Long Story Short

Long Story Short is our CIO Equity newsletter highlighting key equity market developments and trends.

Back to better risk-reward

The story

We update our AI capex forecasts ahead of the upcoming Q2 reporting season and now expect AI capex to grow 75% y/y in 2026, up from our previous estimate of 65%, with the 2025–30 CAGR revised higher to 32% from 30%. The upgrade is driven by strong supply chain channel checks and renewed confidence in Big Tech's AI investment ambitions amid improving signs of AI monetization.

Our AI bubble meter signalled a downgrade for June 2026, and the risks have been played out over the past few weeks. With our revised capex and post recent correction, we refresh the meter which moves back to a "**Better**" risk-reward profile after being downgraded to "**Good**" previously.

We expect the global tech sector to beat earnings expectations, allaying concerns about capital investment and AI monetisation. This should create an opportunity for those under-invested in the sector to add exposure ahead of the earnings season.

Long or positive implications

Investors who are under-exposed to the global tech sector have an opportunity to use the recent correction to add some exposure ahead of the earnings season. As guidance, the global tech sector now represents more than 40% of global equities and indirectly around 21% of multi-asset strategies such as our balanced foundation portfolio.

Specifically, we are taking the following actions: a) Increase semiconductor exposure in Global Tech to 35-40% vs 30-35% earlier, internet around 30%, hardware and software 10-15% each, and services and others around 5%; b) Within semiconductors, we would increase our allocation in beaten-down memory segment, where we see a short-term bottom emerging due to long-term agreements providing strong EPS.

Against this backdrop, we are introducing a new opportunistic idea on **MSCI Taiwan**. Taiwan's foundry leadership captures the AI supercycle, while its broadening AI supply chain is growing in its own right.

Index Forecasts

Index	12m forecast*	Our views
S&P500	7,950	US ▲
Nasdaq 100	32,600	
Euro Stoxx 50	6,620	Europe ex-UK ◆
FTSE 100	10,750	UK ▼
Hang Seng	25,600	China ▲
Nifty 50	25,900	India ▲
Nikkei 225	74,500	Japan ◆

Source: Standard Chartered. China and India views are relative to Asia ex-Japan market

Note:

* Target prices created as of 19 Jun 2026

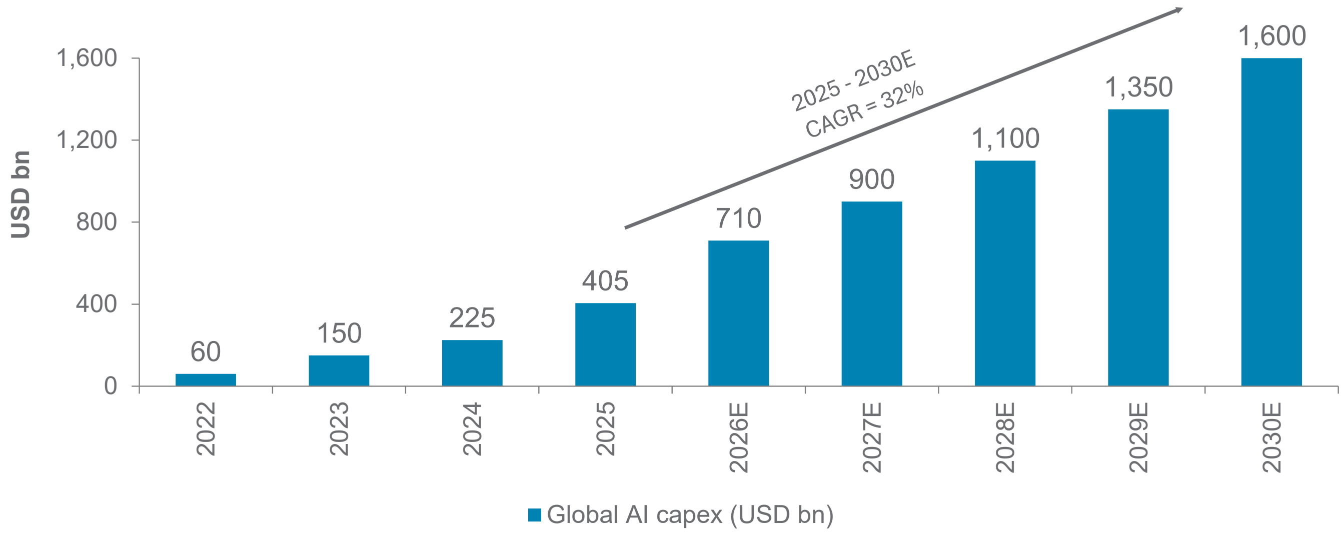
Legends: ▲ Most preferred | ▼ Least preferred | ◆ Core holding.

Green / Red represents an upgrade / downgrade from the prior GMO.

Short or negative implications

We are taking profit on our **MSCI World Equal Weight** idea, which has modestly outperformed broader global markets (MSCI all-country world index) since inception. While we continue to expect broadening of growth beyond Big Tech, we prefer to express this view through our other sector and opportunistic ideas rather than through a low-beta equal-weight strategy going forward.

Fig. 1 **Rising AI capex, supported by monetisation trends**

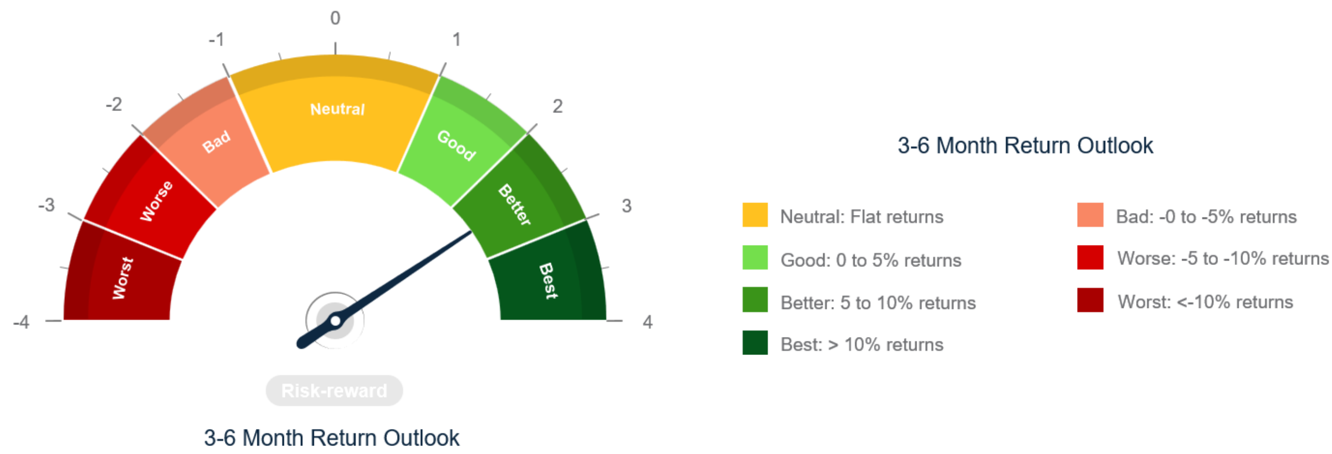


Source: Company reports, Standard Chartered

AI bubble meter update for mid July 2026

We upgrade our AI Bubble Meter from "**good**" to “**better**” risk-reward range, with the score rising from 1.5 to 2.5, implying an expected 3-6 month return outlook of 5-10%. The upgrade reflects an improving earnings outlook consistent with our raised capex forecasts supporting stronger EPS revisions, underpinned by better-than-expected supply chain checks and renewed near-term capex ambitions from Big Tech. Overall tech valuations have also become more attractive following the recent market correction, though “other risks” remains elevated given the on-off nature of the US-Iran conflict and implications for global supply chains.

Fig. 2 **AI bubble meter for mid July 2026 (score up from 1.5 to 2.5)**



Source: Company reports, Standard Chartered

Table 1: How have our AI catalyst and risk scores evolved over time?

Catalysts and risks scores since December 2022

	AI bubble meter	Capex trends	Adoption rates	Earnings revision	Quality of growth	Big tech's commitment	Total catalyst score	Disruption risks	Valuation risks	Funding risks	Regulation risks	Other risks	Total risk score
Dec-22	1.0	2.5	0.5	2.5	2.5	2.5	10.5	2.0	1.0	1.5	2.5	2.5	9.5
Jan-23	1.0	2.5	1.0	3.0	3.0	2.5	12.0	2.5	1.5	2.0	2.5	2.5	11.0
Feb-23	1.5	3.0	1.0	3.0	3.0	2.5	12.5	2.5	1.5	2.0	2.5	2.5	11.0
Mar-23	2.0	3.0	1.5	3.5	3.0	2.5	13.5	2.5	1.5	2.0	2.5	3.0	11.5
Apr-23	2.5	3.0	1.5	3.5	3.0	2.5	13.5	2.5	1.0	2.5	2.5	2.5	11.0
May-23	2.5	3.0	1.5	3.5	3.0	3.0	14.0	2.5	1.5	2.5	2.5	2.5	11.5
Jun-23	2.5	3.0	1.5	3.5	3.0	3.0	14.0	2.5	1.5	2.5	2.5	2.5	11.5
Jul-23	2.0	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.0	2.5	2.5	2.5	12.0
Aug-23	1.5	3.0	1.5	3.0	3.0	3.0	13.5	2.5	2.0	2.5	2.5	2.5	12.0
Sep-23	1.0	3.0	1.5	3.0	3.0	3.0	13.5	2.5	2.0	2.5	3.0	2.5	12.5
Oct-23	1.0	3.0	1.5	3.0	3.0	3.0	13.5	2.5	2.0	2.5	3.0	2.5	12.5
Nov-23	2.0	3.0	1.5	3.5	3.0	3.0	14.0	2.5	1.5	2.5	3.0	2.5	12.0
Dec-23	1.5	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.0	2.5	2.5	3.0	12.5
Jan-24	2.0	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.0	2.5	2.5	2.5	12.0
Feb-24	2.0	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.0	2.5	2.5	2.5	12.0
Mar-24	1.5	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
Apr-24	1.5	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
May-24	1.5	3.0	1.5	3.5	3.0	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
Jun-24	1.0	3.0	1.5	3.5	2.5	3.0	13.5	2.5	2.5	2.5	2.5	2.5	12.5
Jul-24	1.0	3.0	2.0	3.5	2.5	3.0	14.0	2.5	3.0	2.5	2.5	2.5	13.0
Aug-24	1.5	3.5	2.0	3.0	2.5	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
Sep-24	1.5	3.5	2.0	3.0	2.5	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
Oct-24	2.0	3.5	2.0	3.0	3.0	3.0	14.5	2.5	2.5	2.5	2.5	2.5	12.5
Nov-24	2.0	3.5	2.0	3.0	3.0	3.0	14.5	2.5	2.5	2.5	2.5	2.5	12.5
Dec-24	1.5	3.5	2.0	2.5	3.0	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
Jan-25	1.5	3.5	2.0	2.5	3.0	3.0	14.0	2.5	2.5	2.5	2.5	2.5	12.5
Feb-25	1.0	3.0	2.0	2.5	3.0	3.0	13.5	3.5	1.5	2.5	2.5	2.5	12.5
Mar-25	1.0	3.0	2.0	2.5	3.0	3.0	13.5	2.5	1.5	2.5	3.5	2.5	12.5
Apr-25	2.5	4.0	2.5	2.5	3.0	3.0	15.0	2.5	1.0	2.5	4.0	2.5	12.5
May-25	3.5	4.0	2.5	3.0	3.0	3.5	16.0	2.5	2.0	2.5	3.0	2.5	12.5
Jun-25	3.5	4.0	2.5	3.0	3.0	3.5	16.0	2.5	2.0	2.5	3.0	2.5	12.5
Jul-25	3.0	4.0	2.5	3.0	3.0	3.5	16.0	2.5	3.0	2.5	2.5	2.5	13.0
Aug-25	3.0	4.0	2.5	3.0	3.0	3.5	16.0	2.5	3.0	2.5	2.5	2.5	13.0
Sep-25	2.5	4.0	2.5	3.0	3.0	3.5	16.0	2.5	3.5	2.5	2.5	2.5	13.5
Oct-25	1.5	4.0	2.5	3.0	2.5	3.5	15.5	2.5	3.5	3.0	2.5	2.5	14.0
Nov-25	1.0	4.0	2.5	3.0	2.5	3.5	15.5	2.5	3.5	3.5	2.5	2.5	14.5
Dec-25	1.0	4.0	2.5	3.0	2.5	3.5	15.5	2.5	3.5	3.5	2.5	2.5	14.5
Jan-26	2.0	4.0	3.0	3.0	2.5	3.5	16.0	2.5	3.0	3.5	2.5	2.5	14.0
Feb-26	2.5	4.0	3.0	3.5	2.5	3.5	16.5	2.5	3.0	3.5	2.5	2.5	14.0
Mar-26	2.5	4.5	3.0	3.5	2.5	3.5	17.0	3.0	3.0	3.5	2.5	2.5	14.5
Apr-26	2.5	4.5	3.0	3.5	2.5	3.5	17.0	3.0	2.5	3.5	2.5	3.0	14.5
May-26	2.5	4.5	3.0	3.5	2.5	3.5	17.0	3.0	2.5	3.5	2.5	3.0	14.5
Jun-26	1.5	4.5	3.0	3.5	2.5	3.5	17.0	3.0	3.0	3.5	2.5	3.5	15.5
*Jul-26	2.5	4.5	3.0	4.0	2.5	3.5	17.5	3.0	2.5	3.5	2.5	3.5	15.0

Source: Company reports, Standard Chartered. *Mid Jul 2026 update

Opportunistic ideas update for mid July 2026

Opportunistic ideas	Tracking index	Initiation date	ITD performance*
MSCI Taiwan 20/35 (NEW)	NU727318 Index	9 Jul 2026	N/A
Global High Dividend	SPGDAUN Index	18 Jun 2026	1.3%
US Communication Services	MXUS0TC Index	18 Jun 2026	-0.2%
Japan Banks	TPXDBNK Index	18 Jun 2026	2.1%
Hang Seng Technology	HSTECH Index	31 Oct 2024	7.1%

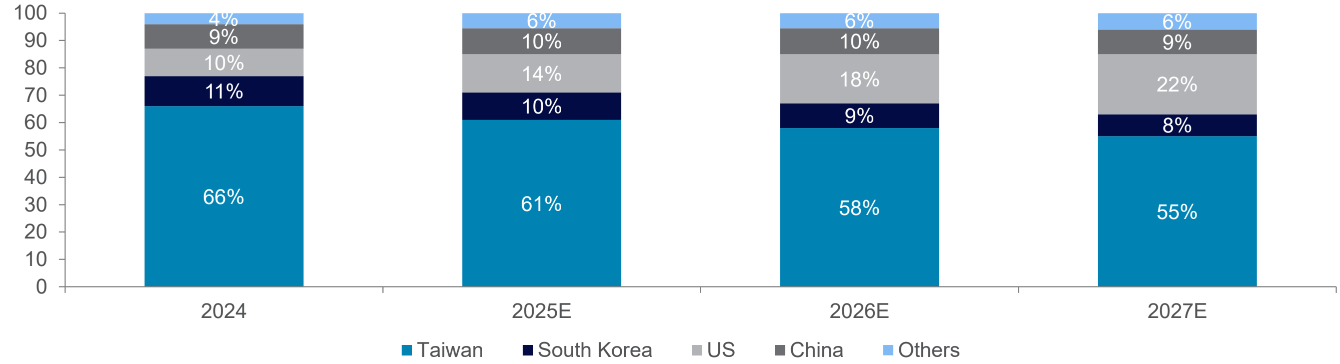
*Initiation to date performance based on local FX. Data as of 9 Jul 2026

MSCI Taiwan 20/35 (NEW)

We initiate an opportunistic idea on MSCI Taiwan 20/35. Taiwan's foundry leadership captures the AI supercycle, especially for advanced nodes, making it the indispensable supplier to major AI compute and smartphone players, with limited near-term substitution risk. Beyond foundries, a broadening AI supply chain is growing in its own right. Each new chip generation requires more substrate area, board layers, and cooling/power capacity, creating compounding demand across substrates, PCBs, optical interconnects, thermal, and power. As a result, Taiwan's AI hardware suppliers are posting some of the fastest revenue growth in the entire AI supply chain. Lastly, Taiwan offers more growth per dollar than the S&P 500, at a lower P/E ratio.

Fig. 3 **Taiwan controls the overwhelming majority of advanced-node foundry capacity, and even as the US share rises on reshoring initiatives, Taiwan is projected to retain a clear majority through the decade**

Global advanced-node (≤14nm) foundry capacity share by country (%)



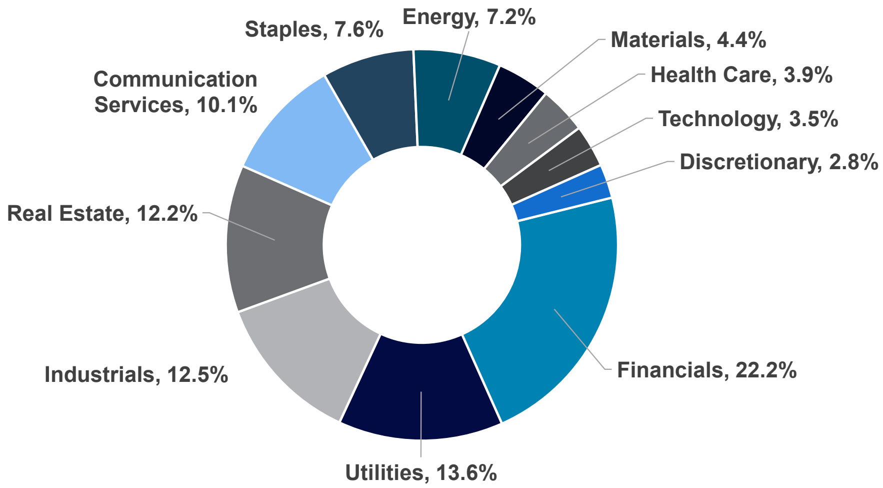
Source: TrendForce, Standard Chartered

Global High Dividend

We remain positive on Global high dividend stocks. This strategy delivers reliable income to navigate volatility. With equity risk premia remaining compressed, the income yield provides a critical return cushion. Furthermore, a heavy weighting in cyclical and defensive sectors, such as Financials and Utilities, ensures downside protection.

Fig. 4 **High-dividend equities deliver stable returns, and cushion against market volatility and downside risks**

Global High Dividend sector mix



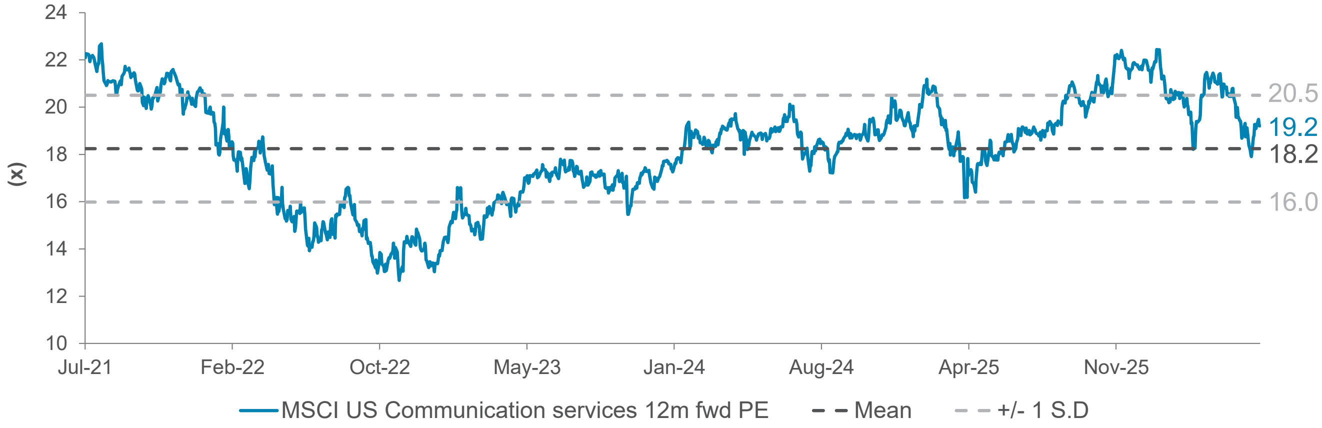
Source: S&P Global, Bloomberg, Standard Chartered

US Communication Services

We remain positive on US Communication Services with the recent correction providing an attractive entry point. A fundamental recovery in digital-ad spending and increasing AI monetisation are driving momentum. These catalysts justify accelerating capex and offer valuation re-rating potential, as current valuations remain reasonable vs its 5-year average, in relation to its growth prospects.

Fig. 5 **Accelerating capex is justified by AI returns, with current valuations remaining reasonable**

US Communication Services 12-month forward P/E valuation



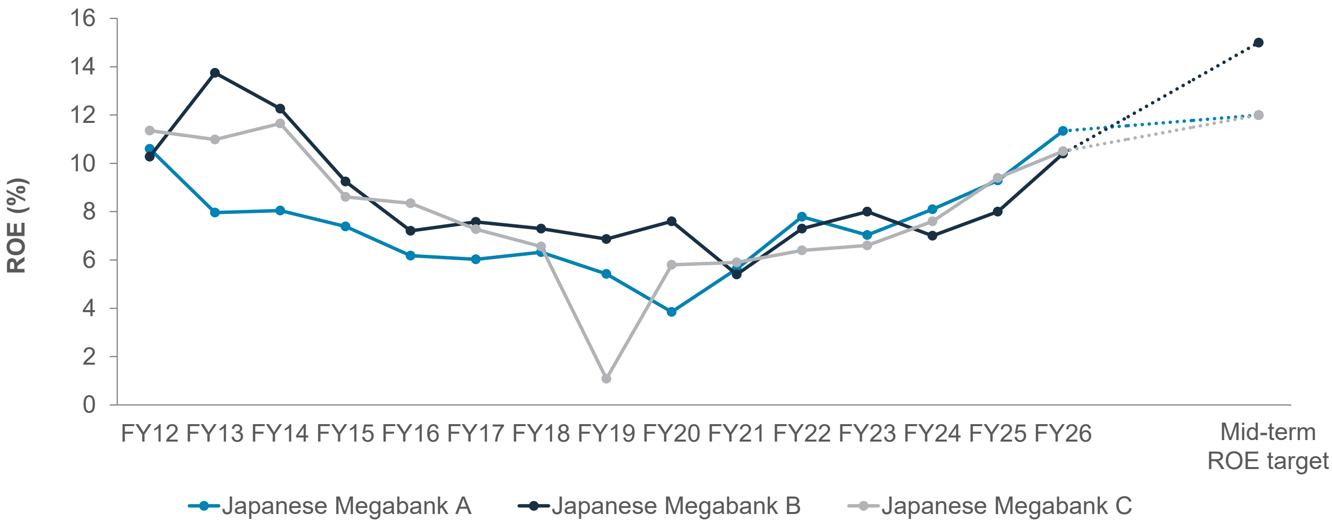
Source: Bloomberg, Standard Chartered

Japan Banks

We remain positive on Japan banks. Potential BoJ rate hikes should drive net interest margin expansion, while Japan's reflation cycle boosts loan demand. Furthermore, ongoing corporate governance reforms – driving buybacks and dividends – support higher ROEs and continued valuation re-rating. The theme also helps broaden equity exposure beyond tech, with Japanese banks offering a distinct set of return drivers, which contribute to our overarching theme of diversification.

Fig. 6 **Corporate governance reforms support ROE improvement, and a continued share price re-rating**

Japan Banks Return on Equity (ROE)



Source: Company reports, Bloomberg, Standard Chartered

Hang Seng Technology

Hang Seng Tech offers exposure to innovative companies positioned for both near-term recovery and long-term expansion. Tech innovation remains a key priority under China's 15th Five-year Plan. Potential IPO activity should support investor sentiment, while deeply discounted valuations also offer an attractive entry point. Adverse regulatory changes are risks.

Fig. 7 **AI and technology developments, along with further policy stimulus can drive further valuation re-rating**

Hang Seng Technology 12-month forward P/E valuation

Source: Bloomberg, Standard Chartered

▽ MSCI World Equal Weight — Closed 9 Jul 2026 (2.2% gain from 21 May 2026 to 9 Jul 2026)

The idea has modestly outperformed broader equity indices such as MSCI ACWI during the period. We are closing the recommendation as, while we continue to expect broadening of growth beyond Big Tech, we prefer to express this view through our other sector and opportunistic ideas rather than through a low-beta equal-weight strategy.

Should you have any questions or comments on our newsletter, please reach out to your representative at Standard Chartered Bank.

Sundeep Gantori, CFA, CAIA
Chief Investment Officer, Equities

Fook Hien Yap
Senior Investment Strategist

Michelle Kam, CFA
Investment Strategist

Jason Wong
Senior Equity Analyst

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