KGI

Seeking the Golden Path

Global Markets Weekly Kickstart

10 March 2025

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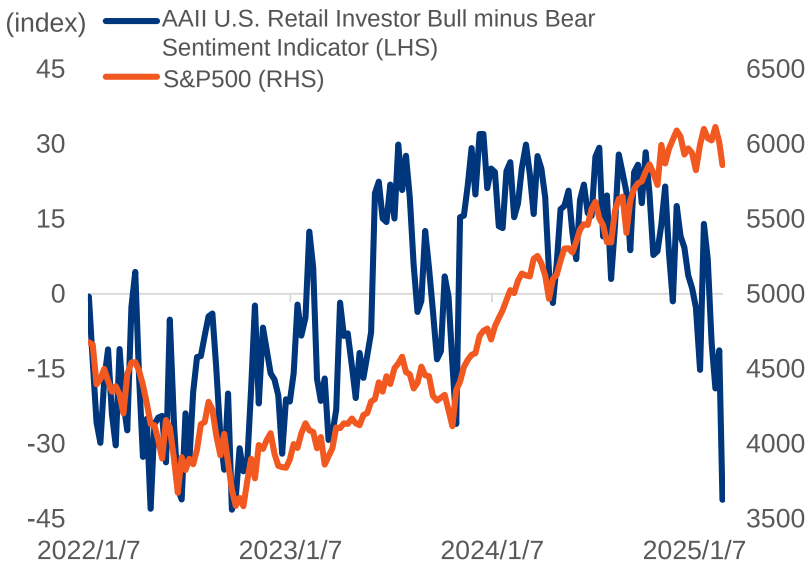
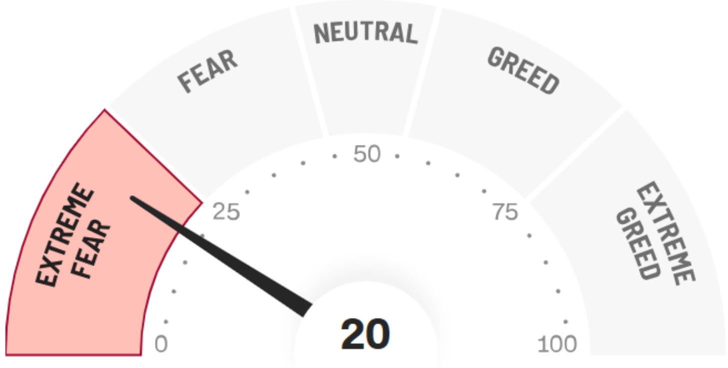
Chart of the Week

Market Sentiment Shifts to Risk-Off as Funds Seek Safe Havens

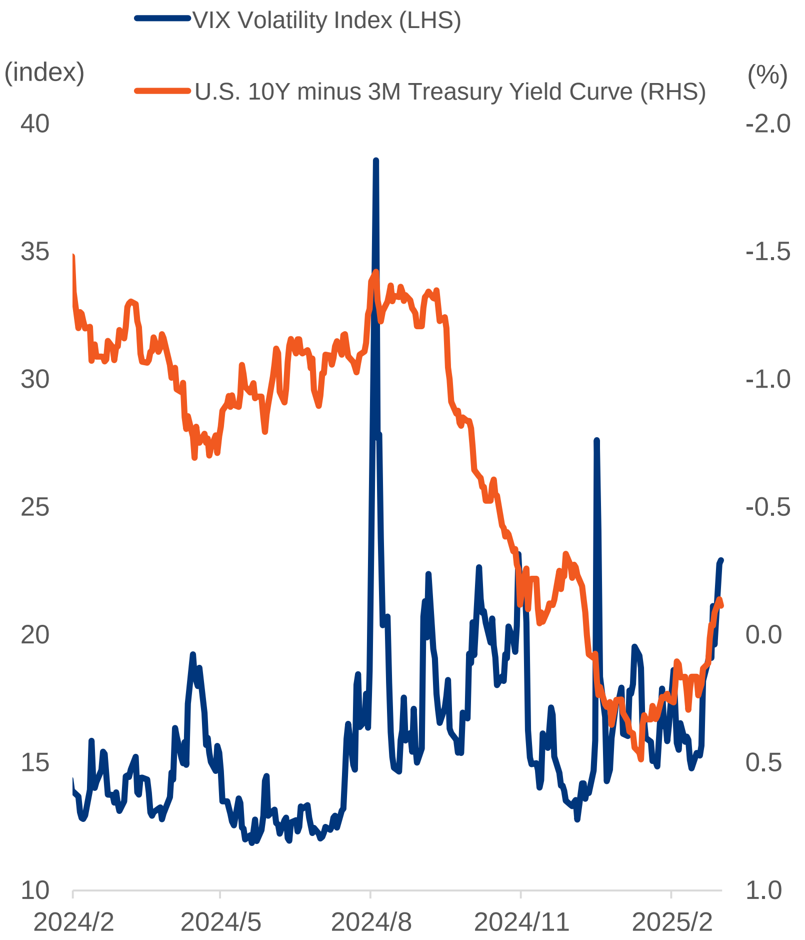
- Following Trump's tariff hikes, rising import costs could drive inflation higher, weakening consumer confidence and raising concerns of a potential economic downturn ("Trump Recession"). The AAII U.S. investor sentiment index shows bearish sentiment at its highest since September 2022, while bullish sentiment has hit its lowest since March 2023, indicating a shift from a "Risk-on" to a "Risk-off" environment. CNN's Fear & Greed Index, which reflects investor sentiment, has dropped from "neutral" to "extreme fear." As equities pull back from recent highs, high-valuation tech stocks that led last year's rally are experiencing significant declines. In response, investors are reallocating capital into defensive sectors and traditional safe-haven assets such as U.S. Treasuries and gold.
- The Atlanta Fed's GDPNow model now estimates Q1 U.S. real GDP growth at -2.8%, a sharp decline from the 2.3% forecast on February 19. Personal consumption expenditures and private investment growth have fallen to 0.0% and 0.1%, respectively. Meanwhile, the U.S. 10-year vs. 3-month Treasury yield curve has inverted again, signaling recession risks. This, combined with stock market declines, has driven the VIX volatility index sharply higher. Market expectations for a June Fed rate cut of at least 25 basis points have risen to nearly 80%, leading to a more cautious short-term investment stance.

AAII U.S. Investor Sentiment Index & CNN Fear & Greed Index





U.S. 10Y minus 3M Yield Curve Inversion & Rising VIX Volatility Index



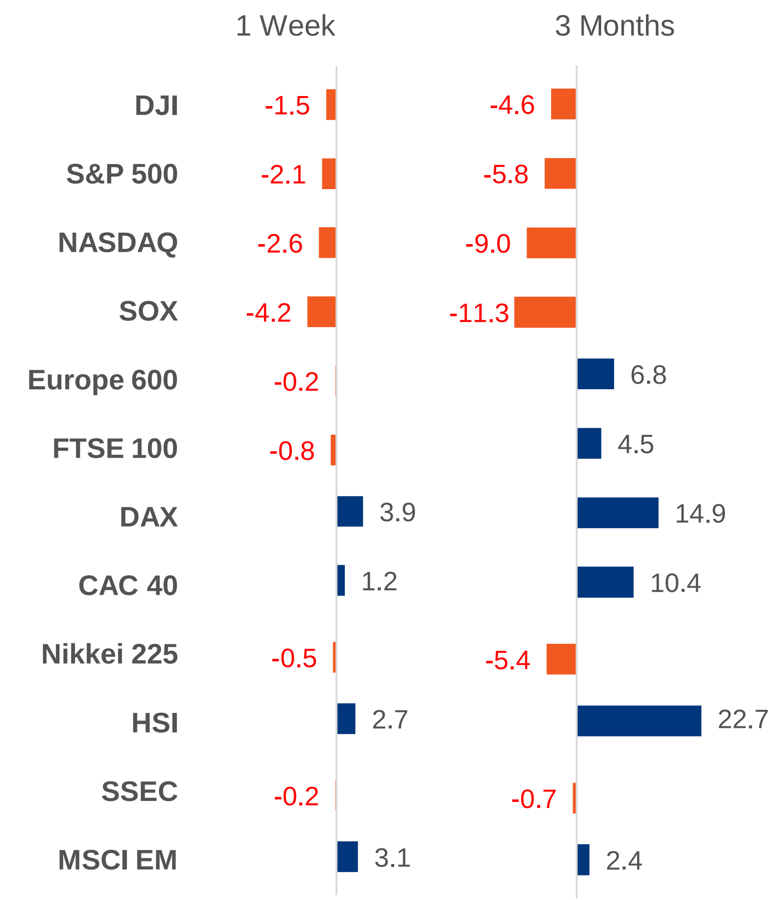
Source: Bloomberg, 4 Mar 2025

Market Recap

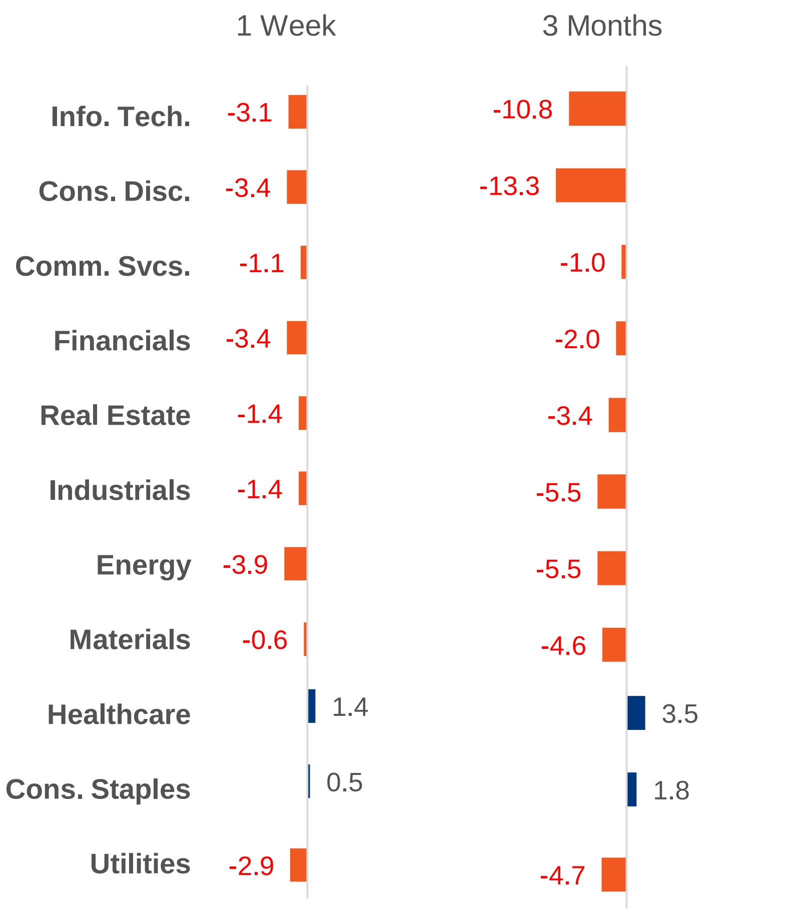
Tariff War Volatility and Economic Slowdown Pressure U.S. Equities

- Trump's trade tariff policies remain unpredictable. Initially, a 25% tariff on Canadian and Mexican imports was set for March 4, with reciprocal tariffs expected by April 2. However, he later postponed auto import tariffs by a month, and on March 7, he announced a one-month exemption for Canada and Mexico under the USMCA agreement. This tariff uncertainty, coupled with signs of economic slowdown, weighed on U.S. stocks.
- In February, the U.S. ISM Manufacturing PMI fell from 50.9 to 50.3, missing expectations of 50.7, while new orders declined sharply from 55.1 to 48.6, marking the largest drop since April 2020. However, ISM Services PMI improved to 53.5, exceeding the forecast of 52.5 and staying in expansion territory.
- U.S. stocks faced selling pressure as mixed corporate earnings added to concerns. Many retail companies, including Target, issued cautious forecasts, while Costco missed profit expectations and warned about tariff risks. Meanwhile, oil prices plunged as OPEC+ ramped up production and Trump encouraged shale output, dragging energy stocks lower. Investors rotated into defensive sectors, with healthcare and consumer staples outperforming.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)

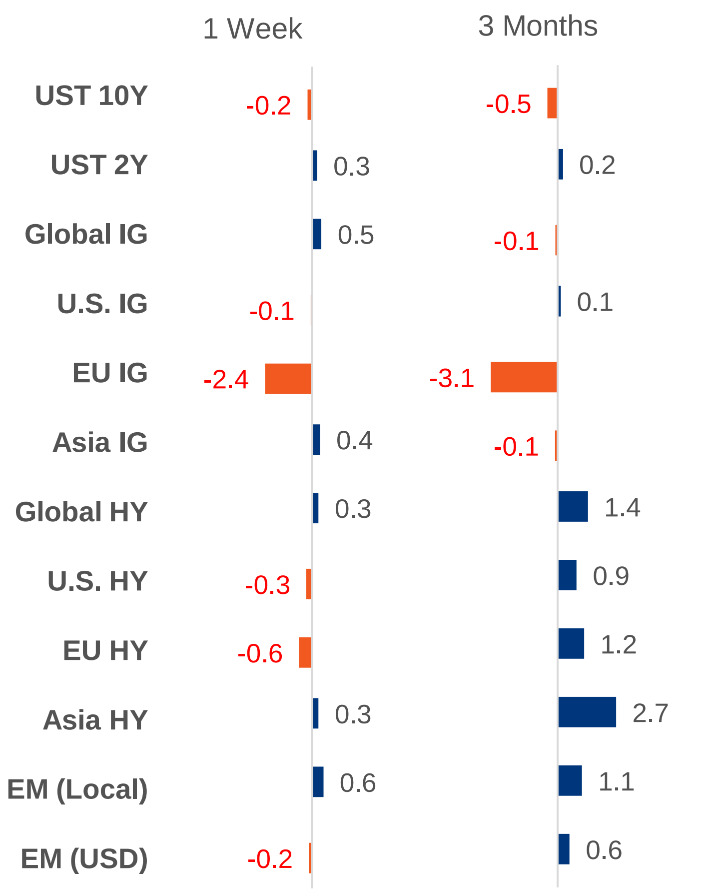


Source: Bloomberg, 7 Mar. 2025

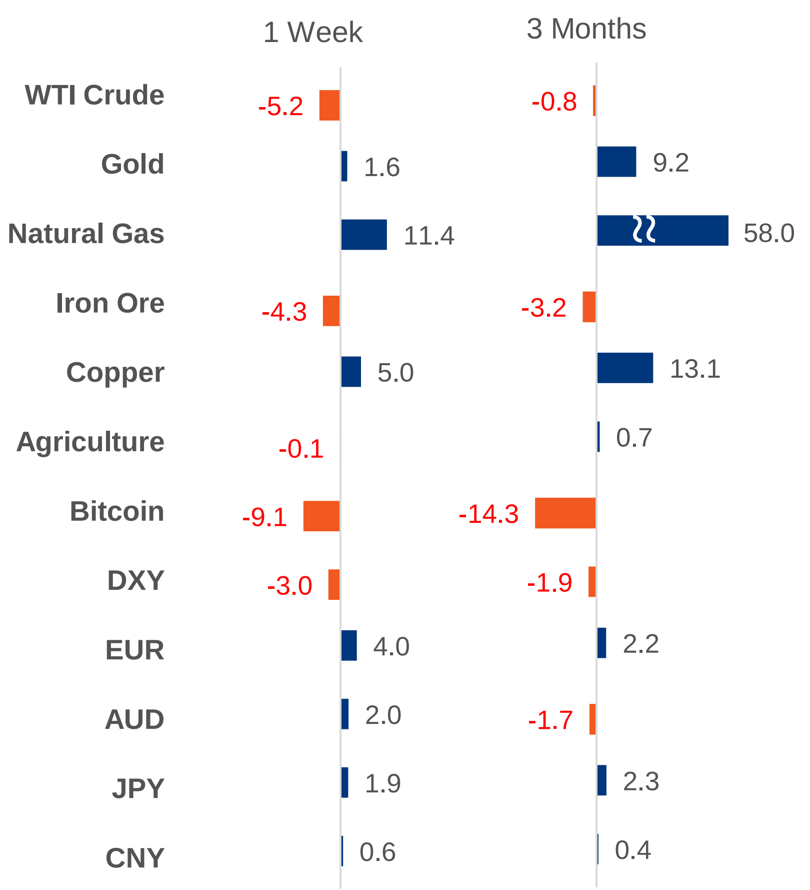
U.S. Inflation Under Control; Germany Eases Debt Limits, Bond Yields Surge, EU Bonds Fall

- In Jan., U.S. core PCE inflation rose 2.6% YoY, down from 2.9%, marking the smallest gain since 2021. The 0.3% MoM increase met expectations, signaling inflation remains manageable. The ADP report showed a weak 77,000 job gain in Feb., far below the 140,000 estimate, as tariff uncertainty kept firms cautious. ISM data reflected declines in new orders and employment, raising stagflation concerns and keeping U.S. Treasuries range-bound.
- The ECB cut rates by 25 bps to 2.65% but removed its 2024 inflation target, citing slower-than-expected disinflation. Markets now anticipate a potential pause in April.
- Germany announced plans to lift its 1% GDP cap on defense spending. Chancellor Merz emphasized security as a priority, driving 10-year Bond yields up 42 bps for the week. Eurozone bonds fell while the euro strengthened, supported by Trump's remarks, weakening the U.S. dollar index.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)

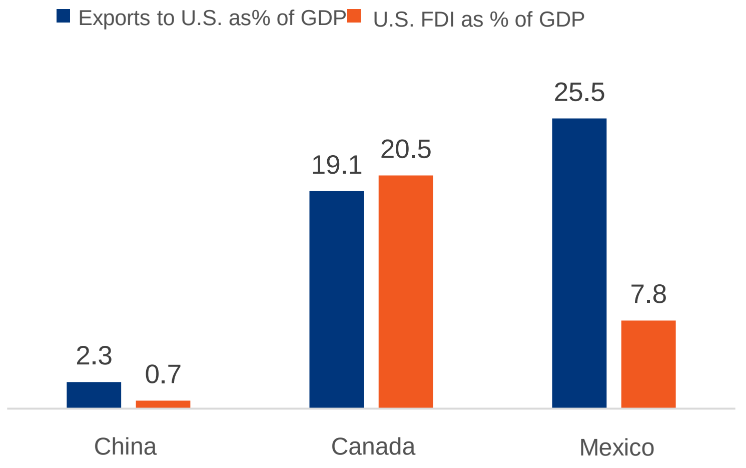


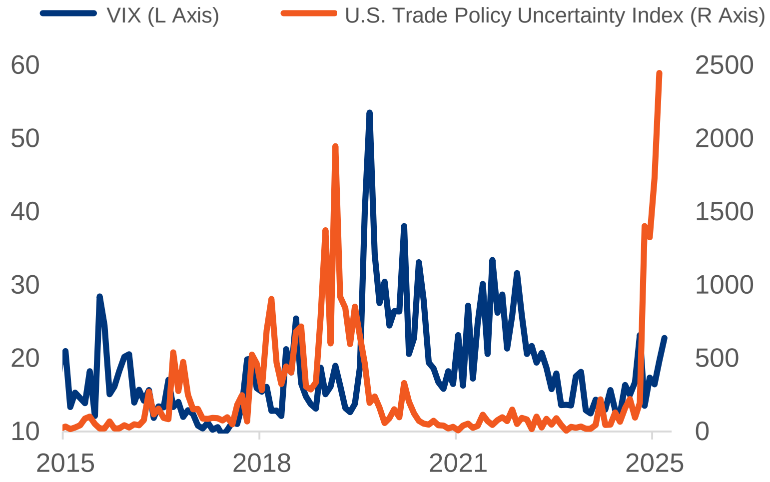
Source: Bloomberg, 7 Mar. 2025

What’s Trending | Trump Imposes Tariffs on Canada and Mexico, Escalating Global Trade Tensions

- Global trade tensions are rising again as Trump, after delaying tariffs on Canada and Mexico in Feb., officially imposed a 25% tariff on both countries in early March, along with an additional 10% on China over unresolved fentanyl issues. In response, China and Canada announced retaliatory measures. China will levy 10-15% tariffs on U.S. livestock and agricultural products, while Canada plans tariffs on $30 billion CAD worth of U.S. goods. Given the U.S. is a key export market for Canada and Mexico, and both rely heavily on U.S. foreign investment, the tariffs will significantly impact trade revenues and deter U.S. firms from expanding in these regions, likely having a greater effect than tariffs on China.
- The tariff enforcement confirms Trump’s threats were not empty, increasing trade uncertainty, financial market volatility, and challenges for multinational firms. Industries with high international exposure—such as tech, materials, and communication services—face heightened risks, while those with lower overseas revenue, like utilities, real estate, finance, and healthcare, may be less affected by trade disruptions.

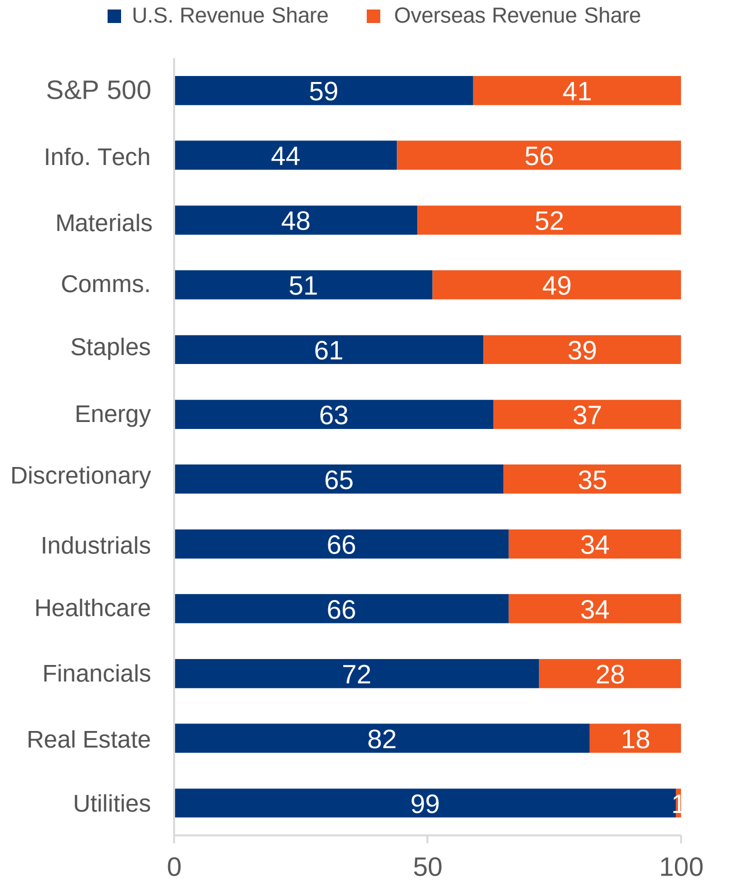
Trade Conflicts Hit Canada and Mexico Hard, Increasing Market Volatility





Low Foreign Revenue Industries May Avoid Trade-Related Risks

S&P 500 Index: U.S. vs. Overseas Revenue Share by Sector

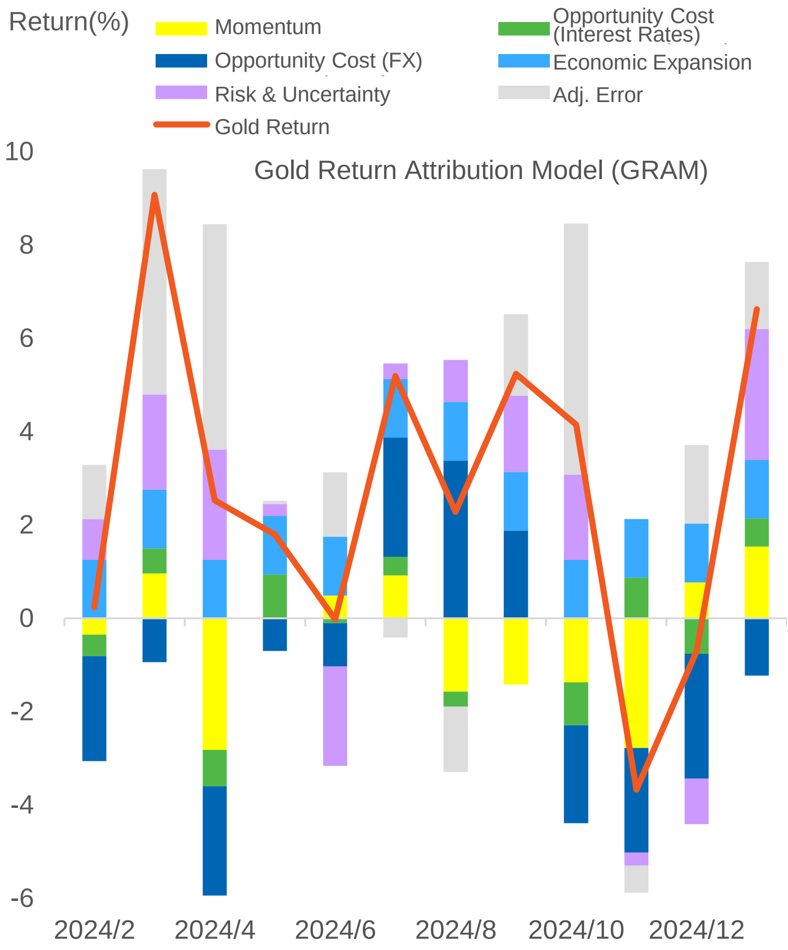


Source: Bloomberg, FactSet

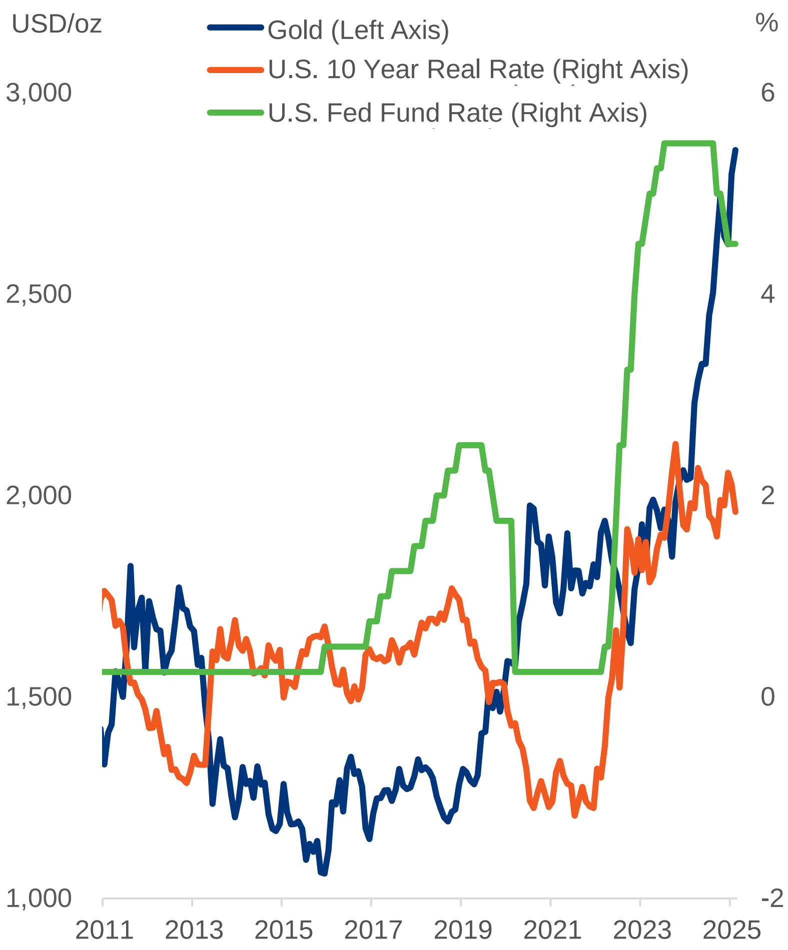
In Focus Tariff Concerns and Falling U.S. Yields Revive Gold's Safe-Haven Demand

- Following Trump's election, a surge of London gold shipments to the U.S. emerged as markets feared a potential 10% tariff on gold after Trump's steel and aluminum duties. A price gap between London spot gold and New York futures, along with expectations of higher import costs and short covering in futures, led traders to shift from New York gold futures to London spot purchases (EFP). Meanwhile, U.S. Treasury Secretary Besant proposed monetizing U.S. assets this year, with speculation that it includes mark-to-market revaluation of government-held gold. Given the sharp rise in gold prices in recent years, such a move could expand U.S. government assets and ease debt issuance pressure amid fiscal deficits.
- Gold hit a record high of $2,956 in Feb., surging 12%, driven by Trump's tariff uncertainty, economic slowdown, and lower interest rates. The Gold Return Attribution Model (GRAM) indicates nearly all key drivers remain positive, with geopolitical risk rising sharply. Despite higher inflation expectations, real interest rates are falling alongside Fed rate cuts. With further Fed easing expected this year, gold's bullish momentum remains intact.

Tariffs, Safe-Haven Demand, and Lower Bond Yields Drive Recent Gold Rally



Inflation Expectations Rise, but Real Rates Fall with Fed Policy

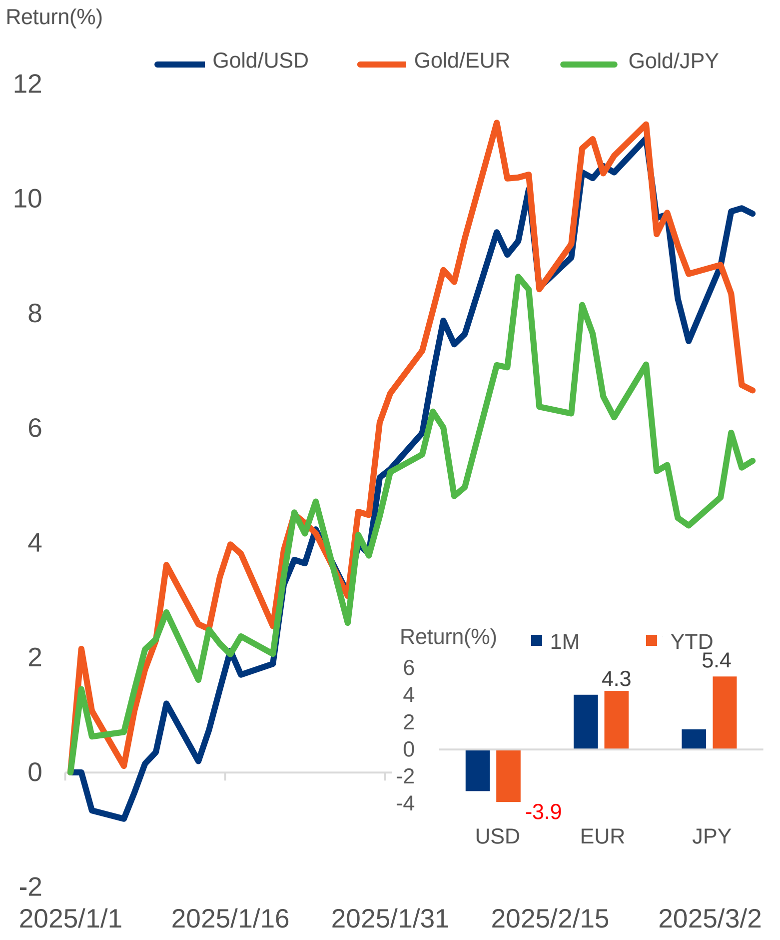


Source: Bloomberg

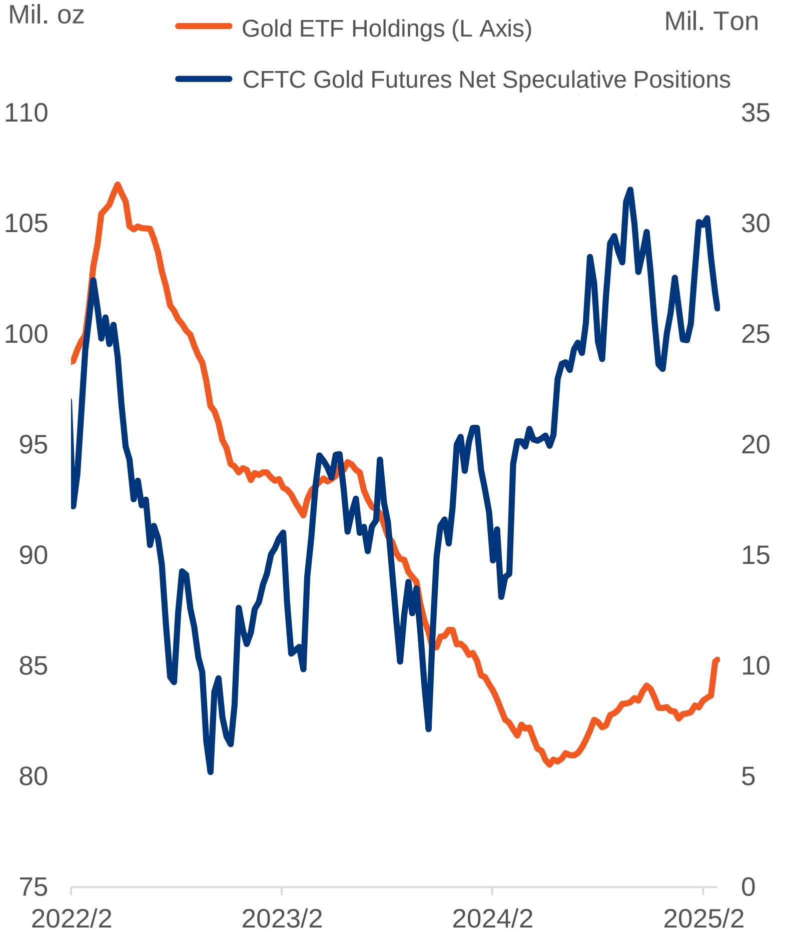
Weaker Dollar and Volatile Equities Support Gold's Continued Rally

- Gold's performance is closely tied to currency movements. According to the Gold Return Attribution Model (GRAM), the only major drag on gold in Jan. was a strong U.S. dollar. However, recent appreciation in the euro and yen has caused gold prices to decline in those currencies, while a weaker dollar has kept gold strong in USD terms. With Trump favoring a weaker dollar, the outlook for gold remains positive.
- Rising global trade tensions and equity market corrections have driven funds into U.S. Treasuries for safety, lowering yields and boosting gold's appeal. Additionally, recession risks and expected rate cuts from the Fed and ECB could further fuel gold demand. If fiscal concerns over U.S. debt intensify, speculative futures positions and ETF inflows may rise. Currently, net long positions in U.S. gold futures remain near five-year highs, providing strong price support. Many central banks, particularly in emerging markets like Poland, India, China, and the Czech Republic, continue increasing gold reserves to hedge against U.S. debt risks. Given ongoing uncertainty surrounding Trump, investors may look to gold for portfolio diversification.

Recent Euro and Yen Appreciation Lowers Gold Prices in Those Currencies



Gold Futures Net Long Positions Near Five-Year Highs as ETF Inflows Continue



Source: Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ Monitor Trump's tariff policies and potential countermeasures, along with U.S. employment, consumption trends, corporate earnings, and outlooks—all key stock market drivers. A defensive approach is recommended, favoring consumer staples, utilities, and healthcare. Financials, industrials, and defense sectors remain supported by Trump's policies, while tech and AI maintain long-term growth potential. ◆ With ongoing U.S.-EU tariff risks, caution is advised after the sharp rally in European stocks. Japanese equities are viewed positively as rising wages support consumption. Chinese and Hong Kong tech stocks have surged in the short term, suggesting potential consolidation ahead.	**Strategy**: Defensive positioning in consumer staples, utilities, and healthcare for stability; financials, industrials, and defense remain favorable; long-term accumulation in AI and tech on pullbacks. **Regions**: U.S., Japan
Bonds	◆ U.S. inflation is under control, but employment and consumption require further monitoring. The Fed may slow balance sheet reduction and adjust its rate-cut timeline. Investors should consider locking in yields on short- to medium-term U.S. Treasuries and investment-grade bonds when yields rise. ◆ Long-duration bonds carry higher risks due to fiscal discipline concerns and inflation uncertainty, making them more volatile. If U.S. employment weakens significantly or economic conditions deteriorate, gradually increasing exposure to mid-to-long-duration bonds could be beneficial.	**Duration**: Medium-to-short term bonds for yield locking **Types**: Investment-grade corporate bonds, with a focus on telecom, financials, and utilities
Forex	◆ The Fed's slower rate-cut path and Trump's rhetoric weaken the case for a strong dollar, though support remains at high levels. ◆ Japan's economic improvements and a potentially faster BOJ rate hike cycle, along with Trump's comments, bolster the yen's short-term strength.	**USD**: Supported at high levels but weakening momentum **JPY**: Short-term appreciation trend
Commodity	◆ Trump's tariff uncertainty, economic slowdown risks, inflation concerns, fiscal deficit pressures, and central bank gold purchases all support gold's upward trend.	**Gold**: Accumulate on dips, long-term bullish outlook

Product Spotlight | HK Equities

Policy Meets Expectations with a Proactive Stance

China's Two Sessions Set Targets in Line with Market Expectations

- In China and Hong Kong, the "Two Sessions" have commenced. During the 14th National People's Congress, Premier Li Qiang stated that the key economic and social development targets for 2024 were successfully achieved. For 2025, the outlined goals include: (1) GDP growth target of around 5%, (2) urban unemployment rate around 5.5%, (3) consumer price index (CPI) growth of about 2%, and (4) a budget deficit ratio set at 4%. These targets align with market expectations.

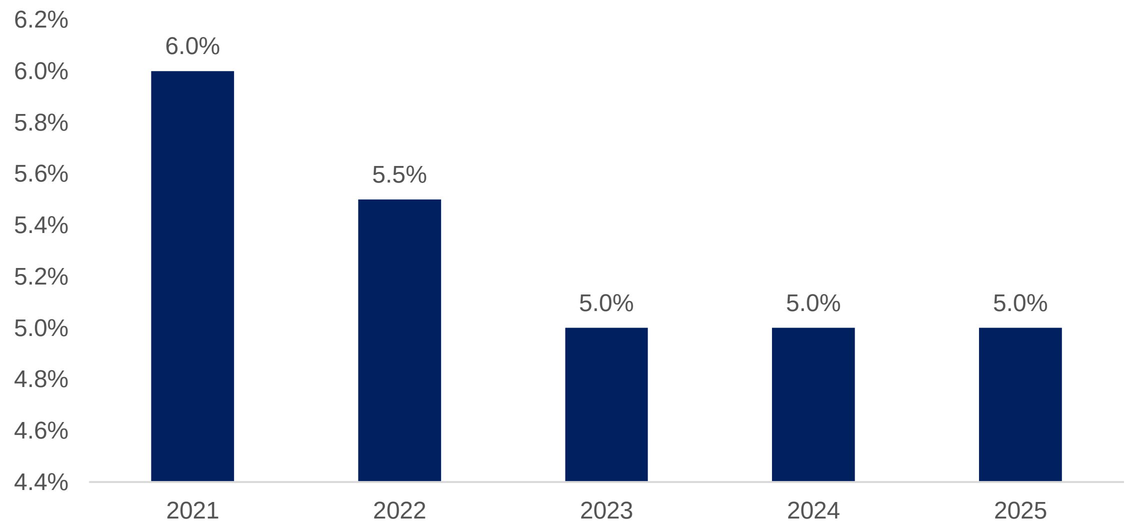
Government's Focus on Boosting Consumer Spending Has Increased

- Regarding debt issuance, key plans for 2025 include: (1) ultra-long-term special bonds of ¥1.3 trillion, ¥300 billion more than last year, (2) ¥500 billion in special bonds to support major state-owned commercial banks, half the market's expected ¥1 trillion, and (3) an increase of ¥500 billion in local government special bonds to ¥4.4 trillion, designated for investment, land acquisition, and resolving overdue payments. Notably, funding for trade-in incentives for consumer goods will double to ¥300 billion from ¥150 billion in 2024. While this meets expectations, details on allocation remain undisclosed. The central government's stronger emphasis on boosting consumption is a key point for markets.

"New Quality Productive Forces" Highlighted Again

- Beyond economic targets and debt planning, this year's Two Sessions emphasized "new quality productive forces," particularly digital economy innovation. The government aims to advance the "AI+" initiative, with broad applications in smart connected EVs, AI-powered smartphones, and computers—signaling China's increasing focus on AI development. The emergence of new AI startups, including the launch of a general AI agent, has further fueled market interest in China's AI potential. Given the Hong Kong and Chinese markets' historically lower AI valuations compared to global peers, investors are eyeing AI, semiconductor, and tech themes for future growth.

China Economic Growth Target



Source: Bloomberg

Weichai Power Co Ltd. (2338)

Closing Price HK $16.24	Target Price HK $19

Weichai Power Co., Ltd. specializes in the research and development, manufacturing and sales of vehicles and parts. The Company produces engines, heavy vehicles, light vehicles, construction machinery, hydraulic products, automotive electronics, and related parts.

- **Heavy-Duty Trucks Enter a New Replacement Cycle in 2025**

  Weichai holds a 40% share of China's heavy-duty truck engine market, with a 60% share in gas-powered engines and 40% in 500-horsepower+ gas tractors, leading the industry. Heavy truck sales were weak last year, weighing on Weichai's stock, but a replacement cycle is set to boost demand in 2025. The last peak was in 2019-2020, and with a typical 4-5 year cycle, the market is entering a renewal phase. Additionally, the government expanded scrappage subsidies to cover older National IV trucks, creating further replacement opportunities and supporting new truck sales.

- **LNG Heavy Trucks Benefit From Improved Cost-Performance**

  The newly announced National IV replacement policy may include LNG trucks, incentivizing upgrades. With few competitors and high entry barriers in the LNG heavy truck engine market, Weichai, holding over 60% market share, is well-positioned to benefit.

- **Rising Demand for Diesel Engines in Domestic Data Centers**

  As Chinese tech giants ramp up AI infrastructure investments, demand for backup power in data centers is growing. Weichai recently launched the 20M55, the world's most powerful data center generator, excelling in total output, power density, and transient response. It can handle over 60% one-time load input, surpassing the industry's 50% standard. Weichai is a strategic partner for telecom giants and internet firms like Baidu and is expanding overseas. Sales are projected to reach 1,000 units in 2025, generating low-single-digit profit growth, with strong future potential.

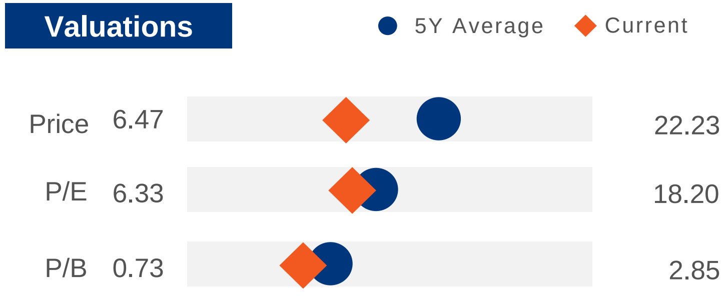
Source: Bloomberg

Financials

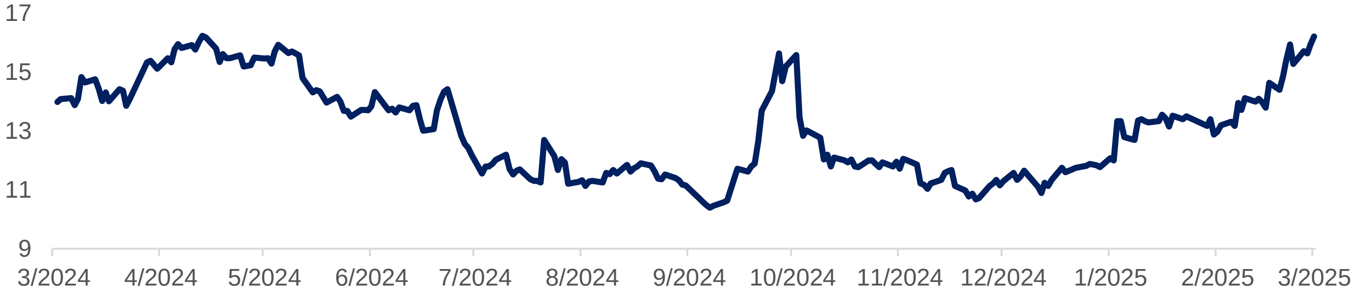
	2021	2022	2023	2024F	2025F
Net Income (100M HKD)	91.52	49.05	90.14	112.56	128.75
NI YoY(%)	-0.6	-46.41	83.77	24.88	14.38
EPS(CNY)	1.09	0.57	1.04	1.3	1.51
DPS(CNY)	0.37	0.254	0.519	0.68	0.79
P/E	13.9	26.6	14.6	11.7	10.0
Dividend Yield(%)	2.44	1.68	3.43	4.49	5.21

Source: Bloomberg; 2024/25F are market estimates

Valuations



1Y Performance



As of 6 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	25.11	43.71	36.70	18.47	58.64	36.39

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Pop Mart International Group (9992)

Closing Price HK $116.2 | **Target Price** HK $125

Pop Mart International Group Limited operates as a toys wholesales company. The Company provides trendy toys designing, production, marketing, and other services.

- **Strong IP Management Capabilities**
  POP MART has successfully built a robust IP portfolio by collaborating with in-house artists and design teams. Long-standing IPs like Molly and The Monsters continue to achieve strong sales growth, with revenue rising 90.1% and 292.2% YoY in H1 2024, demonstrating the longevity of its IPs. Meanwhile, new IPs such as Crybaby recorded over tenfold growth, highlighting their role in driving future expansion.
- **Expanding Product Portfolio to Meet Diverse Fan Demands**
  POP MART continues to diversify its product range, with MEGA and plush toys gaining popularity. In H1 2024, MEGA and plush toy sales surged 141.9% and nearly tenfold YoY, raising their revenue share from 8.6% to 12.9% and 1.5% to 9.8%, respectively. Figurine sales grew 30.2% YoY, though their revenue share declined from 72.5% to 58.3%. The high-end MEGA series, known for its collectible value, exemplifies the company's strong IP monetization strategy. In June 2024, POP MART introduced its first brick-building toy line and recently launched the jewelry brand POPOP, further catering to diverse fan preferences.
- **Continuous Release of Hit Product Lines**
  The recent success of Nezha 2, the first Asian film to surpass $2 billion at the box office, has boosted sales of POP MART's Nezha 2 blind box series. Additionally, the company announced a new collaboration with the iconic anime ONE PIECE, featuring 13 collectible characters, expected to drive further sales momentum.
- **Successful Global Expansion**
  In Q3 2024, POP MART's overseas revenue soared 440% YoY to ¥445 million, reflecting remarkable international success. On Jan. 16, CEO Wang Ning stated that by 2025, overseas business could surpass 50% of total revenue, overtaking domestic sales, as the company continues its rapid global expansion.

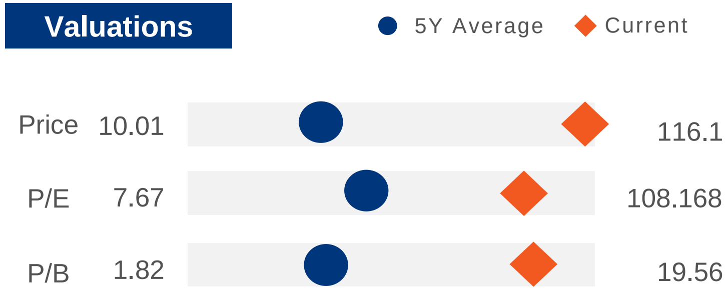
Source: Bloomberg

Financials

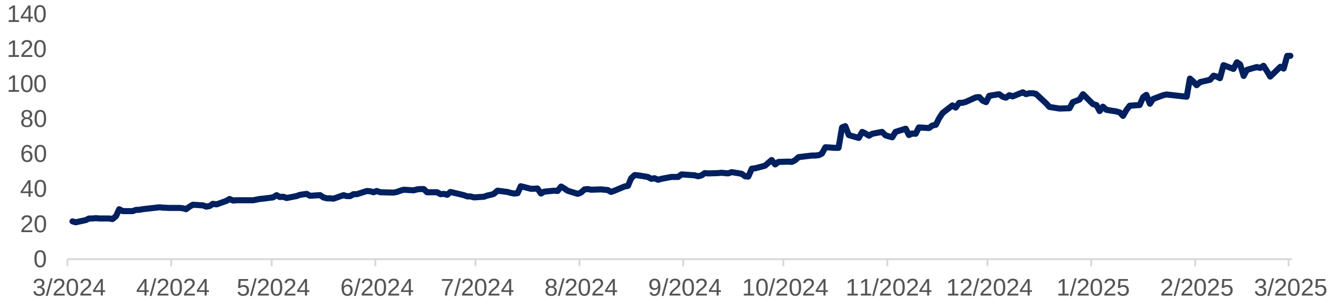
	2021	2022	2023	2024F	2025F
Net Income (100M USD)	854	476	1,082	2,672	3,685
NI YoY(%)	63.2	-44.32	127.55	146.87	37.92
EPS(CNY)	0.62	0.35	0.81	2.07	2.87
DPS(CNY)	0.15	0.09	0.09	0.66	0.94
P/E	173.6	307.5	132.9	52.0	37.5
Dividend Yield(%)	0.14	0.08	0.08	0.61	0.87

Source: Bloomberg; 2025/26F are market estimates

Valuations



1Y Performance

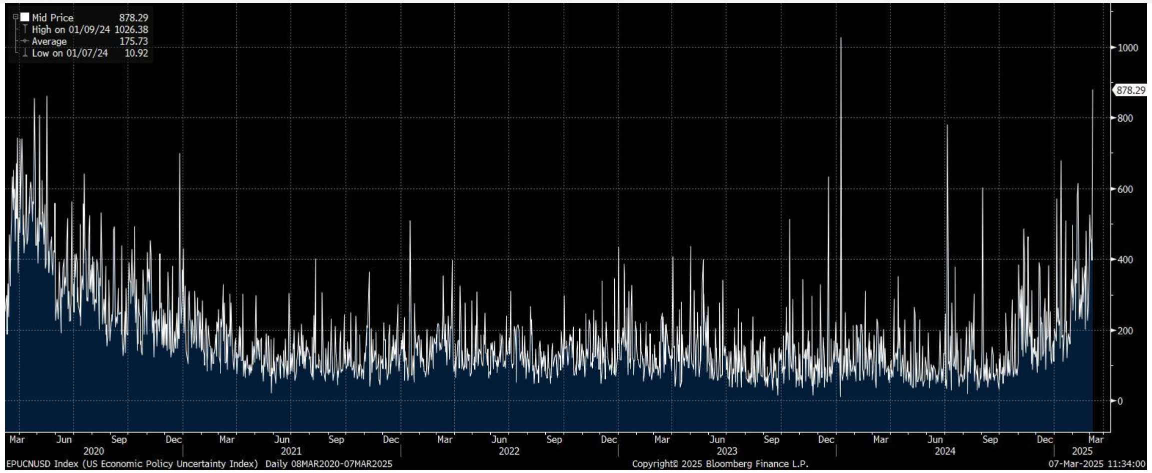


As of 6 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	17.13	24.61	29.61	440.17	205.86	208.60

US Equities Growth Sectors Face Selling Pressure, Defensive Stocks Hold Firm

- In Feb., U.S. nonfarm payrolls added 151,000 jobs, above the downwardly revised 125,000 in Jan. but below the 160,000 forecast. Private sector wages rose 0.3% MoM, matching expectations but slowing from Jan.'s 0.4% increase. Unemployment rose to 4.1%, exceeding the 4.0% forecast.
- Private payrolls added just 77,000 jobs, the smallest gain in seven months, down sharply from Jan.'s revised 186,000 and far below the 140,000 estimate. Meanwhile, key PMI data showed mixed trends—S&P Global Manufacturing PMI rose to 52.7 (vs. 51.6 preliminary), while Services PMI climbed to 51 (vs. 49.7). ISM Manufacturing PMI fell to 50.3 (vs. 50.9 prior), missing expectations, while ISM Services PMI rose to 53.5, exceeding forecasts.
- Overall, U.S. macro data signals persistent inflation alongside a cooling labor market and weakening consumer confidence. Trump's tariff policies escalate global trade tensions, while U.S. allies question its stance on the Russia-Ukraine issue. With uncertainty rising, investors are rotating out of growth stocks into defensive sectors.

Bloomberg U.S. Economic Policy Uncertainty Index



Source: Bloomberg

McDonald’s Corp (MCD)

Closing Price	US $321.29	Target Price	US $350

McDonald's Corporation franchises and operates fast food chain. The Company offers various food products and soft drinks, and non alcoholic beverages.

- **U.S. Recession Fears Rise, Defensive Sectors Benefit**
  Recent U.S. macro data signals persistent inflation, a cooling labor market, and weakening consumer confidence. Trump's tariff policies have escalated global trade tensions, while U.S. allies question its stance on the Russia-Ukraine issue. With mounting uncertainties, investors are shifting away from growth stocks into defensive sectors.
- **Launch of the New McValue Platform**
  On Jan. 7, McDonald's introduced the McValue platform to offer budget-friendly options and enhance customer value. The platform includes a $5 value meal, buy-one-get-one deals, local dining promotions, and app-exclusive offers. Amid high inflation and consumer spending slowdowns, it has gained strong traction, boosting sales and market share.
- **AI Technology Integration**
  McDonald's is implementing AI technology across its 43,000 global locations to enhance service speed and customer experience. Upgrades include smart kitchen systems, AI-driven drive-thrus, and predictive order management tools. Partnering with Google Cloud, McDonald's leverages edge computing for real-time data processing. The company aims to grow its customer base from 175 million to 250 million by 2027.
- **Q4 FY24 Earnings**
  Revenue fell 0.3% YoY to $6.39 billion, missing estimates by $90 million. Non-GAAP EPS stood at $2.83, slightly below expectations by $0.03. The company raised its FY25 operating margin forecast to 45-50%, exceeding 2024’s 46.3%. It also plans to open over 2,200 new locations in 2025, marking 4% growth.
- **Valuation Consensus**
  Bloomberg’s 12-month average target price stands at $331.18, with a high of $360 and a low of $280.

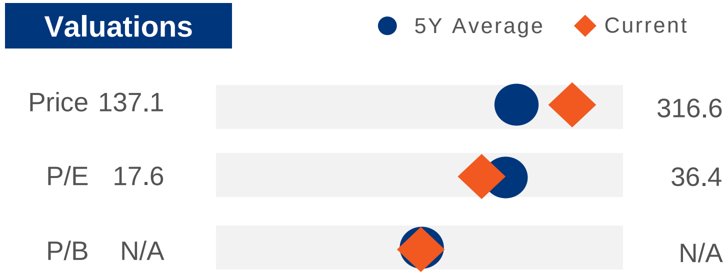
Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	-0.2	10.0	1.7	2.3	3.1
EBITDA (%)	42.0	48.6	48.0	55.2	57.2
EPS	10.10	11.94	11.72	12.32	13.32
Net Profit Margin(%)	26.6	33.2	31.7	33.1	33.4

Source: Bloomberg; 2025/26F are market estimates

Valuations



1-Year Performance

As of 7 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	5.4	3.8	7.1	6.0	11.7	11.7

Philip Morris International (PM)

Closing Price US $150.95 **Target Price** US $165

Profile

Philip Morris International Inc. (PMI) operates as a tobacco company working to deliver a smoke-free future and evolving its portfolio for the long term to include products outside of the tobacco and nicotine sector. It offers cigarettes, e-vapor, and oral smoke-less products.

- **U.S. Recession Fears Rise, Defensive Sectors Benefit**
  Recent U.S. macro data indicates persistent inflation, a cooling labor market, and declining consumer confidence. Trump's tariff policies have escalated global trade tensions, while U.S. allies question the U.S. stance on Russia-Ukraine. With growing uncertainties, investors are shifting from growth sectors to defensive stocks.
- **Advancing Strategic Transformation**
  The company is exploring the sale of its U.S. cigar business, aligning with its broader shift away from traditional tobacco products. Divesting this asset allows for resource reallocation to its rapidly growing smoke-free product portfolio. This transition supports long-term revenue growth and strengthens its competitive position in the evolving nicotine market. The anticipated $1 billion proceeds will accelerate innovation and expansion, helping achieve the company's goal of deriving two-thirds of its revenue from smoke-free products by 2030.
- **Q4 FY24 Earnings**
  Revenue grew 7.3% YoY to $9.71 billion, beating estimates by $270 million. Non-GAAP EPS reached $1.55, exceeding forecasts by $0.05. The company projects FY25 adjusted EPS between $7.04 and $7.17, above analysts' consensus of $7.03. Additionally, it expects U.S. ZYN shipments to rise 34%-41% in 2025, with IQOS shipments increasing 10%-12%.
- **Valuation Consensus**
  Bloomberg's 12-month average target price is $151.06, with a high of $175 and a low of $102.

Source: Bloomberg

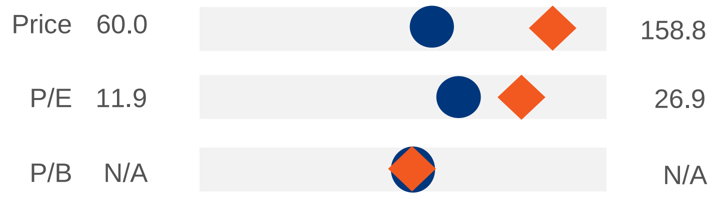
Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	1.1	11.0	7.4	4.9	8.2
EBITDA (%)	43.5	40.3	41.1	43.4	43.7
EPS (USD)	5.98	6.01	6.57	7.13	7.85
Net Profit Margin(%)	28.5	22.2	18.6	27.5	28.0

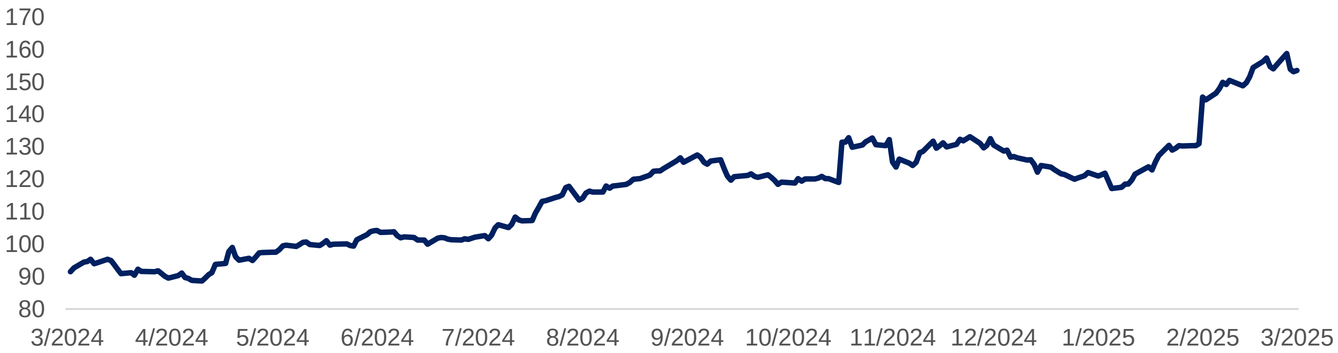
Source: Bloomberg; 2025/26F are market estimates

Valuations

● 5Y Average ◆ Current



1-Year Performance



As of 7 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	5.7	17.6	27.6	68.6	21.5	18.0

KGI

TW Equities

Taiwan Stocks Trim Losses; Short-Term Rebound Faces Resistance and Potential Volatility—Focus on Strong Stocks Above Short-Term Moving Averages

► Taiwan Stock Rebound Faces Resistance and Potential Volatility; Market Consolidates Within a Range

Taiwan stocks gapped down last week, falling below the half-year moving average. After plunging to 22,359 on Tuesday, the market gradually rebounded, trimming losses. From a technical perspective, the rebound must break above Monday's high of 22,775 to sustain the recovery; otherwise, the market may continue to consolidate, with potential downside retesting Tuesday's low of 22,359 or even the annual moving average at 22,172. In the short term, volatility is expected, and a buy-low, sell-high strategy is advisable.

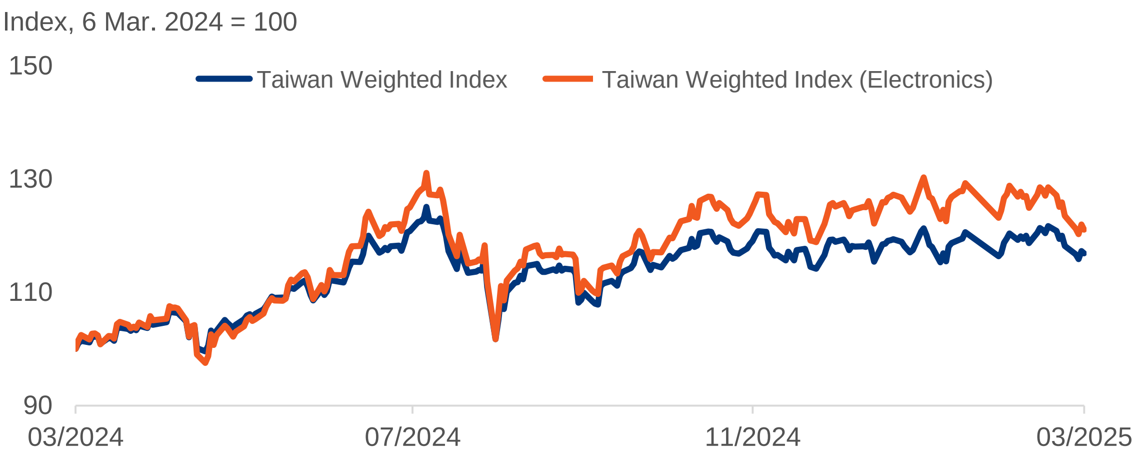
► Trump's Intensifying Tariff War Weighs Heavily on Major Tech Stocks

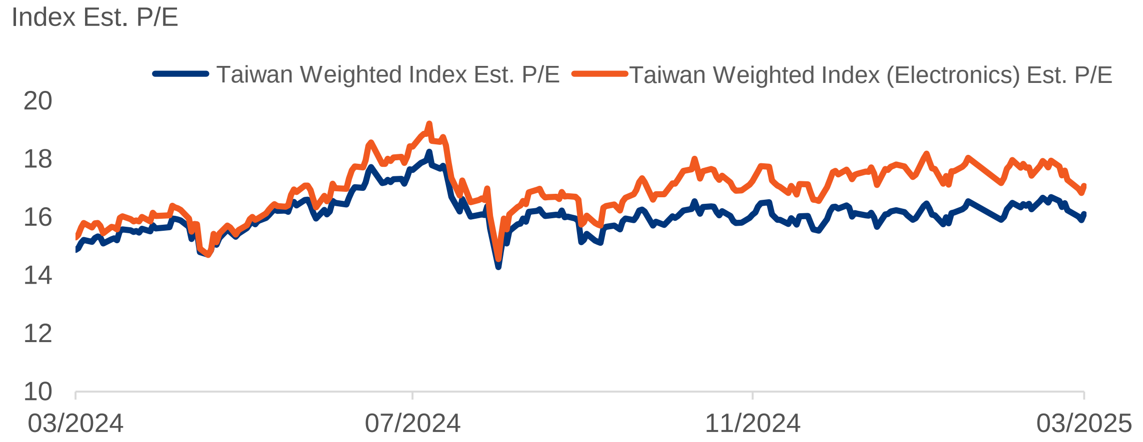
Examining the structure of Taiwan's stock market: Most major tech stocks face short-term resistance, and whether the electronics sector can reclaim the half-year moving average remains uncertain. Strength is mainly seen in select segments such as memory chips, robotics, and networking. Financial stocks are undergoing mild consolidation but maintain a generally bullish trend.

Non-tech and financial sectors have become the market focus, with plastics and steel gaining momentum, driven by themes from China's Two Sessions. On the thematic front, Trump's escalating tariff war has boosted U.S.-based manufacturing concept stocks. Additionally, as the ex-dividend season approaches, high-dividend stocks are drawing attention.

With recent weakness in U.S. markets leading to foreign investor sell-offs in Taiwan stocks, major index stocks may remain under pressure in the short term. As a result, investment strategies should focus on stocks with strong fundamentals and catalysts, particularly small- and mid-cap stocks that are showing signs of strength by reclaiming short-term moving averages.

Taiwan Weighted Index and Taiwan Electronics Sector Trends & Est. P/E





Source: Bloomberg

Asia Vital Components Co Ltd. (3017 TT)

Asia Vital Components Co., Ltd.is a manufacturer of fan coolers for CPUs, laptops, and personal computers. The company also provides thermal products and peripherals, including heat sink, and thermal modules.

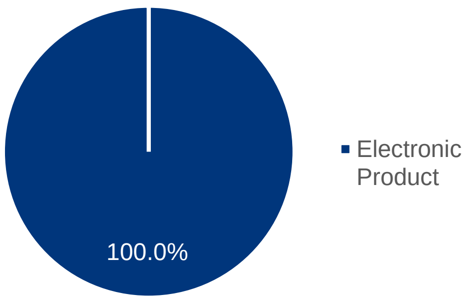
- **1Q25 Revenue Outlook Exceeds Expectations; GB200 Shipments Increase, Strengthening Liquid Cooling Leadership**

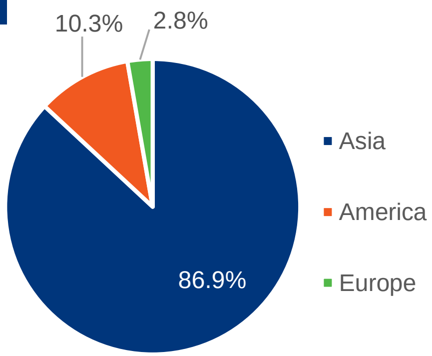
  Benefiting from the ramp-up of GB200 shipments in 1Q25, the company's liquid cooling revenue has seen significant growth, driven by strong shipments of cold plate modules, manifolds, and quick connectors. The final assembly and shipment of GB200 AI servers are expected to boost revenue noticeably, with momentum extending into 2Q25. As liquid cooling revenue grows, product mix optimization is expected to improve. KGI Securities has raised its 1Q25 EPS estimate to NT$8.36 and anticipates continued growth in 2Q25.

- **GB300 AI Servers to Drive Growth in 2H25–26**

  The ramp-up of GB300 is expected to drive growth in the total addressable market (TAM) for liquid cooling. We project the revenue share of liquid cooling to rise from 5–10% in 2024 to over 20% in 2025. The company is also set to benefit from the ultra-thin vapor chamber (VC) design for the iPhone 17 in 2H25. With a favorable product mix boosting profitability, KGI has raised its 2025 EPS estimate to NT$34.56.

Revenue Sources and Regions





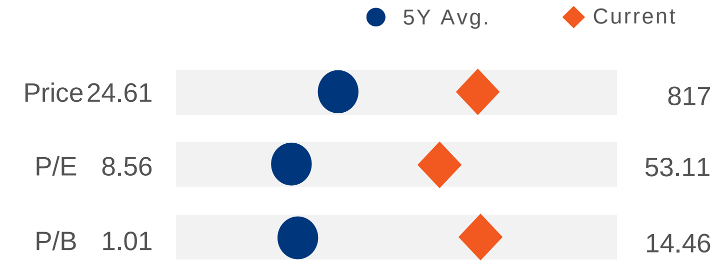
Source: Bloomberg

Financials

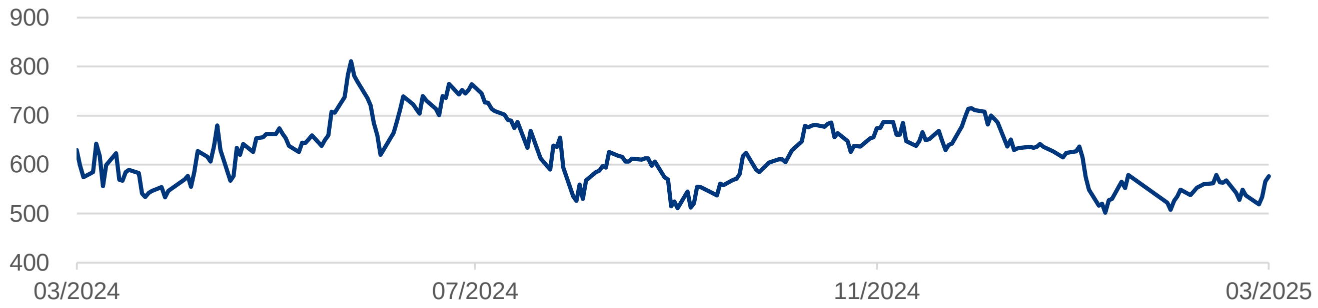
	2021	2022	2023	2024F	2025F
EPS (NTD)	8.21	11.78	14.11	21.38	34.56
EPS Growth (%)	5.4	43.5	19.7	51.6	61.6
P/E Ratio	65.0	45.3	37.9	25.0	15.5
ROE (%)	25.2	29.8	28.3	34.1	45.3

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



As of 6 Mar 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	4.9	7.7	-19.0	12.7	-7.5	-8.3

Richwave Technology Corp (4968 TT)

Richwave Technology Corp manufactures and designs radio frequency integrated circuits for wireless communication products. The Company sells components for mobile devices.

- **Wi-Fi 7 Demand to Strengthen from 2Q25**

  Management stated in 1Q25, a growing number of projects have been incorporated into customer designs, though actual revenue realization may experience some delay. Demand for Wi-Fi 7 from U.S. networking chip companies is expected to strengthen starting in 2Q25 and further accelerate in 3Q25. Additionally, some telecom customers are also expected to see stronger demand from 2Q25. If customer demand continues to grow steadily, Wi-Fi 7 revenue could account for approximately 30% of total revenue in a single quarter in 2H25.

- **Revenue and Profit to Continue Growing in 2025**

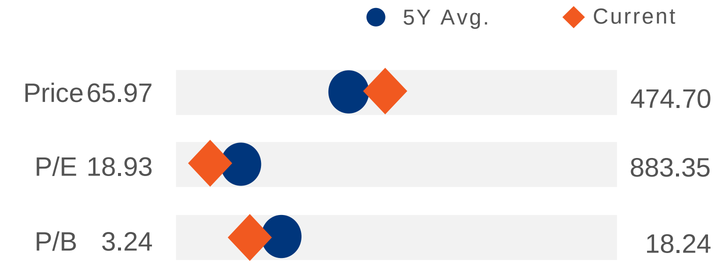
  Management stated that mobile-related products currently account for about 10-15% of revenue, and if Wi-Fi 7 adoption in smartphones increases further, the revenue share from this segment will grow significantly. Additionally, radar sensors and automotive product lines are expected to continue expanding. As a result, KGI Securities has revised its 2025 full-year revenue estimate to NT$5.14 billion.

Financials

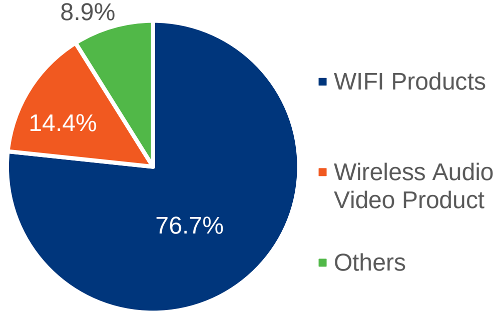
	2021	2022	2023	2024F	2025F
EPS (NTD)	5.26	0.62	-2.46	1.73	7.54
EPS Growth (%)	-61.9	-88.2	-497.1	0.0	336.5
P/E Ratio	37.8	3216	N.A.	115.3	26.4
ROE (%)	20.3	2.3	-9.7	6.6	24.0

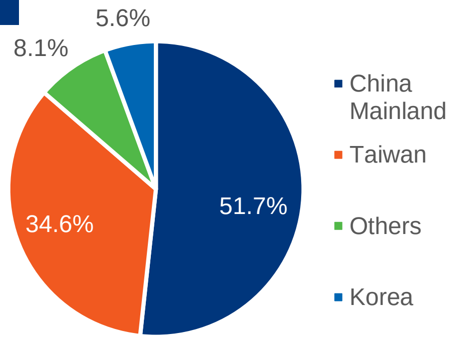
Source: Company data, estimates of KGI analyst

Valuations



Revenue Sources and Regions





Source: Bloomberg

1-Year Performance

As of 6 Mar 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	3.8	0.5	-1.4	24.8	-3.3	-12.0

Mutual Funds/ ETFs

Inflation and Safe-Haven Demand Support Gold's Rise

► SPDR Gold MiniShares ETF (GLDM)

- Investing in physical gold, aimed at tracking the performance of the LBMA Gold Price Afternoon Fixing.
- Although established for a shorter period, it has a lower expense ratio compared to similar ETFs, at just 0.18%.

► VanEck Gold Miners ETF (GDX)

- Aimed at tracking the performance of the NYSE Arca Gold Miners Index.
- Primarily invests in large gold mining companies worldwide, including those engaged in exploration, extraction, and production.
- A diversified portfolio helps spread investment risk and reduces the impact of risks from a single company or region on the overall portfolio.
- Highly liquid, it is one of the largest gold mining ETFs in the market.

Product	SPDR Gold MiniShares ETF (GLDM)		VanEck Gold Miners ETF (GDX)	
Features	■ This ETF hedges against inflation and market swings with a low 0.1% expense ratio, ensuring cost efficiency.		■ Focused on mid- and large-cap gold miners, it offers high volatility and strong return potential, while its market-leading size ensures ample liquidity.	
AUM	USD 11.12 B		USD 13.79 B	
Tracking Index	LBMA Gold Price PM		NYSE Arca Gold Miners Index (Total Return)	
Holdings	1		62	
Expense Ratio	0.1%		0.51%	
3M/YTD Returns	11.03% / 11.37%		14.58% / 22.97%	
Top-5 Sectors (%)	Gold	100	Mining & Others	100
Top-5 Holdings (%)	Gold	100	Newmont Corp Agnico Eagle Mines Wheaton Precious Metals Barrick Gold Corp Franco-Nevada Corp	11.81 11.74 7.64 7.57 6.72

Source: Bloomberg, 25 Feb. 2025

SPDR Gold MiniShares Trust (GLDM)

Profile

SPDR Gold MiniShares Trust is an ETP incorporated in the USA. The investment objective of the Trust is for the Shares to reflect the performance of the price of gold bullion, less the Trust's expenses. The Trust holds gold and is expected from time to time to issue Baskets in exchange for deposits of gold and to distribute gold in connection with redemptions of Baskets.

■ Second-Largest After GLD & IAU, Strong Liquidity

GLDM ranks as the third-largest gold trust ETF, offering relatively strong liquidity among gold investment options.

■ Invests in Physical Gold

This ETF tracks the LBMA Gold Price PM and differs from gold mining stock ETFs, which are exposed to both gold price fluctuations and corporate operational risks. As a result, GLDM is less volatile than gold mining stock ETFs. Gold trust ETFs are commonly used as hedging tools against inflation and market volatility, making them suitable for investors seeking stability amid economic uncertainty.

■ Lower Expense Ratio

With a 0.1% expense ratio, GLDM is among the lowest-cost ETFs in its category, offering a cost-effective investment option.

Inception Date	25 June 2018	**AUM**	USD 11.12 B
ETF Category	Commodity	**Holdings**	1
Expense Ratio	0.1%	**3Y Stand. Dev. (Ann.)**	13.44%

Source: Bloomberg, 5 Mar. 2025

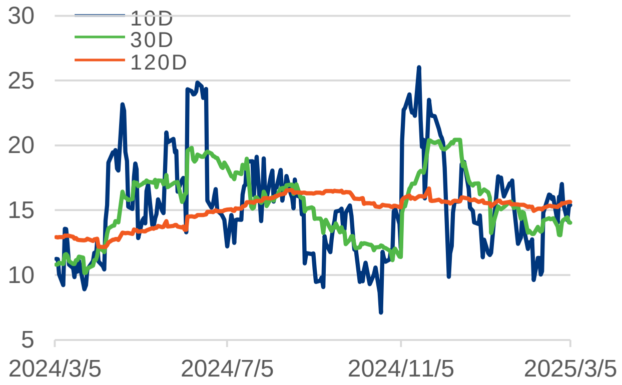
Sectors

Top-5 Holdings (%)

Gold	100

1-Year Performance

1-Year Volatility



As of 5 Mar 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	2.35	11.03	11.37	36.04	48.08	73.46

VanEck Gold Miners ETF (GDX)

Profile

VanEck Gold Miners ETF is an exchange-traded fund incorporated in the USA. The ETF tracks the performance of the NYSE Arca Gold Miners Index. The ETF invests in materials stocks of all cap sizes across the globe. Its largest allocation is in North American companies, principally those domiciled in Canada.

■ Invests in Global Large-Cap Gold Miners

This ETF primarily holds stocks of mid- to large-cap gold mining companies engaged in exploration, extraction, and production.

■ High Return Potential

Gold miners' profitability depends on prevailing gold prices, making their stocks highly correlated with spot gold. However, mining companies also face operational and extraction costs, leading to occasional divergences between stock prices and gold prices. This ETF carries higher volatility, making it appealing for investors seeking greater return potential.

■ High Liquidity

As one of the largest gold mining stock ETFs, it offers strong market liquidity.

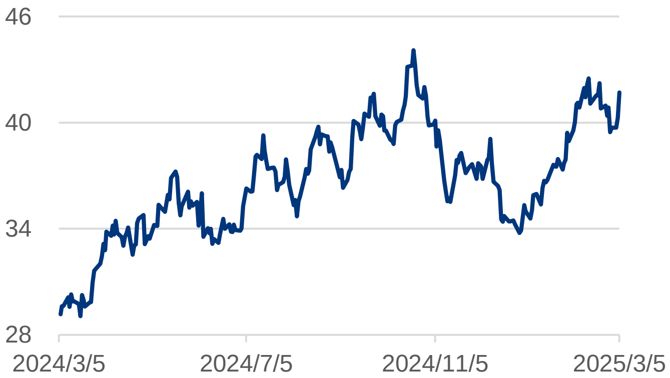
Inception Date	16 May 2006	**AUM**	USD 13.79 B
ETF Category	Equities	**Holdings**	62
Expense Ratio	0.51%	**3Y Stand. Dev. (Ann.)**	32.59%

Sectors

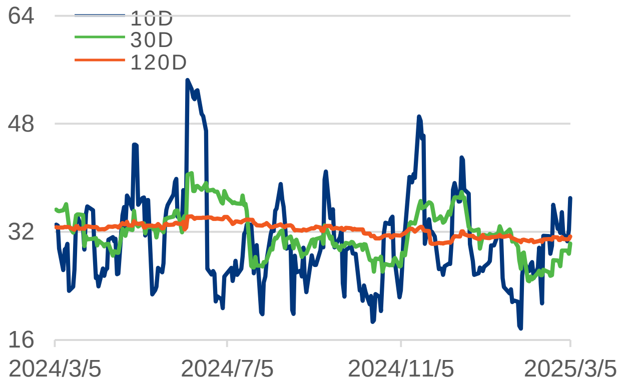
Top-5 Holdings (%)

Newmont Corp	11.81
Agnico Eagle Mines	11.74
Wheaton Precious Metals	7.64
Barrick Gold Corp	7.57
Franco-Nevada Corp	6.72

1-Year Performance



1-Year Volatility



As of 5 Mar 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	1.39	14.58	22.97	44.68	16.61	51.67

Source: Bloomberg, 5 Mar. 2025

Bonds North American Banks Deliver Strong Earnings, Positive Outlook for Relative Bonds

► RY 4.65 10/18/30 (Royal Bank of Canada)

- One of Canada's top banking brands, with a strong foundation in wealth management, wholesale banking, and capital markets. RBC holds the largest market share in most consumer and business loan and deposit products.
- We believe RBC is more diversified than its peers. The bank's net interest income (NII) accounts for 48%, while non-interest income (Non-NII) makes up 52%, showing a well-balanced structure. In terms of business distribution, 44% of revenue comes from personal and commercial banking, 33% from wealth management, and 21% from capital markets.
- RBC demonstrates a more favorable performance in operations compared to its peers. Its core earnings as a percentage of operating income stand at 30.6%, while the peer average is 26%; its efficiency ratio is 57%, compared to the peer average of 59%. RBC has also maintained strong underwriting standards, with its non-performing assets and net charge-offs slightly lower than the peer average.

► NACN 4.5 10/10/29 (National Bank of Canada)

- One of the six major banks in Canada. NBC holds a strong regional market position in Quebec and has the largest or second-largest market share in retail and commercial banking.
- NBC’s revenue sources are more diversified, with non-interest income historically accounting for 45%–52% of total revenue, which is close to the industry average. Its wealth management business (24% of revenue) is similar to those of larger banks in terms of business model and product offerings.
- In recent years, NBC has adopted a controlled strategy to expand its business outside of Quebec, further enhancing its business diversification. In February of this year, NBC completed the acquisition of Canadian Western Bank (CWB), which primarily serves businesses in Western Canada and Ontario. This acquisition will help enhance NBC's business influence outside of Quebec.

Products	RY 4.65 10/18/30 (Royal Bank of Canada)	NACN 4.5 10/10/29 (National Bank of Canada)
ISIN	US78017FZT38	US63307A3B99
Highlight	More favorable performance in operations compared to its peers	One of the six major banks in Canada, with more diversified revenue sources
Maturity Date	18 Oct 2030	10 Oct 2029
Next Redemption Day	18 Oct 2029	-
Coupon (%)	Float/4.65/Semi-annual	Fixed/4.5/Semi-annual
Currency	USD	USD
Years to Maturity	5.62	4.6
Rating (Moody's/ Fitch/S&P)	A1/AA-/A	A2/A+/BBB+
Seniority	Senior Unsecured	Senior Unsecured
YTM/YTC (%)	4.89/4.88	4.85/-

Source: Bloomberg

RY 4.65 10/18/30 (Royal Bank of Canada)

Profile

Royal Bank of Canada (RBC) is one of Canada's top banking brands, with a strong foundation in wealth management, wholesale banking, and capital markets. The bank has a competitive scale advantage and broad geographical coverage across all its businesses. RBC continues to build its wealth management and commercial banking brand in the U.S. through City National.

Highlights

- Asset quality has improved since 2021. As of June 30, 2024, its NPL ratio fell to 2.4% from 3.2% in 2020. The loan portfolio now has a higher share of investment-grade corporate loans and lower exposure to vulnerable sectors. Its China CRE exposure is just 1% of total loans, with an NPL ratio of 68% and coverage at 77%, reducing risks from China's property market.
- CET1 stood at 14.6% in mid-2024, with the bank aiming for 13%-14% in the medium term. Moody’s upgraded its credit outlook to ‘Positive’ in September 2024.
- With the Fed cutting rates, investors may consider locking in high-quality bond yields while monitoring issuers with low credit risk. Adding high-quality bonds can help manage volatility.

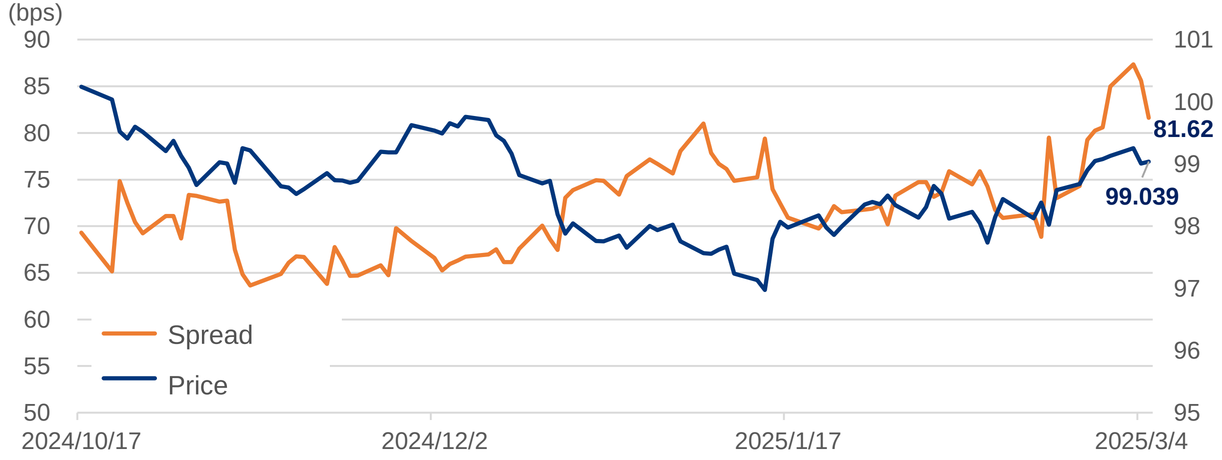
Financials	2022	2023	2024
Return on Tangible Assets (ROTA)	0.87	0.74	0.78
Bad Loan Ratio	0.27	0.43	0.59
Common Equity Tier 1 (CET1)	12.60	14.50	13.20

Source: Bloomberg, 5 Mar 2025

Overview

Name	RY 4.65 10/18/30	**ISIN**	US78017FZT38
Maturity Date	18 Oct 2030	**Remaining Maturity**	5.62
Coupon(%)	Float/4.65/Semi-annual	**YTM/YTC(%)**	4.89/4.88
Currency	USD	**Min. Subscription/ Increment**	2,000/1,000
Ratings (Moody's/Fitch/S&P)	A1/AA-/A	**Seniority**	Senior Unsecured

Price Since Issuance



NACN 4.5 10/10/29 (National Bank of Canada)

Profile

NatWest Group (NWG) is a leading retail and corporate bank in the UK, with a strong market presence. The bank operates almost exclusively in the UK, focusing on commercial banking, investment banking, and predominantly secured retail banking.

Highlights

- NWG maintains solid asset quality with well-controlled non-performing assets. As of the end of 2024, Stage 3 loans accounted for only 1.45% of total group loans, significantly below the European banking sector average.
- NWG reported a return on tangible equity (ROTE) of 17.5% in 2024, reflecting strong profitability, while its cost-to-income ratio declined to 53.4%. At year-end, the group's CET1 ratio stood at 13.6%, providing a solid capital buffer and aligning with its 13%-14% target range.
- In 2024, Fitch upgraded NatWest Bank's rating outlook from 'Stable' to 'Positive', reflecting improved financial strength and risk management.

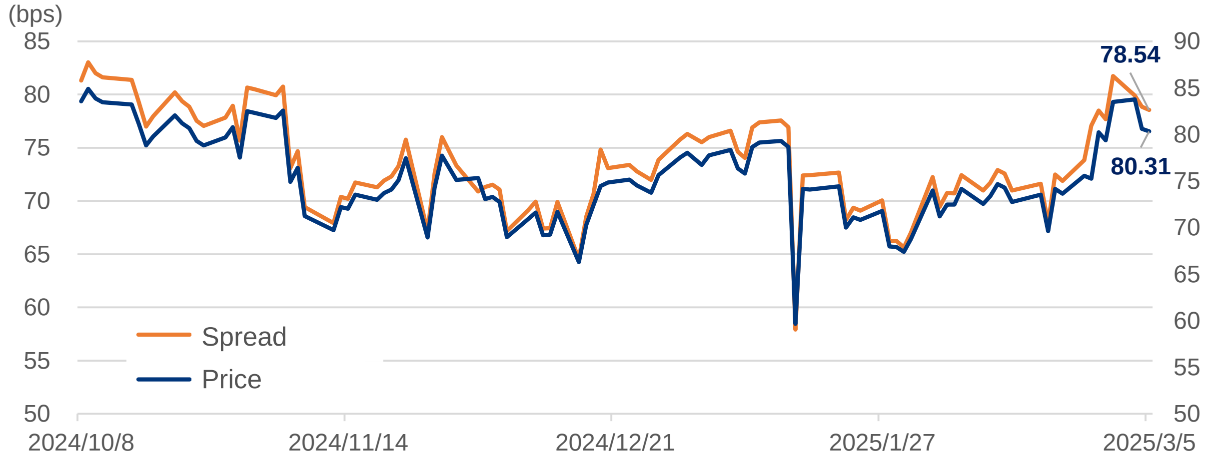
Financials	2022	2023	2024
Return on Tangible Assets (ROTA)	0.89	0.80	0.86
Bad Loan Ratio	0.40	0.47	0.68
Common Equity Tier 1 (CET1)	12.70	13.50	13.70

Source: Bloomberg, 5 Mar 2025

Overview

Name	NACN 4.5 10/10/29	**ISIN**	US63307A3B99
Maturity Date	10 Oct 2029	**Remaining Maturity**	4.6
Coupon(%)	Fixed/4.5/Semi-annual	**YTM/YTC(%)**	4.85/-
Currency	USD	**Min. Subscription/ Increment**	250,000/1,000
Ratings (Moody's/Fitch/S&P)	A2/A+/BBB+	**Seniority**	Senior Unsecured

Price Since Issuance



Appendix

Key Economic Data / Events

MAR 2025

3 Monday

- U.S. Feb. ISM Manufacturing PMI (Actual:50.3 Est:50.7 Prev:50.9)
- U.S. Feb. S&P Global Manufacturing PMI Final Value (Actual:51.6 Est:52.7 Prev:51.2)
- Japan Feb. Jibun Bank Japan PMI Mfg Final Value (Actual:49.0 Prev:48.9)
- Eurzone Feb. HCOB Services PMI (Actual:47.6 Est:47.3 Prev:47.6)
- China Feb. Caixin China PMI Mfg (Actual:50.8 Est:50.4 Prev:50.1)

4 Tuesday

- Japan Jan. Jobless Rate (Actual:2.5% Est:2.4% Prev:2.5%)
- Japan Jan. Job-To-Applicant Ratio (Actual:1.26 Est:1.25 Prev:1.25)
- Eurzone Jan. Jobless Rate (Actual:6.2% Est:6.3% Prev:6.2%)

5 Wednesday

- U.S. Feb. ISM Services PMI (Actual:53.5 Est:52.5 Prev:52.8)
- U.S. S&P Global Services PMI (Actual:51.0 Est:49.7 Prev:52.9)
- U.S. ADP Employment Change (Actual:77k Est:133k Prev:183k)
- Japan Feb. Jibun Bank Services PMI Final Value (Actual:53.7 Prev:53.1)
- Eurzone Feb. Services PMI Final Value (Actual:50.6 Prev:51.3)
- China Feb. Caixin China Services PMI (Actual:51.4 Prev:51.0)

6 Thursday

- U.S. Last Week's Initial Jobless Claims (Actual:221k Est:233k Prev:242k)
- Eurzone Mar. ECB Main Refinancing Rate (Actual:2.65% Est:2.65% Prev:2.90%)
- Eurzone Jan. Retail Sales (Actual:-0.3% Est:0.1% Prev:0.0%)

7 Friday

- U.S. Feb. Change in Nonfarm Payrolls (Est:160 Prev:143k)
- U.S. Feb. Unemployment Rate (Est:4.0% Prev:4.0%)
- Eurzone Q4 GDP Final Value (Est:0.9% Prev:0.9%)

10 Monday

- Eurzone Mar. Sentix Investor Confidence (Est:10.0 Prev:-12.7)

11 Tuesday

- U.S. Jan. JOLTS Job Openings (Prev:7,600k)
- Japan Q4 GDP QoQ Final Value (Est:0.7% Prev:0.7%)
- Japan Feb. Machine Tool Orders YoY Initial Value (Prev:4.7%)

12 Wednesday

- U.S. Feb. CPI YoY (Est:2.9% Prev:3.0%)
- U.S. Feb. Core CPI YoY (Est:3.2% Prev:3.3%)
- Japan Feb. PPI YoY (Est:4.0% Prev:4.2%)

13 Thursday

- U.S. Last Week's Initial Jobless Claims (Prev:221k)
- U.S. Feb. PPI YoY (Prev:3.5%)
- Eurzone Jan. Industrial Production YoY (Est:-0.5% Prev:-2.0%)

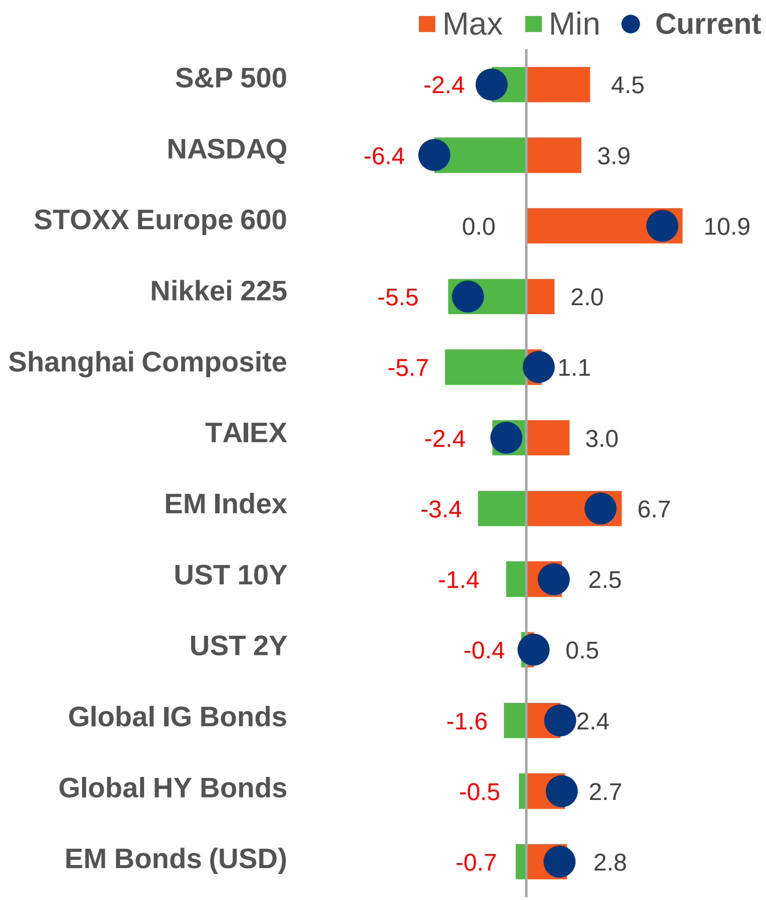
14 Friday

- U.S. Mar. U. of Mich. Sentiment Initial Value (Est:64.0 Prev:64.7)

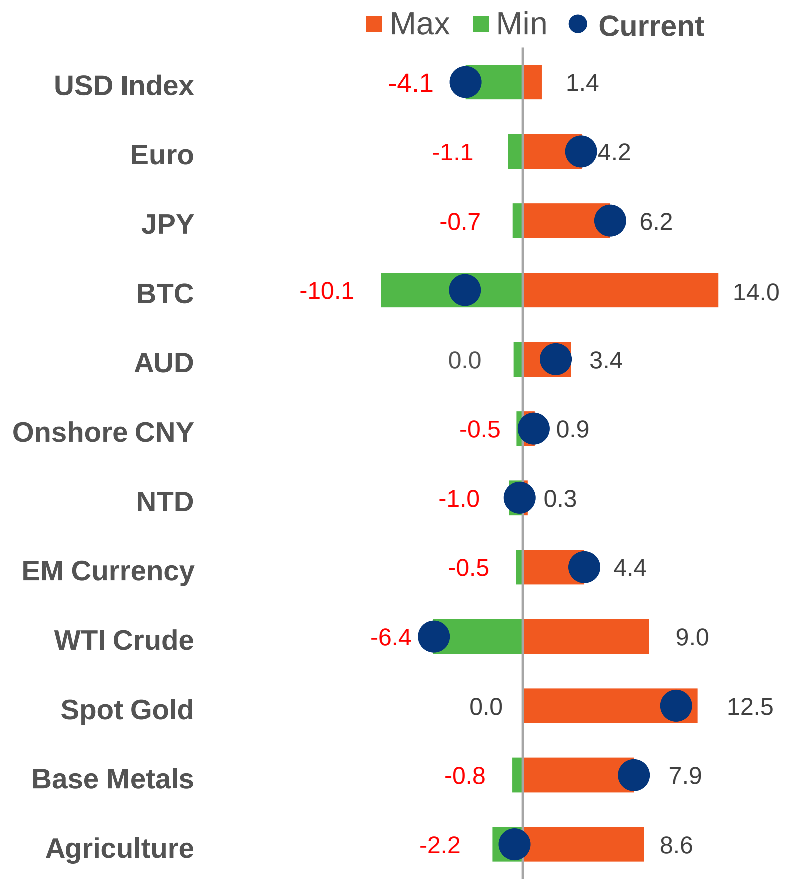
Source: Bloomberg

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 7 Mar. 2025

Technical Analysis

60D MA

S&P 500 Index

- Current: 5,738
- 60D MA: 5,991

NASDAQ Index

- Current: 18,069
- 60D MA: 19,534

STOXX Europe 600 Index

- Current:555
- 60D MA:530

Nikkei 225 Index

- Current: 37,155
- 60D MA: 39,094

Shanghai Composite Index

- Current: 3,372
- 60D MA: 3,321

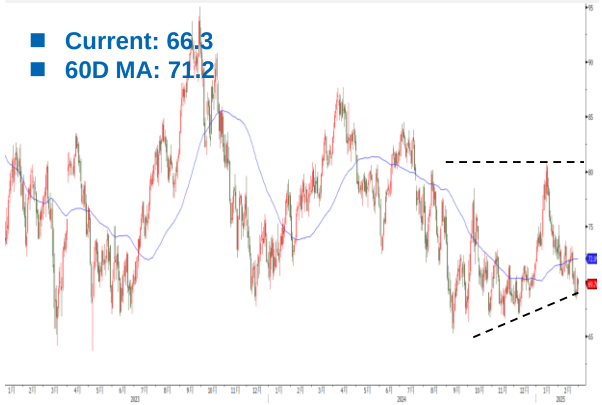
MSCI Emerging Markets Index

- Current: 1,131
- 60D MA: 1,093

Gold

- Current: 2,908
- 60D MA: 2,771

WTI Crude



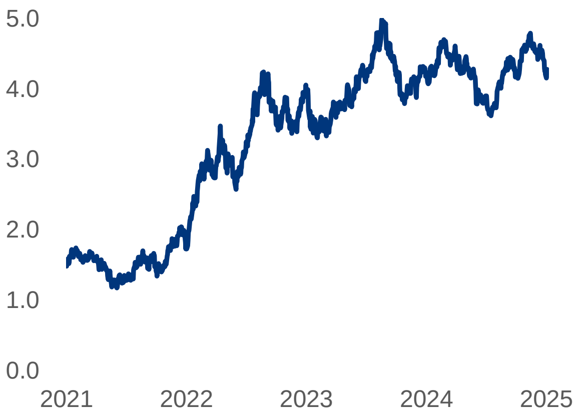
- Current: 66.3
- 60D MA: 71.2

Source: Bloomberg, 7 Mar. 2025

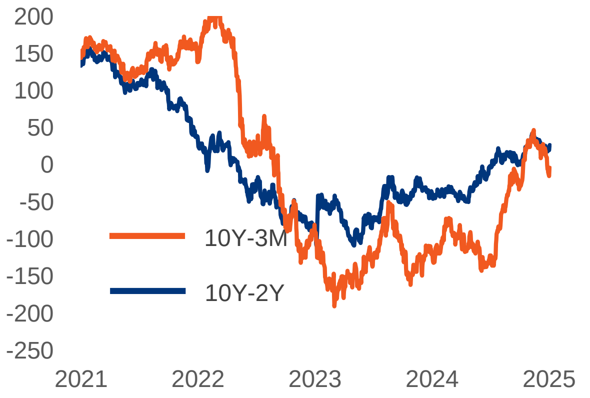
Market Monitor

U.S. CPI YoY (%)

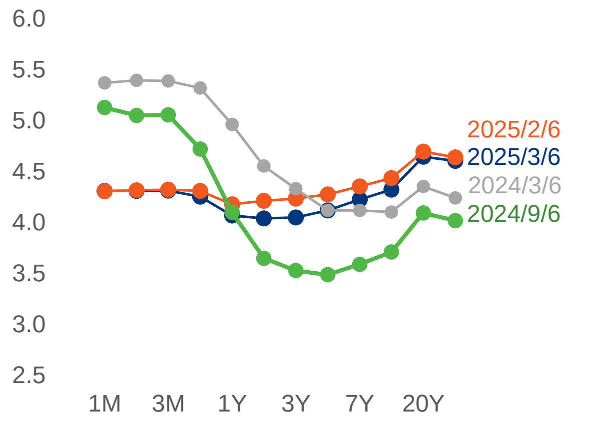
U.S. 10-Year Treasury Yield (%)



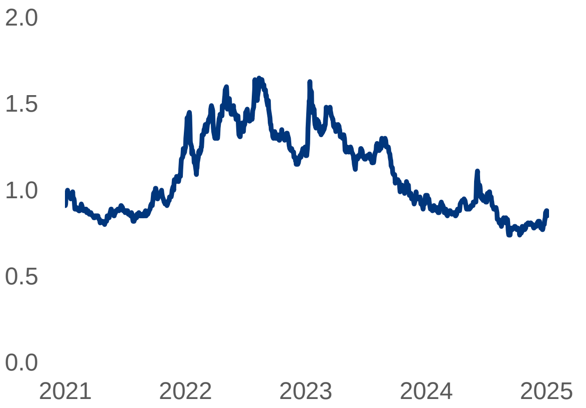
U.S. Treasury Yield Spread (bps)



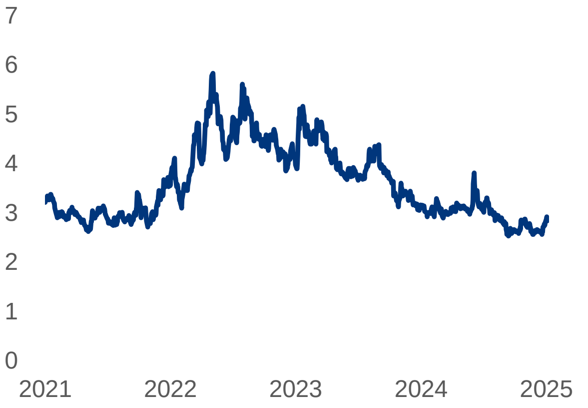
U.S. Treasury Yield Curve (%)



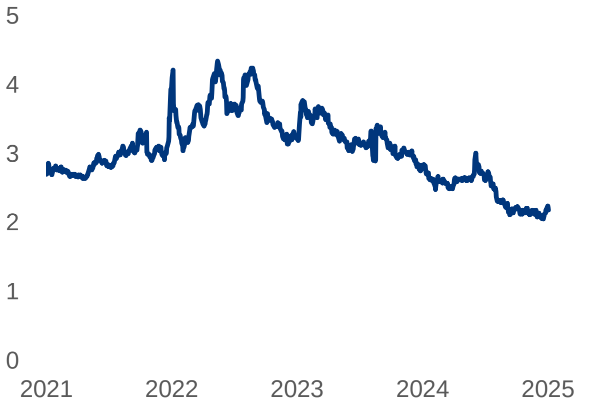
USD IG Credit Spread (%)



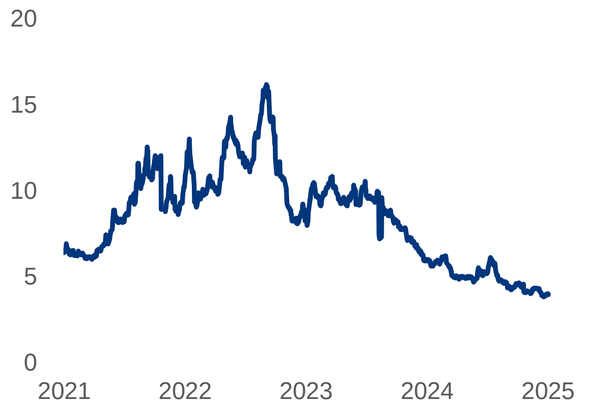
USD HY Credit Spread (%)



USD EM Credit Spread (%)



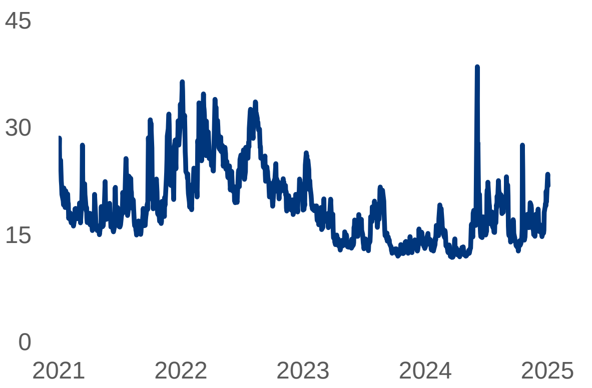
USD Asia Credit Spread (%)



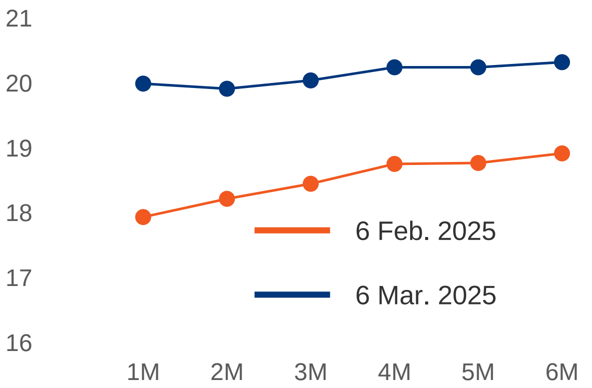
Source: Bloomberg, 6 Mar. 2025

Market Monitor

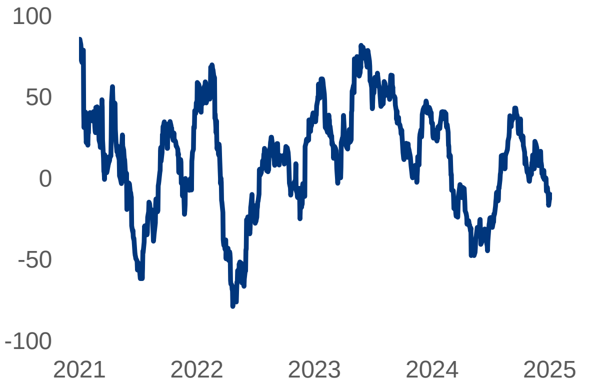
VIX Index



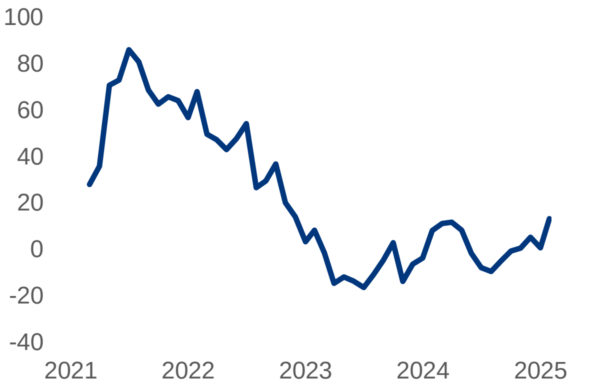
VIX Term Structure



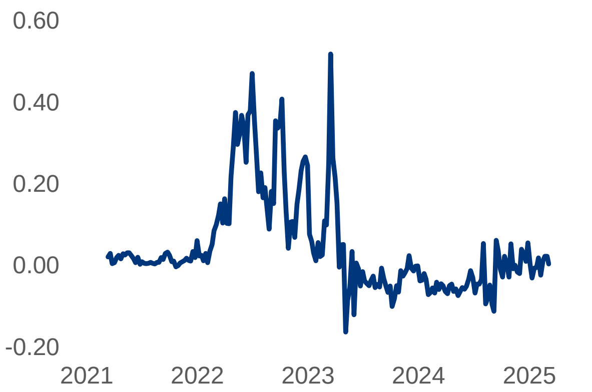
U.S. Citi Economic Surprise Index*



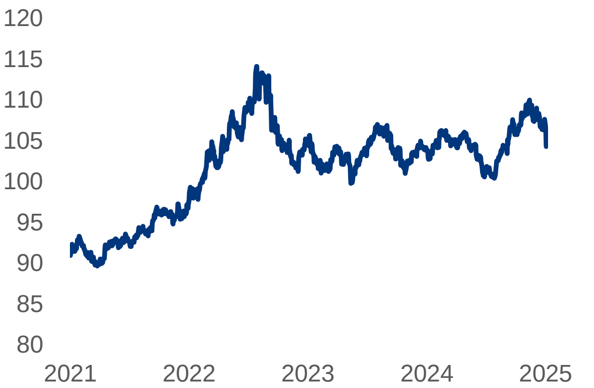
U.S. Citi Inflation Surprise Index*



TED Spread (bps)

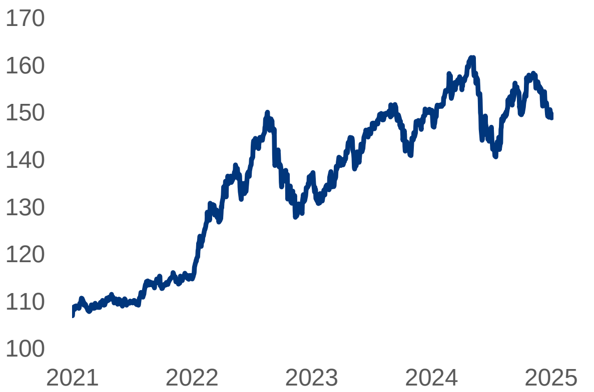


U.S. Dollar Index



USD to TWD

USD to JPY



Source: Bloomberg, 6 Mar. 2025; *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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