

The 2026 Opportunity: Silicon Valley & The Silk Road

- We target Nasdaq +10%, S&P500 +5-8%, driven by stable rates and tech growth.
- "Index is Not the Economy" - hyperscalers will decouple from a sluggish real sector.
- Buy a "Barbell" of US Tech and China Tech to exploit the historic valuation gap.

2026 Outlook: Innovation Over Cycle

As we enter 2026, we stay constructive on US equities—targeting ~10% upside for the Nasdaq and ~5–8% for the S&P 500. Yes, the market is coming off 3 straight positive years, but the US still has the world's strongest "innovation engine," and 2026 looks like a year of steady compounding rather than a boom-bust cycle. The key divergence is clear: the old-economy real sector faces slower demand and margin pressure, while technology remains structurally supported by the AI/data-center buildout—growth that is increasingly less sensitive to the broader cycle. With rates likely stabilizing and 2025's tariff fear largely priced in, we expect lower volatility and a more fundamentals-driven tape, where premium US valuations continue to be earned—not gifted.

The Index is Not the Economy

Our constructive US outlook is driven by a distinct bifurcation in the economy. While the "real sector"—manufacturing and industrials—remains sluggish, the technology sector has effectively decoupled, fueled by massive data center investment. We do not expect interest rates to increase from current levels; this stability removes the primary driver of last year's volatility. Consequently, 2026 will likely see a smoother path than 2025. Investors should not mistake softness in the real economy for weakness in the index; the S&P 500 is weighted toward innovation, allowing the market to perform even as traditional sectors lag.

The 'Number 2' Opportunity

Beyond the US, the Hang Seng Index's breakout above 26,000 signals a tactical opportunity in China. Catalysts like DeepSeek's efficiency breakthroughs and Baidu (BIDU80)'s potential AI chip IPO confirm China's status as the world's clear "Number 2" AI market. However, the nature of this market differs from the US: whereas US tech commands pricing power through innovation, Chinese tech tends to compete on price, leading to lower structural margins. We prefer US AI for quality, but China offers undeniable value. With the MSCI China trading at ~10x forward P/E vs the S&P 500's ~22x, the valuation gap is extreme, presenting a compelling asymmetric trade for 2026.

Positioning The Best of Both Worlds

We recommend a "Barbell" strategy for 2026. On one end, maintain an overweight position in US High-Quality Tech—specifically hyperscalers like GOOG80, AMZN80, and MSFT80, as well as data center infrastructure—where earnings growth is visible and secular. On the other end, allocate a tactical portion to deep-value Chinese Technology (BIDU80, BABA80, TENCENT80) and European Luxury (LVMH80), which stand to benefit most from an Asian recovery. Conversely, we remain cautious on US industrials and "old economy" cyclicals, where debt headwinds and a lack of innovation offer a poor risk-reward ratio. Ultimately, the winners of 2026 will be defined by their ability to harness AI for efficiency, not just their exposure to GDP growth.

DR Pick: SP500US80, TP of THB2.74 (SPYM at \$87, USD/THB at 31.2)

We reiterate SP500US80 as our weekly DR pick, with a TP of THB 2.74, which implies ~8% upside. Our model is grounded in conservative math: we assume the S&P500 reaches 7,450 in 2026E (SPYM at \$87). This is the "Sleep Well" trade: you are capturing the US "Melt-Up" beta without the single-stock volatility.

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Exhibit 1: S&P 500 Returns since 1986



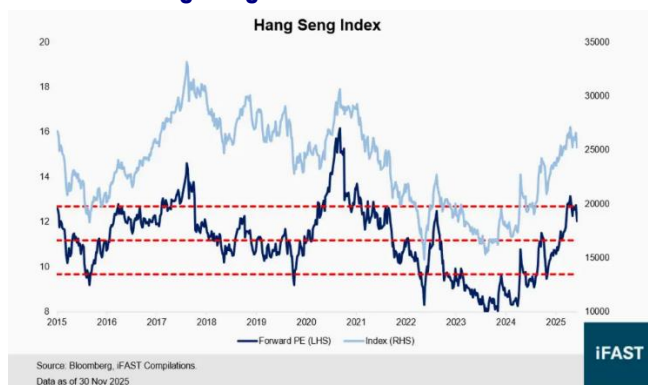
Sources: ETF Investments

Exhibit 2: AI Website Traffic (Dec 2025)



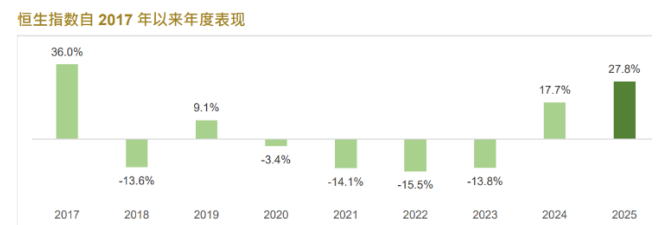
Sources: Similarweb

Exhibit 3: Hang Seng Index chart



Sources: iFast

Exhibit 4: Hang Seng Index return since 2017



Sources: futunn

GENERAL DISCLAIMER

Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight: The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.