

CIO Office

Global Markets Weekly Kickstart

The AI Story Continues in 2026 !

22 December 2025

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Japan Hikes Rates Again to a 30-Year High



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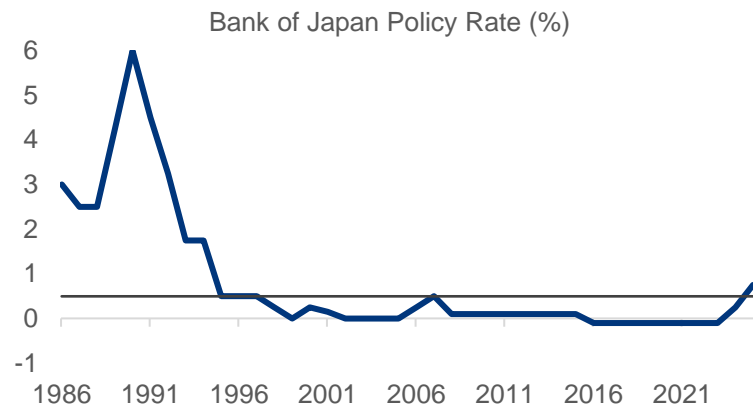
Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs

Chart of the Week

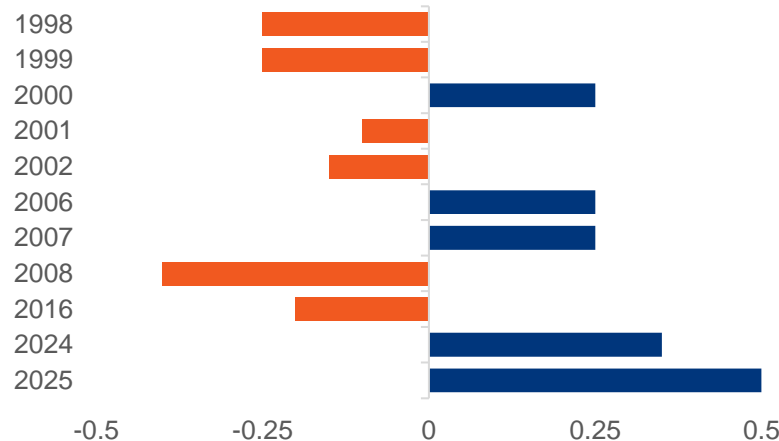
Japan Hikes Rates Again, Policy Rate Hits a 30-Year High

- ▶ At this month's meeting, the BOJ raised rates by another 25 bps, following a January hike, lifting the policy rate to 0.75% and decisively breaking the near-30-year "0.5% ceiling." Since the revised BOJ Act took effect in 1998, policy tightening has occurred in only five years; this year's cumulative 50 bps increase is the largest since 1998.
- ▶ In its statement, the BOJ noted limited risk of a disruption to wage growth, aligning with improving business sentiment in the December Tankan survey and supporting the decision to tighten. The BOJ did not provide guidance on the pace of further hikes (e.g., semiannual moves) or the terminal rate. Markets currently price in just one additional 25 bps hike in 2026.
- ▶ Given Japan remains in a tightening cycle, we maintain a medium- to long-term constructive view on JPY versus USD as the rate differential continues to narrow. In a stronger-yen scenario, overseas earnings translated into JPY may soften; domestically focused small caps, local-exposure stocks, and REITs are less FX-sensitive and stand to benefit more from improving domestic demand.

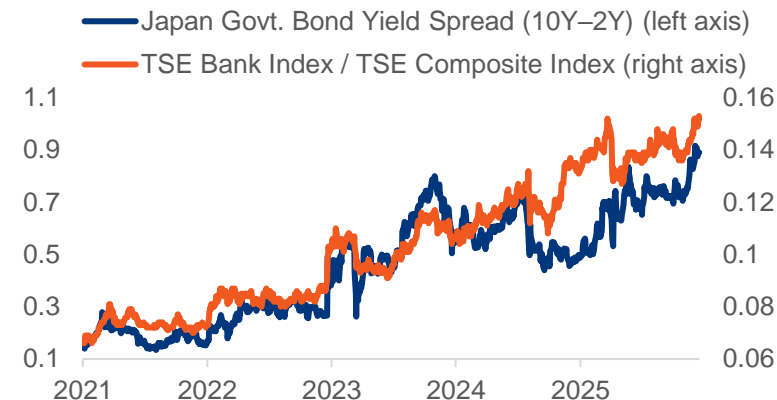
Rates Break Above the 30-Year Ceiling



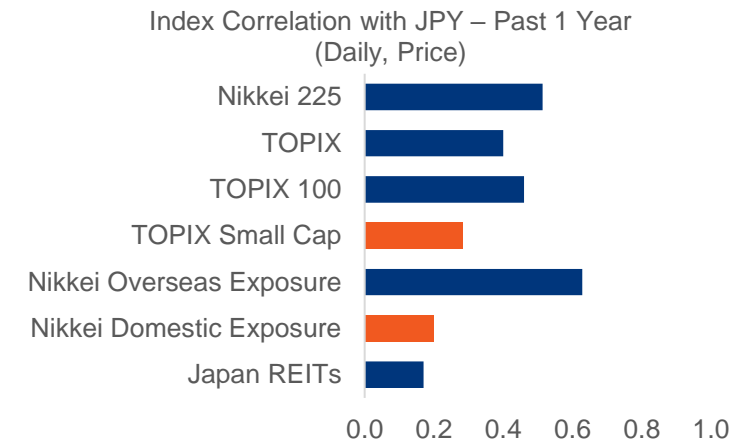
Years Since 1998 When the BOJ Adjusted Policy Rates Annual Rate Change (%)



Widening Yield Spread Benefits Japanese Bank Stocks



Yen Appreciation Has a Smaller Impact on Small Caps and Domestically Exposed Sectors



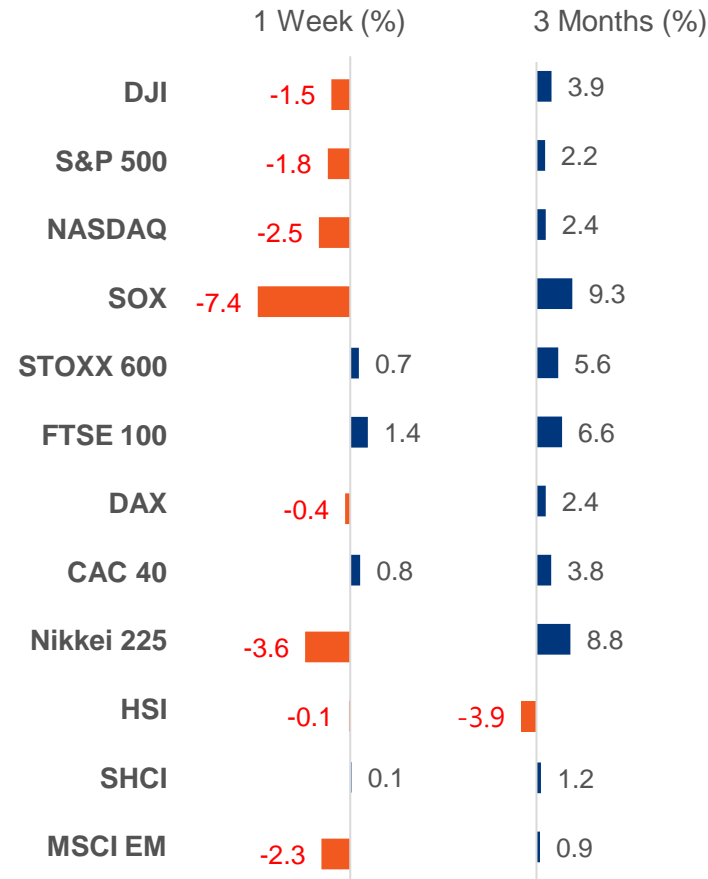
Source: Bloomberg

Market Recap

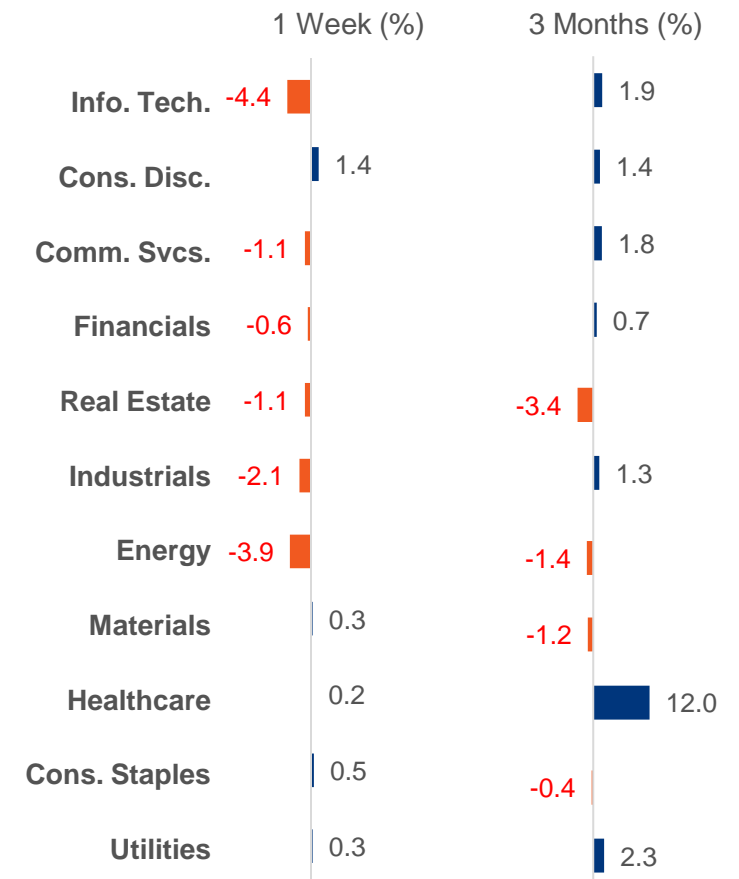
Tech Earnings Outlook Fuels AI Profitability Concerns; Tech Stocks Dip Then Rebound This Week

- From Oracle's weak backlog-to-revenue conversion to Broadcom's softer margins, tech earnings reignited concerns over AI profitability, leading tech stocks to drive consecutive declines in U.S. equities over the past week. The selloff eased after Micron's results beat expectations, with an outsized outlook for next quarter: EPS guidance of about USD 8.4 versus consensus of USD 4.7–4.8—nearly doubling. HBM capacity serving AI data centers is fully utilized, with 2026 capacity almost fully booked, helping to alleviate AI profit concerns. Combined with inflation data that came in below expectations, the four major U.S. indices stabilized, though losses were not fully recovered. The SOX underperformed for the week, down over 7%.
- In Japan, the BOJ raised rates by 25 bps as expected. Japanese equities had largely priced in the hike and fell, with export-oriented tech names seeing heavier pullbacks. The Nikkei declined 3.6% over the past week. Emerging markets also weakened, pressured by softer U.S. tech stocks, down about 2.3%.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

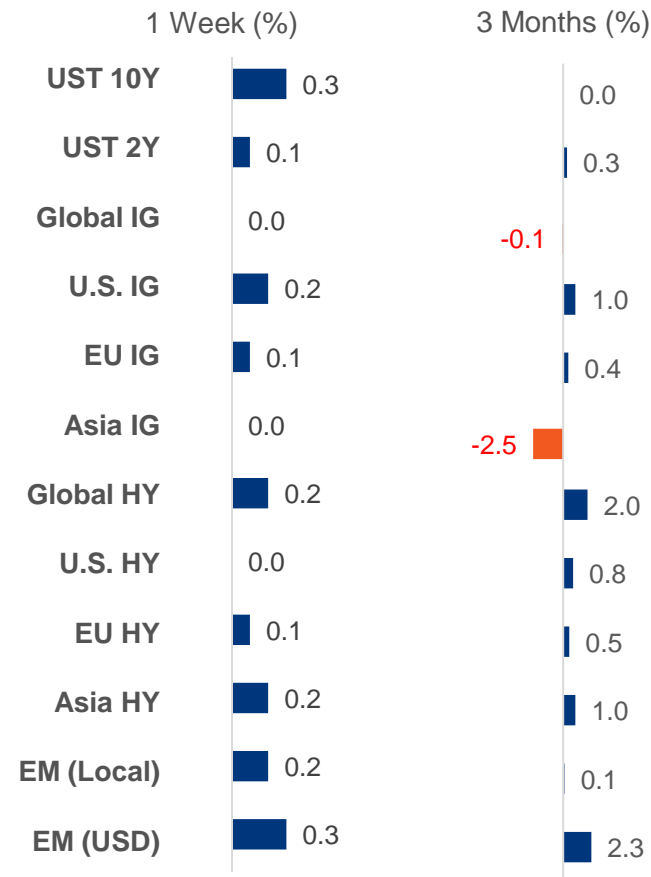


Source: Bloomberg, 19 Dec 2025

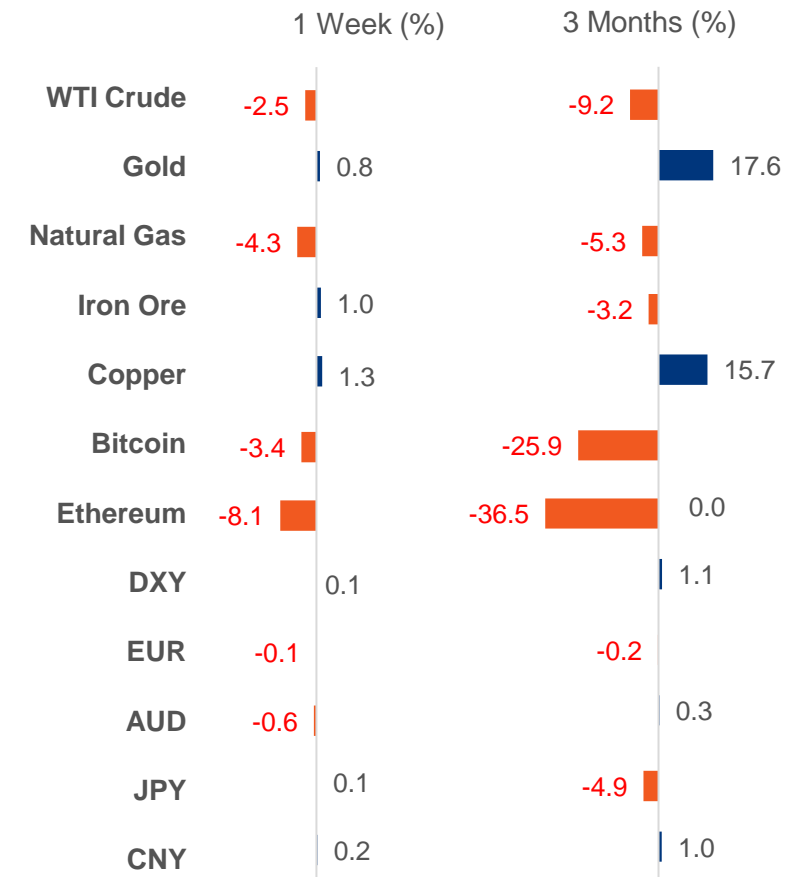
U.S. November Inflation Cools Sharply Below Expectations; Bonds Rally

- ▶ U.S. headline CPI slowed to 2.7% YoY in November from 3.0% in September, below the 3.1% consensus, mainly due to falling energy prices. Core CPI eased to 2.6% YoY from 3.0%, also below expectations, with shelter inflation decelerating from 3.6% to 3.0% as the key driver. Cooling inflation reduces the Fed's concern, shifting policy focus more toward labor-market conditions, where the downturn is accelerating. We expect scope for two 25 bps cuts in 1H26 and one additional cut in 2H26. Bond markets welcomed the softer inflation print and prospects of deeper easing, pushing yields lower, with long-dated Treasuries leading the move.
- ▶ Oil and natural gas prices continued to weaken amid OPEC members easing production curbs, oversupply concerns, and improved prospects for sanctions relief tied to clearer Russia–Ukraine peace talks. Risk assets such as Bitcoin and Ethereum fell notably over the past week amid a cautious equity tone, while gold remained firm, maintaining its bullish trend.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



Source: Bloomberg, 19 Dec 2025

SpaceX Reportedly Targets 2026 IPO, Opening a New Era in Space Development

- Bloomberg reports that SpaceX is targeting a 2026 IPO, seeking to raise over USD 30bn. Post-listing valuation is estimated at USD 800bn–USD 1.5tn, potentially making it the largest IPO on record. As SpaceX remains private, ownership details are undisclosed; market estimates suggest Elon Musk holds over 40% as the largest shareholder. Notably, Alphabet ranks among the top three institutional investors, offering public-market exposure alongside private vehicles such as ARK and Fidelity funds.
- SpaceX has already achieved commercial profitability. Musk indicated that by 2026, less than 5% of revenue will come from NASA, with Starlink as the primary growth driver. Launch cadence has risen sharply since 2022, supported by reusable technology that materially lowers costs. The Starship program is expected to enter operations in 2026, targeting near-daily launches and unlocking significant opportunities across the space supply chain.

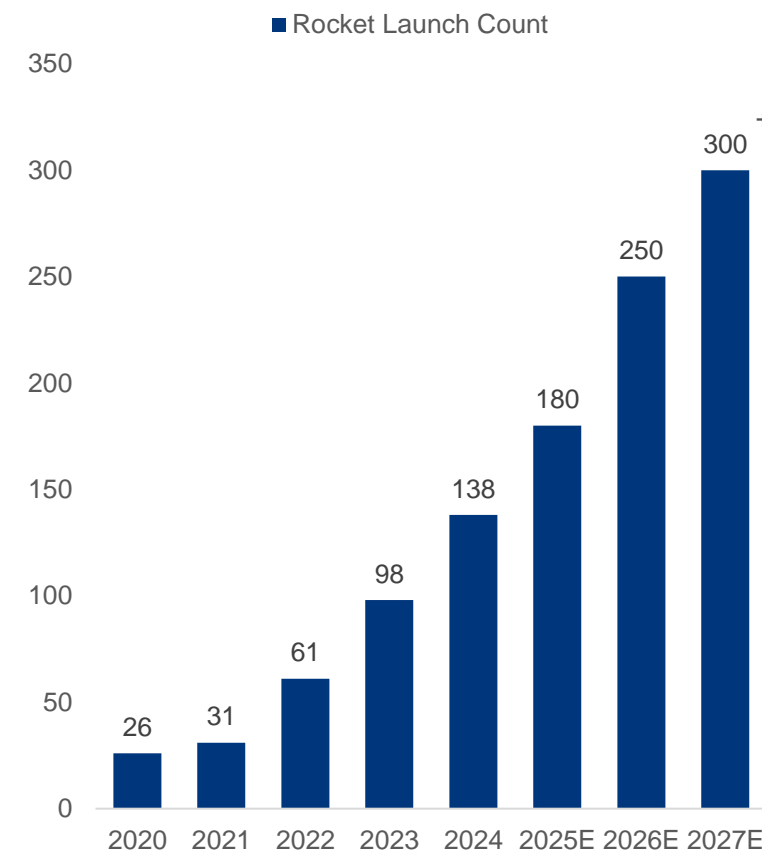
Source: Bloomberg

SpaceX IPO: Google Emerges as the Biggest Listed Beneficiary After Musk

Major Shareholders	Description	Est. Own.
Elon Musk	Founder; estimated ~80% voting control	42%
Founders Fund	Early institutional investor led by Peter Thiel	10%
Fidelity Investments	Fidelity-affiliated private funds; multiple funding rounds	10%
Alphabet	Invested since 2015; among top three institutional investors	7%
Sequoia Capital	Well-known VC; participated in multiple funding rounds	3%
Baillie Gifford	Asset manager with a growth-tech focus	2%
Valor Equity Partners	Known for backing Musk-related ventures	2%
ARK	Exposure via ARK Venture Fund and private channels	2%

Rocket Launch Technology Matures; Launch Frequency Enters Dense Deployment Phase

SpaceX Annual Rocket Launch Count: Actual and Forecast, Number of Launches

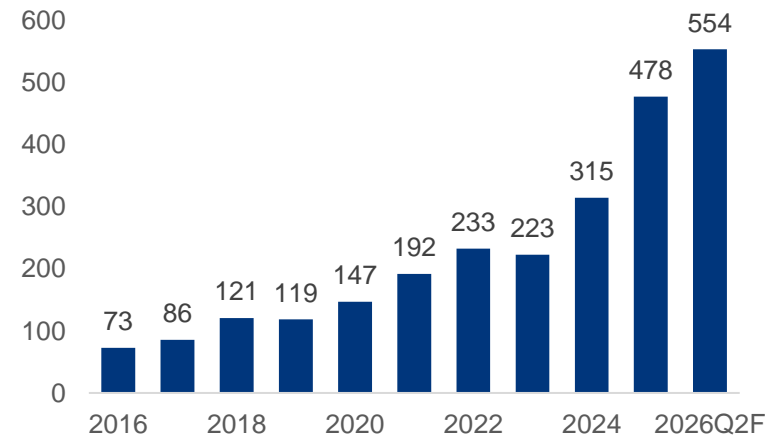


AI Remains the Core Growth Theme into 2026, with Net Margins Outperforming Non-AI Peers

- ▶ Despite lingering concerns over an AI bubble, we believe three key indicators support a durable long-term AI growth story. First, AI-related companies continue to ramp capex. JPMorgan estimates that the 30 most representative AI companies in the S&P 500 will see mid-2026 capex exceed USD 550bn—nearly double versus end-2024. Second, capacity expansion (e.g., TSMC's CoWoS) remains insufficient to meet demand, with corporate capex consistently exceeding plans, underscoring urgent compute needs. Third, CSPs are accelerating in-house ASIC development, shifting AI investment from general-purpose hardware to customized optimization, while R&D spending at leading AI firms continues to rise steadily.
- ▶ As a result, the net margin of the 30 S&P 500 companies most correlated with AI has climbed sharply since AI's rapid takeoff in 2023—from 16.9% to a projected 25.8% by 2026—well above the ~11% average for the remaining S&P 470. We believe AI investment has moved beyond cyclical swings to become a long-term, structural growth driver that continues to gain traction into 2026.

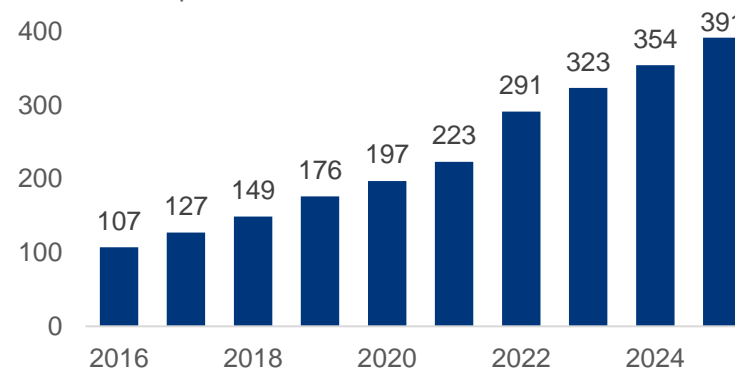
AI 30 Capex Set to Surpass USD 550bn by 2026

AI 30 capital expenditure (annual), USD bn



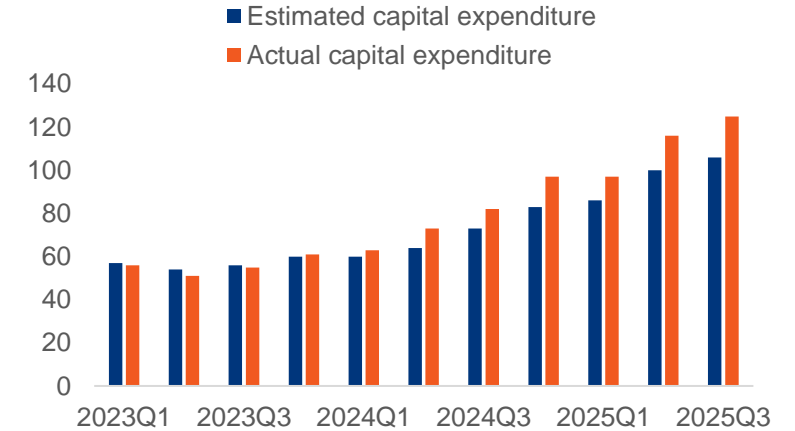
In-House ASIC Development Drives Sustained Growth in AI R&D Spending

AI 30 R&D expenses, USD bn



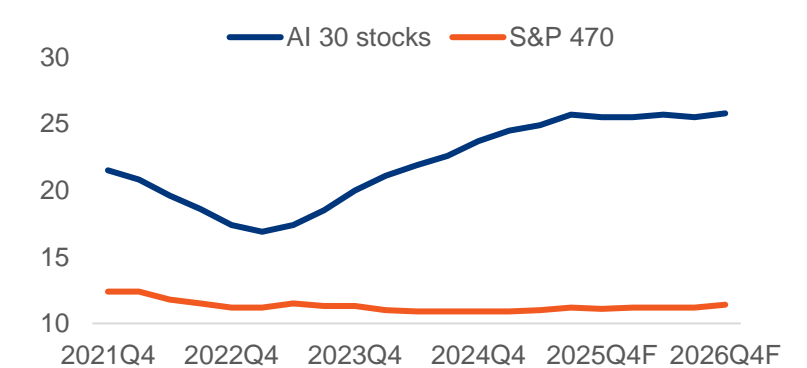
Rising Capex Revisions Signal Long-Term AI Investment Conviction

AI 30, USD bn



AI Leaders Deliver Superior Profit Margins Versus Non-AI Peers

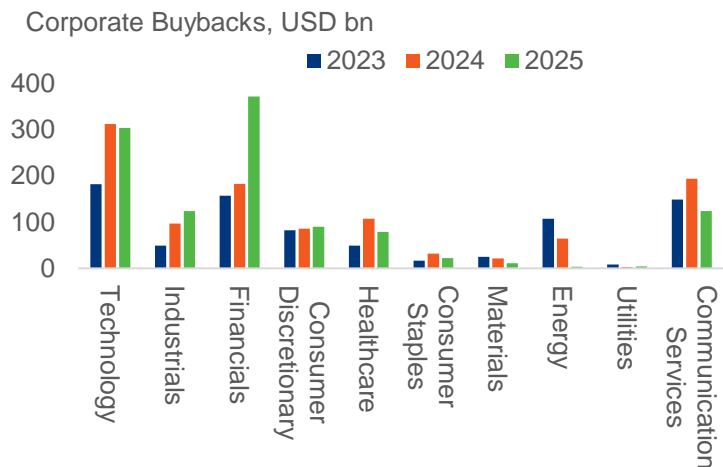
Net income margin, %



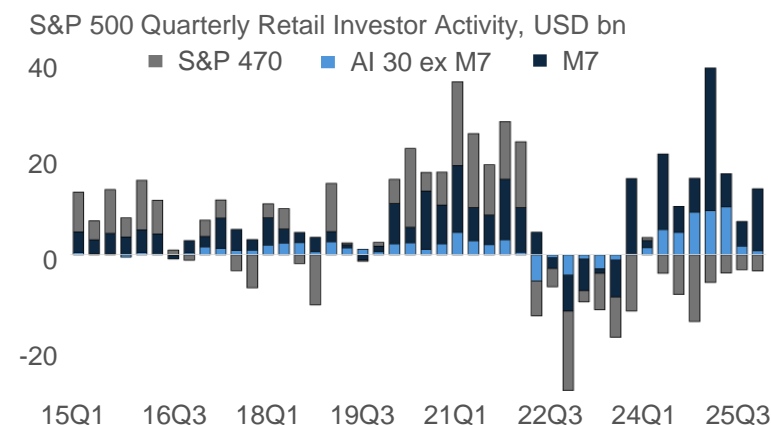
Tech Buybacks Remain Robust; Retail Flows Also Rotating into the AI 30

- Beyond long-term fundamentals, strong profitability has driven a sharp rise in tech-sector share buybacks since 2023. While financials saw a notable pickup this year, AI-led technology companies have exceeded USD 300bn in buybacks for two consecutive years starting in 2024. Buybacks enhance ROE and provide valuation support.
- On the flow side, liquidity continues to reinforce the AI theme. Since late 2023, U.S. retail flows first concentrated in the “Magnificent Seven,” then broadened into 30 highly AI-exposed companies, alongside persistent outflows from the remaining S&P 500 ex-AI 470. With AI-linked firms sustaining earnings outperformance and ongoing capital inflows, AI remains a primary focus into 2026.
- To track the AI theme, we reference JPMorgan’s S&P 500 analysis, identifying 30 AI companies based on high residual returns correlated with Nvidia and frequent AI mentions in news and earnings calls.

Ongoing Buybacks in Tech and Financials



Retail Flows Keep Rotating into AI Stocks Since the AI Boom



30 S&P 500 Companies Most Closely Linked to the AI Investment Theme

Ticker (Sector)	IBES Est. Growth Rev	IBES Est. Growth EPS	Ticker (Sector)	IBES Est. Growth Rev	IBES Est. Growth EPS
IBM (IT)	7%	11%	NVDA (Semi & Equip.)	64%	75%
MSFT (IT-Software)	18%	20%	AVGO (Semi & Equip.)	49%	53%
ORCL (IT-Software)	27%	21%	AMD (Semi & Equip.)	36%	68%
PLTR (IT-Software)	57%	54%	MU (Semi & Equip.)	52%	115%
CRM (IT-Software)	12%	17%	QCOM (Semi & Equip.)	3%	1%
NOW (IT-Software)	22%	21%	INTC (Semi & Equip.)	0%	44%
ADBE (IT-Software)	12%	15%	NXPI (Semi & Equip.)	10%	16%
PANW (IT-Software)	15%	15%	AMZN (Multi. Retail)	14%	12%
CRWD (IT-Software)	30%	27%	TLSA (Cons. Disc.)	11%	8%
CDNS (IT-Software)	13%	13%	AAPL (IT Hardware)	10%	13%
FTNT (IT-Software)	14%	8%	DELL (IT Hardware)	15%	25%
ANET (Networking)	26%	19%	HPE (IT Hardware)	24%	27%
GOOGL (Comm. Services)	16%	9%	SMCI (IT Hardware)	86%	50%
META (Comm. Services)	22%	31%	CEG (Utilities)	3%	9%
UBER (Industrials)	20%	-52%	DLR (Real Estate)	12%	-49%

Source: Bloomberg, JPMorgan

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ U.S. technology stocks continue to deliver solid earnings, but markets are becoming more demanding on forward guidance. Year-end profit-taking pressure in tech is gradually increasing. Maintaining liquidity and adopting a balanced sector allocation is recommended. In the current phase, increasing exposure to high-quality stocks is appropriate. On market pullbacks and when valuations become more reasonable, long-term investors may gradually build positions in AI-related themes and technology stocks. AI earnings growth remains strong, bubble risks are manageable, and long-term structural trends remain intact. ◆ In non-U.S. markets, German equities and European financial stocks are worth monitoring as economic improvement supports equity performance. In Japan, expectations of further rate hikes favor domestic-demand stocks led by banks, while policy-supported semiconductor stocks also remain attractive. 	<p>Strategy: Use high-quality stocks to manage rising short-term volatility; deploy long-term positions in AI and technology stocks gradually on pullbacks.</p> <p>Regions: German equities, Japan bank stocks, Japan semiconductor stocks.</p>
Bonds	<ul style="list-style-type: none"> ◆ As economic momentum slows and labor markets cool, yield curve steepening has moderated. Investment strategy should focus on locking in yields through government bonds and investment-grade credit. For investment-grade bonds, A-rated and above industry leaders are preferred. On a risk-adjusted basis, sectors with relatively attractive spreads include financials, utilities, and industrials. ◆ Long-term depreciation risks for the U.S. dollar suggest increasing exposure to non-USD bonds for diversification, such as euro- and Singapore dollar-denominated investment-grade bonds. 	<p>Duration: Short- to medium-term government bonds; high-credit-quality bonds for yield locking.</p> <p>Sector: High-credit-quality bonds, with preference for financials, industrials, and utilities.</p>
Forex	<ul style="list-style-type: none"> ◆ The Federal Reserve cut rates again by 25 bps in December. With expectations that the incoming Fed Chair will lean dovish, the U.S. dollar is expected to remain weak over the medium to long term. ◆ A December rate hike by the Bank of Japan would mark a historical high, and improving economic conditions support gradual yen appreciation. The euro remains structurally strong over the medium to long term. 	<p>USD: Bias toward depreciation.</p> <p>JPY, EUR: Volatile but biased to gradual appreciation.</p>
Commodity	<ul style="list-style-type: none"> ◆ U.S. inflation concerns and fiscal deficit pressures support long-term gold appreciation. Long-term investors may include gold in portfolios to reduce concentration risk and volatility. 	<p>Gold: Medium-to-long-term positive</p>



2025 Central Economic Work Conference – Domestic Demand Strategy and Technological Self-Reliance

Strategic Shift Toward “Domestic Demand–Led” Growth: From Policy Stimulus to Supply-Side Optimization

The 2025 Central Economic Work Conference elevates “domestic demand–led growth” to a new strategic level, signaling a fundamental shift in China’s economic growth drivers. Unlike past approaches that relied heavily on fiscal subsidies or large-scale stimulus, next year’s policy focus will move toward supply-side optimization and the removal of institutional constraints. By clearing outdated regulations that hinder consumption and encouraging firms to offer higher-quality products better aligned with market demand, policymakers aim to unlock suppressed household consumption. For investors, this suggests that growth in domestic-demand sectors will be driven less by short-term subsidies and more by structural dividends from an improved operating environment, supporting long-term valuation recovery for leading consumer companies and high-quality service providers.

Technological Innovation and Supply-Chain Resilience: AI Empowerment Drives a New Wave of Localization

On the technology front, the conference clearly deepens the “AI+” strategy and places unprecedented emphasis on strengthening supply-chain resilience, indicating that end-to-end localization has become a core pillar of national security. Policy direction points to deeper integration of AI with manufacturing to boost productivity, alongside accelerated breakthroughs in critical core technologies to mitigate external uncertainties. From semiconductors and high-end equipment to core software, domestic substitution is set to evolve from isolated breakthroughs into system-wide resilience. As resources continue to tilt toward advanced technologies and local supply chains, technology companies with strong in-house R&D capabilities and import-substitution potential are likely to emerge as the most visible and reliable growth drivers in the coming year.

Comparison of Central Economic Work Conference Messaging		
Category	2025 Central Economic Work Conference – Policy Direction	2024 Central Economic Work Conference – Key Focus
Overall Policy Stance	Stability + quality (focus on results)	Stability via progress, build then break
Fiscal Policy	Steady scale, optimize spend, tax perks	Higher deficit, more special bonds
Monetary Policy	Price rebound priority, flexible tools	Align total social financing and money supply with economic growth
Expanding Domestic Demand	Demand-led, ease consumption, push “Two New”	Broad expansion, support “Two Major”
Technological Innovation	Stronger supply chains, deepen “AI+”	Build modern industry, launch “AI+”
Risk Mitigation	Stabilize property, resolve platform debt	Halt property decline, restore stability

Source: Bloomberg

China Merchants Bank (3968)

Closing Price HK \$50.6

Target Price HK \$56.5

China Merchants Bank provides corporate and retail banking services, treasury operations, and offers asset management, trust, and other financial services.

Domestic-demand-led Policy Shift Supports Retail Growth

With “domestic demand” elevated as the top policy priority and measures aimed at boosting consumption and removing constraints, consumer finance is set to be a key growth driver. As a leading retail bank, CMB is well positioned to capture policy benefits through its high-quality customer base and advanced digital operations, supporting a rebound in retail lending.

Policy Support Stabilizes Property Market, Easing Risk

Measures to stabilize the property sector help reduce tail risks on banks’ balance sheets. As asset values stabilize and household balance sheets improve, consumption appetite and loan demand should recover, strengthening the credit environment and supporting CMB’s retail growth momentum.

Stronger RMB Outlook, NIM Pressure Expected To Ease

A firmer RMB is expected to attract capital inflows and improve policy flexibility. As the impact of earlier rate cuts fades and funding costs improve, CMB’s net interest margin (NIM) decline is likely to narrow, shifting earnings from pressure toward recovery.

Attractive Valuation With Solid Total Return Potential

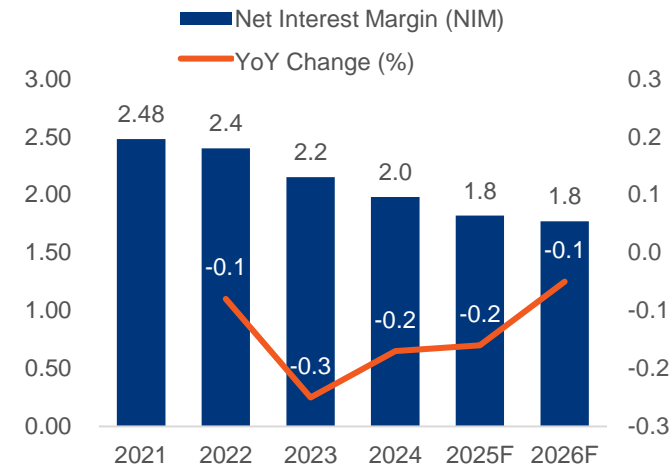
CMB trades at about 0.9x forward P/B. The target price is HKD 56.5, implying 1.1x forward P/B and ~12% upside. Combined with a ~4.5% dividend yield, total return potential is estimated at ~16.5%.

Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue (CNY bln)	353.4	336.6	334.5	336.5	351.7
Revenue YoY	7.9	-4.7	-0.6	0.6	4.5
EPS (CNY)	5.3	5.6	5.7	5.8	6.0
EPS YoY	14.1	7.0	0.5	2.7	3.8
ROE(%)	17.1	16.2	14.5	13.1	12.4

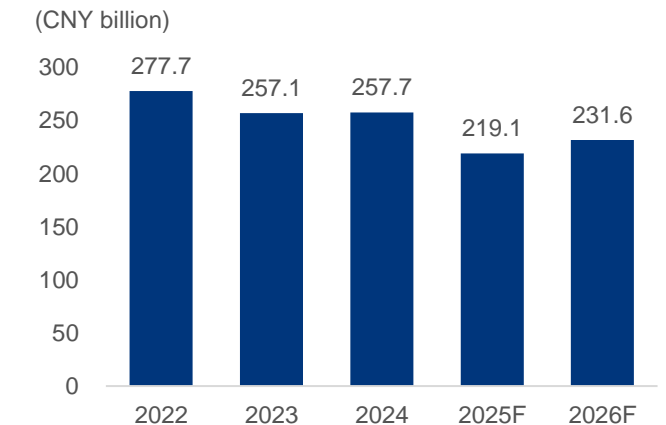
Net Interest Margin (NIM) and YoY (%)



Forward P/B Ratio



Operating Profit Before Provisions



Lens Technology Co Ltd (6613)

Closing Price	HK \$25.24	Target Price	HK \$31
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The Group is primarily engaged in the R&D, design, manufacturing, and sales of structural components and functional modules, as well as other businesses including consumer electronics assembly, smart vehicles, and other emerging fields.

Entering The AI Server Supply Chain Through Acquisition

Lens Technology announced a strategically significant move by signing a letter of intent to acquire a company specializing in server racks, structural components, and liquid-cooling modules. Through this acquisition, the company gains immediate access to mature server rack technologies and international certifications, expanding from component manufacturing into higher-value enclosure and SSD module assembly. This materially enhances its visibility in the AI server and liquid-cooling markets heading into 2026.

First Dedicated Robotics And Intelligent Equipment Campus Commences Operations

The company’s first independent campus dedicated to robotics and intelligent equipment has officially begun operations, marking a key transition from a consumer electronics component supplier to an AI-enabled equipment manufacturer. The campus is capable of producing embodied robots, automation equipment, and AI servers. Capacity for humanoid robots is set to expand sharply from 3,000 units this year to 10,000 units next year. Lens Technology is already supplying key components such as joint modules and dexterous hands to leading robotics companies in North America and China, confirming the emergence of a second growth curve.

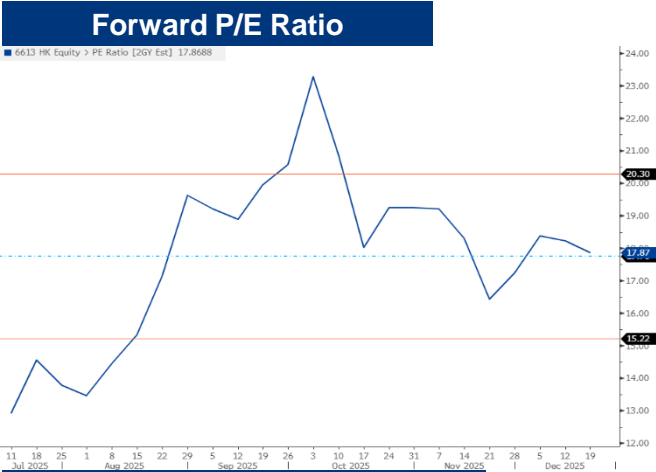
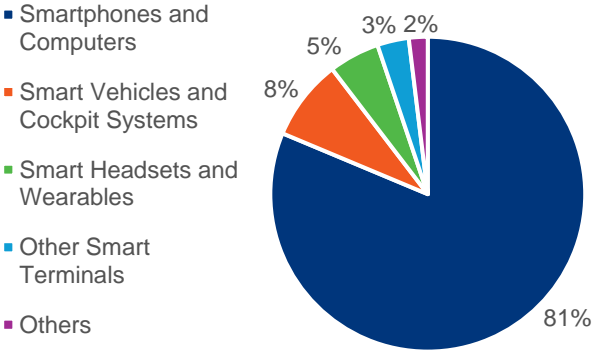
Target Price Reaffirmed At HKD 31

With active expansion into new businesses and a projected three-year earnings CAGR of 26%, the target price is reaffirmed at HKD 31, implying a forward P/E multiple of 22x.

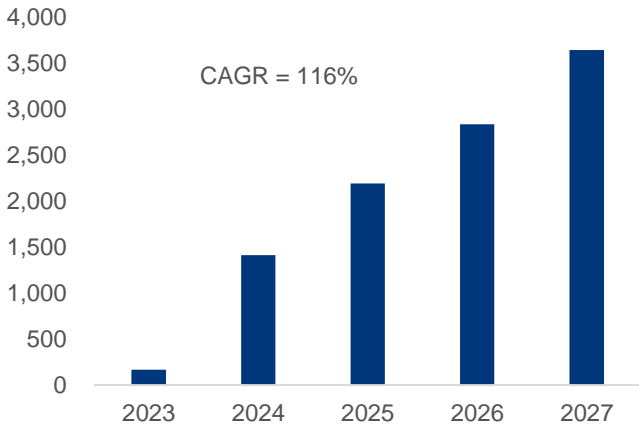
Source: Bloomberg

Financials	2022	2023	2024	2025F	2026F
Revenue (CNY bln)	46.7	54.5	69.9	87.0	108.7
Revenue YoY	3.2	16.7	28.3	24.6	24.8
EPS (CNY)	0.5	0.6	0.7	0.9	1.3
EPS YoY	19.1	22	19.7	28.5	36.2
ROE(%)	5.6	6.7	7.6	9.3	11.7

2025 Revenue Breakdown



Smart Terminal Revenue



SpaceX IPO to Ignite a New Wave of Aerospace Innovation

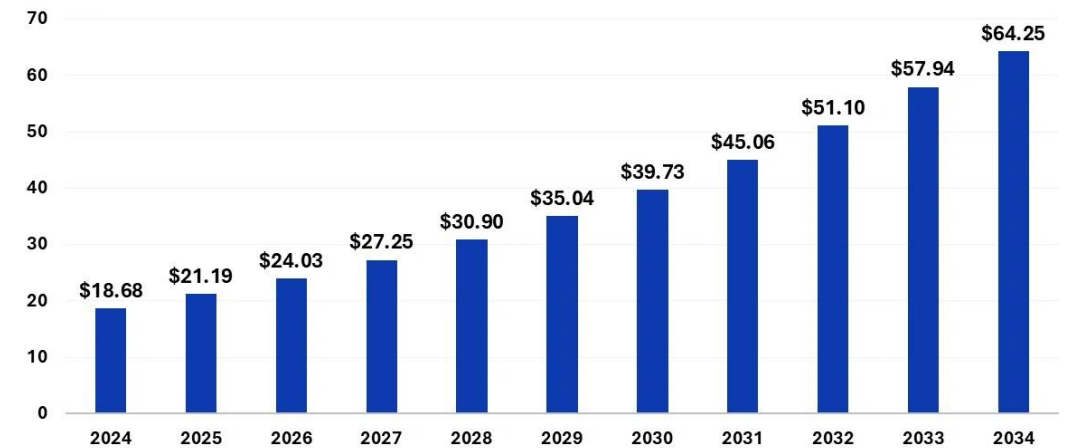
- ▶ U.S. nonfarm payrolls rose by 64k in November, rebounding from a prior decline of 105k and beating the +50k consensus. The unemployment rate increased to 4.6%, slightly above the 4.5% expectation.
- ▶ U.S. retail sales were flat MoM in November. The prior month's gain was revised down to 0.1%, and the November reading fell short of the expected 0.1% growth.
- ▶ U.S. core CPI eased to 2.6% YoY in November, the lowest level since March 2021 and below the 3.0% consensus.
- ▶ One of the world's largest unicorns, SpaceX, is reportedly targeting a 2026 IPO, aiming to raise over USD 30bn. Proceeds are expected to fund high-frequency Starship flight tests, space-based AI data centers, and lunar base construction, with an implied valuation of around USD 1.5tn. Following the AI investment wave, markets are turning to a new aerospace theme. Historically dominated by government control and constrained by defense budgets, the sector is being reshaped by SpaceX's commercial exposure through Starlink and its vision for space-based AI infrastructure. With limited global competition and a deep moat, a SpaceX IPO could catalyze the broader supply chain, increase market participation, and shift the industry away from a state-led model.

Source: Bloomberg

Space Launch Services Market Size, 2024–2034

Precedence
RESEARCH

Space Launch Services Market Size 2024 to 2034 (USD Billion)

Source: <https://www.precedenceresearch.com/space-launch-services-market>

Honeywell (HON)

Closing Price	US \$199.11	Target Price	US \$220
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Honeywell International Inc. is a global technology and manufacturing company providing aerospace products and services; building controls, sensing, and safety technologies; safety and productivity solutions; specialty chemicals; advanced materials; refining and petrochemical process technologies; and energy-efficiency solutions.

Aerospace And Space Growth Driven By High Margins And Recurring Revenue
Honeywell's Aerospace Technologies segment delivered double-digit organic sales growth in 3Q, supported by commercial aftermarket, defense, and space demand. The book-to-bill ratio stood at 1.2x, signaling sustained demand. Mission-critical avionics, control systems, and space solutions benefit from long-life platforms and recurring aftermarket revenue. Management expects double-digit sales growth in 4Q and low double-digit growth for the full year, driven by improving OEM output and strong aftermarket momentum.

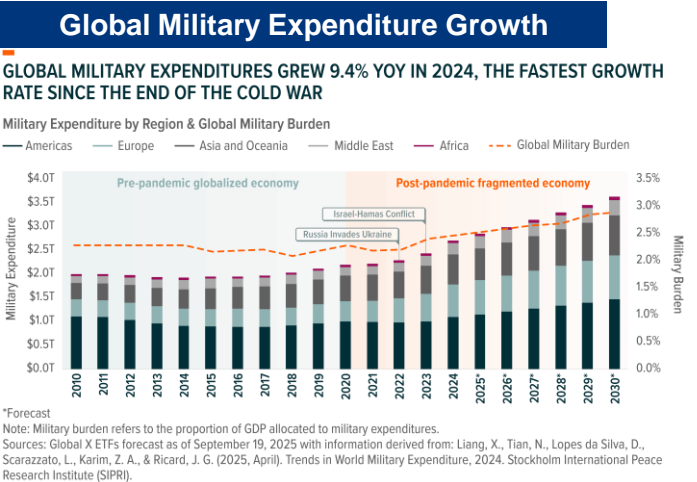
Rising Global Defense Budgets Support Long-Term Demand
Global defense spending is set to rise through 2026, underpinning demand for Honeywell's defense, space, and launch-support technologies. NATO members, the U.S., Japan, Taiwan, and South Korea have increased 2026 defense budgets, supporting continued demand for avionics, propulsion controls, navigation, and space-infrastructure solutions.

Planned Aerospace Spin-Off To Unlock Shareholder Value
Honeywell plans to spin off its aerospace division in 2H26, creating a more focused pure-play aerospace and space company with higher margins, stronger order visibility, and greater exposure to long-term defense and space programs. The separation is expected to enhance transparency and potentially drive multiple expansion.

Solid 3Q FY25 Results; Growth Outlook Intact
3Q FY25 revenue rose 7.2% YoY to USD 10.4bn, beating expectations by USD 240mn. Non-GAAP EPS came in at USD 2.82, exceeding consensus by USD 0.25.

Valuation Consensus
Bloomberg 12-month average target price: USD 233.33 (high: USD 271; low: USD 195).

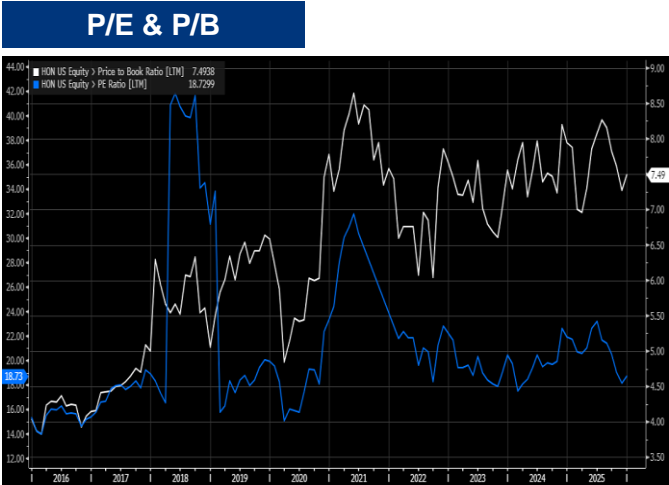
Source: Bloomberg



Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	3.1	3.4	5.0	6.0	-2.0
EBITDA (%)	28.0	27.9	25.2	25.5	26.0
EPS(JPY)	9.27	10.70	9.70	10.67	10.61
Net Profit Margin(%)	17.9	19.5	16.5	16.8	16.8

Source: Bloomberg; 2026/27F are market estimates



Rocket Lab (RKLB)

Closing Price	US \$70.52	Target Price	US \$95
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Rocket Lab operates as an end-to-end space company, designing and manufacturing satellites, subsystems, and spacecraft components, and providing launch services to commercial, civil, and defense customers worldwide.

Record Revenue and Backlog Validate End-to-End Space Strategy

In 3Q25, Rocket Lab posted record quarterly revenue of USD 155mn, up 48% YoY, with GAAP gross margin at 37%, driven by growth in launch services and space systems. The company secured 17 dedicated Electron launch contracts in the quarter and remains on track for over 20 launches in 2025, underscoring strong demand and an expanding backlog.

Strategic Acquisitions and Liquidity Support National Security Exposure

During the quarter, Rocket Lab completed the acquisition of EO/IR sensor maker Geost and advanced the restructuring of German laser-communications firm Mynaric, strengthening its end-to-end capabilities for U.S. national security customers. Liquidity exceeded USD 1bn at quarter-end, reinforcing balance-sheet flexibility to pursue further M&A aligned with next-generation defense space programs.

Neutron Development Expands Addressable Market

Launch Complex 3 has been activated as the test and launch site for the reusable medium-lift Neutron rocket, with first launch targeted for 1Q26. Neutron enables access to larger payloads, constellations, and defense missions beyond small-launch services, materially expanding the company’s addressable market and long-term growth potential as space infrastructure demand scales.

Solid 3Q FY25 Results; Growth Outlook Intact

3Q FY25 revenue rose 48% YoY to USD 155.1mn, beating expectations by USD 3.36mn. GAAP EPS was -USD 0.03, outperforming consensus by USD 0.07. Four launches were completed in the quarter with a 100% mission success rate, keeping the company on pace for over 20 launches by year-end.

Valuation Consensus

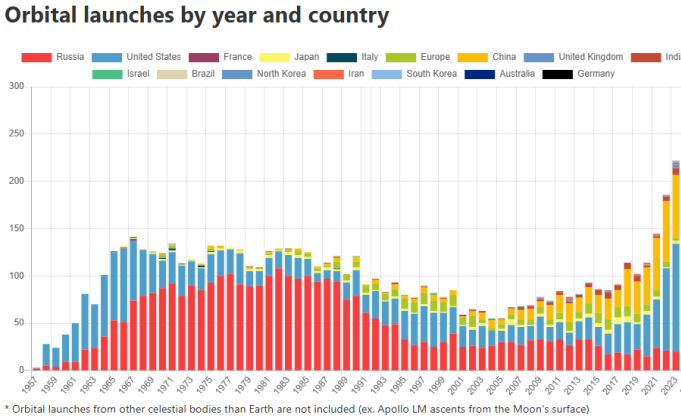
Bloomberg 12-month average target price: USD 66 (high: USD 83; low: USD 47).

Source: Bloomberg, Space Stats

1-Year Price



Orbital Launches by Year and Country

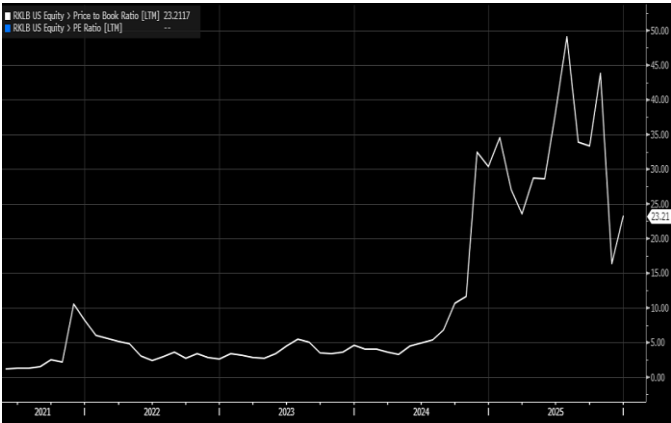


Financials

	2022	2023	2024	2025F	2026F
Revenue	239	15.9	78.3	37.4	46.7
Growth(%)					
Operating Margin (%)	-49.1	-59.8	-33.1	-18.5	0.5
EPS (JPY)	-0.29	-0.38	-0.38	-0.35	-0.21
Net Profit Margin(%)	-63.8	-74.0	-43.4	-33.0	-13.3

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B





Taiwan Equities Pull Back on Lighter Turnover; Data-Center Bandwidth Upgrades Support Supply-Chain Growth

Market Pulls Back on Lower Volume; Quarterly MA Holds

Taiwan equities fell on lighter turnover last week, entering a high-level consolidation, but the quarterly moving average held after being briefly breached. Technically, the index has tested the quarterly MA twice; a rebound after holding support could present selective trading opportunities. Market breadth was roughly 38:62 advancers to decliners, with heavyweight stocks underperforming. BBU (battery backup power units) led gains, while some capital rotated into non-electronics defensives; construction stocks broadly advanced. Focus on names with strong revenue momentum and clear price breakouts.

2026 Bandwidth Upgrades and Strong Demand Keep Networking in Focus

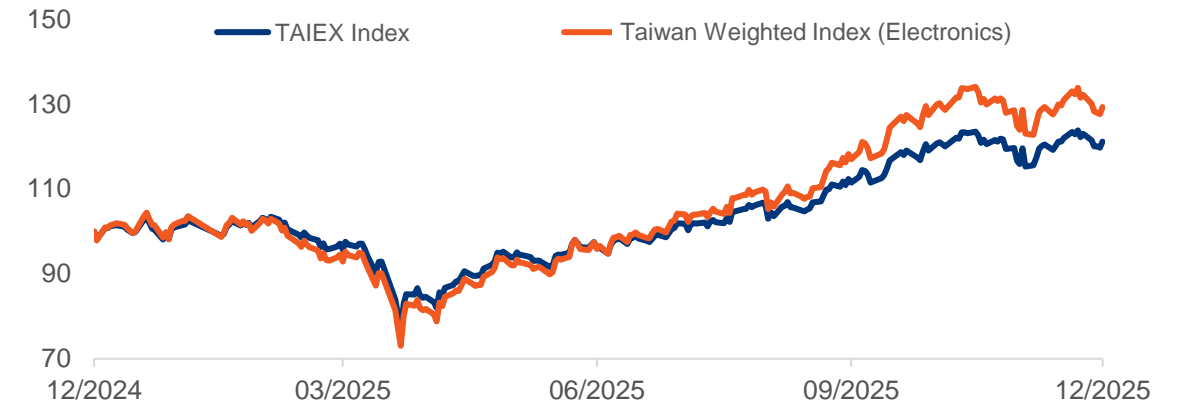
Rising bandwidth needs from LLMs and GenAI training/inference, alongside continued hyperscale data-center buildouts, require higher-speed optical modules to avoid bottlenecks in switches and servers. We expect data-center bandwidth upgrades to remain the strongest driver for networking in 2026. Market estimates for 2026 demand of 800GbE and 1.6TbE optical transceivers were further revised up in 4Q25.

With demand accelerating, 800GbE switches should remain mainstream with solid demand in 2026, while 1.6TbE switches are expected to transition from validation to volume production from 2H25 into 2026. Global switch vendors are set to roll out related products, benefiting Taiwan's supply chain—particularly in silicon photonics, ZR modules, and EML packaging—as AI and cloud adoption drive the next growth leg.

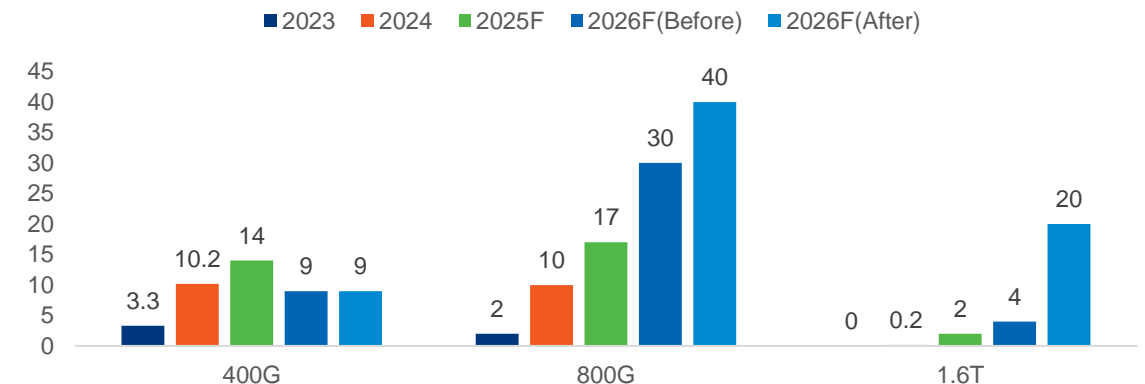
Source: Bloomberg

TAIEX Index and Taiwan Electronics Sector Trends

Index, 18 Dec 2024 = 100



Optical Transceiver Module Shipments (Million Units)



Accton (2345 TT)

Accton designs and manufactures carrier-grade and enterprise networking products, providing high-end networking equipment and solutions to global IT and telecom customers.

Key Features

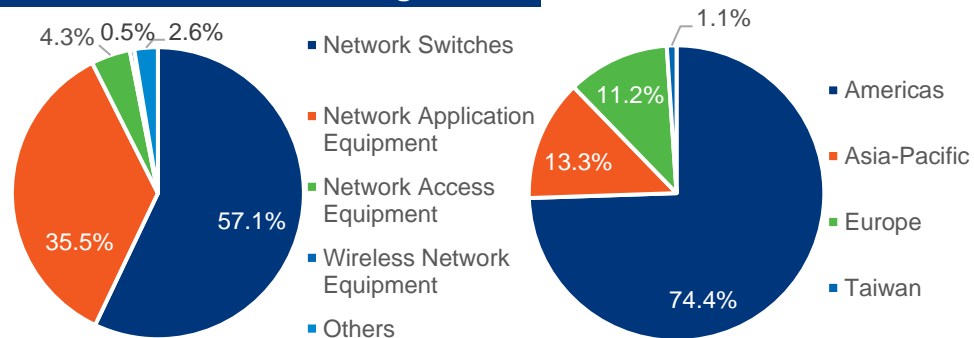
800GbE to Be the 2026 Mainstream; 1.6TbE Positioned Early

Industry consensus points to strong growth in 800GbE optical transceiver demand in 2026, accelerating the data-center switch upgrade cycle from 400GbE to 800GbE. 1.6TbE switches are also expected to roll out progressively. Driven by robust AI/ML demand, upgrade cycles should shorten. Accton has already invested in 1.6TbE R&D, positioning it to maintain leadership as the market transitions beyond 800GbE.

Rising Industry Position and New Growth Drivers

Rack products are slated for pilot production and field testing in 2026. With higher ASPs than switches, successful shipments could add incremental growth. Capacity expansion in Taoyuan continues, alongside investments in CPO. High-end switches and AI accelerator demand remain core drivers, while racks and CPO provide additional upside.

Revenue Sources and Regions



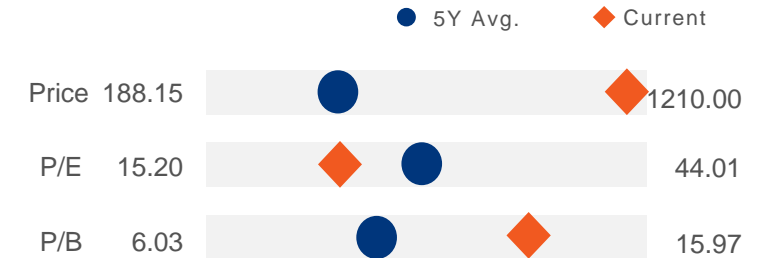
Source: Bloomberg

Financials

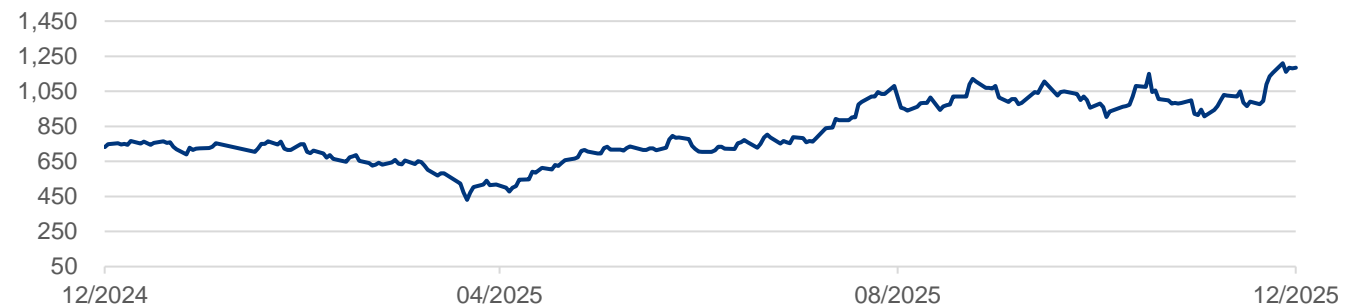
	2022	2023	2024	2025F	2026F
EPS (NTD)	14.64	15.99	21.49	46.08	55.83
EPS Growth (%)	73.4	9.2	34.4	114.5	21.1
P/E Ratio	64.6	59.1	44.0	20.5	16.9
ROE (%)	45.4	39.1	39.0	61.9	58.7

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 18 Dec 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	2.60	29.65	16.75	65.73	53.30	59.70

Elite Advanced Laser Corp. (3450 TT)

Elite Advanced Laser provides laser packaging, module assembly, and testing services, widely used in optical information and optical communications. Its product mix includes packaging & testing services, product sales, and other services.

Key Features

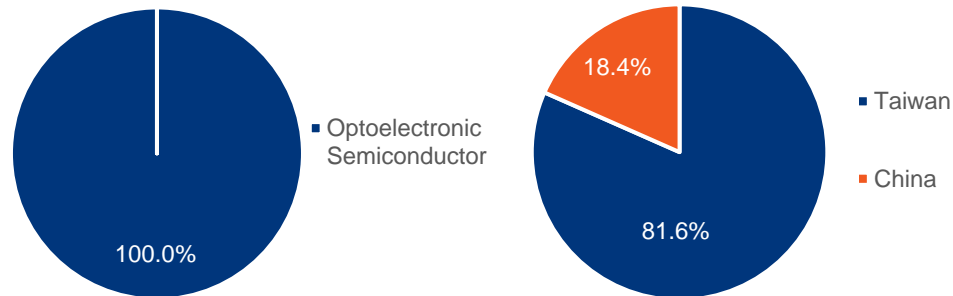
Revenue Recovery After Inventory Adjustment

Revenue declined in 2Q25–3Q25 due to inventory destocking by optical module customers. Normalization is expected by year-end. Average monthly revenue in 3Q25 held at TWD 600–700m, rebounding to ~TWD 700m in October, signaling an improving trend. We expect customer inventory adjustment to conclude in 4Q25, while COS demand remains tight, supporting a gradual recovery.

Clearer 2026 Outlook

We expect strong laser packaging demand from multiple U.S. optical-communications customers to drive capacity expansion in COS-related businesses in 2026, lifting revenue and margins. In addition, subsidiary Yuanjie's 800G optical transceivers are set to begin shipments, contributing to revenue and earnings. We revise 2026 revenue to TWD 13.7bn and EPS to TWD 11.97.

Revenue Sources and Regions



Source: Bloomberg

Financials

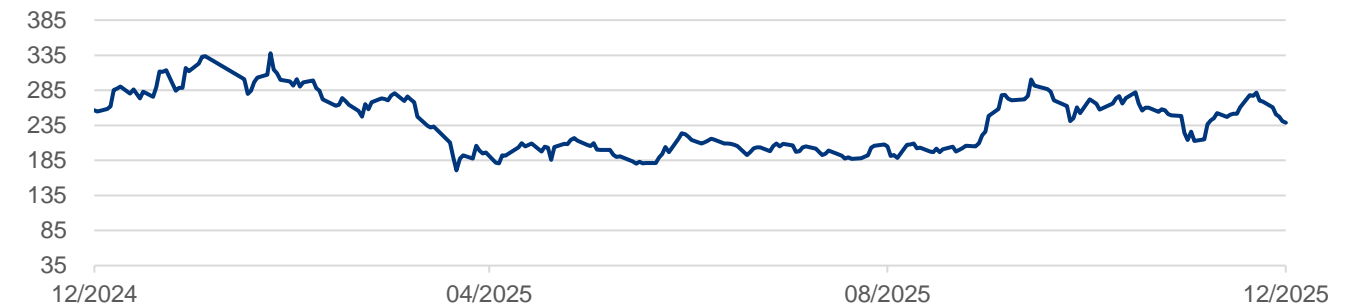
	2022	2023	2024	2025	2026F
EPS (NTD)	1.32	-0.52	3.82	6.72	11.97
EPS Growth (%)	-48.3	-139.7	0.0	75.8	78.2
P/E Ratio	211.5	N.A.	72.9	41.5	23.3
ROE (%)	4.8	-2.0	13.5	21.3	34.6

Source: Company data, estimates of KGI analyst

Valuations

		5Y Avg.	Current	
Price	33.91			337.71
P/E	33.90			49.37
P/B	1.23			11.1

1-Year Price



As of 18 Dec 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-11.34	11.45	-4.02	8.90	-16.90	-7.20

**Mutual Funds/
ETFs**

2026 Structural AI Growth Continues; Pullbacks Offer Attractive Entry Points

► Janus Henderson Horizon Global Technology Leaders Fund

- An actively managed global technology fund focused on identifying undervalued companies whose earnings growth scale or durability is underappreciated by the market, aiming for long-term capital growth.
- Janus Henderson has managed dedicated technology strategies since 1983. The three portfolio managers each bring over 20 years of experience across US, European, and Asian technology markets.
- Long-term performance has been strong, delivering a cumulative gain of about 2800% since inception in 1996, significantly outperforming the Morningstar Technology sector as of 30 Nov 2025.

► JPMorgan Funds – US Technology Fund

- Targets six major secular themes—cloud computing, artificial intelligence, autonomous driving, digital payments, streaming media, and digital marketing—while capturing opportunities across four AI value-chain segments: semiconductors and equipment, data-center hardware and networking, software and vendors, and consumer applications.
- Actively managed without benchmark constraints to identify future industry leaders.
- Strong long-term track record, with active stock selection and sector allocation delivering outperformance versus the benchmark in 2017–2020 and 2023–2024.

Product	Janus Henderson Horizon Global Technology Leaders Fund		JPMorgan Funds – US Technology Fund	
Features	<ul style="list-style-type: none"> ■ Focus on undervalued, overlooked profitable tech companies ■ Managers with 20+ years' investment experience backgrounds across U.S., European, and Asian tech equities 		<ul style="list-style-type: none"> ■ Local team advantage, deep U.S. tech insights, solid investment strategy & risk control ■ Actively uncover tomorrow's industry leaders via thematic stock selection, embracing hot trends 	
AUM	USD 6.76 b		USD 9.91 b	
Functional currency	-0.88% / 19.84%		-2.02% / 15.46%	
3M/YTD Return	Semis & Semi Equipment	32.27	Software	36.70
	Software	18.54	Semis	23.70
	Interactive Media/Services	15.89	Internet	19.60
	Broadline Retail	6.54	IT Services	7.00
	Electronic Equip/Instr/Components	5.96	Data/Telecom	5.50
Top 5 Industry Allocation (%)	U.S.	78.02	U.S.	100
	Taiwan	6.74		
	China	5.68		
	Canada	1.90		
	Germany	1.56		
Top 5 Holdings (%)	NVIDIA	9.92	NVIDIA	5.2
	Microsoft	8.48	Snowflake	4.7
	Alphabet	8.09	Robinhood	4.0
	TSMC	6.74	Oracle	3.8
	Amazon	5.59	Take-Two Interactive	3.7

Source: Bloomberg

Janus Henderson Horizon Global Technology Leaders Fund

Profile

The fund seeks long-term capital growth, investing at least 90% of assets in equities and equity-related securities of technology-related companies, across all countries and market capitalizations, or companies deriving the majority of profits from technology.

Exceptional Technology Growth Potential

Technology sits at the forefront of powerful, durable, long-term themes. Innovation continues to reshape how we live and operate, making products and processes faster, better, and cheaper. This underpins strong earnings growth for technology companies and supports their rising share of the global economy.

Avoiding Extreme Valuations

The fund avoids pre-profit companies and focuses on opportunities where earnings are undervalued or underappreciated by the market, steering clear of speculative excess.

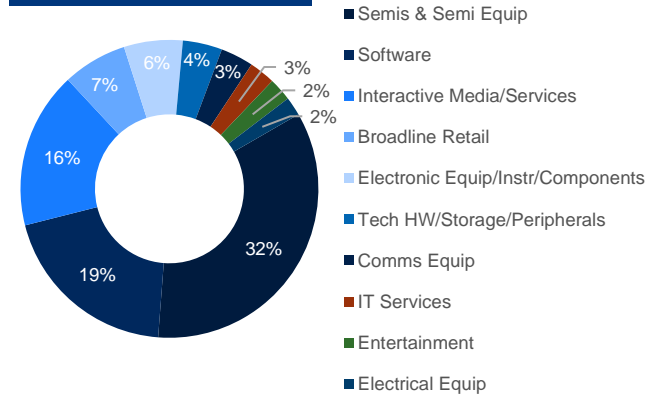
Experienced Management Team

Janus Henderson has managed dedicated technology strategies since 1983. The three portfolio managers each have over 20 years of investment experience, with backgrounds spanning U.S., European, and Asian technology markets.

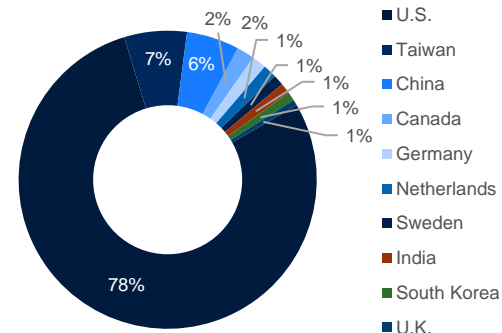
Inception	1996/10/16	AUM	USD 6.76 b
Morningstar Category	Equities – Tech	Fund Category	Equities
Morningstar Ratings	★★★★	3Y SD (Ann.)	26.25%

Source: Bloomberg

Sectors



1Y Price



Top-5 Holdings (%)

NVIDIA	9.92
Microsoft	8.48
Alphabet	8.09
TSMC	6.74
Amazon	5.59

3Y NAV



As of 16 Dec 2025	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	-1.12	-0.88	19.84	15.85	62.26	131.10
Category Ranking	3	3	2	2	1	1

JPMorgan Funds – US Technology Fund

Profile

The fund seeks long-term capital appreciation by investing in U.S. companies related to technology, including but not limited to technology, media, and communication services.

Capturing Six Core Technology Themes

Targets six major technology trends—cloud computing, AI, autonomous driving, electronic payments, streaming media, and digital marketing—while gaining exposure across four AI value-chain segments: semiconductors and equipment, data infrastructure and networking, software and vendors, and consumer applications.

Trusted Asset Manager with Deep U.S. Roots

Backed by JPMorgan’s over 200-year history in the U.S. market, the asset management platform leverages global research resources and strong local expertise to deliver disciplined portfolio construction and risk management.

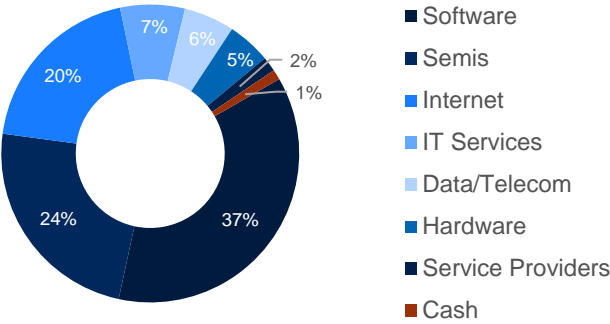
Flexible, Active Portfolio Management

Actively identifies next-generation industry leaders through thematic stock selection, with agile rebalancing to capture opportunities in AI, cloud, and digital platforms as market conditions evolve.

Inception	1997/12/5	AUM	USD 9.91 b
Morningstar Category	Equities – Tech	Fund Category	Equities
Morningstar Ratings	★★★★	3Y SD (Ann.)	31.90%

Source: Bloomberg

Sectors



1Y Price



Top-5 Holdings (%)

NVIDIA	5.2
Snowflake	4.7
Robinhood	4.0
Oracle	3.8
Take-Two Interactive	3.7

3Y NAV



As of 16 Dec 2025	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	0.00	-2.02	15.46	9.41	50.27	131.26
Category Ranking	1	4	3	3	2	1

**Mutual Funds/
ETFs**

2026 Structural AI Growth Continues; Pullbacks Offer Attractive Entry Points

► Global X Artificial Intelligence & Technology ETF (AIQ.US)

- Tracks the Indxx Artificial Intelligence & Big Data Index.
- Invests primarily in large-cap growth companies expected to benefit from AI development and adoption, as well as firms providing hardware enabling AI-driven big data analytics.
- No sector or country constraints.
- Key holdings include Alphabet, Samsung, Tesla, Apple, and Alibaba, with the top 10 positions accounting for about 35%.

► iShares Future AI & Tech ETF (ARTY.US)

- Tracks the Morningstar Global Artificial Intelligence Select Index.
- Focuses on global AI-related platform/software providers, data centers, semiconductor hardware, and AI services companies, with a tilt toward mid-cap growth stocks.
- Top 10 holdings represent around 40% of the portfolio, reflecting higher concentration.

Product	Global X Artificial Intelligence & Technology ETF (AIQ.US)		iShares Future AI & Tech ETF (ARTY.US)	
Features	<ul style="list-style-type: none"> ■ Invests in companies benefiting from AI development and adoption ■ AI spans multiple sectors; ETF has no limits on regions or applications 		<ul style="list-style-type: none"> ■ Index provides exposure across the full value chain of AI innovation leaders ■ Global allocation; top 10 holdings ≈40% of portfolio, single holding ≤10% 	
AUM	USD 7.11 billion		USD 1.881 billion	
Tracking Index	Indxx Artificial Intelligence & Big Data Index		Morningstar Global Artificial Intelligence Select Index	
Exchange	NASDAQ		NYSE	
Holdings	86		48	
Expense Ratio	0.68%		0.47%	
3M/YTD Return	0.39% / 26.88%		1.43% / 24.20%	
Sectors (%)	Info Tech	71.40	Info Tech	82.83
	Cons. Discretionary	10.90	Comm Services	5.71
	Comm Services	10.20	Industrials	5.40
	Industrials	6.10	Utilities	3.31
	Financials	0.60	Cons. Discretionary	2.58
Holdings (%)	Alphabet	4.29	AMD	5.65
	Samsung Electronics	4.17	VeriSign	5.40
	Tesla	3.86	NVIDIA	4.32
	Apple	3.49	Advantest	4.13
	AMD	3.43	Broadcom	4.04

Source: Bloomberg

Global X Artificial Intelligence & Technology ETF (AIQ.US)

Profile

The ETF tracks the Indxx Artificial Intelligence & Big Data Index, seeking to deliver investment results that correspond to the index's performance.

Focused Exposure to AI Development

The index primarily invests in companies expected to benefit from the continued development and adoption of AI in products and services, including hardware providers and firms enabling AI-driven big data analytics, offering broad exposure to the AI ecosystem.

No Geographic or Sector Constraints

AI spans multiple industries and regions. The ETF invests globally without sector or geographic limits, holding around 86 stocks, with the top 10 positions accounting for roughly 35% of the portfolio.

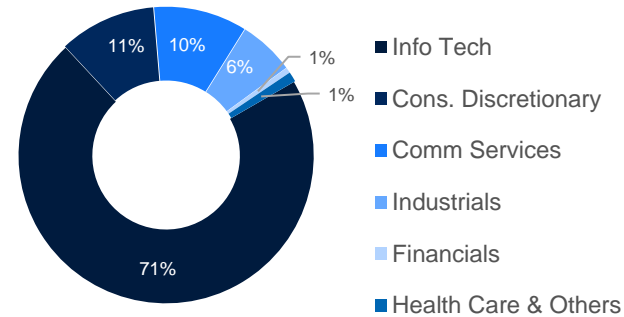
High Growth Potential

Driven by breakthroughs in generative AI, the global AI market is estimated to reach USD 184bn in 2024 and is projected to expand to USD 826.7bn by 2030, supporting long-term growth prospects.

Inception Date	2018/5/11	AUM	USD 7.11 b
ETF Category	Equities	Holdings	86
Expense Ratio	0.68%	3Y Stand. Dev. (Ann.)	20.16%

Source: Bloomberg

Sectors



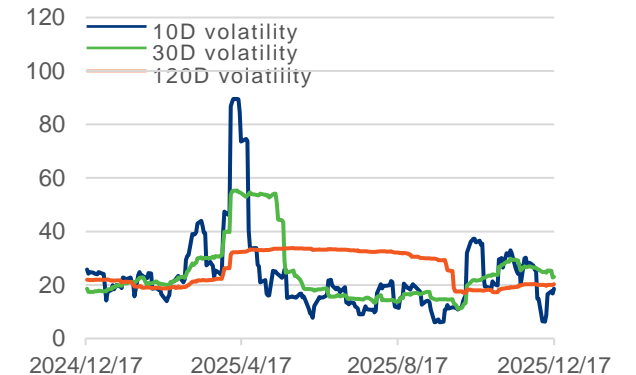
1Y Price



Top-5 Holdings (%)

Alphabet	4.29
Samsung Electronics	4.17
Tesla	3.86
Apple	3.49
AMD	3.43

1Y Volatility



As of 17 Dec 2025	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	0.35	0.39	26.88	25.74	141.16	82.73

iShares Future AI & Tech ETF (ARTY.US)

Profile

The ETF tracks the Morningstar Global Artificial Intelligence Select Index, aiming to deliver investment performance aligned with the index.

Focus on Artificial Intelligence

The index provides exposure across the full AI value chain, targeting companies at the forefront of AI innovation, including generative AI, AI data and infrastructure, AI software, and AI services.

Global Allocation

Invests globally in AI-related platform/software providers, data centers, semiconductor hardware, and AI services companies, with a bias toward mid-cap growth stocks. The top 10 holdings account for around 40% of the portfolio, with single-stock exposure capped below 10%.

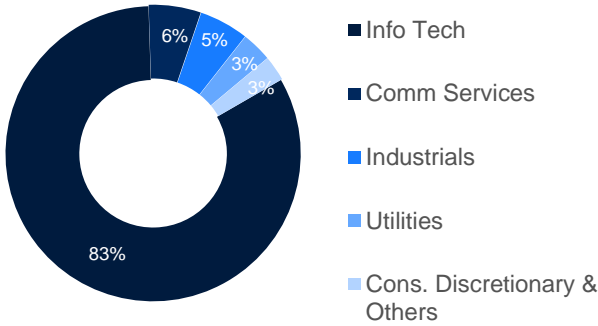
Innovation-Driven Catalyst

AI is reshaping business models through data analytics, machine learning, and automation. It accelerates product development, improves decision-making accuracy, and enables cross-sector integration, fostering new business models and sustained industry transformation.

Inception Date	2018/6/26	AUM	USD 1.881 b
ETF Category	Equities	Holdings	48
Expense Ratio	0.47%	3Y Stand. Dev. (Ann.)	24.64%

Source: Bloomberg

Sectors



1Y Price

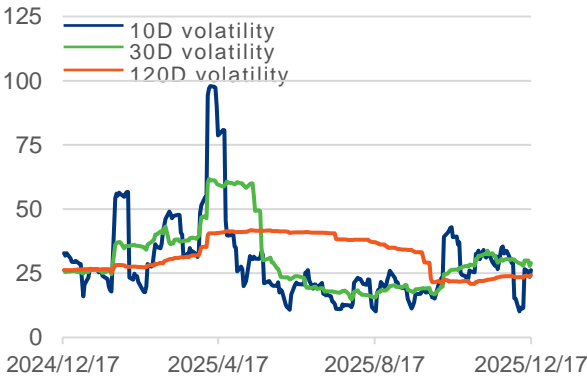


As of 17 Dec 2025	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	1.41	1.43	24.20	24.40	78.57	21.48

Top-5 Holdings (%)

AMD	5.65
VeriSign	5.4
NVIDIA	4.32
Advantest	4.13
Broadcom	4.04

1Y Volatility



Bonds

European Banks Deliver Resilient 3Q Performance, Positioning Tier-1 Names to Enhance Yield

► BNP 6.875 PERP (BNP Paribas) (USD)

- As of April 2025, BNP Paribas had total assets of about USD 2.81tn, ranking No.1 in France and No.2 in Europe (after HSBC). Its key strengths lie in strong geographic and business diversification. Operations are built on three pillars: Commercial, Personal Banking & Services (CPBS); Investment & Protection Services (IPS); and Corporate & Institutional Banking (CIB). Revenue concentration is relatively low across regions: France contributes about one-quarter of group revenue, followed by Italy (~10%) and Belgium (~10%).
- BNP’s robust retail and commercial banking franchise is a core credit strength. Its capital markets exposure is primarily liquidity-driven and smaller than that of most global peers, supporting more stable earnings across economic cycles.
- In the first nine months of 2025, BNP reported revenue growth of 3.9% YoY and pre-tax profit of EUR 13.1bn, up 1.8%. The CET1 ratio stood at 12.5% in 3Q25, flat QoQ and above expectations, supported by solid internal capital generation and model updates.
- BNP Paribas has an established track record in the AT1 market. This recently issued instrument offers relatively good liquidity. Compared with outstanding USD AT1s from the same issuer, the bond screens attractively above the curve, offering superior yield value.

Product	BNP 6.875 PERP (BNP Paribas) (USD)
ISIN	USF1067PAJ50
Features	Retail and commercial banking operations have key credit advantages. Capital markets business is relatively small; earnings performance remains stable
Maturity Date	Perpetual
Next Call Date	2033/12/15
Coupon (%)	Float/6.875/Semi-annual
Currency	USD
Years to Maturity	-
Credit Rating (Moody’s/Fitch/S&P)	Ba1/BBB/BBB-
Seniority	Secondary
YTM/YTC (%)	6.63/6.75

Source: Bloomberg

BNP 6.875 PERP (BNP Paribas)

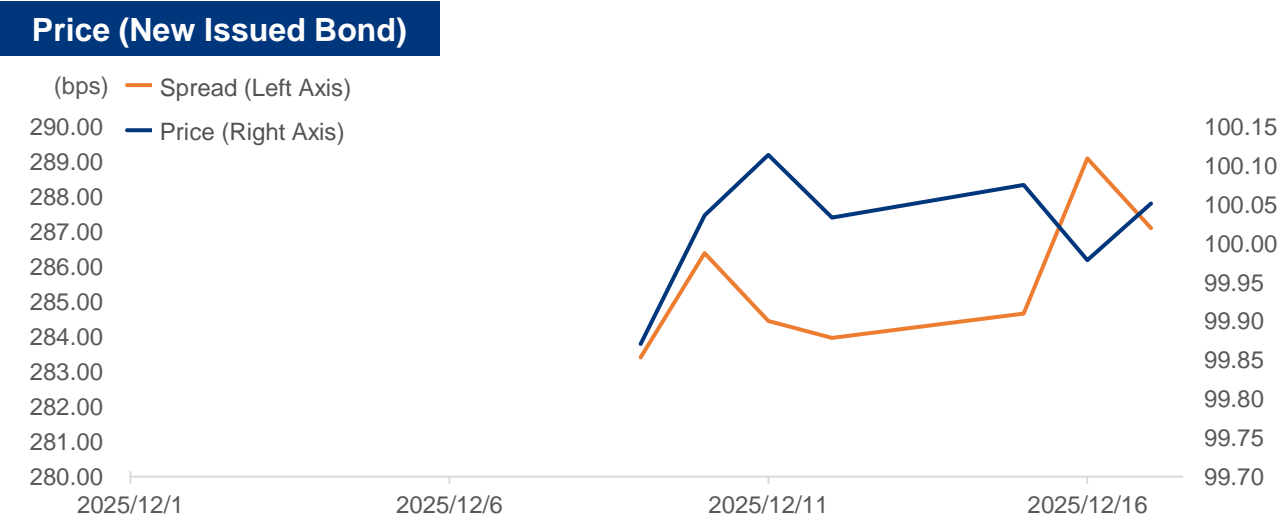
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Financials	2025Q1	2025Q2	2025Q3
Net Profit Margin (%)	22.77	25.90	24.22
Non-Performing Loan Ratio (%)	2.18	2.12	2.32
CET1 Ratio (%)	12.40	12.50	12.50

Source: Bloomberg, Note: The coupon reset date is December 15, 2033, with semiannual distributions. The applicable annual interest rate is based on the U.S. 5-year Treasury yield. The reset rate equals the bond yield on the settlement date plus 2.853%.

Overview			
Name	BNP 6.875 PERP	ISIN	USF1067PAJ50
Maturity Date	Perpetual	Remaining Maturity	-
Coupon(%)	Float/6.875/Semi-annual	YTM/YTC(%)	6.63/6.75
Currency	USD	Min. Subscription/ Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Ba1/BBB/BBB-	Seniority	Secondary



Appendix

Key Economic Data / Events

► DEC 2025

15

Monday

- China Nov Retail Sales YoY (Act:1.3% Est:2.9% Prev:2.9%)
- China Nov Industrial Production YoY (Act:4.8% Est:5.0% Prev:4.9%)

16

Tuesday

- U.S. Nov Nonfarm Payrolls (Act:64k Est:50k Prev:-105k)
- U.S. Nov Unemployment Rate (Act:4.6% Est:4.5% Prev:4.4%)
- U.S. Oct Retail Sales MoM (Act:0.0% Est:0.1% Prev:0.1%)
- U.S. Dec S&P Global Mfg. PMI (Prelim) (Act:51.8 Est:52.1 Prev:52.2)
- Eurozone Dec Mfg. PMI (Prelim) (Act:49.2 Est:49.9 Prev:49.6)
- Eurozone Dec Services PMI (Prelim) (Act:52.6 Est:53.3 Prev:53.6)

17

Wednesday

- Eurozone Nov CPI YoY (Final) (Act:2.1% Est:2.2% Prev:2.1%)
- Japan Nov Exports YoY (Act:6.1% Est:5.0% Prev:3.6%)
- Japan Oct Core Machinery Orders MoM (Act:7.0% Est:-1.8% Prev:4.2%)

18

Thursday

- U.S. Weekly Initial Jobless Claims (Act:224k Est:225k Prev:237k)
- U.S. Nov CPI YoY (Act:2.7% Est:3.1% Prev:3.0%)
- U.S. Nov Core CPI YoY (Act:2.6% Est:3.0% Prev:3.0%)
- Eurozone Dec ECB Main Refinancing Rate (Act:2.15% Est:2.15% Prev:2.15%)
- UK Dec BoE Bank Rate (Act:3.75% Est:3.75% Prev:4.00%)

19

Friday

- U.S. Dec Univ. of Michigan Consumer Sentiment (Final) (Est:53.5 Prev:51.0)
- U.S. Nov Existing Home Sales (Est:4.15m Prev:4.10m)
- Eurozone Dec Consumer Confidence (Prelim) (Est:-14.0 Prev:-14.2)
- Japan Nov National CPI YoY (Act:2.9% Est:2.9% Prev:3.0%)
- Japan Dec BoJ Uncollateralized Overnight Call Rate (Act:0.75% Est:0.75% Prev:0.50%)

22

Monday

- Taiwan Nov Unemployment Rate (Prev:3.33%)

23

Tuesday

- U.S. 3Q GDP QoQ SAAR (Revised) (Est:3.2% Prev:3.8%)
- U.S. Oct Durable Goods Orders MoM (Prelim) (Est:-1.5% Prev:0.5%)
- U.S. Nov Industrial Production MoM (Est:0.1% Prev:0.1%)
- U.S. Dec Conference Board Consumer Confidence (Est:91.7 Prev:88.7)
- Japan Nov Machine Tool Orders YoY (Final) (Prev:17.1%)
- Taiwan Nov Export Orders YoY (Prev:25.1%)

24

Wednesday

- U.S. Weekly Initial Jobless Claims (Prev:224k)

25

Thursday

26

Friday

- Japan Dec Tokyo CPI YoY (Est:2.3% Prev:2.7%)
- Japan Nov Unemployment Rate (Est:2.6% Prev:2.6%)
- Japan Nov Job-to-Applclicant Ratio (Est:1.18 Prev:1.18)
- Japan Nov Industrial Production MoM (Prelim) (Est:-2.0% Prev:1.5%)

Source: Bloomberg

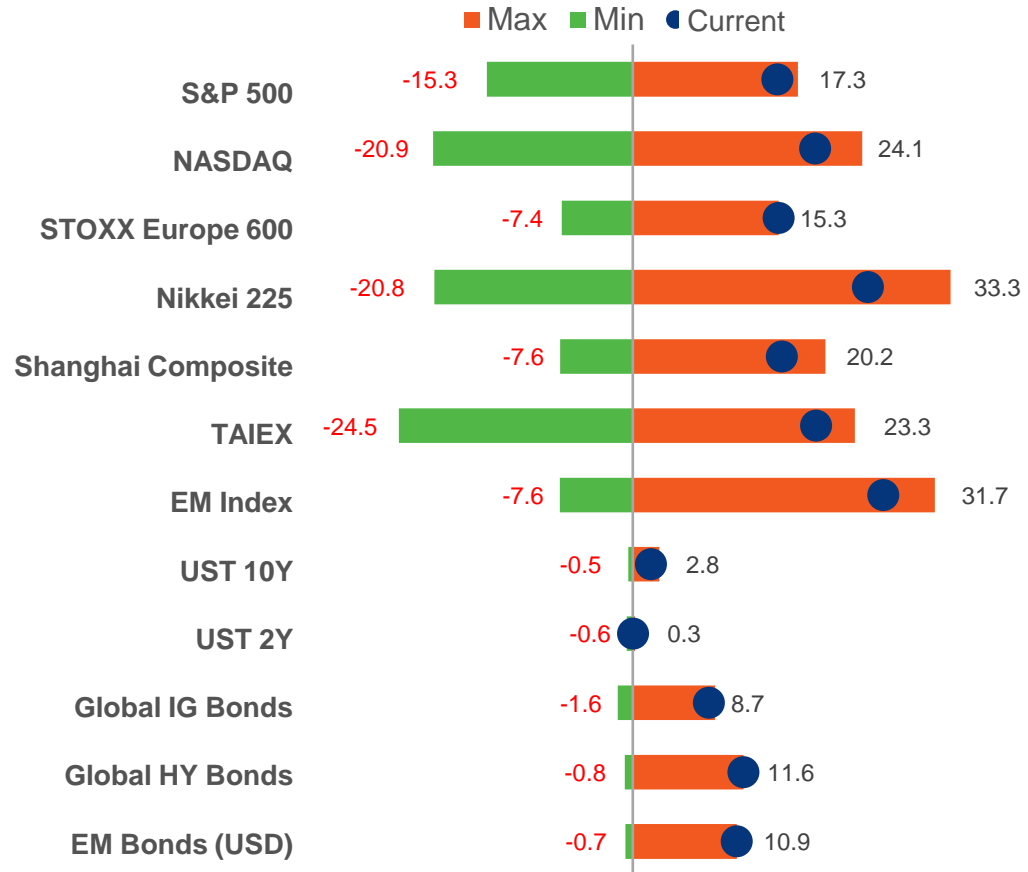
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	EPS
2025/12/18	Micron Technology Inc (MU)	12.83B	13.64B	3.94	4.78	V	V
2025/12/18	Accenture plc (ACN)	18.51B	18.7B	3.74	3.94	V	V

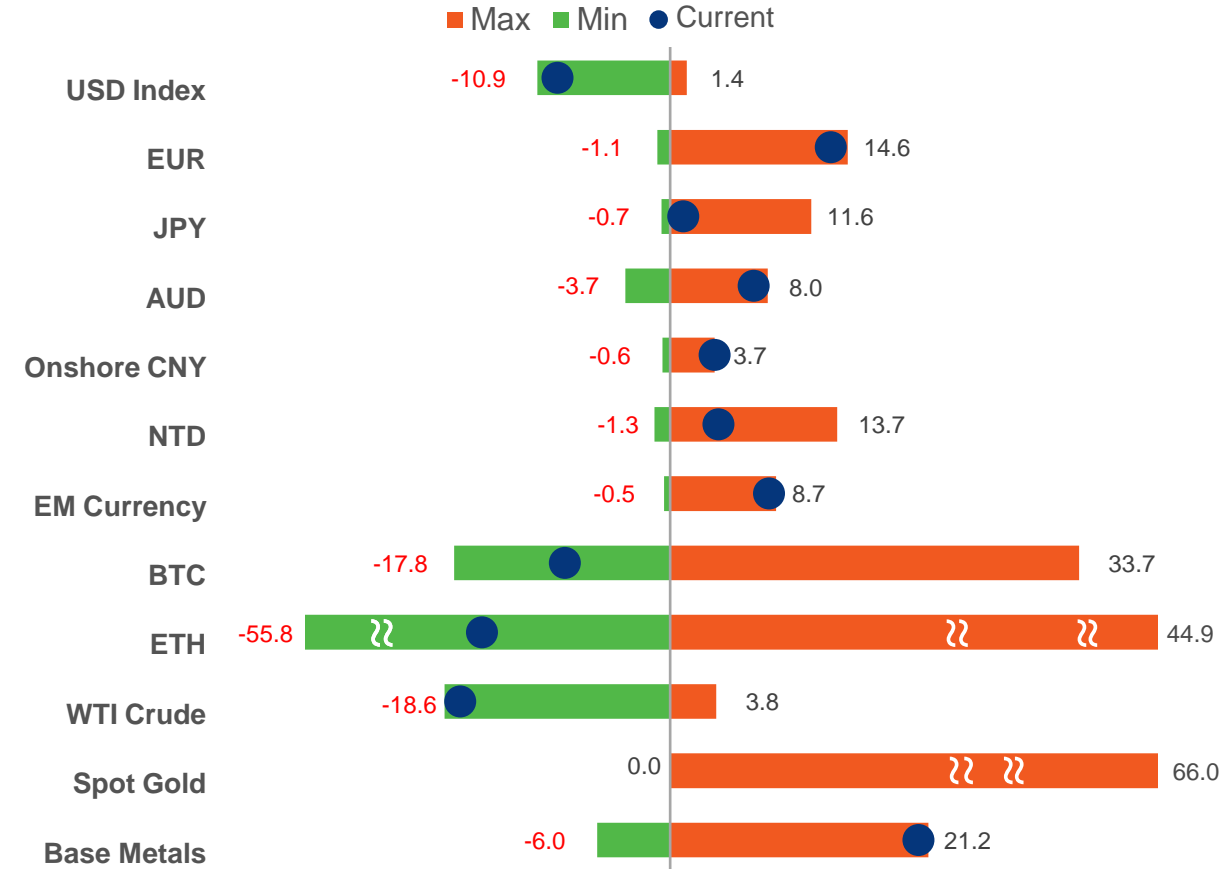
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 19 Dec 2025

Technical Analysis

S&P 500 Index

■ Current: 6,774
■ 60MA: 6,753



NASDAQ Index

■ Current: 23,006
■ 60MA: 23,055



STOXX Europe 600 Index

■ Current: 585
■ 60MA: 572



Nikkei 225 Index

■ Current: 49,452
■ 60MA: 49,108



Shanghai Composite Index

■ Current: 3,880
■ 60MA: 3,911



MSCI Emerging Markets Index

■ Current: 1,358
■ 60MA: 1,375



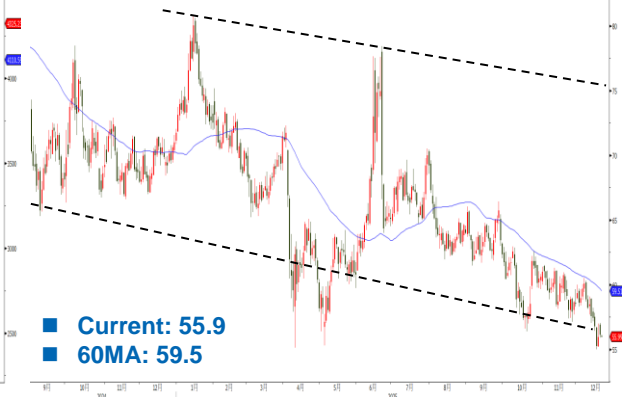
Gold

■ Current: 4,325
■ 60MA: 4,110



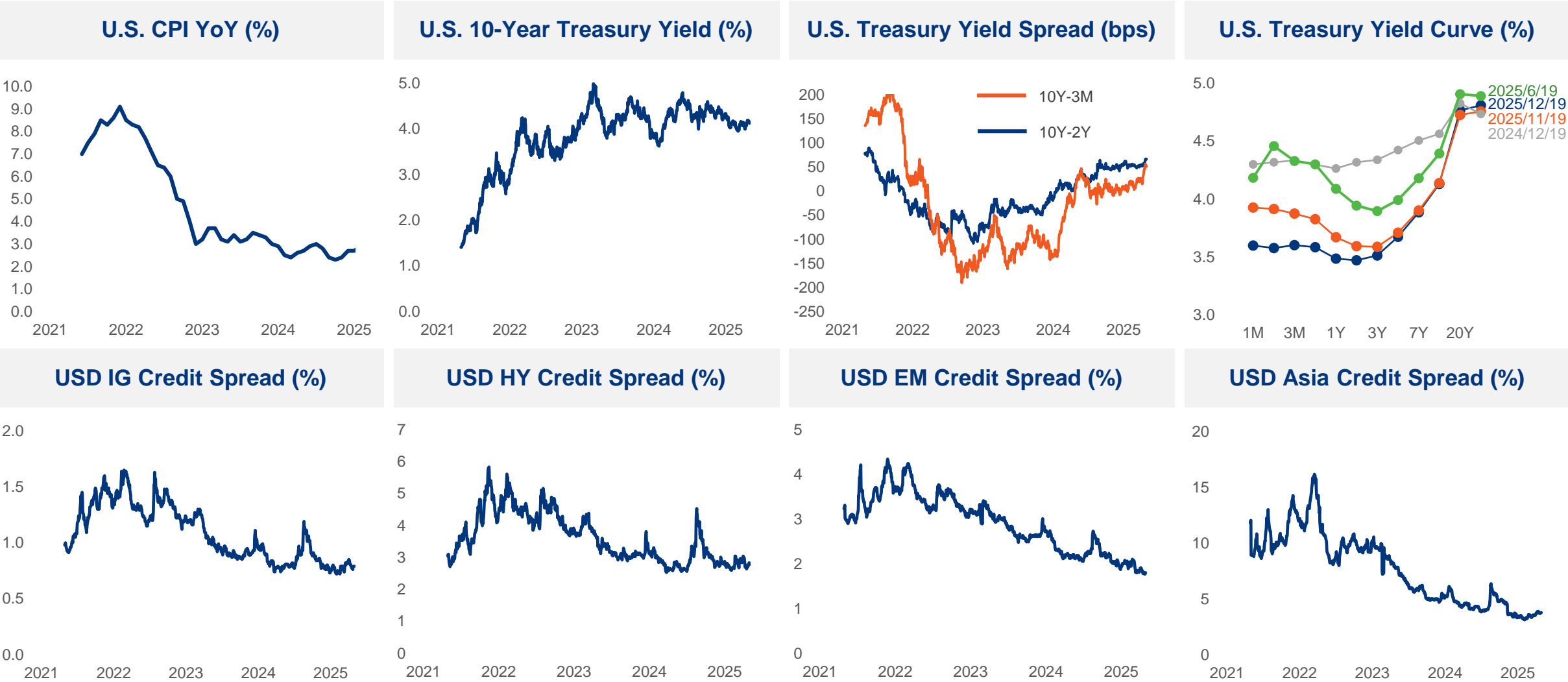
WTI Crude

■ Current: 55.9
■ 60MA: 59.5



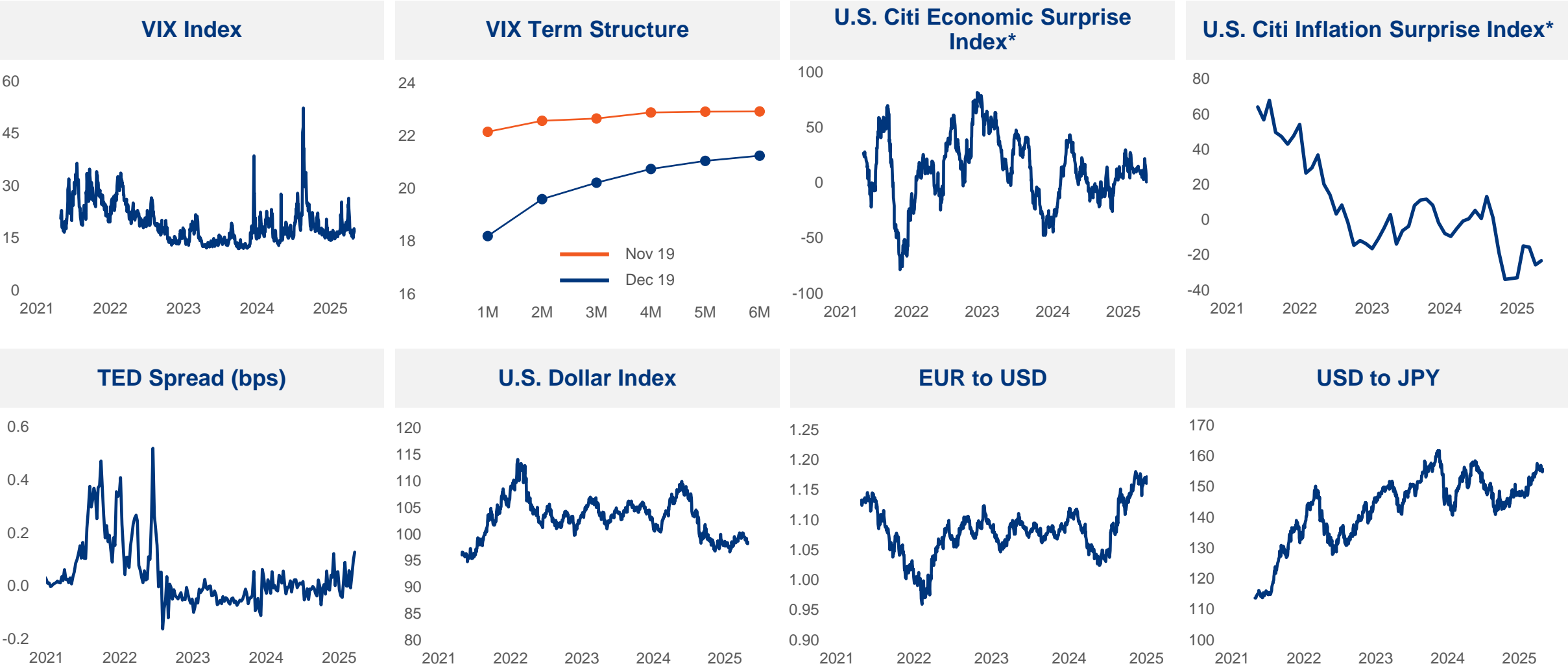
Source: Bloomberg, 19 Dec 2025

Market Monitor



Source: Bloomberg, 19 Dec 2025

Market Monitor



Source: Bloomberg, 19 Dec 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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