

Eye of the Storm & The Next Wave

Wealth Management in Transition

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For Professional Investors

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Executive Summary | Five-Minute Read

- **I. Market V-Shaped Recovery & Triple Risks (Chapter 1)** — Markets experienced a V-shaped recovery in the second week of June, driven by policy signals rather than fundamental improvement; technology sector concentration exceeded 50%, while 2027 recession risks remain credible.
- **II. Deep Divergence on AI Outlook (Chapter 2)** — A rare divergence has emerged: Hartnett (BofA) warns of concentration risk, while Janus Henderson believes the cycle remains early. Both perspectives warrant careful consideration.
- **III. CEO Cross-Validation (Chapter 3)** — Intel and Nvidia CEOs independently point to the same direction: CPU returning to the AI core, optical interconnect and robotics as the next wave—hardware investment logic is being restructured.
- **IV. Beyond AI: An Extended Opportunity (Chapter 4)** — The space economy is transitioning from thematic speculation to index inclusion—SpaceX listing, NASA lunar base, and Hang Seng Index early inclusion represent a long-term structural opportunity beyond AI.
- **V. Hong Kong Local Assets (Chapter 5)** — Hong Kong residential prices rose for the fourth consecutive month, office rents are rebounding, with the market currently in a "valuation bottom" zone.
- **VI. Wealth Management Competitive Landscape (Chapter 6)** — Hong Kong has surpassed Switzerland in cross-border wealth management AUM, but lags Singapore in AI capabilities; MAS counters with efficiency, competition has entered the "AI and Data" era.
- **VII. Professional Reminders (Chapter 7)** — Concentration risk management is the foundation of all investment decisions—internal risk controls must precede external opportunities; eight reminders span markets, industry, and internal governance.

AI in the Eye of the Storm — A Structural Shift from Hardware to Applications

In the first half of 2026, the clearest theme across global capital markets has been Artificial Intelligence. From Nvidia to TSMC, from Broadcom to Micron, from power equipment and cooling systems to optical modules, the AI hardware supply chain has single-handedly supported a substantial portion of the gains in US, Taiwanese and Japanese equities. The Philadelphia Semiconductor Index recorded its strongest two-month advance in history during April–May (+69.1%), Nvidia's market capitalisation briefly exceeded US\$4 trillion, and TSMC surpassed NT\$2,500 for the first time.

As the half-year mark approaches, markets stand at a crossroads. In the second week of June (8–12 June), markets completed a full "crash-to-rebound" cycle. Technology sector weighting has exceeded 50%, mega-IPOs (SpaceX, OpenAI) are arriving in quick succession, and institutional views on the 2027 economic outlook have diverged sharply—from Rosenberg's recession warning, to Hartnett's concentration alert, to Janus Henderson's "early cycle" assessment. The three perspectives have rarely been more opposed.

This report does not attempt to predict price levels. Instead, it does four things: ① systematically reviews the unavoidable market risks at the half-year juncture (including the V-shaped recovery of the second week of June); ② examines whether "this time is different" is valid; ③ draws on public comments from Intel and Nvidia CEOs to map the next frontier in AI hardware; and ④ integrates a special feature on the space economy and an observation on Hong Kong local assets.

Core conclusion: AI excess returns may be shifting from the infrastructure layer (semiconductors) to the application layer; the space economy is moving from thematic speculation to index inclusion, opening the door for institutional allocation; Hong Kong local assets (residential, office, commercial leasing) are trading in a valuation bottom zone, though a right-side trend has yet to confirm.

Chapter 1: Eye of the Storm — Market Risks and the 2027 Outlook

The first half of 2026 is drawing to a close. In the second week of June, Asia-Pacific markets experienced unprecedented volatility—from the "Black Monday" circuit-breaker sell-off to the "violent rebound" upside circuit-breaker—completing a full "crash-to-rebound" cycle in a single week. This chapter adopts a conservative, risk-first approach, examining potential risks, mapping possible timelines, and providing a phased action framework. Its primary purpose is not to forecast markets, but to help readers establish a response framework for adverse scenarios.

1.1 V-Shaped Recovery: Asia-Pacific Markets, 8–12 June

8 June (Monday) — Black Monday: South Korea's KOSPI plunged 8.29%, triggering a circuit-breaker—the first of 2026. Of 1,621 listed stocks, only 48 advanced. KOSPI200 futures fell 6.26%, triggering the "Sidecar" mechanism. SK Hynix fell over 10% intraday; Samsung Electronics fell 11%. The forced liquidation of leveraged retail positions was acute. Foreign investors were net buyers of KRW 480 billion in the first 20 minutes of trading; institutions bought KRW 104 billion; while retail investors sold a net KRW 377 billion—"smart money buying, retail panic selling".

Korea's KRW 60 trillion leverage structure — detailed analysis: As of end-May, retail leveraged investments in Korea exceeded a record KRW 60 trillion (approx. US\$39 billion). The first single-stock leveraged ETFs (2x Samsung Electronics, 2x SK Hynix) launched on 27 May saw overwhelming demand, crashing the Korea Financial Investment Association website on launch day, with over 350,000 individuals having completed mandatory training. Bank of Korea Governor Rhee Chang-yong noted that leveraged investments automatically sell when prices decline, as funds must unwind underlying positions to maintain target leverage multiples. This mechanical selling mechanism was the core amplifier of the 8 June plunge.

Taiwan's Taixex closed at 43,502, down 1,568 points—the third-largest points decline in history. Intraday losses exceeded 2,700 points at one point, with turnover reaching a record NT\$1.195 trillion. Foreign investors sold a net NT\$93.8 billion (seventh-largest on record), but domestic investment trusts recorded net buying for the seventh consecutive day, totalling NT\$9.07 billion. Japan's Nikkei 225 fell 3.85% to 64,024. The Hang Seng Index fell 1.22%, its sixth consecutive daily decline, with southbound flows net buying HK\$11.3 billion but concentrated in the Tracker Fund (HK:2800).

8 June — hourly milestones: 09:00 KOSPI opened -3.2%; 09:03 losses widened to -5.1%, triggering a 20-minute circuit-breaker; 09:23 trading resumed with losses extending; 10:15 KOSPI reached -8.29%, triggering a second circuit-breaker; 14:00 foreign investors began net buying; 15:30 closed at 7,484, -8.29%.

9 June (Tuesday) — Violent rebound: KOSPI surged 8.2% (+612 points) to 8,096, returning above the 8,000 level and recording its largest single-day gain since 2008. SK Hynix soared 15.9%; Samsung Electronics gained 9.0%. Shorts forced to cover on Monday were forced to buy back at higher prices on Tuesday—a classic "short squeeze". KOSPI200 futures rose 5%, triggering the upside "Sidecar" circuit-breaker. Taiwan Taixex gained 2.8% (+1,201 points) to 44,704. Nikkei 225 rose 2.2% to 65,416.

9 June — hourly milestones: 09:00 KOSPI opened +3.5%; 09:30 KOSPI200 futures hit +5%, triggering upside circuit-breaker; 10:00 SK Hynix limit-up, Samsung +7%; 11:30 foreign investors turned net sellers, retail chased gains; 15:00 closed at 8,096, +8.2%.

10 June (Wednesday) — Consolidation: US May CPI came in at +4.2% YoY, in line with expectations; core CPI at +0.2% MoM, below the +0.3% consensus—a marginally dovish signal. However, US semiconductor stocks fell sharply intraday, with the Philadelphia Semiconductor Index dropping over 8% before paring losses to close -3.57%. Nvidia recovered from -4.5% to -0.2%; TSMC ADRs turned positive. The VIX surged 39.7% from 15.4 to 21.5—the largest single-day gain of the year. Markets showed "buyers stepping in on dips, but no conviction to push higher", reflecting fragile investor sentiment.

10 June — key data: US May CPI +4.2% YoY (consensus +4.2%); core CPI +0.2% MoM (consensus +0.3%); Philadelphia Semiconductor Index intraday max -8.2%, closing -3.57%; VIX closed at 21.5, +39.7% on the day.

11 June (Thursday) — V-shaped reversal (Trump's "ceasefire card"): In under five hours, Trump reversed from "heavy strike on Iran" to "cancelling the strike". The Dow Jones rebounded 930 points (+1.86%), Nasdaq gained 2.54%, S&P 500 rose 1.75%. Oil prices fell over 3%. Asia-Pacific markets staged a "miracle day"—Nikkei recovered from a near 2,000-point intraday loss to close +38 points; KOSPI reversed from -4.4% to +0.3%; Taiex narrowed from -1,200 points to just -76 points, with a lower wick of 1,100 points. The Hang Seng Index fell for the seventh consecutive day, losing 1,789 points over the period, briefly breaking 24,000 before closing at 24,249—the only major Asia-Pacific market to close lower.

11 June — Trump "ceasefire card" timeline: 09:30 Trump stated US forces would strike Iran "very hard"; 10:00 Asia-Pacific markets opened sharply lower, Nikkei fell nearly 2,000 points; 13:30 Trump announced on TruthSocial that strikes were cancelled; 14:00 US equity futures rallied sharply; 16:00 Asia-Pacific markets began paring losses; 21:30 US markets opened, Dow gained over 900 points.

12 June (Friday) — Recovery continues + SpaceX listing: KOSPI triggered its second consecutive upside circuit-breaker—the 5th circuit-breaker/programme trading halt of the week. KOSPI opened at 8,526 (+4.95%), KOSPI200 futures rose over 5%, triggering an upside circuit-breaker at 09:06, halting programme trading for 5 minutes. Retail investors were net buyers of KRW 1,911 billion; foreign and institutional investors were net sellers—a "smart money distribution, retail absorption" structure, the inverse of Monday's "smart money accumulation, retail panic".

Date	Foreign Net Flow	Institutional Net Flow	Retail Net Flow	Structural Pattern
8 Jun (Mon)	+KRW 480bn	+KRW 104bn	-KRW 377bn	Smart money buying, retail selling
9 Jun (Tue)	--KRW 200bn	--KRW 150bn	+~KRW 800bn	Retail chasing
10 Jun (Wed)	Modest selling	Modest selling	Modest buying	Consolidation
11 Jun (Thu)	Selling expanded	Selling expanded	Buying expanded	Retail accumulation
12 Jun (Fri)	--KRW 1,500bn	--KRW 800bn	+KRW 1,911bn	Smart money distribution, retail absorption

Taiwan's Taiex surged 1,629 points (+3.78%), its second-largest single-day points gain in history. TSMC completed its ex-dividend fill on the same day (filling shortly after opening—historically rare), while UMC hit its limit-up. Foreign investors' net short positions on Taiex futures remained elevated at 63,000 contracts. Nikkei 225 gained approximately 2,800 points (+4.3%), returning above 66,900 and ending a three-day losing

streak. The Hang Seng Index snapped its seven-day losing streak, rebounding approximately 380 points to close near 24,630.

Drivers of the V-shaped recovery: The recovery was not fundamentally driven, but rather by: ① short covering following the KRW 60 trillion leverage unwind; ② Trump's "AI equity stake" policy signal (meeting with OpenAI, Anthropic, Google, Meta, SpaceX); and ③ pre-SpaceX IPO "sentiment preparation"—Trump's third "ceasefire card" on 11 June directly created a "peace dividend" for the SpaceX mega-IPO.

A question worth asking: KOSPI completed a full "-8% circuit-breaker → +8% circuit-breaker" cycle in one week—is this a violent market washout, or a warning of失控 volatility? Korea's retail leverage (KRW 60 trillion) remains a Sword of Damocles over the market. This rally is policy-driven, not fundamentally driven.

1.2 The Market's "Triple Divergence"

Divergence 1: Valuation vs. Earnings. The Magnificent Seven trade at an average forward P/E of 30–35x, with earnings growth expectations at historical highs. Any "in-line" or "slight miss" results could trigger multiple compression.

Metric	2025 Peak	Current 2026	Change
Magnificent 7 avg P/E	28x	32x	+14%
S&P 500 P/E	22x	24x	+9%
Philadelphia Semiconductor P/E	25x	35x	+40%

Divergence 2: Sentiment vs. Positioning. Retail call option volumes are at record highs, and "AI never goes down" narratives are prevalent on social media. The VIX fell to 15.4 ahead of the 5 June payrolls data, then surged 39.7% to 21.5 post-release. The extreme volatility of the second week of June (KOSPI five circuit-breakers in a week) further underscores the fragility of market sentiment.

Divergence 3: AI Narrative vs. Fundamental Reality. Upstream hardware (Nvidia, TSMC) has genuine earnings support, but downstream applications are sharply diverging. Broadcom fell 12% after its 4 June results—despite beating on both revenue and EPS—a textbook case of "good results triggering selling" when expectations have been pushed to perfection.

1.3 Technology Sector Concentration: Breaking 50% – A Historical Perspective

BofA strategist Michael Hartnett noted in his May report that post-SpaceX listing, technology sector weighting in the US market could break 50%, surpassing the "Roaring Twenties", the "Nifty Fifty" era, and even the 1999–2000 dot-com peak. SpaceX listed on 12 June with a market cap of approximately US\$2.1 trillion, becoming the seventh-largest listed company globally. Only 4.2% of shares are freely tradable—supply is extremely scarce. The Hang Seng Index Company has pre-announced the inclusion of SpaceX into the Hang Seng Tech & US Index with a 12.5% weighting, effective 29 June. Historically, whenever any single sector has reached such extreme weighting levels, it has been followed by sharp style rotations or market corrections—the 1970s "Nifty Fifty" bubble and the 2000 dot-com bust are key precedents.

Hartnett's full argument: Hartnett highlights two key differences from previous bubbles: ① AI's earnings delivery is far faster than the internet of the 1990s; and ② concentration risk has been masked by low interest rates. Nevertheless, he emphasises that even if AI itself is not a bubble, excessive concentration creates systemic fragility—when everyone crowds the same trade, any catalyst can trigger a chain reaction. His advice is direct: take some profits; the most compelling AI opportunities lie in small-cap adopters that can break monopolies.

1.4 14 June: US-Iran Ceasefire – "Peace Dividend" or "Over-Optimism"?

Key event: On 14 June, President Trump announced on TruthSocial: "The agreement with Iran is now complete. The Strait of Hormuz is fully open, and the US Navy has immediately lifted the relevant blockade." Iran's Supreme National Security Council subsequently confirmed the ceasefire memorandum. The formal signing ceremony will be held on 19 June in Switzerland. WTI crude fell below US\$82 (approx. -5%), Brent crude fell below US\$85 (approx. -4%), both hitting two-month lows. On the Asian morning of 15 June, KOSPI jumped nearly 5%, triggering its second consecutive upside circuit-breaker; Nikkei 225 rose 3.97%, hitting an intraday record high.

Three uncertainties warrant prudent observation: ① The agreement is not yet finalised—Iran has responded that "no final decision has been made", and Trump himself acknowledged it is "a conceptual, very strong memorandum of understanding". ② Trump's contradictory signals—calling for ceasefire while stating "we must respond". ③ Geopolitical risk premium has not fully dissipated—while the Strait of Hormuz has reopened, implementation details and deeper issues (Iran's nuclear programme) remain unresolved.

1.5 Mega-IPO: SpaceX Full Timeline and Capital Absorption Effect

SpaceX listed on 12 June at US\$135/share, opened at US\$150 (+11%), hit an intraday high of US\$176.52 (+31%), closed at US\$160.95 (+19.22%), with a market cap of approximately US\$2.1 trillion, raising approximately US\$75 billion—the largest IPO in history. Only 4.2% of shares are in free float—supply is extremely scarce. First-day volume reached 522 million shares, with turnover of US\$85.6 billion, making it the highest-turnover stock on the US market that day. Funds that could not access SpaceX pre-IPO flooded into "proxy stocks" such as Virgin Galactic and Rocket Lab; post-listing, money rotated back sharply—Virgin Galactic fell 25–34%, Rocket Lab fell 8.8%.

Date	Event	Impact
23 Jun	Hang Seng Tech & US Index re-weighting	8 constituents equal-weighted; SpaceX weight 12.5%
29 Jun	Hang Seng Tech & US Index effective + MSCI inclusion	Dual passive buying flows
6–7 Jul	Nasdaq-100 inclusion	Passive buying ~US\$8–18 billion
Post Jun 2027	Possible S&P 500 inclusion	Requires 4 consecutive profitable quarters + 12 months listed

Lock-up expiry timeline: SpaceX uses a phased rolling lock-up mechanism. The first tranche (20%) will be released on the second trading day after the Q2 earnings release (approximately 11 August); performance-based shares (price $\geq$ US\$175.50, +30%) also release on the same date. Musk's 366-day lock-up expires on 13 June 2027.

16 June: Options launch – the "Triple Unknown": SpaceX options launched on 16 June, just one trading day after listing. One veteran Wall Street trader described it as the biggest hedging challenge he has seen in nearly 30 years. SpaceX has no comparables—no peers, no index, no historical volatility, no sufficient borrow. The "triple unknown": a stock with no history, a Fed chair with no track record (Warsh), and the market's largest options expiration week.

1.6 Rosenberg: A "Very Serious Recession" Possible in 2027

Building on the mega-IPO discussion in 1.5, this section shifts the lens from micro-level capital absorption to macro-economic structure. David Rosenberg of Rosenberg Research expressed deep concern over the US economy in March 2026. His core logic chain:

First, fiscal stimulus is fading. The extraordinary fiscal deficit—a key driver of US growth in recent years—is reversing irreversibly. The fiscal deficit contributed an estimated 2–3 percentage points to GDP growth annually during 2020–2025; this contribution is expected to diminish sharply from H2 2026 and largely dissipate by 2027.

Second, AI capital expenditure may peak at some point in 2026. Some studies suggest AI capex has contributed approximately 90% of recent US economic growth. The four core AI companies—Goldman Sachs, Amazon, Google, Meta, Microsoft—are expected to invest close to US\$600 billion in AI-related capex this year. Once growth slows, the multiplier effect will reverse rapidly—from "every US\$1 of capex generates US\$1.50 of GDP" to "capex slowdown dragging down equipment investment, employment and consumption".

Third, both "crutches" are removed simultaneously. Rosenberg's direct quote: "We are removing both crutches next year. Enjoy the capex boom while it lasts." The two crutches are fiscal deficits and AI capital expenditure. When both fade, the economy loses its primary support.

Fourth, transmission lags exist. Capex → corporate investment → employment → consumption → GDP—this chain carries lags. Capex deceleration typically shows in corporate investment data 6–9 months later, then transmits to employment and consumption over another 3–6 months, finally impacting GDP. Thus, even if 2026 data remains acceptable (benefiting from 2025's capex peak), 2027 could still turn abruptly weaker. Rosenberg expects early signals of corporate investment slowdown in Q4 2026, with labour market softening in Q1–Q2 2027.

For wealth management platforms, even if Rosenberg's view is not fully endorsed, the "2027 recession risk" should be incorporated as a scenario in stress testing. Defensive positioning gains value in H2 2026 when valuations are elevated.

1.7 Xie Guozhong's "1997 Trap" – Yen Crash Risk (Short-term, Fast-moving, the Most Urgent Tail Risk)

Section positioning: Xie Guozhong's "1997 Trap" is the third pillar of Chapter 1's "market structural risks", alongside Rosenberg's recession risk (1.6, long-term slow-moving) and Hartnett's concentration risk (1.3, structural). **Yen crash risk transmits fastest**—from currency volatility to risk asset selling, often a matter of hours, not months.

Former Morgan Stanley Asia-Pacific chief economist Xie Guozhong wrote in the Hong Kong Economic Journal: Japan, in defending the USD/JPY 160 level, is falling into a trap eerily similar to Thailand in 1996. Its massive

foreign reserves have not deterred speculators; instead, they have made Japan a "target". The short-yen speculators are likely the same cohort that triggered the 1996–1998 Asian Financial Crisis—but several orders of magnitude larger.

Dimension	Japan Current Situation	1996 Thailand (pre-crisis)	Severity
Debt Level	200% of GDP (one of highest globally)	High external debt/GDP ratio	★★★
Fiscal Deficit	4.6% of GDP	Persistent twin deficits	★★★
Export Competitiveness	Structural decline in autos etc.	Export slowdown	★★★
Monetary Policy	Cannot hike aggressively due to debt	Constrained by exchange rate regime	★★★
False Sense of Security	US\$3.5tn foreign asset returns mask debt	Capital inflows mask vulnerability	★★★

Core dilemma: "Stable currency" vs. "stable debt" – only one can be chosen. First dilemma: raise rates to defend currency → debt collapse. Japan's government debt at 200% of GDP; aggressive rate hikes would crush fiscal finances. Ministry of Finance data shows a 1 percentage point rate rise would increase annual interest payments by approximately ¥10 trillion. Second dilemma: do not hike → currency collapse. Japan's fundamentals are deteriorating: the auto sector faces structural decline (EV transition lag, US tariff pressures forcing production relocation to the US); export competitiveness is falling while imports rise. This leaves depreciation pressure fundamentally unaddressable.

1.8 Hung Hao's Five Key Judgements — Full Expansion

Following the recession risk in 1.6 and currency risk in 1.7, this section introduces Hung Hao's perspectives to further broaden the risk analysis framework. Hung Hao of SRE Group made five core judgments in his 12 June report—these, together with Rosenberg's recession warning, Hartnett's concentration alert, and Xie Guozhong's currency risk, form the complete analytical framework for market risks in this report:

First, Hong Kong's leading indicators have begun to bottom. While quantitative models show current market sentiment in China has cooled to the second-lowest level in history, this short-term extreme pessimism, combined with low GDP monetisation, suggests that the total market cap of China and the All-Share Index will reach new highs in the near future. Hung's logic: extreme pessimism + low GDP monetisation = future upside. "Low GDP monetisation" here refers to the ratio of total stock market cap to GDP remaining at historically low levels, providing room for future valuation expansion.

Second, the next three months are a critical observation window. Hung warns: if central bank balance sheet expansion slows, risk appetite weakens, and the offshore AI bubble cracks, growth stock excess returns will converge, and defensive value assets ("old economy stocks") will re-emerge. He specifically highlights the next three months (June–September) as the critical observation window for a large-scale correction in the global technology semiconductor sector—this aligns temporally with Hartnett's concentration alert (1.3) and Rosenberg's recession timeline (1.6), all pointing to the Q3 2026–Q1 2027 risk window.

Third, foreign capital is withdrawing from the Korean equity market on a large scale. This cross-validates the 12 June Bloomberg report on "banks tightening leverage exposure to SK Hynix and Samsung Electronics". Hung's leading indicators suggest offshore funds have begun large-scale withdrawals from high-flying Korean assets. This aligns with the KRW 60 trillion retail leverage risk analysis in Chapter 1.1—foreign withdrawal combined with retail leverage clearing could trigger even greater market volatility.

Fourth, growth vs. value dispersion has reached historical extremes. The growth/value divergence in the Chinese market is at historic highs. Once risk appetite weakens, growth excess returns will rapidly converge, with flows rotating to defensive "old economy stocks" (traditional value sectors such as financials, energy, utilities). This provides a clear timing reference for portfolio style rotation.

Fifth, downside pressure on gold and silver has not fully dissipated. Hung notes that the excess froth in precious metals will take several more months to clear. This is consistent with technicals showing gold near six-month lows, and aligns with the logic in 1.6 (Rosenberg's recession scenario impacting inflation expectations and gold pricing).

Hung vs. Goldman Sachs divergence: Hung's "foreign capital withdrawing from Korea" view stands in sharp contrast to Goldman Sachs' end-May upgrade of the KOSPI target from 10,000 to 12,000. The extreme volatility in KOSPI during the second week of June (-8% Monday, +8% Friday) may provide the first validation window for "who is right". This is why this report adheres to a "multi-scenario coexistence" framework—not betting on any single view, but preparing responses for each possibility.

1.9 Timeline and Action Checklist

Period	Actions to Consider	Objective
H2 2026	Consider actively-managed certificates linked to a basket of FCNs across US/HK/JP quality names	Enhanced yield, discounted entry
Q4 2026	Review tech/high-valuation stock weights; gradually trim high-leverage, high-valuation, unprofitable AI concept stocks	Risk review, profit locking
Q1 2027	Increase cash allocation (5% → 15-20%)	Preserve dry powder

Key June 2026 milestones: 10 Jun – US CPI (+4.2% in line); 11 Jun – Trump's third "ceasefire card"; 12 Jun – SpaceX listing; 14 Jun – US-Iran ceasefire; 15–16 Jun – Bank of Japan rate decision; 16–17 Jun – FOMC (Warsh's first meeting); 16 Jun – SpaceX options launch.

Chapter 1 Summary: AI's first-half gains have been remarkable. In the second week of June, markets completed a full "Black Monday → violent rebound" cycle—KOSPI triggered five circuit-breakers in a week; Taixex recovered from -1,568 to +1,629; Nikkei from -3.85% to +4.3%. Valuation, sentiment, and narrative have all diverged. Post-SpaceX listing, tech sector concentration broke 50% (Hartnett). The 14 June US-Iran ceasefire agreement was reached, oil fell 5%, but execution details still need monitoring. The 2027 recession risk is credible (Rosenberg). The yen crash risk is the fastest-transmitting tail risk (Xie). Investors need not go all-out now, but must prepare the "Cash + FCN + Stress Test" three-stage framework from H2 into Q1 2027. In short: participate with Janus Henderson in H1 but don't chase; guard against Hartnett's concentration risk in H2; and preserve cash for Rosenberg's downside scenario from year-end to Q1 2027, waiting for the right-side confirmation.

Chapter 2: The Next Wave – AI's Structural Opportunity and the "This Time Is Different" Debate

AI sector gains have already exceeded most expectations at the start of 2026. But as technology sector concentration approaches historical extremes, the market is splitting into two camps: BofA's Hartnett warning on 50% concentration, and Janus Henderson's view that the AI investment cycle remains early. This chapter does not take sides—it simply asks: is this time genuinely different? The answer is: it is both different, and not entirely different.

2.1 Hartnett vs. Janus Henderson — Side by Side

Dimension	Hartnett (BofA)	Janus Henderson
Core View	50% tech weight is a warning signal	AI cycle remains early
Valuation	Concentration risk extremely high	Current P/E well below dot-com bubble
AI Application Layer	Focus on small-cap adopters	Application layer earnings being validated
Implicit 2027 View	More cautious on style rotation and drawdowns	More cautious on "exiting too early"

2.2 Janus Henderson's "Early Cycle" Argument — Three Data Sets

Janus Henderson's global research team argued in early 2026 that the AI cycle remains in its early stages. Three data sets support this:

Valuation across cycles: At the 1999–2000 peak, the top five US tech names traded at >80x forward P/E. The current "Magnificent Seven" average is 30–35x, significantly below the dot-com extreme—even adjusting for higher risk-free rates.

AI application layer revenue growth: Anthropic's ARR grew from US\$30bn in under two years; OpenAI's ARR grew from US\$2bn to US\$20bn—a nearly 1,000% increase. This revenue growth reflects genuine enterprise customers paying for AI capabilities, not narrative.

Management behaviour shift: In 2023–2024, earnings calls discussed "exploring AI possibilities". From H2 2025, more companies began citing specific financial figures demonstrating "how AI drives efficiency, reduces costs, or creates new revenue". Janus Henderson interprets this as AI moving from "concept" to "proving itself".

2.3 Three Historical Analogies — Infrastructure Is Rarely the Ultimate Winner

Taking a multi-decade view, a recurring pattern emerges: in every infrastructure revolution, the ultimate winners are not the infrastructure providers themselves, but the industries and companies that best use the infrastructure.

The 19th-century railway boom: US rail mileage grew from 23 to over 30,000 miles between 1830 and 1860. Railway stocks traded at 50–60x P/E. But the real transformation was not the railways themselves—it was the western economic development enabled by them: agriculture, mining, manufacturing, and national retail systems. Most railway companies eventually went bankrupt (over 30% failed between 1860 and 1880), while the industries using the railways flourished. Freight costs fell ~80% between 1870 and 1890, with savings directly flowing to other industries.

The early 20th-century electrification wave: Early investors chased power companies, believing "selling electricity" was the surest business. Edison's General Electric was prized in the 1890s. But electrification's real energy was not in power plants—it was in industrial applications: lighting, elevators, assembly lines. Electricity became the underlying infrastructure of the entire industrial economy. Power stocks took 25 years to return to their 1929 peak, while industrial giants like GE grew many times over.

The 1990s internet boom: Investors chased Cisco, Lucent, Nortel—the infrastructure providers. Cisco traded at >100x P/E in 2000, with a >US\$500bn market cap. But the real transformation came from the platforms built on that infrastructure—Google, Amazon, Meta, and later the mobile internet ecosystem. Cisco took 18 years to return to its 2000 high; Amazon grew >100x over the same period.

If this pattern holds for AI, the real excess returns may be shifting from today's "infrastructure layer" (semiconductors, compute, optical modules, cooling, HBM) to the "application layer". This does not necessarily negate the value of current winners like Nvidia or TSMC, but it will create new winners that are not yet fully priced.

2.4 AI Value Chain Layers & FCN Strategy Lens

Layer	Representative Segments	Typical Names
Infrastructure	Chips, HBM, optical modules	Nvidia, TSMC, SK Hynix
Supporting	Cooling, power, testing	Vertiv, Eaton
Application	Software, Agents, Robotics	Microsoft, Tesla

Among the above AI value chain layers, names with sufficient liquidity and reasonable implied volatility can serve as reference assets for FCN structures. Through actively-managed certificates linked to a basket of AI value chain names, one can capture volatility premium and downside protection, while building positions at discounted entry points on market corrections.

Chapter 2 Summary: The market divergence on AI is not about right or wrong—it is about time horizon and risk appetite. Hartnett highlights near-term structural fragility; Janus Henderson bets on medium-term earnings delivery. Investors should align with their own portfolio structure and risk tolerance. Historically, infrastructure layer excess returns tend to migrate to the application layer in the later stages of the cycle—currently in the early-to-mid AI cycle, infrastructure remains resilient, but the application layer's long-term odds are rising. FCN strategies can provide volatility premium and downside protection during periods of maximum uncertainty.

Chapter 3: The CEO Perspective — Intel and Nvidia on the Next Frontier

While markets debate whether AI is a bubble or a revolution, Intel and Nvidia's CEOs have drawn a clear map of AI's upstream opportunity. This chapter does not take a bullish or bearish view—it simply sets out three things: what they said, what the data shows, and what it means.

3.1 Intel CEO Lip-Bu Tan — From "GPU King" to "CPU Returning to AI Core"

Core comments: In Intel's Q1 earnings call on 23 April 2026, Tan gave a clear assessment: AI is moving from "training" to "inference", to "Agentic AI, Physical AI and robotics"—a shift that is re-establishing the CPU as an indispensable foundation of the AI era. He cited client data: the ratio of server CPUs to accelerators in client deployments has moved from 1:8 to 1:4, and is moving in the right direction. In real AI production environments, CPU remains the anchor—GPU is the accelerator, but CPU is the "orchestration layer" and "critical control plane".

Tan's direct quote: "For the past several years, high-performance computing discussions have been almost entirely dominated by GPUs and other accelerators. But in recent months, we have seen clear signals: CPU is re-establishing its position. This is not wishful thinking—it is real customer feedback."

He also shared information not yet fully absorbed by markets: Intel and Nvidia are collaborating on "exciting new products", with Nvidia having announced a US\$5 billion investment in Intel and co-developing Xeon processors with deep NVLink integration. On the foundry front, Tan announced a TeraFab strategic partnership with Musk's SpaceX, xAI and Tesla, exploring "innovative approaches to re-architecting silicon process technology". His words: "Elon and I both believe global semiconductor supply cannot keep up with the rapid acceleration of demand."

Third-party validation: The structure of AI workloads is shifting: training – GPU handles ~90% of compute, CPU manages data preparation and task orchestration; inference – CPU share rises to 30–40%, especially in low-latency scenarios; Agentic AI – each agent requires independent "think-plan-act-reflect" loops, with CPU managing resource orchestration and context. Creative Strategies analyst Ben Bjarin confirms: "CPU usage is rising significantly as enterprises deploy AI. Not because GPU is less important, but because real-world AI requires more complex orchestration."

Implications for wealth management platforms: The CPU ratio shift is a structural signal that AI hardware investment focus is moving from "pure GPU" to "CPU+GPU synergy". Portfolios concentrated in GPU names (Nvidia, AMD) should begin evaluating CPU (Intel, AMD's CPU business) and ASIC opportunities, gradually increasing CPU/ASIC allocation to 10–15%.

3.2 Nvidia CEO Jensen Huang — Optical Interconnect, Physical AI and Robotics

Theme 1: Optical interconnect replacing copper. In early May, Huang stated: "The next generation of AI infrastructure will require substantial optical connectivity, because compute demand is growing so rapidly that copper can no longer meet the requirement." He announced a major partnership with Corning to build three new factories in the US, with Nvidia investing US\$500 million to expand domestic optical connectivity manufacturing capacity.

Why copper is insufficient: Nvidia's B200 chip consumes 1,000W; NVLink 5.0 bandwidth reaches 1.8TB/s; the next-generation Rubin platform (2026–2027) will push bandwidth further. Copper's signal attenuation and power consumption become unacceptable at extreme bandwidths. Optical advantages: lower power, longer distance, higher density.

Theme 2: AI Agents' physical form — Robotics. On 27 May, Huang told Nvidia employees: "The AI industry is at an inflection point, moving from generative AI to agentic AI. The number of AI Agents globally will soon exceed the 1 billion people using computers today—and the physical version of Agents is robotics." For Taiwan, this is particularly important—with limited population growth, automation is the only path for industrial expansion. Nvidia's Physical AI ecosystem includes Omniverse, Isaac, GR00T, and Orin/Thor robotics platforms.

Robotics value chain (full layer map):

Layer	Function	Representative Companies	2030E Market	Nvidia Role
AI Brain	Decision-making & planning	Nvidia, Microsoft, Google	~US\$80bn	GR00T foundation model
Perception	Vision, Radar, LiDAR	Mobileye, Velodyne, Hesai	~US\$50bn	CUDA acceleration
Control	Motion planning & execution	Fanuc, ABB, Kuka	~US\$40bn	Isaac platform
Actuation	Motors, reducers, joints	Tesla, Harmonic Drive, Leader Harmonious	~US\$30bn	Ecosystem partnership

Theme 3: AI factories — the largest infrastructure build in human history. Huang: "We are witnessing the largest infrastructure build in human history. AI will become foundational infrastructure globally, and the US is no exception." "We are scaling optical technology at a scale never before seen. Frankly, no optical company has ever experienced this scale."

Third-party validation: IDC projects global AI infrastructure market growth from ~US\$200bn in 2025 to >US\$500bn by 2029; optical interconnect-related markets (modules, fibre, transceivers) CAGR ~25–30%; robotics market from ~US\$50bn in 2025 to >US\$200bn by 2030; Nvidia's share of robotics compute platforms estimated at >60%.

Implications: Optical interconnect and robotics are not immediate revenue themes, but ignoring them would miss early pricing of the next infrastructure wave. Establish small watch positions (1–3%) or participate via a basket of FCNs. Not to overweight, but not to ignore.

3.3 CEO Cross-Validation — The Common Direction

Theme	Intel (Tan)	Nvidia (Huang)	Conclusion
CPU vs GPU	CPU ratio 1:8 → 1:4	Nvidia optimising CPU+GPU synergy	CPU's importance rising in inference/Agent phase
Optical Interconnect	—	Optical replacing copper; partnership with Corning	Optical modules are a confirmed growth segment; valuation caution needed
Physical AI / Robotics	Agentic AI drives CPU demand structurally	Agents' physical form = robotics; Physical AI build-out	Next 5-10 year growth theme
Foundry/Manufacturing	TeraFab with Musk; 14A ahead of schedule	US\$5bn investment in Intel	Semiconductor manufacturing being revalued

Chapter 3 Summary: Intel and Nvidia CEOs independently point to the same conclusion: AI hardware investment logic is shifting from "GPU-centric" to "CPU+GPU collaborative"; optical interconnect and robotics are the next confirmed growth segments. This aligns with Janus Henderson's "early cycle" view—real-world deployment data (CPU ratio, optical expansion, robotics build-out) supports the view that the AI investment cycle is far from over, rather than Hartnett's concentration risk alert. However, this does not mean concentration risk does not exist—the CEOs' comments suggest concentration stems from temporary scarcity in the infrastructure layer, and this scarcity is being relieved by new supply (CPU, optical, ASIC). For wealth managers, the hardware opportunity is broadening from "pure GPU" to the broader semiconductor ecosystem.

Chapter 4: The Space Economy — From Thematic Speculation to Index Inclusion

The space economy is transitioning from thematic speculation to index inclusion. This chapter integrates SpaceX's IPO, NASA's lunar base plan, Hang Seng Index's early inclusion, and a tri-region equity radar (US/Taiwan/China A-shares), offering a complete institutional allocation perspective.

4.1 Three Catalysts Converging

Catalyst 1: SpaceX IPO (12 June), the largest in history. SpaceX listed on 12 June (ticker: SPCX) at US\$135/share, opened at US\$150, closed at US\$160.95 (+19.22%), market cap ~US\$2.1 trillion, raising ~US\$75–80 billion—the largest IPO ever. Starlink 2025 revenue: US\$11.39 billion, operating profit US\$4.42 billion; cumulative Starship R&D >US\$15 billion; the space AI data centre is included in the prospectus but will not contribute near-term profits. Only 4.2% free float—supply is extremely scarce.

Catalyst 2: NASA lunar base, ~US\$20 billion total investment. NASA announced detailed plans on 26 May: a permanent base at the lunar south pole, in three phases—25 launches through 2029, crewed lunar landing by mid-2027, long-term residency by 2032.

Catalyst 3: Hang Seng Index early inclusion (the most significant institutional signal). On 27 May, Hang Seng Index Company announced SpaceX will be added to the Hang Seng Tech & US Index. Re-weighting will occur at the close on day 7, effective day 11. SpaceX will become the only company included in an index before its official listing. Passive money will be forced to allocate; SpaceX is no longer just "Musk's personal company".

4.2 US Space Equities Radar (as of 11 June 2026)

As of 11 June, the BofA Space Basket gained 61% year-to-date, while the UFO ETF advanced 47.22%, far outpacing the S&P 500 (+8.02%) and the Nasdaq (approx. +6%). Cantor Fitzgerald explicitly recommended Rocket Lab, Intuitive Machines, and Satellogic as "direct beneficiaries".

Name (Ticker)	Core Thesis	YTD Performance	Liquidity	Volatility	Note
Rocket Lab (RKLB)	#2 US commercial launch provider; US\$90m Space Force contract	~+75% to +105%	High	High	+470% over 12 months
Redwire (RDW)	NASA contractor; space infrastructure leader	+124.87%	Medium	Extreme	TTM loss US\$344m
Intuitive Machines (LUNR)	CLPS core supplier; Nova-C lander	+88.79%	Medium	High	TTM loss US\$110m
UFO ETF	Diversified basket; core holdings RKLB, Viasat	+47.22%	High	Medium	52 holdings, 0.75% mgmt fee

A clear divergence is emerging within space equities—pure-play "hardware" names (Rocket Lab, Redwire) have significantly outperformed "concept" names. However, the strong gains come with substantial risk: Redwire, Intuitive Machines, and ASTS are all loss-making, with combined TTM losses of approximately US\$940 million. The market is pricing "future cash flows" at a substantial premium.

4.3 Taiwan Space Equities Radar (as of mid-June 2026)

Taiwan plays a role of "deep embedding in the electronics supply chain" within the space economy. Universal Microwave has secured a position in SpaceX's inter-satellite laser communication supply chain, making it the most direct SpaceX beneficiary in Taiwan. However, its P/E ratio has approached 100x, with the stock price already reflecting significant optimism—chasing at these levels carries substantial risk. Delta Electronics, as a potential supplier for SpaceX data centre power management, has gained over 200% over the past year, but order sizes remain unconfirmed and the stock is currently trading on "thematic" expectations.

Name (Ticker)	Core Thesis	Revenue/Gain	Liquidity	Volatility	Risk
Universal Microwave (3491)	SpaceX inter-satellite laser comms supply chain	Jan-Feb rev +82.52% YoY	Medium	High	P/E near 100x
Delta Electronics (2308)	Potential SpaceX data centre power supplier	+200% over 12 months	High	Medium	Orders not yet confirmed

Taiwan space equities remain primarily "thematic" in nature, with fundamental realisation still requiring time to validate. For clients with interest in the space economy, US space equities or ETFs are preferable to chasing high-P/E Taiwan names.

4.4 China A-Share Space Equities Radar (as of mid-June 2026)

The A-share commercial space sector is dominated by "national team" players. China Aerospace Times has entered the SpaceX/domestic commercial space supply chain, but its YTD performance has been weak—a stark contrast to the sharp gains seen in US and Taiwan markets. The question of whether A-shares will experience valuation mapping following SpaceX's successful listing depends on tangible order progress rather than sentiment alone.

Name (Ticker)	Core Thesis	Latest Data	Liquidity	Volatility
China Aerospace Times (600879)	In SpaceX/domestic commercial space supply chain	Target price ¥14.82	High	Medium
Shaanxi Huada (301517)	Connector supplier	¥51.94 (11 Jun)	Medium	Medium

The A-share commercial space sector remains in a "valuation mapping" phase and is not recommended as a core allocation—better suited as a watchlist. Should SpaceX's listing accelerate global space industry orders, "national team" names like China Aerospace Times could see valuation recovery. However, current order sizes remain limited, and the risk-reward profile for A-share space names is less favourable than for US space equities.

4.5 Tri-Region Comparison

The performance divergence reflects different pricing logics: US – "technology moat + direct exposure"; Taiwan – "electronics supply chain embedding"; China A-shares – "valuation mapping + import substitution". The closer to the technology source and the more direct the business linkage, the higher the valuation premium.

Allocation recommendations:

- **US space equities:** highest direct exposure but valuations are elevated. Not recommended for overweight; consider via ETF (UFO) or FCNs.
- **Taiwan space equities:** thematic strength but P/E near 100x. Better as watchlist than buy list.
- **China A-share space equities:** valuations reasonable but order flow realisation needs time. Use as a valuation-mapping observation window.

4.6 Two Questions Worth Asking

1. Has Universal Microwave's near-100x P/E already over-discounted SpaceX IPO optimism?
2. Will SpaceX's listing trigger valuation mapping for the A-share commercial space sector?

Chapter 4 Summary: The space economy is moving from thematic speculation to index inclusion. SpaceX listing, NASA lunar base, and Hang Seng early inclusion are converging to re-price space assets. This is a long-term structural opportunity beyond AI, but current valuations already reflect significant optimism; most names are loss-making and not suitable for heavy or short-term positions. Approach with a 3-5 year horizon, initial 1-3% allocation, prioritising diversified vehicles like UFO ETF, and consider adding after the 1-2 month "sell the fact" digestion post-SpaceX IPO.

Chapter 5: Hong Kong Local Assets — Residential, Office, and Commercial Leasing

In H1 2026, Hong Kong local assets showed a clear pattern of "residential recovery, office rebound, commercial divergence". For wealth management platforms, this is not simply a directional call on property—it is a re-pricing of return, volatility, and cash flow characteristics across three asset classes.

5.1 Residential: Prices Rise for 4th Consecutive Month

Overall trend: According to the Rating and Valuation Department (May 2026 data), residential prices rose 0.6% MoM in April 2026, the fourth consecutive monthly increase, the highest since July 2025; the YoY decline narrowed to -0.8%, ending 18 months of consecutive YoY declines. Cumulative gain for Jan-Apr 2026: +2.3%. Primary market transactions: ~1,800 units in April (+35% MoM); secondary market: ~4,500 units (8-month high, +28% YoY).

Metric	Value	Data Date	Source
Residential Price MoM	+0.6%	Apr 2026	Rating & Valuation Dept
Residential Price YoY	-0.8%	Apr 2026	Rating & Valuation Dept
Cumulative Jan-Apr Gain	+2.3%	Jan-Apr 2026	Rating & Valuation Dept
CCL Index	156.14	15 May 2026	Centaline

Drivers & institutional views: UBS (11 May) noted that mainland professional talent demand and the 2027 UK returnee wave could support a 5-10% full-year price increase; mortgage rates are expected to ease to 3.125% with Fed cuts; rental yields stable at 3.4-3.5%. However, Centaline data shows rental yields have fallen for 7 consecutive months to ~3.3%, with price gains outpacing rents—the "buying cheaper than renting" dynamic is reversing.

5.2 Office: Recovery No Longer Just Speculation

Recovery signals: Knight Frank's May report showed 2025 new office leasing reached 4.8 million sq ft (highest since pandemic), net absorption ~1.6 million sq ft (highest since 2018). In Q1 2026, Grade A office rents in Central rebounded 5.5% QoQ, driving overall office rents up 2.4% QoQ. Non-core areas (Kwun Tong, Tsuen Wan, Sha Tin) saw office rent declines narrow to -0.5%, with vacancy stable at 12.5%.

Office segment (Grade A/B) rental trends:

Segment	Q1 2026 Rent QoQ	Vacancy Rate	Outlook
Grade A Office (Central)	+5.5%	18.2%	Strongest rebound, but supply pressure persists
Grade A Office (Non-core)	+0.5%	12.5%	Steady recovery, slower rental growth
Grade B Office	-0.2%	15.8%	Following Grade A, but weaker rebound

Supply pressure: Approximately 3.2 million sq ft of new supply is scheduled for 2026–2028, concentrated in non-core areas. The recovery is likely to be "moderate, slow, and tiered".

5.3 Commercial Leasing: Core vs. District Divergence

Core area retail rents rose 1.2% QoQ in Q1 2026, driven by mainland tourist flows, with F&B and luxury leasing active. District areas, more reliant on local consumption, saw flatter rental movements. Grade A office vacancy in core areas remains high at 18.2%, reflecting still-loosening supply-demand dynamics in the early recovery phase.

5.4 Implications for Wealth Management Platforms

Asset Class	Current Characteristics	Best Suited For	Key Risks
Residential	Volume recovering, prices stabilising, end-user support	Long-term, low leverage, income-seeking	Rental yields declining 7 months
Core Office	Rent rebound, still-high vacancy, new supply	Selective names, volatility-tolerant	Vacancy 18.2%
Non-core Office	Rent stabilising, lower vacancy, less supply pressure	Stable income	Slow rental recovery
Core Retail	Foot traffic recovery, rents rising, higher volatility	Tactical allocation	Consumption recovery uncertainty

Chapter 5 Summary: Hong Kong residential has rebounded for four consecutive months, but rental yield compression is a concern. Office markets are showing recovery signals, though vacancy remains high. Overall, local assets are closer to a "valuation bottom" than a "right-side confirmation". For income-seeking investors, the dividend yield spread (5.5-7.0% for REITs vs. ~3.8-4.0% for HKD deposits) still offers a margin, but price volatility and vacancy uncertainty should be factored in.

Chapter 6: AI Reshaping Wealth Management — The Competitive Landscape

The AI transformation of wealth management is no longer a "whether" question—it is a "who finishes first and goes deeper" question. Headline banks in Hong Kong and Singapore have proven this with tangible results over the past few years. BCG's May 2026 report confirms a more fundamental trend: Hong Kong has overtaken Switzerland to become the world's largest cross-border wealth management centre—but size leadership does not equal efficiency leadership, and efficiency leadership is driven by AI and data capabilities.

6.1 How AI is Reshaping Wealth Management

AI is already embedded across the value chain—client service (chatbots handling 80% of routine inquiries), investment advice (AI-assisted asset allocation and risk analytics), compliance monitoring (automated suspicious transaction screening), and operational efficiency (automated documentation, reducing account opening from weeks to days).

6.2 Three Case Studies

DBS: The only bank in Asia to have scaled AI. As of end-2025, DBS's AI economic value reached ~\$1 billion per year; AI use cases grew from 100 in 2021 to over 430; AI models exceeded 2,000. DBS Joy has handled over 235,000 client interactions with 23% satisfaction improvement. Wealth management revenue maintained double-digit growth in H1 2026. DBS's success is not just about "starting early"—it is about "building a positive cycle of data, processes, and talent early".

- Client service: DBS Joy chatbot (235k interactions, 23% satisfaction improvement)
- Risk management: AI anti-money laundering screening (35% accuracy improvement)
- Investment advisory: AI-assisted asset allocation (15% client retention improvement)
- Operational efficiency: Automated document processing (40% account opening time reduction)

HSBC: AI transformation pressure with 7 million clients. HSBC Hong Kong's retail and wealth clients reached 7 million, with 2 million added in the past two years alone. HSBC estimates China has ~15 million affluent individuals with offshore investment needs, of which HSBC has captured only ~2 million over the past two years. With AI capabilities ~7 years behind DBS, the challenge is how to serve this vast client base efficiently.

Standard Chartered: Clear financial targets, but AI progress lagging. SCB set targets of 15%+ ROTE by 2028 and ~18% by 2030, with dividends $\geq 30\%$. However, large-scale AI deployment started only in end-2025—6-7 years behind DBS.

6.3 AI Deployment Timeline — Quantifying First-Mover Advantage

Bank	Large-Scale AI Deployment	Time Gap vs. DBS	Current Status
DBS	2019	—	AI scaled, ~S\$1bn/year economic value
OCBC	2023	~4 years	AI use cases expanding rapidly
UOB	2024	~5 years	Early stage, focused on client service AI
Standard Chartered	Late 2025	~6-7 years	Large-scale deployment just starting
HSBC	2026	~7 years	AI transformation planning just beginning

6.4 Rethinking Hong Kong's Leadership

BCG's May 2026 report confirmed Hong Kong overtook Switzerland in cross-border wealth management AUM. But BCG also noted Hong Kong lags Singapore in AI/data capabilities, wealth tech platforms, and green product standardisation. Singapore's AI use cases have reached scaled commercialisation; Hong Kong remains in pilot-stage experiments.

For wealth management platforms, the key takeaway is not "Hong Kong won", but "Hong Kong's next competition is not about licences—it is about AI and data".

6.5 Policy Drivers

MAS account opening acceleration: On 25 May, MAS Managing Director Chia Der Jiun announced a target to shorten wealthy client account opening from ~6 weeks to under 1 month by end-2026, applying a "risk-proportionate" approach.

Crypto prudential framework: In April 2026, MAS proposed a global-leading crypto prudential framework, moving from "default conservative" to "risk-based principles". Four risk mitigation criteria can qualify crypto assets for more favourable capital treatment.

MAS reaffirms financial independence: Following the China regulator's >RMB 2.2 billion fines on Tiger, Futu, and Longbridge on 22 May, MAS clarified on 29 May that their Singapore-incorporated entities are financially independent from their affiliated group entities, with client funds held in segregated trust accounts.

6.6 Three Takeaways

1. **Professional operations:** AI is moving wealth management from "people-dependent" to "process-dependent". Systems are not costs—they are preconditions of credibility.
2. **Build AI investment channels:** ~65% of global family offices rank AI as a top investment theme, but >50% lack access to growth equity and VC. Solving this pain point unlocks substantial allocation demand.
3. **Focus product verticals: Fixed Income, Alternatives, ETFs.** Intermediaries rank future demand growth as: Fixed Income (33%), Alternatives (25%), ETFs (23%). AI enables better product matching and client stickiness.

Chapter 6 Summary: Wealth management competition is being reshaped by AI. DBS's first-mover advantage (\$1 billion in AI economic value) contrasts starkly with HSBC and SCB's catch-up pressure. BCG confirms Hong Kong's AUM leadership, but AI capability lags Singapore—the next battle is not licences, but AI and data. MAS is countering with efficiency (6 weeks → 1 month account opening) and a crypto prudential framework. For wealth platforms, the priorities are: build data infrastructure, develop AI investment channels, and focus on Fixed Income/Alternatives/ETFs.

Chapter 7: Professional Reminders for Wealth Management Platforms and Investors

The preceding six chapters have completed data organisation and logical deduction. The following eight reminders are not repetition—they are distillation, answering: "So what? What should you do?"

Market & Investment Risks and Opportunities

1. Technology concentration is a real risk, not just pundits crying wolf. The 50% weighting is a concentration alert, not a rejection of AI. History shows the "Nifty Fifty" crash and the dot-com bust both followed extreme concentration. Regularly review single-stock/single-sector weights; use FCNs to replace directional chasing. Limit single tech stock weight to $\leq 5\%$, single sector to $\leq 20\%$; conduct quarterly concentration reviews.

2. Stress-test for 2027, don't just forecast it. Fiscal fade + AI capex peak = both crutches may be removed. This is not a prediction, but a scenario that must be stress-tested. No need to go all-out now, but build cash buffers (5% $\rightarrow$ 15-20%) into H1 2027. Complete stress tests by Q3 2026, simulating a 20% earnings decline scenario.

3. CPU is returning to AI core; hardware investment logic is being restructured. Tan's CPU ratio shift from 1:8 to 1:4 does not mean GPU is irrelevant—inference and Agentic AI are driving CPU demand. If portfolios are concentrated in GPU names, begin evaluating CPU and ASIC opportunities. Increase CPU/ASIC allocation to 10-15%; monitor Intel, AMD's CPU business, and ASIC design houses.

4. Optical interconnect and robotics—don't wait for revenue to start researching. Huang has clearly mapped the next infrastructure direction. Optical interconnect and robotics are the next 3-5 year growth themes. Establish small watch positions (1-3%) or participate via a basket of FCNs. Not to overweight, but not to ignore.

5. The space economy is worth tracking, but don't trade it like AI. Long-term structural opportunity, but near-term valuations are stretched (Redwire: US\$344m loss, +124.87% YTD). Approach with a 3-5 year horizon, small positions (1-3%), or ETFs/FCNs. Consider adding after the 1-2 month "sell the fact" digestion post-SpaceX IPO.

Industry Infrastructure & Competitive Landscape

6. Singapore is not defending—it is countering with efficiency. MAS cutting account opening from 6 weeks to 1 month is not a minor tweak—it is a philosophical shift toward "risk-proportionate" regulation. Client flows may not "return to Hong Kong"—they will go to platforms offering faster, better onboarding. Re-evaluate your compliance-efficiency balance.

7. Hong Kong's size leadership should not be mistaken for efficiency leadership. BCG confirms Hong Kong overtook Switzerland, but AI and data capabilities lag Singapore. When allocating to Hong Kong assets, look beyond historical flows—assess whether wealth platforms can use AI to retain the next generation of clients. Prioritise partners with demonstrated AI investment.

Internal Governance

8. Concentration management is the prerequisite for all external judgments—placed last, but most important. Without stress-testing your own portfolio, the previous seven reminders cannot be implemented. Concentration management is not pessimism—it is an asset manager's first line of defence. Conduct quarterly concentration reviews; establish alert mechanisms for single tech stock >5% and single sector >20%.

Chapter 7 Summary: Eight reminders cover market risks (concentration, recession, CPU/GPU restructuring, optical interconnect, space), industry competition (Singapore efficiency, Hong Kong AI capability), and internal management (concentration reviews). Reminder 8 is foundational—without internal risk management, the other seven cannot be delivered. Quarterly concentration reviews and stress tests should be embedded in standard risk processes.

Risk Warnings

- AI sector valuations are at historical highs; any earnings miss could trigger significant drawdowns.
- FCNs are suitable for professional investors only; full understanding of product terms and risks is required.
- Space economy names are largely unprofitable; post-IPO "sell the fact" corrections are possible.
- Geopolitical risks (US-China, Middle East) could impact global asset pricing beyond current expectations.
- Hong Kong residential rental yields are declining; the "buying cheaper than renting" dynamic is reversing.
- Office vacancy rates remain elevated; new supply pressures persist.
- Yen volatility could trigger carry trade unwinds, transmitting to global risk assets.

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