CIO Office

Global Markets Weekly Kickstart

Quality Stocks Stabilize Performance

23 June 2025

01 Chart of the Week

Israel-Iran Conflict Escalates, Global Defense Awareness Intensifies

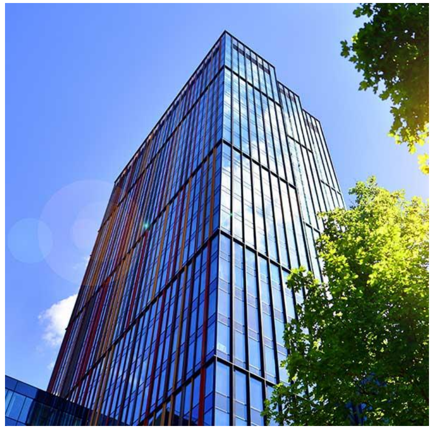
02 Market Recap

Geopolitical Tensions Reignite, Markets Volatile

03 What's Trending

Tariff Policy and Israel-Iran War Add to Fed's Uncertainty

04 In Focus



Strong Corporate Balance Sheets Act as Defensive Moats, Supporting Performance

05 Product Spotlight

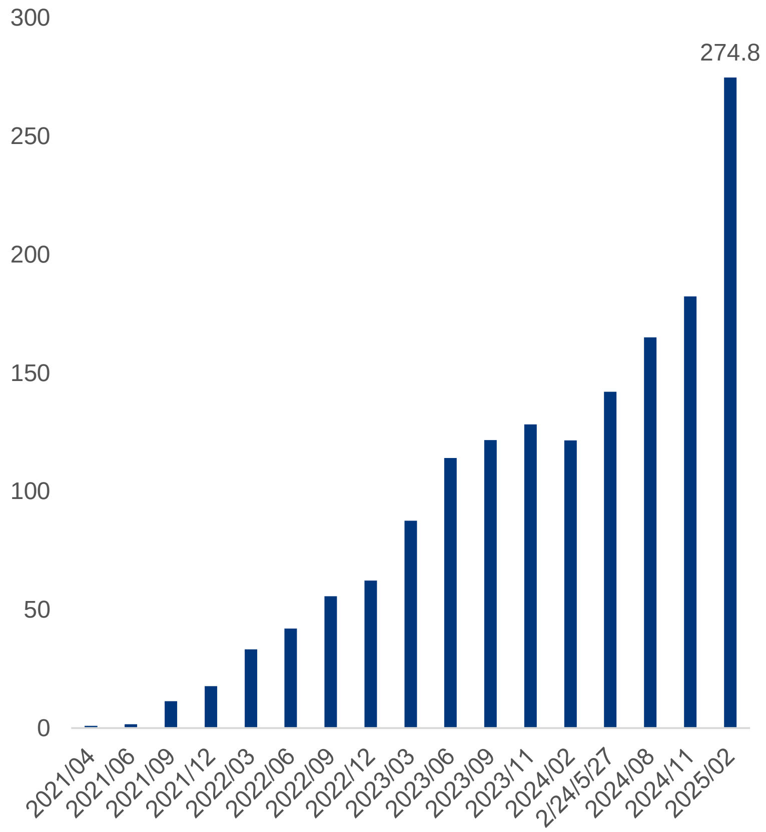
Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs

Chart of the Week | Israel-Iran Conflict Escalates, Global Defense Awareness Intensifies

- Israel has long asserted that it would take military action if Iran approached the nuclear weapons threshold. According to data from the International Atomic Energy Agency (IAEA) as of May 15, 2025, Iran's stockpile of 60% enriched uranium has reached 274.8 kilograms, a significant increase over previous levels that provides justification for Israel's recent actions. In its latest airstrike on Iranian territory, Israel targeted nuclear facilities, key military assets, and senior leadership figures. While the operation leveraged advanced military technologies to minimize civilian impact, the strike significantly heightens the risk and likelihood of geopolitical conflict in the Middle East.
- The distance between Iran and Israel ranges from approximately 1,300 to 1,500 kilometers. At a ballistic missile speed of Mach 5, a missile could theoretically reach its target in about 12 minutes. This places both nations' primary strike capabilities within range of each other's territories. However, actual effectiveness depends on the type of missile or weapon used, launch origin, and technological sophistication. In this conflict, Israel's precision weaponry and its Iron Dome air defense system have drawn widespread media attention, highlighting the growing importance of military technology over sheer quantity. This shift underscores the increasing focus of nations on defense investments and advanced capabilities.

Iran's Enriched Uranium Reserves Surge, Escalating Tensions

Iran's High-Enrichment (60%) Uranium Stockpile (kg)



Israel Outspends Iran in Defense Budget, with Newer Technology

Israel vs. Iran Military Deployment Comparison

Army | Navy | Air Force | Air Defense | Islamic Revolutionary Guard Corps

Israel		Iran
Approx. 170K	**Active Forces**	~610K
Approx. 470K	**Reserve Forces**	Approx. 350K
Approx. USD 27.5 B	**Defense Budget**	Approx. USD 10.3 B
• Iron Dome • Medium- to Long-Range Air Defense Systems • Anti-Ballistic Missile Systems	**Air Defense Systems**	• Long-Range Surface-to-Air Missile Systems • Iran's Indigenous Surface-to-Air Missile Systems
• Approx. 340 Aircraft • Israel Holds Air Superiority, Including U.S.-Made F-35s	**Fighter Jet Fleet**	• Approx. 335 Aircraft • Iran Operates Older Russian Sukhoi and MiG Jets
• Approx. 530 Units	**Artillery Pieces**	• Approx. 6,798 Units
• Approx. 46 Aircraft	**Helicopters**	• Approx. 34 Aircraft

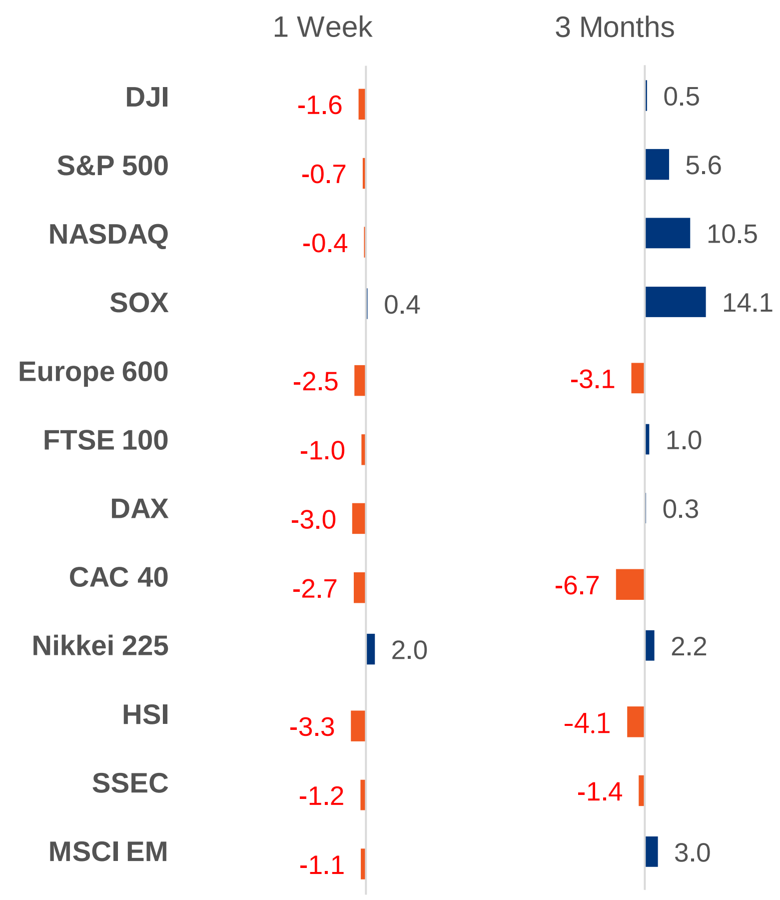
Source: IAEA (Left Chart), Al Jazeera (Right Chart)

Market Recap

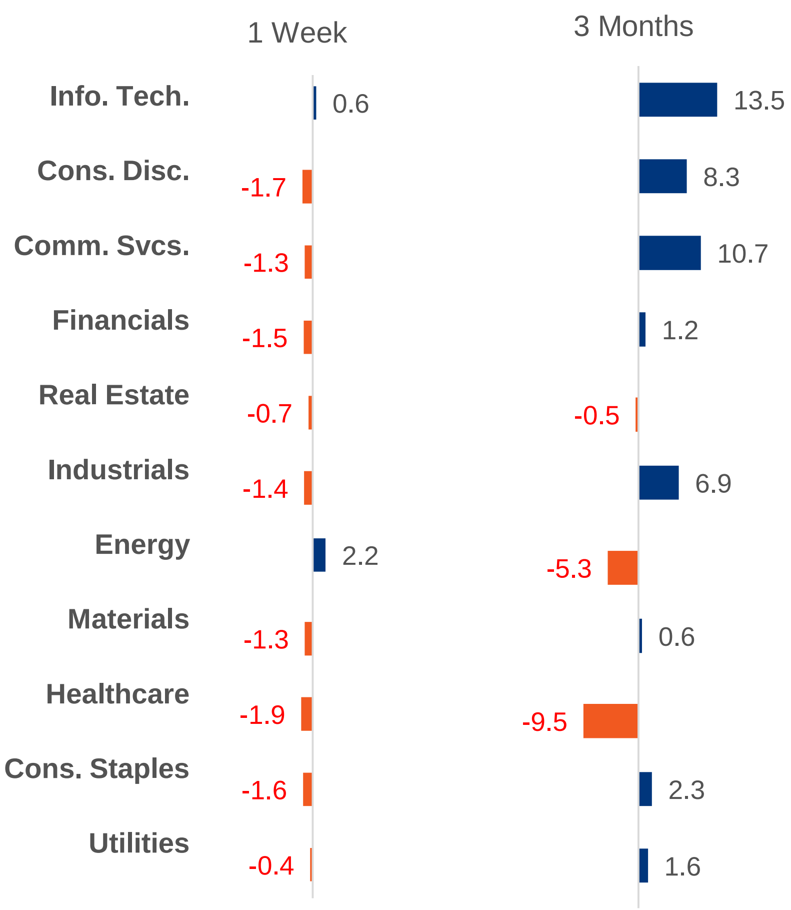
Geopolitical Tensions Trigger Pullback in U.S. and European Stocks; Japan Rebounds; Semiconductors and Energy Strengthen

- Major U.S. and European equity indices retreated amid heightened geopolitical risks following Israel's strikes on Iranian nuclear facilities. Some European markets hit their lowest levels since May, as escalating Middle East tensions raised concerns about potential U.S. involvement and broader conflict spillover. Market speculation that Iran might resort to nuclear weaponry further weighed on sentiment, keeping European equities subdued, though UK stocks remained relatively resilient. In contrast, Japanese equities defied the global trend and moved higher, led by gains in semiconductor stocks. In the U.S., macroeconomic data presented a mixed picture. Consumer Sentiment Index rose to 60.5 in June, exceeding both the prior reading and market expectations, and marking its first increase in six months, largely supported by easing U.S.-China trade tensions. However, the Manufacturing Index contracted for a fourth straight month, coming in below both the previous reading and forecasts, signaling continued weakness in manufacturing activity. Meanwhile, May’s CPI and PPI inflation figures showed moderate growth, easing inflationary concerns.
- Across sectors, geopolitical tensions and the Federal Reserve’s steady policy stance pressured most equity groups, with the exception of technology and energy, which outperformed. Semiconductors led the gains, driven by optimistic outlooks from major chipmakers such as AMD and NVIDIA, helping to reignite market enthusiasm for AI-related investments. Looking ahead, developments on tariff negotiations remain a key watchpoint, as semiconductor-related tariffs have yet to be addressed, adding to ongoing uncertainty.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)

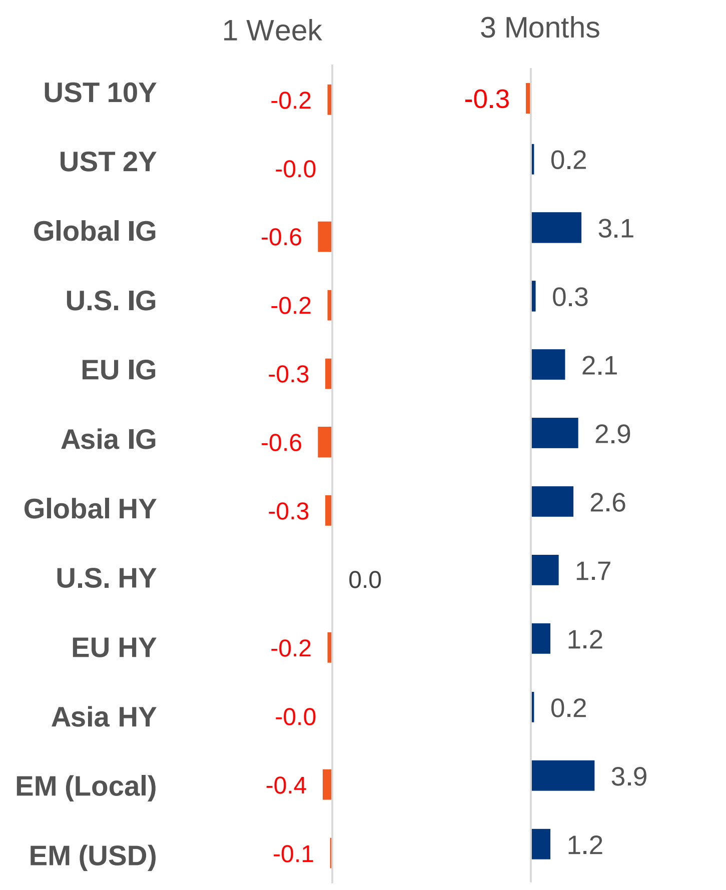


Source: Bloomberg, 20 June 2025

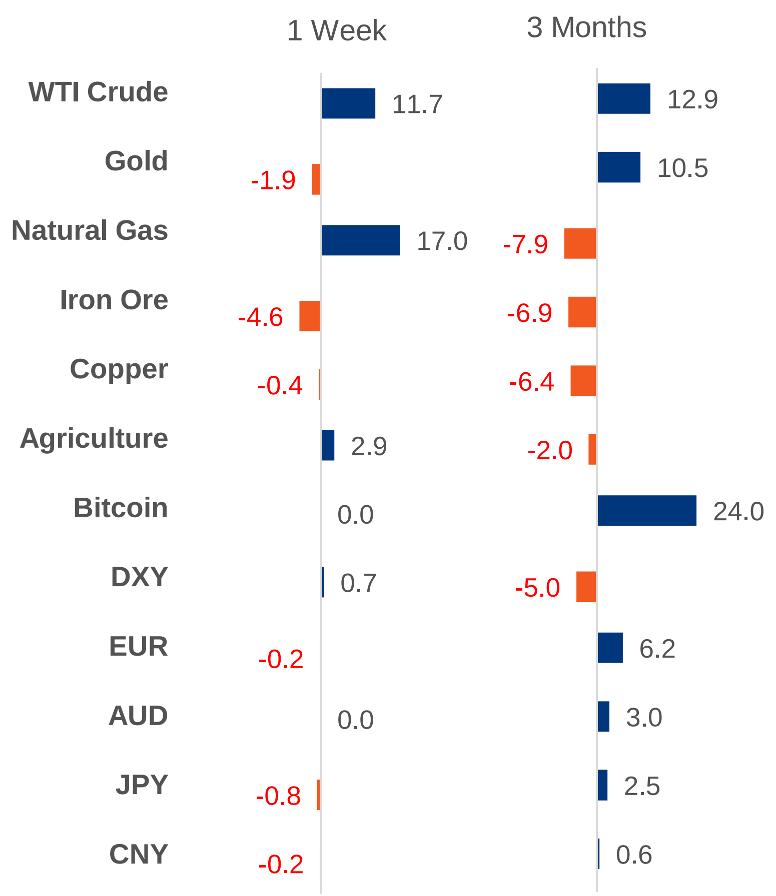
Fed Holds Rates Steady; Bond Market Volatile; Conflict Spurs Crude and Natural Gas Rally; Gold Pulls Back After Strong Gains

- As expected, the Federal Reserve held interest rates steady at its latest meeting. However, a growing number of officials now support keeping rates unchanged through year-end, citing resilient employment and persistently elevated inflation as reasons for a cautious policy approach. Tariff-related price pressures and rising geopolitical tensions have further heightened policy uncertainty. U.S. 10-year Treasury yields fluctuated narrowly around 4.4%, with the broader bond market posting modest declines.
- Driven by ongoing conflict, oil and natural gas prices have surged sharply, with agricultural commodities also trending higher in recent sessions, raising concerns over broader inflationary pressures. In the short term, tensions in the Middle East are lifting oil prices. However, other oil-producing countries beyond Iran still possess spare capacity to offset supply gaps, and demand remains lukewarm. As a result, oil prices are likely to remain range-bound at elevated levels, with limited potential for a significant breakout. Gold has pulled back after a strong rally, while the U.S. dollar index strengthened as the Fed signaled a gradual path for rate cuts. Looking ahead, developments around potential tax cuts and rising U.S. fiscal pressure will be key factors to monitor. Despite recent strength, the dollar's medium- to long-term trend remains biased to the downside. Meanwhile, the Japanese yen saw a short-term pullback; however, continued domestic inflation and the Bank of Japan's hawkish tilt could support a rebound in the Yen.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



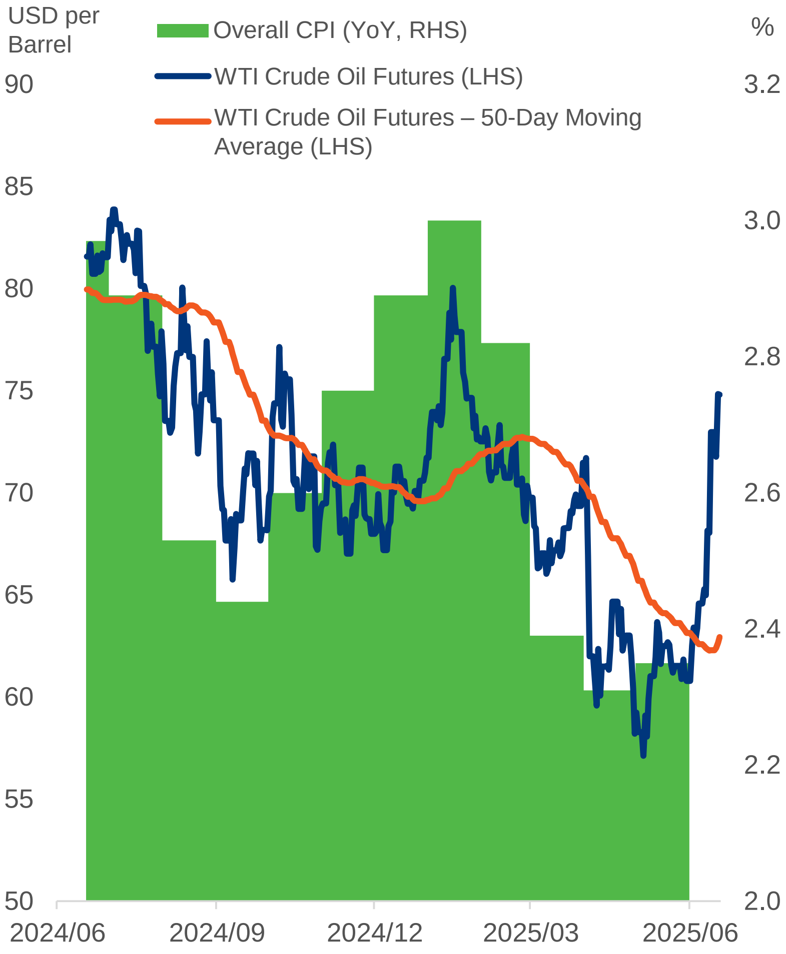
Source: Bloomberg, 20 June 2025

What's Trending | Tariff Policy and Israel-Iran Conflict Add to Fed's Uncertainty

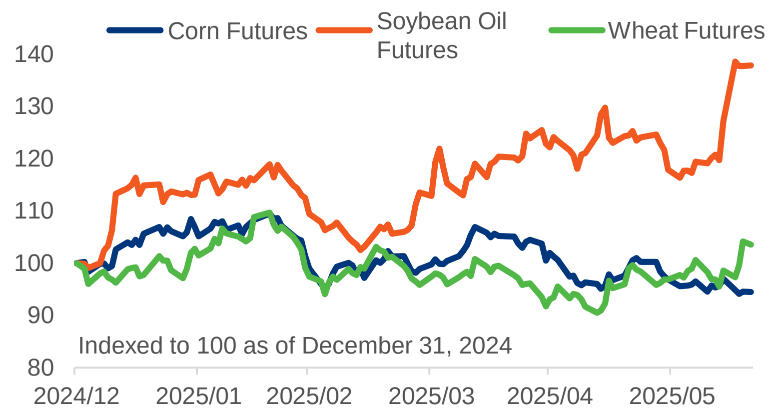
- Current oil prices largely reflect the anticipated supply gap from Iran. Under the base case scenario, the Israel-Iran conflict and nuclear negotiations are expected to persist without escalating to the point of disrupting traffic through the Strait of Hormuz. However, if tensions intensify and lead to a blockade of the Strait, oil prices could surge past $100 per barrel. That said, the probability of such an outcome remains relatively low at this stage.
- Iran currently exports an average of approximately 1.55 million barrels of crude oil per day, accounting for less than 2% of global supply. OPEC's spare capacity is estimated to be two to three times that amount. Based on historical patterns, OPEC+ could adjust output within one to two quarters if needed. As such, an oversupplied market remains the prevailing narrative, and under the base-case scenario, long-term oil prices may revert to around $65 per barrel.
- As expected, the Federal Reserve kept interest rates unchanged this month. The Fed lowered its economic growth forecast while raising its inflation outlook, signaling a slower pace of rate cuts over the next two years. It also emphasized the persistent uncertainty surrounding the impact of tariff policies. While oil prices and inflation are closely linked, external shocks tend to drive energy prices only temporarily. The effects of tariffs have yet to materialize meaningfully, and food prices have begun to rise due to the conflict, increasing the risk of stagflation in the U.S. Overall, the Fed faces an increasingly uncertain policy environment.

Source: Bloomberg, FED, 18 June 2025

Oil Prices Closely Correlated with Overall Inflation, But Impact May Be Short-Term



Rising Food Prices May Add to Inflationary Pressures



Fed Economic Projections Highlight "Stagflation" Risk

		Median, %	
		March Forecast	Current Month Forecast
Real GDP Growth	2025	1.7	1.4
	2026	1.8	1.6
Unemployment Rate	2025	4.4	4.5
	2026	4.3	4.5
Overall PCE Inflation	2025	2.7	3.0
	2026	2.2	2.4
Core PCE Inflation	2025	2.8	3.1
	2026	2.2	2.4

In Focus

Financially Strong Companies Act as Performance Moats, with Re-Rating Potential

- Companies that demonstrate strength across three key quality fundamentals – ROE, earnings stability, and low financial leverage – consistently outperform their peers over the long term. These "high-quality companies" have shown a pronounced performance edge, with the gap widening in recent years. Since 1997, indices composed of high-quality stocks have outperformed their broader counterparts in 85% of five-year rolling periods. Beyond delivering superior shareholder returns and profit consistency, high-quality companies typically reflect sustainable industry competitiveness—offering moat-like protection and long-term strategic advantage.
- Despite upward pressure from U.S. trade and tariff policies, inflation expectations have risen sharply, contributing to a narrowing in valuation spreads. However, quality stocks continue to command higher valuation multiples compared to other factor-based groups. Over the past decade, except for a brief period after the pandemic when momentum stocks temporarily led in forward P/E ratios, quality stocks have consistently traded at a premium. This suggests that the market favors the financial strength and future growth potential of high-quality companies and is willing to pay more for these attributes.

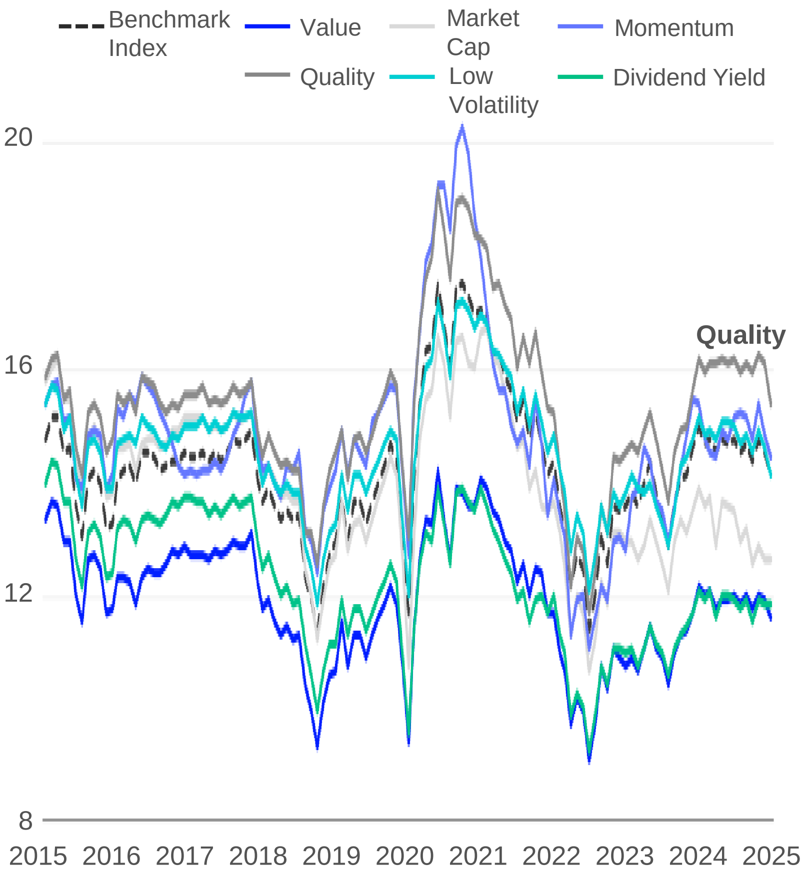
Quality Factor Stocks Outperform Over the Long Term

Cumulative Returns of the MSCI World Index & MSCI World Quality Index, %

5-Year Rolling Excess Return (MSCI World Quality Index – MSCI World Index), %

Quality Factor Stocks Have Historically Traded at Higher Valuation Multiples

Forward 12-Month P/E Trends by Global Equity Style Factors



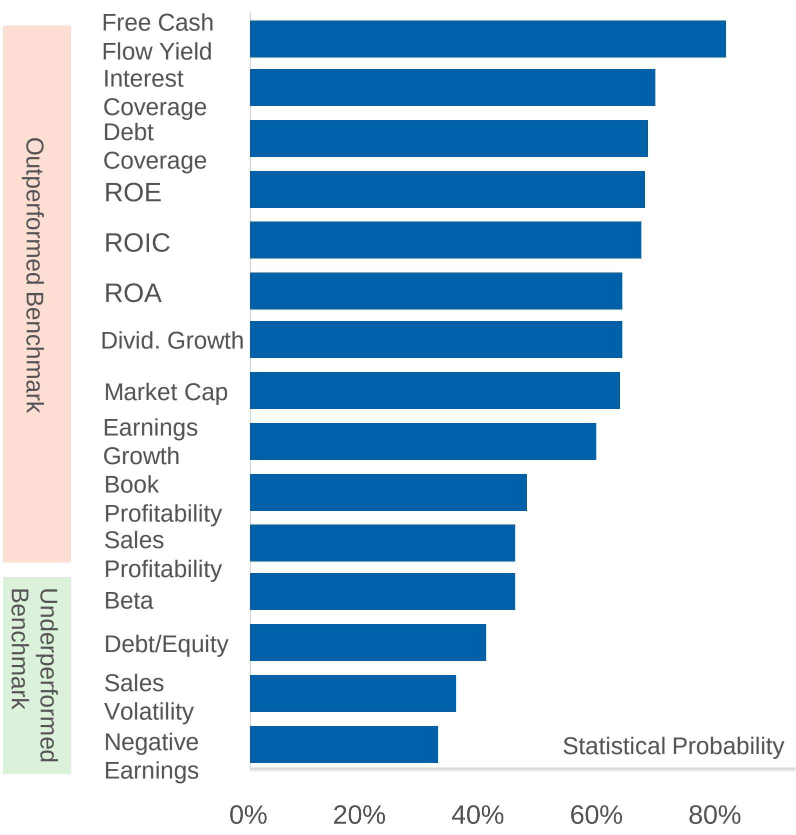
Sources: T. Rowe Price (Left chart), LSEG (Right chart)

Robust Corporate Cash Flow Is a Key Driver—More Impactful Than Profitability Metrics Over the Long Term

- Data from the past 40 years shows that companies with stronger profitability and economic productivity are more likely to outperform benchmark indices. This is especially evident when traditional profitability metrics such as Return on Equity (ROE) or Return on Assets (ROA) are at elevated levels, which tend to correspond with a higher probability of market outperformance. A more granular analysis reveals that companies with stronger cash flow metrics, especially those with higher free cash flow yield, achieve quarterly outperformance nearly 80% of the time. This suggests that cash flow indicators may have an even greater influence on returns than traditional earnings metrics.
- Strong cash flow provides companies with greater flexibility in financial and capital management. This allows them not only to expand operations and improve margins to drive revenue and profit growth, but also to distribute dividends to attract shareholders or strengthen their capital structure. Such flexibility, which is both offensive and defensive, gives high free cash flow companies a performance edge, even compared to firms with merely high profitability. Historical data shows that the market tends to favor companies with abundant actual cash generation over those with strong accounting-based profits. The recent outperformance of the "Magnificent Seven" in the U.S. market further reflects this trend. Cash-rich companies are increasingly positioned as key focal points for future investors.

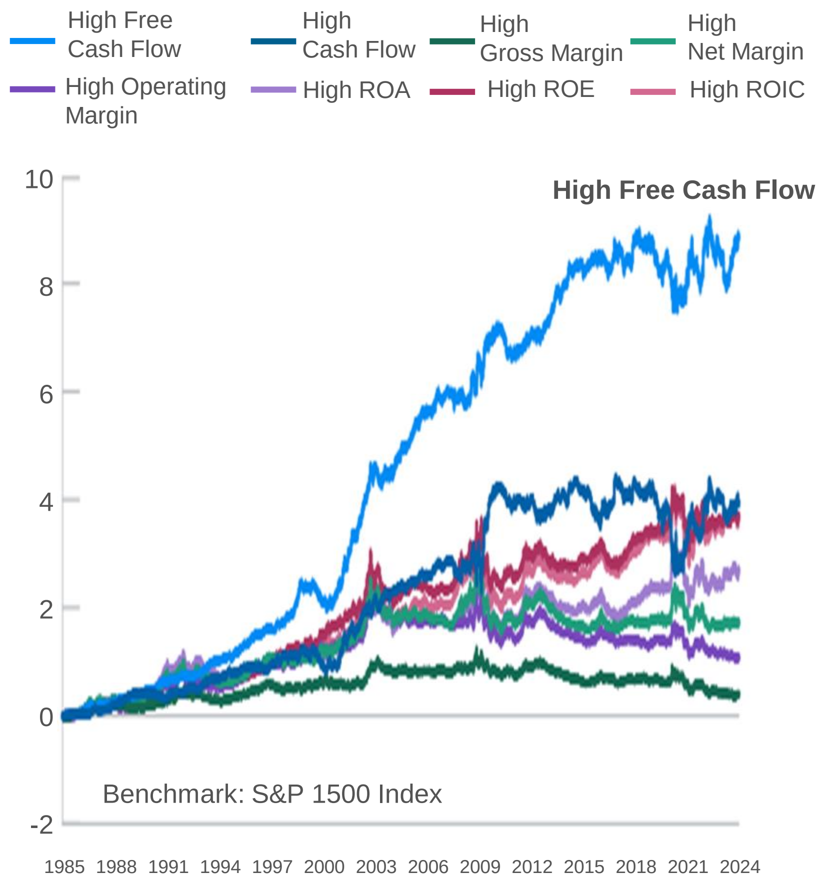
Cash-Rich Companies Outperform Benchmarks in 80% of Historical Periods

Probability of Outperforming the Benchmark by Financial Factor (Quarterly Stock Returns, 1985–2023)



Cash-Rich Companies Deliver Stronger Performance

1-Year Cumulative Returns by Profitability Factor, %



Sources: T. Rowe Price; Benchmark index for right-hand chart is S&P 1500

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ The U.S. and China are reportedly close to finalizing a framework agreement, pending leadership approval, which is supportive of investor sentiment. However, near-term uncertainty is heightened by rising geopolitical tensions in the Middle East. In this environment, portfolio positioning should emphasize defensive and quality stocks to maintain flexibility amid fast-changing market dynamics. Long-term investors may also consider AI-related themes, with a preference for software and cybersecurity stocks within the tech sector, using a staggered buy-on-dip strategy. ◆ The UK has reached a trade agreement with the U.S., giving UK equities a relative advantage. Meanwhile, the Eurozone continues with accommodative monetary policy, and Germany is considering fiscal expansion to stimulate growth, which supports a case for medium to long-term European equity exposure through phased allocations. In Japan, the economy continues to improve, and domestic-oriented bank stocks may present attractive opportunities on weakness.	**Strategy**: high-quality large-cap names with an overweight in defensive and quality stocks. Long-term positioning may include AI themes such as software and cybersecurity **Regions**: European equities, UK equities, and Japanese domestic and bank stocks
Bonds	◆ Rising geopolitical tensions in the Middle East have increased risk-off sentiment, benefiting bonds as U.S. Treasury yields decline. Among these, short- to intermediate-term bonds remain attractive, providing opportunities to lock in yields during periods of upward movement in U.S. Treasury rates. Within investment-grade credit, A-rated and above large-cap corporate issuers are preferred. Sectors offering higher risk-adjusted spreads include financials, industrials, energy, utilities, and communications. ◆ Given the potential for continued U.S. dollar depreciation, major non-USD currencies may have room for appreciation. Allocating to non-USD investment-grade bonds, such as those denominated in euros or Singapore dollars, can help diversify currency risk and reduce USD exposure.	**Duration**: Lock in yields with short- to intermediate-term high-quality corporate bonds **Types**: Investment-grade credit, favoring large-cap issuers; sector focus on financials, industrials, energy, utilities, and communications
Forex	◆ The Trump administration has signaled a preference for a managed return of a weaker U.S. dollar. Markets are increasingly concerned that Trump's "Great American Tax Cut" plan could lead to a substantial increase in the U.S. fiscal deficit. Coupled with inconsistent policy messaging, this could undermine confidence in the U.S. economic outlook and dollar-denominated assets. As a result, the U.S. Dollar Index is expected to remain on a medium- to long-term weakening trend. ◆ Major non-U.S. currencies such as the Euro and Yen are consolidating at elevated levels, with potential for medium- to long-term outperformance.	**USD**: Weak Consolidation Phase **EUR & JPY**: Consolidating at High Levels
Commodity	◆ Trump's unpredictable tariff stance, along with escalating geopolitical tensions in the Middle East, is heightening risk aversion. A backdrop of economic slowdown, inflation concerns, and mounting fiscal pressure, combined with continued central bank and institutional gold accumulation, supports a constructive outlook for gold. Accumulation on dips is favored.	**Gold**: Bullish Bias

Product Spotlight | HK Equities

Policy Support Continues to Drive Consumption

Overall Consumption Still Benefits from Policy Tailwinds

- In May 2025, China's domestic demand showed a clear divergence, with consumption rebounding notably while fixed asset investment continued to slow. Total retail sales of consumer goods rose 6.4% YoY, accelerating by 1.3 percentage points from April. The consumption recovery was largely driven by government incentives promoting trade-in programs, which boosted sales of home appliances and communication equipment by 53% and 33%, respectively. Other categories such as home furnishings and gold jewelry also posted strong growth, rising 25.6% and 21.8%, respectively. Additionally, robust travel activity during the May Day holiday supported a moderate pickup in services consumption, further reinforcing the overall consumption trend.

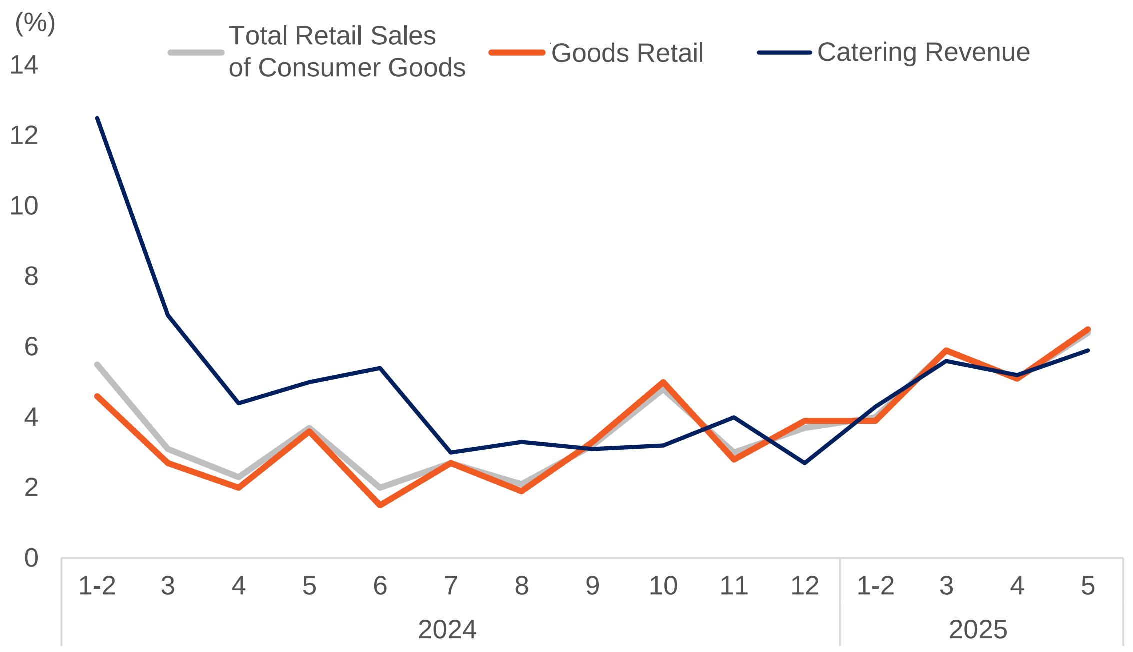
Growth in Fixed Asset Investment and Industrial Output Slows

- In contrast, fixed asset investment (FAI) remained weak. For the first five months of 2025, FAI grew by only 3.7% YoY, a deceleration of 0.3 percentage points compared to the January to April period. In May alone, growth further slowed to 3%. Among major sectors, real estate investment was the weakest, falling 10.7% YoY, which widened the decline by 0.4 percentage points from the previous four months and dragged on overall FAI performance. Although manufacturing and infrastructure investment continued to grow, both sectors showed signs of gradual deceleration. Meanwhile, industrial value-added output grew 5.8% YoY in May, down 0.3 percentage points from April.

Sustained Policy Support Still Needed for Consumption

- Overall, China's economy in May displayed a clear divergence in domestic demand: consumption has emerged as the primary growth driver, while fixed investment, particularly in real estate, continues to act as a drag. Consumption growth was largely fueled by subsidies and stimulus measures such as trade-in programs. However, short-term consumption momentum remains reliant on continued policy support. Given weakening global external demand, stabilizing domestic demand will remain a key focus for macroeconomic policy in the second half of the year. Attention should be paid to the effectiveness of policy implementation and the trajectory of the economic recovery.

Retail Sales Growth



Source: National Bureau of Statistics

PICC Property & Casualty Company Ltd. (2328)

Closing Price HK $14.68 **Target Price** HK $18

Provides insurance services. It offers motor vehicle insurance, commercial property insurance, cargo insurance, liability insurance, accidental injury insurance, short-term health insurance, agriculture insurance, and other insurance services.

- **Diversified Product Offerings Drive Growth in P&C Insurance Premiums**

  China's P&C insurance market benefits from a diverse product mix, with auto and accident insurance making up around 40% and 33% of premium income, respectively. Although only 10% of insured vehicles are currently new energy vehicles (NEVs), the shift toward NEVs and regulatory support for expanding NEV coverage present strong growth potential. With China's vehicle count expected to rise by nearly 5% in 2025, demand for auto insurance is set to remain robust.
- **Management Expects Improvement in Auto Insurance Combined Ratio**

  Management has guided for a combined ratio of below 96% for auto insurance, an improvement from the 96.8% level in 2024. This suggests an expected enhancement in profitability within the auto insurance segment.
- **Consumer Insurance Represents a Strong Moat within the Insurance Sector**

  Property and liability insurance products fall under the category of consumer insurance. These products do not contain savings or investment components, and therefore, remain relatively unaffected by the current downward trend in China's assumed interest rates. As a result, they are considered to offer a higher competitive moat within the insurance industry.
- **Business Growth Supports Valuation**

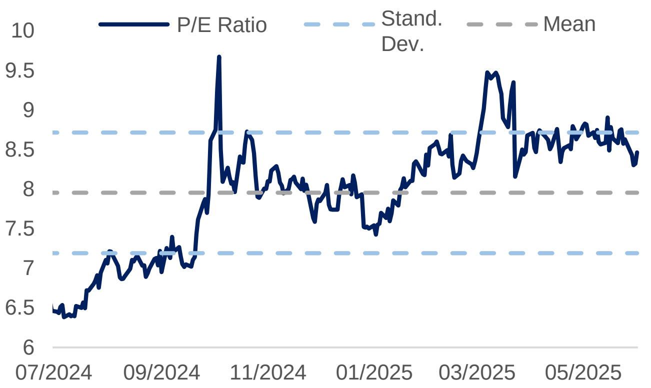
  China P&C Insurance has been on a long-term upward trend, yet its valuation remains modest, with a P/E ratio of 8.8x and a P/B ratio of 1x. It mainly benefits from being a consumer insurance product, differing from other insurance types with savings and investment components due to its higher customer stickiness. The market expects China P&C Insurance to achieve 10% profit growth over the next three years, along with maintaining a dividend payout ratio near 40%. The target price is set at HKD 18.

Source: Bloomberg

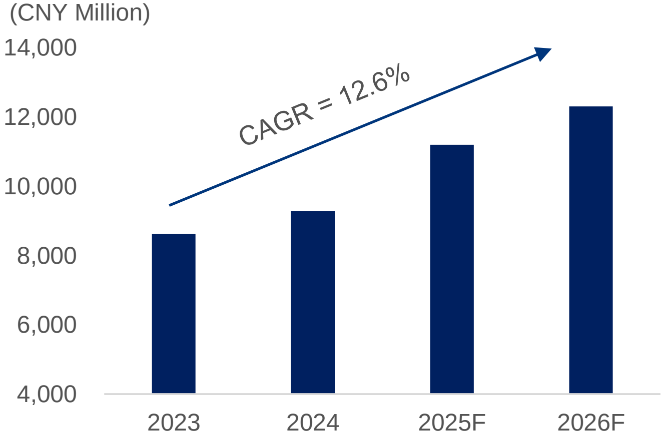
Financials

	2022	2023	2024	2025F	2026F
Net Income (1B CNY)	449.4	457.2	485.2	518.9	548.6
NI YoY	7.3	1.7	6.1	6.9	5.7
EPS(CNY)	1.2	1.11	1.45	1.61	1.76
EPS YoY	19.5	-8	30.9	11.6	9
ROA	12.7	11.2	13.2	13.2	13.3

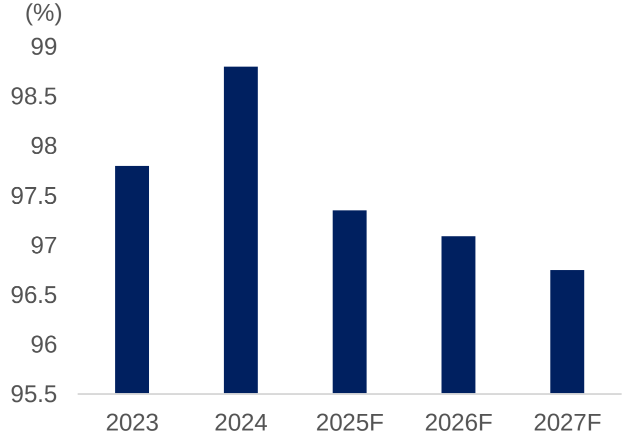
Forecasted P/E



Auto Underwriting Profit



Combined Ratio



AIA Group Ltd. (1299)

Closing Price	HK $66.8	Target Price	HK $97

AIA Group Limited operates as an insurance company. The Company offers life, critical illness, accident, disability protection, savings, and medical insurance services.

- **Rapid Expansion in China Strengthens Competitive Moat**

  In Q1 2025, the value of new business in Mainland China grew 21% YoY, accelerating from the 18% growth seen in full-year 2024. This was driven by market expansion and approvals to establish new branches in Anhui and Shandong. Each branch is expected to grow from 300 to 1,000 agents within two years. The market anticipates a 12% CAGR in China over the next four years, outperforming other regions. AIA's continued expansion in China reflects not only its market leadership but also its solid competitive moat—anchored in brand strength, agent network scale, and customer loyalty—advantages that are difficult for competitors to replicate.

- **High-Quality Cash Returns Deliver Long-Term Value**

  AIA's embedded value benefits from a declining interest rate environment. According to the company's 2024 sensitivity test, a 50 basis point rate cut would increase embedded value by 0.7%. In addition, AIA has guided for a total of USD 4.7 billion in dividends and buybacks this year, implying a cash yield of around 4.8%. In a persistently low interest rate environment in China and Hong Kong, AIA offers an attractive investment return. As one of the largest life insurers in Asia, AIA boasts a strong financial position and high free cash flow, making it a representative blue-chip name favored by long-term quality-focused investors.

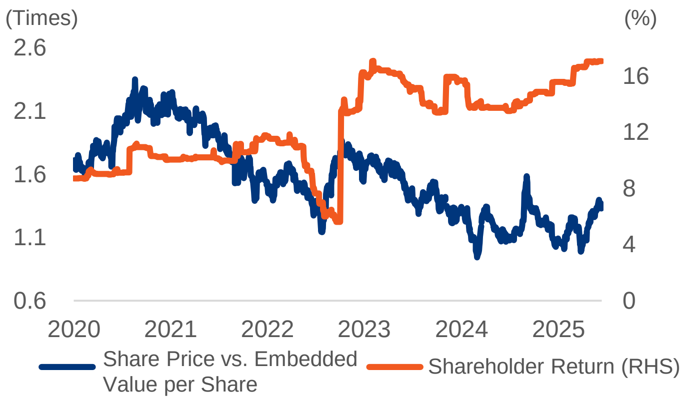
- **ROE Recovery Presents Valuation Re-Rating Opportunity**

  A comparison of AIA's share price over the past five years against its Price to Embedded Value (P/EV) and ROE shows that valuation and returns had been trending downward in tandem before 2023. However, since 2024, ROE has notably improved while valuation has yet to catch up. We view this as an opportunity for a valuation re-rating. Using a valuation-based approach, we suggest a target price of HKD 97, which equates to 1.8x P/EV—between the historical average and one standard deviation above the mean.

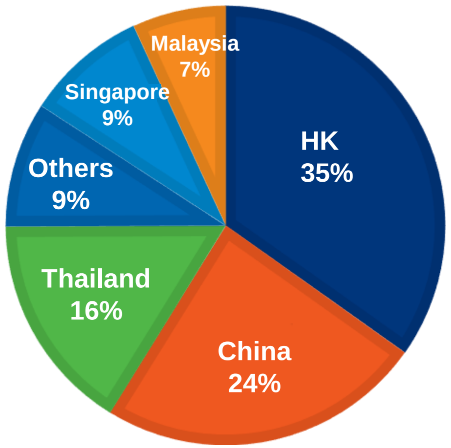
Financials

	2022	2023	2024	2025F	2026F
Embedded Value (USD bn)	68.9	67.4	70.9	74.1	81.4
Embedded Value YoY(%)	-5.3	-2.1	5.1	4.6	9.9
Value of New Business (USD bn)	3.1	4.0	4.7	5.4	6.2
Value of New Business YoY(%)	-8.1	30.5	16.8	15.1	13.7
Shareholder Return(%)	9.3	13.5	14.8	17.1	17.4

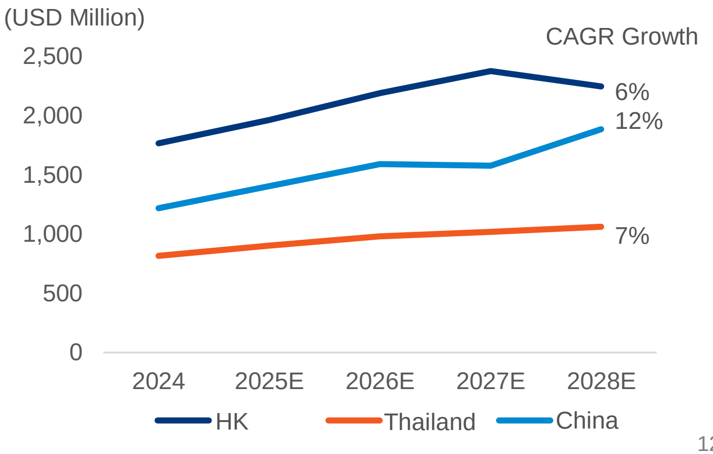
P/EV & ROE



Regional Breakdown of New Business Value



New Business Value Growth in Key Markets



Source: Bloomberg

US Equities Rising Geopolitical Tensions in the Middle East Fuel Risk-Off Sentiment

- U.S. retail sales fell 0.9% MoM in May, following a downwardly revised 0.1% drop in April, weaker than the market's expected 0.6% decline.
- At its June meeting, the Federal Reserve held the federal funds rate steady at the 4.25%–4.50% range for a fourth consecutive time, in line with market expectations. Policymakers maintained a cautious stance, seeking to fully assess the economic implications of President Trump's policies—particularly those related to tariffs, immigration, and taxes. While uncertainty about the economic outlook has moderated, it remains elevated. The Fed continues to project two rate cuts later this year, but only one 25-basis-point cut each in 2026 and 2027. In its latest economic projections, the Fed revised its 2025 GDP growth forecast downward from 1.7% in March to 1.4%. The 2026 forecast was trimmed from 1.8% to 1.6%, while the 2027 forecast remained unchanged at 1.8%. The unemployment rate forecast was revised up to 4.5% for both 2025 and 2026 (previously 4.4% and 4.3%, respectively). On inflation, the Fed expects the PCE price index to rise 3.1% in 2025 (previously 2.8%), 2.4% in 2026 (previously 2.2%), and 2.1% in 2027 (previously 2.0%).
- Geopolitical tensions in the Middle East have flared up again, with markets watching closely whether the U.S. will intervene in the conflict between Israel and Iran. U.S. equities have returned to historical high levels despite volatile trade policy developments, but recent military clashes have triggered a sharp rebound in oil prices. Markets are concerned that prolonged warfare and Iran's threat to close the Strait of Hormuz could drive oil prices even higher, potentially triggering a new wave of inflation. Currently, the Baltic Dirty Tanker Index is rising. Additionally, if the U.S. intervenes militarily, defense spending would surge, worsening the already severe debt situation. Investors are advised to allocate to defensive sectors and stocks, particularly companies with businesses that are less exposed to geopolitical or trade-related risks.

Baltic Dirty Tanker Index

Source: Bloomberg

GE Electric (GE)

Closing Price	US $239.37	Target Price	US $250

Operates as an aircraft engine supplier company. The Company provides jet and turboprop engines, as well as integrated systems for commercial, military, business, and general aviation aircraft.

- **Commercial Aircraft Engine Orders Hit Record High**
  In May, the company signed the largest engine contract in history with Qatar Airways, covering over 400 engines, and secured additional commitments from other clients including ANA Holdings, Malaysia Aviation Group, and Korean Air. This further expanded its commercial services backlog. According to Forecast International's 2025 production outlook, as of May 31, Airbus had a backlog equivalent to 10.5 years of production, while Boeing's stood at about 11.5 years. This highlights the tight conditions in the commercial aviation supply chain, which is expected to extend demand for GE engines, spare parts, and aftermarket services.
- **Rising Geopolitical Risks Support the Sector**
  The prolonged Russia-Ukraine war and rising tensions in the Middle East have fueled bullish sentiment toward the defense industry. In recent years, frequent geopolitical disputes have prompted the U.S. and European countries to continually increase defense budgets, supporting the growth of the company's military engine business. Recently, the company secured a US$5 billion contract from the U.S. Air Force for F110-GE-129 engines.
- **Q1 FY2025 Earnings**
  Revenue rose 11% YoY to US$9.0 billion, slightly below market expectations by US$50 million. Non-GAAP EPS came in at US$1.49, beating the market consensus of US$1.27 by US$0.22. The company maintained its forecast for full-year FY2025 revenue growth in the low double digits, with adjusted EPS expected to range between US$5.10 and US$5.45, slightly below the consensus median of US$5.42. It also projected full-year operating profit between US$7.8 billion and US$8.2 billion, and free cash flow between US$6.3 billion and US$6.8 billion.
- **Valuation Consensus**
  The 12-month average target price on Bloomberg is USD 248.48, with a high estimate of USD 300 and a low of USD 200.

Source: Bloomberg

1-Year Price

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	-0.8	-12.2	-45.6	13.7	10.5
EBITDA (%)	11.6	19.6	18.2	23.6	23.6
EPS (USD)	2.62	2.81	4.6	5.57	6.48
Net Profit Margin(%)	0.3	26.8	16.9	14.6	14.8

Source: Bloomberg; 2025/26F are market estimates

Boeing and Airbus Backlog Orders

Narrow-Body: Boeing & Airbus 2025 Backlog Through 31 May

Backlog								
Airbus	A220-100	A220-300	A319neo	A320neo	A321neo	A220	A320neo	TOTAL
	26	460	25	1,861	5,288	486	7,174	7,660
Boeing	737:			-800A	737 MAX	737NG	737 MAX	TOTAL
				6	4,854	6	4,854	4,860

Wide-Body: Boeing & Airbus 2025 Backlog Through 31 May

Backlog												
Airbus	A330	-800	-900		A350	-900	-1000	F				TOTAL
	224	5	219		733	439	231	63				957
Boeing	787	-8	-9	-10	777	777F	777X		767	-2C	-300F	TOTAL
	948	33	672	243	620	69	551		100	70	30	1,668

P/E & P/B

INTL Business Machines Corp (IBM)

Closing Price	US $280.97	Target Price	US $250

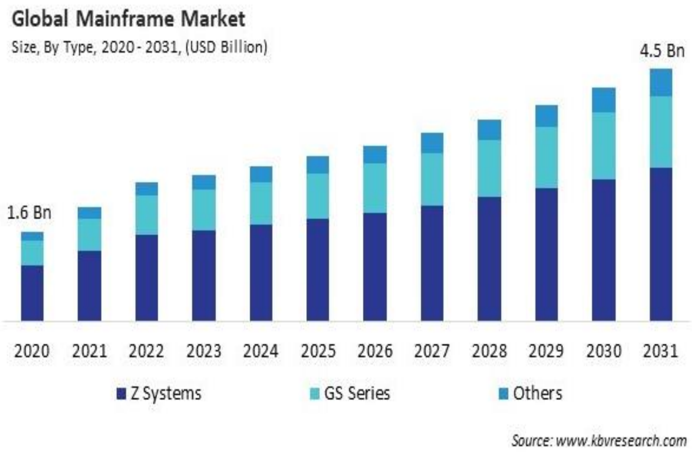
Operates as an IT services and consulting company. The Company, through its platform, offers analytics, IT infrastructure, cloud, business operations and automations, cybersecurity, data storage, application development, asset management, blockchain, software, and consulting solutions.

- **Global Mainframe Market Grows Steadily**
  The global mainframe market is growing steadily, driven by rising demand for high-performance computing and secure data processing. Valued at USD 3.5 billion in 2024, it is expected to reach USD 6.8 billion by 2033, with a CAGR of 8.4%. IBM's Z-series remains the market leader, and the new z17 is designed to support generative AI and meet the security needs of large enterprises, especially in financial services. As demand for secure, high-performance infrastructure increases, IBM is well-positioned for continued growth.
- **Quantum Computing Investment**
  Quantum computing has gained significant market attention since late last year, seen as a key tech revolution alongside AI. IBM is investing USD 30 billion over five years in quantum and mainframe R&D, as part of its broader USD 150 billion U.S. investment. It plans to launch a utility-scale quantum computer by 2029 and a more advanced "Starling" system with around 200 logical qubits by 2033.
- **Business Less Affected by Geopolitical Risks**
  The company's global operations span hardware, software, and consulting services, providing strong risk resilience. Core segments such as mainframe manufacturing and cloud services exhibit inelastic demand, supporting relatively stable revenue growth throughout economic cycles.
- **FY25 Q1 Results Beat Expectations**
  Revenue grew 0.6% YoY to USD 14.54 billion, exceeding expectations by USD 150 million. Non-GAAP EPS was USD 1.60, beating forecasts by USD 0.17. The company projects full-year revenue growth of 5% on a constant currency basis.
- **Valuation Consensus**
  The 12-month average target price on Bloomberg is USD 259.24, with a high estimate of USD 315 and a low of USD 190.

Source: Bloomberg

1-Year Price

Global Mainframe Market



Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	5.5	2.2	1.4	5.5	4.4
EBITDA (%)	23.3	25.1	26.1	25.7	26.2
EPS (USD)	9.13	9.62	10.33	10.9	11.61
Net Profit Margin(%)	2.7	12.1	9.6	13.4	13.9

Source: Bloomberg; 2025/26F are market estimates

P/E & P/B

TW Equities

Rising Middle East Tensions Put Taiwan Stocks in Short-Term Consolidation; Focus on Strong Revenue Performers

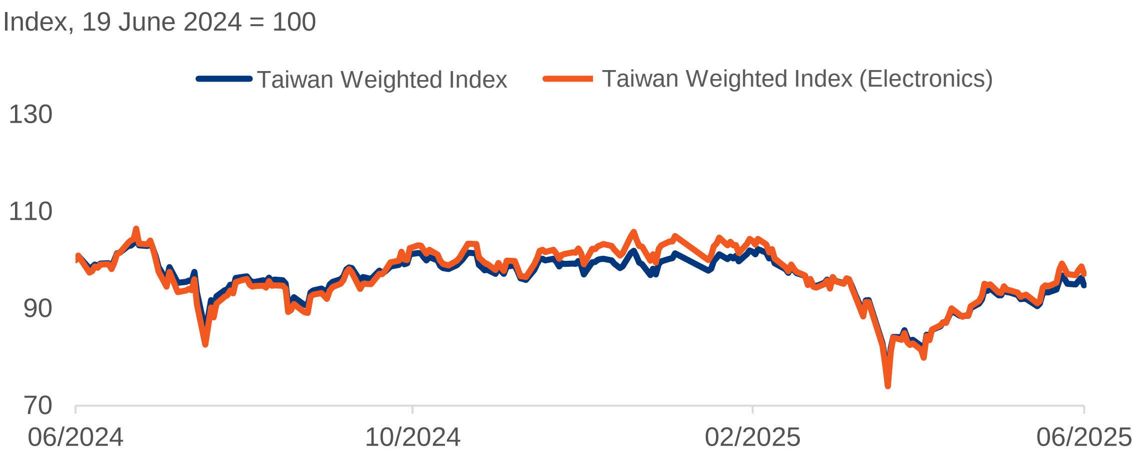
► Index Faces Annual Resistance; Key Support Levels Crucial

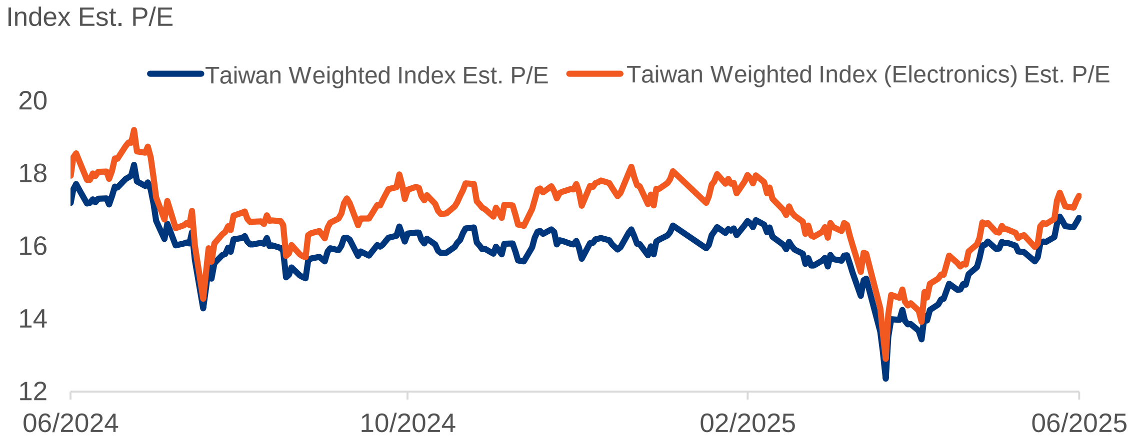
The Fed's decision last Wednesday to hold rates steady, combined with ongoing Israel-Iran conflict, led to consolidation in Taiwan equities last week. From a technical standpoint, the market opened lower and continued to decline on Thursday, weighed down by resistance at the annual moving average. In the short term, the index slipped below the 5- and 10-day moving averages. After hitting a high of 22,470 on June 11, the TAIEX pulled back but held support at the half-year line and previous highs, attempting to rebound. However, it again faced resistance at the annual average and fell back into consolidation. Attention should be given to whether support near the recent pullback low of 21,936 can hold—this will be key in determining whether the index can reattempt to break above the annual line. If it fails to hold, the index may retest support at the quarterly moving average.

► Geopolitical Risks Rising; Focus on Stocks with Strong Revenue Catalysts

With escalating tensions in the Middle East, market sentiment has turned more cautious. Reviewing last week's market structure in Taiwan, large-cap electronics and financials remained relatively firm and will be key to whether the market can push higher. While select electronic sectors saw sporadic strength, Thursday's top performers surged on volume but lacked follow-through. Instead, attention should shift to semiconductor equipment, semiconductor packaging materials, thermal solutions, and PCBs—segments that showed relative strength but consolidated on lighter volume Thursday. In non-tech and non-financial sectors, only defense and aerospace stocks benefited from the Israel-Iran conflict catalyst. Stock selection should prioritize those with positive revenue drivers and strong bullish technical trends.

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





Source: Bloomberg

KGI

Asrock Inc. (3515 TT)

Asrock Inc develops, designs and retails mother board.

- **Strong Demand for AI Servers**

  With component supply improving, management expects AI servers to drive sequential growth in total server revenue from Q3 to Q4 2025. Currently, AI servers account for over 70% of total server revenue, with customers primarily based in the U.S. and Asia. ASRock began shipping HGXB200 servers in Q2 2025 and will begin shipments of B300 servers in Q3 2025. These are expected to comprise the majority of AI server revenue by Q4 2025, supporting continued expansion in average selling price (ASP).

- **Positive Outlook for 2H25**

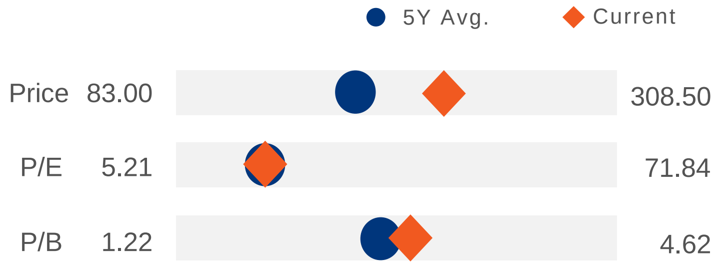
  ASRock expects second-half 2025 revenue to grow compared to the first half. In addition to servers, graphics cards will be a key driver of revenue growth. Management anticipates improved graphics card supply in late Q3 2025, fueling sequential revenue growth from Q3 to Q4. We forecast graphics card revenue to grow over 50% YoY in 2025.

Financials

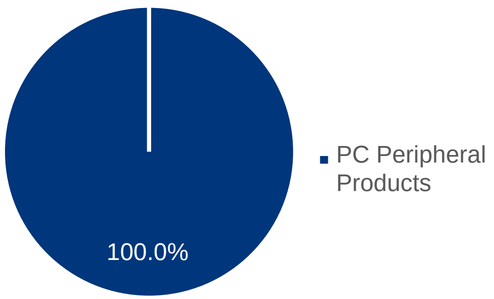
	2022	2023	2024	2025F	2026F
EPS (NTD)	8.69	7.54	10.54	17.12	23.18
EPS Growth (%)	-55.8	-13.2	39.8	62.4	35.4
P/E Ratio	24.9	28.6	20.5	12.6	9.3
ROE (%)	13.0	11.3	14.8	21.5	25.9

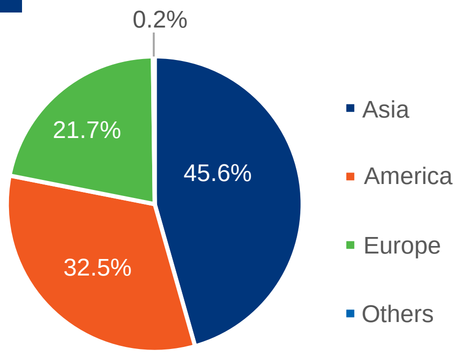
Source: Company data, estimates of KGI analyst

Valuations



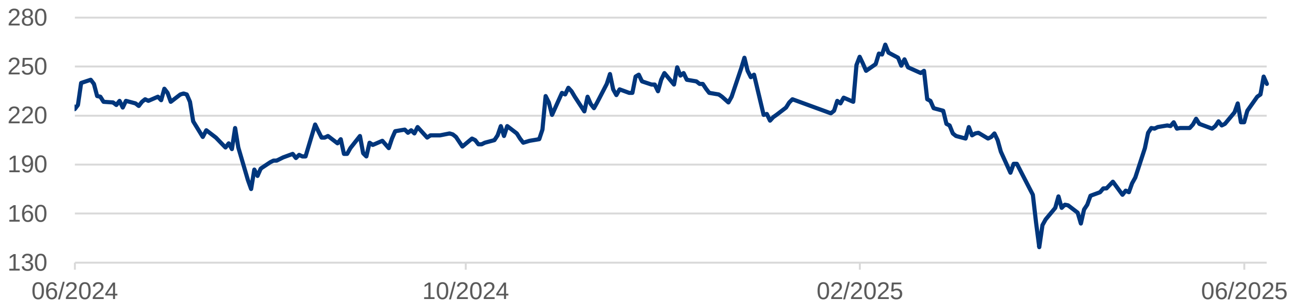
Revenue Sources and Regions





Source: Bloomberg

1-Year Price



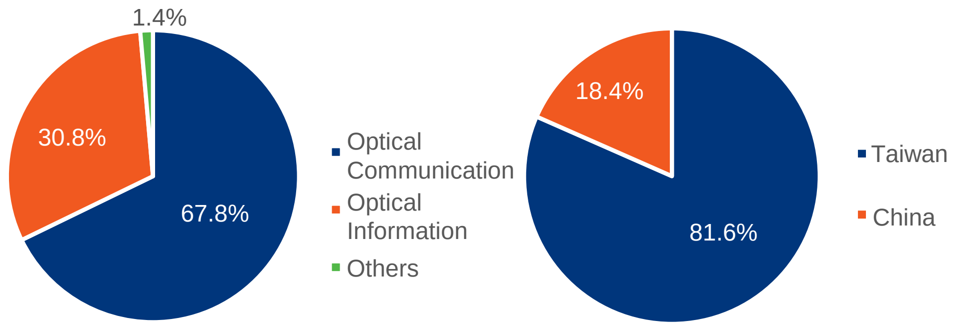
As of 19 June 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	10.88	11.92	15.14	-2.64	3.46	3.23

Elite Advanced Laser Corp (3450 TT)

Elite Advanced Laser Corp manufactures, wholesales and retails electronic parts.

- **1Q25 Earnings Beat Expectations**
  1Q25 revenue reached NT$2.76 billion, up 11.4% QoQ and 115% YoY, in line with our expectations. Gross margin benefited from continued volume growth in AOC and COS products, enhancing both product mix and revenue scale. With some inventory write-backs, EPS came in at NT$2.34, also exceeding our expectations.
- **Customer Demand Expected to Recover Gradually in 2H25**
  We believe demand from ELaser's U.S.-based cloud platform customers for data centers remains strong, though recent AOC pull-in has been affected by the development and production timeline of other products. ELaser has proactively built finished goods inventory for its customers, and with demand expected to gradually recover in 2H25, these pre-produced inventories should enable immediate fulfillment.

Revenue Sources and Regions



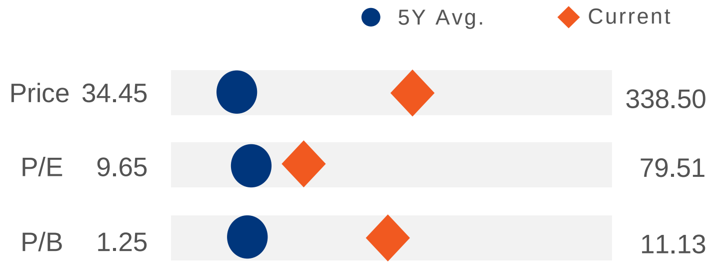
Source: Bloomberg

Financials

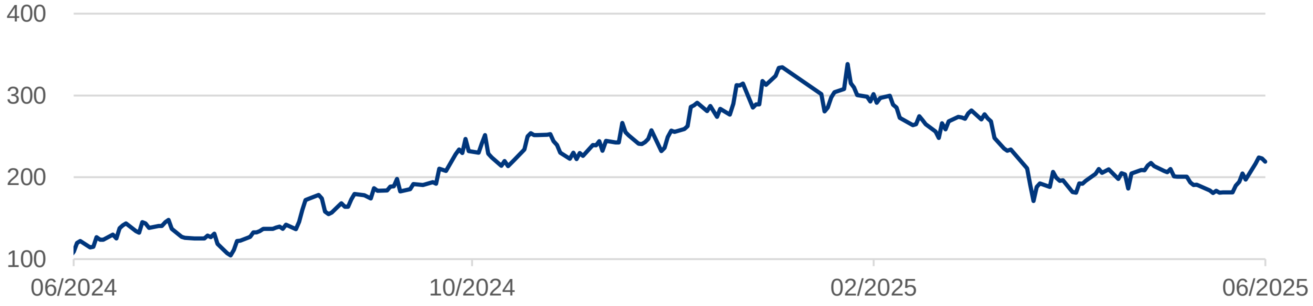
	2022	2023	2024	2025F	2026F
EPS (NTD)	1.32	-0.52	3.82	6.50	10.01
EPS Growth (%)	-48.3	-139.7	0.0	70.2	54.0
P/E Ratio	164.4	N.A.	56.7	33.3	21.6
ROE (%)	4.8	-2.0	13.5	20.2	27.3

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 19 June 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	7.09	5.54	-19.34	-14.79	-23.69	100.92

Mutual Funds/ ETFs

Companies with Moat Advantage and Strong Financials Support Stable Performance

► Fidelity Funds - Global Dividend Plus Fund

- Focuses on investing in high-quality dividend-paying stocks while employing an actively managed covered call strategy to enhance income generation.
- Globally diversified portfolio, with greater exposure to Europe and the UK, helping to mitigate the impact of individual regional economies.
- Sector allocation leans defensive, favoring industries with lower correlation to economic growth such as diversified financials, insurance, pharmaceuticals, and consumer staples.
- Offers a monthly distribution share class, with the latest annualized yield at 8.61% (A-MCDIST (G) USD Hedged Share Class).

Product	Fidelity Funds - Global Dividend Plus Fund	
Features	■ Invests in high-quality dividend-paying stocks and employs an actively managed covered call strategy to enhance income. ■ U.S. allocation below 10%, suitable for investors seeking regional diversification.	
AUM	USD 810 million	
Holdings	54	
3M/YTD Return	6.85% / 15.42%	
Top 5 Sectors (%)	Financials Industrials Cons. Disc. Cons. Staples Info. Tech.	28.4 18.2 12.6 11.9 9.3
Top 5 Regions (%)	UK Spain France U.S. Finland	22.5 11.8 10.2 7.7 7.2
Top 5 Holdings (%)	FERROVIAL SE INDUSTRIA DE DISENO TXTL IN SA RECKITT BENCKISER GROUP PLC UNILEVER PLC NATWEST GROUP PLC	4.1 3.6 3.4 3.0 3.0

Source: Bloomberg, 17 June 2025

Fidelity Funds - Global Dividend Plus Fund

Profile

This fund aims to deliver income in excess of the benchmark by investing at least 70% of its assets in equities of companies around the world, with up to 30% in total allocated to China A-shares and B-shares.

■ Globally Diversified Allocation

This fund's sector allocation is defensively positioned, emphasizing industries with lower correlation to economic growth, such as diversified financials, insurance, pharmaceuticals, and consumer staples. It employs a globally diversified layout, making it suitable for investors seeking regional diversification.

■ Focus on Dividend and Strategic Income Advantage

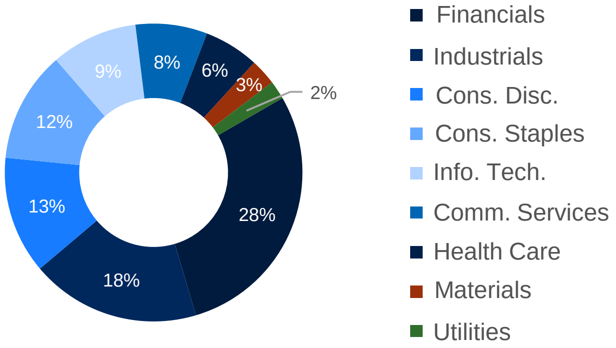
The portfolio focuses on investing in high-quality dividend-paying stocks and adopts an actively managed covered call strategy to enhance income sources.

■ Offers Monthly Distribution and Multiple Currency Classes

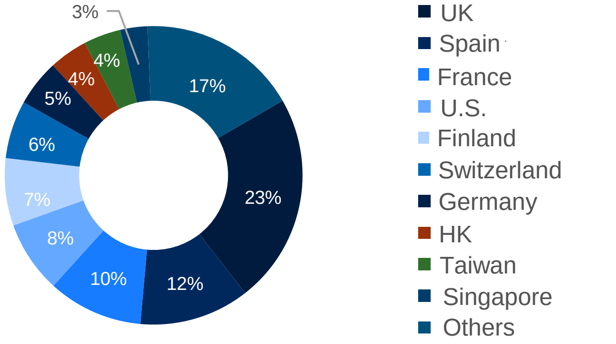
The fund offers monthly distributions and multiple currency classes. The A-MCDIST (G) USD-hedged share class currently provides an annualized yield of 8.61%.

Inception Date	9 June 2021	**AUM**	USD 810 million
Morningstar Category	Global Large-Cap Stocks	**Fund Category**	Equities
Morningstar Rating	★★★★	**3Y Stand. Dev. (Ann.)**	15.33%

Sectors



Regions



Top-5 Holdings (%)

FERROVIAL SE	4.1
INDUSTRIA DE DISENO TXTL IN SA	3.6
RECKITT BENCKISER GROUP PLC	3.4
UNILEVER PLC	3.0
NATWEST GROUP PLC	3.0

3-Year NAV

As of 17 June 2025	1M	3M	YTD	1Y	3Y	5Y
USD Cumulative Return (%)	2.34	6.85	15.42	20.18	32.97	54.75
Quartile Ranking Within Category	1	1	1	1	1	1

Source: Fidelity Asset Management Fund Monthly Report, Morningstar. Performance data as of June 17, 2025; monthly report as of May 31, 2025. Share class used: A USD Accumulation

Mutual Funds/ ETFs

Companies with Moat Advantage and Strong Financials Support Stable Performance

► iShares MSCI Intl Quality Factor ETF (IQLT.US)

- Seeks to track the performance of the MSCI World ex USA Sector Neutral Quality Index.
- Invests in large- and mid-cap stocks from developed markets outside the U.S. with strong fundamentals.
- Stock selection is based on three key quality metrics: ROE, earnings stability, and debt-to-equity ratio.
- Diversified across more than 300 holdings, helping to reduce individual company risk.

► VictoryShares Free Cash Flow ETF (VFLO.US)

- Seeks to track the performance of the Victory U.S. Large Cap Free Cash Flow Index.
- Primarily invests in large-cap U.S. companies with high free cash flow yields and strong growth prospects.
- Companies with high free cash flow generally exhibit solid financial health, enabling them to pay dividends, buy back shares, or reinvest, leading to more stable long-term performance.

Product	iShares MSCI Intl Quality Factor ETF (IQLT.US)		VictoryShares Free Cash Flow ETF (VFLO.US)	
Features	■ Focuses on companies with high ROE, stable earnings growth, and low financial leverage. ■ Invests in developed markets outside the U.S., offering investors global diversification opportunities.		■ Focuses on large U.S. companies with high free cash flow yields and strong growth prospects. ■ In a high interest rate environment, the market values companies with stable cash flow and capital efficiency.	
AUM	USD 11.672 billion		USD 4.162 billion	
Tracking Index	MSCI World ex USA Sector Neutral Quality Index		Victory U.S. Large Cap Free Cash Flow Index	
Exchanges	NYSE		NASDAQ	
Holdings	301		50	
Expense Ratio	0.30%		0.48%	
3M/YTD Return	4.37% / 15.36		0.64% / 3.29%	
Top 5 Sectors (%)	Financials Industrials Health Care Cons. Disc. Info. Tech.	24.70 17.44 10.35 8.95 8.92	Health Care Cons. Disc. Energy Info. Tech. Industrials	25.98 20.24 19.63 16.33 11.70
Top 5 Holdings (%)	ASML Holding N.V. Shell plc Novo Nordisk A/S Allianz SE Nestlé S.A.	4.27 2.51 2.37 2.31 2.11	Exxon Mobil Corporation Pioneer Natural Resources Company Chevron Corporation Qualcomm Incorporated Merck & Co., Inc.	3.92 3.25 3.20 3.15 3.14

Source: Bloomberg, 18 June 2025

iShares MSCI Intl Quality Factor ETF (IQLT.US)

Profile

This ETF tracks the "MSCI World ex USA Sector Neutral Quality Index," aiming to follow the index constituents and deliver investment performance that corresponds to the index.

Focus on High-Quality Companies

The underlying index focuses on companies with three quality characteristics: high ROE, stable earnings growth, and low financial leverage. These indicators help identify financially sound and operationally stable companies, making them suitable as part of a resilient growth-oriented investment portfolio.

International Diversification

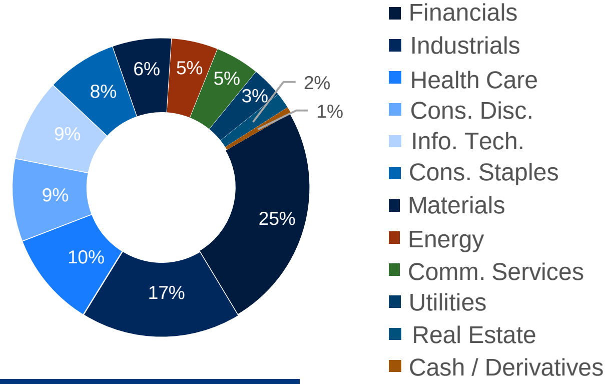
Covers 22 developed countries (excluding the U.S.), including the UK, Switzerland, Japan, France, and the Netherlands, offering investors the opportunity for global diversification. The portfolio holds approximately 300 stocks, with over 70% in large-cap companies. The top 10 holdings account for around 22%, and the diversified allocation helps reduce risks associated with individual companies or regional concentration.

Moderate Expense Ratio

This ETF has an expense ratio of 0.30%, which is considered moderate among similar ETFs.

Inception Date	13 Jan. 2015	**AUM**	USD 11.672 billion
ETF Category	Equities	**Holdings**	301
Expense Ratio	0.30%	**3Y Stand. Dev. (Ann.)**	17.89%

Sectors

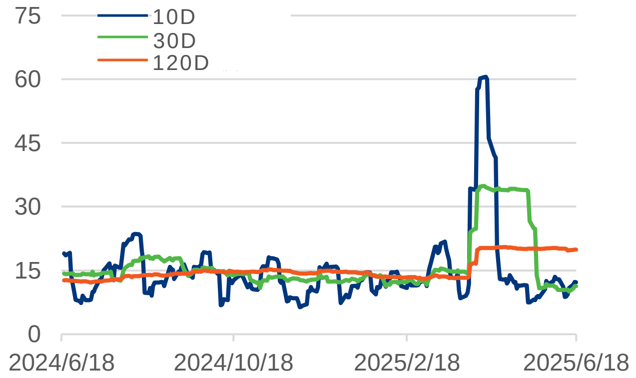


Top-5 Holdings (%)

ASML Holding N.V.	4.27
Shell plc	2.51
Novo Nordisk A/S	2.37
Allianz SE	2.31
Nestlé S.A.	2.11

1-Year Performance

1-Year Volatility



As of 18 June 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	0.28	4.37	15.36	10.34	51.02	62.99

Source: Bloomberg, 18 June 2025

VictoryShares Free Cash Flow ETF

Profile

This ETF tracks the "Victory U.S. Large Cap Free Cash Flow Index," aiming to follow the index constituents and deliver investment performance that corresponds to the index.

■ Focus on High Free Cash Flow Companies

The index uses expected free cash flow yield (Expected FCF Yield) as the stock selection criterion, choosing the 50 U.S. large-cap companies with the highest FCF yields from among eligible firms. Expected FCF is calculated as the average of actual FCF over the past 12 months and projected FCF for the next 12 months, providing a forward-looking perspective.

■ Sector and Stock Weighting Limits

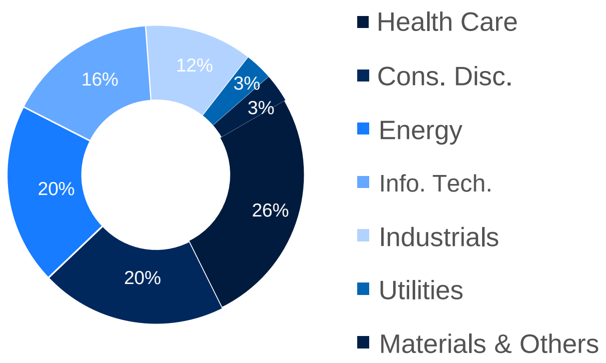
To avoid concentration risk, the index imposes limits on both sector and individual stock weightings, ensuring balanced exposure across industries. The index is reconstituted and rebalanced quarterly to reflect the latest financial data and market changes.

■ A Focus Under High-Interest-Rate Conditions

In a high-interest-rate environment with rising capital costs, markets place greater emphasis on companies with stable cash flow and capital efficiency. This ETF centered on expected free cash flow, aligns with current investor priorities for financial health.

Inception Date	21 June 2023	**AUM**	USD 4.162 billion
ETF Category	Equities	**Holdings**	50
Expense Ratio	0.48%	**3Y Stand. Dev. (Ann.)**	-

Sectors

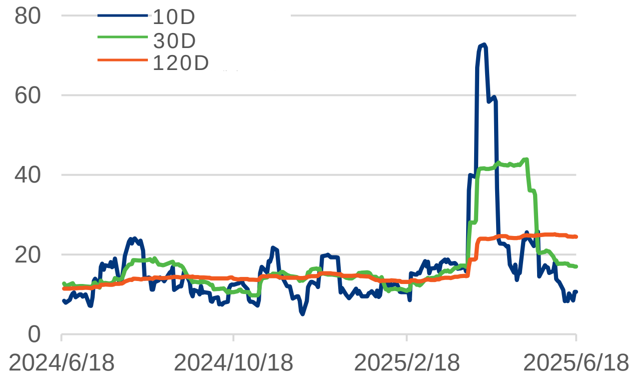


Top-5 Holdings (%)

Exxon Mobil Corporation	3.92
Pioneer Natural Resources Company	3.25
Chevron Corporation	3.20
Qualcomm Incorporated	3.15
Merck & Co., Inc.	3.14

1-Year Performance

1-Year Volatility



As of 18 June 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	0.81	0.64	3.29	14.56	-	-

Source: Bloomberg, 18 June 2025

Bonds

Utilities Offer Stronger Defensive Characteristics; MTR Issues First USD-Denominated Perpetual Bond

▶ MTRC 5.625 PERP (MTR Corporation Limited, Cayman Islands) (USD-Denominated)

- MTR is Hong Kong's leading public transport company, with a 50% market share in the city's franchised transport segment and 74.45% government ownership. Its revenue streams include Hong Kong property development, transport operations, station retail and advertising, property leasing and management, as well as Mainland China/international operations. EBITDA reaches HKD 30.5 billion.
- Looking ahead over the next decade, MTR plans to invest approximately HKD 100 billion in five confirmed new railway projects, which are expected to drive long-term passenger volume and property development income growth. The company is also actively launching new land tenders and property development projects, providing potential profit momentum going forward.
- This marks MTR's first issuance of a USD-denominated perpetual bond, making it relatively scarce; with a coupon rate of 5.625%, investors can enjoy stable and relatively high cash flows during the period.
- The bond is guaranteed by MTR, the parent company; Moody's has assigned it an Aa3 rating, while the bond itself is rated A2 by Moody's and highly rated by S&P as well.

Products	MTRC 5.625 PERP (MTR Corporation Limited, Cayman Islands) (USD-Denominated)
ISIN	XS3094282343
Highlight	This is MTR's first USD-denominated perpetual bond issuance, and it has been rated Aa3 by Moody's, with the bond also receiving a high A2 rating from Moody's.
Maturity Date	PERP
Next Redemption Day	2035/9/24
Coupon (%)	Float/5.625/Semi-annual
Currency	USD
Years to Maturity	-
Rating (Moody's/ Fitch/S&P)	A2/-/A
Seniority	Senior and Subordinated
YTM/YTC (%)	6.17/5.63

Source: Bloomberg

MTRC 5.625 PERP (MTR Corporation Limited, Cayman Islands)

Profile

MTR is Hong Kong's leading public transport company, with a 50% market share in the city's franchised transport segment and 74.45% government ownership. Its revenue streams include Hong Kong property development, transport operations, station retail and advertising, property leasing and management, as well as Mainland China/international operations. EBITDA reaches HKD 30.5 billion.

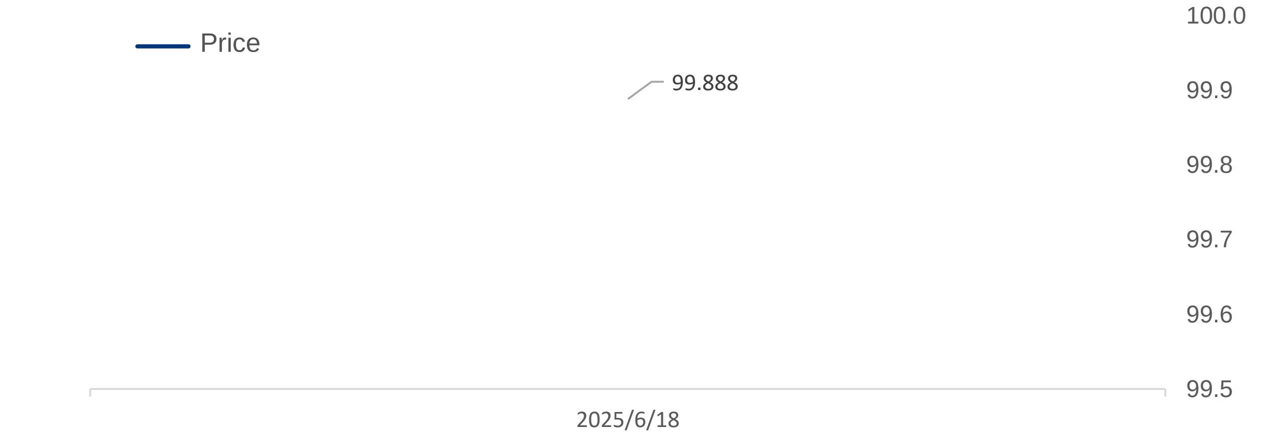
- Looking ahead over the next decade, MTR plans to invest approximately HKD 100 billion in five confirmed new railway projects, which are expected to drive long-term passenger volume and property development income growth. The company is also actively launching new land tenders and property development projects, providing potential profit momentum going forward.
- This marks MTR's first issuance of a USD-denominated perpetual bond, making it relatively scarce; with a coupon rate of 5.625%, investors can enjoy stable and relatively high cash flows during the period.
- The bond is guaranteed by MTR, the parent company; Moody's has assigned it an Aa3 rating, while the bond itself is rated A2 by Moody's and highly rated by S&P as well.

Financials	2022	2023	2024
Free Cash Flow (100M USD)	-17.75	-4.69	-5.18
EBITDA Margin (%)	36.40	27.46	42.26
Interest Coverage Ratio	8.11	5.03	8.13

Overview

Name	MTRC 5.625 PERP	**ISIN**	XS3094282343
Maturity Date	PERP	**Remaining Maturity**	-
Coupon(%)	Float/5.625/Semi-annual	**YTM/YTC(%)**	6.17/5.63
Currency	USD	**Min. Subscription/ Increment**	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A2/-/A	**Seniority**	Senior and Subordinated

Price (Newly Issued Bonds)



Source: Bloomberg, June 19, 2025. Note: The coupon reset date is December 24, 2035, with semi-annual interest payments. The applicable annual interest rate is based on the U.S. 5-year Treasury yield on the reset date plus 1.457%

Appendix

Key Economic Data / Events

JUNE 2025

16 Monday
- China May. Retail Sales YoY (Actual:6.4% Est:4.9% Prev:5.1%)
- China May. Industrial Production YoY (Actual:5.8% Est:6.0% Prev:6.1%)

17 Tuesday
- U.S. May. Retail Sales MoM (Actual:-0.9% Est:-0.6% Prev:0.1%)
- U.S. May. Industrial Production MoM (Actual:-0.2% Est:0.0% Prev:0.1%)
- Japan Jun. BoJ Rate Decision (Actual:0.05% Est:0.50% Prev:0.50%)

18 Wednesday
- U.S. Last Week's Jobless Claims (Actual:245k Est:245k Prev: 250k)
- U.S. May. Housing Starts (Actual:1,256k Est:1,350k Prev:1,392k)
- Japan May. Exports YoY (Actual:-1.7% Est:-3.7% Prev:2.0%)
- Japan Apr. Core Machine Orders MoM (Actual:-9.1% Est:-9.5% Prev:13.0%)
- Eurozone May. CPI YoY Final Value (Actual:1.9% Est:1.9% Prev:2.2%)

19 Thursday
- U.S. Jun. FOMC Rate Decision (Actual:4.50% Est:4.50% Prev:4.50%)
- U.K. Jun. BoE Rate Decision (Actual:4.25% Est:4.25% Prev:4.25%)

20 Friday
- Japan May. Natl CPI YoY (Actual:3.5% Est:3.5% Prev:3.6%)
- Eurozone Jun. Consumer Confidence Initial Value (Est:-14.9 Prev:-15.2)
- Taiwan May. Export Orders YoY (Est:19.4% Prev:19.8%)

23 Monday
- U.S. Jun. S&P Global US Manufacturing PMI Initial Value (Est:51.0 Prev:52.0)
- U.S. Jun. S&P Global US Services PMI Initial Value (Est:52.9 Prev:53.7)
- U.S. Jun. Existing Home Sales (Est:3.95m Prev:4.00m)
- Japan Jun. Jibun Bank Mfg PMI Initial Value (Prev:49.4)
- Eurozone Jun. HCOB Mfg PMI Initial Value (Prev:49.4)

24 Tuesday
- U.S. Jun. Conf. Board Consumer Confidence (Est:99.0 Prev:98.0)

25 Wednesday
- U.S. May. New Home Sales (Est:693k Prev:743k)
- U.S. May. Building Permits Final Value (Prev:1,422k)
- Japan May. Machine Tool Orders YoY Final Value (Prev:7.7%)

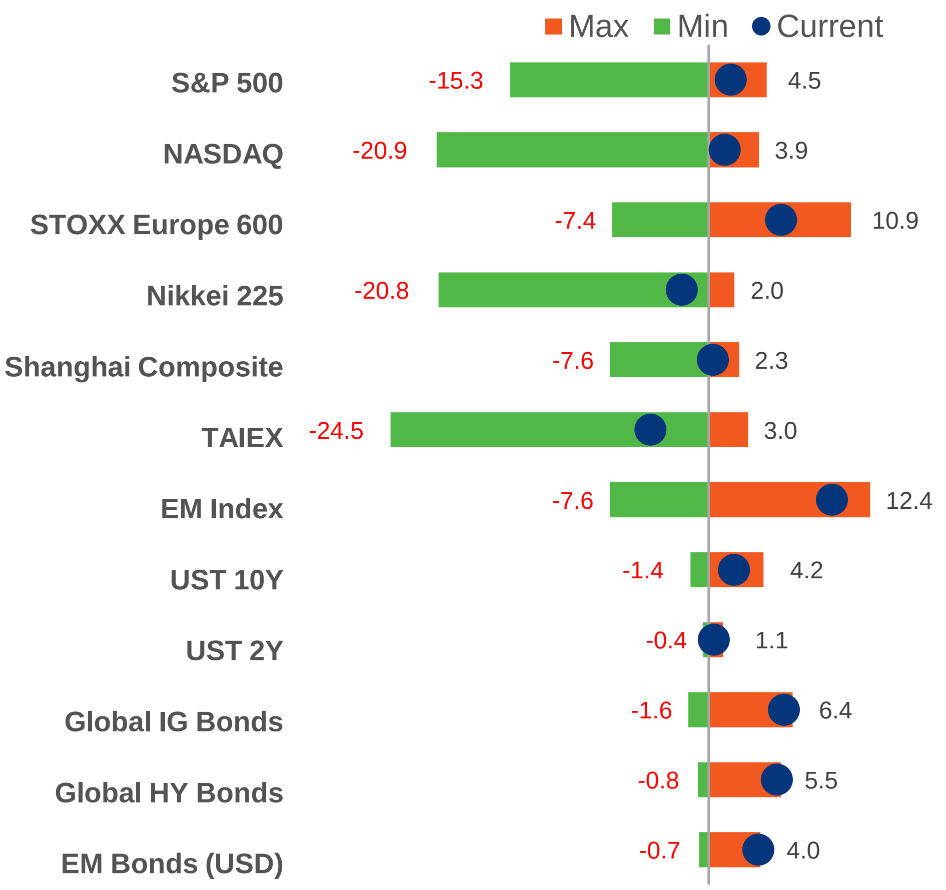
26 Thursday
- U.S. Last Week's Jobless Claims (Est:248k Prev:245k)
- U.S. Q1 GDP Annualized QoQ Final Value (Est:-0.2% Prev:-0.2%)
- U.S. May. Durable Goods Orders MoM Initial Value (Est:6.9% Prev:-6.3%)
- Hong Kong May. Exports YoY (Prev:14.7%)

27 Friday
- U.S. May. PCE YoY (Est:2.3% Prev:2.1%)
- U.S. May. Core PCE YoY (Est:2.6% Prev:2.5%)
- U.S. Jun. U. of Mich. Sentiment Final Value (Est:60.5 Prev:52.2)
- Japan Jun. Tokyo CPI YoY (Est:3.3% Prev:3.4%)
- Japan May. Jobless Rate (Est:2.5% Prev:2.5%)
- Eurozone Jun. Consumer Confidence (Prev:-15.2)

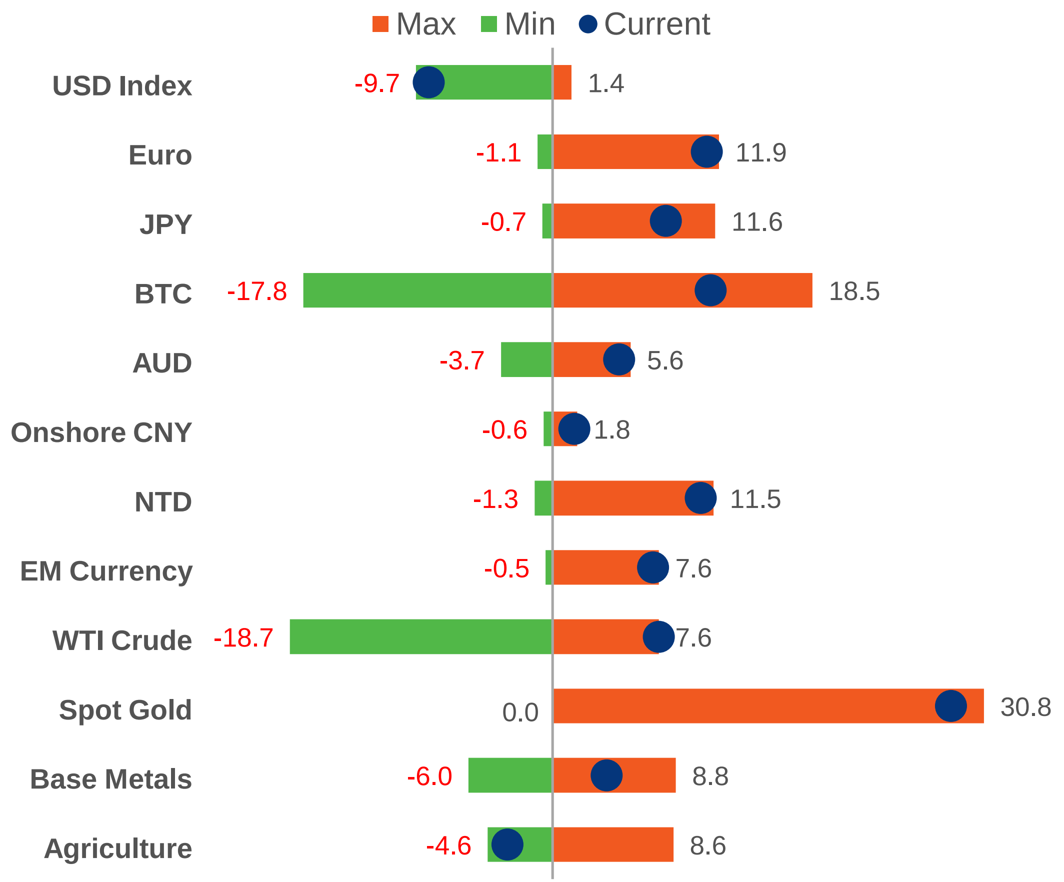
Source: Bloomberg

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 20 June 2025

Technical Analysis

60D MA

S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

Gold

WTI Crude

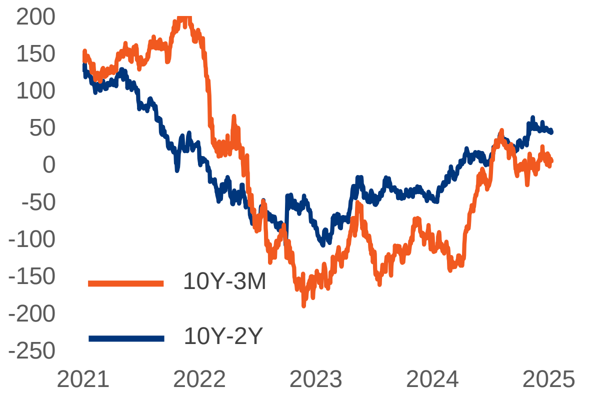
Source: Bloomberg, 20 June. 2025

Market Monitor

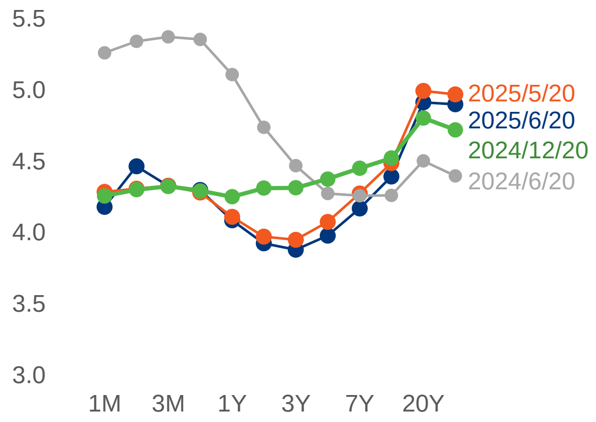
U.S. CPI YoY (%)

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

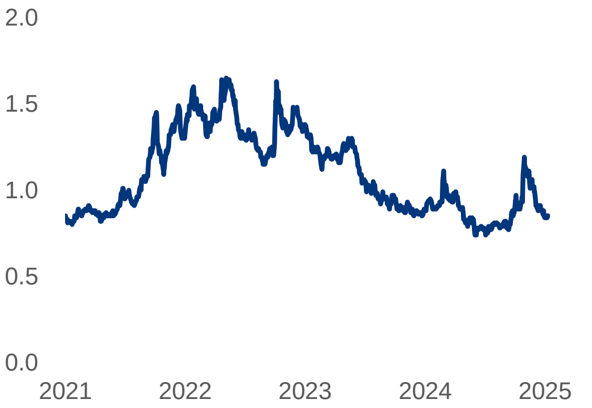
U.S. Treasury Yield Spread (bps)



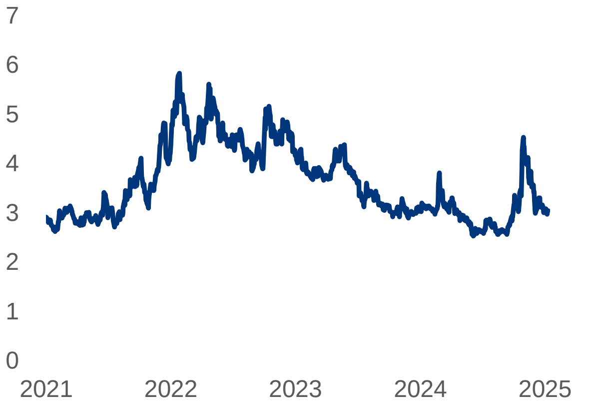
U.S. Treasury Yield Curve (%)



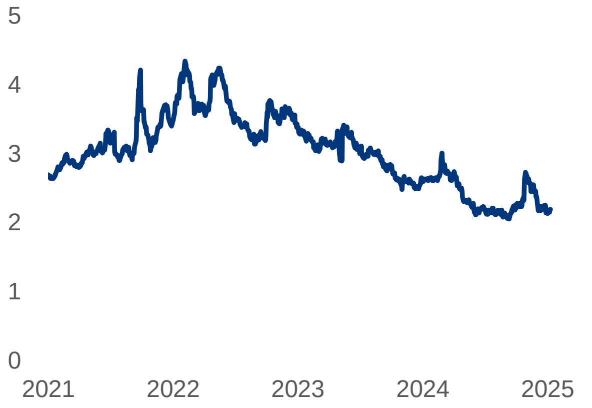
USD IG Credit Spread (%)



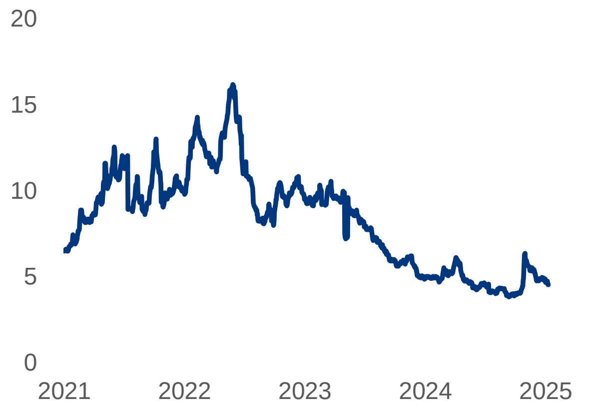
USD HY Credit Spread (%)



USD EM Credit Spread (%)



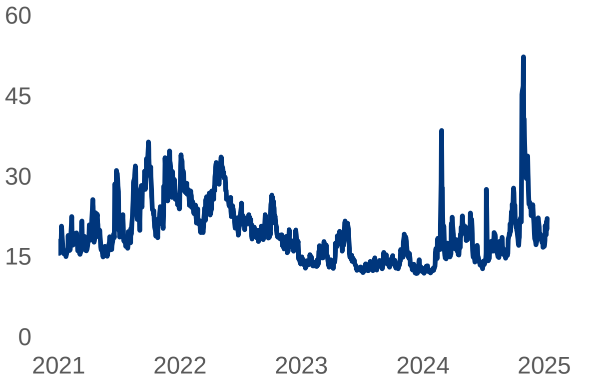
USD Asia Credit Spread (%)



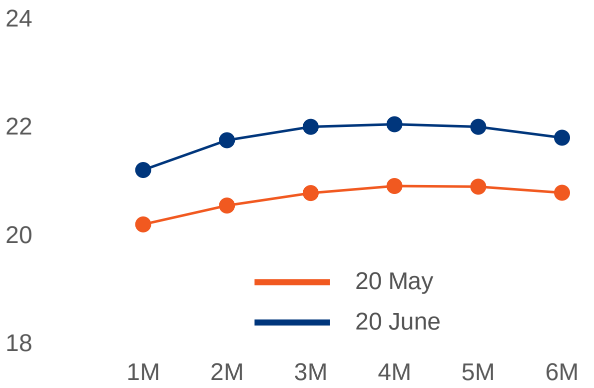
Source: Bloomberg, 20 June. 2025

Market Monitor

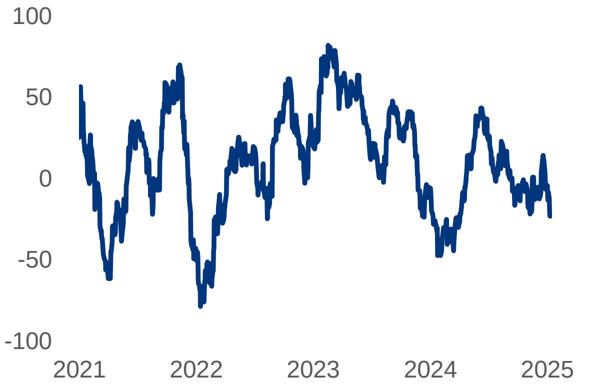
VIX Index



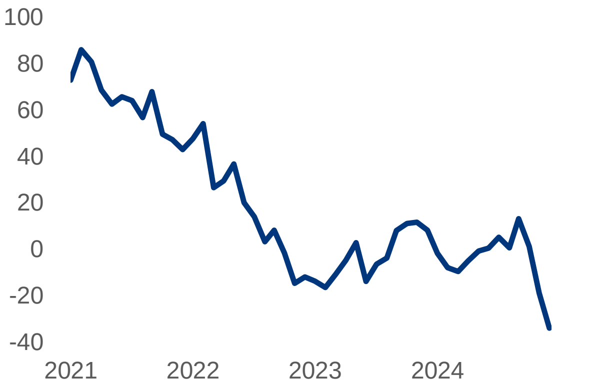
VIX Term Structure



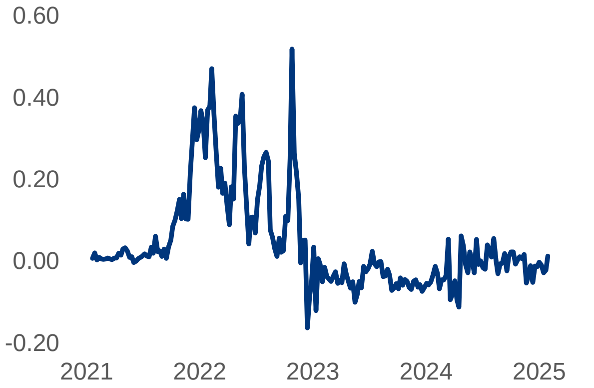
U.S. Citi Economic Surprise Index*



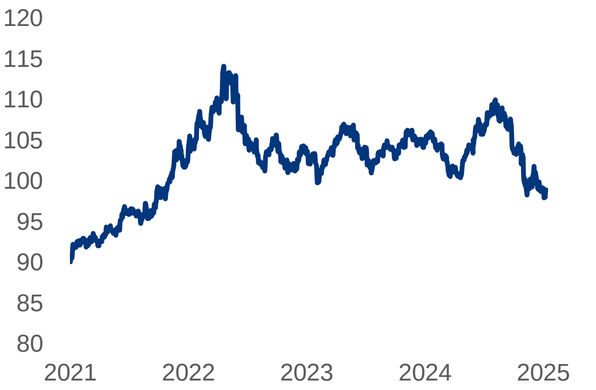
U.S. Citi Inflation Surprise Index*



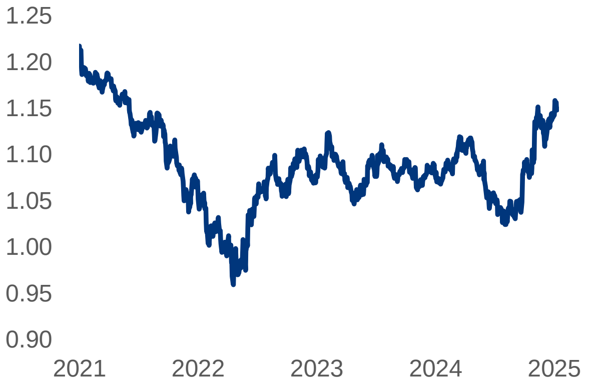
TED Spread (bps)



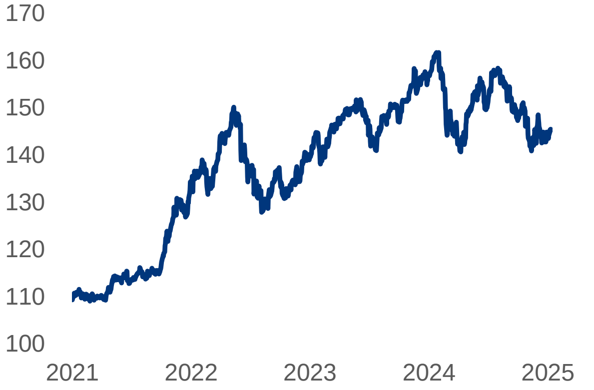
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg,20 June. 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.

Disclaimer and Important Notice

The information contained in the document herein is confidential and is not intended for general public distribution or for use by any person or entity located or residing in any jurisdiction which restricts the distribution of such information by KGI Asia Limited ("KGI") or any affiliate of KGI. Re-distribution of the document herein and any part thereof by any means is strictly prohibited. Such information shall not be regarded as an offer, invitation, solicitation or recommendation to invest in or sell any securities or investment products to any person or entity in any jurisdiction. The above information (including but not limited to general financial and market information, news services, market analysis and product information) is for general information and reference purpose only and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd. Such information is not intended to provide investment advice and should not be relied upon in that regard. You are advised to exercise caution, and if you are in any doubt about such information, you should seek independent professional advice.

You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

No representation or warranty is given, whether express or implied, on the accuracy, adequacy or completeness of information provided herein. In all cases, anyone proposing to rely on or use the information contained herein should independently verify and check the accuracy, completeness, reliability and suitability of the information. Simulations, past and projected performance may not necessarily be indicative of future results. Information including the figures stated herein may not necessarily have been independently verified, and such information should not be relied upon in making investment decisions. None of KGI, its affiliates or their respective directors, officers, employees and representatives will be liable for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind) suffered or incurred by any person or entity due to any omission, error, inaccuracy, incompleteness or otherwise, or any reliance on such information. Furthermore, none of KGI, its affiliates or their respective directors, officers, employees and representatives shall be liable for the content of information provided by or quoted from third parties.

Complex Products refers to an investment product whose terms, features and risks are not reasonably likely to be understood by a retail investor because of its complex structure. Investors should exercise caution in relation to complex products. Investors may lose the entire amount or more than the invested amount. For complex products with offering documents or information not reviewed by the Hong Kong Securities and Futures Commission (SFC), investors should exercise caution regarding the offer. For complex products described as SFC-approved, such approval does not imply official endorsement, and SFC recognition does not equate to a recommendation or assurance of the product’s commercial viability or performance. Past performance data, if provided, is not indicative of future performance. Some complex products are only available to professional investors. Before making any investment decisions, investors should review the offering documents and other relevant information to understand the key nature, features, and risks of the complex products. Independent professional advice should be sought, and investors should have sufficient net assets to bear the potential risks and losses associated with the product. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers, employees and representatives may from time to time have a position in any securities mentioned herein.

Bond investment is NOT equivalent to a time deposit. It is NOT protected under the Hong Kong Deposit Protection Scheme. Bondholders are exposed to a variety of risks, including but not limited to: (i) Credit risk - The issuer is responsible for payment of interest and repayment of principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive interest and get back the principal. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer; (ii) Liquidity risk - some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity; (iii) Interest rate risk – When the interest rate rises, the price of a fixed rate bond will normally drop, and vice versa. If you want to sell your bond before it matures, you may get less than your purchase price. Do not invest in bond unless you fully understand and are willing to assume the risks associated with it. Please seek independent advice if you are unsure.

All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.