



# Strategy To Reduce S&P 500 Concentration Risk

Global Markets Weekly Kickstart

2 December 2024



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Trump 1.0: Core Inflation Stable, 10Y Treasury Yield May Bottom Out



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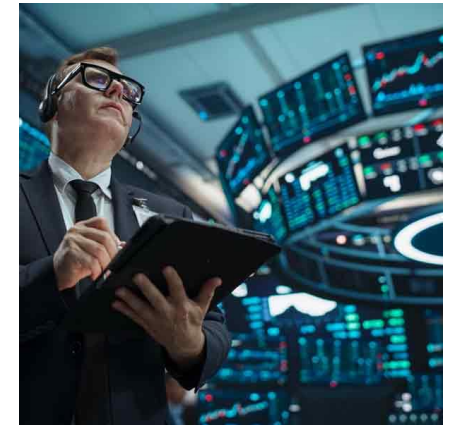
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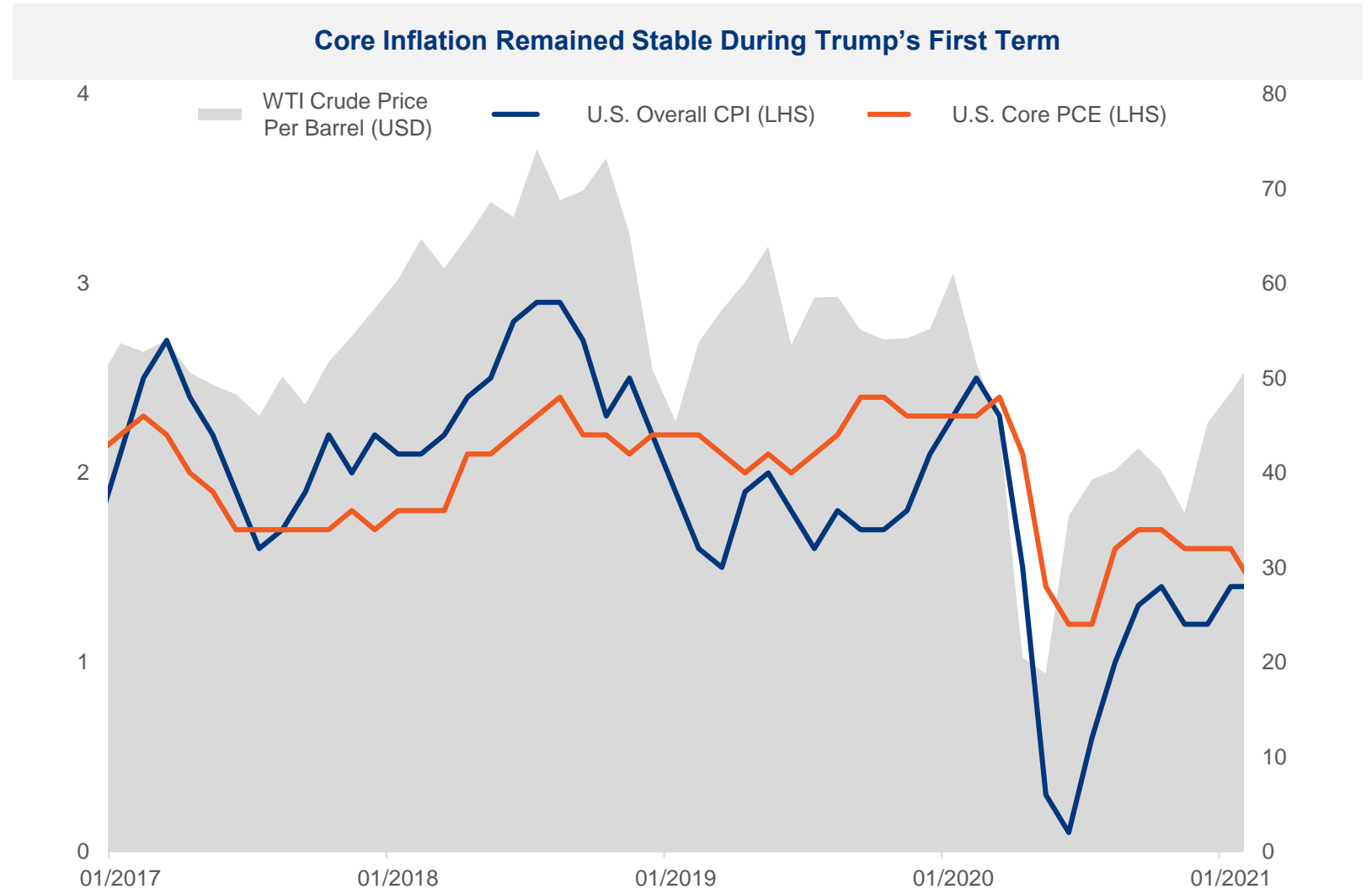


## 05 Product Spotlight

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

# Trump 1.0: Core Inflation Stable, 10Y Treasury Yield May Bottom Out in 1H25

- ▶ During the 2018 trade war, U.S. inflation rose slightly, with overall CPI climbing from 2.1% at the start of 2018 to 2.8% by June. From July 2018 to March 2020 (pre-pandemic), core inflation saw modest growth, averaging 2.2% and peaking at 2.4%. A strong U.S. dollar post-2018 likely offset some tariff-induced inflation.
- ▶ In 2018, sanctions on Iran drove WTI crude oil prices from an average of \$54 per barrel in 2017 to \$71 in 2018, contributing more to overall inflation than tariffs. Tariff impact depends on taxed goods and countries.
- ▶ By 1H25, the economy may slow amid a rate-cutting cycle, with 10-year Treasury yields expected to bottom at 3.7%-4.2%. Medium- to long-term bonds may offer price gains, but vigilance on H2 inflation, growth, and tariff policies is needed. Core PCE is forecast to return to 2.3% by late 2025, but potential tariff hikes could slow or reverse inflation's decline.



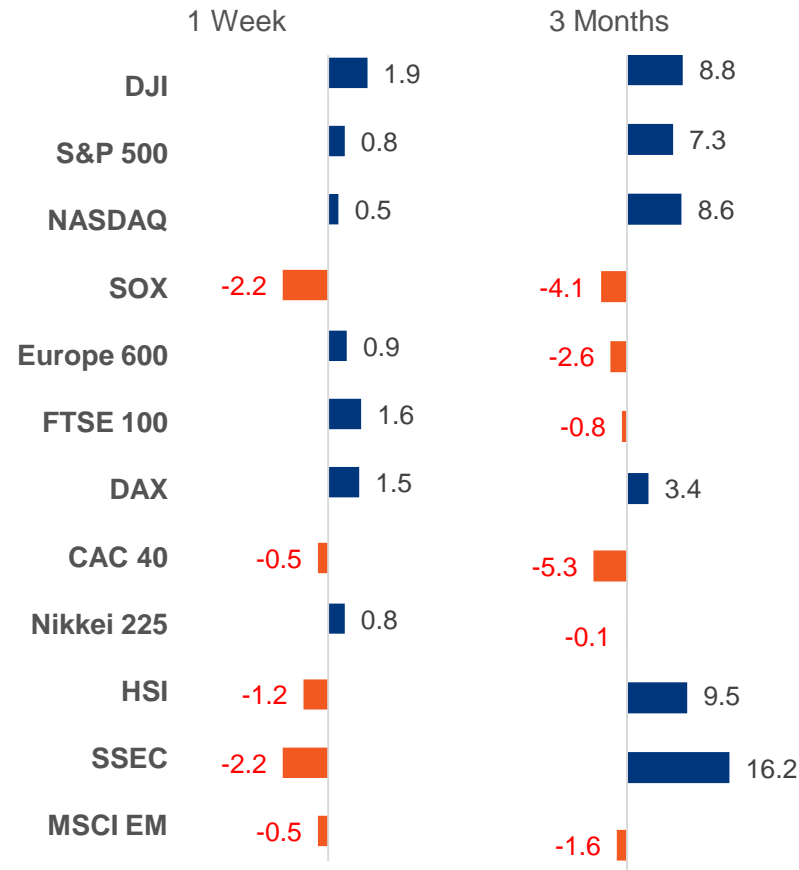
Source: Bloomberg

## Market Recap

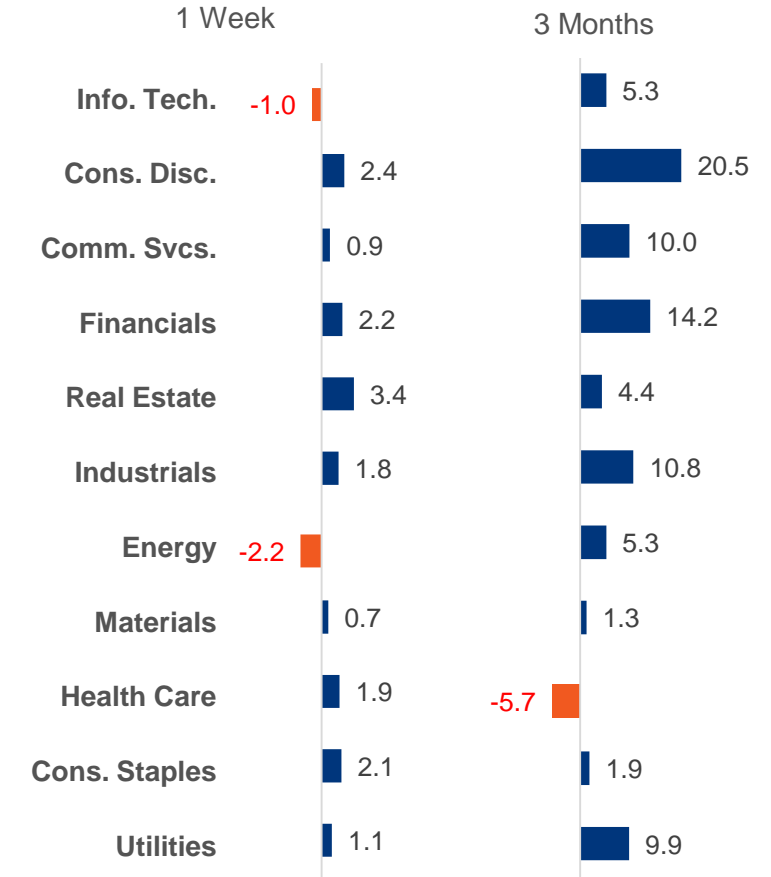
## Bond Yield Declines Support Equities; Tech Stocks See Volatility

- ▶ U.S. equities benefited last week from a pullback in long-term bond yields, with the Dow and S&P 500 hitting new highs amid light trading due to Thanksgiving.
- ▶ Markets reacted positively to Trump's nomination of hedge fund veteran Scott Bessent as Treasury Secretary. However, his announcement of tariffs on China, Mexico, and Canada raised concerns over inflationary pressures, leading to declines in Chinese and Hong Kong markets.
- ▶ Tech stocks showed mixed performance, with Nvidia remaining volatile and Tesla giving up some post-election gains. Energy stocks also dipped as ceasefire agreements eased risk sentiment, driving oil prices lower.

## Major Stock Indices Performance by Region (%)



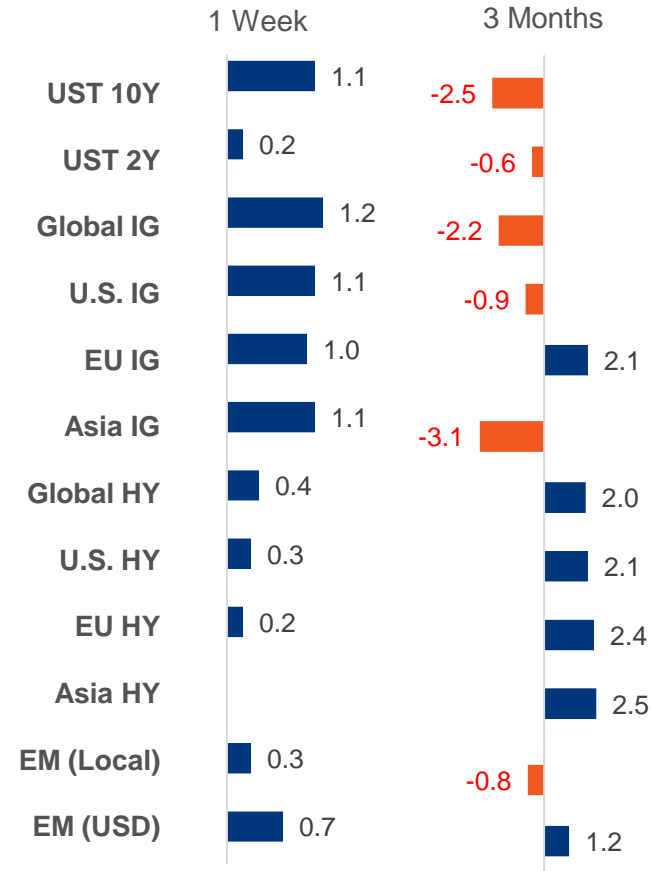
## US Stock Performance by Sector (%)



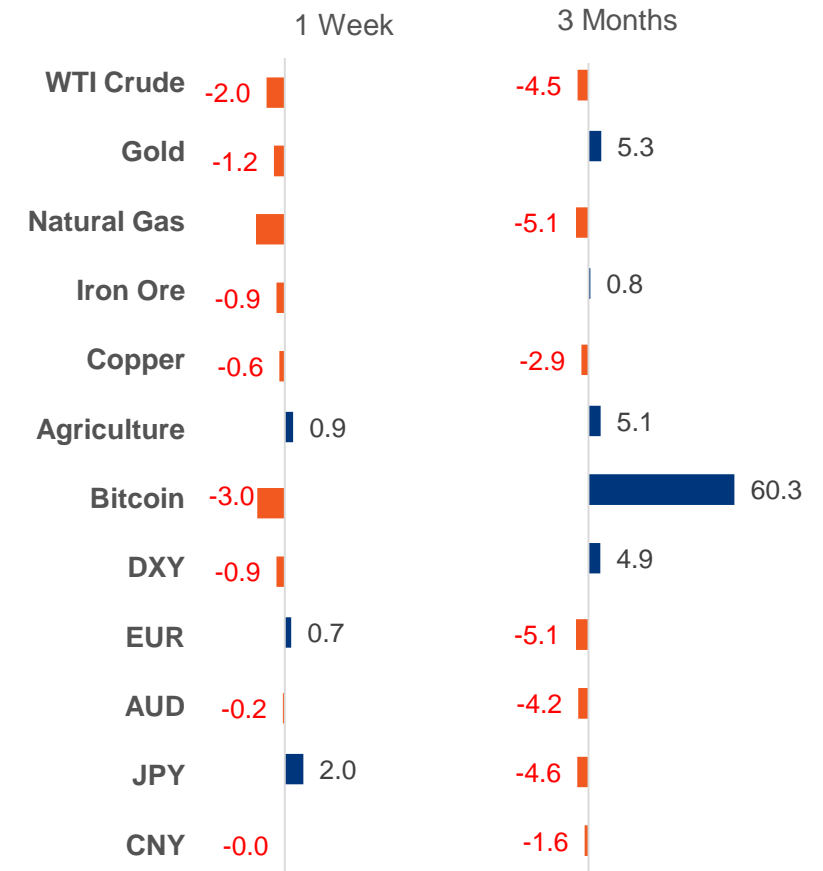
## Ceasefire Lowers Risk Appetite; Gold and Oil Weaken

- ▶ U.S. Treasury yields continued to decline, favoring investment-grade bonds with higher rate sensitivity. Scott Bessent's Treasury Secretary nomination and in-line PCE inflation data further supported falling yields and a softer dollar, though both remained elevated for the month. Bloomberg projections now show a 60% chance of a 25-bps rate hike by the BoJ in Dec., driven by improving inflation trends.
- ▶ The ceasefire agreement between Israel and Hezbollah initially reduced demand for safe-haven assets, sending gold prices lower. However, reports of potential violations by Friday narrowed gold's losses. Oil prices also softened due to the ceasefire, with risks moderately easing.

### Performance of Bonds (%)



### Performance of Commodities and Currencies (%)

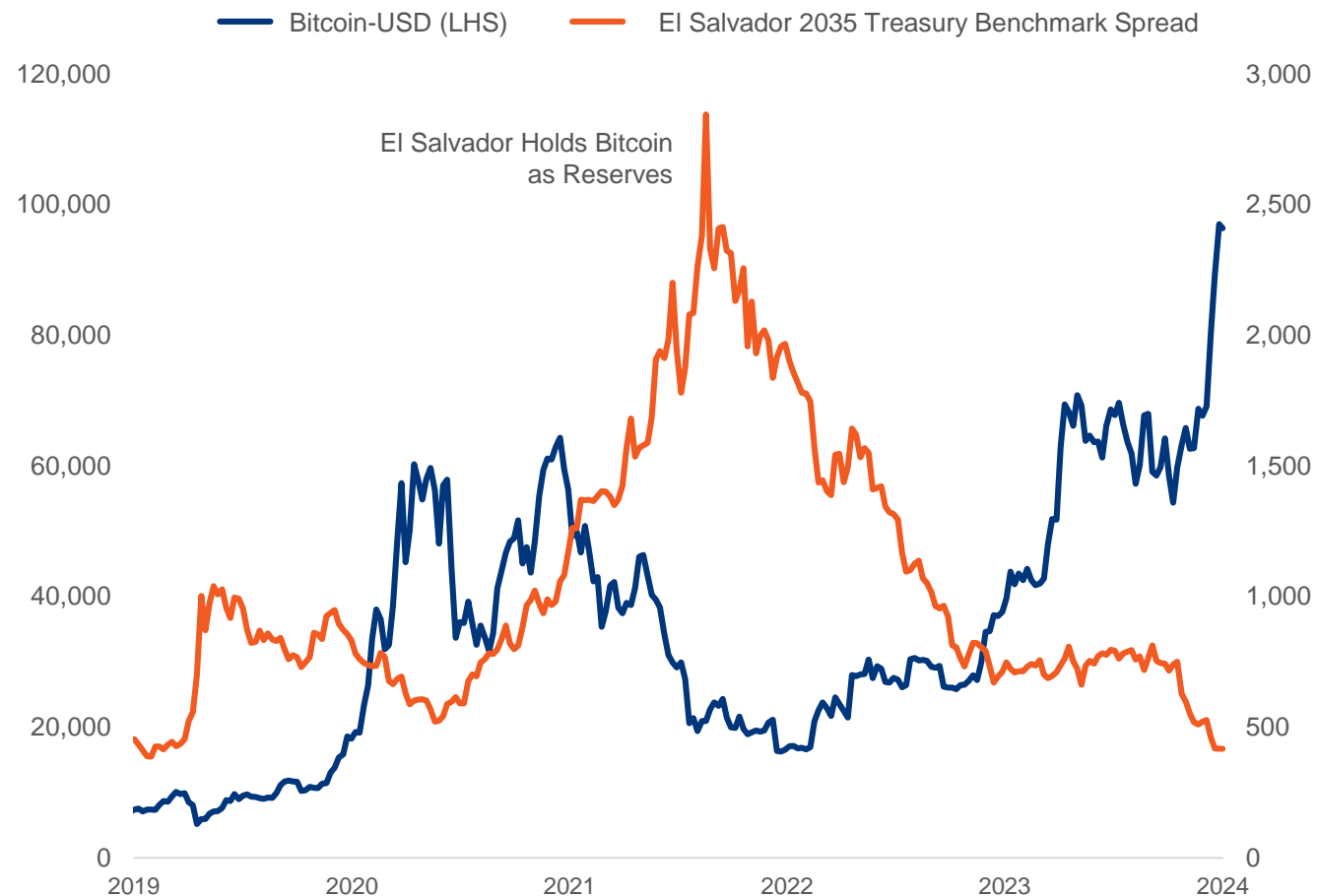


Source: Bloomberg, 28 Nov. 2024

## Crypto Adoption Rises, But Volatility Poses Challenges for Reserve Use

- ▶ The Trump administration has adopted a more favorable stance on cryptocurrencies, with new legislation promoting Bitcoin and broader cryptocurrency applications. However, laws specifically addressing Bitcoin as a reserve asset have progressed slowly. In October, the SEC approved Bitcoin spot ETF options trading, potentially increasing market-maker hedging activity. In the short term, Bitcoin's volatility is likely to remain high, making it a risky option for national reserves. Over the past decade, Bitcoin has experienced three drawdowns exceeding 70%.
- ▶ El Salvador purchased 400 Bitcoins in 2021 and adopted it as legal tender. Major rating agencies and the IMF have expressed concerns about the nation's fiscal health, citing Bitcoin's volatility. S&P currently provides ratings only for stablecoins. Beyond investor acceptance, assessments by rating agencies and settlement banks also influence the credibility of cryptocurrencies, including Bitcoin.

### El Salvador Holds Bitcoin as Reserves



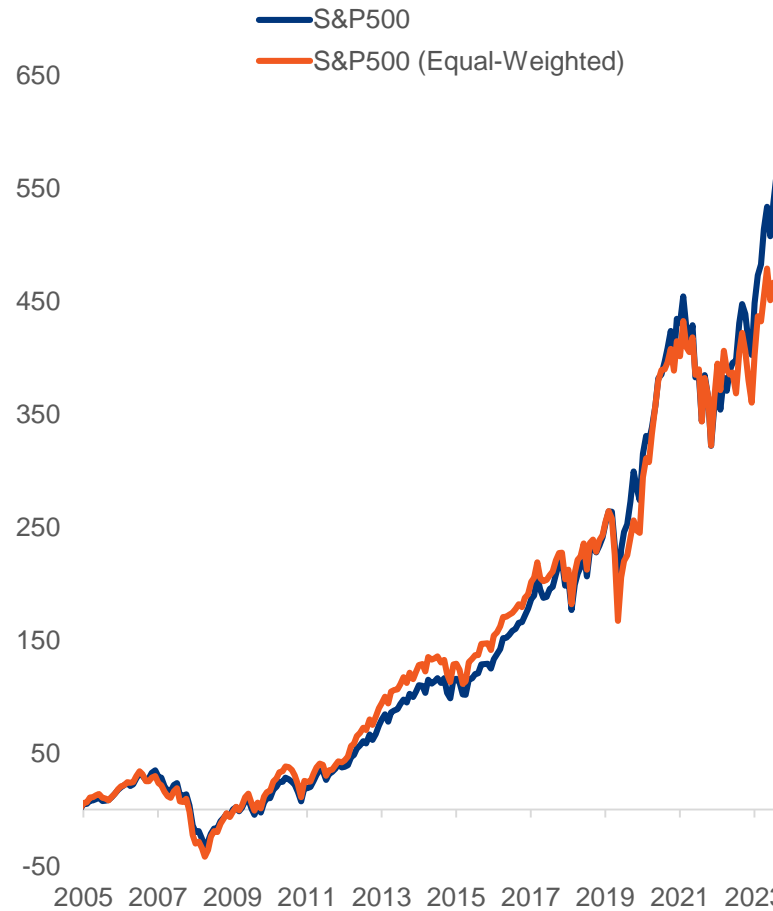
Source: Bloomberg

## Valuations of Equal-Weighted Large-Cap Index Remain Reasonable

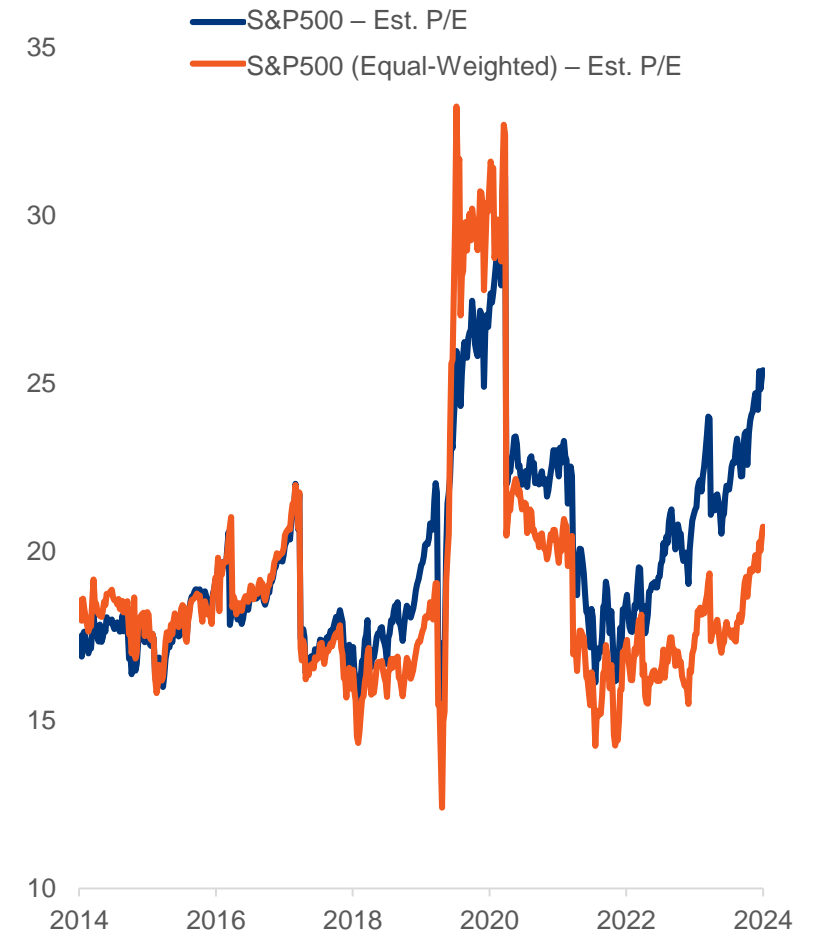
- ▶ From a fundamental perspective, the traditional S&P 500 index exhibits low equity risk premiums and a high P/E ratio (~27x), exceeding the 30-year average by 1.5 standard deviations, signaling it's not particularly cheap. The top 10 companies account for over 35% of the index, reflecting concentrated risk, heavily weighted towards the tech sector (32%). In contrast, the equal-weighted S&P 500 index holds fewer mega-caps and more mid-to-large-cap stocks, with a P/E ratio of ~20x, slightly above the 30-year average of 19.3x. Key sectors include industrials (16%) and financials (15%).
- ▶ The market remains focused on AI giants like Microsoft, Google, Amazon, and Meta, scrutinizing whether their revenue growth can keep pace with rising capital expenditures. The performance gap between market-cap-weighted and equal-weighted indices has stabilized, suggesting mega-cap dominance may wane.
- ▶ Historically, the performance and valuation gap between the two indices is uncommon. Their return correlation is now at a 20-year low, highlighting the unusual divergence.

### Uncommon for Gaps Between Market-Cap Weighted and Equal-Weighted Indices

TR Index, 2004/12/31=100



### Valuation Gap Between Traditional and Equal-Weighted Indices Expands

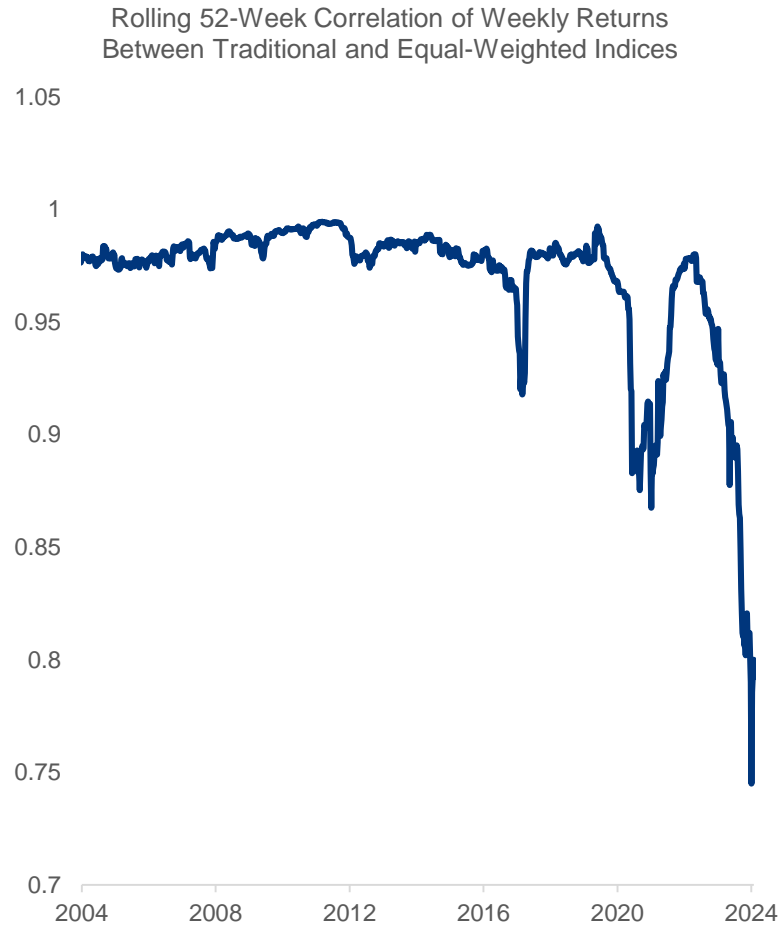


Source: Bloomberg

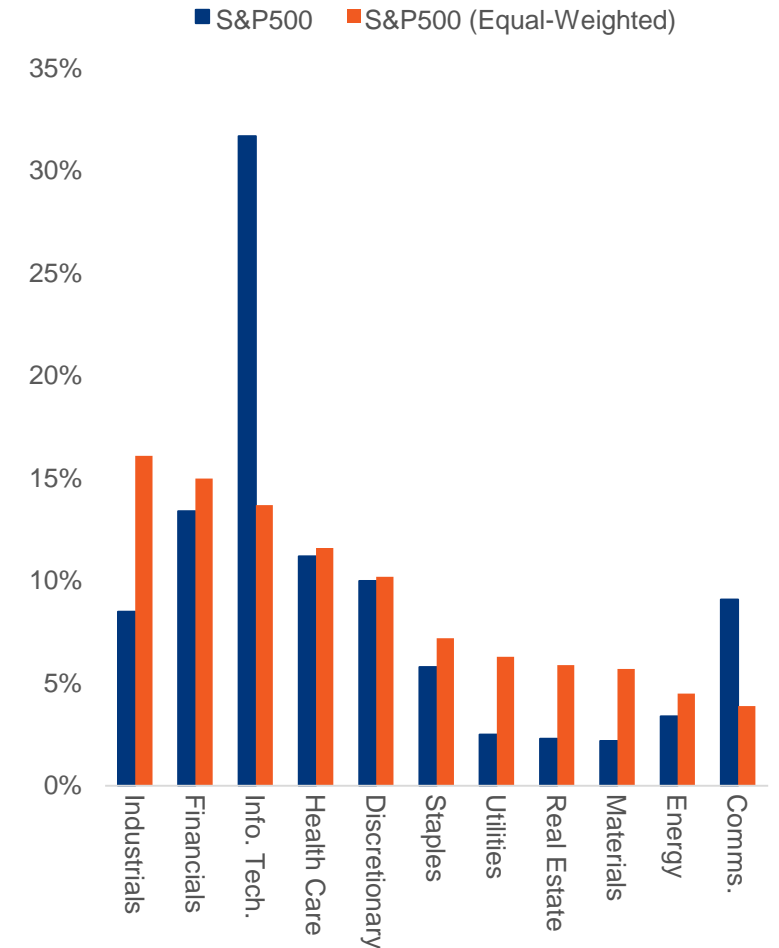
# Equal-Weighted Index Holds More Diversified Mid-to-Large Caps

- ▶ While small-cap stocks typically outperform large-caps post-rate cuts, Trump’s first term saw stronger small-cap returns. However, this trend may not repeat during his second term, as the economy faces a potential slowdown due to sustained high interest rates, unlike the recovery phase during his first term. For 2025, large-cap dominance is expected to persist, though volatility in AI-driven and internationally focused large-cap stocks could rise, reducing their recent advantage.
- ▶ A widening U.S. fiscal deficit could benefit materials and industrials, with capital goods likely enjoying a post-election “honeymoon” due to anticipated infrastructure projects. Financials, including traditional banks and crypto-related assets, may gain from relaxed regulations. These sectors are more prominent in equal-weighted indices.
- ▶ We view large caps as favorable, but the relatively lower concentration risk of equal-weighted indices like RSP and EQAL offers a compelling alternative.

## Correlation Between Traditional and Equal-Weighted Indices Declines



## Sector Allocation More Diversified Than Traditional Indices



Source: Bloomberg



# Asset Strategy

Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ Trump's pre-election policies, including tax cuts, deregulation, and support for traditional energy sectors, will require monitoring for post-election changes and their implementation. The U.S. economy remains resilient, with a soft-landing scenario prevailing. Consumer performance is strong, and tax cuts could further boost equities, particularly benefiting financial stocks amid elevated interest rates. AI's long-term growth outlook supports the continued uptrend in tech stocks, making regular investments in the sector a viable strategy.</li> <li>◆ Higher tariffs may weaken China's export momentum, while Europe faces trade policy uncertainties and increased NATO spending pressures. However, a strong dollar could weaken the yen, benefiting Japanese equities.</li> </ul>	<p><b>Style:</b> Mid-to-large-cap stocks, particularly in financials, industrials, defense, AI, and technology sectors.</p> <p><b>Regions:</b> U.S., Japan, India</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ Treasury yields reflect the soft-landing scenario but face uncertainties surrounding fiscal and monetary policy paths. Conservative investors are advised to focus on short-duration bonds to lock in yields. In 1H25, 10-year yields may peak before bottoming at 3.7%-4.2%. Medium-to-long-term bonds offer capital appreciation potential, though volatility in long-term bonds remains higher. Inflation, economic growth, and tariff policies in the second half of 2025 warrant close attention.</li> </ul>	<p><b>Duration:</b> Conservative investors should consider short-term bonds, as medium-to-long-term bonds carry greater volatility.</p> <p><b>Types:</b> treasuries and IG bonds, with large-cap corporate bonds as the top choice. Financial sector bonds with potential growth drivers offer additional opportunities.</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ With Trump and the Republican Party in full control, inflation expectations have driven U.S. Treasury yields higher. The dollar is expected to stay strong in the short term, likely extending into early 2025. In the medium term, the dollar could weaken as the economy reflects a soft-landing scenario and the Fed continues rate cuts.</li> <li>◆ Trade tariffs may slow non-U.S. economies, increasing their rate cuts and widening yield spreads, pressuring non-U.S. currencies in the short term.</li> </ul>	<p>Dollar Strength Supported</p> <p>Yen expected to weaken short-term but gradually trending upward</p>

# Chinese Industrial Profits Remain Under Pressure

## Industrial Profits Decline for Third Consecutive Month

- China's National Bureau of Statistics reported industrial profits falling for the third consecutive month. Revenue for the first ten months grew by 1.9% YoY, down 0.2 percentage points from the previous period. Profits declined 4.3% YoY, narrowing the previous drop by 0.8 percentage points. October alone saw revenue rise 2.8% YoY, while profits fell 10%, marking a significant improvement from September's 17.1 percentage-point drop. Profit margins for the first ten months were 5.29%, down from 5.67% YoY, weighed by higher operating costs and falling gross margins. Slowing industrial output and steeper declines in producer prices further pressured revenues.

## Broader and Sustained Fiscal Measures Needed to Boost Consumer Spending

- Industrial profit recovery depends on demand revival and producers regaining pricing power. However, current stimulus measures have shown limited long-term effects on the real economy. Investors should monitor changes in key PMI sub-indices, such as new orders and producer prices, to gauge growth momentum. Fiscal measures targeting home appliances and automobiles have shown notable results, but broader and more sustained consumer-focused policies are essential to significantly enhance household spending power.

## Milder Tariff Hikes Could Provide Market Entry Opportunities

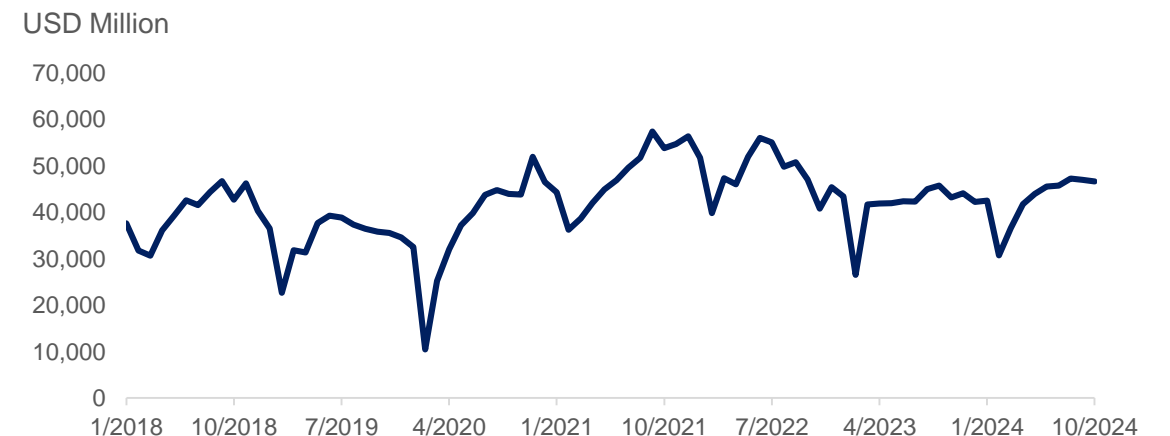
- On the 26th, Trump announced plans to impose tariffs on imports from China, Canada, and Mexico, America's top three trading partners. While the announcement was expected, Trump's initial proposal for a 10% tariff on Chinese goods suggests a more gradual approach rather than an immediate jump to the previously threatened 60%. Tariff hikes are likely to mirror Trump's first term, with initial 10% tariffs on all goods, potentially followed by higher rates on strategic items in the second half of 2025. A 10% hike could reduce China's exports to the U.S. by 7%, while a 60% hike could lead to a 25% decline. If tariffs remain less aggressive, it could offer opportunities for market reentry.

Source: Bloomberg

### Chinese Industrial Profits Growth YoY



### China-to-U.S. Exports



# China Merchants Bank (3968)

<b>Closing Price</b>	HK \$35.1	<b>Target Price</b>	HK \$43	<b>Stop-Loss Price</b>	HK \$-
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## Profile

China Merchants Bank Co., Ltd. operates as a commercial bank. The Company provides deposits, loans, wealth management, asset custody, finance leasing, investment banking, and other banking services.

## Highlights

### Low Rate Environment Boosts WM Demand

The PBOC's 3Q24 report flagged exchange rates and net interest margins as limits to further rate cuts. We expect 2024 rate cuts with reserve requirement reductions to boost liquidity, with narrower margin declines. Lower deposit rates may drive funds from term deposits to higher-yield investments, benefiting leaders like China Merchants Bank (CMB). Management forecasts stronger growth in 2025 social financing and loans, supporting CMB. With 55% of its 3Q portfolio in retail loans, CMB is well-placed to gain from stimulus and improving demand.

### Fee and Commission Income Offers Upside

From Jan to Sep 2024, non-interest net income fell 2.7% YoY to RMB 95.31 billion, making up 37.73% of operating income, mainly due to reduced bancassurance fees. This impact is expected to fade over time. Wealth management income rose 60% YoY and 19% QoQ, reflecting solid growth. Premium clients increased 9.16% YoY, with total client assets reaching RMB 11.7 trillion, an 8.15% increase. Private banking clients rose 7.22% YoY. Rising demand for wealth management suggests room for improvement in fee and commission income.

### Stable Asset Quality

CMB's NPL ratio fell 0.01ppt to 0.94% from end-2023. Policy measures addressing developer debt issues and stalled projects, alongside marginal retail data improvement, are gradually restoring market confidence. Asset quality is expected to remain stable.

Source: Bloomberg

## Financials

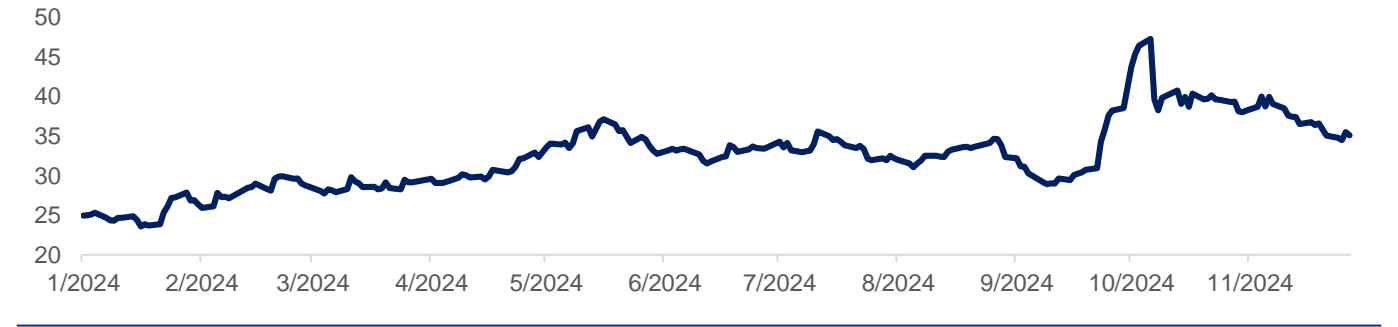
	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	13.8	8.0	-4.7	-1.3	1.9
<b>EPS(CNY)</b>	4.61	5.26	5.63	5.73	5.94
<b>EPS Growth(%)</b>	21.6	14.1	7.0	1.7	3.6
<b>Dividend Yield(%)</b>	2.88	4.56	7.34	6.04	6.27

Source: Bloomberg; 2024/25F are market estimates

## Valuations

	5Y Average	Current
Price 24.05	71.75	
P/E 3.98	14.68	
P/B 0.63	2.23	

## YTD Performance



As of 28 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	-7.63	3.84	37.02	36.52	-33.82	15.99

# Ping An Insurance Group (2318)

<b>Closing Price</b>	HK \$44.8	<b>Target Price</b>	HK \$58	<b>Stop-Loss Price</b>	HK \$-
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## Profile

Provides products and services through its five ecosystems in financial services, healthcare, auto services, real estate services and Smart City solutions. The Group's insurance business writes property, casualty, and life insurance products.

## Highlights

### Agent Quality Continues to Improve

At the 7th China Insurance Industry Association Assembly, regulator Li Yunze called for a shift to value-driven models in insurance. While details are unclear, stricter rules may benefit strong insurers like Ping An, which prioritizes agent quality. In 3Q24, agent channel NBV rose 31.6% YoY, with per-agent NBV up 54.7%. Top 20% of agents contributed 80% of NBV, highlighting productivity gains.

### Competitive Investment Yield

Ping An plans to increase its focus on dividend-paying products, expected to account for over 50% of sales, capitalizing on the low-rate environment's appeal. As of September, Ping An's net investment yield stood at 3.8%, surpassing China Life's 3.26%, enhancing its competitiveness. Management is optimistic about maintaining positive NBV growth in 2025.

### Attractive Dividend Yield

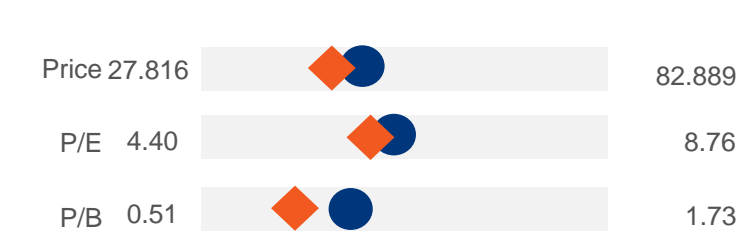
Ping An's dividend yield, forecasted to exceed 6% in 2025, remains attractive, reflecting its financial resilience and recovery in core life insurance earnings.

## Financials

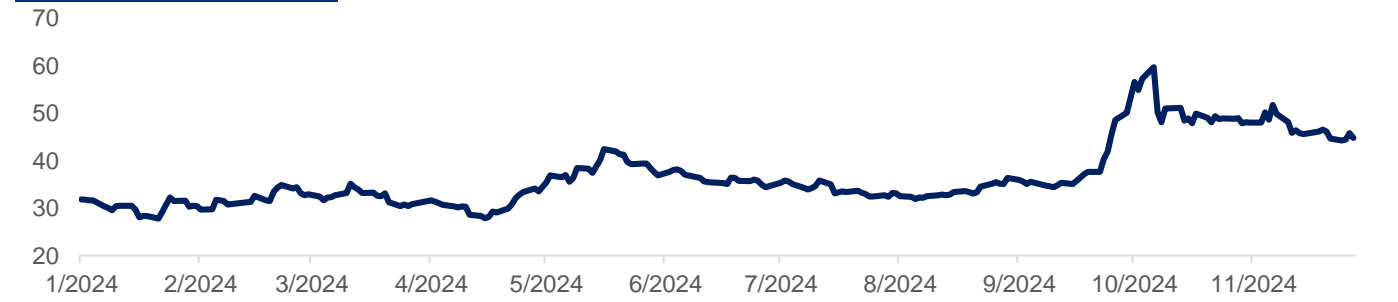
	2021	2022	2023	2024F	2025F
<b>Int. Value Growth(%)</b>	5.0	2.0	-2.3	9.0	7.7
<b>EPS(CNY)</b>	5.77	6.36	4.84	7.54	7.7
<b>EPS Growth(%)</b>	-28.7	10.2	-23.9	55.8	2.1
<b>Dividend Yield(%)</b>	5.82	6.09	8.01	5.98	6.25

Source: Bloomberg; 2024/25F are market estimates

## Valuations



## YTD Performance



As of 28 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	-6.95	27.64	35.77	33.31	-1.16	-35.92

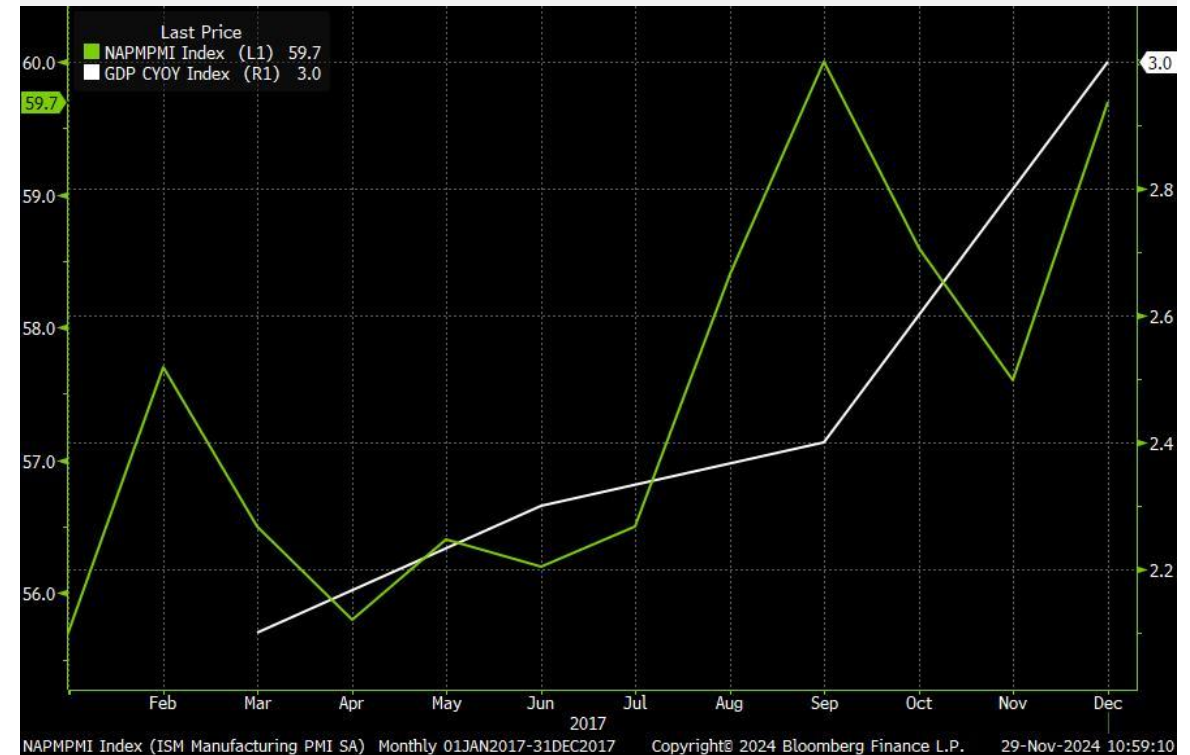
Source: Bloomberg



## 2025 U.S. Manufacturing Revival Expected

- ▶ The U.S. economy expanded at an annualized 2.8% in 3Q24, matching initial estimates and 2Q data.
- ▶ In October, core PCE prices rose 0.3% MoM, consistent with September and market expectations. Service prices increased 0.4%, while goods prices fell 0.1%. The core PCE price index rose 2.8% YoY, aligning with forecasts. Durable goods orders grew 0.2% MoM to \$286.6 billion, following a revised 0.4% decline in September, slightly below the expected 0.5% gain.
- ▶ The Fed's Nov. 6–7 minutes revealed optimism about inflation cooling and a strong labor market, supporting potential rate cuts. However, officials emphasized caution, highlighting economic trends and uncertainty over neutral rate impacts. Some advocated keeping rates restrictive if inflation persisted, while others suggested accelerated cuts if the labor market weakened. The impact of Trump's reelection was not directly addressed but noted as requiring policy flexibility.
- ▶ During Trump's first term in 2017, U.S. economic growth accelerated, driven by manufacturing expansion. A soft landing remains the baseline for 2025, with manufacturing likely to rebound.
- ▶ Historically, U.S. equities perform well year-end—buying dips is advised.

### 2017 U.S. ISM Manufacturing PMI (Green) vs. GDP Growth (White)



Source: Bloomberg

# 3M Company (MMM)

<b>Closing Price</b>	US \$132.48	<b>Target Price</b>	US \$150	<b>Stop-Loss Price</b>	US \$120
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## Profile

3M Company conducts operations in electronics, telecommunications, industrial, consumer and office, health care, safety, and other markets. The Company businesses share technologies, manufacturing operations, marketing channels, and other resources.

## Highlights

### ■ Trump-Led Manufacturing Revival Expected

During Trump’s first term in 2017, the U.S. ISM Manufacturing PMI remained in the 55–60 range, signaling expansion. Trump reduced corporate taxes from 35% to 21% and eased regulations in energy, finance, and environmental sectors. That year also marked the start of the trade war, with domestic manufacturing benefiting from these policy shifts. Markets anticipate Trump’s 2025 term will continue these policies with greater speed and efficiency, likely driving U.S. manufacturing from contraction back to growth.

### ■ Focused on Mobile Gaming Ads

3M has faced several lawsuits in recent years, notably over environmental liabilities tied to PFAS ("forever chemicals") and defective earplug claims from U.S. military personnel. These lawsuits have resulted in significant settlement payments, straining 3M’s finances. The company is implementing measures to improve internal processes and address legal and compliance risks, aiming to restore investor confidence and stabilize its operations.

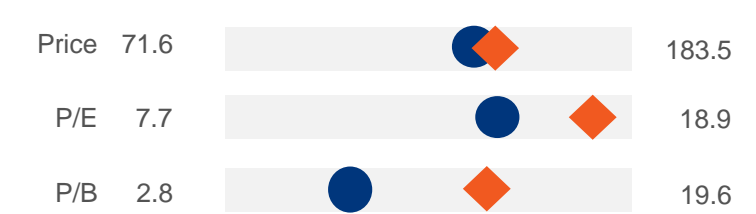
Source: Bloomberg

## Financials

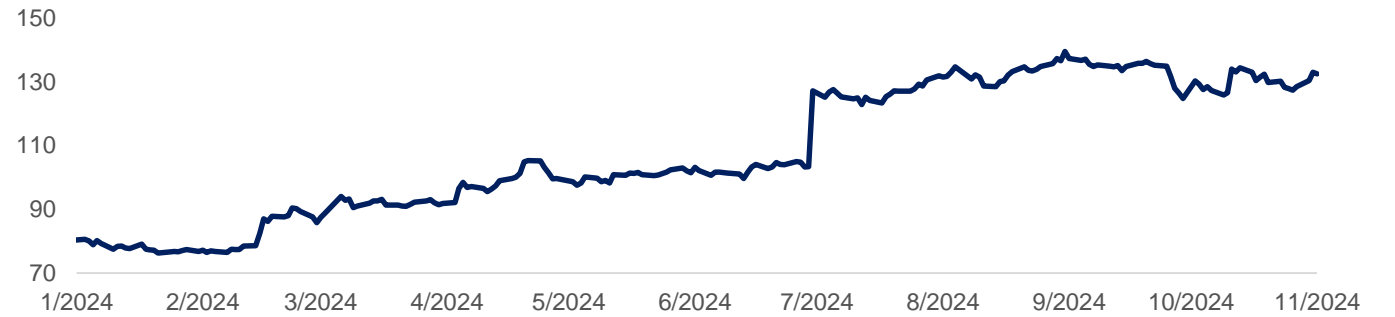
	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	9.9	-3.2	-4.5	-27.8	3.1
<b>EBITDA (%)</b>	27.5	27.8	27.6	27.9	28.6
<b>EPS (USD)</b>	10.27	10.56	9.21	7.36	7.90
<b>Net Profit Margin(%)</b>	17.0	17.5	15.6	17.4	17.7

Source: Bloomberg; 2024/25F are market estimates

## Valuations



## 1-Year Performance



As of 27 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	1.7	0.7	44.9	60.9	1.1	2.6

# The Walt Disney Co. (DIS)

**Closing Price** US \$82.15

**Target Price** US \$100

**Stop-Loss Price** US \$70

## Profile

The Walt Disney Company operates as an entertainment and media enterprise company. Its business segments includes, media networks, parks and resorts, studio entertainment, consumer products, and interactive media.

## Highlights

### Entertainment Division Recovery

Disney's theme parks set record-high revenue and profit in FY2024, with revenue up 5% to \$34.15 billion and operating income up 4% to \$9.27 billion. The experiences segment, including theme parks, cruises, and consumer products, outpaced other divisions and is expected to deliver 6%-8% profit growth in FY2025. Disney Cruise Line is expanding significantly, aiming to double its fleet by 2031. The sixth ship, Disney Treasure, launches in December 2024, followed by Disney Wish and Disney Adventure in 2025. Disney plans four additional ships and, starting in 2025, will offer cruises departing from Singapore, marking its entry into the Asian market.

### Disney+ Growth Momentum

Disney+ is leveraging the global popularity of Korean dramas to expand its original content lineup and compete with Netflix. At the 2024 Asia-Pacific content showcase, the platform announced 10 new Korean dramas, including Moving Season 2, based on a popular webtoon. Season 1 became Disney+'s most-watched original series globally in 2023. Disney+ sees the Asia-Pacific region as a key growth market, emphasizing its compelling storytelling and appeal to global audiences. By focusing on Korean content, Disney+ aims to drive subscriber growth into FY2025.

Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
<b>Revenue Growth(%)</b>	24.2	6.2	2.8	3.8	5.4
<b>EBITDA (%)</b>	17.2	16.9	19.5	20.4	21.1
<b>EPS</b>	2.00	2.98	4.33	5.37	6.08
<b>Net Profit Margin(%)</b>	4.4	6.1	8.7	10.3	10.9

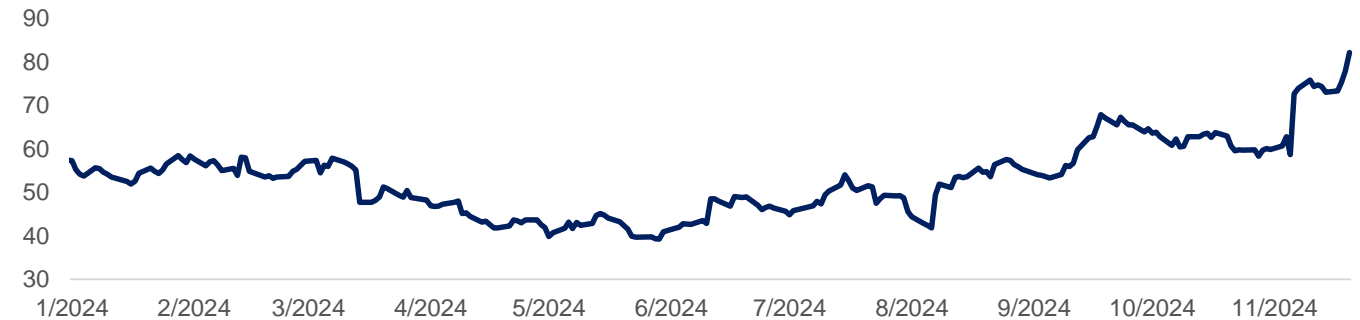
Source: Bloomberg; 2024/25F are market estimates

## Valuations

● 5Y Average ◆ Current

Price	79.3		201.9
P/E	15.1		2430.0
P/B	1.4		4.3

## 1-Year Performance



As of 27 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	30.5	50	42	114.3	11.5	14.9



# MSCI Rebalancing Disrupts Markets as Trump Wields Tariff Threats, Support at Risk

## ► MSCI Rebalancing Disrupts Market, Short-Term Support Falters

The MSCI quarterly rebalancing triggered heavy trading in several key stocks, narrowing the broader market's gains. Coupled with foreign investors significantly increasing short positions by 8,141 futures contracts, the Taiwan Stock Exchange slipped below its short-term moving averages.

From a technical perspective, the index failed to reclaim the monthly moving average and experienced a sharp decline, breaking below key short-term levels and filling the bullish gap between 22,708 and 22,799 points. This shift established a consolidation pattern.

Should the market rebound swiftly and reclaim short-term averages, there remains potential to retest the monthly moving average. Conversely, if the index falls below the quarterly and half-yearly moving averages, it risks breaking its consolidation pattern and retesting the neckline at 22,231 points (November 1 low)..

## ► Trump Wields Tariff Axe; Focus Shifts to Resilient Sectors

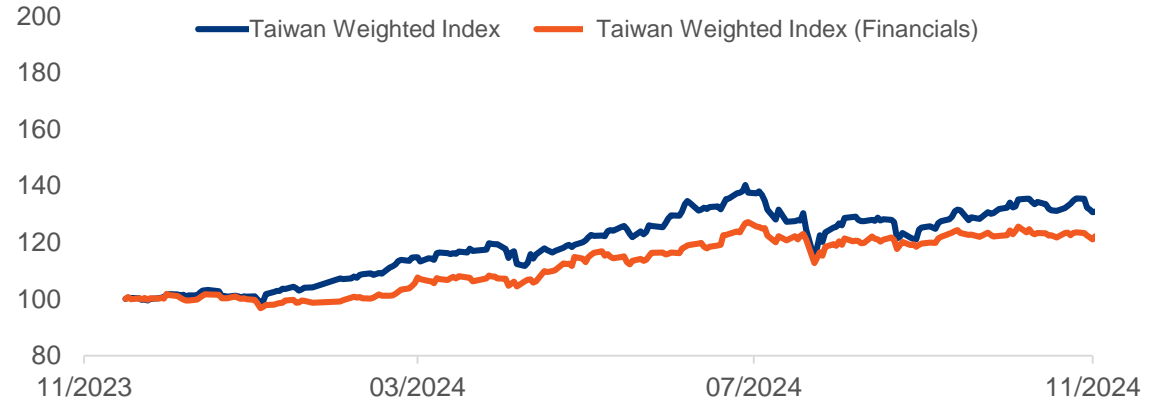
Trump's sweeping tariffs on China, Mexico, and Canada have impacted key AI server components, weighing on major electronics stocks. Without a quick rebound in AI server-related equities, the broader Taiwan Weighted Index may struggle to gain momentum.

Among sectors, optical communications, casings, gallium arsenide, and financials have shown resilience, potentially providing market support. Other electronics sectors have seen scattered performance. Investors should focus on stocks that maintain support above moving averages or exhibit strength by breaking resistance levels.

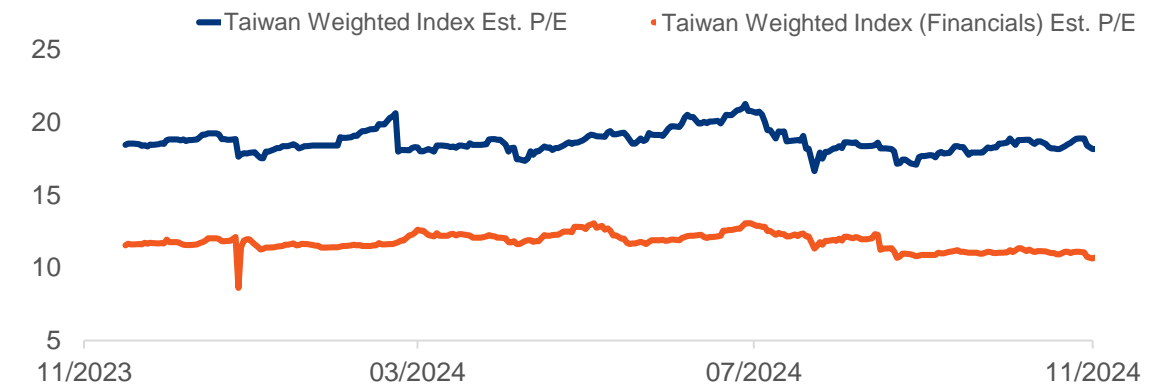
Source: Bloomberg

### Taiwan Indices Performance and Estimated P/E Ratios

Index, 28 Nov. 2023 = 100



Index Est. P/E





# Fubon Financial Holding (2881 TT)

## Profile

Fubon Financial Holding is a financial holding company, formed through the merger of Fubon Insurance, Fubon Securities, Fubon Commercial Bank, and Fubon Life Assurance.

## Highlights

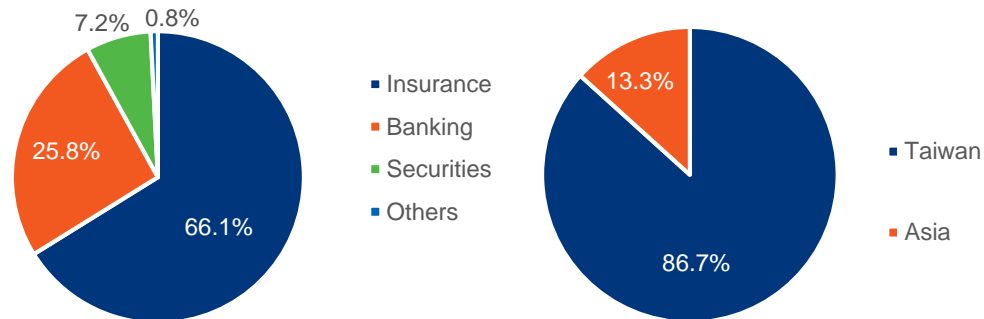
### Positive Outlook for Life Insurance

The 3Q24 return on investment reached 5.51%, up 118 basis points YoY, driven by continued capital gains from stock sales, offsetting a rise in hedging costs to 1.56%. The company expects 2025 recurring yield, both pre- and post-hedging, to surpass 2024 levels.

### Strong 3Q24 Momentum

Reported 3Q24 after-tax profit of NT\$40 billion, up 61% YoY but down 21% QoQ. Fubon Life's profit surged 56% YoY to NT\$26.36 billion, Taipei Fubon Bank's rose 25%, and securities profit jumped 54%. The company plans to maintain a dividend payout ratio of 40-50% in the medium to long term, with a double leverage ratio of only 115%. KGI Securities forecasts 2024 cash dividends per share of NT\$3.8-4, with a cash dividend yield of 4.2%-4.4%.

## Revenue Sources and Regions



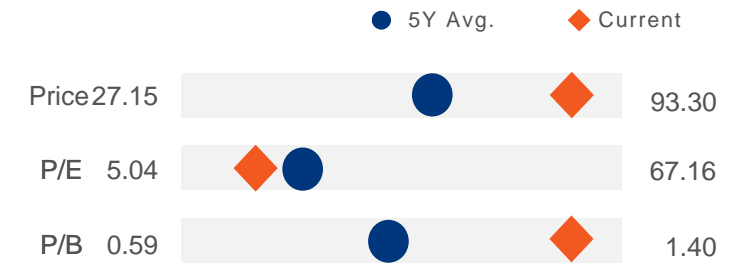
Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	12.25	3.79	5.07	9.96	8.71
EPS Growth (%)	38.8	-69.1	34.0	96.4	-12.5
P/E Ratio	7.4	23.8	17.8	9.0	10.3
ROE (%)	18.8	7.1	11.2	17.1	12.6

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



# Cathay Financial Holding (2882 TT)

## Profile

Cathay Financial Holding is a holding company. Through its subsidiaries, the Company provides traditional life, health care, and accident insurances, as well as banking, security underwriting, and brokerage services.

## Highlights

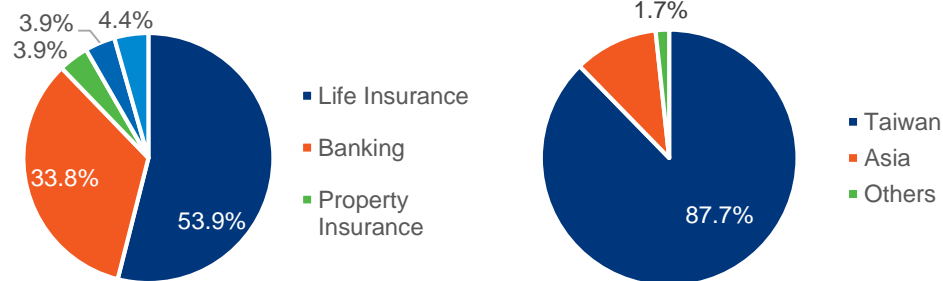
### Strong Profit Growth

3Q24 after-tax profit grew 16% YoY, driven by a 6% increase in life insurance profit (with stock capital gains up 203% YoY), a 39% rise in banking profit, and a 120% surge in securities profit. The company stated that its 2024 dividend policy will remain aligned with operational considerations and peer levels. With a double leverage ratio of 117%, KGI Securities forecasts cash dividends per share of NT\$2.7-3, offering a cash dividend yield of 4%-4.5%.

### 3Q24 Banking Core Operations Strengthen

Cathay United Bank's net interest margin increased by 6 basis points QoQ to 1.61% in 3Q24, driven by a 3-basis-point expansion in deposit-loan spreads. The company expects 2025 net interest margin to remain at the 2024 level of 1.56%. Wealth management and credit card fee income saw robust growth, pushing overall fee income growth to 35% in 3Q24.

## Revenue Sources and Regions



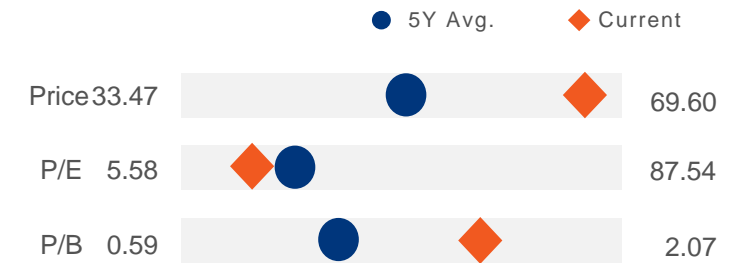
Source: Bloomberg

## Financials

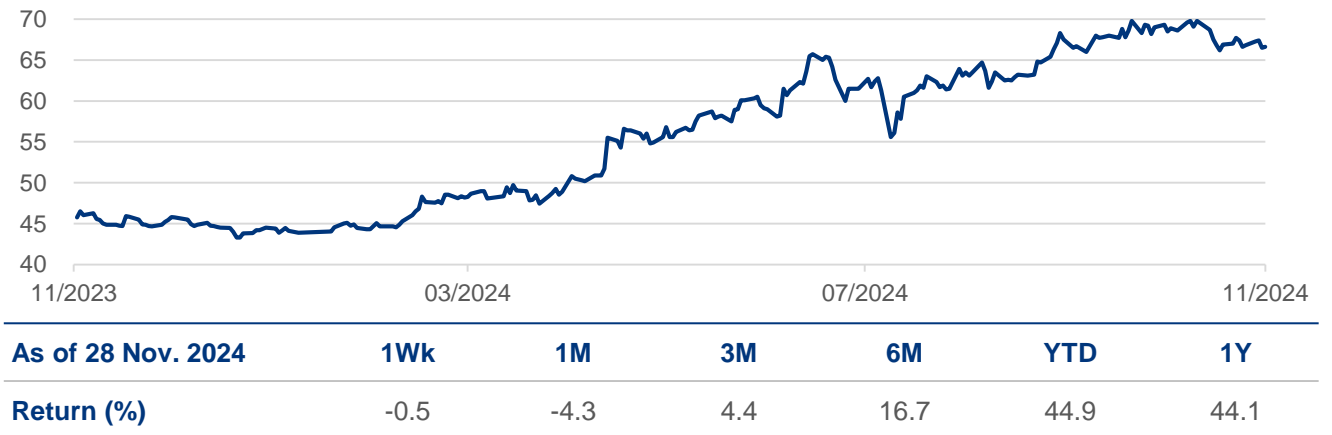
	2021	2022	2023	2024F	2025F
EPS (NTD)	10.59	2.55	3.47	7.60	6.68
EPS Growth (%)	87.1	-76.0	36.3	118.9	-12.1
P/E Ratio	6.3	26.1	19.2	8.8	10.0
ROE (%)	17.3	5.7	8.5	14.6	11.0

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



# Equal-Weight Strategy Offers Broader Mid-Cap Exposure & Diversified Allocation

The equal-weight strategy reduces the bias toward large-cap companies and periodically rebalances the portfolio by selling overvalued stocks and buying undervalued ones. This approach provides more balanced risk exposure across index components, improving risk management..

## ► Invesco S&P 500 Equal Weight ETF (RSP)

- Tracks the S&P 500 Equal Weight Index, aiming to replicate its performance.
- Holds the same stocks as the S&P 500 but assigns equal weight to each.
- Diversified portfolio reduces concentration risk in a few stocks.
- Largest equal-weight ETF by assets in the U.S. market.

## ► Invesco Russell 1000 Equal Weight ETF (EQAL)

- Tracks the Russell 1000 Equal Weight Index, seeking to match its performance.
- Equally weights 11 sectors within the Russell 1000 Index, as well as stocks within each sector.
- Diversified holdings mitigate excessive concentration risks at both stock and sector levels..

Product	Invesco S&P 500 Equal Weight ETF (RSP)	Invesco Russell 1000 Equal Weight ETF (EQAL)
Features	Diversified portfolio reduces concentration risk in a few stocks.	Equally weights 11 sectors within the Russell 1000 Index, as well as stocks within each sector.
AUM	USD 73.6B	USD 664M
Tracking Index	S&P 500 Equal Weight Index	Russell 1000 Equal Weight Index
Holdings	504	995
Expense Ratio	0.20%	0.20%
3M/YTD Returns	7.81% / 20.09%	9.82% / 18.95%
Top-5 Sectors (%)	Industrials 16.37 Financials 15.43 Info. Tech. 13.83 Healthcare 11.15 Consumer Disc. 10.41	Info. Tech. 13.60 Financials 10.89 Industrials 9.99 Materials 9.20 Energy 9.11
Top-5 Holdings (%)	United Airlines 0.36 Vistra Corp. 0.36 Palantir Technologies 0.35 Axon Enterprise 0.31 GE Vernova Inc 0.28	Ubiquiti Inc 0.86 Lumentum Holdings 0.78 Liberty Broadband Corp 0.68 Ciena Corp 0.63 T-Mobile U.S. 0.59

Source: Bloomberg

# Invesco S&P 500 Equal Weight ETF (RSP)

## Profile

The ETF tracks the S&P500 Equal Weighted Index, which equally weights the constituents of the cap weighted S&P 500 Index and rebalances the index to target weights quarterly.

### Largest AUM

This ETF is the largest equal-weight ETF in the U.S. market..

### Equal-Weight Strategy

The ETF equally distributes assets across all holdings. It regularly trims weights of outperforming stocks and adds to underperforming ones, ensuring balanced exposure and reducing concentration risks in top holdings.

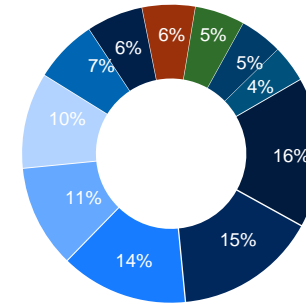
### Diversified Investment

Covering all S&P 500 stocks, the ETF provides broad market coverage with balanced sector allocation, effectively spreading risk and minimizing the impact of individual stock or sector volatility.

<b>Inception Date</b>	4 April 2003	<b>AUM</b>	USD 73.6 Billion
<b>ETF Category</b>	Equities	<b>Holdings</b>	504
<b>Expense Ratio</b>	0.20%	<b>3Y Stand. Dev. (Ann.)</b>	18.16%

Source: Bloomberg, 27 Nov. 2024

## Sectors



- Industrials
- Financials
- InfoTech
- Health Care
- Discretionary
- Staples
- Utilities
- Real Estate
- Materials
- Energy
- Comms

## 1-Year Performance



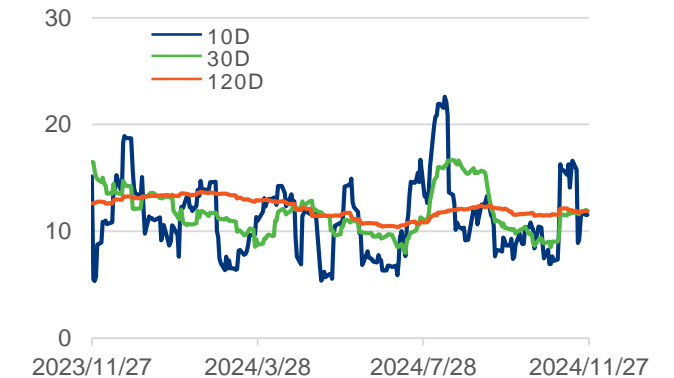
As of 27 Nov. 2024

	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	5.12	7.81	20.09	29.76	31.29	25.88

## Top-5 Holdings (%)

<b>United Airlines</b>	0.36
<b>Vistra Corp.</b>	0.36
<b>Palantir Technologies</b>	0.35
<b>Axon Enterprise</b>	0.31
<b>GE Vernova Inc</b>	0.28

## 1-Year Volatility



# Invesco Russell 1000 Equal Weight ETF (EQAL)

## Profile

The Fund tracks the Russell 1000 Equal Weight Index which takes the securities in the Russell 1000 and equally weights them across nine sector groups with each security within the sector receiving equal weight. The Fund is re-weighted quarterly.

### Equal-Weight Allocation

This ETF tracks the Russell 1000 Equal Weight Index, providing equal weight across 11 investment sectors and equally distributing weights within each sector. This approach prevents any single stock from disproportionately impacting overall performance.

### Regular Rebalancing

The ETF rebalances quarterly on the last Friday of March, June, September, and December to maintain equal weight for all components, ensuring balanced exposure over time.

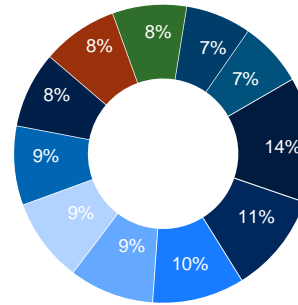
### Risk Diversification

Investing across the largest 1,000 U.S. stocks in the Russell Index, the ETF effectively diversifies risk. The equal-weight strategy minimizes the impact of individual stock or sector volatility on the portfolio.

<b>Inception Date</b>	23 Dec 2014	<b>AUM</b>	USD 664 Million
<b>ETF Category</b>	Equities	<b>Holdings</b>	995
<b>Expense Ratio</b>	0.20%	<b>3Y Stand. Dev. (Ann.)</b>	18.72%

Source: Bloomberg, 27 Nov. 2024

## Sectors



- Infotech
- Financials
- Industrials
- Materials
- Energy
- Healthcare
- Staples
- Real Estate
- Utilities
- Discretionary
- Comm. Services

## 1-Year Performance

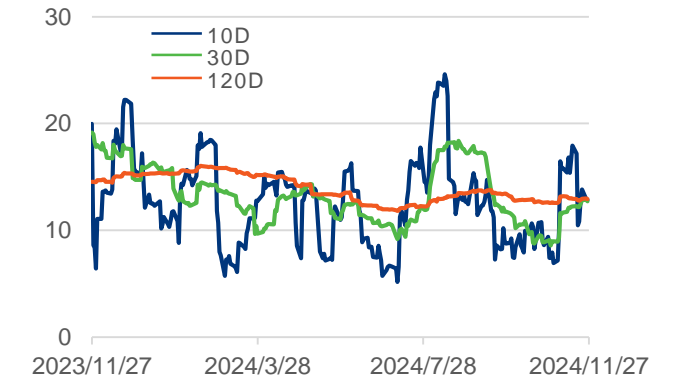


As of 27 Nov. 2024	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	6.65	9.82	18.95	29.46	27.61	18.42

## Top-5 Holdings (%)

<b>Ubiquiti Inc</b>	0.86
<b>Lumentum Holdings</b>	0.78
<b>Liberty Broadband Corp</b>	0.68
<b>Ciena Corp</b>	0.63
<b>T-Mobile U.S.</b>	0.59

## 1-Year Volatility



## Bonds

## Rates Stabilize, Banking Bonds in Focus

► **BACR 5.674 03/12/28**

- Barclays is a leader in UK banking and global institutional services, operating in approximately 40 countries with a focus on corporate and investment banking across the UK, EU, and the US.
- The group maintains robust asset quality and solid capital ratios, with a CET1 ratio of 13.8%, providing a substantial buffer above the 11.8% Maximum Distributable Amount (MDA) requirement. Barclays aims to sustain a CET1 ratio within the 13%-14% range.
- In recent quarters, Barclays has reported strong profitability, with 2Q and 3Q results significantly exceeding market expectations.

► **STANLN 5.005 10/15/30**

- The group's profit improvement is driven by recurring income growth in key business segments and ongoing cost optimization initiatives.
- Asset quality has steadily improved since 2021. As of June 30, 2024, the non-performing loan (NPL) ratio declined to 2.4% from 3.2% at the end of 2020. Improvements in the loan portfolio structure include a higher proportion of investment-grade corporate loans and reduced exposure to vulnerable and cyclical industries.
- Maintains a strong capital position, with a CET1 ratio of 14.6% as of June 2024. The group expects to sustain its CET1 ratio within the 13%-14% range over the medium term.

► **HSBC 5.733 05/17/32**

- Boasts a robust capital adequacy ratio, unmatched in the European banking sector. As of June 30, 2024, the group reported a CET1 capital ratio of 15.0%, significantly above the peer median of 13.5%.
- Benefits from a high proportion of corporate deposits and ample liquidity. Its large and diversified deposit base supports a stronger funding profile compared to global peers.
- Asset quality remains solid, with a highly diversified credit exposure comprising substantial corporate loans and residential mortgages, geographically concentrated in Hong Kong and the UK.

Source: Bloomberg

Products	BACR 5.674 03/12/28	STANLN 5.005 10/15/30	HSBC 5.733 05/17/32
ISIN	US06738ECP88	XS2914003533	US404280EG03
Highlight	Barclays is a leader in UK banking and global institutional services.	Strong Capital Ratios	Boasts a robust capital adequacy ratio, unmatched in the European banking sector
Maturity Date	12 Mar 2028	15 Oct 2030	17 May 2032
Coupon (%)	Float/5.674/Bi-Annual	Float/5.005/Bi-Annual	Float/5.733/Bi-Annual
Currency	USD	USD	USD
Years to Maturity	3.29	5.88	7.47
Rating (Moody's/Fitch/S&P)	Baa1/A/BBB+	A3/A/BBB+	A3/A+/A-
Seniority	Senior Unsecured	Senior Unsecured	Senior Unsecured
YTM/YTC (%)	5.064/5.031	5.24/5.22	5.16/5.15

# BACR 5.674 03/12/28

## 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 Assets (%)	0.53	0.41	0.35
CET1 Capital Ratio(%)	15.10	13.90	13.80
NPL Ratio	1.97	1.75	1.77

Source: Bloomberg, 27 Nov 2024; Note: Coupon reset date is March 12, 2027, switching to quarterly payments. The rate will be based on the compounded U.S. SOFR average on the reset date, plus 1.49%.

## Overview

<b>Name</b>	BACR 5.674 03/12/28	<b>ISIN</b>	US06738ECP88
<b>Maturity Date</b>	12 Mar 2028	<b>Remaining Maturity</b>	3.29
<b>Coupon (%)</b>	Float/5.674/Bi-Annual	<b>YTM/YTC(%)</b>	5.064/5.031
<b>Currency</b>	USD	<b>Min. Subscription/Increment</b>	200,000/1,000
<b>Ratings (Moody's/Fitch/S&amp;P)</b>	Baa1/A/BBB+	<b>Seniority</b>	Senior Unsecured

## Price Since Issuance



# STANLN 5.005 10/15/30

## Profile

Standard Chartered's asset quality has steadily improved since 2021. As of June 30, 2024, its non-performing loan (NPL) ratio dropped from 3.2% at the end of 2020 to 2.4%. The group has reduced its China commercial real estate (CRE) exposure by approximately 46% since the end of 2021.

## Highlights

- As of June 30, 2024, China CRE loans account for only 1% of total loans, with an NPL ratio of 68% and an NPL coverage ratio of 77%.
- The group maintains a strong capital position, with a CET1 ratio of 14.6% as of June 2024, and aims to keep it within the 13%-14% range in the medium term. Moody's upgraded Standard Chartered Group's credit outlook to positive in September.
- With the Fed's rate-cut cycle underway, investors can lock in yields on quality bonds. Assess issuers with low credit risk and consider increasing allocations to high-quality bonds to hedge against volatility as rates recover.

Financials	2021	2022	2023
Return on Assets (%)	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, 28 Nov 2024; Note: Coupon reset date is Oct 15, 2029, with semiannual payments. The rate will be based on the 1Y UST yield, calculated as the compounded average on the reset date, plus 1.15%.

## Overview

<b>Name</b>	STANLN 5.005 10/15/30	<b>ISIN</b>	XS2914003533
<b>Maturity Date</b>	15 Oct 2030	<b>Remaining Maturity</b>	5.88
<b>Coupon (%)</b>	Float/5.005/Bi-Annual	<b>YTM/YTC(%)</b>	5.24/5.22
<b>Currency</b>	USD	<b>Min. Subscription/Increment</b>	200,000/1,000
<b>Ratings</b> (Moody's/Fitch/S&P)	A3/A/BBB+	<b>Seniority</b>	Senior Unsecured

## Price Since Issuance





# HSBC 5.733 05/17/32

## Profile

HSBC boasts a strong capital adequacy ratio. As of the end of June 2024, its CET1 capital ratio stood at 15.0%, significantly above the industry median of 13.5%. The group's capital management ensures that its subsidiaries and subgroups are self-sufficient in capital. With regulatory approval, surplus capital from subsidiaries is typically returned to the holding company in the form of dividends, allowing resources to be redeployed to subsidiaries targeted for growth.

## Highlights

- Maintains a high proportion of corporate deposits and strong liquidity. Its diversified deposit base supports a robust funding profile compared to peers. As of March 2024, the loan-to-deposit ratio stood at 59%, significantly below domestic and global averages. HSBC reported a liquidity coverage ratio of 148%.
- The group's asset quality remains solid, with diversified credit exposure across corporate loans and residential mortgages, primarily in Hong Kong and the UK. While offshore China CRE loans posed higher risks in recent years, these exposures are now well-provisioned, minimizing potential future losses in this segment.

Financials	2021	2022	2023
Return on Assets (%)	0.47	0.53	0.79
CET1 Capital Ratio(%)	15.80	14.20	14.80
NPL Ratio	1.80	2.10	2.04

Source: Bloomberg, 28 Nov 2024; Note: The coupon reset date is May 17, 2031, transitioning to quarterly payments. The applicable rate will be based on the U.S. SOFR compounded average on the reset date, plus 1.52%.

## Overview

<b>Name</b>	HSBC 5.733 05/17/32	<b>ISIN</b>	US404280EG03
<b>Maturity Date</b>	17 May 2032	<b>Remaining Maturity</b>	7.47
<b>Coupon (%)</b>	Float/5.733/Bi-Annual	<b>YTM/YTC(%)</b>	5.16/5.15
<b>Currency</b>	USD	<b>Min. Subscription/Increment</b>	200,000/1,000
<b>Ratings</b> (Moody's/Fitch/S&P)	A3/A+/A-	<b>Seniority</b>	Senior Unsecured

## Price Since Issuance



## Appendix

## Key Economic Data / Events

## ▶ NOV 2024

25	Monday	26	Tuesday	27	Wednesday	28	Thursday	29	Friday
		<ul style="list-style-type: none"> <li>U.S. Oct. New Home Sales MoM (Actual:-17.3% Est:-1.8% Prev:7.0%)</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Initial Jobless Claims (Actual:213k Est:215k Prev:215k)</li> <li>U.S. Q3 GDP Annualized QoQ (Actual:2.8% Est:2.8% Prev:2.8%)</li> <li>U.S. Oct. Durable Goods Orders MoM initial value (Actual:0.2% Est:0.5% Prev:-0.4%)</li> <li>U.S. Oct. PCE YoY (Actual:2.3% Est:2.3% Prev:2.1%)</li> <li>U.S. Oct. Core PCE YoY (Actual:2.8% Est:2.8% Prev:2.7%)</li> </ul>					<ul style="list-style-type: none"> <li>Japan Oct. Jobless Rate (Actual:2.5% Est:2.5% Prev:2.4%)</li> <li>Japan Oct. Job-To-Applclicant Ratio (Actual:1.25 Est:1.24 Prev:1.24)</li> <li>Japan Oct. Tokyo CPI YoY (Actual:2.6% Est:2.2% Prev:1.8%)</li> <li>Japan Oct. Retail Sales MoM (Actual:0.1% Est:0.4% Prev:-2.2%)</li> <li>Japan Oct. Industrial Production MoM (Actual:3.0% Est:4.0% Prev:1.6%)</li> </ul>	

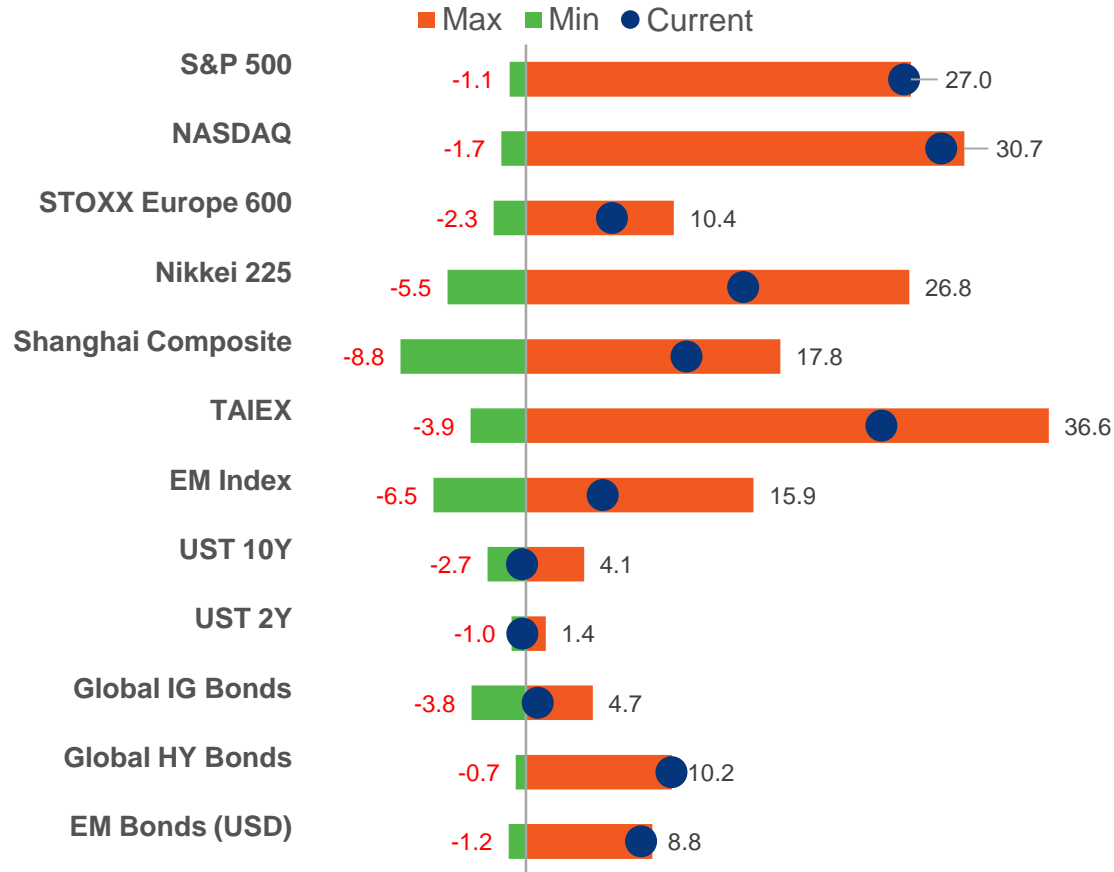
## ▶ DEC 2024

2	Monday	3	Tuesday	4	Wednesday	5	Thursday	6	Friday
<ul style="list-style-type: none"> <li>U.S. Nov. S&amp;P Global Manufacturing PMI Final Value (Est:48.8 Prev:48.8)</li> <li>U.S. Nov. ISM Manufacturing PMI (Est:47.6 Prev:46.5)</li> <li>Japan Nov. Jibun Bank PMI Mfg Final Value (Prev:49.0)</li> <li>Eurzone Nov. Manufacturing PMI (Est:45.2 Prev:45.2)</li> <li>Eurzone Nov. Unemployment Rate (Prev:6.3%)</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Oct. JOLTS Job Openings (Est:7,510k Prev:7,443k)</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Nov. ADP Employment Change (Est:165k Prev:233k)</li> <li>U.S. Nov. ISM Services Index (Est:55.5 Prev:56.0)</li> <li>U.S. Oct. Durable Goods Orders Final Value (Prev:0.2%)</li> <li>Eurzone Nov. Services PMI Final Value (Est:49.2 Prev:49.2)</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Initial Jobless Claims (Prev:213k)</li> <li>Eurzone Oct. Retail Sales MoM (Prev:0.5%)</li> <li>Taiwan Nov. CPI YoY (Prev:1.69%)</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Nov Change in Nonfarm Payrolls (Est:200k Prev:12k)</li> <li>U.S. Nov. Initial Jobless Claims (Est:4.2% Prev:4.1%)</li> <li>U.S. Dec. U. of Mich. Sentiment (Est:73.0 Prev:71.8)</li> <li>Eurzone Q3 GDP YOY Final Value (Est:0.9% Prev:0.9%)</li> </ul>					

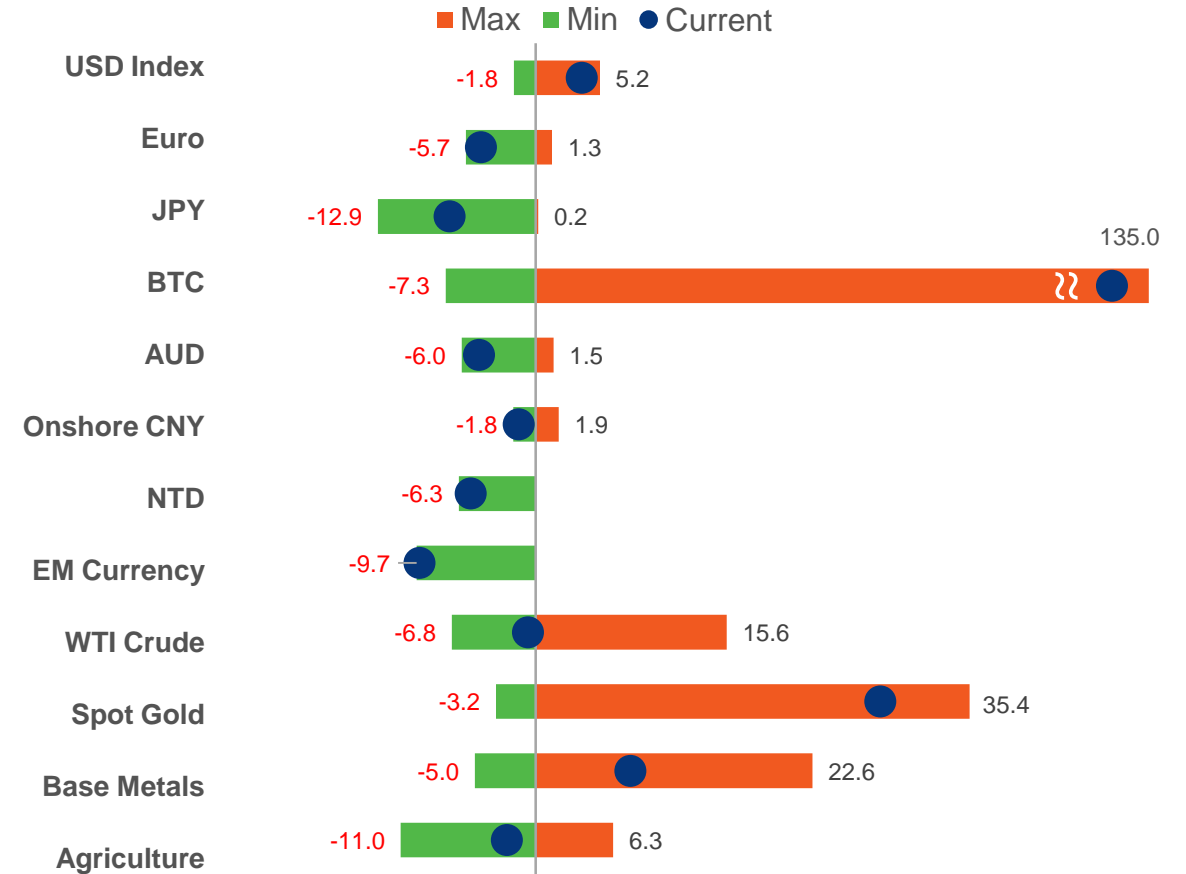
Source: Bloomberg

# YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



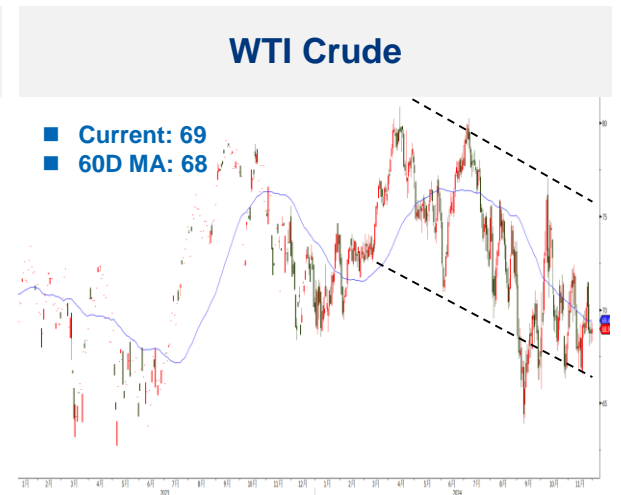
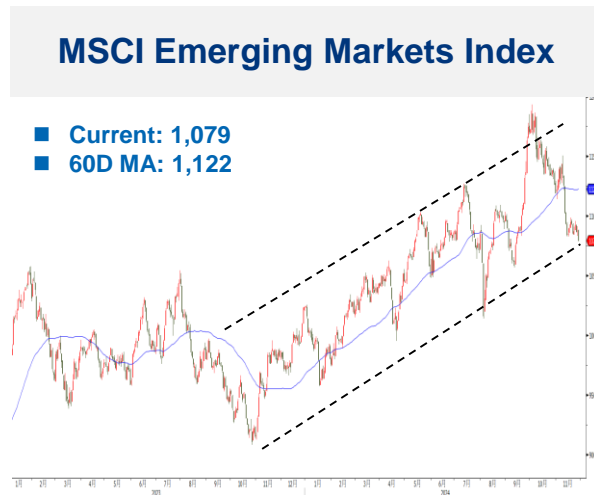
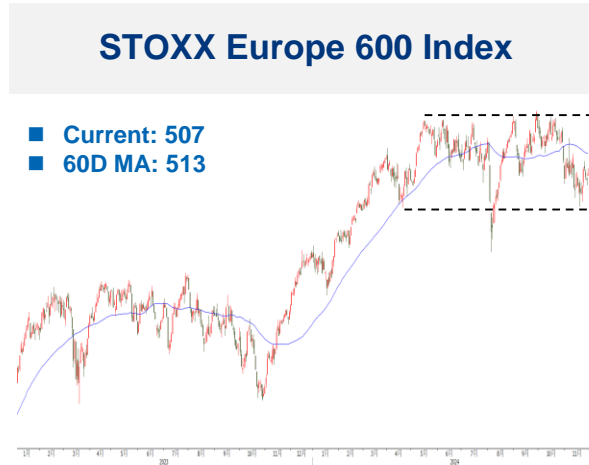
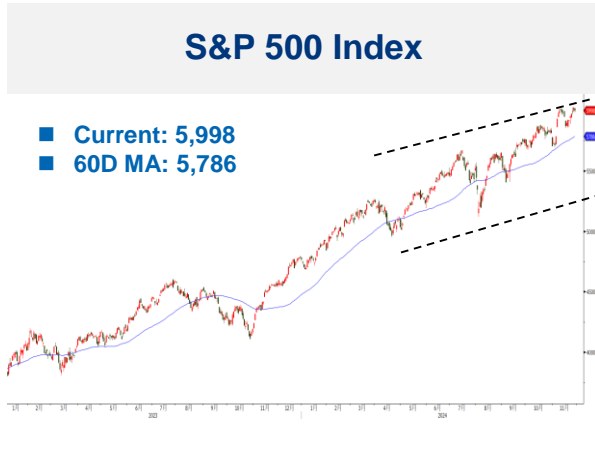
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 29 Nov. 2024

# Technical Analysis

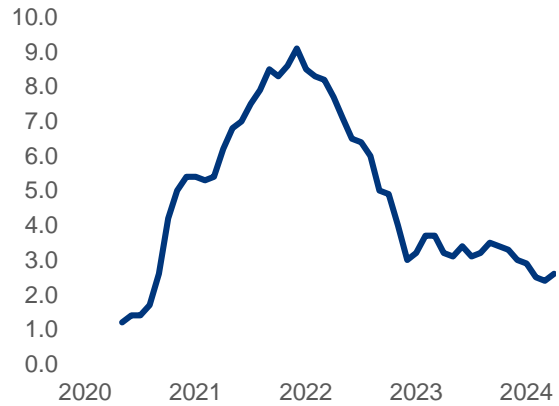
— 60D MA



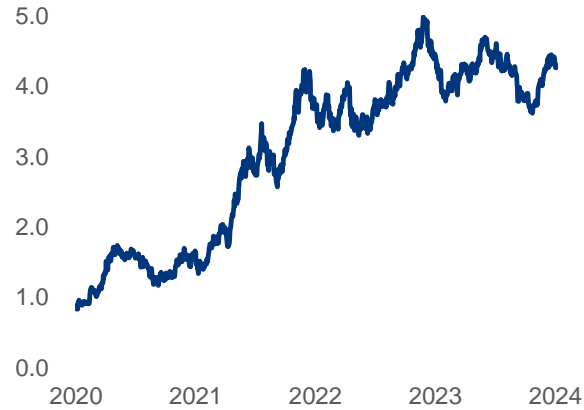
Source: Bloomberg, 29 Nov. 2024

# Market Monitor

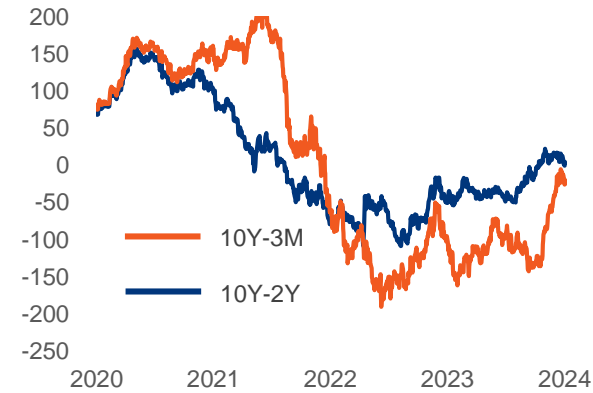
**U.S. CPI YoY Growth Rate (%)**



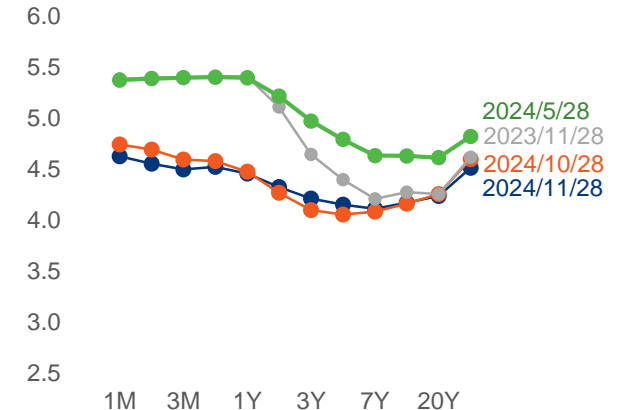
**U.S. 10-Year Treasury Yield (%)**



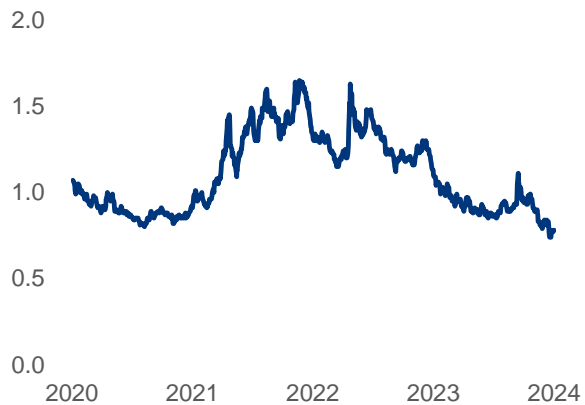
**U.S. Treasury Yield Spread (bps)**



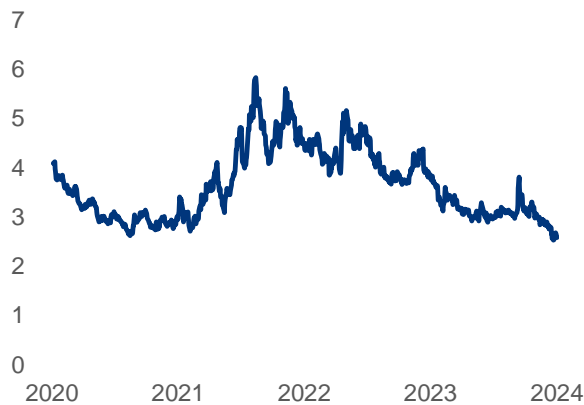
**U.S. Treasury Yield Curve (%)**



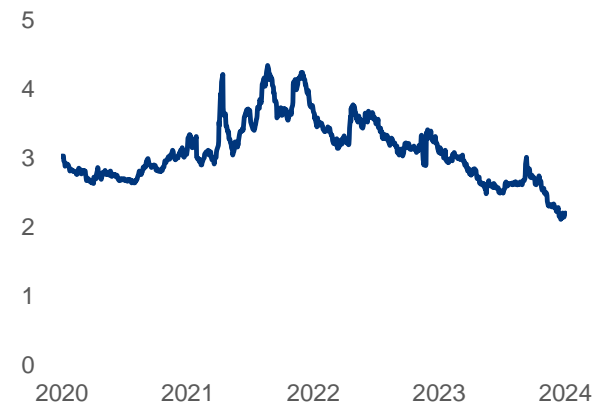
**USD IG Credit Spread (%)**



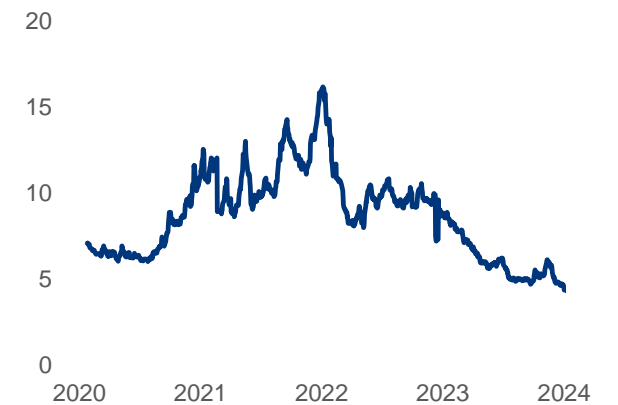
**USD HY Credit Spread (%)**



**USD EM Credit Spread (%)**



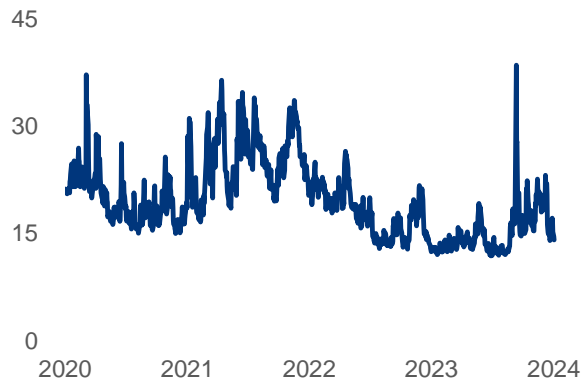
**USD Asia Credit Spread (%)**



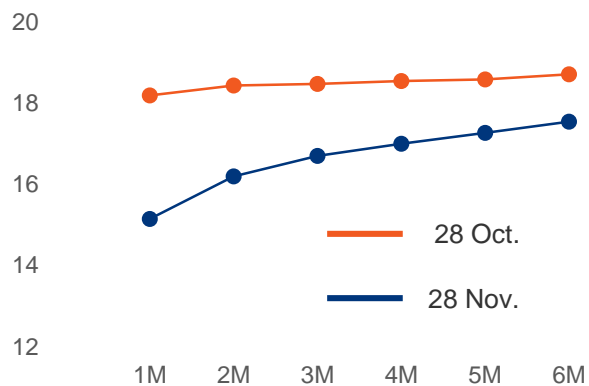
Source: Bloomberg, 28 Nov. 2024

# Market Monitor

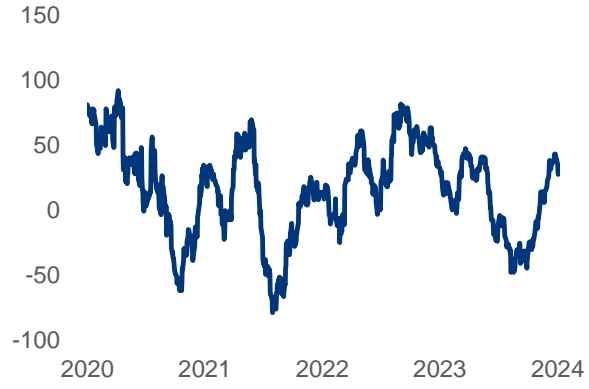
**VIX Index**



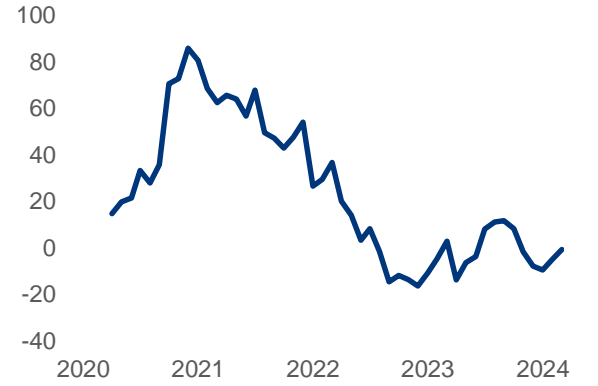
**VIX Term Structure**



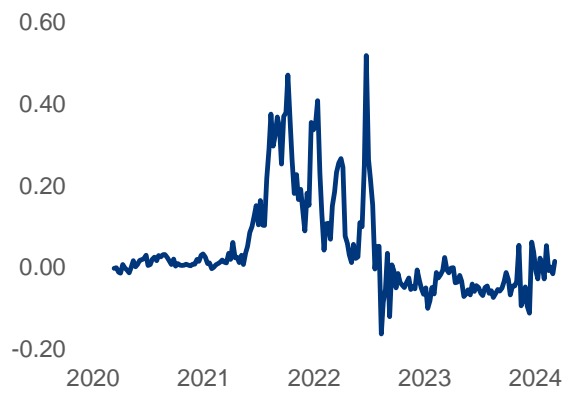
**U.S. Citi Economic Surprise Index\***



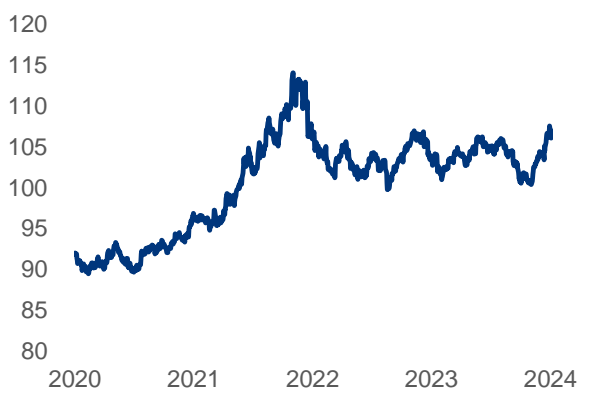
**U.S. Citi Inflation Surprise Index\***



**TED Spread (bps)**



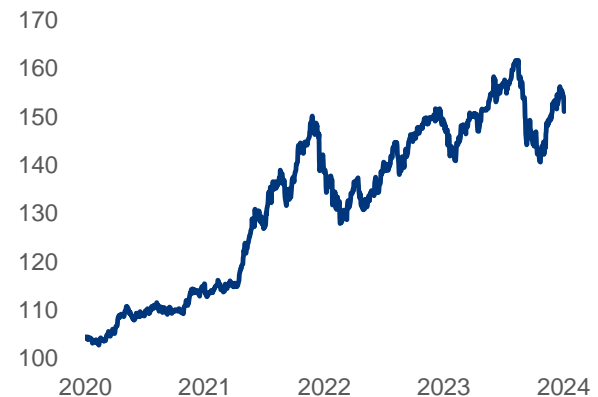
**U.S. Dollar Index**



**USD to TWD**



**USD to JPY**



Source: Bloomberg, 28 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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