

US Stocks Hit New Highs

Video highlights:

- US stocks hit new highs, but traditional sectors (energy, materials, consumer staples, industrials) have outperformed year-to-date, while tech and communication services lagged despite strong Q4 earnings.
- Investors show caution toward high-valuation stocks, with funds rotating from tech into more reasonably valued traditional and value sectors.
- AI development boosts power demand, benefiting energy and utility sectors (including nuclear-related firms), which offer attractive valuations and defensive qualities.
- In financials, AI improves efficiency and lowers costs; combined with wealth management growth, rate-cut expectations, and deregulation.
- In Hong Kong stocks, technology and telecom sectors are lagging, while China's "15th Five-Year Plan" prioritizes technological self-reliance, creating major opportunities for AI and robotics. This is expected to fuel data center growth and innovation. The high-dividend telecom sector may benefit from mainland "anti-involution" policies accelerating industry consolidation, though recent VAT adjustments could impact future dividends.
- The financial sector has performed strongly, supported by attractive dividends, a recovering Hong Kong IPO market, and cross-border capital inflows boosting wealth management. However, some stocks with substantial gains warrant caution due to pullback risks. Overall, the Hang Seng Index trades at a relatively low valuation compared to U.S. and select Asian markets. Sectors like financials, utilities, and telecom offer reasonable valuations, while information technology sits below its historical average—making these areas worth watching.
- Entering 2026, the bond market faces greater complexity due to diverging central bank policies. While the Fed is expected to deliver two more rate cuts this year, the Bank of Japan and Reserve Bank of Australia are tightening, increasing bond market volatility. The recent "Greenland incident" prompted European pension funds to sell U.S. Treasuries, pushing yields higher, weakening their traditional safe-haven status, and highlighting the need for regional diversification.
- Rising interest rate risk pressures long-duration bonds, so portfolios should control duration and can be diversified into money market instruments, short-term government bonds, and floating-rate notes. Investment-grade bonds remain the core, with moderate high-yield exposure for potential gains in a soft-landing scenario—though credit risk requires caution. A weaker dollar supports Asian and emerging market bonds. Overall, diversification across regions and types reduces concentration risk.

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