

US Stock Express

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National Security Strategy

of the United States of America

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TABLE OF CONTENTS

- I. Introduction – What Is American Strategy?..... 1
 - 1. How American “Strategy” Went Astray..... 1
 - 2. President Trump’s Necessary, Welcome Correction..... 2
- II. What *Should* the United States Want?..... 3
 - 1. What Do We Want Overall?..... 3
 - 2. What Do We Want *In* and *From* the World?..... 5
- III. What Are America’s Available Means to Get What We Want?..... 6
- IV. The Strategy..... 8
 - 1. Principles..... 8
 - 2. Priorities..... 11
 - 3. The Regions..... 15
 - A. The Western Hemisphere..... 15
 - B. Asia..... 19
 - C. Europe..... 25
 - D. The Middle East..... 27
 - E. Africa..... 29

*In everything we do,
we put America first!*

President Donald J. Trump

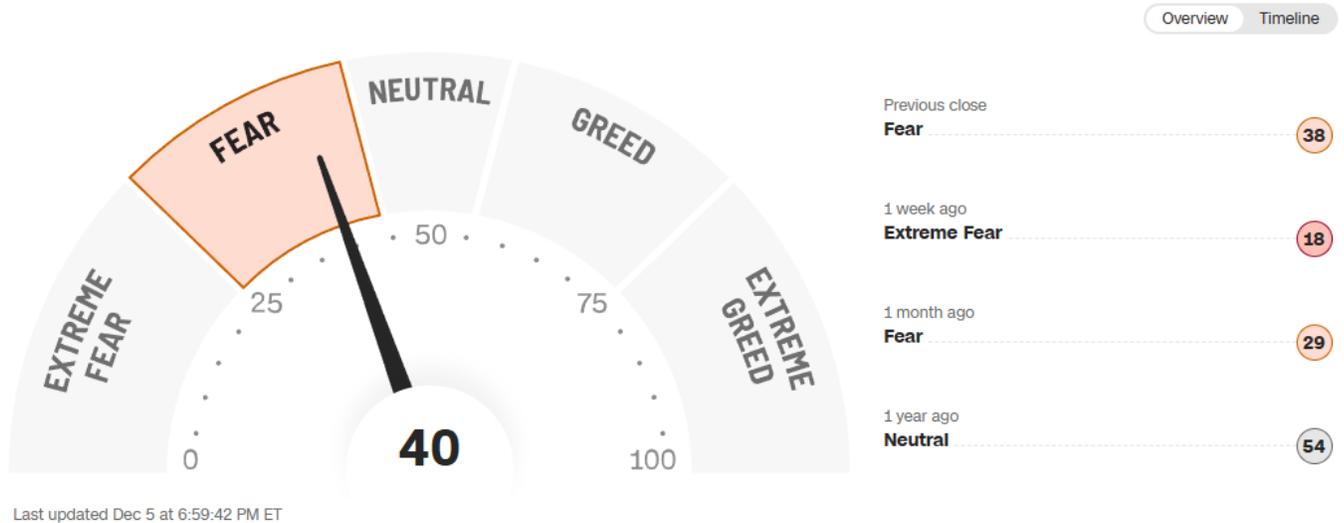
[2025-National-Security-Strategy.pdf](#)

*Risk disclosure: Price can go up and down at any moment, use free money to trade and bear the risk according to your own capital;
Never trade with money that has a deadline for withdrawal.
All suggestions are for reference only, even AI cannot be 100% reliable, final decision still lies upon investors.
Copy trading cannot replicate another trader's background or psychological state.*

Fear & Greed Index

What emotion is driving the market now?

[Learn more about the index](#)



North East West South is NEWS

OpenAI, the developer of the chatbot ChatGPT, has reached an agreement with Australian data center operator NextDC to build a multi-billion dollar artificial intelligence (AI) center in Sydney.

Apple today announced the winners of the 2025 App Store Awards, recognizing 17 apps and games. These works achieved outstanding results for their unique innovative technology and lasting cultural impact. Apple noted that the winning works demonstrated creative vision and exceptional user experience, enabling users to have a better interaction and experience across platforms.

Streaming giant Netflix faced fierce criticism today for its blockbuster acquisition of legendary Hollywood studio Warner Bros. Netflix has long been considered an outlier in some Hollywood circles, mainly because it refuses to release content in theaters and has disrupted traditional industry practices.

Market analysts widely expect the Bank of Japan to raise its benchmark interest rate by 0.25 percentage points to 0.75% at its meeting ending on December 19. If this development materializes, it will be Japan's highest interest rate level since 1995. Japanese Prime Minister Wasabi Takaichi's over 21 trillion yen economic stimulus package will further widen the fiscal deficit and push down the yen.

Apple (AAPL) stated that it issued a warning on December 2nd about a new wave of cyberattack threats to protect against surveillance risks. Google announced on December 3rd that it had warned all accounts suspected of being attacked by Intellexa spyware, involving "hundreds of accounts located in Pakistan, Kazakhstan, Angola, Egypt, Uzbekistan, Saudi Arabia, and Tajikistan." Intellexa is a cyber intelligence company sanctioned by the United States; Google stated that it continues to operate while circumventing restrictions.



World Observation

Day 1384
Russia/Ukraine Conflict

National Strategy Secuiry

Mind that the *National Strategy Report* is released on Dec 5th (Friday) by White House even though compiled in November. Donald Trump signed on his own while others he just uses the Signature Machine to do it. The legal effect of is the same.

What changes he has made, or what's new in the report? He has given up the responsibilities of *Police of the World*; it is the image of US established since the World War II. He put aside Europe, and his focus is shifted to East Aisa. Once the best ally of US was the UK and now is Japan. Since World War II, the UN troops are consisted 80% US troops, 10% UK troops and the remaining is from other parts of the world. But now his greatest interest is in exploration of rare earth and natural gas with Russia, rather than prevent invaders to occupy the land of other country. That's why I said he is the CEO of his company which is *US Co., Ltd* rather than president of the United Sates.

I chatted with AI on comments of New York Times, CNN and Aljazeera, and their response is strongly agreed, fully agree and agree with nuance. What investors should mind be the competition with China. China still wants to chase up US in space race, still want to land on Mars earlier than US. Basically, US is still leading, but China has excellent performance in individual sectors. So, his strategy made it very hard to have peace talk with Russia and we must put an eye on this and the military stocks. Meanwhile, Japan cannot protect Taiwan on their own, must with the help from LMT, RTX and NOC.



Market Observation

All near record high

DJIA 47,954.99

+0.22%

S&P 6,870.40

+0.19%

NASDAQ 23,578.13

+0.31%

The record high of DJIA is 48431.57, last closing is 47954.99, just 476.58 points away from it.
 The record high of S&P is 6920.34, last closing is 6870.40, just 49.94 points away from it.
 The record high of NASDAQ is 24019.89, last closing is 23578.13, just 441.76 points away from it.

If there is a record high in December, the next year will be looked further better. S&P will have an expectation of more than average which is just 12% only. Anyway, it depends on the speech of Jeromy Powell after the FOMC meeting. Even if he made clear there would not be any changes after the 25 base points of rate cut, we still have to see how Kevin Hassett's wordings are. This new chair will hold the FOMC meeting in June, that means the market still have to suffer for half a year.

As for the coming year, AI still will be the major trend of stock market, but mind that Bank of Japan will increase the interest rate and Federal Reserve will cut the interest rate. This will bring some turmoil in the market. Price of gold and crypto will rise. Why I take out the recommendations of Bank of America of holding 1%-4% crypto for retail investors? The fact is that if you don't watch a stock or crypto or gold, after a certain period, you will ask why it goes up so quickly and want to buy at once, but when you realize it, it is very near the top and your entry will be trapped. If you watch it daily, you will find why it goes up so slow. No matter for what kind of product or stock it is. This can apply to gold or Forex of any stock or product.

If you hold just 1% or even 0.5% of crypto in your investment, you will be cool enough, and always ask why it goes up so slowly. If you don't hold any percentage, after a period of time when watching it, you will be surprised why it goes up so quickly. The problem is not on the speed of rising; it is on the watching of investor. Anyway, 1%-4% of total investment in ETF of crypto is suitable for most retail investors. You can adjust upward or downward, but the focus is to let you keep an eye on it. No need to change the upper limit, but the lower limit can be 0.5% or 0.25%. A smart investor should know everything concerning the market and that's all.

Trump's national security strategy overview

Trump's new National Security Strategy (NSS) narrows U.S. priorities toward the Western Hemisphere, border control, and great-power competition—especially with China—while explicitly reviving a Monroe Doctrine framing for the Americas and emphasizing "American energy dominance." It is more personalized and inward-looking than recent predecessors, and it signals a harder-edged economic nationalism alongside military posture shifts [1](#) [2](#) [3](#). The official document outlines principles and priorities that prioritize deterrence, industrial capacity, and sovereignty-focused policy over expansive democracy promotion. [4](#)



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Europe and the Western Hemisphere

- **Western Hemisphere emphasis:** The NSS calls for reasserting U.S. dominance in the Western Hemisphere, linking migration, drug trafficking, and regional security under a renewed Monroe Doctrine lens. [1](#) [2](#)
- **Europe posture:** Commentary around the NSS notes a skeptical tone toward Europe and an ideological "culture war," implying less willingness to subsidize European security relative to past U.S. roles, though not an abandonment of NATO obligations per se. [1](#) [3](#) [5](#)

These shifts suggest more pressure on European states to shoulder defense burdens and manage their neighborhood risks, with the U.S. prioritizing nearer-term hemispheric issues and selective strategic bets elsewhere. [1](#) [5](#)

Asia focus: China, Taiwan, Japan, and the Philippines

- **China competition as top priority:** Analyses of the NSS consistently highlight intensified focus on strategic competition with China—spanning technology, trade, and military posture—putting the Indo-Pacific ahead of other regions in strategic significance. [3](#) [6](#) [7](#)
- **Taiwan and semiconductor leverage:** Taiwan's role is inseparable from the chip supply chain. TSMC accounts for more than 90% of advanced semiconductor manufacturing capacity, which makes the island strategically critical beyond values-based arguments, even if the NSS couches policy in broader deterrence terms. [8](#)
- **Japan and first island chain:** Commentary indicates stronger alignment with Japan and reinforcement of the first island chain concept, with industrial policy and defense cooperation as levers. While "Chip-4" isn't explicitly detailed in the NSS text, the broader thrust toward semiconductor resilience and allied tech alignment fits this framing. [3](#) [4](#)
- **Philippines and South China Sea:** The NSS's Indo-Pacific emphasis logically extends to bolstering partners like the Philippines in maritime disputes, consistent with countering Chinese power projection in the South China Sea. [3](#) [6](#)

TSMC dependence and war-risk scenarios

- **Is the 90% figure accurate?** Yes—TSMC provides more than 90% of global advanced-node manufacturing capacity. ⁸
- **If TSMC collapses in a war, do factories stop within weeks to months?** The risk is substantial. Advanced-node supply would be disrupted almost immediately, cascading through industries (cloud, AI, autos, defense). While some firms could bridge with inventories and node migration, most cutting-edge production would stall quickly and manifest in downstream shutdowns over weeks to months, given lead times, tooling specificity, and limited alternative capacity. The strategic concern is precisely why the U.S. and allies have pushed for onshoring and diversification (e.g., Arizona fabs), though this raises debate about Taiwan’s “silicon shield”. ^{8 9}

Profit vs. democracy: media framing and what the NSS signals

- **NYT/CNN/Al Jazeera framings:** The NSS and commentary around it emphasize sovereignty, industrial strength, and strategic returns more than expansive democracy promotion. Independent analyses describe it as narrower, more partisan, and economically nationalist, prioritizing tangible leverage over universalist rhetoric. In Europe, this can feel like “cultivating resistance” to U.S. cultural influence; in the Western Hemisphere, it looks like a doctrine of dominance tied to migration and narcotics control. ^{1 3 5}
- **My read:** The NSS tilts toward outcomes—security, industrial capacity, bargaining power—over values-forward narratives. That doesn’t erase democracy language entirely, but it clearly subordinates it to competitive advantage and deterrence. On China, the approach is unapologetically competitive and instrumentally focused. ^{3 4}

Market implications



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Defense primes and security contractors

Co mp any	Exposure to U.S. budget shifts	Indo-Pacific relevance	Border/ hemisphere initiatives	Risk factors
LMT	High (air/space/ missile)	Strong (airpower, deterrence)	Moderate (ISR spillovers)	Budget fights, program timing
RTX	Medium-High (sensors, missiles)	Strong (air defense, EW)	Moderate (surveillance tech)	Supply chain, export controls
NO C	High (strategic systems)	Medium (maritime/ISR)	Low-Moderate	Program cadence, valuation

Sources: ^{1 3 10}

- **Allocation tailwinds:** A more assertive Indo-Pacific posture, missile defense, and ISR build-outs generally favor LMT/RTX/NOC via modernization and munitions resupply. Historical patterns show defense stocks often outperform during elevated geopolitical tension and policy-driven spending cycles. ^{3 10}
- **Volatility drivers:** Budget brinkmanship, procurement delays, and legal/regulatory challenges can whipsaw multiples. If Europe is asked to do more independently, U.S. primes may see mixed export dynamics offset by U.S.-led Indo-Pacific demand. ⁵

Semiconductors and TSMC

- **Why TSM's stock looks "normal":** Markets discount geopolitical tail risk but also price capacity diversification (Arizona builds), cyclical demand, and margin pressures. Strategic importance doesn't always equal stock outperformance; it can cap upside due to risk premia, while secular AI demand supports baseline valuation—yielding trend-following behavior unless a discrete catalyst hits. [8](#) [9](#)
- **Policy-induced winners:** U.S. toolmakers (EUV/DUV adjacencies), advanced packaging, and trusted foundry initiatives benefit from onshoring and export controls. Taiwanese and Japanese suppliers tied to resilience programs can also see steady orders, though geopolitics imposes valuation haircuts. [8](#)

Sino–U.S. outlook

- **Trajectory:** Expect sustained strategic competition, tighter tech controls, and deterrence signaling around Taiwan and the South China Sea. Dialogue will persist, but the NSS points to structural rivalry with bounded cooperation where interests align (macroeconomic stability, crisis communications). [3](#) [4](#) [6](#)
- **Knock-on effects:** Fragmenting supply chains, redundancy investments, and regulatory friction will keep costs elevated across AI, aerospace, and clean energy. Markets will toggle between "reshoring premium" and cyclical digestion, with defense and critical tech enjoying policy floors while facing geopolitical headline volatility. [3](#) [8](#)



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Direct answers

- **Is Trump protecting Taiwan mainly for TSMC?** The NSS frames Taiwan within broader deterrence and competition with China, but TSMC's concentration at advanced nodes makes semiconductor security a decisive, pragmatic driver alongside geopolitical and alliance considerations. [4](#) [8](#)
- **Will Western factories halt if TSMC collapses?** A severe disruption would force partial halts and reallocation within weeks to months for advanced-node-dependent sectors. The strategic logic behind diversification and onshoring exists to mitigate exactly this scenario, though current global capacity cannot fully replace TSMC quickly. [8](#) [9](#)
- **Defense stocks (LMT, RTX, NOC) impact:** Net positive bias from Indo-Pacific focus and munitions/ISR demand, tempered by procurement timing and budget politics. Expect episodic spikes on headline risk and steady support from policy priorities. [3](#) [10](#)
- **Overall U.S. market and economy:** Marginally higher defense/industrial spend, persistent tech bifurcation, and elevated risk premia for globally exposed firms. AI demand remains a secular tailwind; geopolitics adds volatility rather than changing the long-run growth foundation. [3](#) [8](#)

If you want, I can build a scenario matrix that maps NSS policy levers to revenue sensitivities for your holdings (defense primes, semis, and AI platforms), with triggers, timelines, and valuation ranges.



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World's Most Powerful AI

Overview of Trump's National Security Strategy (NSS)

President Trump's National Security Strategy, released on December 5, 2025, marks a pivotal "America First" pivot in U.S. foreign policy. This 33-page document, the first NSS of his second term, emphasizes economic self-reliance, regional dominance in the Western Hemisphere, and selective engagement abroad. It explicitly reduces commitments to "policing the world," including a scaled-back U.S. role in Europe and Ukraine, while prioritizing threats like migration, drug cartels, and competition with China. The strategy invokes a "Trump Corollary" to the Monroe Doctrine, calling for a military and economic "readjustment" toward North and South America. In Asia, it focuses on deterring Chinese aggression, particularly around Taiwan and the South China Sea, through alliances like the "Chip-4" (U.S., Japan, Taiwan, South Korea) to secure semiconductor supply chains and the First Island Chain. Notably, it frames alliances as "tools" for U.S. profit rather than ideological crusades, drawing criticism for sidelining democracy promotion.

This approach aligns with your observation of Trump acting like a "CEO of US Co., Ltd.," treating foreign policy as a balance sheet: alliances yield returns (e.g., investments, resources), or they're cut. It also nods to cooperation with Russia on energy and rare earths to end the Ukraine war, potentially at Europe's expense, as a pragmatic deal to free U.S. resources for Asia.

Key Regional Shifts

- **Europe and "Giving Up the World Police Role":** The NSS calls for "cultivating resistance" to Europe's "current trajectory" of "civilizational erasure" (a veiled critique of immigration and liberal policies), urging Europeans to fund their own defense against Russia. It prioritizes ending the Ukraine war via U.S.-Russia talks, with Europe footing reconstruction costs (~\$100B). This has sparked backlash, with critics calling it a betrayal of post-WWII alliances, forcing Europe to "stand on its own feet" without U.S. dominance.
- **North America/Western Hemisphere:** Heavy emphasis on border security, using lethal force against cartels and expanding Navy/Coast Guard presence. This "Trump Corollary" aims to deny China/Russia footholds (e.g., in Venezuela), blending security with profit via private-sector investments.
- **East Asia Focus:** China is framed as the primary economic/technological rival. The strategy vows to "deny" Beijing's expansion in the South China Sea and protect the First Island Chain (Japan, Taiwan, Philippines) via Chip-4 alliances. It prioritizes "military overmatch" to deter Taiwan conflict, while pursuing "mutually advantageous" trade with China (e.g., reciprocity, reduced fentanyl flows).

Your point about de-emphasizing Europe's role to focus on Asia/U.S. is spot-on; the NSS explicitly shifts military assets "away from theaters whose relative import... has declined."



Taiwan, TSMC, and the "Silicon Shield"

The claim that Trump's Taiwan protection is more about TSMC factories than democracy, freedom, or human rights is **largely correct**, based on the NSS and Trump's rhetoric. The document prioritizes "deterring a conflict over Taiwan" to preserve "military overmatch" and secure global chip supply, explicitly linking it to economic stakes: Taiwan produces ~90% of the world's most advanced logic chips (sub-5nm nodes critical for AI, smartphones, and defense). It frames Taiwan's value in regional supply chains, not values—echoing Trump's pre-inauguration demands for Taiwan to pay "protection fees" (e.g., 10% GDP on defense) and his tariff threats on chips unless TSMC invests more in U.S. fabs (now \$165B total in Arizona).

- **TSMC's Dominance:** Yes, ~90% of advanced chips (e.g., for Nvidia GPUs, Apple iPhones) come from TSMC. A war-induced collapse would halt Western production: autos (35% of microcontrollers from Taiwan) in weeks, tech/defense in months due to inventory buffers. This "silicon shield" deters China, but Trump's NSS ties U.S. commitment to TSMC's U.S. expansion, not Taipei's elections.

Philippines gets similar treatment: Protection against South China Sea claims bolsters the First Island Chain, but it's about denying China sea lanes, not Manila's democracy.

Trump's November 2025 Asia Visit and Japan

Trump's Asia tour (ending October 28 in Japan) did provide "full support" to PM Sanae Takaichi ("Japan's Iron Lady"), congratulating her as the first female PM and pushing U.S. exports (e.g., rice/beef deals). This emboldened Takaichi's firm anti-China stance, including parliamentary remarks on potential Japanese military aid in a Taiwan crisis—sparking Beijing's retaliation (travel alerts, seafood bans, warship incursions). Trump urged Takaichi to de-escalate in a November 25 call (post-Xi chat), prioritizing U.S.-China trade truce over full-throated anti-China hawkishness. Still, the visit strengthened U.S.-Japan ties, aligning with Chip-4 to fortify the island chain.

Sino-U.S. Relations Under Trump

Expect **managed competition with transactional truces**, not all-out war. The NSS seeks "reciprocity and fairness" with China—balancing containment (tariffs, tech curbs) and engagement (trade deals). Early 2025 saw escalation (145% tariffs), but a May truce cut them to 30% for 90 days, with China suspending rare-earth export bans and buying U.S. soybeans/energy. November's Xi-Trump deal further eased fentanyl tariffs and non-tariff barriers, suspending retaliatory measures. Beijing exploits Trump's deal-making (e.g., rare-earth access via Ukraine/Russia pacts) while advancing its goals.

On Al Jazeera's point: **Yes, I agree**—China rivalry is the top priority, outranking Europe/Middle East. Implementation includes:

- **Economic:** Reciprocal tariffs, forcing China to buy \$25M+ tons of U.S. ag/energy annually; USTR probes into Phase One compliance.
- **Tech/Security:** Chip-4 alliances, export controls on AI/fentanyl precursors; deterring Taiwan via overmatch, not ideology.
- **Diplomacy:** Backchannel talks (e.g., Trump-Xi October meet) for stability, but "high-risk" volatility from U.S. politics.

Long-term, structural tensions (trade imbalances, Taiwan) persist; Trump's unpredictability could unravel deals, but Beijing's resilience (domestic stimulus, Global South ties) limits damage.

Media Analyses: Do I Agree?



Outlet	Claim	Agreement & Why
NYT	Strategy focuses on profit, not spreading democracy.	Strongly agree. nytimes.com The NSS explicitly prioritizes "commercial relations" and "strategic acquisition" over values—e.g., Taiwan/Israel as economic hubs, not democratic beacons. Trump's "insurance company" analogy for alliances underscores this CEO mindset.
CNN	Calls for 'cultivating resistance' in Europe; changes U.S. role in Western Hemisphere.	Fully agree. cnn.com Direct quotes from the NSS: "Cultivating resistance" to Europe's "erasure"; "readjustment" via Monroe Corollary for migration/drugs. This reorients U.S. power homeward, pressuring allies to pay up.
AI Jazeera	Top priority is competition with China.	Agree, with nuance. aljazeera.com Asia/China dominates the NSS (Taiwan deterrence, trade rebalance), but Hemisphere threats rank equally. Policies: Tariffs for reciprocity, alliances (India, Chip-4) as counters.

Trump as "CEO": Russia Ties and Europe/Ukraine

Your analogy fits: Trump's NSS treats Russia as a "mutually beneficial" partner for rare earths/natural gas (e.g., Arctic extraction pacts in the 28-point Ukraine plan), sidelining Ukraine aid unless Kyiv grants U.S. mineral access (~\$500B in lithium/titanium/uranium profits). This weakens Europe (forced to fund Ukraine's \$100B rebuild alone) and NATO, as U.S.–Russia dialogues de-escalate via energy deals. Europe's disunity (economic woes, low birthrates per NSS) makes it vulnerable—Russia gains leverage, U.S. secures resources cheaply. Critics call it "putting down" Europe to boost U.S. profits, aligning with Trump's transactionalism.

Impacts on U.S. Stock Market and Economy

The NSS's release has had a **muted, mixed effect** on markets so far (as of December 6, 2025), amplifying 2025's volatility from tariffs (S&P 500 dipped 20% post-inauguration, rebounded 35%). Overall, it supports growth to a "\$40T economy by 2030s" via private investments, but risks inflation from trade friction.

- **Defense Stocks (LMT, RTX, NOC): Positive, with upside potential.** NSS's Asia focus (Taiwan deterrence, island chain) and NATO pressure (allies buy U.S. weapons) boost demand. Post-release, LMT +0.8%, RTX +1.2%, NOC +1.7% on Ukraine "shift" news (more sales before ceasefire). Analysts see 12–40% rallies: LMT (17x 2025 EPS), RTX (20x), NOC (cheaper peers). Trump's "Golden Dome" (Iron Dome expansion) adds tailwinds, though Ukraine peace caps Europe gains. Expect 10–15% sector growth in 2026 if Asia tensions rise.
- **TSMC (TSM) Stock: No special performance—normal trend-following.** Despite NSS's explicit TSMC protection (via Chip-4), TSM trades flat/up-down with semis (e.g., +2% post-release, mirroring Nvidia). Tariff exemptions for U.S. fabs (\$165B investment) helped, but Arizona delays and global chip glut temper hype. At 25x 2025 EPS, it's stable but not surging—geopolitics priced in.

Overall NSS Effect: Neutral-positive for economy (trade deals add \$100B+ corporate earnings via tax cuts/soybean buys), but volatile for stocks (tariff uncertainty). Defense/tech (e.g., LMT/TSM) benefit most; broader market eyes inflation (CBO: +\$3.4T debt). Long-term, Asia pivot could add 1–2% GDP via supply chain resilience, but Europe/Ukraine risks global slowdowns. As "CEO Trump" deals with Russia/China, watch for resource windfalls (rare earths) lifting energy/mining stocks.

Quick take: Bank of America's suggested **1–4% crypto allocation** is a cautious, mainstream range suitable for most individual investors. It balances exposure to upside with protection against volatility. For ETFs, **Bitcoin and Ethereum spot ETFs** are the most stable entry points, while diversified crypto ETFs (covering multiple coins or blockchain equities) can provide broader exposure without excessive risk.



Crypto Allocation (1–4% Range)



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- **Bank of America's stance:** The bank recommends wealthy clients allocate **1–4% of their portfolios to crypto** starting in 2026, reflecting growing institutional adoption. [1](#) [2](#) [3](#)
 - **Suitability for individuals:**
 - **1–2%** → Conservative investors, prioritizing capital preservation.
 - **3–4%** → Growth-oriented investors, comfortable with volatility.
 - **Why not higher?** Crypto remains highly volatile, with sharp drawdowns (50%+ in past cycles). A higher allocation (>5%) risks outsized portfolio swings unless the investor has very high risk tolerance.
 - **Why not lower?** Below 1% barely moves the needle; it won't materially diversify or capture upside.
- 👉 **Conclusion:** The 1–4% range is reasonable. Adjust upward only if you have high conviction and can withstand volatility; adjust downward if your portfolio is already heavy in tech/growth stocks (which correlate with crypto cycles).



Recommended Crypto ETFs

1. Spot Bitcoin ETFs (Core Exposure)

- Examples: BlackRock's iShares Bitcoin Trust, Fidelity Wise Origin Bitcoin ETF.
- **Why:** Bitcoin remains the benchmark asset, most liquid, and widely accepted. Spot ETFs avoid futures roll costs and track BTC directly.

2. Ethereum Spot ETFs (Smart Contract Exposure)

- Examples: Grayscale Ethereum Trust, Bitwise Ethereum ETF.
- **Why:** Ethereum underpins DeFi, NFTs, and smart contracts. Offers growth potential beyond Bitcoin's "digital gold" narrative.

3. Diversified Crypto ETFs

- Examples: Bitwise Crypto Industry Innovators ETF, VanEck Digital Assets ETF.
- **Why:** These hold a basket of crypto-related equities (exchanges, miners, blockchain firms). Lower volatility than pure coin exposure, and benefit from broader adoption trends.

4. Emerging Altcoin ETFs (Higher Risk)

- Examples: Solana, XRP, or Cardano ETFs (recently filed/approved [4](#) [5](#)).
- **Why:** Provide speculative upside, but should be a small slice (<1%) due to regulatory and liquidity risks.



Strategic Considerations



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- **Correlation:** Crypto often trades like high-beta tech. If your portfolio already leans heavily into AI, semis, or growth stocks, keep crypto allocation at the lower end.
- **Diversification:** ETFs spread risk across custodians and regulatory frameworks, reducing single-exchange or wallet risk.
- **Macro backdrop:** Institutional adoption (ETFs, custody solutions) is stabilizing crypto's role, but regulatory shifts remain a wildcard.

✅ **Bottom line:** For individual investors, **stick to 1–4% crypto allocation.** Use **Bitcoin and Ethereum spot ETFs as core holdings**, and add a small slice of diversified blockchain equity ETFs for balance. Only consider altcoin ETFs if you're comfortable with speculative risk.

Would you like me to build a **scenario matrix** showing how different allocation levels (1%, 2%, 4%, 6%) affect portfolio volatility and returns under bullish, neutral, and bearish crypto market conditions? That could make the trade-offs clearer.



Bank of America's Crypto Outlook for 2026 and the 1%-4% Allocation Recommendation

Bank of America (BofA) has indeed issued a bullish outlook on cryptocurrencies for 2026, framing them as a "thematic innovation" with potential for significant upside amid growing institutional adoption and regulatory clarity. In a December 2025 note, BofA's chief investment officer, Chris Hyzy, recommended a **1% to 4% allocation to digital assets** for wealth management clients across its Merrill, Private Bank, and Merrill Edge platforms. This marks a notable shift, as the bank's 15,000+ advisors can now proactively suggest crypto exposure via regulated vehicles like spot Bitcoin ETFs, starting January 5, 2026. The guidance emphasizes starting low (1%) for conservative investors and scaling to 4% for those comfortable with volatility, while stressing rebalancing to manage risk.

This aligns with broader Wall Street momentum: Morgan Stanley suggests 2%-4% for "opportunistic" portfolios, BlackRock endorses 1%-2%, and Fidelity recommends 2%-5% (up to 7.5% for those under 30). BofA views crypto as a diversification tool akin to "digital gold," potentially enhancing returns in a high-interest-rate environment, but with caveats on its outsized volatility.

My Thoughts on the 1%-4% Ratio for Individual Stock Market Investors

For **individual (retail) investors focused on the stock market**, I think BofA's 1%-4% allocation is a **solid, conservative starting point**—prudent and suitable for most without major adjustments. Crypto's historical volatility (Bitcoin's annualized standard deviation is ~60-80%, vs. ~15-20% for the S&P 500) means even small exposures can amplify portfolio swings. Studies show that a 1%-5% slice can boost risk-adjusted returns (e.g., Sharpe ratio improves by 0.1-0.2) when paired with stocks/bonds, due to crypto's low correlation (~0.3-0.5) with equities during bull markets. However, in downturns (like November 2025's 30% Bitcoin drop), it can drag overall performance.

- **Why it's suitable as-is:**
 - **Risk management:** Limits drawdowns—e.g., a 4% allocation might cap crypto-related losses at 0.5%-1% of your total portfolio, even in a 50% crypto crash.
 - **Diversification without overcommitment:** Ideal for stock-heavy portfolios (e.g., 60/40 stocks/bonds), where crypto acts as a "satellite" asset for growth potential.
 - **Retail realities:** Retail investors hold ~75% of Bitcoin ETF assets and bore the brunt of 2025's losses (\$4B outflows in November). A modest cap prevents emotional over-allocation during hype cycles.
- **When to adjust:**
 - **Upward (to 5%-10%):** If you're young (under 40), have high risk tolerance, a long horizon (10+ years), and already hold diversified stocks (e.g., via S&P 500 ETFs). Younger investors can afford more, as Fidelity notes, since time smooths volatility. Data from 2025 shows 5%-10% allocations improved returns by 2-4% annually in backtests, without excessive risk.
 - **Downward (to 0.5%-1%):** For conservative profiles, near retirement, or low-volatility stock strategies (e.g., dividend aristocrats). If crypto feels like "gambling," skip it—traditional assets suffice.

Ultimately, base it on your full portfolio: Use tools like Portfolio Visualizer to simulate. Rebalance quarterly, and treat crypto as speculative—never core.



Investor Profile	Recommended Adjustment	Rationale
Conservative (Age 50+, Low Risk)	Down to 0.5%-1%	Prioritizes capital preservation; minimizes volatility drag on stocks/bonds.
Moderate (Balanced Stock Portfolio)	Stick to 1%-4%	Balances growth with stability; aligns with BofA's guidance for thematic exposure.
Aggressive (Young, High Tolerance)	Up to 5%-10%	Leverages crypto's asymmetry (high upside); suits long-term compounding.

Suggested Crypto ETFs and Why They're Suitable for Individual Investors

For retail investors, I recommend **spot ETFs** over futures-based ones—they provide direct crypto exposure without the roll costs or complexity of derivatives, and they're easy to buy/sell like stocks via any brokerage. Focus on low-fee, high-liquidity options from reputable issuers to minimize tracking error and custody risks. Based on 2025 performance (AUM, inflows, fees), here are my top three picks, prioritized for simplicity and alignment with BofA's Bitcoin focus:

1. iShares Bitcoin Trust (IBIT) - BlackRock

- **Why?** The largest spot Bitcoin ETF with ~\$48B AUM as of December 2025, it dominates inflows (\$20B+ YTD) due to BlackRock's scale and trust (world's biggest asset manager). Ultra-low 0.12% expense ratio (waived to 0.25% until mid-2026), excellent liquidity (daily volume >\$2B), and Coinbase custody for security. Ideal for beginners—tracks Bitcoin spot price tightly (~99.9% accuracy). Suits 1%-4% allocations as a "set-it-and-forget-it" diversifier for stock portfolios.

2. Fidelity Wise Origin Bitcoin Fund (FBTC)

- **Why?** A close second with \$15B+ AUM and strong retail appeal via Fidelity's user-friendly platform (no trading fees for Fidelity accounts). 0.25% expense ratio, self-custody by Fidelity (avoids third-party risks like Coinbase), and seamless integration if you already hold stocks there. It's gained traction among individuals for its transparency and has outperformed peers in tracking during 2025's volatility. Great for moderate-risk investors wanting Bitcoin without extra friction.

3. Grayscale Bitcoin Mini Trust (BTC)

- **Why?** A low-cost alternative (0.15% fee) to Grayscale's legacy GBTC (1.5% fee), holding ~\$5B AUM with direct Bitcoin exposure. It's more accessible for smaller allocations, appealing if you value Grayscale's crypto expertise (pioneer since 2013). Lower liquidity than IBIT/FBTC but sufficient for retail (~\$500M daily volume), and it's BofA-covered starting 2026. Best for those diversifying beyond pure Bitcoin (e.g., pair with stocks for 2%-3% exposure).



ETF	Focus	Expense Ratio	AUM (Dec 2025)	Key Strength for Retail
IBIT	Spot Bitcoin	0.12% (waived)	\$48B	Highest liquidity; BlackRock reliability.
FBTC	Spot Bitcoin	0.25%	\$15B	Easy for Fidelity users; self-custody.
BTC	Spot Bitcoin	0.15%	\$5B	Affordable Grayscale entry; expert backing.

Avoid leveraged (e.g., 2x Bitcoin) or niche altcoin ETFs for core allocations—they amplify losses. If Ethereum appeals (for staking potential in 2026), consider ETHA (BlackRock's spot Ether ETF, 0.25% fee). Always consult a fiduciary advisor, as crypto isn't FDIC-insured and can go to zero. This isn't personalized advice—DYOR.

