



# Post-Election Investment Ideas

Global Markets Weekly Kickstart

11 November 2024



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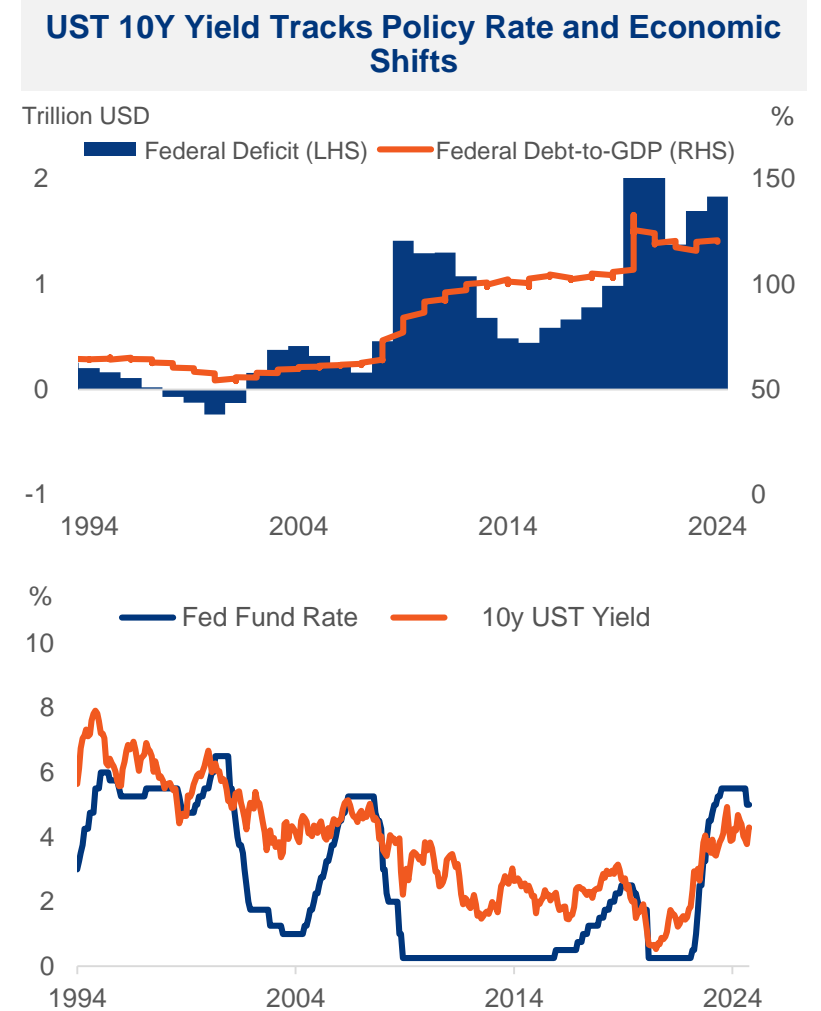
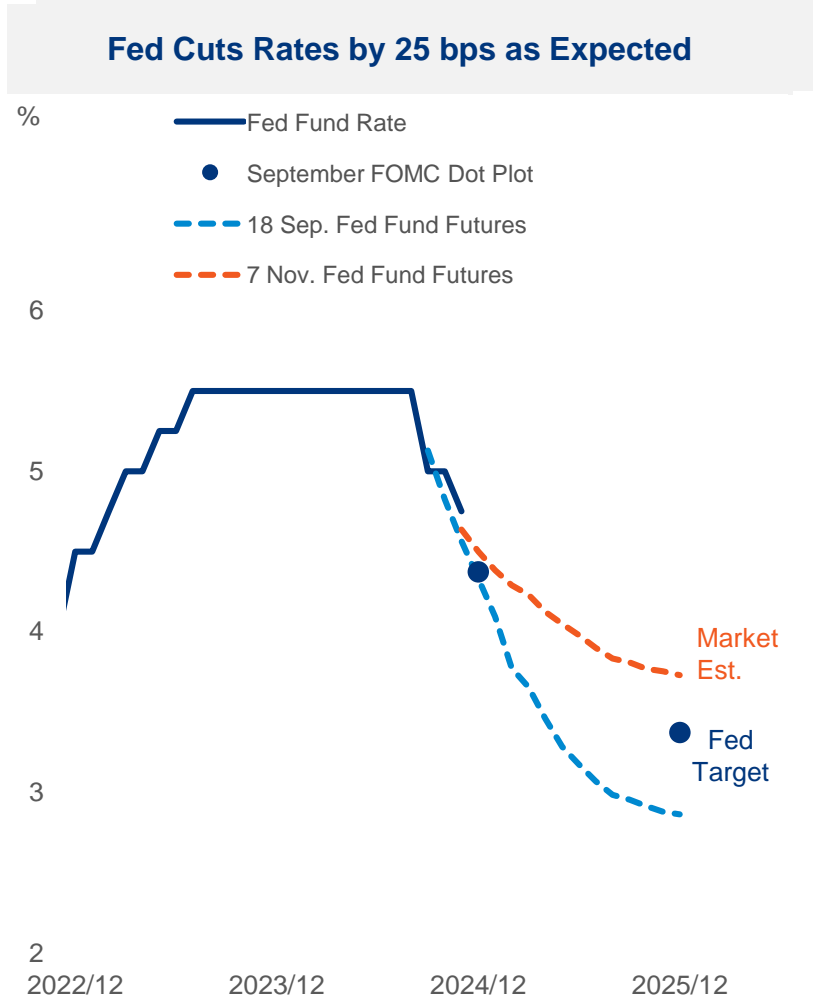
Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs



# Fed Cuts Rates by 25 bps, Market Now Expects Only Two Cuts Next Year

- ▶ The Fed delivered a 25 bps rate cut, lowering the target range to 4.5%-4.75%, aligning with market expectations. The statement revised "job slowdown" to "labor market easing earlier this year" and removed confidence in reaching the 2% inflation target. In the post-meeting press conference, Powell emphasized no preset path for future cuts, highlighting room for policy adjustments. He noted that the recent Republican victory might affect economic forecasts over time. Futures now indicate another potential 25 bps cut in Dec., with next year's rate cuts narrowing to two. We forecast a possible 2-3 rate cuts in 2025.
- ▶ Market expectations of rising fiscal deficits and inflation pushed the UST 10y yield near 4.5%. Historically, while U.S. deficits as a percentage of GDP have increased, the 10-year yield still tracks policy rate movements. If economic growth slows under high rates, the Fed is expected to gradually ease rates, leading to an initial rise followed by a decline in yields. Currently, U.S. IG bonds offer an average yield of 5.14%, making them relatively attractive. Consider locking in yields with bonds in the 5-15 year range, while longer-term bonds (10+ years) may see higher volatility. Future capital gains depend on the pace of rate cuts..

Source: Bloomberg

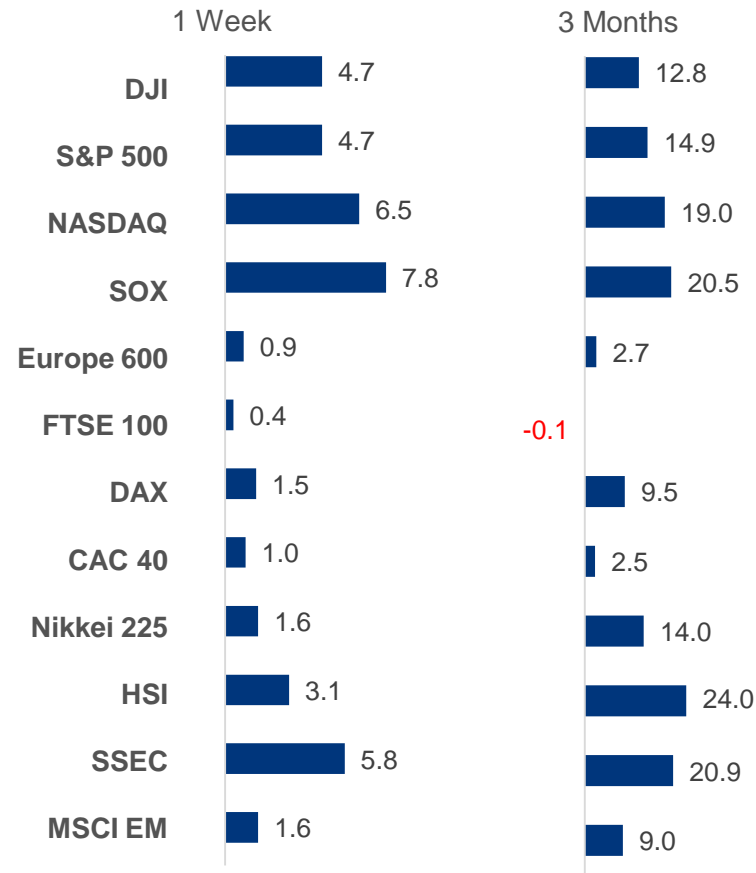


## Market Recap

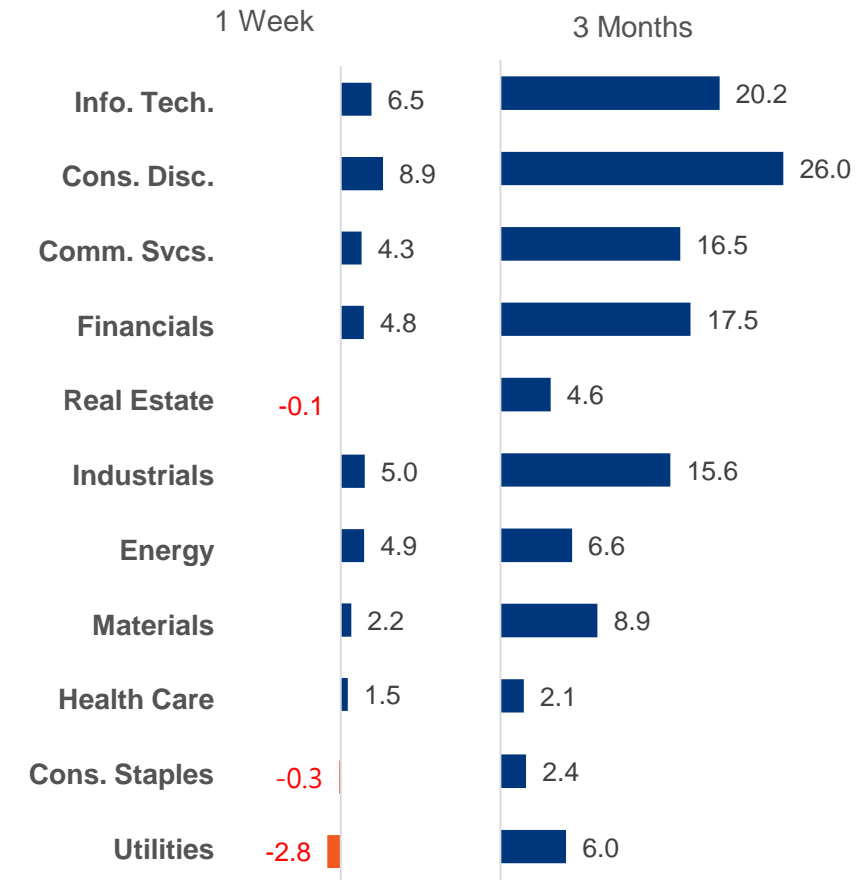
## U.S. Election Results: Red Wave Boosts Equities

- ▶ Donald Trump won the U.S. presidential election with 301 electoral votes, as voters believed he could better bring back manufacturing jobs and tackle inflation and prolonged overseas conflicts. The U.S. economy showed resilience with October's Services PMI rising to 56.0 from 54.9 in September, beating expectations of 53.8 and hitting its highest level since August 2022. The Fed also delivered a rate cut as expected, signaling a gradual easing cycle ahead. This drove the Philadelphia Semiconductor Index sharply higher, with the Nasdaq and S&P 500 reaching new all-time highs post-election. However, investors should watch for potential profit-taking at market peaks.
- ▶ Trump-themed stocks surged, with Tesla gaining over 20% for the week, lifting consumer discretionary stocks. Financial deregulation prospects supported bank stocks. Small-cap stocks rallied, benefiting from lower corporate taxes and eased regulations, pushing the Russell 2000 to a 3-year high. Nvidia hit a record high as strong AI chip demand fueled TSMC's revenue growth, supporting the outlook for tech stocks, which posted strong gains.

## Major Stock Indices Performance by Region (%)



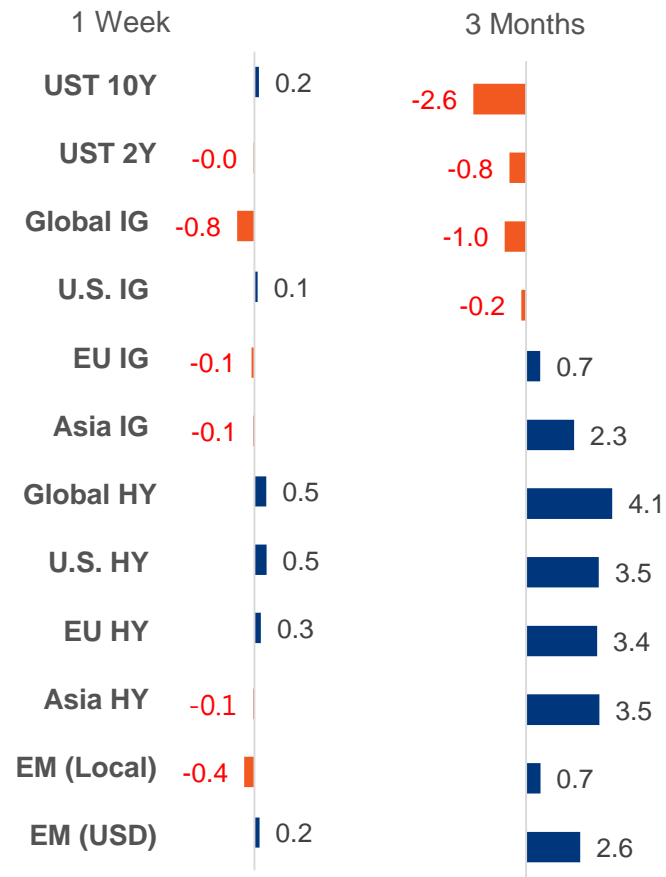
## US Stock Performance by Sector (%)



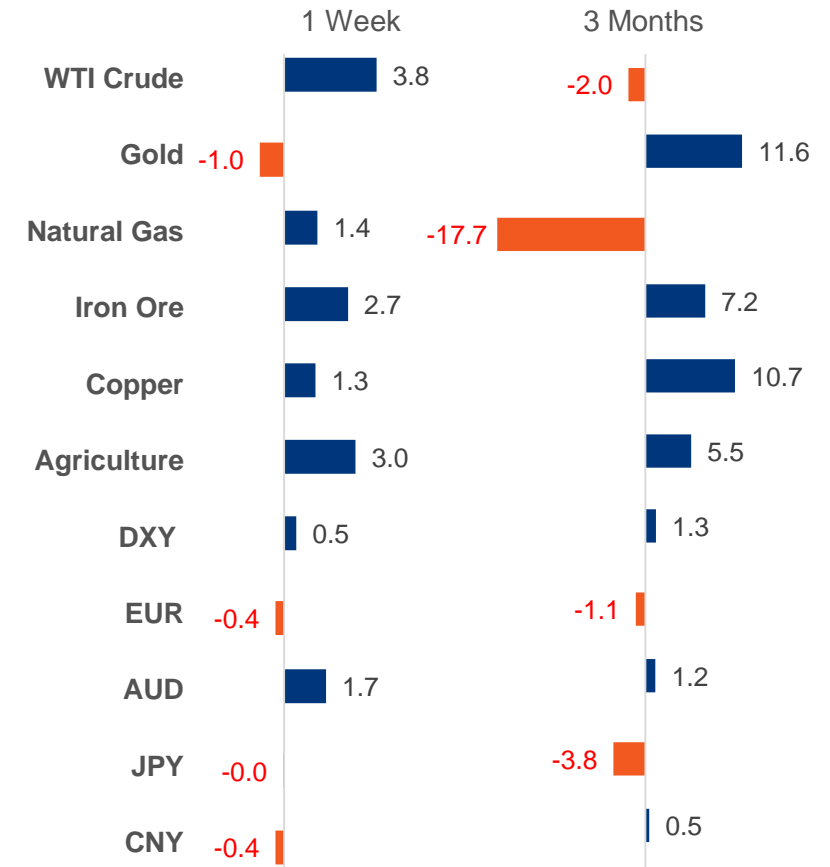
# U.S. Treasury Yields Rise Amid Volatility; Stronger Dollar Pressures Currencies, Gold Pulls Back

- ▶ Trump's "America First" stance and expected tax cuts have raised concerns over widening fiscal deficits, driving U.S. Treasury yields higher and weakening bonds. The Fed cut rates by 25 bps, with markets now refocusing on economic fundamentals. With potential for further rate cuts and slowing growth, consider buying into 5- to 15-year credit bonds and Treasuries on yield rebounds, favoring large-cap corporate bonds, especially financials benefiting from policy support.
- ▶ The Bank of England also cut rates, aiming to counter fiscal expansion and expected inflation. Markets anticipate no further cuts this year, leaving room for 100 bps of easing in 2025, giving some support to GBP. The U.S. dollar index rose alongside Treasury yields, while Trump's push for capital repatriation weakened non-U.S. currencies. Gold fell from recent highs. Meanwhile, Hurricane Rafael disrupted Gulf Coast refineries, and Trump's favorable stance on traditional energy lifted oil prices by 3.8% this week, with WTI closing at \$72 per barrel.

## Performance of Bonds (%)



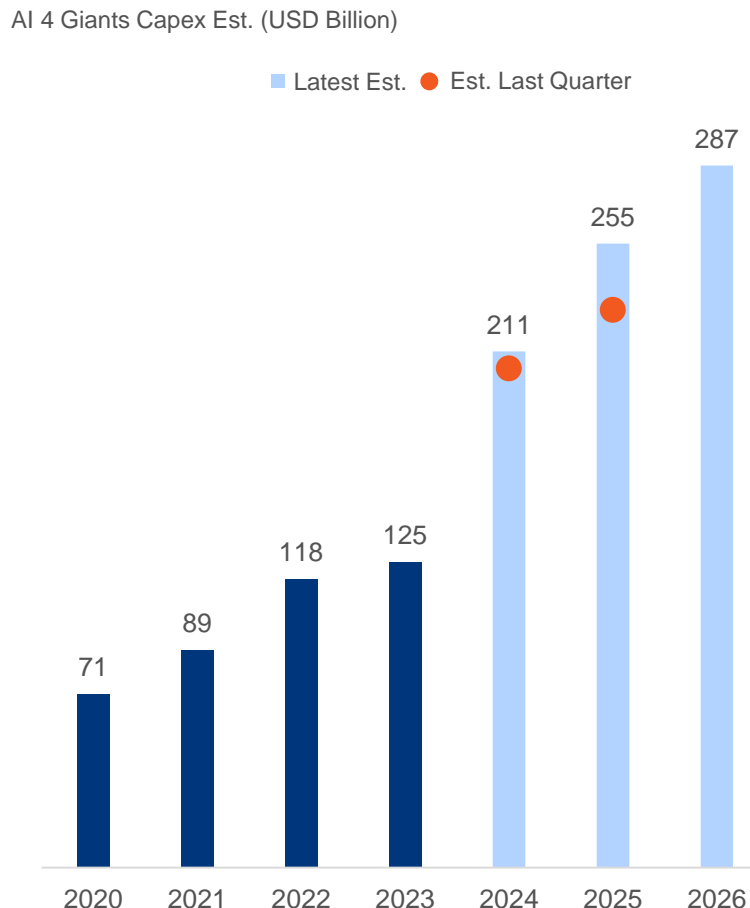
## Performance of Commodities and Currencies (%)



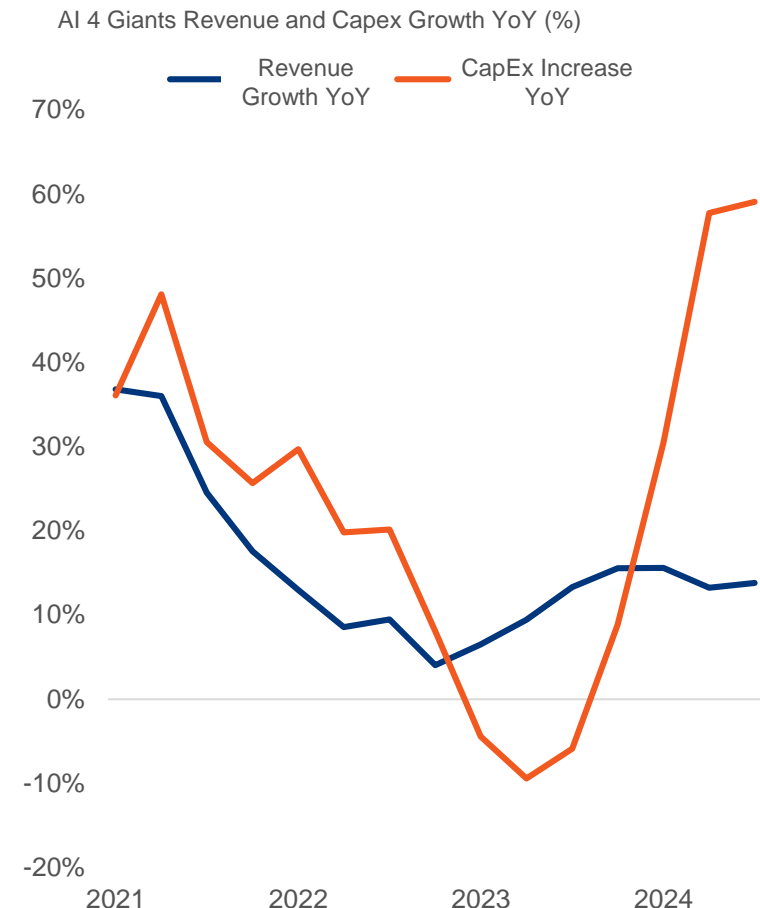
# AI Titans' Capex Surges, Long-Term Growth Trend Intact

- ▶ With major U.S. earnings reports rolling in, the market is keen to see if the AI wave can sustain momentum. According to Goldman Sachs, the capital expenditure of the top four AI players (Microsoft, Google, Amazon, and Meta) is projected to reach \$255.4 billion in 2025 and \$286.7 billion in 2026, reflecting YoY growth of 21.1% and 12.3%, respectively. The forecast for 2025 Capex has been revised up by nearly 12% from last quarter's estimate. The continuous expansion in Capex suggests robust demand for AI data centers and the tech giants' confidence in long-term AI growth.
- ▶ However, from the perspective of revenue and Capex growth, the short-term revenue growth of these AI leaders has not kept pace with the surge in Capex, contributing to recent stock price consolidation at elevated levels. Overall, the industry's mid- to long-term outlook remains optimistic, but with revenues lagging behind spending growth, volatility or pullbacks in related assets could persist in the near term. A phased investment approach is recommended for long-term exposure.

## AI Leaders' Capex Expected to Grow Rapidly Through 2025-2026



## Current Revenue Growth of AI Giants Lags Behind Capex Expansion



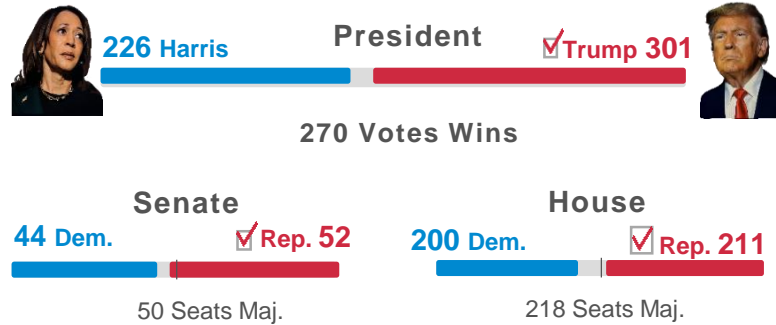
Source: Goldman Sachs, Bloomberg, 4 Nov. 2024

# Trump's Policy Focus: Tax Cuts, Tariffs, Immigration Restrictions

▶ The Democratic Party's struggles with inflation, economy, and foreign policy have enabled Trump's return to the White House, with Republicans now controlling the House. Full legislative power suggests most of Trump's policies will advance, including tax cuts, higher tariffs, and immigration restrictions. Immediate actions via executive orders may involve increased tariffs, deporting illegal immigrants, and easing corporate regulations. Legislative changes, such as cutting corporate taxes and repealing the Affordable Care Act, will need Congressional approval.

▶ Immigration limits may have the largest impact, tightening the labor market and possibly driving service inflation. Higher tariffs aim to bring back manufacturing, boost FDI, and reduce foreign supply chain dependence. The final tariff scope could be smaller if foreign firms invest in U.S. facilities. Sectors with high overseas revenue, like consumer discretionary, materials, and tech, may face pressure, while a revived trade war could benefit countries like Vietnam.

## Red Wave Returns as Trump and Republicans Gain Full Control

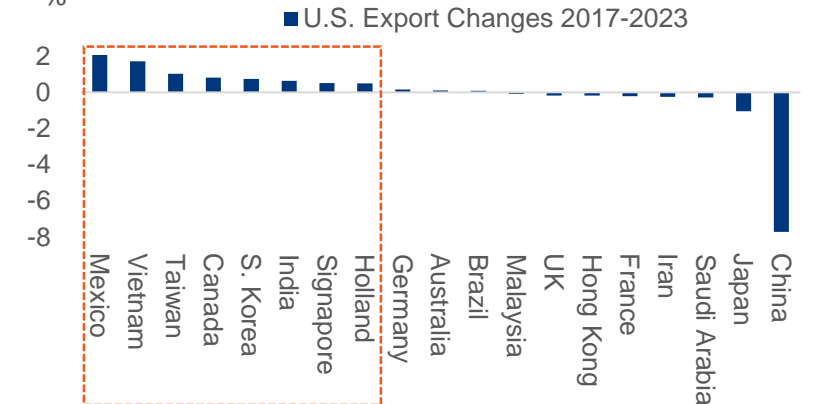
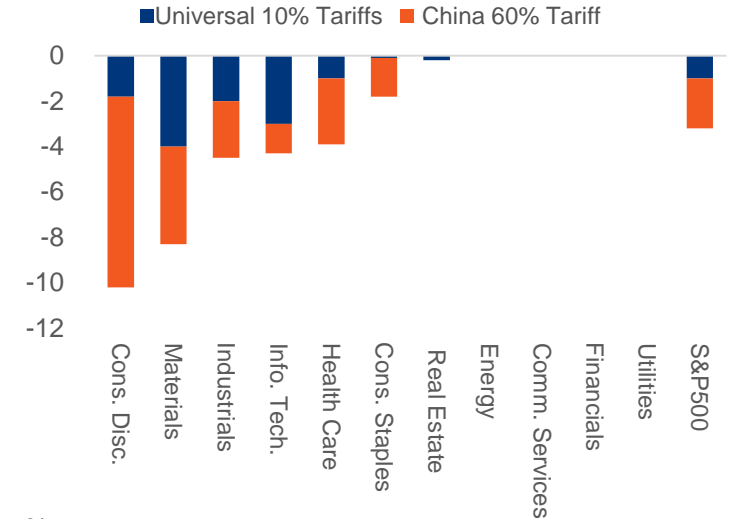


## Trump Policies

Tax Cuts	Personal	Extend Tax Cuts and Jobs Act (TCJA); Exempt certain tax items like tips, overtime pay, and allow car loan interest deductions
	Corporate	Reduce corporate tax rate to 21% Lower taxes to 15% for companies manufacturing in the U.S.
Tariff	Impose 10% to 20% tariffs on all imports Apply a 60% tariff on imports from China	
Immigration	Tighten immigration screening, reduce immigration quotas, and build a border wall to deport illegal immigrants	
Defense	Halt military aid to Ukraine	
Health-care	Revise or repeal the Affordable Care Act	

## Tariffs Expected to Boost Domestic Industries, Weigh on High Foreign Revenue Sectors

Estimated Impact on S&P500 Earnings After Tariffs (%)



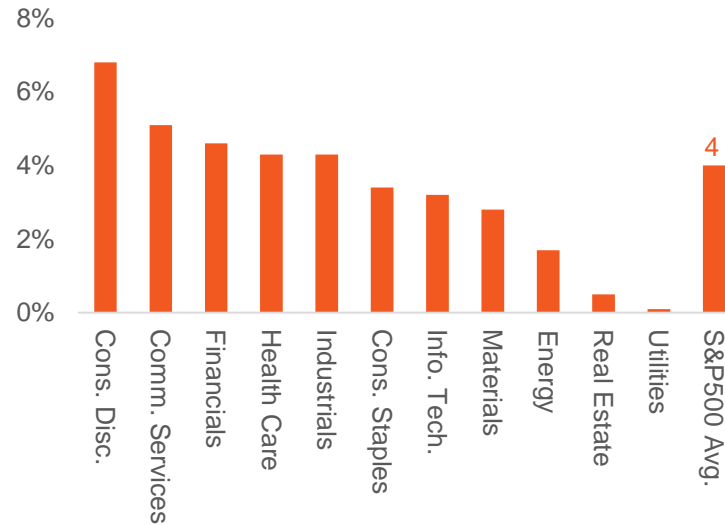
Source: Reuters, Bloomberg · BofA · Bureau of Economic Analysis

# Capital Inflows Boost U.S. Domestic Industries, Financials, and Defense Stocks

- ▶ If Trump reduces corporate tax rates from 21% to 15%, it could lift S&P 500 EPS by 5%. However, given the already low rates, the impact on overall earnings may be limited. Sectors most likely to benefit include consumer discretionary, communication services, and deregulated financials. Capital inflows and a focus on domestic demand would also favor small-cap stocks. On the downside, the fiscal deficit may worsen, increasing debt levels and risking a credit rating downgrade, which could push U.S. Treasury yields sharply higher. Short-term, the UST 10Y yield might reach 4.6% to 4.8%. Despite this, the Fed's current rate-cutting stance and expectations for a soft landing may see yields peaking before dropping back to 3.8%-4.2% next year. However, if debt issuance rises significantly, yields may trend toward 5%.
- ▶ Key Trump beneficiaries include domestic industrials, financials, traditional energy, and crypto sectors. Biotech firms could benefit from faster approval of generics following the repeal of the Affordable Care Act. Recent gains in these sectors reflect optimism over Trump's return. Investors should keep a close watch.

## Industries Benefiting from Tax Cuts and Trump-Related Stocks

Estimated Impact on S&P500 EPS After Corp. Tax Cut

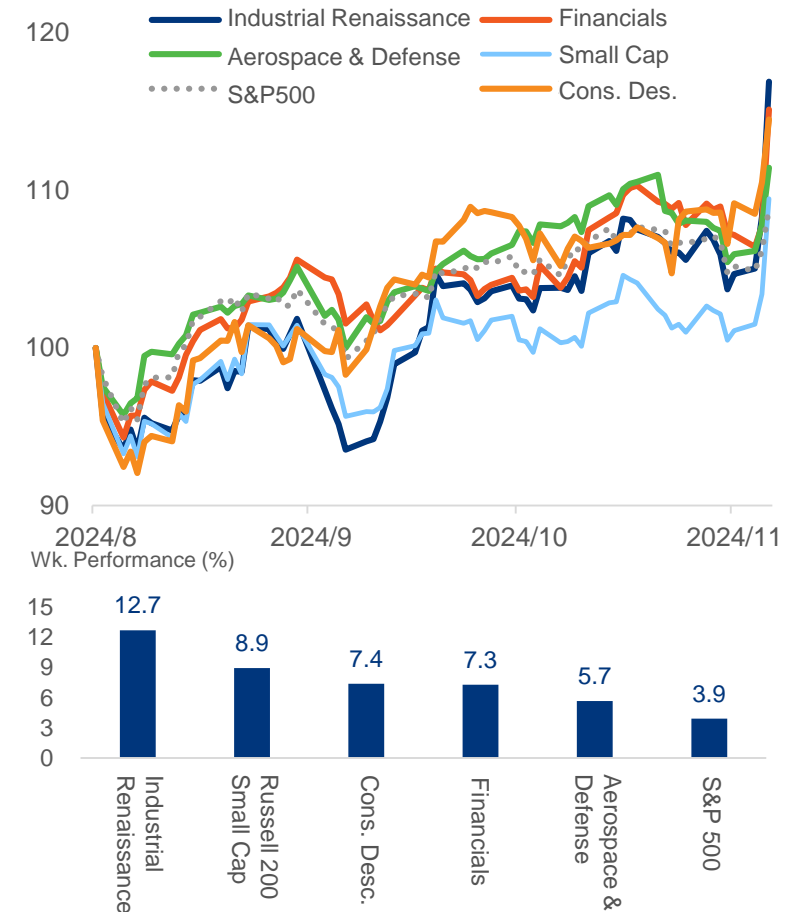


## Industries Impacted by Trump's Election

<b>Beneficiaries</b>	Defense, Biotech, U.S. Industrials, Cryptocurrency, Oil & Gas, Financials, Musk's Companies
<b>Losers</b>	Green Energy, Non-U.S. Semiconductors, Export Stocks

## Trump-themed Stocks Lead Recent Gains

1 Aug = 100



Source: Bloomberg, KGIS IA, 7 Nov. 2024



# Asset Strategy

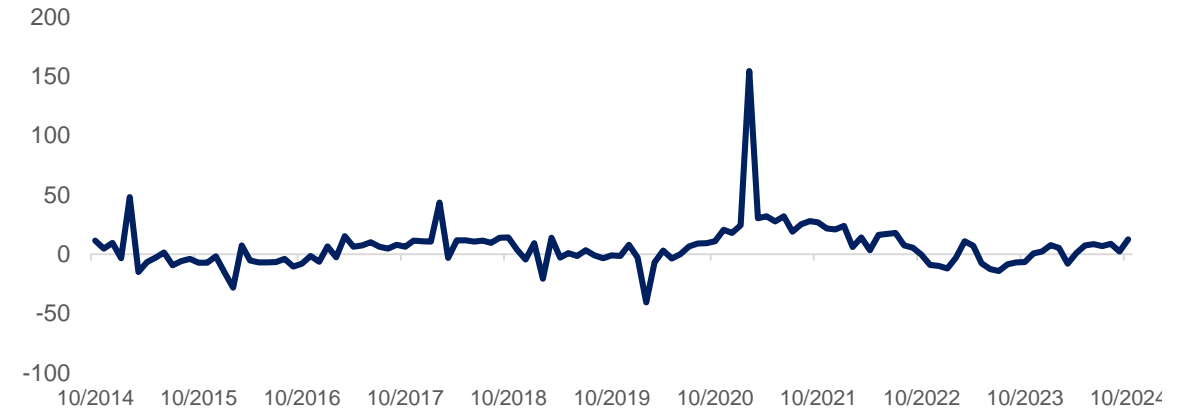
Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ Trump's tax cuts, deregulation, and energy support are set to boost consumer, financial, and energy sectors. AI's long-term outlook remains strong, sustaining the tech rally. With a U.S. soft landing, fiscal expansion, and easing policy, equities may gain momentum post-election.</li> <li>◆ Tariff hikes could hit China's exports, while Europe faces trade and NATO spending risks, keeping the outlook neutral. A strong dollar weakens the yen, favoring Japanese stocks.</li> </ul>	<p><b>Style:</b> Mid- and Large-Cap Stocks; Short-term Trump themes, Long-term AI and tech</p> <p><b>Regions:</b> U.S., Japan</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ Trump's full control of government may push U.S. Treasury yields higher short-term but risks increasing recessionary pressures later. Given the Fed's ongoing rate cuts and a likely economic soft landing, investors focused on yield may lock in profits as the 10-year Treasury yield nears 4.6%.</li> <li>◆ The GOP's pro-business stance boosts expectations for corporate tax cuts, with U.S. corporate bonds remaining more stable than non-U.S. peers. However, credit spreads have largely priced in a soft landing, and full implementation of Trump's policies could heighten recession risks. Avoid lower-rated bonds (below B) to reduce credit exposure.</li> </ul>	<p><b>Duration:</b> Focus on 5- to 15-year bonds for yield, as longer-term bonds (10+ years) carry more volatility, adjusted for risk tolerance.</p> <p><b>Types:</b> U.S. Treasuries, IG bonds favoring large corporations; for non-investment grade, focus on BB-rated. Sectors of interest include financials with potential policy tailwinds.</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ Trump and GOP Take Full Control, Inflation Expectations Push Treasury Yields Higher; Dollar Strength May Extend into Early 2025. Short-term, a stronger dollar is likely, supported by inflation expectations and rising Treasury yields. Mid-term, as the Fed continues rate cuts and the economy trends toward a soft landing, the dollar's strength may taper off and shift downward.</li> <li>◆ Tariffs could slow non-U.S. economies, prompting deeper rate cuts abroad and widening interest rate differentials, putting pressure on non-U.S. currencies in the near term.</li> </ul>	<p>Dollar Strength Supported</p> <p>Yen expected to weaken short-term but gradually trending upward</p>

# China's Policy Focus Shifts Toward Boosting Domestic Demand

- ▶ China's National People's Congress approved a resolution to address local government hidden debts, totaling RMB 12 trillion, as expected. This includes a new RMB 6 trillion local government debt limit over three years, RMB 800 billion from special local government bonds over five years for debt repayment, and RMB 2 trillion of hidden debts from shantytown renovations maturing after 2029. The plan is mixed: lower statutory debt rates should save RMB 600 billion in interest over five years, but all funds are allocated for debt restructuring rather than direct consumption stimulus. Market disappointment was evident as the RMB and Hang Seng Index futures fell after the press conference.
- ▶ In 2025, a potential fiscal policy boost could come from raising the fiscal deficit target from 3% to 4%, increasing the fiscal budget to RMB 5.3 trillion in 2025 from RMB 4.06 trillion in 2024.
- ▶ Trump's proposal to hike tariffs on Chinese goods may be a negotiation tactic, but remains a risk factor. The Hang Seng Index fell 468 points on Wednesday, reflecting investor concerns. During Trump's first term and the 2018 trade war, China's direct exports to the U.S. dropped from 19.2% to 15.09% as of October. If U.S. tariffs on most Chinese goods increase to 60%, effective rates would triple, potentially cutting China's U.S. export share to 8% in three years. In the first year of tariff hikes, China's U.S. export share could drop to 11%, with total exports expected to fall 25%, weighing on 2025's overall export performance. High exposure to U.S. exports adds uncertainty for companies, pressuring stock prices.

Source: Bloomberg

### China Exports Growth YoY (USD)



### CNY



# Alibaba Group Holding Ltd (9988)

**Closing Price** HK \$95.65

**Target Price** HK \$110

**Stop-Loss Price** HK \$86

## Profile

The group's business includes China Commerce, International Commerce, Local Consumer Services, Cainiao (Logistics), Cloud, Digital Media and Entertainment, and Innovation Initiatives.

## Highlights

### EBITDA to Decline YoY Amid Higher User Experience Investments

Quarter revenue is projected to rise 6.5% YoY to RMB 239.42 billion. Adjusted EBITDA is forecasted to drop by 4.77%, with margin at 19.5%. Taotian Group's revenue is expected to increase 1.33% YoY but fall 12.7% QoQ due to slower domestic retail sales. International Commerce is set to grow 27.3% YoY, Local Services by 11.8%, Cainiao by 16.3%, Cloud by 7.11%, and Digital Media by 6.4%. Adjusted EBITA for Taotian stands at RMB 45.91 billion, impacted by higher user experience costs. Losses in International Commerce narrowed to RMB -3.56 billion. Local Services saw a loss of RMB -0.89 billion. Cainiao reported EBITA of RMB 0.46 billion, and Cloud at RMB 2.21 billion.

### CMR Growth to Match GMV Growth

Management expects most non-core businesses to break even in 1-2 years. A new 0.6% service fee on Tmall and Taobao is expected to lift CMR growth. WeChat Pay integration on Taobao could attract new users, boosting transaction volumes, especially among younger demographics. New ad tools should increase paid traffic and enhance monetization. Cloud is projected to return to double-digit growth by 2H FY2025. Despite positive guidance, competition remains a key risk.

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Revenue Growth(%)</b>	18.9	1.8	8.3	7.1	8.3
<b>Gross Profit Margin(%)</b>	36.8	36.7	37.7	38.2	38.4
<b>EBITDA(%)</b>	20.6	20.1	21.3	19.3	19.6
<b>EPS</b>	6.59	6.82	7.78	7.78	8.72

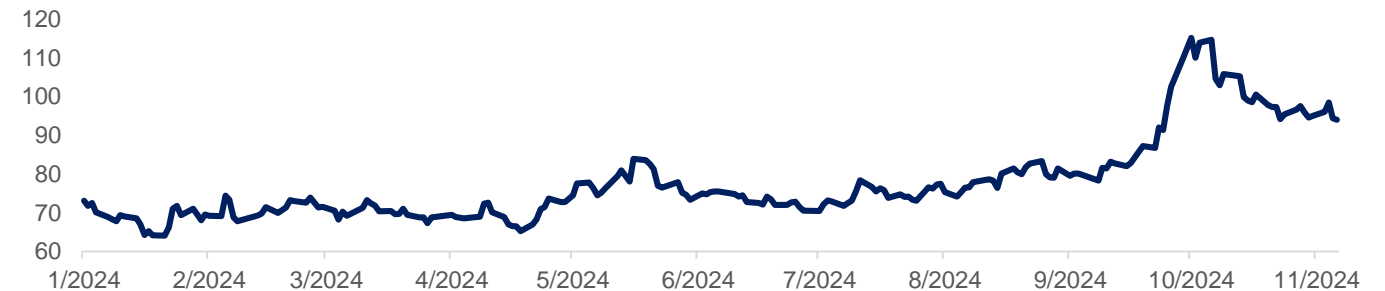
Source: Bloomberg; 2024/25F are market estimates

## Valuations

● 5Y Average ◆ Current

Price	59.32	◆	●	296.78
P/E	8.36	◆	●	56.39
P/B	1.19	◆	●	6.51

## YTD Performance



As of 7 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	-16.54	25.03	29.26	19.15	-38.04	-43.71

# JD.com Inc. (9618)

**Closing Price** HK \$153.6

**Target Price** HK \$175

**Stop-Loss Price** HK \$138

## Profile

JD.com is a leading supply chain-based technology and service company, offering products and services to consumers, third-party merchants, suppliers, and other business partners.

## Highlights

### ■ 3Q24 Boosted by Trade-In Policy

3Q24 adjusted EBITDA is projected to increase 5.6% YoY to RMB 13.62 billion. Revenue is expected to reach RMB 259.7 billion, up 4.8% YoY, accelerating from 1.2% in 2Q24. Growth is driven by stronger GMV and trade-in incentives from the government for autos and home appliances, including 15% purchase subsidies and an extra 5% for high-efficiency appliances. JD reported significant sales increases for fridges, washing machines, TVs, and air conditioners, with YoY growth of 128.8%, 86.3%, 130.6%, and 240.5%, respectively.

### ■ Intensified Competition

JD's Double 11 promotions include major discounts, billion-yuan subsidies, site-wide price cuts, and vouchers like "Spend RMB 300, Save RMB 50." While trade-in policies boost GMV and revenue, fierce industry competition remains a concern. Platforms must balance cost control with market share gains. Investors are watching 3Q results, management outlook, market share, cost efficiency, margin gains, and share buyback updates.

Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	27.6	9.9	3.7	4.7	5.9
<b>Gross Profit Margin(%)</b>	13.6	14.1	14.7	15.4	15.7
<b>EPS</b>	10.75	17.73	22.17	25.93	27.89
<b>EPS Growth(%)</b>	1.80	64.93	25.04	16.98	7.54

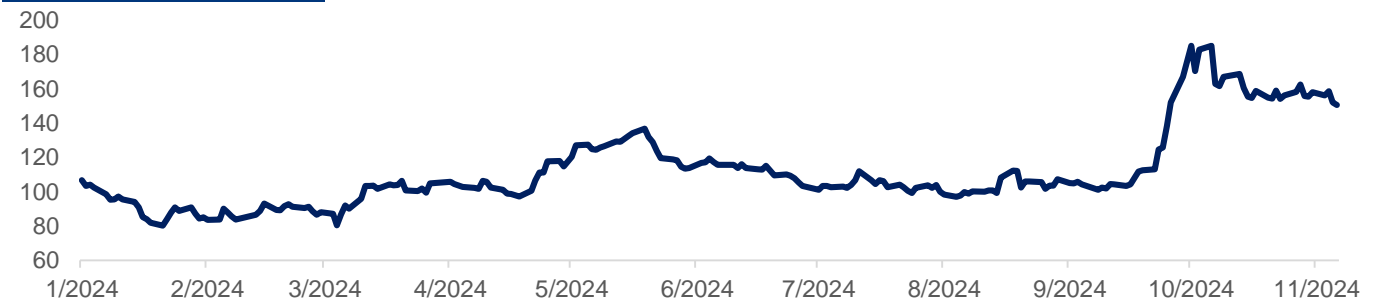
Source: Bloomberg; 2024/25F are market estimates

## Valuations

● 5Y Average ◆ Current

Price	80.24		390.27
P/E	6.58		570.09
P/B	1.01		7.12

## YTD Performance



As of 7 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	-17.02	53.98	40.38	50.98	-47.05	-

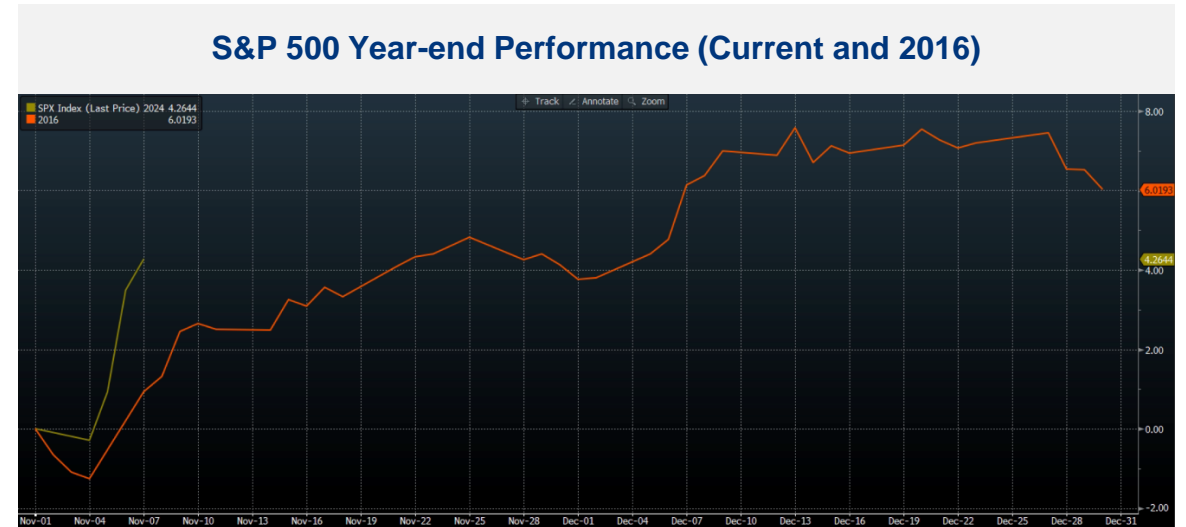




## Embracing Trump 2.0

- ▶ Trump has won the 2024 U.S. presidential election, with the Republican Party gaining a majority in the Senate and maintaining a lead in the House. The Supreme Court's conservative majority stands at 6-3, suggesting the GOP will face few obstacles in implementing policy over the next two years. This result signals potential major shifts in global economic, political, and military dynamics, with expectations for renewed trade tensions, secondary inflation risks, and regional military conflicts to ease.
- ▶ October's nonfarm payrolls added just 12,000 jobs, significantly lower than September's revised figure of 223,000 and the expected 100,000. This marks the smallest job growth since December 2020, when Boeing's strike led to job losses. Additionally, some sectors may have been affected by recent hurricanes, though the Bureau of Labor Statistics could not quantify the impact. The monthly average job increase over the past year was 194,000, well above October's figure. The U.S. unemployment rate held steady at 4.1%, matching last month's three-month low and meeting market expectations.
- ▶ The Fed announced a 25-bps rate cut, lowering the federal funds rate target range from 4.75%-5% to 4.50%-4.75%. The decision was unanimously approved by the FOMC. The statement's language remained largely unchanged, emphasizing vigilance on dual risks, but removed prior references to increased confidence in inflation moving toward target. No explicit signals on future rate cuts were provided, and the statement remained neutral with no comments on the election results..
- ▶ October's ISM Services PMI unexpectedly rose to 56, the highest since August 2022, surpassing both the previous month's 54.9 and the market forecast of 53.8.
- ▶ Historically, U.S. equities perform well in the year-end period. Investors are advised to consider buying on dips.

Source: Bloomberg



# L3Harris Technologies, Inc. (LHX)

**Closing Price** US \$260

**Target Price** US \$290

**Stop-Loss Price** US \$245

## Profile

A global leader in aerospace and defense, specializing in communication and defense solutions across air, land, sea, space, and cyber domains. The company focuses on designing and manufacturing radio systems.

## Highlights

### ■ Trump's Presidency Expected to Benefit

With Trump advocating increased defense spending to enhance U.S. military capabilities, defense firms are poised for revenue growth. Trump's stance includes reassessing U.S. involvement in overseas military actions and pushing NATO allies to raise their defense budgets, boosting demand for military contractors.

### ■ Rising Demand for Missile Systems

Frequent international conflicts over the past two years have led countries in Europe, Northeast Asia, and Southeast Asia to enhance missile defense capabilities, spurring demand for rocket engines. Acquiring Aerojet Rocketdyne has driven significant improvements in production facilities and processes, addressing prior investment and delivery delays. With the U.S. and other nations committed to building tactical missile stockpiles, L3Harris is well-positioned to capitalize on this demand.

### ■ Record-Breaking Orders in Q3 FY24

The company secured a record \$7.2 billion in orders Q3, with a total backlog of \$34 billion and a book-to-bill ratio of 1.4x.. Revenue rose 7.7% YoY to \$5.3 billion, exceeding expectations by \$20 million. Non-GAAP EPS was \$3.34, beating estimates by \$0.08. The company raised its FY24 guidance, now forecasting revenue between \$21.1 billion and \$21.3 billion, EPS of \$2.95 to \$3.15, and maintaining free cash flow at \$2.2 billion.

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Revenue Growth(%)</b>	-2.1	-4.2	13.8	9.7	3.5
<b>EBITDA (%)</b>	19.3	21.0	17.1	18.6	19.3
<b>EPS</b>	10.12	11.45	8.81	13.09	14.32
<b>Net Profit Margin(%)</b>	11.5	13.0	8.6	11.7	12.3

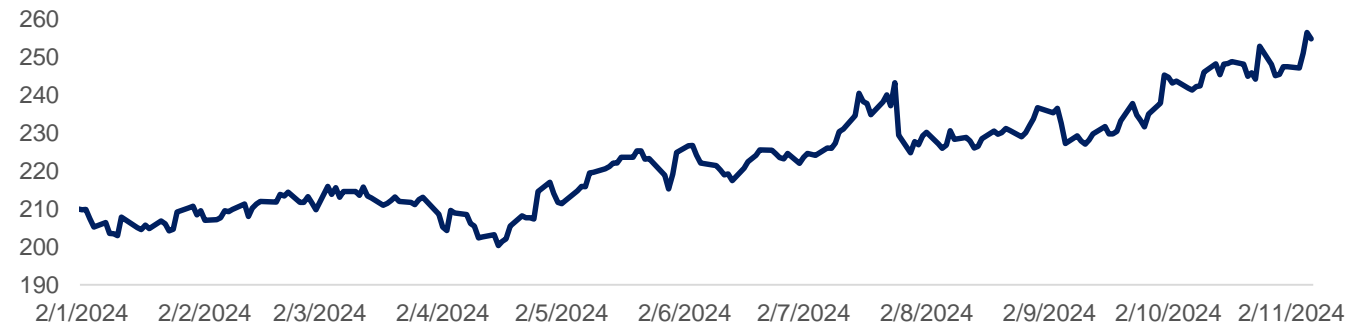
Source: Bloomberg; 2024/25F are market estimates

## Valuations

● 5Y Average ◆ Current

Price	130.1	●	◆	270.7
P/E	17.0	◆	●	31.0
P/B	1.5	◆	●	7.6

## 1-Year Performance



As of 8 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	7.5	14.1	23.7	43.1	7.5	8.0

# Palantir Technologies (PLTR)

**Closing Price** US \$58.39

**Target Price** US \$65

**Stop-Loss Price** US \$48

## Profile

Develops software for data analytics. The company provides solutions that support various types of data, including structured, unstructured, relational, temporal, and geospatial data.

## Highlights

### ■ AI Growth Outlook Solid

Palantir's largest public sector client is the U.S. Department of Defense, providing AI training for the Army and Navy. Due to the sensitive nature of the data, this segment enjoys a strong moat, ensuring stable revenue growth. The commercial client base is expanding, leveraging Palantir's AI platform for business analytics. Once onboarded, recurring revenue tends to increase steadily, signaling early-stage growth momentum.

### ■ Meeting Rule of 40 in Recent Quarters

Palantir has exceeded the Rule of 40, where combined revenue growth and profit margin over 40% indicate strong performance, reflecting robust fundamentals.

### ■ 3Q24 Financial Performance

Revenue rose 30% YoY to \$726 million, beating expectations by \$21.83 million. GAAP EPS was \$0.10, above forecasts by \$0.01. FY2024 revenue guidance is \$767-\$771 million, slightly below the \$774 million estimate. U.S. commercial revenue outlook raised to at least \$687 million, with growth of 50%+. Adjusted operating income forecast increased to \$1.054-\$1.058 billion, and free cash flow to over \$1 billion. Positive GAAP operating income and net income are expected each quarter this year.

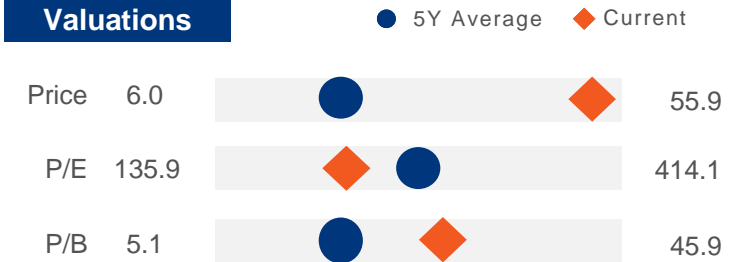
Source: Bloomberg

## Financials

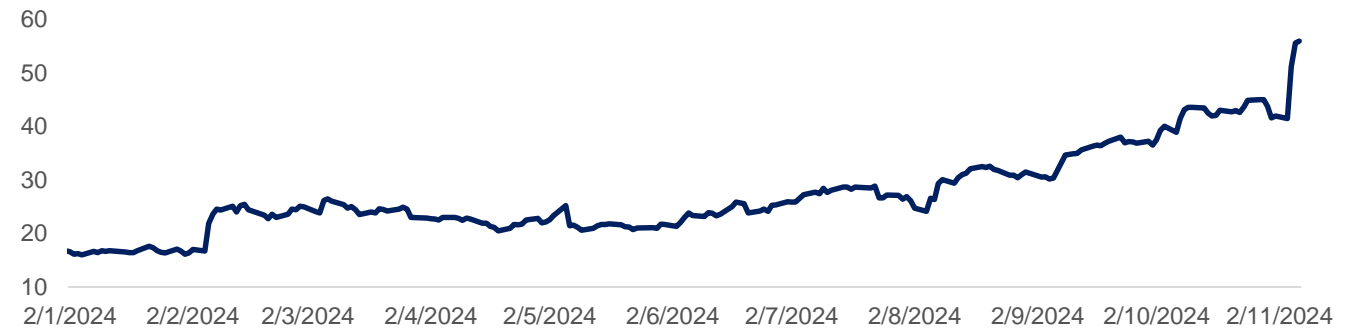
	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	41.1	23.6	16.7	25.8	23.5
<b>EBITDA(%)</b>	-23.7	-7.4	8.8	38.8	39.8
<b>EPS</b>	-0.27	-0.10	0.09	0.38	0.46
<b>Net Profit Margin(%)</b>	-33.7	-10.5	9.9	33.4	34.3

Source: Bloomberg; 2024/25F are market estimates

## Valuations



## 1-Year Performance



As of 8 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	34.2	94.6	240.1	196.8	29.7	NA



# Trump Wins U.S. Presidency; Focus on Earnings-Driven Sectors As Rally Poised

## ▶ Trump Trade Resurges with Election Outcome

Republican candidate Donald Trump secures a second term in the White House, sparking a surge in Trump-themed stocks. Bitcoin hit new highs, boosting shares of related graphics card makers. Additionally, strong support from Tesla CEO Elon Musk for Trump’s campaign fueled gains in Tesla-linked stocks. Trump’s stance on increasing Taiwan’s defense budget has also driven up select defense stocks.

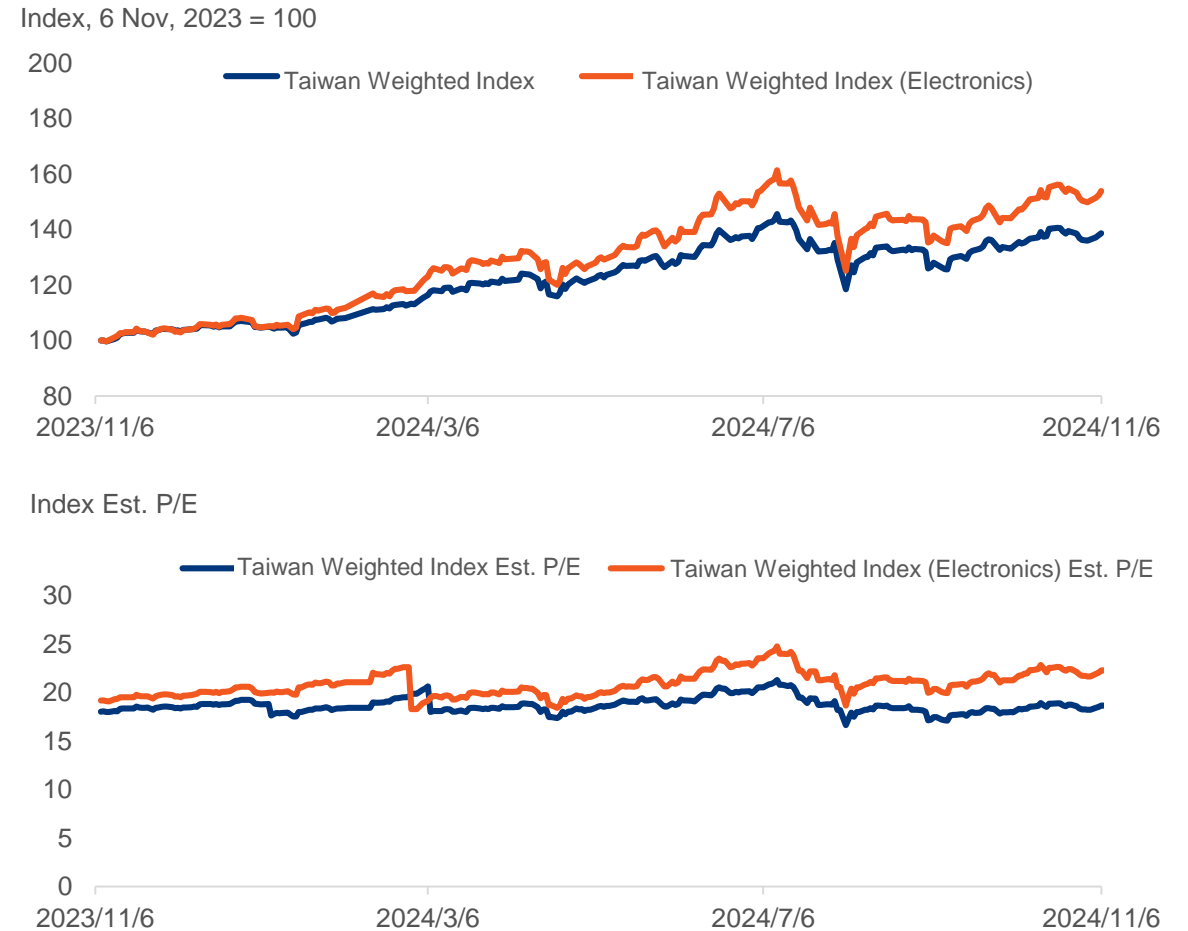
## ▶ Reduced Election Uncertainty Shifts Focus to Earnings Plays

With the U.S. election results now clear, near-term political uncertainty has eased. Historical trends since 1991 suggest a strong seasonal pattern for Taiwan stocks in November (61% chance of gain) and December (79%), supporting expectations for a year-end rally. The TAIEX index remains above all major moving averages, with the 5-day MA trending upward, signaling momentum. The index may test resistance at 23,713 and potentially the 24,000 mark.

As earnings reports roll in for October and 3Q results, investors can focus on stocks with strong revenue or positive earnings catalysts, particularly those breaking above previous highs or short-term resistance levels. Key themes include tool machines, sportswear, and major tech names. The performance of AI server stocks and heavyweights like semiconductors and optical communications will be pivotal.

Source: Bloomberg

Taiwan’s Weighted Index and Electronics Index & Forward P/E





# Fositek (6805 TT)

## Profile

Designs, manufactures, and distributes consumer electronics components. The company produces rotating shafts, cantilever brackets, and other components for computers, optical devices, electrical appliances, communication equipment, and medical devices, with sales spanning Asia, the U.S., and other regions.

## Highlights

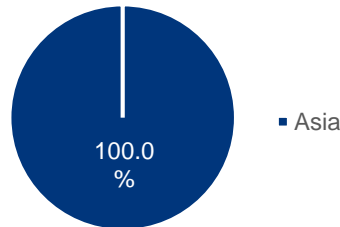
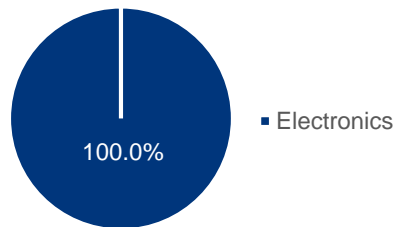
### ■ Triple-Fold Smartphone Bearings to Drive Revenue

3Q24 EPS increased 30% QoQ and 49% YoY to TWD 4.87, exceeding market expectations, mainly due to lower tax rates. According to supply chain insights, Huawei has increased orders for triple-fold smartphone bearings, expected to boost Fositek's 4Q24 revenue and maintain order momentum.

### ■ Server Business to Boost 2025 Revenue Growth

Server components are projected to be the main growth driver for 2025, including quick-connect modules and sliding rails. Supply chain data indicates that Fositek is a qualified quick-connect supplier for NVIDIA. We forecast that in-house production of quick-connect modules may start contributing to revenue in 2025. For sliding rails, mass production of 2U AI server rails is expected to begin between 4Q24 and 1Q25, with multiple AI server projects currently in validation, further driving revenue growth.

## Revenue Sources and Regions



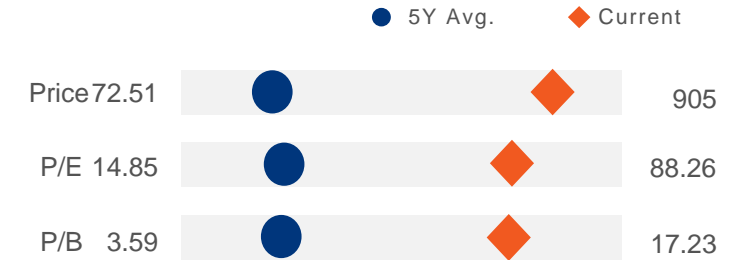
Source: Bloomberg

## Financials

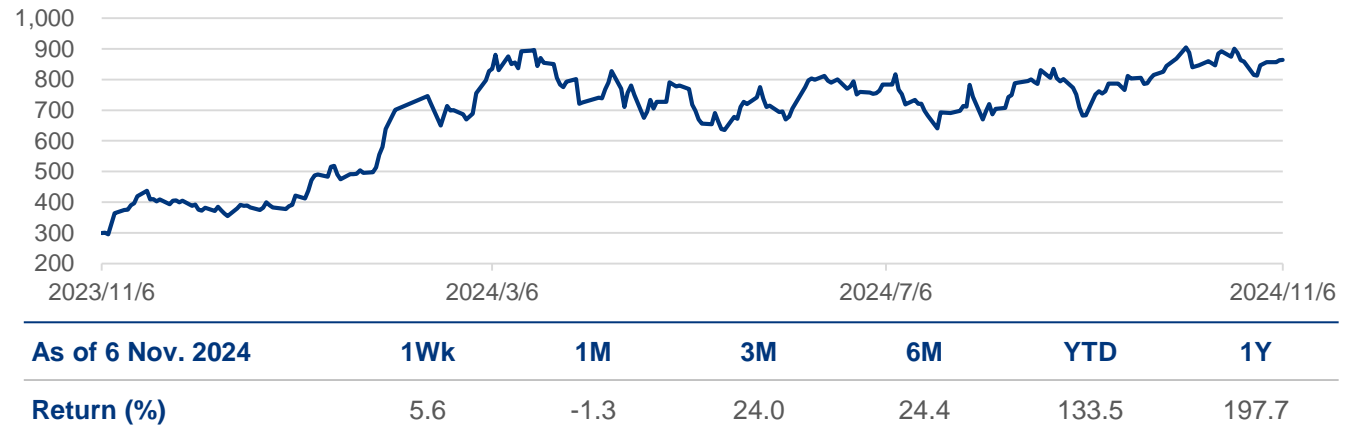
	2021	2022	2023	2024F	2025F
<b>EPS (NTD)</b>	9.29	9.33	10.18	18.71	37.77
<b>EPS Growth (%)</b>	48.5	0.5	9.1	83.7	101.9
<b>P/E Ratio</b>	92.9	92.5	84.7	46.1	22.8
<b>ROE (%)</b>	36.1	25.3	18.0	26.2	44.8

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



# AES-KY (6781 TT)

## Profile

Designs, manufactures, and distributes battery products, including lithium battery modules, serving government, academia, healthcare, telecom, and various industries.

## Highlights

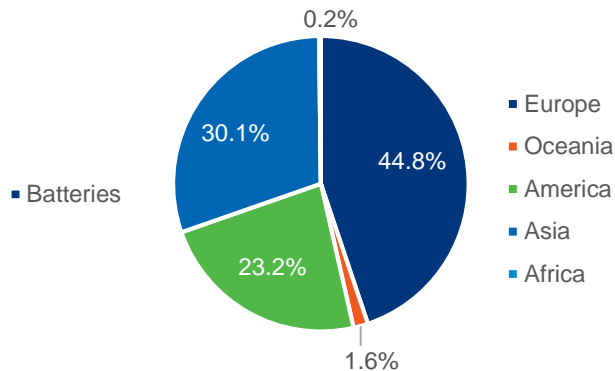
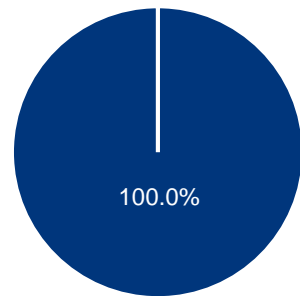
### 3Q24 Results Beat, 4Q24 Outlook Upgraded

Driven by higher-than-expected revenue from backup battery units (BBU) for cloud servers and improved light electric vehicle (LEV) sales. BBU revenue share rose to 60%, with a 10-15% QoQ increase. LEV sales saw a single-digit rise. Strong BBU growth and stable LEV performance prompted a 20% QoQ revenue forecast upgrade for 4Q24..

### 2025 Revenue Growth Outlook

New BBU clients, 5G orders, and AI server demand for advanced BBU will boost 2025 sales. Recovery in e-bike demand across Europe and the U.S. will further support LEV revenue growth in 2025.

## Revenue Sources and Regions



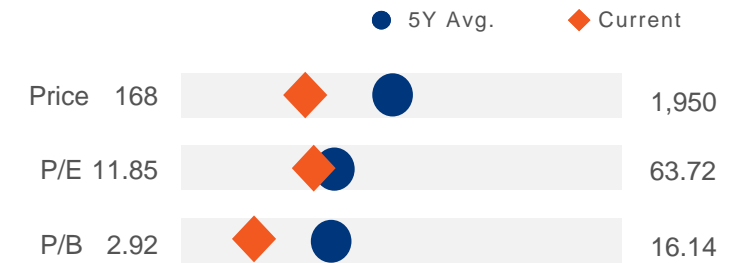
Source: Bloomberg

## Financials

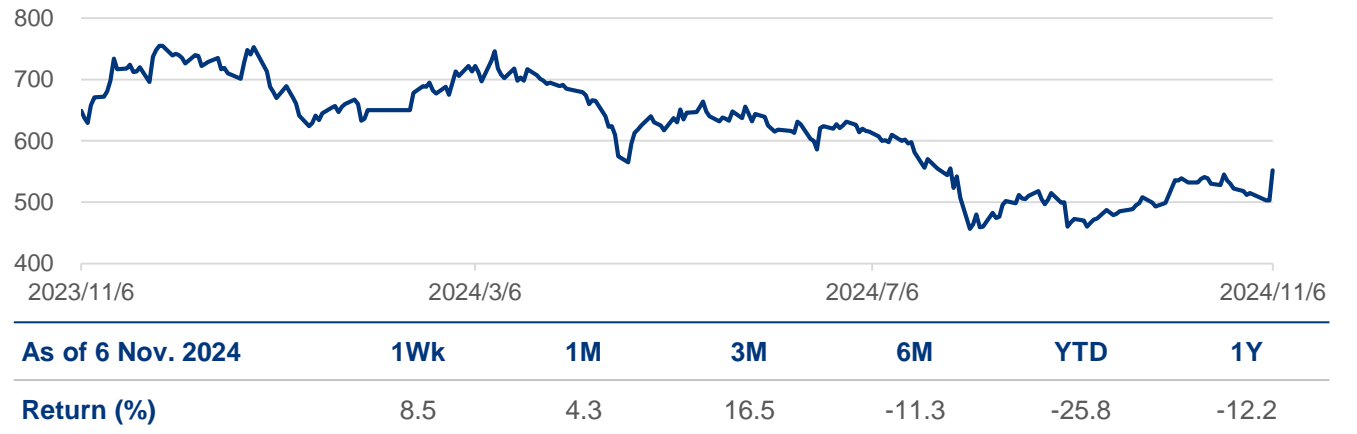
	2021	2022	2023	2024F	2025F
EPS (NTD)	30.18	37.67	23.04	23.67	28.27
EPS Growth (%)	113.0	24.8	-38.8	2.7	19.4
P/E Ratio	16.7	13.4	21.8	21.2	17.8
ROE (%)	34.9	27.9	15.4	15.1	16.6

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



# Trump Returns: Domestic, Financial, and Defense Themes Emerge

Trump's strong comeback highlights opportunities in domestic, financial, and defense sectors, with investors advised to consider related ETFs for sector exposure.

## ► First Trust RBA American Industrial Renaissance ETF (AIRR)

- Tracks the Richard Bernstein Advisors American Industrial Renaissance Index
- Focuses on U.S. industrial companies and regional banks
- Morningstar 5-star rated ETF

## ► iShares U.S. Financials ETF (IYF)

- Tracks the Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index
- Invests in U.S.-based financial firms, including banks, insurance, and credit card companies
- Potential benefits from policy deregulation

## ► Invesco Aerospace & Defense ETF (PPA)

- Tracks the SPADE Defense Index
- Invests in companies involved in U.S. defense and aerospace development, manufacturing, and operations
- Focus on aerospace and defense sector with concentrated holdings

Product	First Trust RBA American Industrial Renaissance ETF (AIRR)	iShares U.S. Financials ETF (IYF)	Invesco Aerospace & Defense ETF (PPA)
Features	U.S. industrial companies and regional banks	Focus on U.S. Financial Sector	Focus on aerospace and defense sector with concentrated holdings
AUM	USD 1.95B	USD 3.24B	USD 4.47B
Tracking Index	Richard Bernstein Advisors American Industrial Renaissance Index	Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index	SPADE Defense Index
Holdings	55	137	56
Expense Ratio	0.7%	0.39%	0.57%
3M/YTD Returns	15.89% / 34.69%	12.95% / 26.75%	11.50% / 26.72%
Top-5 Sectors (%)	Engineering 24.23 Metal Hardware 10.82 Banking 9.88 Building Materials 8.42 Machinery 7.84	Financial Services 47.45 Bank 30.13 Insurance 21.59 Business Services 0.46 Cash or Equivalent 0.38	Aerospace/ Defense 62.22 Other Manufacturing 9.97 Electronics 8.30 PC 7.65 Equipment 2.99
Top-5 Holdings (%)	Mueller Industries 3.54 Applied Industrial Tech. 3.21 Granite Construction 3.17 Atkore 3.07 EMCOR Group 3.06	Berkshire Hathaway Inc 11.94 JPMorgan Chase & Co. 9.56 Bank of America Corp. 4.53 Wells Fargo & Co. 4.05 Goldman Sachs Group 3.00	RTX Corp 7.14 Lockheed Martin Corp 6.69 General Electric Co. 6.69 Boeing Co 6.53 Northrop Grumman Corp 5.51

Source: Bloomberg

# First Trust RBA American Industrial Renaissance ETF (AIRR.US)

## Profile

Tracks the Richard Bernstein Advisors American Industrial Renaissance Index, aiming to replicate the performance of its constituent stocks.

### Momentum-Based Investment Strategy

The ETF selects top-performing small-cap stocks, leveraging momentum as the core investment strategy to target higher returns.

### Focus on U.S. Market

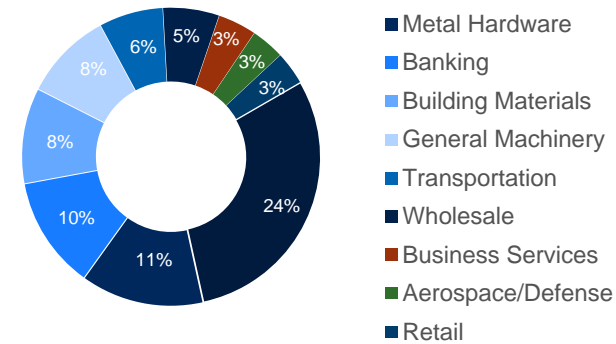
Amid the "Reshoring to America" trend, many companies are bringing manufacturing back to the U.S. for better product quality, shorter lead times, lower inventory, advanced technology, business-friendly policies, and greater adaptability to customer needs.

### Invests in U.S. Industrials and Regional Banks

Manufacturing is capital-intensive, requiring equipment, tools, and raw materials, providing growth opportunities for smaller U.S. banks. The portfolio mainly consists of U.S. mid-cap and small-cap stocks, offering strong growth potential.

<b>Inception Date</b>	10 Mar 2014	<b>AUM</b>	USD 1.95 billion
<b>ETF Category</b>	Equities	<b>Holdings</b>	55
<b>Expense Ratio</b>	0.7%	<b>3Y Stand. Dev. (Ann.)</b>	27.06%

## Sectors



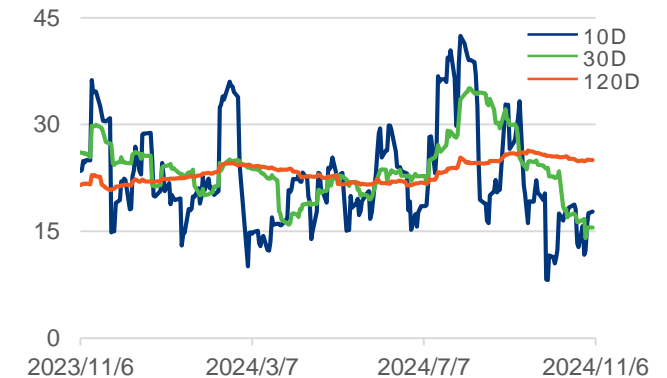
## 1-Year Performance



## Top-5 Holdings (%)

<b>Mueller Industries</b>	3.54
<b>Applied Industrial Tech.</b>	3.21
<b>Granite Construction</b>	3.17
<b>Atkore</b>	3.07
<b>EMCOR Group</b>	3.06

## 1-Year Volatility



As of 5 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	4.34	15.89	34.69	60.35	75.58	66.98

Source: Bloomberg, 6 Nov. 2024



# iShares U.S. Financials ETF (IYF)

## Profile

Tracks the Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index, aiming to replicate the performance of its constituent stocks.

### Focus on U.S. Financial Sector

Invests in U.S. financial stocks, including banks, insurance companies, and credit card firms. It suits investors seeking exposure to the U.S. financial market without selecting individual stocks, implementing tactical tilts, or engaging in sector rotation.

### Holds Large U.S. Financial Companies

Portfolio consists primarily of large-cap U.S. financial firms such as Berkshire Hathaway, JPMorgan Chase, Bank of America, Wells Fargo, and Goldman Sachs, with the top 10 holdings accounting for approximately 45.67%.

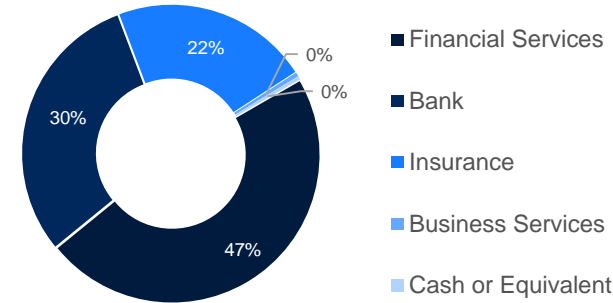
### Potential Benefit from Economic Policy

With Trump's victory, expected policies favor tax cuts and regulatory easing, likely benefiting the financial sector.

<b>Inception Date</b>	22 May 2000	<b>AUM</b>	USD 3.24 billion
<b>ETF Category</b>	Equities	<b>Holdings</b>	137
<b>Expense Ratio</b>	0.39%	<b>3Y Stand. Dev. (Ann.)</b>	20.24%

Source: Bloomberg, 6 Nov. 2024

## Sectors



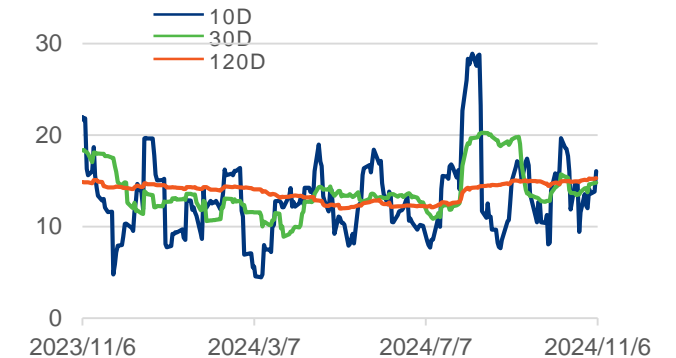
## 1-Year Performance



## Top-5 Holdings (%)

<b>Berkshire Hathaway Inc</b>	11.94
<b>JPMorgan Chase &amp; Co.</b>	9.56
<b>Bank of America Corp.</b>	4.56
<b>Wells Fargo &amp; Co.</b>	4.05
<b>Goldman Sachs Group</b>	3.00

## 1-Year Volatility



As of 5 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	3.78	12.95	26.75	44.11	45.54	26.64

# Invesco Aerospace & Defense ETF (PPA)

## Profile

The ETF tracks the SPADE Defense Index, aiming to replicate the performance of its constituent stocks.

### Focus on Specific Industry

The ETF invests in companies engaged in the development, manufacturing, and operations of U.S. defense, homeland security, and aerospace sectors, catering to investors targeting this niche market.

### Concentrated Holdings

The ETF mainly holds large-cap stocks, including Raytheon Technologies, Boeing, Lockheed Martin, General Electric, and Northrop Grumman, with around 56 holdings. The top 10 positions account for about 55.22% of the portfolio.

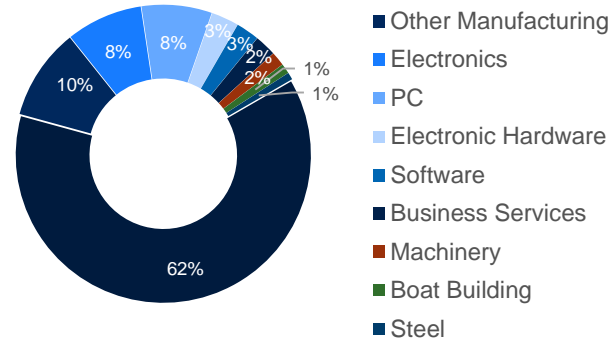
### Benefiting from National Policies

The sector is supported by increased defense spending worldwide, benefiting from strong competitive moats, industry dominance by leading firms, and significant global government investments, driving heightened interest in this space.

<b>Inception Date</b>	26 Oct. 2005	<b>AUM</b>	USD 4.47 billion
<b>ETF Category</b>	Equities	<b>Holdings</b>	56
<b>Expense Ratio</b>	0.57%	<b>3Y Stand. Dev. (Ann.)</b>	18.52%

Source: Bloomberg, 6 Nov. 2024

## Sectors



## 1-Year Performance

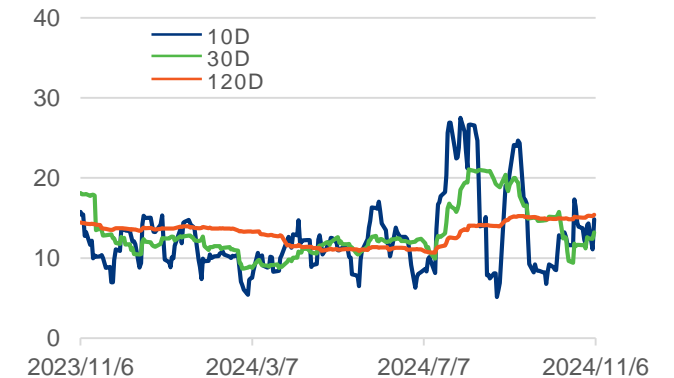


As of 5 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	0.09	11.50	26.72	39.72	53.05	57.10

## Top-5 Holdings (%)

<b>RTX Corp</b>	7.14
<b>Lockheed Martin Corp</b>	6.69
<b>General Electric Co.</b>	6.69
<b>Boeing Co</b>	6.53
<b>Northrop Grumman Corp</b>	5.51

## 1-Year Volatility



# Trump's Return Boosts U.S. Domestic Firms; Strong 3Q Earnings Eases Growth Concerns for NA Automakers

## ► F 6.05% 2031 (Ford Motor Company)

- Ford, a global automotive leader, sold over 4.4 million vehicles in 2023, focusing on its core Ford and Lincoln brands. Lower rates from the Fed's easing cycle are expected to support auto sales, as 80%-90% of car purchases are financed via loans or leases, making rate cuts beneficial for sales and financing structures.
- Ford plans to cut EV spending, which is expected to improve cash flow in 2024-25. The company's EV division remains in the red, but a higher share of internal combustion vehicle sales will likely boost overall profitability and reduce the risk of overproduction in the EV segment.
- Ford's credit profile has strengthened over the past three years, with low leverage and strong liquidity. Robust core business cash flow has helped offset initial EV losses. In 2023, all three major rating agencies upgraded Ford's bond ratings.

## ► GM 5.4 10/15/29 (General Motors Company)

- GM, another leading global automaker, owns brands like Buick, Cadillac, Chevrolet, GMC, and Wuling. In 2022, GM sold around 5.9 million vehicles, including trucks, capturing a 7.6% global market share.
- North America remains GM's primary market, contributing roughly 81% of revenue in 2023. GM held nearly 40% of the U.S. full-size pickup market in the first nine months of 2023, per Ward's AutoInfoBank. Strong product mix and cost structure in North America support GM's stable profit outlook.
- GM's moderate leverage and solid liquidity enhance its resilience against challenges like economic cycles, supply chain disruptions, recalls, and labor strikes. GM's early investments in battery electric vehicles have given it an edge in battery technology and supply chain positioning, with a growing EV lineup.

Products	F 6.05 03/05/31	GM 5.4 10/15/29
ISIN	US345397E250	US37045VAY65
Highlight	Credit profile has strengthened over the past three years	GM's early investments in battery electric vehicles have given it an edge
Maturity Date	5 Mar 2031	15 Oct 2029
Coupon (%)	Fixed/6.05/Bi-annual	Fixed/5.4/Bi-annual
Currency	USD	USD
Years to Maturity	6.33	4.94
Rating (Moody's/ Fitch/S&P)	Ba1/BBB-/BBB-	Baa2/BBB/BBB
Seniority	Senior UnXXX	Senior UnXXX
YTM/YTC (%)	5.868/5.865	5.166/5.160

Source: Bloomberg

# F 6.05% 2031 (Ford Motor Company)

## Profile

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## Highlights

- Ford plans to cut EV spending, which is expected to improve cash flow in 2024-25. The company's EV division remains in the red, but a higher share of internal combustion vehicle sales will likely boost overall profitability and reduce the risk of overproduction in the EV segment.
- Ford's credit profile has strengthened over the past three years, with low leverage and strong liquidity. Robust core business cash flow has helped offset initial EV losses. In 2023, all three major rating agencies upgraded Ford's bond ratings.
- The Fed's rate cuts present an opportunity to lock in quality bonds with low credit risk, allowing investors to add high-quality debt as rates rebound.

Financials	2021	2022	2023
Gearing Ratio (Equity/Total Assets)	9.17	8.57	8.97
Free Cash Flow (USD Billion)	-6.25	-5.42	-7.24
Return on Equity(%)	13.55	12.06	16.54

Source: Bloomberg, 6 Nov 2024

## Overview

Name	F 6.05 03/05/31	ISIN	US345397E250
Maturity Date	5 Mar 2031	Remaining Maturity	6.33
Coupon (%)	Fixed/6.05/Bi-annual	YTM/YTC(%)	5.868/5.865
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Ba1/BBB-/BBB-	Seniority	Senior Unsecured

## Price Since Issuance



## GM 5.4 10/15/29 (General Motors Company)

### Profile

Leading global automaker, owns brands like Buick, Cadillac, Chevrolet, GMC, and Wuling. In 2022, GM sold around 5.9 million vehicles, including trucks, capturing a 7.6% global market share.

### Highlights

- North America remains GM's primary market, contributing roughly 81% of revenue in 2023. GM held nearly 40% of the U.S. full-size pickup market in the first nine months of 2023, per Ward's AutoInfoBank. Strong product mix and cost structure in North America support GM's stable profit outlook.
- GM's moderate leverage and solid liquidity enhance its resilience against challenges like economic cycles, supply chain disruptions, recalls, and labor strikes. GM's early investments in battery electric vehicles have given it an edge in battery technology and supply chain positioning, with a growing EV lineup.
- The Fed's easing cycle offers a chance to lock in high-quality bonds. With low credit risk, investors may consider increasing exposure to premium bonds as rates rebound.

Financials	2021	2022	2023
Gearing Ratio (Equity/Total Assets)	24.41	25.68	23.54
Free Cash Flow (USD Billion)	7.67	7.83	9.96
Return on Equity(%)	18.78	13.98	15.17

Source: Bloomberg, 6 Nov 2024

### Overview

Name	GM 5.4 10/15/29	ISIN	US37045VAY65
Maturity Date	15 Oct 2029	Remaining Maturity	4.94
Coupon (%)	Fixed/5.4/Bi-annual	YTM/YTC(%)	5.166/5.160
Currency	USD	Min. Subscription/Increment	200,000/200,000
Ratings (Moody's/Fitch/S&P)	Baa2/BBB/BBB	Seniority	Senior Unsecured

### Price Since Issuance



## Appendix

## Key Economic Data / Events

## ► NOV 2024

4

Monday

- U.S. Sep. Durable Goods Orders Final Value (Actual:-0.7% Est:-0.8% Prev:-0.8%)
- Eurozone Oct. Manufacturing PMI Final Value (Actual:46.0 Est:45.9 Prev:45.9)
- Eurozone Nov. Sentix Investor Confidence (Actual:-12.8 Est:-12.6 Prev:-13.8)

5

Tuesday

- U.S. Oct. ISM Services Index (Actual:56.0 Est:53.0 Prev:54.9)
- H.K. Oct. S&P Global PMI (Actual:52.2 Prev:50.0)

6

Wednesday

- Eurozone Oct. Services PMI Final Value (Actual:51.6 Est:51.2 Prev:51.2)
- Eurozone Sep. PPI YoY (Actual:-3.4% Est:-3.4% Prev:-2.3%)
- Taiwan Oct. CPI YoY (Actual:1.69% Est:1.82% Prev:1.82%)
- Taiwan Oct. PPI YoY (Actual:-0.69% Prev:-0.45%)

7

Thursday

- U.S. Initial Jobless Claims (Actual:221k Est:222k Prev:218k)
- Eurozone Sep. Retail Sales YoY (Actual:2.9% Est: 1.3% Prev:2.4%)
- U.K. Nov. Bank of England Bank Rate (Actual:4.75% Est:4.75% Prev:5.00%)
- China Oct. Exports YoY (Actual:12.7% Est:5.0% Prev:2.4%)

8

Friday

- U.S. Nov. FOMC Rate Decision (Actual:4.75% Est:4.75% Prev:5.00%)
- U.S. Nov U. of Mich. Sentiment Initial Value (Est:71.0 Prev:70.5)
- Taiwan Oct. Exports YoY (Est:9.1% Prev:4.5%)

11

Monday

12

Tuesday

- Japan Oct. Machine Tool Orders YoY Initial Value (Prev:-6.4%)
- Earnings Report: HD

13

Wednesday

- U.S. Oct. CPI YoY (Est:2.6% Prev:2.4%)
- U.S. Oct. Core CPI YoY (Est:3.3% 3.3%)
- Japan Oct. PPI YoY (Est:2.9% Prev:2.8%)

14

Thursday

- U.S. Initial Jobless Claims (Prev:221k)
- U.S. Oct. PPI YoY (Est:2.3% Prev:1.8%)
- Eurzone Q3 GDP SA YoY Initial Value (Prev:0.9%)
- Earnings Report: DIS, CSCO

15

Friday

- U.S. Oct. Retail Sales Advance MoM (Est:0.3% Prev:0.4%)
- U.S. Oct. Industrial Production MoM (Est:-0.2% Prev:-0.3%)
- Japan Q3 GDP QoQ Initial Value (Est:0.1% Prev:0.7%)
- Japan Sep. Industrial Production MoM Final Value (Prev:1.4%)
- Earnings Report: AMAT, PANW

Source: Bloomberg



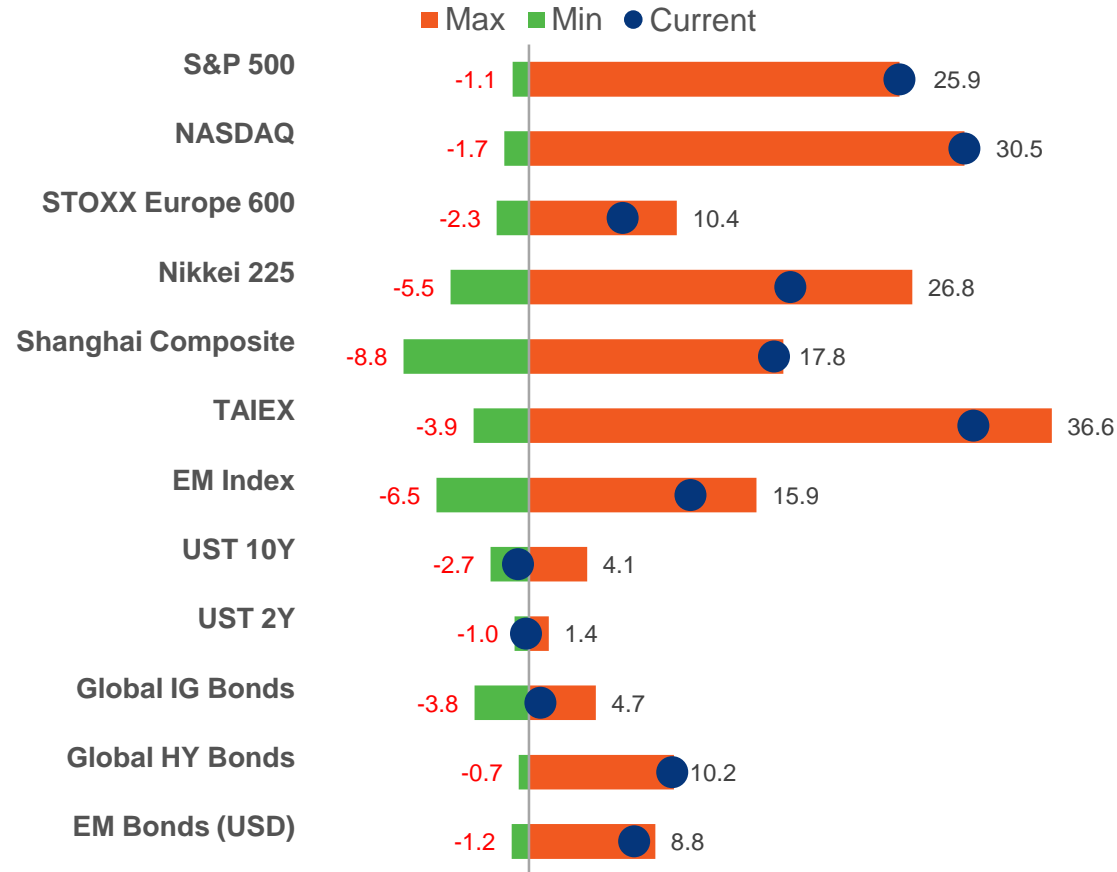
# Key Earnings Releases

Date	Company Name	Est. Revenue (USD)	Actual Revenue (USD)	Est. EPS (USD)	Actual EPS (USD)	Beat Expectations Revenue	Beat Expectations EPS
5 Nov 2024	Vertex Pharmaceuticals Inc (VRTX)	2.69B	2.77B	4.08	4.38	V	V
5 Nov 2024	Palantir Technologies Inc-A (PLTR)	703.36M	725.5M	0.09	0.1	V	V
7 Nov 2024	Gilead Sciences Inc (GILD)	7.01B	7.54B	1.51	2.02	V	V
7 Nov 2024	Qualcomm Inc (QCOM)	9.9B	10.24B	2.56	2.69	V	V
7 Nov 2024	Arm Holdings Plc-Adr (ARM)	744.31M	844M	0.26	0.3	V	V
7 Nov 2024	Take-Two Interactive Softwre (TTWO)	1.43B	1.47B	0.42	-2.08	V	
8 Nov 2024	Airbnb Inc-Class A (ABNB)	3.72B	3.7B	2.14	2.13		

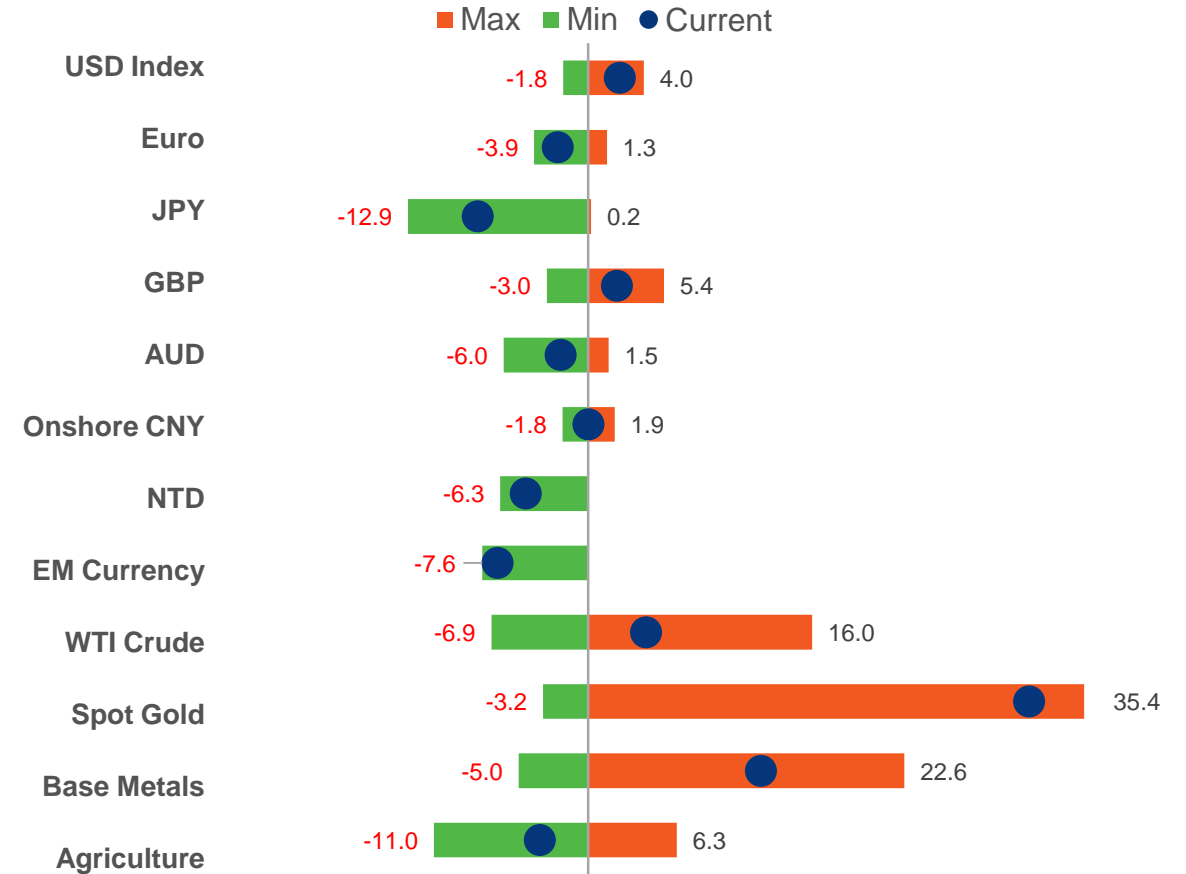
Source: Investing.com

# YTD Major Market / Asset Performance

## Stock and Bond Market YTD Performance (%)



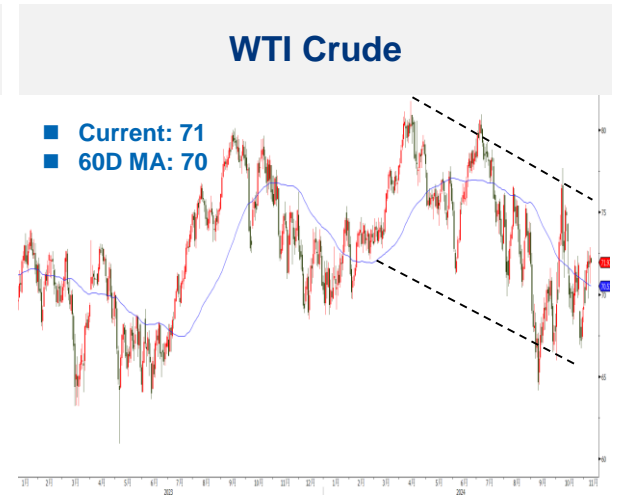
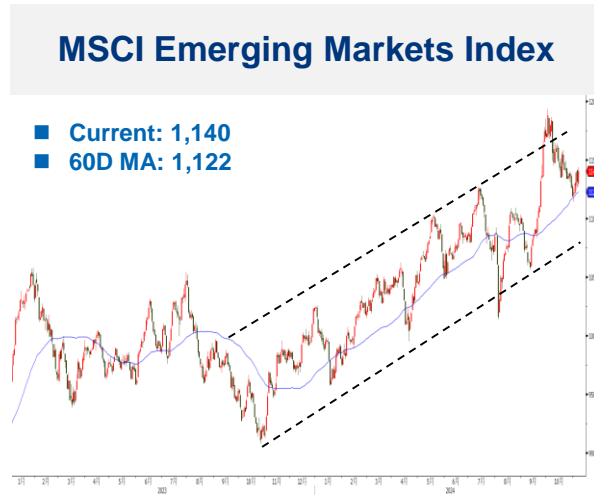
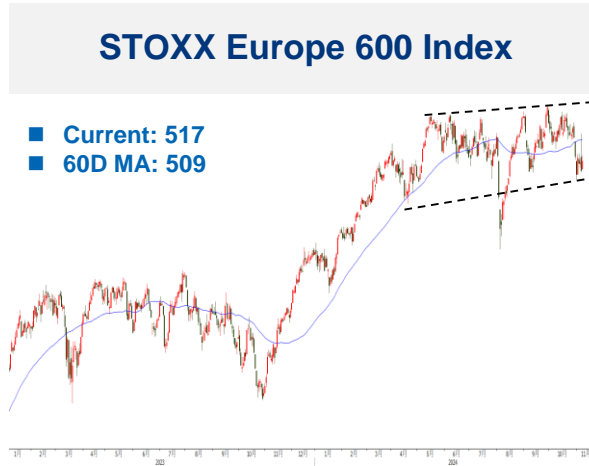
## Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 8 Nov. 2024

# Technical Analysis

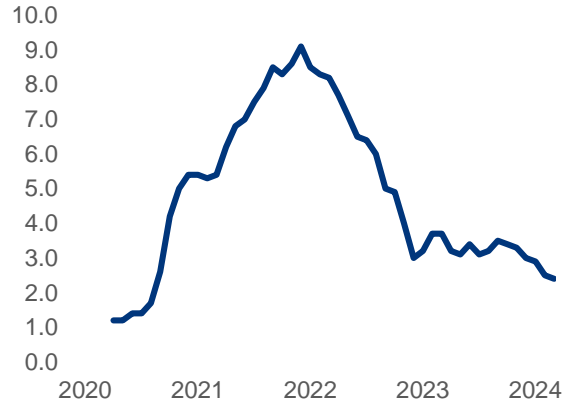
— 60D MA



Source: Bloomberg, 8 Nov. 2024

# Market Monitor

**U.S. CPI YoY Growth Rate (%)**



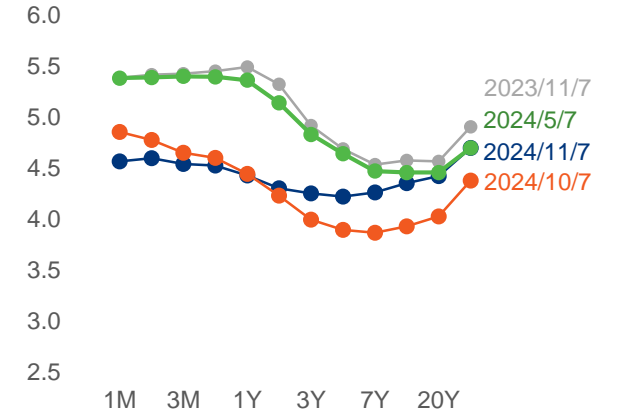
**U.S. 10-Year Treasury Yield (%)**



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



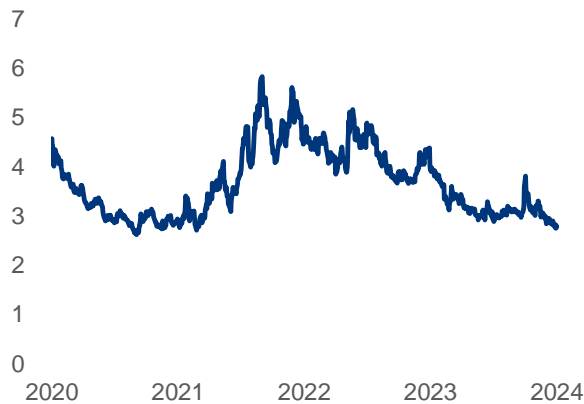
**U.S. Treasury Yield Curve (%)**



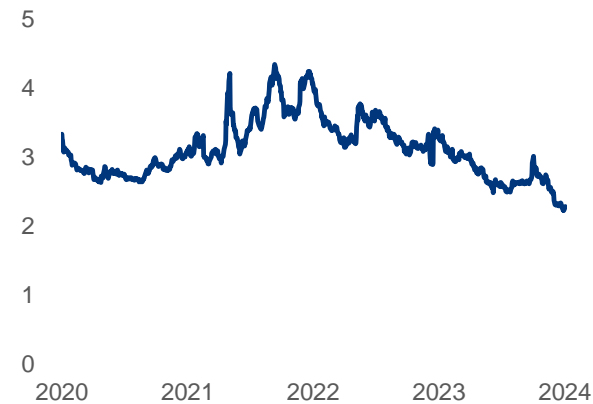
**USD IG Credit Spread (%)**



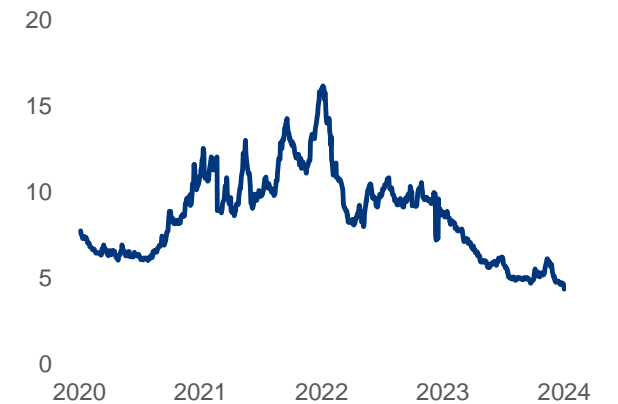
**USD HY Credit Spread (%)**



**USD EM Credit Spread (%)**



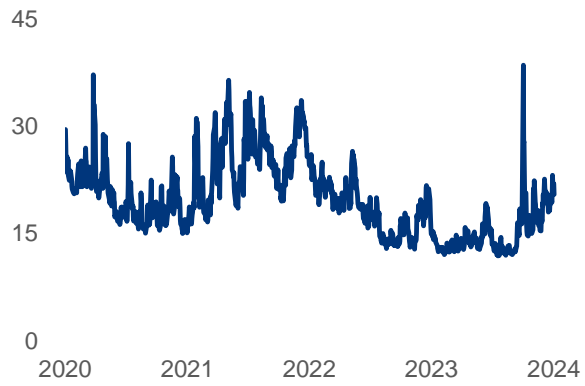
**USD Asia Credit Spread (%)**



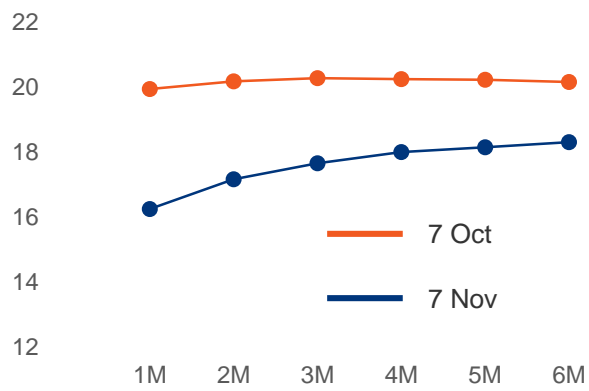
Source: Bloomberg, 7 Nov. 2024

# Market Monitor

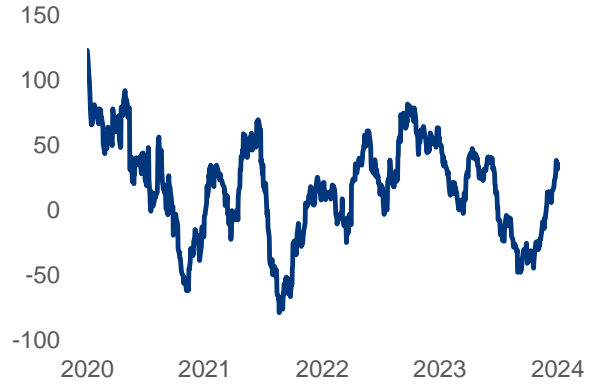
**VIX Index**



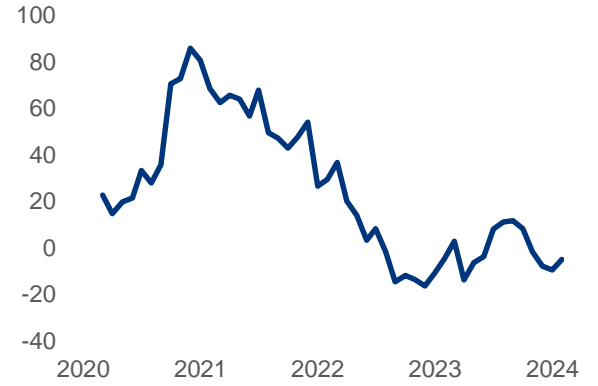
**VIX Term Structure**



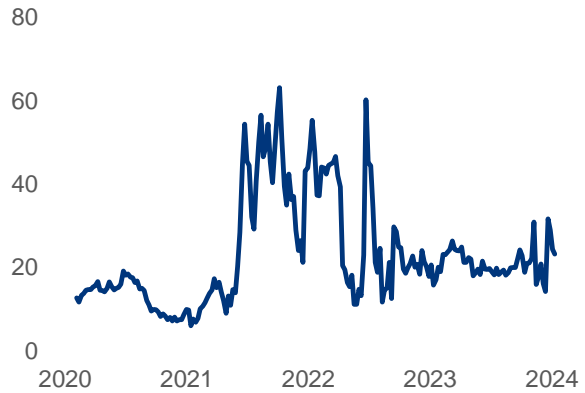
**U.S. Citi Economic Surprise Index\***



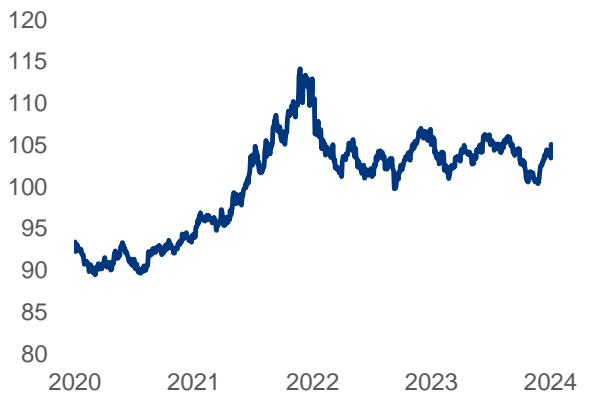
**U.S. Citi Inflation Surprise Index\***



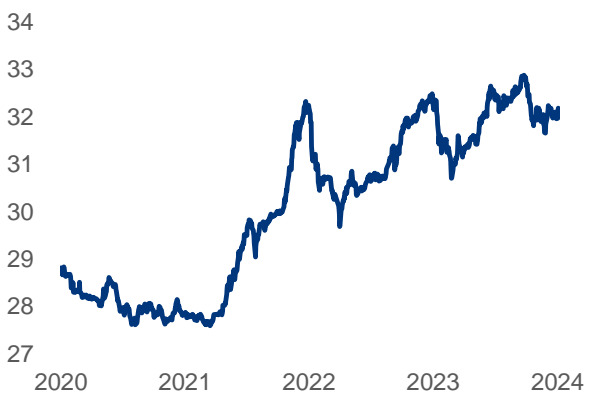
**TED Spread (bps)**



**U.S. Dollar Index**



**USD to TWD**



**USD to JPY**



Source: Bloomberg, 7 Nov 2024; \*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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