CIO Office

Global Markets Weekly Kickstart

Tech Diffusion

27 October 2025

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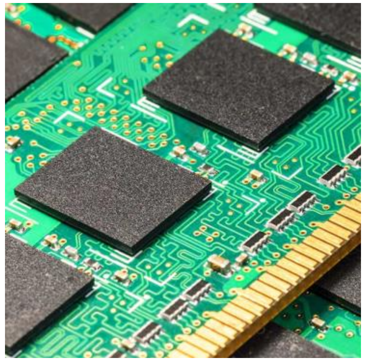

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CIO Insights

China Retail Roars While Data Whispers

▸ European Luxury Retail Brands Stage Strong Rebound

Against the challenging revenues over the last few years globally, the European luxury retail brands have staged strong rebound in share prices on the slightest hint of an improvement in one of their key markets, China. LVMH led to pact being the first one to show this improvement in its 3Q25 results.

▸ Improvement Confirmed by China landlords

The improvement of the tenant sales in the key high-end shopping malls in China began in mid-2024. The improvement has also spilled over from local to foreign brands. From a significant negative growth in 2024, the tenant sales has mostly turned into position growth starting from 2Q25. This could also be the reason why government is not so eager to put out another round of consumer stimulus package as things are improving.

▸ Position to Play the China Consumption Recovery

While the global luxury retail brands is one way to play the China consumption recovery, we will also recommend increase direct exposure to the non-discretionary consumer sector in China.

Hang Lung Properties - tenant sales improved from -18% to +10% YoY over the last 12 months

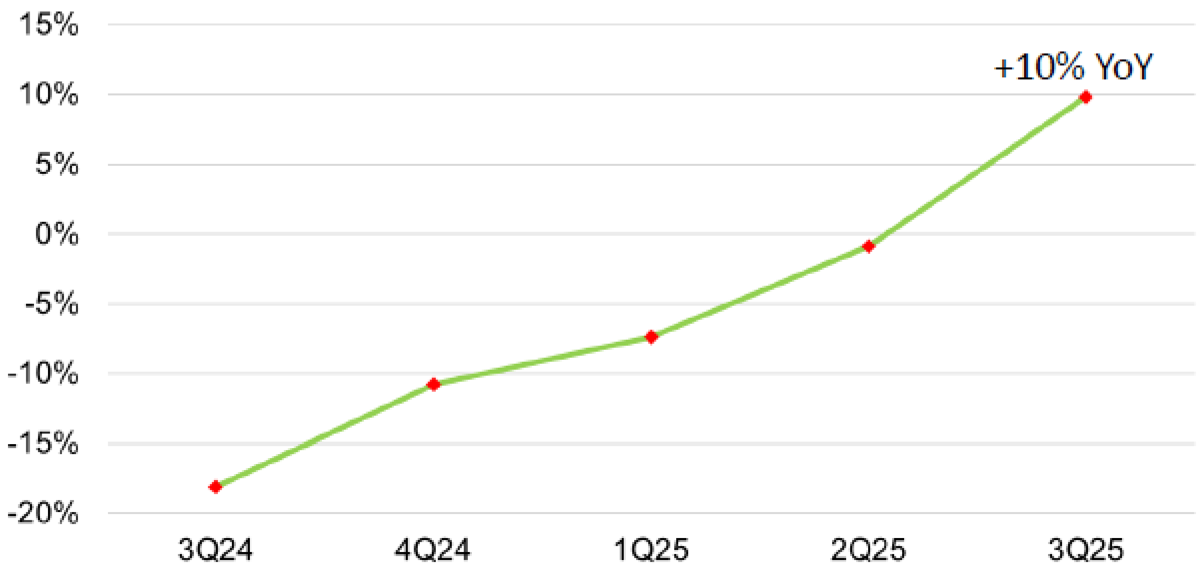


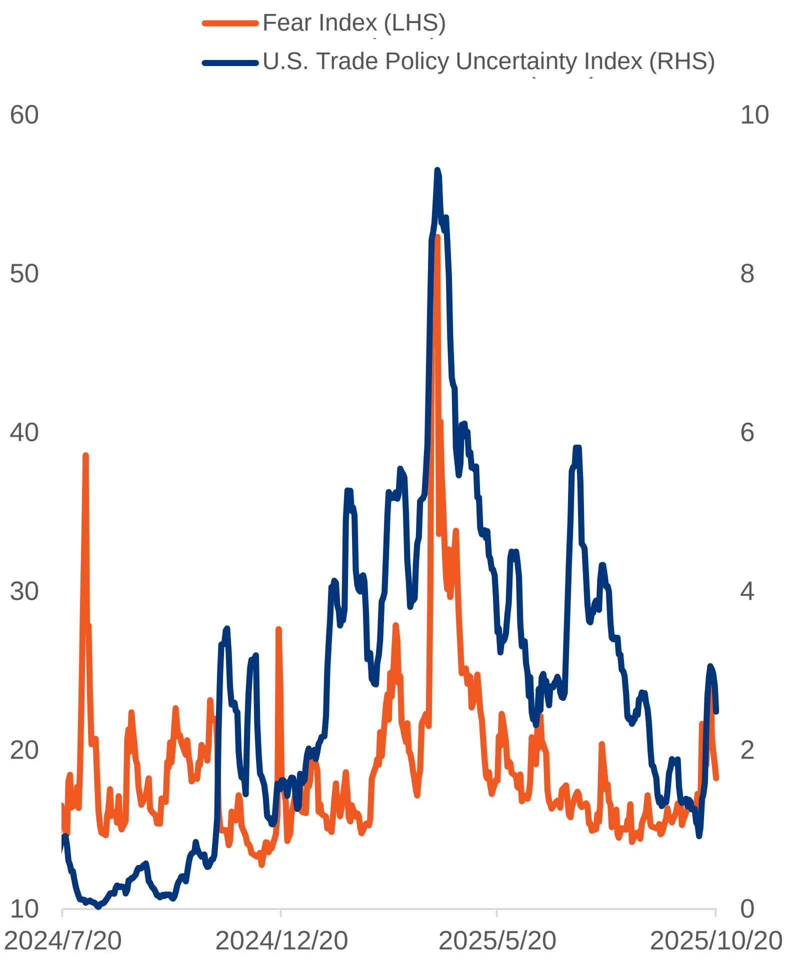
Chart of the Week

Uncertainty Rises Ahead of Xi–Trump Meeting; Earnings and Valuation Drive U.S. Stocks

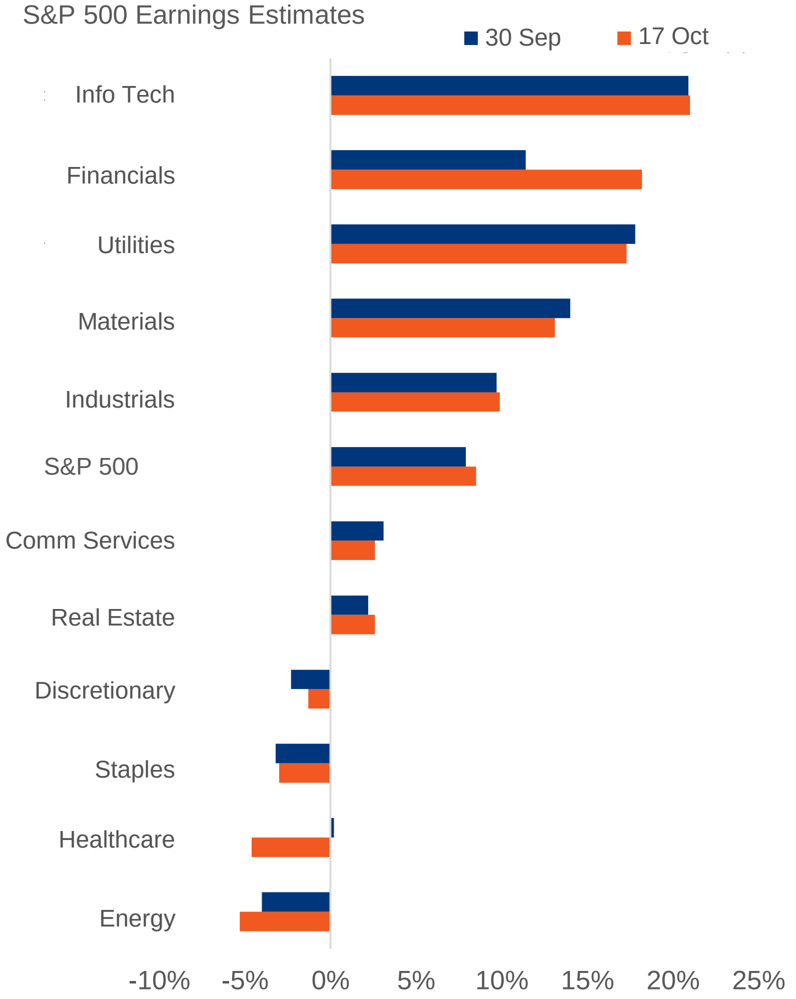
- China tightened export controls on rare earth products, while President Trump retaliated by imposing additional tariffs on Chinese goods and considering new curbs on U.S. software exports to China. Both sides appear to be raising their bargaining leverage ahead of the Xi–Trump meeting. Although rising domestic inflation pressures Trump, the U.S.–China standoff is expected to remain tense but contained.
- We estimate the tariff impact on large U.S. corporates remains limited. About 14% of S&P 500 companies show high sensitivity to tariffs, mainly in consumer discretionary (34%), industrials (31%), and healthcare (20%). However, inventories built ahead of earlier tariffs are now depleting, pushing up spot inventory costs ahead of the 4Q consumption season. This could increase profit pressure and cost drag, reflected in earnings and guidance.
- Among S&P 500 companies that have reported so far, 86% beat profit expectations—above 5- and 10-year averages—but EPS beats averaged only 5.9%, below the 5-year (8.4%) and 10-year (7%) norms, suggesting earnings weakness. Financials have led upside surprises, offsetting downward revisions in healthcare. Still, elevated valuations leave U.S. equities sensitive to news, amplifying volatility at high levels.

Source: Bloomberg, FactSet

Uncertainty Rises Ahead of Xi–Trump Meeting, Driving High-Level Volatility



Financials Lead Earnings Upgrades in S&P 500



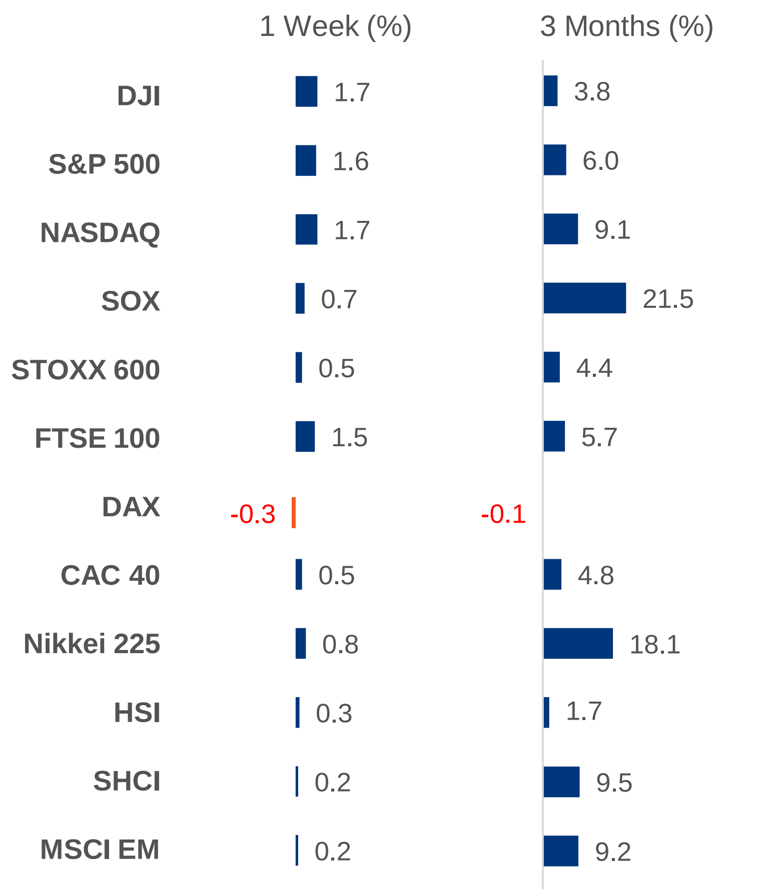
KGI

Market Recap

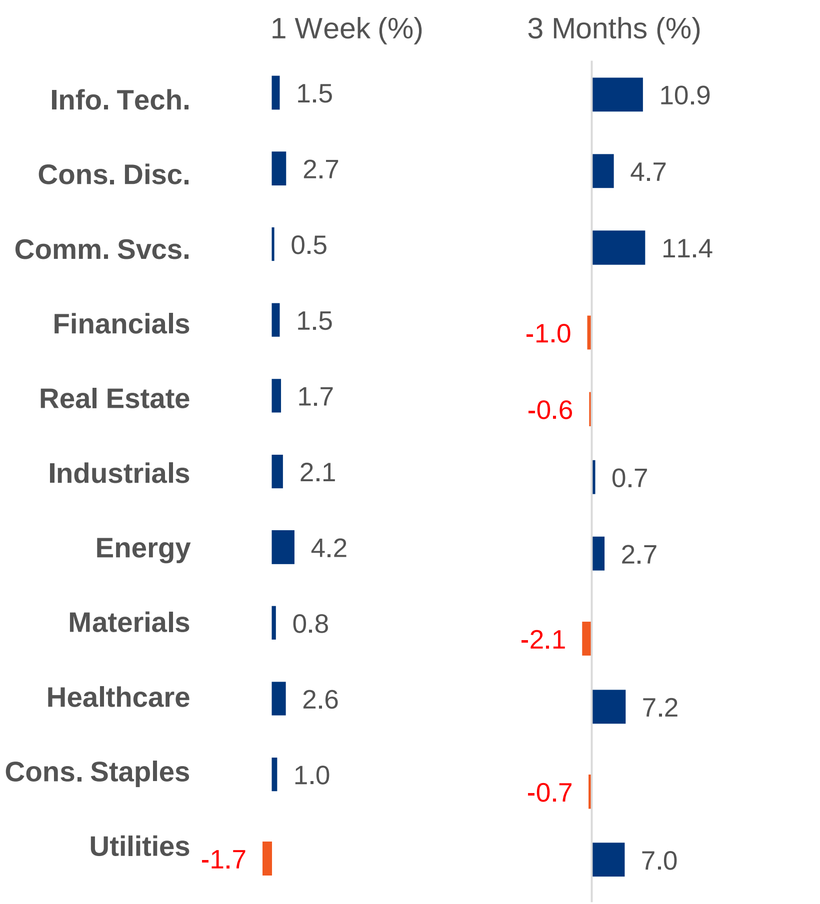
Earnings and Outlook in Focus as U.S.–China Standoff Keeps Equities Volatile

- Budget negotiations between Democrats and Republicans remain stalled, while markets await September CPI data to gauge the Fed's policy direction later this month. A series of loan defaults among U.S. regional banks has heightened concerns over private credit risks. Although large banks maintain solid capital and strong risk buffers, high leverage among non-bank financials and weaker SMEs could pose systemic risk.
- The Trump administration is considering curbs on U.S. software exports to China—including laptops and jet engines—in retaliation for China's rare earth export restrictions. Meanwhile, the U.S. canceled a planned summit with Russian President Putin on Ukraine ceasefire talks after Moscow refused to halt attacks, keeping geopolitical risks elevated and equities cautious near highs.
- Tesla's quarterly revenue rose 12% QoQ, but AI-related R&D spending jumped 50%, and higher tariffs on imported auto parts added to costs, driving a 31% YoY earnings decline—worse than expected. Texas Instruments posted weaker-than-expected results and guidance, while Netflix also missed on profits, dragging share prices lower. Markets now turn attention to upcoming results from Microsoft, Alphabet, Meta, Apple, and Amazon next week.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

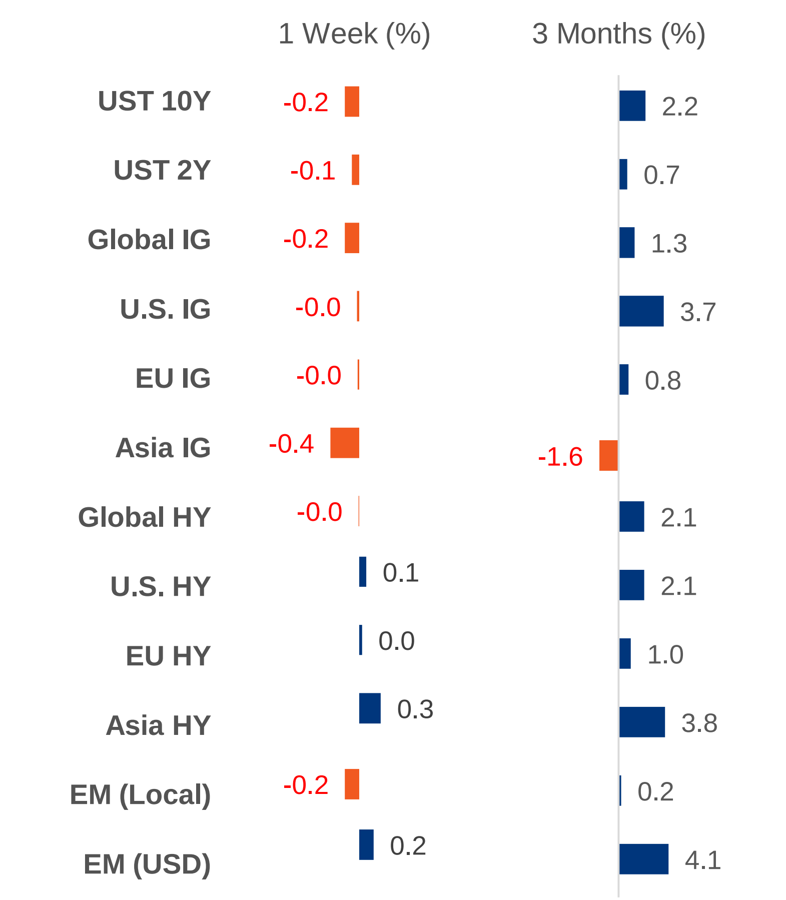


Source: Bloomberg, 24 Oct 2025

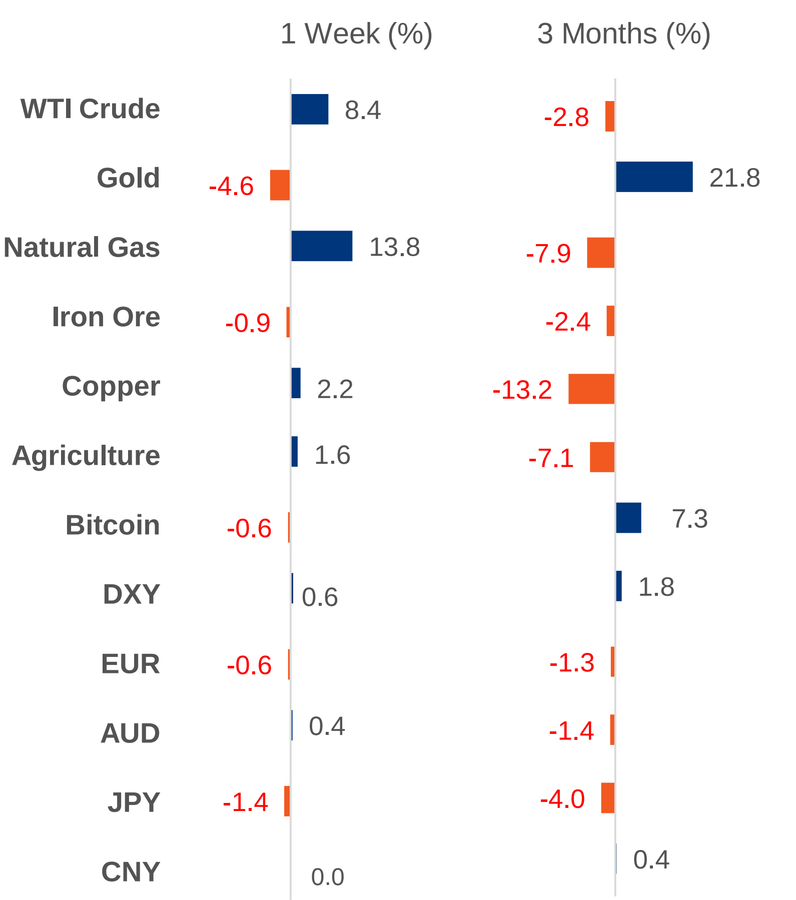
U.S. Govt Shutdown and Credit Stress Spur Safe-Haven Demand; Treasury Yields Ease, Gold Slumps

- U.S. subprime auto lender Tricolor and parts maker FirstBrands recently filed for bankruptcy protection, while Jefferies, Zions Bank, and Western Alliance disclosed credit losses, triggering market panic. Fed Chair Powell noted signs of tightening liquidity and a weakening labor market, suggesting the Fed may consider halting balance sheet reduction.
- Markets now price a 97.3% chance of a rate cut at the October FOMC meeting. The 10-year U.S. Treasury yield edged down to 3.95%, and bond prices broadly rose.
- In Japan, the LDP and Japan Innovation Party reached an agreement to form a coalition government, paving the way for Sanae Takaichi to become Japan's first female prime minister. The development boosted Japanese equities and weakened the yen, while the dollar index climbed to 98.9.
- A stronger dollar and temporary easing in U.S.–China tensions triggered profit-taking after gold hit a record high, with prices plunging 5.7% to USD 4,098/oz. We expect continued Fed rate cuts and widening global fiscal deficits to offer medium- to long-term buying opportunities on pullbacks.
- U.S. Treasury Secretary Bessent said more sanctions on Russia are forthcoming, while a surprise drop in U.S. crude inventories drove oil prices up 5.6%.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



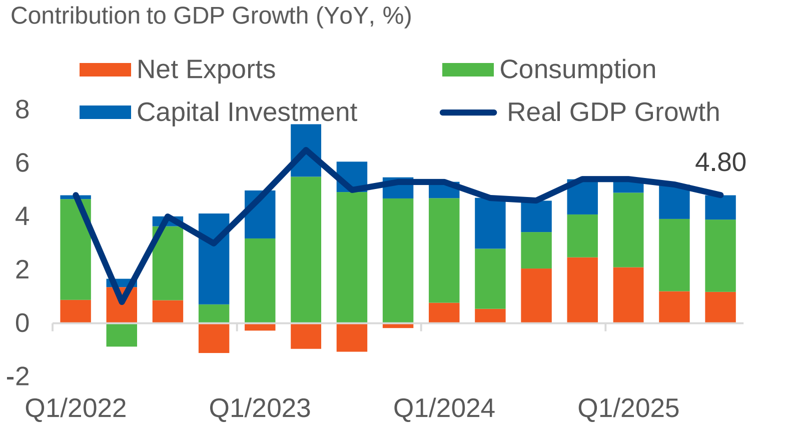
Source: Bloomberg, 24 Oct 2025

What's Trending

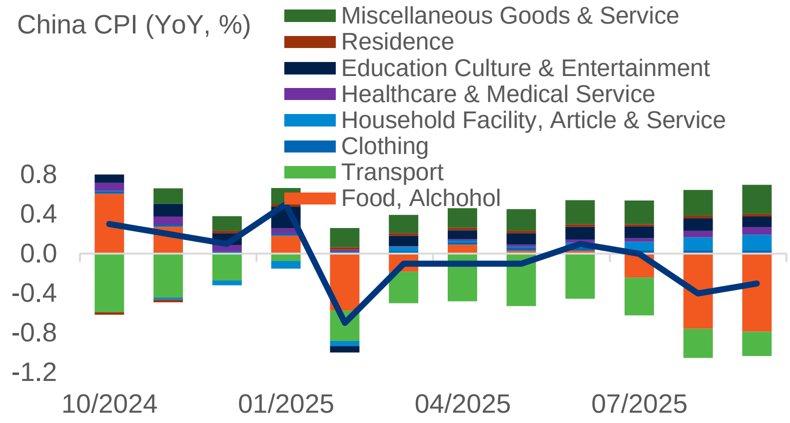
China GDP Growth Slows; Consumption Drives Expansion, Easing Policies Support A/H Shares

- China's 3Q real GDP grew 4.8% YoY, down 0.4 ppts from 2Q and largely in line with expectations, bringing 9M GDP growth to 5.2%. Domestic consumption contributed nearly 60% of GDP growth, while net exports and capital investment made up roughly the remaining half. Last year in 3Q, net exports accounted for about 45% of GDP growth, highlighting a sharp drop this year. With net exports now under 5% of GDP, China's economy remains heavily reliant on domestic circulation.
- September CPI fell 0.3% YoY, below expectations, dragged mainly by "food and tobacco" and "transport and communication," while other components stayed positive. Core inflation rose from 0.6% at the start of the year to 1.0%, indicating low but divergent price trends.
- This year's strong rally in A/H shares is expected to boost consumption and help reinforce the recovery cycle. While China's economy shows improvement without overheating, the 20th Central Committee's Fourth Plenum emphasized "balancing development and security," signaling a cautious policy stance. We expect monetary policy to remain accommodative, with liquidity conditions likely to support mainland and Hong Kong equities.

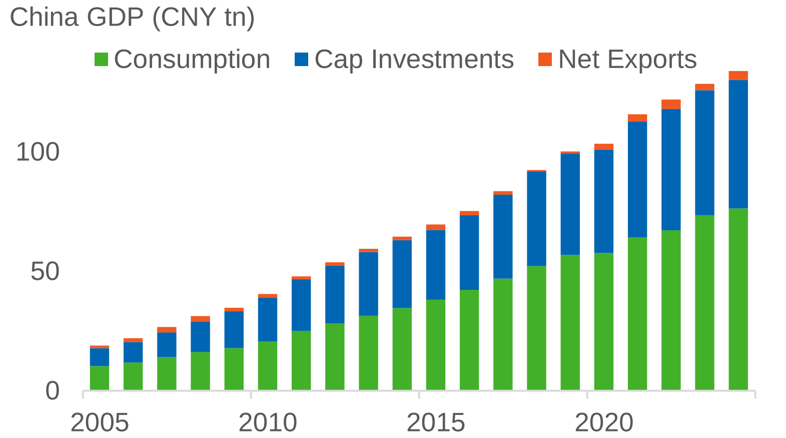
Consumption Drove Nearly 60% of 3Q GDP Growth



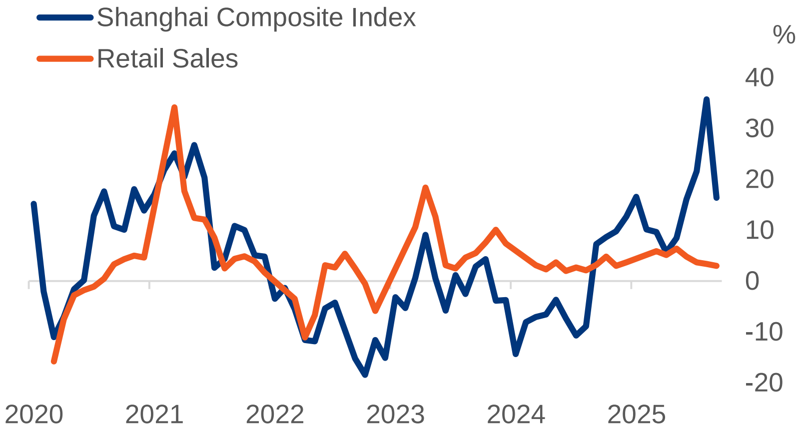
Inflation Limited to Food and Transport Categories



China GDP Driven Mostly by Consumption, Limited Export Contribution



Wealth Effect from Stock Market Likely Boosting Consumption



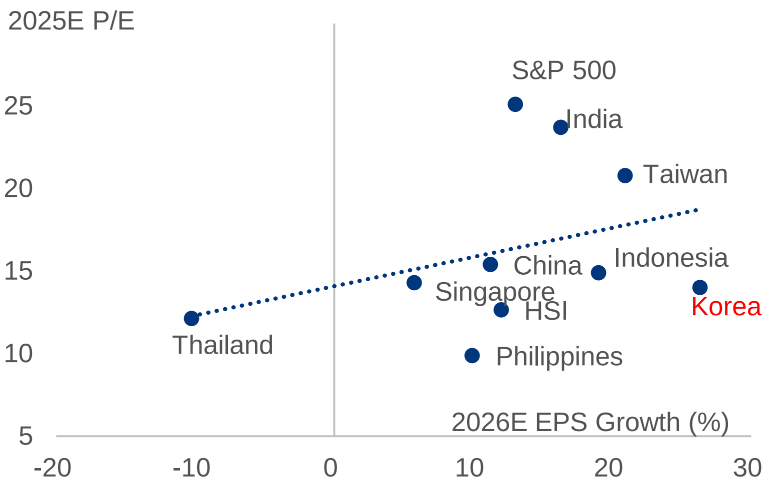
Source: CEIC

In Focus

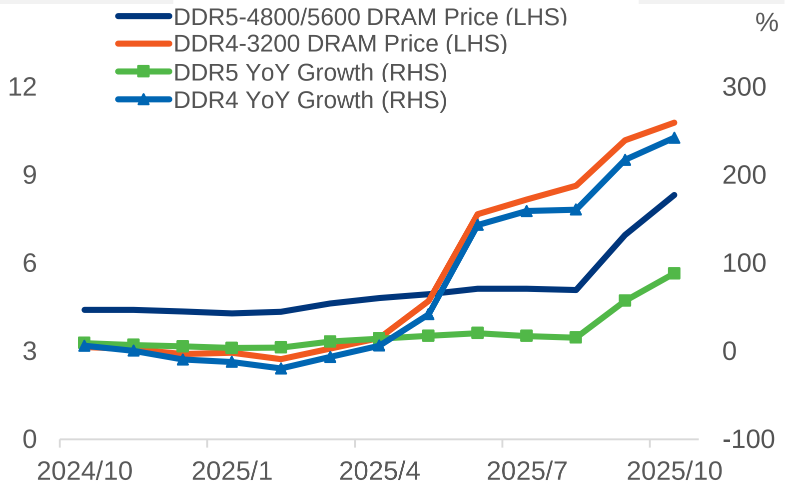
Fed Rate Cuts and Capital Inflows Lift Asian Tech; DRAM Shortage Fuels Korean Rally

- The Fed has resumed its rate-cut cycle, pushing U.S. Treasury yields lower and weakening the dollar, leading to capital inflows into emerging markets. Supported by ongoing strength in AI and tech stocks, Asian tech markets have surged YTD (as of Oct 21): Taiwan +23.5%, Hong Kong tech +30.1%, and Korea +61.4%. Despite the sharp gains, Korean equities remain attractively valued versus regional and U.S. peers, given a low base and strong earnings momentum. Kospi's 2026E EPS growth stands at 26.3%, with compelling valuations across key sectors such as industrials, electronics, and financials.
- In the MSCI Korea Index, technology accounts for 45.6% of weighting. Samsung and SK Hynix are key beneficiaries of booming AI-driven demand. Hynix's high-bandwidth memory (HBM) chips supply Nvidia, with the next-gen HBM4 powering Nvidia's upcoming Blackwell platform. Strong orders from U.S. cloud service providers have led memory producers to raise 4Q prices for DRAM and NAND flash by around 25%. The supply-demand imbalance has sharply reduced DRAM inventories, with NAND levels also below long-term averages, driving strong gains across memory-related stocks.

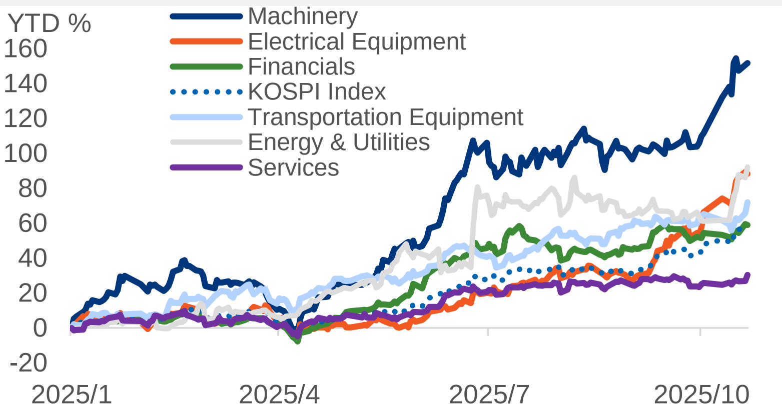
Tech-Heavy Taiwan and Korea See Earnings Recovery; Korean Valuations Remain Attractive



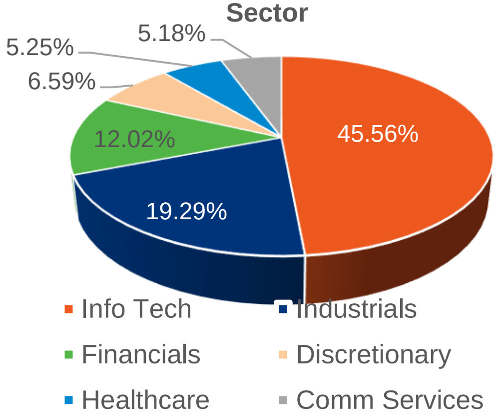
DRAM Prices Surge; Samsung and SK Hynix Lead on Strong Earnings Outlook



Korean Machinery, Electronics, and Financials Up Over 50% YTD



MSCI Korea Index Weighted Nearly Half in Tech — Main Driver of This Year's Rally



MSCI Korea Main Constituents	
Samsung Electronics	26.59%
SK Hynix	12.70%
Samsung SDI	3.63%
KB Financial	2.80%
NAVER	2.56%

Source: Bloomberg

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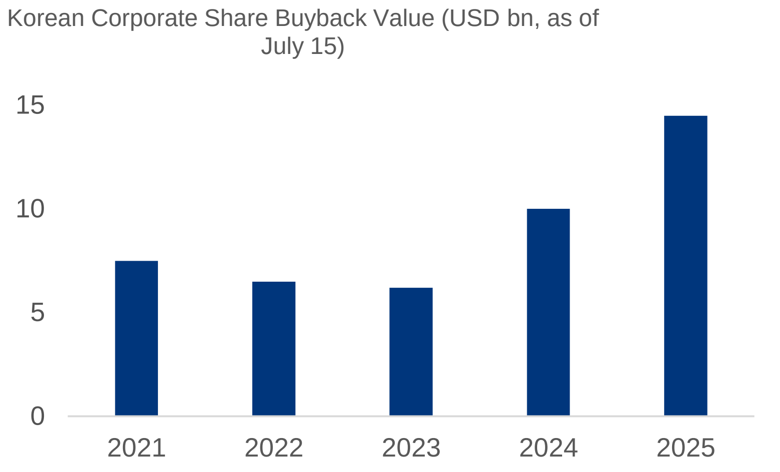
U.S.–Korea Tariff Agreement and Lower Political Risk Support Corporate Reform and Defense Themes

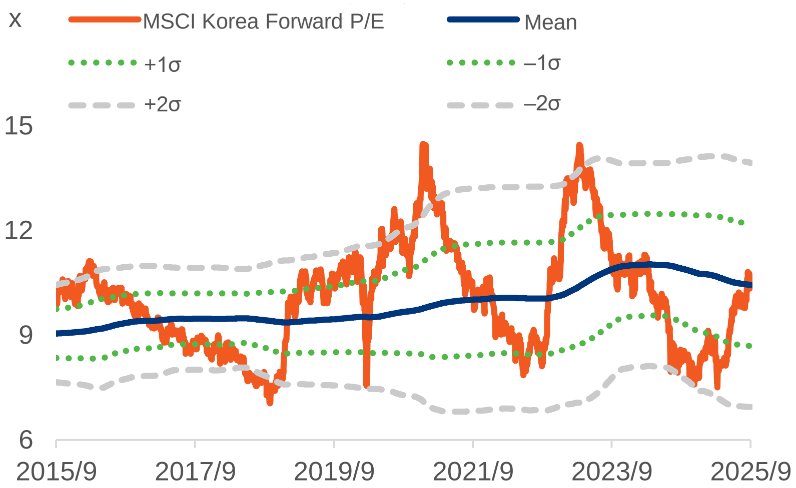
- Foreign investors estimate that new memory chip capacity will take four to six quarters to catch up with demand, keeping supply tight and prompting clients to continue early inventory buildup, sustaining price momentum. Beyond the semiconductor "supercycle," Korea's new president, Lee Jae-myung, has enacted a corporate governance reform bill requiring directors to act in shareholders' best interests, limiting major shareholders' voting rights in appointing audit committee members, mandating hybrid virtual shareholder meetings for large listed firms, and increasing the share of independent directors on boards.
- Since 2022, Korean companies have steadily raised dividend payouts and expanded share buybacks. According to FactSet, total buybacks by 1H25 have already surpassed those of 2024, driving continued foreign inflows into Korean equities.
- Global arms trade data show weapons sales reached USD 111.6bn last year—the highest since the Cold War—with Korea's exports totaling USD 5.691bn, giving it a 5.1% global market share and ranking fourth worldwide. The defense sector has benefited accordingly. Rising dividend yields, together with expectations of higher lending margins after the Bank of Korea's rate cuts, have also boosted financial stocks—all supporting continued strength in Korean equities.

Source: Bloomberg

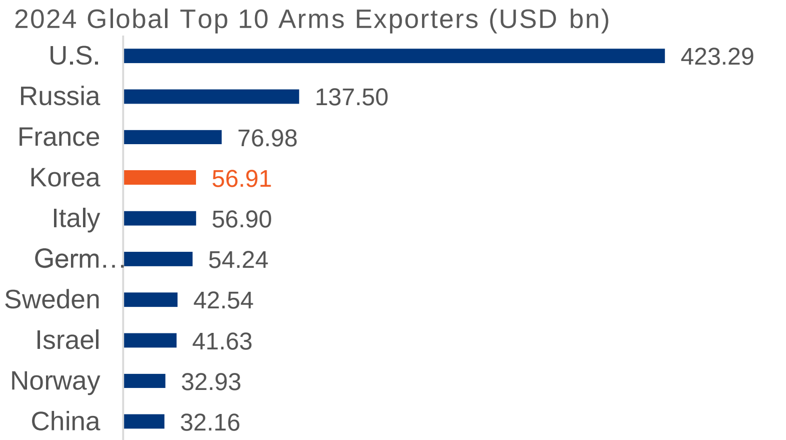
Korean Corporates' 1H25 Share Buybacks Have Already Surpassed Last Year



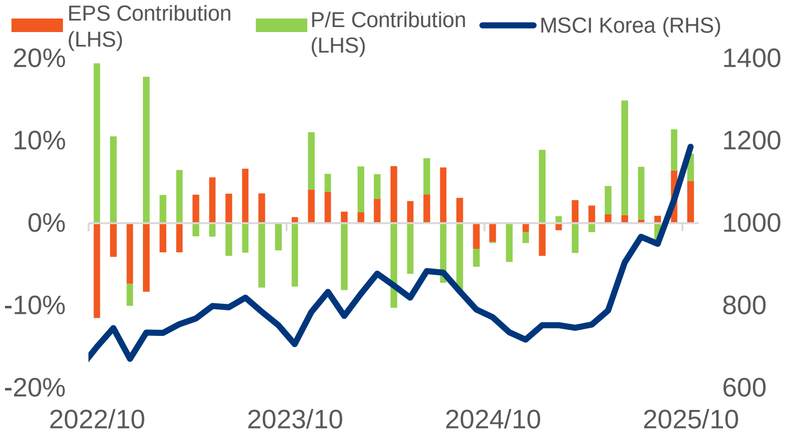
Korean Market Valuations Near 5-Year Average, Still Relatively Cheap



Korea Ranked Fourth Globally in 2024 Arms Exports



Earnings Upgrades Drove Korean Stock Gains



Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ U.S.–China trade policies remain inconsistent, with relations stuck in a stalemate. Prolonged budget gridlock between Democrats and Republicans has extended the U.S. government shutdown, while economic data continue to lack clarity. As earnings season peaks, rising tariff-related costs may weigh on profit margins and guidance, adding pressure to equity volatility at elevated levels. We recommend maintaining balanced sector allocation and liquidity flexibility to navigate market swings. At this stage, investors may increase exposure to high-quality stocks, while long-term investors should continue to monitor AI and tech themes for phased accumulation on pullbacks. ◆ European equities trade at lower valuations than U.S. peers, with U.K. and German markets favored given their smaller exposure to trade frictions. The confirmation of Sanae Takaichi as Japan's next prime minister supports Japanese equities, while improving wage trends also favor increased allocations to Japan for portfolio diversification.	**Strategy**High-quality equities for volatility resilience; accumulate AI and tech stocks on dips **Regions**: European equities, U.K. equities, Japanese domestic-demand and bank stocks
Bonds	◆ With economic momentum slowing and the labor market cooling, the yield curve has steepened. Investors should focus on locking in yields through U.S. Treasuries and investment-grade bonds. Within IG bonds, A-rated or higher blue-chip issuers are preferred, with sectors offering stronger risk-adjusted spreads including financials, utilities, and industrials. ◆ The U.S. dollar remains weak, suggesting diversification into non-USD investment-grade bonds—such as euro- and Singapore dollar-denominated issues—may help mitigate currency risk.	**Duration:** Short- to mid-term Treasuries and high-grade bonds for yield capture **Sector:** Financials, industrials, and utilities for stable income
Forex	◆ Market uncertainty remains elevated, while expectations for two Fed rate cuts before year-end are pressuring the U.S. dollar, which is likely to stay weak over the medium term. ◆ The yen may remain volatile in the short term following Sanae Takaichi's election but is expected to appreciate gradually over time, reflecting economic recovery and rate normalization. The euro and pound are also likely to trend moderately higher amid continued fluctuations.	**USD:** Weak, consolidating **EUR, JPY, GBP:** Gradual upside with swings
Commodity	◆ The U.S. dollar is expected to weaken over the medium to long term as rate cuts lower yields. Persistent inflation risks, rising fiscal deficits, and continued central bank and institutional gold purchases all support a favorable long-term outlook for gold. Short-term pullbacks offer buying opportunities on dips.	**Gold**: Medium- to long-term bullish

Product Spotlight **HK Equities**

From Need to Aspiration

Shift in Household Spending Patterns

Data show that household spending is increasingly tilted toward cultural entertainment, discretionary goods, and services. Growth in these categories has outpaced total spending, becoming a key driver of overall consumption.

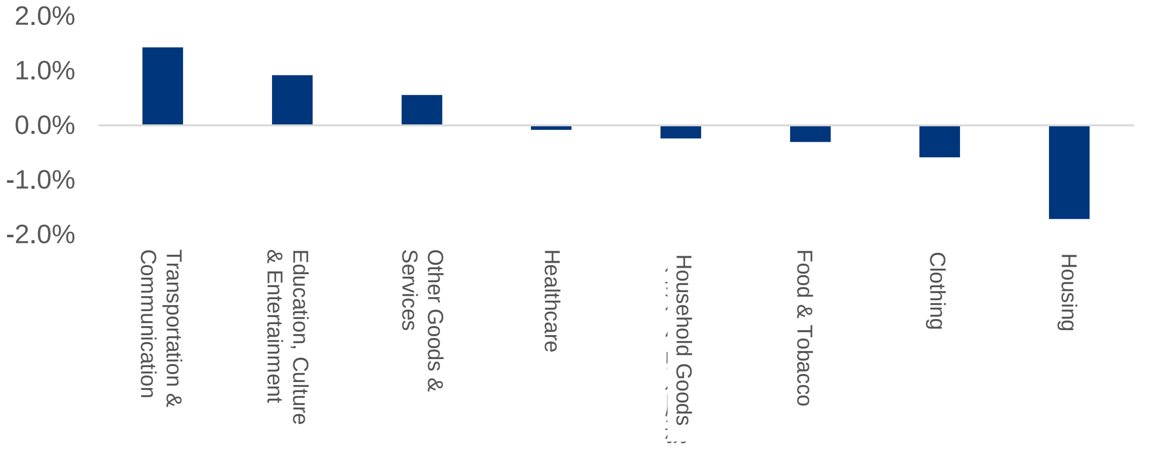
From Need to Aspiration

China’s consumer market is undergoing structural upgrading, with value perception shifting from “meeting needs” to “pursuing quality and experience.” As per capita disposable income rises steadily, purchasing decisions are evolving beyond a simple “function–price” comparison toward a multidimensional assessment of “comprehensive value premium.” Demand for high–value-added and non-essential goods has shown strong resilience. Consumers are more willing to pay for superior user experience, professional-grade service, and deeper psychological satisfaction—driving rapid expansion in premium and niche markets.

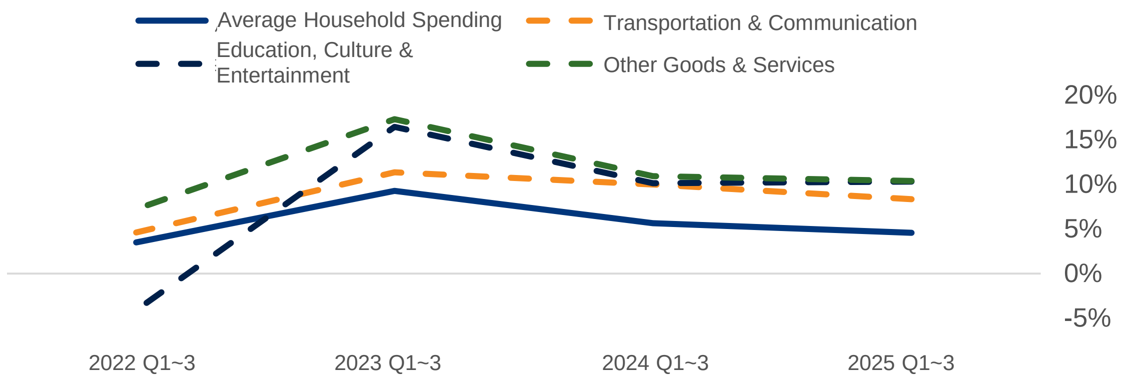
Expansion of Domestic Brands

The rise of “Guochao” (China-chic) brands marks a clear structural trend. In key consumption sectors such as smart devices, sportswear, automobiles, and high-end cosmetics, leading domestic brands are steadily gaining market share. Behind this rise lies long-term investment in R&D and supply chain capability, enabling Chinese firms to compete directly with global brands. Moreover, domestic players are successfully moving into mid-to-high-end price segments, with tangible improvements in pricing power and profitability—signaling a shift from price competition to value competition.

Change in Household Spending Composition (3Q2021 vs. 3Q2025)



Growth by Spending Category (YoY %)



Source: Bloomberg

KGI

Pop Mart (9992 HK)

Closing Price HK $232.40 **Target Price** HK $350

Primarily engaged in the design, development, and sales of trendy collectible toys in China and select overseas markets.

Market Concerns Overdone; Black Friday Likely a Share Price Catalyst

The stock has corrected nearly 30% from its recent peak, mainly due to market worries over the decline in secondary prices of the LABUBU series under The Monster line. We believe such concerns are exaggerated. The drop in resale prices reflects a healthy adjustment driven by the company's active restocking to meet genuine demand, effectively squeezing out speculators. Meanwhile, primary sales GMV remains robust — despite a tenfold capacity increase, LABUBU products continue to sell out rapidly, indicating that speculative GMV is being replaced by real consumer demand. With the traditional shopping season approaching (Black Friday), overseas sales growth is expected to act as a key price catalyst.

Diversified IP Portfolio with Solid Growth

While some investors worry about revenue concentration, data show The Monster series contributes around 35% of total revenue, with seven other core IPs each accounting for about 10%. Importantly, these IPs demonstrate growth momentum comparable to The Monster, suggesting that Pop Mart has built a well-diversified and balanced IP matrix, effectively reducing concentration risk and reliance on a single franchise.

Reiterate Buy Rating and Target Price

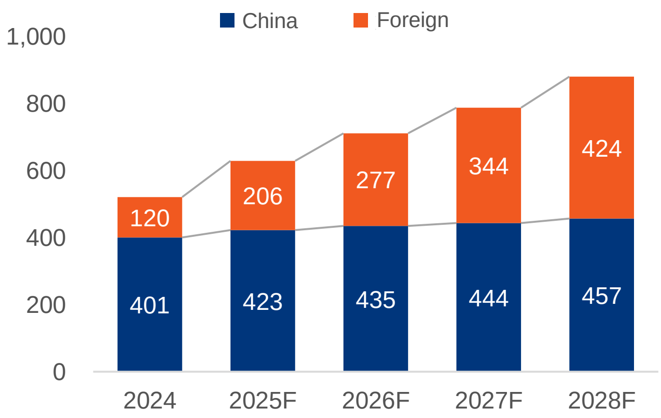
We view the recent pullback as an attractive entry opportunity, and continue to see Pop Mart as the top pick in China's IP economy. The stock is trading at 17x forward P/E, well below its growth potential. We reiterate our target price of HKD 350, implying 27x forward P/E, based on projected EPS CAGR of 34% from 2025 to 2027.

Financials

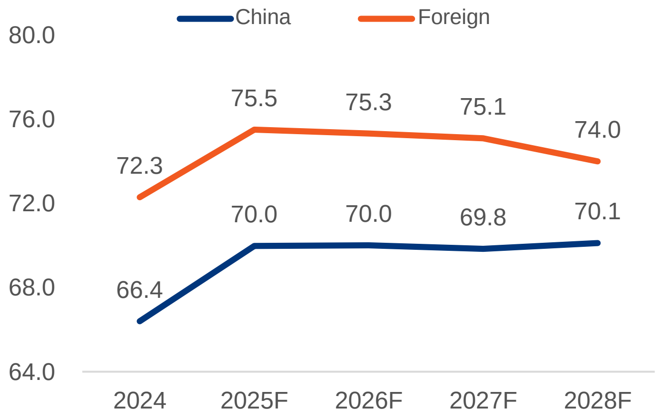
	2022	2023	2024	2025F	2026F
Revenue (CNY Billion)	4.6	6.3	13.0	35.9	48.6
Revenue YoY	2.8	36.5	106.9	175.0	35.7
EPS (CNY)	0.4	0.9	2.6	9.0	12.3
EPS YoY	-32.3	111.9	188.8	248.2	37.4
ROE(%)	5.6	11.7	25.2	52.1	45.2

PEG

Est. Branch Numbers



Market Segment Revenue



Source: Bloomberg

MGP (1318 HK)

Closing Price	HK $95.50	Target Price	HK $125

Primarily engaged in the R&D, production, and sales of beauty products, along with makeup artistry training and experiential, personalized customer services.

Leading Chinese High-End Beauty Brand Focused on Service Quality

Among China's high-end beauty groups by retail sales, MGP stands out as the only Chinese brand on the list. The company operates through a self-managed, direct-sales model, allocating more beauty consultants per counter than peers—many trained by its in-house makeup academy—enhancing experiential retail potential. Under this strategy, membership has continued to expand, repurchase rates have risen for four consecutive years, and same-store sales have recorded consistent double-digit growth, demonstrating the effectiveness of its approach.

Domestic Expansion and Overseas Opportunities

MGP initially planned to open about 30 new domestic counters annually but already added 27 in 1H, suggesting faster-than-expected expansion ahead. Internationally, the company plans to enter Singapore, Japan, France, and the U.K. as part of its global rollout.

Profitability Outperforms Global Peers

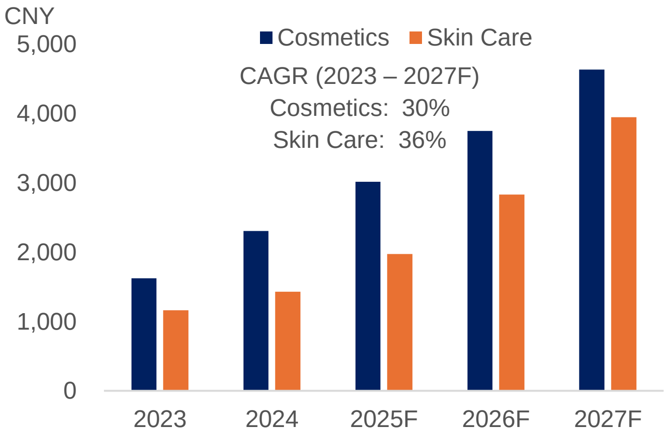
With faster-than-expected store expansion, strong sales momentum, and rising market share, MGP's valuation is poised for re-rating. We assign a target price of HKD 125, implying 36x 2026E P/E, based on projected 2025–2027 EPS CAGR of 28%.

Financials

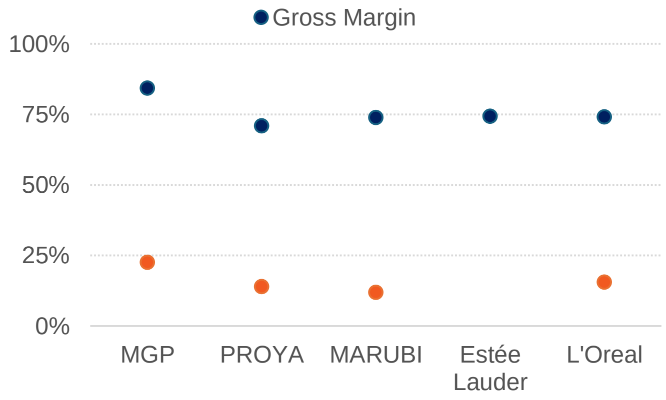
	2022	2023	2024	2025F	2026F
Revenue (CNY Billion)	1.8	2.9	3.9	5.2	6.7
Revenue YoY	16	58	35	33	29
EPS (CNY)	3.5	6.2	9.1	12.0	15.5
EPS YoY	6	77	46	32	29
ROE(%)	36.8	49.4	34.9	27.8	28.5

Estimated P/B

Revenue %



Peer Profitability (%)

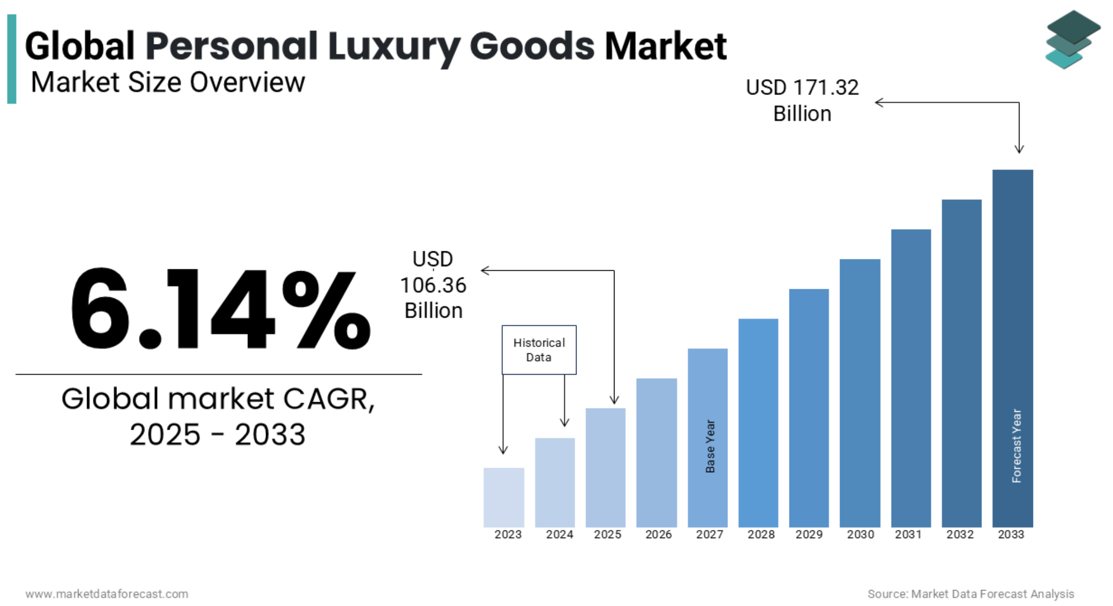


Source: Bloomberg

US Equities Luxury Market Shows Medium- to Long-Term Resilience

- U.S. existing home sales rose 1.5% MoM in September to 4.06 million units, slightly above August's 4.0 million and in line with market expectations.
- Core CPI rose 0.2% MoM in September, down from 0.3% in August and marginally below the expected 0.3%. On a YoY basis, core CPI increased 3.0%, easing from 3.1% and below consensus of 3.1%.
- The final reading of the University of Michigan Consumer Sentiment Index for October was revised down to 53.6 from 55, below expectations of 54.5.
- The global luxury goods market remains structurally resilient, valued around USD 464bn with an expected CAGR of 4–5%. Growth will be driven primarily by Asia-Pacific, particularly India and Southeast Asia, while Europe and North America remain mature markets. The rise of younger consumers is shifting brands toward experiential luxury, sustainability, and digitalization, such as premium travel, lifestyle, and personalized online services. Overall, the luxury sector in 2025 is expected to transition from "volume expansion" to "value and experience enhancement," emphasizing brand exclusivity and emotional engagement to sustain long-term growth.

Global Personal Luxury Market Growth 2025–2033



Source: Bloomberg

Estée Lauder (EL US)

Closing Price	US $102.16	Target Price	US $110

Engages globally in the manufacturing, marketing, and sale of skincare, makeup, fragrance, and haircare products.

"Beauty Reimagined" Strategy Showing Early Results

In the post-pandemic period, rising inflation has curbed global consumer spending, weighing on luxury (Veblen) goods sales. In response, Estée Lauder launched its "Beauty Reimagined" strategy, focusing on a leaner, faster, and more agile operating model; expanding consumer reach and accelerating innovation; and increasing investment in customer-facing initiatives. After three years of sluggish performance, results have started to recover, demonstrating the strategy's effectiveness and improving consumer confidence in premium beauty.

Mainland China Market Stabilizing

In mainland China, sales declined by mid-single digits in 1H FY2025 but rebounded to mid-single-digit growth in 2H, gaining market share. Travel retail also shows signs of recovery, with reports indicating renewed growth in Hainan and healthier inventory levels.

FY2025 Results Weakened but Recovery Expected Next Year

For FY2025 (ending June), net sales fell 8% YoY to USD 14.33bn. Non-GAAP organic net sales also declined 8% YoY to USD 14.35bn. Diluted GAAP EPS recorded a loss of USD 3.15, compared with a profit of USD 1.08 in FY2024. For FY2026, management guides GAAP EPS of USD 1.63–1.87, and adjusted constant-currency Non-GAAP EPS of USD 1.87–2.07.

Valuation Consensus

Bloomberg's 12-month consensus target price is USD 97.22, with a high estimate of USD 120 and a low of USD 61.

Source: Bloomberg

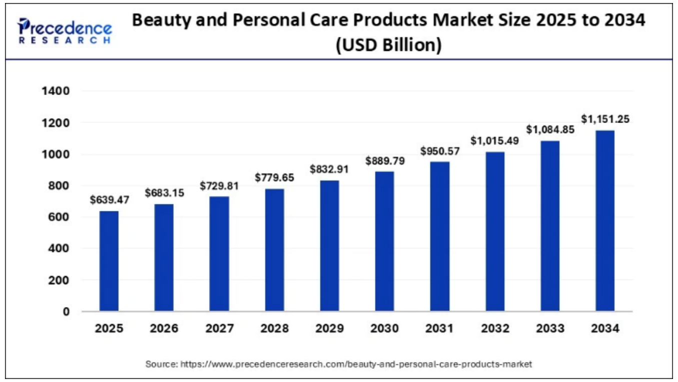
1-Year Price

Financials

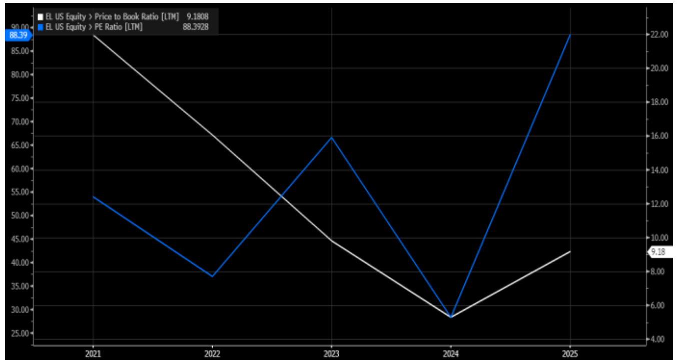
	2023	2024	2025	2026F	2027F
Revenue Growth(%)	-10.3	-1.9	-8.2	3.3	4.1
EBITDA(%)	18.9	18.4	17.3	15.4	17.1
EPS (USD)	3.46	2.59	1.12	2.05	2.92
Net Profit Margin(%)	-52.2	-25.1	-56.9	84.0	42.1

Source: Bloomberg; 2026/27F are market estimates

Cosmetics Market Size 2025-2034



P/E & P/B



KGI

LVMH (MC FP)

Closing Price EU €612.5	Target Price EU €680

LVMH Moët Hennessy–Louis Vuitton SE and its subsidiaries operate as a global luxury goods group.

The King of Fashion Remains Unshaken

LVMH owns more than 75 prestigious brands, including Louis Vuitton, Dior, Tiffany & Co., Hennessy, and Moët & Chandon. The strong brand equity and desirability of its portfolio enable the company to raise prices without materially impacting demand, helping protect margins amid inflationary pressure. Despite recent macro headwinds weighing on luxury spending, the group continues to thrive through economic cycles.

Shifts in the China Market

Facing challenges from slowing GDP growth and deflation concerns, luxury brands in China are adopting experiential strategies—for example, Louis Vuitton's concept stores now target affluent tourists and regional entrepreneurs. Despite macro uncertainty, demand for high-end products remains resilient, supported by unexpectedly strong growth from lower-tier cities. This shift reflects deep structural and generational change, as younger consumers in emerging regions are increasingly exposed to luxury through Chinese channels. The consumption slowdown appears psychological rather than structural, with consumer wealth largely intact.

3Q FY2025 Results Show YoY Improvement

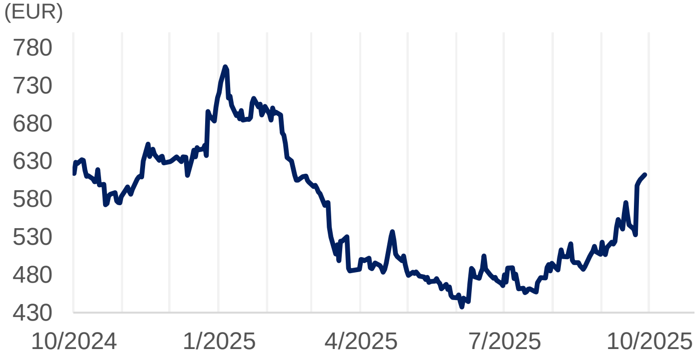
Total revenue reached EUR 18.28bn, with core business growth of 1% YoY—marking a return to positive growth after declines in 1H25. Mainland China posted positive sales growth in 3Q, serving as a key driver of renewed optimism. Travel retail spending by Chinese tourists also improved. Demand in Europe and the U.S. remained stable, supported by steady local consumption, while Japan saw softer sales due to a high comparison base from last year's yen-driven tourist

Valuation Consensus

Bloomberg's 12-month consensus target price stands at EUR 601.9, with a high estimate of EUR 700 and a low of EUR 434.67.

Source: Bloomberg

1-Year Price

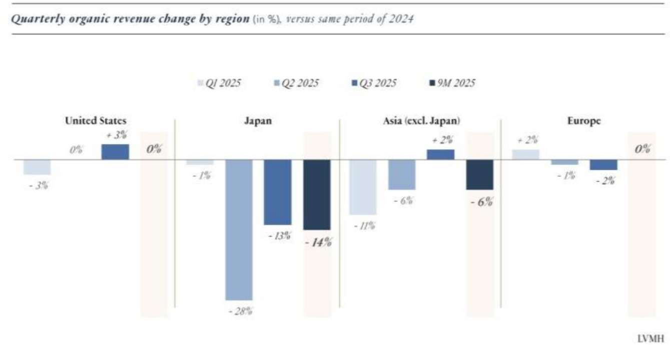


Financials

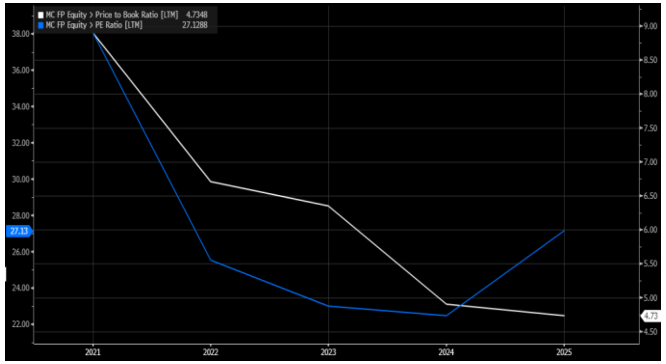
	2022	2023	2024	2025F	2026F
Revenue Growth(%)	23.3	8.8	-1.7	-4.6	3.1
EBITDA(%)	34.4	34.8	32.3	29.7	30.6
EPS (EUR)	28.11	30.65	26.12	21.57	24.11
Net Profit Margin(%)	17.69	9.05	-14.79	-17.41	11.75

Source: Bloomberg; 2025/26F are market estimates

Quarterly Organic Revenue Growth



P/E & P/B



TW Equities Market Consolidates at Record Highs; Strong AI Demand Drives Order Growth

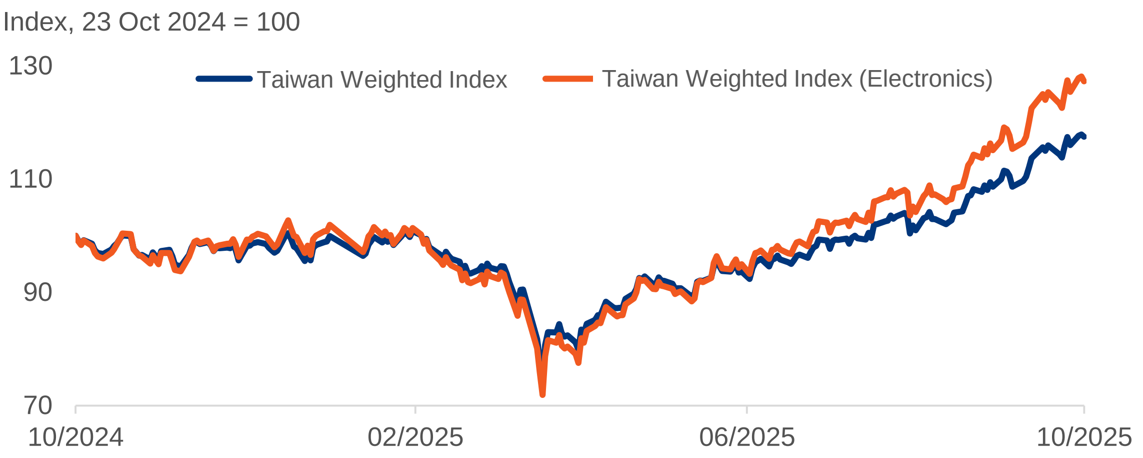
Taiwan Stocks Hit New Record, Index Consolidates Above Short-Term Support

After reaching a new high last week, the TAIEX entered a mild consolidation phase with lower turnover. Since September, the 10-day moving average has consistently held during pullbacks, keeping the broader uptrend intact as long as it remains supported. On the sector front, large-cap electronics saw some profit-taking, with focus shifting to connectors, BBU, and memory-related names. Non-tech sectors saw brief rebounds midweek, mainly rotational in nature, with select names in Formosa Plastics, apparel, and shipping worth watching. In addition, with the outbreak of African swine fever in Taiwan, animal pharmaceuticals, testing, cleaning, and poultry substitutes may attract short-term thematic interest.

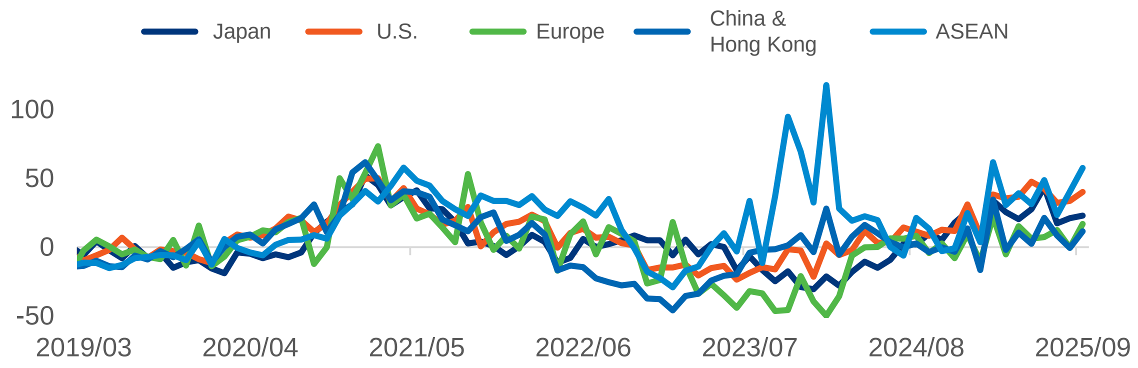
Robust AI Demand Boosting Export Orders from the U.S., ASEAN, and Japan

Export orders showed strong momentum in September, reaching USD 70.22bn—up 17.0% MoM and 30.5% YoY, far exceeding our 14% forecast. Orders from the U.S. surged 40.2% YoY, led by a USD 4.05bn (or 53.1%) increase in electronics. Orders from ASEAN and Japan also jumped 57.5% and 22.8%, respectively. The stronger-than-expected performance was mainly driven by surging AI-related demand, propelling overall order growth. Although the strength varies across sectors, the trend is expected to persist as Western markets enter the year-end sales season in 4Q. We forecast October export orders to rise 25% YoY, with information, communications, and electronics sectors—particularly computers and peripherals, communications networks, electronic components, semiconductors, optoelectronics, and other electronics—likely to benefit.

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



September Export Orders



Source: Bloomberg

Nan Ya PCB (8046 TT)

Nan Ya Printed Circuit Board Corp. manufactures and sells printed circuit boards (PCBs) and integrated circuit (IC) substrates. Its products include high-density interconnect (HDI) boards and multilayer boards, serving customers across the U.S., Asia, Europe, and other regions.

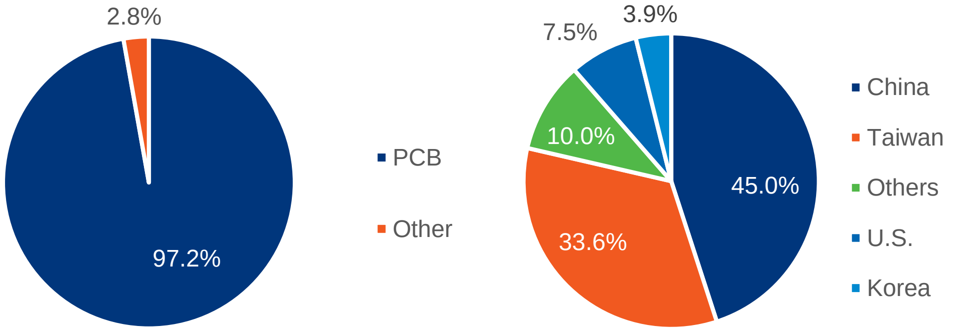
ABF Price Hike Pulls Ahead, Replacing BT Momentum into 4Q25

T-glass BT substrate prices rose 10–25% for select products in 3Q25 and are expected to climb another 10% in October. Price momentum should ease after 1H26 as alternative suppliers ramp up. ABF substrates, initially expected to see tight supply and price hikes in 2H26 amid strong demand from high-end AI applications, have started to firm earlier due to a shortage of base materials. Low-end ABF prices edged up in August, with a further 5% hike likely in October. The upcycle is now expected to begin in 4Q25—two quarters earlier than projected—with sequential price increases of over 2% per quarter starting 1Q26.

3Q25 Revenue In Line; Slight Sequential Growth Expected in 4Q25

3Q25 revenue reached NT$10.97bn, up 14.4% QoQ and 19.3% YoY, in line with our estimate. For 4Q25, shipment growth of 800G switches is expected to continue, driving a mild sequential increase in quarterly revenue.

Revenue Sources and Regions



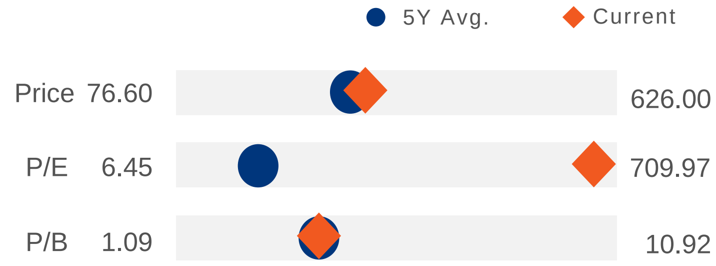
Source: Bloomberg

Financials

	2023	2024	2025F	2026F	2027F
EPS (NTD)	9.00	0.32	2.71	11.79	18.16
EPS Growth (%)	-70.0	-96.5	760.1	334.7	54.1
P/E Ratio	28.4	812.0	94.4	21.7	14.1
ROE (%)	11.4	0.4	3.9	15.8	21.9

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price

As of 22 Oct 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-2.13	16.99	69.02	225.65	111.11	96.09

TSMC (2330 TT)

Engages in the manufacturing and sales of integrated circuits, providing wafer fabrication and mask production as well as design, testing, and packaging services. Its products are widely used in computing, communications, consumer electronics, and industrial applications.

Key Features

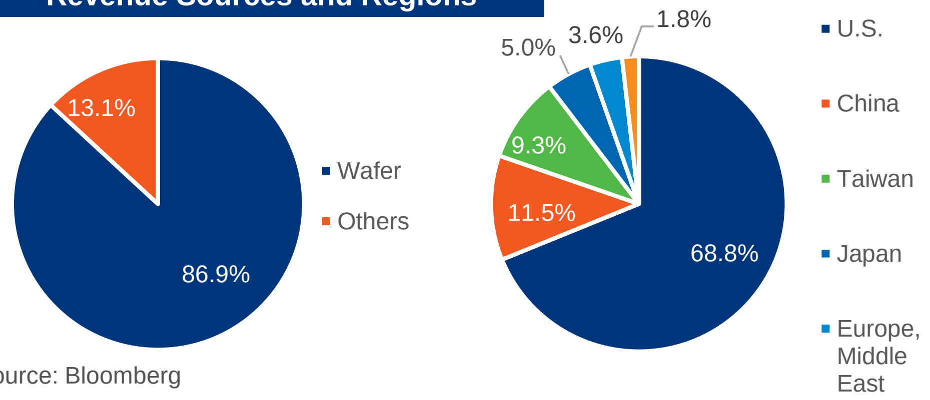
3Q25 Margin Beat Was the Key Surprise

3Q25 revenue reached NT$989.9bn, up 6.0% QoQ and 30.3% YoY, exceeding company guidance, driven by strong N3/N4/N5 demand and favorable currency effects. Gross margin came in at 59.5%, above our 58.0% estimate and the upper end of company guidance, supported by exceptional cost control, higher utilization rates, and FX tailwinds.

Guidance in Line on Revenue, Margin Outlook Better Than Expected

AI glasses and other new products are under joint development with clients, but 2026 lens upgrades will mainly come from variable aperture designs. Largan handles only lens delivery, so supply risk is limited, though early mass production yields warrant monitoring. We revise revenue forecasts to NT$60.8B for 2025 and NT$62.7B for 2026, with EPS estimates of NT$158 and NT$186, respectively.

Revenue Sources and Regions



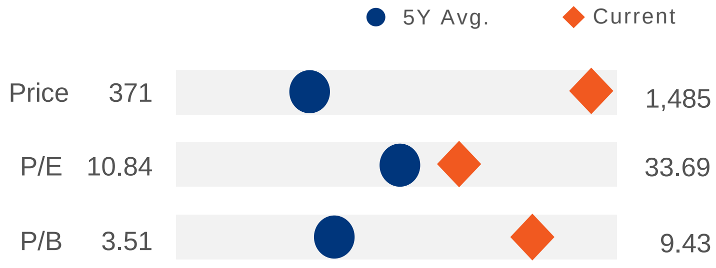
Source: Bloomberg

Financials

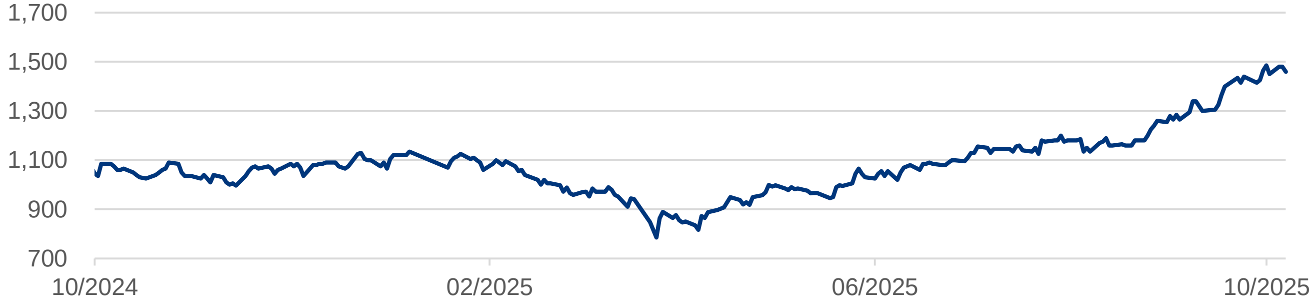
	2023	2024	2025F	2026F	2027F
EPS (NTD)	32.34	45.25	64.58	76.89	95.53
EPS Growth (%)	-17.5	39.9	42.7	19.1	24.2
P/E Ratio	45.9	32.8	23.0	19.3	15.5
ROE (%)	26.2	30.3	35.3	33.6	32.4

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 22 Oct 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-0.34	12.74	29.20	78.92	35.81	-10.56

KGI

Mutual Funds/ ETFs

DRAM Shortage and AI Supply Chain Strength Keep Korean Stocks Firm

► iShares MSCI South Korea ETF (EWY)

- Seeks to track the performance of the MSCI Korea 25/50 Index.
- The fund is primarily focused on large- and mid-cap South Korean companies, with major holdings in leading corporates such as Samsung Electronics and SK Hynix.

► Franklin FTSE South Korea ETF (FLKR)

- Seeks to track the performance of the FTSE South Korea Capped Index.
- Offers broad diversification across large-, mid-, and small-cap companies with no market-cap restrictions.
- Features a low expense ratio of just 0.09%.

Product	iShares MSCI South Korea ETF (EWY.US)	Franklin FTSE South Korea ETF (FLKR.US)
Features	■ The fund is primarily focused on large- and mid-cap South Korean companies, with major holdings in leading corporates such as Samsung Electronics and SK Hynix.	■ Offers broad diversification across large-, mid-, and small-cap companies with no market-cap restrictions.
AUM	USD 6.38 bn	USD 227 mn
Tracking Index	MSCI Korea 25/50 Index	FTSE South Korea Capped Index
Currency	USD	USD
Exchange	NYSE	NYSE
Holdings	82	153
Expense Ratio	0.59%	0.09%
3M/YTD Return	21.61% / 74.18%	19.43% / 70.73%
Sectors (%)	Info Tech 43.67 Industrials 19.96 Financials 12.05 Discretionary 7.09 Healthcare 5.11	Info Tech 41.71 Industrials 21.15 Financials 12.31 Discretionary 7.15 Healthcare 5.16
Top 5 Holdings (%)	Samsung Electronics 24.11 SK Hynix 15.87 KB Financial Group 2.69 Doosan Enerbility 2.26 NAVER Corp. 2.24	Samsung Electronics 19.59 SK Hynix 15.82 Samsung Electronics – Pref. 2.71 KB Financial Group 2.54 NAVER Corp. 2.32

Source: Bloomberg

iShares MSCI South Korea ETF (EWY)

Profile

The ETF tracks the MSCI Korea 25/50 Index, aiming to replicate its constituents and deliver corresponding investment performance.

Focus on Korean Equities

The index covers large- and mid-cap South Korean companies, representing about 85% of the country's free-float-adjusted market capitalization. No single constituent exceeds 25% of total weight, and the combined weight of all holdings above 5% is capped at 50%.

High Exposure to Technology

The ETF maintains significant exposure to the technology sector, which accounts for roughly 40% of its portfolio. Key holdings include leading companies such as Samsung Electronics and SK Hynix, positioned to benefit from strong global demand for semiconductors, memory, and electronics. The top 10 holdings represent around 56% of total assets.

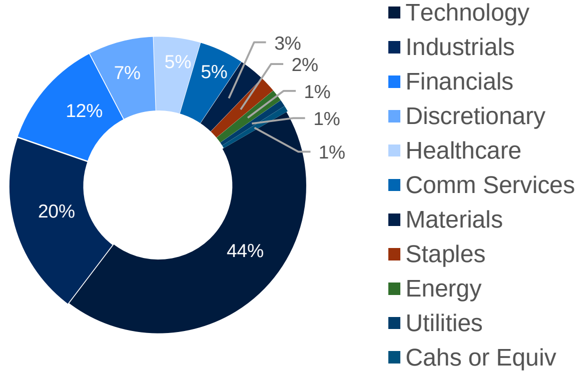
Largest and Most Liquid Korea-Focused ETF

As the largest ETF dedicated to the South Korean market, EWY manages over USD 6.3bn in assets and has been established for more than 25 years, offering high liquidity and strong market credibility.

Inception Date	2000/5/9	**AUM**	USD 6.381 bn
ETF Category	Equities	**Holdings**	82
Expense Ratio	0.59%	**3Y Stand. Dev. (Ann.)**	25.86%

Source: Bloomberg

Sectors

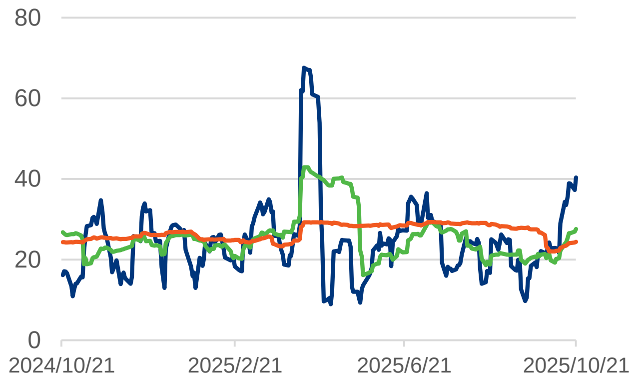


Top-5 Holdings (%)

Samsung Electronics	24.11
SK Hynix	15.87
KB Financial Group	2.69
Doosan Enerbility	2.26
NAVER Corp.	2.24

1Y Price

1Y Volatility



As of 21 Oct 2025	**1M**	**3M**	**YTD**	**1Y**	**3Y**	**5Y**
Cumulative Return(%)	8.68	21.61	74.18	49.13	87.28	44.08

KGI

Franklin FTSE South Korea ETF (FLKR)

Profile

The ETF tracks the FTSE South Korea Capped Index, aiming to replicate its constituents and achieve performance corresponding to the index.

Quarterly-Capped Index Methodology

The index includes large-, mid-, and small-cap South Korean companies, applying quarterly weight caps to reduce concentration risk from major conglomerates. No single holding may exceed 20% of the index, and the combined weight of all holdings above 4.5% cannot exceed 48%.

High Growth Potential

South Korea's equity market offers strong growth potential, driven by semiconductor exports as a key growth engine and a shipbuilding industry second only to China. Financial and consumer sectors also play significant roles. The portfolio holds around 153 stocks, including Samsung Electronics, SK Hynix, and KB Financial Group. The top 10 holdings represent about 49% of total assets.

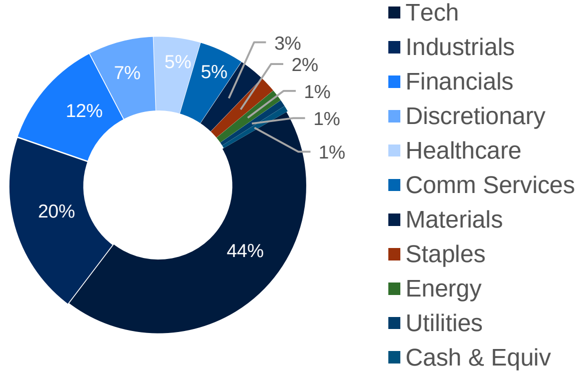
Low Expense Ratio

The ETF features a low expense ratio of 0.09%, lower than peers, helping investors reduce long-term costs and enhance net returns.

Inception Date	2017/11/2	**AUM**	USD 227 M
ETF Category	Equities	**Holdings**	153
Expense Ratio	0.09%	**3Y Stand. Dev. (Ann.)**	25.57%

Source: Bloomberg

Sectors

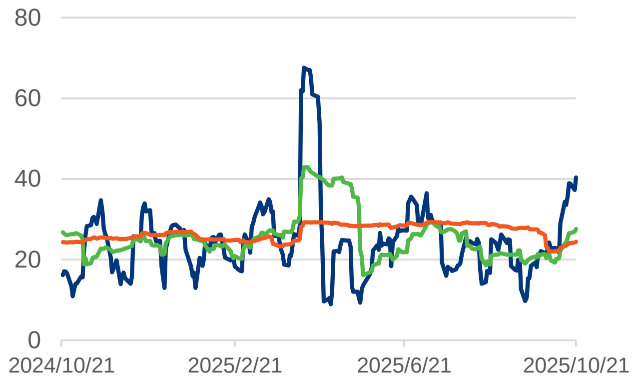


Top-5 Holdings (%)

Samsung Electronics	19.59
SK Hynix	15.82
Samsung Electronics – Pref.	2.71
KB Financial Group	2.54
NAVER Corp.	2.32

1Y NAV

1Y Volatility



As of 21 Oct 2025	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	7.70	19.43	70.73	48.04	87.41	43.54

Bonds | Focus on Mid-Term, Defensive Corporate Bonds for Balanced Yield and Upside Potential

▶ TMUS 4.625 01/15/33 (T-Mobile US Inc.) (USD)

- T-Mobile is the second-largest wireless communications provider in the U.S., with about 130.9 million customers, including 79.5 million high-margin postpaid subscribers. The company is 51.8% owned by Deutsche Telekom. In 2024, T-Mobile generated roughly USD 81.4bn in revenue, of which about 81% came from service income.
- Since acquiring Sprint Corp. in 2020, T-Mobile has strengthened its market position, expanding its presence in rural and enterprise segments and driving growth in postpaid users. Service revenue rose 4.6% in 2024 and is expected to grow 5% this year and 4.5% next year, supported by market share gains in the postpaid segment.
- The company also benefits from its strong mid-band spectrum advantage—mainly used in smart city and industrial applications—offering significantly faster data transmission than peers. This, combined with strong brand recognition and a competitive pricing strategy, forms the key differentiator in its 5G offering.
- S&P assigned a positive outlook to T-Mobile in May 2025, reflecting improved fundamentals and strengthened market positioning.

Product	TMUS 4.625 01/15/33 (T-Mobile US Inc.) (USD)
ISIN	US87264ADW27
Features	Since acquiring Sprint Corp. in 2020, T-Mobile has strengthened its market position, expanding its presence in rural and enterprise segments and driving growth in postpaid users
Maturity Date	2033/1/15
Next Call Date	2032/11/15
Coupon (%)	Fixed/4.625/Semi-annual
Currency	USD
Years to Maturity	7.23
Credit Rating (Moody's/Fitch/S&P)	Baa1/BBB+/BBB
Seniority	Senior Unsecured
YTM/YTC (%)	4.52/4.51

Source: Bloomberg

TMUS 4.625 01/15/33 (T-Mobile US Inc.) (USD)

T-Mobile is the second-largest wireless communications provider in the U.S., with approximately 130.9 million customers, including 79.5 million high-margin postpaid subscribers. The company is 51.8% owned by Deutsche Telekom. In 2024, T-Mobile generated about USD 81.4bn in revenue, of which roughly 81% came from service income.

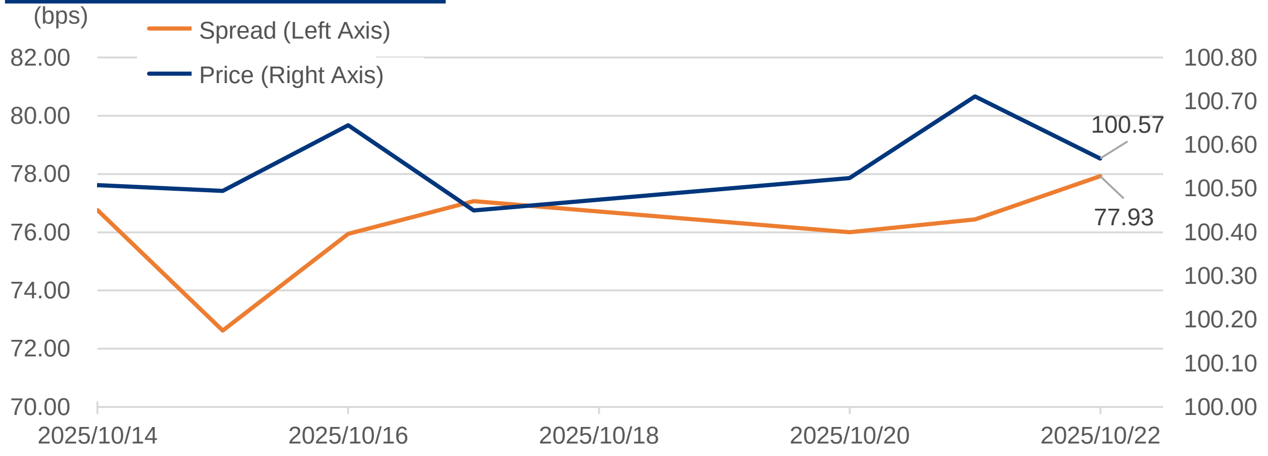
- Since acquiring Sprint Corp. in 2020, T-Mobile has strengthened its market position, expanded penetration in rural and enterprise markets, and continued to grow its postpaid user base. Service revenue outpaced peers, rising 4.6% in 2024, with management expecting growth of 5% in 2025 and 4.5% in 2026, driven by further market share gains in the postpaid segment.
- The company also benefits from its strong mid-band spectrum advantage—mainly used for smart city and industrial applications—offering data transmission speeds far exceeding competitors. This is a key differentiator in its 5G marketing strategy, reinforced by strong brand recognition and a competitive pricing approach.
- S&P assigned a positive outlook to T-Mobile in May 2025, reflecting improved fundamentals and a stronger market position.

Financials	2022	2023	2024
Free Cash Flow (USD 100M)	76.47	135.74	170.32
EBITDA Margin(%)	33.56	40.82	43.88
Interest Coverage Ratio	1.95	4.28	5.28

Overview

Name	TMUS 4.625 01/15/33	**ISIN**	US87264ADW27
Maturity Date	2033/01/15	**Remaining Maturity**	7.23
Coupon(%)	Fixed/4.625/Semi-annual	**YTM/YTC(%)**	4.52/4.51
Currency	USD	**Min. Subscription/ Increment**	2,000/1,000
Ratings (Moody's/Fitch/S&P)	Baa1/BBB+/BBB	**Seniority**	Senior Unsecured

Price (New Issued Bond)



Source: Bloomberg

Appendix Key Economic Data / Events

OCT 2025

20 Monday
- China 3Q GDP YoY (Act:4.8% Est:4.7% Prev:5.2%)
- China Sep Retail Sales YoY (Act:3.0% Est:3.0% Prev:3.4%)
- China Sep Industrial Output YoY (Act:6.5% Est:5.0% Prev:5.2%)

21 Tuesday
- Japan Sep Machine Tool Orders YoY (Final) (Act:11.0% Prev:8.5%)
- Taiwan Sep Export Orders YoY (Act:30.5% Est:18.7% Prev:19.5%)

22 Wednesday
- Japan Sep Exports YoY (Act:4.2% Est:4.4% Prev:-0.1%)

23 Thursday
- U.S. Initial Jobless Claims (Weekly) (Act:- Est:225k Prev:-)
- U.S. Sep Existing Home Sales (Act:4.06 Est:4.06m Prev:4.00m)
- Eurozone Oct Consumer Confidence (Prel.) (Act:-14.2 Est:-15.0 Prev:-14.9)

24 Friday
- U.S. Sep CPI YoY (Est:3.1% Prev:2.9%)
- U.S. Sep Core CPI YoY (Est:3.1% Prev:3.1%)
- U.S. Oct S&P Global Mfg PMI (Prel.) (Est:51.9 Prev:52.0)
- U.S. Oct Michigan Consumer Sentiment (Final) (Est:54.6 Prev:55.1)
- Japan Sep Nationwide CPI YoY (Act:2.9% Est:2.9% Prev:2.7%)

27 Monday
- U.S. Sep Durable Goods Orders MoM (Prel.) (Est:-0.1% Prev:2.9%)
- Taiwan Sep Unemployment Rate (Est:3.4% Prev:3.35%)

28 Tuesday
- U.S. Oct Conference Board Consumer Confidence (Est:93.8 Prev:94.2)
- Earnings: UNH, NEE

29 Wednesday
- Earnings: BKNG, V, ADP, BA, CAT, VZ

30 Thursday
- U.S. Initial Jobless Claims (Weekly) (Prev:-)
- U.S. Oct Fed Funds Rate (Est:4.00% Prev:4.25%)
- Eurozone Oct ECB Main Refinancing Rate (Prev:2.15%)
- Japan Oct BoJ Uncollateralized Overnight Call Rate (Prev:0.5%)
- Earnings: MSFT, GOOGL, META, MRK, LLY, SPGI

31 Friday
- U.S. Sep PCE YoY (Prev:2.7%)
- U.S. Sep Core PCE YoY (Prev:2.9%)
- Japan Sep Unemployment Rate (Prev:2.6%)
- Japan Oct Tokyo CPI YoY (Prev:2.5%)
- China Oct Manufacturing PMI (Prev:49.8)
- Earnings: AAPL, AMZN, ABBV, XOM

Source: Bloomberg

Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2025/10/21	Danaher Corp. (DHR)	6B	6.05B	1.72	1.89	V	V
2025/10/21	General Electric Co. (GE)	10.37B	11.31B	1.45	1.66	V	V
2025/10/21	RTX Corp. (RTX)	21.27B	22.5B	1.41	1.7	V	V
2025/10/21	Philip Morris International Inc. (PM)	10.63B	10.8B	2.09	2.24	V	V
2025/10/21	The Coca-Cola Co. (KO)	12.41B	12.5B	0.78	0.82	V	V
2025/10/21	Lockheed Martin Corp. (LMT)	18.53B	18.6B	6.39	6.95	V	V
2025/10/22	Texas Instruments Inc. (TXN)	4.65B	4.74B	1.49	1.48	V	
2025/10/22	Netflix Inc. (NFLX)	11.51B	11.51B	6.96	5.87		
2025/10/22	Intuitive Surgical Inc. (ISRG)	2.41B	2.51B	1.99	2.4	V	V
2025/10/22	Capital One Financial Corp. (COF)	15.08B	15.36B	4.38	5.95	V	V
2025/10/22	Chubb Ltd. (CB)	14.56B	14.87B	6.14	7.49	V	V
2025/10/22	GE Vernova Inc. (GEV)	9.16B	9.97B	1.86	1.64	V	
2025/10/22	Thermo Fisher Scientific Inc. (TMO)	10.91B	11.12B	5.5	5.79	V	V
2025/10/22	Boston Scientific Corp. (BSX)	4.97B	5.07B	0.71	0.75	V	V

Source: Investing.com

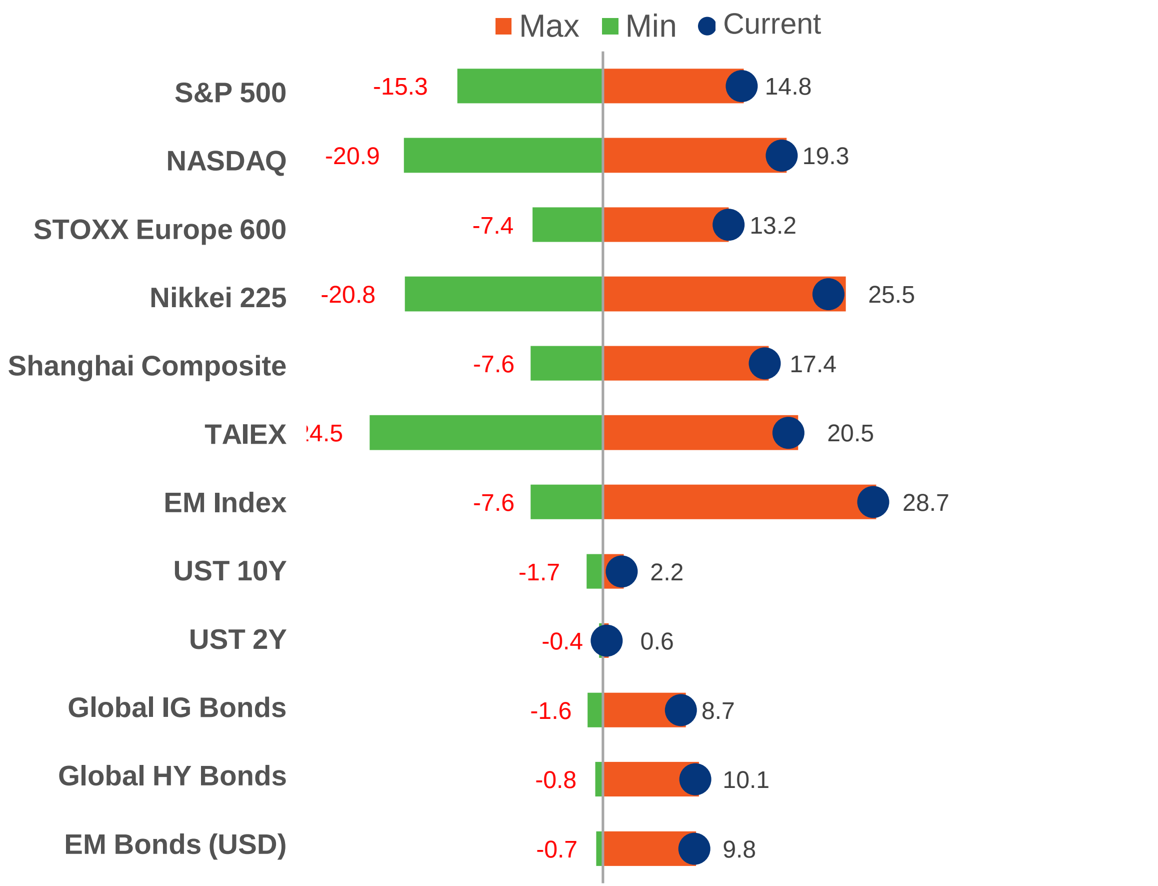
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2025/10/22	AT&T Inc. (T)	30.89B	30.7B	0.54	0.54		
2025/10/22	Amphenol Corp. (APH)	5.53B	6.2B	0.79	0.93	V	V
2025/10/23	Tesla Inc. (TSLA)	26.22B	28.1B	0.54	0.5	V	
2025/10/23	Lam Research Corp. (LRCX)	5.22B	5.32B	1.22	1.26	V	V
2025/10/23	International Business Machines Corp. (IBM)	16.09B	16.33B	2.44	2.65	V	V

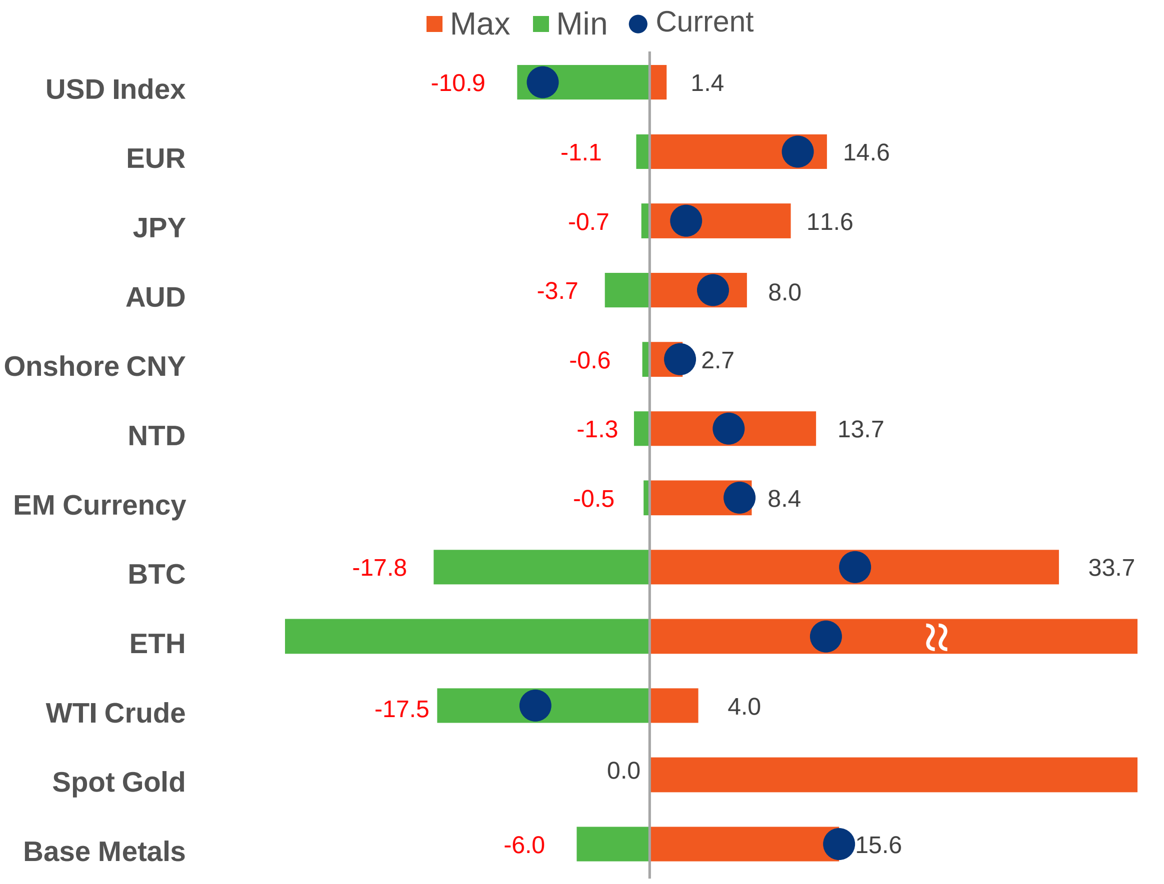
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 24 Oct 2025

Technical Analysis

S&P 500 Index

- Current: 6,738
- 60MA: 6,550

NASDAQ Index

- Current: 22,942
- 60MA: 22,055

STOXX Europe 600 Index

- Current: 574
- 60MA: 557

Nikkei 225 Index

- Current: 49,410
- 60MA: 44,409

Shanghai Composite Index

- Current: 3,939
- 60MA: 3,790

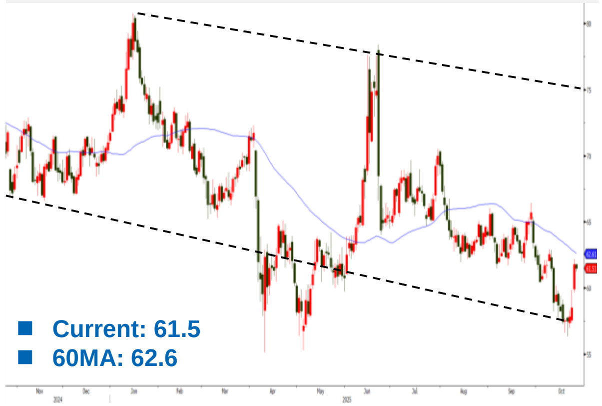
MSCI Emerging Markets Index

- Current: 1,381
- 60MA: 1,312

Gold

- Current: 4,106
- 60MA: 3,691

WTI Crude



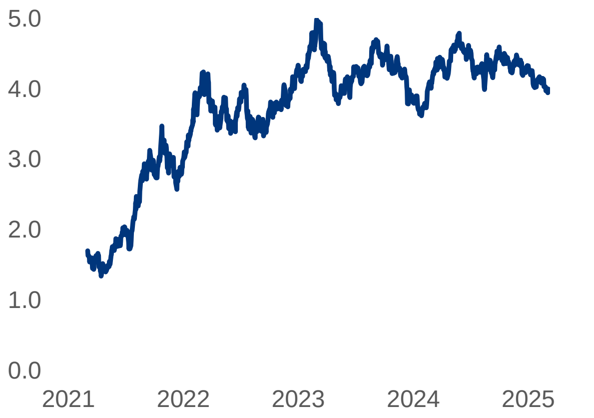
- Current: 61.5
- 60MA: 62.6

Source: Bloomberg, 24 Oct 2025

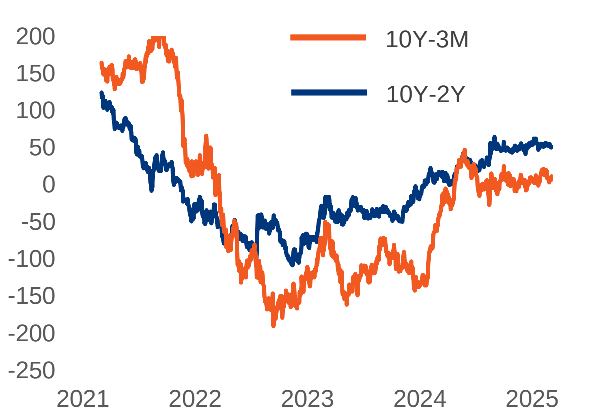
Market Monitor

U.S. CPI YoY (%)

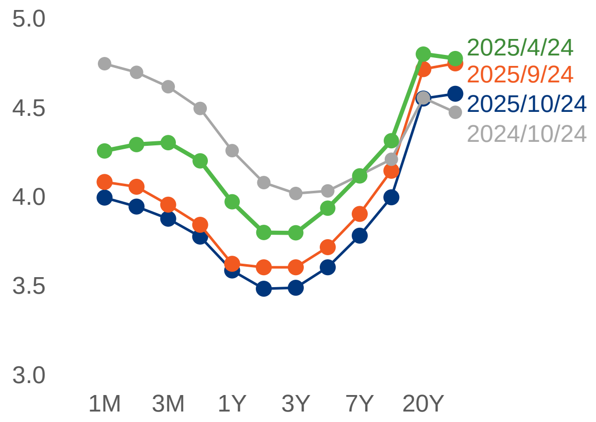
U.S. 10-Year Treasury Yield (%)



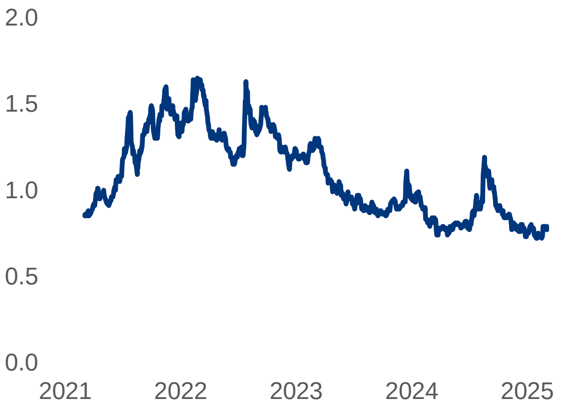
U.S. Treasury Yield Spread (bps)



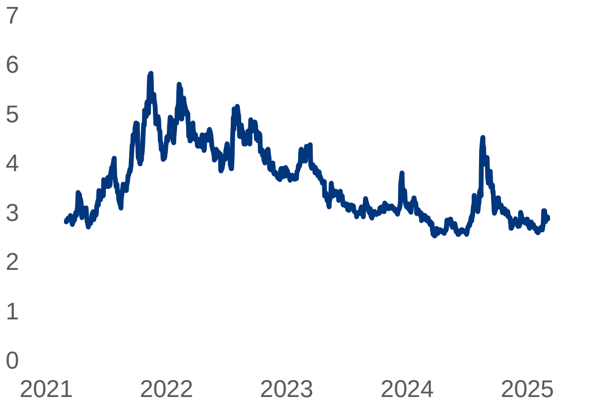
U.S. Treasury Yield Curve (%)



USD IG Credit Spread (%)

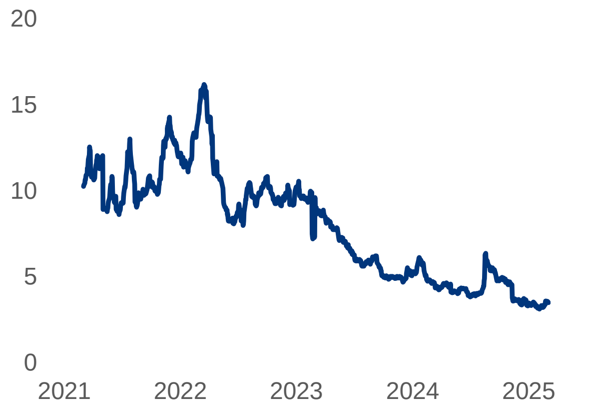


USD HY Credit Spread (%)



USD EM Credit Spread (%)

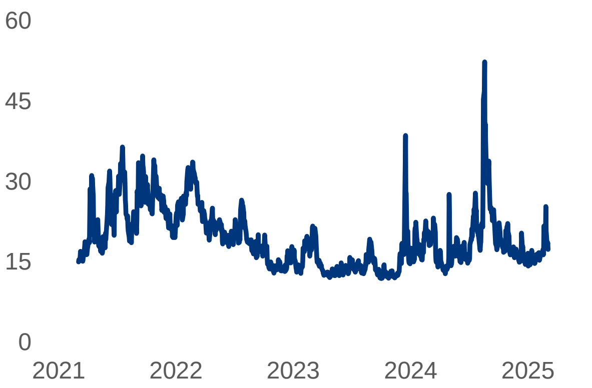
USD Asia Credit Spread (%)



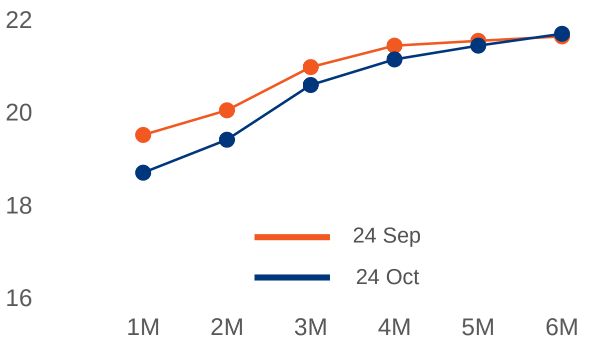
Source: Bloomberg, 24 Oct 2025

Market Monitor

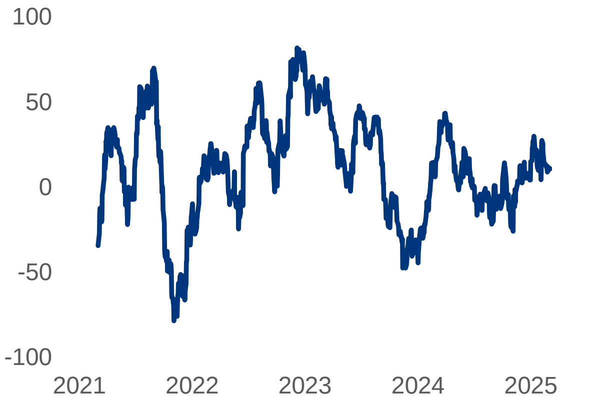
VIX Index



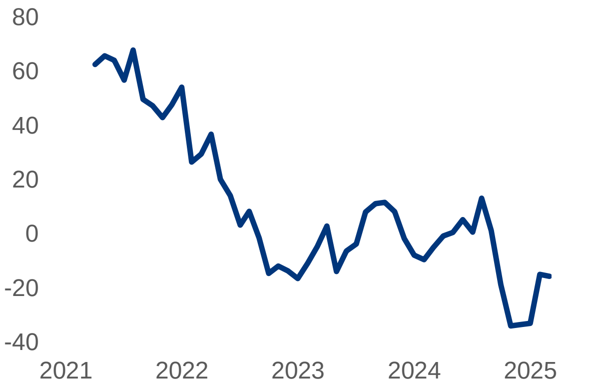
VIX Term Structure



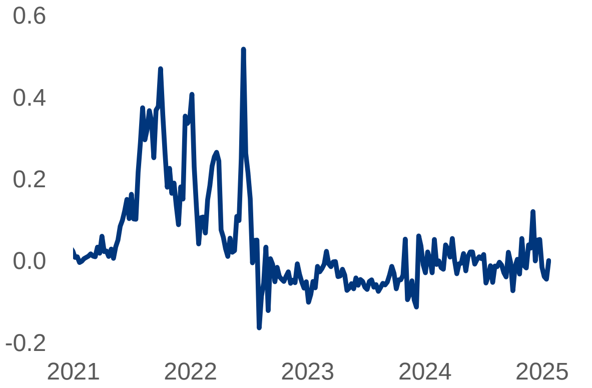
U.S. Citi Economic Surprise Index*



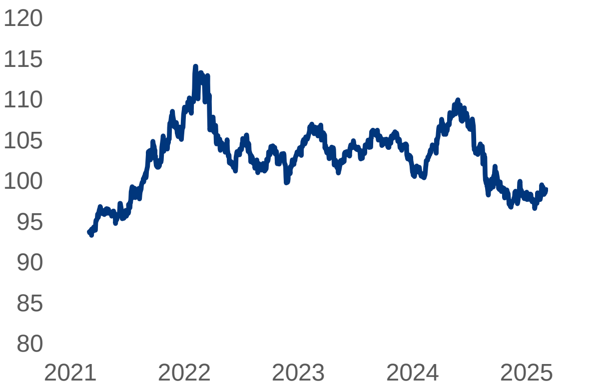
U.S. Citi Inflation Surprise Index*



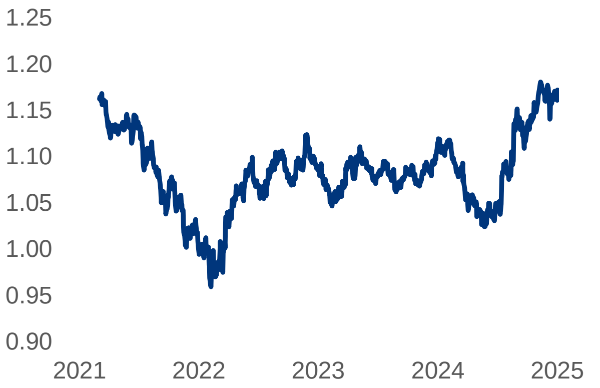
TED Spread (bps)



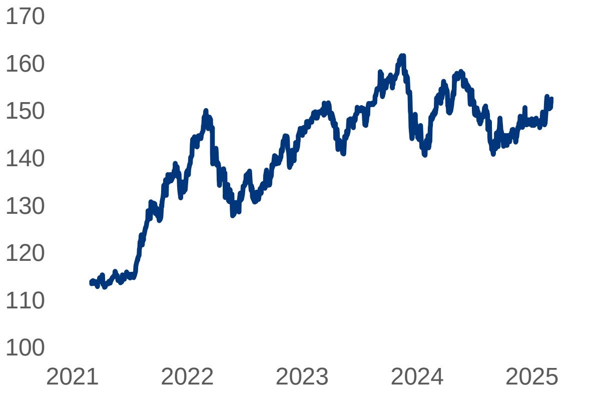
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 24 Oct 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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