



CIO Office

Global Markets Weekly Kickstart

Multi Engines for Sustainable Income!

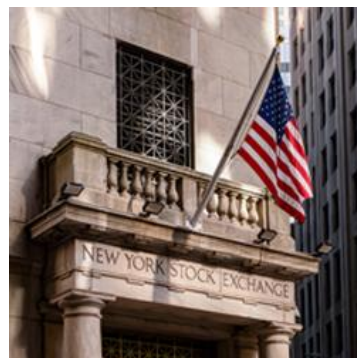
19 January 2026

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The Danger Of Blue Skies: Beware Of The Tail Risks

► Our Base-case Is A Positive Outlook For 2026

We will navigate the 2026 investment outlook through the focus on: 1) the change in global liquidity; 2) focusing on earnings delivery; 3) the opportunities to add IG credit and; 4) further diversifying the investment portfolios.

► What Are the Potential Tail Risks

We will not forget the low probability and high impact events. Although this is not in our base-case scenario, we believe the following events are important to pay attention to: 1) Any probability of US inflation reverting its trend amid of dovish Fed's policy; 2) Increasing volatility of the US treasuries given the increasing shifting of its holding from Sovereign buyers to return-focused investors; 3) Legality of the US tariffs and its impact on the US fiscal balances; 4) increasing tension between the US and the NATO.

► Reinforcing the Focus On Asia

To diversify the tail risks, this reinforce our investment strategy that Asia is one of the very important asset allocation.

One Year Inflation Expectation

(%)

5.50

5.00

4.50

4.00

3.50

3.00

2.50

22/12 23/04 23/08 23/12 24/04 24/08 24/12 25/04 25/08 25/12

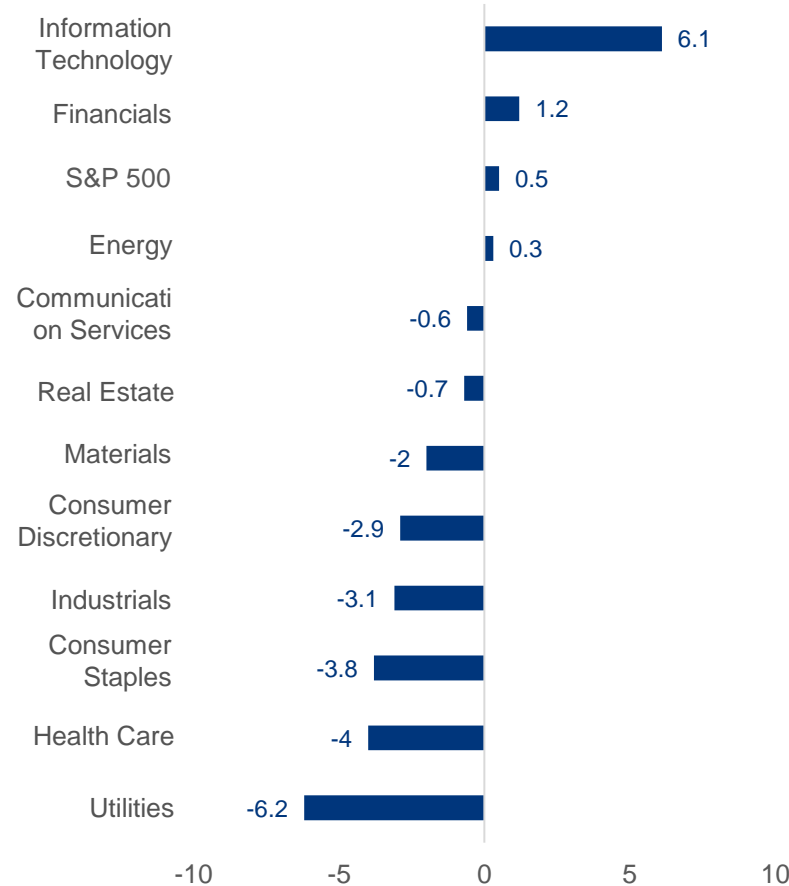
Chart of the Week

U.S. Stocks Enter Super Earnings Season, Key Test for Market Momentum

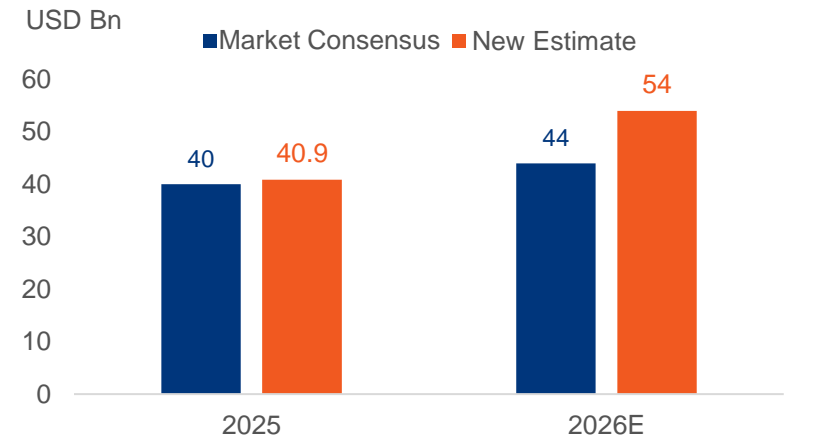
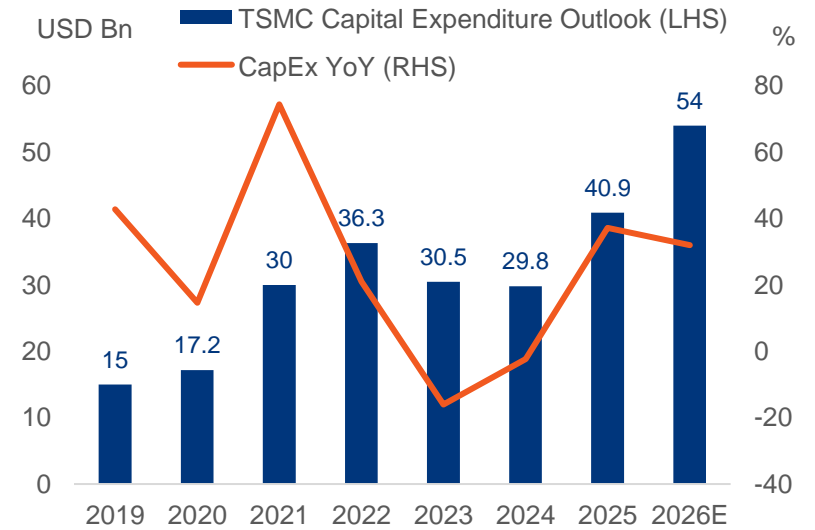
- U.S. equities have entered the Q4 “super earnings season,” with analysts raising S&P 500 EPS estimates by 0.5%. This stands out against the historical trend, as EPS forecasts averaged a 1.6% decline over the past five years and a 3.1% cut over the past decade. Among the 11 sectors, three saw upward EPS revisions: Technology (+6.1%), Financials (+1.2%), and Energy (+0.3%), with information technology companies issuing the largest number of positive profit outlooks. On the downside, Utilities posted the steepest earnings decline, followed by Healthcare and Consumer Staples, reflected in recent sector price performance.
- Meanwhile, TSMC reported Q4 2025 revenue of NT\$1.05 trillion and net income of NT\$505.74 billion, both hitting record highs, with a gross margin of 62.3%. The company raised its long-term gross margin target from 53% to above 56%, underscoring robust profitability. Capital expenditures are projected to expand 32% this year to USD 52–56 billion, with 60–80% allocated to advanced process technologies, 10% to specialty processes, and 10–20% to advanced packaging, testing, mask production, and other items. Looking ahead, the global semiconductor industry is expected to grow 14% by 2026, with TSMC outperforming the sector average, driven by leadership in advanced nodes and packaging.

U.S. Q4 Earnings: Tech, Financials, and Energy Profits Revised Higher

S&P 500 Sector EPS Revisions for Q4 2025 (%)



Robust AI Demand Drives TSMC to Record Capex in Earnings Call



Source: Factset, Goldman Sachs

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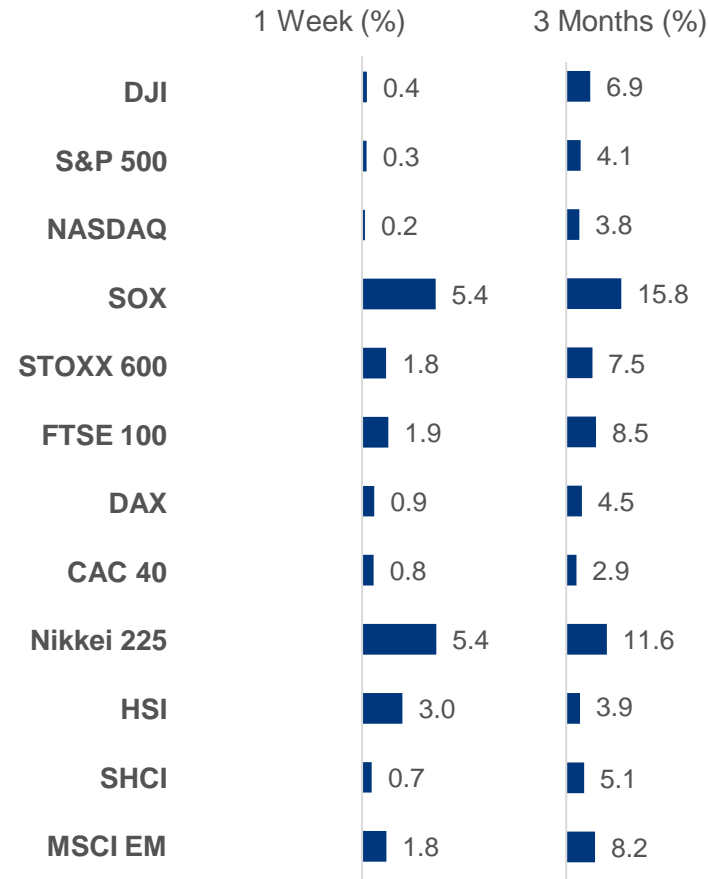
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Market Recap

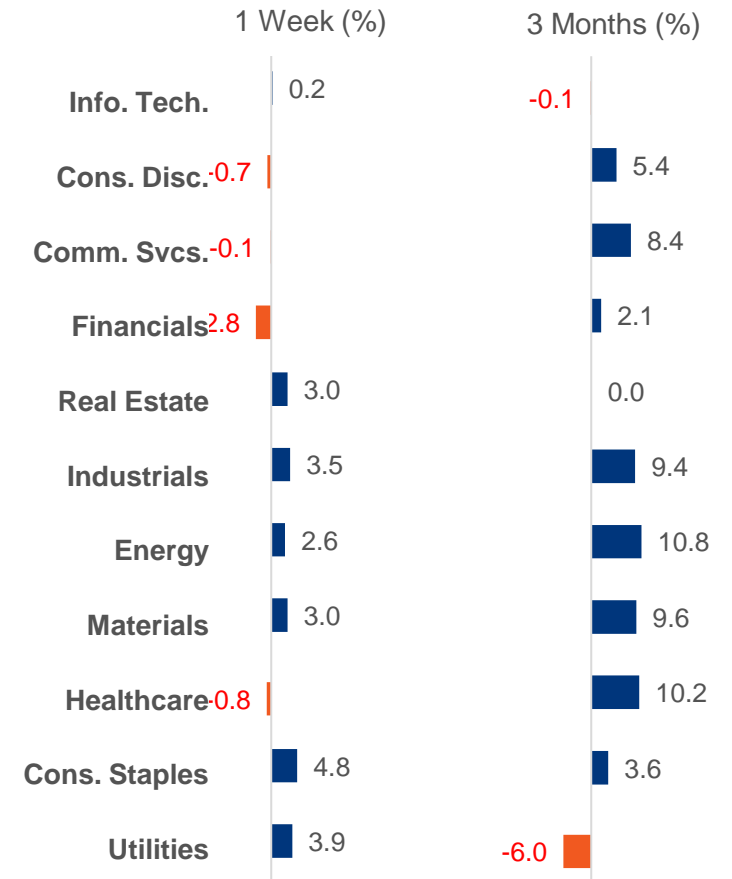
Soft Jobs Data, Rate Cut Bets Hold – Equities Extend Gains

- U.S. nonfarm payrolls rose by 50,000 in December, below both November's figure and market expectations of 73,000. However, the unemployment rate fell to 4.4%, better than the forecasted 4.5%, signaling a labor market that's slowing but still resilient. December CPI rose 2.7% year-over-year, while core CPI came in at 2.6%, below the expected 2.7%, indicating inflation remains stable and manageable. Markets now price in over a 70% chance of a rate cut by June, fueling continued equity gains. European stocks hit new highs, led by defense and mining sectors. In Japan, Prime Minister Fumio Kishida is considering dissolving the lower house ahead of early February elections, while yen depreciation boosted Japanese equities. Taiwan and the U.S. reached a trade agreement, lowering tariffs from 20% to 15%, alongside a USD 500 billion investment commitment from Taiwan into the U.S., pushing the Taiwan stock index to record highs.
- In the U.S., former President Trump proposed capping credit card interest rates at 10%, raising concerns over financial sector profitability. Financial stocks came under pressure, with Wells Fargo's Q4 earnings missing expectations, while Goldman Sachs and Morgan Stanley posted profit growth. Trump also announced a 50% increase in U.S. defense spending, aiming to raise the budget to USD 1.5 trillion by 2027, lifting defense stocks. Alphabet shares hit a record high, joining Nvidia, Microsoft, and Apple in surpassing USD 4 trillion in market capitalization. Despite Chinese government restrictions on domestic firms using U.S. chips for applications, TSMC delivered strong earnings and guidance, driving tech stocks higher.

Regional Index Performance (%)



U.S. Sector Index Performance (%)



Source: Bloomberg

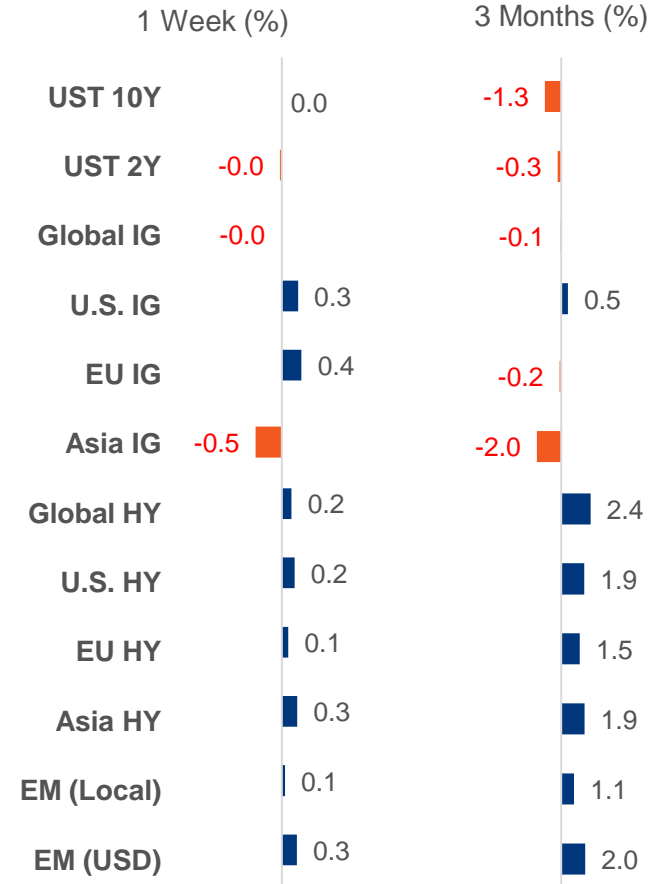
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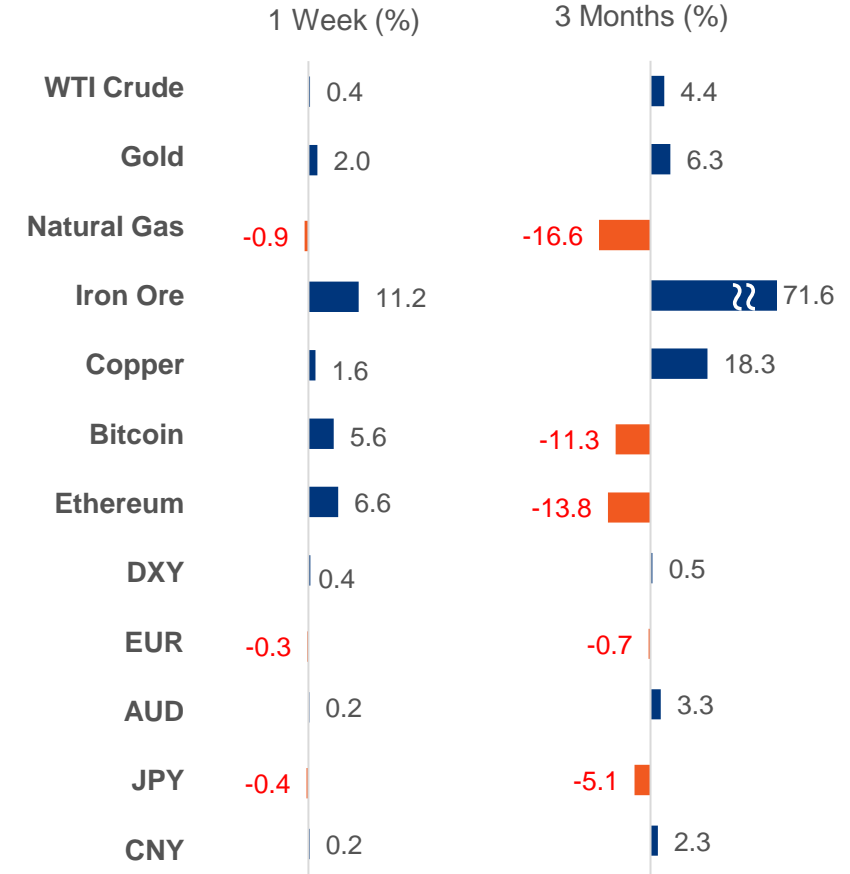
Fed Independence Under Fire, Precious Metals Hit Record Highs

- ▶ Federal Reserve Chair Jerome Powell disclosed that the U.S. Department of Justice has subpoenaed the Fed over budget overruns tied to headquarters renovations. Powell accused President Trump of leveraging criminal proceedings to push for rate cuts. Markets worry that a new Fed chair could align more closely with Trump's agenda, downplaying inflation risks, and reducing Powell's chances of remaining on the Board after May. Concerns over Fed policy independence rattled Treasury yields, while gold surged to a record USD 4,630 per ounce before retreating. Silver also rallied, with year-to-date gains exceeding 20%.
- ▶ Meanwhile, protests sparked by Iran's economic crisis have intensified, with security forces escalating crackdowns and deploying military jammers to disrupt Starlink and tighten internet restrictions. The Trump administration signaled multiple response options, including possible military action, given Iran's role as a key OPEC exporter. Oil prices rebounded in recent sessions. In Japan, Prime Minister Fumio Kishida is weighing early dissolution of the lower house. If the ruling party secures a majority, his policy agenda would be strengthened. Fiscal expansion could push Japan's budget beyond the current JPY 122.3 trillion (approx. USD 783 billion), raising debt concerns. Yen depreciation dragged down other Asian currencies, including the Korean won and New Taiwan dollar.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



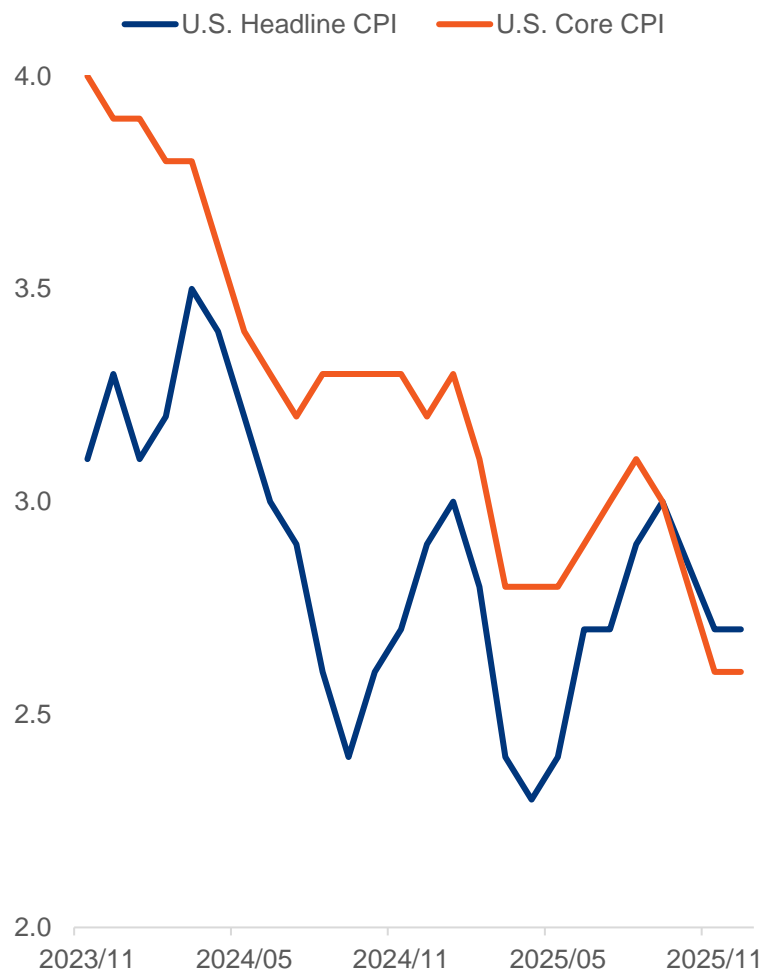
Source: Bloomberg

U.S. Non-Tariff Inflation Declines Sharply, Fed Likely to Cut Rates Twice in 2026

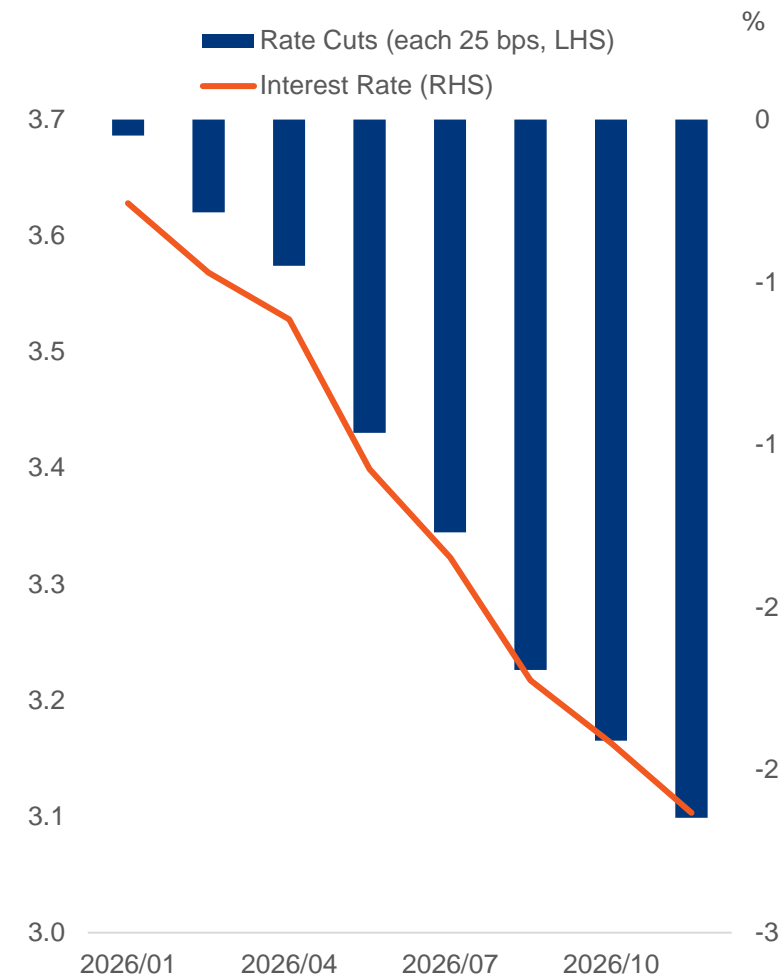
- ▶ U.S. CPI rose 2.7% year-on-year in December, in line with expectations, with monthly growth steady at 0.3%. Core CPI increased 2.6% year-on-year, below the forecast of 2.7%, while monthly core inflation came in at 0.2%, also under consensus. Housing inflation ticked up from 3.0% to 3.2%, and core goods inflation held at 1.4%, diverging from the broader disinflation trend, suggesting limited impact from the government shutdown.
- ▶ November's CPI data was skewed lower due to collection timing overlapping with Thanksgiving discount periods, though core inflation remained stable. Rate futures indicate a high probability that the Fed will keep rates unchanged through Q1 and much of H1. November's weaker inflation was insufficient to trigger early rate cuts, with policy direction expected to remain labor-market dependent. Non-tariff inflation is projected to decline significantly, while tariff-driven one-off goods inflation is expected to peak in Q1 2026 before easing in the second half, paving the way for two rate cuts this year. The U.S. economy continues to slow but recession risks remain limited. With rate-cut tailwinds intact, risk assets stand to benefit. However, elevated U.S. equity valuations remain a concern, making diversified allocation strategies advisable.

Source: Bloomberg

U.S. Non-Tariff Inflation Expected to Decline Sharply



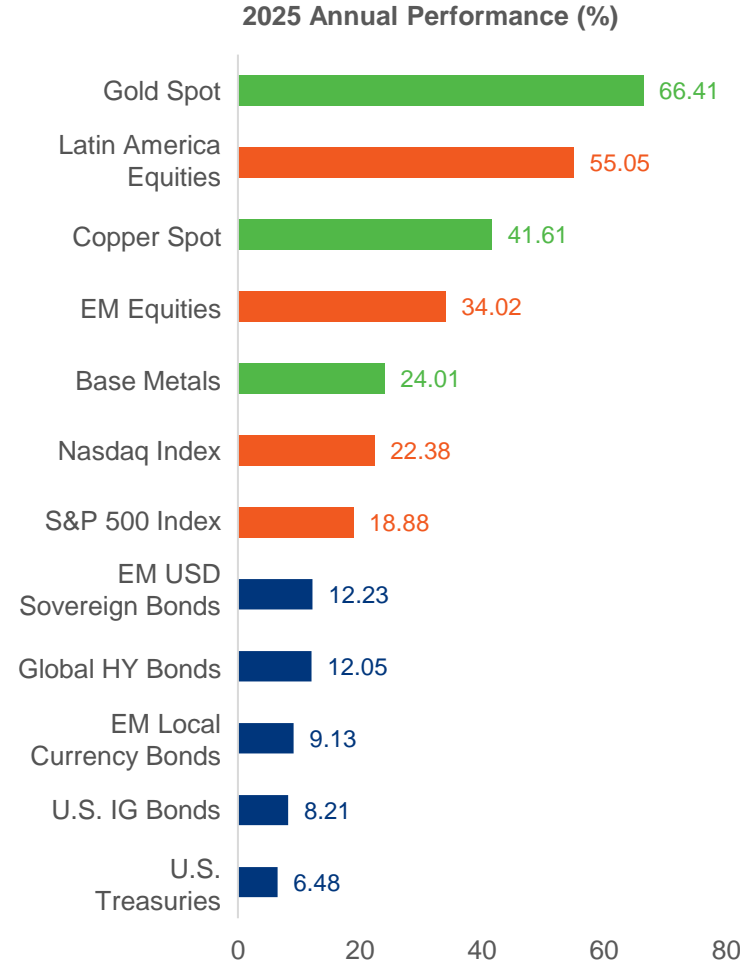
Rate Futures Signal Two Fed Cuts This Year



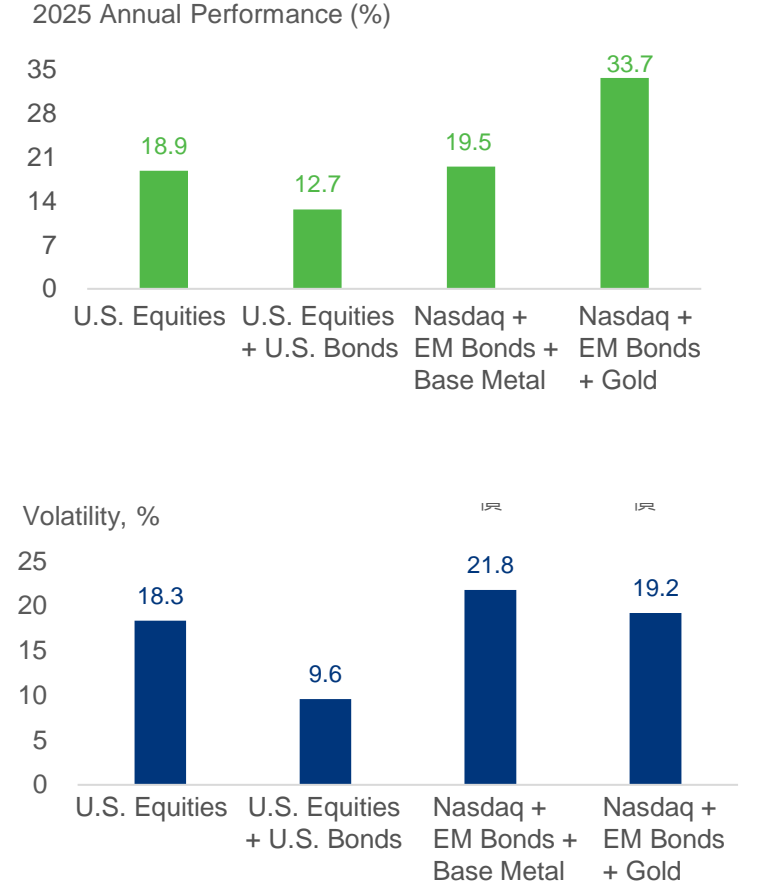
Fed Rate Cuts and Capital Flows Favor Emerging Equities, Bonds, and Commodities – Best Mix Ahead

- In 2025, under the unconventional Trump 2.0 policy environment — spanning interest rate policy, inflation pressures, geopolitical risks, and technological innovation — financial markets delivered unexpectedly strong performance, reshaping traditional asset allocation. With the Federal Reserve entering a rate-cut cycle and Trump raising tariffs, doubts over the value of developed-market currencies have fueled de-dollarization. Precious metals surged, with gold assuming a quasi-currency role and becoming a new defensive allocation in portfolios. For full-year 2025, portfolios diversified across equities, bonds, gold, and alternative assets such as base metals achieved higher total returns, while the inclusion of gold even reduced overall volatility.
- Bond markets benefited broadly from Fed and global central bank rate cuts, with all categories posting positive returns. Emerging-market credit spreads continued to narrow, supported by improving risk appetite and stronger fundamentals in developing economies, driving capital inflows into emerging equities and bonds. Latin American equities rallied sharply, while emerging-market USD bonds outperformed on weaker U.S. rates and lower financing costs. Incorporating emerging equities and bonds into portfolios enhanced diversification, reduced concentration risk, and boosted overall returns through asset rotation.

Gold, Metals, and Emerging Equities & Bonds Outperformed In 2025



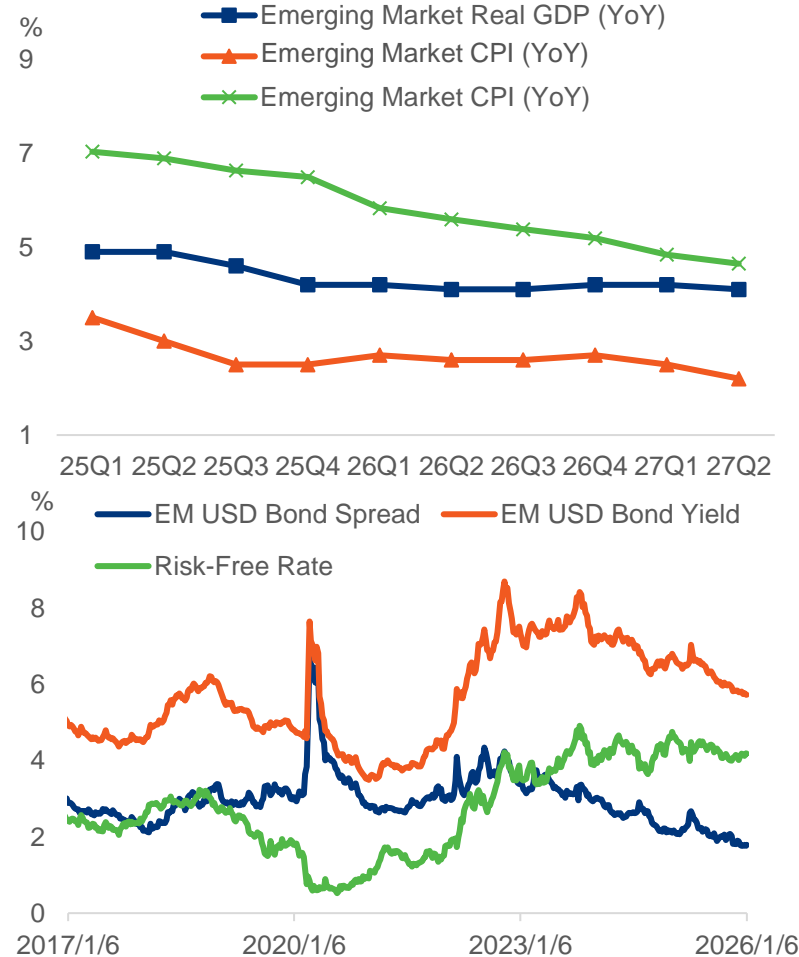
Portfolios Including Commodities (Ex-Oil) and Emerging Equities & Bonds Delivered Higher Returns



Multi-Asset Strategies Balance Risk and Return as Markets Stay Elevated

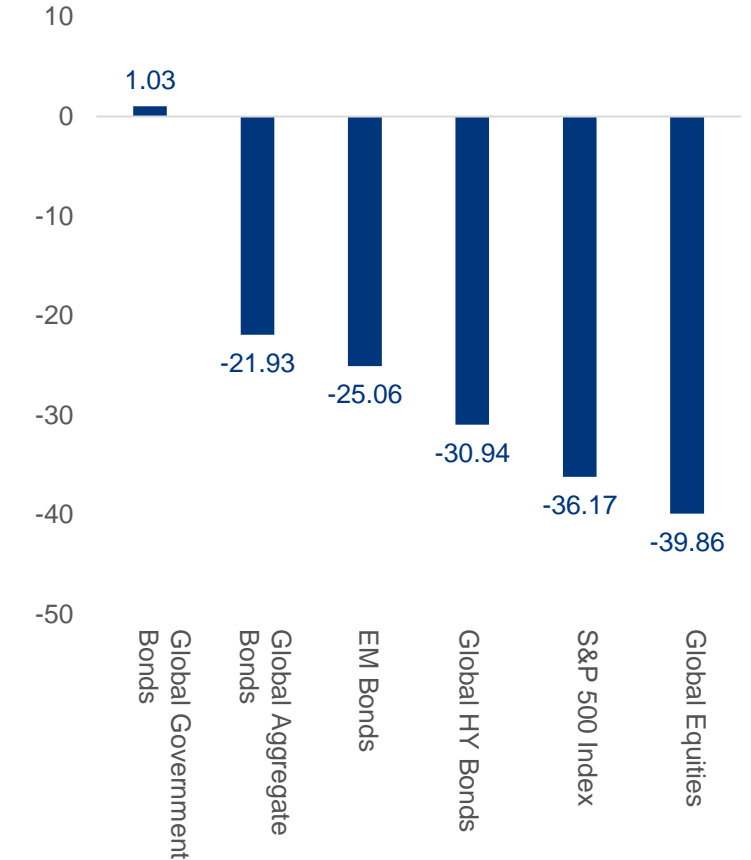
- ▶ Emerging market equities and bonds are expected to perform strongly in 2026, supported by improving fundamentals, steady GDP growth around 5%, easing inflation, and room for rate cuts in some economies—creating a favorable environment for both equities and fixed income. EM USD bonds still offer yields of 5–6%, appealing to investors seeking stable cash flow. With the peak in new issuance behind us, tighter spreads are offset by reduced supply, reflecting improved credit risk. EM USD debt remains attractive as a satellite allocation to enhance income potential.
- ▶ Since 2007, during the four major global bear markets, equities have averaged drawdowns exceeding 36%, while bonds have shown greater resilience amid volatility. Multi-income portfolios can flexibly adjust exposure across bond types and regions in response to shifts in economic cycles and policy trends, allowing dynamic risk control and reduced volatility. Including leading AI-related tech sectors enhances upside participation in equity rallies, while adding gold and commodities provides diversification and hedging benefits—helping stabilize portfolio performance even as equity markets remain near record highs.

EM Inflation Eases, Fundamentals Improve, and Credit Spreads Tighten



High Equity Valuations, Rising Volatility Highlight Bond Allocation Appeal

Global Equities' Average Decline During Last Four Bear Markets, %



Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ As major economies release 4Q25 earnings, strong AI-driven demand continues to support tech profits and guidance, boosting semiconductor stocks. Given elevated equity valuations, a phased accumulation approach is recommended. For 2026, investment positioning can follow the L.E.A.D. framework: L (Liquidity Shift) – align with capital flows; E (Earnings Focused) – prioritize profit resilience; A (Adding Credit) – increase credit exposure; and D (Diversified Asset) – pursue multi-asset diversification for steady returns. ◆ In Europe, allocation can focus on diversification, favoring Germany (fiscal stimulus, improving growth) and Spain (solid fundamentals, high financial sector weighting). Sector preferences include financials with stronger balance sheets and defense supported by policy momentum. In Japan, focus on domestic demand plays, banks, and semiconductors. 	<p>Strategy: Under the AI theme – key beneficiaries include technology, semiconductors, utilities, and machinery. Outside AI — favored sectors are aerospace, defense, and pharmaceuticals.</p> <p>Regions: Germany, Spain, Japan banks, Japan semiconductors</p>
Bonds	<ul style="list-style-type: none"> ◆ As yield curves steepen following rate cuts, mid-to-long-term bonds offer opportunities. Sectors with relatively wider spreads include financials, utilities, and industrials. ◆ Concerns over long-term USD depreciation support diversifying into non-USD bonds, such as EUR- and AUD-denominated investment-grade debt. Improving fundamentals in emerging markets also favor locking in yields via high-yield EM bonds. 	<p>Duration: Sovereign bonds, high-quality IG credit; sectors such as financials, industrials, and utilities look attractive.</p> <p>Types: Non-USD credit bonds for diversification.</p>
Forex	<ul style="list-style-type: none"> ◆ With Fed independence under scrutiny and signs of a softer labor market alongside easing inflation, the probability of deeper rate cuts has increased, pointing to a mildly weaker USD. ◆ The ECB's rate-cut cycle is nearing its end, and rising Bund yields support a firmer EUR outlook. In Japan, PM Sanae Takaichi's potential early election could strengthen her policy mandate, but concerns over fiscal expansion continue to pressure the JPY in the short term. However, verbal intervention from BoJ officials is likely to limit further depreciation. 	<p>USD: Slightly weaker, limited downside</p> <p>JPY: Short-term softness, limited further downside</p> <p>EUR: gradually strengthening</p>
Commodity	<ul style="list-style-type: none"> ◆ The Fed's continued accommodative stance and rising geopolitical tensions support a bullish medium- to long-term outlook for gold. Meanwhile, robust demand from technology and semiconductor applications, coupled with Trump's plan to raise import tariffs on minerals prompting manufacturers to stockpile, should keep silver strong in the near term. 	<p>Gold: Bullish in the medium to long term</p> <p>Silver: Remains strong in the near term.</p>

2026 Copper Strategy – Resource Premium Amid Structural Supply Shortage

Supply Constraints Trigger Price Revaluation

The copper market is set to enter a structural shortage phase in 2026 as supply tightens due to declining ore grades, unexpected disruptions (such as the Mantoverde output cut), and China's plan to reduce smelter production by over 10%. On the demand side, resilient growth driven by power grid upgrades, renewable infrastructure expansion, and limited buyer hesitation toward higher metal prices in China is expected to lift consumption by 2.5%. Reflecting this tighter balance, the 2026 LME copper price forecast has been revised up 7% to USD 12,075 per ton.

Profit Centers Shift Upstream

The industry's most significant structural turning point lies in the collapse of annual treatment charges to zero, signaling a full transfer of profit power from midstream smelters to upstream miners. In this extreme environment, standalone smelters without owned mines face severe margin compression or losses, while vertically integrated resource developers with strong self-sufficiency can hedge processing volatility and directly capture copper's price upside in their earnings.

Focus on Resource Self-Sufficiency

For 2026 investment positioning, we recommend a strategic pivot toward companies with high-quality owned mining assets. Key selection metrics should include total reserves, production growth targets, and the self-sufficiency ratio of mined copper output.

Copper Price (LME)

USD per Pound



Zijin Mining (2899)

Closing Price HK \$40

Target Price HK \$48

Zijin Mining engages in the exploration, mining, processing, smelting, and sales of copper, gold, and other mineral resources.

High Copper Growth and Profit Contribution

Zijin is our top pick within the 2026 basic materials sector, driven by its extensive copper exposure. As of 9M25, mined copper contributed 46% of total gross profit, serving as the company's core earnings engine. Looking ahead, Zijin plans to lift mined copper output to 1.2mn tons in 2026, up from 1.09mn tons in 2025. Against a backdrop of supply tightness and rising copper prices, this strong production growth and high-margin structure make Zijin the optimal proxy to capture upside in global copper prices.

Cost Control and Operational Resilience

Resource Premium in a Zero-TC Environment — With 2026 copper concentrate treatment charges (TC/RC) set at USD 0/ton, Zijin demonstrates exceptional cost control and operational efficiency. The company's solid track record in mine expansion has allowed it to maintain profit growth despite market volatility. Its 2025 net profit guidance of RMB 51–52bn (+59–62% YoY) underscores the resilience of its core assets. With a highly self-sufficient production structure and disciplined cost management, Zijin effectively mitigates margin pressure on the smelting side while maximizing the pass-through of copper price gains to shareholder returns.

Gold Spin-Off Unlocks Value

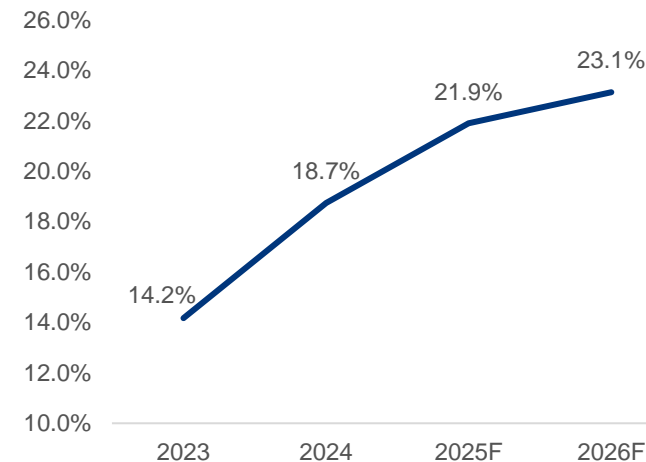
The successful listing of Zijin Gold International, in which Zijin holds a 15% stake, unlocks hidden value in its gold segment and expands future growth opportunities. The company targets 105 tons of mined gold in 2026, with an 8–10% CAGR in output through 2028. Currently trading at 14x forward P/E, Zijin's target price of HKD 48 implies 18x P/E with a 5% A–H share discount.

Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue (CNY bln)	270.3	293.4	303.6	376.1	452.1
Revenue YoY	20.1	8.5	3.5	23.9	20.2
EPS (CNY)	0.8	0.8	1.1	1.9	2.6
EPS YoY	26.7	5.3	40.0	73.2	33.0
ROE(%)	25.1	21.5	25.9	30.8	32.1

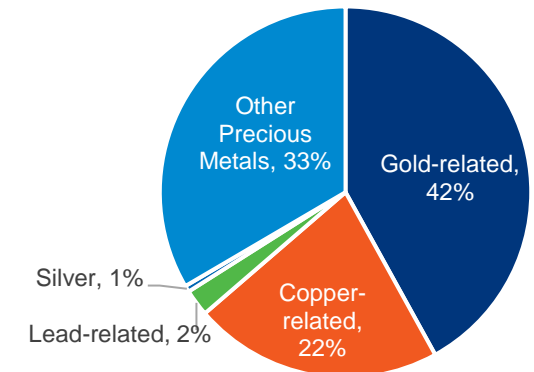
EBITDA Margin



Forward P/E Ratio



Revenue Share by Segment



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Risk and Safe-Haven Assets Rally Together – Bull Market Persists

- ▶ U.S. core CPI rose 0.2% month-over-month in December, slightly below the expected 0.3%. Year-over-year, core CPI increased 2.6%, also under the 2.7% consensus. Due to the prior government shutdown, data release was delayed, and the December increase matched the last available figure from November.
- ▶ Core PPI for November was flat month-over-month, down from October's 0.3% and below the 0.2% forecast. Year-over-year, core PPI rose 3.0%, exceeding both October's 2.9% and market expectations of 2.7%.
- ▶ Meanwhile, U.S. retail sales rebounded 0.6% in November, outperforming both the revised -0.1% decline in October and the 0.5% forecast.
- ▶ Markets expect at least one Fed rate cut in 2026, with major central banks globally maintaining accommodative monetary policies. Base and precious metals continue to trend upward, supported by a weaker dollar and strong demand from industrial and hedging channels. Amid expanding liquidity and elevated geopolitical risks, both risk assets and safe-havens are rising in tandem — a rare dual rally expected to persist in the near to medium term.

CME FedWatch Tool – Rate Cut Probability

FED FUND FUTURES												
ZQF6	ZQG6	ZQH6	ZQJ6	ZQK6	ZQM6	ZQN6	ZQQ6	ZQU6	ZQV6	ZQX6	ZQZ6	ZQF7
96.3613	96.3725	96.3850	96.4150	96.4525	96.4975	96.5675	96.6350	96.6825	96.7350	96.7800	96.8200	96.8375

CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
MEETING DATE	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425
1/28/2026			0.0%	0.0%	0.0%	0.0%	5.0%	95.0%	0.0%	0.0%
3/18/2026	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	19.8%	79.4%	0.0%	0.0%
4/29/2026	0.0%	0.0%	0.0%	0.0%	0.1%	3.8%	29.1%	67.0%	0.0%	0.0%
6/17/2026	0.0%	0.0%	0.0%	0.1%	1.7%	14.9%	45.8%	37.5%	0.0%	0.0%
7/29/2026	0.0%	0.0%	0.0%	0.5%	5.5%	23.8%	43.4%	26.6%	0.0%	0.0%
9/16/2026	0.0%	0.0%	0.2%	2.4%	12.5%	31.3%	37.0%	16.5%	0.0%	0.0%
10/28/2026	0.0%	0.0%	0.7%	4.5%	16.3%	32.4%	32.9%	13.2%	0.0%	0.0%
12/9/2026	0.0%	0.2%	1.5%	7.1%	19.9%	32.5%	28.5%	10.2%	0.0%	0.0%
1/27/2027	0.0%	0.2%	1.7%	7.6%	20.3%	32.4%	27.9%	9.9%	0.0%	0.0%
3/17/2027	0.0%	0.2%	1.7%	7.5%	20.3%	32.3%	27.9%	10.0%	0.0%	0.0%
4/28/2027	0.1%	0.6%	3.0%	10.4%	23.0%	31.3%	23.8%	7.7%	0.0%	0.0%
6/9/2027	0.1%	0.4%	2.4%	8.7%	20.0%	29.4%	25.6%	11.5%	1.9%	0.0%
7/28/2027	0.0%	0.4%	2.3%	8.4%	19.5%	29.0%	25.8%	12.2%	2.3%	0.1%
9/15/2027	0.0%	0.4%	2.3%	8.3%	19.4%	28.9%	25.8%	12.3%	2.4%	0.1%
10/27/2027	0.0%	0.4%	2.2%	7.8%	18.4%	28.0%	26.1%	13.5%	3.3%	0.3%
12/8/2027	0.2%	1.3%	5.2%	13.5%	23.6%	27.0%	19.3%	8.0%	1.7%	0.2%

Barrick Mining Corporation (B)

Closing Price	US \$48.73	Target Price	US \$58
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Barrick Mining Corporation engages in the production of gold and copper, operating mines and development projects across multiple regions. The company serves a global customer base.

Monetary Easing and Liquidity Expansion Support Gold Prices

With market expectations for U.S. rate cuts strengthening, gold prices remain near historical highs, supported by softening inflation data and growing confidence in monetary easing by mid-2026. Additionally, large-scale fiscal and liquidity measures—such as expanded government financing programs and balance-sheet support—are injecting liquidity into the system, driving capital flows into hard assets like gold.

Fed Independence and Geopolitical Tensions Boost Safe-Haven Demand

Rising political pressure on Fed independence, alongside escalating global geopolitical risks—including NATO tensions, renewed focus on Greenland, and broader conflict uncertainty—has reinforced gold’s role as a store of value. As one of the world’s largest low-cost gold producers, Barrick is well-positioned to benefit from sustained strength in gold prices.

3Q25 Earnings Miss Expectations

Revenue came in at USD 4.15bn, up 23.1% YoY but below estimates of USD 4.21bn. Non-GAAP EPS was USD 0.58, missing expectations by USD 0.03. For the full year, the company maintained its gold production guidance at 3.15–3.5mn oz, likely at the lower end of the range, with 4Q expected to be the strongest quarter. Copper output is projected at 200–230k tons.

Valuation Consensus

Bloomberg’s 12-month average target price stands at USD 47.66, with a high estimate of USD 58 and a low of USD 30.23.

Source: Bloomberg

1-Year Price

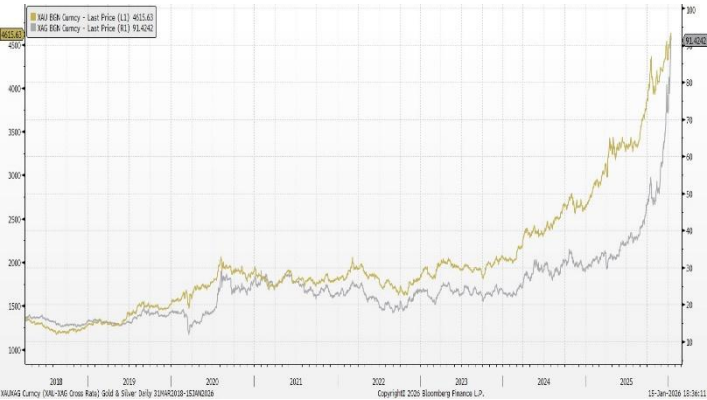


Financials

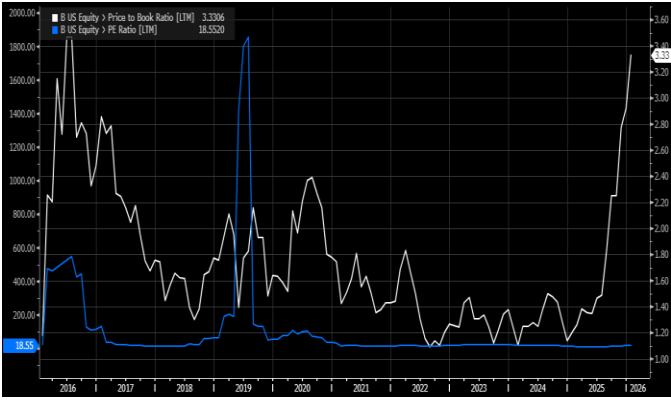
	2022	2023	2024	2025F	2026F
Revenue Growth(%)	-8.1	3.5	13.4	24.3	28.4
EBITDA (%)	44.7	42.6	47.4	63.8	69.7
EPS(USD)	0.89	0.86	2.06	2.34	3.57
Net Profit Margin(%)	14.3	13.4	28.0	24.4	28.6

Source: Bloomberg; 2025/26F are market estimates

Gold and Silver Prices



P/E & P/B



Coinbase (COIN)

Closing Price	US \$241.15	Target Price	US \$300		
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Coinbase operates a global platform for cryptocurrency trading and financial solutions, serving retail and institutional clients.

Regulatory Clarity and Crypto Recovery Boost Volumes

Bitcoin rebounded to a two-month high on expectations of Fed easing and renewed institutional demand, lifting trading activity and sentiment. Coinbase's 3Q performance was strong, covering 90% of total crypto market cap, with record shares in U.S. futures and global options and expanded derivatives exposure via the Deribit acquisition. Despite withdrawing support for the Crypto Market Structure Bill over SEC concerns, regulatory visibility continues to improve, reinforcing Coinbase's role as a comprehensive trading venue across spot, derivatives, and payments.

Stablecoin and Payment Growth Drive Structural Upside

USDC market cap reached USD 74bn in 3Q, with USD 15bn average balances on Coinbase. Broader adoption in payments and cash management supports long-term growth. While new rules may cap interest on yield-bearing stablecoins, exemptions for loyalty programs sustain user engagement. Rising stablecoin payment use strengthens Coinbase's position in real-world crypto transactions.

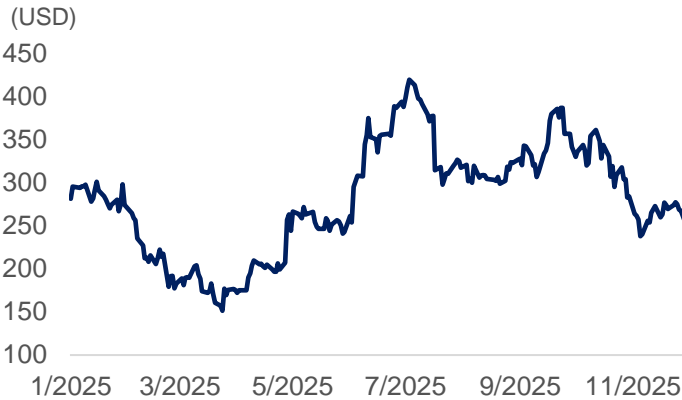
3Q25 Results Beat Forecasts

Revenue USD 1.87bn (+54.5% YoY); Non-GAAP EPS USD 1.44 (+USD 0.27 vs. est.). For 4Q, subscription revenue guided at USD 710–790mn, tech & G&A USD 925–975mn, sales & marketing USD 215–315mn.

Valuation Consensus

Bloomberg 12-month TP USD 346.17 (high USD 505, low USD 188).

1-Year Price



Financials

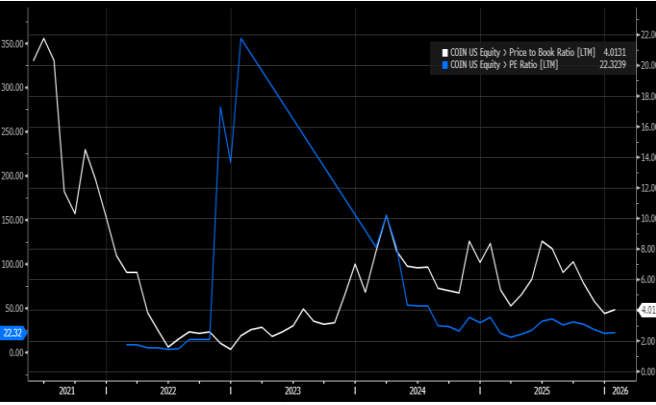
	2022	2023	2024	2025F	2026F
Revenue Growth(%)	-59.3	-2.7	111.2	10.6	14.4
EBITDA (%)	-36.5	15.3	49.7	40.2	42.2
EPS(USD)	-6.63	1.71	9.88	6.17	6.03
Net Profit Margin(%)	-46.0	14.0	41.0	28.7	22.1

Source: Bloomberg; 2025/26F are market estimates

Bitcoin and Ethereum Price



P/E & P/B



Source: Bloomberg



Positive Momentum Sustains TAIEX Uptrend; ODM Outlook Strengthens into 2026

TSMC Earnings Lift Market Sentiment; Tech Remains in Focus

TSMC's results impressed, with 4Q EPS up 35% YoY and a 62.3% gross margin. For 1Q26, revenue is guided at USD 34.6–35.8bn, up nearly 30% YoY, while capex was raised to a record USD 52–56bn. Tech stocks remain the main driver of Taiwan's market, with financials holding above their 20-day moving average and rotation seen among non-tech sectors. Key themes include memory packaging, SSD controllers, substrates, and gold-linked electrical and machinery names.

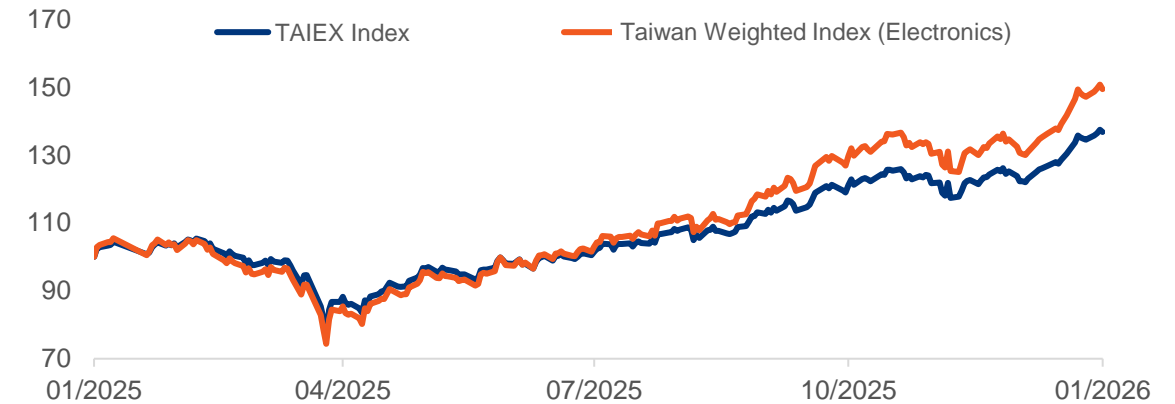
GB Server Shipments Accelerate; 2026 Outlook More Upbeat

Revenue data from major Taiwan ODMs show strong sequential growth in Dec and 4Q25, driven by GB server-cabinet shipments. We estimate 2026 GB cabinet shipments could rise from 25k units in 2025 to over 60k units.

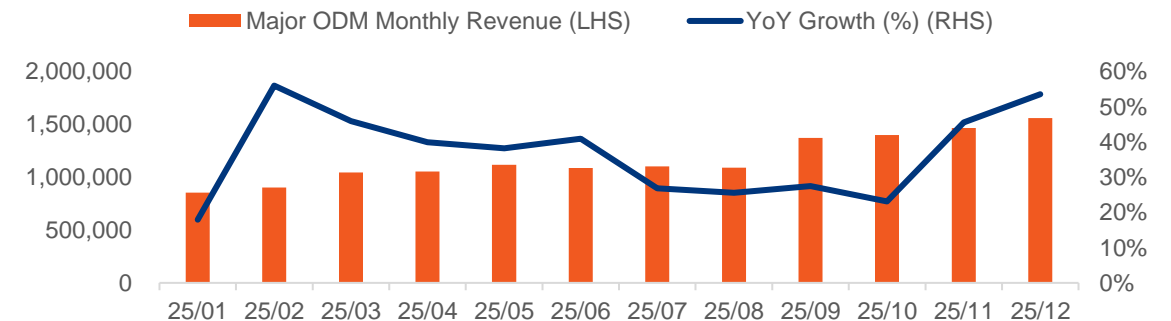
At CES, Nvidia unveiled its Vera Rubin (VR) AI chip and cabinet design, which we view as the mainstream platform for 2026. We forecast GB cabinet shipments at 65–70k units (vs. prior 55–60k), supported by stronger 1Q26 demand and improving production efficiency. ASIC AI server shipments are also set to rise, with Google's and AWS's AI chip shipments estimated to grow 75–80% and 50–55% YoY in 2026, respectively. From 2026–27, ODMs will benefit from broader AI server platforms, diversified clients, and accelerating EPS growth amid robust AI demand.

TAIEX Index and Taiwan Electronics Sector Trends

Index, 15 Jan 2025 = 100



Monthly Revenue and YoY Growth of Major Taiwan ODMs



Hon Hai Precision Industry (2317 TT)

Provides electronic manufacturing services (EMS) for computer, communications, and consumer electronics products. Its operations include desktop and notebook assembly, connector and cable production, PCB assembly, mobile device manufacturing, and other consumer electronics, serving clients worldwide.

Key Features

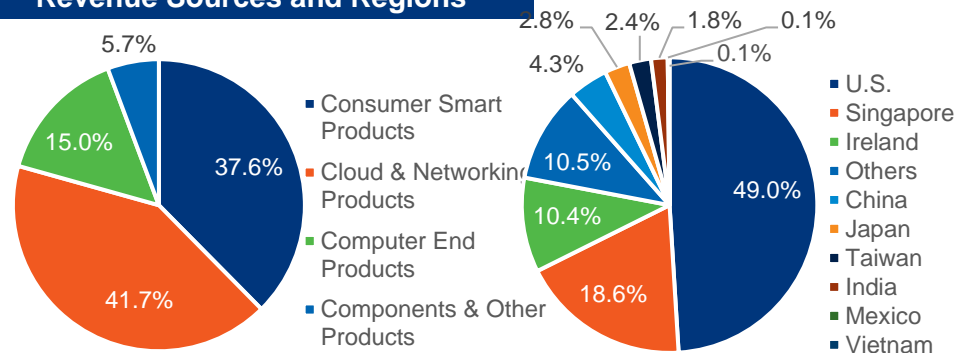
Vertical Integration Strengthens Margins and AI Server Leadership

Hon Hai's product scope spans modules, substrates, compute and switch trays, racks, and components, with exposure to both GPU and ASIC segments. Vertical integration helps mitigate margin dilution, with operating margin expected to hold at 3.1%. Under the Vera Rubin (VR) generation, Nvidia has appointed only three L10 suppliers, including Hon Hai, reaffirming its leadership in the AI server market.

Becoming a Modular Data Center (MDC) Supplier

OpenAI and SoftBank have agreed to build a 1.5GW modular data center (MDC), for which Hon Hai will supply server racks and related components. This marks a shift in its business model from an L11 assembler to an L11-plus integrator. We estimate this project will contribute EPS of NT\$1.0–1.2 in 2026, lifting full-year EPS to NT\$18.9 (+29% YoY).

Revenue Sources and Regions



Source: Bloomberg

Financials

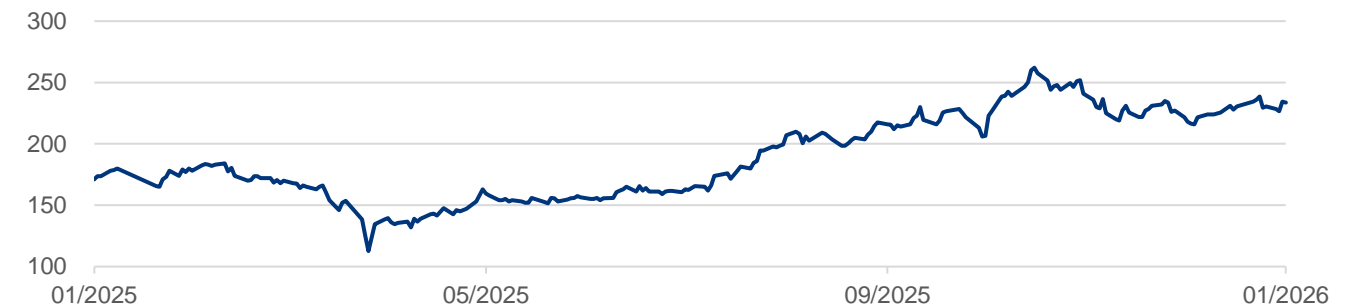
	2022	2023	2024	2025F	2026F
EPS (NTD)	10.21	10.25	11.01	14.68	18.90
EPS Growth (%)	1.6	0.4	7.4	33.4	28.8
P/E Ratio	23.2	23.1	21.5	16.1	12.5
ROE (%)	10.0	9.7	9.7	12.0	14.6

Source: Company data, estimates of KGI analyst

Valuations

		5Y Avg.	Current	
Price	94.50			262.00
P/E	9.03			20.47
P/B	0.88			2.23

1-Year Price



As of 15 Jan 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	1.74	5.42	13.08	43.25	1.30	36.55

Quanta Computer Inc (2382 TT)

Quanta is the world’s largest notebook ODM, serving major global brands including Apple, HP, ASUS, and Acer. The company has expanded into servers, all-in-one PCs, wearables, and home AI products.

Key Features

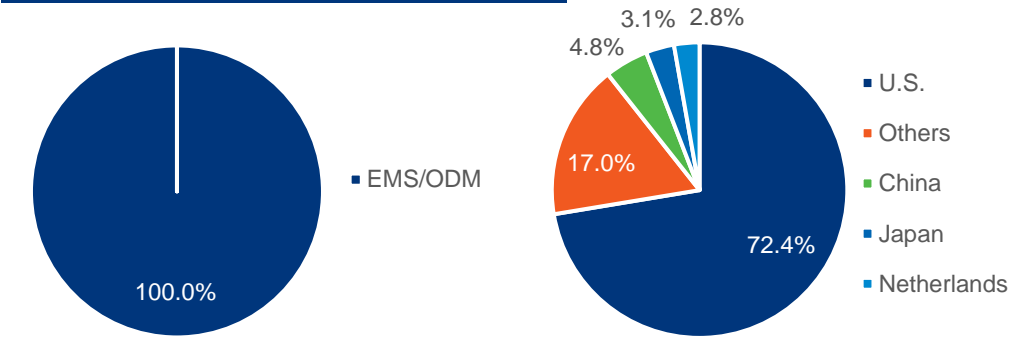
GB300 to Drive AI Server Revenue Growth in 2026

With a diversified client base covering the top five U.S. CSPs, Quanta’s strong design capability, proven manufacturing record, and solid financials reinforce its competitiveness. We estimate 2026 server shipments at 12k–14k cabinets, driving server revenue to NT\$750–850bn, with AI server sales up triple digits YoY. In addition to robust demand for GB200/GB300 AI servers, Quanta also holds ASIC AI server projects, with 2H26 expected to see stronger revenue contribution from ASIC platforms.

Capacity Expansion to Meet Surging Demand

Quanta’s server production spans Taiwan, Thailand, the U.S. (California and Tennessee), and Germany, while notebooks are made in China, Vietnam, and Thailand, and EV components in Mexico and Germany. To meet rising client demand, the company will expand Mexico-based server capacity, with mass production starting in 1Q26.

Revenue Sources and Regions



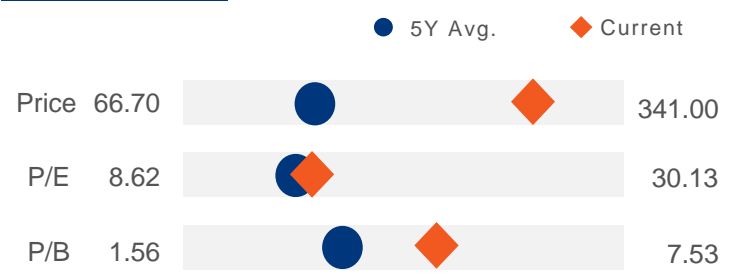
Source: Bloomberg

Financials

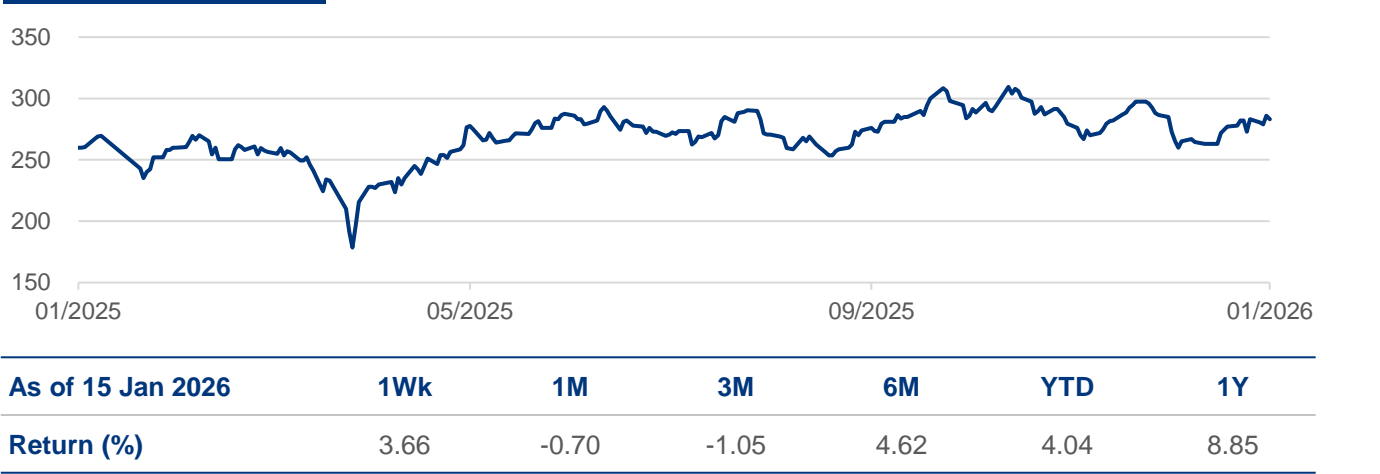
	2022	2023	2024	2025	2026F
EPS (NTD)	7.51	10.29	15.49	18.07	21.41
EPS Growth (%)	-14.0	37.0	50.5	16.7	18.5
P/E Ratio	36.5	26.6	17.7	15.2	12.8
ROE (%)	17.5	22.3	29.2	30.4	33.8

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price





Rising Political and Geopolitical Volatility Favors High-Grade Defensive Bonds

► LMT 5.25 01/15/33 (Lockheed Martin) (USD)

- Lockheed Martin is the world’s largest defense contractor, producing F-35 and F-16 fighter jets, C-130J transport aircraft, Black Hawk helicopters, tactical missiles, missile defense systems, and commercial and military satellites. The company is among the highest-rated issuers in the sector, with most manufacturing and raw material sourcing based in the U.S., limiting tariff exposure.
- The defense industry continues to benefit from rising geopolitical tensions and higher global security spending. The U.S. defense budget for 2025 stands at USD 850bn, roughly flat YoY, supporting stable demand for advanced defense systems.
- Revenue grew 9% YoY to USD 18.6bn, with operating profit of USD 2.2bn. Free cash flow reached USD 3.3bn, above market expectations of USD 3.0bn, driven by increased F-35 deliveries, lower pension costs, stronger international sales, and supply chain improvement. As of 3Q25, the company maintained a solid EBITDA/interest coverage ratio of 9.47x, reflecting strong financial health.
- The bond holds A2 (Moody’s), A (Fitch), and A– (S&P) ratings, underscoring its high credit quality and defensive appeal amid heightened geopolitical uncertainty.

Product	LMT 5.25 01/15/33 (Lockheed Martin) (USD)
ISIN	US539830BW87
Features	The company is among the highest-quality issuers in its industry, with primary manufacturing bases located in the United States, making it less exposed to tariff fluctuations.
Maturity Date	2033/1/15
Next Call Date	2032/10/15
Coupon (%)	Fixed/5.25/Semi-annual
Currency	USD
Years to Maturity	7.00
Credit Rating (Moody’s/Fitch/S&P)	A2/A/A-
Seniority	Senior Unsecured
YTM/YTC (%)	4.28/4.25

Source: Bloomberg



LMT 5.25 01/15/33 (Lockheed Martin)

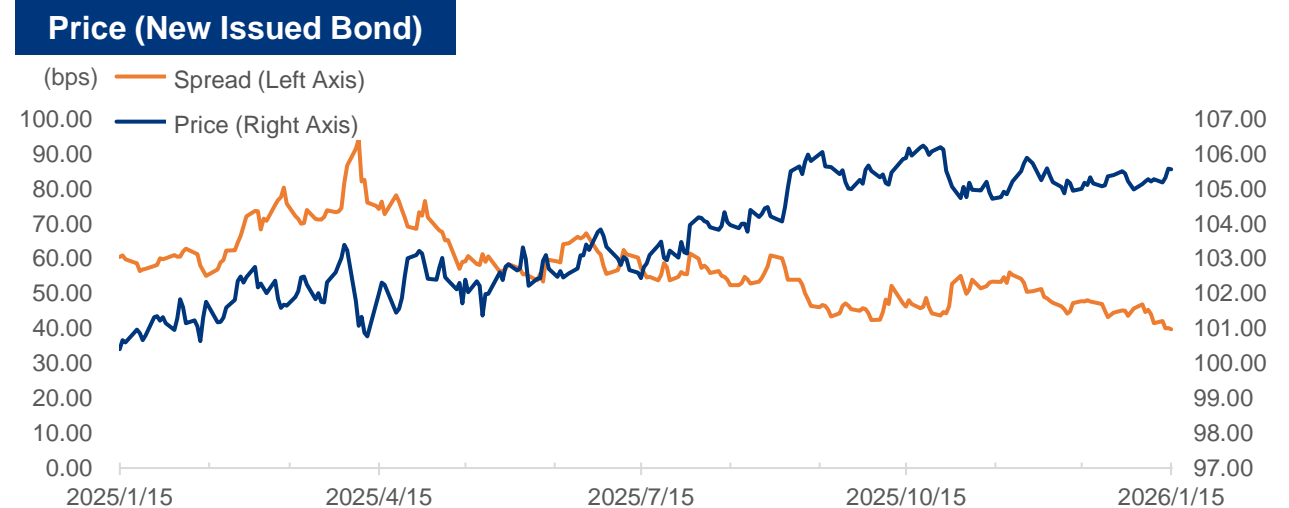
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Financials	2025Q1	2025Q2	2025Q3
Revenue (100MIn USD)	179.63	181.15	186.09
FCF (100MIn USD)	9.55	-1.50	33.47
EBITDA / Interest Expense (x)	10.33	4.19	9.47

Source: Bloomberg, January 15, 2026

Overview			
Name	LMT 5.25 01/15/33	ISIN	US539830BW87
Maturity Date	2033/1/15	Remaining Maturity	7.00
Coupon(%)	Fixed/5.25/Semi-annual	YTM/YTC(%)	4.28/4.25
Currency	USD	Min. Subscription/ Increment	2,000/1,000
Ratings (Moody's/Fitch/S&P)	A2/A/A-	Seniority	Senior Unsecured



Appendix

Key Economic Data / Events

► JAN 2026

12

Monday

- Eurozone Jan Sentix Investor Confidence (Act:-1.8 Est:-5.0 Prev:-6.2)

13

Tuesday

- U.S. Dec CPI YoY (Act:2.7% Est:2.7% Prev:2.7%)
- U.S. Dec Core CPI YoY (Act:2.6% Est:2.7% Prev:2.6%)

14

Wednesday

- U.S. Nov PPI YoY (Act:3.0% Est:2.7% Prev:2.8%)
- U.S. Nov Retail Sales MoM (Act:0.6% Est:0.5% Prev:-0.1%)
- U.S. Dec Existing Home Sales (Act:4.35m Est:4.22m Prev:4.14m)
- Japan Dec Machine Tool Orders YoY (Prelim) (Act:10.6% Prev:14.8%)
- China Dec Exports YoY (Act:6.6% Est:3.1% Prev:5.9%)

15

Thursday

- U.S. Weekly Initial Jobless Claims (Act:198k Est:215k Prev:207k)
- Japan Dec PPI YoY (Act:2.4% Est:2.4% Prev:2.7%)
- Eurozone Nov Industrial Production MoM (Act:0.7% Est:0.5% Prev:0.7%)
- TSMC Earnings Call

16

Friday

- U.S. Dec Industrial Production MoM (Est:0.1% Prev:0.2%)

19

Monday

- Japan Nov Core Machinery Orders MoM (Est:-6.4% Prev:7.0%)
- Eurozone Dec Final CPI YoY (Prev:2.1%)
- China 4Q GDP YoY (Est:4.5% Prev:4.8%)
- China Dec Retail Sales YoY (Est:1.1% Prev:1.3%)
- China Dec Industrial Production YoY (Est:5.0% Prev:4.8%)

20

Tuesday

- Taiwan Dec Export Orders YoY (Prev:39.5%)

21

Wednesday

- IBKR, NFLX, JNJ, PLD, SCHW Earnings

22

Thursday

- U.S. Weekly Initial Jobless Claims (Prev:198k)
- U.S. 3Q Final GDP QoQ (AR) (Est:4.3% Prev:3.8)
- U.S. Nov PCE YoY (Est:2.7% Prev:2.8%)
- U.S. Nov Core PCE YoY (Est:2.8% Prev:2.8%)
- Japan Dec Exports YoY (Est:6.0% Prev:6.1%)
- PG, GE, ABT Earnings

23

Friday

- U.S. Jan S&P Global Mfg. PMI (Prelim) (Est:52.0 Prev:51.8)
- U.S. Jan Final Michigan Consumer Sentiment (Est:54.0 Prev:52.9)
- Japan Jan S&P Global Mfg. PMI (Prelim) (Prev:50.0)
- Japan Dec Nationwide CPI YoY (Est:2.2% Prev:2.9%)
- BoJ Uncollateralized Overnight Call Rate (Est:0.75% Prev:0.75%)
- COF, ISRG, INTC, NEE Earnings

Source: Bloomberg

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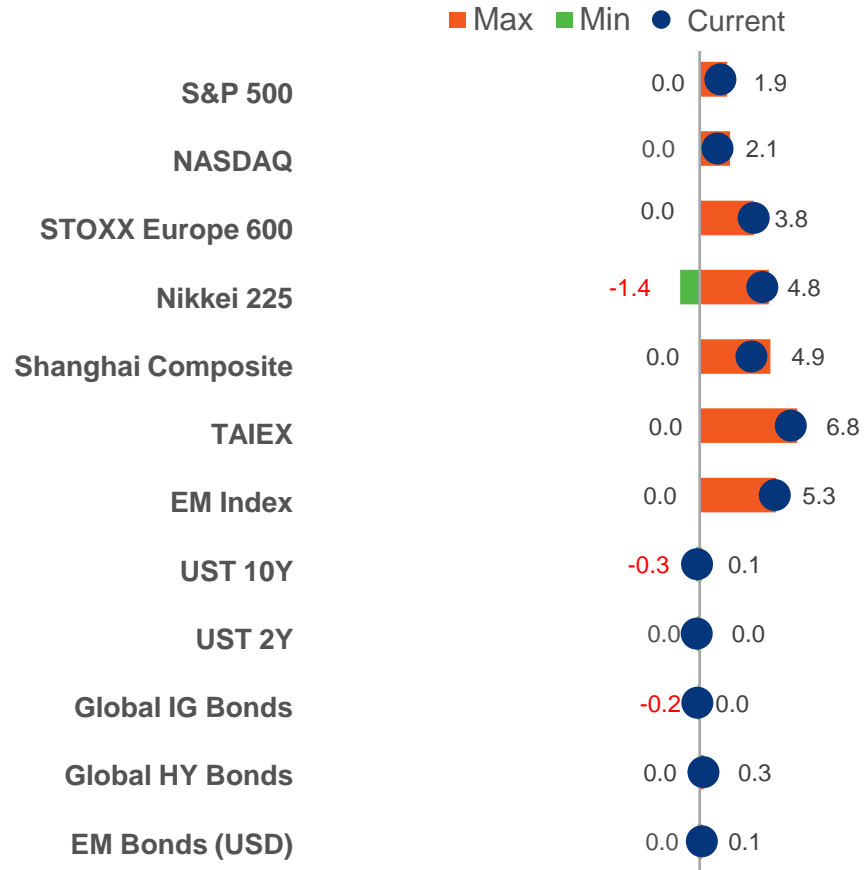
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	EPS
2026/1/13	Jpmorgan Chase & Co (JPM)	46.25B	46.77B	4.86	5.23	V	V
2026/1/14	Bank Of America Corp (BAC)	27.55B	28.40B	0.96	0.98	V	V
2026/1/14	Wells Fargo & Co (WFC)	21.64B	21.29B	1.66	1.76		V
2026/1/14	Citigroup Inc (C)	20.55B	19.90B	1.70	1.81		V
2026/1/15	Goldman Sachs Group Inc (GS)	14.49B	13.45B	11.62	14.01		V
2026/1/15	Blackrock Inc (BLK)	6.75B	7.00B	12.44	13.16	V	V
2026/1/15	Morgan Stanley (MS)	17.72B	17.9B	2.41	2.68	V	V

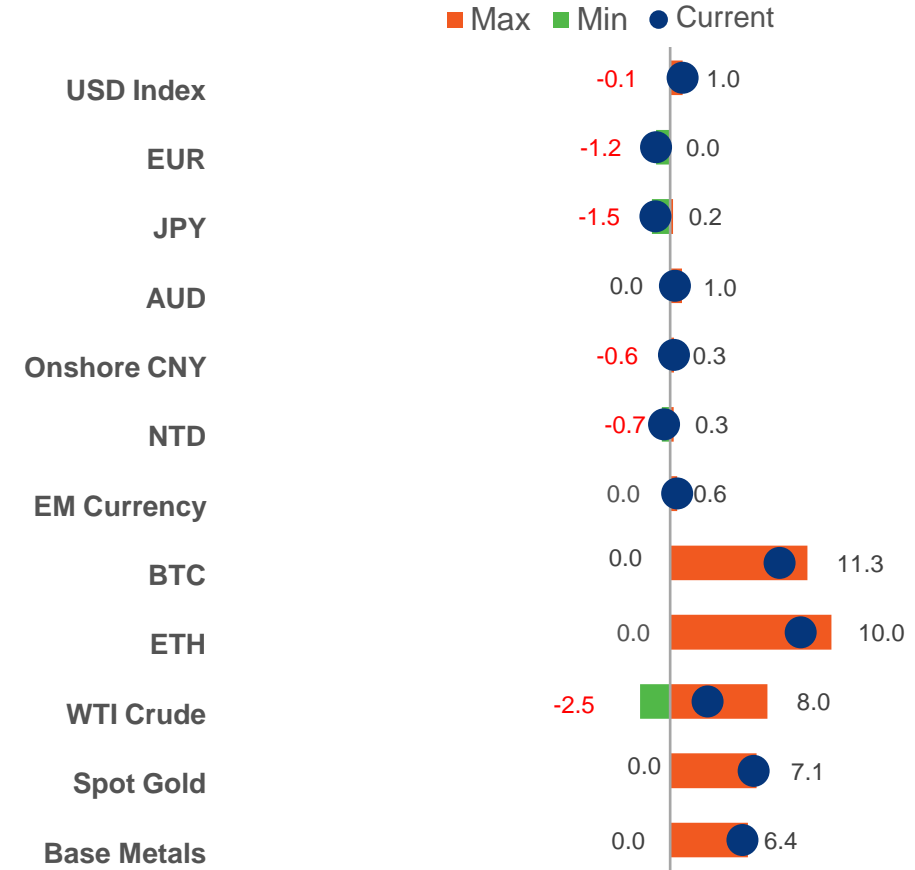
Source: Investing.com

Major Market / Asset YTD Performance

Equities & Bond Markets 2025 Performance (%)

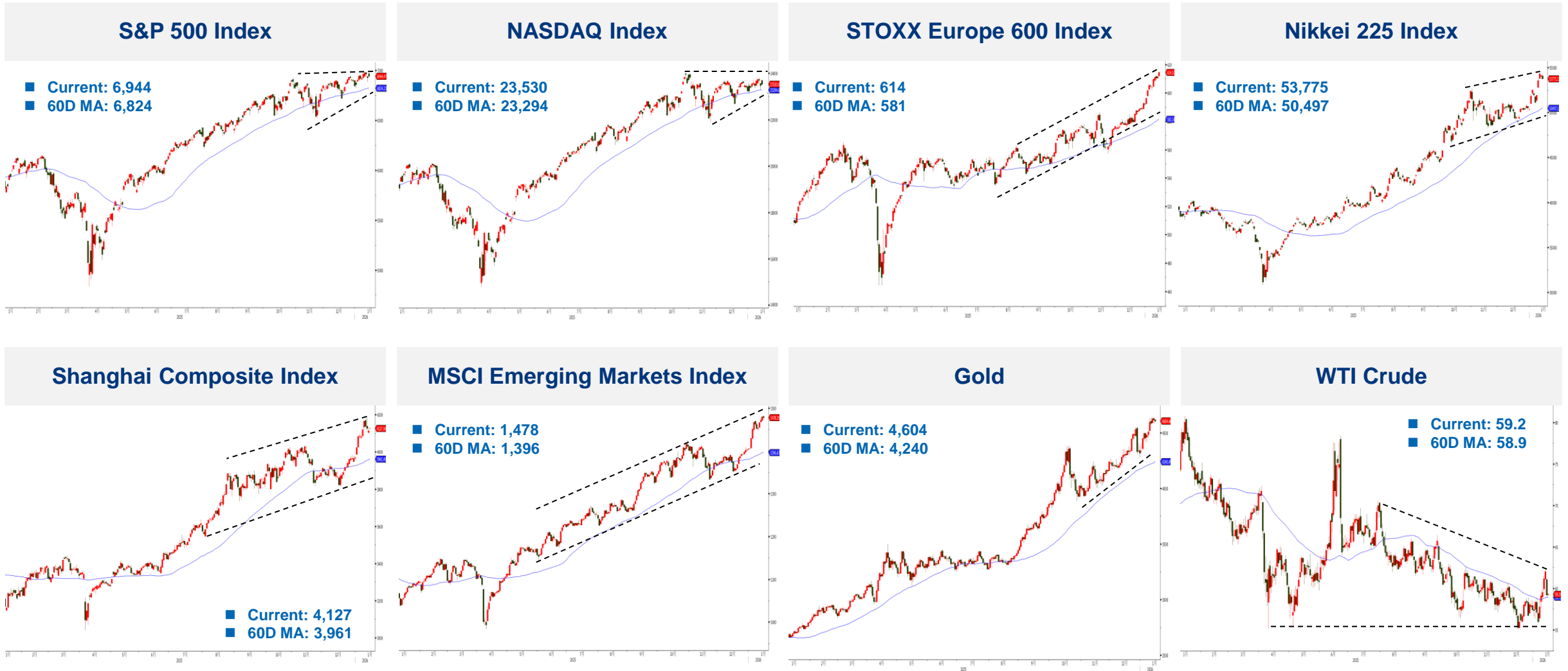


Currencies and Commodities Market 2025 Performance (%)



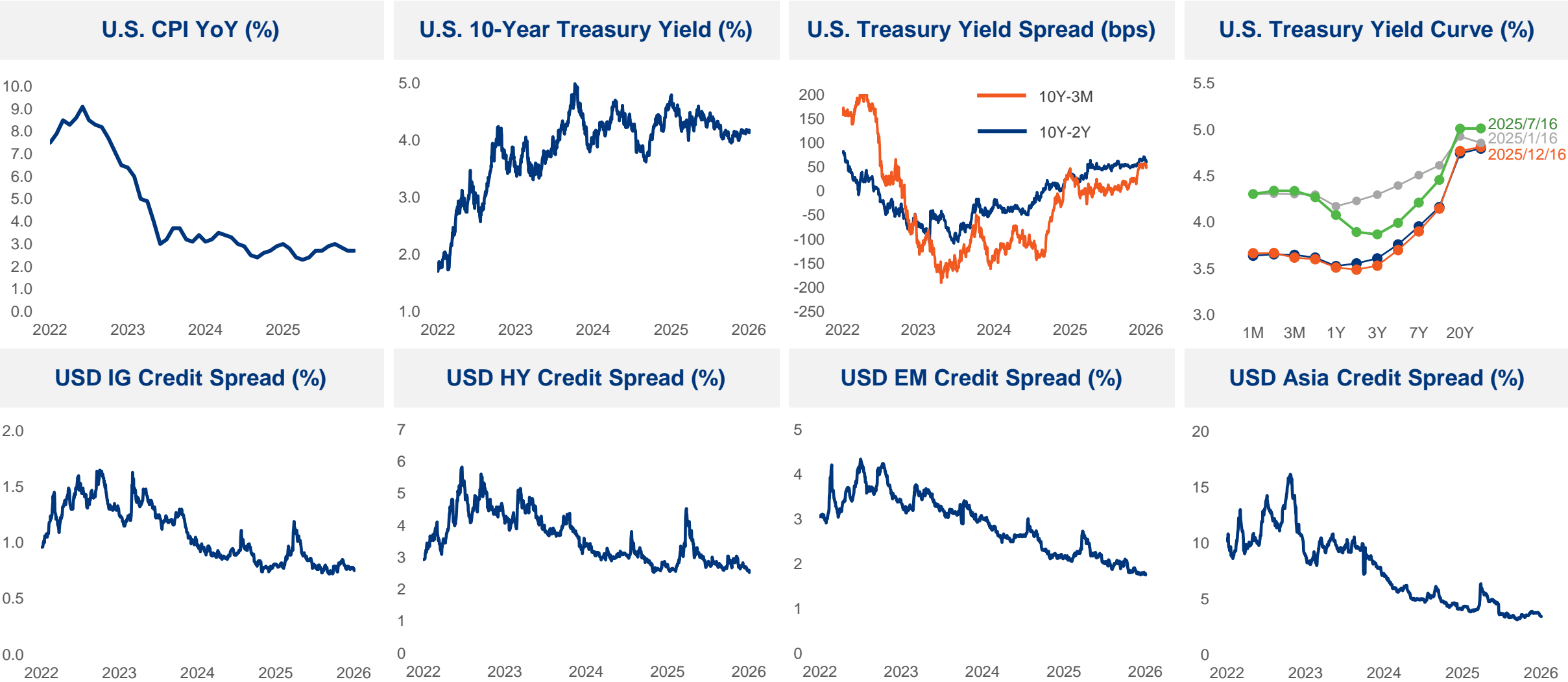
Source: Bloomberg, 16 Jan 2026

Technical Analysis



Source: Bloomberg, 16 Jan 2026

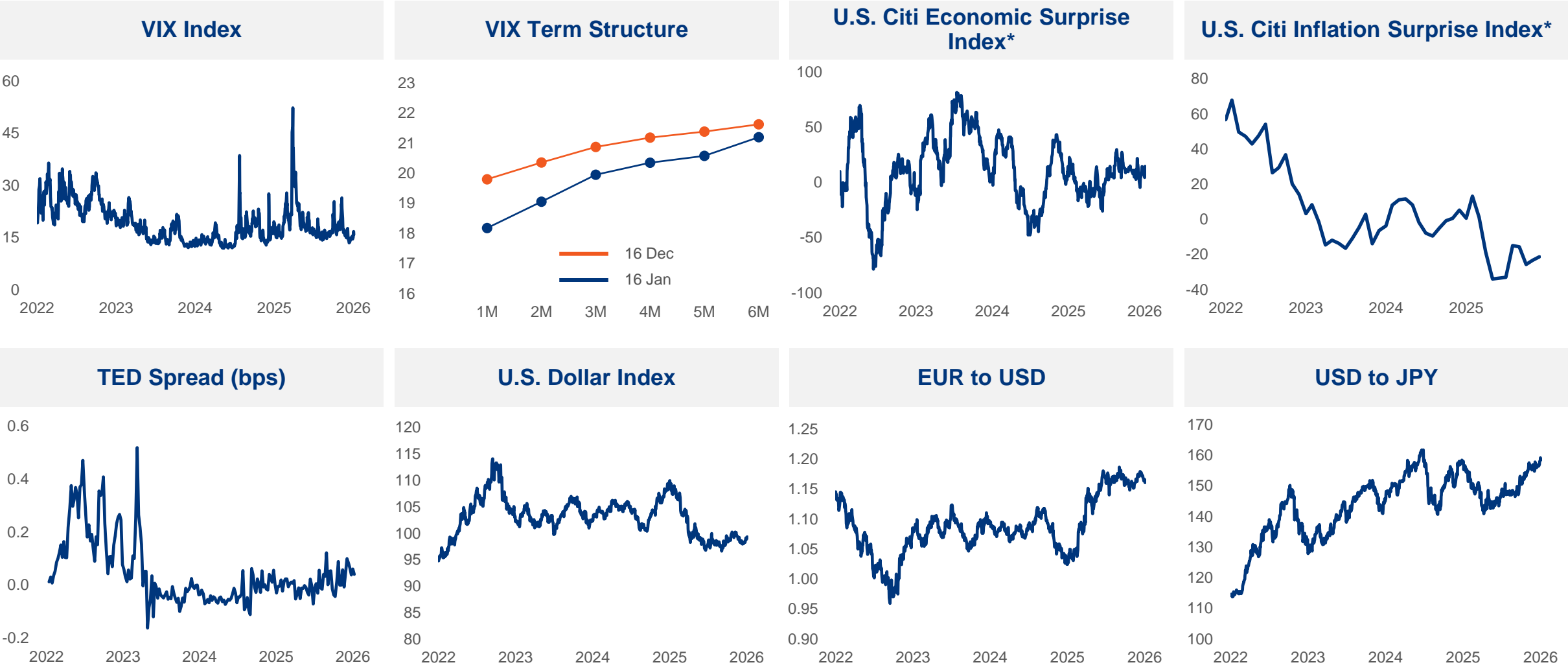
Market Monitor



Source: Bloomberg, 16 Jan 2026



Market Monitor



Source: Bloomberg, 16 Jan 2026 *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.



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

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