CIO Views – Weekly Bulletin

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A Prudential plc company

Black Friday sales come early for markets

Sharp equity falls appear liquidity and positioning driven, not fundamental



Vis Nayar
Chief Investment Officer
Eastspring Investments



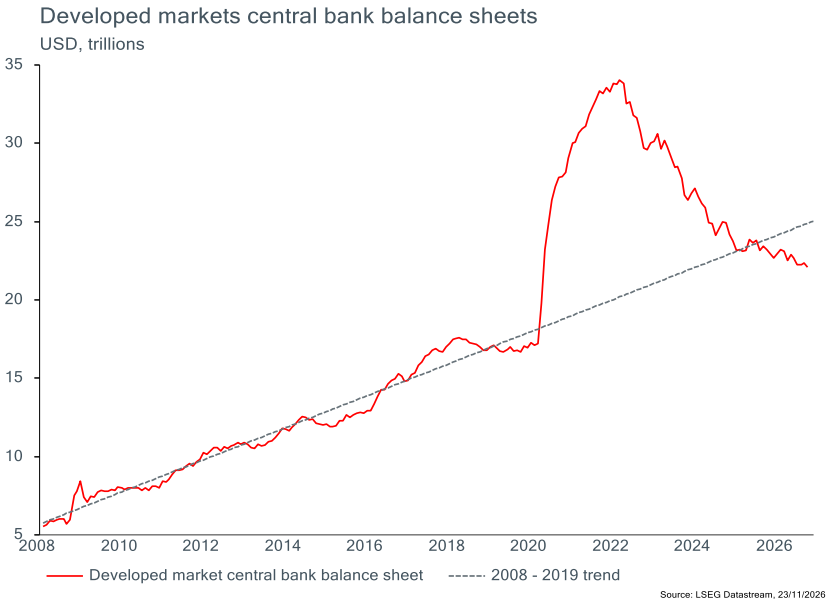
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The most frequent question we are getting from investors is whether the AI trade is over. We doubt it. In contrast, we judge recent market weakness to be more technical in nature. A justified increase in uncertainty about the timing of AI-related earnings has collided with tightening liquidity conditions. That this has occurred with highly concentrated positioning so close to year-end explains the aggressiveness of the moves, in our view.

Tightening monetary policy is almost certainly a key factor dragging down equity valuations. Most leading central banks have raised policy rates over the past couple of quarters. This is contributing to the developed market central bank balance sheet grinding lower relative to its trend. And this is tightening liquidity just as AI capex is increasing debt funding needs.



We expect this to remain a challenge for markets through Q1 2027 because we forecast the US Fed to raise the Fed Funds rate 25bps in December and in March. US PCE deflator data for October, out on Wednesday will be important to market pricing for the Fed with the consensus expecting a 0.3%mom rise in the core PCE deflator.

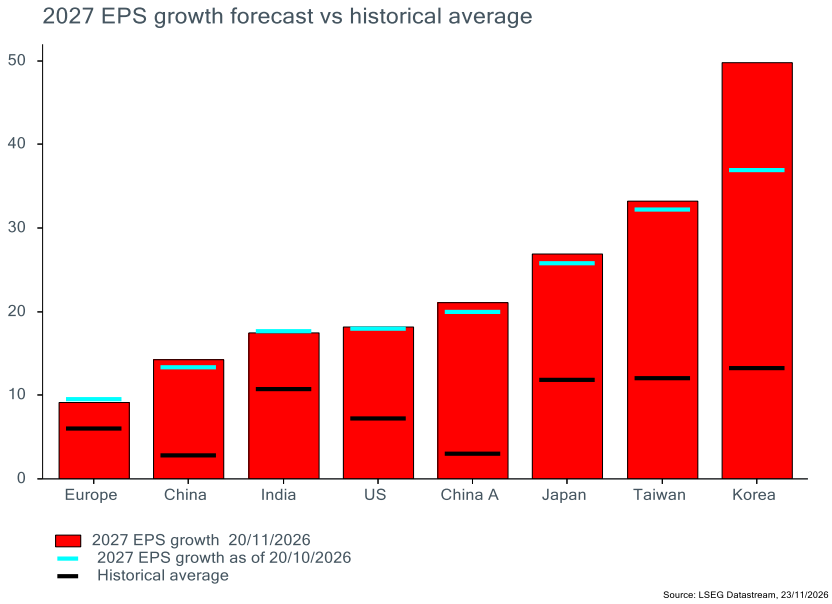
However, unless the 0.4% mom rise in US average hourly earnings, i.e. wage growth, persists into the new year we expect the Fed to end its hikes by Q2. This should allow benchmark yields to gradually fall into the summer and fall of next year, easing pressure on valuations.

In contrast, we are more constructive on AI-driven earnings fundamentals. We

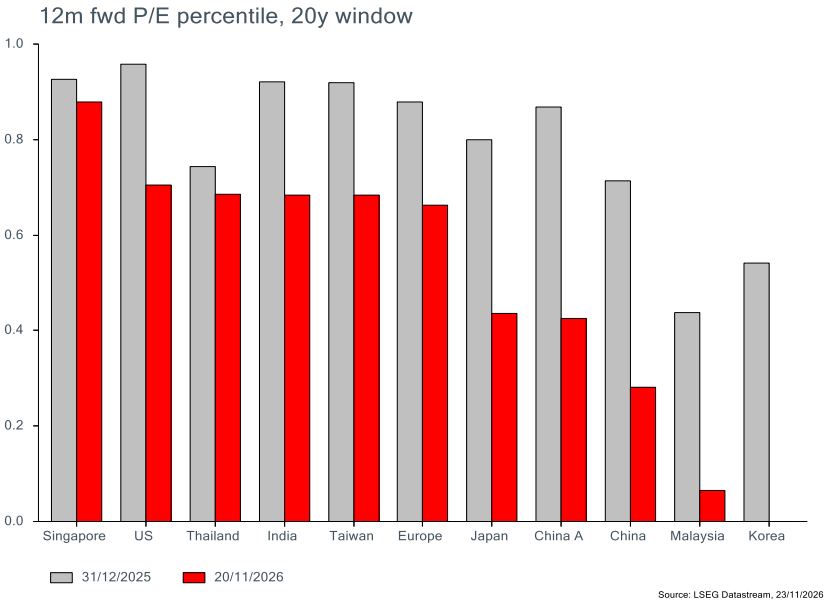
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have argued in recent weeks that US local government politics may lead to delays in some data centre development that imply some trimming of consensus estimates for AI infrastructure earnings. However, even with these potential delays, we continue to project AI infrastructure spending will grow at least 20% next year and more likely about 30%.

Another factor suggesting that the recent fall in equities is technical in nature is that it has come even as consensus estimates for 2027 have continued to rise in Japan, Korea, and Taiwan and been stable in the US. We think this reflects the strong fundamentals we have emphasised recently. First, rising GPU rental rates shows compute supply is not keeping up with rising AI usage demand. Second, the leading AI companies continue to guide increased spending. Crucially the roughly USD200bn in new finance raised since the beginning of October combines with strong hyperscaler profits to suggest funding capacity for capex spending remains healthy.



A result of the recent divergence between market pricing and earnings fundamentals is that forward valuations have improved significantly, particularly for North Asia's markets. Japan is trading below its 20-year average valuation despite rising margins and return on equity and Korea now trades at historically low valuations.



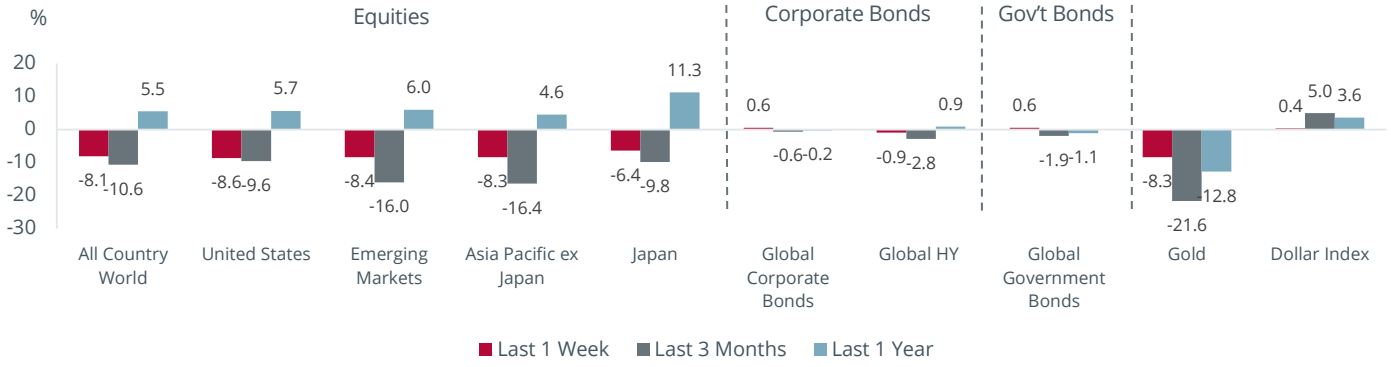
Source: LSEG Datastream, 23/11/2026

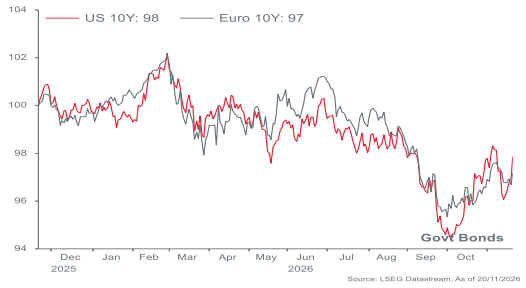
Market Review

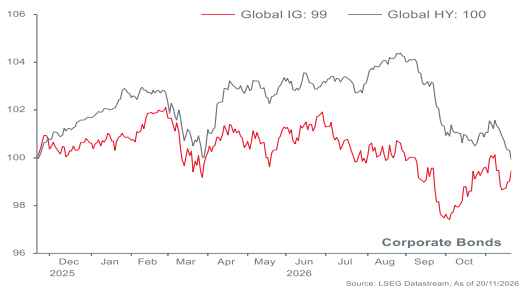
Global equities sold off over the last week, with the MSCI AC World Index down -8.1%. US equities declined, with the S&P 500 falling by -8.6% and the Nasdaq by -10.0%. Emerging Markets declined -8.4%, Asia Pacific ex Japan -8.3%, and Japan by -6.4% on a USD basis.

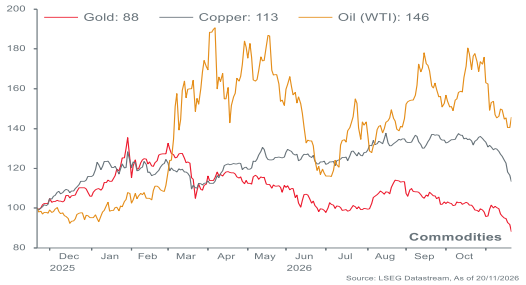
Gold fell -8.3% over the week, the US dollar index strengthened by 0.4%. Global Corporate Bonds and Global Government Bonds both rose by 0.6%, whilst Global High Yield Bonds declined by -0.9%.

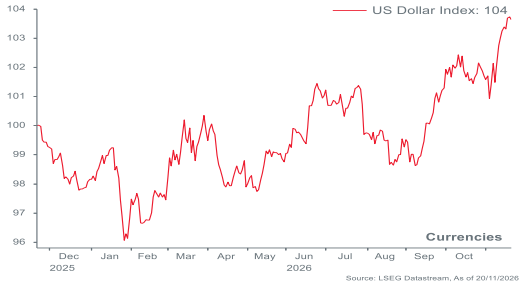
Asset Performance

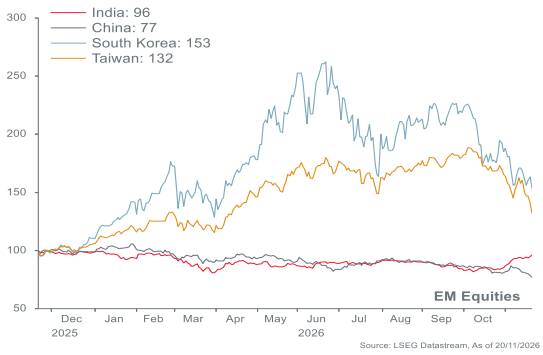


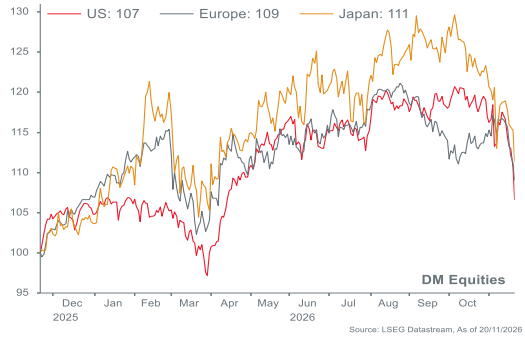












Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	4.91	-4.68	-4.01	4.56	19.69	18.28	5.31	3.96
10 Year Bond Yield (%)								
Japan	2.79	-2.58	-3.76	-2.14	53.49	34.73	3.11	1.79
China	1.63	1.75	-0.97	-3.67	-10.81	-12.67	1.89	1.59
Australia	4.96	-3.31	-5.85	-0.44	10.91	4.18	5.41	4.43
Singapore	2.27	-2.52	-5.21	-4.31	14.98	2.15	2.62	1.91
Malaysia	3.82	-1.11	-1.81	1.34	11.05	9.30	4.19	3.43
Indonesia	7.71	1.37	7.56	11.27	25.65	26.02	7.74	6.09

	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	91.98	0.69	0.76	-0.78	-3.07	-2.82	95.69	90.53
Bloomberg U.S. Aggregate USD	90.81	1.19	1.08	-1.12	-3.41	-3.47	95.21	88.78

Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	1,021.91	-8.11	-9.60	-10.63	5.51	0.72	1,160.81	960.87
North America								
US S&P 500 Index	6,910.39	-8.61	-10.40	-9.56	5.68	0.95	7,844.52	6,316.91
US Nasdaq Composite Index	22,617.73	-10.02	-14.41	-13.23	2.44	-2.69	27,722.75	20,690.25
Europe								
MSCI Europe	2,617.75	-6.21	-4.32	-9.54	5.79	-0.95	2,917.43	2,461.79
Asia Pacific								
MSCI Asia Pacific ex Japan	737.01	-8.33	-10.23	-16.37	4.59	2.05	925.80	684.96
Japan Nikkei 225	56,436.65	-7.70	-11.92	-14.77	13.27	12.11	72,831.75	48,490.03
Shanghai Stock Exchange Composite	3,533.79	-2.77	-5.40	-9.48	-10.11	-10.96	4,258.86	3,500.83
Hong Kong Hang Seng	22,410.80	-5.19	-6.10	-12.79	-13.26	-12.56	28,056.10	22,307.42
Taiwan TAIEX	36,033.29	-17.50	-22.16	-19.81	31.38	24.41	49,968.92	26,395.98
Korea KOSPI	4,869.96	-7.95	-12.30	-28.93	21.60	15.56	9,385.59	3,833.35
India NIFTY 50	25,800.60	2.61	12.72	6.47	-1.49	-1.26	26,373.20	22,179.90
Australia Stock Exchange 200	8,592.60	-5.39	-2.54	-5.41	0.47	-1.40	9,296.70	8,262.40
Indonesia Jakarta Composite	5,146.33	-3.71	-2.51	-20.85	-38.88	-40.48	9,174.47	4,824.36
Thailand SET	1,453.28	-3.43	-6.54	-9.73	13.38	15.37	1,657.55	1,232.40
Malaysia FTSE Bursa KLSE	1,556.51	-1.65	-2.69	-10.38	-3.92	-7.36	1,771.25	1,548.67
Philippines Stock Exchange PSE	5,306.98	-5.12	-8.60	-14.93	-10.52	-12.32	6,673.61	5,249.76
Singapore FTSE Straits Times Index	4,975.17	-4.91	-7.94	-12.28	10.27	7.08	5,828.50	4,459.83

Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	0.01	-0.49	-2.39	-6.09	-4.86	-6.62	1.20	1.10
GBP	-0.04	-1.01	-2.22	-4.02	0.08	-2.91	1.38	1.31
CHF	-0.45	0.14	1.87	4.99	4.27	6.02	0.84	0.76
JPY	-0.71	-0.71	0.23	-0.33	0.68	1.20	163.85	152.19
Asia								
CNY	0.16	0.09	-0.01	-0.68	-6.17	-4.52	7.12	6.65
HKD	-0.05	-0.09	-0.13	-0.06	0.71	0.72	7.85	7.77
INR	-0.66	-1.67	-2.23	-3.17	4.46	3.14	96.82	88.71
MYR	-	0.61	0.70	1.73	-1.06	1.33	4.15	3.88
KRW	0.91	0.83	1.51	-3.43	-8.69	-6.56	1,559.08	1,323.60
SGD	-0.12	0.18	0.99	1.39	-1.35	0.35	1.31	1.26
TWD	-0.18	0.24	1.04	3.45	5.12	5.18	33.07	31.09
IDR	0.14	0.38	1.56	2.93	9.18	9.54	18,260.00	16,615.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 20 November 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts)** Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

Market data: Eastspring Investments, Refinitiv, as of 20 November 2026. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated. Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.