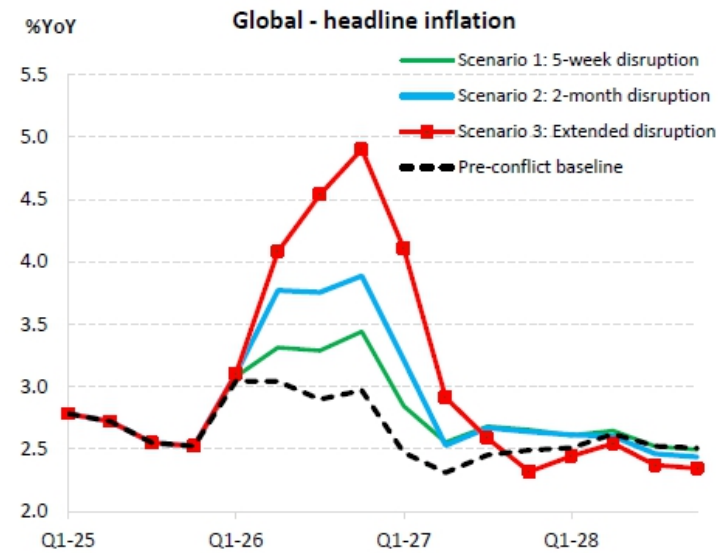
**Figure 15: Gas Price Scenarios**



Source: UBS, Bloomberg

# Scenario analysis

**Figure 17: Global Inflation Scenarios**



Source: UBS

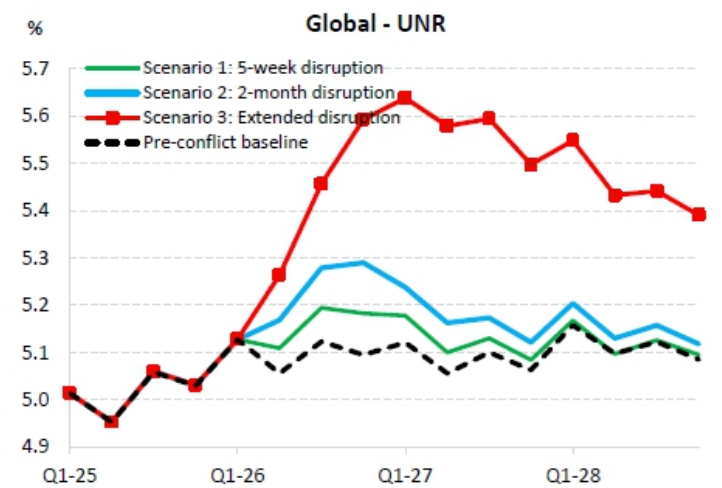
**Figure 18: Global Growth Scenarios**



Source: UBS

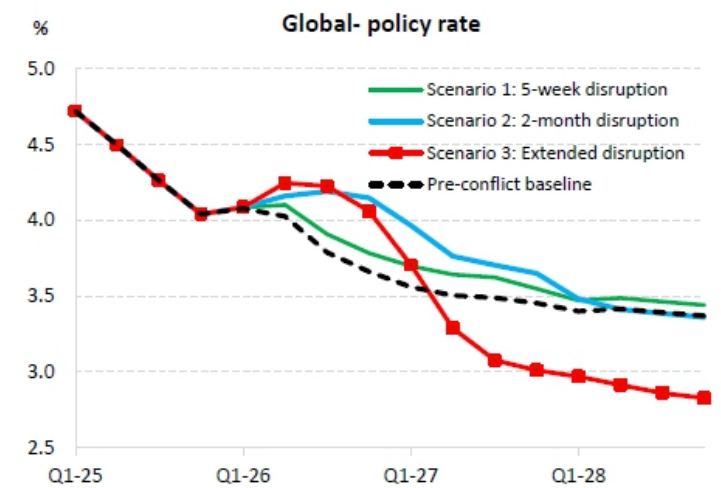
## Scenario analysis (2)

Figure 21: Global Unemployment



Source: UBS

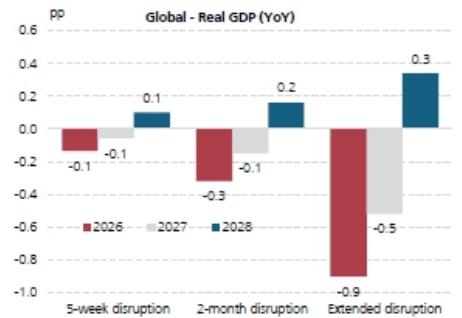
Figure 22: Global Policy Rates



Source: UBS

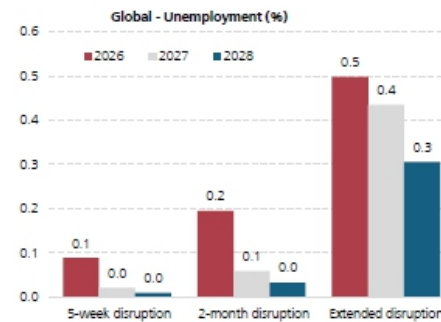
## Scenario analysis (3)

**Figure 16: Deltas in global GDP growth**



Source: UBS

**Figure 19: Deltas in global unemployment**



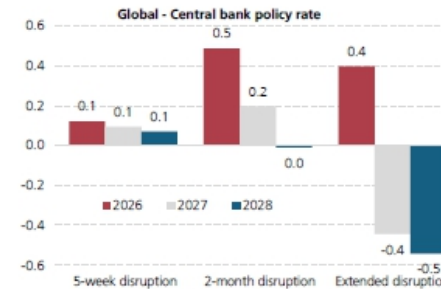
Source: UBS

**Figure 20: Deltas global inflation**



Source: UBS

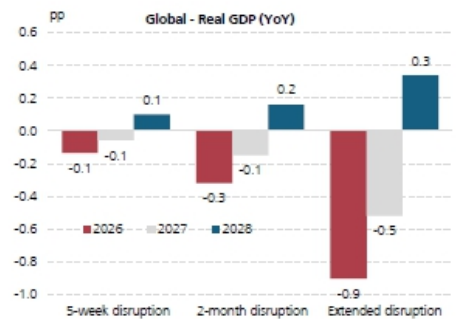
**Figure 23: Deltas global policy rates**



Source: UBS

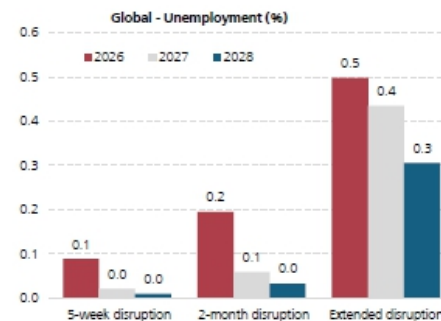
## Scenario analysis (4)

**Figure 16: Deltas in global GDP growth**



Source: UBS

**Figure 19: Deltas in global unemployment**



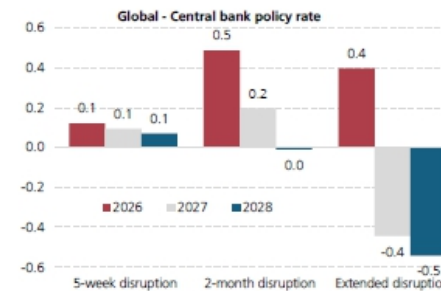
Source: UBS

**Figure 20: Deltas global inflation**



Source: UBS

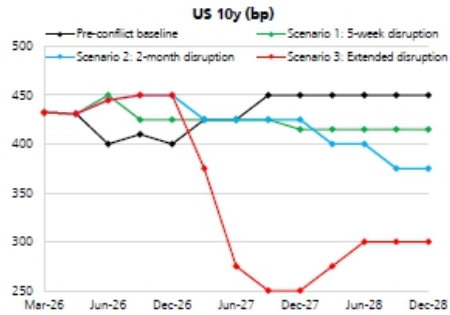
**Figure 23: Deltas global policy rates**



Source: UBS

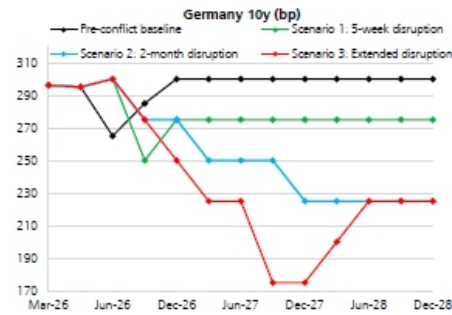
# Scenario analysis – market implications

**Figure 33: US 10y yield**



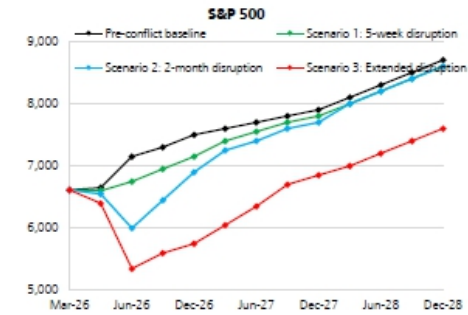
Source: Bloomberg, UBS estimates

**Figure 34: Germany 10y yield**



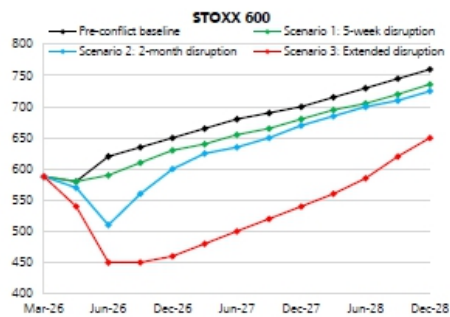
Source: Bloomberg, UBS estimates

**Figure 35: S&P 500**



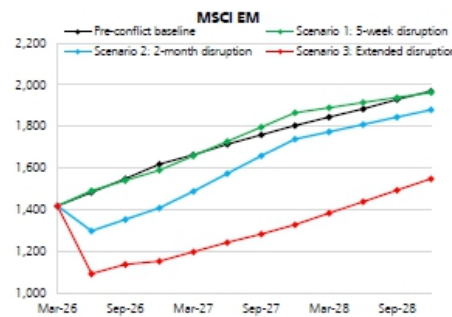
Source: Bloomberg, UBS estimates

**Figure 36: STOXX 600**



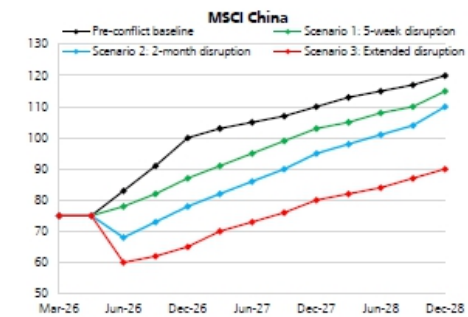
Source: Bloomberg, UBS estimates

**Figure 37: MSCI EM**



Source: Bloomberg, UBS estimates

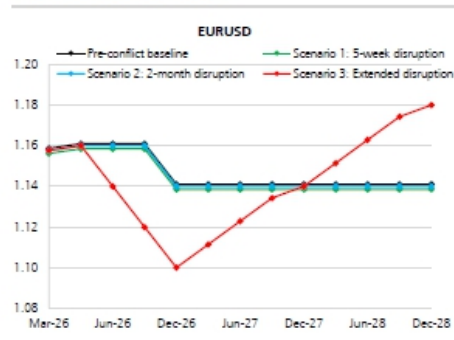
**Figure 38: MSCI China**



Source: Bloomberg, UBS estimates

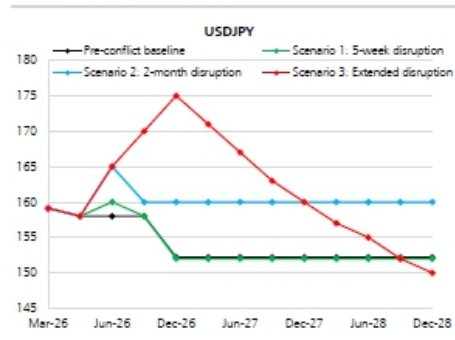
## Scenario analysis – market implications (2)

**Figure 39: EURUSD**



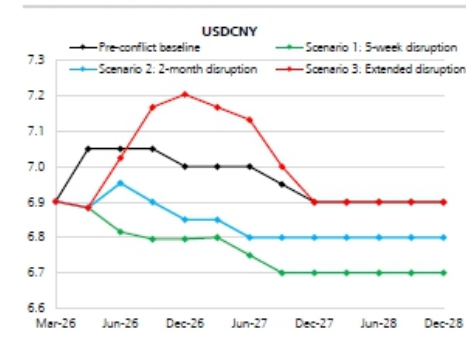
Source: Bloomberg, UBS estimates

**Figure 40: USDJPY**



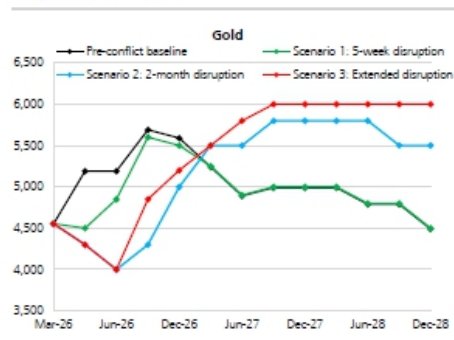
Source: Bloomberg, UBS estimates

**Figure 41: USDCNY**



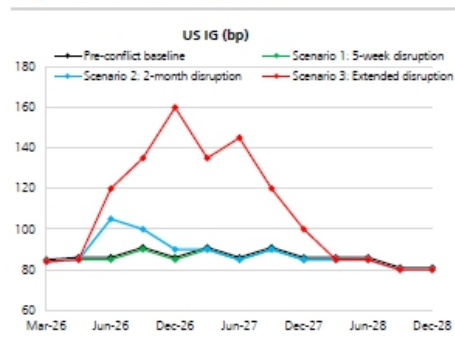
Source: Bloomberg, UBS estimates

**Figure 42: Gold**



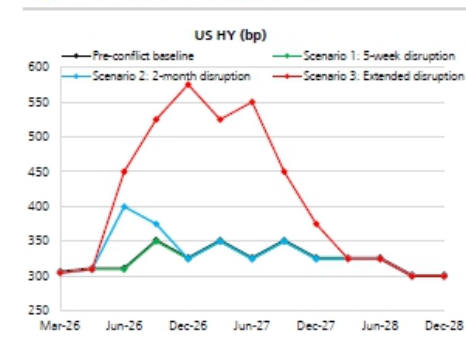
Source: Bloomberg, UBS estimates

**Figure 43: US IG spreads**



Source: Bloomberg, UBS estimates

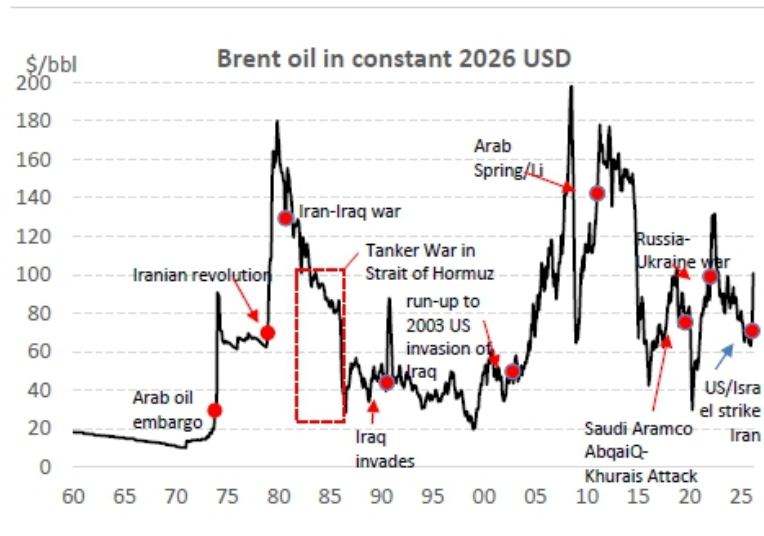
**Figure 44: US HY spreads**



Source: Bloomberg, UBS estimates

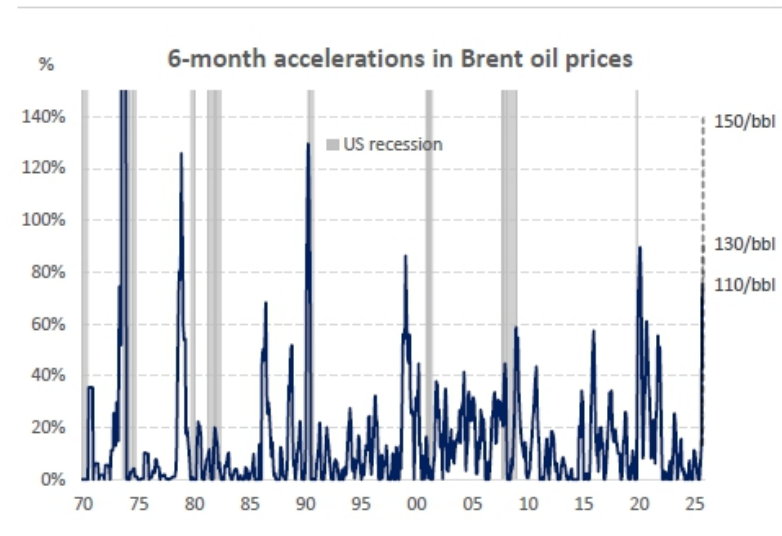
Depending on the day, this is one of the largest oil disruptions on record

Figure 1: Brent oil in 2026 constant currency USD



Source: UBS, Haver

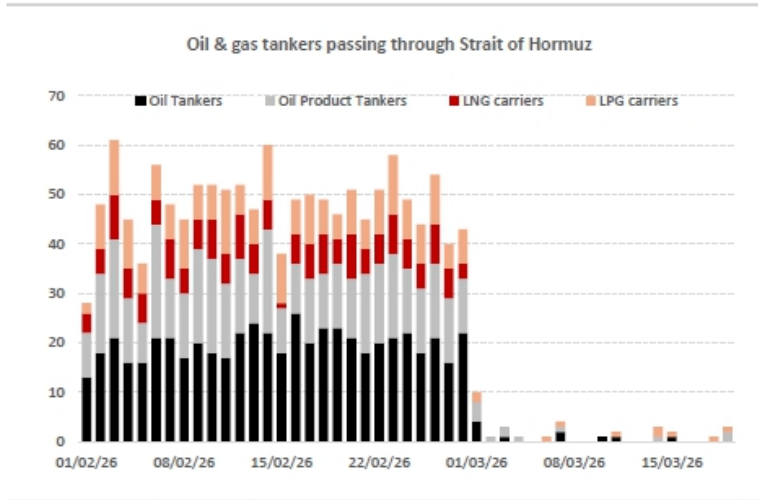
Figure 2: It's not the level that is impactful, but the acceleration



Source: UBS, Haver

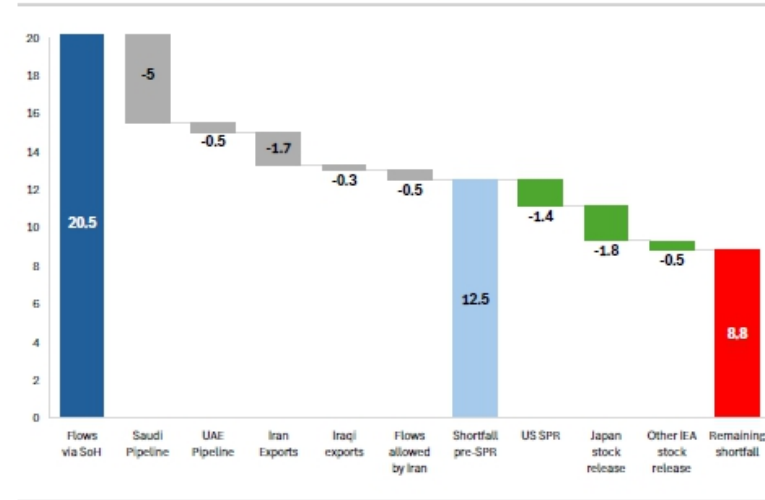
# Hormuz Tracker

**Figure 5: Hormuz traffic still stalled**



Source: UBS Evidence Lab, includes content supplied by S&P Global Market Intelligence (Maritime & Trade); Copyright © S&P Global Market Intelligence (Maritime & Trade),2026. All rights reserved.

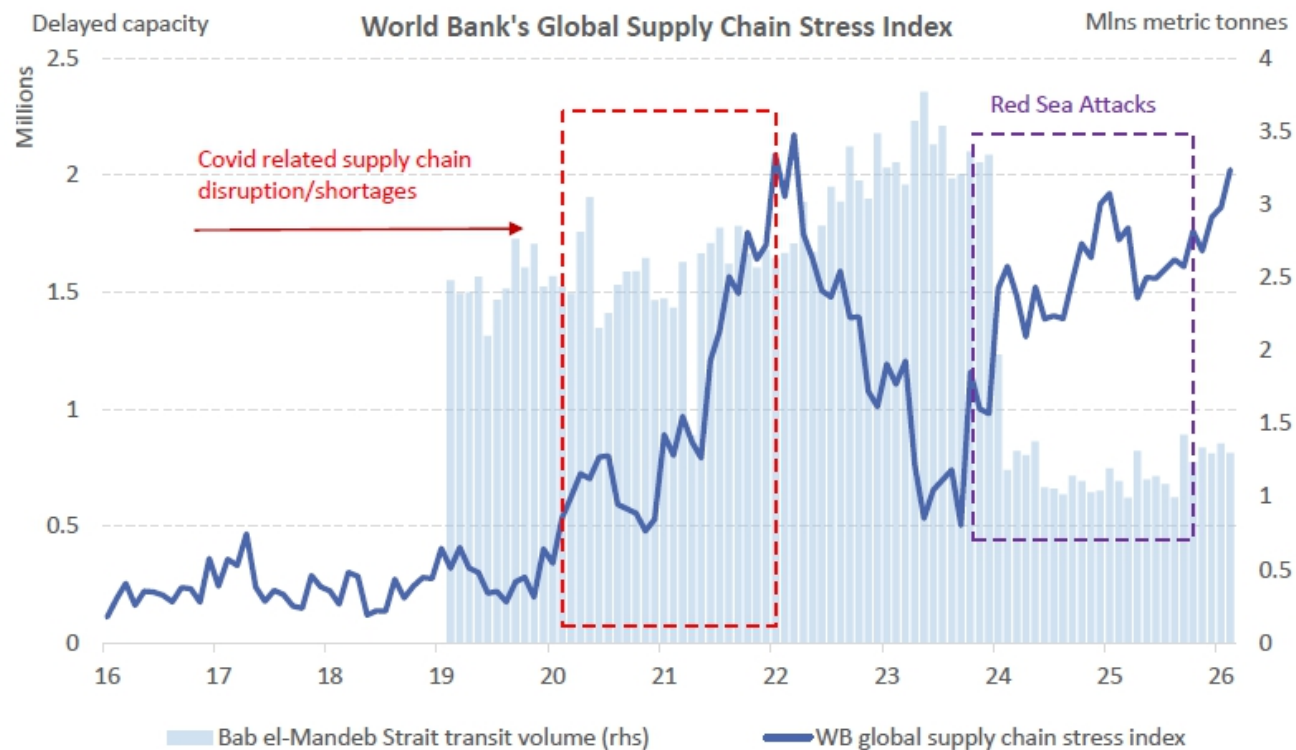
**Figure 6: We are currently depleting global oil inventories at a rate of roughly 9mn barrels per day**



Source: IEA, UBS

## A second potential chokepoint

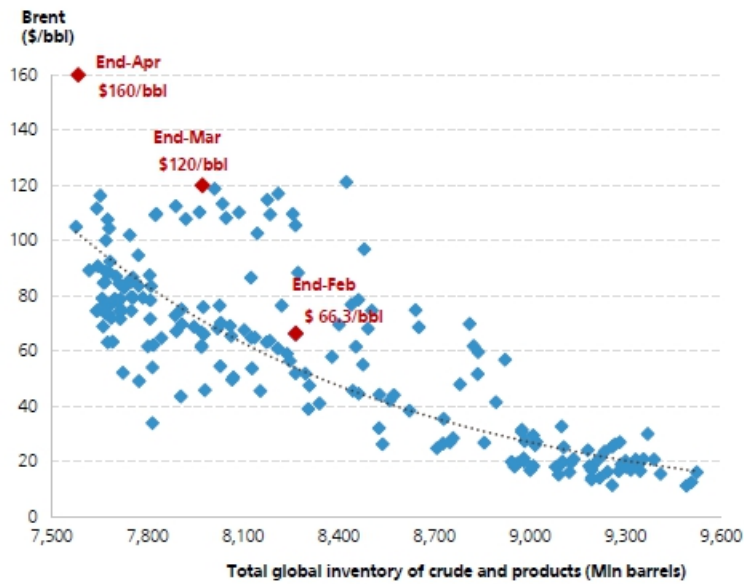
**Figure 1: World Bank Supply Chain Stress Index**



Source: UBS, [IMF Portwatch](#), World Bank [Note that the last data point on the World Bank index is February and so does not yet capture the impact of the Strait of Hormuz closure.]

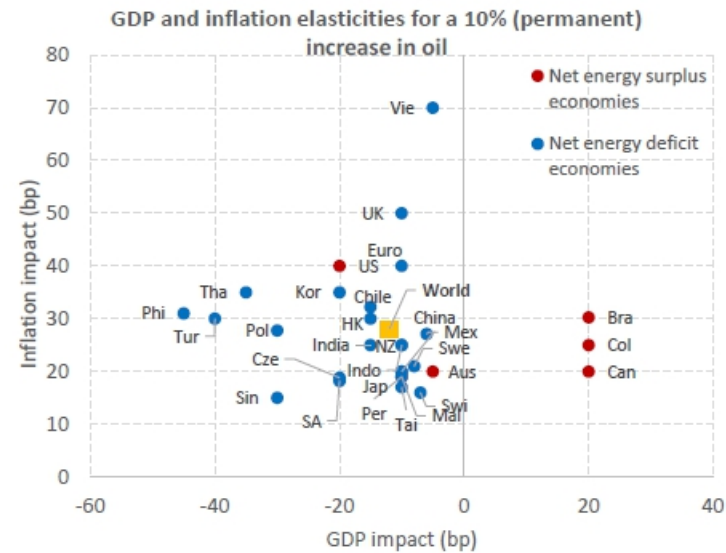
# Global crude oil and product inventory to hit their bottom third by end March (and all-time lows by April)

**Figure 7: The convexity of oil prices to inventories**



Source: IEA, UBS

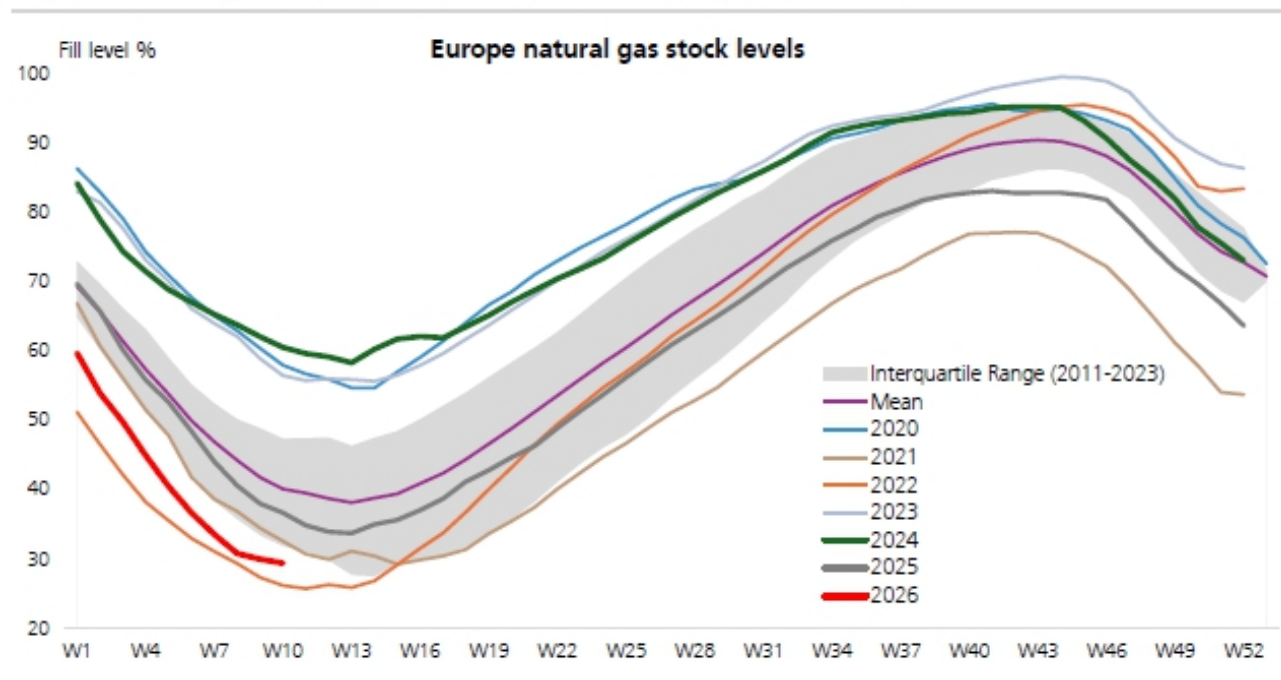
**Figure 8: Global growth and inflation sensitivities to oil**



Source: UBS

Gas storage in Europe is also running close to 2022 (Russia/Ukraine war) levels

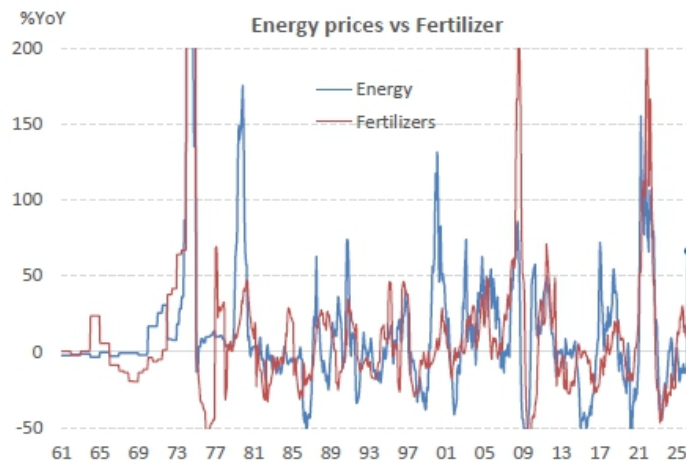
**Figure 4: Natgas could be more of a challenge than crude**



Source: Macrobond, UBS.

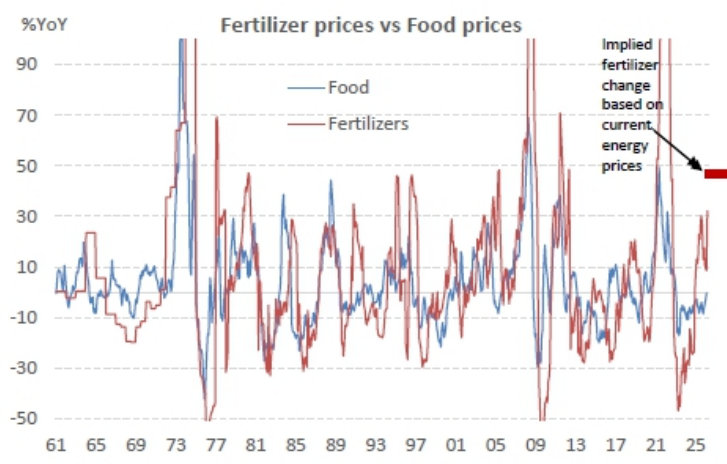
# Energy vs food prices

**Figure 11: Energy prices imply further increases in fertilizer prices**



Source: UBS, World Bank, Bloomberg

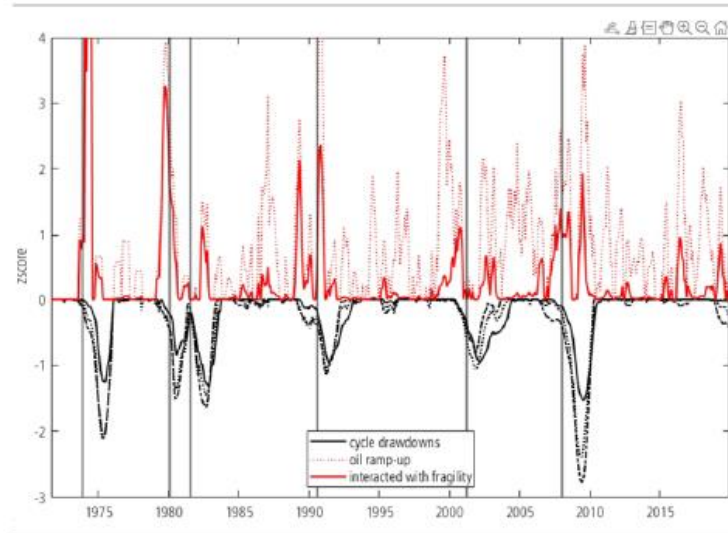
**Figure 12: And the implied fertilizer prices imply higher food prices**



Source: UBS, World Bank, Bloomberg

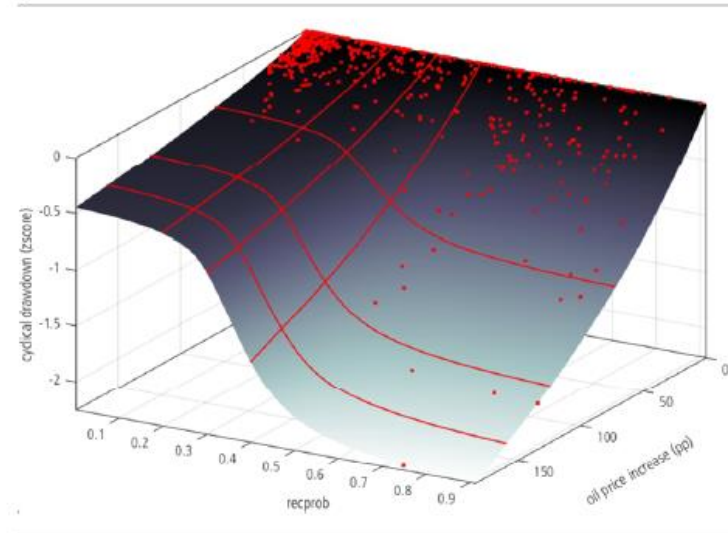
## At what point does something break (example for US)

**Figure 9: Oil induced cyclical slowdowns depend on initial conditions**



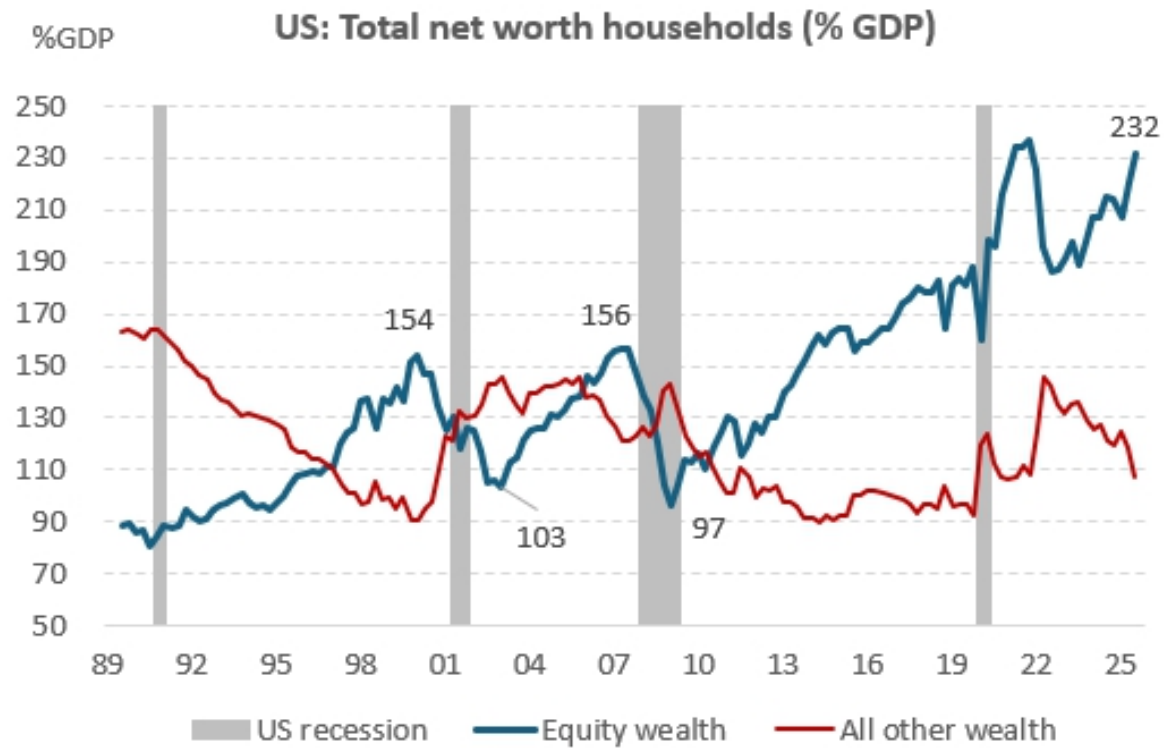
Source: UBS, Haver

**Figure 10: The relationship between oil prices, recession probabilities and economic slowdowns in the US**



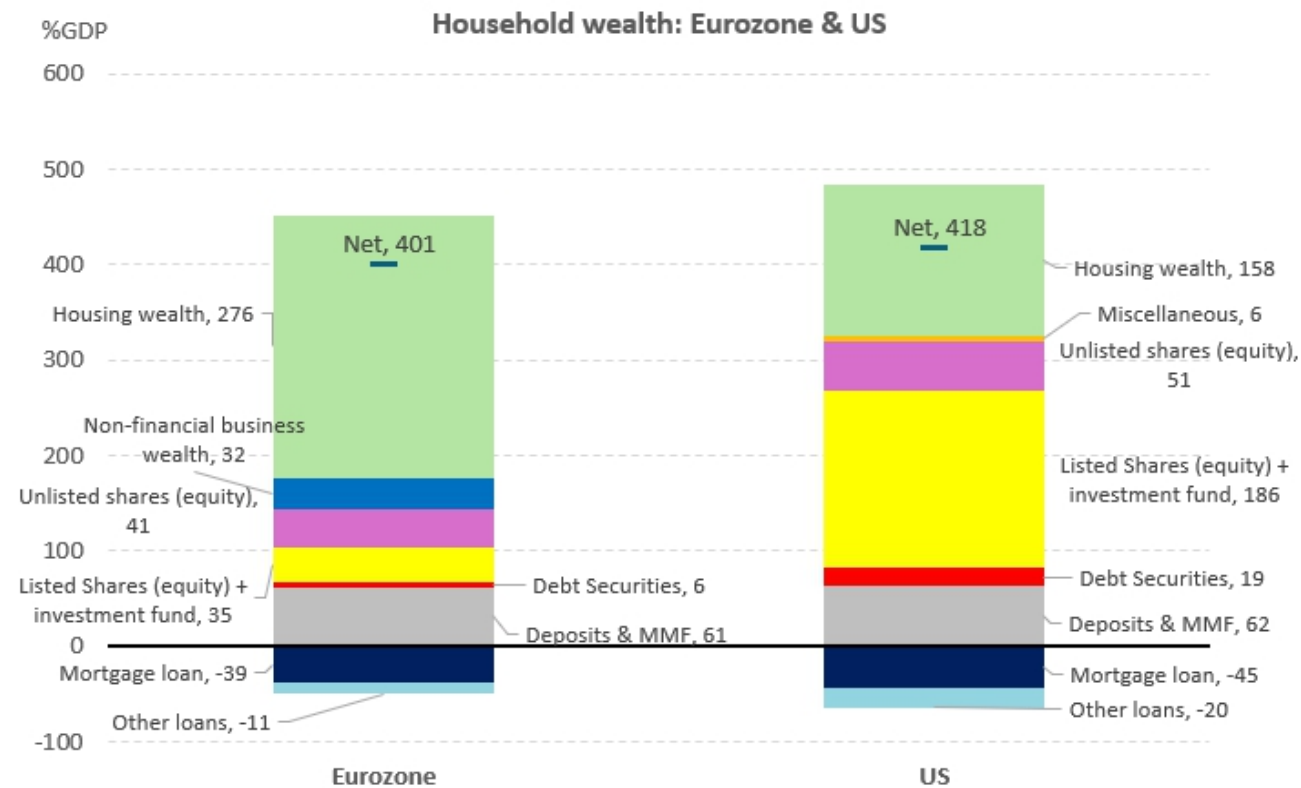
Source: UBS

It only takes a 25% decline in the S&P to generate the same fall in equity wealth as during the GFC/dot com bust



Source: UBS, Haver

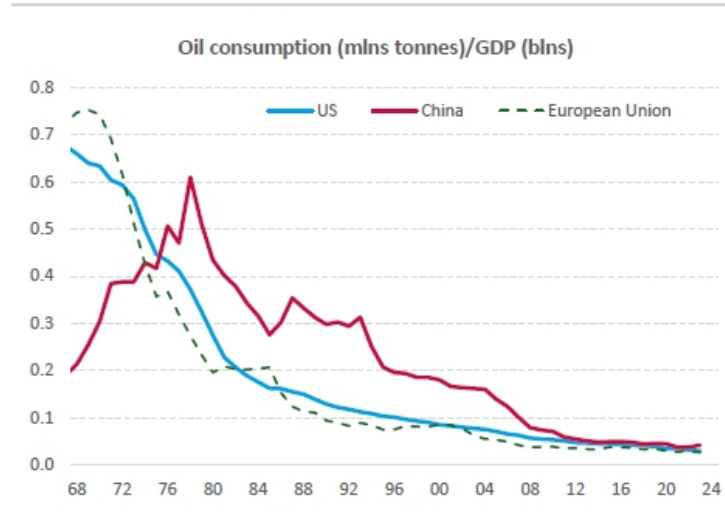
## Wealth in the US vs Eurozone



Source: UBS, Haver

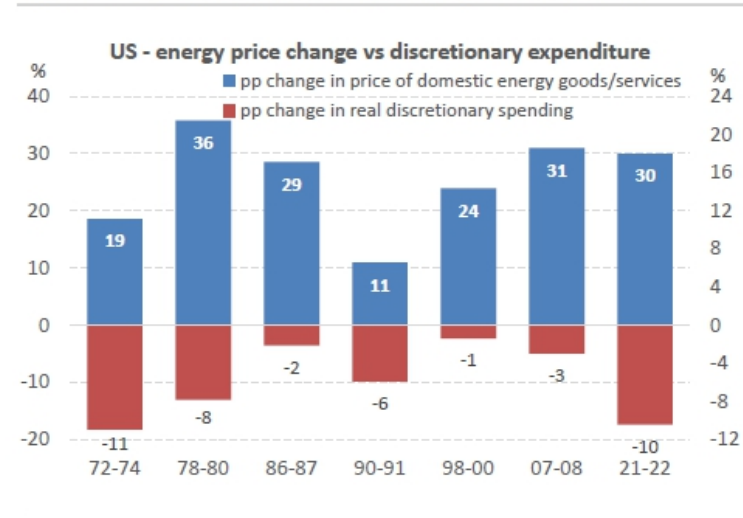
# Oil intensity vs real consumer spending changes

Figure 3: Oil intensity GDP



Source: UBS, Haver

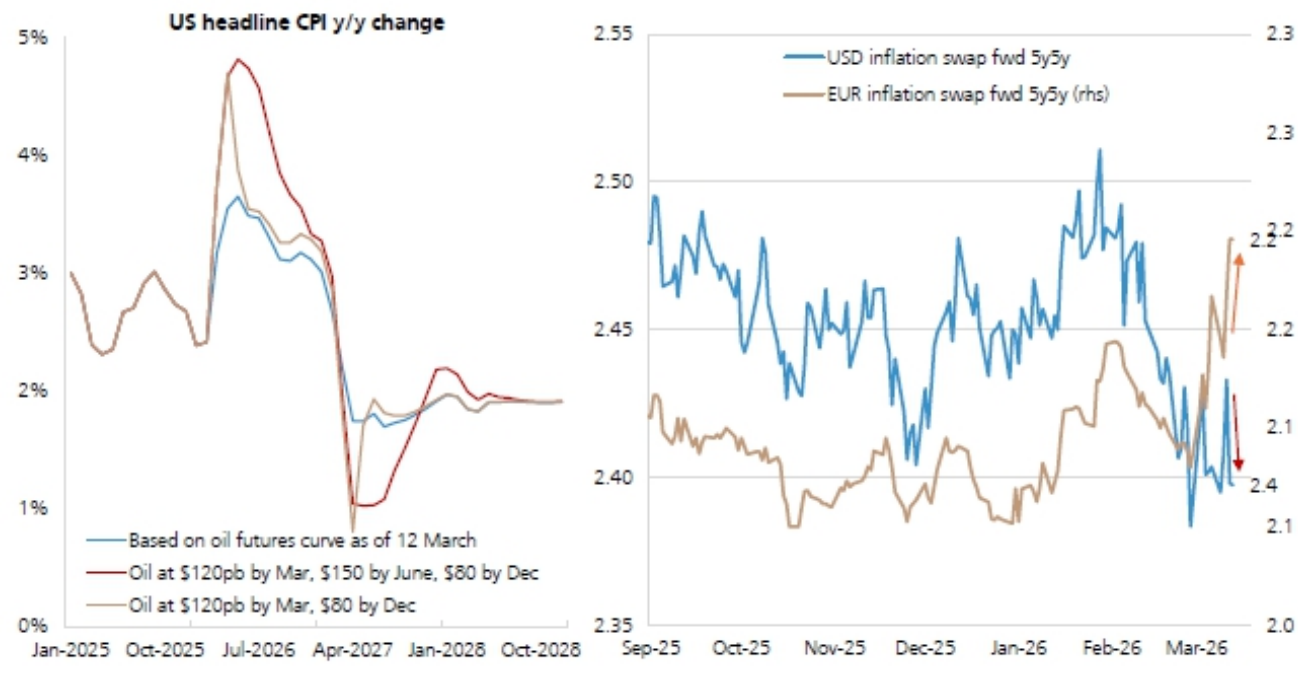
Figure 4: US Real consumer spending: oil vs non-oil



Source: UBS, Haver

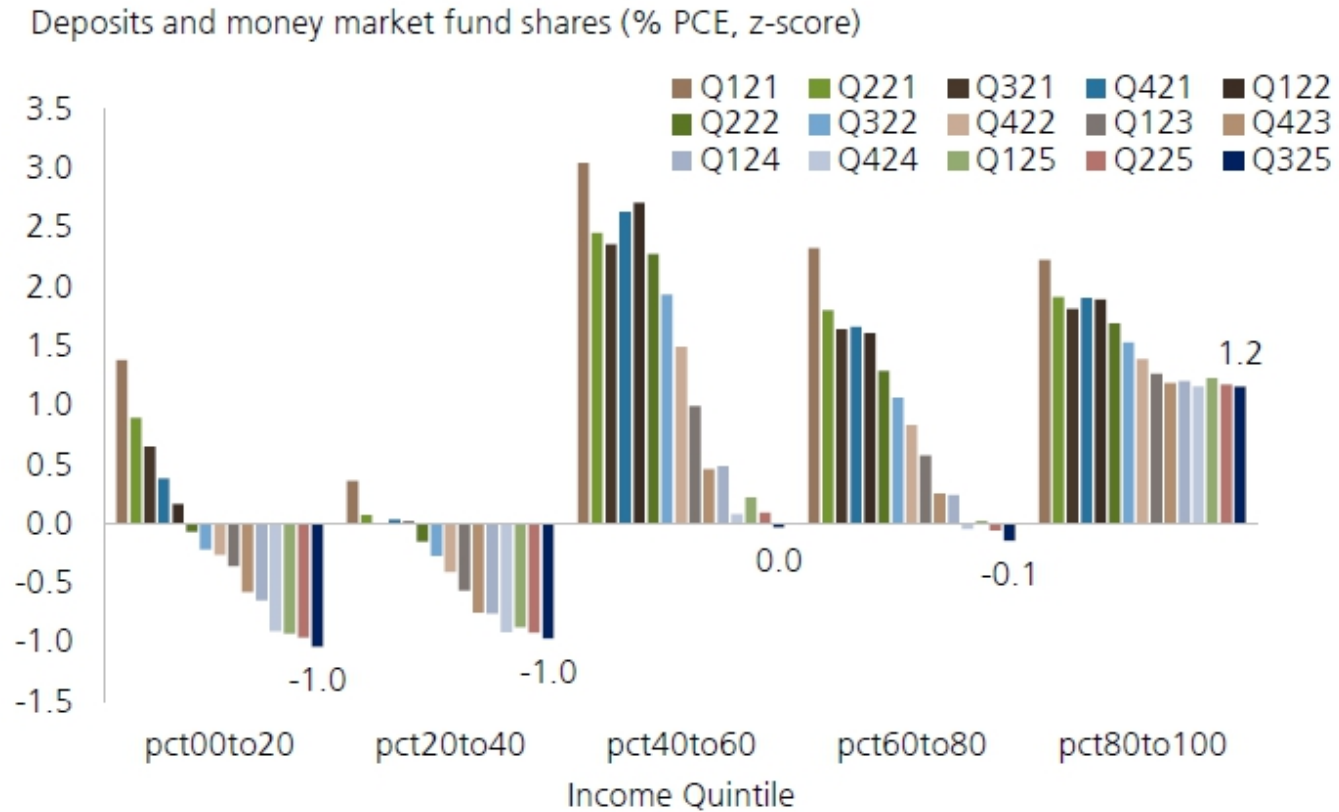
## US inflation could peak at 5% if Hormuz is shut until end-April

**Figure 13: US inflation could peak close to 5% (2.4% currently) if Hormuz is shut till end April**



Source: Bloomberg, UBS

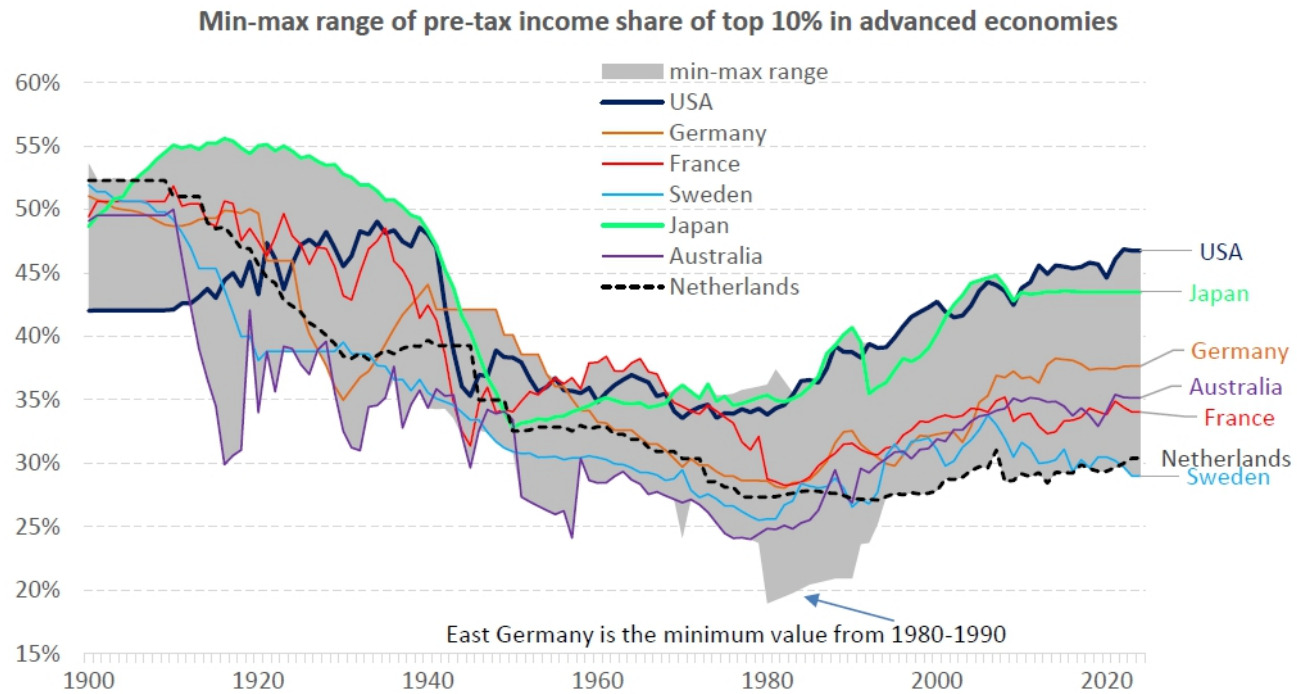
The bottom half of the US income distribution is running out of liquidity so ability to withstand inflation spike lower than 2-3y ago



Source: Federal Reserve, Haver, UBS

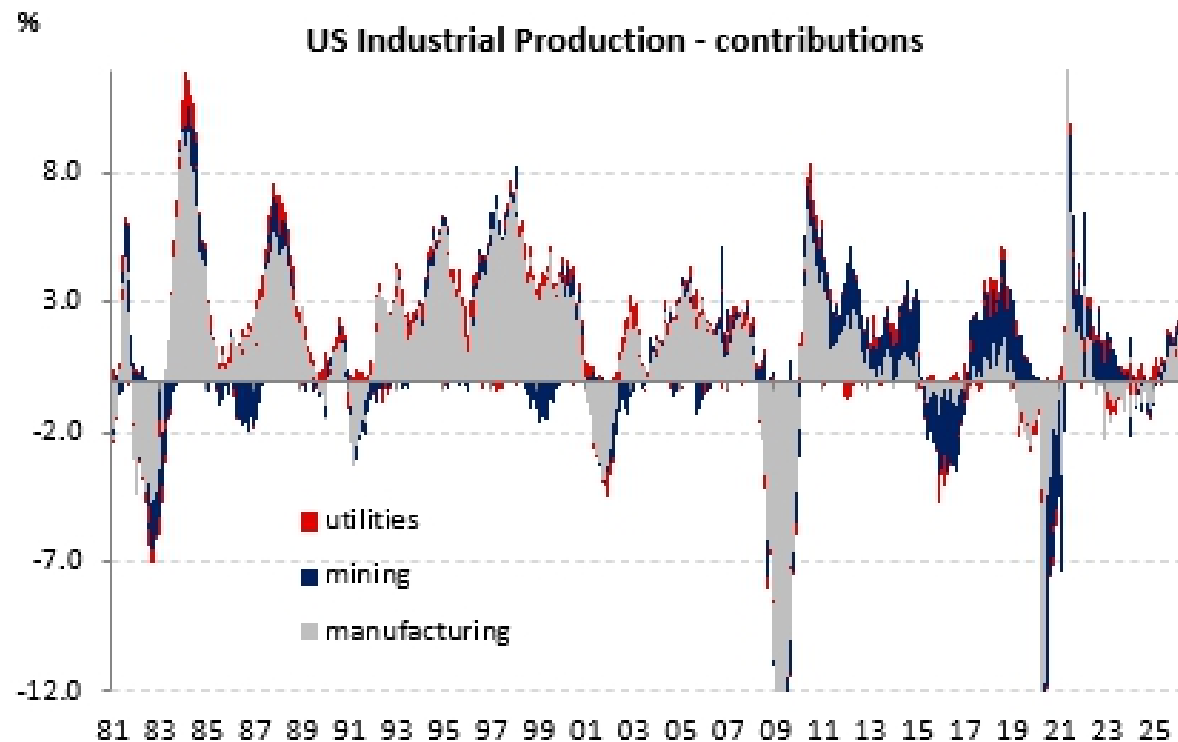
# Income inequality in advanced economies

Figure 1: Income share of the top 10% in advanced economies



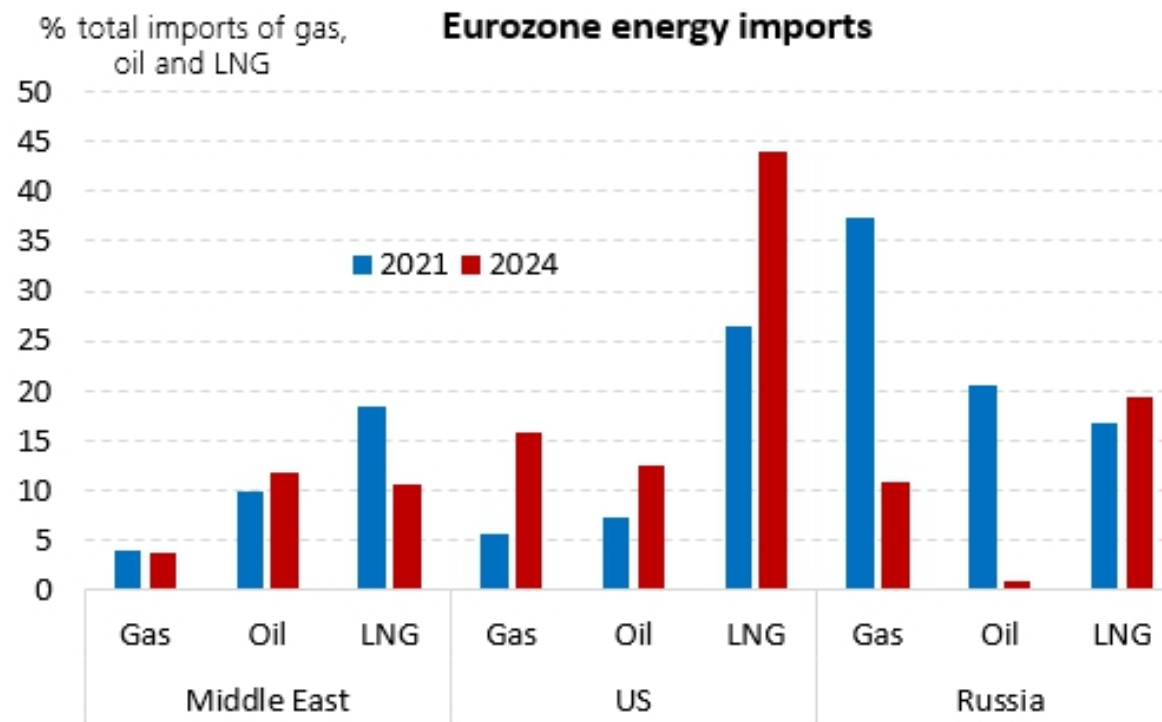
Source: UBS, World Inequality Database

How is this different from 2010-2014 when Brent averaged \$145/bbl  
(in 2026 USD)



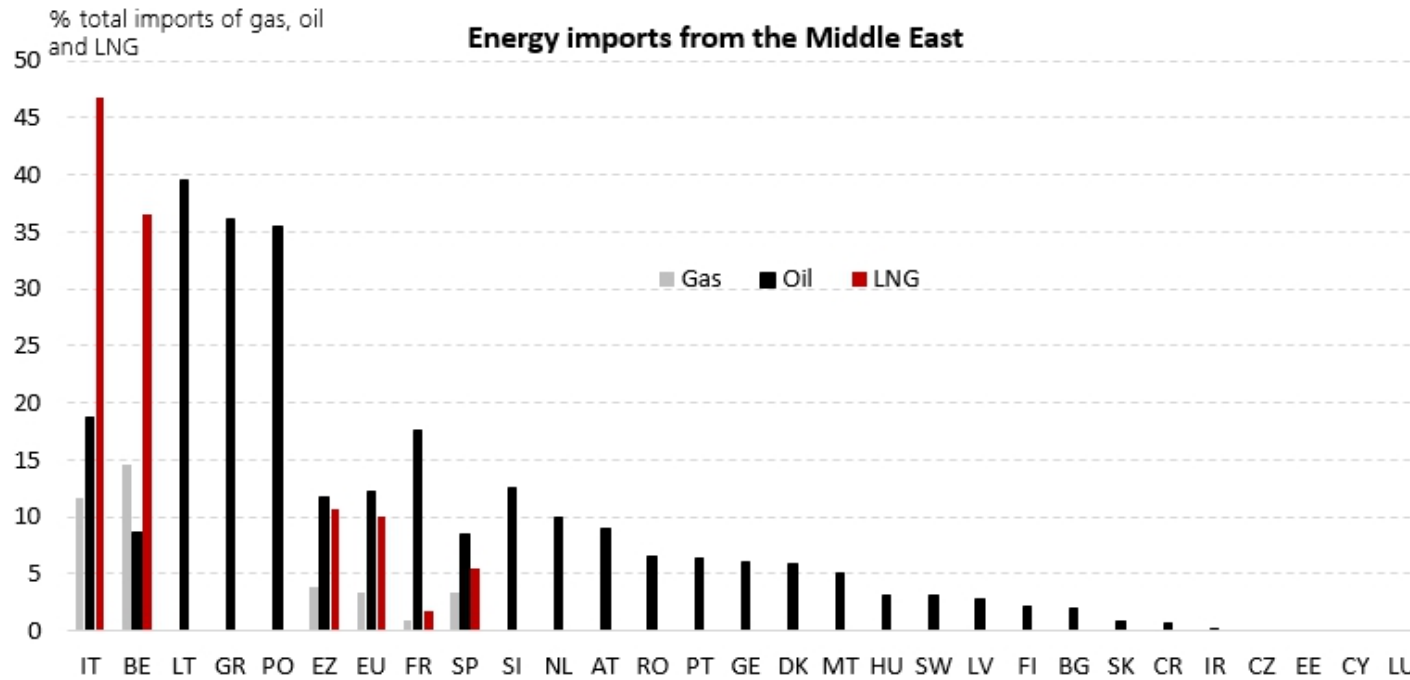
Source: UBS, Haver

## European energy imports from the Middle East are relatively small



Source: UBS, Eurostat

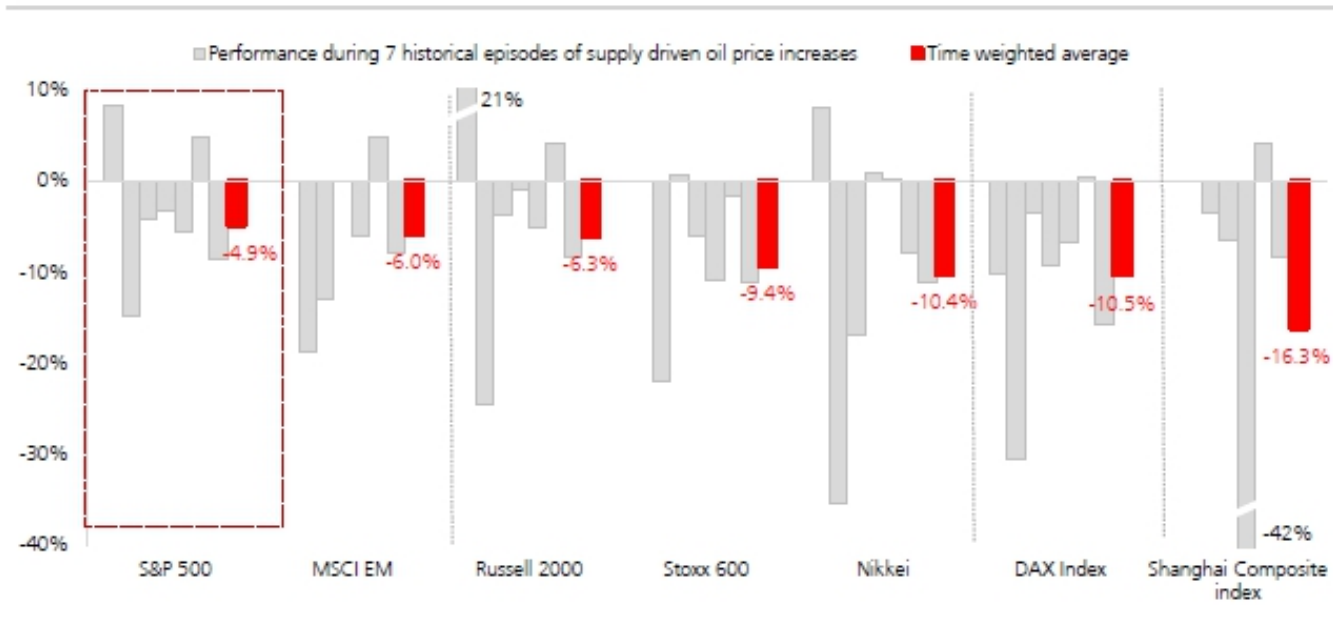
## European energy imports from the Middle East (% of total energy imports)



Source: UBS, Eurostat

## Equity performance during previous oil shocks

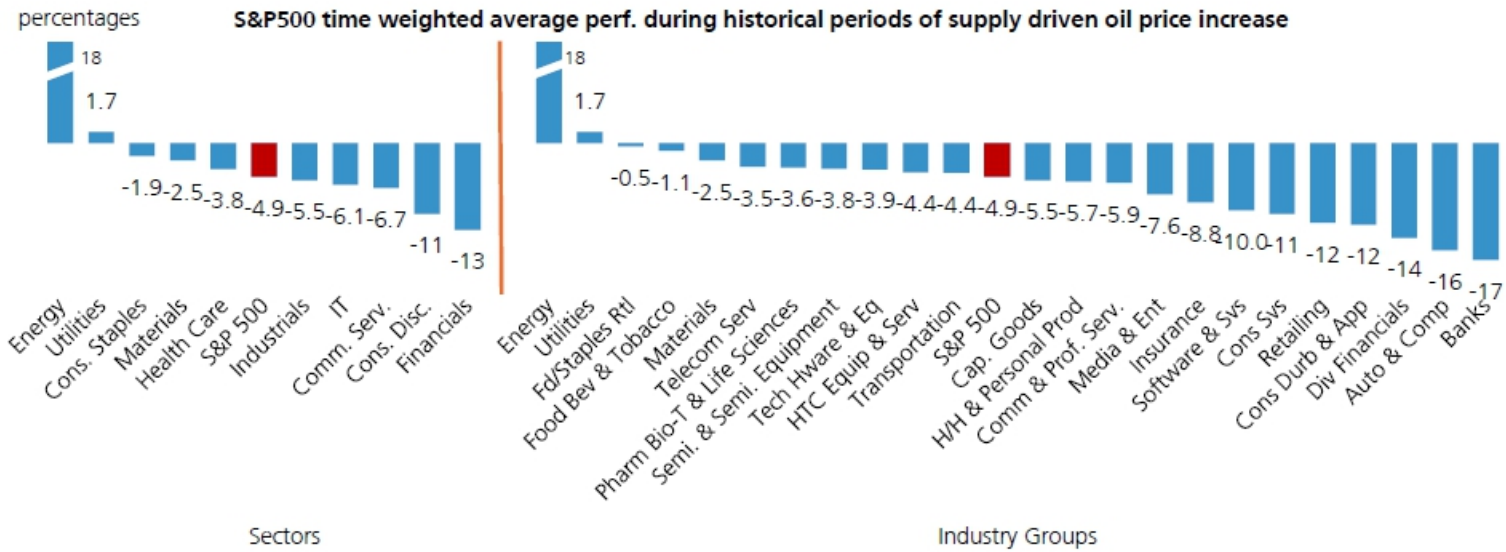
**Figure 8: S&P -4.9%, EM -6%, Stoxx 600 -9.4%, Nikkei -10.4% through previous oil shocks**



Source: Bloomberg, MSCI, Datastream, UBS. Note: The 7 historical episodes are i) Iranian Revolution ii) Gulf War iii) OPEC Supply Constraints iv) Venezuelan Oil Strike v) Outages in Venezuela, Iraq and Nigeria vi) Arab Spring and vii) Russian invasion

# US Equity performance during previous oil shocks

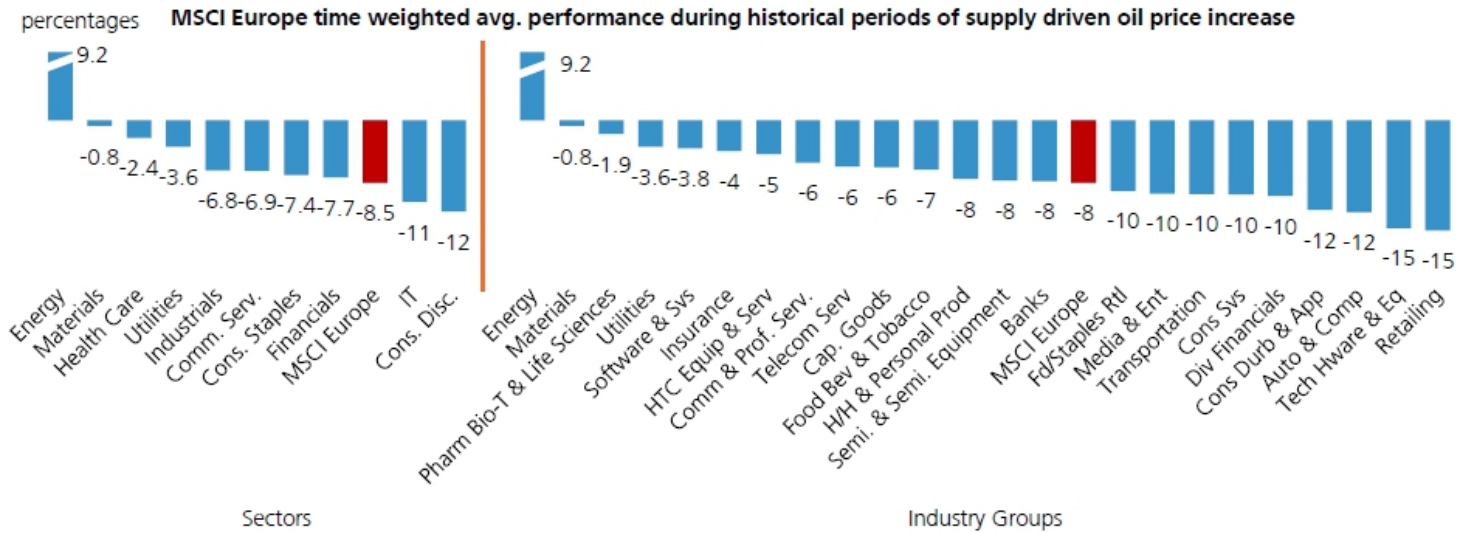
**Figure 9: US equities through oil shocks: Banks, Autos, Durables, Retail weakest performers**



Source: Bloomberg, Macrobond, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

# EU Equity performance during previous oil shocks

**Figure 10: EU equities through oil shocks: Retail, Durables, Auto, DivFins worst performers**



Source: Bloomberg, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

Rates have tended to increase during prior shocks, credit spreads relatively contained, USD weaker

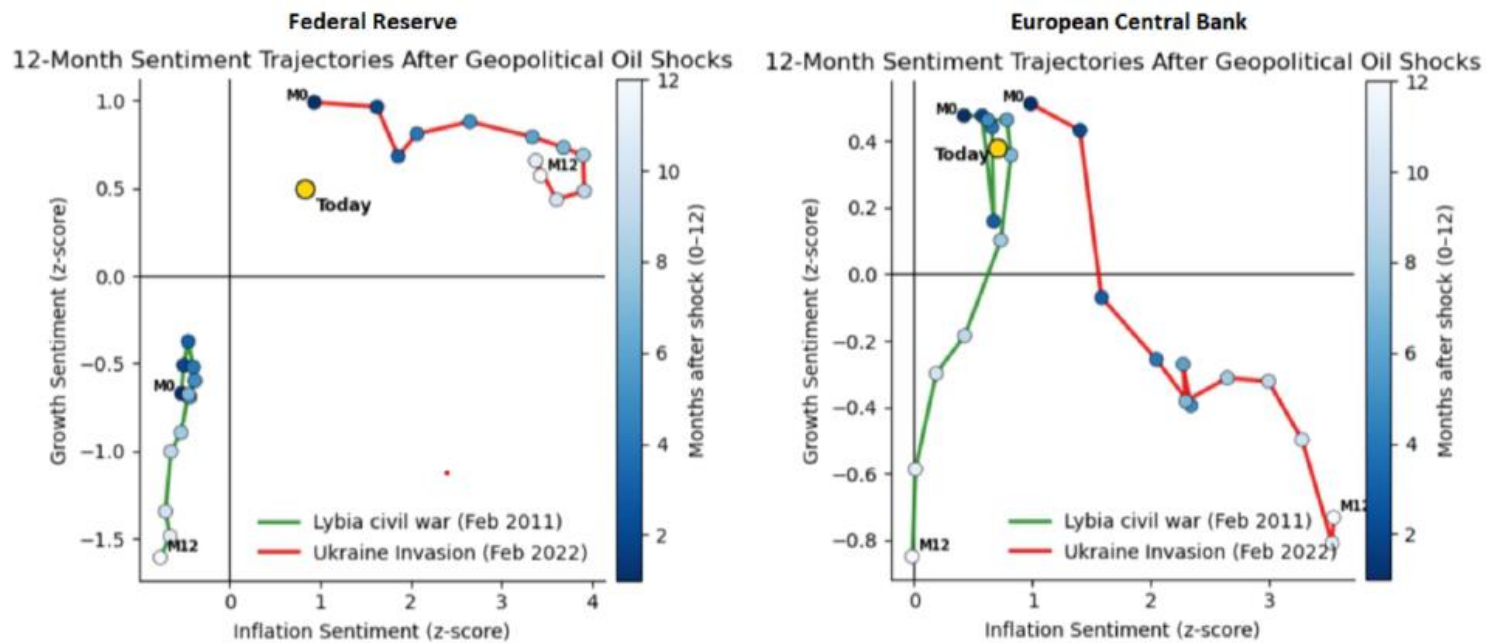
**Figure 12: Both 2y and 10y rates rose, 2y more than 10y, in previous oil shocks**

Change in asset prices during periods of supply driven oil price increase									
	Iranian Revolution	Gulf war	OPEC supply constraints	Venezuelan oil strike	Outages in Venezuela, Iraq, Nigeria	Arab Spring	Russian invasion	Median	Time weighted avg.
<b>Commodities</b>									
Oil	146%	163%	32%	42%	64%	36%	79%	53%	72%
Gold	87%	13%	-3%	7%	2%	5%	15%	6%	6.7%
Copper	-	-1%	8%	-2%	15%	3%	10%	5%	6.7%
<b>Rates</b>									
US 2y yield	163	-39	58	-28	49	14	97	31	28
US 10y yield	133	24	66	-23	22	19	42	23	24
Bunds 2y yield	-	-	63	-32	129	81	11	63	71
Bunds 10y yield	-	-	26	-25	62	45	48	45	42
<b>FX</b>									
EURUSD	5.3%	4.6%	-6.7%	3.8%	8.4%	10.5%	-3.4%	4.2%	4.9%
USDJPY	-14.5%	9.3%	-1.6%	1.7%	0.6%	0.2%	-1.8%	0.4%	1.5%
<b>Credit Spreads</b>									
US HY spreads	-	-	5	-90	51	-89	82	5	0.2
US IG spreads	-	20	10	-28	40	-23	42	15	15

Source: Bloomberg, Macrobond, Datastream, UBS. Note: Historical episodes since 1990 included in the calculation of time-weighted average.

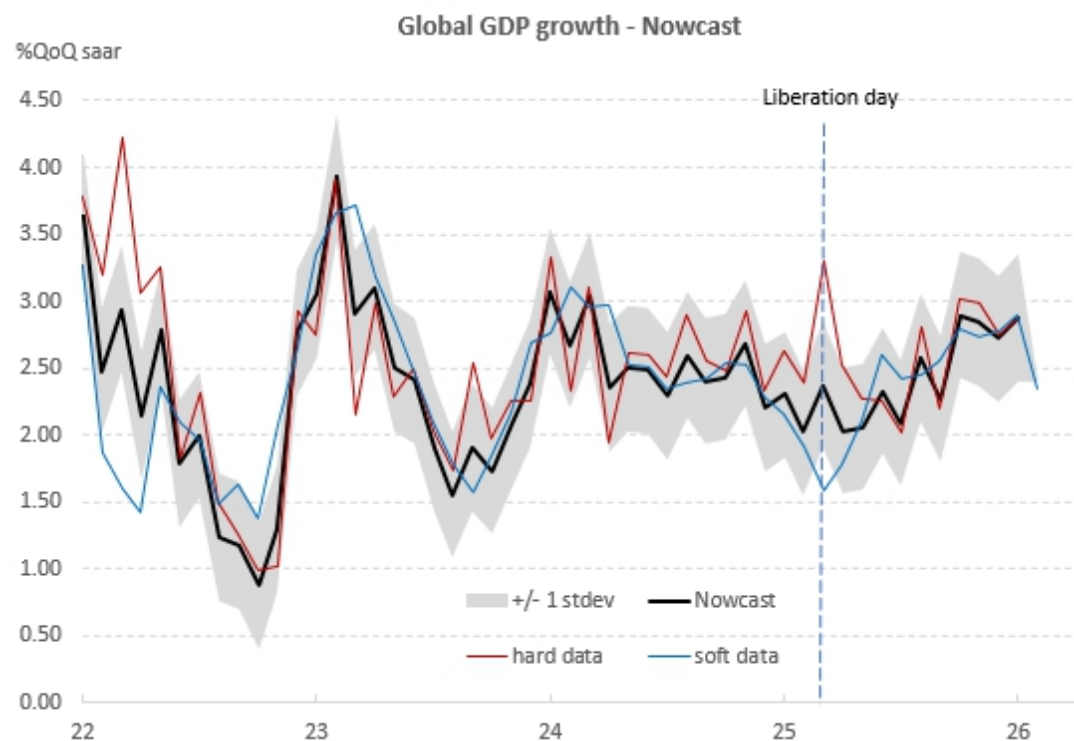
## ECB and Fed communication after prior oil shocks

Figure 1: For Fed and ECB communication the question historically is whether the oil shock can intensify the prevailing concern at the time



Source: Federal Reserve, ECB, Bloomberg, UBS Evidence Lab

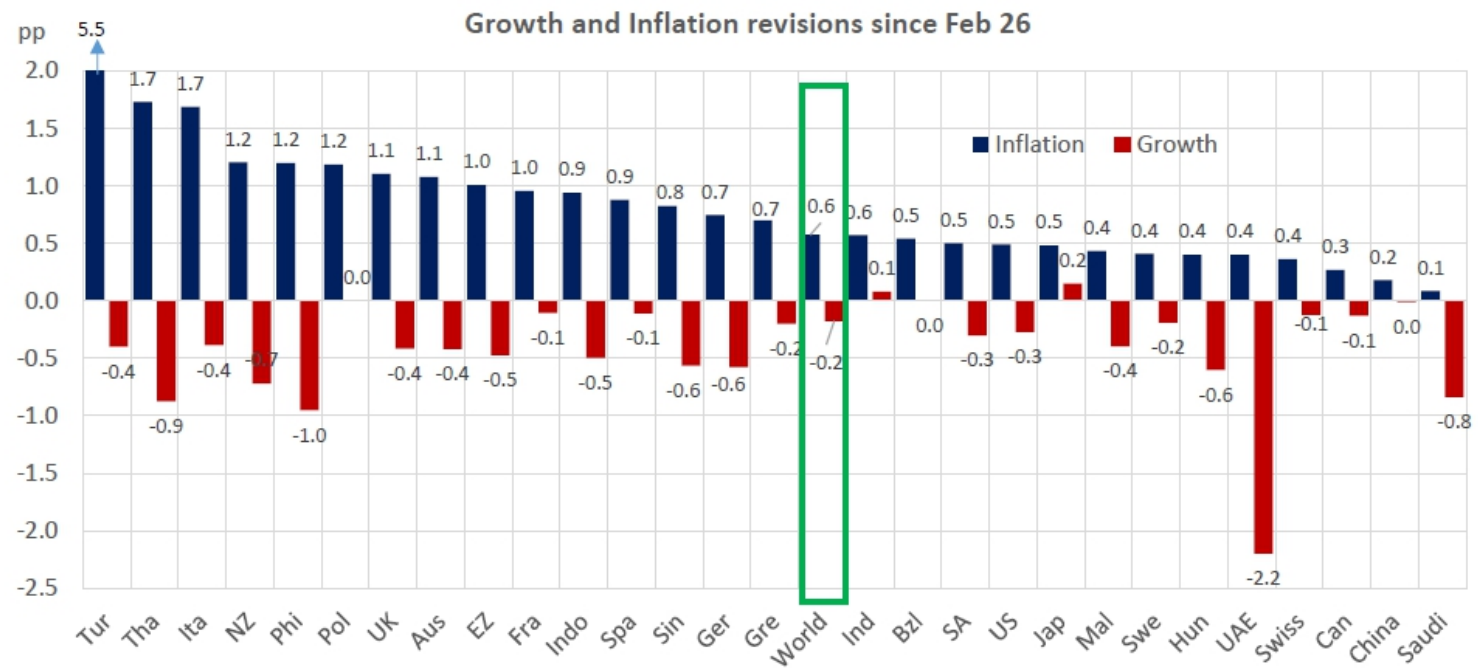
## Global growth was in the process of rebounding from the 2025 tariff/uncertainty shock



Source: UBS, Haver

# The damage so far (as of April 6)

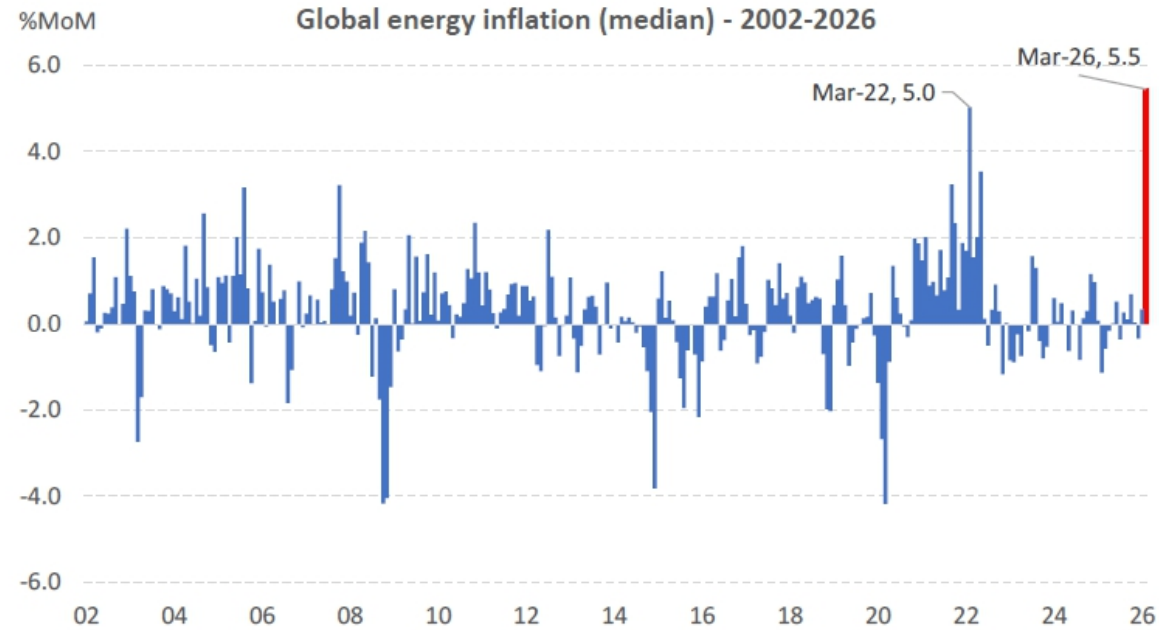
Figure 1: Forecast changes since the start of the Middle East conflict



Source: UBS

## Largest increase in energy price inflation (global median) in 25 years

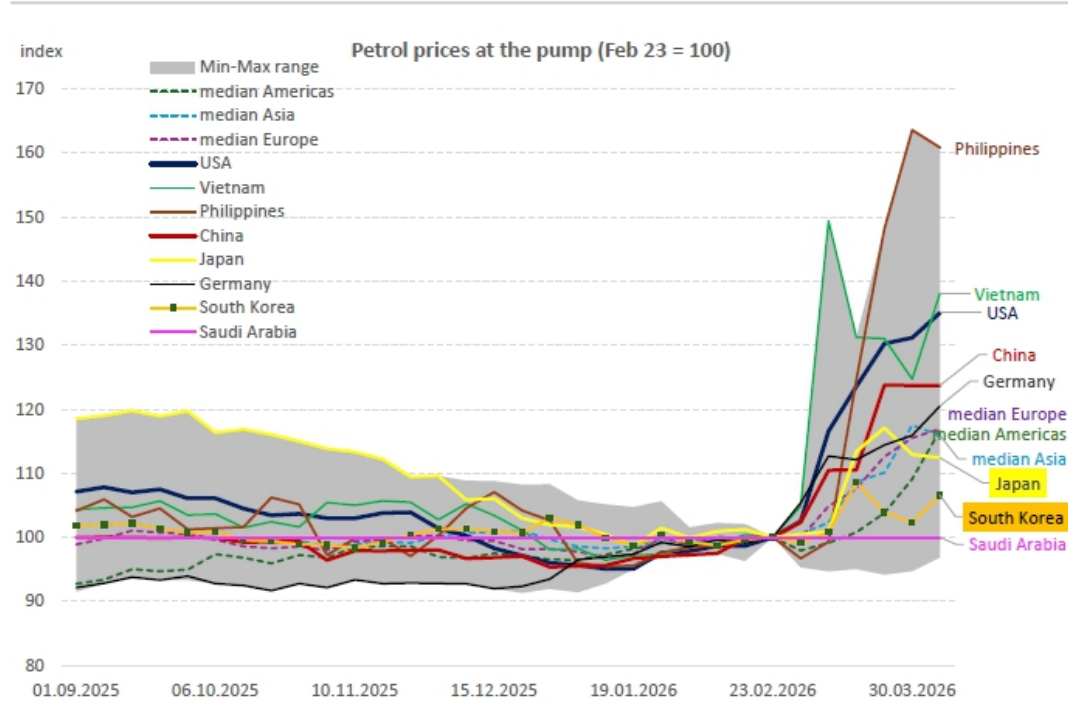
**Figure 1: With 27 of 45 countries reporting, median global energy price inflation in March appears to have jumped the most in 25 years**



Source: UBS, Haver

## Little relation between reliance on Middle Eastern oil and petrol prices at the pump

**Figure 1: Petrol prices at the pump in advanced and emerging economies**



Source: UBS, GlobalPetrolPrices.com [Petrol prices LC/liter have been indexed to 100 as of February 23 - just before the conflict in the Middle East started - so that deviations from 100 can be interpreted as % changes.]

# Signs of disruption in the PMI data

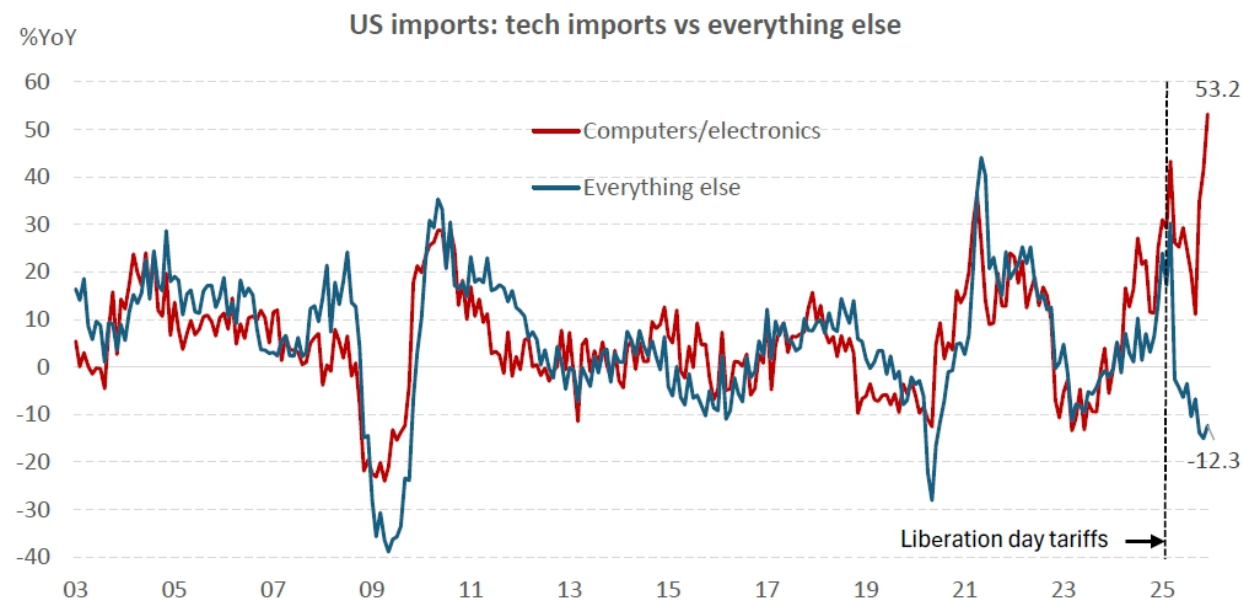
Figure 1: Europe so far more affected than US and Asia



Source: UBS, Haver

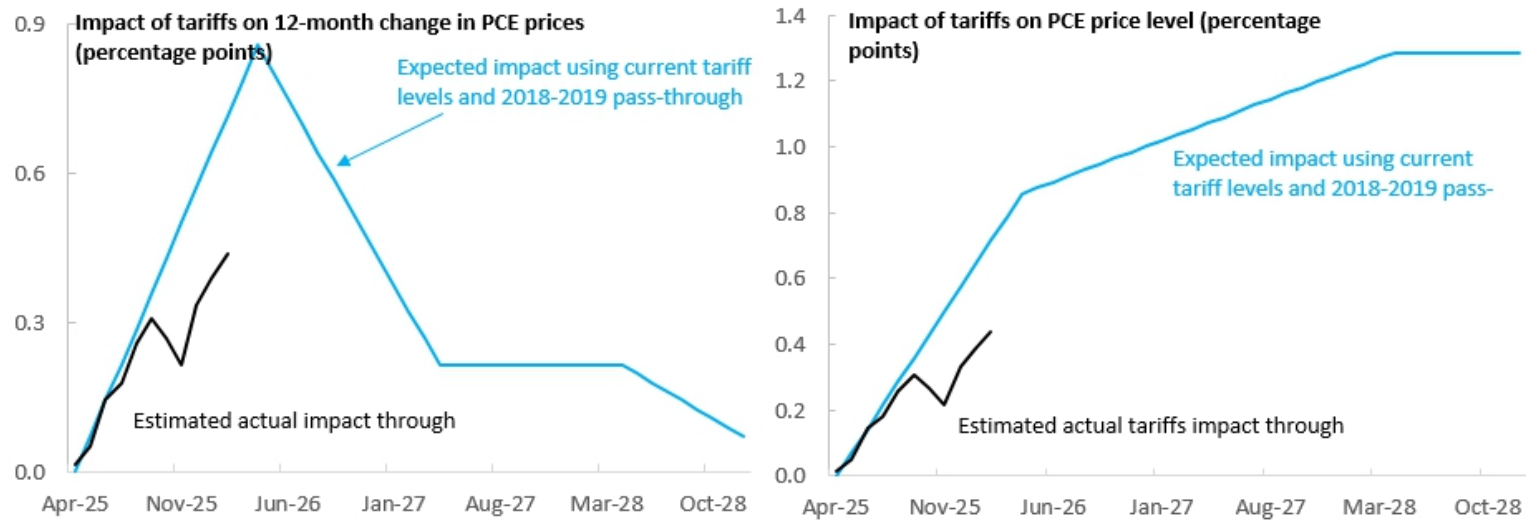
## Ex-tech, US imports are the weakest since Covid/GFC

**Figure 1: The spectacular divergence within US imports**



Source: UBS , Haver

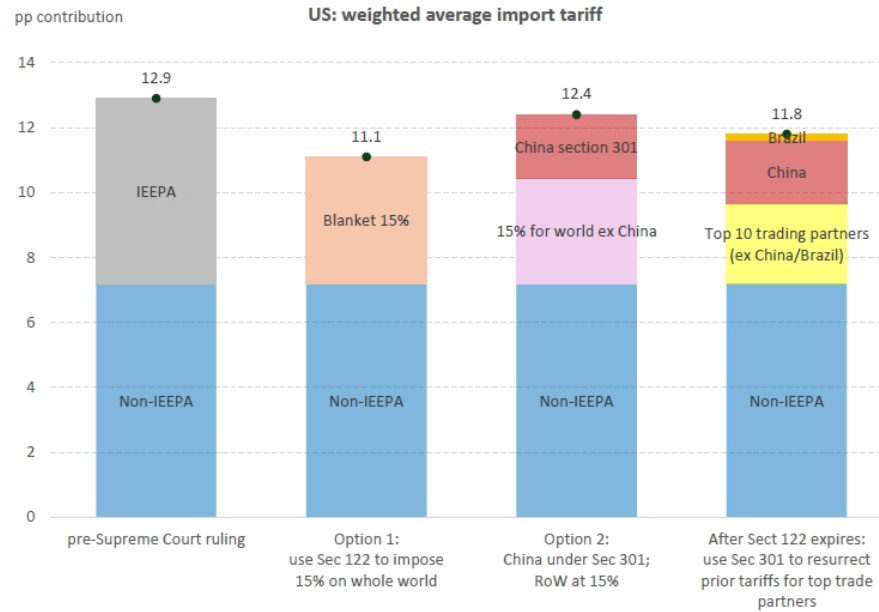
## Tariff pass-through to US prices running at about two thirds of the model estimate



Source: UBS, Haver

# Straightforward to replicate IEEPA tariffs

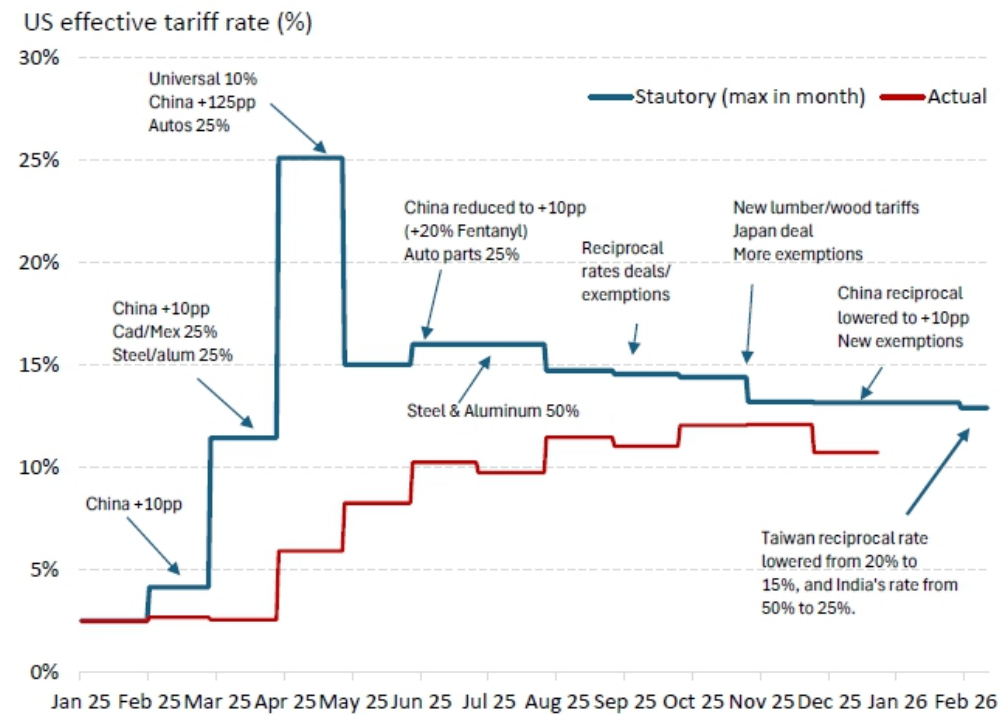
**Figure 1: It seems relatively straightforward to replicate the IEEPA tariffs using some combination of Section 122 (initially) and Section 301 (after 150 days, for top trade partners)**



Source: UBS estimates, Census Bureau [Note: The IEEPA tariffs included the fentanyl tariffs on imports from China, border tariffs on Canada/Mexico, the universal tariff, reciprocal tariffs, those tariffs in deals and the removal of the de minimis exemption, whereas the other non-IEEPA tariffs mostly relate to the prior Sec 301 tariffs on China and Sec 232 tariffs on specific sectors such as steel/aluminum, autos, semiconductors. The chart shows China and Brazil separately as a Section 301 investigation has already been completed for China and is underway for Brazil.]

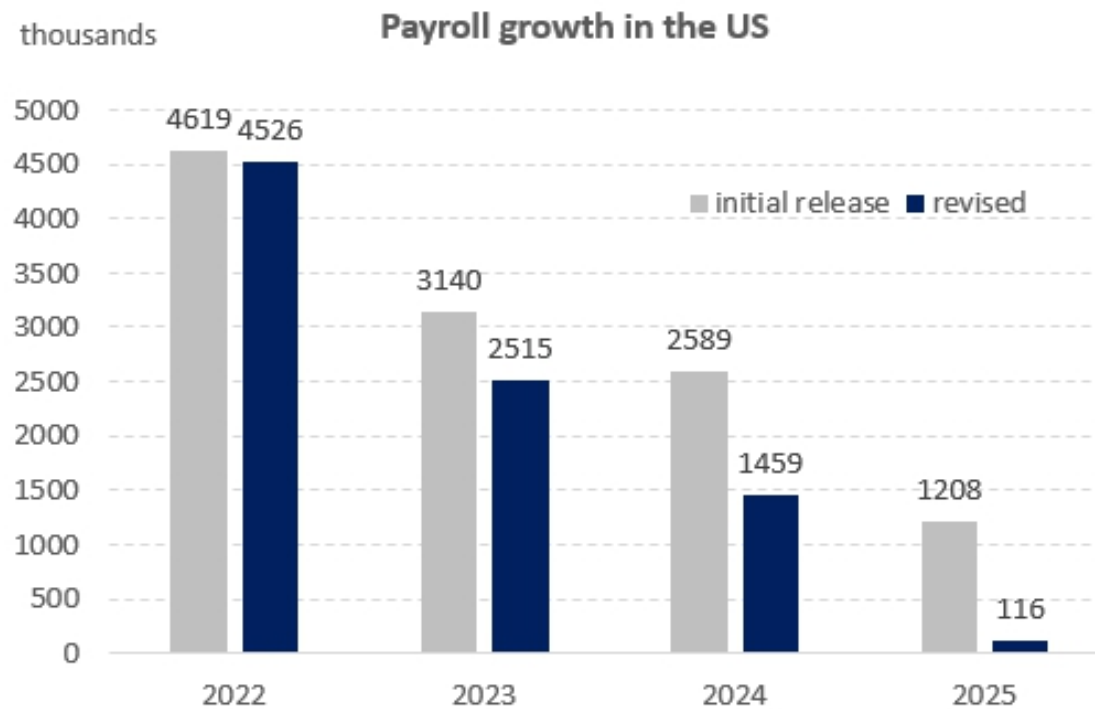
# Weighted average US import tariff before court ruling

**Figure 1: Weighted average US tariff is now down to 12.9%**



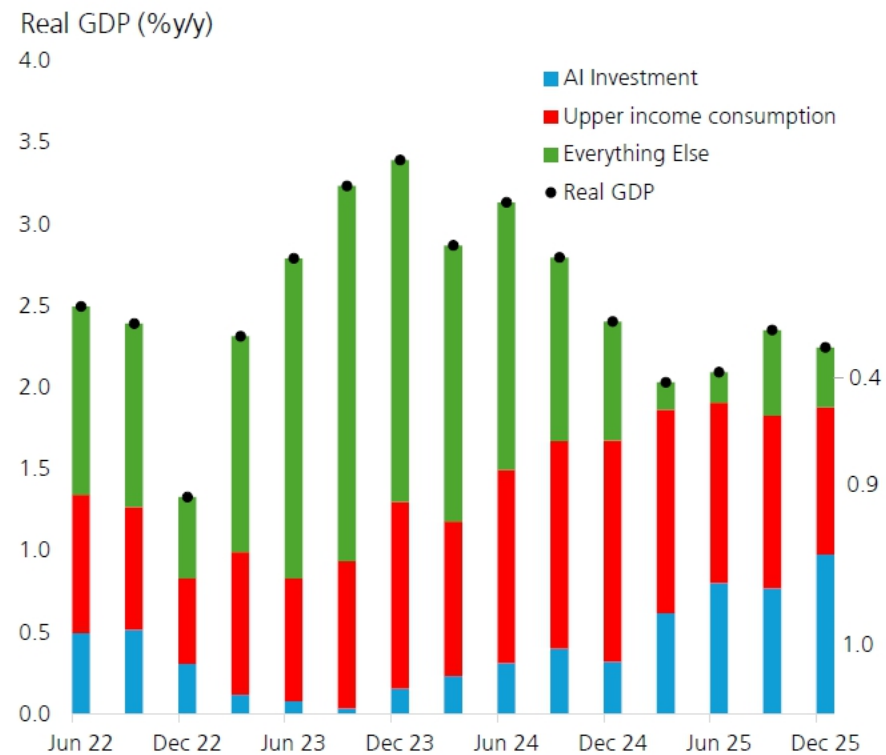
Source: UBS,Haver

## Almost no US payroll growth in 2025, after revisions



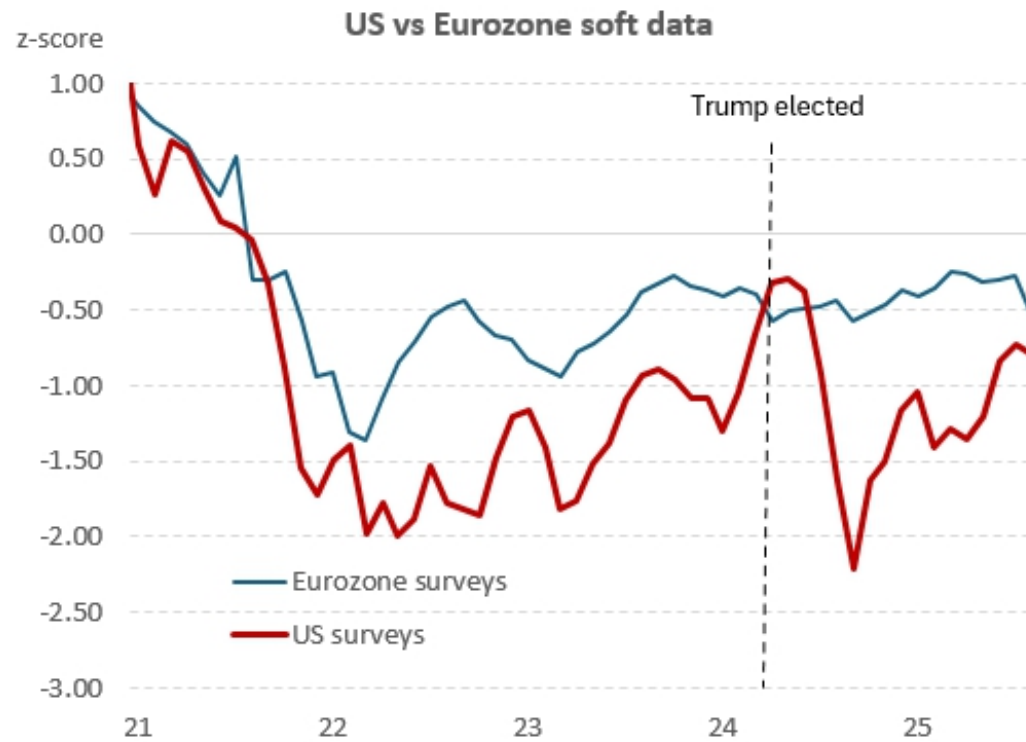
Source: UBS, Bloomberg

## Roughly 85% of US growth is directly or indirectly Tech related



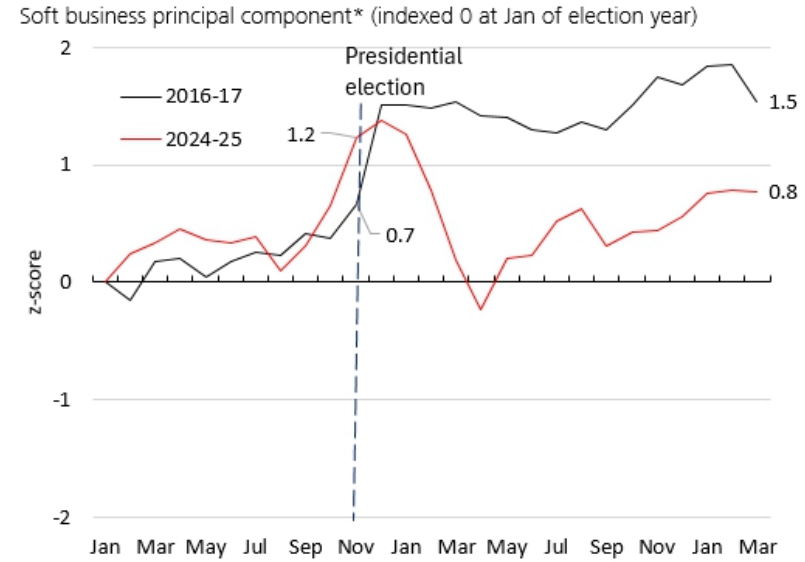
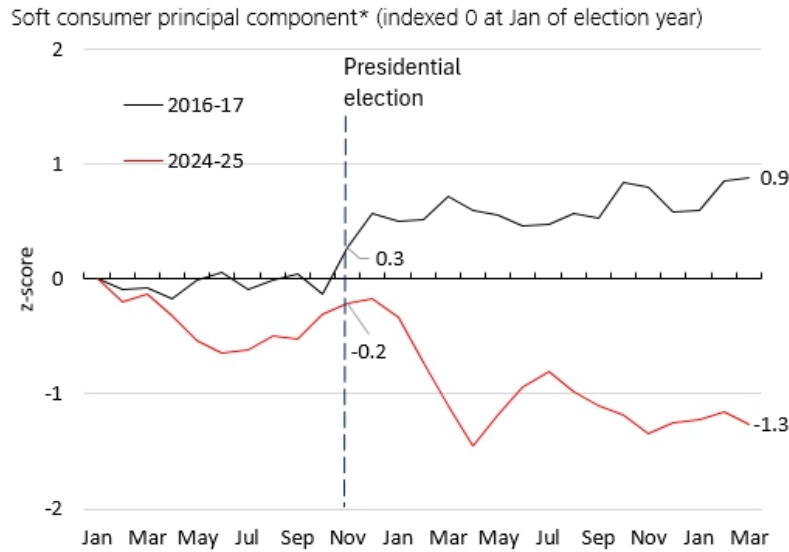
Source: BEA, Haver, UBS

## Confidence in US lower than Eurozone



Source: UBS, Haver

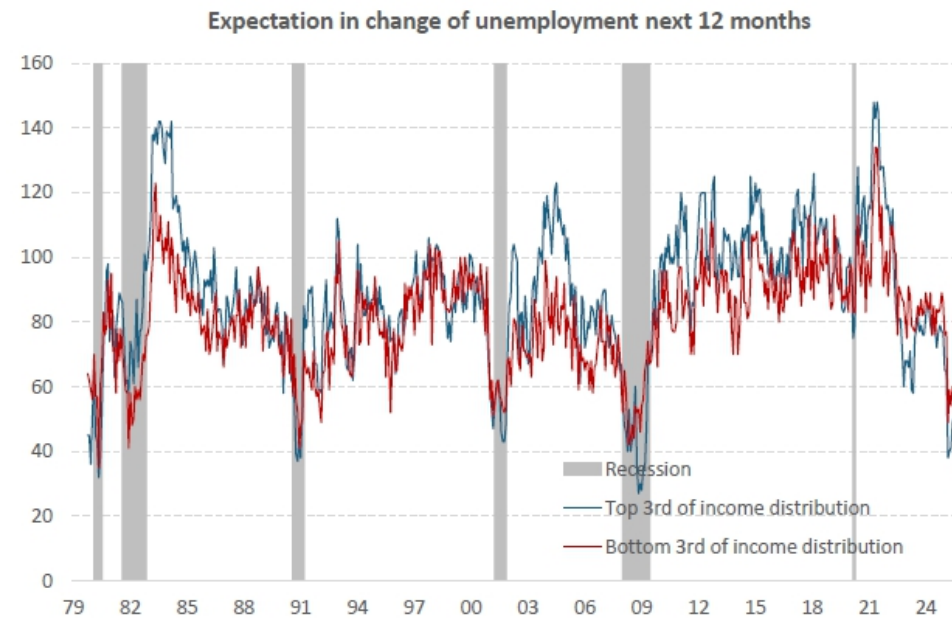
## Consumer and Business confidence during Trump 1 vs Trump 2



Source: UBS, Haver [Note: consumer confidence includes Conference Board and Univ of Michigan current conditions and expectations, business confidence includes NFIB index, homebuilders sentiment, Fed surveys local business condition indices]

## The unemployment fear of the wealthy

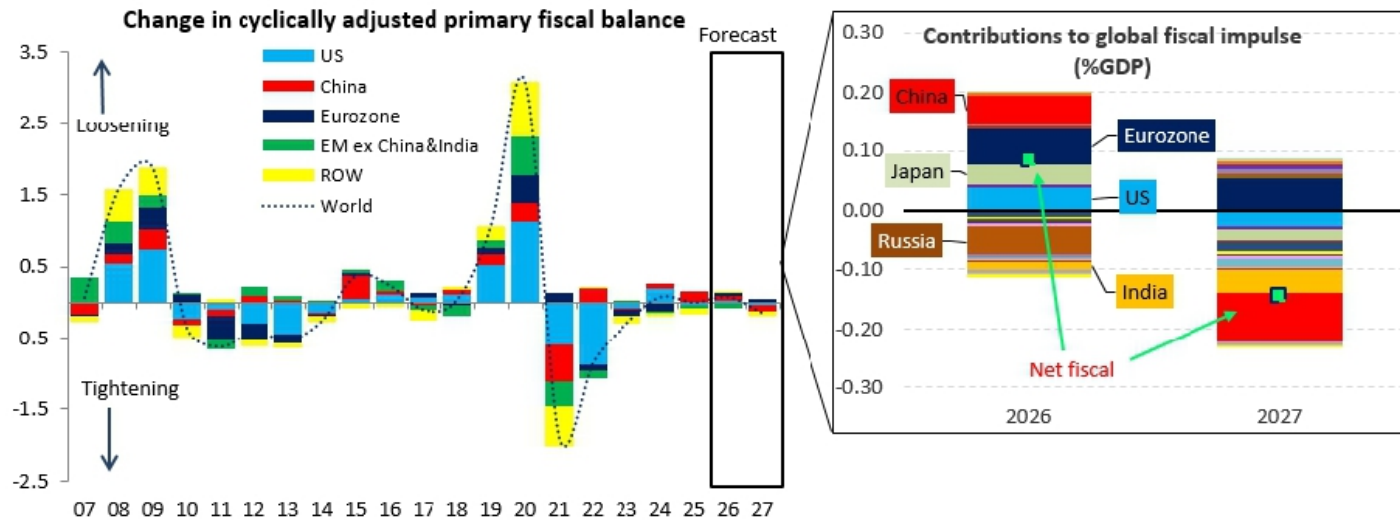
**Figure 1: Unemployment fear for the top third of the income distribution is still near all-time highs**



Source: UBS, Haver, University of Michigan [Note: the chart shows favourable minus unfavorable responses to the question whether one expects unemployment to increase, so lower values equate to higher unemployment expectations.]

# Is Fiscal Stimulus Overhyped?

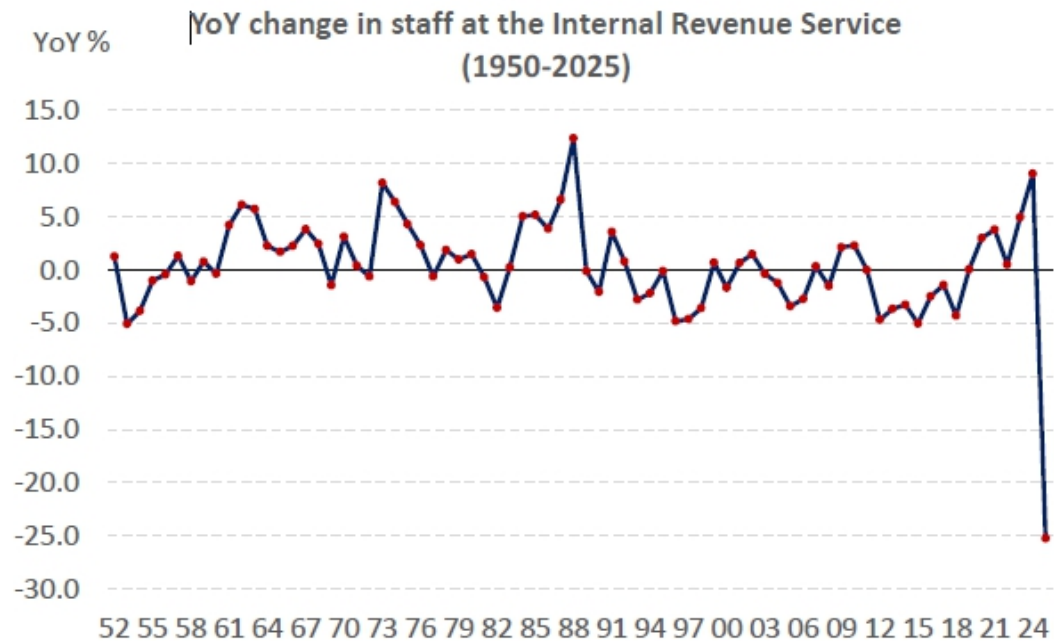
Figure 1: For all the talk of stimulus, this year's shifts in fiscal stance are small by historical standards



Source: UBS, Haver [Note: for the US we are showing the fiscal impulse excluding the tariff drag]

## Very large decline in number of US tax collectors

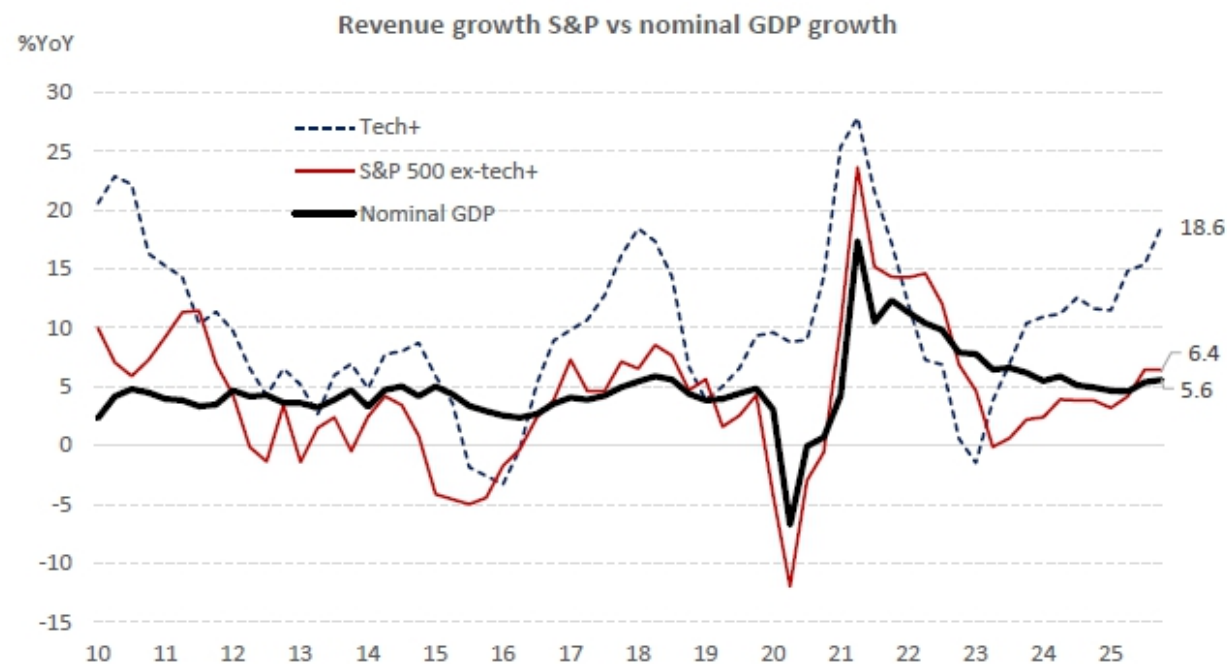
**Figure 1: Largest fall in IRS employee in at least 75 years**



Source: UBS, GAO, National Taxpayer Advocate Annual Report to Congress, irs.gov [Note that the chart shows the change in IRS employees in full time equivalents (FTE) for which we estimate the YoY decline to be slightly smaller (25%) than the 27% headline staffing number mentioned in the text; also the chart shows Dec/Dec changes. To our knowledge the 2025 end-year FTE number has not yet been released.]

## Revenue growth in the S&P is basically just tracking nominal GDP growth (ex-Tech)

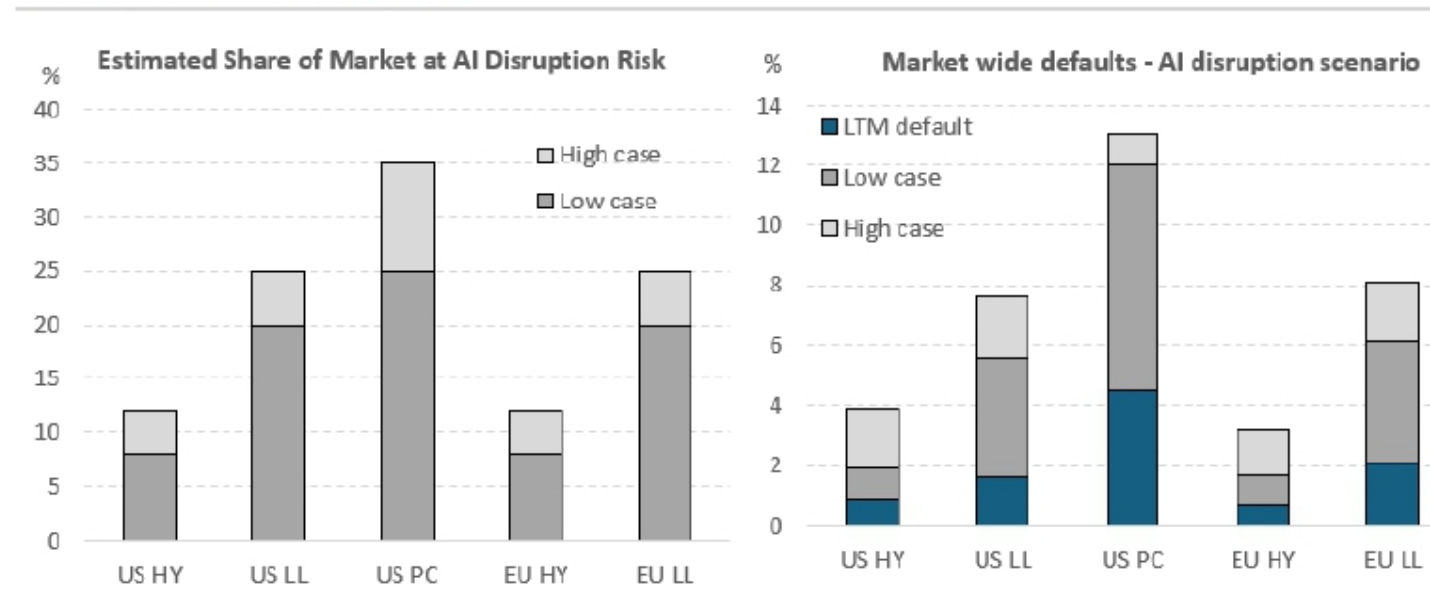
**Figure 1: Revenue growth of S&P (Tech+ and ex-Tech) compared to Nominal GDP growth**



Source: UBS , MSCI, Haver

## AI disruption risk in global credit

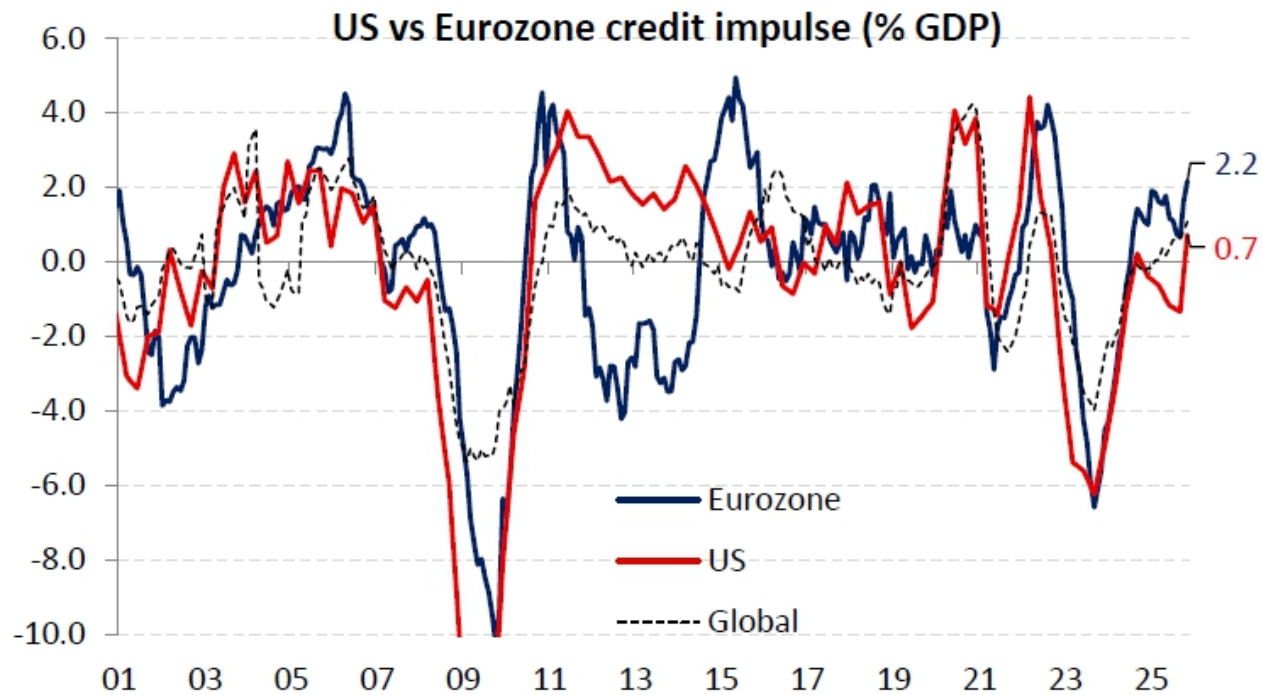
**Figure 1: Exposure to AI disruption risk by credit segment, and potential incremental default rates**



Source: UBS, Bloomberg

## Synchronized bounce in US & Eurozone credit impulse

**Figure 1: The synchronized bounce in the US/Eurozone credit impulse**



Source: UBS, Haver

# Forecast Table US

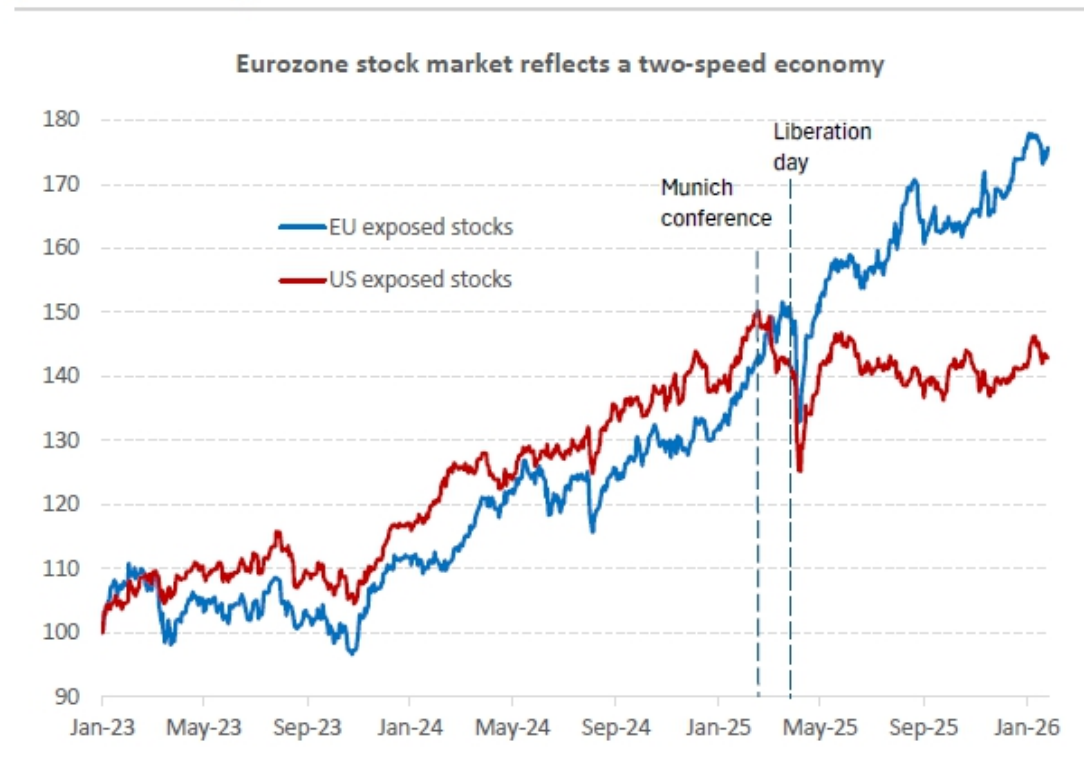
**Figure 48: GDP, employment, inflation, and interest rates**

April 10, 2026	2025			Q/Q % ch, ar				2026				2027				2023	2024	2025	2026	2027	2028		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Q4/Q4 % ch						
<b>Real GDP</b>	-0.6	3.8	4.4	0.5	2.0	2.0	1.6	2.4	1.9	2.0	2.4	2.2	3.4	2.4	2.0	2.1	2.5						
Personal consumption exp	0.6	2.5	3.5	1.9	1.1	2.3	1.9	2.1	1.3	1.7	2.1	2.1	3.0	3.4	2.1	1.9	1.8						
Goods	0.2	2.2	3.0	0.3	-1.6	1.3	1.4	2.0	0.5	1.6	2.3	2.2	3.5	4.2	1.4	0.7	1.6						
Services	0.8	2.6	3.6	2.7	2.4	2.7	2.2	2.2	1.6	1.8	2.0	2.1	2.8	3.0	2.4	2.4	1.9						
Fixed investment	7.1	4.4	0.8	1.5	3.7	2.8	3.5	4.3	3.4	4.0	3.6	3.8	5.7	1.0	3.4	3.6	3.7						
Business fixed investment	9.5	7.3	3.2	2.4	5.2	3.0	3.6	4.5	3.6	4.4	3.8	4.0	6.6	0.9	5.5	4.1	4.0						
Structures	-3.1	-7.5	-5.0	-6.6	-4.2	-0.9	1.3	2.1	1.4	2.1	2.2	1.5	16.8	-4.8	-5.7	-0.5	1.8						
Equipment	21.3	8.5	5.2	4.3	10.9	3.8	3.4	5.5	4.6	5.1	4.3	5.1	3.1	3.2	9.5	5.9	4.8						
Intellectual property products	6.5	15.0	5.6	5.4	4.7	4.2	4.9	4.6	3.8	4.9	4.1	4.1	4.3	2.3	8.1	4.6	4.2						
Residential	-1.0	-5.1	-7.1	-1.7	-1.6	2.1	3.2	3.9	2.4	2.2	2.6	2.9	2.4	1.3	-3.5	1.9	2.5						
Government purchases	-1.0	-0.1	2.2	-5.6	5.7	-0.4	0.4	0.4	-0.3	0.5	0.5	0.4	4.3	3.6	-1.2	1.5	0.3						
Net exports (contrib, pct pt)	-4.7	4.8	1.6	-0.2	-0.8	0.3	-0.3	0.0	0.3	-0.2	0.2	0.0	0.1	-0.5	0.4	-0.2	0.1						
Exports	0.2	-1.8	9.6	-3.2	6.7	1.3	0.6	0.8	-1.1	2.5	-0.1	2.8	2.2	3.3	1.0	2.3	1.0						
Imports	38.0	-29.3	-4.4	-1.0	11.5	-1.2	2.5	0.6	-2.8	3.3	-1.8	2.4	1.3	6.2	-2.0	3.3	0.3						
Inventory contribution (pct pts)	2.6	-3.4	-0.1	0.1	0.4	-0.3	-0.1	0.1	0.2	0.2	0.1	0.0	-0.4	-0.2	-0.2	0.0	0.1						
Memo: Private domestic final purchases	1.9	2.9	2.9	1.9	1.7	2.4	2.3	2.6	1.7	2.2	2.4	2.5	3.6	2.9	2.4	2.2	2.2						
<b>Labor market</b>																							
Payrolls (monthly pace, 000s)	20	34	23	-39	68	40	32	50	69	81	86	73	210	122	10	48	77						
Civilian unemployment rate (%)	4.1	4.2	4.3	4.5	4.3	4.4	4.5	4.6	4.6	4.5	4.5	4.5	3.8	4.2	4.5	4.6	4.5						
Labor force participation rate (%)	62.5	62.4	62.3	62.4	62.0	61.9	61.9	61.8	61.7	61.7	61.7	61.6	62.6	62.5	62.4	61.8	61.6						
<b>Inflation</b>																							
CPI-U	3.7	1.7	3.1	2.4	3.7	5.5	1.5	1.9	1.6	1.7	1.9	2.4	3.2	2.7	2.7	3.1	1.9						
Core CPI-U	3.4	2.2	3.2	2.0	2.8	3.4	2.3	2.2	1.8	1.8	2.2	2.3	4.0	3.3	2.7	2.7	2.0						
PCE Chain Price Index	3.4	2.1	2.8	2.9	4.4	4.9	1.5	1.9	2.4	2.2	2.0	2.1	2.9	2.6	2.8	3.2	2.2						
Core PCE Chain Price Index	3.3	2.6	2.9	2.7	4.2	3.6	2.0	2.1	2.7	2.4	2.2	2.1	3.3	3.0	2.9	3.0	2.4						
<b>Incomes</b>																							
Average hourly earnings	4.3	3.3	3.8	4.0	3.5	3.5	3.5	3.5	3.6	3.6	3.5	3.5	4.1	4.1	3.9	3.5	3.5						
Employment cost index	3.4	3.9	3.2	3.0	3.4	3.1	3.0	3.0	3.1	3.0	2.9	2.9	4.1	3.6	3.4	3.1	3.0						
Real disposable income	2.3	1.8	1.0	0.2	0.9	-0.4	1.1	1.5	1.1	1.9	1.9	1.6	5.4	2.4	1.3	0.8	1.6						
Saving rate (%)	5.1	5.0	4.4	4.0	3.9	3.3	3.1	3.0	2.9	2.9	2.9	2.8	5.5	4.8	4.0	3.0	2.8						
<b>Other indicators</b>																							
Housing starts (mil, a.r.)	1.40	1.35	1.35	1.33	1.40	1.38	1.41	1.43	1.41	1.41	1.42	1.40	1.42	1.37	1.36	1.40	1.41						
Nonfarm business productivity	-0.9	4.2	5.2	1.8	0.2	3.2	2.0	2.7	2.5	2.4	2.4	2.3	3.5	2.3	2.6	2.0	2.4						
Federal budget balance (\$ bil, FY)													-1694	-1832	-1860	-1977	-2036						
<b>Federal funds rate (midpoint, %)</b>	4.375	4.375	4.125	3.625	3.625	3.625	3.625	3.375	3.125	3.125	2.875	2.875	5.375	4.375	3.625	3.375	2.875						

Q1 26 onward are UBS forecasts. Source: BEA, Commerce Dept, Federal Reserve, Bureau of Labor Statistics, Treasury Department, & UBS

## Europe's two-speed economy

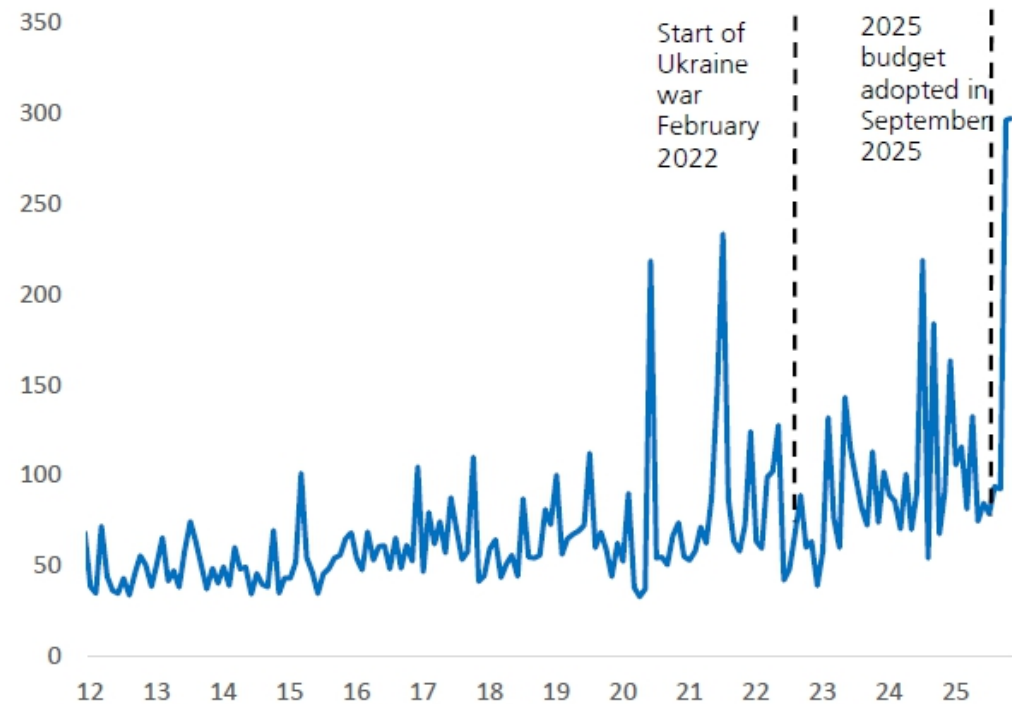
**Figure 1: US exposed stocks (47% of market caps) versus EU exposed stocks (53% market cap)**



Source: UBS, Haver, Bloomberg

## German stimulus becomes more visible

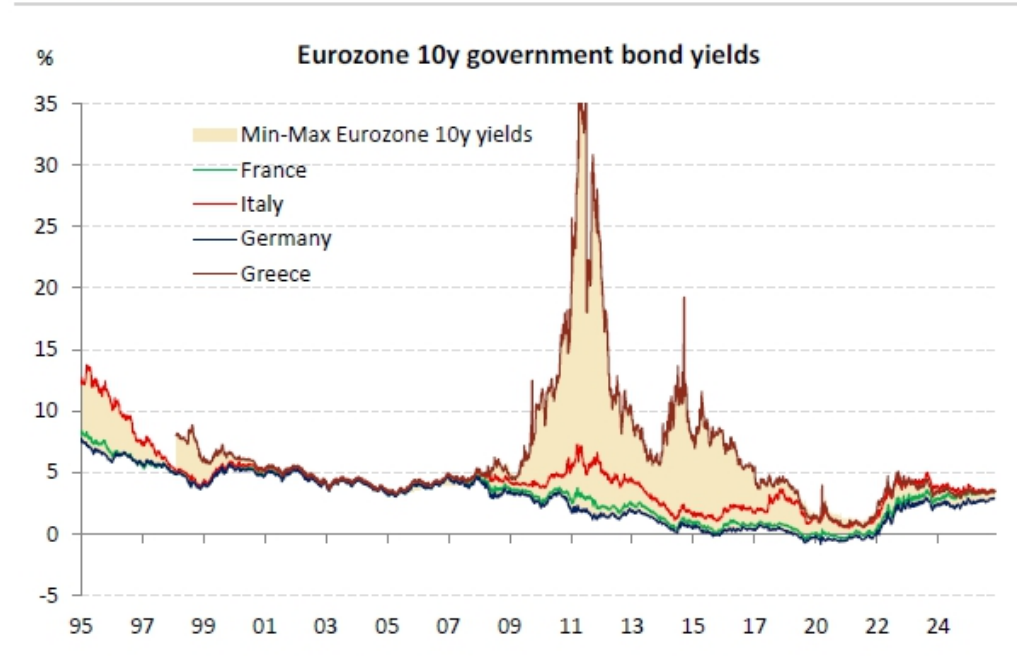
**Figure 1: Domestic manufacturing orders: 'other transport' (2021=100) reaches all-time high**



Source: UBS, Haver [note: 'other transport equipment' has typically been a proxy for defence-related spending]

## European spreads – Greece is back!

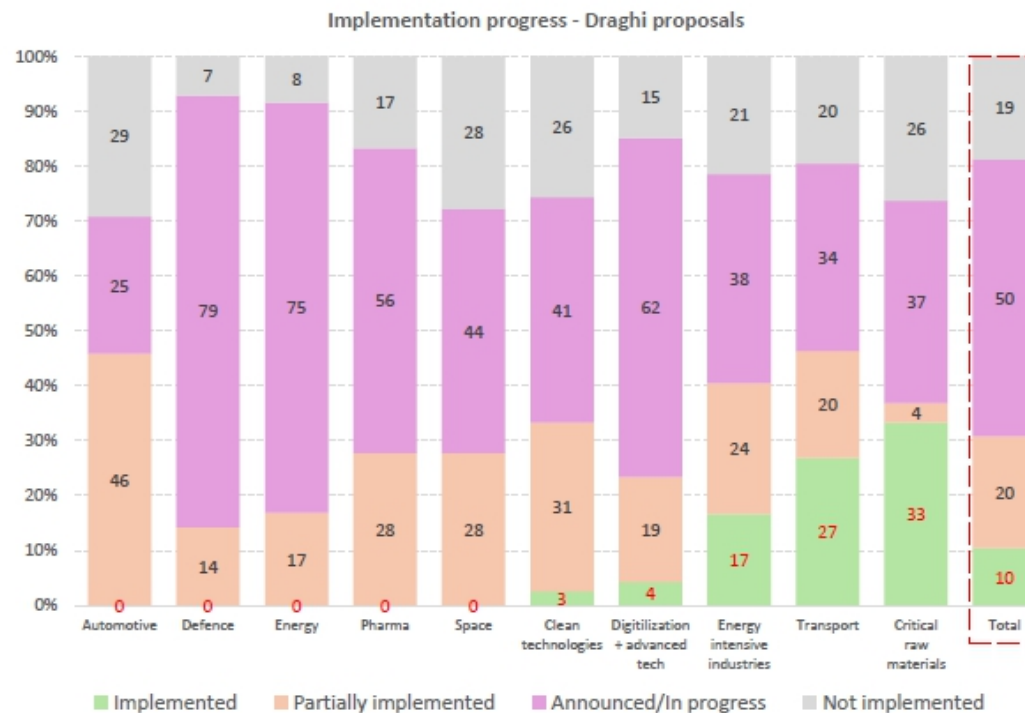
**Figure 1: The min-max range of European 10y yields has not been this tight since 2008**



Source: UBS, Bloomberg [Note: chart shows the min-max range of 10y yields for Austria, Belgium, Italy, Germany, Finland, France, Greece, Ireland, the Netherlands, Spain and Portugal.]

## Progress on Draghi's report on European competitiveness is slow

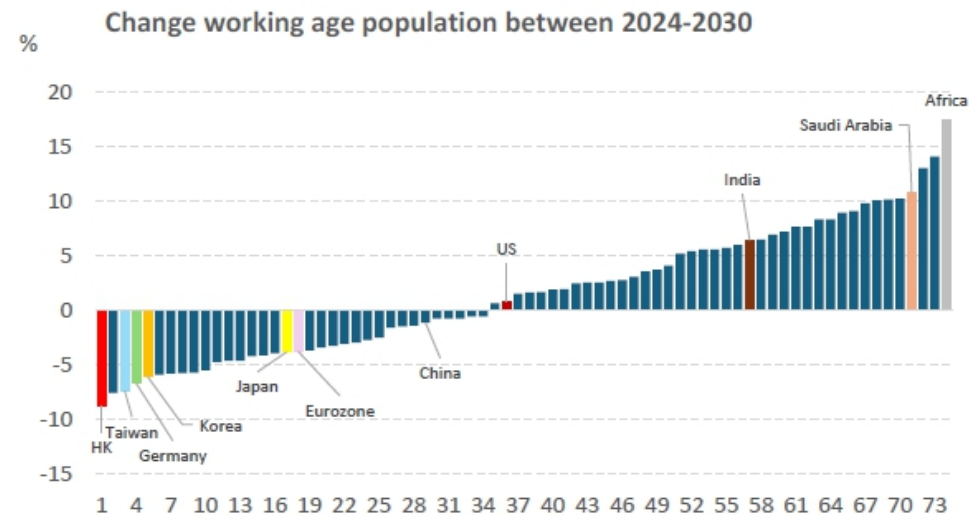
**Figure 1: Only 10% of the 383 proposals in Draghi's report for European competitiveness have so far been fully implemented**



Source: UBS, <https://draghiobservatory.eu> [Note: data is as of December 2025]

## Germany to lose 7% of its working age population by 2030

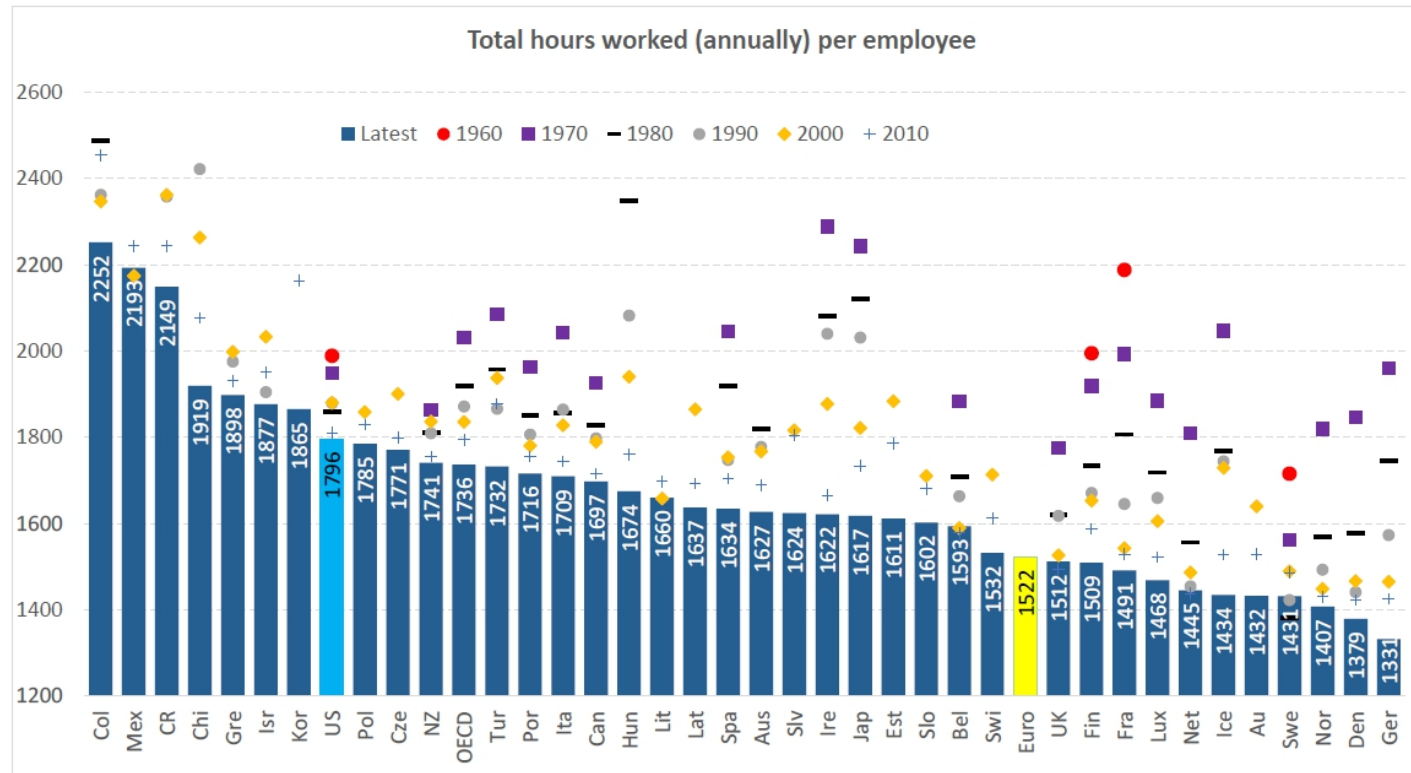
**Figure 1: Germany expected to lose 7% of its working age population by 2030; slightly less than HK/Taiwan but more than every other major advanced economy**



Source: UBS,Haver, United Nations [Note: chart only shows 76 of the 237 countries or areas for which the UN provides population forecasts. The working age population is defined as being between 15-64 year olds, and includes net migration estimates.]

# Europe worked longer hours than the US until the 1970s but now works 15% less

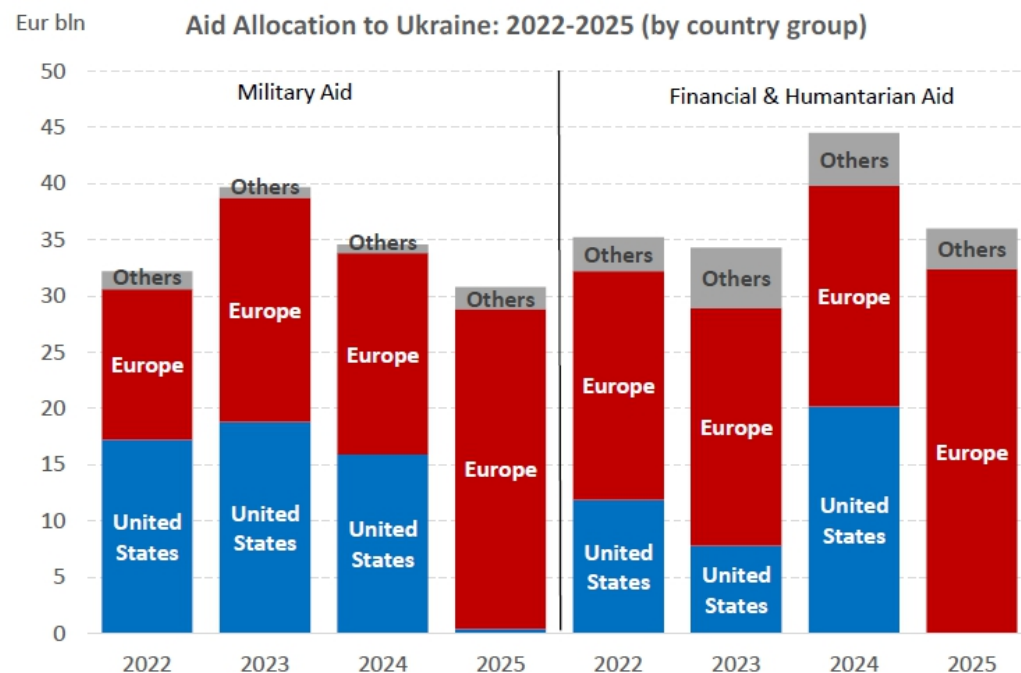
Figure 1: Hours worked have come down everywhere, but nowhere more so than Europe



Source: UBS, OECD [Note: chart shows total hours worked in an economy divided by total employees]

## Europe now essentially alone in providing aid to Ukraine

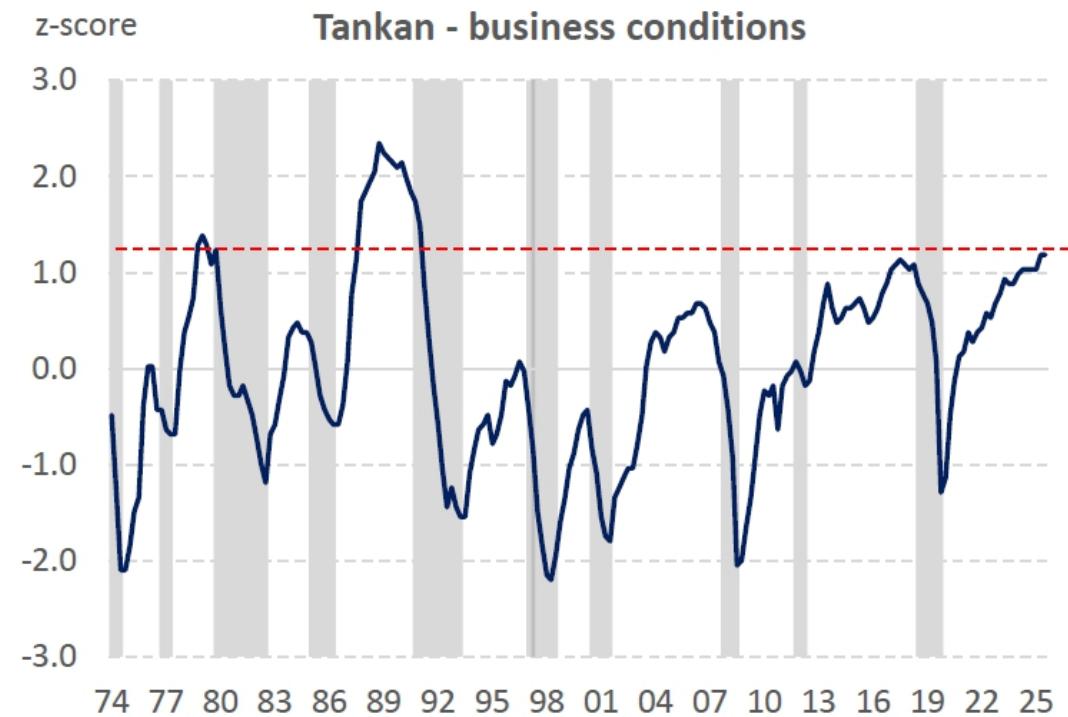
**Figure 1: Europe now provides nearly all the foreign funding for the war in Ukraine**



Source: Kiel Institute, Trebesch et. al. [Ukraine Support Tracker](#) [Note: Europe refers to EU member states and institutions, as well as Iceland, Norway, Switzerland and the UK. "Others" refers to Australia, Canada, China, India, Japan, New Zealand, South Korea, Taiwan, Turkey. All figures are inflation adjusted (in real 2021 euros).]

## Japanese business confidence still at 34-year high

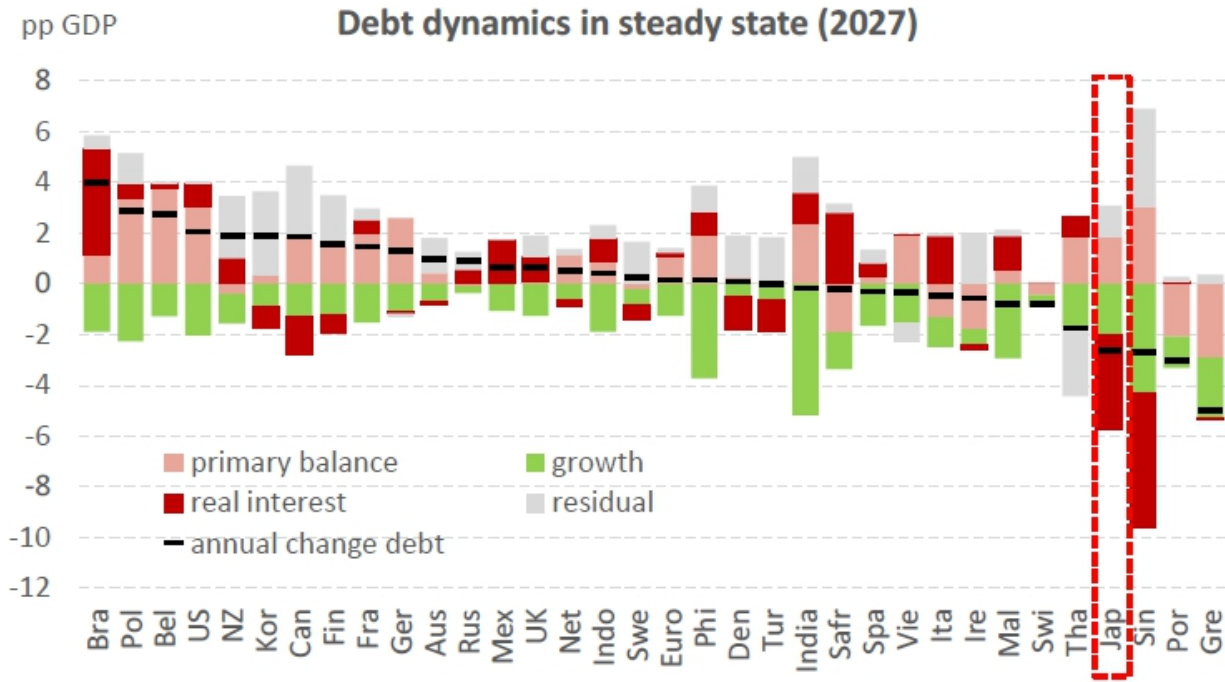
**Figure 1: Japan's business sentiment at highest level since 1991**



Source: UBS, Haver

# The resilience of Japanese debt dynamics

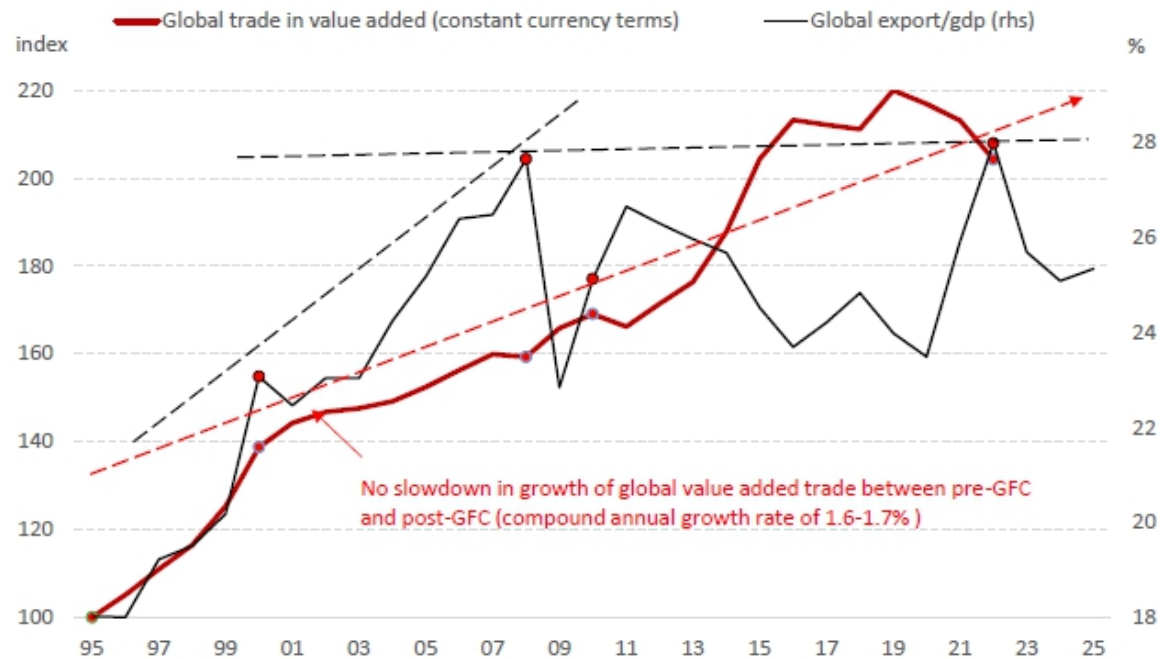
**Figure 1: The carrying cost on Japan's debt is so negative that it can neutralize quite a bit of further fiscal slippage**



Source: UBS, Haver

## State of Globalization

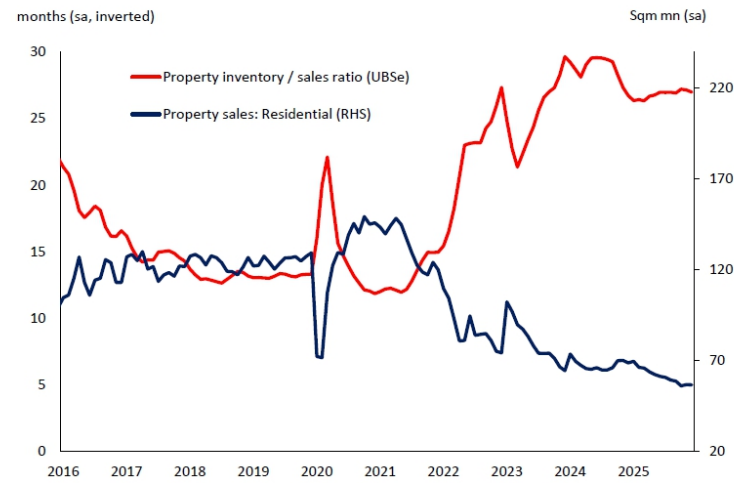
**Figure 1: Although global exports-to-GDP flatlined post-GFC, the growth rate in global export value added (pre vs post-GFC) is virtually unchanged**



Source: UBS , Haver, OECD

# China housing overhang and export deflators

**Figure 1: China's stock of unsold homes still near the highs after 6 years of policies aimed at boosting demand, stabilizing prices and removing excess inventory**



Source: UBS, CEIC [Note: the inventory/sales ratio is our own calculation based on national official data which is a bit smoother/lower than the market data at city level.]

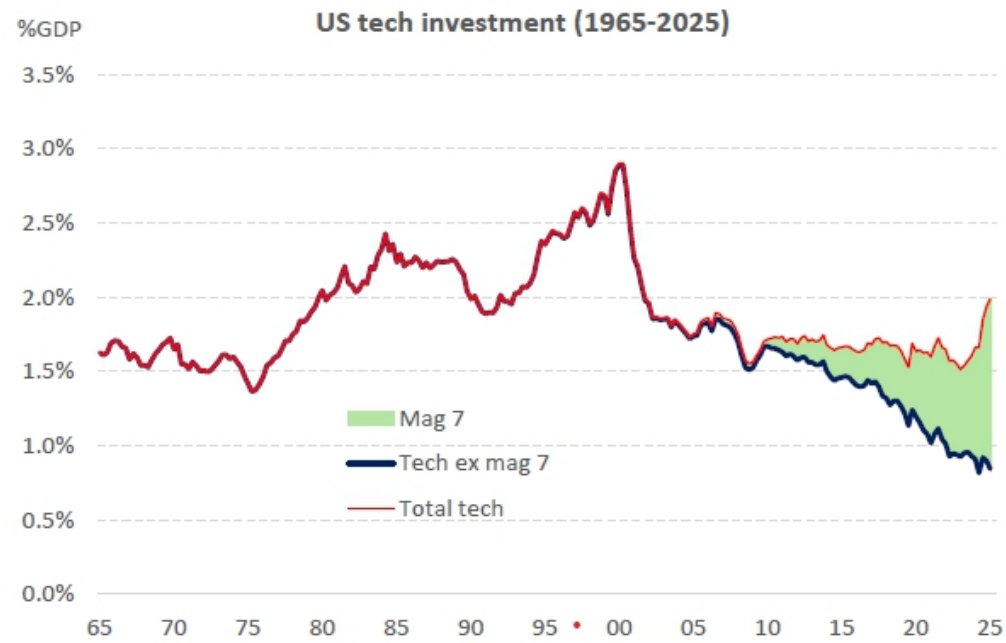
**Figure 1: China's export prices continue to fall faster than in the rest of Asia and advanced economies**



Source: UBS, Haver, CPB

## The Rising Concentration of US Tech Investment

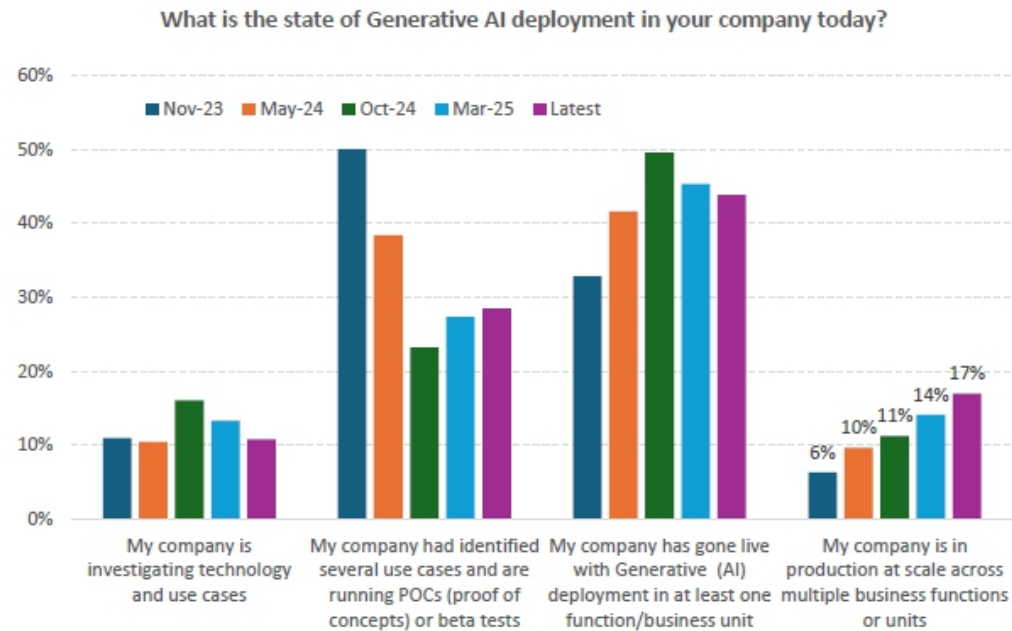
**Figure 1: The Magnificent 7 now accounts for 58% of all US tech capex**



Source: UBS, Haver [Note: tech capex is defined as private fixed investment in (i) computers/peripheral equipment; (ii) electrical transmission, distribution and industrial apparatus; (iii) communication equipment; (iv) special industry machinery; and (v) private construction of data centres.]

# Productivity does not (yet) equate to AI

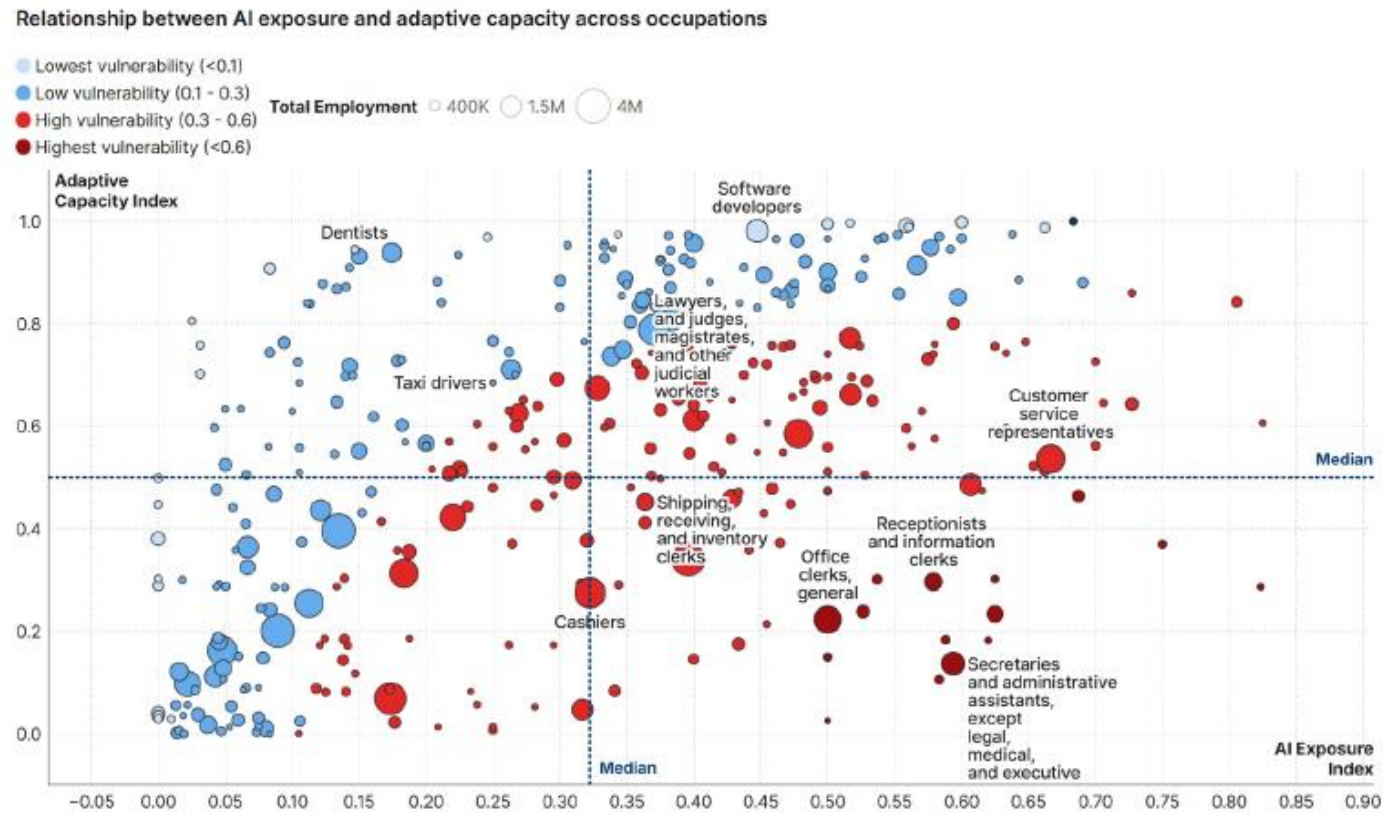
**Figure 1: AI adoption at the enterprise level is increasing only slowly**



Source: UBS Evidence Lab ([> Access Dataset](#))

# How adaptive are workers to AI job displacement?

**Figure 1: Relationship between AI exposure and adaptive capacity across occupations**

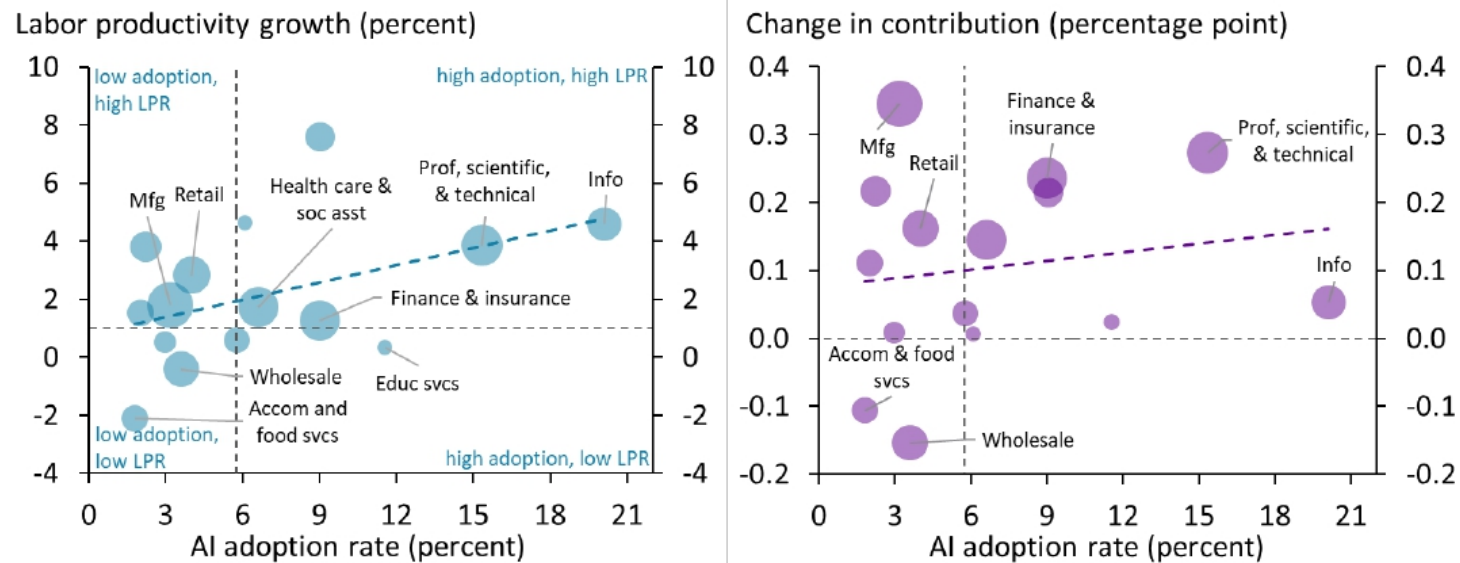


Source: Manning, Sam and Aguirre, Tomas. "Measuring US workers' capacity to adapt to AI-driven job displacement." The [Brookings Institution](#), March 2026.

A recent Fed paper notes that only 2% of the change in US productivity can be attributed to changes in AI adoption rates

**Chart 4: Higher AI adoption aligns with faster productivity growth, but explains only a small share of the aggregate shift**

Panel A: AI adoption versus industry labor productivity growth    Panel B: AI adoption versus change in industry contribution

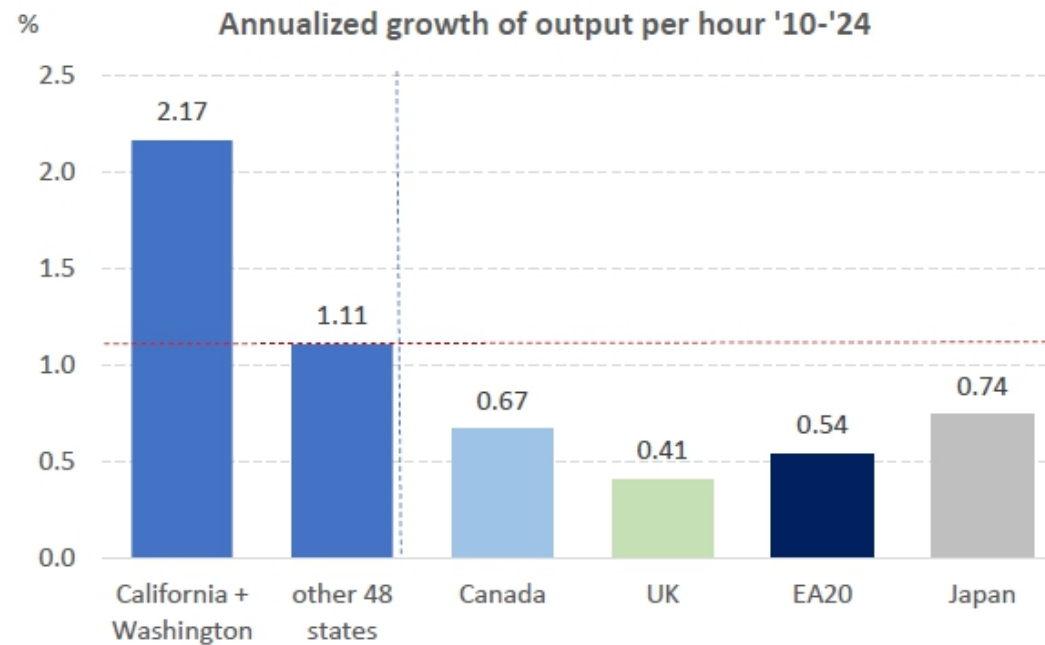


Notes: Panel A shows annualized labor productivity growth by industry in the 2023:Q4–2025:Q2 period; Panel B shows the change in industry contributions to aggregate labor productivity growth relative to the 2010:Q1–2019:Q4 period. Bubble size represents average value-added share in the 2023:Q4–2025:Q2 period. Fitted lines: Panel A,  $y = 0.1986x + 0.8029$  (R-squared = 0.1905); Panel B,  $y = 0.0043x + 0.0754$  (R-squared = 0.0267).

Sources: U.S. Census Bureau, Federal Reserve Bank of Chicago, and authors' calculations.

## A more level playing field for AI adoption than AI production

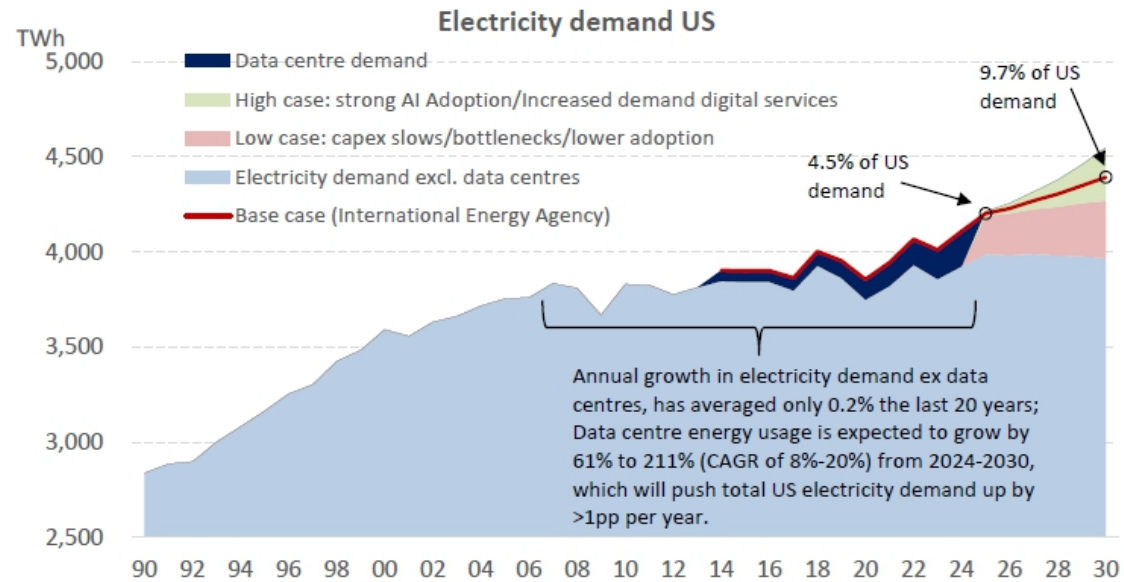
**Figure 1: The productivity gap between the two US 'tech' states and the rest of the US is 2x as high as the gap between the rest of the US and other advanced economies**



Source: UBS, Haver

# Data centers and US electricity demand

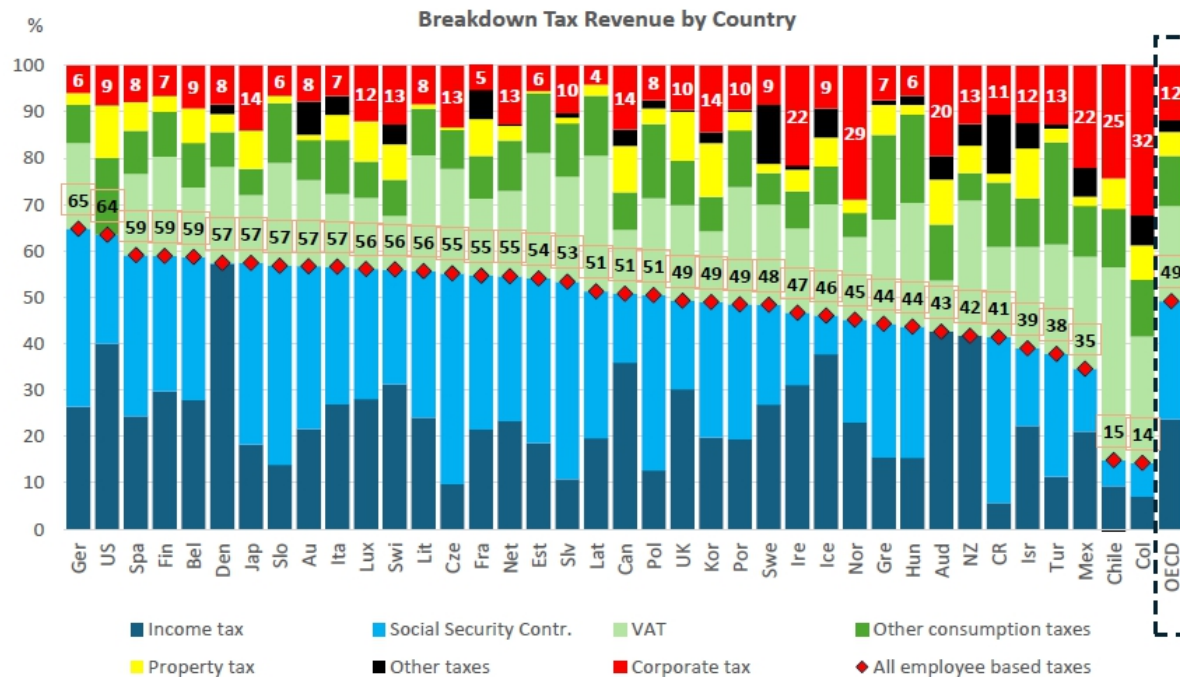
**Figure 1: Almost all of the growth in US electricity demand by 2030 to come from data centres**



Source: UBS estimates , International Energy Agency, US Energy Information Administration [Note: the numbers in that report risk getting outdated quickly, given how fast the hyperscalers are revising their capex numbers, but the numbers also roughly correspond to the [2024 United States Data Center Energy Usage Report](#).]

# If we all get replaced by robots and AI, we have a major tax problem

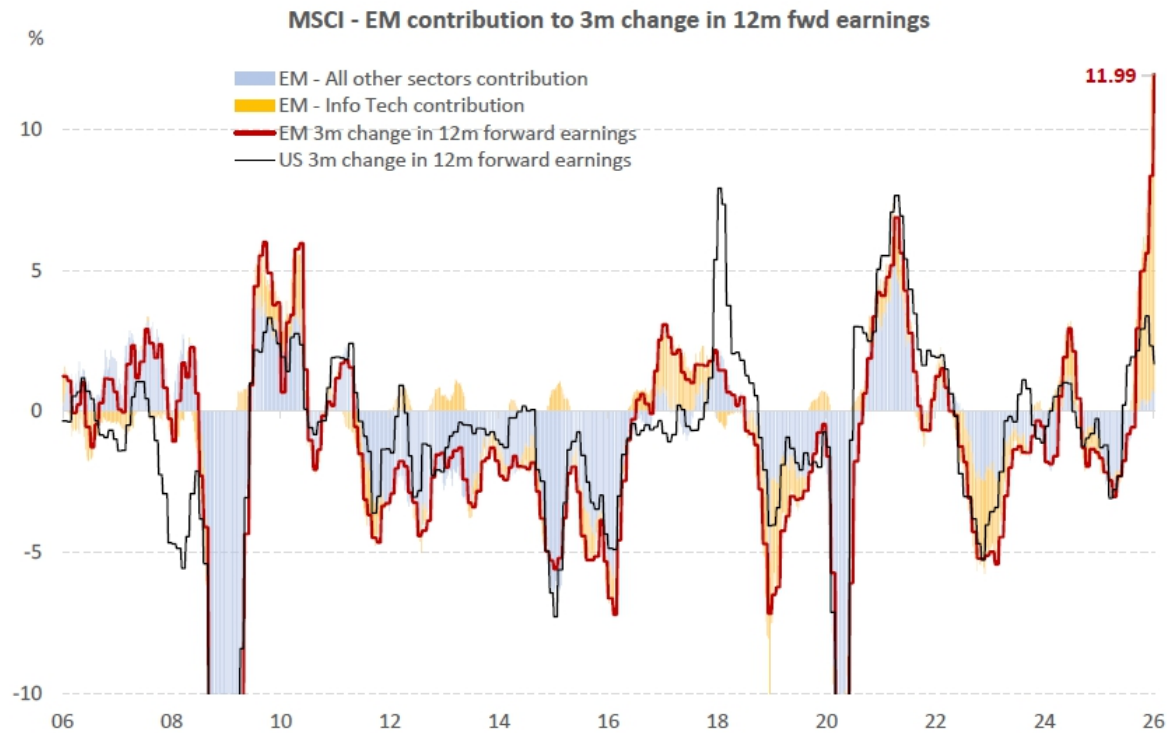
**Figure 1: 49% of revenue in the OECD comes from labour based taxes, another 30% from consumption, which also requires people having income (and a job)**



Source: UBS , OECD (2025), [Revenue Statistics 2025](#): Disentangling Personal Income Tax Revenue in OECD Countries, OECD Publishing, Paris,

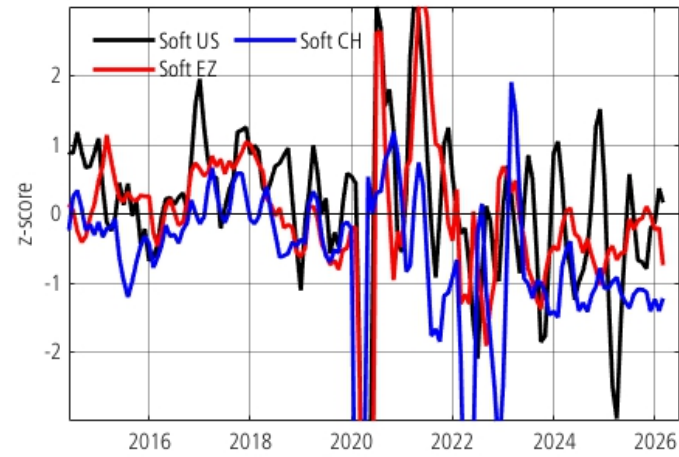
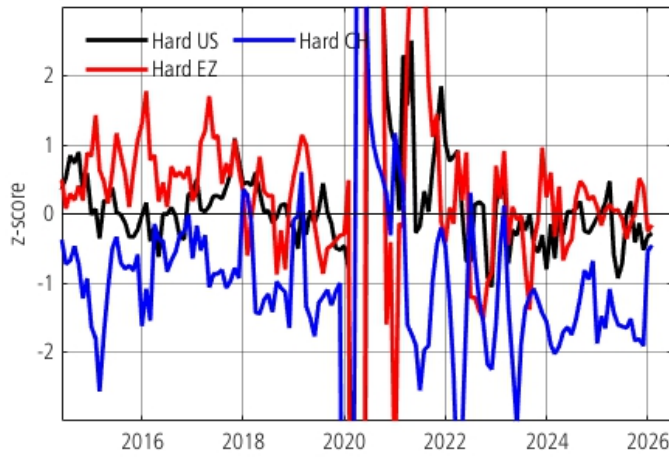
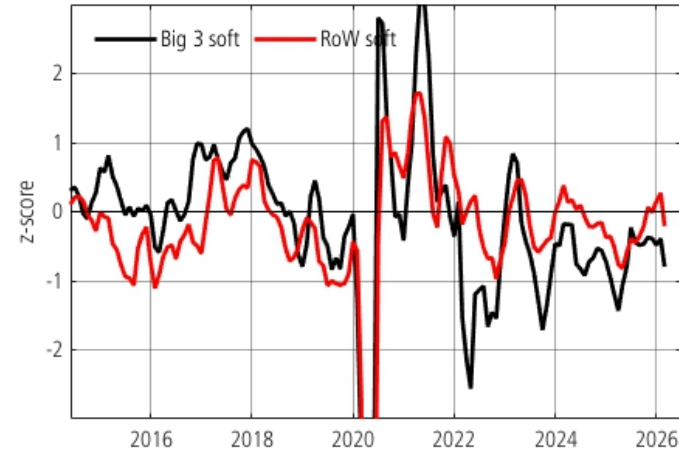
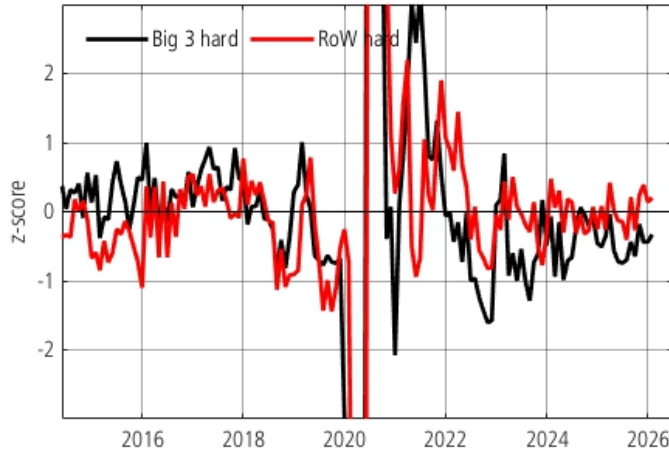
Just prior to the Middle East turmoil, EM earnings saw the biggest earnings expectations jump in 20y (94% tech-related)

**Figure 1: EM earnings expectations jump, but entirely due to tech (and specifically Korean tech)**



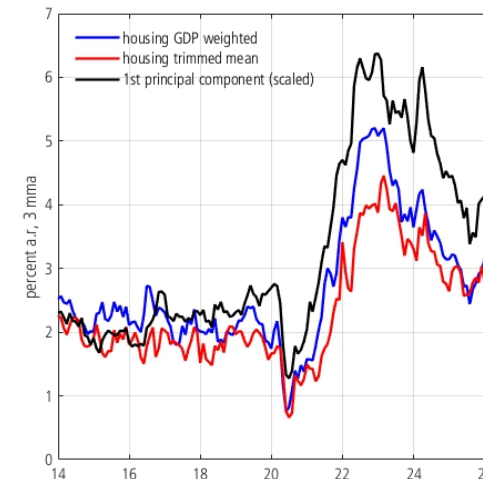
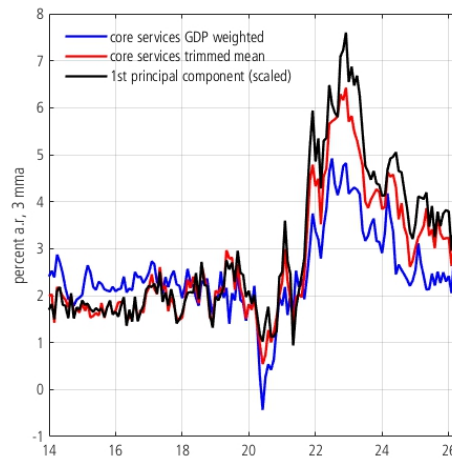
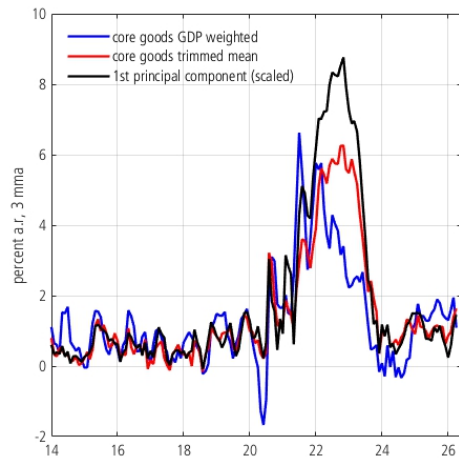
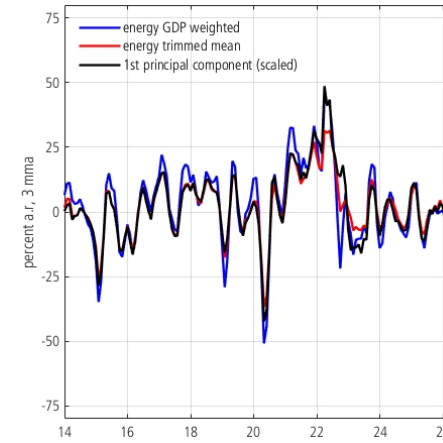
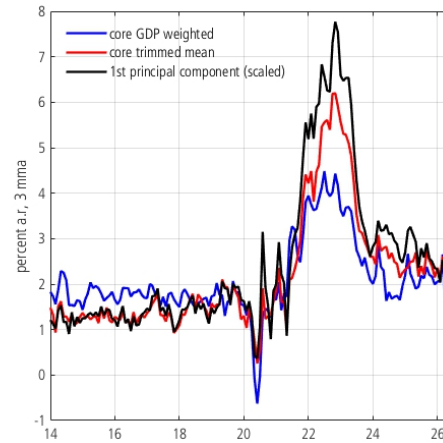
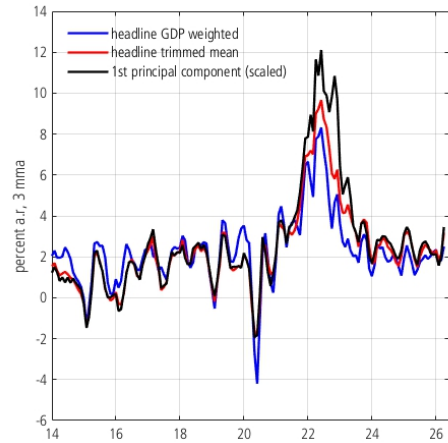
Source: UBS, MSCI

# Global nowcast output



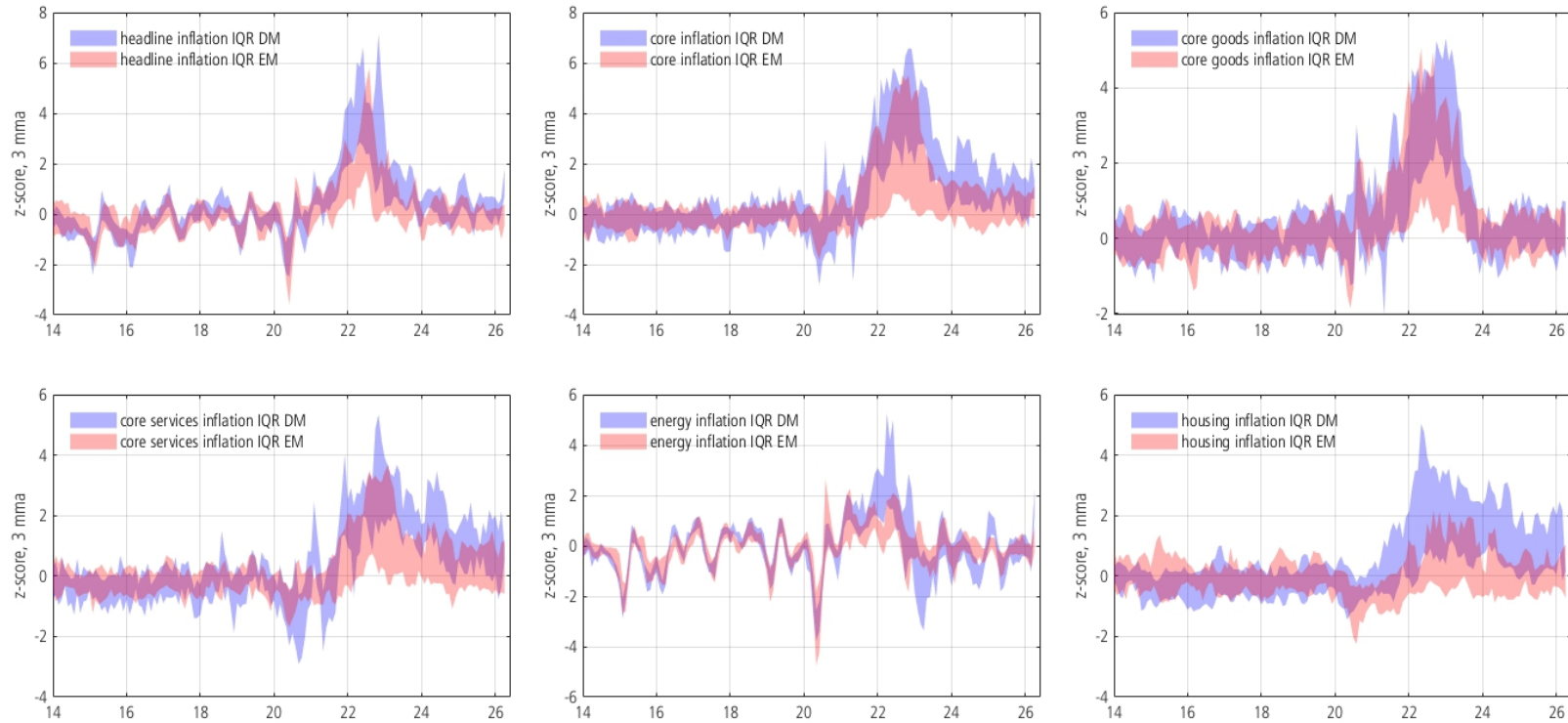
Source (all 4 charts): UBS, Haver

# Global inflation tracker



Source (all 6 charts): UBS, Haver

## Global inflation tracker (2)



Source (all 6 charts): UBS, Haver

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