Monthly CIO Signals

By Chief Investment Office, UOB Private Bank

UOB PRIVATE BANK

DECEMBER 2026

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 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 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.

A NOTE ON CIO SIGNALS

Not every observation requires a trade, and not every month requires a new conviction. CIO Signals focuses on what could affect long-term outcomes, while leaving room for uncertainty, competing interpretations and the possibility that patience remains the best response.

JACO stops the fall, but cannot guarantee the climb

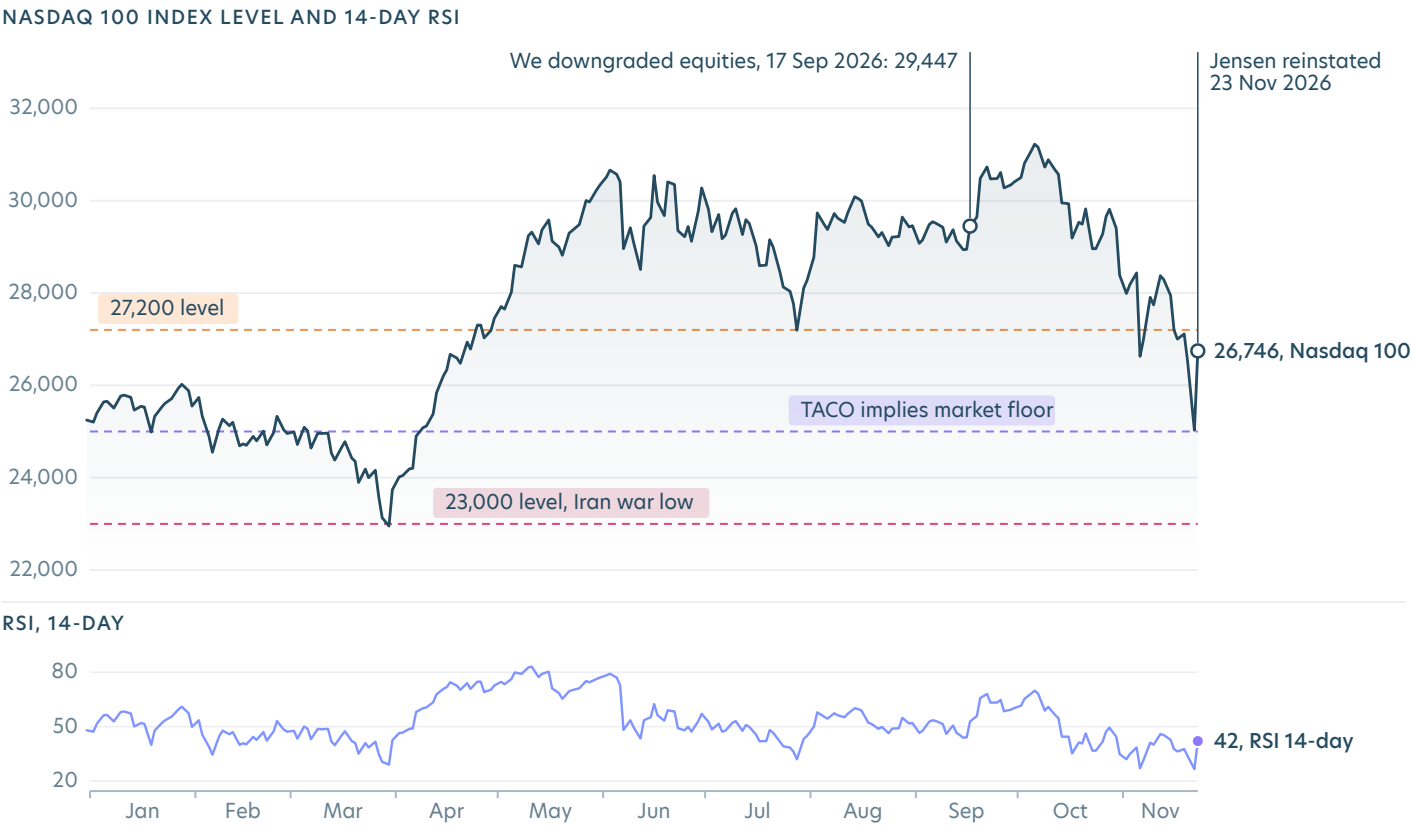


Figure 01 · Source: Bloomberg. Data on 24 November 2026

NUMBER OF THE MONTH

$952 bn

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 USD685bn, and Taiwan's USD921bn 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

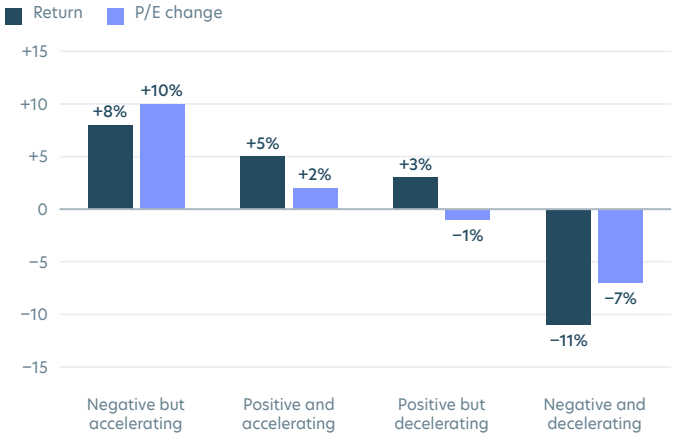


Figure 02 · Source: Goldman Sachs, UOB Private Bank

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 comfortable to most investors again.

MARKETS

S&P500 earnings are strong but have peaked

Earnings growth remains positive but likely peaked in mid-2026. As S&P 500 EPS growth decelerates from above 50% towards the low-20% range, a rising market tide may lift fewer boats. 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

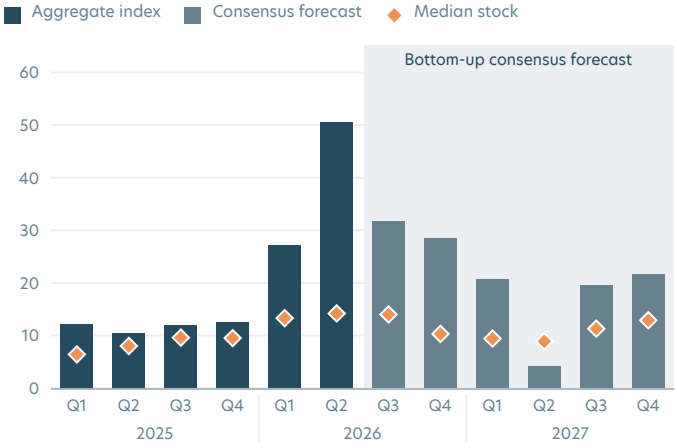


Figure 03 · Source: Goldman Sachs, UOB Private Bank

LLM TOKEN EXPENDITURE, PRICE PER MILLION TOKENS

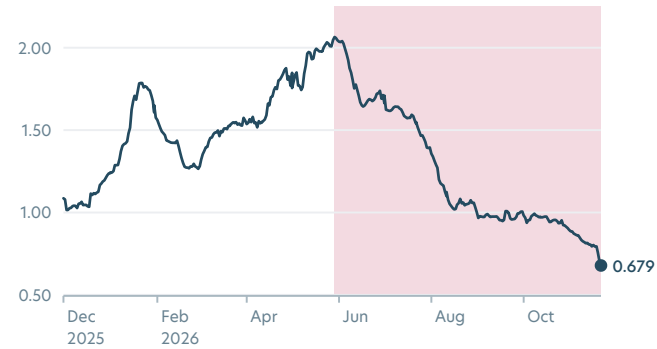


Figure 04 · Source: Bloomberg, UOB Private Bank. Data: 24 Nov 2026

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 cycle is resting on increasingly fragile assumptions.

When leadership breaks, diversification earns its keep

PERFORMANCE, REBASED 100 = 1 JAN 2026

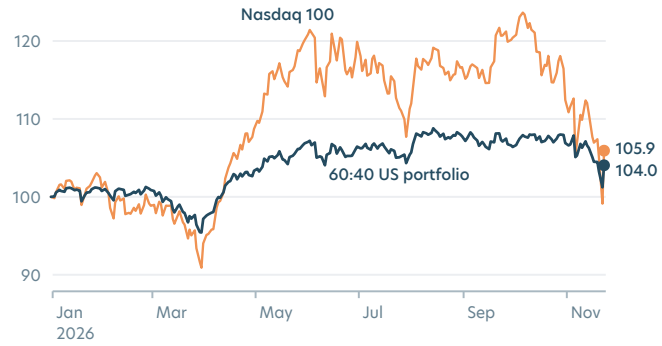


Figure 05 · Source: Bloomberg, UOB Private Bank. Data 24 Nov 2026

DIVERSIFICATION MATTERS

Diversification works when leadership breaks

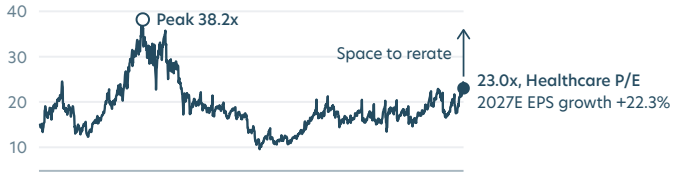
Diversification matters most when markets stop moving together. After surging more than 20% at its peak, the Nasdaq 100 has surrendered much of its gains. Without Jensen's reinstatement, it would have ended down for the year. Yet a 60:40 US portfolio remains positive, cushioned by bonds as technology 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?

Defensives are not equally defensive. Healthcare trades at 23.0x earnings, still well below its 38.2x peak, leaving room for valuations to rerate as earnings improve. Consumer staples, by contrast, already trade at 24.9x, approaching their 29.2x peak. Both sectors may offer resilience, but today's starting valuations favour healthcare. When safety becomes expensive, investors should distinguish between genuine upside and protection that has already been fully priced in by the market for now.

HEALTHCARE SECTOR P/E RATIO, 1990-2026



CONSUMER STAPLES SECTOR P/E RATIO, 1990-2026

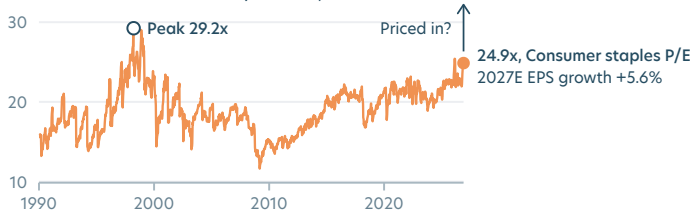


Figure 06 · Bloomberg, UOB Private Bank. Data 24 Nov 2026

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

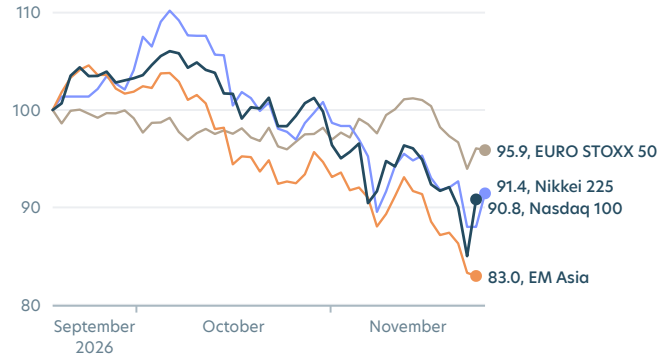


Figure 07 · Source: Bloomberg, UOB Private Bank. Data 24 Nov 2026

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 breadth of the decline suggests a broader risk reset, not merely an AI correction. Markets may bounce, but investors should resist chasing indiscriminately. Capital should favour quality earnings, resilient balance sheets and valuations that compensate for slowing growth and persistent policy uncertainty ahead.

CLOSING THOUGHT

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 less hawkish central banks.

Asset class views and sector performance

ASSET CLASSES	U/W	N	O/W
Equities		■	
North America		■	
Europe		■	
Japan		■	
EM Asia		■	
Fixed Income		■	
DM IG			▲
DM HY	▼		
EM IG			▲
EM HY		■	

ASSET CLASSES	U/W	N	O/W
Alternatives		■	
Hedge Funds		■	
Private Markets		■	
Precious Metals		■	
Money Market			▲

▼ Underweight ■ Neutral ▲ Overweight

Figure 08 · Source: UOB Private Bank

Sector performance % (last 30 days)

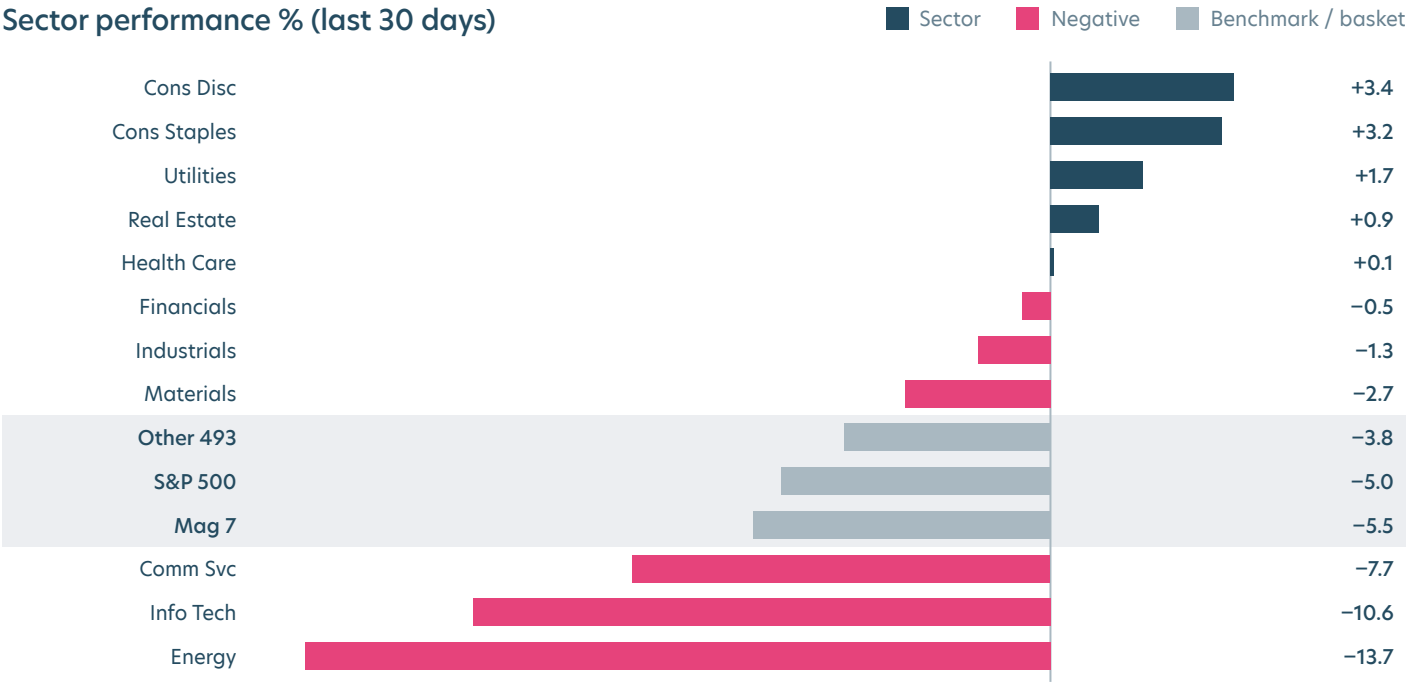


Figure 09 · Source: Bloomberg, UOB Private Bank. Total return over the trailing 30 days. Data 24 Nov 2026.

Alternative assets

Providing attractive risk-adjusted returns and portfolio diversification

01 What are alternative investments?

Alternative investments cover assets and strategies outside traditional listed equities and bonds. They can be divided broadly into private markets, which invest in assets that are not publicly traded, and hedge funds, which use various strategies such as long/short, market-neutral and multi-strategy to gain alpha and deliver attractive risk-adjusted returns.

Private markets have grown into a major part of the global investment universe, with assets under management reaching approximately USD14.3 trillion in 1Q26. At this scale, they have become an important part of asset allocation decision across large institutional investors and private wealth clients. However, they should not be viewed as a monolithic asset class.

Private market assets span across a wide range of strategies like private equity buyouts, growth equity, venture capital, private credit, infrastructure and real estate. Private equity is primarily a growth strategy with exposure to more mature buyouts to younger startups with higher growth potential. Private credit and core real assets can provide stability and recurring income. Infrastructure may offer protection from higher inflation and business cycles, while hedge funds can diversify equity and bond risk.

TOTAL AUM OF PRIVATE ASSETS HAS REACHED OVER USD14 TRILLION

Total TAM of private markets, USD trillion · USD14.3T AUM as of 1Q26

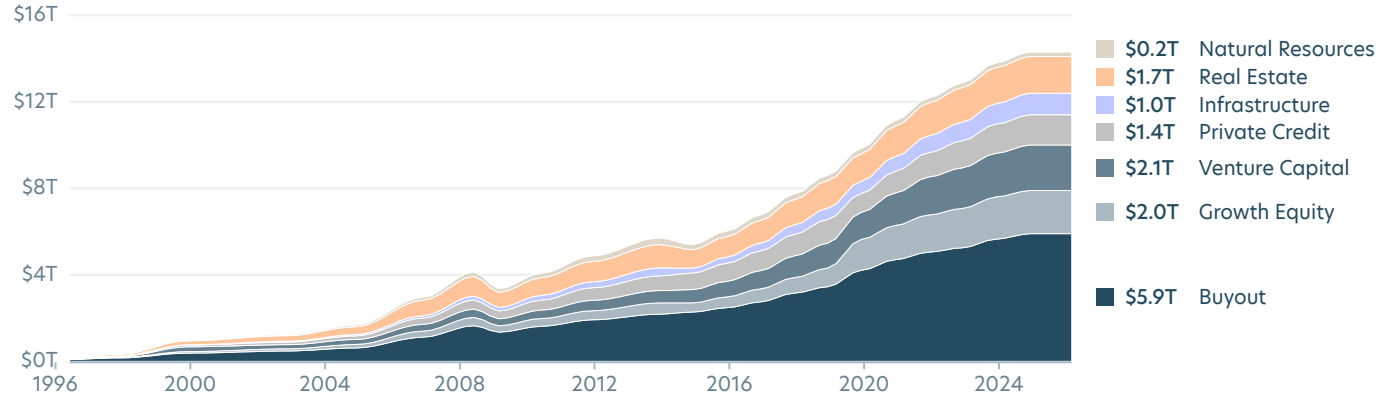


Figure 10 · Source: UOB Private Bank, Morgan Stanley, Cobalt

HOW MUCH USD1M INVESTED IN 2000 BECOMES BY END-2024

Portfolio value, USD million

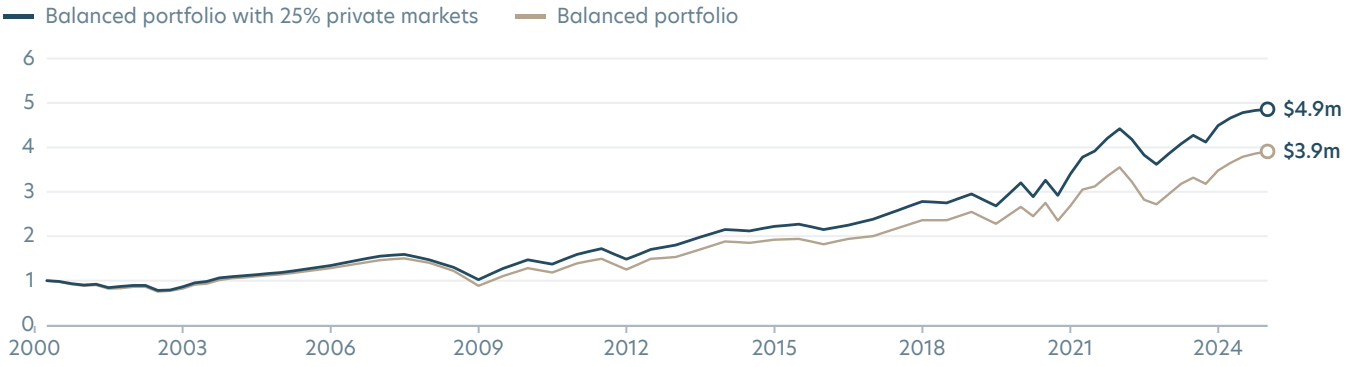


Figure 11 · Source: UOB Private Bank, Hamilton Lane, Bloomberg

02 What are the important macro drivers for alternative assets in the next few months?

Our base case assumes that economic growth remains resilient, while inflation and interest rates stay higher than in the decade before 2022. Against this backdrop, three themes may shape alternative investments in the first half of 2027.

1 AI becomes an infrastructure story

The rapid growth of AI and token usage is driving demand for compute power and electricity. As hyperscalers and AI providers expand data centres, they require power, grid connections, cooling, fibre networks and financing. This creates investment opportunities across infrastructure and real estate.

The AI buildout forms part of a broader USD75 trillion global infrastructure funding requirement between 2022 and 2040, spanning utilities, transport and digital infrastructure.

US ELECTRICITY DEMAND IS EXPECTED TO CLIMB 40% FROM 2024-2034

Terawatt hours

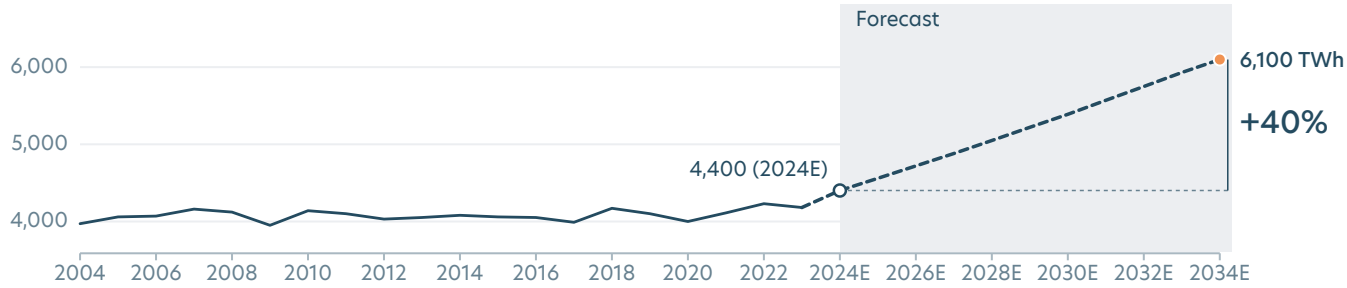


Figure 12 · Source: UOB Private Bank, Blackstone

2 Higher rates support credit investments but pressure end-borrowers

Floating-rate private credit loans continue to offer attractive income, while tighter scrutiny of private equity-backed companies has improved lending terms and spreads for creditors.

However, higher borrowing costs are weighing on cash flows and debt-servicing capacity. This is reflected in rising payment-in-kind income, non-accrual rates and elevated redemption requests from semi-liquid private credit funds.

We remain neutral on private credit as we wait for the credit cycle to improve and liquidity pressures to ease. Nevertheless, high income yields should continue to offset expected losses, supporting positive returns. In this environment, manager selection and experience across credit cycles remain critical.

PUBLIC AND PRIVATE CREDIT DEFAULT RATES REMAIN STABLE

Default rates, quarterly, %

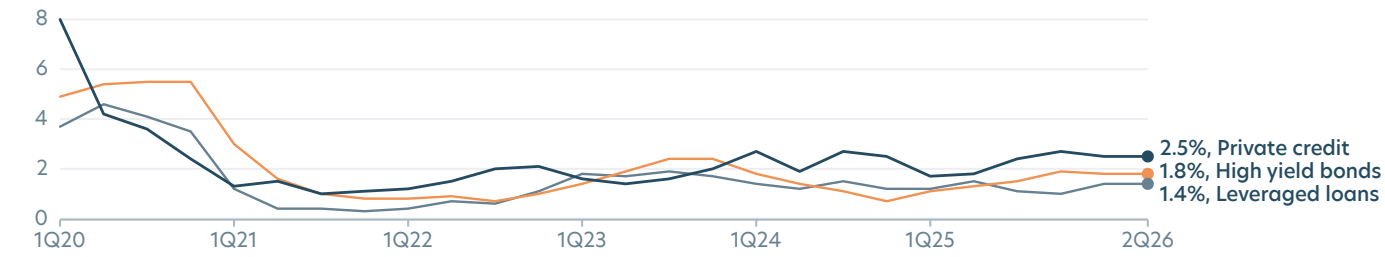


Figure 13 · Source: UOB Private Bank, Fitch, JPMorgan, Morningstar, PitchBook

3 Lack of exits within private equity benefits private equity secondaries

Slower private-equity exits remain a challenge, particularly for investors heavily exposed to COVID-era vintages. This has created opportunities for PE secondaries funds, which acquire mature portfolios from existing investors seeking liquidity.

We like secondaries funds as they offer access to diversified private-equity portfolios at discounts and with shorter distribution timelines. In 2026, average discounts were approximately 9% for buyout funds and 21% for venture capital portfolios.

SECONDARIES IS BECOMING AN IMPORTANT ASSET CLASS

SECONDARY VOLUME BY INVESTOR TYPE, USD BN

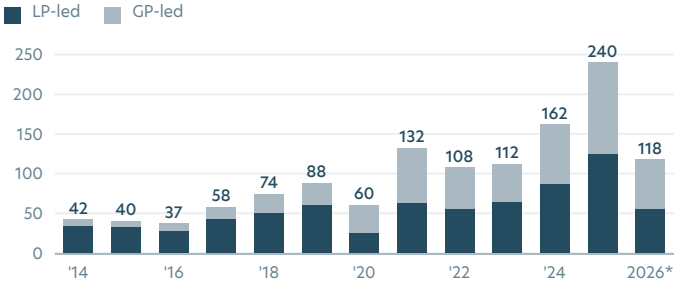


Figure 14 · Source: UOB Private Bank, JPMorgan, Greenhill

LP-LED SECONDARY PRICING, % OF NAV

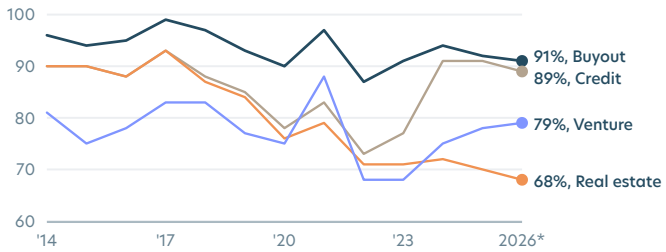


Figure 15 · Source: UOB Private Bank, JPMorgan, Greenhill

03 Manager selection is critical

Manager selection is a key driver of outcomes in alternatives. Return dispersion is significantly wider in private markets, particularly in private equity, real estate and infrastructure. The gap between first- and third-quartile managers is roughly 14 percentage points in private equity, versus about two percentage points in US fixed income.

This wider dispersion reflects greater information asymmetry. Leading managers often benefit from proprietary sourcing networks, stronger relationships with founders and executives, deeper sector expertise and access to data from past transactions.

Investors do not earn the average return of an asset class; they earn the return of the specific funds they select. For this reason, rigorous due diligence and manager curation are essential components of successful alternative investing.

DISPERSION OF RETURNS BETWEEN FIRST AND THIRD QUARTILES IS SIGNIFICANT

Third-to-first quartile range, %

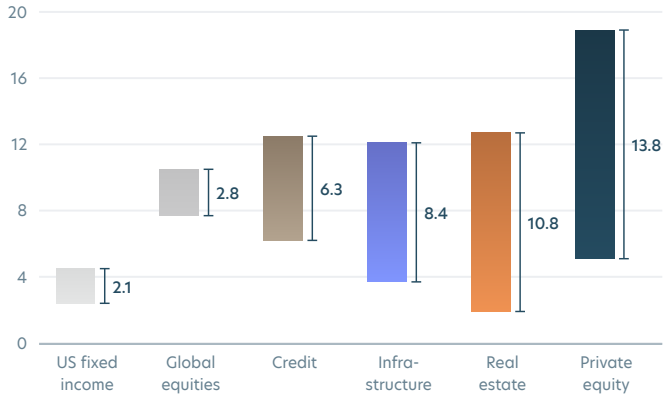


Figure 16 · Source: UOB Private Bank, eVestment, Cambridge Associates, KKR

KEY TAKEAWAY

In our view, alternatives have become an important part of investment portfolios, providing diversification benefits and attractive risk-adjusted returns while lowering portfolio volatility. Manager selection is critical in order to achieve strong returns across market cycles.

Speak to your Senior Client Advisor to find out more about our solutions within Alternative Assets.

Interest-rate forecasts, %

INTEREST RATES	06 Nov	4Q26F	1Q27F	2Q27F	3Q27F
USD 3M SOFR (compounded)	3.80	3.99	4.26	4.39	4.42
SGD 3M SORA (compounded)	1.32	1.44	1.52	1.58	1.63
10Y US Treasuries Yield	4.84	5.20	5.30	5.40	5.40
SGD 10Y SGS	2.14	2.55	2.70	2.85	2.90

Figure 17 · Source: UOB Global Economics & Markets Research. Data: 06 Nov 2026

Currency and gold price forecasts

FX & GOLD	06 Nov	4Q26F	1Q27F	2Q27F	3Q27F
USD/SGD	1.28	1.28	1.29	1.30	1.30
EUR/USD	1.12	1.11	1.10	1.09	1.09
GBP/USD	1.35	1.33	1.31	1.30	1.30
USD/JPY	158	159	160	161	161
USD/CHF	0.82	0.83	0.84	0.85	0.85
AUD/USD	0.69	0.69	0.68	0.67	0.67
NZD/USD	0.56	0.56	0.55	0.54	0.54
DXY	101.5	102.5	103.3	104.0	104.0
Gold (USD/oz)	4,098	4,300	4,500	4,700	5,000

Figure 18 · Source: UOB Global Economics & Markets Research. Data: 06 Nov 2026

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