

Weekly Market Report For 2 – 6 November 2026

Overview

- US equities declined on technology-sector selling amid concerns over data center and AI investment, while Asian markets were mixed, with Japan and South Korea falling and China and India advancing.
- Technology and Semiconductor stocks came under pressure amid uncertainty surrounding Data Center development.
- Bond yields declined on safe-haven demand, while expectations for large-scale fiscal expansion diminished.
- Stronger-than-expected US labor market data boosted expectations of a Federal Reserve rate hike.
- The Bank of England (BoE) raised interest rates by 0.25 percentage points to 4%, marking its first rate increase in more than three years.
- Maintain a Core & Satellite investment strategy, with global equities or the S&P 500 as the core allocation, complemented by technology exposure through Nasdaq, KF-AINEXT, KF-ATECH and KFCYBER. Diversification into Healthcare and KFGDIV is also recommended to help reduce portfolio volatility.

Market Brief

Global equity markets experienced heightened volatility last week. US equities declined, with the S&P 500 falling 2.7% and the Nasdaq dropping 3.4%, as technology and Semiconductor stocks came under heavy selling pressure. Concerns intensified that Democrats' control of both chambers of Congress could lead to tighter restrictions on Data Center approvals, potentially delaying construction projects and weighing on AI-related investment.

Asian equity markets delivered mixed performance. Japanese and South Korean stocks recorded sharp declines, led by Semiconductor companies and the AI supply chain. In contrast, Chinese and Indian equities advanced. China's market was supported by buying from state-backed funds, government stimulus measures and the People's Bank of China's (PBoC) reduction in loan rates. Indian equities benefited from foreign capital inflows, rotation away from technology stocks into other sectors and lower oil prices.

Bond yields declined amid risk-off sentiment, prompting capital flows into safe-haven assets. Meanwhile, Democrats' victory in both chambers of Congress led markets to anticipate a lower likelihood of large-scale fiscal expansion, as political and legislative constraints could limit major policy initiatives. The US dollar strengthened, while oil prices fell sharply on expectations that the election outcome could constrain further escalation of tensions between the US and Iran.

Technology and Semiconductor stocks came under pressure amid uncertainty surrounding data center development.

- o At the federal level, the scope for regulatory changes remains limited, as President Trump retains veto power. Overriding a presidential veto would require a two-thirds majority in both chambers of Congress, a threshold Democrats do not have sufficient votes to meet.
- o At the state level, newly elected governors could introduce temporary moratoriums on data center approvals. Approximately 40–45% of planned US Data Center capacity could be exposed to potential restrictions.
- o Base-case scenario: Some projects could be delayed or cancelled. Although cloud service providers may redirect investment to other states or overseas markets, securing alternative sites with sufficient power supply and infrastructure could take time.
- o The outlook remains uncertain and could continue to weigh on technology stocks until greater clarity emerges on the policies of newly elected governors, who are scheduled to take office in January.

US Economic Data

- o Nonfarm Payrolls increased by 165,000 in October, significantly exceeding market expectations of 65,000.
- o The Unemployment Rate declined to 4.1%, below the market consensus of 4.2%.
- o Markets increased their expectations of a further 0.25-percentage-point Fed rate hike at the December meeting, reflecting continued resilience in the US labor market.

The Bank of England (BoE) raised its policy rate by 0.25 percentage points to 4%, marking its first rate increase in more than three years. The decision reflected concerns over persistent inflationary pressures, particularly from higher energy prices. The BoE emphasized that future policy decisions would remain data-dependent, with inflation developments and potential second-round effects closely monitored.

Outlook for Technology Stocks

- o The tech sell-off last week was relatively severe, with share prices having already priced in a substantial degree of concern surrounding Data Center development. Part of the selling pressure may also have reflected position unwinding in crowded trades and reductions in leveraged exposure.
- o Although a short-term rebound is possible, a sustained recovery will likely depend on greater clarity regarding Data Center construction timelines and the direction of AI CapEx.
- o For long-term investors, the recent correction presents an opportunity to gradually accumulate technology stocks, given the substantial price declines and continued structural growth in AI adoption and demand for computing capacity.

Investment Portfolio Strategy

- o Maintain a positive outlook on equity markets, with EPS growth expected to remain the primary driver of equity returns.
- o Recommend a Core & Satellite strategy, allocating approximately 60–70% of the portfolio to core holdings through global equity or S&P 500 exposure, with a further 20–30% allocated to satellite investments.
- o Technology stocks: Maintain a positive outlook and consider gradually accumulating exposure during market weakness, provided portfolios are not excessively concentrated. Nasdaq-focused funds remain a preferred choice, while investors with higher risk tolerance may consider **KF-AINEXT** and **KF-ATECH,** which have relatively high Semiconductor exposure. **KFCYBER-A** offers an alternative for investors seeking exposure to the Cybersecurity theme.
- o Add defensive assets to reduce portfolio volatility: Consider Healthcare stocks and dividend-oriented equity funds, such as **KFGDIV-A**, to improve portfolio diversification and help mitigate downside risk.

Disclaimer

- KF-ATECH: The fund invests in Wellington Asia Technology Fund, at least 80%of NAV in average of an accounting period.
- KF-AINEXT: The fund invests in Invesco AI and Next Gen Software ETF, at least 80%of NAV in average of an accounting period.
- KFCYBER-A: The fund invests in Allianz Global Investors Fund-Allianz Cyber Security, at least 80%of NAV in average of an accounting period.
- KFGDIV-A: The fund invests in Fidelity Funds - Global Dividend Fund, at least 80%of NAV in average of an accounting period.
- KF-ATECH, KF-AINEXT: The exchange rate risk is hedged upon fund manager's discretion, therefore, the funds contain exchange rate risk. Investors may lose or gain from the exchange rate/or investment value may be lower than the initial investment.
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