OpenVoiceNews U.S.

Transparent. Unbiased. Yours.

# UBS Strategist Warns Market Rally May Stall Amid US Growth Slowdown

*August 9, 2025*
*— Categories: Economics*




The recent rally in the US stock market may be approaching a pause as signs of slowing economic growth emerge, according to Andrew Garthwaite, chief global equity strategist at UBS.

Garthwaite pointed to several macroeconomic indicators and market signals suggesting that the S&P 500's bullish momentum could face challenges in the coming months. He highlighted that implied intra-index volatility, a measure of expected price fluctuations within index components, is currently near the lower end of its historical range, which often precedes a market reversal. “When it rises, cyclicals have tended to underperform 84% of the time,” he explained in a recent client briefing.

The UBS strategist maintains a cautious short-term outlook, forecasting that August is likely to be a down month for equities as US economic growth slows. He also noted that the Federal Reserve is expected to delay interest rate cuts until September, limiting near-term policy support for the market.

UBS anticipates continued deterioration in US economic data over the coming months, potentially putting additional pressure on stock markets.

Despite the S&P 500’s strong performance this year, up approximately 8% in 2025 and more than 30% higher than its April lows, underlying economic trends have shown signs of softness.

A key concern is the labor market. Garthwaite highlighted that the three-month annualized hours worked have weakened sharply. Meanwhile, employment Purchasing Managers’ Index (PMI) data indicate a slowdown in job growth.

UBS projects non-farm payroll growth to slow significantly in the final quarter of the year, with an average monthly gain of just 48,000 jobs. The forecast also includes the possibility that payrolls could decline by roughly 12,000 jobs during the same period.

Adding to the challenges, seasonal patterns could further weigh on investor sentiment. Historically, August and September have been among the weakest months for equities. UBS sees no reason to expect a deviation from this trend in 2025.

Garthwaite reiterated that the Federal Reserve is unlikely to reduce interest rates before September. This delay means the central bank will maintain a relatively tight monetary policy stance in the near term, providing little immediate relief to markets.

The combination of softening economic data, historically low volatility levels, and seasonal weakness has led UBS to advise caution in the current market environment.

While the S&P 500’s rebound to record highs has demonstrated resilience, UBS warns that this strength has occurred despite mounting macroeconomic challenges.

Whether the market can sustain its momentum will depend on the speed with which the labor market and broader growth indicators stabilize. The Federal Reserve's next policy decisions, once it gains room to adjust rates, will also play a crucial role.

As Garthwaite concluded, the balance of risks suggests the recent bull run may soon pause, with the months ahead likely testing investor patience and conviction.