



## Half-Time for Tariffs

19 May 2025



## Chart of the Week

Tariff Truce Fuels Market Optimism



## 02 Market Recap

U.S.-China Progress Sparks Market Rebound



## 03 What's Trending

CPI Trends to Guide Monetary Policy Outlook



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Easing Policies and UK-U.S. Deal Support FTSE Performance





Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs

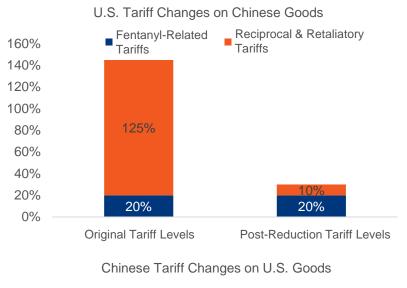


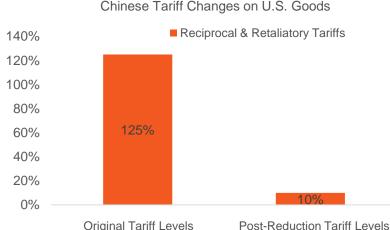


# U.S. and China Lower Tariffs, Easing Market Concerns and Driving Rotation into Cyclical Sectors

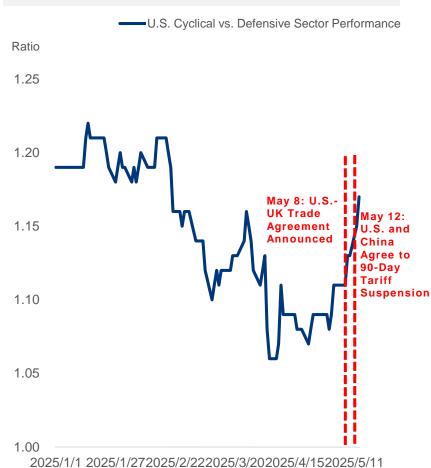
- ▶ At the onset of President Trump's reciprocal tariff strategy, the U.S. and China had yet to engage in substantive negotiations, opting instead for retaliatory tariff measures. U.S. tariffs on Chinese imports peaked at 145%, while China's tariffs on U.S. goods reached as high as 125%. These elevated levels effectively froze bilateral trade, leading to a sharp drop in export and import activity. The U.S. faced immediate challenges in finding alternative sources for goods previously imported from China, raising concerns over potential consumer shortages. Meanwhile, China risked losing access to the U.S. export market, an outcome that domestic demand alone could not offset, posing significant pressures on its economy and corporations. As a result, both sides were motivated to resume talks, swiftly agreeing to a 90-day framework for rolling back tariffs.
- ▶ The U.S.-China tariff truce, coupled with the previously concluded UK-U.S. trade agreement, has eased market concerns over the progress of global tariff negotiations. This has helped revive investor risk appetite and driven a broad-based rally in global equity markets. In terms of sector performance, cyclical sectors such as semiconductors and technology, consumer discretionary, and energy posted notable gains. In contrast, defensive sectors like healthcare and consumer staples saw a pullback. The improved market sentiment suggests cyclical sectors may continue to outperform in the near term.







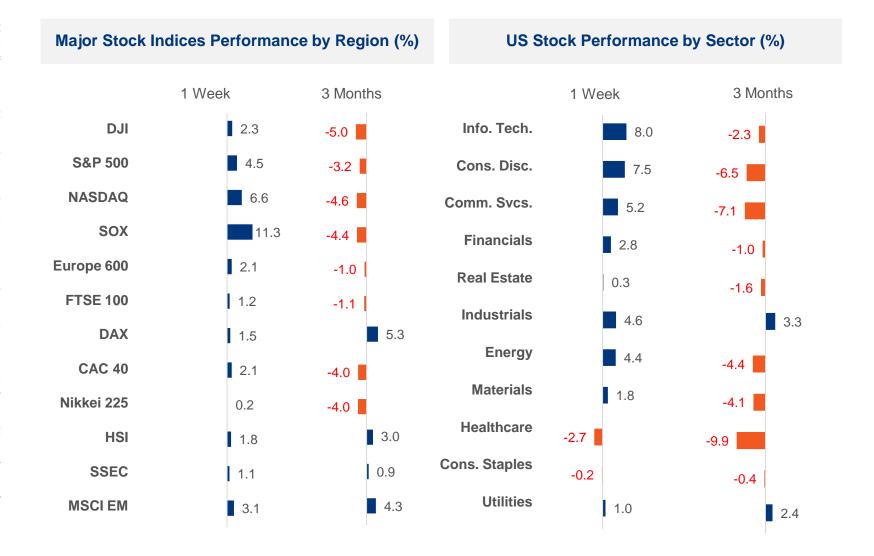
## U.S.-China Talks Sustain Market Optimism, Fuel Short-Term Gains in Cyclical Stocks





## Market Recap U.S.-China Trade Tensions Ease, Risk Assets Rebound Sharply

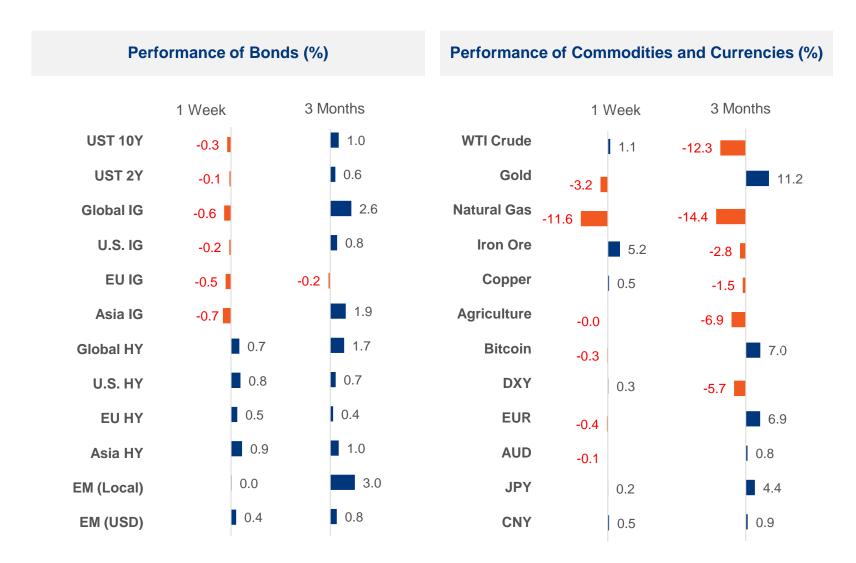
- ▶ On May 12, the U.S. and China issued a joint statement announcing a 90-day suspension on most of the additional tariffs imposed on each other. The U.S. tariff rate on Chinese imports was lowered to 30%, while China reduced its tariff rate on U.S. goods to 10%. This move helped calm market fears that prolonged trade conflict between the world's two largest economies could drag down global economic growth. As a result, investor risk appetite improved, leading to a broad rally across global equity markets. European equities saw more moderate gains, reflecting comments from U.S. Treasury Secretary Bessent, who noted that trade negotiations between the EU and the U.S. were progressing slowly. This suggests that, despite the UK reaching a deal with the U.S., Europe remains inclined to proceed at its own pace in trade talks.
- ▶ On May 13, the U.S. Department of Commerce officially revoked a previously announced rule, set to take effect on May 15, that would have restricted exports of U.S.-made Al chips to certain countries and regions under the "Al Expansion Rule." The reversal sparked a strong rebound in semiconductor stocks, leading a broader rally in the information technology sector. Optimism was further supported by progress in U.S.-China trade negotiations and the signing of a strategic economic agreement between the U.S. and Saudi Arabia. These developments collectively boosted cyclical sectors such as consumer discretionary, financials, and industrials. Conversely, defensive sectors including healthcare, consumer staples, and utilities came under selling pressure and underperformed the broader market.





## Easing Risk Aversion Weighs on Treasuries and Investment-Grade Credit; Gold Prices Also Decline

- ▶ The de-escalation of U.S.-China tensions reduced investor demand for safe-haven assets, resulting in declines across U.S. Treasuries and most investment-grade bonds, while capital rotated into high-yield (non-investment-grade) debt. Although the U.S. CPI YoY increase came in below expectations, temporarily easing concerns that tariffs could stoke inflation. Federal Reserve Vice Chair Jefferson warned that the new tariffs announced by former President Trump could pose a barrier to bringing inflation back down to the 2% target. This added uncertainty to the interest rate outlook, pushing the U.S. 10-year Treasury yield to a six-week high, briefly breaching the 4.5% mark.
- ▶ In commodities, optimism over progress in U.S.-China trade talks eased concerns about global economic growth, fueling a rebound in crude oil prices. Base metals such as iron ore and copper also saw gains. In contrast, gold came under pressure and was sold off as safe-haven demand diminished. In the currency markets, the U.S. dollar surged more than 1% during the week, reaching a one-month high on trade-related news. However, the greenback later retreated after U.S. inflation data came in below expectations, resulting in a choppy performance for the dollar index throughout the week. The Euro and Australian dollar underperformed, while the CNY, which had briefly weakened following a reserve requirement ratio cut and interest rate reduction, rebounded on the back of positive trade developments, lending support to its overall trend.



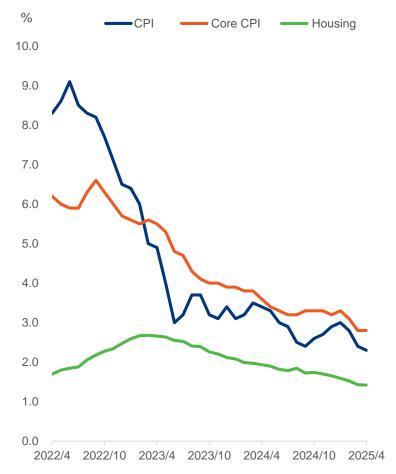




## What's Trending April CPI Holds Steady as Fed Policy Outlook Gains Focus

- ▶ In April 2025, the U.S. CPI rose 2.3% YoY, the lowest since February 2021 and slightly below market expectations of 2.4%. The MoM increase stood at 0.2%. The easing in inflation was primarily driven by a 0.4% decline in the household food price index, with egg prices plunging 12.7%. However, the shelter index rose 0.3%, accounting for more than half of the month's CPI increase, underscoring the persistence of housing-related inflation. Core CPI, which excludes food and energy, rose 0.2% MoM and remained at 2.8% YoY. Looking ahead, prices for imported goods such as furniture and appliances have shown significant increases. As inventories continue to be drawn down and tariff costs are increasingly passed on to consumers, core goods and core services may face upward price pressure in the coming months, potentially causing CPI to rise again.
- ▶ In May, the Fed kept the federal funds rate unchanged in the 4.25%-4.50% range and adopted a wait-and-see approach, signaling it would monitor incoming economic data to assess the outlook for inflation and economic growth. Following the release of the April CPI report, the probability of a 25 basis point rate cut in June, as implied by fed funds futures, dropped sharply from 63.2% before the release to just 8.4%. Meanwhile, the probability of a rate cut in September rose from 4.5% to 41.0%. This reflects a shift in market expectations, with the anticipated timing of rate cuts pushed back, and the total expected cuts in the second half of the year reduced from four quarter-point cuts to two.

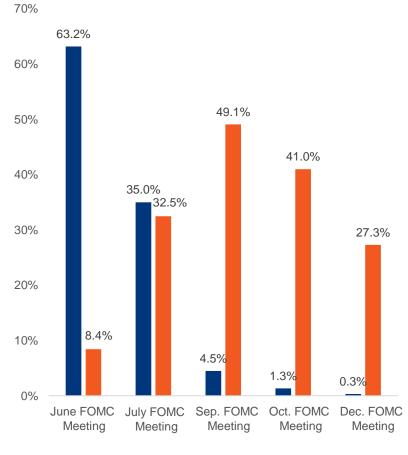




#### Post-CPI Release: Nearly 50% Probability of September Rate Cut (25 bps)

■ Pre-CPI Futures-Implied Probability of 25 bps Rate Cut

■ Post-CPI Futures-Implied Probability of 25 bps Rate Cut



Source: U.S. Bureau of Labor Statistics, CME Group; data as of May 14, 2025, compiled by KGI Securities

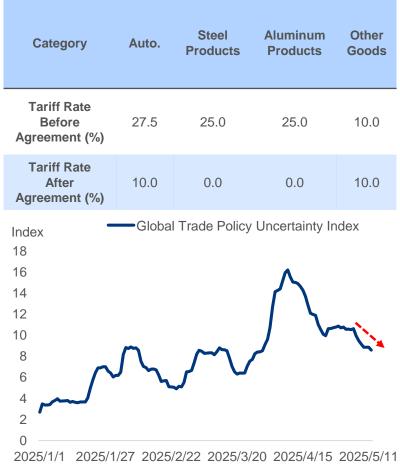


#### In Focus

## UK's Early Trade Deal with U.S. Gives Its Export Sectors a Competitive Edge

- ▶ On May 8, the U.S. announced its first trade agreement since the onset of the tariff conflict, reached with the UK Key terms of the agreement include: the U.S. reducing import tariffs on UK-made automobiles from 27.5% to 10%; eliminating the 25% tariff on UK steel and aluminum imports; and the UK accelerating customs clearance for U.S. goods. The deal also includes the reduction of trade barriers on American exports in agriculture, chemicals, energy, and industrial goods—particularly by expanding market access for U.S. beef and ethanol. Additionally, the UK agreed to purchase \$10 billion worth of Boeing aircraft from the U.S.
- ▶ The U.S.-UK trade agreement offers other countries valuable insights and reference points for their own negotiations. It suggests that a 10% tariff may serve as a baseline, and that concessions, such as easing market access for U.S. goods or increasing imports from the U.S., may be required. However, it also signals that elevated tariffs on specific sectors have room for reduction or even elimination. Following the announcement of the agreement, the Global Trade Policy Uncertainty Index declined, reflecting reduced concerns about trade tensions. The agreement has provided a tangible boost to UK industries such as automobiles, steel, and aluminum. UK exportoriented equities, which had already been outperforming due to relatively lower reciprocal tariffs compared to other countries, saw further gains on news of tariff reductions under the agreement.

## Changes in Tariffs on UK Exports to the U.S. Under the U.S.-UK Trade Agreement



## Tariff Reductions Support Continued Outperformance of Export-Oriented Equities



Source: Bloomberg, compiled by KGI Securities. Note: Auto tariffs reduced from 25% to 10%, with a quota of 100,000 vehicles—approximately equivalent to the UK's auto exports to the U.S. in 2024



## Easing Inflation Supports Further BoE Accommodation, Bolstering UK Economic and Equity Outlook

- ▶ UK inflation slowed in March, with the annual CPI rate falling from 2.8% to 2.6%, primarily driven by declining energy prices. Core inflation eased slightly from 3.5% to 3.4%, while services inflation fell from 5.0% to 4.7%, reflecting a more significant retreat in accommodation costs that offset a modest rebound in transportation fares. With inflation now running below the Bank of England's projections, this provides the central bank with room to maintain an accommodative stance. Although UK GDP data for Q1 came in strong, there are signs of potential economic deceleration in Q2. This reflects, in part, the impact of U.S. tariff policies weighing on global trade demand, as well as domestic headwinds from a cooling labor market. UK employment survey indicators have shown weakness, and the latest data continues to reveal a decline in job vacancies, adding pressure on the economic outlook and reinforcing the case for policy easing. Following a 25 basis point rate cut in May, market expectations now price in an additional 50-75 basis points of rate reductions by yearend.
- ▶ Monetary easing is expected to support domestic demand, while the UK-U.S. trade agreement is likely to enhance the competitiveness of key industries. Coupled with the UK equity market's historical resilience to volatility, this has helped UK equities outperform both U.S. and Japanese markets year-to-date. Looking ahead, UK stocks remain a relatively attractive and defensive investment option amid a potentially more turbulent global market environment.





## **Asset Strategy**

Asset Type	Market View	Preferred Assets
Equities	<ul> <li>As the Trump-era tariffs enter a negotiation phase, there remains downside risk to U.S. economic growth and corporate earnings, prompting a cautious view on the medium- to long-term outlook for U.S. equities. However, the reciprocal tariff reductions between the U.S. and China have eased fears of a global recession, opening short-term opportunities in cyclical sectors such as consumer discretionary, industrials, financials, and technology. For medium- to long-term investors, a focus on U.S. domestic demand-driven industries is advisable, complemented by allocations to defensive sectors such as consumer staples, utilities, and telecommunications to enhance portfolio resilience.</li> <li>UK equities, supported by the recent U.SUK trade agreement, offer relative advantages. In Europe, continued monetary easing by the ECB and the prospect of German fiscal expansion are positive drivers for Eurozone equities. A strategy of phased buying on pullbacks may be suitable for long-term diversification. Meanwhile, Japan's ongoing economic recovery supports selective buying in banking and domestic demand-oriented stocks on dips.</li> </ul>	Strategy: Prefer large-cap stocks, short-term focus on cyclical sectors such as consumer discretionary, industrials, financials, and tech. For medium- to long-term investments, consider allocating to domestic demand-driven sectors, complemented by defensive stocks such as utilities, telecomm., and consumer staples Regions: European equities, UK equities, and Japan's domestic demand and banking sectors
Bonds	<ul> <li>If recession risks increase, there may be room for long-term interest rates to decline. In such a scenario, consider moderately increasing exposure to long-duration U.S. Treasuries. Note that longer-duration bonds offer higher capital gains potential but also come with greater volatility, investors should evaluate their own risk tolerance. Medium- to short-duration bonds still offer attractive yields; use periods of rising U.S. Treasury yields to lock in rates.</li> <li>For investment-grade credit, prioritize leading corporations with credit ratings of A or above. Sectors with relatively higher risk-adjusted spreads include financials, industrials, energy, utilities, and communications.</li> </ul>	Duration: Focus on long-duration U.S. Treasuries; medium- to short-term high- quality corporate bonds for yield locking  Types: Investment-grade bonds with a preference for large-cap issuers. Sector focus includes financials, industrials, energy, utilities, and telecomm.
Forex	<ul> <li>Trump advocates for a gradual normalization of the U.S. dollar. Following significant appreciation of non-U.S. currencies, foreign exchange market volatility has started to ease. The Federal Reserve's hawkish stance has kept the dollar fluctuating near the 100 level in the short term. However, policy inconsistency in the U.S. has shaken market confidence in the U.S. economic outlook and dollar-denominated assets, resulting in a medium- to long-term bearish bias for the dollar index.</li> <li>In the short term, the recent sharp gains in non-U.S. currencies, such as the Euro and Yen, have paused, entering a consolidation phase.</li> </ul>	USD: Weak, Range-Bound Consolidation EUR & JPY: Consolidation at Elevated Levels
Commodity	<ul> <li>Trump's inconsistent tariff policies have increased risk aversion, while concerns over economic slowdown, inflationary pressures, and fiscal deficits persist. In addition, continued gold purchases by central banks and institutional investors suggest that gold retains upward potential. Accumulation on pullbacks is recommended.</li> </ul>	Gold: Bullish Bias







## **Easing Trade Tensions Opens Door to Bilateral Tariff Negotiations**

#### U.S. and China Agree to Suspend Elevated Tariffs

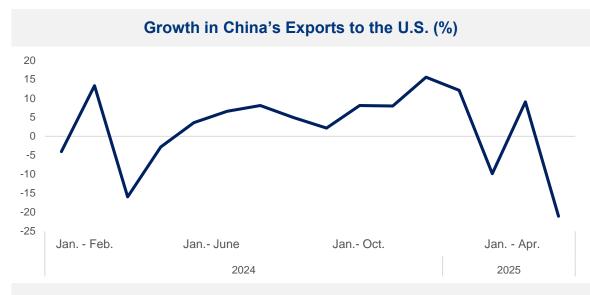
▶ On Monday, both the U.S. and China jointly announced a statement from recent economic and trade talks held in Geneva, agreeing to significantly lower tariffs on each other's goods over the next 90 days. The U.S. will temporarily reduce its consolidated tariff rate on most Chinese imports from a peak of 145% to 30%, and lower tariffs on lowvalue Chinese goods from 120% to 54%. In response, China will cut tariffs on U.S. imports from 125% to 10%.

#### **Easing Trade Tensions Opens Door to Bilateral Tariff Negotiations**

▶ The two countries agreed to mutually cancel punitive high tariffs, breaking the previous trade deadlock and paving the way for renewed tariff negotiations. Although the elevated tariffs are being rolled back, market uncertainty remains, and attention will still need to be paid to the specifics of individual tariff measures. Ultimately, final tariff levels are expected to be significantly lower than the previous rates exceeding 100%. In the interim, during this 90-day window, a surge in "front-loaded" exports may occur as both sides look to mitigate the impact of lingering uncertainty.

#### **Industries Poised for "Front-Loaded Exports"**

▶ With the removal of high tariffs between the U.S. and China, bilateral trade is expected to resume swiftly. In particular, industries with close trade linkages, such as manufacturing and shipping, are likely to see notable improvement. Manufacturing firms are anticipated to rapidly restart export-oriented production lines targeting the U.S. market, while shipping companies are expected to benefit from a quick rebound in U.S.bound export demand, enhancing both their shipment volumes and pricing power over the next 90 days.



#### **Examples of "Front-Loaded Export" Sectors**

Manufacturing Examples	Shipping Examples
Stella International (1836)	Cathay Pacific Airways (293)
Shenzhou International (2313)	OOIL – Orient Overseas (International) Ltd. (316)
Yue Yuen Industrial (Holdings) Ltd. (551)	COSCO Shipping Holdings (1919)
AAC Technologies (2018)	COSCO Shipping Ports (1199)
Sunny Optical Technology (2382)	China Merchants Port (144)

Source: National Bureau of Statistics



## **Tencent Holdings Ltd. (700)**

#### Closing Price HK \$508

## Target Price HK \$545

Tencent Holdings Limited is a holding company. It provides services including social network, music, gateway websites, e-commerce, mobile gaming, payment system, entertainment, artificial intelligence and technology solutions through its subsidiaries.

#### ■ Strong Growth in Gaming and Advertising Businesses

In the first quarter of this year, both the gaming and advertising segments delivered impressive growth, each recording a 20% YoY increase. On the gaming front, in addition to record-high revenue from flagship legacy titles, the newly launched game "Delta Force" became the most active mobile game released in China over the past three years in terms of daily active users. The continued rollout of new titles is expected to further fuel Tencent's growth momentum. At its recent gaming conference, it announced updates for 46 domestic and international games, including 24 new releases, highlighting the company's robust gaming pipeline.

The marketing services segment was driven by strong advertiser demand for Video Accounts, Mini Programs, and WeChat ad inventory. Marketing revenue from most key sectors also saw growth, indicating a broad-based recovery in demand, further supporting the positive trajectory of advertising income.

#### Al Applications Delivering Tangible Impact

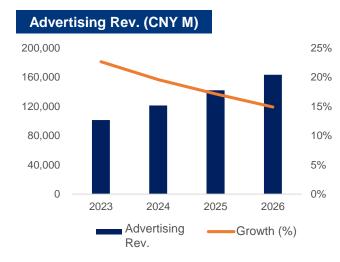
Management believes that integrating AI technology into the gaming ecosystem will be a key driver of future business growth. For example, using AI to prevent cheating and enhance ingame content generation can significantly improve the player experience.

With the assistance of AI, the advertising click-through rate has risen from 1% to approximately 3%. A higher click-through rate helps boost ad conversion effectiveness and user engagement. AI continues to inject growth momentum into Tencent and plays a strategic role in its long-term planning.

#### Attractive Valuation

The effectiveness of Tencent's AI deployment is becoming evident, and recent results help strengthen investor confidence in holding Tencent stock. We raise our target price to one standard deviation above the mean, corresponding to a share price of HKD 545. Source: Bloomberg

#### **Financials** 2025F 2026F 2022 2024 **Net Income** 609.0 660.2 726.6 554.5 791.0 (1B CNY) -0.999.82 8.41 10.04 8.87 NI YoY(%) **EPS(CNY)** 16.32 23.51 26.52 11.84 29.74 37.9 -6.8 44.0 12.8 12.1 EPS YoY(%) 20.1 ROA(%) 24.6 15.1 21.8 18.5









## Alibaba Group Holding Ltd. (9988)

#### Closing Price HK \$123.4

#### Target Price HK \$127

Alibaba Group Holding Ltd operates as a holding company. It provides internet infrastructure, electronic commerce, online financial, e-commerce, retail, and internet content services via global marketplaces, as well as offers digital media, entertainment, logistics, and cloud computing solutions.

## ■ Q4 FY2025 Slightly Below Expectations, but E-Commerce Still Supports Profitability

Results for Q4 FY2025 were mixed, which may lead to stock price volatility due to the following reasons: (1) The share price has risen over 30% since the April low, prompting some investors to take profits; (2) Cloud business EBITA margin narrowed QoQ; (3) Losses in the local services segment widened amid growing competitive concerns; (4) Capital expenditure on AI infrastructure declined sequentially. Our investment thesis remains unchanged, we maintain a positive outlook on cloud service providers, as demand for generative AI cloud services in China continues to outpace supply.

#### ■ EBITA - Cloud Margin Declined Q/Q

Overall EBITA margin narrowed on a QoQ basis. In particular, the EBITA margin of the Cloud Intelligence business fell more than expected, resulting in an underwhelming overall EBITA performance. However, Taotian Group, the primary profit contributor, exceeded expectations due to a higher take rate, which supported stronger-than-expected EBITA.

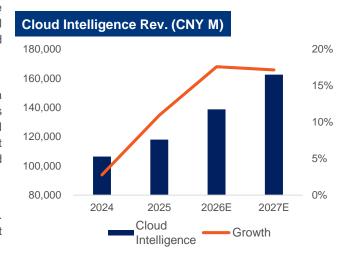
#### ■ Al Empowerment as Part of Long-Term Strategic Deployment

Although the Cloud Intelligence business delivered lower-than-expected profits due to a reduced EBITA margin, revenue growth remains strong. Al-related product revenue has achieved triple-digit YoY growth for seven consecutive quarters, underscoring sustained Al demand. The company continues to focus on Al + Cloud, e-commerce, and other internet platform businesses, while increasing investment in Al infrastructure and advanced technologies as part of its long-term strategic deployment.

#### ■ Target Price Maintained

Earnings shortfalls may prompt some profit-taking by investors who are already in the green. We maintain target price of approximately HKD 127 (as of Apr.), reflecting the view that near-term investor sentiment toward Alibaba is unlikely to improve significantly.

Financia	als				
	2023	2024	2025	2026F	2027F
Net Income (1B CNY)	868.7	941.1	996.3	1077.1	1168.0
NI YoY(%)	1.83	8.34	5.86	8.06	8.47
EPS(CNY)	6.82	7.78	8.18	9.23	10.33
EPS YoY(%)	3.55	14.06	5.1	12.8	11.9
ROA(%)	7.48	8.07	12.97	13.04	13.15









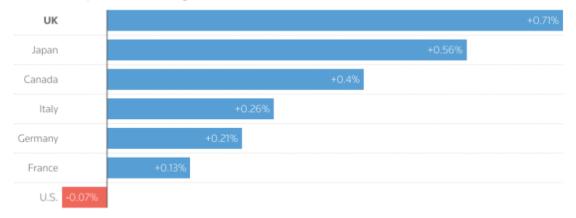


## **UK Outperforms in Q1 Economic Growth**

- ▶ In the U.S., the core CPI annual growth rate for April held steady at 2.8%, matching both March's figure and market expectations. Notably, the housing index, which accounts for over two-thirds of the 12-month price increase, rose 4% YoY, unchanged from March. Other annual increases included: medical care up 1%, auto insurance up 6.4%, education costs up 3.8%, and recreation spending up 1.6%. On a monthly basis, April's core CPI rose 0.2%, slightly above March's 0.1% but below the market consensus of 0.3%.
- ▶ The U.S. core PPI declined 0.4% MoM in April, reversing the revised 0.4% increase in March and falling well short of the expected 0.3% rise. The drop was primarily due to a decline in trade services margins. On a yearly basis, core PPI rose 3.1%, down from March's 4% but in line with market forecasts.
- ▶ April retail sales in the U.S. increased just 0.1% MoM, significantly below the upwardly revised 1.7% gain in March, though still better than the market's zero-growth expectation. Core retail sales, which exclude food services, autos, building materials, and gas stations, fell 0.2% in April, underperforming both the revised 0.5% rise in March and the forecasted 0.3% gain.
- ▶ The U.K was the first to reach a trade agreement with the U.S. Under the deal, the U.S. will maintain a 10% tariff on UK-exported goods, including up to 100,000 vehicles (with any excess subject to a 27.5% tariff). In return, the U.S. will reduce tariffs on UK steel and aluminum imports to zero. Meanwhile, the UK will cut tariffs on U.S. imports from 5.1% to 1.8%. The UK also plans to reduce non-tariff barriers for U.S. goods, allowing greater market access for American beef and Ethanol products. In exchange, the UK will gain new market access opportunities for its chemicals and machinery exports to the U.S.
- ▶ The BoE began its rate-cutting cycle in Aug. 2024, lowering its benchmark interest rate from a peak of 5.25% to 4.25% as of May 2025. Additionally, the UK recorded the highest GDP growth among G7 countries in Q1, reaching 0.71%.

#### **G7 Q1 2025 GDP Growth Comparison**

Quarter-on-quarter real GDP growth rate for Q1 2025



Note: Data for Japan are for Q4 2024.

Source: LSEG Datastream: ONS

Sumanta Sen • May 15, 2025 | REUTERS



## **ARM Holdings PLC (ARM)**

#### Closing Price US \$135.96

#### Target Price US \$150

ARM Holdings PLC operates as a holding company. The Company, through its subsidiaries, designs and manufactures semiconductor technology and other related products such as computer processors, memory controllers, internet protocol system, graphic processor, security, and storage devices.

#### ■ Al Chip Demand Accelerates

As a core enabler of the AI and cloud computing revolution, the company is increasingly being adopted by hyperscale operators such as Google and Microsoft, thanks to its energy-efficient architecture. By 2025, nearly half of all new server chips are expected to adopt the ARM architecture, underscoring its pivotal role in data centers, edge AI, and automotive systems. In addition, a \$600 billion AI cooperation deal announced by U.S. President Trump during his Middle East visit has driven a broad rally in AI infrastructure stocks. As a key IP provider to AI chip developers, the company stands to benefit indirectly from AI initiatives in countries such as Saudi Arabia.

#### ■ Licensing Revenue as Key Growth Driver

The company set a new record last quarter with both royalty and licensing revenue surpassing \$600 million, highlighting the scalability of its asset-light, high-margin business model. With the signing of several multi-year licensing agreements in the automotive sector and the accelerated adoption of its Armv9 processors and Compute Subsystems, the company is poised to expand market share and profitability across high-growth verticals such as IoT, automotive electronics, and artificial intelligence.

#### **■ Earnings Beat Expectations**

Q4 FY2025 revenue rose 33.6% YoY to \$1.24 billion, beating the market consensus of \$1.23 billion. Non-GAAP EPS came in at \$0.55, surpassing expectations of \$0.52.

#### Valuation Consensus

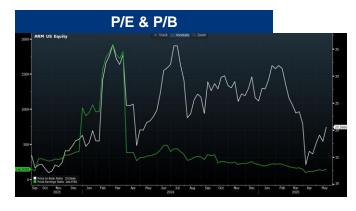
The 12-month average target price on Bloomberg is USD 133.09, with a high estimate of USD 180 and a low of USD 62.60.



ARM Server Market Size	
ARM-Based Servers Market Size by Core Type, 2020 - 2030 (USD Billion)	GRAND VIEW RESEARCH
\$5.3B	<b>14.3%</b> Global Market CAGR, 2024 - 2030
2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030  • ARM CortexA Core Based Servers • ARM Cortex-M Core Based Servers	Source: www.grandviewresearch.com

Financials		_			
	2023	2024	2025	2026F	2027F
Revenue Growth(%)	-0.9	20.7	23.9	19.7	21.3
EBITDA (%)	31.4	9.0	25.5	45.6	50.3
EPS (USD)	0.54	0.32	0.92	1.83	2.37
Net Profit Margin(%)	20.8	10.4	24.3	39.5	42.3

Source: Bloomberg; 2026/27F are market estimates





## Relx PLC (RELX)

## Closing Price US \$54.57

## Target Price US \$60

RELX PLC is a global provider of information and analytics for professional and business customers across industries. The Group serves customers in more than 180 countries and has offices in about 40 countries.

#### Al-Driven Product Innovation

RELX is actively integrating artificial intelligence into its product offerings. For example, Elsevier's ScienceDirect AI can rapidly summarize millions of research articles, while Lexis+AI supports legal professionals with case summarization and document drafting, significantly improving user efficiency.

#### ■ Stable Subscription-Based Revenue Model

Approximately 54% of the company's revenue comes from subscription services, spanning academic publishing, legal information, and risk analytics, providing stable cash flow and a profit margin of up to 34%. The Legal and STM (Science, Technical, and Medical) segments contribute over half of the group's total revenue. Within these segments, only about 20% and 25% of revenue, respectively, come from one-time transactions, with the remainder derived from long-term contracts or subscriptions.

#### ■ Active Share Buybacks

The company repurchased £1 billion worth of shares in 2024 and plans to increase the buyback amount to £1.5 billion in 2025.

#### **■ Valuation Consensus**

The 12-month average target price on Bloomberg is GBP 4,473.21, with a high estimate of GBP 4,951.90 and a low of GBP 3,900.00.



Exhibitions	Business Services
13%	
Legal Print	Risk
News & Business	34%
Government & Academic	
1 1	
Legal 20%	Insurance
Law Firms &	
Corporate Legal	
	Specialised Industry Data Services
	Government
STM Print	
	Databases, Tools and
Academic & Government	Electronic Reference
Primary Research	Corporate Primary Research
STM	
33%	

Financia	als				
	2022	2023	2024	2025F	2026F
Revenue Growth(%)	18.1	7.1	3.0	5.7	7.1
EBITDA (%)	36.8	38.0	38.9	39.6	39.8
EPS (GBP)	0.88	1.00	1.07	1.31	1.45
Net Profit Margin(%)	19.8	20.8	21.3	24.1	24.5

Source: Bloomberg; 2025/26F are market estimates







## U.S.-China Tariff Reductions Extend Taiwan Equity Upside; Focus Shifts to Al Plays

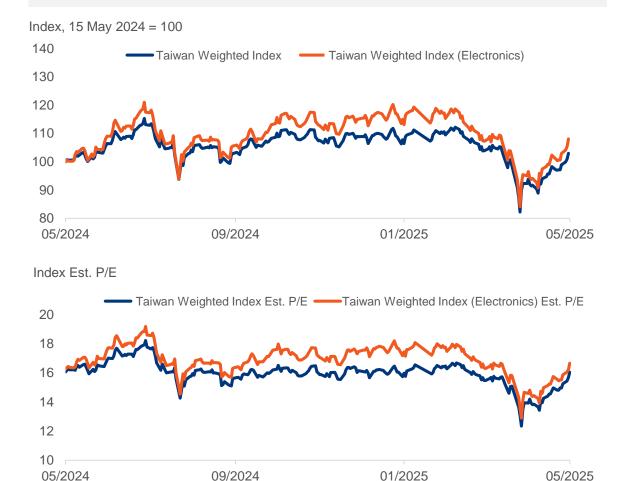
## ► Taiwan Market's Short-Term Bull Trend Continues; Watch for Pullback After Rally

Taiwan stock market extended its rebound last week. From a technical perspective, Wednesday saw a strong open and close, with trading volume exceeding NT\$400 billion for two consecutive sessions. This price-volume alignment helped the index hold above the quarterly moving average, suggesting the short-term uptrend may persist. However, given the significant gains already accumulated and the looming resistance near the downward-sloping 6-month moving average at 22,150 and neckline at around 22,500, further upside may trigger short-term volatility. As long as the Tuesday low of 21,330 holds, the broader bullish structure is expected to remain intact.

## ► U.S.-China Mutual Tariff Cuts Draw Attention to Al-Themed Stocks

The U.S. and China issued a joint statement in Geneva announcing a 90-day truce and mutual tariff reductions, China's tariffs lowered to 30%, and U.S. tariffs to 10%. The news fueled a volume-driven rally in Taiwan equities. Reviewing last week's market structure, electronics remained the main driver, with attention centered on AI themes, optical communication, memory-related stocks, pivot components, USB ICs, and OSAT (outsourced semiconductor assembly and test). Non-tech sectors saw rotational flows: container shipping led gains, financials provided steady support, while heavy electrical, machine tools, and apparel showed some volatility, offering potential buying opportunities on pullbacks. Stock performance varied, primarily influenced by Q1 earnings and April revenue results. Strategically, investors may focus on names with positive revenue or earnings catalysts that are holding above short-term moving averages and showing relative strength.

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





Current

## Hon Hai Precision Industry (2317 TT)

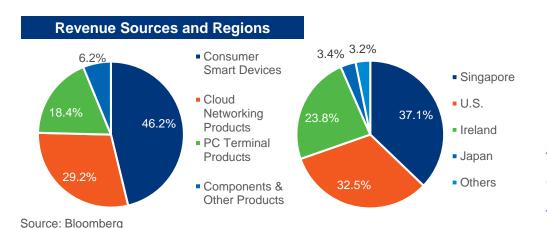
Hon Hai Precision Industry Co., Ltd. provides electronic manufacturing services for computers, communications, and consumer electronic products. It engages in desktop and notebook assembly, connector production, cable assembly, PCB assembly, handset manufacturing, and other consumer electronic devices manufacturing.

#### ■ 1Q25 Earnings Beat Expectations

1Q25 EPS rose 91% YoY but declined 9% QoQ to NT\$3.03, beating our forecast due to better-than-expected gross margin and non-operating income. Revenue in the computer and consumer smart device (iPhone) segments exceeded company guidance, driven by earlier-than-expected shipment pull-ins.

#### ■ 2Q25 Revenue Outlook Remains Positive

The company expects Q2 FY2025 revenue to grow 4–14% QoQ; our estimate is for a 7–8% increase. Cloud networking is the key growth driver, with guidance calling for over 15% YoY and QoQ growth, mainly driven by the ramp-up of GB200 AI servers after resolving multiple bottlenecks. Following more than 50% YoY growth in Q1, AI server revenue is expected to post both sequential and YoY multiples of growth in Q2, accounting for over 50% of total server revenue.



#### **Financials** 2022 2023 2024 2025F 2026F **EPS (NTD)** 10.21 10.25 11.01 12.85 14.46 **EPS** 1.6 7.4 16.8 12.5 Growth (%) 14.8 12.7 P/E Ratio 15.9 11.3 **ROE (%)** 10.0 9.7 9.7 10.6 11.3

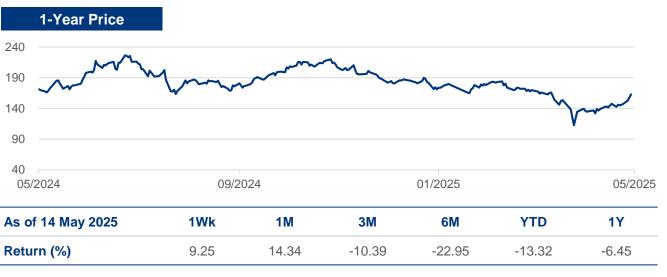
Price 73.60 226.50

P/E 9.03 20.47

P/B 0.84 2.05

5Y Avg

Source: Company data, estimates of KGI analyst



**Valuations** 

Current

729.00

5Y Avg

## **BizLink Holding Inc. (3665 TT)**

BizLink Holding Inc. provides interconnect solutions. The Company offers harnesses, optical fiber, connectivity products, and cables to industries such as IT and CE, motor vehicle, electrical appliances, medical equipment, industrial, optical fiber communications, and solar.

#### Q1 FY2025 Earnings Beat Expectations

Source: Bloomberg

Q1 FY2025 revenue rose 12% QoQ to NT\$16.1 billion, exceeding our estimate by 7%, mainly driven by robust demand for HPC and semiconductor production equipment (SPE). Revenues from these segments grew 154% and 98% YoY, respectively, with their combined contribution increasing from 22% in Q1 FY2024 and 34% in Q4 FY2024 to 42% in Q1 FY2025.

#### ■ Positioned to Expand Market Share Amid the Al Wave and Global Trade Tensions

Management believes that strategically selecting target markets, strong product design capabilities, a more flexible supply chain, and disciplined M&A execution are all key to maintaining high customer stickiness and steadily expanding market share across diversified segments. This includes a long-term collaboration with U.S.-based Credo to develop AEC. Looking ahead, BizLink is optimistic about the market potential of humanoid robots and CPO.

#### **Revenue Sources and Regions** 6.9% 2.6% Computer Others Interconnect 16.5% Division U.S. 35.2% 15.6% Industrial 47.1% China **Applications** Germany Division 19.7% 36.4% Malaysia Home Appliance Division 20.0% Taiwan

Financials					
	2022	2023	2024	2025F	2026F
EPS (NTD)	14.37	25.41	37.97	45.74	51.17
EPS Growth (%)	-42.6	76.9	49.4	20.5	11.9
P/E Ratio	44.8	25.3	16.9	14.1	12.6
ROE (%)	9.8	14.5	18.4	19.2	19.2

11.9 P/E 9.44 36.68 12.6 P/B 1.51 4.02

**Valuations** 

Price179.05

Source: Company data, estimates of KGI analyst

#### 1-Year Price





## Loose Policy and UK-U.S. Agreement Support British Equity Upside

#### **▶** BlackRock UK Fund

- Primarily invests in large-cap UK companies, with about 70% of holdings in stocks valued at £10 billion or more.
- The portfolio is concentrated, with the top 10 holdings accounting for over 50% of total assets.
- The top three sector allocations are Financials, Consumer Discretionary, and Information Technology.
- Available in GBP, USD, and EUR share classes.

Product	BlackRock UK Fund					
Features	<ul> <li>This fund primarily invests in large-cap UK equities.</li> <li>The professional management team adopts a flexible investment strategy, adjusting the portfolio in response to market conditions and economic trends to optimize returns across different market cycles.</li> <li>The fund offers multiple currency classes, including GBP, USD, and EUR, to meet the needs of diverse investors.</li> </ul>					
AUM	GBP 174 million					
Holdings	37					
3M/YTD Returns	<b>-3.86%</b> / 2.98%					
Top-5 Sectors (%)	Financials Cons. Disc. Info. Tech. Industrials Health Care	21.09 18.71 13.71 12.09 9.57				
Top-5 Holdings (%)	AstraZeneca Relx Group Shell 3i Group Compass Group	8.25 7.73 6.10 5.80 5.63				



#### BlackRock UK Fund

#### **Profile**

The fund aims to maximize total return. It invests at least 70% of its total assets in equity securities of companies that are either registered in the UK or conduct the majority of their economic activities there.

#### ■ Investing in Large-Cap UK Equities

This fund primarily invests in large-cap UK equities, with approximately 70% of holdings in companies valued at £10 billion or more, making it suitable for investors seeking long-term returns from UK large-cap stocks.

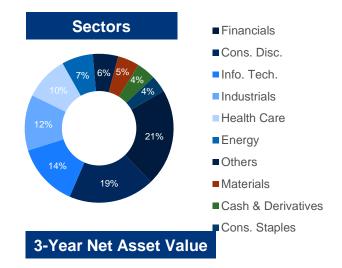
#### **■ Expert Management Team & Research**

BlackRock benefits from a world-class investment management team and extensive research capabilities. The fund employs a flexible investment strategy, adjusting its portfolio based on market conditions and macroeconomic developments. While the core focus is on large-cap companies, the fund also considers opportunities in small- and mid-cap stocks to optimize returns across different market cycles.

#### **■ Multiple Currency Classes**

The fund offers multiple currency share classes, including GBP, USD, and EUR, to accommodate different investor needs and facilitate more convenient investment and asset management.

Inception Date	31 Dec. 1985	AUM	GBP 174 million
Morningstar Category	UK Large-Cap Equities	Fund Category	Equities
Morningstar Rating	***	3Y Stand. Dev. (Ann.)	16.58%



Top-5 Holdings (%)	
AstraZeneca	8.25
Relx Group	7.73
Shell	6.10
3i Group	5.80
Compass Group	5.63



Source: BlackRock Fund Monthly Report, Morningstar. Returns as of May 13, 2025; report data as of April 30, 2025. Share class: A2 GBP





## Loose Policy and UK-U.S. Agreement Support British Equity Upside

#### ► iShares MSCI United Kingdom ETF (EWU)

- Designed to track the performance of the MSCI United Kingdom Index.
- The index primarily invests in large- and mid-cap UK-listed companies, covering approximately 85% of the total market capitalization.

#### ► iShares Core FTSE 100 ETF (CUKX.LN)

- Designed to track the performance of the FTSE 100 Index.
- The index comprises the 100 largest companies by market capitalization listed on the London Stock Exchange.
- It includes a diverse range of sectors (such as Financials, Consumer Staples, and Industrials) and prominent companies such as HSBC Holdings, Shell, and the London Stock Exchange Group.

#### ► iShares UK Dividend ETF (IUKD.LN)

- Designed to track the FTSE UK Dividend+ Index.
- This index specifically targets high-dividend UK stocks, focusing on UK-listed companies with high and sustainable dividend yields.
- It aims to invest in approximately 50 UK companies from the FTSE 350 Index that offer the highest dividend yields with consistent payout histories.

Product	iShares MSCI United Kingdom ETF (EWU.US)		•			iShares UK Dividend ETF (IUKD.LN)	
Features	<ul> <li>Focused on the largest companies listed on the London Stock Exchange</li> <li>Holdings represent firms with significant global market influence</li> </ul>		<ul> <li>Accumulating ETF – dividends are automatically reinvested</li> <li>Expense ratio is 0.07%, among the lowest in its category</li> </ul>		<ul> <li>Focused on delivering high dividend yields, this ETF distributes dividends quarterly</li> <li>Covers multiple sectors, with the top 10 holdings accounting for approximately 35% of total assets</li> </ul>		
AUM	USD 3.15 billion	1	GBP 2.344 billio	on	GBP 911 million		
Tracking Index	MSCI United Kingdom Index		FTSE 100 Index (Total Return GBP)		FTSE UK Dividend+ Index		
Holdings	74		100		51		
Exp. Ratio	0.50%		0.07%		0.40%		
3M/YTD Returns	4.65% / 12.83%		<b>-0.47%</b> / 6.47%	<b>%</b>	4.16% / 9.68%		
Top-5 Sectors (%)	Cons. Staples Industrials	24.01 16.32 14.73 13.05 10.73	Financials Cons. Staples Industrials Health Care Energy	24.60 15.85 15.72 12.06 10.03	Financials Cons. Staples Utilities Comm. Services Energy	33.69 14.22 10.43 9.32 8.98	
Top-5 Holdings (%)	HSBC Holdings AstraZeneca Shell Unilever Relx Group	7.86 7.79 7.64 5.64 3.75	AstraZeneca HSBC Holdings Shell Unilever Relx Group	7.19 7.11 7.01 5.39 3.53	British American Tobacco Legal & General Group Rio Tinto BP plc Aviva	4.71 4.25 4.06 3.82 3.56	

## iShares MSCI United Kingdom ETF (EWU.US)

#### **Profile**

This ETF tracks the MSCI United Kingdom Index and aims to replicate the performance of the index constituents.

#### ■ Broad Exposure to the UK Market

The underlying index focuses on the largest market-cap companies listed on the London Stock Exchange, enabling the ETF to offer broad exposure to the UK equity market.

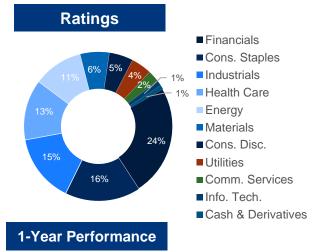
#### **■ Global Operating Perspective**

Comprising companies across multiple sectors, this ETF includes many globally recognized firms such as HSBC Holdings, AstraZeneca, and Shell, each with significant business operations and influence in global markets.

#### ■ Focus on Mid- and Large-Cap Stocks

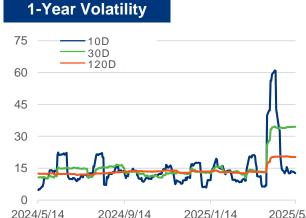
The portfolio holds around 74 stocks, spanning key sectors such as Financials, Energy, and Consumer-related industries. The top 10 holdings account for approximately 47% of total assets, making it suitable for investors seeking exposure to leading companies across various sectors of the UK economy.

Inception Date	12 Mar. 1996	AUM	USD 3.15 billion
ETF Category	Equities	Holdings	74
Expense Ratio	0.50%	3Y Stand. Dev. (Ann.)	16.14%





Top-5 Holdings (%)	
HSBC Holdings	7.86
AstraZeneca	7.79
Shell	7.64
Unilever	5.64
Relx Group	3.75



32 2024/5/14	2024/9/14	2025/1/14	2025/5/14	0 2024/5/14	2024/9/14	2025/1/14	2025/5/14
As of 14 Ma	ay 2025	1 <b>M</b>	3M	YTD	1Y	3Y	5Y
Return (%)		4.37	4.65	12.83	8.52	36.13	90.52



7.19

## iShares Core FTSE 100 ETF (CUKX.LN)

#### **Profile**

This ETF tracks the FTSE 100 Index (Total Return GBP), aiming to replicate the performance of its constituents. (Traded on the UK market and denominated in GBP)

#### ■ Targeting the UK's 100 Largest Listed Companies

The underlying index primarily covers the 100 largest companies by market capitalization listed on the London Stock Exchange. These holdings are typically financially sound, stable blue-chip stocks, allowing the ETF to provide broad exposure to major UK corporates and reflect the overall performance of the UK equity market.

#### Automatic Dividend Reinvestment

This is an accumulating ETF, with dividends automatically reinvested, making it well-suited for long-term investors.

#### ■ Low Expense Ratio

With an expense ratio of 0.07%, this ETF ranks among the lowest in its category. A low fee structure helps investors reduce long-term costs, thereby enhancing net returns over time.

Inception Date	26 Jan. 2010	AUM	GBP 2.344 billion
ETF Category	Equities	Holdings	100
Expense Ratio	0.07%	3Y Stand. Dev. (Ann.)	10.7%



2024/0/44

2025/4/4/4

16,000

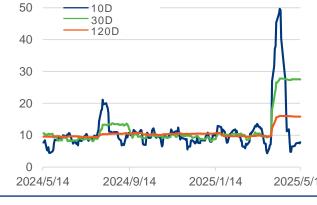
15,500

15.000

# Top-5 Holdings (%) AstraZeneca

HSBC Holdings	7.11
Shell	7.01
Unilever	5.39
Relx Group	3.53

#### 1-Year Volatility



2024/5/14	2024/9/14	2025/1/14	2025/5/14	2024/5/14	2024/9/14	2025/1/14	2025/5/14
As of 14 May	2025	1 <b>M</b>	3M	YTD	1Y	3Y	5Y
Return (%)		3.91	-0.47	6.47	4.95	28.59	75.91

2025/5/4/4



## iShares UK Dividend ETF (IUKD.LN)

#### **Profile**

This ETF tracks the FTSE UK Dividend+ Index, aiming to replicate the performance of its constituent stocks. (Traded on the UK market and denominated in GBP)

#### **■** Focused on the UK Equity Market

This ETF primarily invests in the UK market, making it an ideal choice for investors seeking opportunities within the UK economy. Its regional focus also helps diversify a global portfolio geographically.

#### ■ High Dividend Investment Focus

The underlying index consists of UK-listed companies with a focus on delivering high dividend yields. This ETF distributes dividends quarterly, making it suitable for income-oriented investors.

#### **■ Diversified Exposure**

While focused on high-dividend stocks, the ETF still spans multiple sectors, offering a relatively diversified portfolio. This helps reduce the impact of sector-specific volatility on the overall investment. The top 10 holdings account for only about 35% of the portfolio.

Inception Date	4 Nov. 2005	AUM	GBP 911 million
ETF Category	Equities	Holdings	51
Expense Ratio	0.40%	3Y Stand. Dev. (Ann.)	14.41%



# Top-5 Holdings (%) British American Tobacco 4.71 Legal & General Group 4.25 Rio Tinto 4.06 BP plc 3.82 Aviva 3.56





1-Year Volatility

700 2024/5/14	2024/9/14	2025/1/14	2025/5/14	0 2024/5/14	2024/9/14	2025/1/14	2025/5/14
As of 14 Ma	ay 2025	1 <b>M</b>	3M	YTD	1Y	3Y	5Y
Return (%)		4.83	4.16	9.68	11.88	27.52	102.55





# U.S. Treasury Yields Reach Cyclical Peak, Creating a More Attractive Entry Point for High-Quality Investment-Grade Bonds

#### ► SBUX 5.4 05/15/35 (Starbucks)

- As the world's highest-revenue coffee retailer, Starbucks possesses a significant scale advantage. As of March 30, 2025, Starbucks operated 21,505 company-owned stores globally. In addition, it partnered with other companies through licensed agreements to establish 7,296 locations in North America. Partners include Safeway, Target, Host Marriott, and Kroger, enabling Starbucks to enter areas that would otherwise be challenging for standalone expansion.
- The brand enjoys strong global recognition and high customer loyalty. Starbucks has built a powerful global presence with a well-defined market position. It has successfully established a widely admired premium brand that offers not only signature beverages, food, and related products, but also a distinctive "experience" for consumers. This emotional connection is one of the key reasons why customers continue to pay a premium for its flagship offerings.
- The company maintains a prudent financial policy and has publicly set a leverage ratio target. Starbucks has consistently pursued a conservative approach to financial management, particularly in capital allocation, and adheres to its stated leverage target of below 3.0x. For instance, during the downturn in 2022, the company prioritized restoring financial health and suspended share repurchases in order to better manage leverage.

Products	SBUX 5.4 05/15/35 (Starbucks)
ISIN	US855244BM06
Highlight	As the world's highest-revenue coffee retailer, Starbucks benefits from significant scale advantages. Its financial policies are conservative, with a long-standing commitment to prudent financial management.
Maturity Date	2035/5/15
Next Redemption Day	2035/2/15
Coupon (%)	Fixed/5.4/Semi-annual
Currency	USD
Years to Maturity	10
Rating (Moody's/ Fitch/S&P)	Baa1/-/BBB+
Seniority	Senior Unsecured
YTM/YTC (%)	5.55/5.56



## SBUX 5.4 05/15/35 (Starbucks)

#### **Profile**

As the world's highest-revenue coffee retailer, Starbucks possesses a significant scale advantage. As of March 30, 2025, Starbucks operated 21,505 company-owned stores globally. In addition, it partnered with other companies through licensed agreements to establish 7,296 locations in North America. Partners include Safeway, Target, Host Marriott, and Kroger, enabling Starbucks to enter areas that would otherwise be challenging for standalone expansion.

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Financials	2022	2023	2024
Free Cash Flow (100M USD)	25.56	36.75	33.18
Interest Coverage Ratio	9.56	10.67	9.62
EBITDA Margin (%)	23.88	24.80	24.12

100

2025/5/8

**Overview** Name SBUX 5.4 05/15/35 ISIN US855244BM06 Remaining **Maturity Date** 15 May. 2035 10 **Maturity** Coupon(%) Fixed/5.4/Semi-annual YTM/YTC(%) 5.55/5.56 Min. USD Subscription/ 2.000/1.000 Currency Increment Ratings Baa1/-/BBB+ **Seniority** Senior Unsecured (Moody's/Fitch/S&P) **Price Since Issuance** (bps) 107 100.0 106 99.5 105 104 99.0 103 98.828 102 98.5 Spread 101.653

2025/5/12

2025/5/10

Source: Bloomberg, as of May 15, 2025



2025/5/14

98.0



## **Key Economic Data / Events**

#### **MAY 2025**

12 Monday 13 Tuesday

- U.S. Apr. CPI YoY (Actual: 2.3% Est: 2.4% Prev: 2.4%)
- U.S. Apr. Core CPI YoY (Actual: 2.8% Est: 2.8% Prev: 2.8%)

14 Wednesday

 Japan Apr. PPI YaoY (Actual: 4.0% Est: 4.0% Prev: 4.3%) 15 Thursday

- U.S. Last Week's Initial Jobless. Claims
- (Actual:229k Est:228k Prev:229k) U.S. Apr. Retail Sales MoM
- (Actual: 0.1% Est: 0.0% Prev: 1.7%) U.S. Apr. Industrial Production MoM

(Actual: 0.0% Est: 0.1% Prev: -0.3%)

- U.S. Apr. PPI YoY (Actual: 2.4% Est: 2.5% Prev: 3.4%)
- Eurozone Q1 GDP QoQ Revised Estimate (Actual: 0.3% Est: 0.4% Prev: 0.4%)

16

Friday

- U.S. May. U. of Mich. Sentiment initial (Est:53.0 Prev:52.2)
- · U.S. Apr. Housing Starts (Est:1.364k Prev:1.324k)
- U.S. Apr. Building Permits Initial Value (Est:1,450k Prev:1,467k)
- Japan Mar. Industrial Production MoM Final Value (Prev:-1.1%)
- Japan Q1 GDP QoQ Initial Value (Actual:-0.2% Est:-0.1% Prev:0.6%)

19

Monday

- Eurozone Apr. CPI YoY Final Value (Est:2.2% Prev:2.2%)
- China Apr. Retail Sales YoY (Est:6.0% Prev:5.9%)
- · China Apr. Industrial Production YoY (Est:5.9% Prev:7.7%)

Tuesday

- Eurozone May. Consumer Confidence (Est:-15.5 Prev:-16.7)
- Taiwan Apr. Export Orders YoY (Prev:12.5%)
- HD Earnings

20

Wednesday

- Japan Apr. Export YoY (Est:2.6% Prev:4.0%)
- PANW, MDT, LOW, TJX Earnings

22

Thursday

- · U.S. Last Week's Initial Jobless Claims (Prev:229k)
- U.S. Apr. S&P Global Manufacturing PMI Initial Value (Prev:50.2)
- · Japan May. Jibun Bank PMI Mfg PMI Initial Value (Prev:48.7)
- Japan Mar Core Machine Orders MoM (Est:-1.5% Prev:4.3%)
- Eurozone May. HCOB Manufacturing PMI Initial Value (Est:49.4 Prev:49.0)
- WSM, ADI, RL Earnings

23

Friday

- · U.S. Apr. New Home Sales (Est:700k Prev:724k)
- U.S. Apr. Building Permits Final Value (Prev:1,467k)
- Japan Apr. CPI YoY (Est:3.6% Prev:3.6%)
- ROST, CPRT, WDAY, INTU Earnings

Source: Bloomberg.com

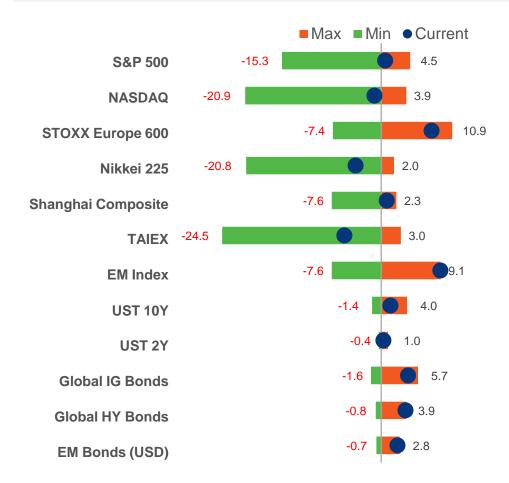


## **Key Earnings Releases**

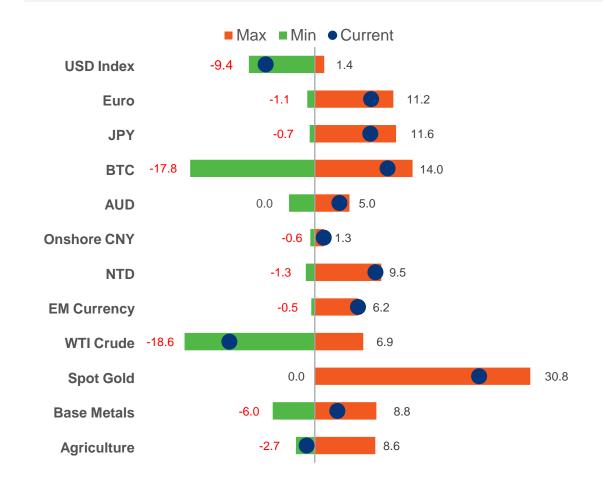
Date	Name	Revenue (F)	<b>Actual Revenue</b>	EPS (F)	<b>Actual EPS</b>	<b>Exceed Expectation</b>	
Date	Name	(USD)	(USD)	(USD)	(USD)	Revenue	EPS
15 May 2025	CISCO SYSTEMS INC (CSCO)	14.04B	14.1B	0.92	0.96	V	V
15 May 2025	WALMART INC (WMT)	165.6B	165.61B	0.58	0.61	V	V
15 May 2025	DEERE & CO (DE)	10.98B	12.76B	5.56	6.64	V	V
16 May 2025	APPLIED MATERIALS INC (AMAT)	7.12B	7.1B	2.31	2.39		V

## **YTD Major Market / Asset Performance**

#### **Stock and Bond Market YTD Performance (%)**



#### **Currencies and Commodities Market YTD Performance (%)**





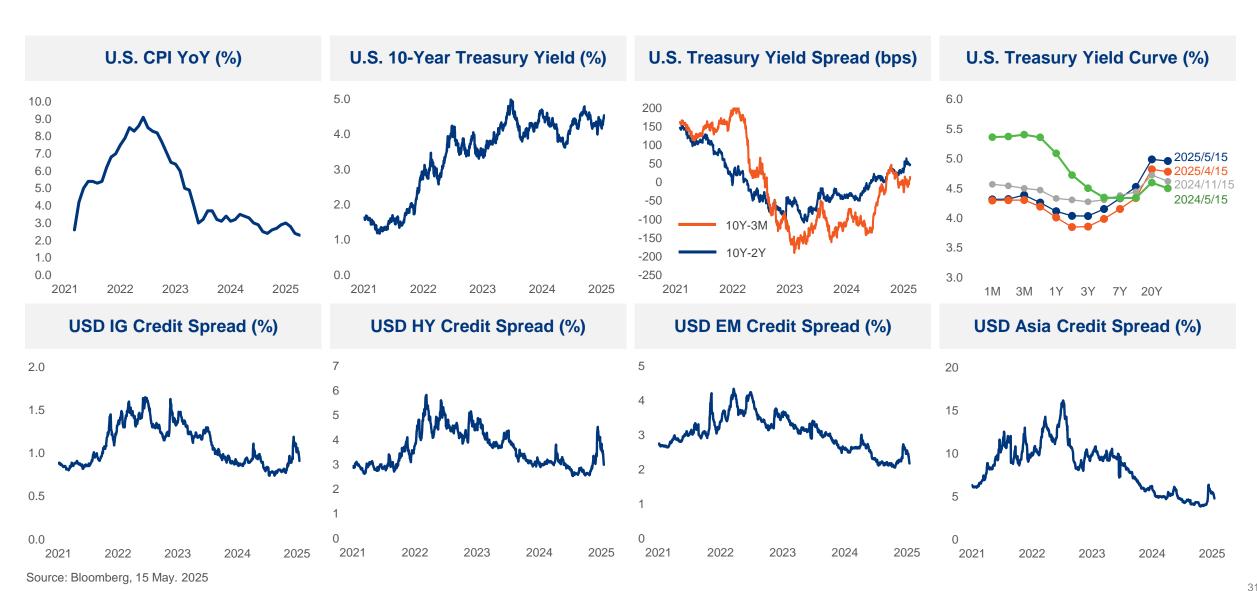
## **Technical Analysis**

--- 60D MA

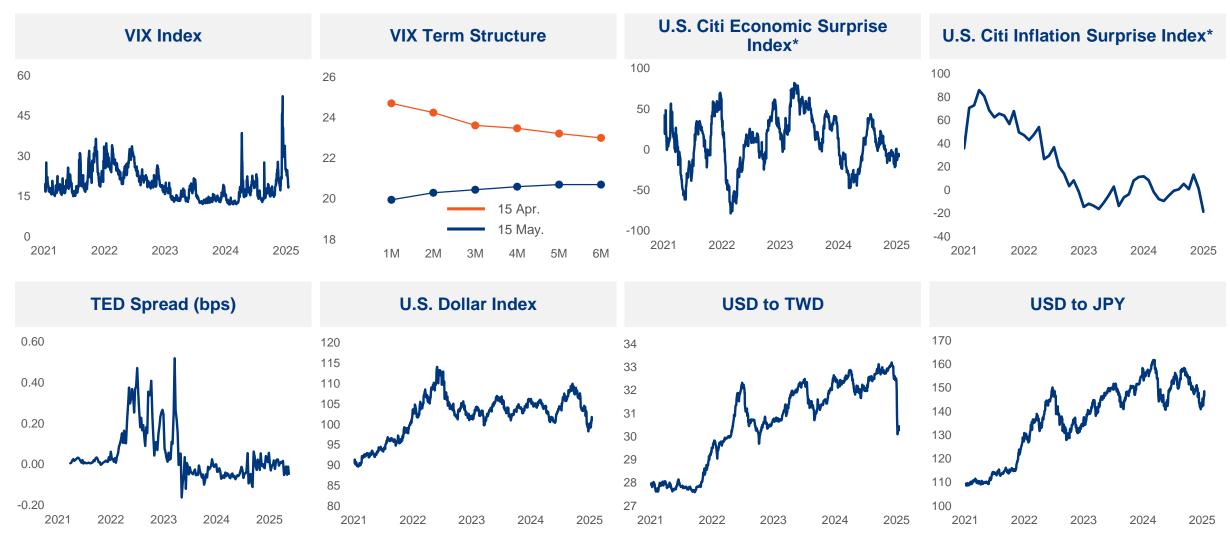




## **Market Monitor**



## **Market Monitor**



Source: Bloomberg,15 May. 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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