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Wealth Flash

CIO Series Recap

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AI to the World: More Chips, More Memory, More Power

Analyst

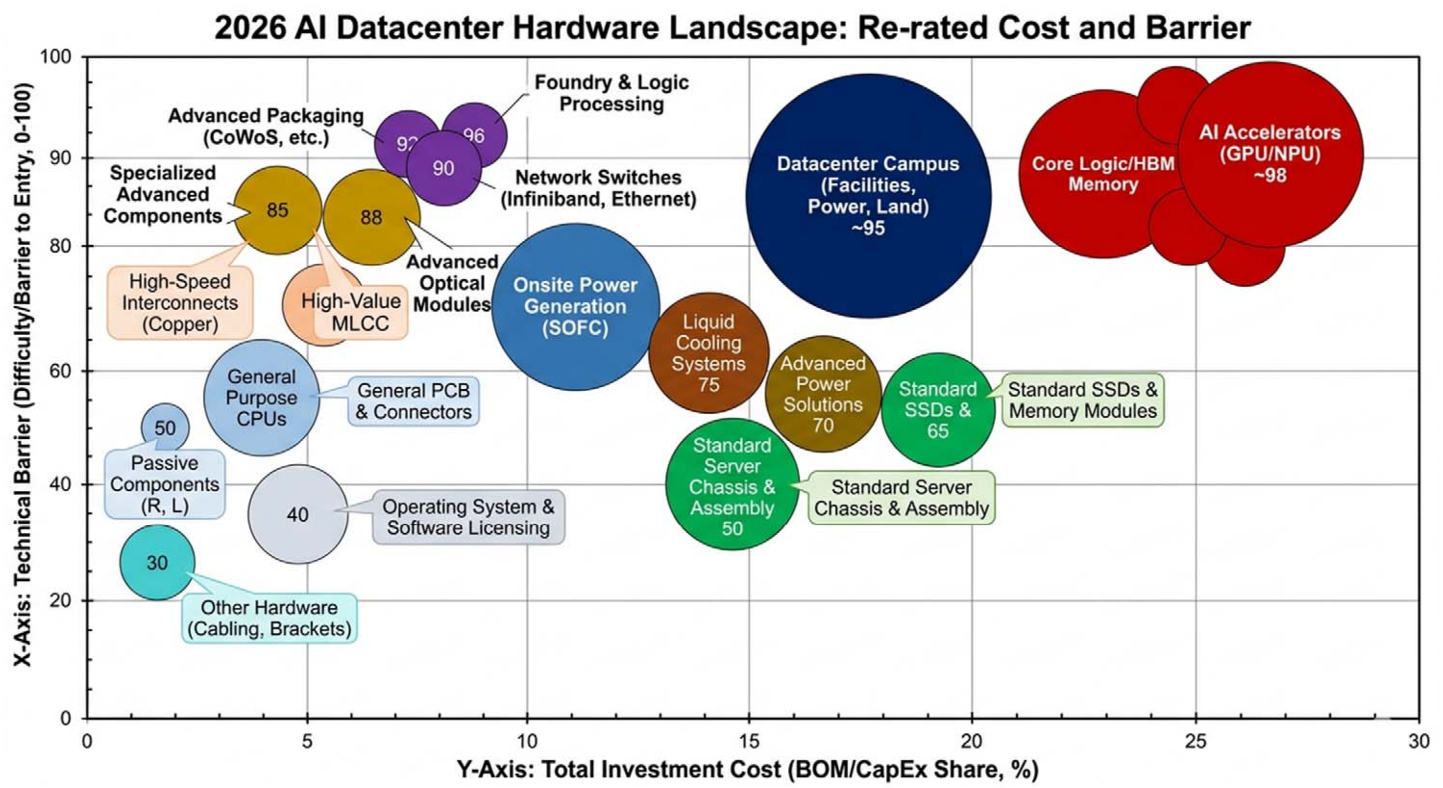
Qi Wang, CFA
Chief Investment Officer
Private Wealth Management
qi.wang@uobkh.com

AI is expanding relentlessly, but markets often fret about overcapacity. The disconnect drives stock volatility yet also creates investment opportunities. Read on to find out why we still love AI hardware.

CIO Summary

- **Scaling Laws are intact and accelerating AI compute demand.** Recent advances – from emerging self-training LLMs to Kimi K3 – reaffirm that AI performance scales with more compute, more data, and larger models. Even open-source models require massive GPU clusters and compute power.
- **Open-source models benefit hyperscalers and supercharge hardware players.** Open-source reduces hyperscalers' model-training capex while expanding cloud margins and accelerating AI adoption. This significantly increases total compute capacities, making hardware the most certain part of the AI value chain.
- **AI hardware remains our top AI sub-theme,** including accelerators, memory, optics and power infrastructure. See our stock recommendations and model portfolio inside.

AI Hardware Overview



We hosted two CIO Series webinars in July – one in Chinese and one in English – both focused on AI. Below are the replay links, along with key takeaways from our discussions.

Date	Language	Title	Replay Link
22 July	Chinese	直击美股财报，捕捉 AI 轮动先机	https://www.youtube.com/watch?v=-trIZmkC_kU
28 July	English	AI Rotation: Finding the Next Winners	https://www.youtube.com/watch?v=OvAlIlRAwQg

- **Recent tech developments reaffirm AI Scaling Laws.** From the self-training of LLMs to the launch of Kimi K3, these latest innovations again prove that AI performance can scale with more compute, data and model parameters. For example, running Kimi K3 requires 62 GPU super-pods connected in parallel, underscoring that even open-source models require massive infrastructure and complex maintenance. **This dynamic bodes well for AI infrastructure and hardware demand.**
- **Rise of open-source models should benefit cloud providers** (with some caveats). The open-source movement is net-positive for hyperscalers like Amazon (AMZN) and Microsoft (MSFT), in our view. It enables them to reduce their own model training capex while leveraging open models to earn higher margins on their cloud services. Open-source models can also accelerate AI adoption and the migration from on-premises to hyperscalers, both of which are positive for cloud volume growth. However, a potential side-effect is that open source models may displace proprietary frontier models (e.g. Anthropic, OpenAI), causing a temporary dip in overall compute demand.
- **Open-source is overwhelmingly positive for hardware.** While Kimi K3 triggered a brief panic across the AI ecosystem (another DeepSeek moment), it is actually positive for AI hardware – GPUs, memory, optics and power etc. This is because open-source models dramatically increase the amount of compute required to train, fine-tune and run AI (see the logic above). **This makes hardware (picks and shovels) the most certain and attractive part of the AI value chain.**
- **Tech earnings confirmed continuing strong AI capex and robust hardware demand.** Whether before our webinars (TSMC, ASML, Google etc.) or after (Amazon, Microsoft, Meta etc.), the message from the current earnings season is loud and clear: AI capex is strengthening not weakening. This goes against our "Great AI Cooldown" prediction for 2026, but it's a "beautiful mistake" as our caution turns out to be unwarranted.
- **Accelerator chips remain our top pick in AI hardware.** Nvidia (NVDA) remains the undisputed leader in GPUs, while Broadcom (AVGO) continues to dominate ASICs – both critical to AI compute. They are not only must-owns, but also important to monitor for major technological shifts.
- **Memory is another top pick within AI hardware.** AI compute relies heavily on memory products – high-bandwidth memory (HBM), DDR5 and NAND flash. Meanwhile, memory supply is expected to remain tight through 1H2027, with limited impact from Chinese suppliers like CXMT (1-2% incremental supply globally). Memory stocks are currently oversold amid the Korean market deleveraging – a technical unwind largely unrelated to fundamentals. Hynix (SKHY) is the global leader in HBM, while Micron (MU) is a US-based leader in HBM, DDR5 and flash.
- **Optics and interconnects as a sustainable long-term theme.** As copper interconnects hit physical constraints and power consumption limits in high-speed GPU clustering, datacenters are increasingly transitioning to 1.6T and 3.2T optical solutions. Lumentum (LITE) provides high-power laser components required in next-gen datacenter optical networking, while Nokia (NOK) is a leading full-stack system provider.

Call to Action

- Both during our calls and in this report, we'd like to reiterate our **US stock recommendations for AI infrastructure and hardware**, as part of our US Stock Model Portfolio (see Appendix).

Node	Core Recommendations	Trading Buys
Hyperscalers (cloud providers)	AMZN, MSFT, META	GOOGL
Accelerator Chips	NVDA, AVGO	-
Memory	-	SKHY, MU
Optics & Interconnects	-	LITE, NOK
Power Infrastructure	GEV, BRK.B (a major AI power enabler)	-

- **Follow our research and read our reports.** In addition to the usual publications, our US Tech Lead Garrick Li has launched a list of AI Hot Topics and a proprietary AI Heatmap – daily performance updates on nearly 100 stocks across 20+ AI subsectors to help you stay ahead of the game. Please contact your UOB Kay Hian representative or email research@uobk.com for access.

UOB Kay Hian AI Heatmap (as of 4 August 2026)

Theme	1D Return (%)	1W Return (%)	MTD Return (%)	QTD Return (%)	YTD Return (%)	1YR Return (%)
Hyperscalers & Platform Co	1.0	10.6	9.4	10.7	- 3.8	12.1
AI GPU Theme	6.8	12.8	- 2.4	- 10.9	109.7	205.3
AI ASIC Theme	7.1	20.7	3.4	- 4.2	121.4	144.4
AI CPU Theme	6.3	12.3	- 1.0	- 6.2	299.2	122.2
Optics/Networking Theme	6.8	22.6	- 1.3	- 15.4	112.8	351.6
Memory Theme	5.5	20.8	- 15.5	- 26.8	260.9	1,157.3
AI Neocloud	4.7	27.9	6.6	- 9.3	45.2	99.2
Semi Equipment	5.4	16.7	- 11.0	- 23.1	83.1	159.2
AI Power Infra	2.7	9.9	- 6.1	- 10.3	57.9	123.0
800V (Power Semi & MLCC)	5.1	12.7	- 15.4	- 20.7	95.7	165.0
PCB/CCL/Substrates	7.1	23.8	- 14.8	- 18.3	140.0	284.8
Semi Foundry	5.6	10.3	- 17.0	- 28.0	70.4	172.1
Server Assembly	4.4	9.9	4.4	- 0.5	73.5	92.8
OpenAI Supply Chain	5.2	17.9	8.3	- 0.5	35.9	39.7
Google Supply Chain	3.8	15.2	0.1	- 9.7	75.3	256.0
Amazon Supply Chain	11.7	28.8	- 10.7	- 25.1	140.6	227.2
Agentic AI/OpenClaw Them	7.1	14.6	2.9	- 0.7	83.7	122.3
Anthropic Partners	4.5	15.3	10.4	8.8	62.1	79.4
AI Software Winner Camp	6.7	17.8	11.4	14.2	30.9	44.5
AI Software Loser Camp	5.2	7.6	21.7	33.8	- 30.0	- 43.1
Space Theme	6.3	14.7	- 11.7	- 15.3	35.6	127.7
Non Tech AI Leader	0.9	- 0.9	- 0.5	0.8	7.7	22.1
Edge AI	2.0	1.8	- 2.6	- 2.0	9.8	49.5

Appendix: US Stock Model Portfolio

US Stock Model Portfolio - Core Recommendations and Trading Buys

4 Aug 2026

Name	Ticker	Sector	Type of Recommendation	Current Price	Position Weight (%)	Forward PE	1D Return (%)	1W Return (%)	MTD Return (%)	QTD Return (%)	YTD Return (%)	1Y Return (%)	Inception Return (%)
Berkshire Hathaway Inc-Cl B	BRK/B US	Financials	Core Recomm	517.22	7.0	26.0	0.8	0.9	1.1	3.4	2.9	12.7	-
Ss Energy Select Sector	XLE US	Energy	Core Recomm	58.52	6.3	NA	-0.5	1.7	-1.7	10.2	32.7	41.3	-
Nvidia Corp	NVDA US	Information Technology	Core Recomm	211.94	5.7	19.4	2.6	7.6	5.6	5.9	13.8	17.9	-
Walmart Inc	WMT US	Consumer Staples	Core Recomm	111.55	5.2	36.0	0.8	-1.4	0.3	-1.5	0.5	12.9	-
Johnson & Johnson	JNJ US	Health Care	Core Recomm	254.93	4.9	20.8	0.2	-4.4	-0.6	0.4	24.6	52.8	-
Meta Platforms Inc-Class A	META US	Communication Services	Core Recomm	587.94	4.8	15.8	-0.4	-0.9	5.6	4.4	-10.8	-24.0	-
Procter & Gamble Co/The	PG US	Consumer Staples	Core Recomm	148.01	4.5	21.0	2.1	-0.6	2.4	1.7	5.5	1.0	-
Occidental Petroleum Corp	OXY US	Energy	Core Recomm	55.09	4.4	12.2	-0.7	2.2	-3.5	13.4	35.2	31.2	-
Ge Vernova Inc	GEV US	Industrials	Core Recomm	1,018.53	4.2	43.1	1.2	8.0	2.9	-13.3	56.1	54.0	-
Ishares Semiconductor Etf	SOXX US	NA	Trading Buy	542.21	3.9	NA	6.8	10.3	7.4	-15.4	80.2	126.6	-
Eli Lilly & Co	LLY US	Health Care	Core Recomm	1,115.68	3.9	27.7	-0.5	-8.6	-2.9	-7.0	4.2	46.1	-
Broadcom Inc	AVGO US	Information Technology	Core Recomm	418.16	3.8	24.0	6.6	9.8	7.4	10.7	21.3	41.5	-
Amazon.Com Inc	AMZN US	Consumer Discretionary	Core Recomm	277.42	3.1	20.9	-2.3	20.2	2.2	16.4	20.2	31.1	-
Lumentum Holdings Inc	LITE US	Information Technology	Trading Buy	849.47	2.9	43.3	8.9	30.3	19.0	-1.0	130.5	664.4	-
Ss Consumer Staples Sel Sect	XLP US	Consumer Staples	Core Recomm	85.37	2.1	NA	0.6	-1.9	0.4	2.8	11.3	8.9	-
Applovin Corp-Class A	APP US	Communication Services	Trading Buy	419.70	2.1	21.7	3.3	0.4	6.0	-18.5	-37.7	6.3	-
Nokia Corp-Spon Adr	NOK US	Information Technology	Trading Buy	9.92	2.0	22.4	6.0	11.1	8.5	-24.9	55.6	147.2	-
Microsoft Corp	MSFT US	Information Technology	Core Recomm	492.81	2.0	24.5	1.1	25.3	6.0	32.1	2.4	-7.3	-
Alphabet Inc-Cl A	GOOGL US	Communication Services	Trading Buy	377.65	2.0	21.4	1.1	13.2	6.0	5.7	20.8	94.2	-
Ss Industrial Select Sector	XLI US	NA	Trading Buy	186.40	2.0	NA	1.8	2.1	3.6	0.6	20.8	24.9	-
Ss Health Care Select Sector	XLV US	Healthcare	Trading Buy	162.10	1.8	NA	-0.1	-3.1	-0.3	2.2	5.6	24.0	-
Sk Hynix Inc-Adr	SKHY US	Information Technology	Trading Buy	154.38	1.2	NA	8.2	18.6	7.4	0.0	0.0	0.0	-
Snowflake Inc	SNOW US	Information Technology	Trading Buy	316.77	1.1	134.2	3.0	17.2	8.0	24.5	44.4	51.9	-
Ss Spdr S&P 500 Etf Trust-Us	SPY US	NA	Trading Buy	771.33	0.6	NA	1.8	4.1	3.3	3.3	13.7	23.6	-
US DOLLAR	CASH				18.4								
TOTAL					100.0	31.4	1.5	4.3	2.5	1.9	9.5	15.5	63.6

Note: "Core Recommendations" refer to our high conviction, best-of-the-best stock picks, with a minimum one-year investment horizon. "Trading Buys" are medium-conviction, short-term trading ideas. "Return" refers to USD total return including dividends but excluding transaction costs. Inception date is 31 December 2023. For more information, please contact wendy.chen@uobkh.com