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 in equities, although a durable market floor is not yet established.
- **Retain a balanced stance:** UOB maintains a neutral outlook on equities and continues to favour quality Investment Grade (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.

Democratic Win Intensifies Concerns About Artificial Intelligence (AI) Build-Out

Market Reaction

United States (US) equities fell sharply on 5 November 2026, with the S&P 500 down 4.4% and the Nasdaq Composite falling 5.5%, its largest one-day decline since April 2025. Semiconductor stocks were hardest hit, with the Philadelphia Semiconductor Index declining by more than 12%, while equity market volatility rose to an eight-month high.

S&P 500, Nasdaq 100, SOXX Index



Source: Macrobond, Bloomberg, UOB Private Bank

Why the Market Sold Off

The immediate trigger was concern that the Democratic sweep of the US Congress could result in tighter scrutiny of data centre development, potentially slowing the expansion of AI infrastructure.

- The sell-off was amplified by heavy investor positioning in AI-related stocks, growing questions over returns from AI investment, and automated selling as markets declined.

The weakness was concentrated in the technology sector, while defensive sectors such as healthcare, consumer staples and utilities held up better.

- This suggests a rotation away from crowded AI-related investments rather than concerns of an immediate deterioration across the broader economy.

What Investors Can Do

The sharp decline increases the likelihood of a near-term technical rebound but does not automatically mean that markets have reached a lasting bottom.

UOB maintains a neutral outlook on equities.

- Investors should not sell indiscriminately or buy the dip indiscriminately.
- The appropriate response is to deploy capital selectively into assets offering attractive income, strong balance sheets, and less dependence on continued AI infrastructure acceleration.
- Investors should also use any recovery to improve the quality of their investment portfolios.

Where Are the Opportunities? Buy quality selectively

IG bonds:

- The decline in US Treasury bond yields during the sell-off reflected safe-haven demand, demonstrating that high-quality bonds can help cushion portfolios when equities decline.
- With bond yields still attractive, IG bonds remain a portfolio anchor, offering both dependable income and diversification benefits.

Selected Magnificent Seven companies:

- Favour companies with strong core businesses, established cloud or advertising franchises, and the ability to fund AI investment internally.
- Companies could be rewarded if they moderate AI spending or provide clearer evidence that their AI investments are generating tangible returns.
- Avoid companies where stock valuations depend on uninterrupted infrastructure spending or distant future earnings.

Healthcare:

- Healthcare remains our preferred defensive sector, as resilient demand and predictable cash flows provide a degree of protection against slower economic growth.
- Its earnings are also less tied to the AI capital-expenditure cycle, allowing the sector to participate in a broader market recovery.

High-quality market leaders:

- Beyond the Magnificent Seven, established market leaders may offer greater resilience through proven business models, recurring free cash flow, strong balance sheets, sustainable profit margins, and a consistent ability to deliver earnings across different market conditions.

Large, well-capitalised financials:

- Favour large, well-capitalised banks over smaller peers to guard against any sharp economic growth slowdown, falling net interest margins, or unexpected deterioration in credit conditions.
- Large banks generally benefit from diversified sources of revenue and strong capital positions, with greater capacity to absorb credit losses.

Investment Strategy

- Avoid panic-selling after the sharp decline. Oversold conditions increase the likelihood of a near-term rebound.

- That said, volatility may persist, and the market has not yet established a durable floor.
- Investors should accumulate quality investments progressively rather than all at once.
- Maintain a diversified allocation across asset classes to manage continued volatility.
    - Use IG bonds as a portfolio anchor for both attractive income and diversification.
    - We maintain a neutral outlook on equities.
        - Stay invested with strategic, selective, and well-diversified exposure.
        - Within equities, we prefer:
            - **Selected Magnificent Seven companies**.
            - **Healthcare**.
            - **High-quality market leaders**.
            - **Large, well-capitalised financials**.
- Speak to a UOB Advisor on how to position your portfolio according to your risk appetite and goals.



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