



# Transport Embraces the Dawn

Global Markets Weekly Kickstart

18 November 2024





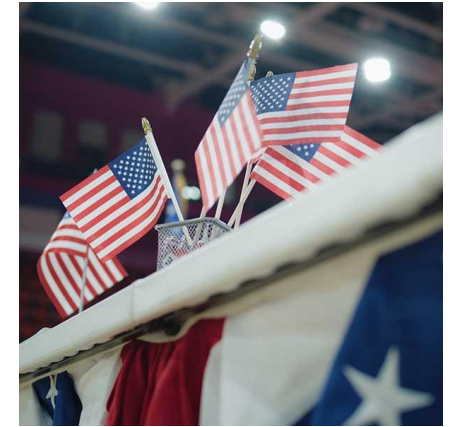
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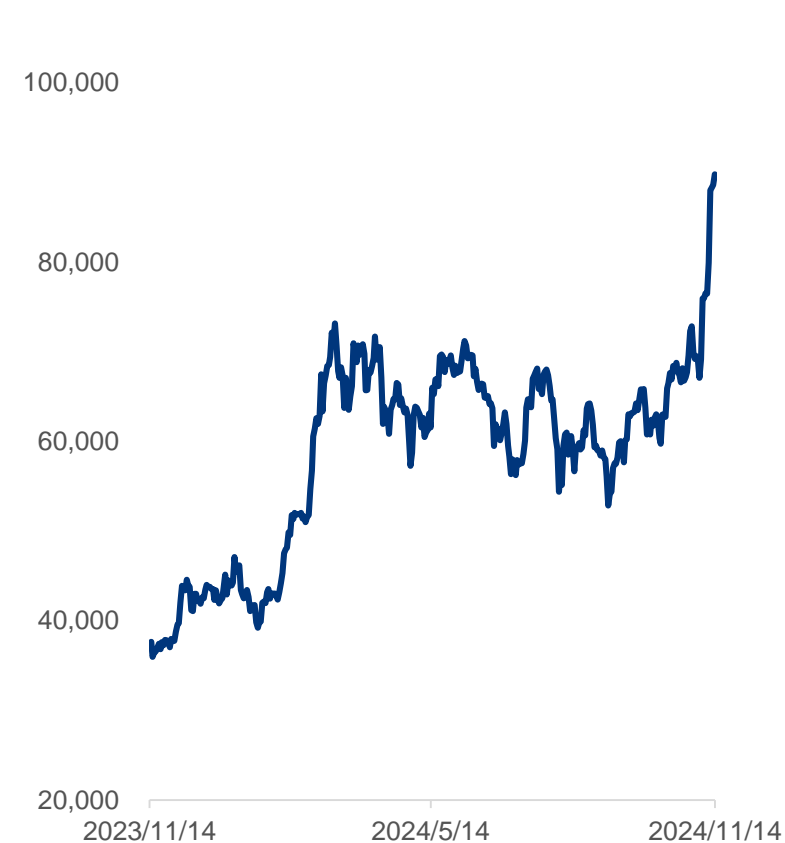
Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs

# Bitcoin Hits Record Highs, Miners Turn Net Long

- ▶ Post-election, Bitcoin surged to around \$90,000 per unit, a new all-time high. The rally was fueled by favorable sentiment from Trump towards crypto assets, along with Bitcoin's limited supply, high transparency, anonymity, and increasing global adoption. Additionally, record-high hash rates, the approval of a spot Bitcoin ETF by the SEC, and increased allocations by major institutions (including hedge funds, family offices, and sovereign wealth funds) have diversified Bitcoin's role and solidified its standing.
- ▶ Recently, Bitcoin miners have begun accumulating their mined Bitcoin, reversing the typical trend of selling their holdings. This shift suggests a positive market outlook for Bitcoin. With ongoing global de-dollarization and rising national debts, mainstream currencies face potential devaluation. In response to increased demand for decentralization, Bitcoin's role as a reserve and transactional asset has significantly strengthened, positioning it as a key hedge against inflation and currency depreciation, bolstered by strong support from younger investors.

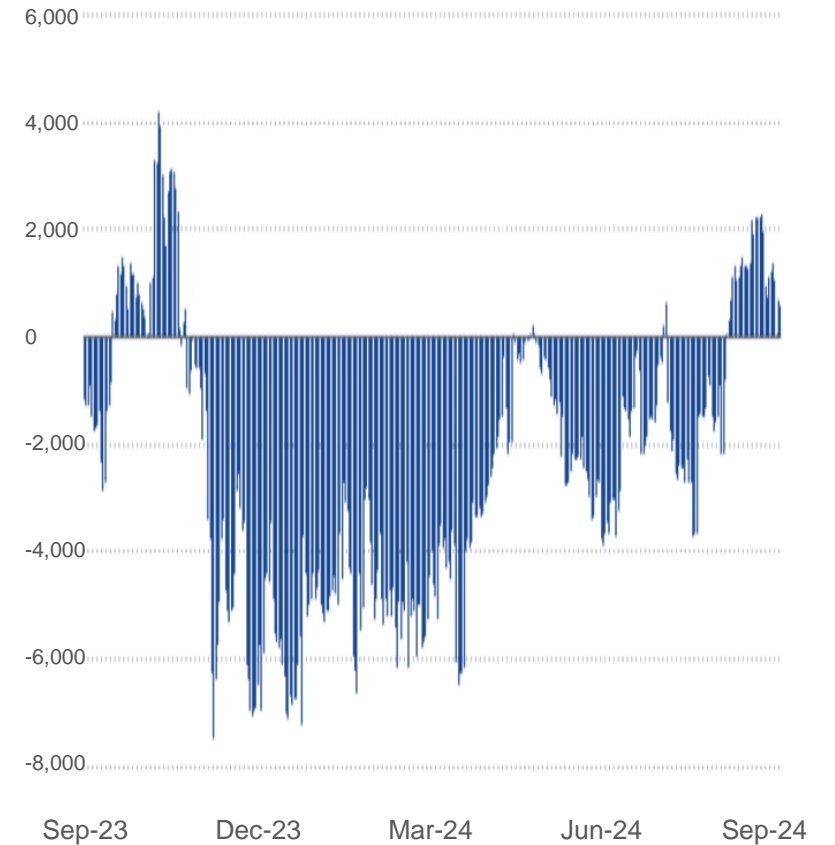
## Bitcoin Nears USD \$90,000

Bitcoin Price



## Miners Show Rare Net Long Positions

Bitcoin Miners Positions

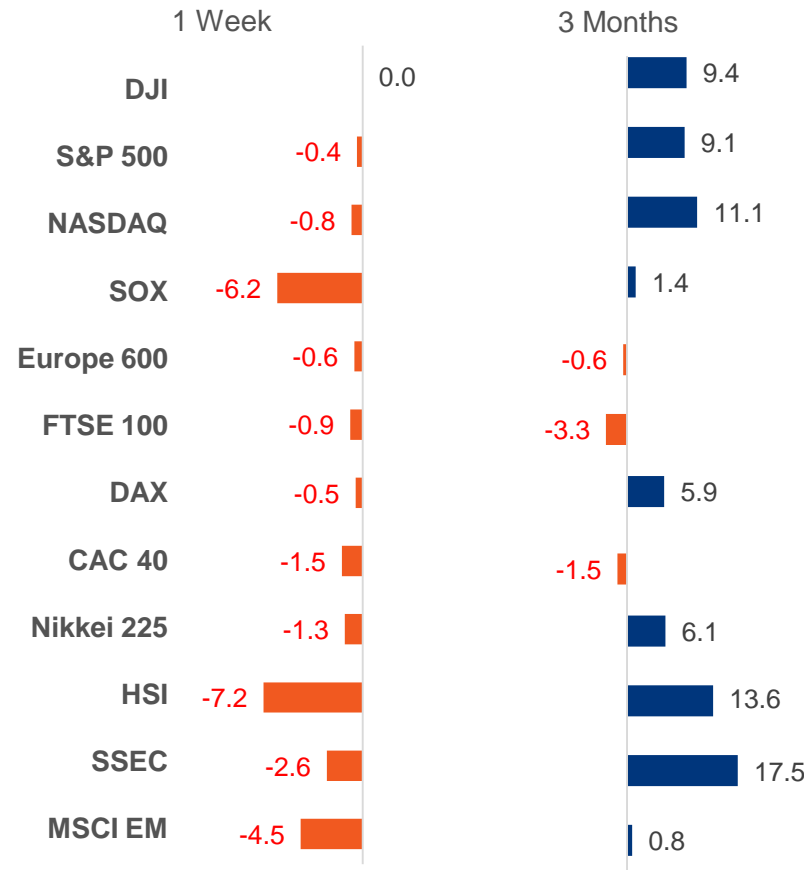


## Market Recap

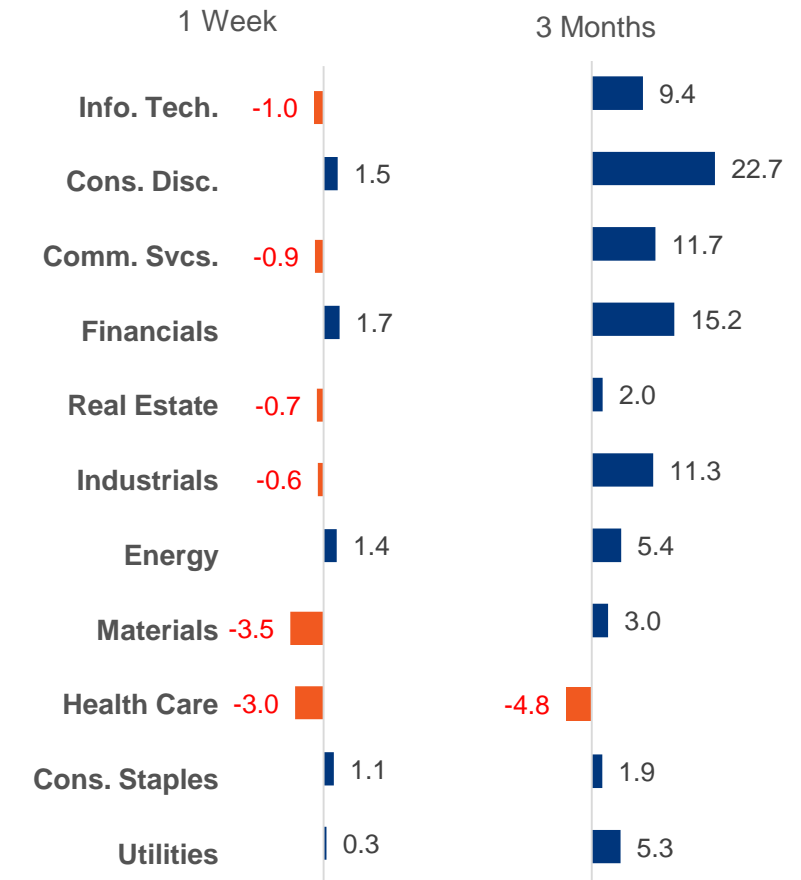
## U.S. Stocks Choppy at Highs; Sector Divergence Seen, Semiconductors Lagging

- ▶ Stocks remain choppy at elevated levels, pressured by rising yields and profit-taking, interrupting the strong rally post-election. China faced corrections due to weak economic data, while Japan declined on slower 3Q GDP growth, prompting speculation about potential stimulus that could benefit Japanese equities. Market focus has shifted back to economic fundamentals. U.S. October CPI rose, in line with expectations. While headline inflation cooled, driven by lower energy prices, core inflation, housing, and service inflation remain sticky. The market forecasts a 25 bps rate cut at the December FOMC meeting, but revised inflation forecasts for 2024 may delay future easing.
- ▶ Sector performance was mixed: Tech stocks fell, led by Applied Materials' weak outlook, dragging semiconductors sharply lower. Materials dropped on China's slowdown, while Healthcare retreated amid concerns over new policy impacts on drug pricing. Other sectors saw minor fluctuations, with most changes within a 1% range.

## Major Stock Indices Performance by Region (%)



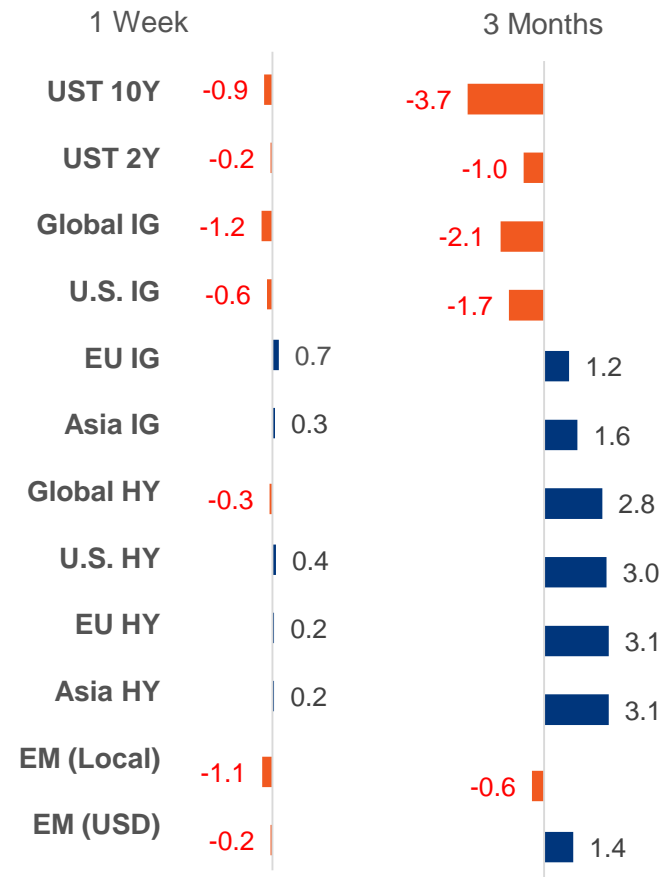
## US Stock Performance by Sector (%)



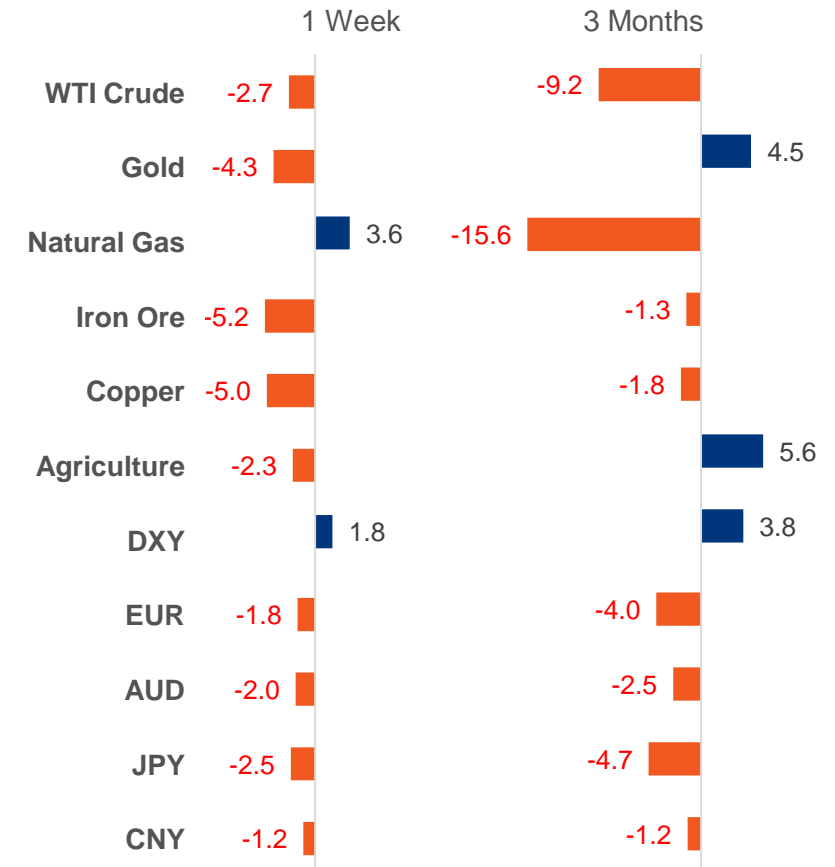
# Rising Treasury Yields Pressure Bonds; Strong Dollar, Gold and Non-U.S. Currencies Decline

- ▶ With the Republican party gaining full control, Trump's push for domestic manufacturing may boost local procurement, supporting domestic transportation services. The plan to cut corporate taxes to 15% will benefit U.S.-based companies, particularly in rail and ground freight sectors, potentially enhancing both operational and financial performance. Recent trends show a strong rebound in transportation stocks following the election results, with additional policy support expected to sustain momentum.
- ▶ Weak Chinese demand led to a drop in industrial metal prices, while global oil markets faced a surplus, driving prices lower. Natural gas spiked as Austria's oil company plans to halt payments for Russian imports, raising supply concerns. The U.S. dollar strengthened, pressuring gold and non-U.S. currencies.

## Performance of Bonds (%)



## Performance of Commodities and Currencies (%)



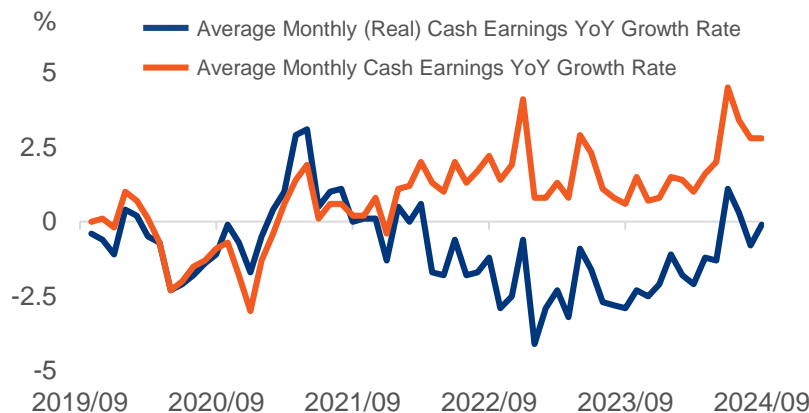
Source: Bloomberg, 15 Nov. 2024

# Ishiba Reelected, Paving Way for Policy Continuity; Rate Hike Prospects Increase

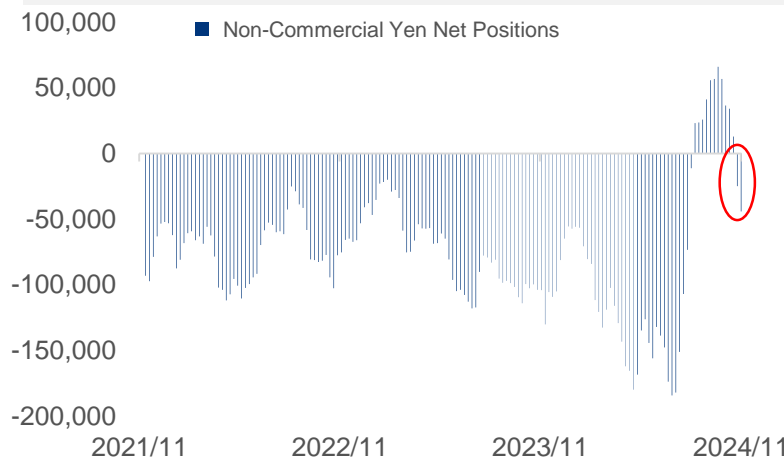
▶ Shigeru Ishiba won the Prime Minister vote, while the ruling LDP-Komeito coalition fell short of a majority in the House of Representatives, giving smaller parties increased influence. The coalition favors expansionary fiscal policies, with energy subsidies expected to remain in place, supporting economic growth. The new parliament is likely to reach consensus on individual issues, enhancing inter-party cooperation and reducing uncertainty. Japan's spring wage negotiations saw the highest increase in nearly 30 years, with nominal wages up 2.8% YoY in September. Although real wages fell by 0.1% YoY, the decline narrowed from the previous month. Overall, the uptrend in real wages could support Japan's 2% inflation target, providing room for the Bank of Japan to normalize rates.

▶ Trump's win and the resilient U.S. economy pushed the 10-year Treasury yield between 4.3% and 4.5%. The strong dollar weighed on Asian currencies, with speculative net yen positions turning negative, reflecting bearish sentiment on the yen. Japan may face increased pressure to support its currency, with expectations for more aggressive rate hikes by the BOJ next year. Despite an unexpected drop in Japan's September exports, the impact on monetary policy is expected to be limited, with the yen likely to see modest appreciation in the medium term.

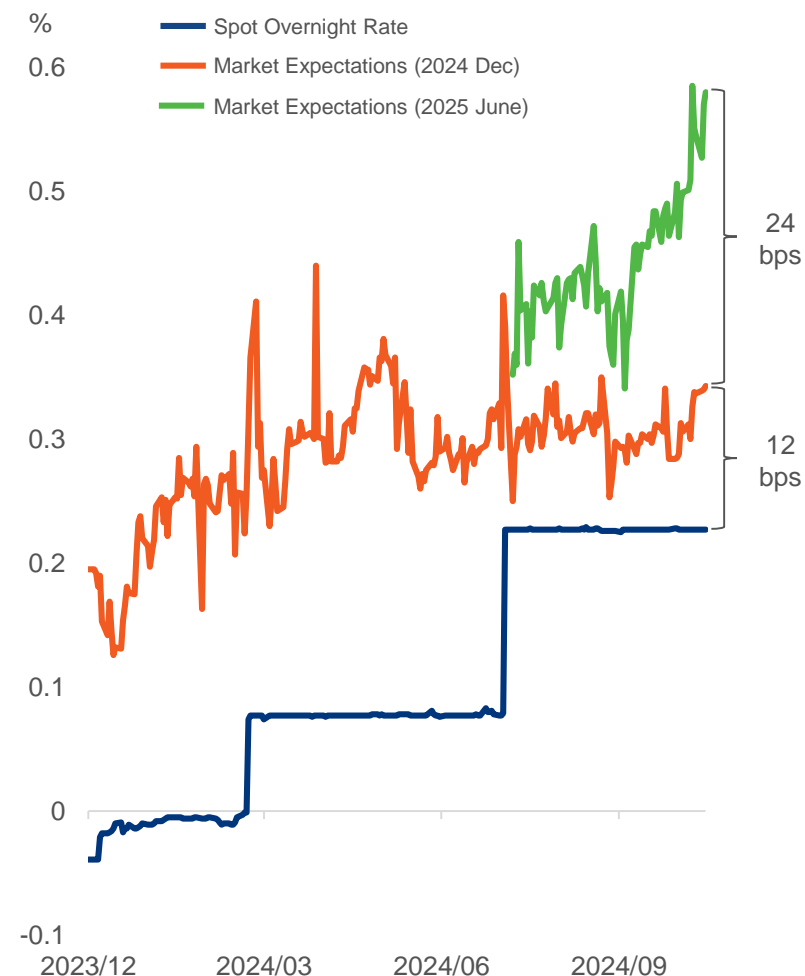
Real Wages in Japan Remain on Uptrend



Speculators Turn Bearish on Yen Again



Rate Hikes Expected to Be More Aggressive



Source: Bloomberg

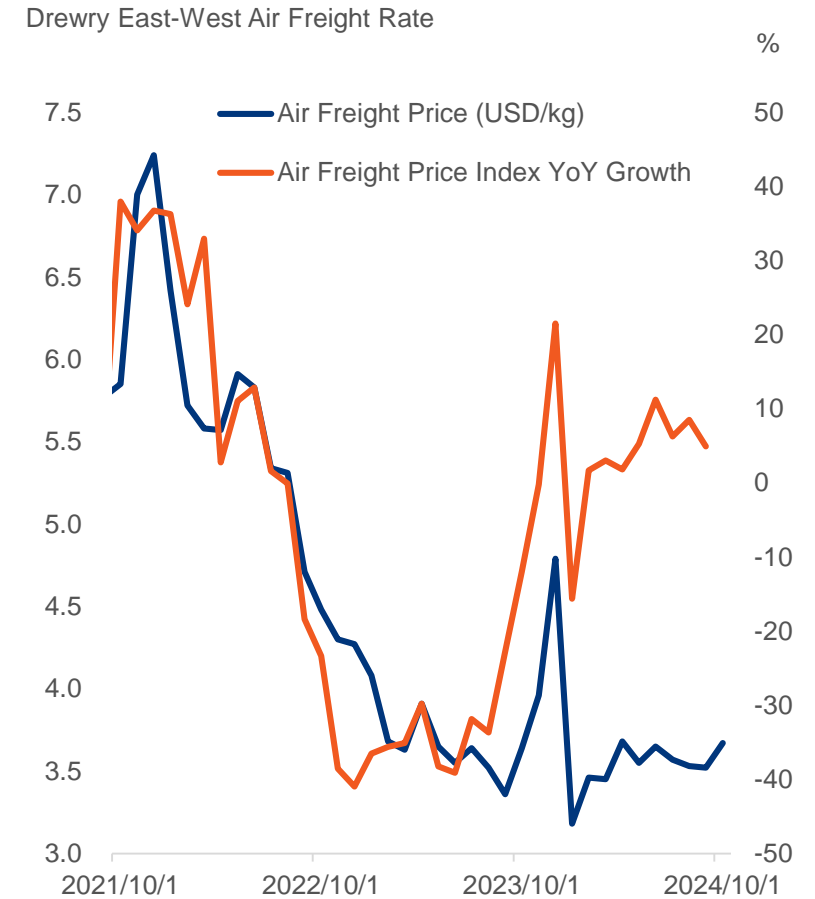
# Transport Stocks Rebound Post-Election; Air Freight Rates Recover

- ▶ With the Republican party securing full control, Trump's agenda of boosting U.S. domestic manufacturing is expected to drive demand for transport services focused on local procurement. The proposed corporate tax cut to 15% for U.S.-based firms could further support rail and ground freight companies, enhancing their operational and financial performance. Valuations for these firms may see upside, particularly for larger players. Over the past three months, transport stocks have surged following the election results, and potential policy benefits could sustain this momentum.
- ▶ Data from Drewry, a transport consultancy, shows October east-west air freight rates from Shanghai rose 4.2% YoY to \$3.67 per kg, 0.7% higher than the previous year's increase. Strikes at East Coast and Gulf ports contributed to the uptick, alongside the upcoming peak season for consumer and freight demand, which could support a rate recovery. Major air freight operators have added over 200 flights between Asia, the U.S., and Europe to meet rising demand, indicating growing momentum in air transport services.

## Transport Stocks Show Uptrend Post-Election



## Air Freight Rates Rising, Set to Benefit from Peak Season



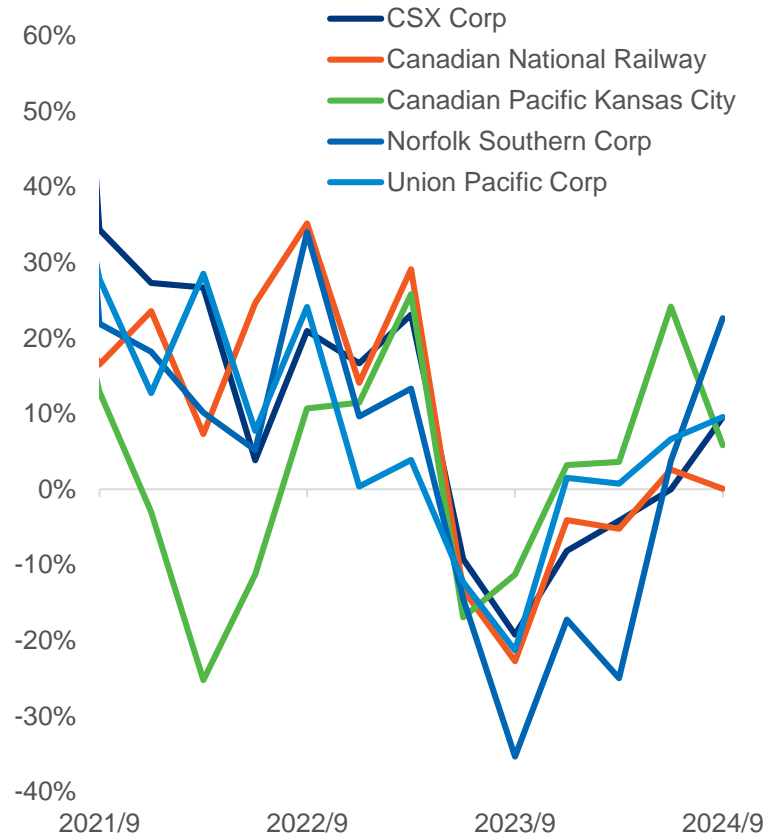


# U.S. Rail Transport Hits Record Highs, Profit Outlook Brightens

- ▶ The U.S. economy's soft landing has bolstered rail operators' growth this year. Adjusted EPS for major rail companies has returned to positive territory, driven by rising freight volumes and the trend of reshoring U.S. manufacturing. FTR Transportation Intelligence forecasts record intermodal rail volumes by 2025. With ongoing Fed rate cuts and Trump's tax reduction policies boosting domestic demand, transport stocks stand to benefit.
- ▶ Rail operators have implemented long-term productivity plans, reducing the operating ratio from over 70% to a stable 60%-65%. The widespread adoption of precision scheduling has improved efficiency, enhancing profitability. Trump's proposed corporate tax cuts are expected to further support financial performance.

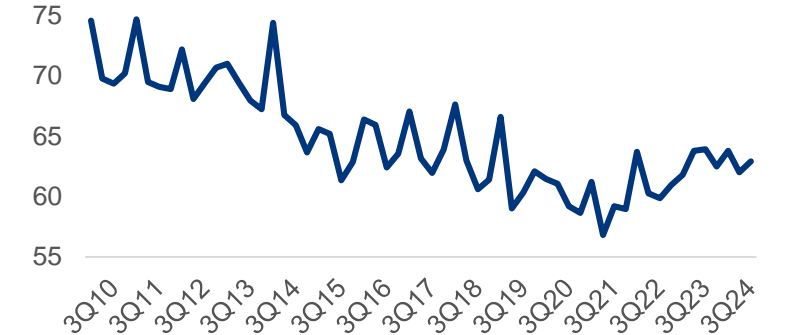
## Rail Operators' EPS Growth Turns Positive

Main Rail Op. Adjusted EPS Growth (YoY)

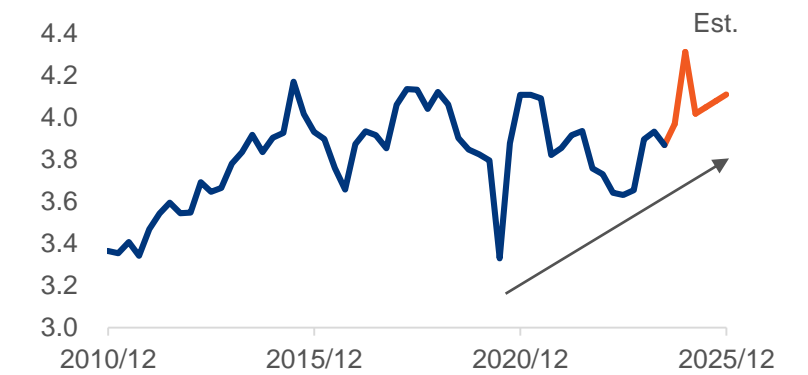


## Improved Operations and Higher Freight Volumes for Rail Industry

Railway Companies Adjusted Operating Ratio (%)



Rail Intermodal Volume Actual and Forecast (Million TEUs)



Source: Bloomberg



# Asset Strategy

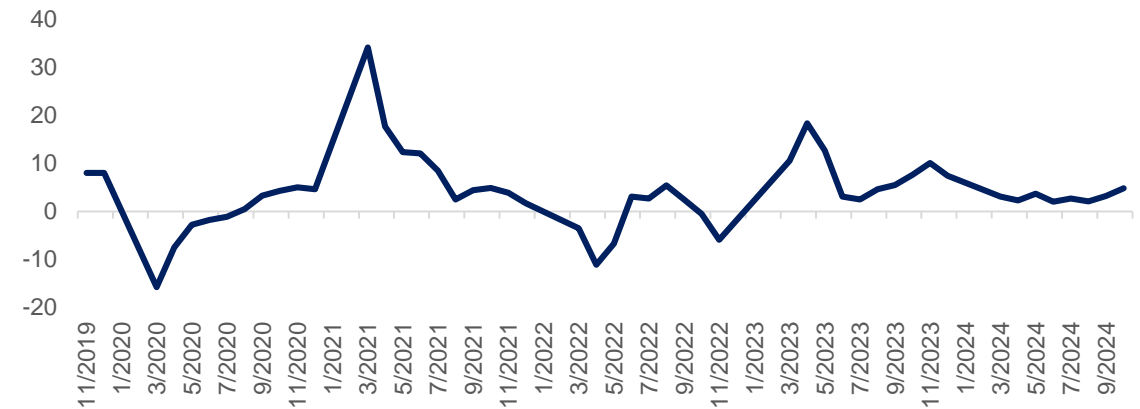
Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ Trump's pre-election agenda includes tax cuts, deregulation, and support for traditional energy sectors. Post-election, market focus will be on any shifts in stance and the actual implementation of these policies compared to campaign pledges. With a soft landing as the primary scenario, resilient U.S. economic data and strong consumer spending, tax cuts are expected to boost consumer stocks. Deregulation and elevated interest rates should benefit financial stocks. Additionally, strong long-term AI growth prospects continue to support tech stocks.</li> <li>◆ Tariff hikes may dampen China's export momentum, while Europe's outlook is weighed by trade uncertainties and increased NATO defense spending. A stronger dollar weakens the yen, boosting Japanese equities.</li> </ul>	<p><b>Style:</b> Mid- and Large-Cap Stocks; Telecomm., Financials, AI and tech</p> <p><b>Regions:</b> U.S., Japan, India</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ With full Republican control, Trump's policies are likely to push U.S. Treasury yields higher in the short term, but may also heighten risks of an economic downturn. Given the Fed's ongoing rate-cut cycle and the soft-landing outlook, investors focused on yield can take advantage of rising rates for yield-lock strategies as the 10-year Treasury yield approaches 4.6%.</li> <li>◆ Republican dominance boosts expectations for corporate tax cuts, supporting the credit stability of U.S. firms, which remain stronger than non-U.S. peers. However, credit spreads have already priced in a soft-landing scenario. If Republican policies are fully enacted, long-term risks to economic growth could increase. It is advisable to avoid low-rated (B and below) firms and reduce exposure to lower-quality credits.</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>◆ With Trump and the GOP in full control, inflation expectations are pushing U.S. Treasury yields higher, keeping the dollar strong in the short term. The strong dollar trend may persist until early 2025. Mid-term, as the economy trends towards a soft landing and the Fed continues rate cuts, the dollar's strength is likely to weaken.</li> <li>◆ Tariff increases could slow economic growth outside the U.S., leading to deeper rate cuts and wider interest rate differentials. This may result in short-term depreciation of non-U.S. currencies.</li> </ul>	<p>Dollar Strength Supported</p> <p>Yen expected to weaken short-term but gradually trending upward</p>

# China's October Consumption Growth Beats Expectations

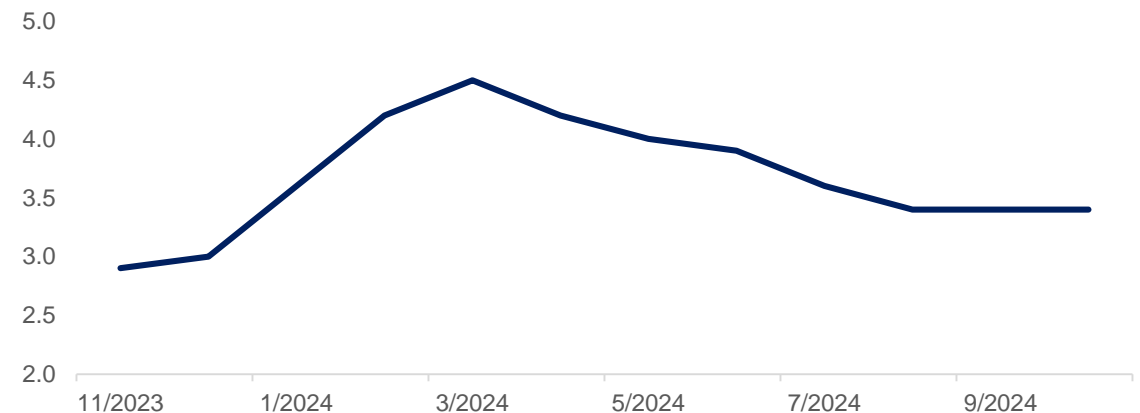
- ▶ Following a series of stimulus measures by the central government since September, October's economic data showed mixed results for China and Hong Kong.
- ▶ In social financing, October saw a new aggregate financing of RMB 1.4 trillion, below expectations of RMB 1.54 trillion and last year's RMB 1.8 trillion. Loans to the real economy grew by RMB 300 billion, with corporate loans at RMB 130 billion and household loans at RMB 160 billion. Corporate loan growth remains weak for the sixth consecutive month, indicating ongoing low business confidence. However, household loans shifted from a decline last year to positive growth, with short-term loans up RMB 490 billion, suggesting improving consumer sentiment. Long-term loans rose from RMB 707 billion last year to RMB 1.1 trillion, likely driven by a recovery in property sales. Government bond issuance added RMB 1.05 trillion, a major contributor despite a 32.9% YoY drop due to a high base effect.
- ▶ Fixed asset investment grew by 3.4% in the first ten months, below the 3.5% forecast. Private investment remains weak, recording -0.3%, down from -0.2% previously. This aligns with the subdued corporate loan growth, reflecting low business investment confidence. Real estate investment continues its decline, falling 10.3% year-to-date, worsening from -10.1% previously, despite recent sales recovery.
- ▶ Industrial production in Oct. grew by 5.3%, slightly below the previous 5.4%.
- ▶ Retail sales grew by 4.8% YoY, surpassing the 3.8% forecast and the prior 3.2% growth. Notably, household appliances and audiovisual equipment surged by 39.2%, up from 20.5%, driven by strong consumption-boosting policies.

Source: Bloomberg

## China Retail Sales



## Fixed Asset Investment



# Trip.com Group (9961)

**Closing Price** HK \$476.8

**Target Price** HK \$570

**Stop-Loss Price** HK \$420

## Profile

Provides travel services including hotel bookings, transportation tickets, tour packages, corporate travel management, and related online ads.

## Highlights

### ■ 3Q Revenue Expected to Rise

3Q net revenue is projected to grow 13.8% YoY to RMB 15.64 billion, with adjusted EBITDA at RMB 5.28 billion. Breakdown: hotel bookings at RMB 6.79 billion (+21.6% YoY), transportation ticketing at RMB 5.53 billion (+3.13% YoY), tour packages at RMB 1.6 billion (+20.9% YoY), and corporate travel at RMB 648 million (+9.7% YoY).

### ■ Stronger Than Expected Outbound Travel Recovery

Bloomberg estimates non-GAAP operating margin for 3Q could reach 33%, driven by a robust rebound in higher-margin outbound travel. By Aug, international airline and hotel bookings exceeded pre-pandemic levels by 10-20%. Average outbound ticket prices during the summer were 5-10% higher than in 2019, likely boosting transportation revenue. Domestic growth lags, with double-digit hotel booking growth, but average daily rates and ticket prices have declined due to increased capacity.

### ■ Focus on Management Guidance

Consumer budgets may remain tight in 4Q due to macroeconomic challenges. An October survey showed a cooling in travel sentiment, with the percentage of respondents planning significant increases in domestic travel spending dropping by 4 points, and those planning international travel spending dropping by 2 points.

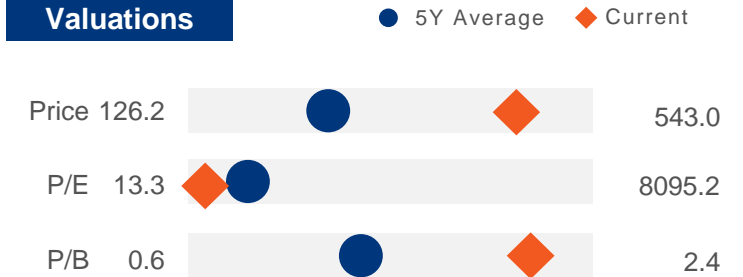
Source: Bloomberg

## Financials

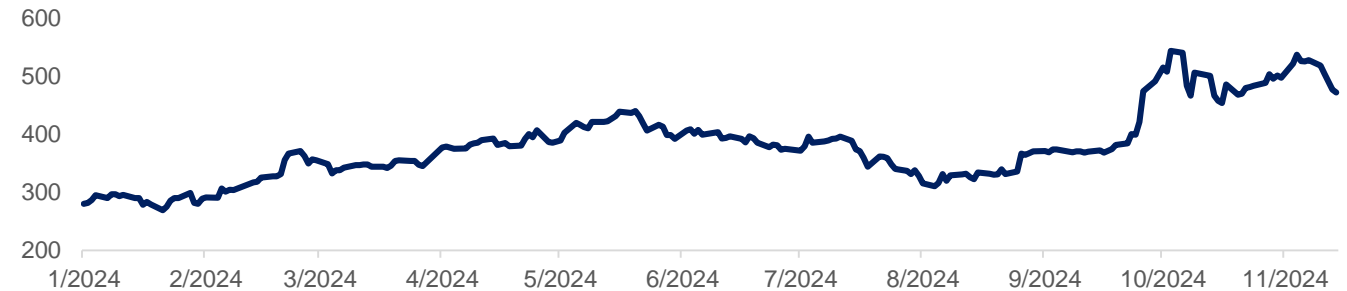
	2021	2022	2023	2024F	2025F
Revenue Growth(%)	9.3	0.1	122.3	17.5	15.2
Gross Profit Margin(%)	77.0	77.5	81.6	81.8	81.6
EBITDA(%)	6.4	10.7	31.3	31.6	32.1
EPS	4.5	1.9	19.4	24.2	26.1

Source: Bloomberg; 2024/25F are market estimates

## Valuations



## YTD Performance



As of 14 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	5.16	47.79	71.75	74.39	95.41	77.91

# BYD Co. (1211)

**Closing Price** HK \$265.8

**Target Price** HK \$310

**Stop-Loss Price** HK \$240

## Profile

Engages in auto and battery businesses, mobile components, and assembly, while expanding into urban rail transit and other sectors.

## Highlights

### Strong Competitiveness

In the first 10 months, China's NEV (New Energy Vehicle) production and sales reached 9.779 million and 9.75 million units, growing 33% and 33.9% YoY, respectively. NEVs accounted for 39.6% of total new car sales, reflecting the impact of vehicle trade-in policies and market recovery. The China Association of Automobile Manufacturers expects NEV sales to hit 12 million units this year, exceeding the initial forecast of 11.5 million. BYD set a record with over 500,000 units sold in October, the highest monthly sales for any Chinese and global NEV company. 3Q revenue and profit reached RMB 201.12 billion and RMB 11.6 billion, growing 24% and 11.5% YoY. Gross margin rose 3.2 percentage points to 21.89%, driven by scale and increased sales of DM5.0 models, boosting ASP (Average Selling Price) and per-unit profitability.

### Overseas Markets as Growth Driver

In response to higher EU tariffs, Chinese automakers are exploring overseas production. BYD is investing \$1 billion in a plant in Turkey, set to start production by end-2026. It is also building its first European passenger car factory in Hungary, aiming to launch by 2026. On July 4, BYD opened its first Southeast Asia EV plant in Thailand. Additionally, BYD took over a former Ford plant in Brazil and is scouting locations for a factory in Mexico. As a global NEV leader, BYD's overseas passenger car sales in October reached 31,192 units (exports at 28,012 units). Cumulative sales for Jan-Oct nearly doubled YoY to 329,073 units. Currently operating in 96 countries and regions, BYD's overseas factories are set to become a key growth driver long term.

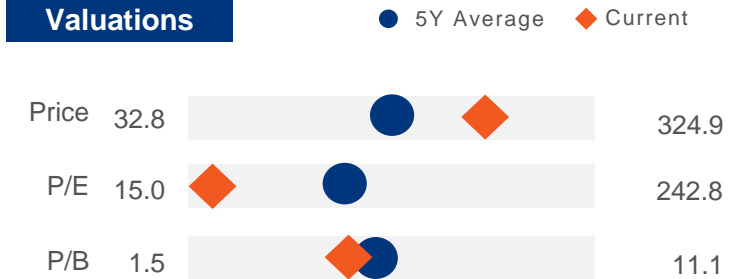
Source: Bloomberg

## Financials

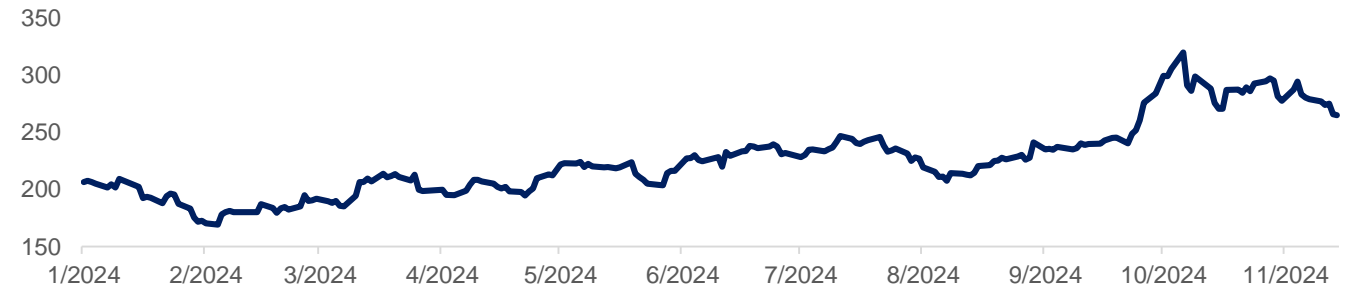
	2021	2022	2023	2024F	2025F
Revenue Growth(%)	40.8	96.2	42.0	25.6	21.1
Gross Profit Margin(%)	13.0	17.0	20.2	20.1	20.4
EBITDA(%)	1.06	5.71	10.32	12.87	16.16
EPS	-27.8	438.6	80.7	24.6	25.6

Source: Bloomberg; 2024/25F are market estimates

## Valuations



## YTD Performance



As of 14 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-1.77	23.85	25.81	7.38	-9.54	615.05



## Follow the Rally as Post-Election U.S. Stocks Reach Highs

- ▶ Fed Chair Powell stated on Thursday that the U.S. economy remains resilient with a strong labor market and inflation above the 2% target, indicating no rush for rate cuts.
- ▶ In October, U.S. core CPI held steady at 3.3% YoY, in line with September and market expectations. On a monthly basis, core CPI rose 0.3%, matching September.
- ▶ October PPI rose 0.2% MoM, meeting expectations, and was higher than September's revised 0.1%. Annually, PPI increased 2.4%, surpassing the revised 1.9% for September. Core PPI rose 0.3% MoM, up from 0.2%, while annual core PPI growth reached 3.1%.
- ▶ U.S. October retail sales rose 0.4% MoM, beating the expected 0.3% and exceeding September's revised 0.8%.
- ▶ Bitcoin broke out of a 6-month range post-election, surpassing \$90,000.

Bitcoin halves every 4 years; each cycle peak surpasses the previous one, indicating a long-term upward trend.

Peaks occur about 18 months after each halving event.

The latest halving was on April 20, 2024.

Bitcoin is projected to continue rising, potentially peaking by late 2025.

- ▶ Historically, year-end rallies are common in U.S. stocks; buying on dips is recommended.



# Coinbase Global Inc (COIN)

<b>Closing Price</b>	US \$305.85	<b>Target Price</b>	US \$368	<b>Stop-Loss Price</b>	US \$250
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## Profile

Coinbase provides financial infrastructure and technology for the U.S. and global crypto economy. It offers primary crypto financial accounts for consumers and a liquidity pool marketplace for institutional investors to trade crypto assets. The company also provides tools and services for developers to build crypto products and accept crypto payments securely.

## Highlights

### ■ Trump Supporting Crypto

Trump attended the Bitcoin Conference, declaring plans to make the U.S. a crypto hub and Bitcoin superpower. He proposed adding 2 million Bitcoins and 10 million Ether as federal reserves. According to Fox News, Pennsylvania's House proposed a bill to adopt Bitcoin as a reserve asset. Market forecasts also suggest Trump may dismiss SEC Chair Gary Gensler, known for his tough stance on crypto regulation.

### ■ Bitcoin Hits Record High

Following the U.S. election, Bitcoin broke past its previous range, reaching a record \$93,000. Analysts predict it could surpass \$100,000 by year-end. Historically, Bitcoin sees an 18-month rally post-halving, with the latest halving on April 19. The upward trend is expected to continue over the next year..

### ■ 3Q FY24 Results

Revenue rose 79.5% YoY to \$1.21 billion, missing estimates by \$40 million. GAAP EPS was \$0.28, below the expected \$0.42. For 4Q, the company forecasts subscription and services revenue of \$505 million to \$580 million, compared to \$556 million in 3Q.

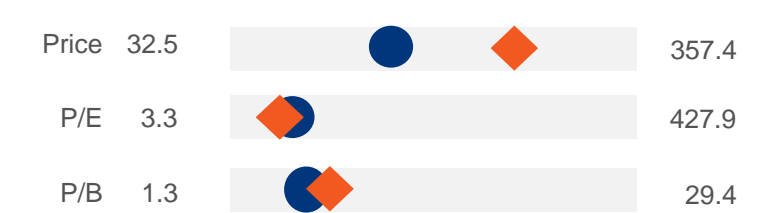
Source: Bloomberg

## Financials

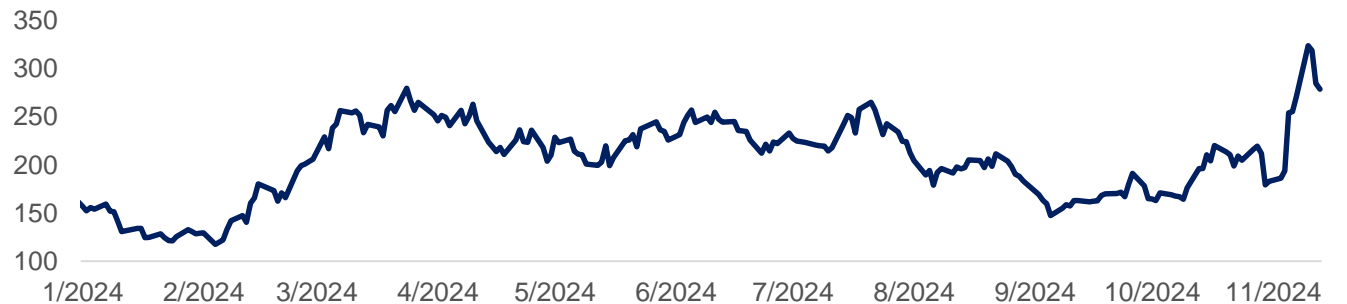
	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	513.7	-59.3	-2.7	78.4	3.5
<b>EBITDA (%)</b>	58.2	-36.5	15.3	44.9	41.6
<b>EPS</b>	21.35	-6.63	1.71	5.37	4.14
<b>Net Profit Margin(%)</b>	59.9	-46.0	14.0	25.0	17.6

Source: Bloomberg; 2024/25F are market estimates

## Valuations



## 1-Year Performance



As of 14 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	42.0	42.3	60.3	202.8	-6.0	NA

# Old Dominion Freight Line Inc (ODFL)

**Closing Price** US \$215.57

**Target Price** US \$250

**Stop-Loss Price** US \$200

## Profile

A regional and inter-regional trucking company, Old Dominion Freight Line transports general freight such as consumer goods, textiles, and capital goods across the U.S.

## Highlights

### ■ U.S. Domestic Freight Demand Set to Rise

Trump's tariff proposal on imports, especially from China, aims to boost domestic manufacturing and reduce reliance on foreign goods. In the short term, manufacturers may front-load imports to avoid higher tariffs, potentially driving up domestic trucking rates due to increased demand. Long-term, expanded U.S. manufacturing could raise domestic logistics demand, benefiting carriers like Old Dominion Freight Line, known for moving U.S.-produced goods nationwide.

### ■ Oil Prices Expected to Stay Low

Trump's energy policies focus on boosting U.S. oil output and lowering gasoline costs, likely pushing oil prices down. This would reduce operating costs for domestic freight companies, supporting profitability. As the U.S. leads in global oil production, increased output may add to supply pressure, lowering prices. Limited emphasis on climate policy could delay the shift from diesel engines, extending the period of low fuel costs, further benefiting Old Dominion's profit margins.

### ■ 3Q FY24 Results

Revenue fell 3.3% YoY to \$1.47 billion, missing estimates by \$20 million. GAAP EPS was \$1.43, beating expectations by \$0.01.

Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	30.9	19.1	-6.3	-0.7	5.2
<b>EBITDA (%)</b>	31.4	34.1	33.5	32.5	33.1
<b>EPS</b>	4.44	6.08	5.55	5.44	5.87
<b>Net Profit Margin(%)</b>	19.7	22.0	20.8	20.2	20.4

Source: Bloomberg; 2024/25F are market estimates

## Valuations

● 5Y Average ◆ Current

Price	39.6	●	◆	231.8
P/E	16.1	●	◆	45.0
P/B	3.6	●	◆	12.4

## 1-Year Performance



As of 14 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	10.4	15.8	10.2	10.4	8.5	28.8



# Record Short Positions by Foreign Investors; Market Awaits Breakout, Eyes Earnings Plays

## ► Foreign Futures Short Positions Hit Record High, Market Drops Below 23,000 Level

Record-high foreign futures short positions of 51,700 contracts pressured the market, causing a steady decline, breaking below both the monthly and 10-day moving averages, and losing the key 23,000 level. Technically, resistance is forming in the 23,150-23,250 range, with volume needed for a breakout; otherwise, consolidation may continue. Downside support is seen at the rising quarterly and semi-annual lines near 22,500.

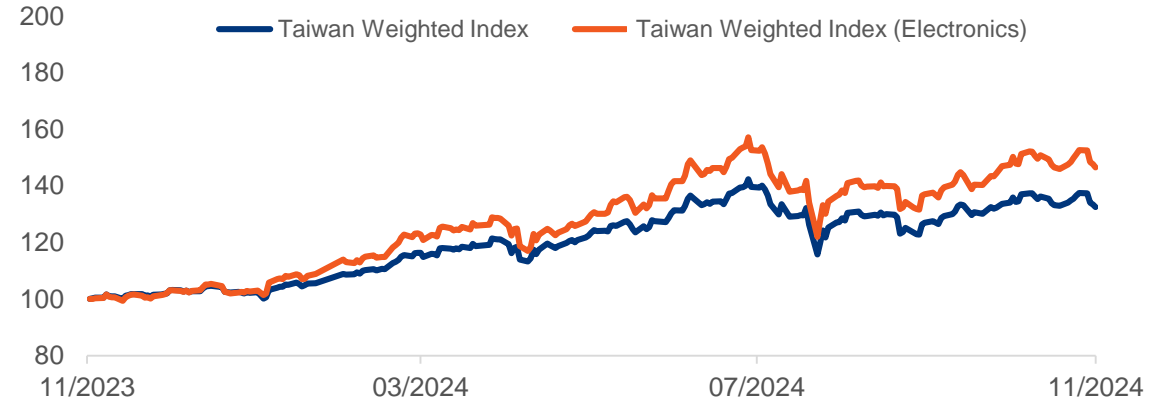
## ► Electronics Sector Faces Consolidation, Focus on AI Server and Earnings-Driven Stocks

In the current market structure, heavyweight electronics remain weak, while AI server stocks show relative strength amid consolidation. Key focus areas include battery-related stocks, gallium arsenide, casings, and semiconductor packaging materials. Financial stocks' support near the quarterly line is crucial, potentially acting as market stabilizers. Non-tech and financials are broadly declining, offering limited trading opportunities. Shipping and machinery stocks may warrant attention during pullbacks. With individual stocks recently correcting, avoid heavy positions until clear rebound signals appear. Prioritize stocks showing strong earnings, maintaining support at moving averages, or breaking through resistance levels.

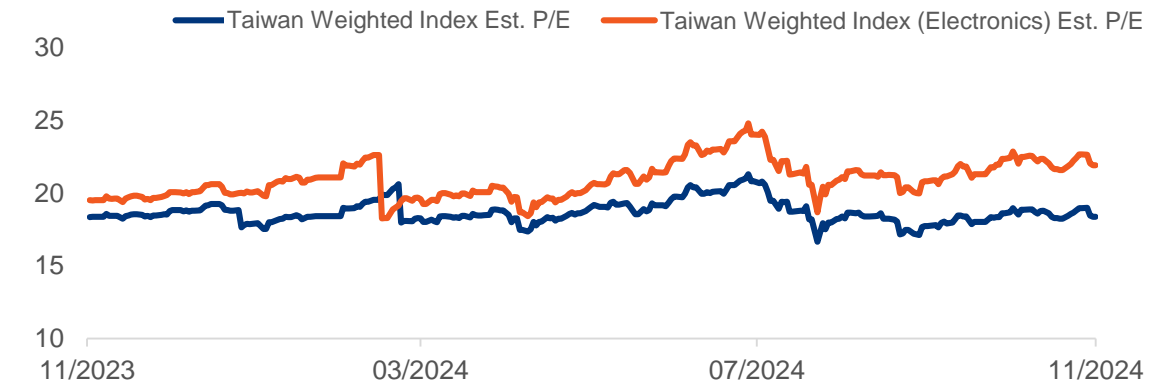
Source: Bloomberg

### Taiwan's Weighted Index and Electronics Index & Forward P/E

Index, 14 Nov, 2023 = 100



Index Est. P/E





# Winway Technology (6515 TT)

## Profile

Designs, manufactures, and distributes semiconductor products. The company produces high-performance heat spreader lids, high-performance test sockets, conversion kits, direct dock probe cards, contact elements, and other related products.

## Highlights

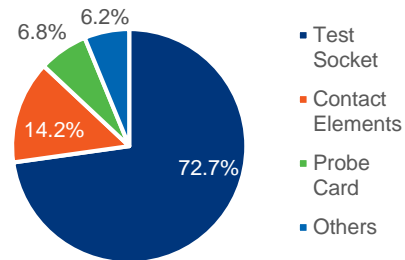
### Strong AI/HPC Demand to Act as a Valuation Catalyst

Benefiting from robust AI/HPC demand, WinWay has moved past the period of significant revenue fluctuations driven by longer consumer electronics cycles seen over the past 2-3 years. AI/HPC contributed 60% of the company's 1H24 revenue. We expect AI/HPC to continue driving WinWay's revenue growth in 2025.

### Multiple Structural Trends to Drive Growth Over the Next 3-5 Years

expected to benefit from several structural trends. The increasing complexity of AI/HPC chips extends testing durations, boosting demand for IC test sockets. According to the product roadmap of a global leading GPU company, the AI GPU product cycle has shortened to 1-1.5 years, compared to the previous 2-3 years. Multiple specifications under the same architecture will also drive demand for IC test sockets.

## Revenue Sources and Regions



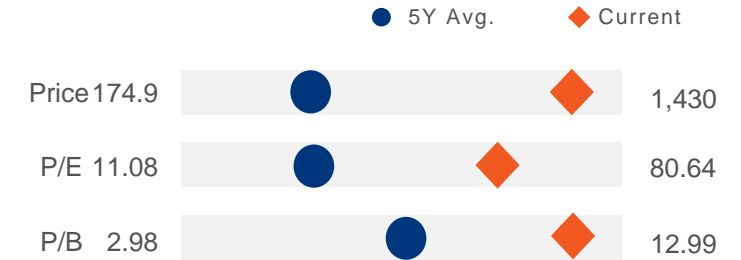
Source: Bloomberg

## Financials

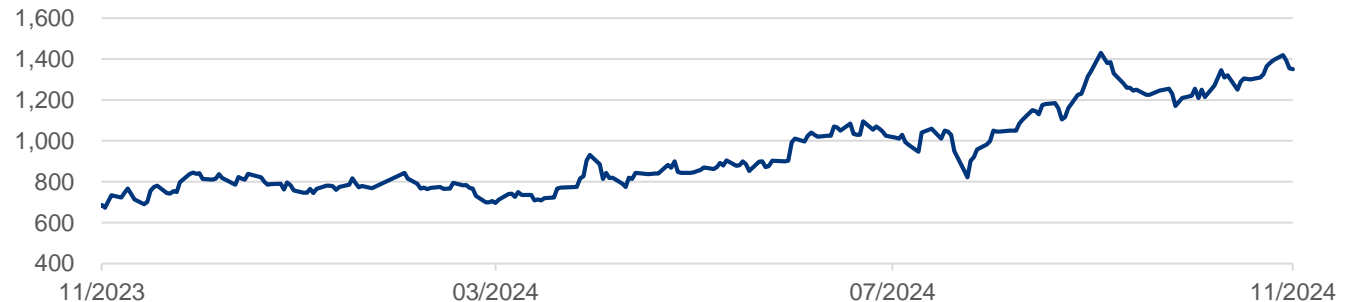
	2021	2022	2023	2024F	2025F
EPS (NTD)	14.46	32.22	13.52	34.91	50.26
EPS Growth (%)	-17.0	122.9	-58.0	15.2	43.9
P/E Ratio	96.5	43.3	103.1	40.0	27.8
ROE (%)	20.7	33.2	12.9	29.4	31.2

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



As of 14 Nov. 2024	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-2.2	10.7	28.6	59.4	60.9	96.8

# Silergy Corp. (6415 TT)

## Profile

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

## Highlights

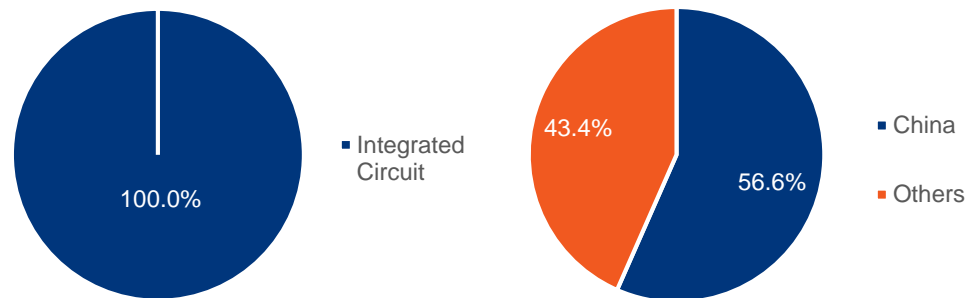
### ■ 3Q24 Results Beat, 4Q24 Outlook Upgraded

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



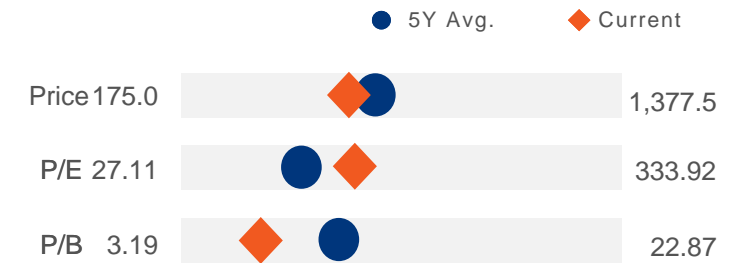
Source: Bloomberg

## Financials

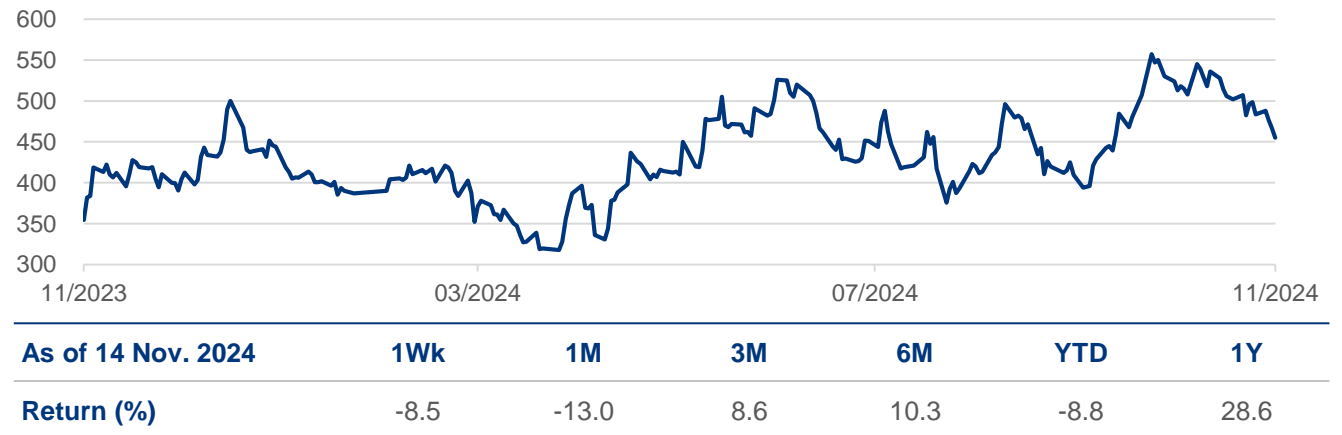
	2021	2022	2023	2024F	2025F
EPS (NTD)	61.51	15.95	1.96	6.28	14.21
EPS Growth (%)	72.2	-74.1	-87.7	221.1	126.3
P/E Ratio	7.6	29.2	238.5	74.3	32.8
ROE (%)	27.5	22.2	2.4	7.5	15.0

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



# Manufacturing Resurgence Drives Optimism in Transportation Stocks

As U.S. manufacturing returns, transportation stocks are poised to soar. Investors can access the sector's potential via ETFs.

## ► iShares U.S. Transportation ETF (IYT)

- Tracks the S&P Transportation Select Industry FMC Capped Index (USD).
- Focuses on U.S. airlines, railroads, and trucking companies.
- Utilizes a market-cap weighting strategy, with top 10 holdings making up over 70% of the portfolio.

## ► SPDR S&P Transportation ETF (XTN)

- Tracks the S&P Transportation Select Industry Index.
- Uses equal weighting, reducing risk from concentration and including smaller-cap stocks.
- Top 10 holdings account for around 30% of the portfolio.

Product	iShares U.S. Transportation ETF (IYT)		SPDR S&P Transportation ETF (XTN)	
Features	Focuses on U.S. airlines, railroads, and trucking companies.		Uses equal weighting, reducing risk from concentration and including smaller-cap stocks.	
AUM	USD 757M		USD 257M	
Tracking Index	S&P Transportation Select Industry FMC Capped Index (USD)		S&P Transportation Select Industry Index	
Holdings	44		44	
Expense Ratio	0.39%		0.35%	
3M/YTD Returns	14.41% / 12.41%		23.86% / 11.55%	
Top-5 Sectors (%)	Transportation	62.66	Transportation	58.28
	Airlines	17.57	Airlines	24.45
	Internet	17.43	Commercial Services	7.01
	Commercial Services	1.63	Internet	5.92
	Aerospace/Defense	0.65	Aerospace/Defense	2.60
Top-5 Holdings (%)	Uber Technologies	16.36	United Airlines	4.05
	Union Pacific Corp	15.88	Lyft Inc	3.69
	United Parcel Service	7.91	SkyWest Inc	3.27
	Delta Air Lines	5.83	Delta Air Lines	3.23
	Old Dominion Freight Line	4.83	XPO Inc	3.16

Source: Bloomberg

# iShares U.S. Transportation ETF (IYT)

## Profile

Tracks the S&P Transportation Select Industry FMC Capped Index (USD), aiming to replicate the performance of its constituent stocks.

### Focus on U.S. Transportation Sector

Invests in U.S. transportation companies, including airlines, railroads, trucking, and shipping firms.

### America-Focused Investment

Amid the trend of "reshoring" U.S. manufacturing, transportation investments benefit across various economic levels, as consumer goods and raw materials require extensive logistics.

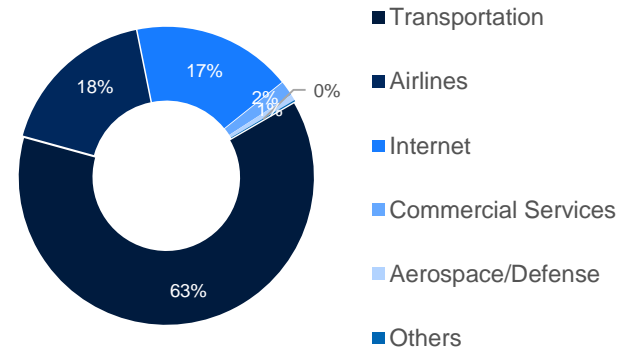
### Concentrated Top Holdings

Top 10 holdings make up 71.34% of assets, featuring major firms like Uber Technologies, Union Pacific, UPS, and Delta Air Lines.

<b>Inception Date</b>	6 Oct. 2003	<b>AUM</b>	USD 757 Million
<b>ETF Category</b>	Equities	<b>Holdings</b>	44
<b>Expense Ratio</b>	0.39%	<b>3Y Stand. Dev. (Ann.)</b>	23.44%

Source: Bloomberg, 12 Nov. 2024

## Sectors



## 1-Year Performance



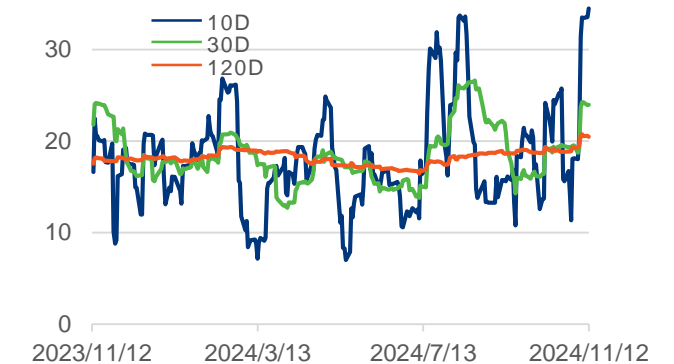
## As of 12 Nov. 2024

	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	2.99	14.41	12.41	29.55	30.95	9.31

## Top-5 Holdings (%)

<b>Uber Technologies</b>	16.36
<b>Union Pacific Corp</b>	15.88
<b>United Parcel Service</b>	7.91
<b>Delta Air Lines</b>	5.83
<b>Old Dominion Freight Line Inc</b>	4.83

## 1-Year Volatility





# SPDR S&P Transportation ETF (XTN)

## Profile

Tracks the S&P Transportation Select Industry Index, aiming to replicate the index's constituent performance.

### Investing in Diverse Transport Sectors

Focuses on the U.S. transportation industry, covering sub-sectors like air freight, logistics, ground freight, railroads, marine transport, and passenger services.

### Equal-weight Strategy

Uses equal-weighting, giving each component a balanced allocation, reducing the impact of single-stock dominance on the ETF's performance.

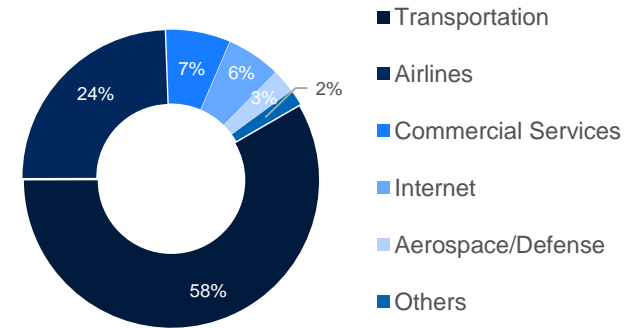
### Growth Opportunity Tied to Economic Expansion

With U.S. economic growth policies in focus, the transportation sector is well-positioned to capitalize on economic upturns, offering strong potential during periods of prosperity.

<b>Inception Date</b>	26 Jan. 2011	<b>AUM</b>	USD 257 Million
<b>ETF Category</b>	Equities	<b>Holdings</b>	44
<b>Expense Ratio</b>	0.35%	<b>3Y Stand. Dev. (Ann.)</b>	27.84%

Source: Bloomberg, 12 Nov. 2024

## Sectors



## 1-Year Performance



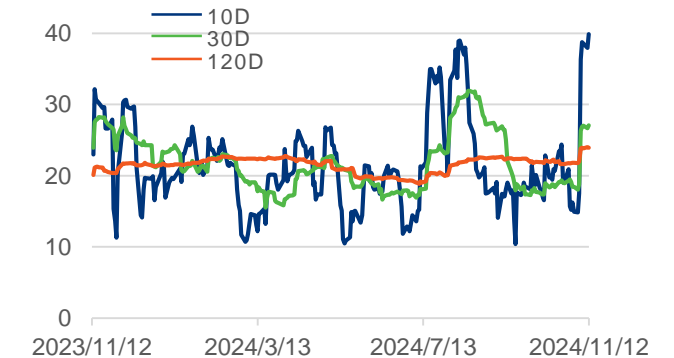
## As of 12 Nov. 2024

	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	10.62	23.86	11.55	34.57	25.48	-2.37

## Top-5 Holdings (%)

<b>United Airlines</b>	4.05
<b>Lyft Inc</b>	3.69
<b>SkyWest Inc</b>	3.27
<b>Delta Air Lines</b>	3.23
<b>XPO Inc</b>	3.16

## 1-Year Volatility



## Trump's Full Control Slows Rate-Cut Momentum, Boosting Volatility and Favoring European, U.S. Banks

### ► HSBC 5.874 11/18/2035 (HSBC Holdings)

- HSBC boasts a strong capital base, with a CET1 ratio of 15.0% as of June 2024, well above the 13.5% median for European peers.
- The bank's high corporate deposits and strong liquidity (LCR of 148%) ensure operational independence, with deposits consistently exceeding loans.
- Asset quality is robust, featuring diverse credit exposure with a strong focus on corporate loans and residential mortgages, particularly in Hong Kong and the UK.

### ► BNP 5.906 11/19/2035 (BNP Paribas)

- BNP Paribas has top-tier earnings quality and risk diversification in Europe, underpinned by a stable profit history and low correlation across business segments.
- Its retail and commercial banking divisions provide a stable profit base, serving as a key credit strength for the group.
- BNP's asset quality is strong, with a well-diversified loan book across regions, asset classes, and industries, focused primarily on low-risk countries like France, Belgium, and Luxembourg.

### ► BAC 5.518 10/25/2035 (Bank of America)

- Ranks as the second-largest U.S. banking group and is a top player in retail, commercial banking, and wealth management. It is also among the top five in U.S. mortgage and credit card markets.
- BAC maintains a conservative risk appetite, strengthened significantly since the financial crisis with enhanced risk management practices.
- BAC's capital ratios have improved under stricter regulatory requirements. By 3Q23, its standardized and advanced CET1 ratios were 11.9% and 13.5%, respectively—160 basis points apart, compared to a 20-basis-point average gap among its closest U.S. peers, reflecting BAC's conservative risk stance.

Products	HSBC 5.874 11/18/2035	BNP 5.906 11/19/2035	BAC 5.518 10/25/2035
ISIN	US404280EL97	US09660V2D44	US06051GMD87
Highlight	Robust capital adequacy is unmatched among European banks.	Leads Europe in earnings quality and diversified risk profile.	Ranks as the second-largest banking group in the U.S.
Maturity Date	18 Nov 2035	19 Nov 2035	25 Oct 2035
Coupon (%)	Float/5.874/Bi-annual	Float/5.906/Bi-annual	Float/5.518/Bi-annual
Currency	USD	USD	USD
Years to Maturity	11.02	11.02	10.95
Rating (Moody's/Fitch/S&P)	Baa1/A-/-	Baa2-/BBB+	A3/A-/BBB+
Seniority	Subordinated	Subordinated	Subordinated
YTM/YTC (%)	5.876/5.875	5.9078/5.9073	5.674/5.670

Source: Bloomberg

# HSBC 5.874 11/18/2035 (HSBC Holdings)

## Profile

Maintains a robust capital adequacy ratio. The group's capital management strategy ensures its subsidiaries are self-sufficient in capital. With regulatory approval, excess capital from subsidiaries is often repatriated as dividends to the holding company for reallocation to growth-focused units.

## Highlights

- Strong liquidity profile is supported by a high proportion of corporate deposits. As of March 2024, the loan-to-deposit ratio was 59%, significantly lower than domestic and global peers. The reported liquidity coverage ratio (LCR) was around 148%, reflecting its strong funding base.
- Strong asset quality, with a well-diversified credit portfolio spanning corporate loans and residential mortgages, mainly concentrated in Hong Kong and the UK. While there were elevated losses from offshore commercial real estate (CRE) loans in China in recent years, provisions have been made. Additional credit losses in this market are expected to be minimal going forward.
- With the Fed entering a rate-cut cycle, investors can capitalize on quality bonds for yield locking. HSBC's lower credit risk profile makes it a favorable choice for increasing high-quality bond holdings, providing resilience against market volatility.

Financials	2021	2022	2023
Liquidity Coverage Ratio	138.4	132.0	136.0
CET1 Capital Ratio(%)	15.80	14.20	14.80
NPL Ratio	1.80	2.10	2.04

## Overview

<b>Name</b>	HSBC 5.874 11/18/35	<b>ISIN</b>	US404280EL97
<b>Maturity Date</b>	18 Nov 2035	<b>Remaining Maturity</b>	11.02
<b>Coupon (%)</b>	Float/5.874/Bi-annual	<b>YTM/YTC(%)</b>	5.876/5.875
<b>Currency</b>	USD	<b>Min. Subscription/ Increment</b>	200,000/1,000
<b>Ratings (Moody's/Fitch/S&amp;P)</b>	Baa1/A-/-	<b>Seniority</b>	Subordinated

## Price Since Issuance

Price data unavailable due to new-issuance.

Source: Bloomberg, 13 Nov 2024; Note: The coupon reset date is the 10th anniversary of issuance. Post-reset, the bond pays quarterly interest based on the compounded average of the U.S. SOFR plus a margin of 1.91%.

# BNP 5.906 11/19/2035 (BNP Paribas)

## Profile

BNP's earnings resilience, high-quality revenue, and strong risk diversification rank it among Europe's top-tier banks. The group has maintained stable profitability historically, with lower earnings volatility than many peers, thanks to its diverse business portfolio and low correlation among segments. Despite challenges from sluggish European growth, prolonged low interest rates, and the Ukraine conflict, BNP's profitability remains strong.

## Highlights

- BNP's core strength lies in its retail and commercial banking, providing stable profits. Its investment banking unit accounts for a smaller share of total revenue compared to global peers. Over the past eight quarters, volatile global markets contributed only 18% of group revenue, versus 30% at other investment banks. Global banking brought in 12% of revenue, further stabilizing the income base.
- BNP has robust asset quality with a well-diversified loan portfolio across regions, asset classes, and sectors. Its assets are primarily in low-risk countries like France, Belgium, and Luxembourg.
- As the Fed begins a rate-cut cycle, investors can lock in yields on quality bonds, favoring those with lower credit risks. Quality bonds are attractive for mitigating volatility as rates stabilize.

Financials	2021	2022	2023
Liquidity Coverage Ratio	136.42	132.26	148.00
CET1 Capital Ratio(%)	12.89	12.33	13.20
NPL Ratio	2.58	2.17	2.16

Source: Bloomberg, 13 Nov 2024; Note: The coupon reset date is the 10th anniversary of issuance. Post-reset, the bond pays quarterly interest based on the compounded average of the U.S. SOFR plus a margin of 1.92%.

## Overview

<b>Name</b>	BNP 5.906 11/19/35	<b>ISIN</b>	US09660V2D44
<b>Maturity Date</b>	19 Nov 2035	<b>Remaining Maturity</b>	11.02
<b>Coupon (%)</b>	Float/5.906/Bi-annual	<b>YTM/YTC(%)</b>	5.9078/5.9073
<b>Currency</b>	USD	<b>Min. Subscription/ Increment</b>	200,000/1,000
<b>Ratings</b> (Moody's/Fitch/S&P)	Baa2/-/BBB+	<b>Seniority</b>	Subordinated

## Price Since Issuance

Price data unavailable due to new-issuance.

# BAC 5.518 10/25/2035 (Bank of America)

## Profile

Bank of America (BAC) is the second-largest U.S. bank, among the top three retail and commercial banking brands, and a leader in U.S. wealth management. It ranks in the top five for both mortgages and credit cards. In 2022, 87% of its revenue came from the U.S., 6% from EMEA, and 5% from Asia.

## Highlights

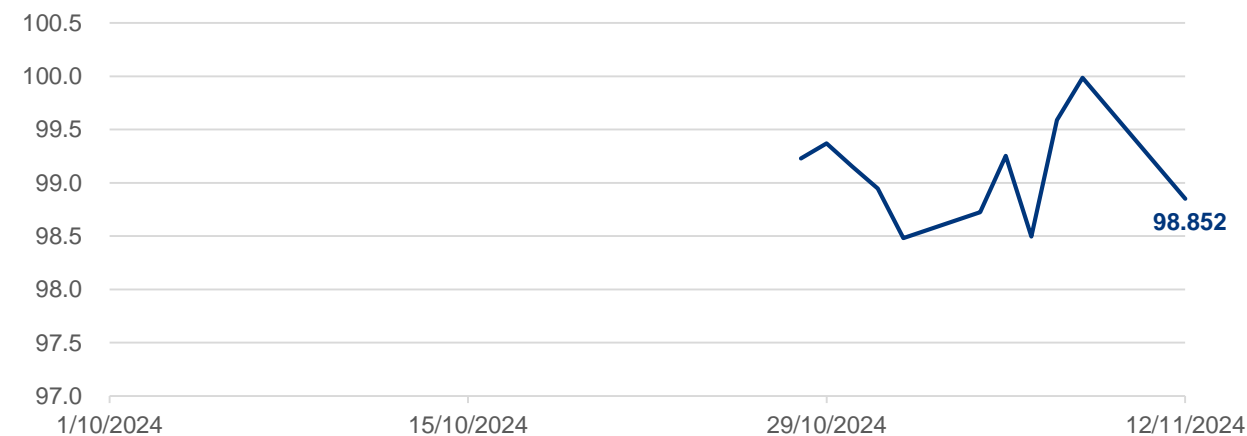
- BAC has a conservative risk profile, with lower levels of non-performing loans and fewer risky Level 3 assets than many peers. It consistently shows lower stress losses in the Fed's annual stress tests, highlighting its resilience in economic downturns.
- BAC's capital ratios have improved amid stricter regulations. By 3Q23, its standardized and advanced CET1 ratios were 11.9% and 13.5%, respectively, a 160-basis-point gap—far wider than the 20-basis-point average among its closest U.S. peers, reflecting its conservative risk stance.
- As the Fed begins cutting rates, investors may lock in yields on high-quality bonds. Assess issuers with lower credit risks, and consider adding quality bonds as rates stabilize.

Financials	2021	2022	2023
Liquidity Coverage Ratio	115.00	120.00	115.00
CET1 Capital Ratio(%)	10.60	11.20	11.80
NPL Ratio	0.48	0.36	0.52

## Overview

<b>Name</b>	BAC 5.518 10/25/35	<b>ISIN</b>	US06051GMD87
<b>Maturity Date</b>	25 Oct 2035	<b>Remaining Maturity</b>	10.95
<b>Coupon (%)</b>	Float/5.518/Bi-annual	<b>YTM/YTC(%)</b>	5.674/5.670
<b>Currency</b>	USD	<b>Min. Subscription/Increment</b>	2,000/1,000
<b>Ratings (Moody's/Fitch/S&amp;P)</b>	A3/A-/BBB+	<b>Seniority</b>	Subordinated

## Price Since Issuance



Source: Bloomberg, 13 Nov 2024; Note: The coupon reset date is the 10th anniversary of issuance. Post-reset, the bond pays quarterly interest based on the compounded average of the U.S. SOFR plus a margin of 1.738%.



## Appendix

## Key Economic Data / Events

## ▶ NOV 2024

11 Monday

12 Tuesday

- Japan Oct. Machine Tool Orders YoY Initial Value (Actual:9.3% Prev:-6.4%)

13 Wednesday

- U.S. Oct. CPI YoY (Actual:2.6% Est:2.6% Prev:2.4%)
- U.S. Oct. Core CPI YoY (Actual:3.3% Est:3.3% Prev:3.3%)
- Japan Oct. PPI YoY (Actual:3.4% Est:2.9% Prev:3.1%)

14 Thursday

- U.S. Initial Jobless Claims (Actual:217k Est:220k Prev:221k)
- U.S. Oct. PPI YoY (Actual:2.4% Est:2.3% Prev:1.9%)
- Eurzone Q3 GDP SA YoY Initial Value (Actual:0.9% Est:0.9% Prev:0.9%)

15 Friday

- U.S. Oct. Retail Sales Advance MoM (Est:0.3% Prev:0.4%)
- U.S. Oct. Industrial Production MoM (Est:-0.4% Prev:-0.3%)
- Japan Q3 GDP QoQ Initial Value (Actual:0.9% Est:0.7% Prev:2.2%)
- Japan Sep. Industrial Production MoM Final Value (Actual:1.6% Prev:1.4%)

18 Monday

- Japan Sep. Core Machine Orders YoY (Est:2.1% Prev:-3.4%)
- Hong Kong Oct. Unemployment Rate (Prev:3.0%)

19 Tuesday

- U.S. Oct. Housing Starts MoM (Est:-1.2% Prev:-0.5%)
- Eurzone Oct. CPI YoY Final Value (Prev:2.0%)
- Earnings Report: WMT, MDT, LOW

20 Wednesday

- Japan Oct. Exports YoY (Est:0.7% Prev:-1.7%)
- Japan Oct. Machine Tool Orders YoY Final Value (Prev:9.3%)

21 Thursday

- U.S. Initial Jobless Claims (Prev:217k)
- U.S. Oct. Existing Home Sales MoM Final Value (Est:1.0% Prev:-1.0%)
- Earnings Report: PANW, DE, NVDA, TJX

22 Friday

- U.S. Nov. S&P Global US Manufacturing PMI Initial Value (Prev:48.5)
- U.S. Nov U. of Mich. Sentiment Final Value (Est: 72.0 Prev:73.0)
- Japan Nov. Natl CPI YoY (Prev:49.2)
- Eurzone Nov. Manufacturing PMI (Est:46.0 Prev:46.0)
- Earnings Report: INTU

Source: Bloomberg

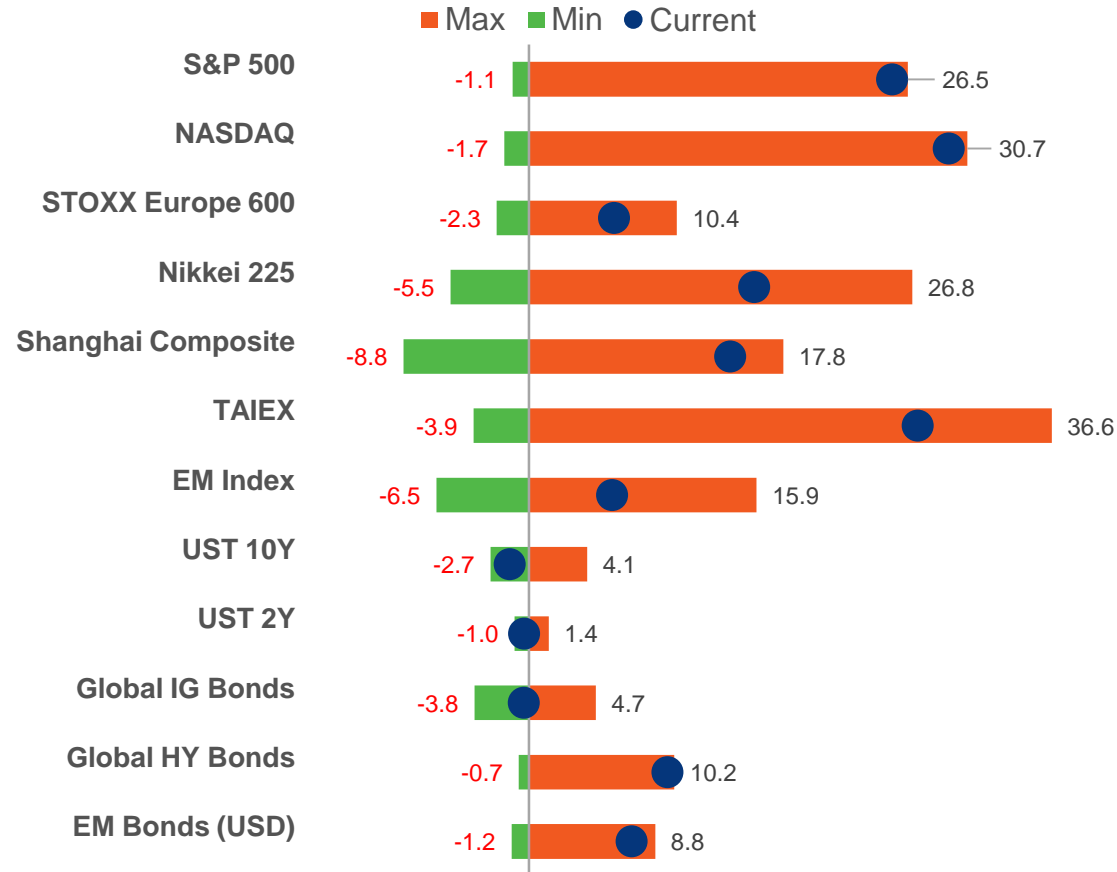
## Key Earnings Releases

Date	Company Name	Est. Revenue (USD)	Actual Revenue (USD)	Est. EPS (USD)	Actual EPS (USD)	Beat Expectations	
						Revenue	EPS
12 Nov 2024	Home Depot Inc (HD)	39.27B	40.22B	3.64	3.78	V	V
12 Nov 2024	Occidental Petroleum Corp (OXY)	7.15B	7.15B	0.71	1		V
14 Nov 2024	Walt Disney Co/The (DIS)	22.48B	22.6B	1.1	1.14	V	V
14 Nov 2024	Cisco Systems Inc (CSCO)	13.78B	13.8B	0.87	0.91	V	V
15 Nov 2024	Applied Materials Inc (AMAT)	6.69B	7.05B	2.19	2.32	V	V

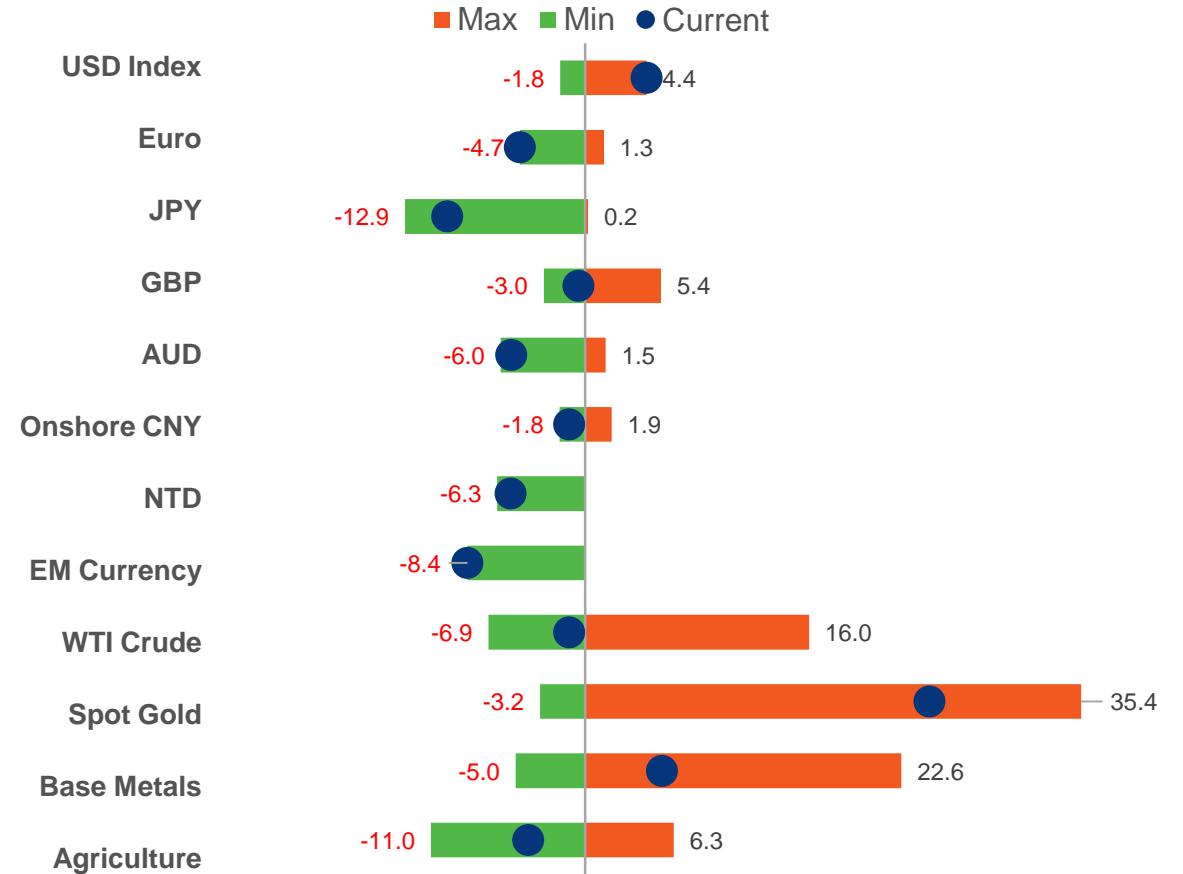
Source: Investing.com

# YTD Major Market / Asset Performance

## Stock and Bond Market YTD Performance (%)



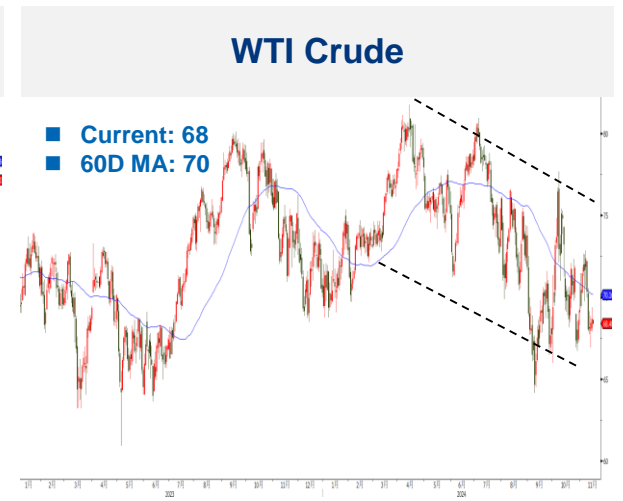
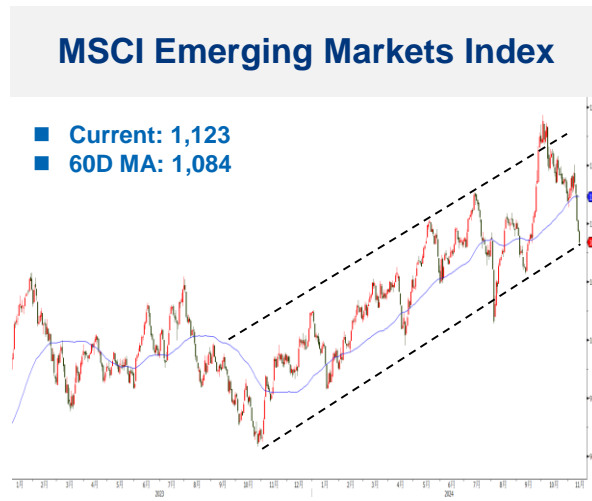
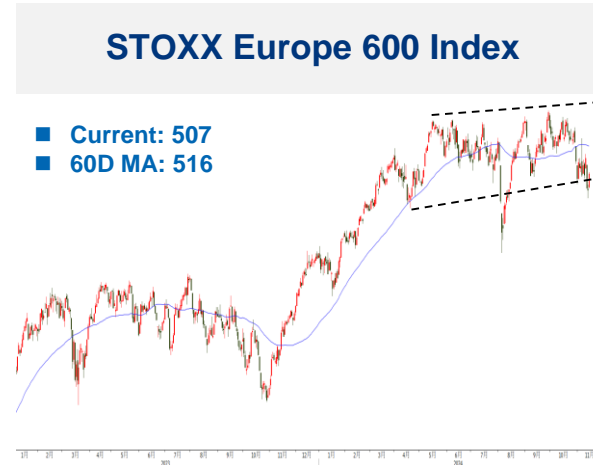
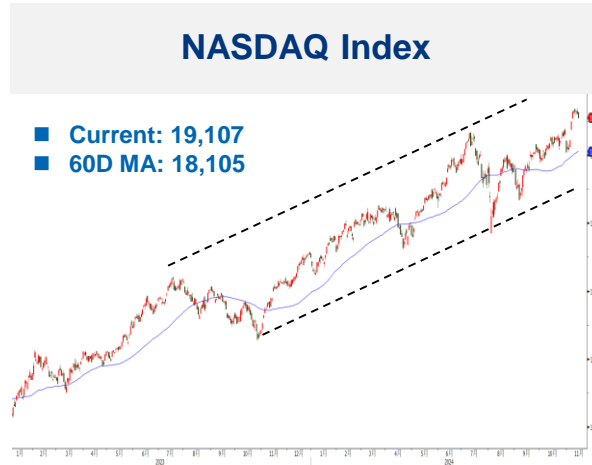
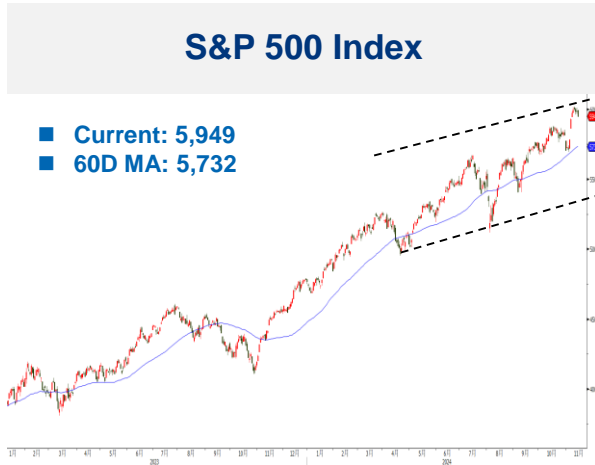
## Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 15 Nov. 2024

# Technical Analysis

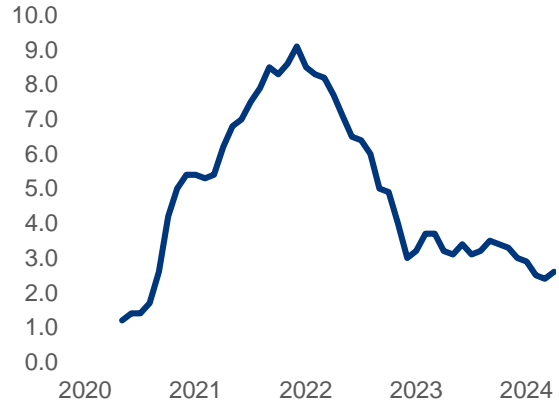
— 60D MA



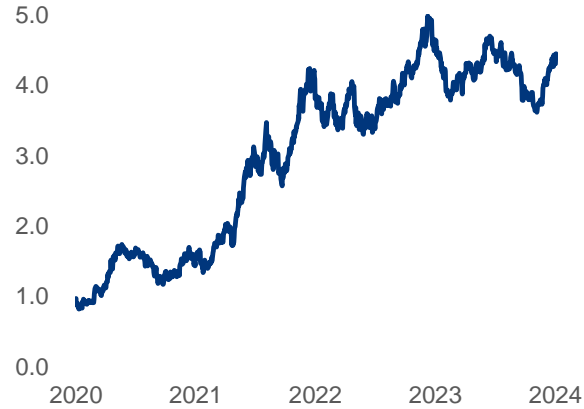
Source: Bloomberg, 15 Nov. 2024

# Market Monitor

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



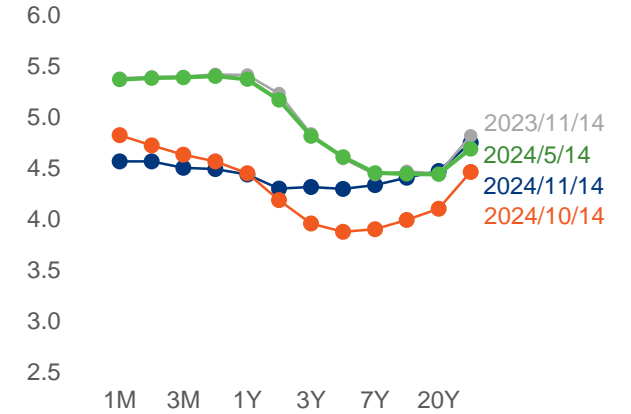
**U.S. 10-Year Treasury Yield (%)**



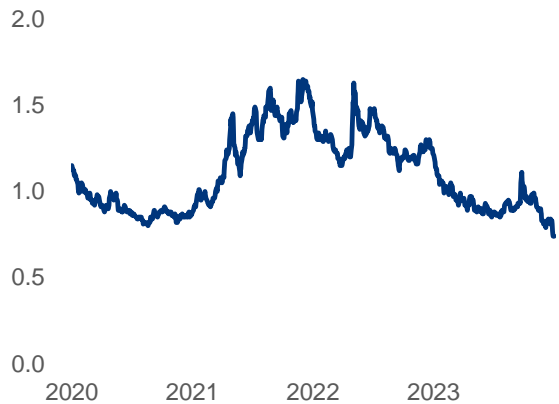
**U.S. Treasury Yield Spread (bps)**



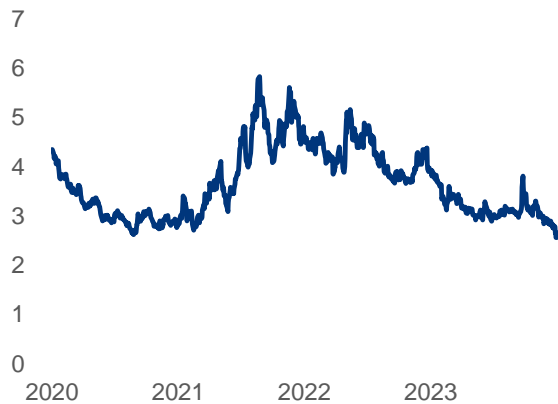
**U.S. Treasury Yield Curve (%)**



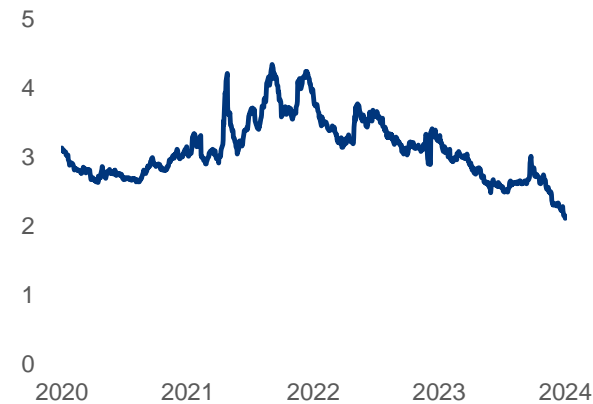
**USD IG Credit Spread (%)**



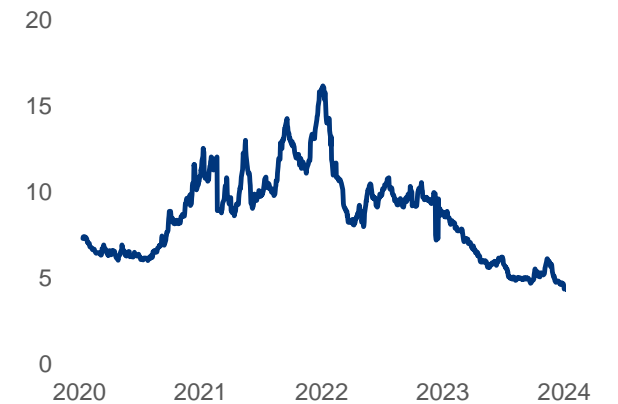
**USD HY Credit Spread (%)**



**USD EM Credit Spread (%)**



**USD Asia Credit Spread (%)**

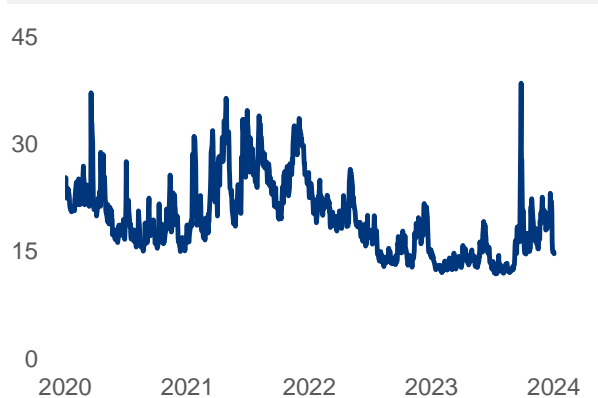


Source: Bloomberg, 14 Nov. 2024

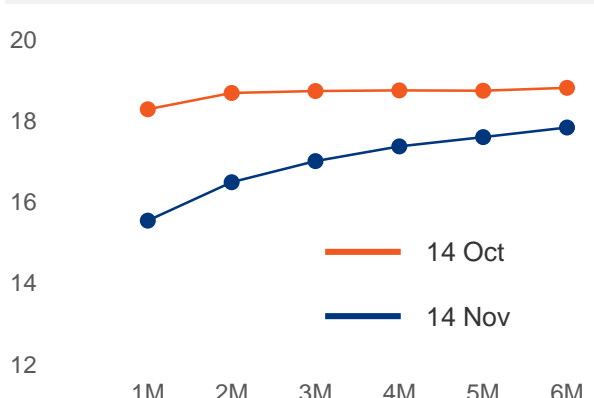


# Market Monitor

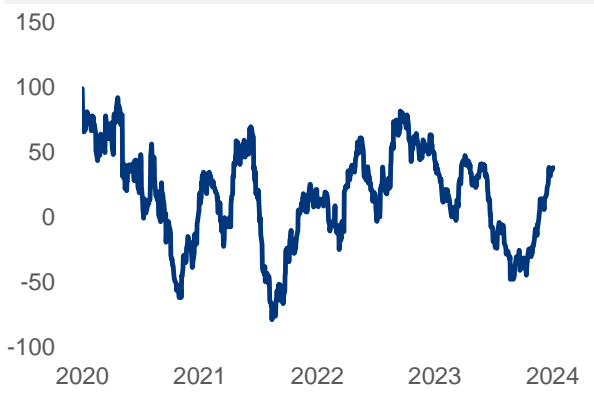
**VIX Index**



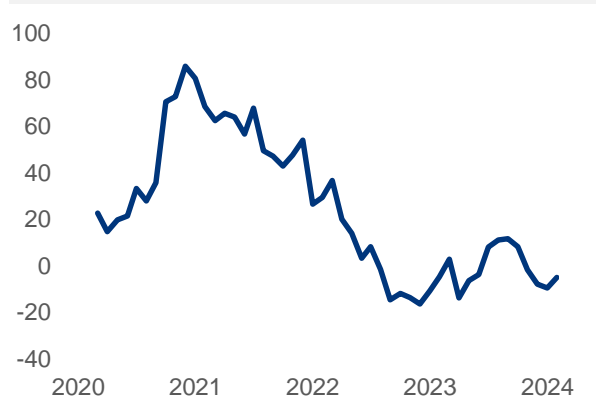
**VIX Term Structure**



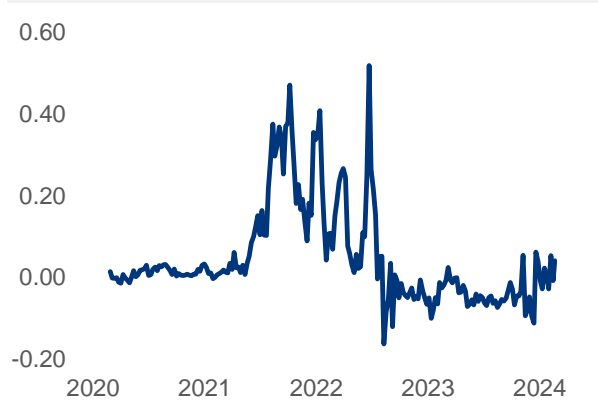
**U.S. Citi Economic Surprise Index\***



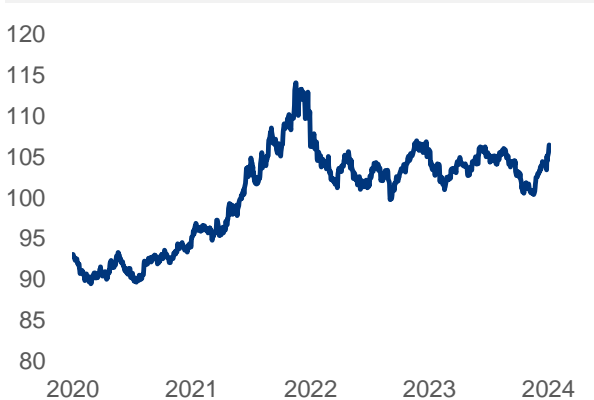
**U.S. Citi Inflation Surprise Index\***



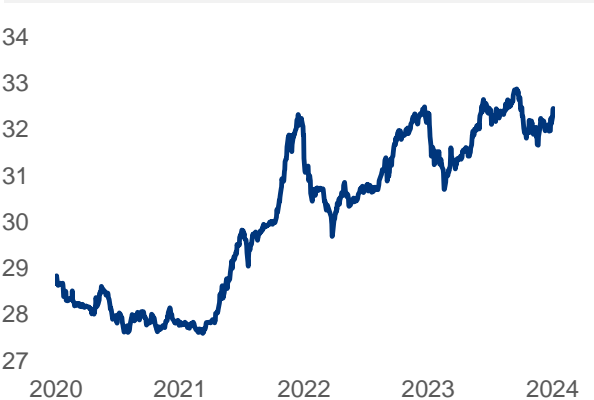
**TED Spread (bps)**



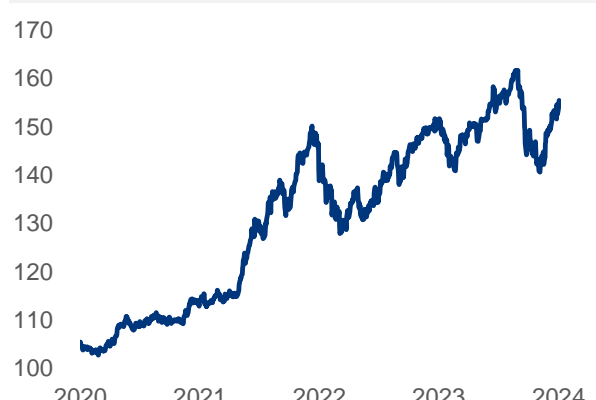
**U.S. Dollar Index**



**USD to TWD**



**USD to JPY**



Source: Bloomberg, 14 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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