



Second Wind for AI?

Global Markets Weekly Kickstart

25 November 2024

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Signals Strong AI Demand Amid
Blackwell Constraints



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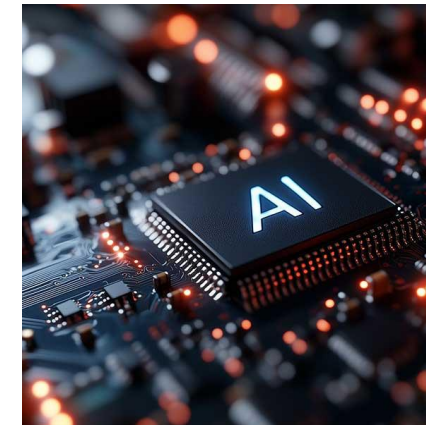
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Nvidia Beats Q3 Estimates, Signals Strong Demand Amid Blackwell Constraints

- ▶ Nvidia's Q3 earnings exceeded expectations, but Q4 guidance hints at slowing growth. CEO Jensen Huang confirmed the Blackwell production line is at full capacity, underscoring strong demand, with supply chain constraints limiting revenue growth.
- ▶ Q3 revenue reached \$35.08B, surpassing the \$33.17B forecast, with a 94% YoY increase. EPS of \$0.81 beat estimates of \$0.75, while gross margin at 75% exceeded expectations. Data center revenue soared 112% YoY to \$30.8B, sustaining momentum. However, Q4 guidance of \$37.5B slightly exceeded the consensus estimate of \$37.1B, falling short of higher market projections of \$41B.
- ▶ Beyond data centers, automotive and robotics revenue grew 72% YoY to \$449M, driven by autonomous chip sales, signaling a potential recovery in the auto sector. Future performance hinges on new product capacity expansion. Q4 revenue projections vary widely by \$7B, the largest divergence in five years, which may heighten stock price volatility in the coming quarter.

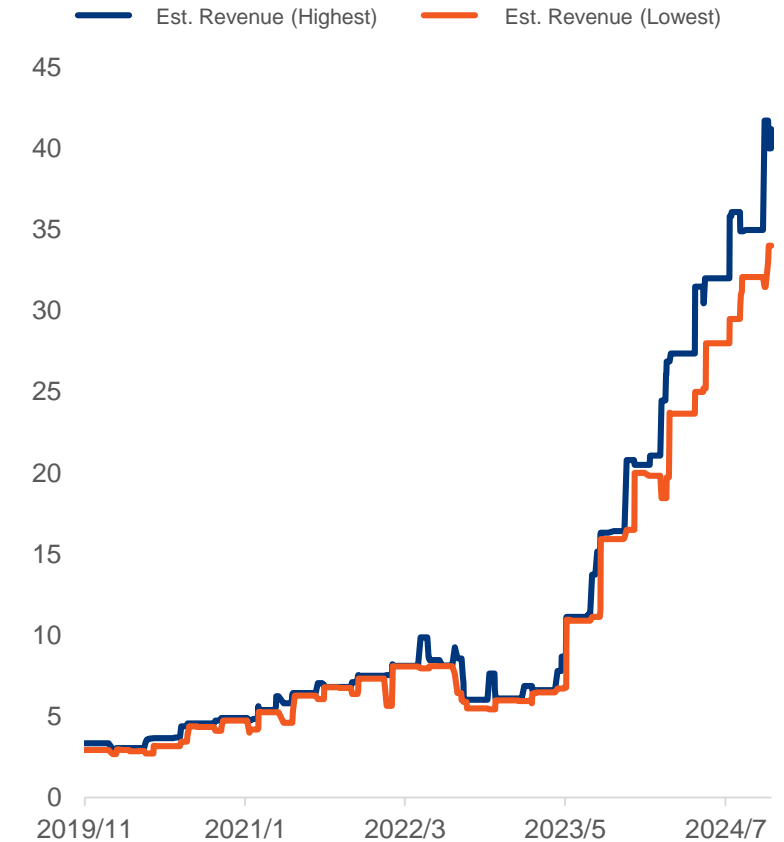
Nvidia Earnings Beat Expectations, Auto Recovery Leads the Way

USD Million

	3Q Revenue	Market Estimates
Revenue	35,082	33,168
YoY	94%	83%
Revenue by Segment		
Games	3,279	3,025
YoY	15%	6%
Server	30,771	28,844
YoY	112%	99%
Pro. Visualization	486	481
YoY	17%	16%
Car Chips	449	360
YoY	72%	38%
OEM	97	87
YoY	33%	19%
Gross Margin		
	26,322	25,878
%	75%	74.90%
Profit Margin		
	26,276	21,711
%	66.30%	65.50%
EPS		
	\$0.81	\$0.75

Uncertainty Remains Over Blackwell's Q4 Contribution

Revenue, USD Billion

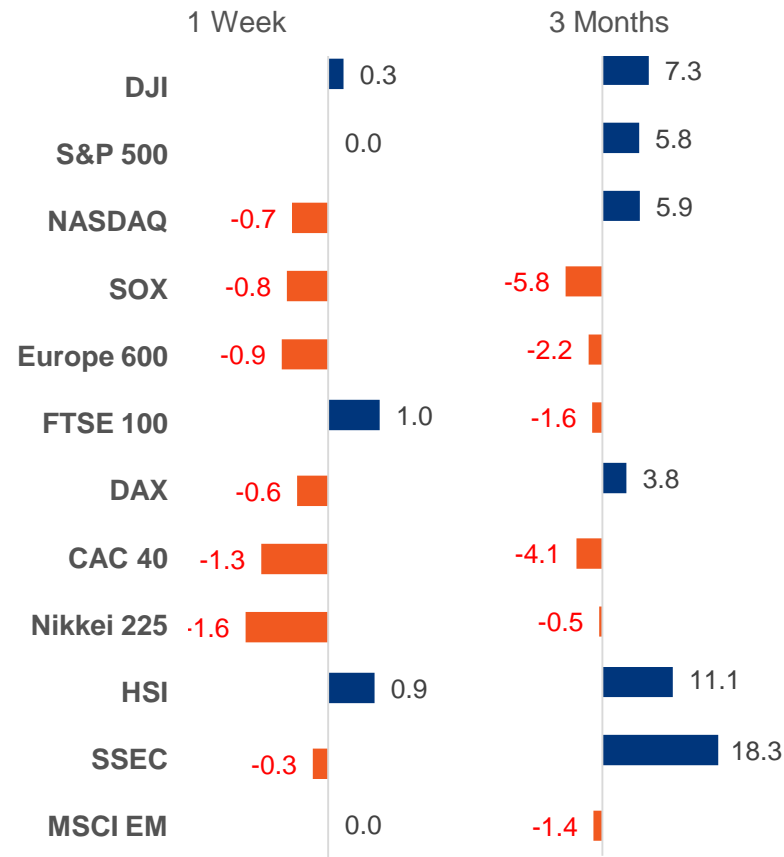


Market Recap

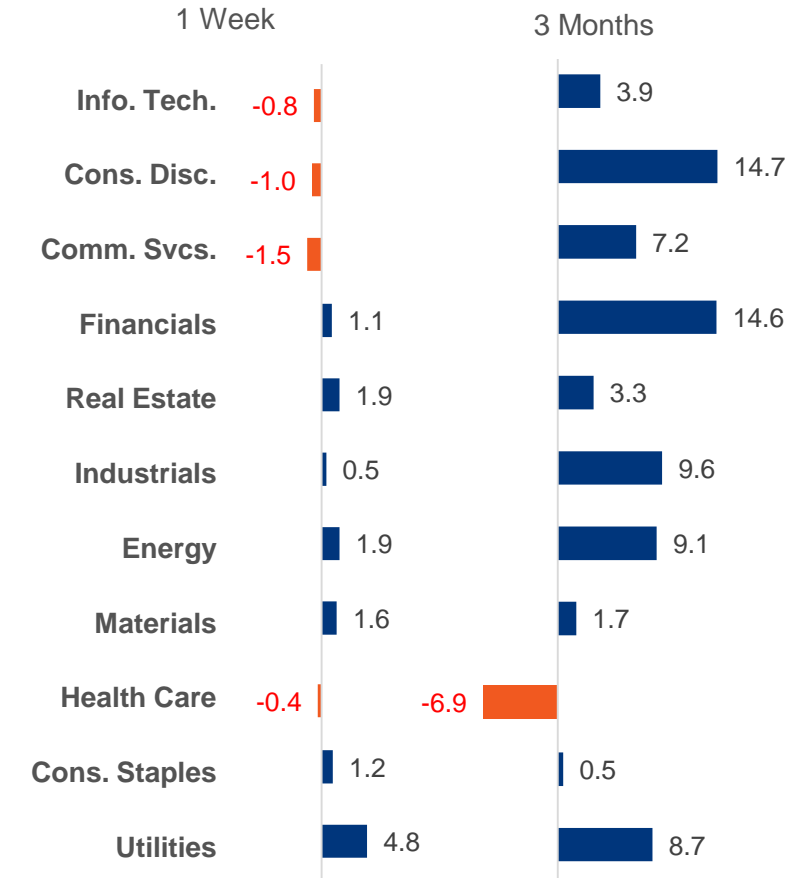
U.S. Tech Stocks Recover After Nvidia Results; Utilities Lead Gains

- ▶ The U.S. stock market showed a mixed trend, starting the week on a weaker note before a mild rebound following Nvidia's earnings report. The three major indices saw varied performance. Among sectors, communication services suffered the steepest decline due to reports of potential operational restructuring or a split of Google, leading to a significant drop in Alphabet's stock. Consumer discretionary also faced pressure as Target revised its earnings outlook downward and issued a cautious sales forecast for the next quarter, resulting in a single-day plunge of over 20%. In contrast, energy, materials, and utilities sectors outperformed, bolstered by Trump's nomination of officials favoring traditional energy policies.
- ▶ In global markets, the Russia-Ukraine conflict escalated as Ukraine launched two missile strikes on Russian territories, and a false alarm about Russia firing an intercontinental missile further weighed on European equities, with German and French markets underperforming. In Japan, the central bank hinted at a potential rate hike in December, alongside concerns about Nvidia's slowing revenue, which pressured Japanese tech stocks. Meanwhile, Hong Kong stocks gained momentum, driven by positive earnings from AI leader SenseTime (06682 HK), which surged nearly 20% in a single day.

Major Stock Indices Performance by Region (%)



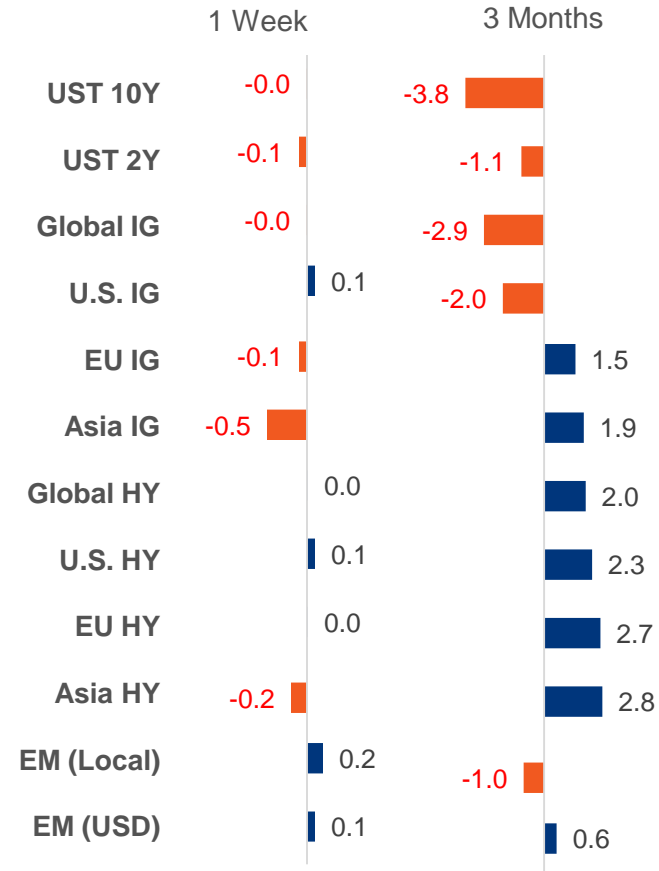
US Stock Performance by Sector (%)



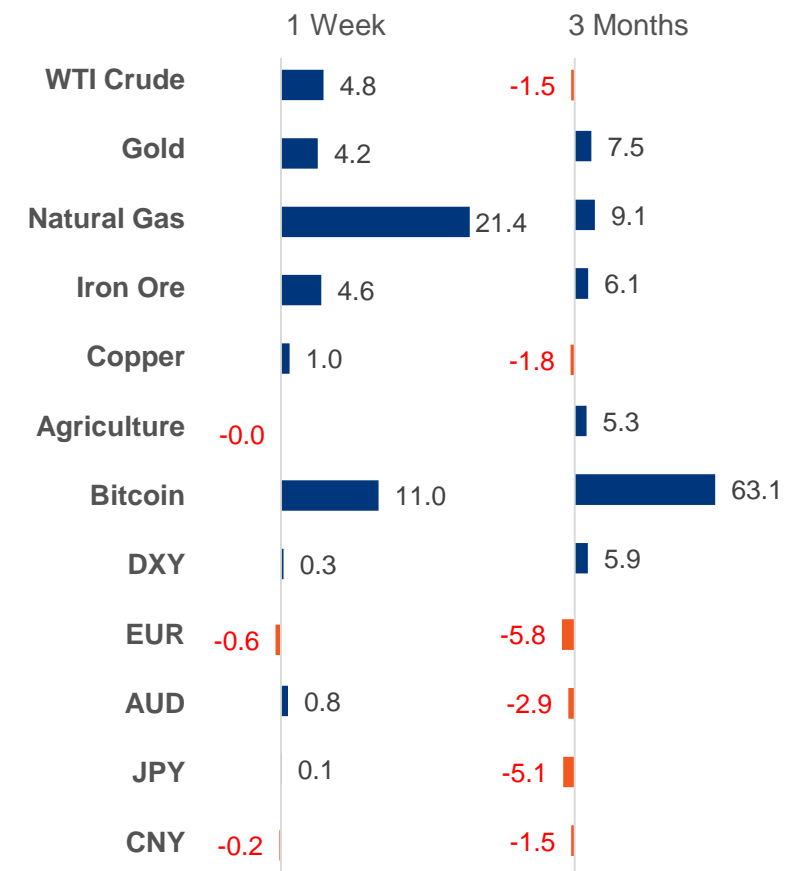
U.S. Treasury Yields Narrow; Escalating Russia-Ukraine Conflict Lifts Oil, Gas, Gold

- ▶ U.S. Treasury yields have recently moderated, with the negative sentiment from Trump's election easing and markets refocusing on the Fed's monetary policy outlook. Investment-grade and high-yield corporate bonds have outperformed Treasuries, reflecting improved credit spreads. Emerging markets are benefiting from eased inflationary pressures and expectations of rate cuts next year, with both local currency and USD-denominated bonds performing well.
- ▶ The Russia-Ukraine conflict has intensified, heightening risks of natural gas supply disruptions in Europe. Trump's appointment of officials with ties to traditional oil and gas sectors has further boosted prices for WTI crude and natural gas. Gold has also risen, driven by geopolitical risks.
- ▶ In currencies, the euro remains weak due to a strong dollar and deteriorating economic and business sentiment in Europe, which has increased expectations for rate cuts by the ECB. Meanwhile, the yen has strengthened slightly, ending its recent weakness, following hawkish remarks from the Bank of Japan governor hinting at a potential rate hike.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



Source: Bloomberg, 22 Nov. 2024

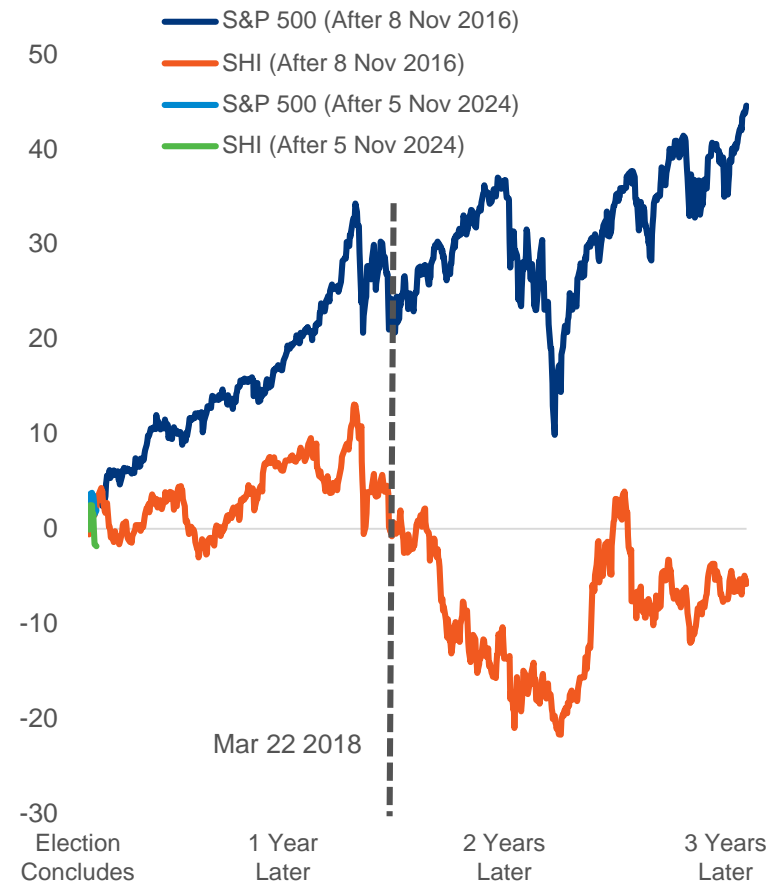
Trump Administration Takes Shape; Benefits Seen for Select Sectors

- ▶ As Trump prepares to assume the U.S. presidency, key appointments reflecting his “America First” policies are being unveiled, focused on: (1) border security and immigration, (2) tariff hikes, (3) tax cuts, (4) financial deregulation, and (5) technology freedom and government efficiency. These policies are expected to benefit traditional energy, defense, financial, and healthcare sectors, while their implementation's impact on the U.S. economy remains a critical watchpoint.
- ▶ Trump has announced plans to declare a state of emergency to deport undocumented Chinese males of military age and other illegal immigrants, with immigration likely to be a priority. Restrictions on labor supply could trigger supply-side inflation. Additionally, tariff increases enacted through executive orders without congressional approval could exacerbate inflation and constrain the Fed's room for rate cuts. China's stock market will depend heavily on large-scale fiscal stimulus, but U.S.-China trade tensions could amplify volatility.

Trump's Cabinet Picks Shape Policy Direction		
Border Security	Deputy White House Chief of Staff	Stephen Miller
	Secretary of Homeland Security	Kristi Noem
	Border Czar	Tom Homan
China Relations	Secretary of State	Marco Rubio
	National Security Advisor	Mike Waltz
	U.N. Ambassador	Elise Stefanik
	Secretary of Commerce	Howard Lutnick
Financial Regulation	SEC Chair	Dan Gallagher
Technology Freedom	Department of Government Efficiency (D.O.G.E.)	Elon Musk Vivek Ramaswan
Fiscal Policy	Treasury Secretary	To Be Announced

Trump's Election Historically Influences U.S. and China Markets

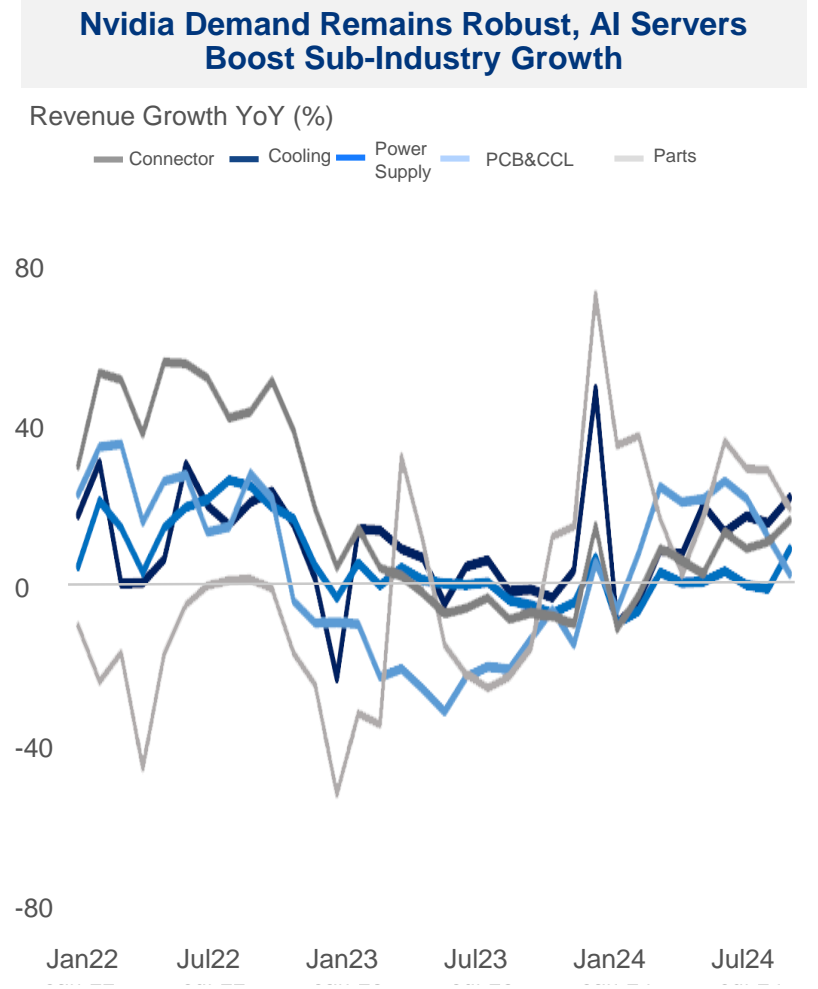
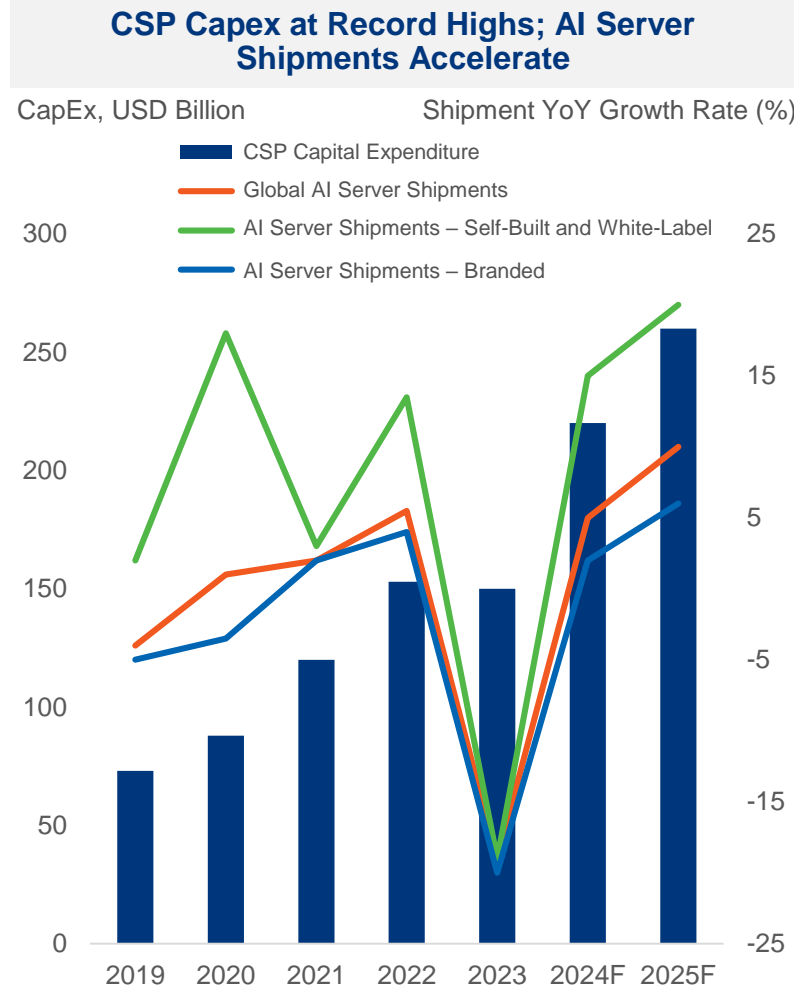
Stock Market Performance Post-Trump Election, %



Source: Bloomberg

AI Spurs Hardware Demand, Supply Chain Growth Expected

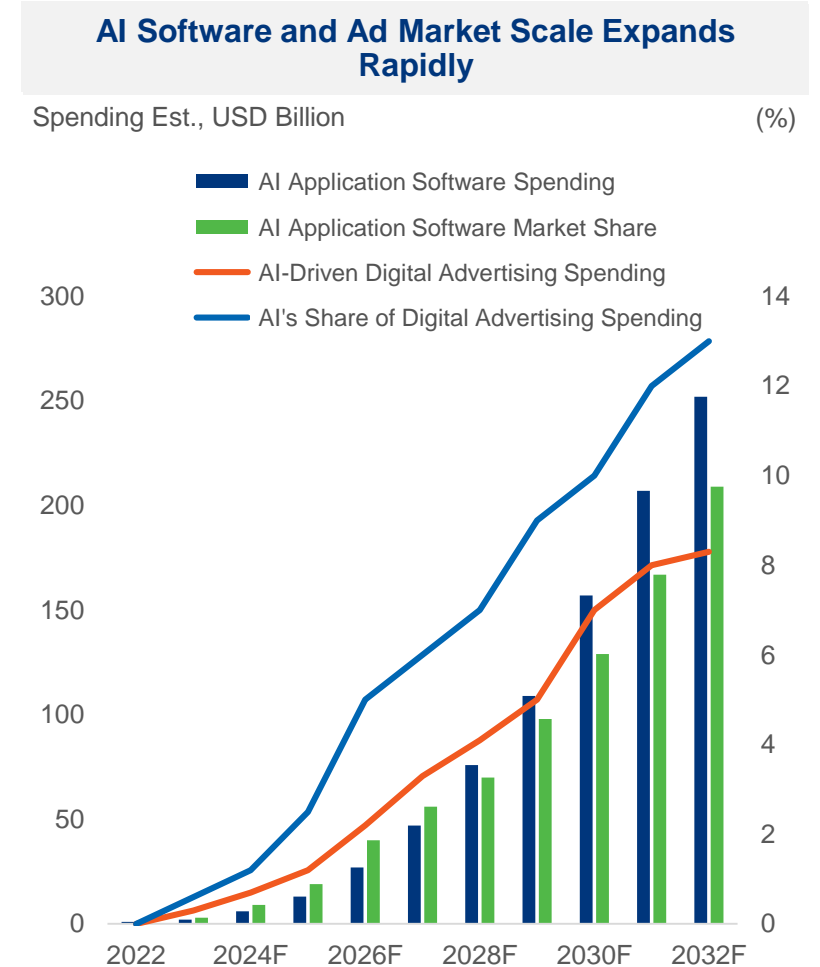
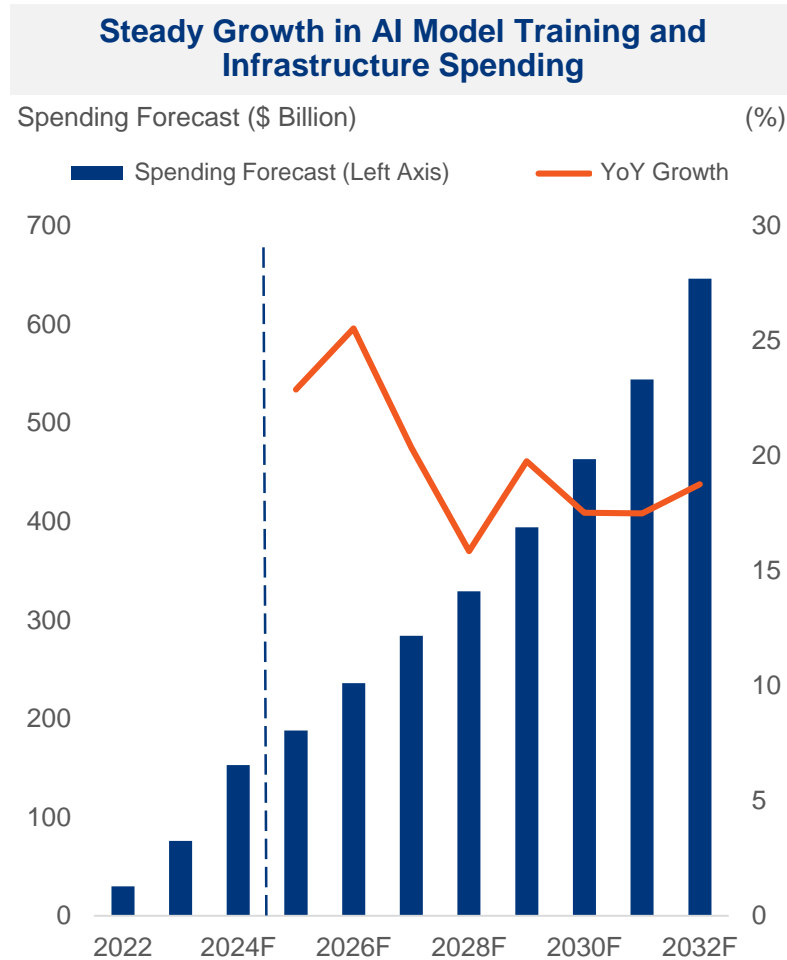
- ▶ Despite delays in GB200 production in Q3, strong demand for H100 chips drove Nvidia's server revenue up 112% YoY. Nvidia highlighted that GB200 production has now ramped up with full capacity utilization. Analysts project that U.S. cloud service providers (CSPs) will exceed \$250 billion in capital expenditures by 2025. AI server shipments are expected to grow 20% YoY in self-built and white-label categories, pushing global AI server shipment growth to 10% YoY in 2025—the highest since 2019—signaling sustained AI hardware demand.
- ▶ According to research, the GPU supply chain is improving, and AI demand is poised to boost 2025 global server, PC, and smartphone shipments. AI servers remain the primary growth driver, with post-transition growth expected to uplift the broader supply chain. Sub-industries reported October revenue growth, with cooling systems leading at 21% YoY growth.



Source: Bloomberg

AI Models, Applications, and Ad Spending See Rapid Market Growth

- ▶ AI model training and infrastructure spending are expanding steadily, projected to reach \$646 billion by 2032, with an annual growth rate around 20%. While the explosive growth phase for model training and hardware infrastructure has passed, high growth continues.
- ▶ AI application software is set for a surge, with spending forecasted to grow from under \$6 billion in 2024 to \$252 billion by 2032, achieving an 8.3% market share, according to Bloomberg Research. Similarly, digital ad spending driven by AI is projected to grow from under \$9 billion in 2024 to \$209 billion by 2032, accounting for 13% of total digital ad spending.
- ▶ Generative AI-driven hardware demand has already surged, with software and end-use applications expected to follow. AI's positive impact is likely to spill over into other tech stocks, offering opportunities to capitalize on sector rotations through diversified investments.



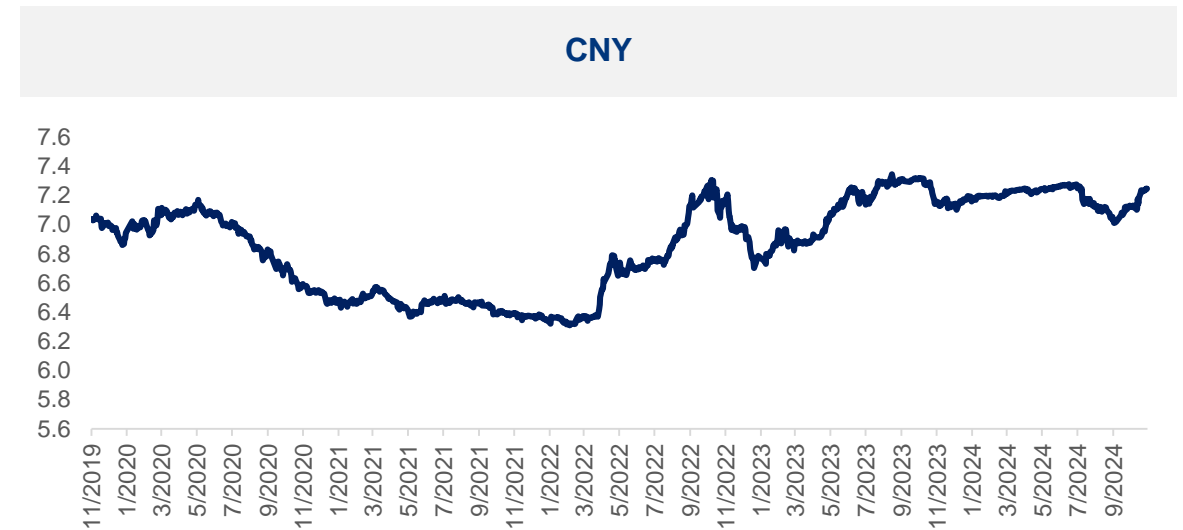
Source: Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ Trump's pre-election policies, including tax cuts, deregulation, and support for traditional energy industries, warrant observation for potential changes and post-inauguration implementation. A soft landing remains the central scenario for the U.S. economy, with resilient growth and robust consumer spending. Tax cuts are expected to bolster stock performance, while deregulation and high-interest rates favor financial stocks. Additionally, AI's strong long-term prospects support the sustained growth of tech stocks. ◆ Higher tariffs may suppress China's export momentum and create uncertainty for Europe due to trade policies and increased NATO defense spending. However, the continued strength of the dollar weakens the yen, benefiting Japanese stocks. 	<p>Style: Mid-to-large-cap stocks, particularly in financials, industrials, defense, AI, and technology sectors.</p> <p>Regions: U.S., Japan, India</p>
Bonds	<ul style="list-style-type: none"> ◆ Treasury yields reflect a soft-landing scenario, but fiscal and monetary policy uncertainties suggest favoring short-term bonds to lock in yields. Given the higher volatility of medium-to-long-term bonds, allocation should align with the investor's risk tolerance. ◆ Unless the economy shifts toward a hard landing, indicated by significant employment data weakening, prioritize short-term bonds before moving to medium-to-long-term instruments. 	<p>Duration: Favor short-term bonds for yield stability; medium-to-long-term bond allocation depends on risk tolerance.</p> <p>Types: Prioritize Treasury and IG bonds from large corporates, focusing on financial bonds with potential catalysts.</p>
Forex	<ul style="list-style-type: none"> ◆ With Trump and the Republican Party in full control, inflation expectations drive Treasury yields higher, supporting a strong dollar. The dollar is expected to remain firm through early 2025, with potential weakening mid-term as the economy soft-lands and the Fed continues rate cuts. ◆ Trade tariffs may slow non-U.S. economies, increasing rate-cut pressures and yield differentials, causing short-term depreciation in non-U.S. currencies. 	<p>Dollar Strength Supported</p> <p>Yen expected to weaken short-term but gradually trending upward</p>

PBOC Maintains November Loan Prime Rate (LPR)

- ▶ The People's Bank of China (PBOC) announced no changes to November's Loan Prime Rate (LPR), keeping the 1-year rate at 3.1% and the 5-year rate at 3.6%. This decision aligns with market expectations. While rates remain unchanged, future rate cut possibilities hinge on two key factors: preserving banks' net interest margins (NIM) and addressing RMB depreciation concerns.
- ▶ From the NIM perspective, NIM depends on interest-earning assets (e.g., customer loans) and interest-bearing liabilities (e.g., customer deposits). With deposit rates already low—current deposit rates at major banks stand at 0.1% for demand deposits and 0.8%–1.1% for term deposits—further cuts would be challenging. To cushion NIM impact, deposit rate reductions would need to match or exceed loan rate cuts, which is increasingly difficult.
- ▶ On the currency front, Trump's re-election and "America First" policies, including the possibility of 60% tariffs on Chinese imports, could pressure RMB demand by reducing U.S. imports from China. Additionally, with the Fed expected to cut rates by only 50 bps next year, the narrowing U.S.-China rate differential and export uncertainties further constrain China's rate flexibility.
- ▶ Despite the PBOC reiterating room for rate and reserve requirement cuts, future adjustments may be limited to 1–2 rate reductions. Monetary policy next year will likely focus on liquidity injection through reserve requirement cuts, ensuring banks have adequate funding for operations.



Source: Bloomberg

Tencent Holdings Ltd (700)

Closing Price	HK \$407.6	Target Price	HK \$480	Stop-Loss Price	HK \$-
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Profile

The Company provides services including social network, music, gateway websites, e-commerce, mobile gaming, payment system, entertainment, artificial intelligence and technology solutions through its subsidiaries.

Highlights

3Q EPS Beats Expectations

3Q non-IFRS EPS rose 36% YoY, significantly surpassing forecasts, while revenue grew 8% YoY to RMB 167.19 billion, slightly missing expectations of RMB 167.93 billion. Value-added services revenue rose 9% YoY, with domestic gaming up 14% due to strong performance from titles like Valorant and Honor of Kings. International gaming grew 9% but lagged behind billing growth due to extended deferred revenue cycles. Online advertising revenue increased 17% YoY, exceeding estimates, while fintech and business services rose 2% YoY, falling short of expectations.

Gross profit grew 16% YoY to RMB 88.8 billion, with margin improvements across key segments. However, SG&A expenses rose faster, leading to operating profit slightly below expectations. EPS growth was primarily driven by higher investment gains and contributions from associates and joint ventures, contributing 37% to the profit increase.

Monetization Potential

4Q value-added services revenue is estimated to grow 12%, with gaming revenue accelerating to 14.9%, supported by contributions from Delta Force: Hawk Ops and deferred income. Online ad revenue is expected to grow 13.6%, driven by strong demand for ad inventory on Video Accounts, Mini Programs, and WeChat Search. While management is not rushing monetization, future ad revenue potential remains strong.

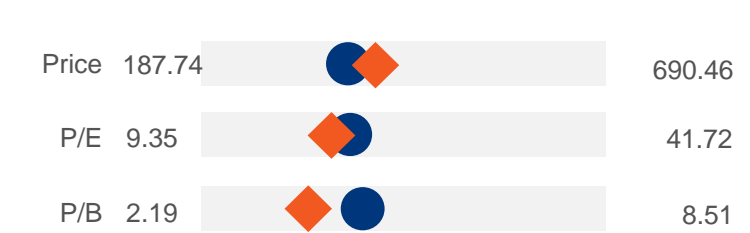
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	16.2	-1	9.8	8.1	8.9
Gross Margin(%)	43.9	43.1	48.1	53.0	54.2
EPS(CNY)	12.69	11.84	16.32	23.05	25.37
EPS Growth(%)	0.07	-6.8	37.9	41.2	10.0

Source: Bloomberg; 2024/25F are market estimates

Valuations



YTD Performance



Xiaomi Corp. (1810)

Closing Price HK \$476.8

Target Price HK \$570

Stop-Loss Price HK \$420

Profile

Xiaomi Corporation manufactures communication equipment and parts. The Company produces and sells mobile phones, smart phone software, set-top boxes, and related accessories. Xiaomi markets its products worldwide.

Highlights

■ 3Q Results In Line With Expectations

3Q revenue rose 30.5% YoY to RMB 92.5 billion, beating forecasts. Most segments exceeded expectations, except for "Other Income." Smartphone revenue grew 13.9% YoY to RMB 47.4 billion, IoT revenue rose 26.2% to RMB 26.1 billion, internet services increased 9.1% to RMB 8.46 billion, and automotive revenue surged 52% QoQ to RMB 9.69 billion. Adjusted net profit rose 4.4% YoY to RMB 6.25 billion, above the RMB 5.9 billion consensus. Gross margin reached 20.4%, slightly exceeding estimates. Xiaomi hit its cumulative production target of 100,000 vehicles by Nov 13, with Oct. deliveries surpassing 20,000 units.

■ 4Q Margins Expected to Improve

Management noted reduced losses for automotive division in 3Q due to early-stage high investments for its first car but highlighted that marginal costs will decrease with scale. They expect better margins in 4Q. Reports suggest its second pure electric SUV will compete with Tesla's Model Y, with pricing likely between RMB 200,000–300,000, potentially boosting profitability. For the smartphone business, 3Q gross margin fell to 11.7% QoQ due to high memory prices and product release timing. Management expects 3Q to mark the year's low point for smartphone margins, with improvement in 4Q. TrendForce's recent report aligns with Xiaomi's outlook, forecasting a drop in DRAM prices in 2025 due to rising inventory and supply pressures.

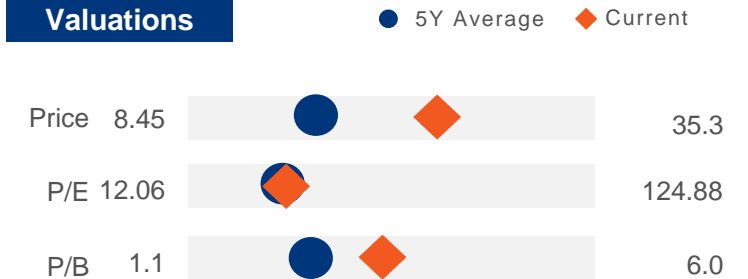
Source: Bloomberg

Financials

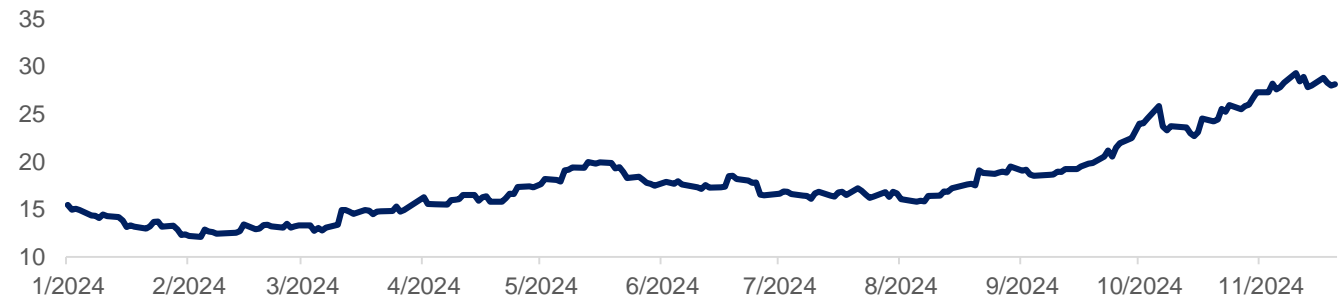
	2021	2022	2023	2024F	2025F
Revenue Growth(%)	33.5	-14.7	-3.2	29.3	20.3
Gross Margin(%)	17.7	16.9	21.2	20.9	20.9
EPS(CNY)	0.89	0.35	0.77	0.88	1.04
EPS Growth(%)	63.8	-60.4	120.0	13.1	18.5

Source: Bloomberg; 2024/25F are market estimates

Valuations



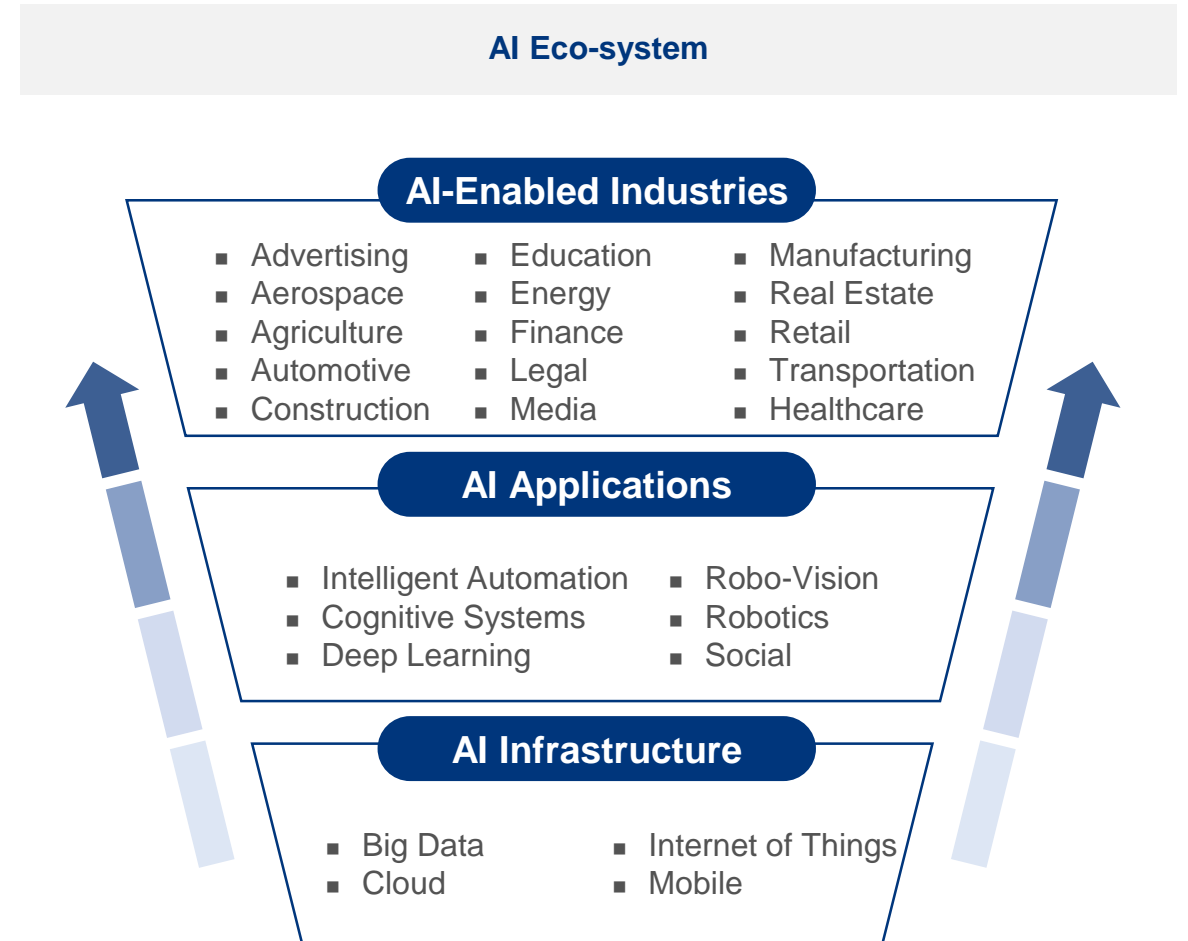
YTD Performance



As of 21 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	11.48	60.67	80.44	86.17	34.68	86.17

AI Investment Theme Shifts Focus to Application Stocks

- ▶ The SaaS sector has shown notable gains, signaling a market shift in AI investment towards application-driven stocks. Key areas of growth include advertising, media, defense, real estate, education, and finance.
- ▶ In October, building permits fell 0.6% to an annualized 1.416 million units, below the expected 1.435 million. Multifamily permits dropped 3% to 393,000 units, while single-family permits rose 0.5% to 968,000.
- ▶ Existing home sales rebounded 3.4% in October to an annualized rate of 3.96 million, recovering from a 14-year low of 3.83 million in the prior month and slightly exceeding the 3.95 million forecast. Sales improved across all four major U.S. regions.
- ▶ Historically, year-end U.S. market performance is strong. Buying on dips is recommended.



AppLovin Corp. (APP)

Closing Price US \$318.24

Target Price US \$360

Stop-Loss Price US \$280

Profile

AppLovin Corporation develops technologies that help businesses of every size connect to their ideal customers. The company provides end-to-end software and AI solutions for businesses to reach, monetize, and grow their global audiences. AppLovin serves clients worldwide.

Highlights

AI-Powered Mobile Ads

3Q results exceeded expectations, driven by the AI-powered Axon ad recommendation engine. Axon automates ad optimization, using AI to analyze performance data and improve targeting accuracy. Integrated with the MAX platform, it enhances ad monetization while maintaining user experience. Axon performs automated A/B tests and adjusts strategies, reducing manual efforts.

Focused on Mobile Gaming Ads

The company, with 1.4 billion daily active users in 2024, targets the mobile gaming ad segment, competing with Meta, Unity, and IronSource. Its niche focus appeals to game developers, strengthening its position.

3Q FY24 Results

Revenue rose 38.8% YoY to \$1.2 billion, beating estimates by \$70 million. GAAP EPS hit \$1.25, far exceeding the \$0.32 forecast. For 4Q, revenue guidance of \$1.24–1.26 billion surpasses expectations of \$1.17 billion. The board approved an additional \$2 billion share repurchase plan, adding to the \$437 million spent in 3Q under the previous plan.

Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	92.5	0.9	16.5	39.9	21.1
EBITDA (%)	22.5	27.3	35.2	57.2	60.7
EPS	0.16	0.28	1.05	4.06	5.83
Net Profit Margin(%)	2.2	3.7	11.6	30.6	35.9

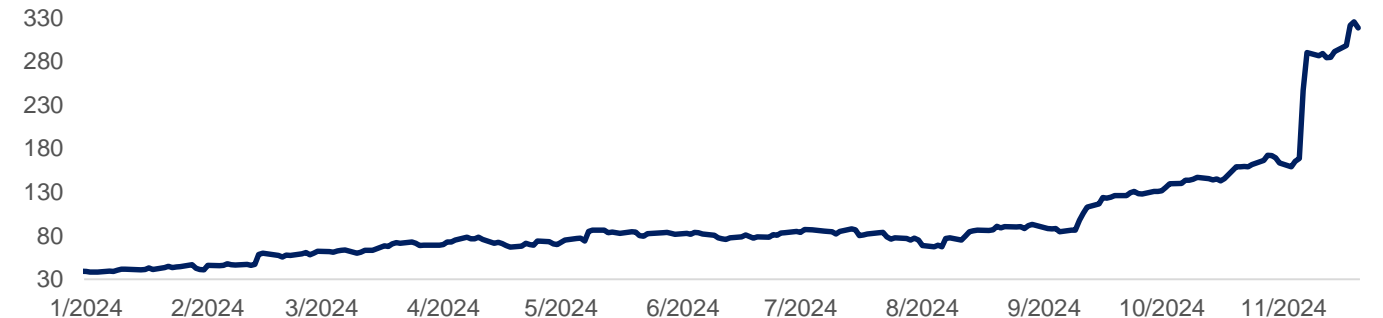
Source: Bloomberg; 2024/25F are market estimates

Valuations

● 5Y Average ◆ Current

Price	9.3			325.2
P/E	27.3			1277.7
P/B	1.9			116.3

1-Year Performance



As of 21 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	100.3	250.1	698.6	720.8	48.2	NA

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Zillow Group Inc. (Z)

Closing Price US \$82.15

Target Price US \$100

Stop-Loss Price US \$70

Profile

Zillow Group, Inc. is a tech real-estate marketplace company. The Company provides information about homes, real estate listings, and mortgages through websites and mobile applications. Zillow Group serves homeowners, buyers, sellers, renters, and real estate professionals in the United States.

Highlights

AI in Real Estate

Since 2022, Zillow has utilized its machine learning model Zestimate to estimate property values, now serving 200M monthly active users. In 2023, AI-powered natural language search was introduced, allowing users to find listings without precise queries.

October Existing Home Sales Rebound

Sales rose 3.4% MoM to an annualized rate of 3.96M units, recovering from a 14-year low of 3.83M in September and slightly beating the 3.95M forecast. Steady job and economic growth sustain demand.

Potential Tax Benefits

Trump's proposed corporate tax cut to 15% benefits U.S.-based businesses like Zillow, enhancing profitability.

3Q FY24 Results

Revenue grew 17.1% YoY to \$581 million, exceeding estimates by \$25.82 million. Net loss was \$20 million. Platform visits reached 2.4 billion, with 233 million average monthly active users.

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	143.9	-76.0	-0.7	14.2	14.2
EBITDA (%)	-0.2	9.0	1.6	22.0	25.6
EPS	-1.72	-0.20	-0.59	1.34	1.83
Net Profit Margin(%)	-5.3	-2.4	-7.0	15.5	16.6

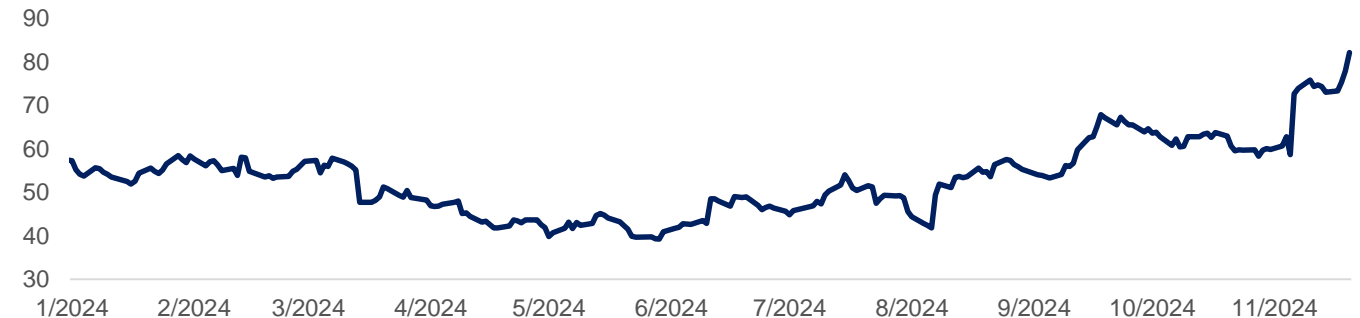
Source: Bloomberg; 2024/25F are market estimates

Valuations

● 5Y Average ◆ Current

Price	64.1		82.2
P/E	NA		NA
P/B	3.5		4.1

1-Year Performance



As of 21 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	30.5	50	42	114.3	11.5	14.9

Source: Bloomberg

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Nvidia Beats Expectations; Market Volatile, Focus Shifts to Earnings-Driven Stocks

► Nvidia Earnings Beat Expectations; Market Consolidates Between Key Averages

Nvidia's better-than-expected earnings sparked a brief decline in its stock, affecting major electronic and AI server stocks. Taiwan's stock market remains in a narrow range between the 20-day and 60-day moving averages, nearing a potential breakout. A breach above the 20-day moving average with sustained volume would favor bullish momentum. However, falling below the 60-day average may extend the consolidation phase.

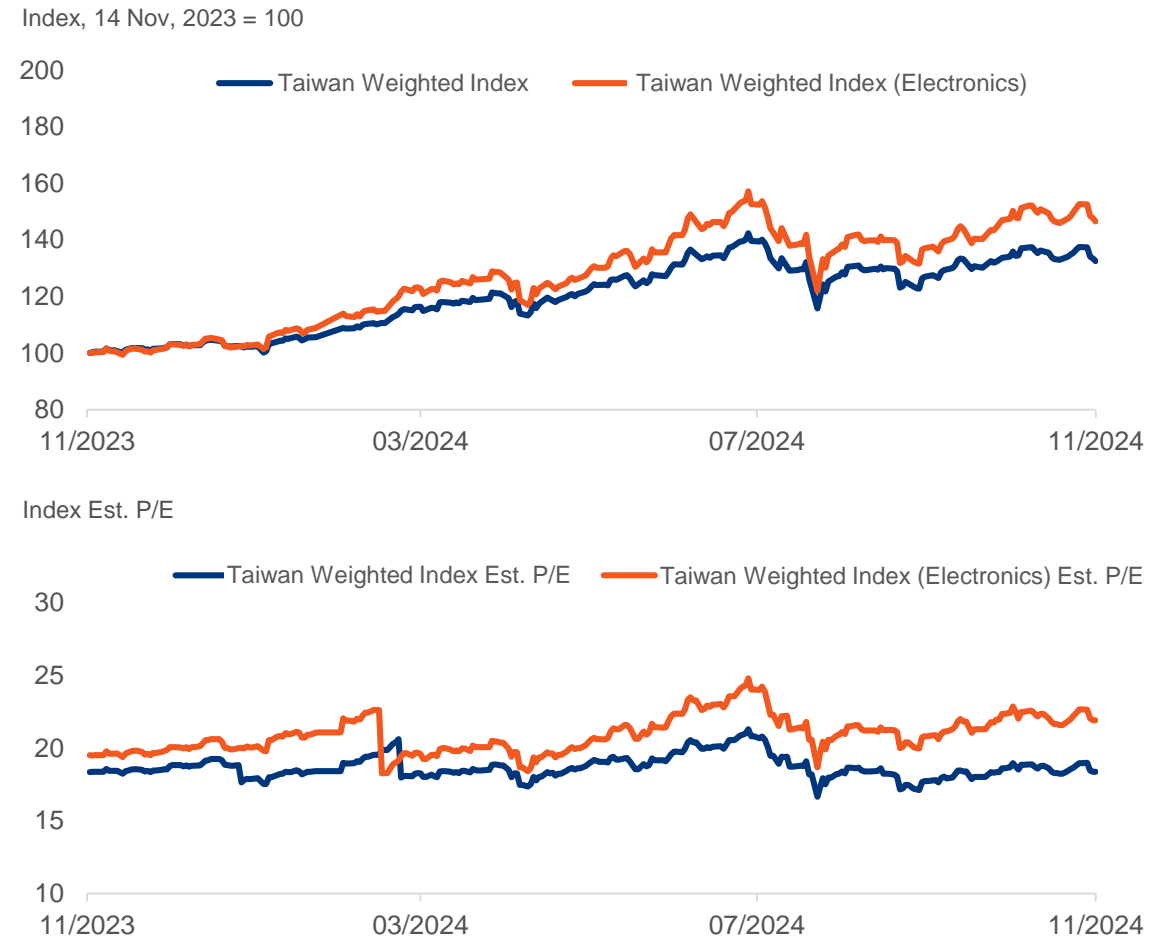
► AI Server and Electronics Stocks Hold Key; Focus on Earnings-Driven Plays

Electronics and AI server stocks remain pivotal for Taiwan's market outlook. Battery Backup Unit (BBU) themes show sustained strength, while financial stocks rebounded after defending the 60-day average. Financials climbed above short-term averages on Tuesday, maintaining gains through Wednesday. Non-tech sectors, such as chemicals, biotech, food, retail, and shipping, offer selective opportunities. Shipping stocks, supported by peak-season themes, sustain a bullish trend.

Investment strategies should focus on earnings-driven stocks that maintain support at moving averages or exhibit breakout potential.

Source: Bloomberg

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



CTBC Financial Holding (2891 TT)

Profile

Primarily engaged in various banking and financial services through its subsidiaries. Its main operations include deposits and loans, international finance, trust services, credit card issuance, and insurance.

Highlights

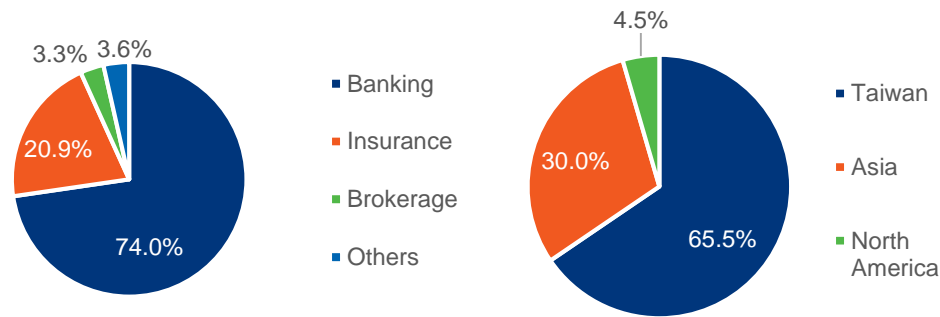
■ 3Q24 Profit Up 8.4% YoY; Bank NIM Improves

CTBC posted a 3Q24 after-tax profit of NT\$21.44 billion, up 32% QoQ and exceeding KGI Securities' forecast by 14%, driven by a 22% YoY profit increase at CTBC Bank. The bank's net interest margin (NIM) rose 4 bps QoQ to 1.41%, supported by wider NT dollar spreads, lower foreign currency funding costs, and increased bond investments.

■ Positive Outlook for 2024

With U.S. rate cuts expected to lower funding costs and drive foreign currency loan demand, the company projects its 2024 NIM (including FX swaps) to remain at 1.6%-1.63%. Given this year's profit growth exceeding 20% and recovery in other equity losses, we forecast a 2024 cash dividend of NT\$1.8-1.85 per share, translating to a yield of 4.9%-5%.

Revenue Sources and Regions



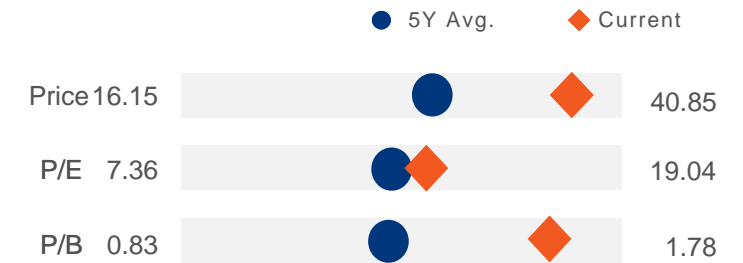
Source: Bloomberg

Financials

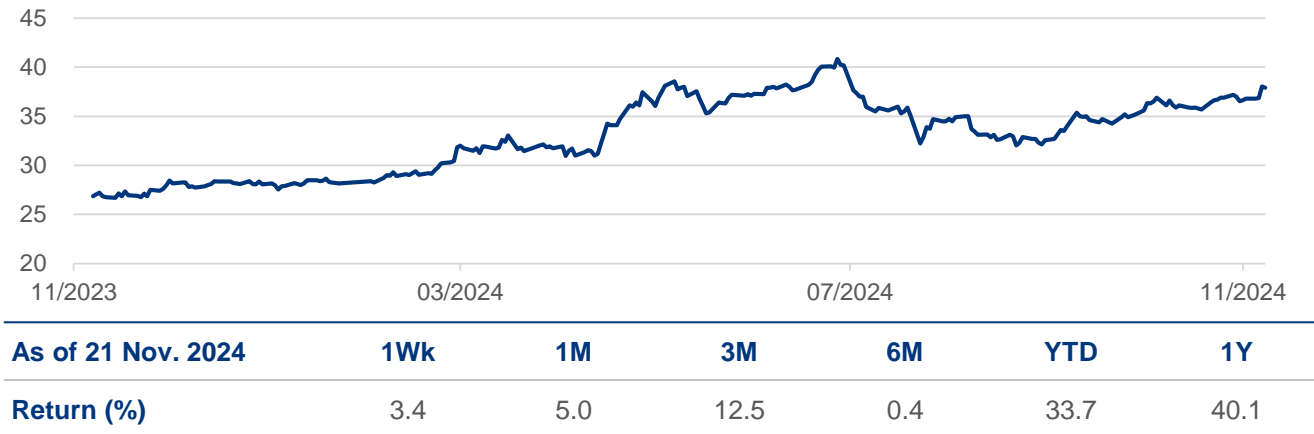
	2021	2022	2023	2024F	2025F
EPS (NTD)	2.78	1.60	2.86	3.53	3.59
EPS Growth (%)	26.5	-42.6	78.9	23.7	1.6
P/E Ratio	13.3	23.1	12.9	10.4	10.3
ROE (%)	14.0	8.5	14.9	15.9	14.0

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Yuanta Financial Holding (2885 TT)

Profile

Operates through subsidiaries in securities trading, underwriting, shareholder services, and commercial banking, as well as margin financing.

Highlights

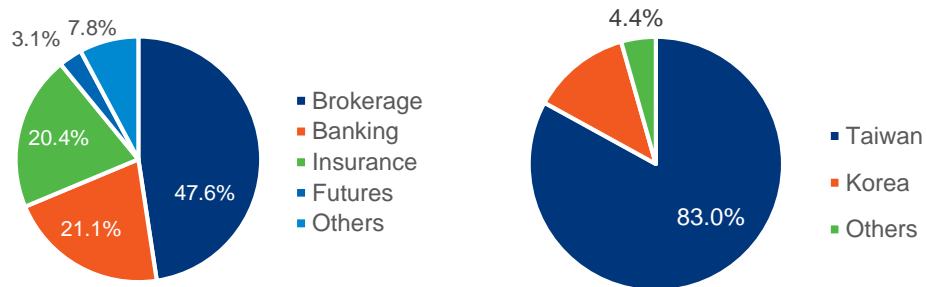
■ 3Q24 Robust Securities Operations

Yuanta Securities' 3Q24 net income surged 45% YoY and 16% QoQ, fueled by a 31% YoY rise in brokerage commissions as Taiwan's stock market turnover reached NT\$5.466 trillion. Investment gains grew 53% YoY, while other income (e.g., overseas investments, FX swaps) soared 97%. Fund inflows into high-dividend and bond ETFs boosted Yuanta's mutual fund AUM by 70% YoY to NT\$2.1 trillion, with mutual fund profits rising 56% YoY.

■ 2024F Cash Dividend at NT\$1.35-1.45

Securities-related segments (brokerage, futures, and asset management) posted a 47% YoY profit increase in 3Q24, while banking profits rose 12%, offsetting a 93% YoY decline in life insurance profits to NT\$140 million. With better-than-expected earnings, we estimate a 2024 cash dividend of NT\$1.35-1.45 per share, offering a 4.4% yield.

Revenue Sources and Regions



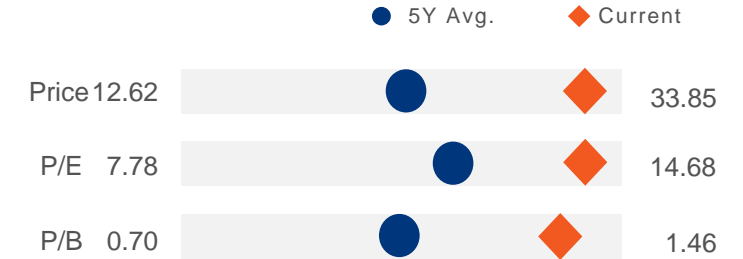
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	2.87	1.72	2.09	2.58	2.69
EPS Growth (%)	44.6	-40.3	22.0	23.1	4.5
P/E Ratio	11.4	19.1	15.7	12.7	12.2
ROE (%)	13.3	8.2	9.8	11.2	10.4

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



As of 21 Nov. 2024	1Wk	1M	3M	6M	YTD	1Y
Return (%)	2.1	2.1	5.4	6.3	23.4	32.6

AI Demand Drives Growth in Related Sectors

AI remains a long-term trend; investors can diversify exposure to the entire industry through ETFs.

► **Invesco S&P 500 Equal Weight Technology ETF (RSPT)**

- Tracks the S&P 500 Equal Weight Information Technology Index.
- Employs an equal-weight strategy to mitigate concentration risks from top holdings.
- Holds 69 stocks, with the top 10 comprising ~18% of assets.

► **First Trust Cloud Computing ETF (SKYY)**

- Tracks the ISE CTA Cloud Computing Index.
- One of the largest cloud computing ETFs.
- Selection criteria include a minimum market cap of \$500M and an average daily trading volume of \$5M over three months. Holdings are categorized into Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), and Software-as-a-Service (SaaS), with quarterly rebalancing.
- No single stock exceeds 4.5%, and the top 10 holdings make up ~40% of assets.

Product	Invesco S&P 500 Equal Weight Technology ETF (RSPT)	First Trust Cloud Computing ETF (SKYY)
Features	Employs an equal-weight strategy to mitigate concentration risks from top holdings.	Uses equal weighting, reducing risk from concentration and including smaller-cap stocks.
AUM	USD 3.47B	USD 3.45B
Tracking Index	S&P 500 Equal Weight Information Technology Index	ISE CTA Cloud Computing Index
Holdings	69	63
Expense Ratio	0.40%	0.60%
3M/YTD Returns	1.85% / 15.29%	20.01% / 33.42%
Top-5 Sectors (%)	Software 25.14 Semiconductors 23.25 Computers 22.31 Internet 8.93 Electronics 7.83	Software 60.82 Computers 15.14 Internet 11.99 Telecommunications 9.85 Business Services 1.57
Top-5 Holdings (%)	Palantir 2.48 CrowdStrike Holdings 1.91 Salesforce Inc 1.78 Hewlett Packard Enterprise 1.76 Nvidia 1.73	AppLovin 5.59 Oracle 4.32 Lumen Technologies 3.97 Amazon.com 3.70 Alphabet 3.52

Source: Bloomberg

Invesco S&P 500 Equal Weight Technology ETF (RSPT.US)

Profile

Tracks the S&P 500 Equal Weight Information Technology Index, aiming to mirror the performance of its components.

Focus on Large-Cap Stocks

The ETF covers technology stocks within the S&P 500, including notable companies such as Palantir, CrowdStrike, Salesforce, Hewlett Packard Enterprise, and Nvidia.

Equal-Weight Strategy

All holdings are equally weighted, reducing concentration risks from top positions. The top 10 holdings account for approximately 18% of total assets.

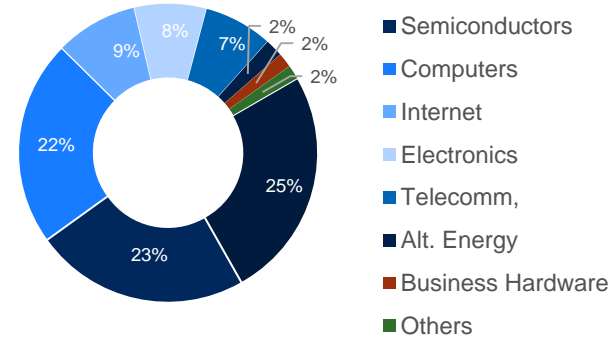
Industry Focus

Specializes in the information technology sector, which enhances efficiency and productivity across industries like business, healthcare, education, government, and entertainment.

Inception Date	1 Nov. 2006	AUM	USD 3.47 Billion
ETF Category	Equities	Holdings	69
Expense Ratio	0.40%	3Y Stand. Dev. (Ann.)	23.00%

Source: Bloomberg, 20 Nov. 2024

Sectors



1-Year Performance

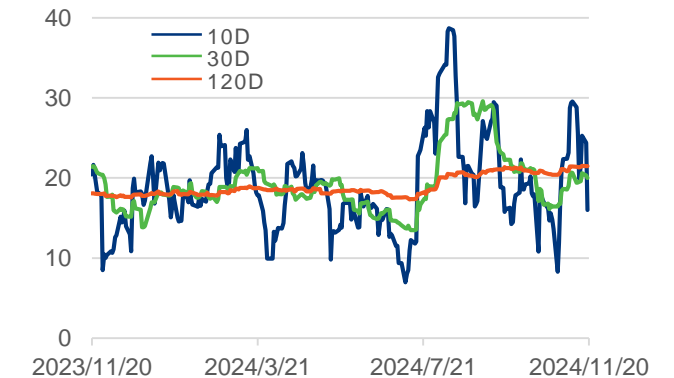


As of 20 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-1.42	1.85	15.29	25.96	48.81	19.55

Top-5 Holdings (%)

Palantir	2.48
CrowdStrike Holdings	1.91
Salesforce Inc	1.78
Hewlett Packard Enterprise	1.76
Nvidia	1.73

1-Year Volatility



First Trust Cloud Computing ETF (SKYY.US)

Profile

Tracks the ISE CTA Cloud Computing Index, aiming to replicate the performance of its constituents.

Cloud Computing Focused

The first ETF dedicated to cloud computing exposure, covering Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), and Software-as-a-Service (SaaS). It is one of the largest cloud computing ETFs.

Global Reach

Primarily invests in U.S. companies (~92%) but also includes firms from Canada, Australia, Israel, Germany, and the Netherlands.

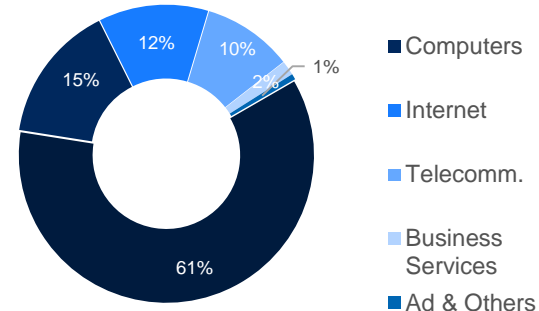
Modified Thematic Weighting

Securities must be classified as cloud computing companies by the Consumer Technology Association (CTA), with a minimum market cap of \$500M, free-float volume of \$5M, and an average three-month daily trading volume of \$5M, while meeting SEC regulations.

Inception Date	5 July 2011	AUM	USD 3.45 Billion
ETF Category	Equities	Holdings	63
Expense Ratio	0.60%	3Y Stand. Dev. (Ann.)	24.23%

Source: Bloomberg, 20 Nov. 2024

Sectors



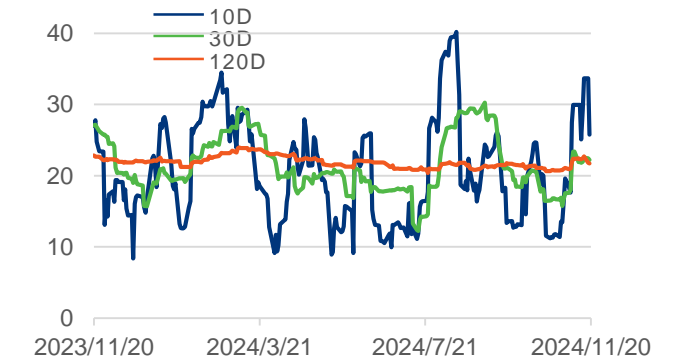
1-Year Performance



Top-5 Holdings (%)

AppLovin	5.59
Oracle	4.32
Lumen Technologies	3.97
Amazon.com	3.70
Alphabet	3.52

1-Year Volatility



As of 20 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	9.48	20.01	33.42	45.49	92.04	1.95

Bonds

Rates Stabilize, Banking Bonds in Focus

► **NWG 7.3 PERP 2034c (NatWest Group)**

- NatWest is a leading player in the UK retail and commercial banking market. The bank is almost entirely focused on the UK, with its commercial banking, investment banking, and secured retail operations firmly establishing its brand.
- NatWest has strong asset quality, with stringent loan management ensuring low levels of impaired assets. As of H1 2024, Stage 3 loans accounted for only 1.7% of total loans, significantly below the European banking average.
- The group reported a tangible return on equity (ROTE) of 18.3% in Q3 2024, alongside an efficient cost-to-income ratio of 47.6%. Its CET1 ratio stood at 13.9%, providing a robust buffer above the 10.5% Maximum Distributable Amount (MDA) requirement. This aligns with the group's CET1 ratio target of 13%-14%, reflecting its strong asset quality and earnings capacity.

► **BACR 4.375 PERP 2028c (Barclays Group)**

- Barclays operates corporate and investment banking businesses across approximately 40 countries, focusing on the UK, EU, and US. Its UK operations are the cornerstone of the group's strategic position and underpin its revised strategic plans.
- Barclays boasts strong asset quality and capital strength. As of the end of 2023, Stage 3 loans accounted for only 1.8% of total loans, significantly below the 2020 peak of 2.6%. The group reported a CET1 ratio of 13.8%, providing a solid buffer above the 11.8% Maximum Distributable Amount (MDA) requirement. The group aims to maintain its CET1 ratio within the range of 13%-14%.
- Despite a relatively high proportion of income from capital markets, which is inherently volatile, Barclays has demonstrated stable overall revenue. In recent quarters, the group reported strong profitability, with Q2 and Q3 2024 results significantly exceeding market expectations. The group also raised its full-year guidance. Moody's projects further improvement in Barclays' earnings over the next two years, driven by greater diversity and sustainability.

Source: Bloomberg

Products	NWG 7.3 PERP	BACR 4.375 PERP
ISIN	US639057AT53	US06738EBT10
Highlight	NatWest is a market leader in UK retail and commercial banking.	Barclays is a leader in UK banking and global institutional services.
Maturity Date	Perpetual	Perpetual
Coupon (%)	Float/7.3/Quarterly	Float/4.375/Quarterly
Currency	USD	USD
Years to Maturity	-	-
Rating (Moody's/Fitch/S&P)	Baa3/BBB-/BB-	Ba1/BBB-/BB-
Seniority	Subordinated	Subordinated
YTM/YTC (%)	7.58/7.52	7.95/8.04

NWG 7.3 PERP 2034c (NatWest Group)

Profile

NatWest is a market leader in the UK retail and commercial banking sectors, focusing almost exclusively on the UK market. Its diversified commercial, investment banking, and secured retail operations solidify its strong brand position. NatWest's loan portfolio benefits from robust industry diversification.

Highlights

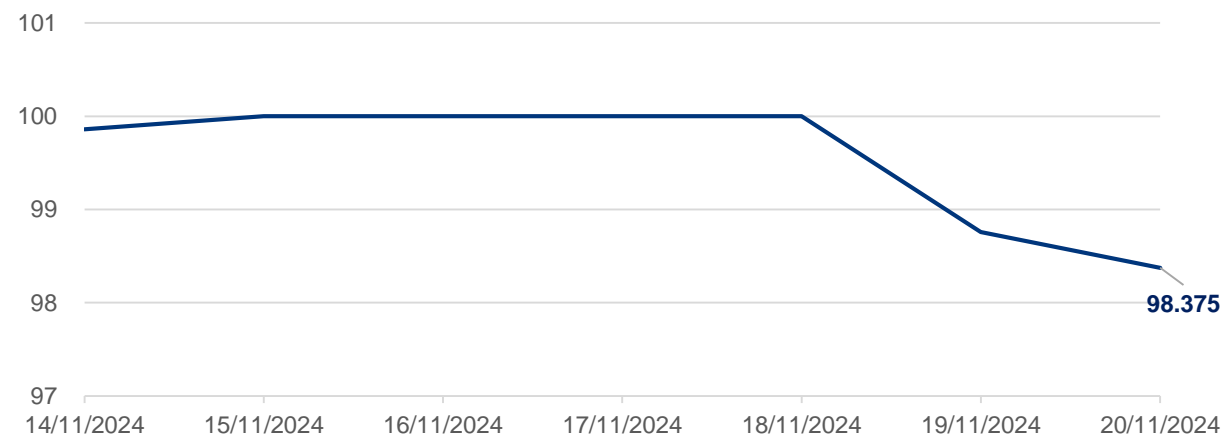
- NatWest boasts high-quality assets, with Stage 3 loans accounting for only 1.7% of the group's total loans as of H1 2024, significantly below the European banking average. Impairment losses have remained low over the past 18 months, and the group forecasts its 2024 impairment losses to stay below 15 basis points.
- The group reported a tangible return on equity (ROTE) of 18.3% in Q3 2024, with a cost-to-income ratio of just 47.6%. Its CET1 ratio stood at 13.9%, providing a solid buffer above the 10.5% Maximum Distributable Amount (MDA) requirement. This aligns with the group's CET1 target range of 13%-14%, reflecting strong asset quality and profitability.
- The Fed's rate-cutting cycle provides opportunities to lock in yields on high-quality bonds. Investors should assess issuers with low credit risk and consider increasing exposure to premium bonds as rates stabilize.

Financials	2021	2022	2023
Return on Tangible Equity	9.52	11.89	17.19
CET1 Capital Ratio(%)	18.20	14.20	13.40
NPL Ratio	1.49	1.45	1.53

Overview

Name	NWG 7.3 PREP	ISIN	US639057AT53
Maturity Date	Perpetual	Remaining Maturity	-
Coupon (%)	Float/7.3/Quarterly	YTM/YTC(%)	7.58/7.52
Currency	USD	Min. Subscription/ Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Baa3/BBB-/BB-	Seniority	Subordinated

Price Since Issuance



Source: Bloomberg, 20 Nov 2024; Note: Coupon reset date is May 19, 2035. The perpetual bond pays quarterly interest at a rate linked to the US 5-year Treasury yield, with the reset rate based on the average yield plus 2.93%.

BACR 4.375 PERP 2028c (Barclays Group)

Profile

Barclays is a leader in UK banking and global institutional services, operating in around 40 countries with a focus on the UK, EU, and US. Its UK operations form the foundation of its strategic positioning and drive its revised strategic plans. As one of the UK's major banks, Barclays commands 10%-15% market share in most products and has historically excelled in credit cards and unsecured personal loans. The UK and US remain its core revenue markets.

Highlights

- Barclays has robust asset quality and solid capital ratios. At the end of 2023, Stage 3 loans accounted for just 1.8% of total loans, significantly below the 2020 peak of 2.6%. The group reported a CET1 ratio of 13.8%, providing a substantial buffer above the 11.8% MDA requirement. The group plans to maintain a CET1 range of 13%-14%.
- Despite a relatively high proportion of income from inherently volatile capital markets, Barclays has demonstrated stable overall revenue. In recent quarters, Barclays has reported strong profits, with Q2 and Q3 2024 results significantly exceeding market expectations. The group also raised its full-year guidance. Moody's projects improved earnings over the next two years, supported by greater diversification and sustainability.

Financials	2021	2022	2023
Return on Tangible Equity	13.34	10.50	8.82
CET1 Capital Ratio(%)	15.10	13.90	13.80
NPL Ratio	1.97	1.75	1.77

Source: Bloomberg, 20 Nov 2024; Note: Coupon reset date is Sep. 15, 2028. The perpetual bond pays quarterly interest at a rate linked to the US 5-year Treasury yield, with the reset rate based on the average yield plus 3.41%.

Overview

Name	BACR 4.375 PERP	ISIN	US06738EBT10
Maturity Date	Perpetual	Remaining Maturity	-
Coupon (%)	Float/4.375/Quarterly	YTM/YTC(%)	7.95/8.04
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Ba1/BBB-/BB-	Seniority	Subordinated

Price Since Issuance



Appendix

Key Economic Data / Events

► NOV 2024

18

Monday

- Japan Sep. Core Machine Orders YoY (Actual:-4.8% Est:2.1% Prev:-3.4%)
- Hong Kong Oct. Unemployment Rate (Actual:3.1% Est:3.0% Prev:3.0%)

19

Tuesday

- U.S. Oct. Housing Starts MoM (Actual:-3.1% Est:-1.2% Prev:-1.9%)
- Eurzone Oct. CPI YoY Final Value (Actual:2.0% Est:2.0% Prev:2.0%)

20

Wednesday

- Japan Oct. Exports YoY (Actual:3.1% Est:1.0% Prev:-1.7%)
- Japan Oct. Machine Tool Orders YoY Final Value (Actual:9.4% Prev:9.3%)

21

Thursday

- U.S. Initial Jobless Claims (Actual:213k Est:220k Prev:219k)
- U.S. Oct. Existing Home Sales MoM Final Value (Actual:3.4% Est:2.9% Prev:-1.3%)

22

Friday

- U.S. Nov. S&P Global US Manufacturing PMI Initial Value (Est:48.9 Prev:48.5)
- U.S. Nov U. of Mich. Sentiment Final Value (Est: 73.9 Prev:73.0)
- Japan Nov. Natl CPI YoY (Actual:2.3% Est:2.3% Prev:2.3%)
- Japan Nov. Manufacturing PMI Initial Value (Actual:49.0 Prev:49.2)
- Eurzone Nov. Manufacturing PMI Initial Value (Est:46.0 Prev:46.0)

25

Monday

26

Tuesday

- U.S. Oct. New Home Sales MoM (Est:-2.2% Prev:4.1%)

27

Wednesday

- U.S. Initial Jobless Claims (Prev:213k)
- U.S. Q3 GDP Annualized QoQ (Est:2.8% Prev:2.8%)
- U.S. Oct. Durable Goods Orders MoM initial value (Est:0.5% Prev:0.7%)
- U.S. Oct. PCE YoY (Est:2.3% Prev:2.1%)
- U.S. Oct. Core PCE YoY (Est:2.8% Prev:2.7%)
- Earnings Report: CRWD, DELL

28

Thursday

29

Friday

- Japan Oct. Jobless Rate (Est:2.5% Prev:2.4%)
- Japan Oct. Job-To-Applicant Ratio (Est:1.24 Prev:1.24)
- Japan Oct. Tokyo CPI YoY (Est:2.2% Prev:1.8%)
- Japan Oct. Retail Sales MoM (Est:0.6% Prev:-2.2%)
- Japan Oct. Industrial Production MoM (Est:3.9% Prev:1.6%)

Source: Bloomberg

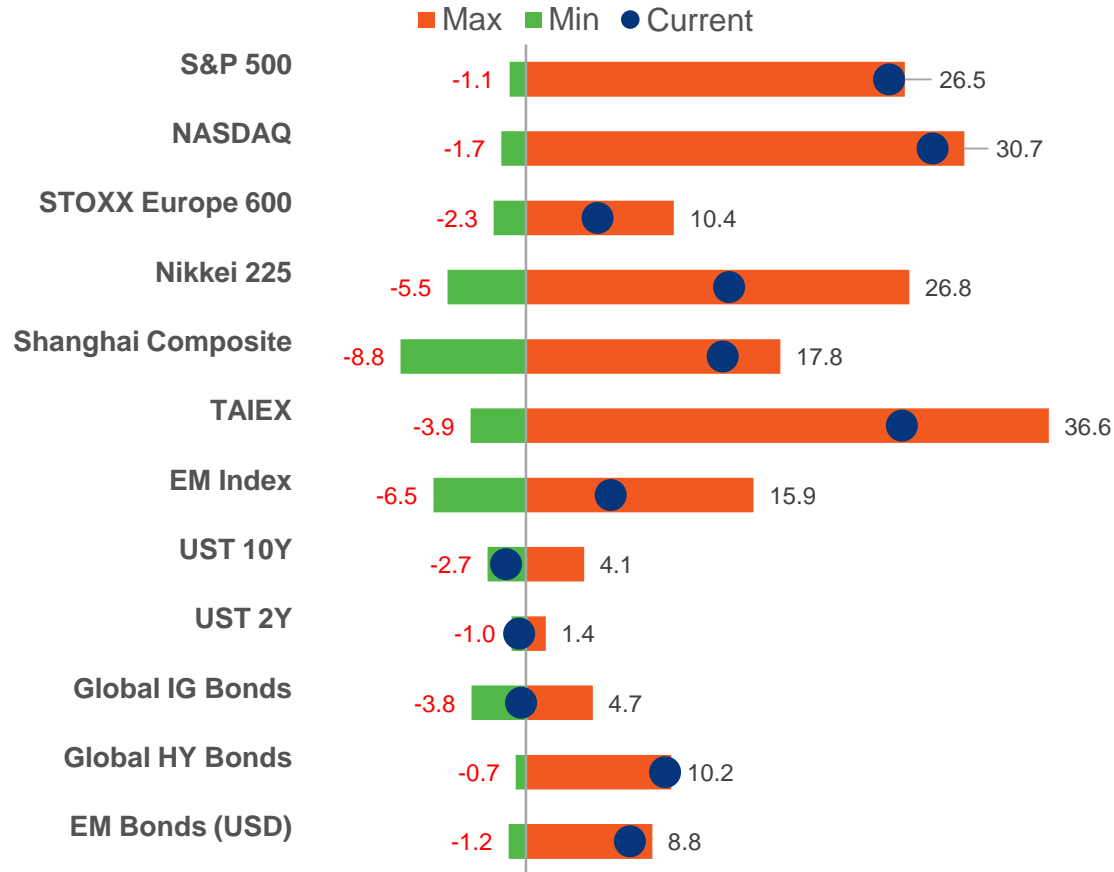
Key Earnings Releases

Date	Company Name	Est. Revenue (USD)	Actual Revenue (USD)	Est. EPS (USD)	Actual EPS (USD)	Beat Expectations	
						Revenue	EPS
19 Nov 2024	Walmart Inc (WMT)	167.67B	169.6B	0.53	0.58	V	V
19 Nov 2024	Medtronic Plc (MDT)	8.28B	8.4B	1.25	1.26	V	V
19 Nov 2024	Lowe'S Cos Inc (LOW)	19.93B	20.2B	2.82	2.89	V	V
21 Nov 2024	Palo Alto Networks Inc (PANW)	2.12B	2.1B	1.48	1.56		V
21 Nov 2024	Deere & Co (DE)	9.23B	11.14B	3.89	4.55	V	V
21 Nov 2024	Nvidia Corp (NVDA)	35.08B	35.1B	0.75	0.81	V	V
21 Nov 2024	Tjx Companies Inc (TJX)	13.95B	14.1B	1.09	1.14	V	V
22 Nov 2024	Intuit Inc (INTU)	3.14B	3.28B	2.36	2.5	V	V

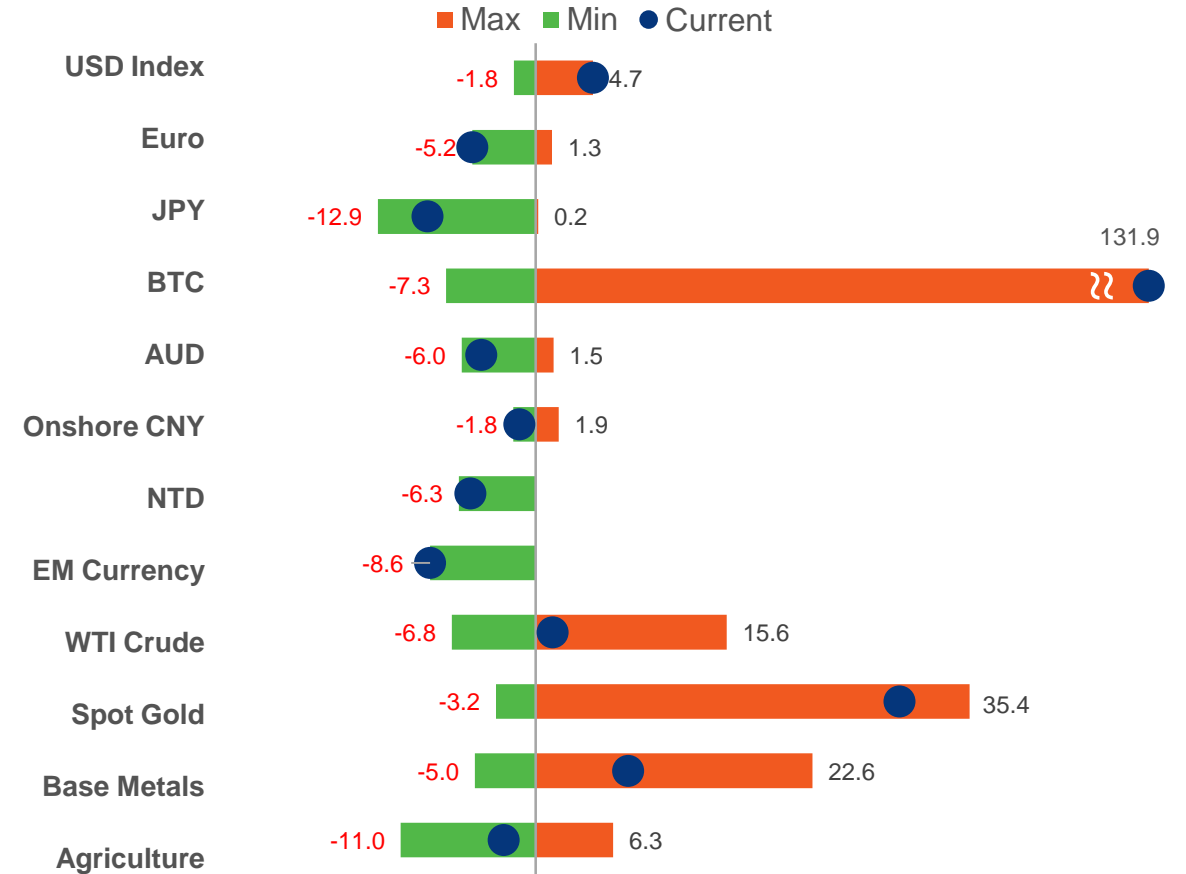
Source: Investing.com

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



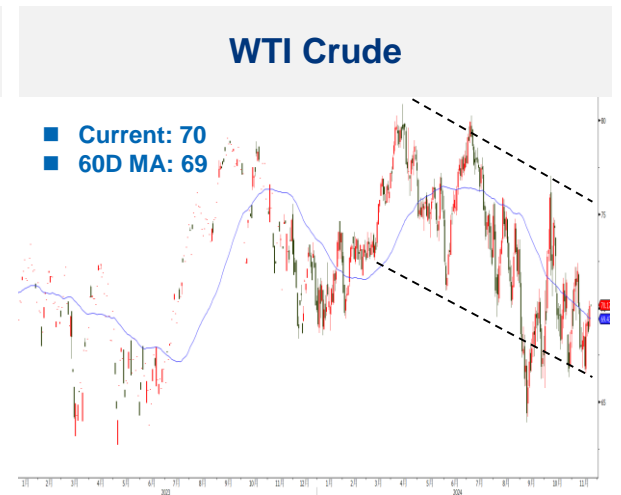
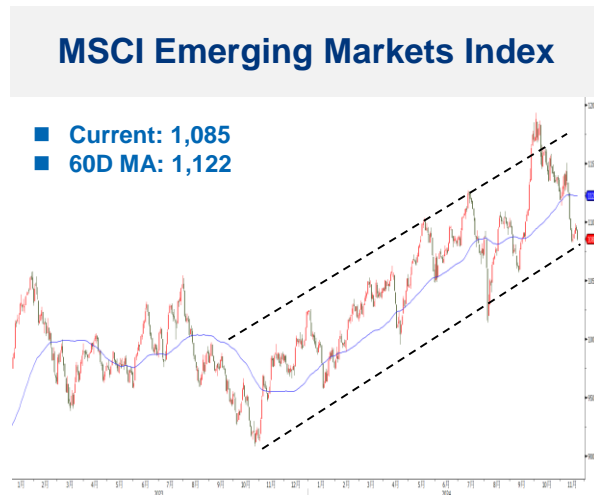
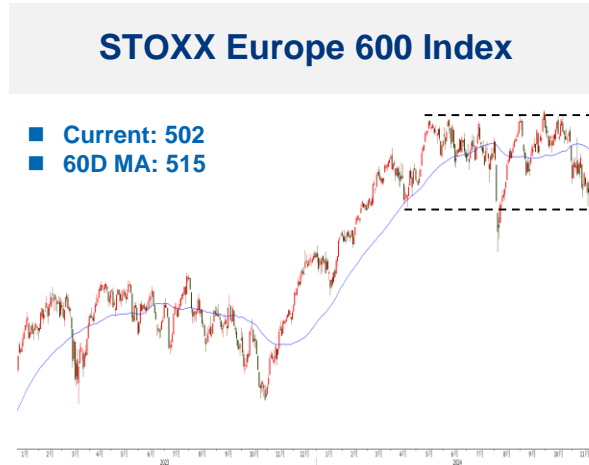
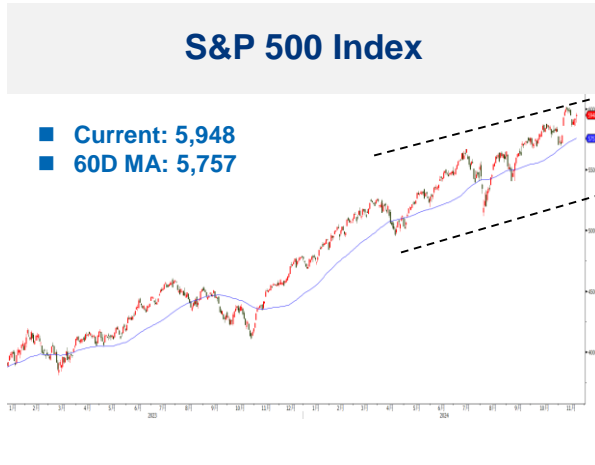
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 22 Nov. 2024

Technical Analysis

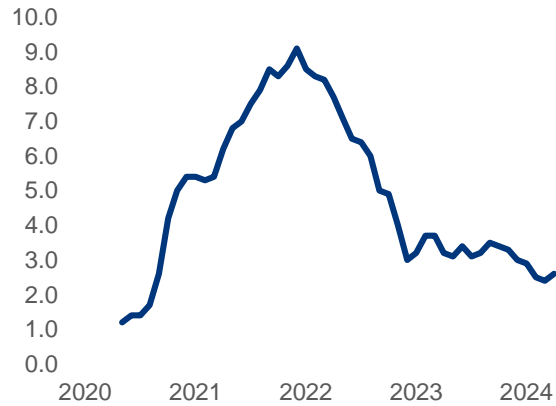
— 60D MA



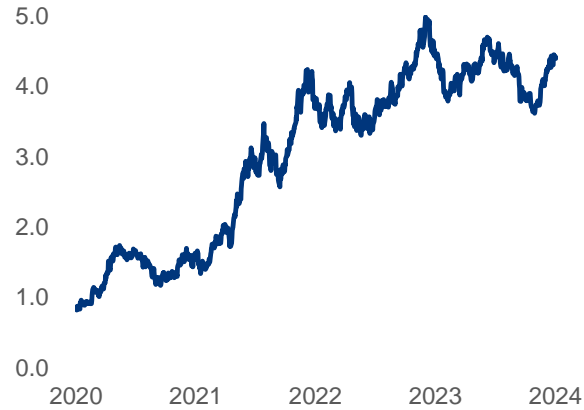
Source: Bloomberg, 22 Nov. 2024

Market Monitor

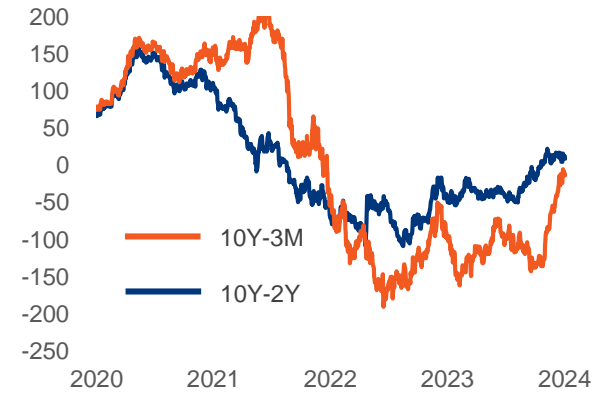
U.S. CPI YoY Growth Rate (%)



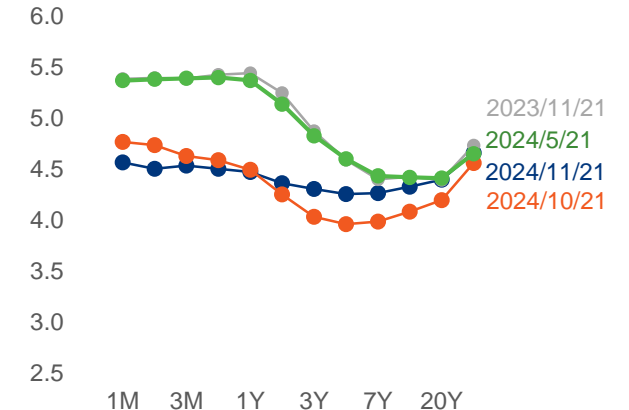
U.S. 10-Year Treasury Yield (%)



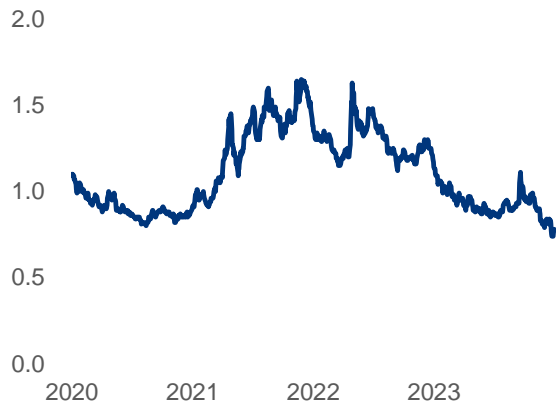
U.S. Treasury Yield Spread (bps)



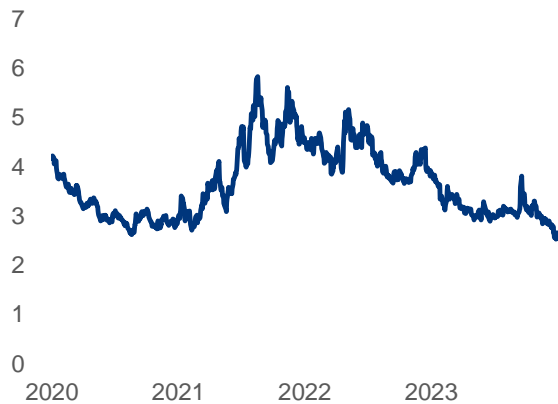
U.S. Treasury Yield Curve (%)



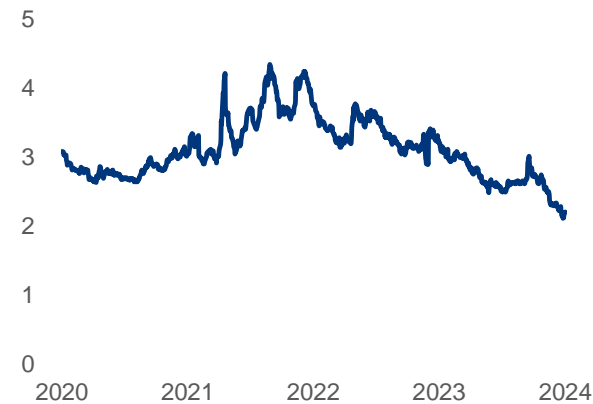
USD IG Credit Spread (%)



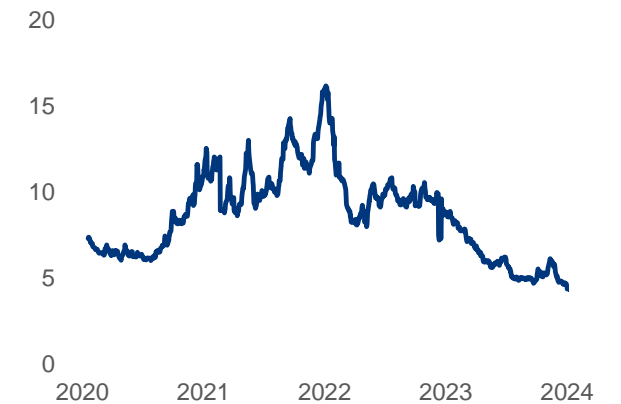
USD HY Credit Spread (%)



USD EM Credit Spread (%)



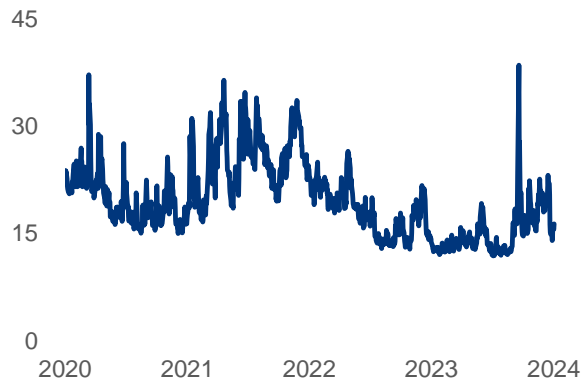
USD Asia Credit Spread (%)



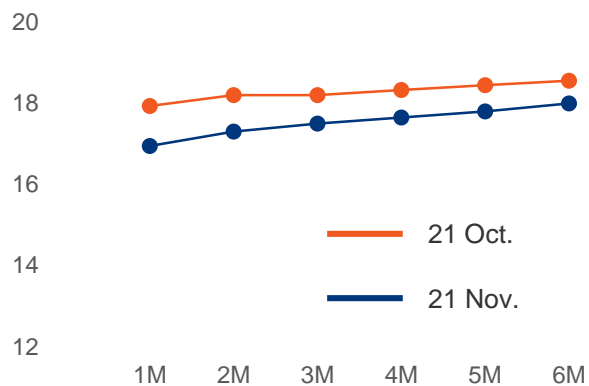
Source: Bloomberg, 21 Nov. 2024

Market Monitor

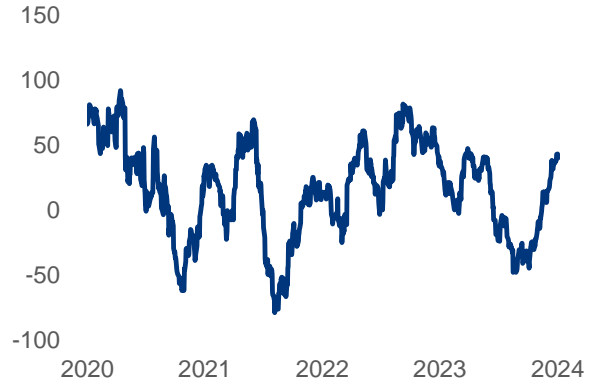
VIX Index



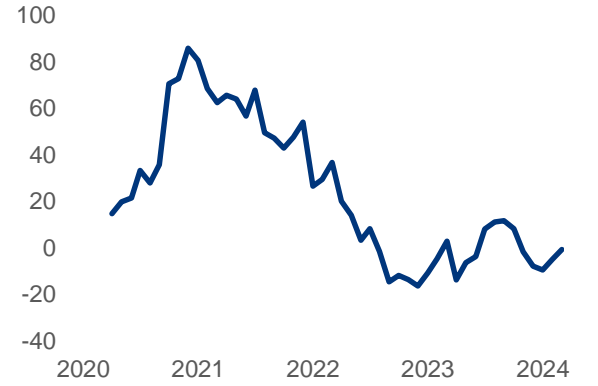
VIX Term Structure



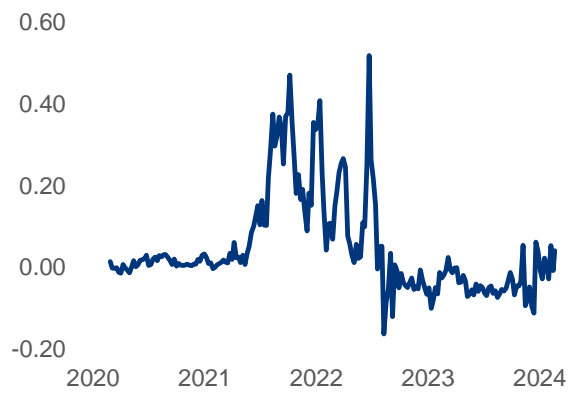
U.S. Citi Economic Surprise Index*



U.S. Citi Inflation Surprise Index*



TED Spread (bps)



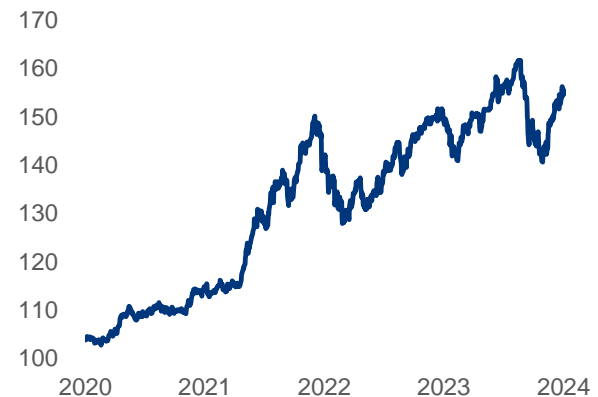
U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 21 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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All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.