



CIO Office Global Markets Weekly Kickstart

Investment Strategy for US and Japan Equities Amid Rising Yields

12 October 2026

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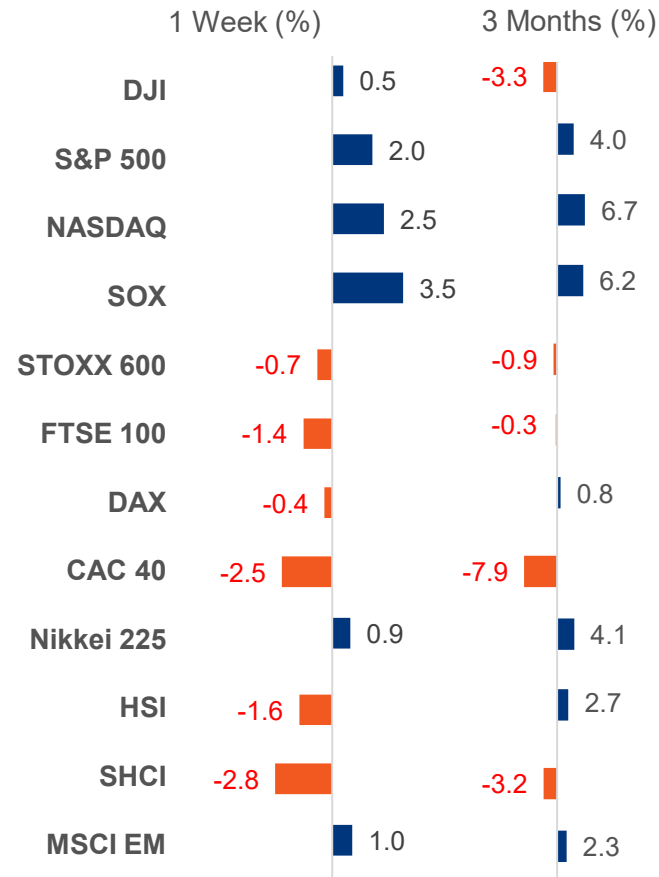
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Market Recap

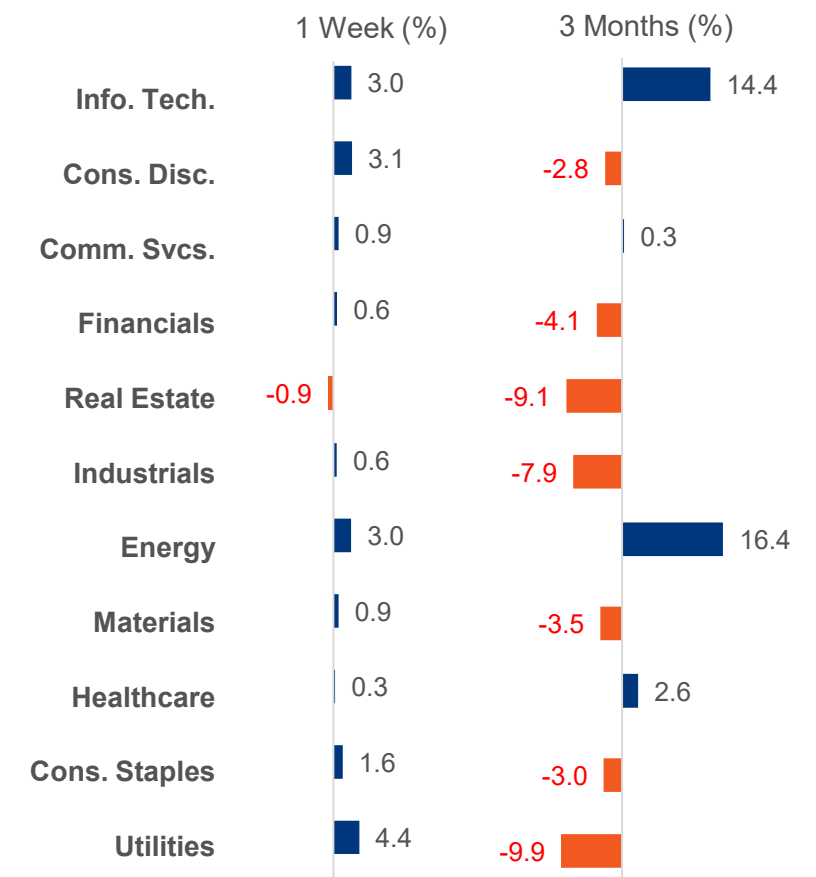
Tech Lifts U.S. Stocks; European Equities Weaken on French Debt Concerns

- U.S. equities were relatively strong, led by gains in technology and semiconductors. The S&P 500 and Nasdaq briefly hit record highs, while the Philadelphia Semiconductor Index posted even sharper gains. The rally continued after September's nonfarm payrolls slowed, which strengthened expectations that the Fed would hold rates steady in October. In contrast, European equities fell as concerns over France's debt risks and political instability weighed on French stocks. In Japan, a rebound in semiconductors and financials pushed the Nikkei briefly back above the 70,000 mark. Hong Kong stocks also weakened as trading volume thinned while mainland Chinese markets were closed for the National Day holiday.
- On the industry front, Elon Musk said he is in talks with TSMC about participating in the Terafab chip project in Texas. AMD also said it will significantly increase chip supply in 2027 to meet fast-growing demand for AI products, and CEO Lisa Su traveled to Taiwan to discuss expanding CPU and GPU capacity with supply chain partners. These developments point to a strong long-term trend in AI semiconductors and lifted tech-related stocks. In addition, the G7 released emergency crude oil and diesel reserves, which eased some market concerns about energy prices and inflation and pushed consumer discretionary stocks higher.

Regional Index Performance (%)

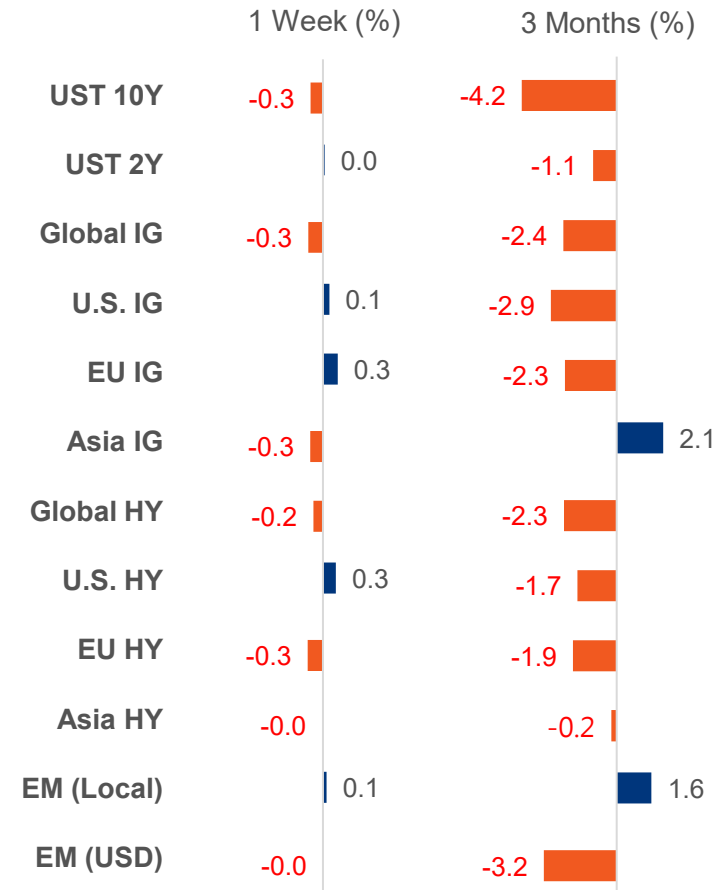
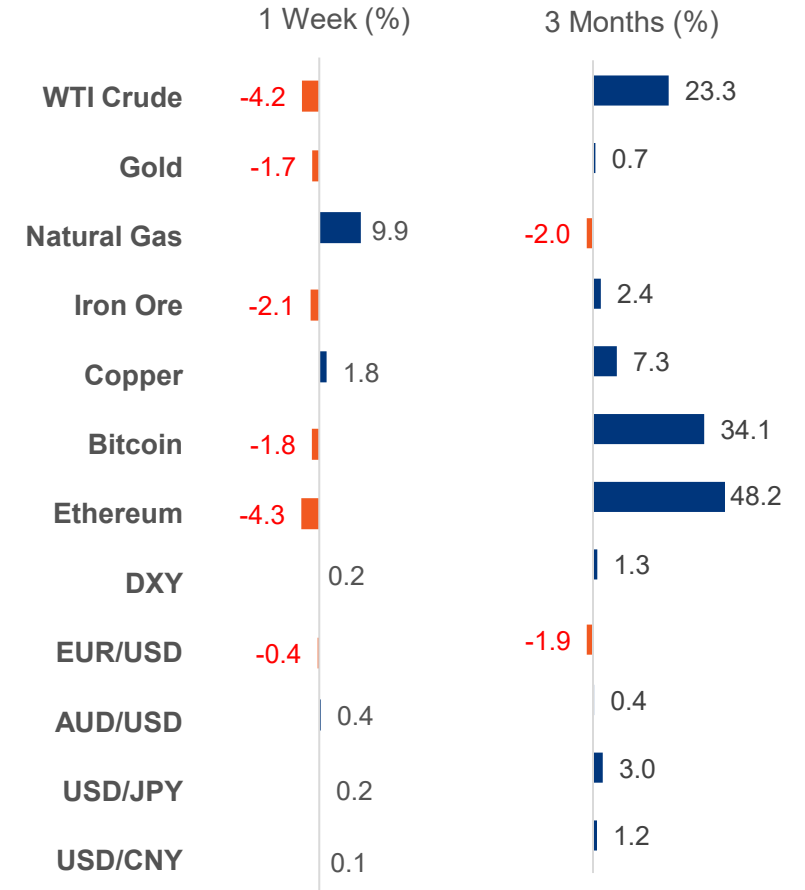


U.S. Sector Index Performance (%)



Market Recap**U.S. Treasury Yields Swing Near Highs; Weaker Euro Supports the Dollar**

- ▶ The 10-year Treasury yield fell sharply for a time after the September nonfarm payrolls release. However, the prices paid component of the latest ISM services index rebounded from the previous month and reached its highest level since July 2022. The jump reflects higher transportation and raw material costs, and it suggests inflation pressure may keep spreading to other industries. Treasury yields rebounded as a result and stayed near their highs. With rates swinging at elevated levels, most bond markets saw more declines than gains.
- ▶ The Euro weakened on European political and economic news, including France's debt problems and Spain's early general election. The yen has weakened rather than strengthened since the BoJ raised rates in September. However, markets are concerned that further depreciation could trigger another intervention, so the yen is likely to trade in a range in the near term.
- ▶ The G7 coordinated a release of 100 million barrels of emergency diesel and crude reserves through the IEA, which briefly pushed oil prices lower. However, the Middle East conflict is still unresolved, so supply risks remain. Oil prices may stay volatile at elevated levels.

Performance of Bonds (%)**Performance of Commodities and Currencies (%)**

Source: Bloomberg

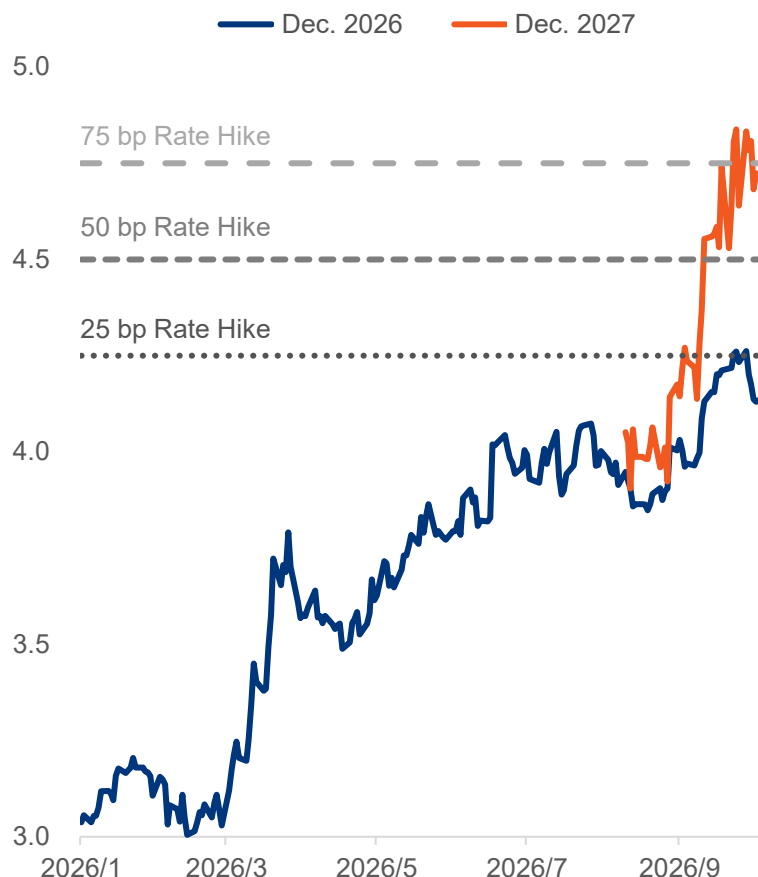
Year-End Rate Hike Expectations Persist; Bonds Focus on Locking in Short-to-Mid-Term Yields

- ▶ The U.S. economy remains resilient, but inflation pressure persists. The September ISM services index showed steady domestic demand, while input cost pressure on businesses increased. Meanwhile, geopolitical tensions have driven a sharp rise in U.S. diesel prices. Diesel is a key fuel for trucking, agriculture, and manufacturing, so if prices stay high, they could add further inflation pressure. The Fed is leaning hawkish, and inflation is cooling more slowly than expected, so another rate hike remains possible before year-end.
- ▶ Total U.S. debt has topped \$40 trillion, and federal debt held by the public is projected to reach 101% of GDP in 2026, raising fiscal sustainability risks. At the same time, heavy borrowing for AI infrastructure and inflation uncertainty from Middle East turmoil have pushed investors to reprice long-term bond risk and demand a higher risk premium. As real yields climbed, the 10-year Treasury yield rose and stayed above 5%, while the 30-year yield reached a near 20-year high. With long-term yields still rising and the yield curve steepening, bond investors should avoid long maturities for now and focus on locking in short-to-mid-term yields.

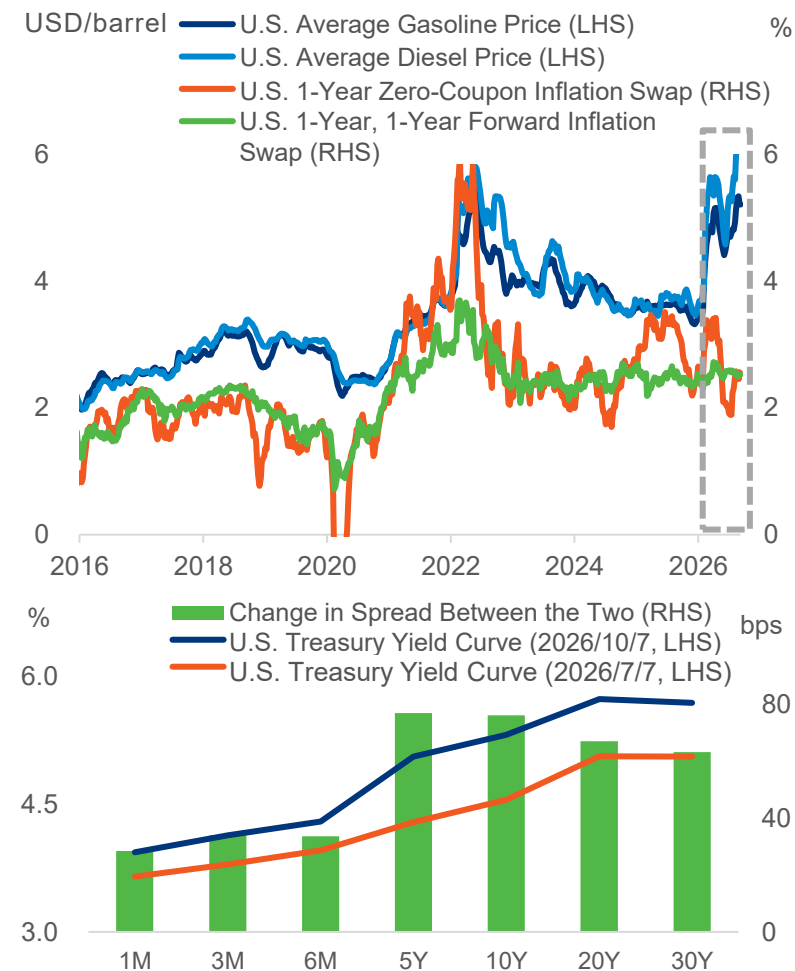
Source: Bloomberg

Inflation Cooling Slower Than Expected, Leaving Room for More Rate Hikes

Fed Policy Rate Implied by Interest Rate Futures, %



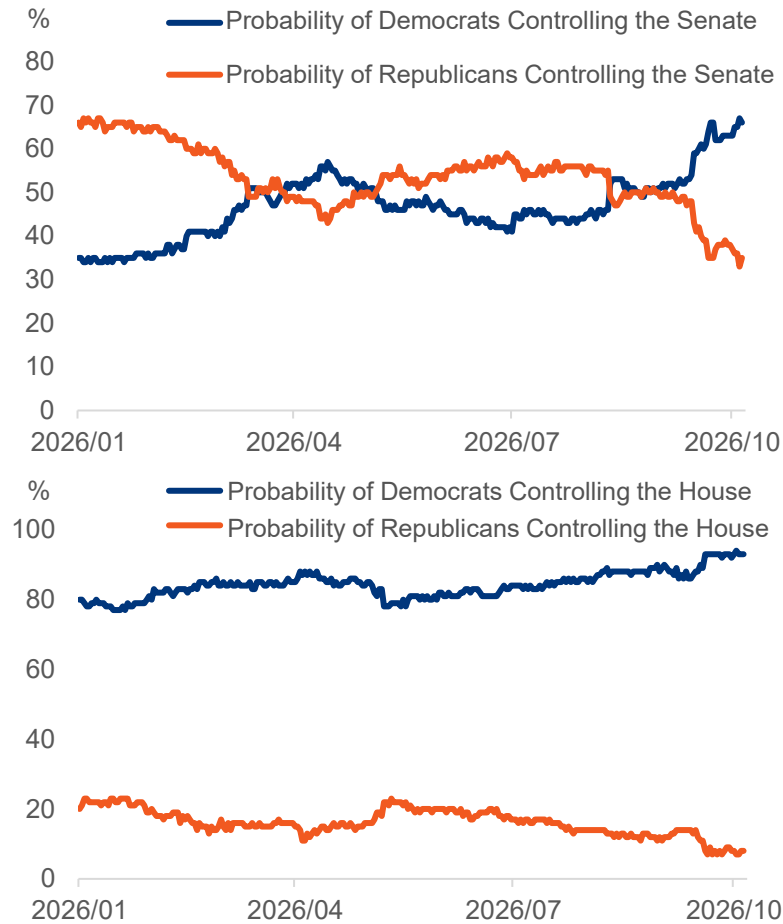
Diesel Prices Hit Record Highs; Yield Curve Shifts Higher



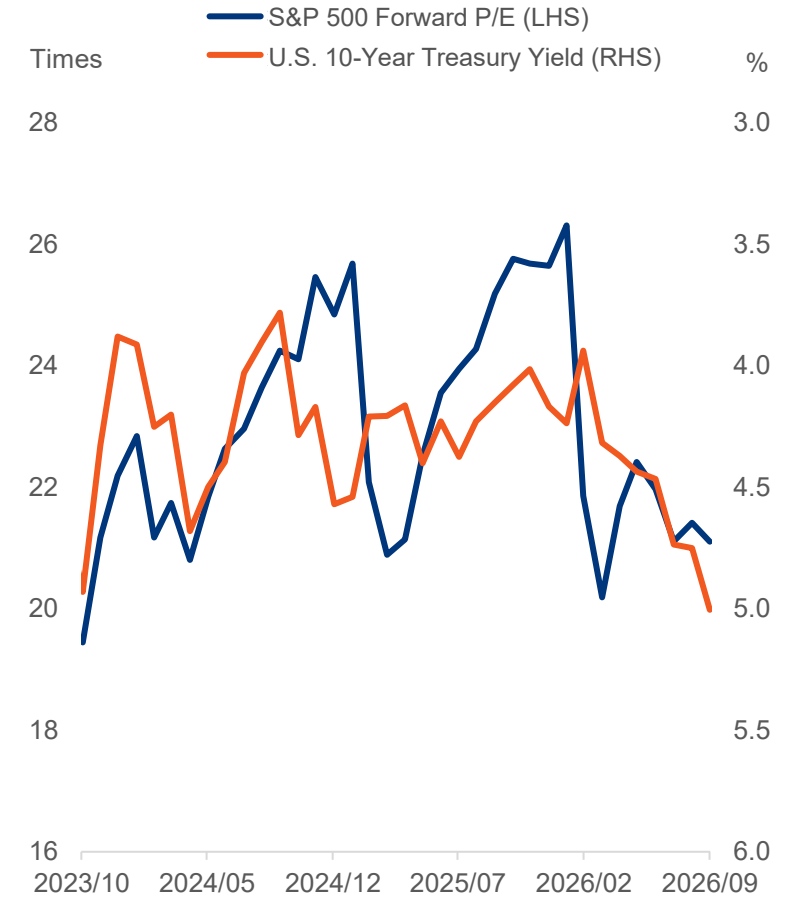
Pre-Midterm Uncertainty and Rising Yields May Keep U.S. Stocks Volatile with Sector Rotation Near Term

- ▶ The U.S. midterm elections are less than a month away. According to Polymarket odds, the House race looks fairly clear, with Democrats having over a 90% chance of taking control. The Senate race is less certain, though. The lead has gone back and forth between the two parties this year. Democrats' odds of winning the Senate have been rising, but with the campaigns entering the final stretch, it remains to be seen whether they will control the Senate as well. Ahead of the vote, the two parties' different policy priorities point to different potential winning sectors. That uncertainty may keep investors from making big bets on equities.
- ▶ Meanwhile, oil prices are hovering near highs, which keeps inflation concerns alive through year-end. Rising bond issuance by AI companies and a worsening U.S. fiscal position have also pushed Treasury yields steadily higher. Higher yields are keeping pressure on forward P/E ratios and limiting investors' willingness to chase U.S. stocks in the near term, so indices may stay volatile with sector rotation. Investors can focus on low-volatility, fundamentally strong, value-oriented stocks. Once the midterms are over and 3Q26 earnings season gets underway, less uncertainty should help bring money back into long-term AI themes.

Senate Midterm Race Remains Uncertain



Rising Yields Pressure U.S. Equity Valuations

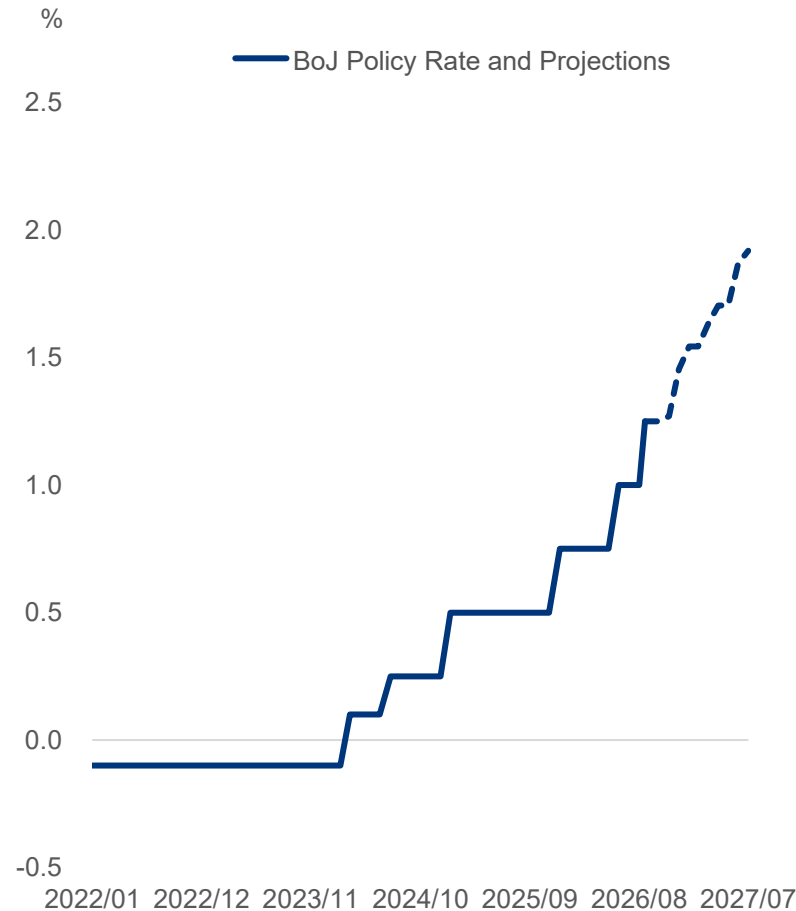


BoJ Stays on Normalization Path; Japanese Bank Stocks Poised to Keep Benefiting

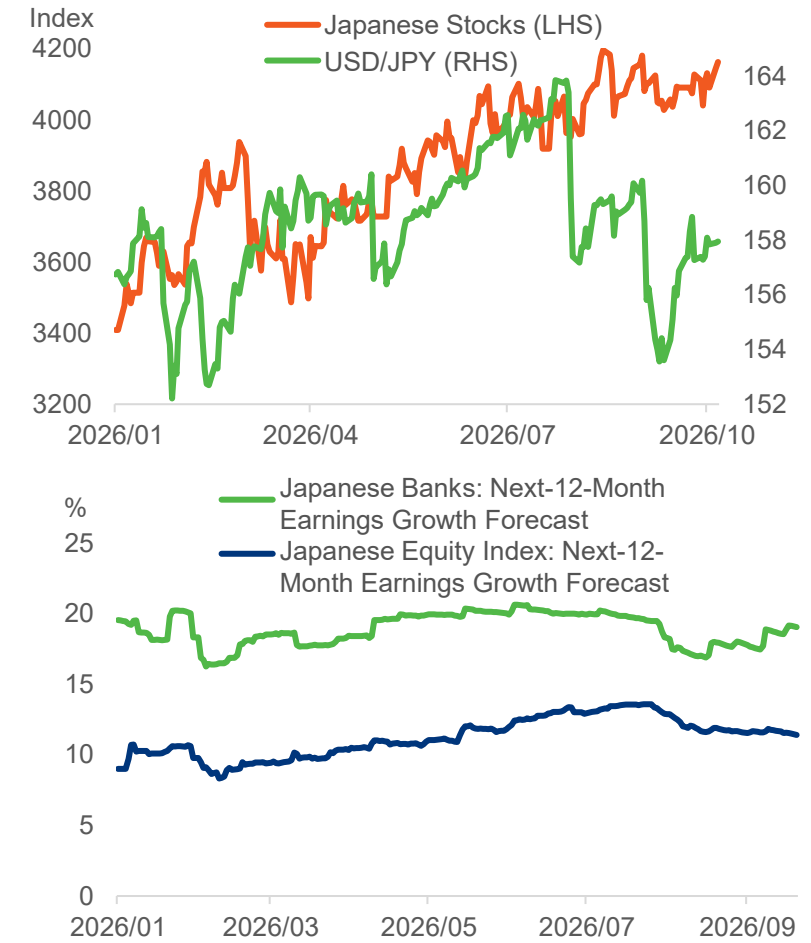
- ▶ In September, the BoJ raised rates by 25 bp. It said underlying CPI inflation is close to 2% and that it will keep raising rates, so its policy focus is shifting toward keeping inflation from overshooting the target. Two board members voted against the hike, though, and Governor Kazuo Ueda sounded fairly neutral after the meeting. Markets therefore saw the hike as less hawkish than expected and doubted that the U.S.-Japan rate gap would narrow quickly. As a result, the yen weakened after the September meeting in a "sell-the-news" reaction.
- ▶ Japanese stocks have not weakened significantly this year, even during periods of short-term yen appreciation. This partly reflects corporate governance reforms: higher shareholder returns have become a key structural support for share prices. Rate hikes also signal that Japan's economy is in reasonably good shape, so policy normalization is unlikely to hurt demand. As the BoJ keeps raising rates, banks' net interest margins should widen, strengthening their profitability and lifting returns on financial assets. Earnings growth expectations for Japanese stocks overall have recently stalled. Even so, Japanese bank stocks have support from the macroeconomic and monetary policy backdrop, so their earnings growth could keep rising against the trend. That makes them likely to draw more investor attention.

Source: Bloomberg

BoJ Stays on Its Hike Path, but Pace Depends on Growth and Inflation



Yen Strength Appears to Have Limited Impact on Japanese Stocks; Watch for Stronger Bank Earnings



Stay Defensive Near Term; Build Positions Gradually on Pullbacks in AI and Tech with Long-Term Growth Trends

Asset Type	Market View	Preferred Assets
Equities	◆ Rising Treasury yields may weigh on stocks and bonds in the near term. However, U.S. third-quarter earnings are still expected to grow at a double-digit pace year over year, which could support equities. Markets are still watching whether AI capital spending turns into earnings growth. In the short term, valuation pressure may add to market volatility, so investors can diversify across countries and sectors to reduce its impact. Geopolitical conflicts, elevated yields and valuation pressure are all weighing on markets, so adding defensive stocks can help portfolios hold up better. Over the long term, the growth trend in tech and AI semiconductors is still in place and fundamentals remain solid, so investors can build positions gradually on pullbacks. ◆ European and Japanese equities can be key areas for diversification, and rising global interest rates favor bank stocks. With frequent geopolitical conflicts, European defense stocks also remain an investment theme.	Strategy: Add defensive stocks in the near term. Over the medium to long term, favor AI themes such as tech and semiconductors. Outside AI, consider financials and healthcare Regions: Japanese Banks, European Financials, European Defense
Bonds	◆ Global government bond yields are rising, and the Fed's latest dot plot shows officials still expect room for one more 25 bp rate hike before year-end. That points to a preference for keeping rates higher to contain inflation. With yields elevated, investors should focus on short-to-mid-term bonds and lock in yields when rates rise. High-grade bonds have stronger fundamentals, stable cash flows and solid repayment capacity. Investors can focus on issuers with attractive risk-adjusted spreads in sectors such as financials, tech, telecom and utilities. ◆ Investment-grade bonds in non-USD currencies, such as the euro or Australian dollar, can help diversify single-currency risk.	Bond Types: Lock in yields with short-to-mid-term high-grade bonds in sectors such as financials, tech, telecom and utilities Satellite Allocation: Diversify risk with non-USD bonds
Forex	◆ The Fed is raising rates with a hawkish stance, and the U.S. dollar is consolidating near highs. ◆ The BoJ raised rates in September, but its forward guidance was fairly neutral and less hawkish than markets expected, leaving the yen volatile.	USD Consolidates Near Highs; Yen Remains Volatile
Commodity	◆ Middle East tensions are unlikely to ease soon, and elevated oil prices may weigh on inflation and the real economy. ◆ Gold faces near-term pressure from higher U.S. yields and a stronger dollar. However, fiscal deficit pressure in the U.S. and Japan, along with de-dollarization, continues to drive central bank buying worldwide, which gives gold steady support over the medium to long term.	Gold: Under Pressure Near Term; Medium-to-Long-Term View Remains Bullish

Innovative Drug Licensing Accelerates Global Value Realization

► Next-Generation Dual-Target Therapies Expand Across Indications as Bispecific-ADC Combinations Gain Validation

PD-1/VEGF bispecific antibodies have delivered significant improvements in progression-free survival and overall survival in head-to-head lung cancer studies, supporting expansion into additional indications such as biliary tract and gastrointestinal cancers. Recent Phase III data indicate that dual-target therapies can outperform existing monoclonal antibody standards of care, further validating their applicability across multiple tumor types. Meanwhile, global pharmaceutical companies are actively advancing combination strategies involving bispecific antibodies and antibody-drug conjugates (ADCs), particularly in gastrointestinal cancers, opening a new phase of deeper combination approaches beyond traditional immunotherapy.

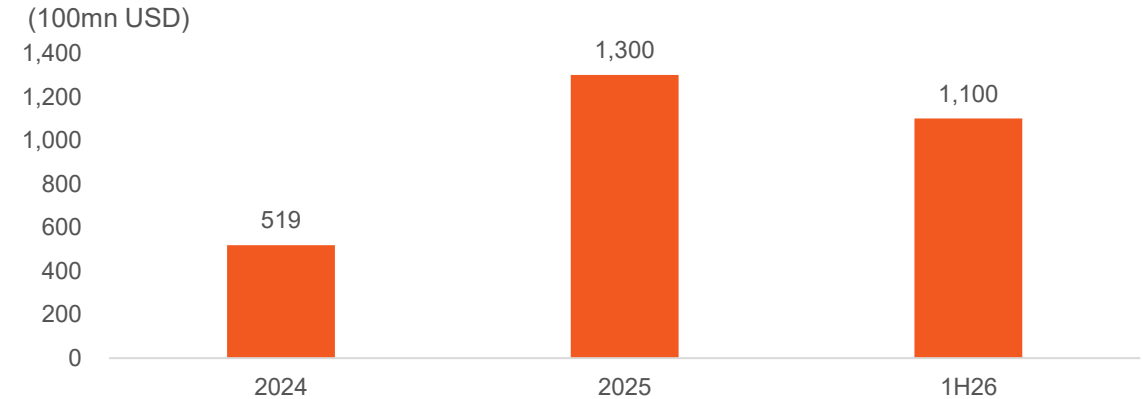
► Large Licensing Deals & Strategic Investments Accelerate Global Value Realization

Chinese innovative drug developers continue to gain recognition from leading multinational pharmaceutical companies, driving strong growth in out-licensing activity. Global pharmaceutical companies are increasingly expanding beyond traditional licensing agreements through equity investments and strategic partnerships. This collaboration model, combining sizable upfront payments, equity participation, and joint global clinical development, provides innovative drug companies with additional funding while leveraging multinational partners' resources to accelerate regulatory approvals and global commercialization.

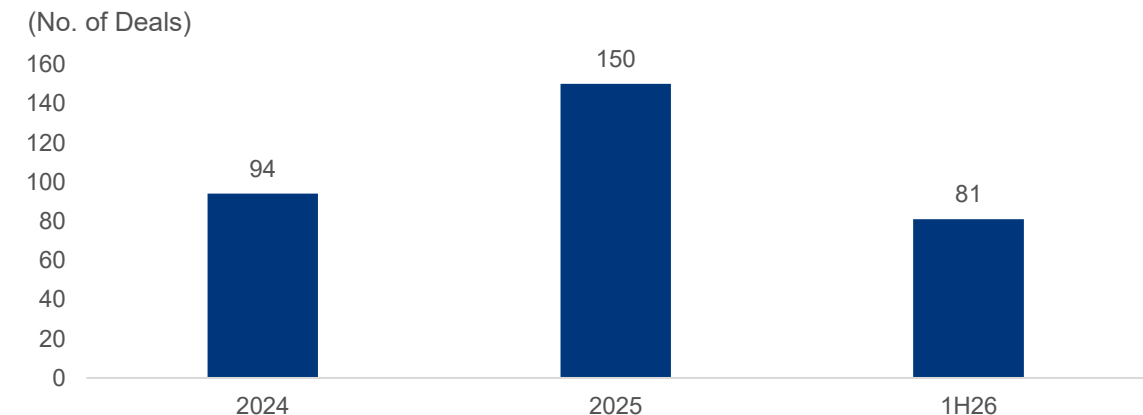
► Clinical Validation & Commercial Execution Become Key Valuation Anchors Amid Macro Volatility

Against a backdrop of elevated global interest rates and tighter healthcare regulation, valuation dispersion within the biotechnology sector continues to widen. Innovative products supported by strong clinical evidence and treatment guideline recommendations have demonstrated greater resilience and demand visibility. As higher rates place pressure on the valuation of long-duration growth assets, investors increasingly favor companies with established commercialization capabilities, meaningful domestic cash flow generation, and overseas milestone income, supporting further valuation rerating potential.

China Innovative Drug Out-Licensing Deal Value



China Innovative Drug Out-Licensing Deals



Akeso, Inc. (9926 HK)

Closing Price HK \$109.1

Target Price HK \$150

Akeso is a leading Chinese biopharmaceutical company focused on oncology and autoimmune diseases, with fully integrated in-house capabilities across the biopharmaceutical value chain.

AstraZeneca Advances ADC-Ivonescimab Combination Development, Validating Global Recognition

Summit Therapeutics (SMMT), Akeso's overseas partner, recently received a strategic investment from AstraZeneca. The collaboration focuses on advancing combination therapies involving Ivonescimab and AstraZeneca's ADC portfolio. This partnership provides strong external validation of Ivonescimab's global strategic value and highlights growing recognition of its potential in combination treatment settings among leading multinational pharmaceutical companies. Successful development and commercialization could generate meaningful royalty and milestone payments for Akeso, supporting long-term financial returns.

Phase III BTC Data to Be Presented on October 25, Supporting Expansion Beyond Lung Cancer

Key clinical data for Ivonescimab will be presented at the ESMO 2026 Congress on October 25, highlighting results from the Phase III HARMONI-GI1 trial in first-line biliary tract cancer (BTC). Akeso has previously announced that the head-to-head study met its primary overall survival (OS) endpoint, with the market expecting an OS hazard ratio of 0.6 or below. Positive results would provide important validation of Ivonescimab's efficacy beyond lung cancer and support its expansion into additional oncology indications.

U.S. BLA Decision Expected in Mid-Nov, Laying Foundation for Future First-Line Use

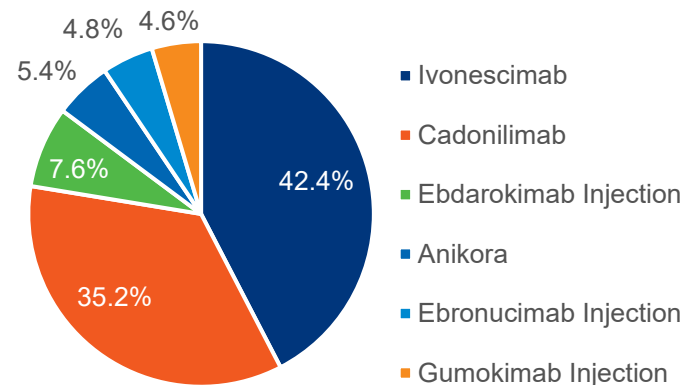
The FDA's decision on Ivonescimab's Biologics License Application (BLA) for previously treated EGFR-mutated NSCLC is expected in mid-November. AstraZeneca's decision to invest ahead of this key regulatory milestone underscores confidence in the drug's long-term strategic value. A potential U.S. approval would represent an important step toward global commercialization and, together with ongoing international clinical programs, strengthen Ivonescimab's pathway toward future first-line treatment opportunities.

With multiple near-term catalysts on the horizon, the recent share price weakness may offer an attractive entry point for investors.

Financials

	2024	2025	2026F	2027F	2028F
Revenue (CNY bn)	2.1	3.1	4.6	7.0	9.9
YoY Growth (%)	-53.1	43.9	49.7	53.8	40.1
EPS (CNY)	-0.6	-1.2	-0.2	0.9	2.4
YoY Growth (%)	-124.8	-105.0	82.7	533.4	163.0
RoE (%)	-8.9	-14.0	-2.7	7.1	18.6

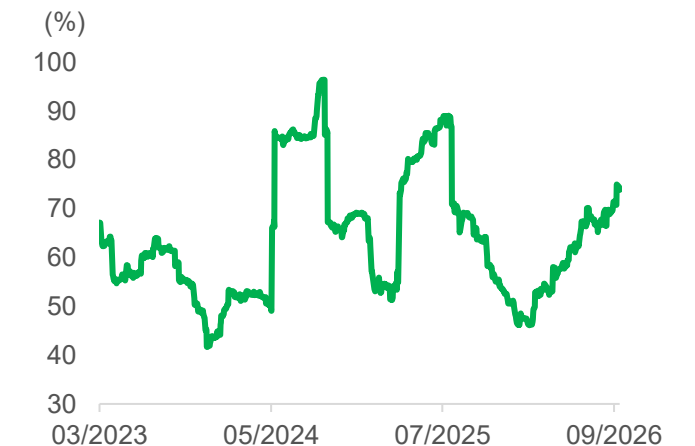
2027 Product Revenue Breakdown



Forward P/S

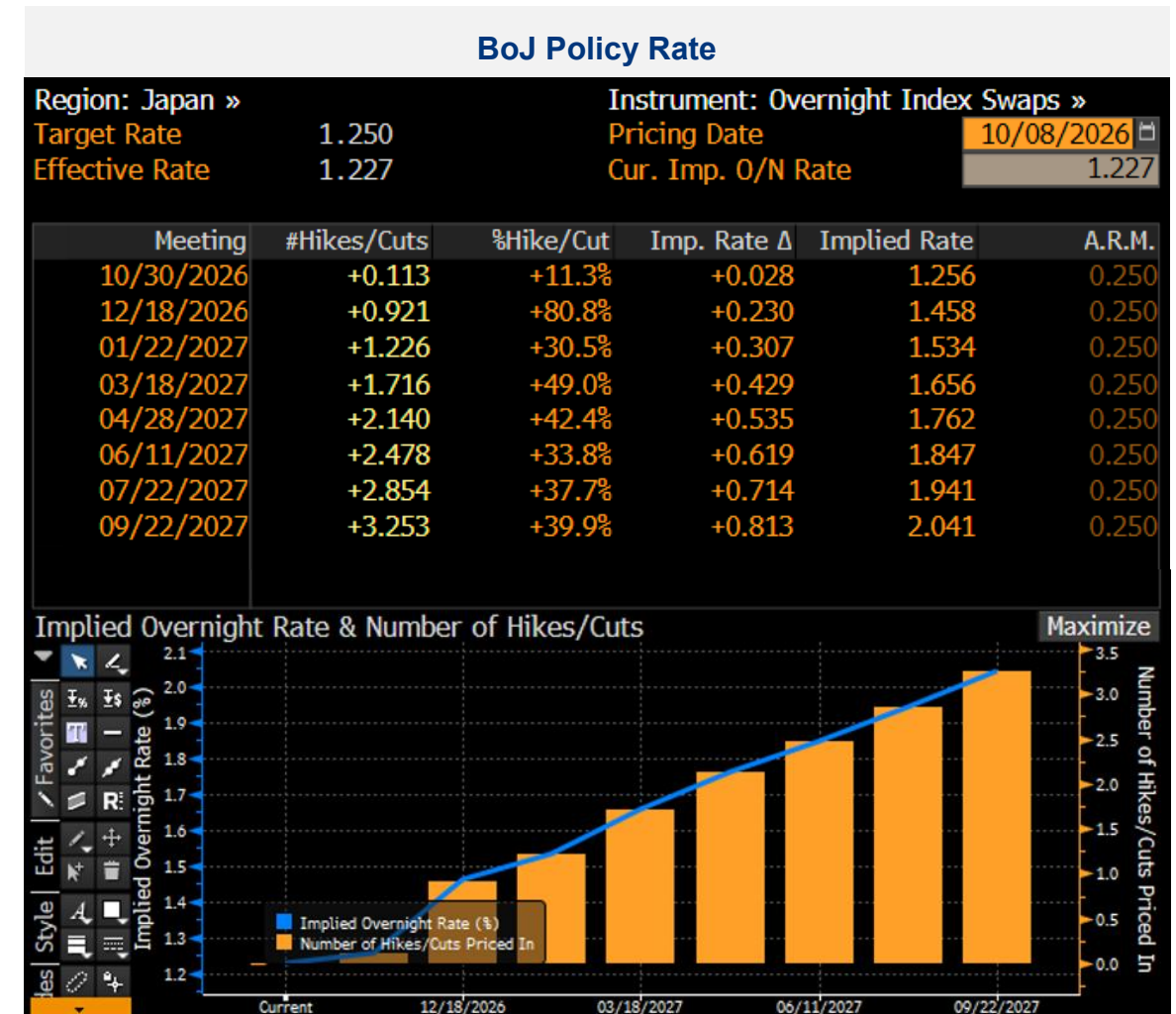


Historical Volatility



BoJ Policy Normalization Continues to Support Japanese Bank Stocks

- ▶ The Federal Reserve unanimously voted to raise interest rates by 25bps at its September meeting, bringing the policy rate to 3.75%-4.00%, reflecting resilient economic growth and a labor market that remains near full employment. Policymakers noted that rising energy prices and continued AI infrastructure investment are supporting demand and cost pressures, while inflation remains above target. Although further rate hikes before year-end remain possible, future policy decisions will continue to depend on incoming inflation, labor market, and economic data, suggesting a still-restrictive policy stance.
- ▶ Meanwhile, the Bank of Japan continues to advance policy normalization. Supported by wage growth and persistent inflation trends, Japanese banks remain well positioned to benefit from further interest rate hikes. Large banks, with their sizable and stable deposit bases, are expected to benefit from loan repricing, higher returns on central bank deposits, and improved reinvestment yields on government bonds, supporting net interest income growth. Combined with expanding corporate lending, wealth management and payment businesses, as well as ongoing dividend increases and share buybacks, the sector's return on equity and capital efficiency are likely to improve further, reinforcing the medium-term investment appeal of Japanese bank stocks.



Mitsubishi UFJ Financial Group, Inc. (8306 JP)

Closing Price	JP¥3,462	Target Price	JP¥4,000		
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Mitsubishi UFJ Financial Group (MUFG) was formed through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings. As one of Japan's largest financial institutions, the group provides a broad range of financial and investment services, including commercial banking, trust banking, global markets, and asset management.

Japan's Rate Normalization Continues to Support NIM Expansion and Reinvestment Yields

The Bank of Japan raised its policy rate from 1.0% to 1.25% in September, with the market increasingly expecting another rate hike in December. Supported by wage growth and underlying inflation approaching the 2% target, policy normalization is expected to continue. Japan's 10-year government bond yield has recently risen to around 3.1%, which should gradually enhance MUFG's loan repricing and bond reinvestment returns. Given its large domestic deposit base, net interest income is likely to continue benefiting as asset yields rise faster than funding costs.

Elevated U.S. Rates Continue to Support Overseas Earnings and Morgan Stanley Contributions

Fed raised rates by 25bps in September to 3.75%-4.00%. While expectations for an October hike have eased, markets still anticipate the possibility of further tightening in December. Elevated U.S. Treasury yields continue to support repricing and reinvestment opportunities for U.S. dollar assets. Meanwhile, MUFG's overseas earnings remain supported by Morgan Stanley, which contributed net income of approximately JPY222.2 billion in 1Q FY2026, equivalent to around 27% of MUFG's group net profit, making investment banking, trading, and wealth management important earnings drivers alongside domestic banking operations.

Strong 1Q FY2026 Results and Shareholder Returns Support ROE Improvement

MUFG reported 1Q FY2026 net profit of approximately JPY809.4 billion, up 48.2% YoY, while net operating profit increased 49% YoY to approximately JPY809.0 billion. Annualized ROE reached 14.4% based on JPX standards, reflecting the benefits of rising yen interest rates, loan growth, and higher fee income. The company maintained its full-year targets of JPY2.7 trillion in net profit and JPY2.9 trillion in net operating profit, while raising its annual dividend from JPY86 to JPY96 per share. MUFG also completed approximately JPY100 billion of share buybacks in June.

Valuation Consensus

Bloomberg consensus estimates imply an average 12-month target price of JP¥4,026.67, with a high target price of JP¥4,800 and a low target price of JP¥2,260.

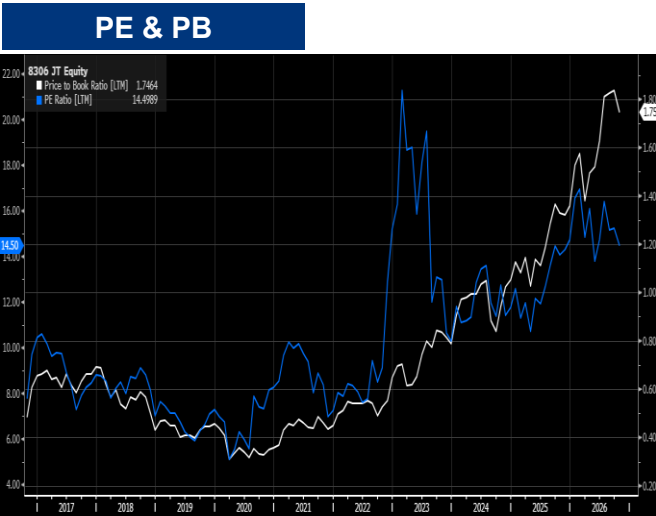
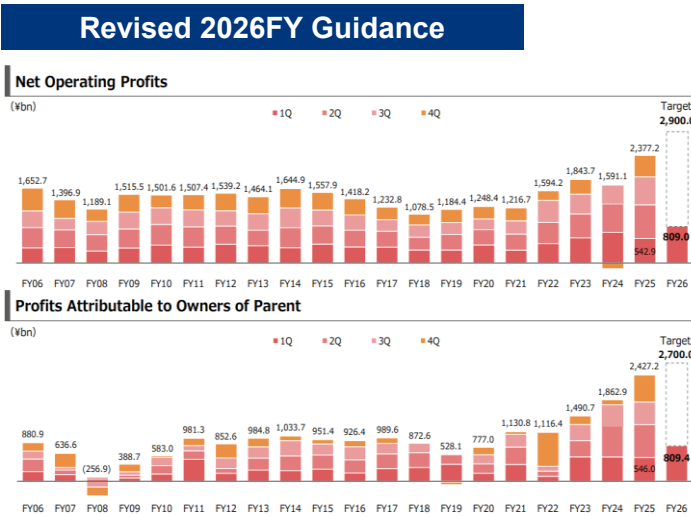
Source: Bloomberg, Company



Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	19.4	9.1	22.4	-17.4	10.6
Operating Margin (%)	34.4	39.6	41.3	48.6	45.7
EPS (JPY)	128.6	166.54	217.52	255.64	282.39
Net Profit Margin(%)	24.9	28.9	30.1	42.1	41.3

Source: Bloomberg; 2027/28F are market estimates



Sumitomo Mitsui Financial Group, Inc. (8316 JP)

Closing Price	JP¥3,256	Target Price	JP¥3,900		
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Sumitomo Mitsui Financial Group (SMFG) provides a broad range of financial services through its core banking subsidiary, SMBC, including commercial banking and related financial services.

Japan's Rate-Hike Cycle Continues, Supporting Margin Expansion and Earnings Growth
The Bank of Japan raised its policy rate to 1.25% in September, with markets increasingly expecting another hike in December. Meanwhile, Japan's 10-year government bond yield has remained around 3.1%, supporting higher loan yields and bond reinvestment returns for SMFG. Management estimates that a 25bp increase in both short- and long-term interest rates could boost net interest income by approximately JPY110 billion in the first year and JPY150 billion by the fifth year. Including the June rate hike, SMFG has already projected a JPY180 billion increase in FY2026 net interest income, with the September hike expected to provide additional earnings support.

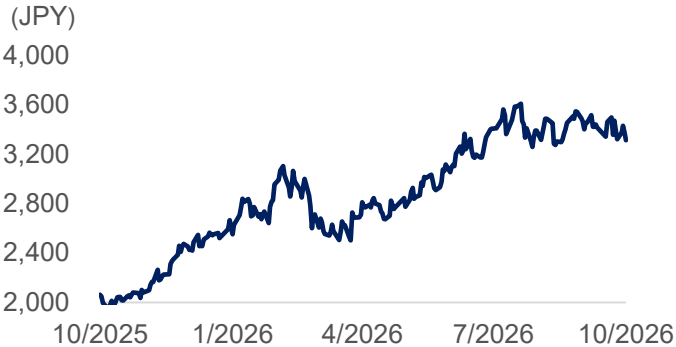
Domestic Growth Initiatives and Global Expansion Support Medium-Term Returns
While market expectations for an October Fed rate hike have eased following September's increase to 3.75%-4.00%, U.S. Treasury yields remain elevated, supporting the repricing and reinvestment of U.S. dollar assets. SMFG continues to expand its domestic corporate banking franchise, Olive digital retail platform, and global investment banking business. Management expects Olive to contribute approximately JPY110 billion in net business profit by FY2029, while portfolio optimization and capital allocation improvements are targeted to lift group net profit to JPY2 trillion, ROE to around 12%, and ROTE to approximately 13%.

Strong 1Q FY2026 Results, Higher Dividends and Buybacks Support Shareholder Returns
SMFG reported FY2026 1Q net profit of approximately JPY501.4 billion, up 33.0% YoY, while net business profit increased 32.7% YoY to JPY722.3 billion. The company maintained its full-year targets of JPY1.7 trillion in net profit and JPY2.4 trillion in net operating profit. Annual dividends are expected to increase from JPY157 to JPY180 per share on a pre-split basis, equivalent to JPY90 after the 1-for-2 stock split effective October 1. SMFG also completed approximately JPY180 billion of share repurchases by the end of July.

Valuation Consensus
Bloomberg consensus estimates imply an average 12-month target price of JP¥3,891.54, with a high target price of JP¥4,600 and a low target price of JP¥2,000.

Source: Bloomberg, Company

1-Year Price

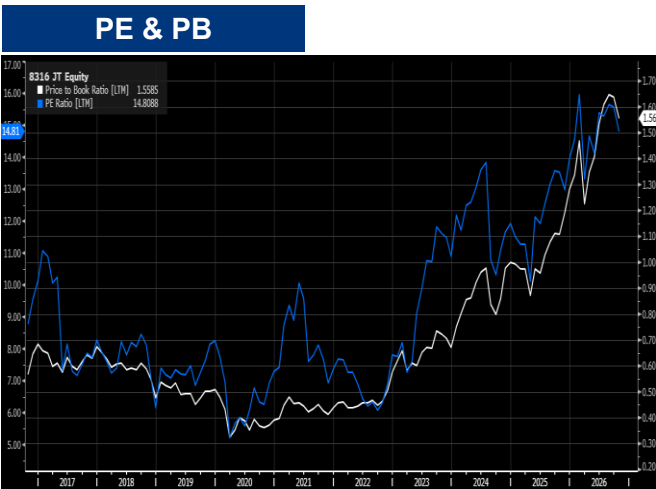


Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	21.1	14.9	15.3	-7.3	12.1
Operating Margin (%)	33.4	34.1	39.6	47.6	49.1
EPS (YEN)	131.43	152.41	206.19	244.73	279.29
Net Profit Margin(%)	23.9	23.6	27.2	34.5	34.4

Source: Bloomberg; 2027/28F are market estimates

Revised 2026FY Guidance			
	(JPY bn)	1Q FY3/27	FY3/27 target
1 Gross profit		1,403.4	+315.7
2 G&A expenses		712.2	+112.5
3 Overhead ratio		50.7%	(4.4)%
4 Equity in gains (losses) of affiliates		31.1	(25.1)
5 Net business profit	Progress 30%	722.3	+178.0 2,400
6 Total credit cost		74.8	(0.9) 340
7 Gains (losses) on stocks		75.5	+34.4
8 Other income (expenses)		(29.9)	(3.5)
9 Ordinary profit		693.1	+209.8 2,390
10 Extraordinary gains (losses)		(1.6)	+0.1
11 Income taxes		185.5	+83.2
Net income	29%	501.4	+124.5 1,700





Taiwan Equities Continue to Reach New Highs; Google TPU Ramp-Up Creates Volume and Pricing Upside for PCB Supply Chains

New Highs in Taiwan Equities Supported by Healthy Sector Rotation

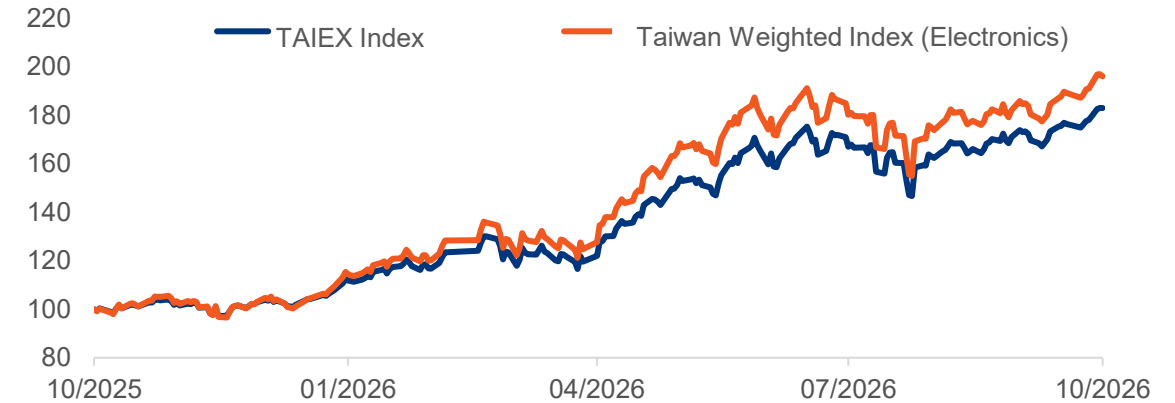
Taiwan equities continued to reach new record highs last week and are approaching the 50,000 level. Further upside could be supported if daily turnover expands to NT\$1.0-1.2 trillion or higher, reinforcing the positive price-volume trend. On the sector front, large-cap technology names continued to lead the market. Capital flows remained concentrated in pricing-driven themes, including PCB-related names, discrete components, and IC substrates. Semiconductor equipment and thermal management stocks also benefited from strength in sector leaders and could continue to attract investor interest. In contrast, container shipping and dry bulk shipping stocks weakened, with many falling below key short-term moving averages.

Google TPU Ramp-Up Creates Dual Growth Opportunities for High-End PCB Supply Chains

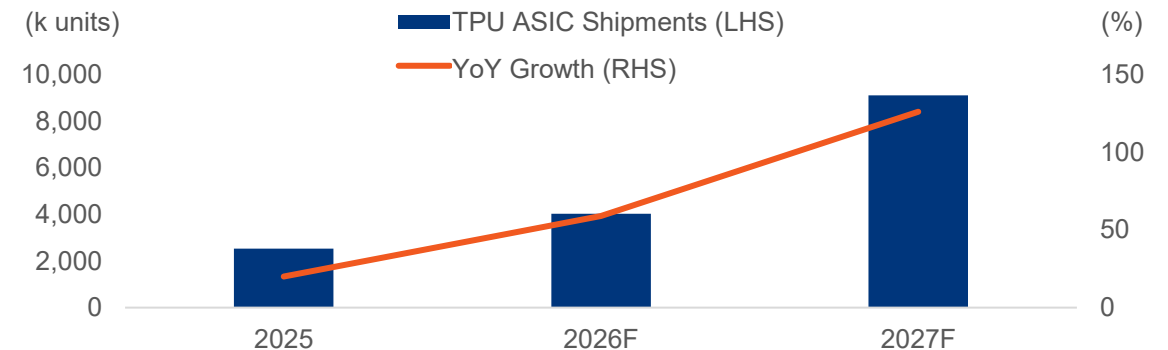
Google's next-generation TPU platform (TPU v8) is expected to enter mass production in 4Q26 and see a significant volume ramp in 2027. We estimates TPU ASIC shipments will increase from 4.02 million units in 2026 to 9.10 million units in 2027, representing 126% YoY growth. Beyond higher shipment volumes, TPU v8 also brings meaningful specification upgrades. ABF substrate size and layer count are expected to increase, supporting a 40%-50% rise in ASP, while PCB layer counts may increase from 24 layers to 34-40 layers. In addition, CCL materials are expected to upgrade to M8+ standards with HVLP4 copper foil adoption, raising material content, technical barriers, and manufacturing complexity. As a result, average selling prices for CCL and PCB products could increase by 70%-80%. Supported by both rising demand and specification upgrades, related PCB, CCL, and substrate suppliers are well positioned to benefit from a volume and value growth cycle.

TAIEX Index and Taiwan Electronics Sector Trends

Index, 7 Oct 2025 = 100



Google TPU ASIC Shipments



Gold Circuit Electronics Ltd. (2368 TT)

Gold Circuit Electronics is Taiwan's leading networking PCB manufacturer. In recent years, the company has strategically shifted its product mix toward higher-margin server and networking PCBs, which have become its core business segments.

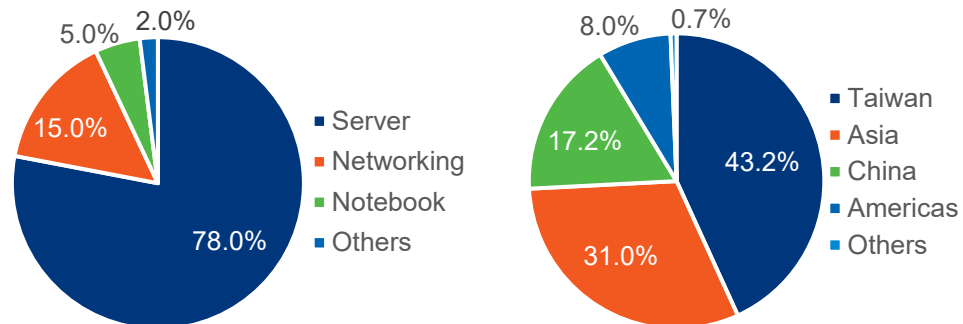
TPU Supply Chain Exposure and Higher Pricing Drive Earnings Growth

Google's TPU v8 platform is expected to enter a meaningful volume ramp in 2027. The next-generation v8t and v8i platforms are expected to increase PCB layer counts to approximately 34-40 layers, raising the value of high-end PCBs by 70%-80% versus previous generations. In addition, continued order momentum from Microsoft, Meta, and 1.6T switches, together with product price increases, should further support earnings growth. We expects the company's profitability to continue improving in 2H26.

Leadership in Thick HDI Technology Reinforces Position in High-End AI PCBs

We believes the adoption of thick multi-layer HDI and hybrid high-layer-count (HLC) designs across next-generation AI platforms from NVIDIA, AWS, and Google is raising the technology threshold for AI PCBs. Leveraging its expertise in thick-board lamination and high-aspect-ratio via plating, Gold Circuit Electronics has established a strong competitive advantage in high-end AI PCBs. The company has also demonstrated superior yields in AWS's next-generation Trainium 4 PCB programs, supporting continued gains in shipment contribution and market share.

Revenue Sources and Regions



Source: Bloomberg

Financials

	2024	2025	2026F	2027F	2028F
EPS (NTD)	11.54	19.48	41.49	71.44	106.20
EPS Growth (%)	59.1	68.9	112.9	72.2	48.7
P/E Ratio	95.8	56.7	26.6	15.5	10.4
ROE (%)	29.4	35.1	48.5	54.8	56.6

Source: Company data, estimates of KGI analyst

Valuations

		5Y Avg.	Current	
Price	70.56			1,495
P/E	8.47			65.62
P/B	2.78			21.64

1-Year Price



As of 7 October 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	11.16	11.16	9.69	34.30	81.22	188.86

Elite Material Co., Ltd. (2383 TT)

Elite Material is one of Taiwan's leading copper clad laminate (CCL) manufacturers. The company primarily produces copper clad laminates (CCL), prepregs (PP), and multilayer laminates (M/L), serving applications across networking, servers, and other electronics end markets.

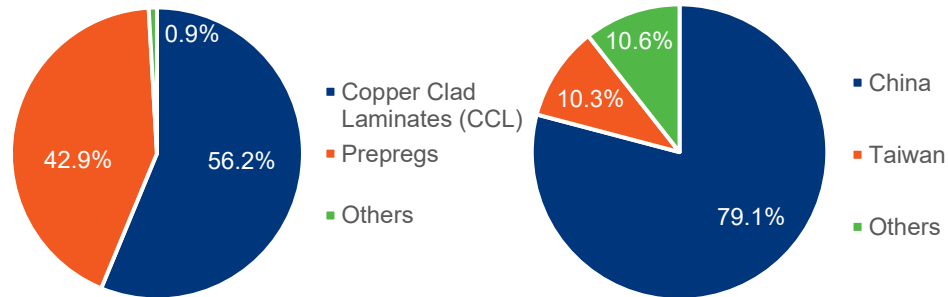
2Q26 Price Hikes Drove Margin Expansion and Earnings Above Consensus

Elite Material reported stronger-than-expected 2Q26 results, with gross margin and operating margin reaching 33.9% and 26.9%, respectively, exceeding market expectations. Supported by product price increases and an improved product mix, quarterly revenue reached NT\$47.3 billion, 9.8% above consensus estimates, while gross margin expanded by 4.4 percentage points QoQ. Revenue from infrastructure-related applications, including AI servers, general-purpose servers, network switches, and low-earth-orbit (LEO) satellites, grew 46% QoQ and 141% YoY, accounting for 75%-80% of total revenue.

Continued Penetration of High-End Materials Supports Growth

Materials above the M7 grade now account for 60%-65% of the product mix, reflecting continued penetration of high-end materials. Looking ahead to 3Q26, the pricing uplift is expected to continue, with revenue projected to grow by at least 15% QoQ. M9 materials are set to enter volume production in 2H26 and are expected to contribute a single-digit percentage of revenue. Meanwhile, substrate CCL products are expected to complete qualification in 3Q26. Current monthly production has reached approximately 40,000 sheets, and successful certification could more than double shipment volumes in 2027. Primarily used in LPUs, UBBs, and certain small-board applications, M9 materials are expected to become an increasingly important revenue contributor.

Revenue Sources and Regions



Source: Bloomberg

Financials

	2023	2024	2025	2026F	2027F
EPS (NTD)	16.35	27.81	41.67	108.84	190.64
EPS Growth (%)	7.3	70.1	49.8	161.2	75.2
P/E Ratio	250.8	147.4	98.4	37.7	21.5
ROE (%)	22.5	30.9	34.2	63.1	71.4

Source: Company data, estimates of KGI analyst

Valuations

		5Y Avg.	Current	
Price	130.00			6,350
P/E	8.31			125.14
P/B	2.06			43.53

1-Year Price



As of 7 October 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	20.57	8.28	13.98	106.24	261.70	381.78

**Mutual Funds/
ETFs**

Pre-Midterm Uncertainty and Rising Yields May Keep U.S. Stocks Volatile with Sector Rotation Near Term

► Fidelity Funds – Global Dividend Fund

- The fund focuses on companies with strong brand franchises, supporting earnings resilience and sustainable dividend growth.
- The portfolio is globally diversified, with overweight positions in the UK, Europe, and Taiwan relative to the benchmark, while maintaining an underweight allocation to the U.S. Holdings are primarily globally diversified businesses that are less exposed to domestic economic conditions.
- Its relatively low correlation with U.S. equities helps mitigate concentration risk within portfolios.
- The fund adopts a defensive positioning, with key exposures to non-life insurance, financial exchanges, consumer staples, pharmaceuticals, and utilities, sectors that are generally less sensitive to economic fluctuations and able to maintain relatively stable earnings through different market environments.
- At the same time, the portfolio maintains exposure to established semiconductor and hardware companies, as well as high-quality industrial names, providing participation in cyclical growth opportunities.

► BlackRock Global Funds – Systematic Global Equity High Income Fund

- The fund broadens income sources through global dividend-paying stocks and short index option strategies.
- It builds a diversified global dividend equity portfolio based on forward-looking signals and quantitative analysis, aiming to more accurately identify stocks with higher yield potential at lower risk.
- Over 3,000 securities are evaluated daily, with continuous improvements in machine learning techniques and signal optimization to identify securities poised to deliver income and outperformance.

Product	Fidelity Funds – Global Dividend Fund		BlackRock Global Funds – Systematic Global Equity High Income Fund	
Features	■ Invest in Quality Companies to Withstand Market Cycles ■ Invest in Dividend-Paying Quality Firms to Capture Ongoing Income and Growth Opportunities		■ Core Strategy: Invest in High-Dividend Companies ■ Integrate AI to Identify New Opportunities	
AUM	USD 22.215 billion		USD 15.63 billion	
3M/YTD Return	-2.00% / 5.90%		5.32% / 14.35%	
Top 5 Regions Allocation(%)	Industrials	20.90	Information Technology	32.18
	Financials	15.90	Financials	13.32
	Health Care	11.00	Communications	12.43
	Information Technology	10.80	Industrials	11.09
	Consumer Staples	10.50	Consumer Staples	8.94
Top 5 Sector Allocation(%)	U.S.	21.90	U.S.	63.07
	U.K.	14.50	Others	8.63
	Germany	11.40	Japan	7.45
	France	9.90	China	7.04
	Switzerland	9.30	Taiwan	2.45
Top 5 Holdings (%)	Taiwan Semiconductor Mfg Co Ltd	3.7	Nvidia Corporation	4.34
	Roche Holding AG	3.5	Apple Inc	3.16
	Deutsche Boerse AG	3.5	Alphabet Inc	3.09
	Unilever PLC	3.4	Cisco Systems Inc	2.18
	Vinci SA	3.1	Verizon Communications Inc	2.08

Source: Bloomberg, KGI

Fidelity Funds – Global Dividend Fund

Profile

The Fund seeks to achieve long-term capital growth and income by investing at least 70% of its total assets in income-producing equities of companies globally, including those in emerging markets.

Focusing on Companies with Compelling Relative Valuations

The Fund focuses on high-quality companies trading at reasonable valuations or at a discount to peers. This strategy helps mitigate downside risk during valuation multiple contractions while offering investors more attractive total return opportunities.

Investing in High-Quality Companies to Weather Market Cycles

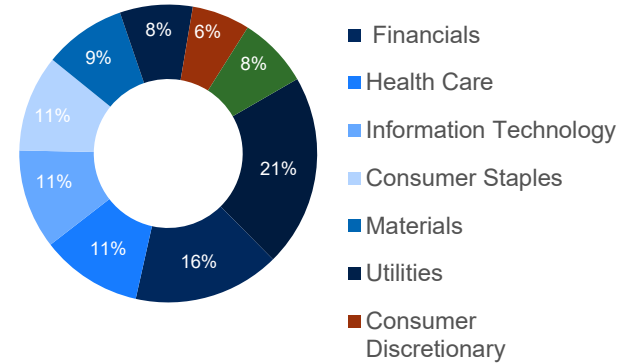
Rather than merely focusing on low-valuation stocks, the Fund targets defensive companies equipped with strong balance sheets and robust cash flows that can weather different market cycles and deliver consistent returns in volatile environments. These companies typically possess globally diversified revenue streams, enhancing portfolio resilience.

Robust Dividend Potential

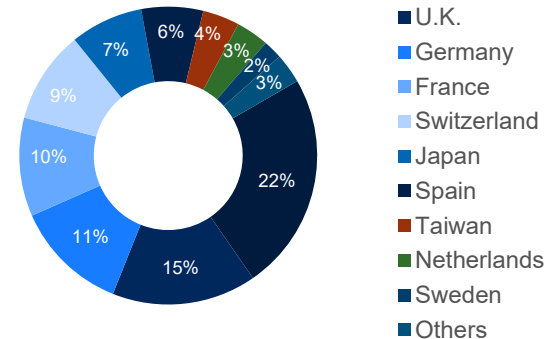
In an environment of elevated valuations and narrow market breadth, the Fund captures sustained dividend and growth opportunities through companies with proven payout track records. This strategy not only provides stable cash flow but also supports long-term capital appreciation.

Inception	2012/1/30	AUM	USD 22.215 bn
Morningstar Category	Global Equity Income	Fund Type	Equities
Morningstar Rating	★★★	3Y SD (Ann.)	11.48%

Sectors



Regional



Top-5 Holdings (%)

Taiwan Semiconductor Mfg Co Ltd	3.7
Roche Holding AG	3.5
Deutsche Boerse AG	3.5
Unilever PLC	3.4
Vinci SA	3.1

3Y NAV



As of 6 October 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	-2.97	-2.00	5.90	8.24	23.35	57.08
Ranking	3	4	4	3	4	3

Sources: Fund Monthly Report, Morningstar. Performance data as of 6 October 2026; monthly report as of August 31, 2026. Data share class: F1 USD.

BlackRock Global Funds – Systematic Global Equity High Income Fund

Profile

The fund aims to maximize income by investing globally without restrictions on specific countries or regions. At least 70% of total assets are invested in equity securities.

■ Focus on Sustainable High Income

The fund centers on investing in high-dividend companies, combined with covered call option strategies, aiming to maintain stable income even in volatile markets. This provides investors with relatively steady cash flow amid uncertainty.

■ Leverage Artificial Intelligence

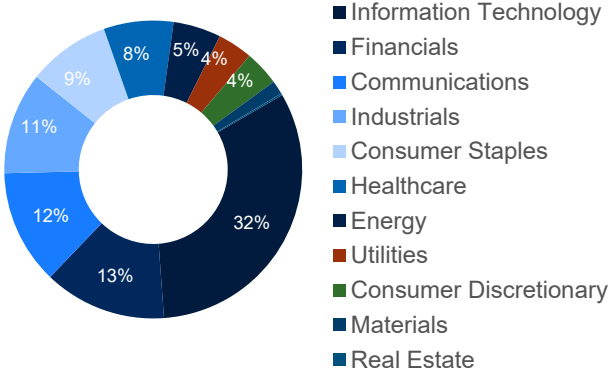
The fund employs a systematic approach integrating AI, big data, and expert insights. It analyzes over 3,000 stocks daily, using hundreds of predictive signals to uncover distinctive investment opportunities.

■ Global Diversification

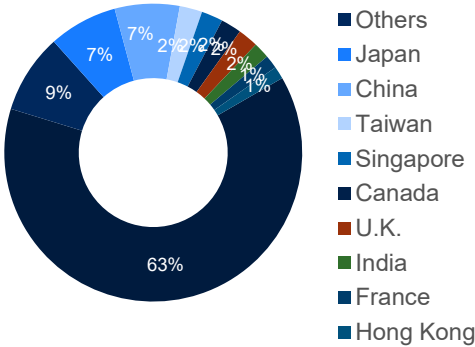
Broad exposure across the U.S., Japan, China, and other markets, with holdings of about 250–400 stocks. This diversified allocation reduces volatility risk.

Inception	2006/10/13	AUM	USD 15.63bn
Morningstar Category	Global Equity Income	Fund Type	Equities
Morningstar Rating	★★★	3Y SD (Ann.)	8.71%

Sectors



Regional



Top-5 Holdings (%)

Nvidia Corporation	4.34
Apple Inc	3.16
Alphabet Inc	3.09
Cisco Systems Inc	2.18
Verizon Communications Inc	2.08

3Y NAV



As of 6 October 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	-0.11	5.32	14.35	16.10	29.57	65.47
Ranking	1	1	1	2	2	2

Sources: Fund Monthly Report, Morningstar. Performance data as of 6 October 2026; monthly report as of August 31, 2026. Data share class: A2 USD.

**Mutual Funds/
ETFs**

BoJ Stays on Normalization Path; Japanese Bank Stocks Poised to Keep Benefiting

► Eastspring Investments – Japan Dynamic Fund

- Flexibly allocate across large-, mid-, and small-cap positions, seeking excess growth opportunities in mid- and small-cap stocks, which currently account for nearly 50% of the portfolio.
- Around 50% of holdings derive income from domestic sources, a relatively high proportion, expected to benefit from yen appreciation.
- Active management with a focus on company value, concentrated in 30-50 stocks.
- Strong performance, consistently outperforming industry averages across short-, medium-, and long-term horizons.

Product	Eastspring Investments – Japan Dynamic Fund	
Features	■ Focus on identifying severely undervalued quality companies ■ Adopt a core “Dynamic” investment strategy, concentrating on 30–50 carefully selected stocks	
AUM	JPY 594.5 billion	
3M/YTD Return	0.18% / 35.14%	
Top 5 Sector Allocation(%)	Industrials Consumer Discretionary Financials Information Technology Health Care	24.4 17.9 15.9 13.7 8.7
Top 5 Holdings (%)	Resona Holdings Inc Mizuho Financial Group Inc Sumitomo Mitsui Financial Group Inc Toyota Motor Corporation Olympus Corp	4.7 4.7 4.6 4.0 3.7

Source: Bloomberg, KGI

Eastspring Investments – Japan Dynamic Fund

Profile

The fund invests in stocks and equity-related securities of companies established in Japan or whose primary activities are based in the region. It adopts a flexible allocation strategy with the objective of maximizing long-term capital growth.

■ Exclusive Screening Strategy for Undervalued Quality Companies

The fund adopts a value investing strategy, avoiding chasing highs or blindly following market trends. Through in-depth analysis and systematic screening of industries and stocks, the research team identifies undervalued companies with growth potential. Flexible allocation across Japanese companies of different sizes enhances opportunities for excess returns.

■ Dynamic and Flexible Investment Strategy

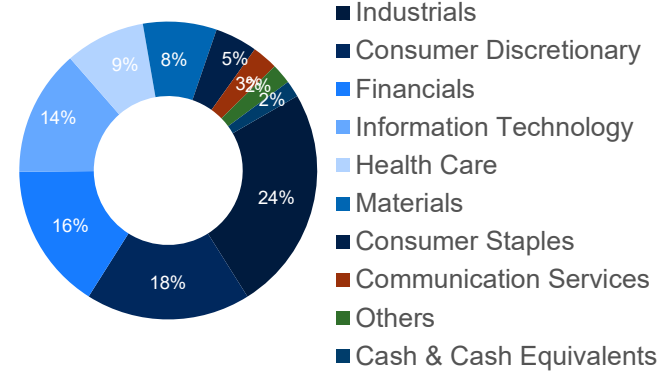
The fund employs a core “Dynamic” investment approach, unconstrained by market capitalization, benchmarks, or thematic preferences. The portfolio concentrates on 30–50 carefully selected stocks to capture growth and market opportunities, avoiding passive market tracking.

■ Domestic Exposure Benefits from Yen Appreciation

Approximately 50% of the fund's holdings derive revenue from the domestic market. As the yen enters an appreciation cycle, the fund's domestic allocation is positioned to benefit compared with Japanese companies reliant on exports.

Inception	2006/7/5	AUM	JPY 594.5 bn
Morningstar Category	Japan Large-cap Equities	Fund Type	Equities
Morningstar Rating	★★	3Y SD (Ann.)	15.57%

Sectors



Top-5 Holdings (%)

Resona Holdings Inc	4.7
Mizuho Financial Group Inc	4.7
Sumitomo Mitsui Financial Group Inc	4.6
Toyota Motor Corporation	4.0
Olympus Corp	3.7

3Y NAV



As of 6 October 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	0.94	0.18	35.14	45.60	75.14	97.89
Ranking	4	3	1	1	1	1

Sources: Fund Monthly Report, Morningstar. Performance data as of 6 October 2026; monthly report as of August 31, 2026. Data share class: Aj JPY.

Bonds

Diversified Business Portfolio and Financial Discipline Support Stable Earnings Growth

► **MATSEL 5.302 07/16/34 (Panasonic Holdings) (USD)**

- Panasonic Holdings is a leading Japanese diversified electronics manufacturer engaged in the development, production, and sale of a broad range of products and solutions. Based on FY2024 EBITDA, the Lifestyle segment (consumer appliances, electrical construction materials, and lighting) accounted for 31% of earnings, followed by Energy (23%), Connect (19%), and Industry (13%). Overseas operations contribute approximately 60% of total revenue, with sales generated across Japan, the Americas, Europe, China, and the rest of Asia.
- Compared with peers, Panasonic benefits from a diversified business portfolio spanning consumer appliances, electrical construction materials, batteries, electronic devices, and industrial solutions. Its strong global brands, technological expertise, and product development capabilities help reinforce its competitive position across multiple end markets.
- The company's diversified business mix supports earnings stability and reduces dependence on any single business segment. Its exposure across consumer products, capital goods, technology hardware, batteries, and automotive components helps mitigate earnings volatility and supports credit metrics consistent with its credit ratings.
- Panasonic's disciplined financial management is expected to support continued balance sheet improvement. As EV market growth moderates, the company is likely to restrain large-scale investment in its automotive battery business, supporting a gradual improvement in debt-to-EBITDA metrics. Meanwhile, Panasonic remains well positioned to benefit from long-term growth trends, including environmental solutions such as air-to-water heat pumps and automotive batteries, while its electronic materials, devices, and industrial battery businesses provide additional exposure to growing generative AI-related demand.

Bond	MATSEL 5.302 07/16/34 (Panasonic Holdings) (USD)
ISIN	USJ6355LAD31
Features	Panasonic's highly diversified and relatively low-correlated business portfolio is expected to support stable earnings performance.
Maturity	2034/7/16
Next Call Date	2034/4/16
Coupon(%)	Fixed/5.302/Semi-annual
Currency	USD
Years to Maturity	7.78
Credit Rating (Moody's/Fitch/S&P)	A3/-/A-
Seniority	Senior Unsecured
YTM/YTC (%)	5.78/5.80

Source: Bloomberg

MATSEL 5.302 07/16/34 (Panasonic Holdings) (USD)

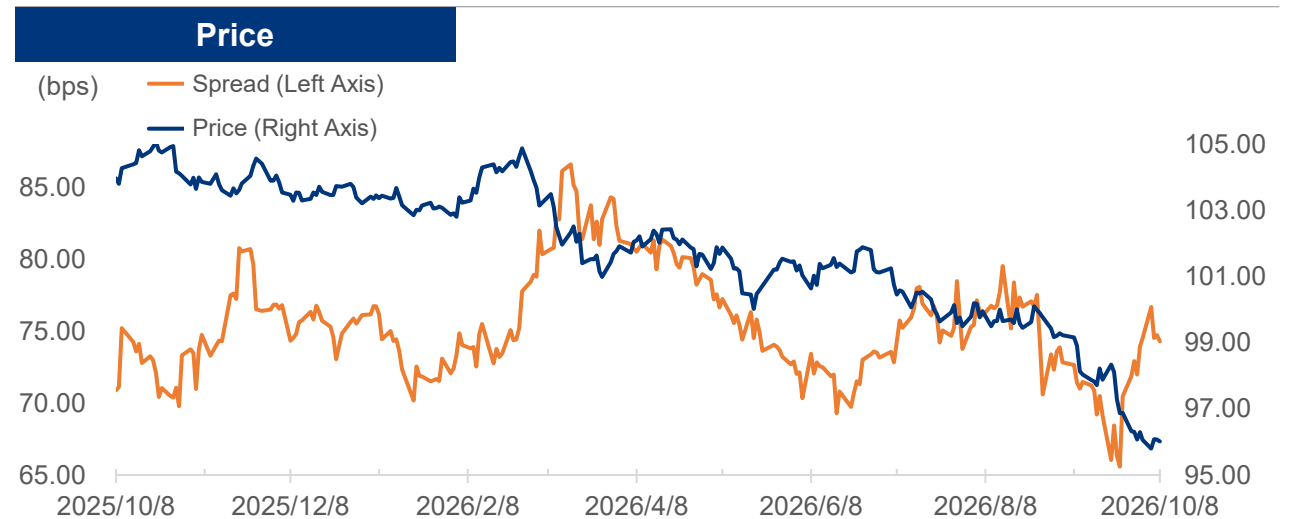
Panasonic Holdings is a leading Japanese diversified electronics manufacturer with operations spanning consumer appliances, electrical construction materials, industrial solutions, electronic materials, and automotive batteries. The company benefits from strong global brand recognition and product development capabilities, with overseas markets accounting for approximately 60% of total revenue.

- Compared with peers, Panasonic Holdings benefits from a diversified business portfolio spanning consumer appliances, capital goods, batteries, electronic materials, and devices, supported by strong global brands, technological expertise, and product development capabilities.
- Panasonic's highly diversified business mix, with relatively low correlation among its business segments, is expected to underpin stable earnings performance. Its exposure across consumer products, capital goods, technology hardware, and automotive components helps mitigate earnings volatility and maintain profitability even when certain business segments face cyclical weakness.
- The company's disciplined financial management is expected to support credit metrics over the medium term. While profitability in its automotive battery business may face pressure amid slower EV market growth, Panasonic is likely to moderate capital expenditures in the segment, supporting a gradual improvement in leverage. In addition, its broad business portfolio positions the company to capitalize on long-term growth trends, including air-to-water heat pumps, automotive batteries, electronic materials, devices, and industrial batteries that benefit from rising generative AI demand.

Financials	2023	2024	2025
Return on Common Equity (ROCE) (%)	7.83	10.88	7.93
EBITDA Margin (%)	7.99	8.91	9.60
Interest Coverage Ratio (%)	33.75	34.42	29.80

Source: Bloomberg, October 8, 2026.

Overview			
Name	MATSEL 5.302 07/16/34	ISIN	USJ6355LAD31
Maturity Date	2034/7/16	Remaining Maturity	7.78
Coupon(%)	Fixed/5.302/Semi-annual	YTM/YTC(%)	5.78/5.80
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A3/-/A-	Seniority	Senior Unsecured



Appendix

Key Economic Data / Events

► Oct 2026

5

Monday

- U.S. Sep ISM Services PMI (Act:54.9 Est:55.0 Prev:55.4)
- U.S. Sep S&P Global Services PMI (Final) (Act:58.8 Est:58.7 Prev:56.5)
- Japan Sep S&P Global Services PMI (Final) (Act:51.3 Prev:52.5)
- Eurozone Sep S&P Global Services PMI (Final) (Act:53.0 Est:53.0 Prev:51.6)

6

Tuesday

- Eurozone Aug Retail Sales Advance MoM (Act:0.1% Est:0.2% Prev:-0.6%)

7

Wednesday

8

Thursday

- U.S. Weekly Initial Jobless Claims (Act:197k Est:200k Prev:199k)
- U.S. Sep FOMC Meeting Minutes

9

Friday

- U.S. U. of Mich. Sentiment (Prelim) (Est:47.6 Prev:48.1)

12

Monday

13

Tuesday

- U.S. Sep Existing Home Sales (Est:3.96m Prev:3.98m)
- Japan Sep PPI YoY (Est:7.6% Prev:7.6%)

14

Wednesday

- U.S. Sep CPI YoY (Est:3.6% Prev:3.4%)
- U.S. Sep Core CPI YoY (Est:2.5% Prev:2.4%)
- China Sep CPI YoY (Est:1.0% Prev:0.8%)
- China Sep PPI YoY (Est:4.5% Prev:3.8%)
- China Sep Exports YoY (Est:25.4% Prev:25.0%)

15

Thursday

- U.S. Weekly Initial Jobless Claims (Est:200k Prev:197k)
- U.S. Sep Retail Sales Advance MoM (Est:0.3% Prev:1.1%)
- U.S. Sep PPI YoY (Est:5.4% Prev:5.4%)
- Japan Aug Industrial Production MoM (Final) (Prev:-0.2%)

16

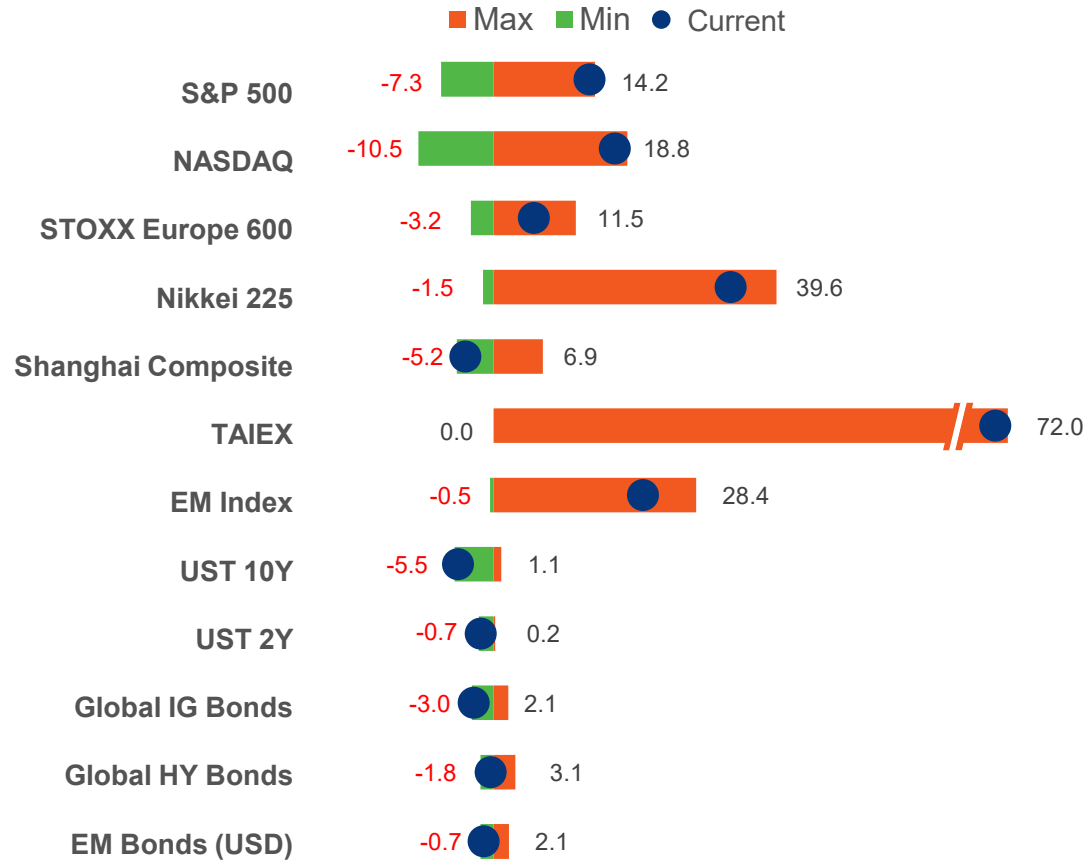
Friday

- U.S. Sep Industrial Production (Est:0.4% Prev:0.0%)
- Eurozone Sep CPI YoY (Final) (Est:3.8% Prev:3.2%)

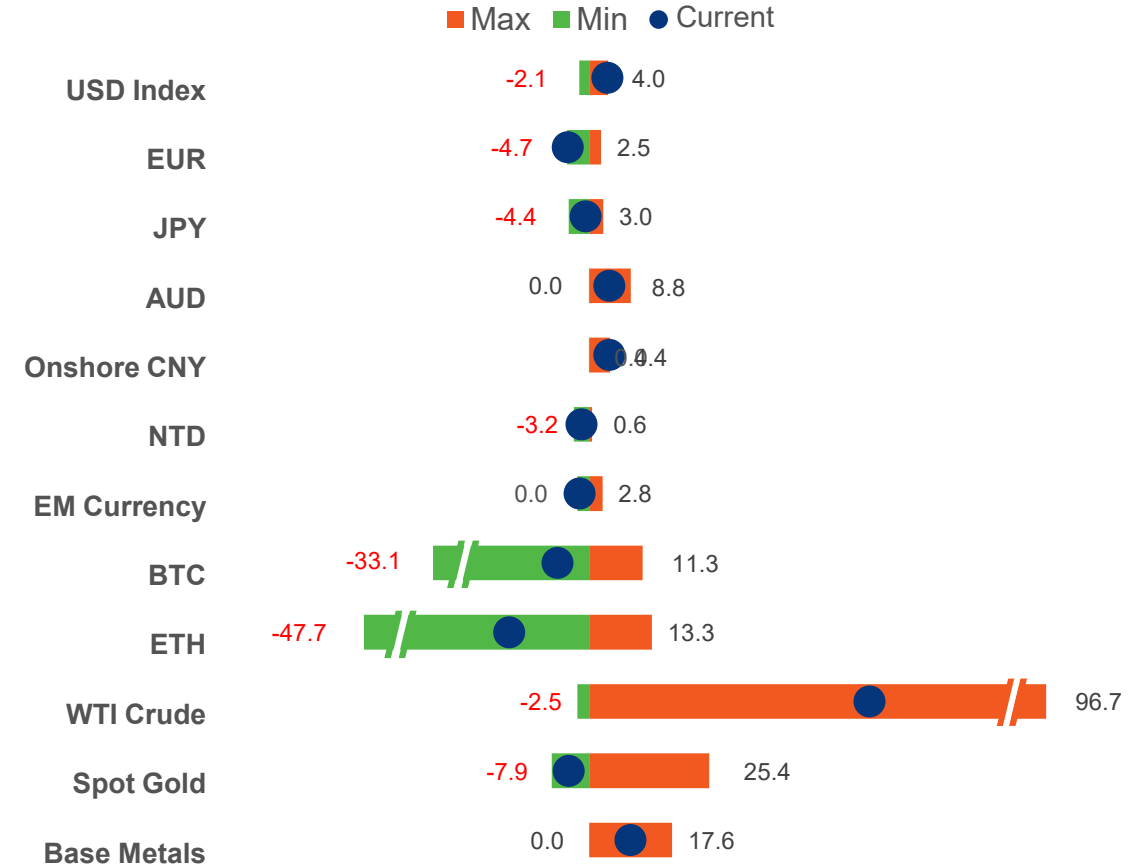
Source: Bloomberg

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)

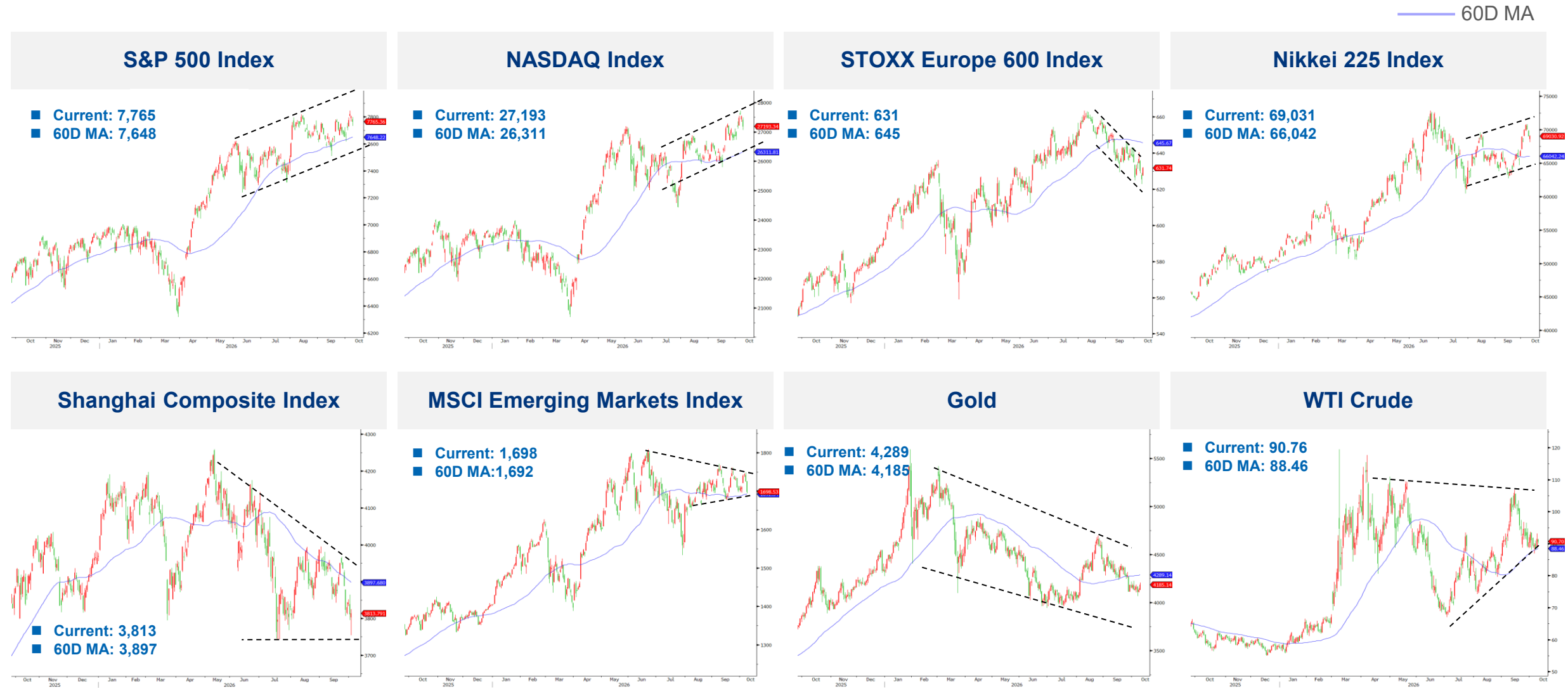


Currencies and Commodities Market YTD Performance (%)



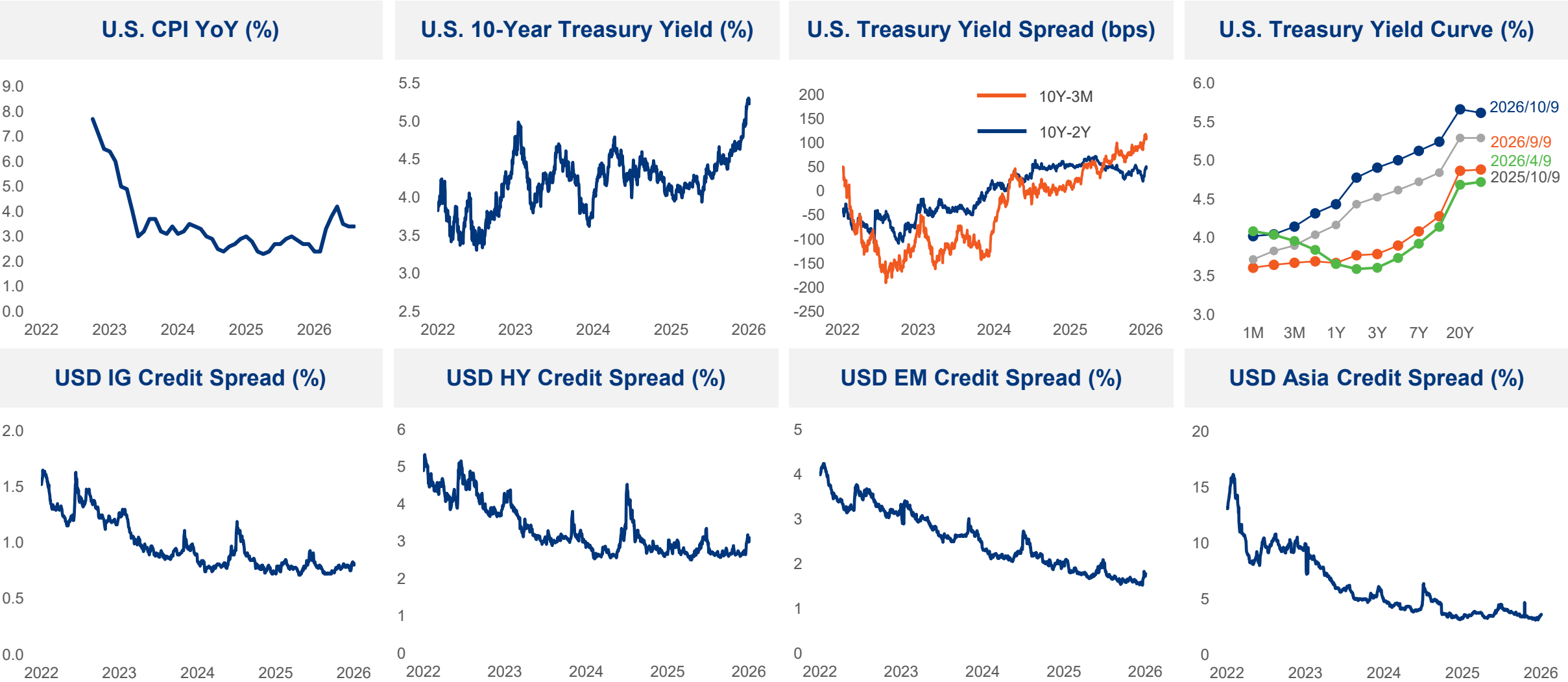
Source: Bloomberg, 9 Oct 2026

Technical Analysis



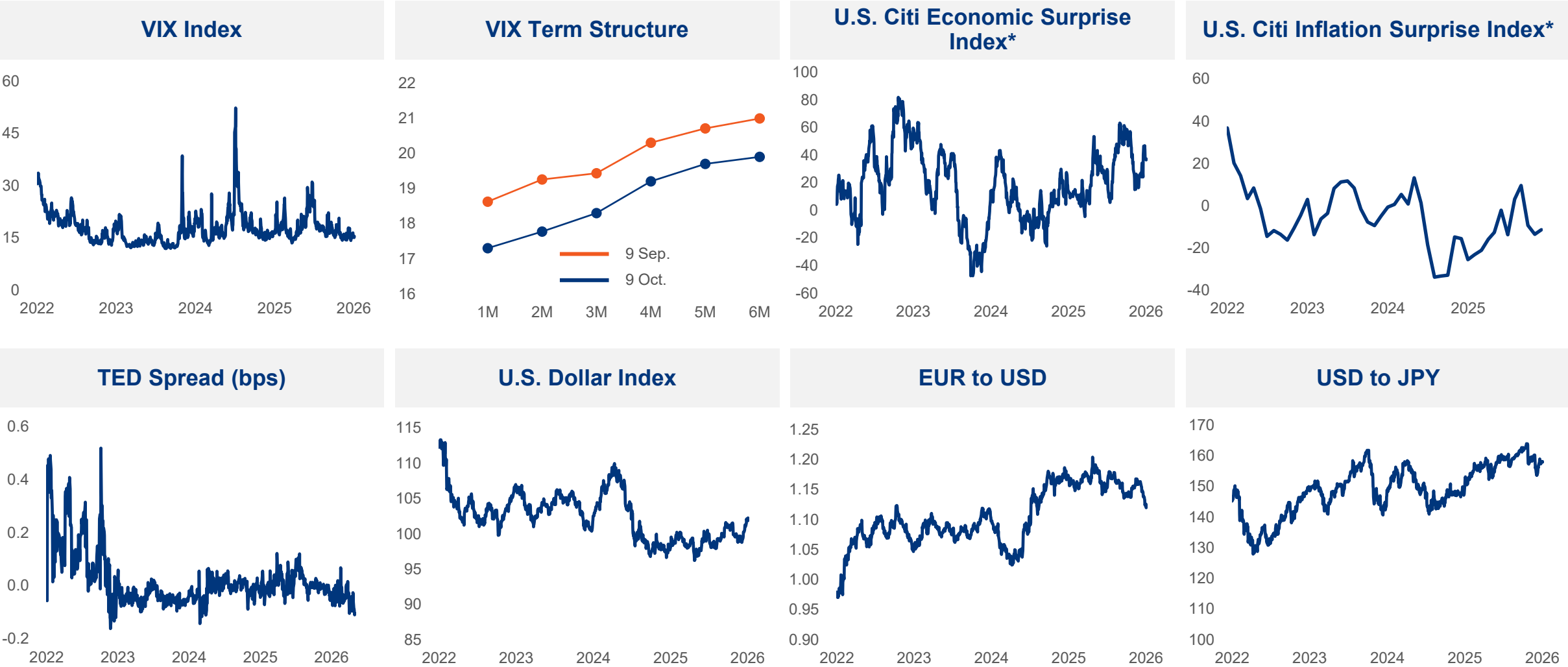
Source: Bloomberg, 9 Oct 2026

Market Monitor



Source: Bloomberg, 9 Oct 2026

Market Monitor



Source: Bloomberg, 9 Oct 2026

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