CIO Office | Global Markets Weekly Kickstart

Financial Bonds Shine Under the Stress

7 July 2025

Chart of the Week Tax Bill Clears Congress, Tariff Risks Linger; U.S. Equities Climb Amid Volatility

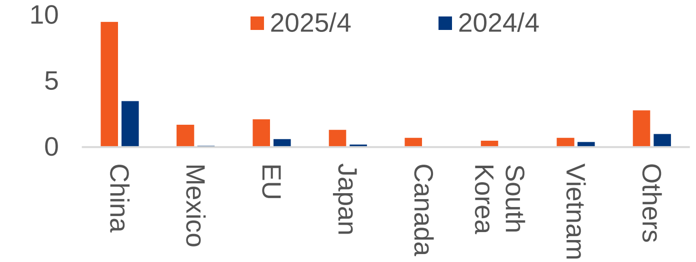
- The U.S. House and Senate narrowly passed the One Big Beautiful Bill Act (OBBBA), which extends tax cuts, tightens social security spending, and raises the debt ceiling. The bill is expected to be signed into law by the President on July 4, offering potential support for U.S. growth and corporate earnings.
- President Trump reiterated there will be no extension of the July 9 reciprocal tariff deadline and threatened to halt negotiations with Canada. In response, Canada withdrew its Digital Services Tax proposal, paving the way to resume trade talks.
- While U.S. tariffs implemented in April generated roughly $23 billion in revenue, this accounts for only 3% of May's total fiscal spending, limiting their impact on fiscal discipline. Tariff uncertainty is expected to weigh on economic growth and earnings in 2H24. Historically, U.S. equities have shown a pattern of initial weakness followed by recovery during trade tensions. In the short term, defensive and quality U.S. equities can help reduce risk, while software and cybersecurity names within tech remain resilient long-term.

U.S. "Big and Beautiful" Bill Passes, Extends Tax Cuts and Raises Debt Ceiling

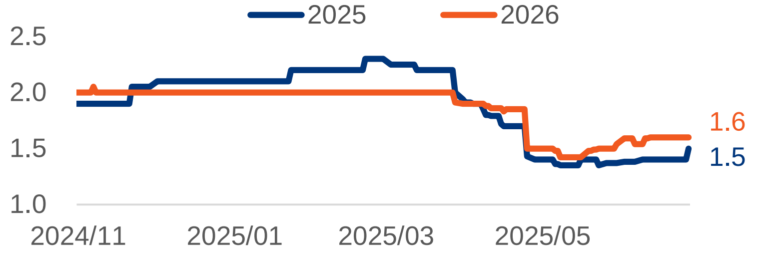
OBBBA	Details
Extends Tax Cut Policy	Extends individual and corporate tax cuts, keeping the corporate rate at 21% (down from 35%). Also extends child tax credit, small business and estate tax cuts. Estimated $4 trillion in tax relief over 10 years
Cuts Social Security Spending	Major cuts to Social Security, trimming $1.3 trillion over 10 years. Raises the Supplemental Nutrition Assistance Program (SNAP) eligibility age to 64. Benefits phase out at $24,300/year income
Green Energy Reform	Cancels $7,500 EV tax credit; ends solar incentives starting Sept 30, 2025. Fossil fuel subsidies extended through 2030 to support energy independence
Raises Debt Ceiling	Raises debt ceiling from current $34.5T to $39T, extending borrowing capacity through 2034. Suspends debt ceiling until 2027 with automatic triggers for spending cuts if breached
Other	Eliminates 899 federal regulations; non-government housing projects now qualify for 3.5% mortgage rates. Expands Consumer Financial Protection Bureau (CFPB) enforcement authority

U.S. Tariff Hikes Raise Trade Uncertainty, But Equities Hold Steady

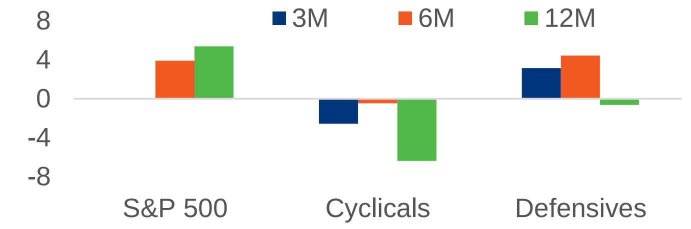
U.S. Customs Tariffs: USD 1 Billion



Bloomberg U.S. GDP Growth Forecast, %



Bloomberg Trade Policy Uncertainty Index Z-score > 2: Sector Performance by Period, %



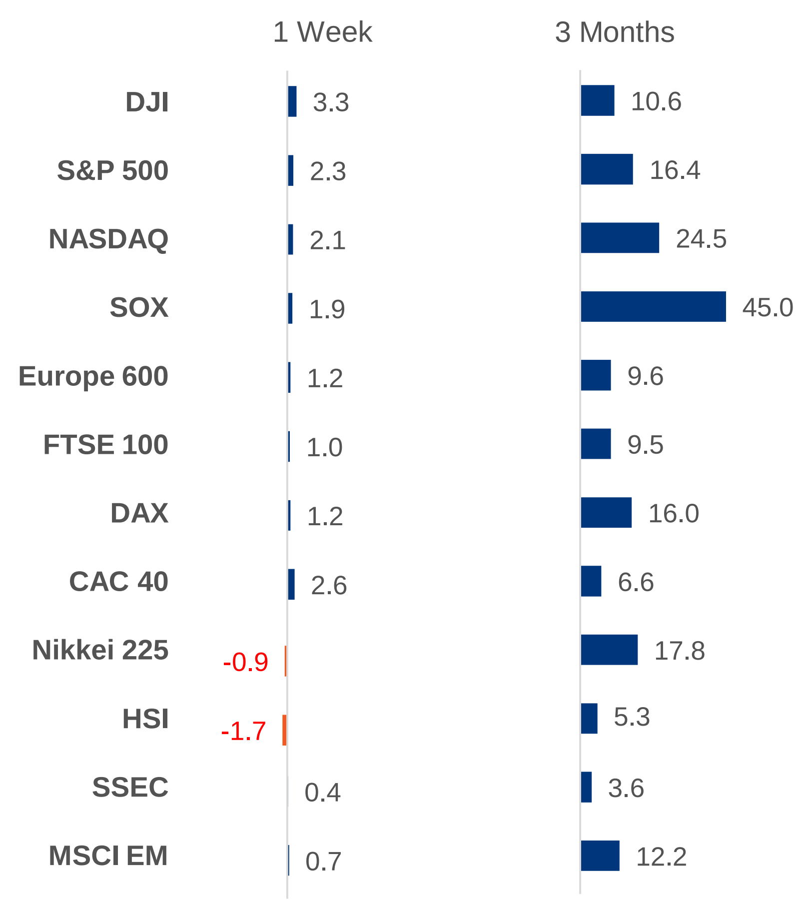
Source: Bloomberg

Market Recap

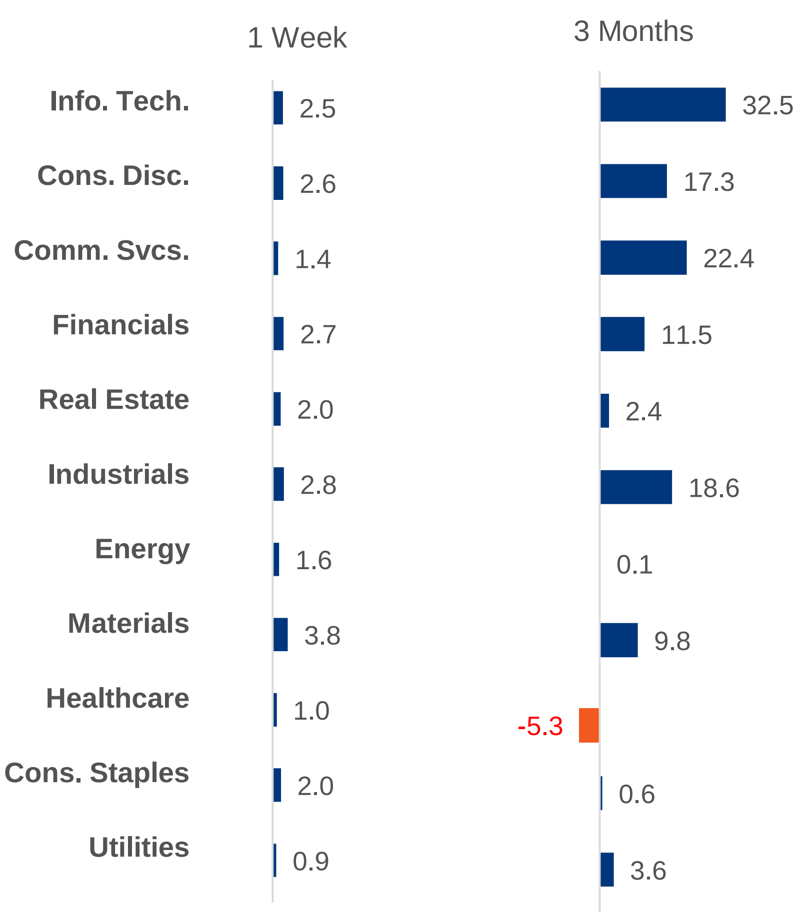
U.S. Tax Bill Passes, Equities Extend Gains; Cyclical Sectors Outperform

- The One Big Beautiful Bill Act passed, supported by stronger-than-expected ISM Manufacturing PMI and robust non-farm payrolls, underscoring U.S. economic resilience and improving risk sentiment. U.S. equities rallied with lower volatility.
- EU officials continue trade talks with the U.S., reportedly willing to accept a 10% tariff in exchange for exemptions in key industries like autos and pharmaceuticals, boosting European equities. Meanwhile, escalating U.S.-Japan trade tensions, with Trump threatening higher retaliatory tariffs, weighed on Japanese equities.
- Cyclicals outperformed, supported by tax cuts and a weaker USD, with materials, industrials, and financials leading gains. The bill also raises semiconductor factory tax credits from 25% to 35%, lowering chipmakers' U.S. production costs and spurring capital investment.
- The U.S. Commerce Department lifted restrictions on chip design software exports to China, driving semiconductor and tech sector gains. Markets will focus on developments after the July 9 tariff deadline and the upcoming earnings season.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)

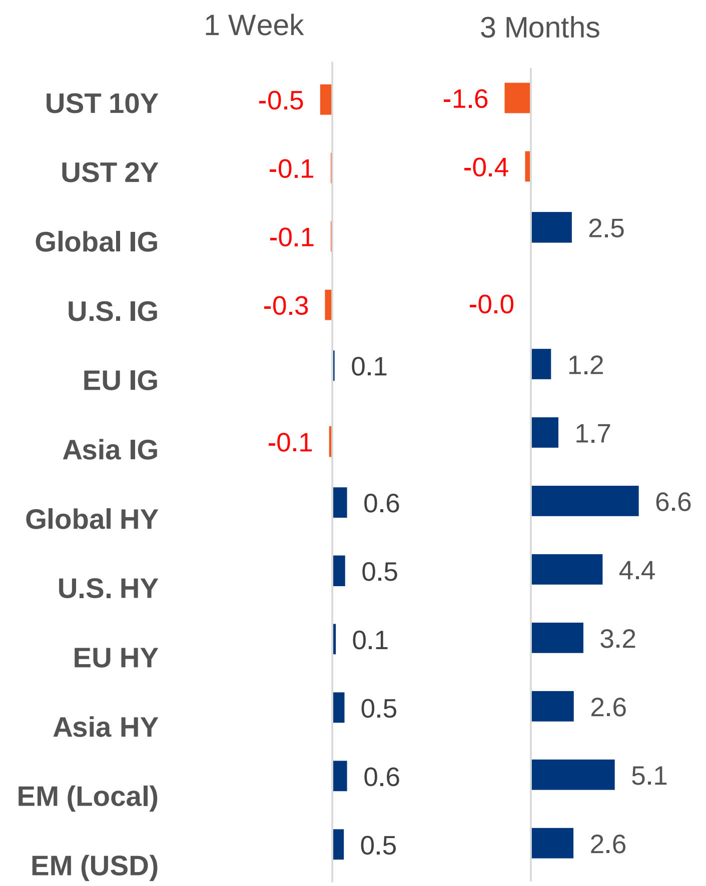


Source: Bloomberg, 4 July 2025

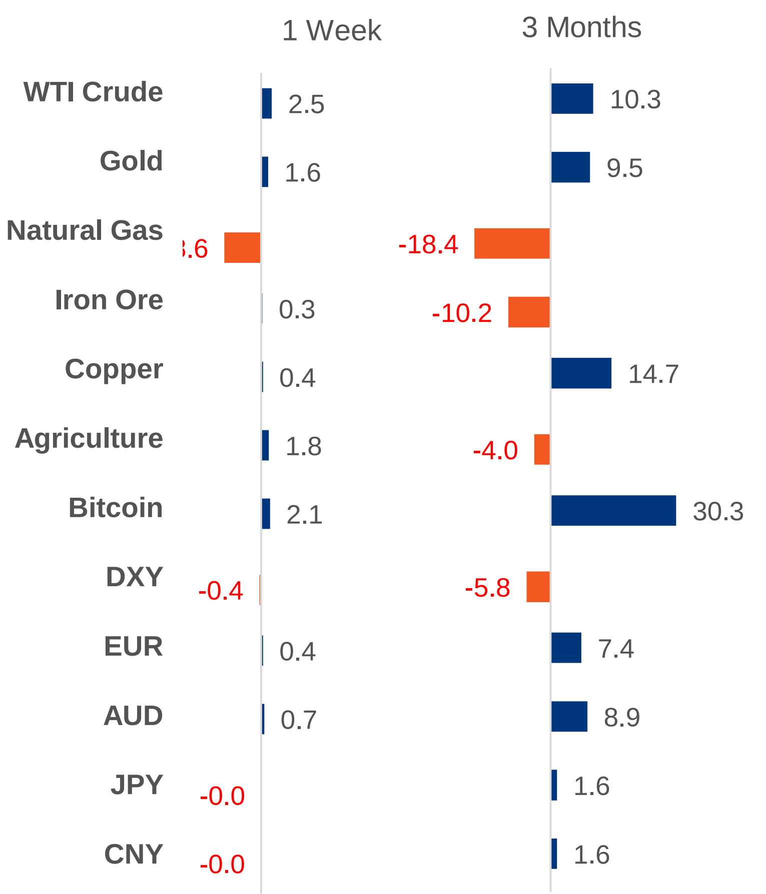
Strong Data Delays Rate Cuts; Long Bonds Under Pressure, Tax Bill Lifts Commodities & Gold

- Fed Chair Powell stated at the ECB Forum that U.S. rate cuts would have already occurred if not for Trump's aggressive tariff policies. Solid PMI and jobs data suggest a gradual labor market slowdown rather than a sharp contraction, dampening rate-cut expectations and lifting Treasury yields. Long-duration bonds underperformed, while non-U.S. bonds remained relatively stable.
- Based on economic indicators, the Fed is expected to stay on hold, with rate cuts likely deferred to 4Q unless growth deteriorates significantly.
- The narrow passage of the tax bill and a weaker USD fueled gains in gold and commodities. Heightened geopolitical risks, including Iran's suspension of nuclear cooperation, raised fears of conflict, pushing oil prices higher in the short term. However, unexpected U.S. inventory builds and potential OPEC+ production increases maintain downside pressure on oil over the long term.
- Eurozone inflation ticked up to 2% in June, reinforcing expectations that the ECB will pause rate cuts, supporting the euro. Markets will watch U.S. consumer expectations and upcoming Fed minutes for further clues.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



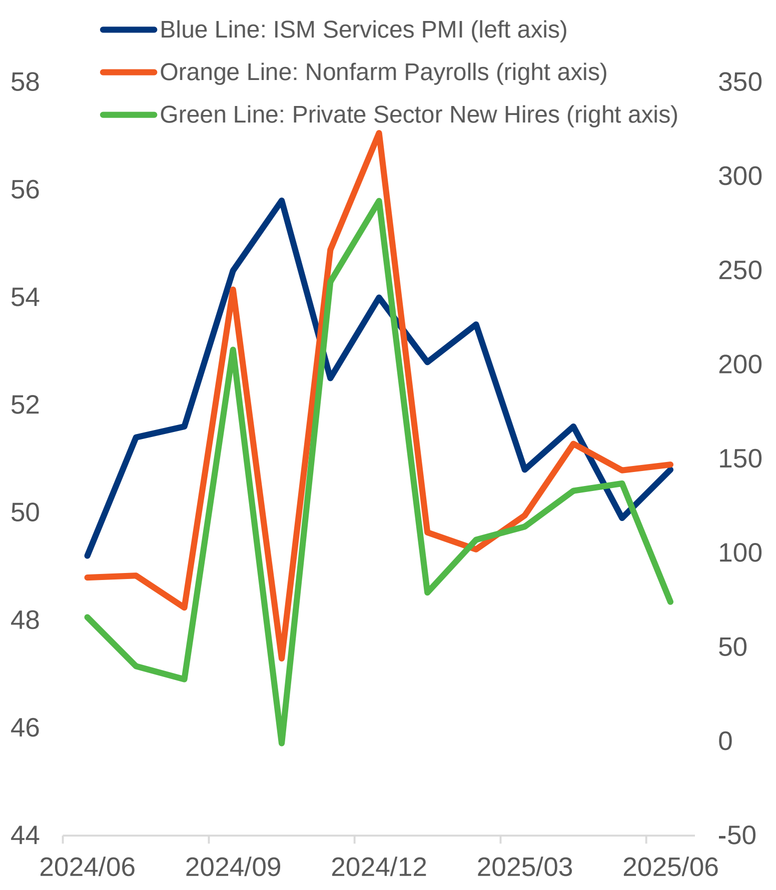
Source: Bloomberg, 4 July 2025

KGI

What's Trending | Solid PMI and Jobs Data Delay Rate-Cut Expectations; Fed May Turn Dovish

- The latest ISM Services PMI rose to 50.8, above both expectations and May's 50.5, signaling expansion across demand, output, and input components. June's non-farm payrolls surged to 147k, beating forecasts, though private-sector job growth slowed to just 74k—the weakest since October 2024—indicating cautious corporate hiring and layoffs.
- Markets continue to price in the first rate cut for September, fueling U.S. equity gains. However, investors appear to overlook the July 9 expiry of reciprocal tariff relief, posing potential near-term market risks. Rising long-term Treasury yields driven by heavy U.S. debt issuance present an opportunity to build bond positions.
- Fed Chair Powell and Governor Kugler's terms end in 2026. To influence market expectations and policy direction, Trump may announce Powell's successor early. Market focus is growing on Fed personnel changes, with new appointments potentially tilting the committee more dovish. Under new leadership, policy easing could extend into 2025, with rate cuts of 50–75 bps projected for 2026.

PMI and Jobs Data Improve, But Hiring Remains Cautious



Fed Personnel Changes Under Watch, Dovish Tilt Possible

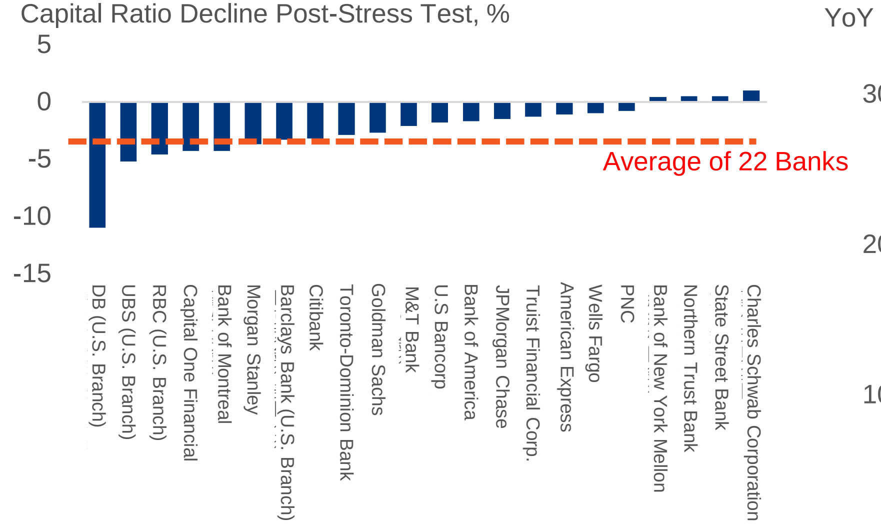
	Current Voter	2025 Voter	2026 Voter
Dovish	**Board Member** Waller		
Moderately Dovish	**Vice Chair & Board Member** Jefferson **Board Member** Cook		**Philadelphia Fed** Paulson
Neutral	**Chair & Board Member** Powell **Vice Chair for Supervision & Board Member** Barr **New York Fed** Williams	**Boston Fed** Collins	
Moderately Hawkish	**Board Member** Kugler	**Chicago Fed** Goolsbee **Kansas City Fed** Schmid **St. Louis Fed** Musalem	**MinneapolisFed** Kashikari **Cleveland Fed** Hammack
Hawkish			**DallasFed** Logan

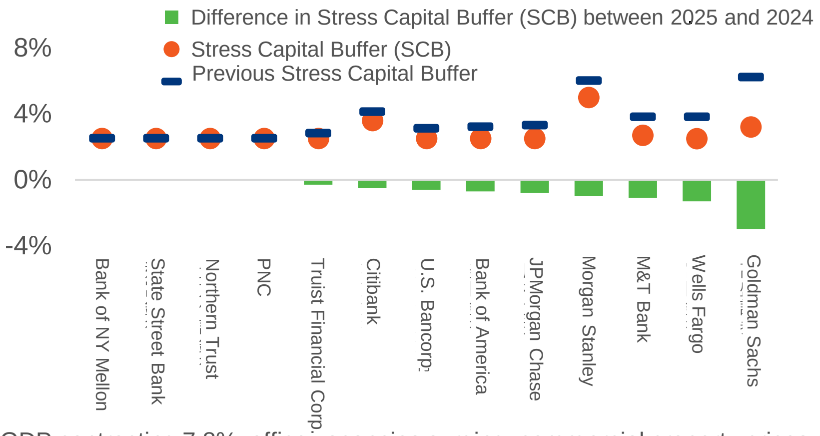
Source: Bloomberg

In Focus | Bank Stress Tests Reinforce Sector Resilience, Supporting Bond Market Floor

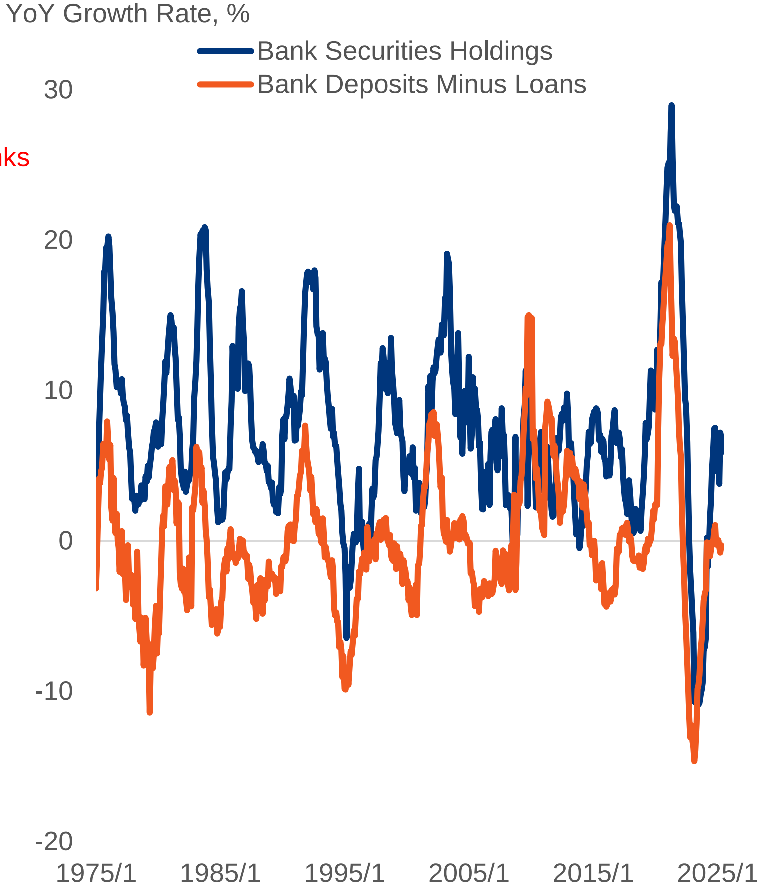
- The Fed's latest stress test results showed all 22 major U.S. banks passed, with average CET1 capital ratios at 11.6%, well above the 4.5% minimum. This reflects milder stress scenarios compared to last year and the exclusion of private equity exposure from global market shocks. Consequently, banks like Goldman Sachs, Wells Fargo, and Morgan Stanley saw notable declines in Stress Capital Buffer (SCB) requirements.
- The strong results highlight the sector's sound fundamentals, paving the way for looser financial regulations and potential boosts to lending and growth.
- The Fed also proposed easing capital rules, cutting large banks' enhanced supplementary leverage ratio (eSLR) to support normal Treasury market functioning. Tier 1 capital requirements for GSIBs may drop by 1.4% (about $13 billion), with deposit-taking subsidiaries seeing a 27% reduction (around $213 billion), creating room for balance sheet expansion and stabilizing short- and medium-term Treasury liquidity.

U.S. Banks Withstand Harsh Stress Scenarios, Demonstrating Resilience





Eased Regulations May Support Balance Sheet Growth for U.S. Banks

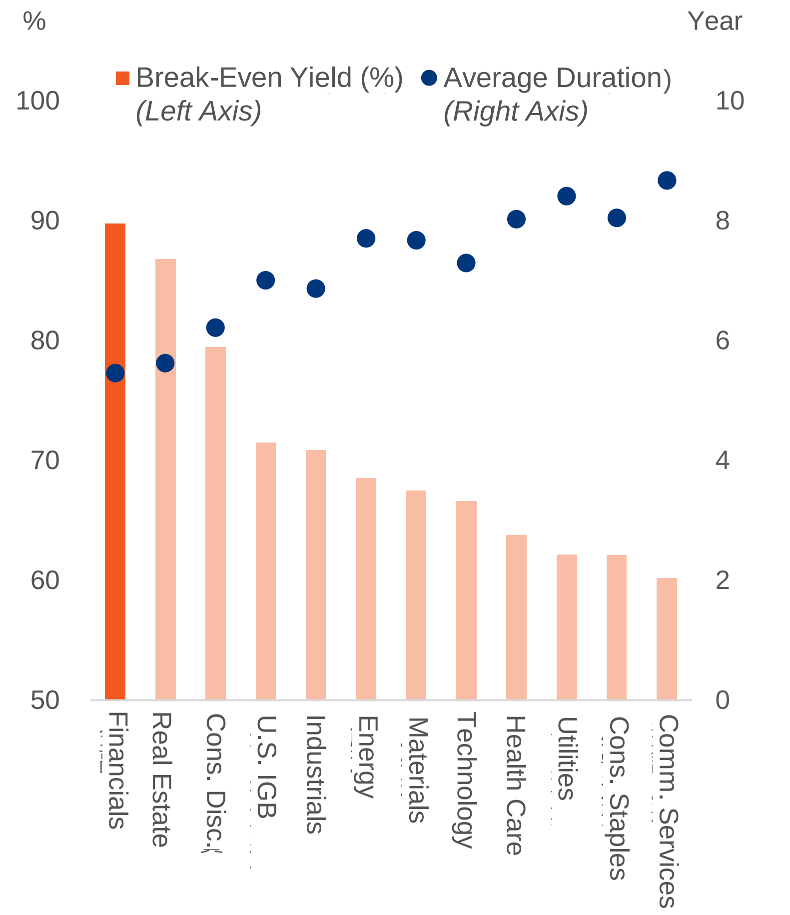


Source: Bloomberg; Note: Stress scenarios assume a severe recession with GDP contracting 7.8%, office vacancies surging, commercial property prices down 30%, home prices down 33%, unemployment rising to 10%, and equities falling 50%. SCB determines capital buffers banks must hold to absorb potential downturn losses.

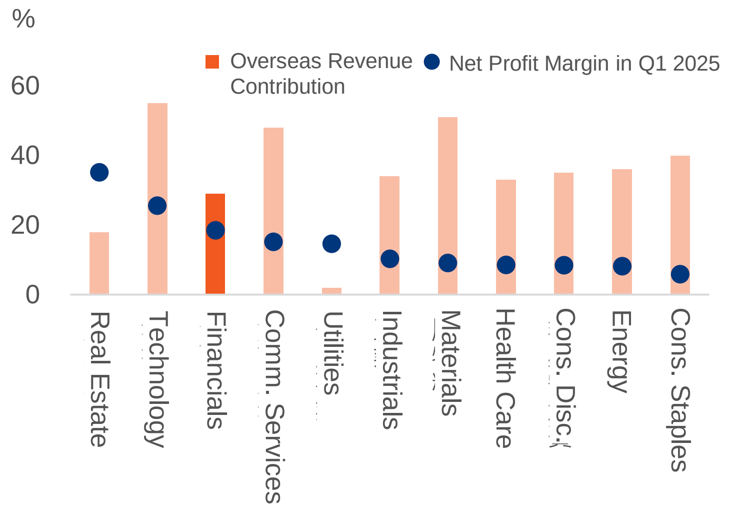
Triple Threat Hits Bond Market, Financial Bonds Weather the Storm

- The U.S. Congress successfully raised the debt ceiling, easing investor concerns. However, heavy interest expenses and large-scale bond issuance continue to pose upside risks to long-term Treasury yields. With the Fed expected to resume rate cuts, the yield curve is likely to steepen, providing support for banks' net interest income. In this environment, financial bonds stand out as a relative safe haven, given their shorter average duration and more attractive breakeven yields compared to other sectors.
- Looking ahead to the second half of the year, the U.S. financial sector is expected to benefit from a combination of rate cuts, regulatory easing, and a potential rebound in corporate investment and M\&A activity. Loosening of banking regulations should support balance sheet expansion, while the recently passed "One Big Beautiful Bill Act" is set to accelerate corporate tax depreciation incentives, boosting both investment and M\&A momentum. This, in turn, may drive growth in banks' lending and investment banking businesses.
- Despite the bond market facing simultaneous risks from interest rates, credit, and currency fluctuations, policy support and a resilient financial system are expected to provide stability. According to FactSet, U.S. financial sector earnings are forecast to grow steadily in 2025. The sector's margins remain stronger than other industries, with the majority of revenue generated domestically, which should help mitigate inflationary pressures and currency volatility.

PMI and Jobs Data Improve, But Hiring Remains Cautious



Fed Personnel Changes Under Watch, Dovish Tilt Possible



Source: Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ The passage of the U.S. “One Big Beautiful Bill Act” and easing Middle East tensions have improved sentiment, but looming reciprocal tariffs keep trade uncertainty high. Focus remains on defensive and quality stocks to stay flexible amid market volatility. Long-term investors can accumulate AI-related themes, with a preference for software and cybersecurity within tech on pullbacks. ◆ The UK reached a trade deal with the U.S., giving UK equities relative strength. Eurozone monetary easing and Germany’s push for fiscal expansion support selective, phased exposure to European equities. Japan’s economic recovery continues, with buying opportunities in domestic bank stocks on weakness.	**Strategy**: high-quality large-cap stocks, with allocations to defensive and quality names. For medium- to long-term positioning, consider structural AI themes, particularly in software and cybersecurity sectors **Regions**: European equities, UK equities, and Japan’s domestic demand and banking stocks
Bonds	◆ The U.S. Congress raised the debt ceiling, easing bond market volatility and pushing Treasury yields lower. Short- to medium-term Treasuries remain attractive, with opportunities to lock in yields during periods of upward yield fluctuations. For corporate bonds, A-rated or higher large-cap issuers are preferred, with financials, industrials, energy, utilities, and communications offering favorable risk-adjusted spreads. ◆ Given the potential for further USD weakness, major non-USD currencies may appreciate, supporting diversification into non-USD bonds such as euro- and SGD-denominated investment-grade debt to reduce USD exposure.	**Duration**Lock in yields on short- to medium-term high-quality corporate bonds **Types**: Financials, industrials, energy, utilities, communications
Forex	◆ The Trump administration signals a controlled USD decline, but markets remain concerned about rising fiscal deficits under the tax bill and inconsistent policy signals, weighing on confidence in U.S. assets and the dollar. The USD Index is expected to remain weak in the medium term, with the euro and yen consolidating near highs and offering long-term upside.	**USD**: Weak Consolidation Phase **EUR & JPY**: Trading near highs with long-term upside potential
Commodity	◆ Uncertainty from Trump’s tariff policies, alongside economic slowdown risks, inflation concerns, and fiscal pressures, support gold as a hedge. Central banks and investors continue accumulating gold, suggesting room for further price gains. Gradual accumulation on dips is recommended.	**Gold**: Bullish bias, accumulate on pullbacks

Product Spotlight | HK Equities

Policy Boosts Development and Access for Innovative Drugs

Policy Supports Inclusion of Innovative Drugs in Insurance Coverage

- On July 1, China’s National Healthcare Security Administration and National Health Commission announced new measures to support innovative drug development, including adding them to the basic medical insurance and commercial health insurance drug lists. The initiative aims to improve access to high-cost innovative drugs through expanded coverage by commercial health insurance and medical mutual aid, while enhancing monetization and R&D incentives for pharmaceutical companies.

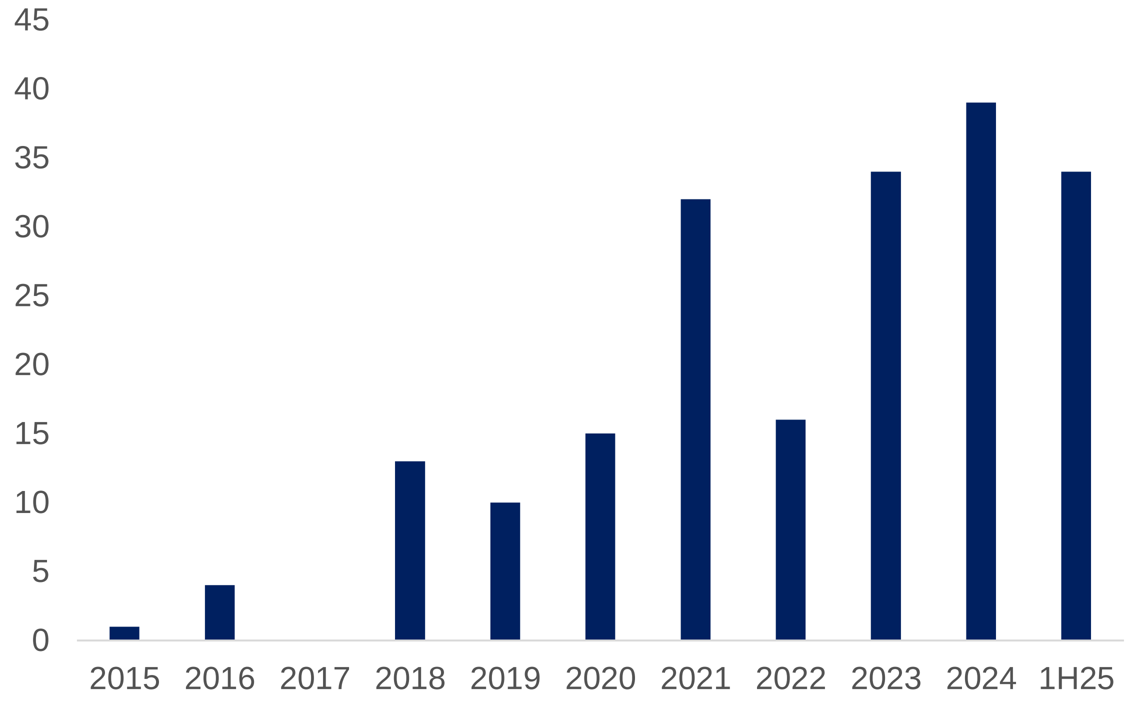
Faster Approval Process for Innovative Drugs

- China is implementing multiple measures to accelerate innovative drug approvals, including priority reviews, conditional approvals, and reducing clinical trial review timelines to 30 working days. The “Early Engagement, One Policy per Enterprise” approach fosters alignment between R&D and regulatory processes, while simplifying approval for foreign-launched drugs, further boosting sector growth.

Domestic Innovative Drug Approvals Near Full-Year 2024 Levels

- In 1H25, 34 domestically developed innovative drugs received commercialization approval, nearly matching the full-year total of 39 in 2024. The acceleration reflects improved regulatory efficiency and marks China’s transition from industry follower to global innovation leader in the pharmaceutical sector.

Number of Approved Domestic Innovative Drugs in China



KGI

Innovent Biologics (1801 HK)

Closing Price	HK $84.6	Target Price	HK $100

The company focuses on the R&D, sales, and distribution of antibody and protein-based medicines, as well as providing consulting and research services.

- **Policy Tailwinds Support Innovative Drug Growth**

  China's latest policy adds innovative drugs to both basic and commercial health insurance lists, boosting product sales. Innovent has 16 approved drugs, with past data showing newly listed drugs saw at least 70% revenue growth the following year. The company's 2026 revenue forecast is sharply raised from RMB 14.4 billion to RMB 24 billion, well above consensus. Strong growth and lower R&D expense ratios support optimism for its first annual profit this year.
- **Diversified Pipeline and Solid Financials**

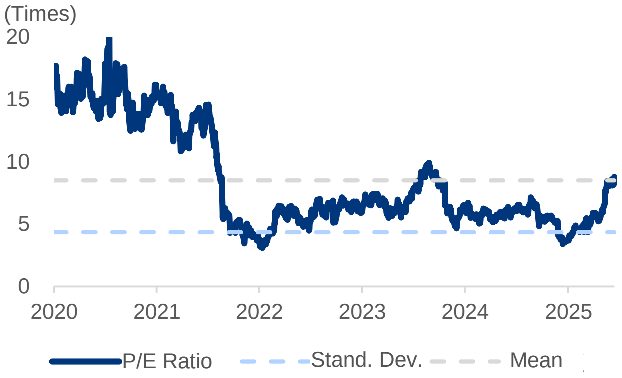
  Innovent focuses on oncology (lung, liver, gastric cancers) while expanding into obesity (GLP-1), autoimmune, and ophthalmology. GLP-1 drugs are filed for commercialization, with launch expected in 2H25. The company holds RMB 7.5 billion in cash, ensuring continued R&D investment.
- **Valuation and Target Price**

  We set a HKD 100 target price, implying 10.4x price-to-sales, reflecting Innovent's market strength and earnings outlook. Investors can watch for policy and pipeline-driven upside.

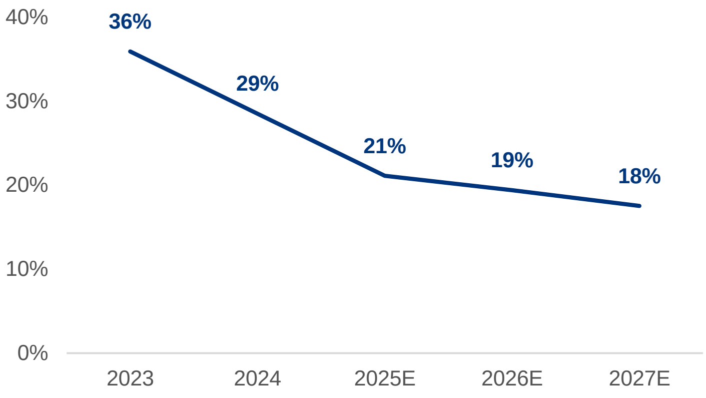
Financials

	2022	2023	2024	2025F	2026F
Net Income (1B CNY)	4.5	6.2	9.4	11.8	14.5
NI YoY	6.7	36.2	51.8	25.4	22.9
EPS(CNY)	-1.46	-0.66	-0.06	0.29	0.8
EPS YoY	-	-	-	-	172.8
ROA%)	-20.7	-8.84	-0.74	3.22	8.37

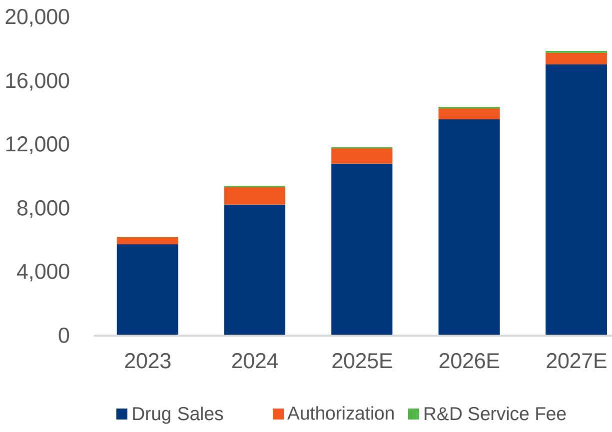
Forecasted P/E



R&D Expense/Revenue



Business Segments



Source: Bloomberg

Hengrui Pharmaceuticals (1276 HK)

Closing Price HK $57	Target Price HK $70

Hengrui Pharma focuses on the R&D, manufacturing, and sales of pharmaceutical products, with a strong emphasis on innovative drug development.

- **Innovative Drugs Drive Core Growth**

  Continues to accelerate its transition toward innovative drug development. The company has 23 approved innovative drugs, with over 90 pipeline candidates under clinical or late-stage development, including around 30 in pivotal trials. Innovative drugs already contribute over half of total drug sales as of 2024. Eight of the approved drugs are not yet included in the national insurance list, offering further revenue upside once included.

- **Extensive Product Portfolio Supports Profitability**

  Hengrui's 110+ marketed drugs help sustain profitability and fund new R&D efforts. By end-2024, 68 generics and 15 innovative drugs were included in the national insurance list, ensuring stable income streams. Total drug sales are projected to grow at a 16% CAGR over the next three years, with innovative drug sales expected to grow 23% annually.

- **Strong Profitability and Balance Sheet Back R&D**

  In 2024, R&D expenses accounted for 23.5% of revenue, yet gross margins remained high at 86%, with net margins at 22%. By 1Q25, Hengrui held RMB 24 billion in cash with no reliance on debt, ensuring stable R&D funding.

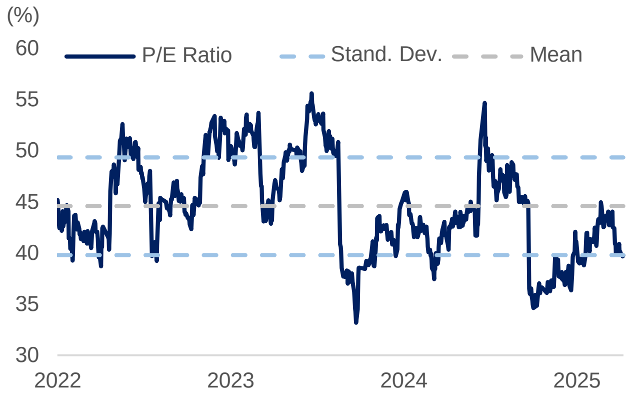
- **Valuation and Target Price**

  As an industry leader with policy tailwinds and innovation focus, we assign a target price of HKD 70, implying 49x 2026E P/E, roughly one standard deviation above historical averages.

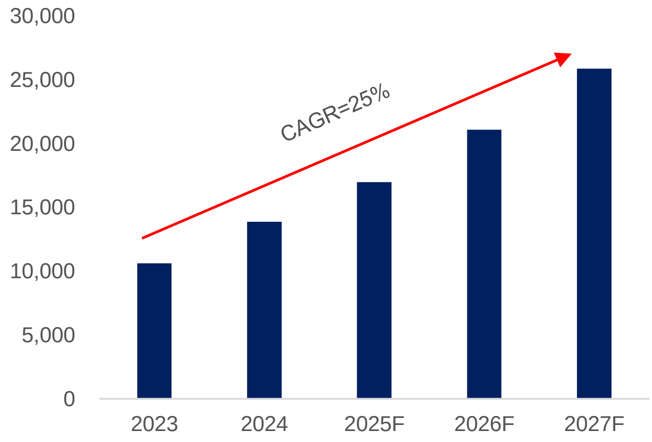
Financials

	2022	2023	2024	2025F	2026F
Revenue (1B CNY)	21.3	22.8	27.9	31.4	35.4
YoY(%)	-17.8	7.3	22.6	12.4	12.7
EPS(CNY)	0.62	0.68	1.00	1.15	1.32
YoY(%)	-14.1	11.5	47.1	14.6	14.9
ROA(%)	10.7	10.9	14.7	14.6	14.9

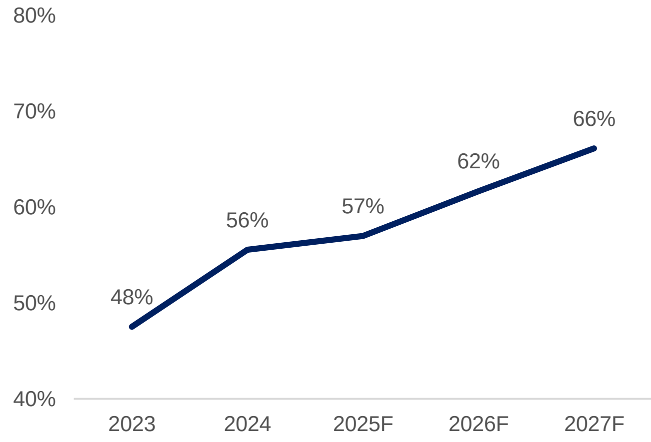
Forecasted P/E



Innovative Drug Sales



Innovative Drug Revenue Percentage



Source: Bloomberg

US Equities

Stronger Rate-Cut Expectations Support Bond Market Rebound

- U.S. June ISM Manufacturing PMI rose to 49.0 and Services PMI to 50.8, both beating market expectations, signaling slight improvement in economic activity. ADP employment unexpectedly declined by 33k, while non-farm payrolls grew by 147k, above forecasts. The unemployment rate fell to 4.1%, with wage growth slowing to 0.2%, below expectations.
- Softening labor and inflation data reinforce market expectations for 50 bps Fed rate cuts within six months. After May's bond market sell-off, yields have stabilized, and sentiment is improving. Investors are advised to accumulate quality bonds, particularly financials, to lock in higher yields ahead of potential rate cuts..

CME FEDWATCH Fed Fund Forecast

FED FUND FUTURES												
ZQN5	ZQQ5	ZQU5	ZQV5	ZQX5	ZQZ5	ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6
95.6700	95.6850	95.7600	95.8600	96.0150	96.1400	96.1900	96.2850	96.3450	96.4300	96.5050	96.5825	96.6400

	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES									
MEETING DATE	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
7/30/2025					0.0%	0.0%	0.0%	0.0%	6.2%	93.8%
9/17/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.1%	63.8%	32.2%
10/29/2025	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.7%	43.6%	42.8%	10.8%
12/10/2025	0.0%	0.0%	0.0%	0.0%	0.0%	1.8%	29.7%	43.1%	21.7%	3.7%
1/28/2026	0.0%	0.0%	0.0%	0.0%	0.7%	13.5%	35.3%	34.1%	14.1%	2.1%
3/18/2026	0.0%	0.0%	0.0%	0.4%	8.0%	25.9%	34.6%	22.7%	7.3%	0.9%
4/29/2026	0.0%	0.0%	0.1%	2.8%	13.6%	28.6%	30.9%	17.9%	5.3%	0.6%
6/17/2026	0.0%	0.1%	1.5%	8.4%	21.4%	29.8%	24.2%	11.4%	2.9%	0.3%
7/29/2026	0.0%	0.5%	3.7%	12.6%	24.1%	28.0%	20.1%	8.7%	2.1%	0.2%
9/16/2026	0.2%	1.6%	6.7%	16.4%	25.4%	25.4%	16.3%	6.5%	1.4%	0.1%
10/28/2026	0.3%	2.0%	7.5%	17.2%	25.4%	24.6%	15.4%	6.0%	1.3%	0.1%
12/9/2026	0.5%	2.7%	8.6%	18.1%	25.3%	23.6%	14.4%	5.5%	1.2%	0.1%

Source: Bloomberg

JPMorgan Chase (JPM)

Closing Price US $168.65	**Target Price** US $200

JPMorgan is one of the world's largest financial services firms, operating through four core segments: Consumer & Community Banking, Corporate & Investment Banking, Commercial Banking, and Asset & Wealth Management.

- **U.S. Major Banks Remain Resilient**
  All 22 major U.S. banks, including JPMorgan, passed the 2025 stress tests, despite milder assumptions reflecting a global slowdown. JPMorgan stood out with a CET1 ratio of 15.4% and $1.5 trillion in liquidity reserves, underscoring its strong ability to weather economic shocks.
- **Expanded Capital Return Plan**
  Following the stress test results, JPMorgan raised its quarterly dividend from $1.40 to $1.50 per share and authorized up to $50 billion in share buybacks.
- **Market Volatility Boosts Trading Revenue**
  Geopolitical risks and the July 9 U.S. tariff deadline are fueling market volatility, benefiting JPMorgan's trading business. 1Q25 Markets revenue hit a record $9.7 billion, driven by strong equity trading. Elevated market swings are expected to support higher trading volumes and capital markets activity, strengthening JPMorgan's position in a volatile environment.
- **Strong 1Q25 Earnings Beat**
  Revenue rose 9.7% YoY to $46 billion, beating estimates by $1.86 billion. Non-GAAP EPS reached $4.91, exceeding forecasts by $0.27. Full-year net interest income is projected at $94.5 billion.
- **Valuation Consensus**
  Bloomberg 12-month average target price: $273.27; High estimate: $330 | Low estimate: $195

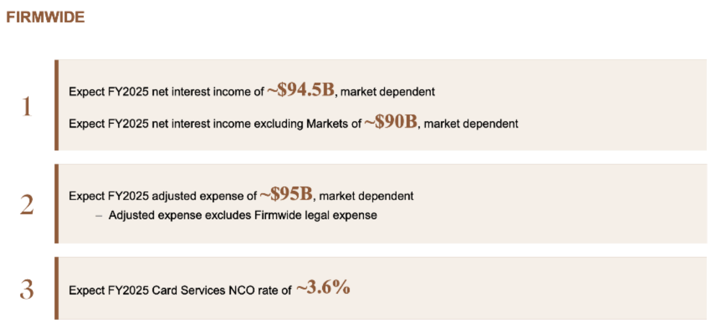
1-Year Price

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	6.5	22.3	12.3	-0.3	2.4
Operating Ratio	36.5	40.0	42.8	44.7	44.7
EPS (USD)	12.38	16.68	20.02	18.49	19.58
Net Profit Margin(%)	28.4	31.0	32.4	29.2	29.0

Source: Bloomberg; 2025/26F are market estimates

25FY Guidance


FIRMWIDE

1 Expect FY2025 net interest income of ~$94.5B, market dependent

Expect FY2025 net interest income excluding Markets of ~$90B, market dependent

2 Expect FY2025 adjusted expense of ~$95B, market dependent

– Adjusted expense excludes Firmwide legal expense

3 Expect FY2025 Card Services NCO rate of ~3.6%

P/E & P/B

Source: Bloomberg

Moody's (MCO)

Closing Price	US $505.06	Target Price	US $520

Moody's is a global leader in credit ratings and financial analytics, providing ratings, research, risk management, and data solutions to support decision-making for capital markets, corporates, and regulators.

- **Strong Bond Issuance Outlook Supports Moody's Growth**
  Over $4 trillion in debt from the U.S., Europe, Middle East, and Africa is set to mature between 2025 and 2028, fueling refinancing and new bond issuance. This wave of activity provides Moody's with stable, recurring business opportunities, supporting the steady expansion of its credit ratings and financial analytics operations.
- **Rate Cuts to Support Macro Environment**
  CME FedWatch shows a 75.8% probability of a 25 bps Fed rate cut in September 2025, reflecting broad market expectations for a shift toward policy easing.
- **1Q25 Earnings Beat but Outlook Trimmed**
  Moody's revenue rose 8% YoY to $1.92 billion, beating estimates by $40 million. Non-GAAP EPS came in at $3.83, exceeding forecasts by $0.29. Despite strong quarterly results, the company lowered its FY25 outlook, guiding for low single-digit revenue growth and an adjusted operating margin of 49% to 50%.
- **Valuation Consensus**
  Bloomberg 12-month average target price: $504.46; High estimate: $573 | Low estimate: $445.

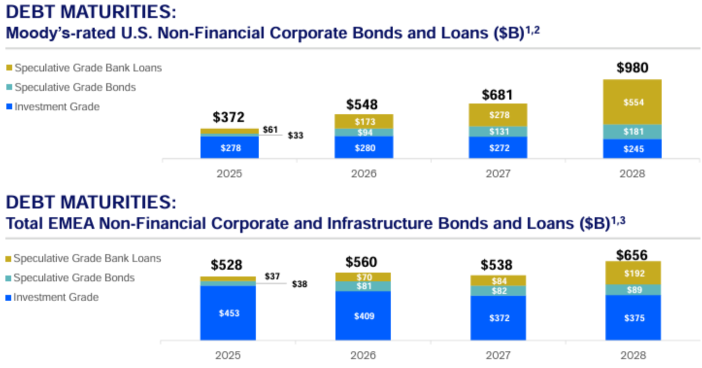
1-Year Price

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	-12.1	8.2	19.8	4.6	8.1
EBITDA (%)	44.3	45.4	52.2	49.1	50.3
EPS (USD)	7.63	9.08	12.55	13.63	15.42
Net Profit Margin(%)	25.8	28.3	32.4	32.6	33.8

Source: Bloomberg; 2025/26F are market estimates

Debt Maturities



P/E & P/B

Source: Bloomberg

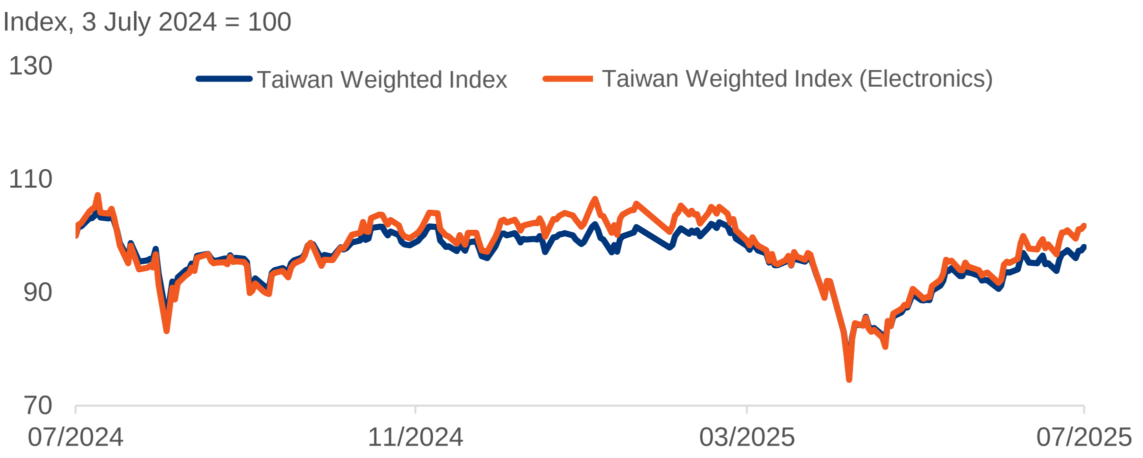
TW Equities Taiwan Stocks Hold Firm on Low Volume; Index Hits New High Led by Large Caps

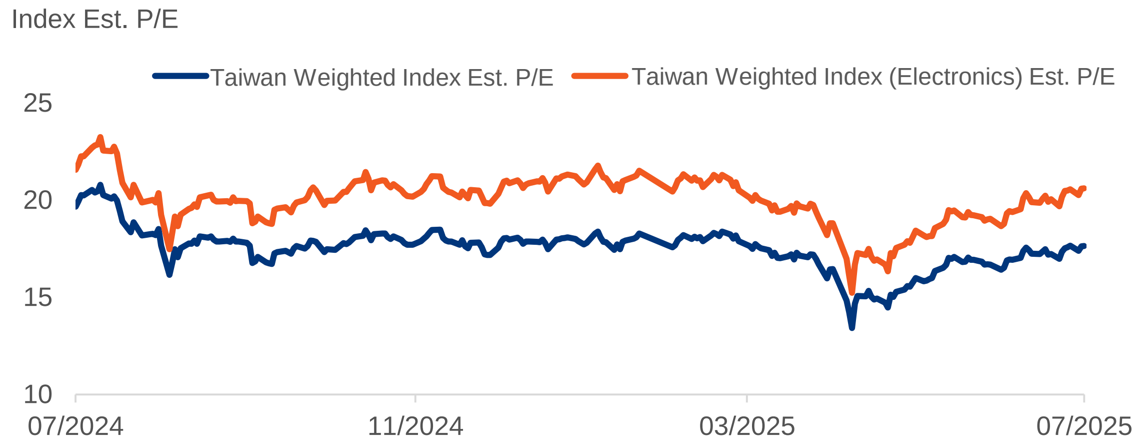
Taiwan equities held key support last week, with electronic stocks making up 71.58% of turnover. Large-cap tech stocks showed mixed performance but remain in an overall uptrend. Technically, as long as the 22,201–22,284 gap from June 25 stays intact, the bullish trend may continue. However, sustained upside requires turnover to exceed the 20-day average and show growth.

Large-cap tech remains the backbone of the rally, while financials consolidate on low volume but maintain a bullish setup, supporting future gains. Outside financials and tech, sectors like plastics, textiles, glass, and shipping saw short-term rebounds, but upside may be limited.

NTD volatility surged in late June and early July, but the appreciation trend remains intact. Tourism, airlines, food, and property stocks linked to NTD strength show relative outperformance and merit attention.

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





Source: Bloomberg

ASR Microelectronics (6526 TT)

ASR specializes in wireless communication IC design, producing components for Bluetooth, low-power Bluetooth, GNSS, and related solutions.

- **2025 Revenue Growth Expected Near 20%**

  Stronger-than-expected demand for network infrastructure and optical communication chips remains the key growth driver. KGI maintains its view of nearly 20% full-year revenue growth, though 2025 revenue is slightly revised down by 1.8% to NT$22.6 billion, still reflecting 18.2% YoY growth.

- **Optical Segment Shows Clear Growth Momentum**

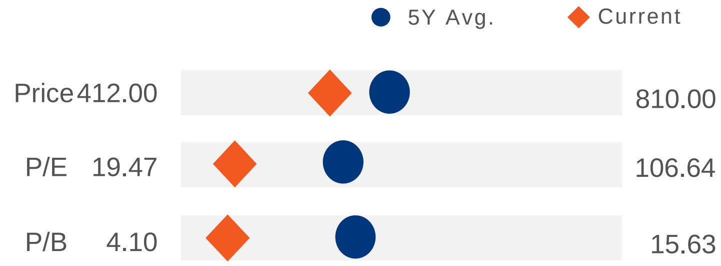
  Strong demand from Taiwanese and Chinese transceiver customers for 400Gbps and 200Gbps products, along with TIA chip volume ramping up in 2H25, supports robust growth in the optical business. Revenue contribution is expected to rise from low-single digits in 2024 to mid-to-high single digits in 2025.

Financials

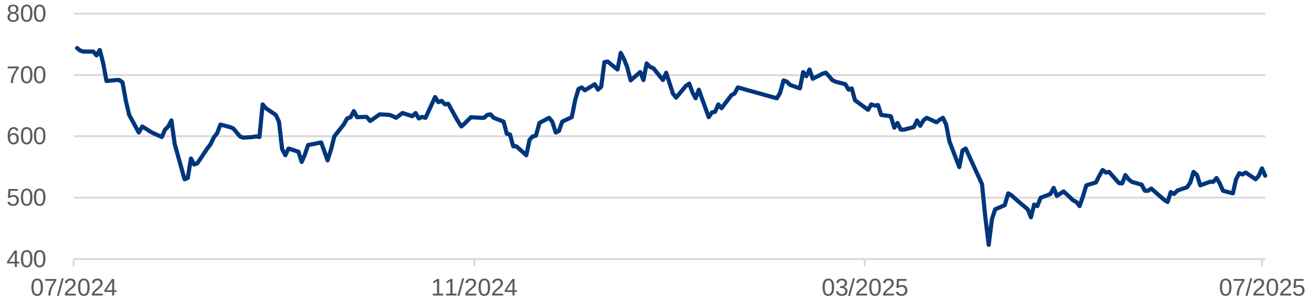
	2022	2023	2024	2025F	2026F
EPS (NTD)	19.90	6.47	16.10	18.96	22.82
EPS Growth (%)	-7.0	-67.5	148.8	17.8	20.4
P/E Ratio	26.6	81.9	32.9	27.9	23.2
ROE (%)	30.4	7.7	15.4	17.6	20.9

Source: Company data, estimates of KGI analyst

Valuations

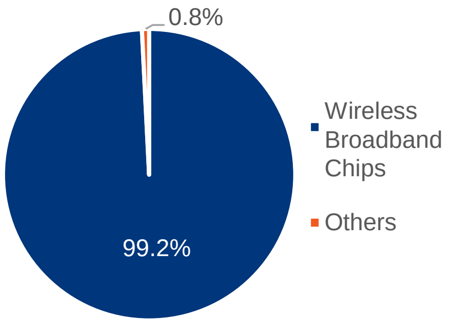


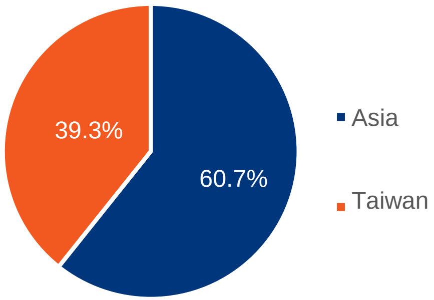
1-Year Price



As of 3 July 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-0.37	8.72	-7.59	-19.16	-23.86	-27.96

Revenue Sources and Regions





Source: Bloomberg

Nanya Technology (2408 TT)

Nanya Technology focuses on the R&D, design, manufacturing, and sales of DRAM products, supported by proprietary technology and innovation. It is the world's fourth-largest DRAM supplier.

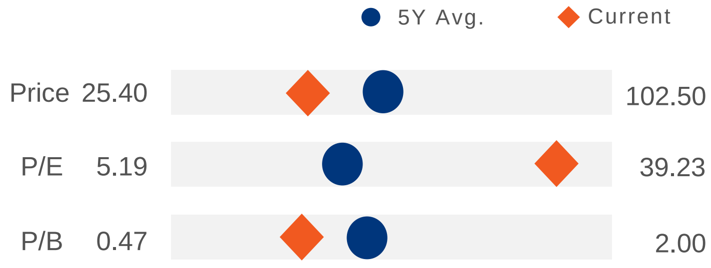
- **DDR4 Price Rally Likely to Extend Through Year-End**
  Strong demand for RTX 50/60 GPUs and tight GDDR7 supply suggest Samsung will prioritize Nvidia's GDDR7, making DDR4 production cuts unlikely. DDR4 supply remains tight, with 8Gb contract prices expected to rise 40–50% in 2Q–3Q25 and stay elevated into 4Q25.
- **Profit Recovery Expected in 3Q25**
  As Nanya primarily sells DRAM die, ASP growth closely tracks DDR4 contract prices. With PC OEMs expected to diversify suppliers beyond the top three, Nanya's customer share could increase, supporting a return to profitability in 3Q25.

Financials

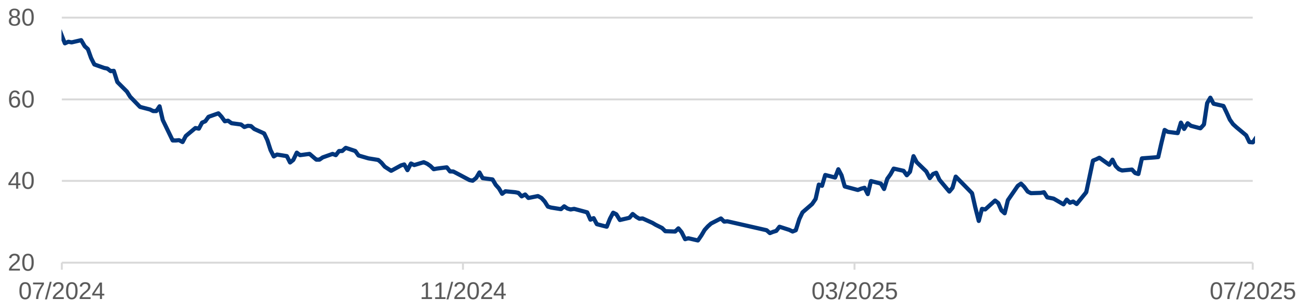
	2022	2023	2024	2025F	2026F
EPS (NTD)	7.40	4.72	-2.40	-1.64	1.51
EPS Growth (%)	195.2	-36.2	-150.9	-31.7	0.0
P/E Ratio	7.3	11.4	N.A.	N.A.	35.6
ROE (%)	14.0	8.3	-4.3	-3.1	2.8

Source: Company data, estimates of KGI analyst

Valuations

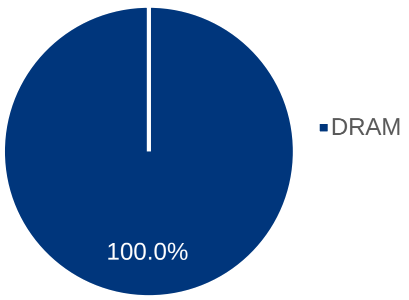


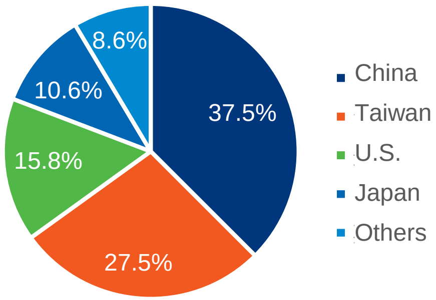
1-Year Price



As of 3 July 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-6.12	10.36	23.11	83.00	72.99	-31.34

Revenue Sources and Regions





Source: Bloomberg

Bonds

Bank Sector Remains Resilient, Bond Volatility Eases; Quality Financial AT1s Offer Yield Opportunities

► **STAN 7.625% PERP (Standard Chartered Group, USD)**

- Standard Chartered has shown steady profitability improvement, with RoTE rising from single digits to 10.1% in 2023 and 11.7% in 2024, targeting 13% by 2026. The group's Asian wealth management business has delivered strong growth over the past year. Reflecting improved fundamentals, Moody's upgraded the group's credit outlook from "Stable" to "Positive" in September 2024.
- Earnings growth is driven by higher net interest income in a high-rate environment, improved business mix, and ongoing cost optimization. Wealth solutions and global markets continue to deliver solid non-interest income. Moody's expects RoTA to reach 0.7% by 2026.
- Asset quality has improved since 2021, with a better loan portfolio structure—higher investment-grade exposure and reduced risk to vulnerable sectors. The group maintains solid capital levels, with a CET1 ratio of 13.8% as of 1Q25 and plans to sustain CET1 within 13%–14% over the medium term.
- Overall, Standard Chartered's profitability and capital strength continue to improve, supporting Moody's recent positive outlook revision.

Products	STAN 7.625% PERP (Standard Chartered Group, USD)
ISIN	USG84228GP72
Highlight	Shown steady profitability improvement; reflecting improved fundamentals, Moody's upgraded the group's credit outlook from "Stable" to "Positive" in September 2024.
Maturity Date	Perpetual
Next Redemption Day	2032/1/16
Coupon (%)	Float/7.625/Semi-annual
Currency	USD
Years to Maturity	-
Rating (Moody's/ Fitch/S&P)	Ba1/BBB-/BB-
Seniority	Secondary Subordinated
YTM/YTC (%)	7.21/7.15

Source: Bloomberg

STAN 7.625% PERP (Standard Chartered Group, USD)

Profile

International banking group with operations primarily in Asia, Africa, and the Middle East. The group offers a wide range of products across retail, consumer, corporate, institutional, and wealth management, including services in wealth management, corporate and investment banking, and venture capital.

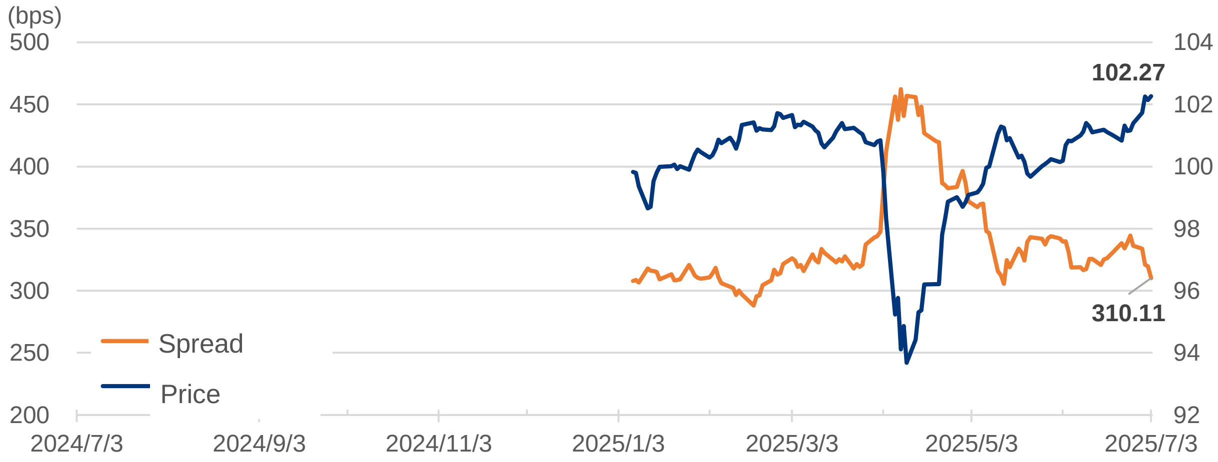
- Standard Chartered has shown steady profitability improvement, with RoTE rising from single digits to 10.1% in 2023 and 11.7% in 2024, targeting 13% by 2026. The group's Asian wealth management business has delivered strong growth over the past year. Reflecting improved fundamentals, Moody's upgraded the group's credit outlook from "Stable" to "Positive" in September 2024.
- Earnings growth is driven by higher net interest income in a high-rate environment, improved business mix, and ongoing cost optimization. Wealth solutions and global markets continue to deliver solid non-interest income. Moody's expects RoTA to reach 0.7% by 2026.

Financials	2022	2023	2024
Net Profit (100M USD)	29.48	34.69	40.50
Return on Equity (%)	5.71	6.89	8.09
Return on Assets(%)	1.80	2.14	2.44

Overview

Name	STAN 7.625 PREP	**ISIN**	USG84228GP72
Maturity Date	Perpetual	**Remaining Maturity**	-
Coupon(%)	Float/7.625/Semi-annual	**YTM/YTC(%)**	7.21/7.15
Currency	USD	**Min. Subscription/ Increment**	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Ba1/BBB-/BB-	**Seniority**	Secondary Subordinated

Price



Source: Bloomberg, July 4, 2025; First reset date: July 16, 2032; semi-annual coupons; reset rate = 5Y U.S. Treasury yield at settlement + 3.023%.

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Appendix Key Economic Data / Events

JUNE 2025

30 Monday	1 Tuesday	2 Wednesday	3 Thursday	4 Friday
• Japan May Industrial Prod. MoM (Act.:0.5% Est:3.5% Prev:-1.1%) • China June Manuf. PMI (Act.:49.7 Est:49.6 Prev:49.5) • China June Service PMI (Act.:50.5 Est:50.3 Prev:50.3)	• US June Mfg. PMI (Act.:52.9 Est:52.0 Prev:52.0) • US June ISM Mfg.PMI (Act.:49.0 Est:48.8 Prev:48.5) • US May JOLTS Job Openings (Act.:7,769k Est:7,300k Prev:7,395k) • Japan June Jibun Bank Mfg. PMI (Act.:50.1 Prev:49.4) • EU June CPI YoY (Act.:2.0% Est:2.0% Prev:1.9%)	• US June ADP Change (Act.:-33k Est:98k Prev:29k) • EU May Unemployment Rate (Act.:6.3% Est:6.2% Prev:6.2%)	• US UI Initial Claims (Act.:233k Est:241k Prev:237k) • US June Nonfarm Payroll (Act.:147k Est:106k Prev:144k) • US June Unemployment Rate (Act.:4.1% Est:4.3% Prev:4.2%) • US June ISM Servcie PMI (Act.:50.8 Est:50.5 Prev:49.9) • US May Durables Goods Order MoM (Act.:16.4% Est:16.4% Prev:-6.6%)	• EU May PPI YoY (Est:0.3% Prev:0.7%)

7 Monday	8 Tuesday	9 Wednesday	10 Thursday	11 Friday
• EU May Retail Sales YoY (Est:-0.8% Prev:0.1%)	• Taiwan June Core CPI YoY (Prev:1.61%) • Taiwan June CPI YoY (Est:1.50% Prev:1.55%) • Taiwan June PPI YoY (Prev:-4.30%) • Taiwan June Export YoY (Est:23.0% Prev:38.6%)	• Japan June Machinery Orders YoY (Prev:3.4%) • China Jume CPI YoY (Est:0.0% Prev:-0.1%)	• US UI Initial Claims (Prev:233k) • Japan June PPI YoY (Est:2.8% Prev:3.2%)	

Source: Bloomberg

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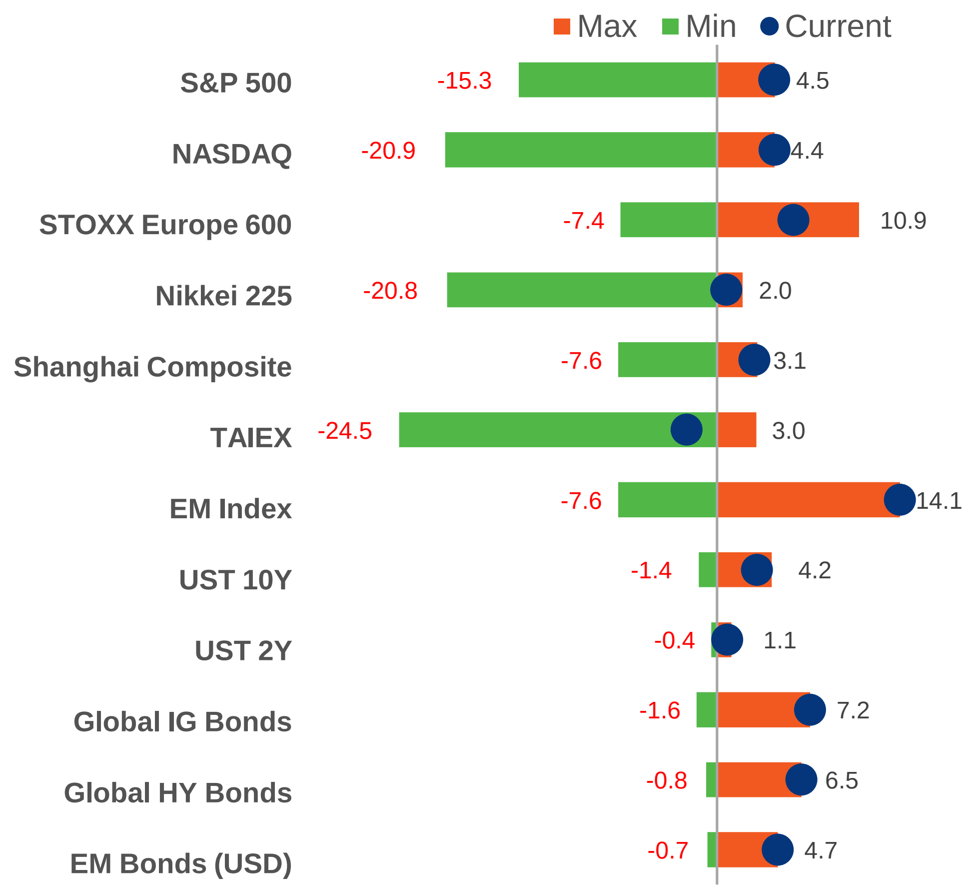
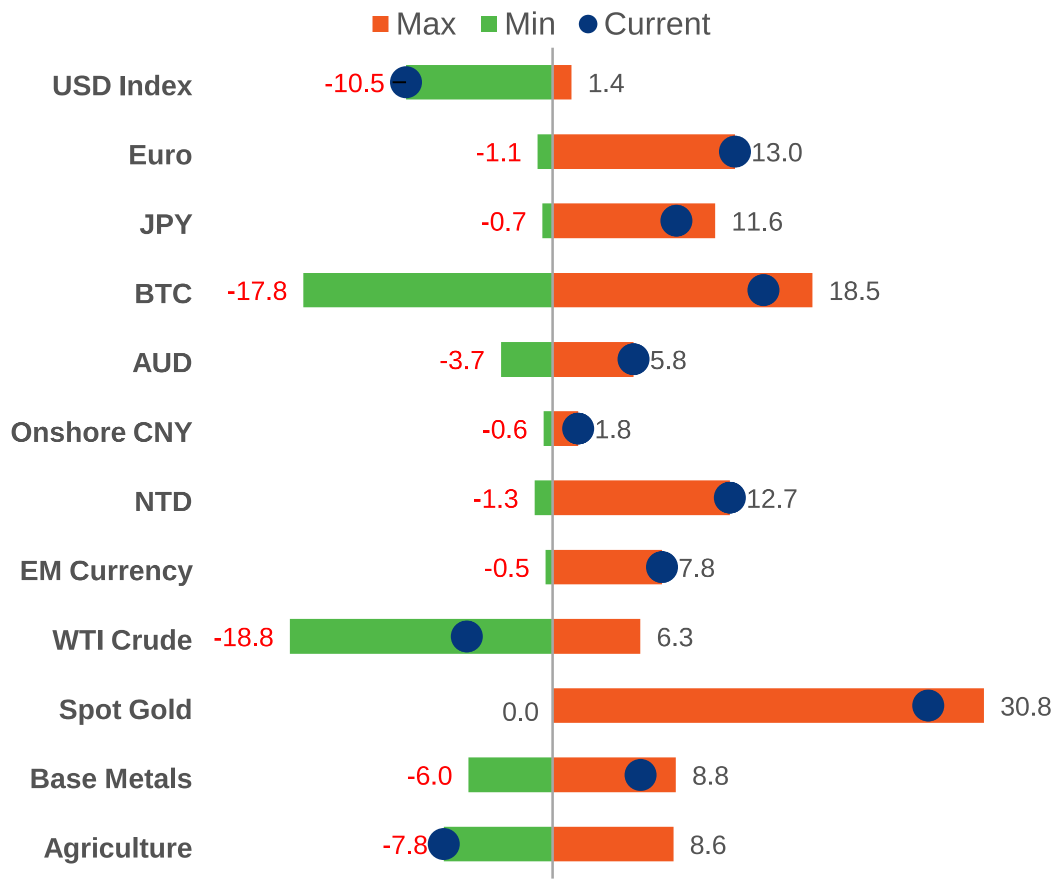
YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 4 July 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

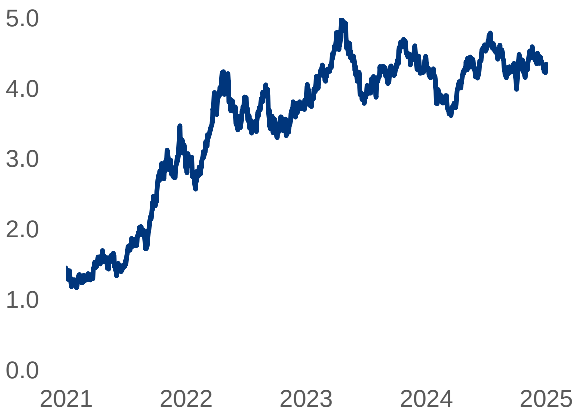
WTI Crude

Source: Bloomberg, 27 June. 2025

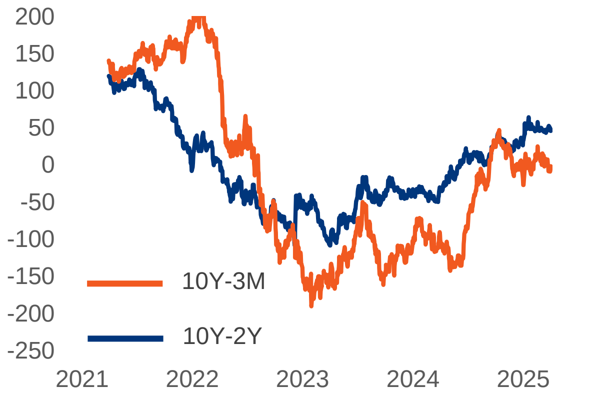
Market Monitor

U.S. CPI YoY (%)

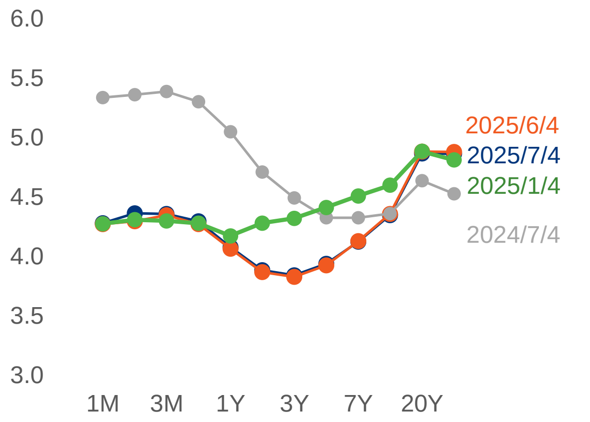
U.S. 10-Year Treasury Yield (%)



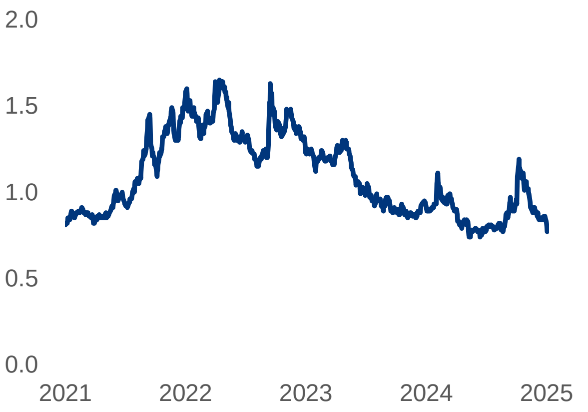
U.S. Treasury Yield Spread (bps)



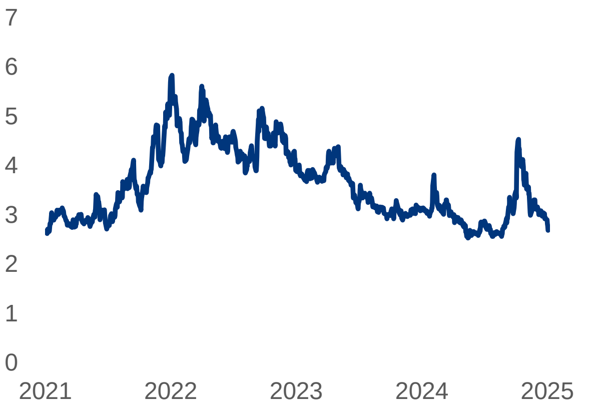
U.S. Treasury Yield Curve (%)



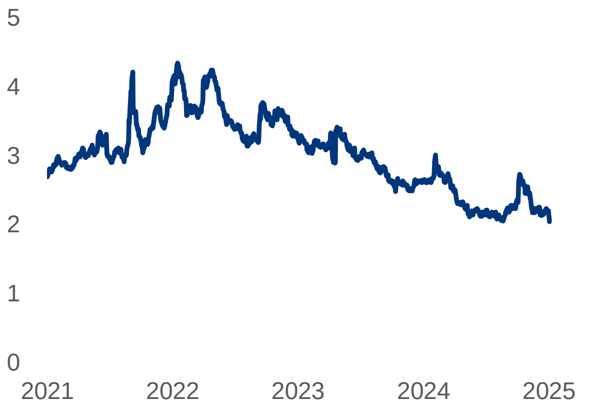
USD IG Credit Spread (%)



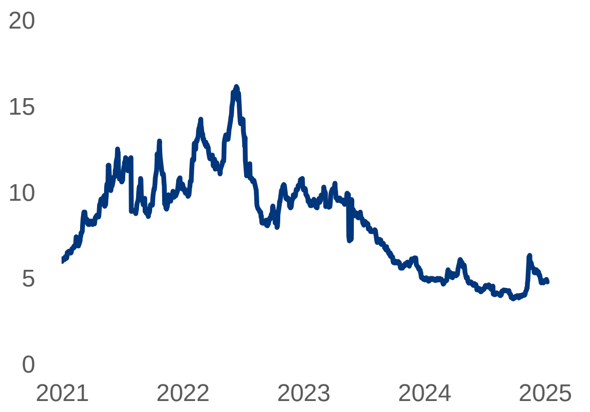
USD HY Credit Spread (%)



USD EM Credit Spread (%)



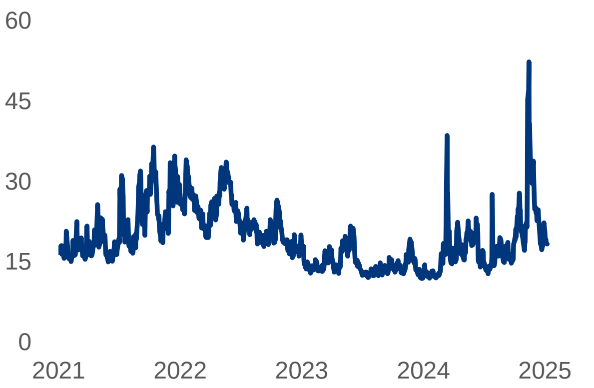
USD Asia Credit Spread (%)



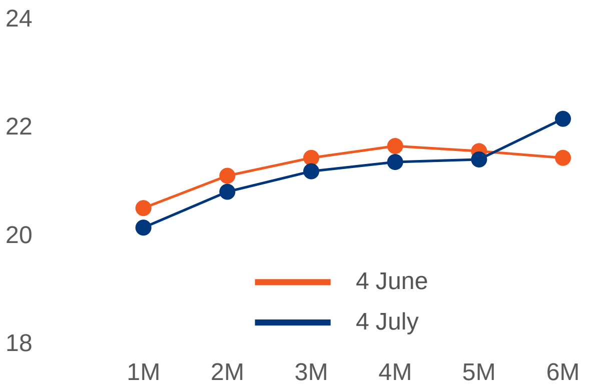
Source: Bloomberg, 4 July 2025

Market Monitor

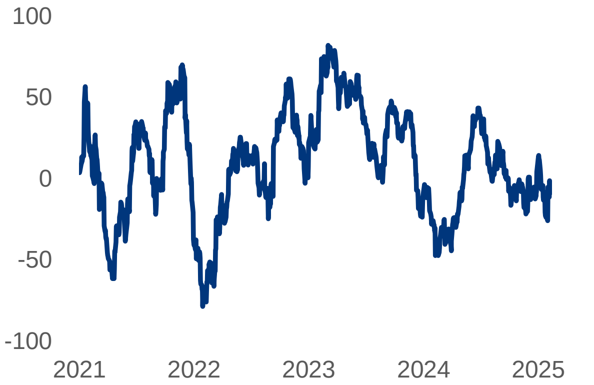
VIX Index



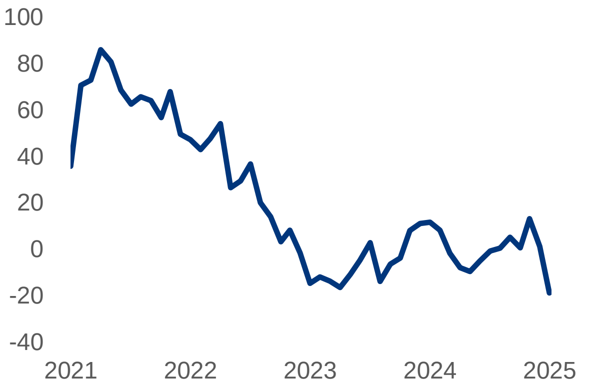
VIX Term Structure



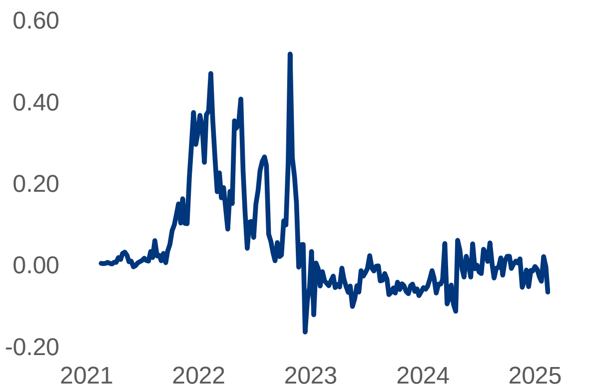
U.S. Citi Economic Surprise Index*



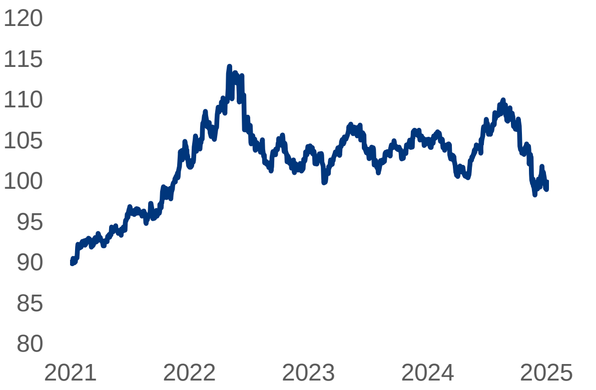
U.S. Citi Inflation Surprise Index*



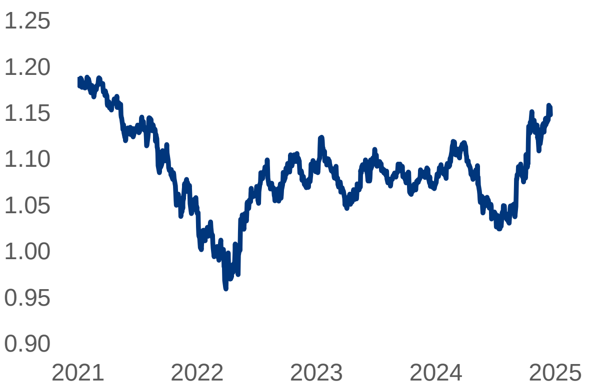
TED Spread (bps)



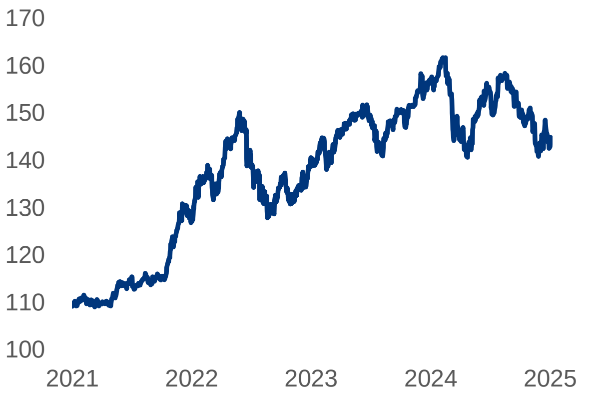
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 4 July 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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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.