UOB PRIVATE BANK

CIO Insights: Market Perspectives

Do not panic, but stay selective

6 November 2026

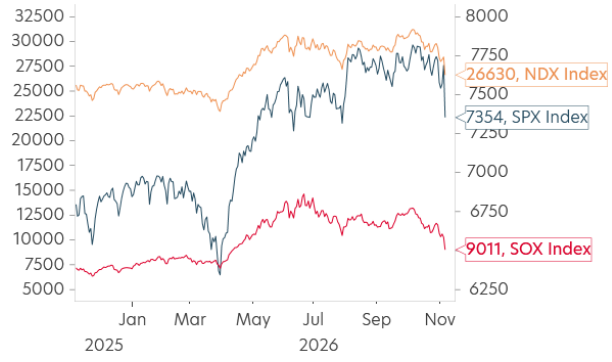
Key Takeaways:

- **Do not panic:** The sharp increase in volatility and deeply oversold conditions raise the probability of a near-term rebound, although a durable market floor is not yet established.
- **Retain a balanced stance:** UOB remains neutral on equities and continues to favour quality IG bonds as a multi-asset portfolio anchor.
- **Deploy selectively:** Prefer healthcare, selected Magnificent Seven companies, high-quality market leaders and large, well-capitalised financials.

Why markets sold off so sharply

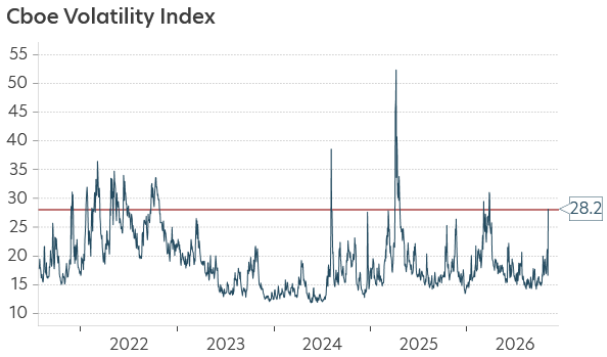
Yesterday's decline was unusually sharp. The S&P 500 fell 4.4%, while the Nasdaq Composite dropped 5.5%, its largest one-day fall since April 2025. Semiconductor stocks led the retreat, with the Philadelphia Semiconductor Index falling more than 12%. The Cboe Volatility Index (VIX) surged to an eight-month high of 28.36 intraday, before closing near 28.18, as investors rushed to purchase downside protection.

Fig 1: S&P 500, Nasdaq 100, SOXX Index



Source: Macrobond, Bloomberg, UOB Private Bank

Fig 2: VIX index spiked to a 8-month high



Source: Macrobond, Bloomberg, UOB Private Bank

The immediate trigger was concern that the Democratic sweep of Congress could bring tighter scrutiny of data-centre development. Investors began pricing a slower approval process, greater environmental constraints and potentially higher compliance costs for AI infrastructure.

However, the scale of the decline reflected more than politics. Three factors amplified the move:

1) **Crowded AI positioning:** Technology and AI-related stocks had become a large source of index returns. The prospect of slower data-centre investment therefore prompted investors to reduce exposure rapidly.

2) **Questions over the AI investment cycle**: The sell-off spread from chipmakers into data-centre operators, power equipment suppliers and utilities. This suggests markets were reassessing the broader AI capital-expenditure ecosystem, not merely reacting to one regulatory proposal.

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3) **Technical and systematic selling:** Once major support levels broke, stop-losses, volatility-targeting strategies and options-related hedging likely intensified the decline.

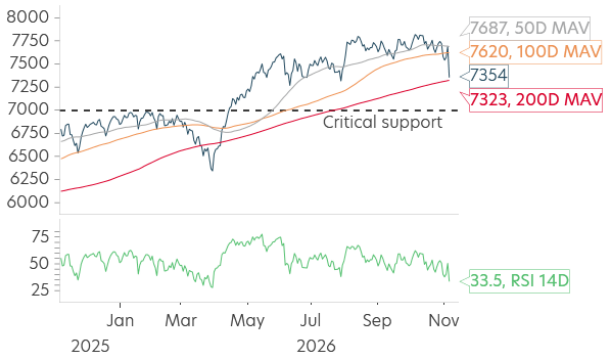
The sell-off was nevertheless highly uneven. Technology was the clear epicentre, while consumer staples, utilities and healthcare materially outperformed. This looks more like a violent rotation away from crowded growth exposure than evidence of an immediate economy-wide deterioration.

The speed and concentration of the decline increase the probability of a technical rebound. US equity futures have already shown signs of stabilisation in early Friday trading. Historically, a VIX reading near 30 can be associated with attractive entry points, but it does not guarantee that markets have reached their final low. Elevated volatility can persist while crowded positions are unwound.

However, oversold conditions do not automatically establish a lasting market floor. Investors should distinguish between three conclusions:

- A near-term rebound is increasingly likely.
- A return to the previous AI-led market regime is less certain.
- Any rebound should be used to improve portfolio quality.

Fig 3: S&P 500 technical levels



Source: Macrobond, Bloomberg, UOB Private Bank

For the S&P 500, the 7,250 to 7,300 area is the next meaningful support zone. A break below it could expose the psychological 7,000 level. On the upside, reclaiming approximately 7,500 would indicate that forced selling is beginning to subside.

Fig 4: Nasdaq 100 technical levels



Source: Macrobond, Bloomberg, UOB Private Bank

For the Nasdaq 100, the July low near 26,980 has already been breached intraday, leaving the broader 26,000 area as the next major downside reference. A recovery through 27,000 to 27,300 would be the first constructive signal.

The appropriate response is therefore not to sell indiscriminately or buy the dip indiscriminately. It is to deploy capital selectively into assets offering

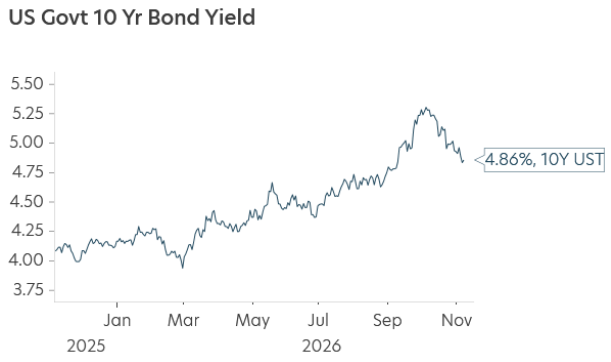
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attractive income, strong balance sheets and less dependence on continued AI infrastructure acceleration.

Our house view remains neutral on equities. We are not advocating a broad reduction in equity exposure following the sell-off, particularly when oversold conditions increase the probability of a rebound.

Treasury yields reinforce the defensive signal

Fig 5: US 10 year treasury yield



Source: Macrobond, Bloomberg, UOB Private Bank

US Treasury yields declined during the equity sell-off. Short-dated yields fell by around 12 bps, while the curve bull-steepened as markets pushed back expectations for the next Federal Reserve rate increase. As of 6 November, the ICE BofA US Corporate Index offered a yield to worst of approximately 5.7% and an option-adjusted spread of 91 bps over US Treasuries.

Quality bonds remain our preferred portfolio anchor

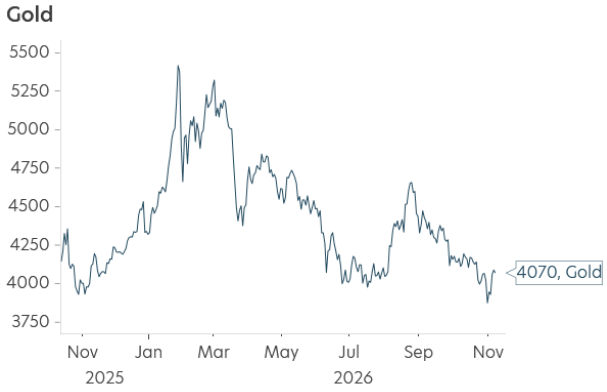
This reinforces our view that within multi-asset portfolios, we continue to favour quality IG bonds on a risk-adjusted basis. Attractive starting yields provide dependable income and greater downside protection while equity volatility remains elevated.

This positioning is consistent with our neutral equity view. We would maintain strategic equity exposure, while using bonds to improve portfolio resilience and generate income.

Gold performed its portfolio-hedging role

Gold's performance was notable. In severe equity sell-offs, bullion can initially decline as investors raise liquidity, meet margin calls or reduce profitable positions.

Fig 6: Gold outperformed in the selloff



Source: Macrobond, Bloomberg, UOB Private Bank

This time, gold gained around 1%, while equities fell sharply. Gold's resilience reinforces thesis that this selloff was largely driven by positioning. Bullion had already experienced a material correction before the equity sell-off and therefore reduced the risk of a crowded long position being liquidated to cover losses elsewhere.

More importantly, gold performed its intended portfolio-hedging role during this episode. It appreciated while equities declined, providing diversification when it was most valuable. However. we would not yet conclude that gold has permanently regained its safe-haven characteristics. One session is insufficient, and falling Treasury yields also supported bullion.

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Where should investors look after the sell-off?

The decline has created opportunities, but the best approach is to buy quality selectively, rather than simply purchasing the largest decliners.

Our preferred areas are healthcare, selected Magnificent Seven companies, high-quality market leaders and large US banks.

1. Selected Magnificent Seven companies

We remain selective within the Magnificent Seven. The sell-off does not invalidate the long-term AI opportunity, but it raises the hurdle for companies undertaking exceptionally large capital commitments.

Microsoft, Alphabet, Amazon and Meta Platforms retain strong balance sheets and recurring revenues. However, each must increasingly demonstrate that AI investment can translate into revenue growth, productivity gains or stronger customer retention.

A moderation in expected 2027 capital expenditure could be viewed positively by investors. Lower spending would reduce concerns about free-cash-flow pressure, overcapacity and declining returns on invested capital.

The market could therefore reward a combination of slower capital-expenditure growth and clearer AI monetisation. The risk is that lower spending reflects weaker demand rather than improved efficiency. Investors should distinguish between disciplined moderation and an abrupt cancellation of growth plans.

Within the group, we favour companies with strong core businesses, established cloud or advertising franchises and the ability to fund AI investment internally. We would be more cautious where valuations depend on uninterrupted infrastructure spending or distant earnings.

2. Healthcare

Healthcare remains our preferred defensive sector. Demand is relatively resilient, cash flows are visible and earnings are less dependent on the artificial intelligence (AI) capital-expenditure cycle. Healthcare should also provide relative protection if economic growth slows. It can also participate in a market recovery without relying on renewed enthusiasm for AI infrastructure.

3. High-quality market leaders

Beyond the Magnificent Seven, investors should prioritise companies with:

- Recurring free cash flow.
- Strong balance sheets and low refinancing needs.
- Sustainable margins and defensible market positions.
- Valuations supported by current earnings.

Quality matters because market volatility may remain elevated even if the indices rebound. Companies with resilient earnings should be better positioned to withstand further de-risking.

4. High-quality banks

We also favour selected large banks. The economic cycle remains relatively strong, employment conditions remain supportive and household and corporate balance sheets have not yet signalled a broad deterioration.

Large and well diversified US banks offer diversified revenue streams, substantial capital buffers and greater capacity to absorb credit losses than smaller or more concentrated lenders.

The principal risks are a sharper economic slowdown, falling net interest margins and unexpected deterioration in consumer or commercial credit. We therefore favour large, well-capitalised banks over

regional lenders or institutions with concentrated commercial real-estate exposure.

Conclusion: Use volatility to add quality progressively

Investors should not panic after this sharp sell-off. The VIX spike, oversold technical conditions and concentrated unwinding of AI-related positions increase the probability of a near-term rebound.

However, elevated volatility may persist, and the market has not yet established a durable floor. A tactical rebound should not automatically be interpreted as a return to the previous AI-led market regime.

To recap, we downgraded equities from overweight to neutral following the September FOMC rate hike. While we remain tactically cautious on equities in the near term, we continue to monitor for a more favourable risk-reward backdrop that would justify a move back to overweight. In the meantime, we recommend maintaining strategic equity exposure while using high-quality investment grade (IG) bonds as a portfolio anchor.

Within equities, we favour:

- Healthcare for resilient demand and earnings visibility.
- Selected Magnificent Seven companies with strong core franchises and credible AI monetisation.
- High-quality market leaders with recurring free cash flow.
- Large, well-capitalised US banks supported by a still-resilient economic cycle.

Undeployed capital should be invested progressively rather than all at once. Investors should prioritise resilient cash flows, strong balance sheets and reasonable valuations, while maintaining sufficient liquidity in case markets test the next major support levels.

Bottomline: do not sell quality assets into panic, but do not buy weakness indiscriminately. Use the volatility to improve portfolio quality and build exposure gradually.

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