CIO FOREWORD

Our December edition arrives early, ahead of the holiday lull and because the story changed just days ago. What a difference a night makes. After the Nasdaq 100 fell 15% following our September equity downgrade, investors were asking: is it finally time to buy? Jensen Huang's return to Nvidia gives us reason to think a market base is forming.

We had identified three conditions for a sustained artificial intelligence (AI) recovery. Nvidia needed to stabilise. Democrats needed workable data-centre policies. And the industry had to prove AI monetisation could justify the billions being spent. Nvidia looked like the hardest problem. Yet, almost overnight, it has been solved.

President Trump said an investigation found Jensen was not a national-security threat. We had assumed the White House had little to do with Nvidia's predicament. Apparently, when market pain becomes politically uncomfortable, capitalism finds a way. TACO now has a companion: JACO, or Jensen Always Comes Out.

Two conditions remain. The data-centre debate returns when Democrats take office in January. But the Nvidia episode suggests there is a limit to the pain politicians will tolerate. A pragmatic middle ground looks more likely.

The harder issue is AI economics. Usage must overcome falling inference prices and justify enormous spending on chips, power and data centres. One reinstatement cannot answer that. Until evidence says otherwise, however, the AI investment cycle lives on.

The overnight reversal suggests the market has found a floor, but this is no all-clear siren. Earnings growth is cresting, and 2027 will bring sharp rallies, setbacks and wide trading ranges. A return below recent lows would probably require a fresh earnings, policy or economic shock.

We are considering upgrading US equities back to overweight but as of writing, will wait for a stabilisation. Valuations have reset, while the US retains stronger growth, profitability and exposure to companies leading the AI cycle. Overall equity allocation remains neutral because markets should stay choppy and two conditions remain unresolved.

Within the US, we would not simply pile back into hardware enablers. Many portfolios already have plenty. Instead, rebalance towards AI adopters that can turn cheaper intelligence into higher productivity, better margins and actual cash flow.

The hardest immediate problem has been resolved. That is enough to become more constructive, but not careless.

JACO stops the fall, but cannot guarantee the climb

NASDAQ 100 INDEX LEVEL AND 14-DAY RSI

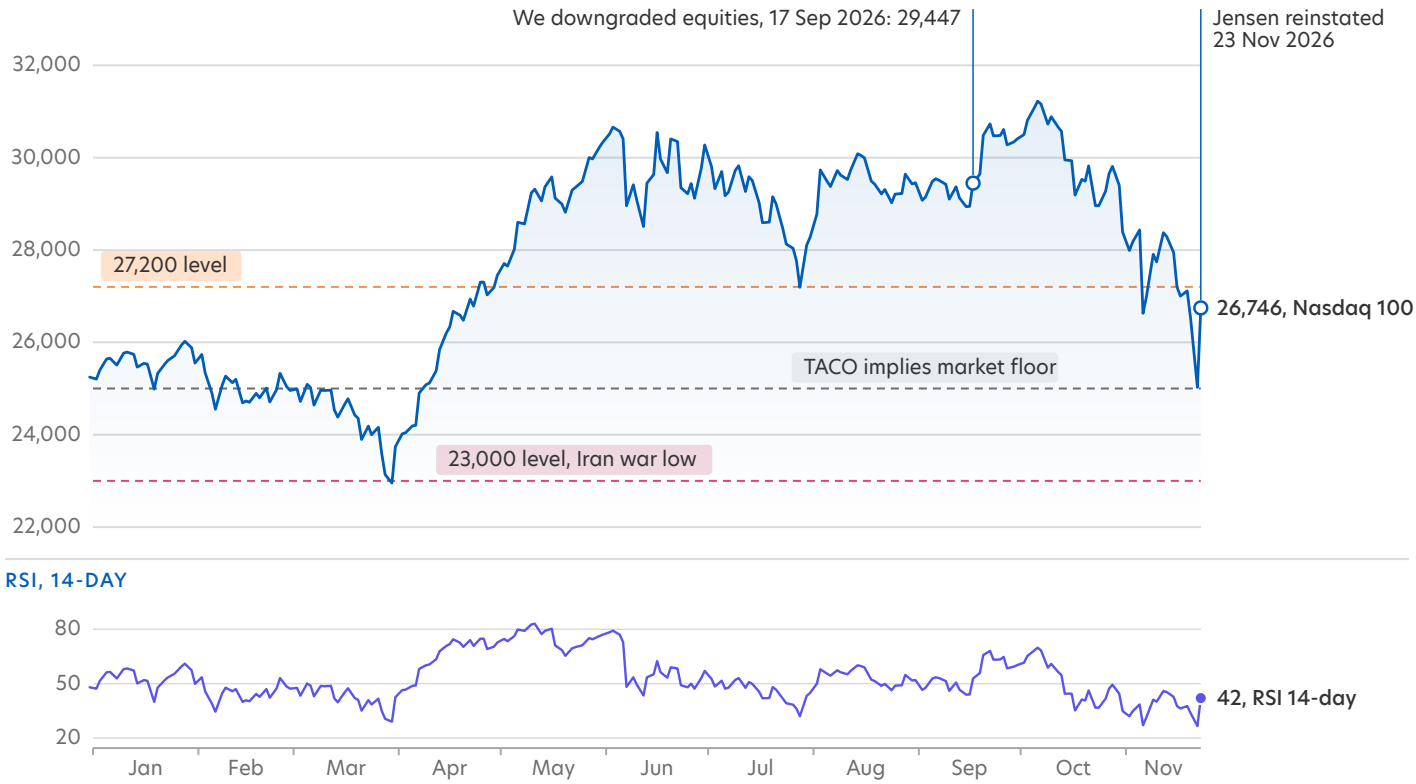


Figure 01 · Source: Bloomberg. Data on 24 November 2026

NUMBER OF THE MONTH

$952 bn

USD, bn: billion

That is how much market value Nvidia added in one day after Jensen Huang's reinstatement sent its shares surging 31.4%. The gain exceeded the entire Singapore stock market, worth USD685 billion, and Taiwan's USD921 billion annual economy. One political reversal created more value in hours than the centre of the global semiconductor supply chain produces in a year.

The tide remains high but is slowly receding

MEDIAN QUARTERLY S&P 500 RETURN BASED ON REAL ECONOMIC GROWTH ENVIRONMENT

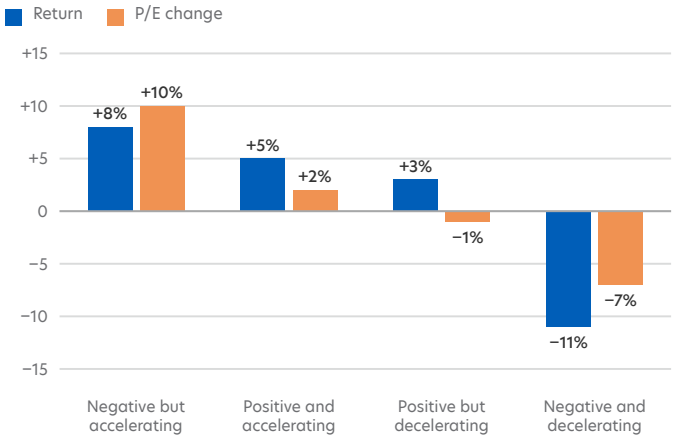


Figure 02 · Source: Goldman Sachs, UOB Private Bank

ECONOMY

It's not about being positive, it's about the direction

Growth matters, but its direction matters more. Looking from left to right, the S&P 500 historically delivered its strongest quarterly return, 8%, when real growth was negative but accelerating. Returns remained positive as growth strengthened but deteriorated sharply once growth contracted and worsened: the index fell 11%. The lesson is clear: markets anticipate the turn in growth well before the economic data look healthy to most investors again.

MARKETS

S&P 500 earnings are strong but have peaked

Earnings growth remains positive but likely peaked in mid-2026. As S&P 500 earnings-per-share (EPS) growth decelerates from above 50% towards the low-20% range, a rising market may not lift all stocks equally. Investors should become more selective about where they deploy capital, favouring companies with durable earnings momentum, strong cash generation and reasonable valuations. Slower growth does not end the opportunity, but it raises the cost of getting it wrong.

S&P 500 YEAR/YEAR EPS GROWTH

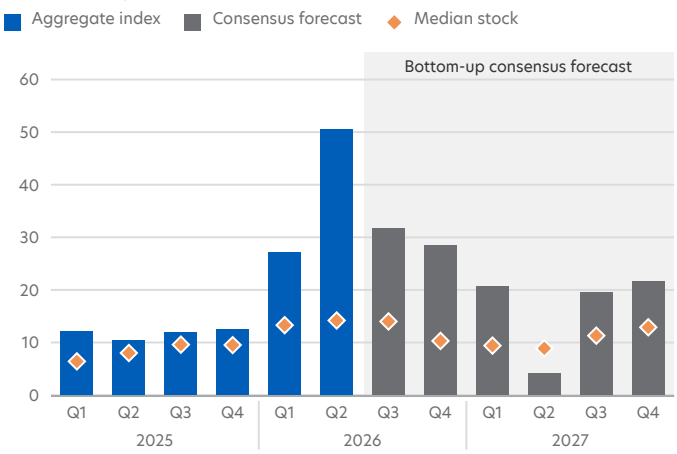


Figure 03 · Source: Goldman Sachs, UOB Private Bank

LLM TOKEN EXPENDITURE, PRICE PER MILLION TOKENS



Figure 04 · Source: Bloomberg, UOB Private Bank. Data: 24 Nov 2026

RISK WE ARE MONITORING

Watching token expenditure

Token expenditure is falling, and the AI return-on-capital debate is becoming harder to ignore. If spending does not recover, OpenAI and Anthropic face a difficult equation: enormous model and compute costs without sufficient revenue growth to fund them. Their survival matters beyond private-market valuations. If leading AI platforms cannot build sustainable businesses, who absorbs the vast compute capacity now being financed? Until token demand turns, the entire AI capital-expenditure (Capex) cycle is resting on increasingly shaky assumptions.

When leadership breaks, diversification earns its keep

PERFORMANCE, REBASED 100 = 1 JAN 2026

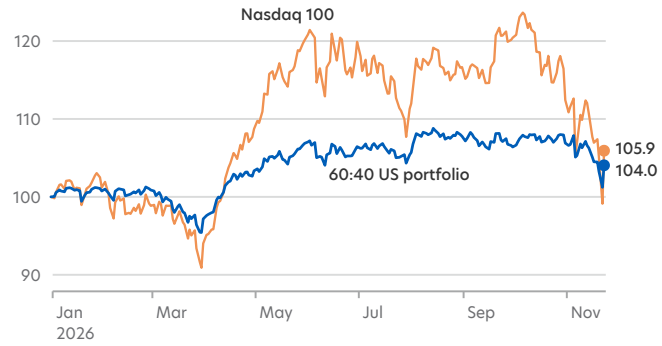


Figure 05 · Source: Bloomberg, UOB Private Bank. Data 24 Nov 2026

DIVERSIFICATION MATTERS

Diversification works when leadership breaks

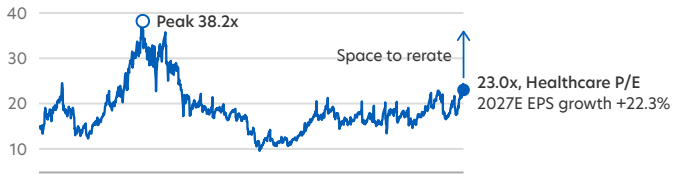
Diversification matters most when markets stop moving together. After surging more than 20% at its peak, the Nasdaq 100 has surrendered much of its gains. Without Jensen's reinstatement, it would have ended down for the year. Yet a US portfolio allocation of 60% equities and 40% fixed income remains positive, cushioned by bonds as technology stocks corrected. Diversification can feel unnecessary when one trade dominates, but its value appears precisely when leadership breaks. Resilience comes from owning assets that can win at different times.

TIME TO GET DEFENSIVE

Battle of the defensives: healthcare or consumer?

Not all defensive investments are equally resilient. Healthcare trades at 23.0x earnings, still well below its 38.2x peak, leaving room for stock prices to rise as earnings improve. Consumer staples, by contrast, already trade at 24.9x, approaching their 29.2x historical peak. Both sectors may offer resilience, but today's starting valuations favour healthcare. When safer investments become expensive, investors should assess whether they still offer upside, or if much of their defensive appeal is already reflected in prices.

HEALTHCARE SECTOR P/E RATIO, 1990-2026



CONSUMER STAPLES SECTOR P/E RATIO, 1990-2026

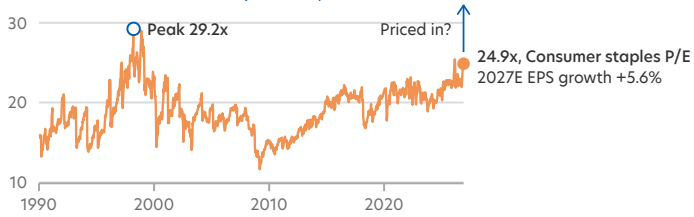


Figure 06 · Bloomberg, UOB Private Bank. Data 24 Nov 2026

REBASED, 100 = 17 SEP 2026 (UOB DOWNGRADES EQUITIES)

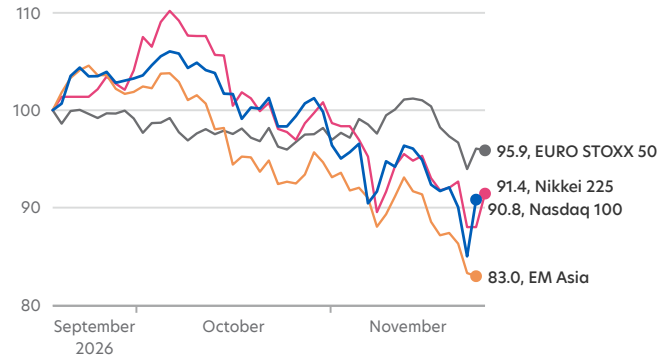


Figure 07 · Source: Bloomberg, UOB Private Bank. Data 24 Nov 2026

GLOBAL SELL-OFF

Equity weakness spreads beyond technology

Since our September equity downgrade, weakness has spread well beyond US technology. Emerging Asia has fallen 17%, the Nasdaq 100 9%, Japan 8%, and Europe 4%. The broad market decline suggests investors are becoming more cautious overall, rather than simply pulling back from AI-related stocks. Markets may bounce, but investors should resist chasing indiscriminately. Focus instead on assets offering quality earnings, resilient balance sheets and valuations that compensate for slowing growth and persistent policy uncertainty ahead.

Asset class views

ASSET CLASSES	U/W	N	O/W
Equities		■	
United States		■	
Europe		■	
Japan		■	
EM Asia		■	
Fixed Income		■	
DM IG			▲
DM HY	▼		
EM IG			▲
EM HY		■	
Commodities			
Precious Metals		■	
Money Market			▲

▼ Underweight ■ Neutral ▲ Overweight

Figure 08 · Source: UOB Private Bank

PORTFOLIO STRATEGY

We got the hard bounce with JACO. However, a durable recovery needs stronger evidence, from earnings breadth, healthier AI economics, reasonable data-centre policies and central banks taking a less aggressive approach to raising interest rates. Focus on selectively accumulating quality assets offering attractive income, strong balance sheets, resilient cash flows, and sustainable earnings. Within equities, we favour the healthcare and financial sectors.



Right By You

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