Extreme Fear, but Liquidity May Be Turning

- **Macro:** Treasury spending could ease liquidity pressure in Dec.
- **Tech:** A permanent CEO could steady Nvidia shares.
- **Pick:** Hold defensive exposure through USTR24, TP THB 1.30.

Extreme Fear Opens Selective Opportunities

US equities look more attractive after the selloff with the Fear & Greed Index bottoming the “Extreme Fear”. FactSet’s report put the S&P 500 at 17.1x forward earnings (lowest in 3 years) vs a five-year average of 19.8x. It estimated 3Q earnings growth at 32.9% y-y. Selling pressure began with concerns over neocloud debt-funded expansion before spreading to hyperscalers' accelerating AI CapEx commitments. Even strong earnings failed to restore confidence as Nvidia's leadership controversy and Hunterbrook's short report on AMD added fresh uncertainty. We believe the market is increasingly pricing in worst-case scenarios, creating selective opportunities, although negative sentiment alone does not confirm a bottom.

Treasury Spending Could Bring Liquidity Back into the Market in December

The US Treasury has been buying back older government bonds while issuing new debt to raise cash. Part of this cash is kept in the Treasury General Account (TGA), effectively the government's bank account at the Fed. When the Treasury builds up this account, money is temporarily taken out of the financial system. When it spends the money, liquidity can flow back into the economy and financial markets. The TGA stood at $891b on 19-Nov-26 and is expected to peak near $1.025tr in late Nov before falling to $850b by year-end. This projected $175b decline could improve market liquidity during Dec and potentially support US equities.

We Expect Less Monetary Tightening Than the Market Fears

Attention now turns to the 9-Dec FOMC meeting, where markets price a 94% probability of a 25bps hike. Fed Governor Waller has indicated that a 50bps increase should be considered if inflation remains elevated, while Dallas Fed President Lorie Logan has supported further tightening. However, we believe the risk of an aggressive 50bps move is limited. WTI crude has declined from above $100/bbl to $83/bbl, potentially easing inflation pressure in the coming months. Meanwhile, US federal debt of $40.7tr highlights the longer-term fiscal cost of elevated borrowing rates, although this is not a direct determinant of Fed policy. Our base case is a 25bps hike at most in Dec, with a policy hold representing a positive surprise. Separately, the 11-Dec congressional funding deadline remains another key event. A timely agreement could help remove political uncertainty and improve sentiment.

Nvidia’s Board Holds the Next Catalyst

Following a series of negative news, President Trump has backed Jensen Huang’s possible return, and Treasury Secretary Scott Bessent struck a softer tone on Sunday. Nvidia’s board has said it does not intend to reinstate Huang. Naming a permanent CEO could steady sentiment across AI stocks. The longer-term test is whether customers can finance their orders and earn enough from new capacity to justify the investment. We remain constructive on AI while we wait for clearer evidence on both.

DR Pick: USTR24, TP THB 1.30 (3450 HK at HKD 60, HKD/THB at 4.34)

We favor USTR24 as a defensive holding while selectively adding equities. The DR tracks the Global X US Treasury 3–5 Year ETF. Its bonds should gain if investors lower their expectations for future US rates and yields on three- to five-year Treasuries fall. Each ETF unit backs 200 DRs.

Analyst

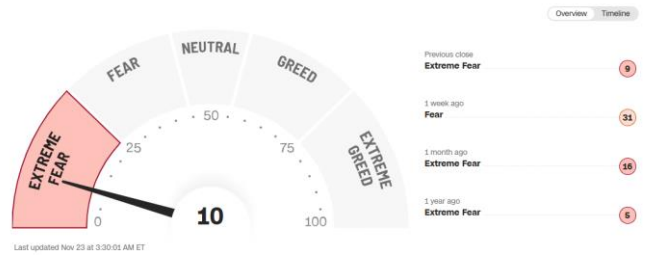
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Exhibit 1: Fear & Greed Index (23 Nov 26)



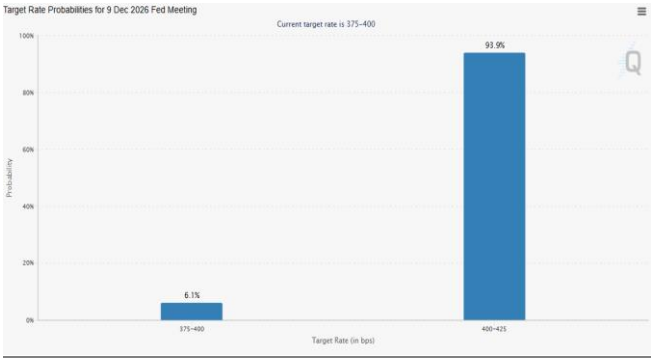
Sources: CNN

Exhibit 2: Market Momentum, S&P500 vs 125 days MA



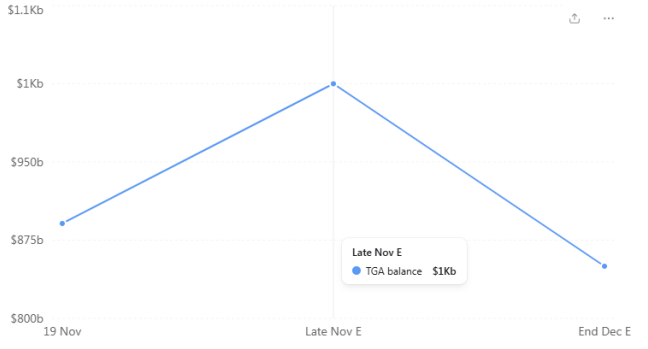
Sources: CNN

Exhibit 3: 94% chance of 25bps increase on 9-Dec-26



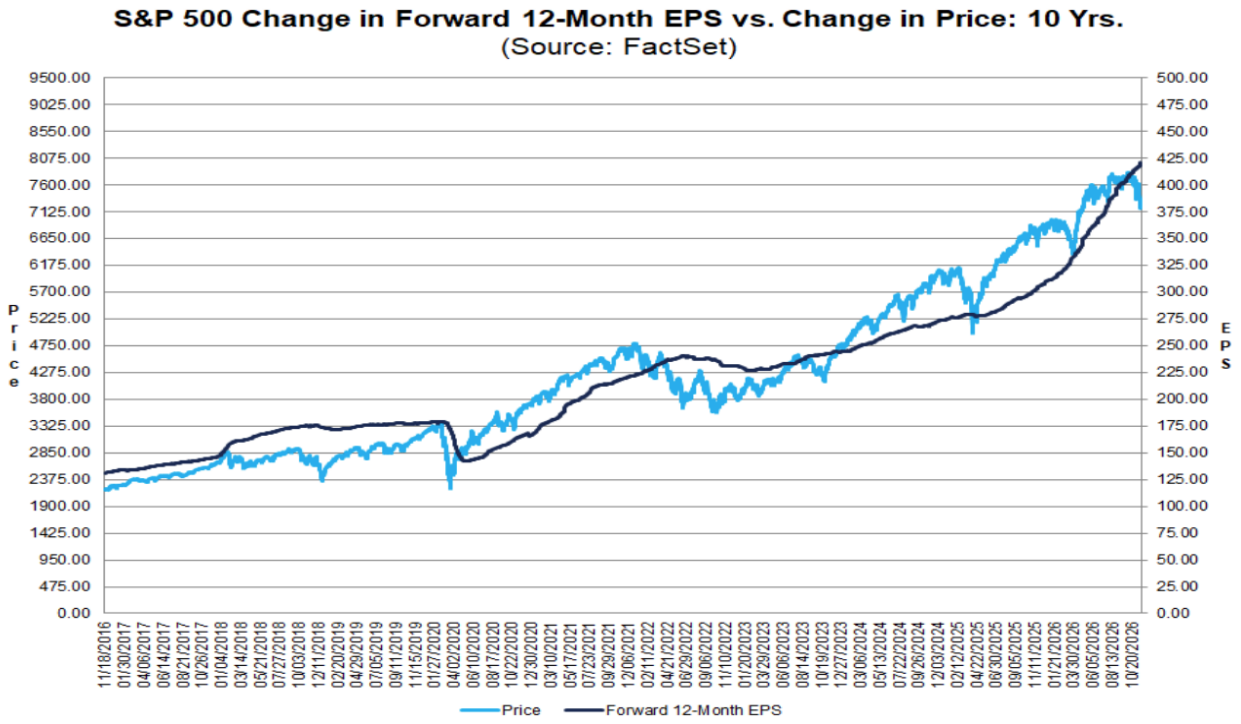
Sources: CME FedWatch

Exhibit 4: Treasury General Account (TGA)



Sources: 19-Nov actual; late-Nov and end-Dec Treasury projections

Exhibit 5: S&P500 Price vs Forward 12 months EPS



Sources: Factset

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Analyst Certification

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.