CIO Office

Global Markets Weekly Kickstart

# New Deadlines, New Tariffs?

14 July 2025

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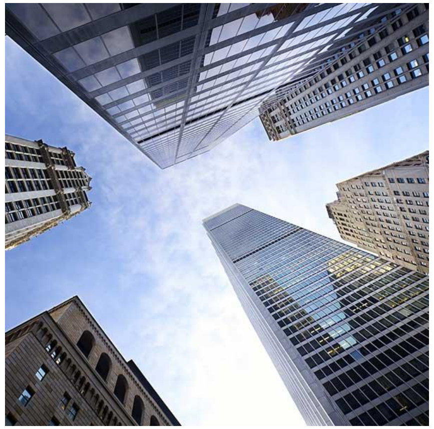

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# Chart of the Week | Trump Escalates Tariff Game, Talks Extended into Overtime

- Starting July 7, the U.S. began issuing tariff notices to countries that failed to reach trade agreements. While a few saw minor reductions, many faced higher rates than previously set, with most newly announced tariffs aligning with the April 2 levels. No country has yet met the lower 10% rate agreed upon by the U.S. and U.K.
- Simultaneously, Trump signed an executive order extending the tariff grace period to August 1, aiming to pressure undecided countries into either conceding or proposing terms acceptable to the U.S. Agreements reached before the deadline could result in lower tariff rates.

## Trump Tariff Deferral Extended to 1 Aug

Trump Retaliatory Tariffs Key Timeline

2025

| | |
|---|---|
| Apr 2 | Trump Announces Retaliatory Tariffs |
| Apr 9 | Trump Grants 90-Day Tariff Grace Period |
| May 8 | U.S. and U.K. Reach Trade Agreement |
| May 12 | U.S. and China Suspend Reciprocal Tariffs for 90 Days |
| Jun 10 | U.S. and China Reach Consensus on Trade Framework |
| Jul 2 | U.S. and Vietnam Reach Trade Agreement |
| Jul 9 | Tariff Grace Period from July 9 Extended to August 1 |

## Trump Announces New Tariff Targets

| Trade Partner | 4/2 Original Tariff | New Tariff |
|---|---|---|
| Japan | 24% | **25%** |
| South Korea | 25% | 25% |
| Thailand | 36% | 36% |
| Malaysia | 24% | **25%** |
| Indonesia | 32% | 32% |
| South Africa | 30% | 30% |
| Cambodia | 49% | 36% |
| Bangladesh | 37% | 35% |
| Kazakhstan | 27% | 25% |
| Tunisia | 28% | 25% |
| Serbia | 37% | 35% |
| Laos | 48% | 40% |
| Myanmar | 44% | 40% |
| Bosnia and Herzegovina | 35% | 30% |
| Algeria | 30% | 30% |
| Iraq | 39% | 30% |
| Libya | 31% | 30% |
| Sri Lanka | 44% | 30% |
| Brunei | 24% | **25%** |
| Moldova | 31% | 25% |
| Philippines | 17% | **20%** |
| Brazil | 10% | **50%** |
| Canada | 25%(Fentanyl Tariff) | **35%** |

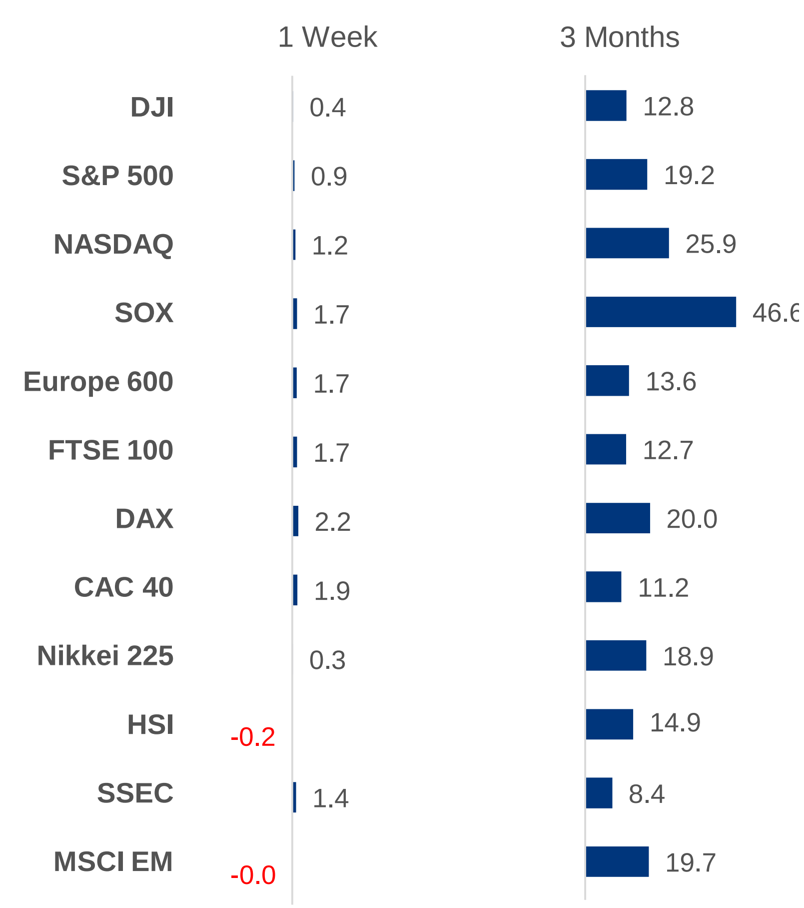
Source: Bloomberg

Market Recap

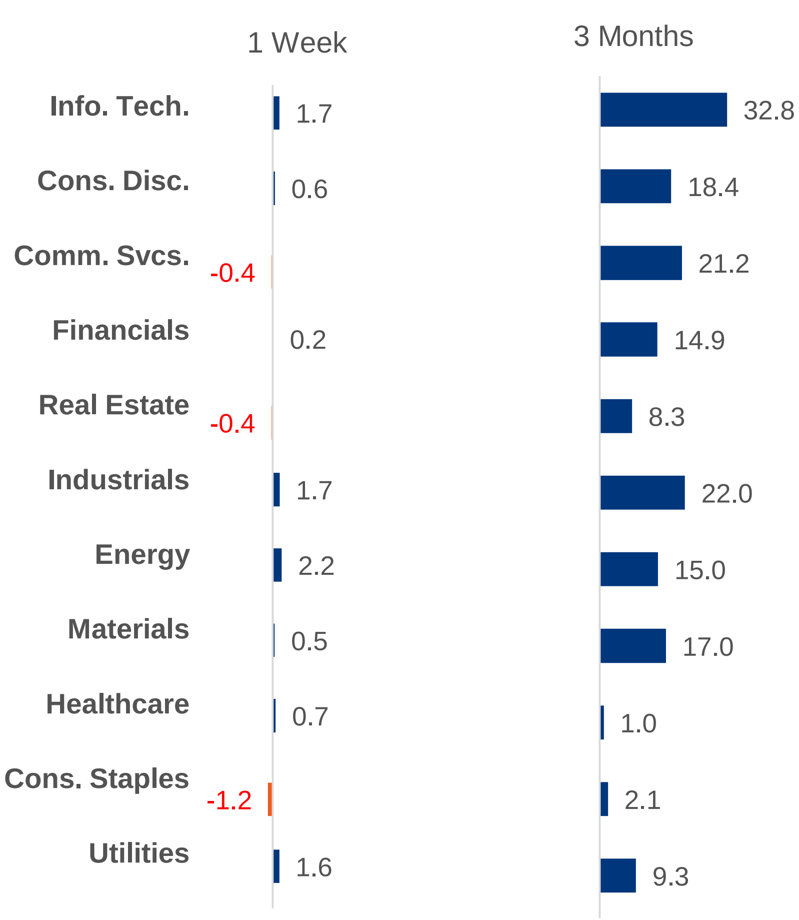
# Tariff Extension Eases Market Jitters; Cyclicals Lead Gains

- Trump issued tariff notices to countries without trade deals but extended the reciprocal tariff grace period to August 1. While global equities initially pulled back, the deadline extension eased concerns, and confidence in the "TACO" (Trump Always Chickens Out) trade drove a rebound.
- The Fed’s June minutes revealed expectations of slower economic growth and noted that tariffs may keep inflation elevated. A majority of officials supported rate cuts this year, lifting expectations for a September cut and boosting market sentiment.
- Cyclicals outperformed on rate-cut optimism. Tech stocks held firm despite looming semiconductor tariff probes. Energy stocks rose as Red Sea attacks lifted oil prices. A 50% copper import tariff announcement by Trump drove copper higher, supporting gains in large miners and the broader materials sector.

**Major Stock Indices Performance by Region (%)**




**US Stock Performance by Sector (%)**

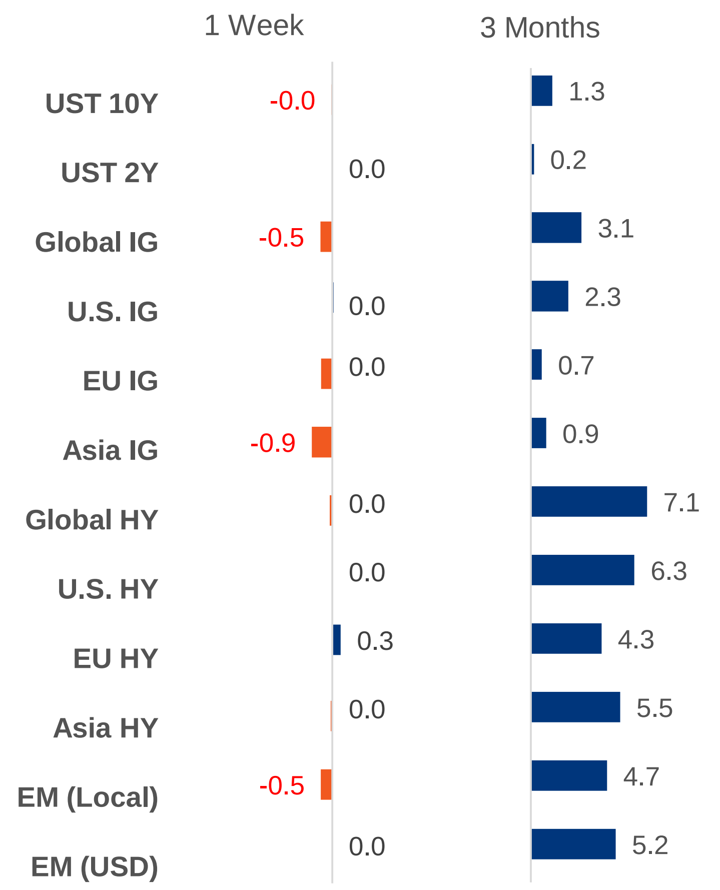



Source: Bloomberg, 10 July 2025

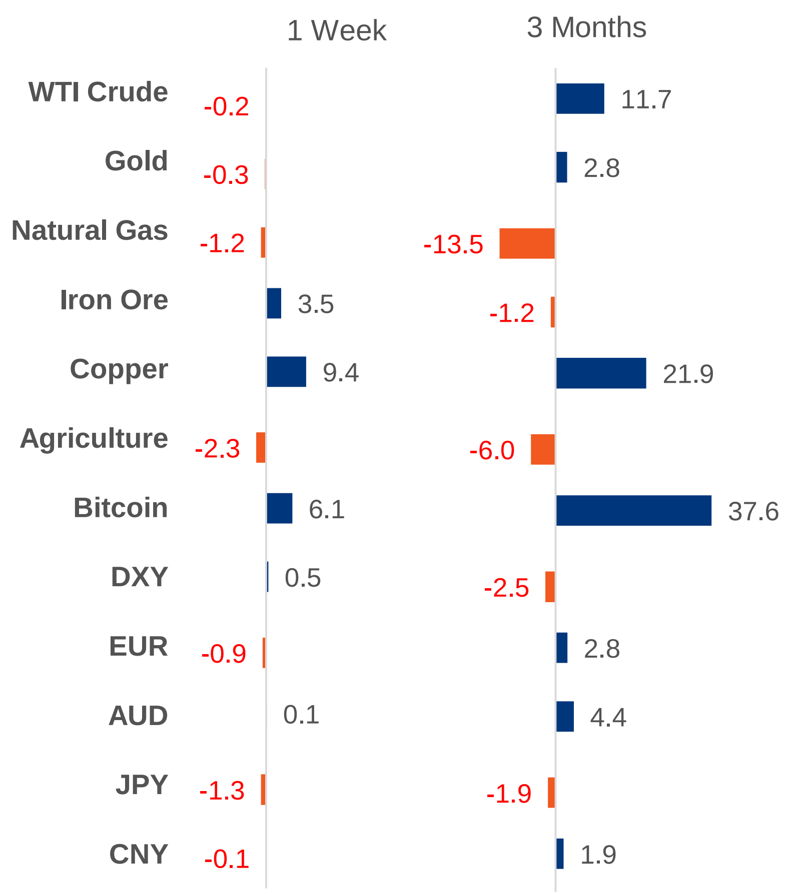
# Tariff News Weighs on Asia Credit, Lifts Copper Prices; Yen Faces Near-Term Pressure

- Although the extended tariff deadline reduced risk-off sentiment and pushed up the U.S. 10Y yield, strong demand in the latest 10Y and 30Y Treasury auctions and renewed Fed rate-cut expectations for September, driven by the June FOMC minutes, helped cap further yield increases. As a result, Treasuries and investment-grade credit saw only mild fluctuations. However, Asian credit came under pressure as most regional economies failed to secure lower tariffs, with rates aligning closer to the April 2 levels.
- The EIA's latest forecast showed U.S. oil output for 2025 may fall short of prior estimates due to producer cutbacks amid weaker oil prices. Combined with reports of Houthi attacks in the Red Sea, crude briefly rebounded. Still, concerns over global demand due to tariffs and continued OPEC+ supply growth dragged prices lower again. In contrast, copper rallied sharply after Trump announced a 50% tariff on imports.
- In FX, the dollar strengthened as new U.S. tariffs weighed on major trading partners, sending most non-dollar currencies lower. The yen came under added pressure after Japan's tariff level was unexpectedly set above the April 2 benchmark.

## Performance of Bonds (%)




## Performance of Commodities and Currencies (%)

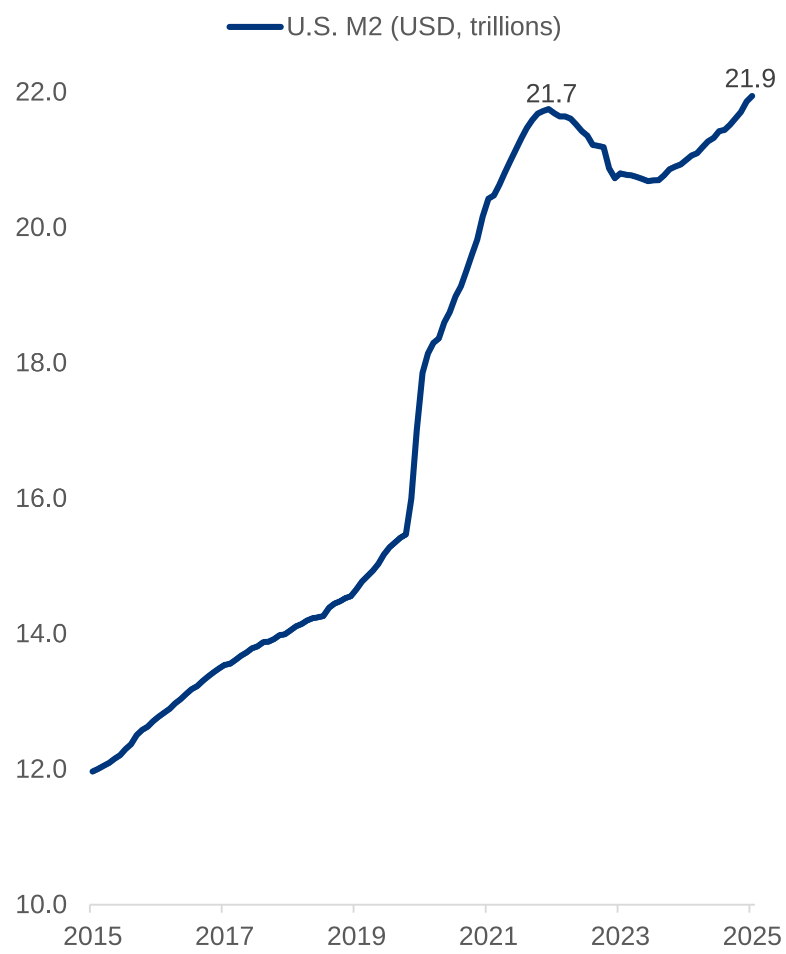



Source: Bloomberg, 10 July 2025

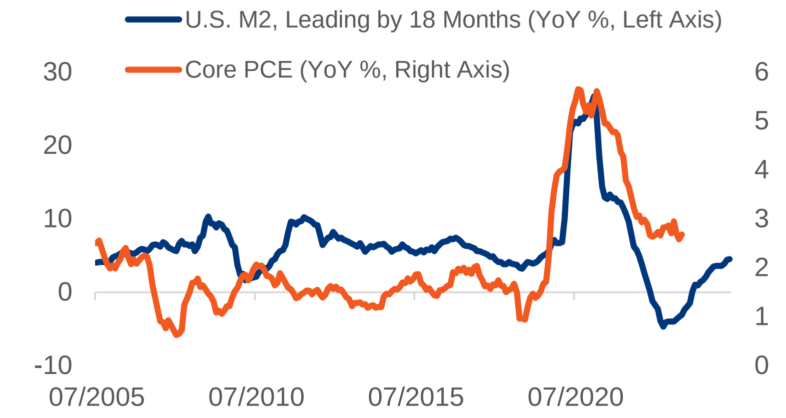
# What's Trending Record-High Money Supply May Support Gold in Coming Months

- The Fed's latest minutes showed broad support for rate cuts this year, though opinions vary on timing and pace. With signs of economic slowing and tariff-driven inflation pressures easing, rate futures now price in a strong chance of a 25 bps cut in September. Although balance sheet reduction is ongoing, the Fed already slowed QT in 1Q, signaling a dovish tilt.
- As of end-May, U.S. M2 money supply—per Fed data—climbed to a record high, growing 4.5% YoY, reversing the contraction seen during the inflation-fighting period. While M0 remains below its pandemic peak, surging commercial bank deposits likely contributed to the M2 rise. Similar trends are observed in other developed markets like the eurozone and U.K., where money supply is also near record levels.
- Historically, rising money supply supports risk assets and may underpin price levels. With inflation still elevated and the Fed likely to ease policy, lower rates reduce gold's opportunity cost, creating a supportive backdrop for gold prices.

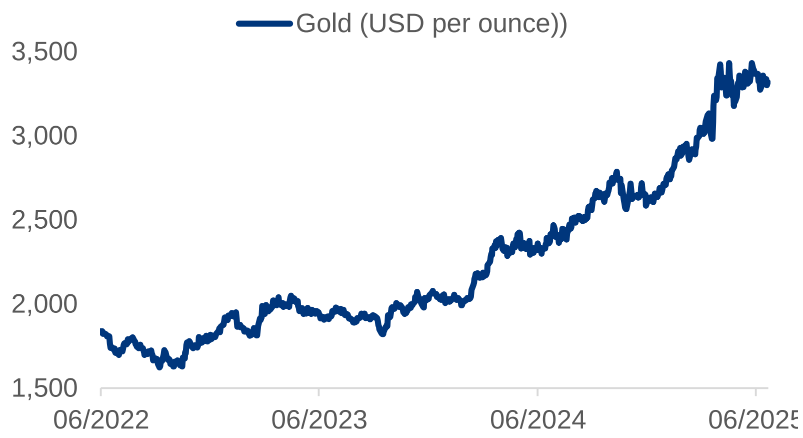
### U.S. M2 Supply Hits Record High




### Rising M2 Undermines Inflation Cooling




### Gold Holds Firm as Trade Tensions Ease



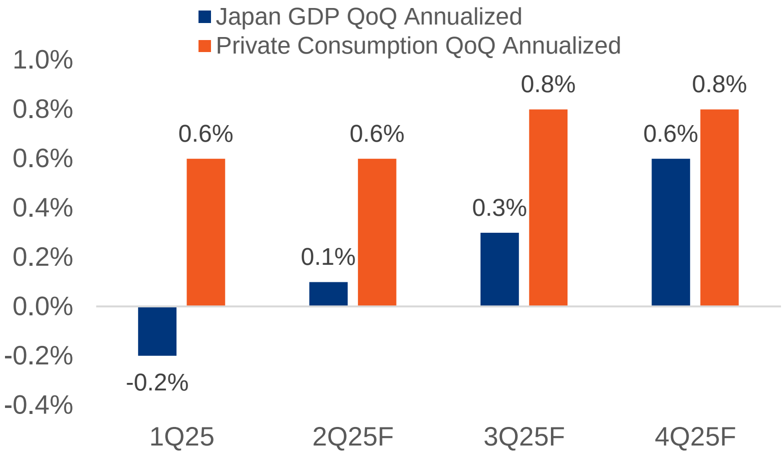

Source: Bloomberg

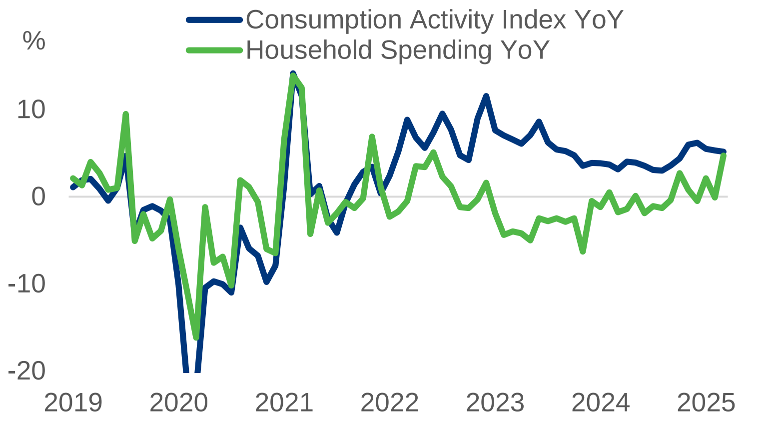
In Focus

# Robust Consumption and Steeper Yield Curve Support Bank Stocks

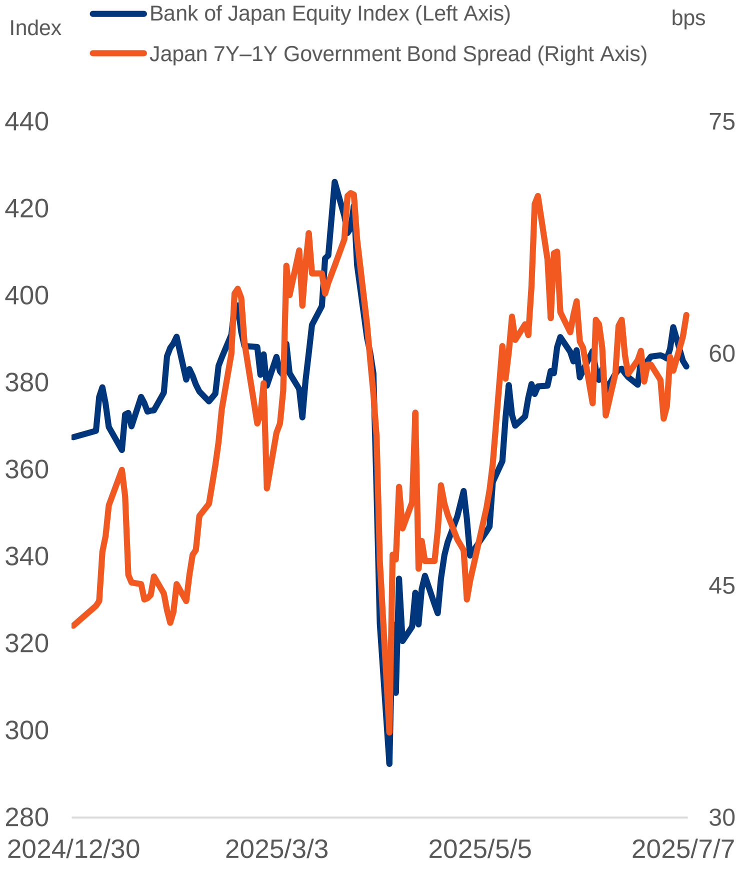
- Japan's 1Q GDP contracted at an annualized rate of -0.2%, mainly due to negative net export contributions. With trade talks unresolved, external demand remains a drag on growth. However, the conclusion of the spring wage negotiations—with a 5.25% average increase—is expected to lift wage data from May onward. Key consumption metrics, including household spending and activity indices, have shown notable improvement, confirming that domestic demand is becoming the main driver of Japan's economic recovery.
- Inflation rose to 3.5% YoY, surpassing the Bank of Japan's 2% target. Even the core-core CPI (excluding fresh food and energy) climbed above 3%, suggesting room for further rate hikes. Still, the BoJ has remained on hold since its single 25 bps hike in January, reflecting concerns over tariff-related uncertainty from Trump. As economic conditions improve and long-end yields recover, Japan's yield curve is steepening—providing a clear tailwind for banks that profit from maturity transformation.

## Strong Consumption May Drive Recovery




## Steeper Yield Curve Supports Bank Stocks

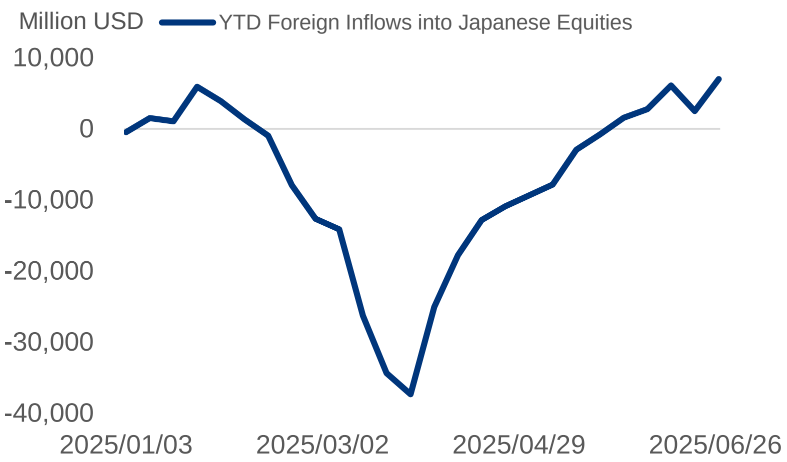


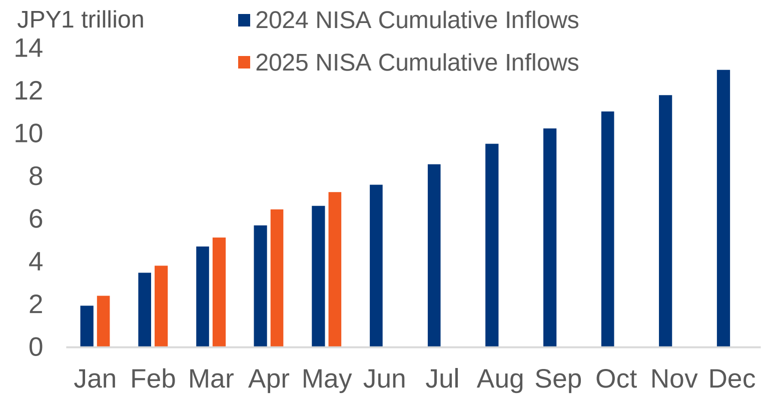

Source: Bloomberg

# Attractive Valuations and Capital Inflows Fuel Outlook for Domestic Sectors, Led by Banks

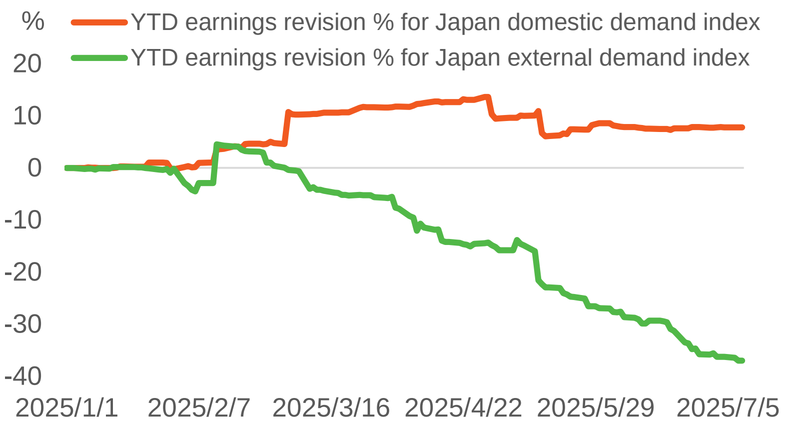
- After significant outflows earlier this year, foreign investors have returned to Japanese equities. Beyond the Buffett effect, Japan’s structural shift from decades of deflation to a reflationary environment—supported by rising wages, recovering consumption, and positive economic growth—has strengthened investor preference for domestic-oriented sectors and driven sustained capital inflows.
- Japan's revamped NISA (tax-free investment account) program, launched in 2024, continues to boost domestic equity participation. As of May 2025, cumulative NISA inflows into equities have risen 10% compared to 2024, providing steady support for the market.
- From a valuation perspective, Japanese equities remain notably cheaper than their 5-year average, making them relatively undervalued among major developed markets. While export-oriented firms face margin pressure from tariff-driven cost increases, domestic sectors—especially banks—are showing resilient earnings. With the economy gaining traction, Japan’s domestically focused stocks are well positioned for continued outperformance.

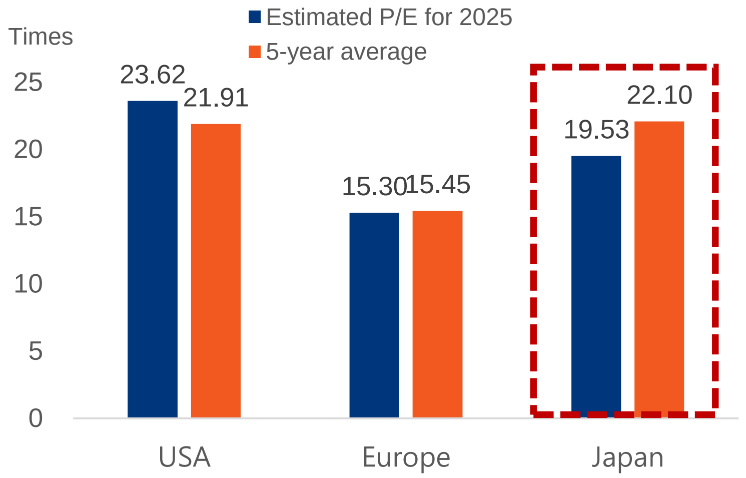
## Foreign and NISA Flows Support Japanese Equities




## Attractive Valuations, Strong Earnings in Domestic Sectors




Source: Bloomberg

# Asset Strategy

| Asset Type | Market View | Preferred Assets |
|---|---|---|
| **Equities** | ◆ Trump's extension of the reciprocal tariff deadline has temporarily eased market concerns. However, if no agreements are reached within the next three weeks, volatility could return. Allocation should continue to emphasize defensive and quality stocks, while maintaining flexibility to adapt to shifting market conditions. Long-term investors may consider gradual exposure to AI themes—favoring software and cybersecurity stocks within the tech sector on pullbacks.<br>◆ UK equities, supported by finalized agreements, hold a relative advantage. In the eurozone, dovish monetary policy and Germany's push for fiscal expansion suggest a favorable medium- to long-term outlook—supporting a staggered, buy-on-dip approach. In Japan, as economic recovery continues, domestic sectors—particularly bank stocks—offer opportunities on weakness. | **Strategy**: Focus on high-quality large caps, with allocations to defensive and quality names. Long-term AI exposure through software and cybersecurity stocks.<br>**Regions**: European equities, UK equities, Japanese domestic and bank stocks. |
| **Bonds** | ◆ Despite solid U.S. Treasury auctions, 10Y yields have hovered around 4.3–4.4%. Short-to-intermediate duration bonds remain attractive, offering opportunities to lock in yields during periods of rate volatility. Within investment-grade credit, A-rated or higher blue-chip corporates are preferred, particularly in sectors with relatively favorable risk-adjusted spreads—such as financials, industrials, energy, utilities, and communications.<br>◆ Given the potential for continued dollar weakness, there is room for appreciation in major non-USD currencies. Allocating to non-USD investment-grade bonds—denominated in euros or Singapore dollars—can help diversify and reduce dollar exposure. | **Duration:** Lock in yields on short- to medium-term high-quality corporate bonds<br>**Types**: Financials, industrials, energy, utilities, communications |
| **Forex** | ◆ The Trump administration's push for an "orderly dollar normalization," coupled with the passage of the expansive "Great America" fiscal package, is expected to significantly widen the U.S. fiscal deficit. Policy inconsistency may further erode confidence in the U.S. economic outlook and dollar-denominated assets, pointing to a structurally weaker dollar over the medium term.<br>◆ Non-dollar currencies like the euro and yen are consolidating at elevated levels, with potential for medium- to long-term strength. | **USD**: Weak Consolidation Phase<br>**EUR & JPY**: Trading near highs with long-term upside potential |
| **Commodity** | ◆ Trump's erratic tariff policies, combined with potential economic slowdown, persistent inflation risks, and growing fiscal strain in 2H, all support continued demand for gold. Central bank and market flows into gold remain firm, offering room for further upside. Accumulate on pullbacks. | **Gold**: Bullish |

# Product Spotlight | HK Equities | Rising Power Demand & Falling Coal Prices Boost Thermal Profits

- As summer arrives, electricity usage is surging under extreme heat. The China Meteorological Administration expects temperatures across most regions to exceed historical norms by 1–2°C, with some areas surpassing 40°C. Summer is peak season for electricity, with residential consumption accounting for roughly 15.2% of total usage. Air conditioning alone drives about 37% of load on the East China grid. Amid persistent heat, national power load has hit a record 1.47 billion kW—up 150 million kW YoY—tightening the power supply-demand balance in peak hours. The State Grid is leveraging ultra-high-voltage transmission to ensure cross-regional power stability. Overall electricity consumption is forecast to grow 5–6% YoY in 2025, according to the China Electricity Council.
- On the supply side, domestic coal production continues to rise. Output is expected to stay under 4.1 billion tons in 2025, but capacity additions—mainly in thermal coal—are set to increase oversupply. Between 2025 and 2028, 347 million tons of new annual capacity will come online, weighing on prices. Although imports may fall by as much as 100 million tons, easing external competition, domestic supply pressure remains. With coal prices likely to stay weak and electricity demand rising, margin prospects for thermal power producers are improving.

**Qinhuangdao 5,500 Kcal Thermal Coal Spot Price**

# China Resources Power (836)

**Closing Price** HK $19.2 **Target Price** HK $21.5

Primarily engaged in the investment, development, operation, and management of power plants and coal mining projects in China.

- **Thermal Power Profitability Secured**

  Ample coal inventories - Qinhuangdao stocks are at a three-year high—support margin stability for thermal power producers, as coal prices are expected to remain low through 2025. Additionally, the capacity tariff scheme will be revised upward next year, with the fixed-cost recovery rate rising from 30% to no less than 50%, accelerating cost recovery for coal-fired plants. During peak demand periods, thermal power also plays a key role in ensuring grid stability.

- **Rising Share of Renewable Energy**

  CR Power is actively transitioning to renewables, with clean energy expected to contribute over 30% of total revenue by 2025. Given the absence of fuel costs, renewables offer higher margins and may account for up to 70% of operating profit. Current clean energy revenue is driven mainly by wind, with 40% of upcoming capex allocated to wind and 60% to solar, providing strong long-term growth momentum.

- **Improved Dividend Visibility**

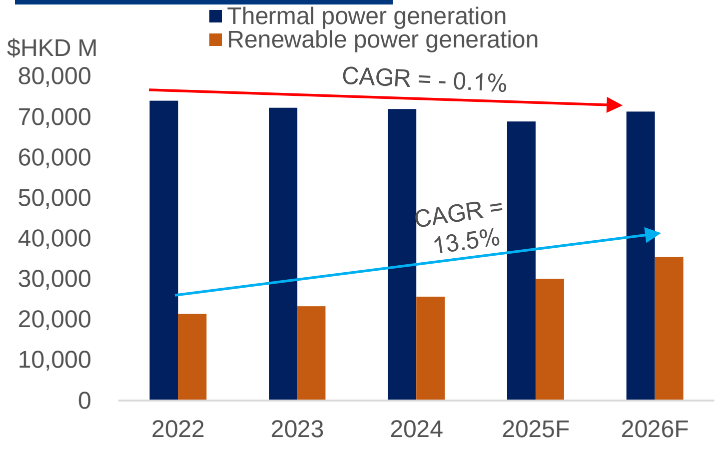
  As coal-fired losses subside and renewables expand, dividend visibility is improving. CR Power maintains a 40% payout ratio. Based on a dividend discount model, the target price is HK$21.5, implying 0.9x P/B for 2026 and a dividend yield of 6.5%.

## Financials

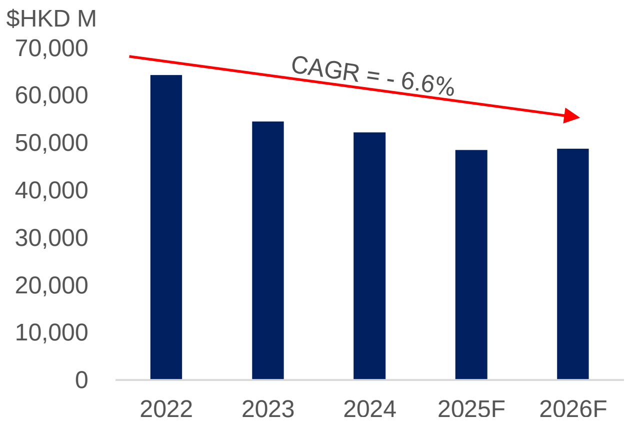
| | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| Net Income (1B HKD) | 103.3 | 103.3 | 105.3 | 108.2 | 115.5 |
| NI YoY | 15.0 | 0.0 | 1.9 | 2.8 | 6.8 |
| EPS (HKD) | 1.3 | 2.3 | 3.0 | 3.0 | 3.2 |
| EPS YoY | 148.8 | 82.2 | 29.7 | -0.3 | 8.5 |
| Dividend PS | 0.59 | 0.92 | 1.15 | 1.20 | 1.30 |

## Estimated P/B


## Revenue Sources




## Fuel Costs




Source: Bloomberg

# Huaneng Power International (902)

| **Closing Price** HK $4.9 | **Target Price** HK $6.0 |
|---|---|

Engaged primarily in power generation and electricity sales to provincial and local grid operators across China.

- **2Q Earnings Expected to Be Strong**

  Benefiting from a 25% YoY decline in coal prices, 2Q net profit is projected to rise 20% YoY. Power sales are showing signs of bottoming out, with an estimated low single-digit YoY decline in 2Q—an improvement from the mid-single-digit drop in 1Q. This rebound is largely driven by increased participation in market-based electricity trading. Over the long term, Huaneng aims to reduce its earnings volatility from coal prices by securing over 80% of its coal needs through long-term contracts, minimizing spot market exposure.

- **Weaker Hydro Output Supports Thermal Demand**

  This year's rainfall has been concentrated in the north, while Huaneng's transmission footprint is heavily weighted toward East China. Reduced rainfall has lowered hydro efficiency, diminishing its substitution effect and supporting steady coal-fired power demand..

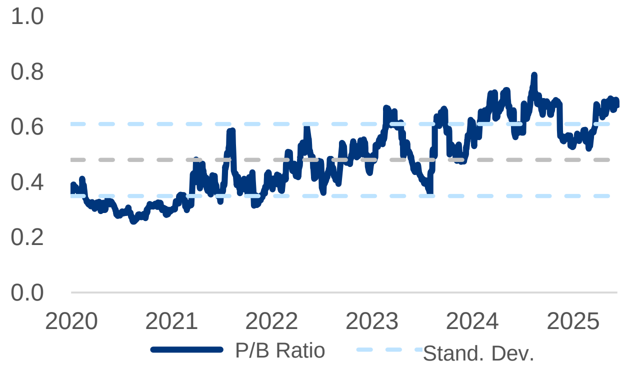
- **Dividend Growth Supports Valuation Floor**

  Huaneng is expected to deliver dividend growth of over 5% annually for the next three years, providing a buffer to its current yield above 7%. Based on a dividend discount model, the target price is HK$6.0, implying 0.8x P/B and a 6% target dividend yield.

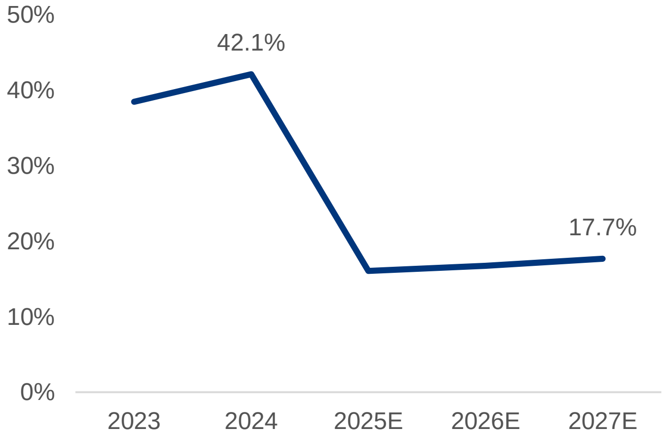
## Financials

| | 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 |

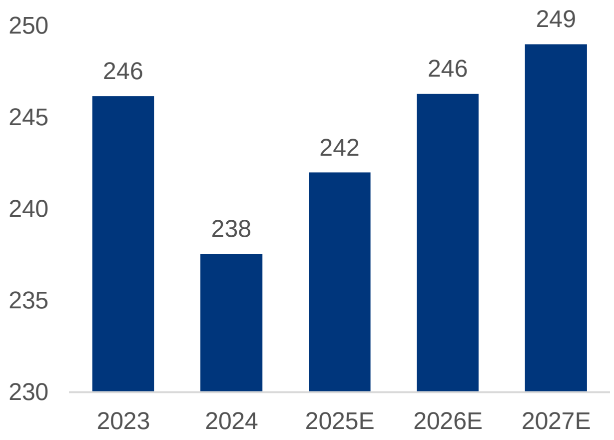
## Estimated P/B




## Gross Profit Margin




## Thermal Generation Revenue

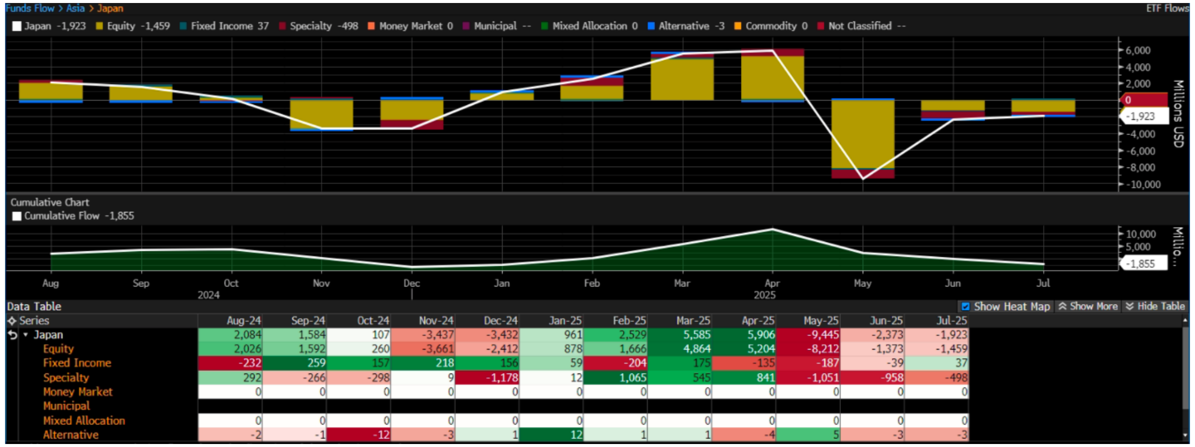



Source: Bloomberg

# US Equities Net Outflows from Japanese Market Narrow

- The June FOMC minutes showed most Fed officials believe a rate cut could be appropriate later this year. While tariffs may exert short-term inflation pressure, officials view the effect as moderate and transitory, with long-term inflation expectations remaining anchored. Some signs of softening in economic activity and the labor market were noted. However, views were divided—some participants suggested cuts could begin as soon as the next meeting, while others argued against any cuts in 2025. Policymakers continued to cite high uncertainty due to trade, fiscal policy, and geopolitical risks, though overall uncertainty was seen as slightly lower than in the prior meeting.
- On the trade front, President Trump announced a 25% tariff on Japanese imports effective August 1. In May, Japan's auto exports to the U.S. fell 24.7% YoY, and auto parts exports dropped 19%, underscoring the tariff's sectoral impact. Domestically, Japan's inflation eased slightly in May, labor shortages persist, and wages remain on an upward trend. The Bank of Japan is expected to maintain its current monetary stance.
- Following Trump's April global tariff announcement, Japan saw significant net capital outflows in May, but the pace of outflows has since narrowed sharply. Expectations for a finalized U.S.-Japan trade deal are likely to support renewed capital inflows.

## Japan Market Fund Flows Over Past Year




| Series | Aug-24 | Sep-24 | Oct-24 | Nov-24 | Dec-24 | Jan-25 | Feb-25 | Mar-25 | Apr-25 | May-25 | Jun-25 | Jul-25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Japan | 2,084 | 1,584 | 107 | -3,437 | -3,432 | 961 | 2,529 | 5,585 | 5,906 | -9,445 | -2,373 | -1,923 |
| Equity | 2,026 | 1,592 | 260 | -3,661 | -2,412 | 878 | 1,666 | 4,864 | 5,204 | -8,212 | -1,373 | -1,459 |
| Fixed Income | -232 | 259 | 157 | 218 | 156 | 59 | -204 | 175 | -135 | -187 | -39 | 37 |
| Specialty | 292 | -266 | -298 | 9 | -1,178 | 12 | 1,065 | 545 | 841 | -1,051 | -958 | -498 |
| Money Market | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Municipal | | | | | | | | | | | | |
| Mixed Allocation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Alternative | -2 | -1 | -12 | -3 | 1 | 12 | 1 | 1 | -4 | 5 | -3 | -3 |

Source: Bloomberg

# Mitsubishi UFJ Financial Group (MUFG)

| Closing Price US $13.69 | Target Price US $15 |
|---|---|

One of the world's largest bank holding companies, MUFG operates across retail and commercial banking, Japanese corporate and investment banking, global corporate and investment banking, global commercial banking, and a digital services division aligned with ongoing digital transformation.

- **Yen Supported by Policy Divergence**
  U.S. tariff threats may cause short-term volatility, but risks are priced in. The BoJ signals gradual normalization, backed by wage growth, firm inflation, and strong earnings—setting the stage for future hikes. If the Fed cuts while BoJ holds, yield spreads favor the yen. Ongoing trade tensions and global rebalancing enhance yen's safe-haven appeal.
- **Bond Market Stabilizing**
  Japan's fiscal discipline and reduced super-long JGB issuance, alongside BoJ's planned QT slowdown from April 2026, support market stability. Strong demand in recent 10Y and 20Y auctions reflects improving sentiment.
- **FY24 Q4 Results**
  Net income: USD 7.8B (-25.3% YoY); EPS: USD 0.11; FY25 profit target: JPY 200B (USD 1.37B)
- **Valuation (Bloomberg 12M Avg):**
  Target: USD 15.74 | High: 18.62 | Low: 11.52

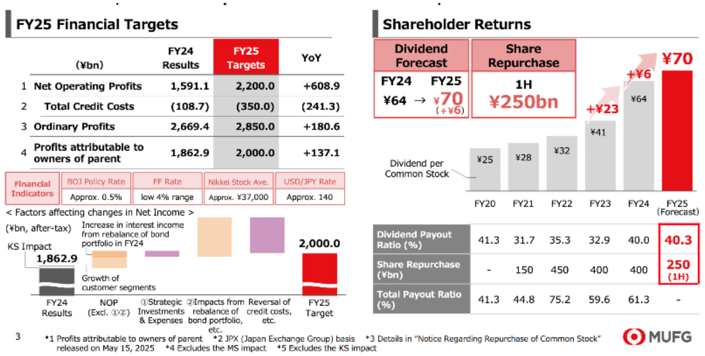
## 1-Year Price


## Financials

| | 2023 | 2024 | 2025 | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue Growth(%) | 0.6 | 19.4 | 9.1 | -16.6 | 6.6 |
| Operating Ratio | 19.5 | 34.4 | 39.6 | 42.2 | 43.9 |
| EPS (JPY) | 58.8 | 128.6 | 166.5 | 177.2 | 195.8 |
| Net Profit Margin(%) | 14.1 | 24.9 | 28.9 | 36.0 | 36.8 |

Source: Bloomberg; 2025/26F are market estimates

## 25FY Guidance



**FY25 Financial Targets**

| | (¥bn) | FY24 Results | FY25 Targets | YoY |
|---|---|---|---|---|
| 1 | Net Operating Profits | 1,591.1 | 2,200.0 | +608.9 |
| 2 | Total Credit Costs | (108.7) | (350.0) | (241.3) |
| 3 | Ordinary Profits | 2,669.4 | 2,850.0 | +180.6 |
| 4 | Profits attributable to owners of parent | 1,862.9 | 2,000.0 | +137.1 |

| Financial Indicators | BOJ Policy Rate | FF Rate | Nikkei Stock Ave. | USD/JPY Rate |
|---|---|---|---|---|
| | Approx. 0.5% | low 4% range | Approx. ¥37,000 | Approx. 140 |



**Shareholder Returns**

| Dividend Forecast | Share Repurchase |
|---|---|
| FY24 ¥64 → FY25 ¥70 (+¥6) | 1H ¥250bn |



| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 (Forecast) |
|---|---|---|---|---|---|---|
| Dividend Payout Ratio (%) | 41.3 | 31.7 | 35.3 | 32.9 | 40.0 | 40.3 |
| Share Repurchase (¥bn) | - | 150 | 450 | 400 | 400 | 250 (1H) |
| Total Payout Ratio (%) | 41.3 | 44.8 | 75.2 | 59.6 | 61.3 | - |

3 *1 Profits attributable to owners of parent *2 JPX (Japan Exchange Group) basis *3 Details in "Notice Regarding Repurchase of Common Stock" released on May 15, 2025 *4 Excludes the MS impact *5 Excludes the KS impact

MUFG

## P/E & P/B


Source: Bloomberg



KGI

# Nintendo (NTDOY)

**Closing Price** US $21.4  **Target Price** US $25

Develops and sells home entertainment products globally, including game consoles, software, and playing cards.

- **Switch 2 Breaks Sales Records Despite Supply Strain**

  Switch 2 became the fastest-selling console ever, outperforming the original Switch and PS5 in its first month, despite tight supply. Initial shipment: 6M units; FY26 forecast: 18–20M units. Japan used lottery sales and invite-only listings to drive hype and pricing power. As production scales and supply chains improve, Nintendo aims to meet strong demand and support revenue growth into FY26.

- **Pokémon Remains a Core Revenue Driver**

  Pokémon IP continues to deliver major value across games and merchandise. Despite early criticism, Scarlet/Violet has sold ~27M units—second-highest in series history.

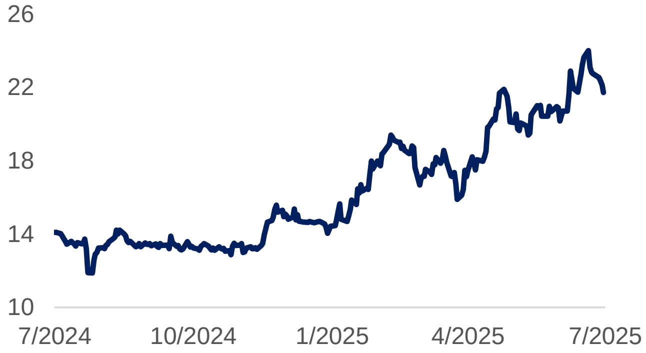
- **FY25 Results**

  Net profit: JPY 278.8B (~USD 1.9B), down YoY due to late-cycle hardware sales and a high software base. FY26 net profit forecast: JPY 300B (~USD 2.1B), backed by confidence in Switch 2 and IP content.

- **Valuation (Bloomberg 12M Avg):**

  Target: USD 34.9

## 1-Year Price

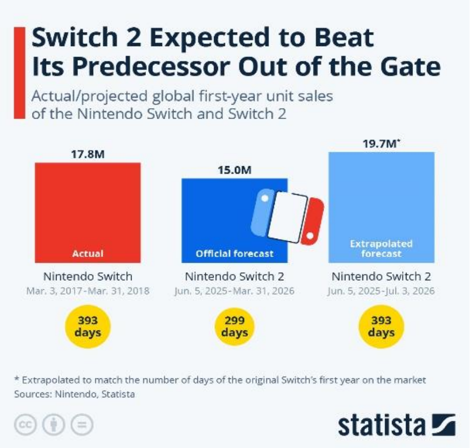



## Financials

| | 2023 | 2024 | 2025 | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue Growth(%) | -5.5 | 4.4 | -30.3 | 82.8 | 11.9 |
| EBITDA (%) | 32.2 | 32.7 | 25.6 | 18.9 | 24.6 |
| EPS (JPY) | 371.9 | 421.4 | 239.5 | 357.4 | 501.5 |
| Net Profit Margin(%) | 27.1 | 29.3 | 23.9 | 16.8 | 21.1 |

Source: Bloomberg; 2025/26F are market estimates

## Switch 2 Sales Estimation




## P/E & P/B


Source: Bloomberg



KGI

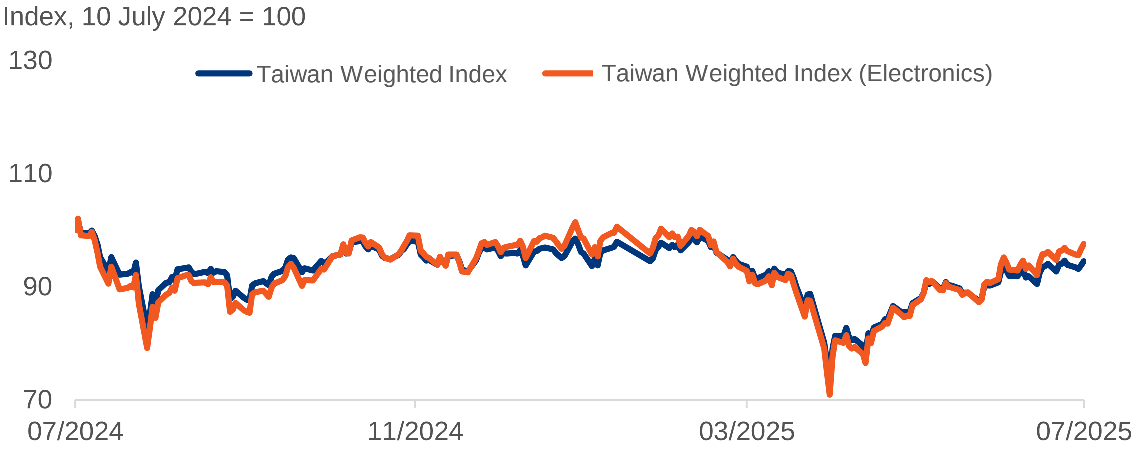
# TW Equities Reclaimed All Averages as Volume Rises; Focus Shifts to Strong Revenue Sectors

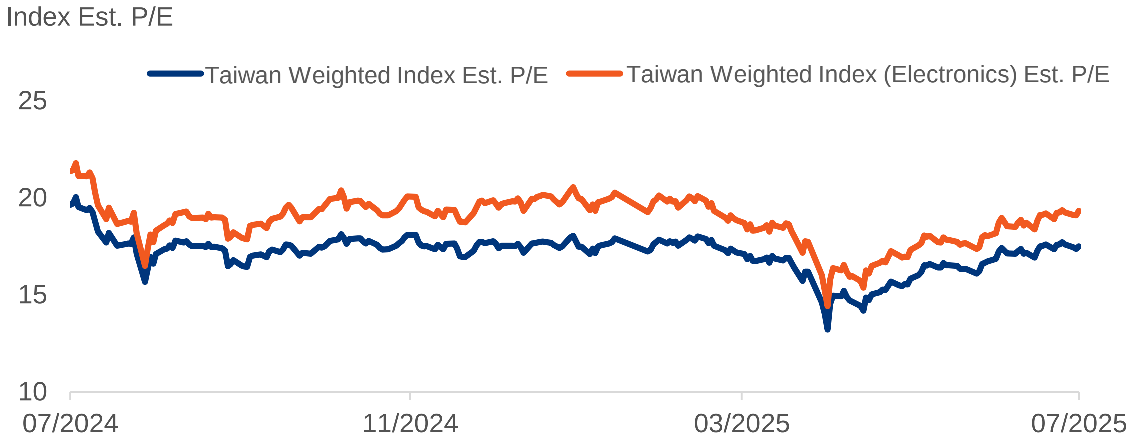
Taiwan equities held the monthly and yearly moving averages, with some names reclaiming technical levels last week. On Wednesday, the index closed above all major averages, though volume remains below the 20-day average and the 5-day MA is trending lower. A breakout toward previous highs depends on volume recovery and a reversal in short-term trend.

Despite some large caps consolidating, the broader technical setup has turned supportive. Financials remain under pressure from bearish MA alignment and are best avoided short term. Strength is concentrated in cable, surveillance, and semiconductor equipment names. Trump's proposed 50% copper tariff lifted cable stocks, though strong resistance remains-watch for support near recent high-volume lows to confirm continuation.

Semiconductors posted strong June revenues, triggering sharp gains and limit-up moves in select names. Watch for broader earnings momentum and volume confirmation across the sector.

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




Source: Bloomberg

# Arizon-KY (6863 TT)

A leading global ODM of RFID tags, antennas, and readers, offering end-to-end RFID solutions backed by strategic partnerships and EPC global compliance.

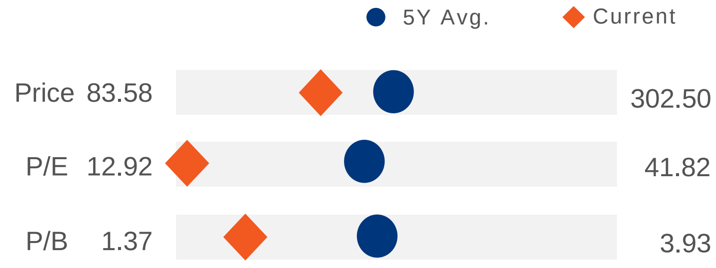
- **Vietnam Capacity Adjusted; U.S. Backend Line in 3Q25**
  Yangzhou and Taipei capacities remain unchanged. Vietnam's new plant, completing end-June, will start with 20–24B units annually (down from 30B) to account for tariff uncertainty. In the U.S., backend capacity is being added, with warehouse relocation from LA to Texas. Operations begin by end-3Q25, supporting 100–200M units annually.
- **Seasonal Pull-in and UHF RFID Tailwinds**
  Near-term demand is supported by U.S. logistics clients ramping orders and expanding to international parcel tracking. KGI estimates end-client inventory below 8–10 weeks. May revenue likely marked the bottom, with June showing mild recovery. Seasonal demand in 3Q–4Q25 expected to drive further growth.

## Financials

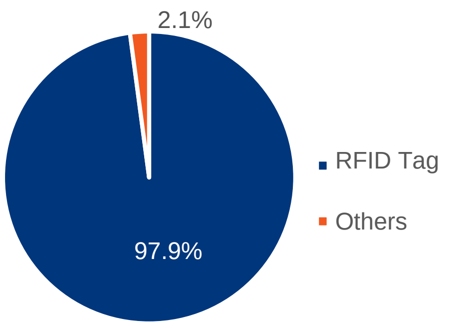
| | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| EPS (NTD) | 5.18 | 6.17 | 11.36 | 7.55 | 13.48 |
| EPS Growth (%) | 27.2 | 19.1 | 84.2 | -33.5 | 78.5 |
| P/E Ratio | 30.7 | 25.8 | 14.0 | 21.1 | 11.8 |
| ROE (%) | 9.0 | 9.7 | 14.7 | 8.8 | 14.8 |

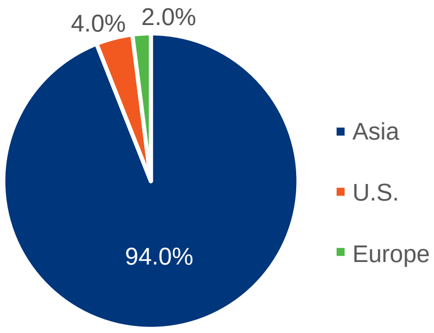
Source: Company data, estimates of KGI analyst

## Valuations

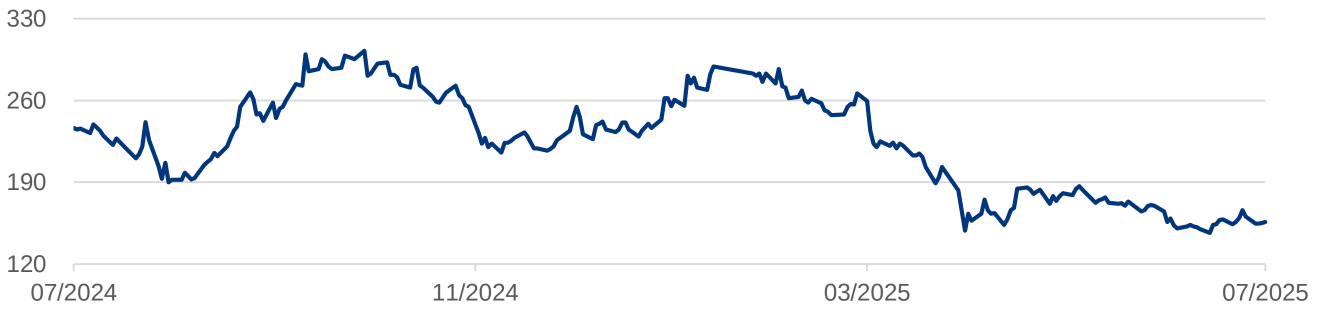



## Revenue Sources and Regions




## 1-Year Price




| As of 10 July 2025 | 1Wk | 1M | 3M | 6M | YTD | 1Y |
|---|---|---|---|---|---|---|
| Return (%) | -6.02 | 0.00 | -4.29 | -40.12 | -33.33 | -34.04 |

Source: Bloomberg; Listed on 21 March 2023, valuation based on post-listing average data

# HannStar Board (2313 TT)

Taiwan-based PCB manufacturer specializing in multilayer boards for computing, satellites, and AI applications.

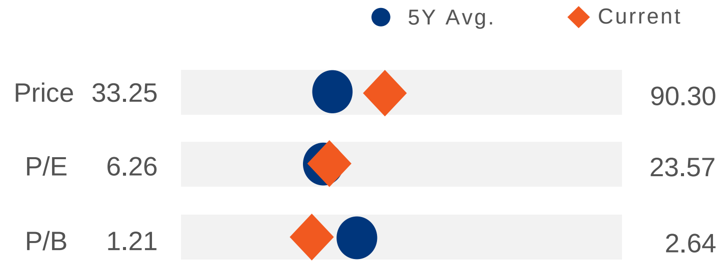
- **Thailand Expansion Targets Satellite and Flex Capacity**
  2025 satellite revenue forecast to grow 20% to NT$15B, with stable shipments to a major U.S. satellite client. Thailand plant focuses on satellite PCBs, ramping to 400K sq. ft./month by 2Q25 and 600K by 4Q25. A new flex PCB facility is under construction, set for mid-2026 completion. Long-term, Thailand revenue could reach NT$6–8B annually.
- **AI, Data Center Orders Gain Traction**
  Current shipments center on AI CPU motherboards (22-layer, M6), while AI server PCBs remain in development/testing. Optical module demand surging, with 800G as the mainstream. Shipments to U.S. and Taiwan clients to begin late 3Q25, contributing tens of millions monthly, with 2026 run rate exceeding NT$100M/month.

## Financials

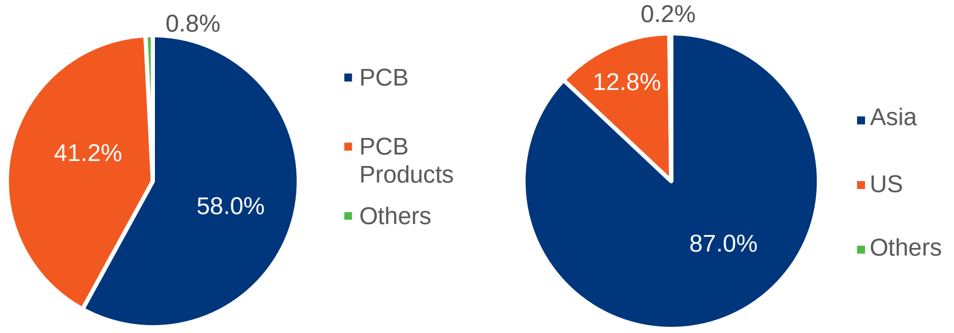
| | 2022 | 2023 | 2024 | 2025F | 2026F |
|---|---|---|---|---|---|
| EPS (NTD) | 6.71 | 3.50 | 4.70 | 4.98 | 6.09 |
| EPS Growth (%) | 55.7 | -47.9 | 34.3 | 6.0 | 22.4 |
| P/E Ratio | 8.6 | 16.4 | 12.2 | 11.5 | 9.4 |
| ROE (%) | 22.5 | 10.7 | 13.4 | 12.8 | 14.3 |

Source: Company data, estimates of KGI analyst

## Valuations

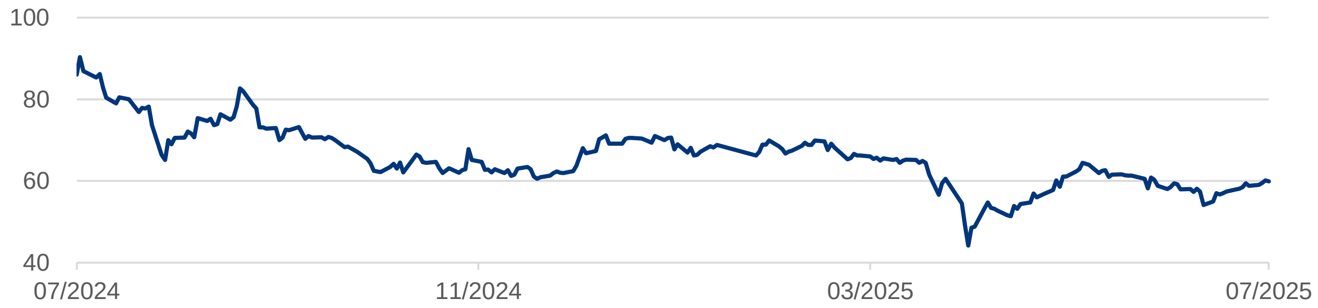



## Revenue Sources and Regions




Source: Bloomberg

## 1-Year Price




| As of 10 July 2025 | 1Wk | 1M | 3M | 6M | YTD | 1Y |
|---|---|---|---|---|---|---|
| Return (%) | 0.84 | 2.39 | 23.38 | -13.19 | -14.55 | -30.35 |

Mutual Funds/ ETFs

# Consumption-Led Recovery and Rate Normalization Support Japanese Banks

## ► Sumitomo Mitsui DS – Japan Small Cap Absolute Value Fund

- A value-focused, active strategy targeting underappreciated small- and micro-cap Japanese companies with sustainable growth potential. Selects ~300 stocks from a universe of ~2,400 to pursue long-term total return.
- One of the few funds dedicated to small-cap investing.
- Managed by Mr. Tatsuro Nigauri, a pioneer in Japan small-cap equity with nearly 30 years of research and 20+ years of portfolio management experience. AUM totals USD 1.2B.
- Top-rated by Morningstar with 5 stars; ranked in the top quartile for 2- and 3-year returns (as of end-June 2025).

| Product | Sumitomo Mitsui DS – Japan Small Cap Absolute Value Fund | |
|---|---|---|
| **Features** | ■ A value-focused, active strategy targeting underappreciated small- and micro-cap Japanese companies with sustainable growth potential. Selects ~300 stocks from a universe of ~2,400 to pursue long-term total return. | |
| **AUM** | 145.15M USD | |
| **Exchange** | TOPIX | |
| **Currency** | JPY | |
| **3M/YTD Return** | 22.16% / 12.09% | |
| **Top 5 Sectors (%)** | Industrials<br>Cons. Disc<br>Information Technology<br>Materials<br>Healthcare | 33.29<br>24.90<br>12.29<br>9.22<br>5.92 |
| **Top 5 Holdings (%)** | Mimaki Engineering Co. Ltd<br>Aisan Industry Co. Ltd<br>Meili Platform Co. Ltd<br>Ichiken Co Ltd<br>CUC Inc | 3.38<br>2.52<br>2.48<br>2.47<br>2.26 |

Source: Bloomberg, 9 July 2025

# Sumitomo Mitsui DS – Japan Small Cap Absolute Value Fund

## Profile

Actively managed with a value-oriented strategy, the fund targets underpriced small- and micro-cap Japanese companies with long-term growth potential to maximize total return over time.

### ■ Disciplined Value Investing

Selects ~300 names from ~2,400 stocks, focusing on overlooked firms with strong fundamentals and upside catalysts. Aims to deliver consistent long-term returns through disciplined bottom-up selection.

### ■ Unlocking Undervalued Growth

Focuses on the bottom 15% of companies by market cap on the Japan Exchange—often under-researched yet high-potential businesses.

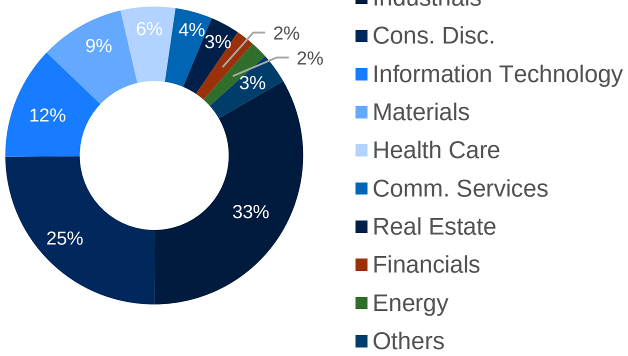
### ■ Led by Veteran Management

Managed by Tatsuro Nigauri, a 30-year small-cap specialist with over two decades of portfolio management experience. The fund holds a 5-star Morningstar rating.

| | | | |
|---|---|---|---|
| **Inception Date** | 2021/4/20 | **AUM** | USD 145.15 million |
| **Morningstar Category** | Japan Mid-Small Equities | **Fund Category** | Equities |
| **Morningstar Rating** | ★★★★★ | **3Y Stand. Dev. (Ann.)** | 20.84% |

Source: Sumitomo Mitsui DS Asset Management

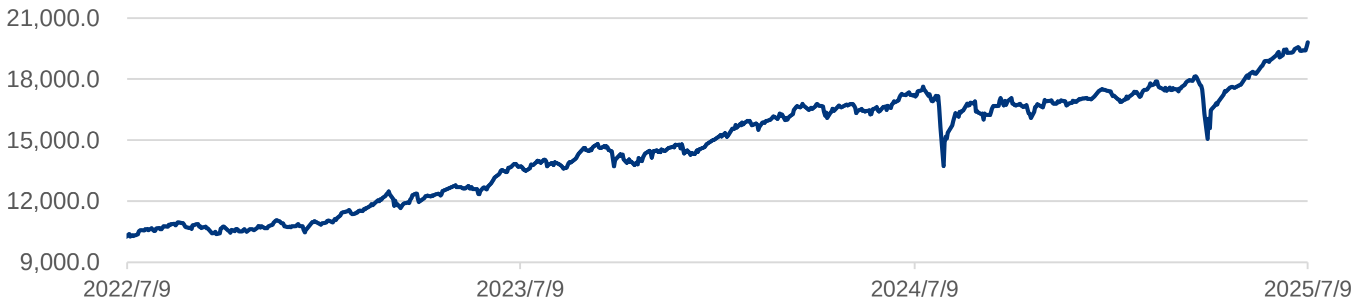
## Sectors




## Top-5 Holdings (%)

| | |
|---|---|
| **Mimaki Engineering Co. Ltd** | 3.38 |
| **Aisan Industry Co. Ltd** | 2.52 |
| **Meili Platform Co. Ltd** | 2.48 |
| **Ichiken Co. Ltd** | 2.47 |
| **CUC Inc** | 2.26 |

## 3-Year NAV




| **As of 8 July 2025** | **1M** | **3M** | **YTD** | **1Y** | **3Y** | **5Y** |
|---|---|---|---|---|---|---|
| **USD Cumulative Return (%)** | 3.26 | 22.16 | 12.09 | 14.12 | 43.25 | 91.49 |
| **Quartile Ranking Within Category** | 2 | 1 | 2 | 3 | 1 | 1 |

Mutual Funds/ ETFs

# Consumption-Led Recovery and Rate Normalization Support Japanese Banks

- **NEXT FUNDS TOPIX-17 Banks ETF (1631 JP)**
  - Tracks the banking sector of the reclassified TOPIX-17 industry groups.
  - Primarily invests in large-cap Japanese banks using a float-adjusted market cap weighting. Top 3 holdings account for ~70% of the portfolio.
- **Global X Japan Bank High Dividend ETF (315A JP)**
  - Tracks the TOPIX Banks High Dividend Total Return Index.
  - Focuses on high-dividend-yielding Japanese bank stocks—ideal for income-seeking investors.
  - Highly concentrated portfolio with only 15 stocks; top 3 holdings make up ~87%.

| Product | NEXT FUNDS TOPIX-17 BANKS ETF (1631 JP) | | Global X Japan Bank High Dividend ETF (315A JP) | |
|---|---|---|---|---|
| Features | Targeted exposure to Japan's banking sector amid improving economic fundamentals.<br>Banks are well-positioned to benefit from rising inflation and upward pressure on interest rates. | | Targeted exposure to Japan's banking sector amid improving economic fundamentals.<br>Emphasizes dividend income, with over 85% of allocation in its top 3 names. | |
| AUM | JPY 11.881B | | JPY 4.161B | |
| Tracking Index | TOPIX-17 BANKS Index | | TOPIX Banks High Dividend Total Return Index | |
| Exchanges | TOPIX | | TOPIX | |
| Holdings | 68 | | 15 | |
| Expense Ratio | 0.352% | | 0.3025% | |
| 3M/YTD Return | 14.45% / 6.69% | | 13.82% / 1.71% | |
| Top 5 Sectors (%) | Banking | 100 | Banking | 100 |
| Top 5 Holdings (%) | Mitsubishi UFJ Financial Group<br>Sumitomo Mitsui Financial<br>Mizuho Financial Group<br>Resona Holdings<br>Sumitomo Mitsui Trust Holdings | 35.09<br>20.62<br>14.65<br>4.43<br>3.78 | Mitsubishi UFJ Financial Group<br>Sumitomo Mitsui Financial Group<br>Mizuho Financial Group<br>Sumitomo Mitsui Trust Holdings<br>Japan Post Bank Co., Ltd. | 38.41<br>28.46<br>20.25<br>5.22<br>4.92 |

Source: Bloomberg, 10 July 2025

# NEXT FUNDS TOPIX-17 BANKS ETF (1631 JP)

## Profile

Tracks the TOPIX-17 Banks Index, aiming to duplicate its performance.

### ■ Focused Exposure to Major Japanese Banks

Invests primarily in large-cap Japanese banks such as MUFG, SMFG, and Mizuho, with top 3 holdings comprising ~70% of the portfolio.

### ■ Global Reach

Japanese banks have significant international operations, expanding their revenue base globally.

### ■ Supportive Macro Tailwinds

With core CPI at 20-year highs, Japan is emerging from deflation. Rising inflation and rates improve profit outlook for the banking sector.

| | | | |
|---|---|---|---|
| **Inception Date** | 2008/3/25 | **AUM** | JPY 11.81 Billion |
| **ETF Category** | Equities | **Holdings** | 48 |
| **Expense Ratio** | 0.69% | **3Y Stand. Dev. (Ann.)** | 34.60% |

Source: Bloomberg, 10 July 2025

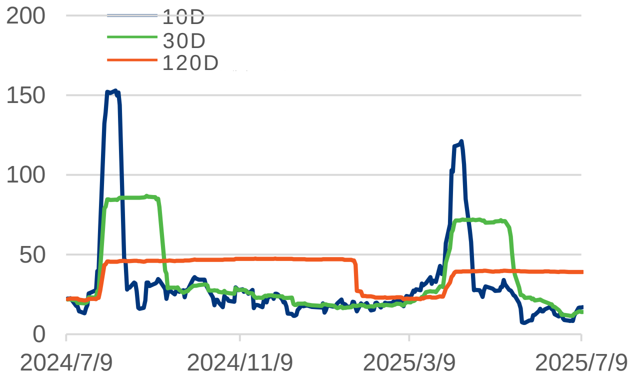
## Sectors


## Top-5 Holdings (%)

| | |
|---|---|
| **Mitsubishi UFJ Financial Group** | 35.09 |
| **Sumitomo Mitsui Financial Group** | 20.62 |
| **Mizuho Financial Group** | 14.65 |
| **Resona Holdings** | 4.43 |
| **Sumitomo Mitsui Trust Holdings** | 3.78 |

## 1-Year Performance


## 1-Year Volatility




| **As of 9 July 2025** | **1M** | **3M** | **YTD** | **1Y** | **3Y** | **5Y** |
|---|---|---|---|---|---|---|
| **Return (%)** | 0.98 | 14.45 | 6.69 | 10.19 | 165.53 | 303.05 |

# Global X Japan Bank High Dividend ETF (315A JP)

## Profile

Tracks the TOPIX Banks High Dividend Total Return Index, targeting dividend-rich bank stocks.

- **High-Yield Focus**
  Selects high-dividend names from the TOPIX banking universe, emphasizing shareholder returns via yield.
- **Concentrated Holdings**
  Portfolio consists of 15 top-tier banks, with top 3 names making up ~87% of the allocation.
- **Positioned for Rate Cycle Upside**
  Banks benefit from rising rates, making this ETF a potential hedge against inflation and interest rate risk.

| | | | |
|---|---|---|---|
| **Inception Date** | 2025/1/8 | **AUM** | JPY 4.161 Billion |
| **ETF Category** | Equities | **Holdings** | 15 |
| **Expense Ratio** | 0.3025% | **3Y Stand. Dev. (Ann.)** | - |

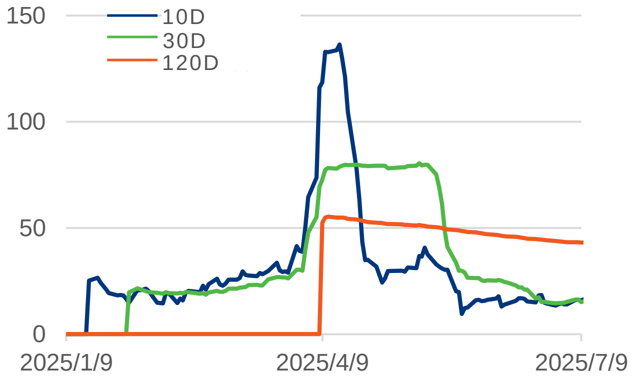
## Sectors


## Top-5 Holdings (%)

| | |
|---|---|
| Mitsubishi UFJ Financial Group | 38.41 |
| Sumitomo Mitsui Financial Group | 28.46 |
| Mizuho Financial Group | 20.25 |
| Sumitomo Mitsui Trust Holdings | 5.22 |
| Japan Post Bank Co., Ltd. | 4.92 |

## 1-Year Performance


## 1-Year Volatility




| As of 9 July 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|---|---|---|---|---|---|---|
| Return (%) | 0.40 | 13.82 | 1.71 | - | - | - |

Source: Bloomberg, 10 July 2025

# Bonds Telecom Giant Offers Defensive Yield Ahead of Year-End Rate Cuts

- **BRITEL 3.25 11/08/29 (BT Group plc)(USD)**
- **BRITEL 3.125 11/21/31 (BT Group plc) (GBP)**
  - BT is the U.K.'s leading telecom and network operator, generating over 80% of revenue and 90% of EBITDA domestically. Its core businesses include retail telecom services, enterprise connectivity, and wholesale infrastructure through its subsidiary Openreach.

**Market Leadership & Infrastructure Advantage**

- BT commands ~32% share in broadband and controls the majority of fixed-line infrastructure via Openreach, giving it a dominant position in the wholesale market. It also leads in mobile services with 28% of immediately usable spectrum.

**Strong Financial Profile**

- BT targets net debt (ex-leases)/EBITDA under 2.0x (equivalent to S&P-adjusted 3.0x), supporting its investment-grade credit rating. S&P expects this ratio to remain stable mid-term, backed by prudent financial policy and domestic revenue focus.
- These bonds offer defensive exposure with upside potential ahead of anticipated rate cuts.

| Products | BRITEL 3.25 11/08/29 (BT Group PLC) (USD) | BRITEL 3.125 11/21/31 (BT Group PLC) (GBP) |
|---|---|---|
| ISIN | USG15820DY96 | XS1720922415 |
| Highlight | BT holds a dominant position in the U.K. telecom sector, particularly in the wholesale market, backed by strong financial metrics and a prudent capital policy. | |
| Maturity Date | 2029/11/8 | 2031/11/21 |
| Next Redemption Day | 2029/8/8 | 2031/8/21 |
| Coupon (%) | Fixed/3.25/Semi-annual | Fixed/3.125/Annual |
| Currency | USD | GBP |
| Years to Maturity | 4.33 | 6.37 |
| Rating (Moody's/ Fitch/S&P) | Baa2/BBB/BBB | Baa2/BBB/BBB |
| Seniority | Unsecured Subordinated | Unsecured Subordinated |
| YTM/YTC (%) | 4.63/4.71 | 4.80/4.86 |

Source: Bloomberg

# BRITEL 3.25 11/08/29 (BT Group PLC) (USD)

## Profile

BT Group PLC is a provider of fixed and mobile telecom services, along with secure digital products, solutions, and IT infrastructure. It serves customers globally.

- BT is the U.K.'s leading telecom and network operator, with core businesses spanning consumer communications, enterprise connectivity, and wholesale infrastructure via its Openreach unit. Over 80% of revenue and 90% of EBITDA are generated domestically, with the company committed to maintaining a U.K.-focused strategy.
- BT holds a ~32% share in broadband and a dominant position in wholesale through its ownership of fixed-line infrastructure via Openreach. It also leads in mobile spectrum, controlling ~28% of immediately usable capacity. The company maintains a solid financial profile and targets a net debt-to-EBITDA ratio below 2.0x. S&P expects this to remain stable over the medium term.

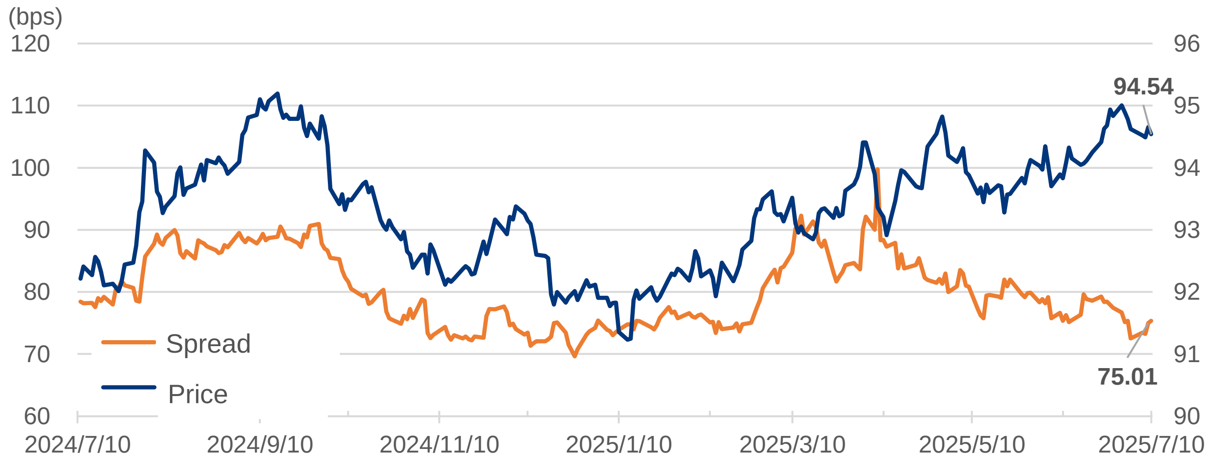
| Financials | 2022 | 2023 | 2024 |
|---|---|---|---|
| EBITDA (100M USD) | 75.77 | 79.95 | 85.65 |
| Net Debt/ EBITDA(%) | 2.54 | 2.68 | 2.72 |
| Return on Equity(%) | 9.45 | 12.78 | 6.33 |

Source: Bloomberg, July 10, 2025

## Overview

| | | | |
|---|---|---|---|
| **Name** | BRITEL 3.25 11/08/29 | **ISIN** | USG15820DY96 |
| **Maturity Date** | 2029/11/8 | **Remaining Maturity** | 4.33 |
| **Coupon(%)** | Fixed/3.25/Semi-annual | **YTM/YTC(%)** | 4.63/4.71 |
| **Currency** | USD | **Min. Subscription/ Increment** | 200,000/1,000 |
| **Ratings** (Moody's/Fitch/S&P) | Baa2/BBB/BBB | **Seniority** | Unsecured Subordinated |

## Price



# BRITEL 3.125 11/21/31 (BT Group PLC) (GBP)

## Profile

BT Group PLC is a provider of fixed and mobile telecom services, along with secure digital products, solutions, and IT infrastructure. It serves customers globally.

- BT is the U.K.'s leading telecom and network operator, with core businesses spanning consumer communications, enterprise connectivity, and wholesale infrastructure via its Openreach unit. Over 80% of revenue and 90% of EBITDA are generated domestically, with the company committed to maintaining a U.K.-focused strategy.
- BT holds a ~32% share in broadband and a dominant position in wholesale through its ownership of fixed-line infrastructure via Openreach. It also leads in mobile spectrum, controlling ~28% of immediately usable capacity. The company maintains a solid financial profile and targets a net debt-to-EBITDA ratio below 2.0x. S&P expects this to remain stable over the medium term.

| Financials | 2022 | 2023 | 2024 |
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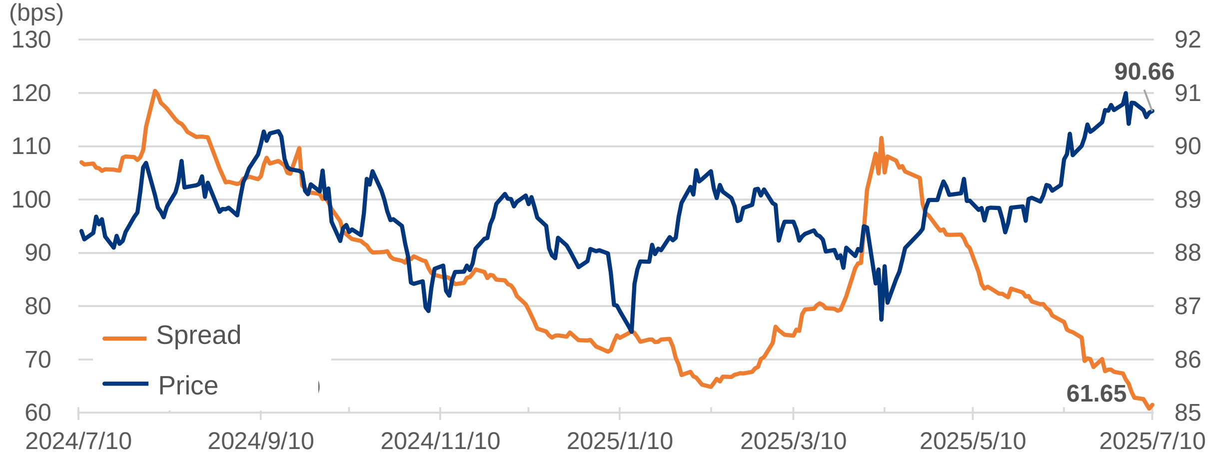
| Return on Equity(%) | 9.45 | 12.78 | 6.33 |

Source: Bloomberg, July 10, 2025

## Overview

| | | | |
|---|---|---|---|
| Name | BRITEL 3.125 11/21/31 | ISIN | XS1720922415 |
| Maturity Date | 2031/11/21 | Remaining Maturity | 6.37 |
| Coupon(%) | Fixed/3.125/Annual | YTM/YTC(%) | 4.80/4.86 |
| Currency | GBP | Min. Subscription/ Increment | 100,000/1,000 |
| Ratings (Moody's/Fitch/S&P) | Baa2/BBB/BBB | Seniority | Unsecured Subordinated |

## Price



# Appendix

# Key Economic Data / Events

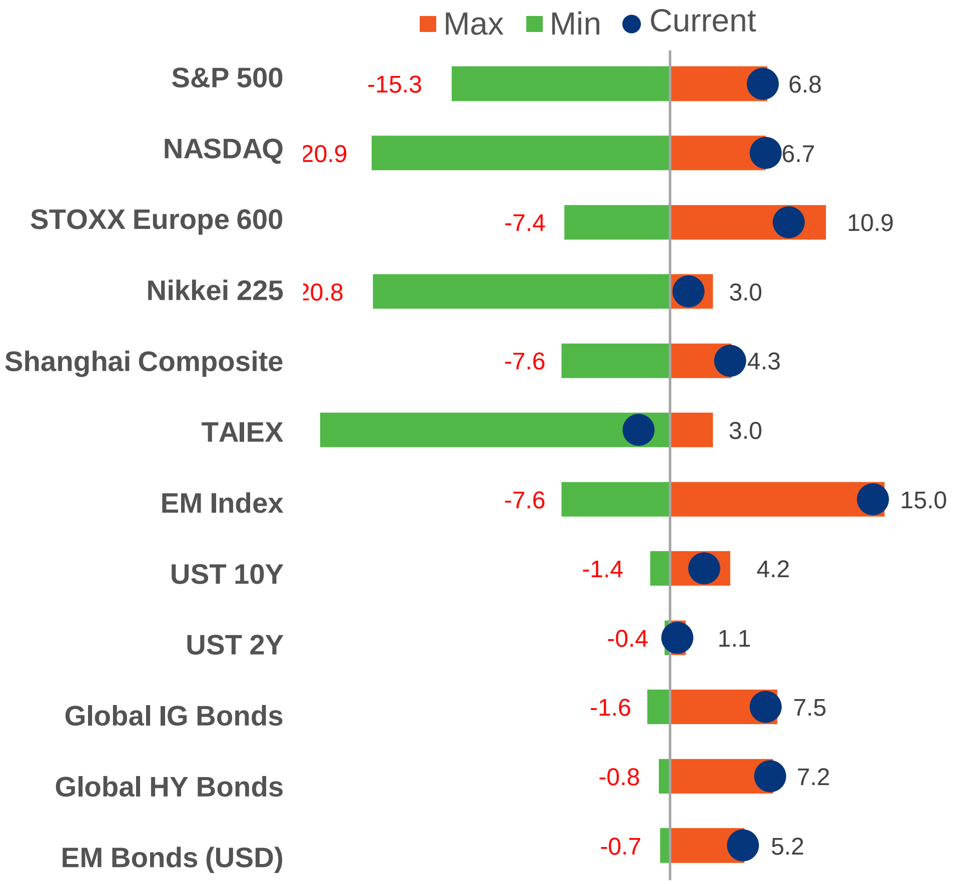
## JUNE 2025

| 7 Monday | 8 Tuesday | 9 Wednesday | 10 Thursday | 11 Friday |
|---|---|---|---|---|
| • Eurozone May Retail Sales MoM (Act:-0.7% Est:-0.6% Prev:0.3%) | • Taiwan Jun Core CPI YoY (Act:1.47% Est:1.60% Prev:1.61%)<br>• Taiwan Jun CPI YoY (Act:1.37% Est:1.60% Prev:1.55%)<br>• Taiwan Jun PPI YoY (Act:-5.47% Prev:-4.34%)<br>• Taiwan Jun Exports YoY (Act:33.7% Est:27.1% Prev:38.6%) | • Japan Jun Machine Tool Orders YoY (Prelim) (Act:-0.5% Prev:3.4%)<br>• China Jun CPI YoY (Act:0.1% Est:-0.1% Prev:-0.1%) | • U.S. Initial Jobless Claims (Act:227k Est:235k Prev:232k)<br>• Japan Jun PPI YoY (Act:2.9% Est:2.9% Prev:3.3%) | |

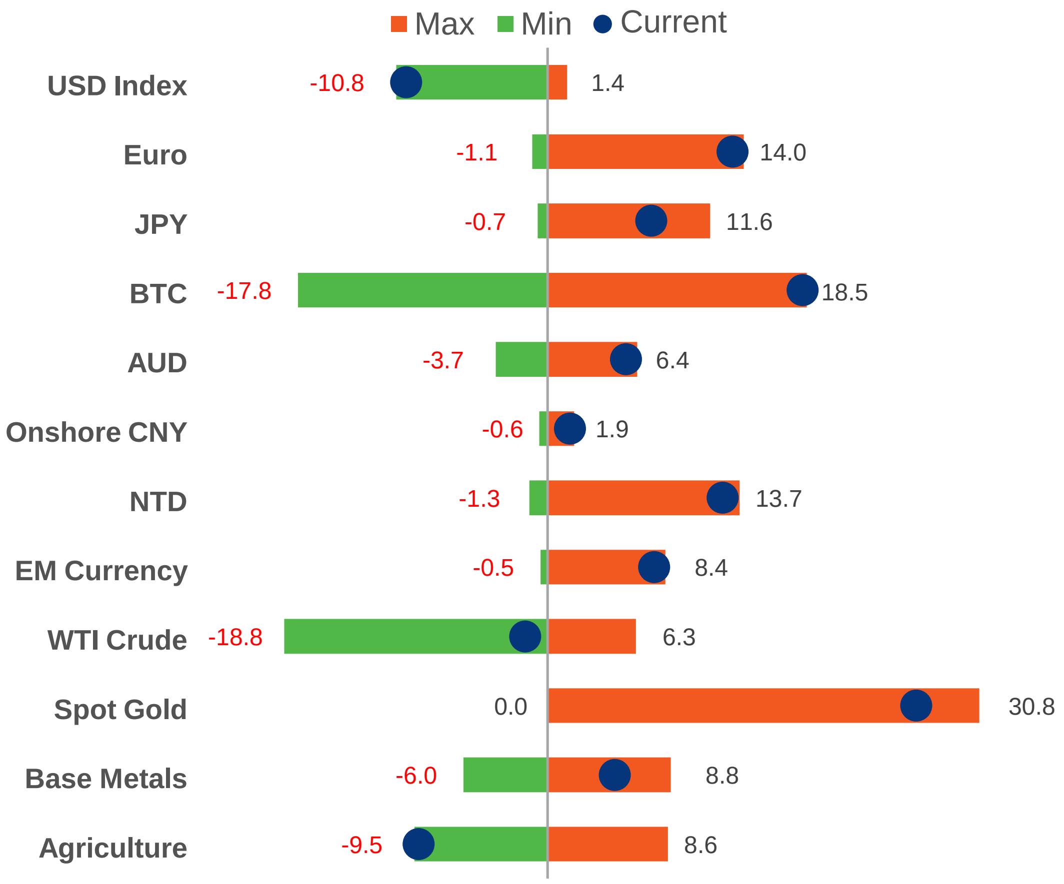
| 14 Monday | 15 Tuesday | 16 Wednesday | 17 Thursday | 18 Friday |
|---|---|---|---|---|
| • Japan May Core Machinery Orders MoM (Est:-1.8% Prev:-9.1%)<br>• Japan May Industrial Production MoM (Final) (Prev:0.5%)<br>• China Jun Exports YoY (Est:5.2% Prev:4.8%) | | • U.S. Jun PPI YoY (Prev:2.6%)<br>• U.S. Jun Industrial Production MoM (Est:0.1% Prev:-0.2%)<br>• Earnings: MS, GS, JNJ, BAC, PGR | | • U.S. Jun U. Mich Consumer Sentiment (Prelim) (Est:61.3 Prev:60.7)<br>• U.S. Jun Housing Starts (Est:1,300k Prev:1,256k)<br>• U.S. Jun Building Permits (Prelim) (Est:1,370k Prev:1,394k)<br>• Earnings: NFLX, SCHW, AXP |

# YTD Major Market / Asset Performance

## Stock and Bond Market YTD Performance (%)




## Currencies and Commodities Market YTD Performance (%)




Source: Bloomberg, 10 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

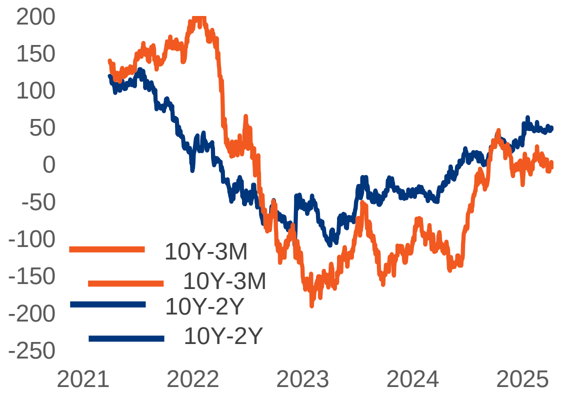

Source: Bloomberg, 10 July 2025

# Market Monitor

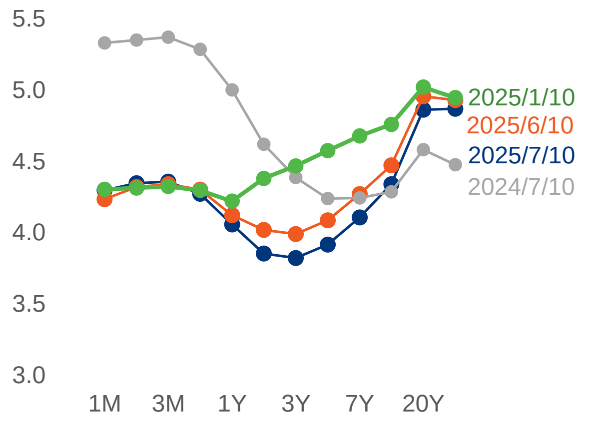
## U.S. CPI YoY (%)


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

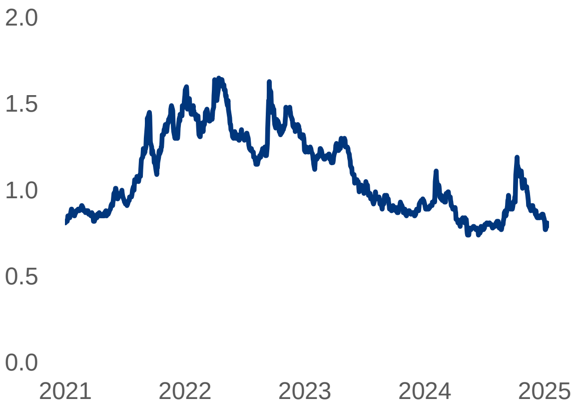

## U.S. Treasury Yield Spread (bps)



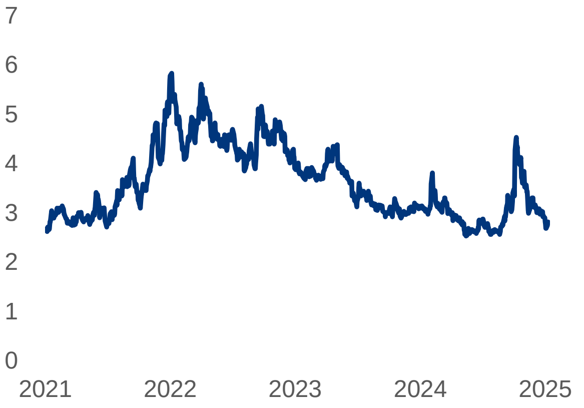

## U.S. Treasury Yield Curve (%)



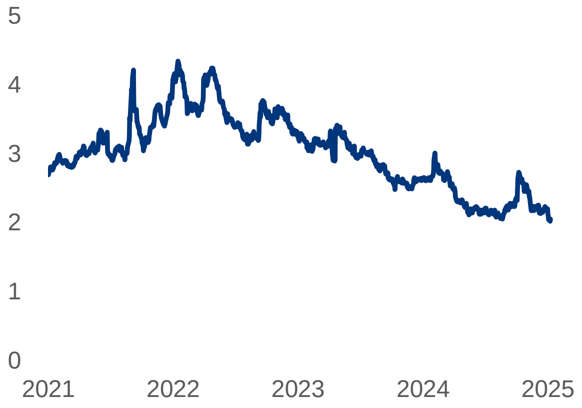

## USD IG Credit Spread (%)



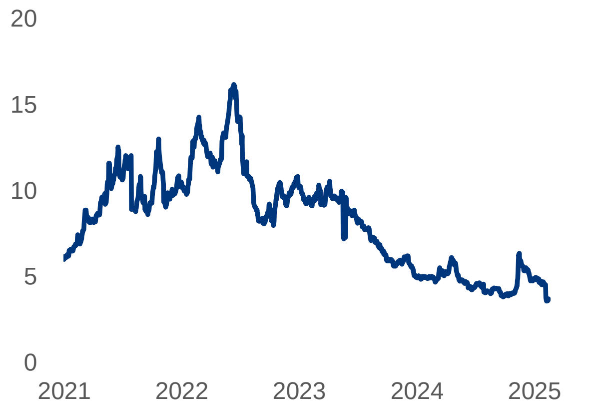

## USD HY Credit Spread (%)




## USD EM Credit Spread (%)



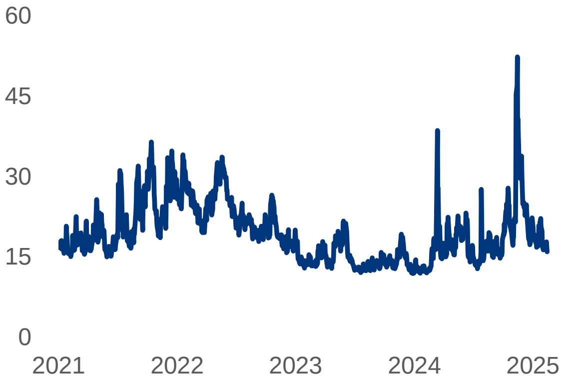

## USD Asia Credit Spread (%)



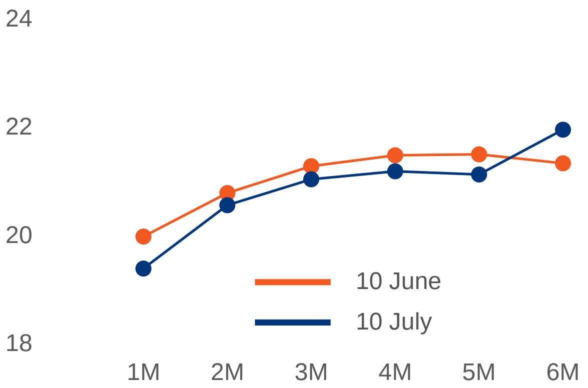

Source: Bloomberg, 10 July 2025

# Market Monitor

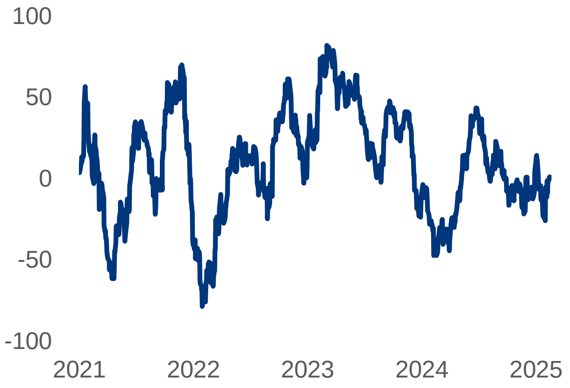
## VIX Index



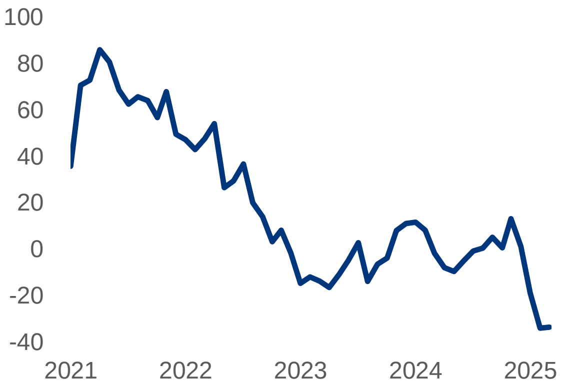

## VIX Term Structure



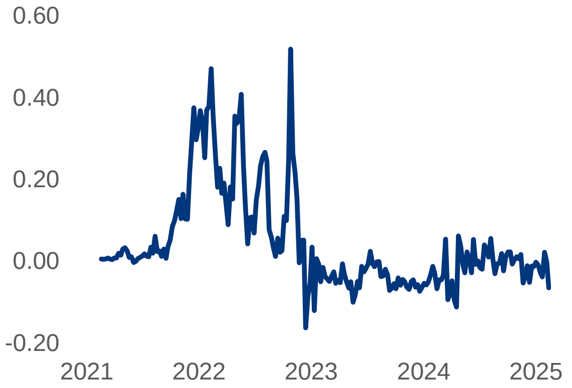

## U.S. Citi Economic Surprise Index*




## U.S. Citi Inflation Surprise Index*

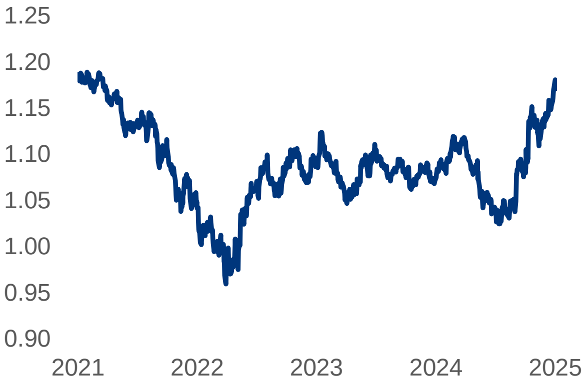



## TED Spread (bps)




## U.S. Dollar Index


## EUR to USD




## USD to JPY


Source: Bloomberg, 10 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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