



Credit Easing, Housing Booming

Global Markets Weekly Kickstart

16 December 2024



01 Chart of the Week

ECB Turns Dovish with Rate Cuts;
Euro Weakens, Dollar Stays Strong



02 Market Recap

NVIDIA Antitrust Probe Fuels U.S.-
China Trade Tensions, Stocks Waver
Stubborn U.S. Inflation Drives Yields
Higher; Dollar Gains, Yen Volatility
Widens



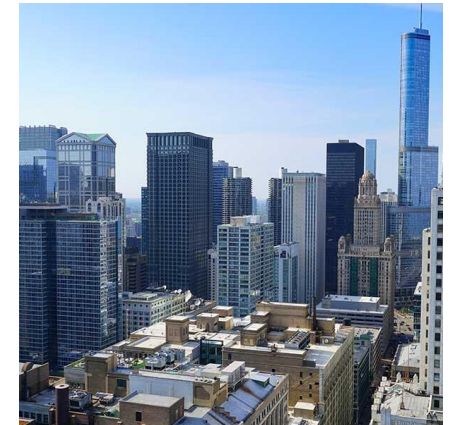
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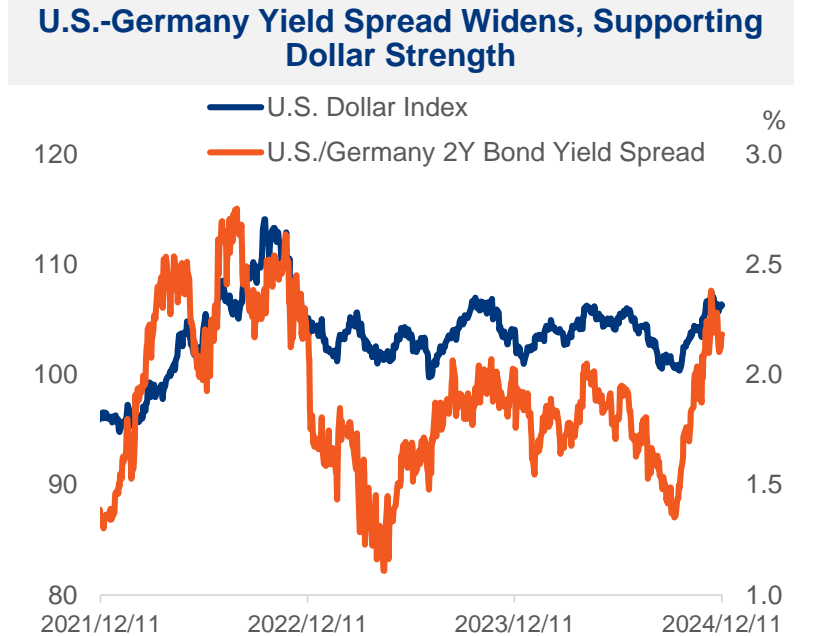
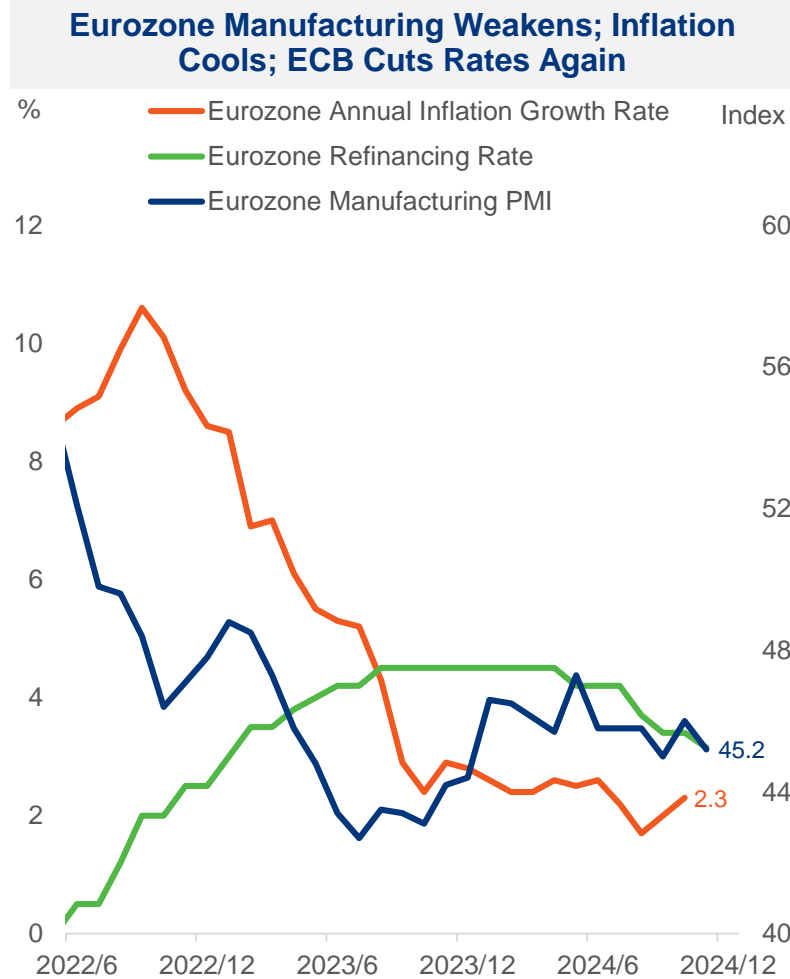


05 Product Spotlight

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

ECB Turns Dovish with Rate Cuts; Euro Weakens, Dollar Stays Strong

- ▶ China's November export growth of 6.7% and import decline of 3.9% missed expectations, weakening demand for European goods as China remains the EU's top export market. Eurozone manufacturing PMI stayed weak at 45.2 in November, reflecting ongoing struggles. Inflation slowed to 2.3%, while political instability persists in key nations. German Chancellor Olaf Scholz called for a December 16 confidence vote, potentially leading to February elections. In France, President Macron is reorganizing his government with a new prime minister. Limited fiscal options led the ECB to cut rates by 25bps in December, with President Lagarde signaling more easing to lower financing costs and support growth.
- ▶ With weaker Eurozone performance vs. the U.S., the ECB is more likely to cut rates further than the Fed, which may limit its easing in 2024. A widening U.S.-Germany 2-year yield spread has pressured the euro lower. As the euro has the largest weight in the Dollar Index, its fall is strengthening the dollar, expected to stay strong through 1H25, impacting commodities and emerging markets.



Dollar Index Currency Weights (%)	
EUR	57.6
YTD	13.6
GNP	11.9
CAD	9.1
SEK	4.2
CHF	3.6

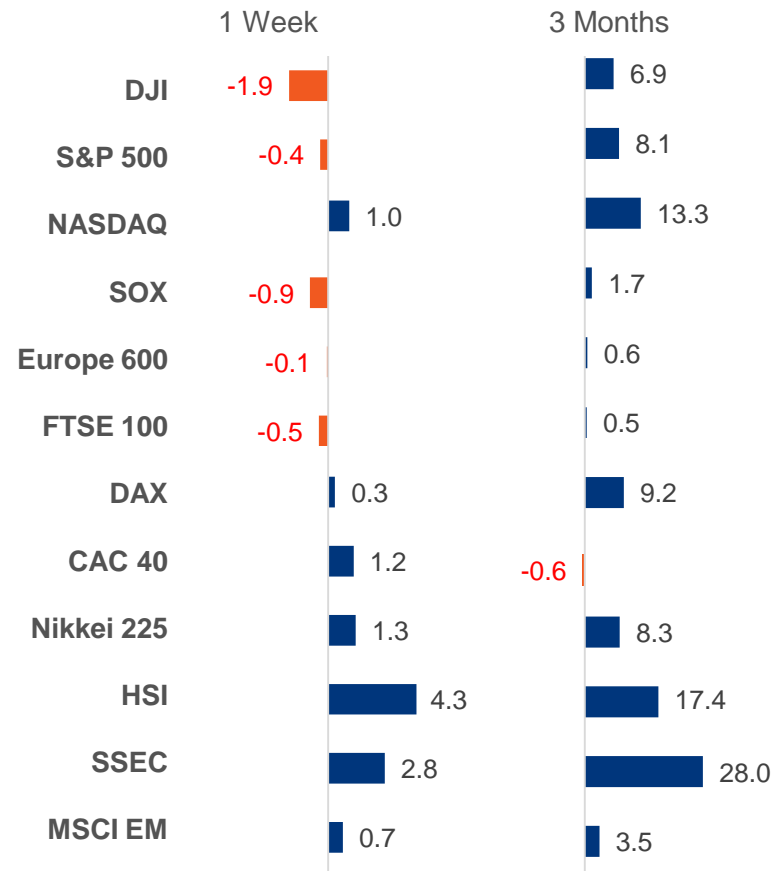
Source: Bloomberg

Market Recap

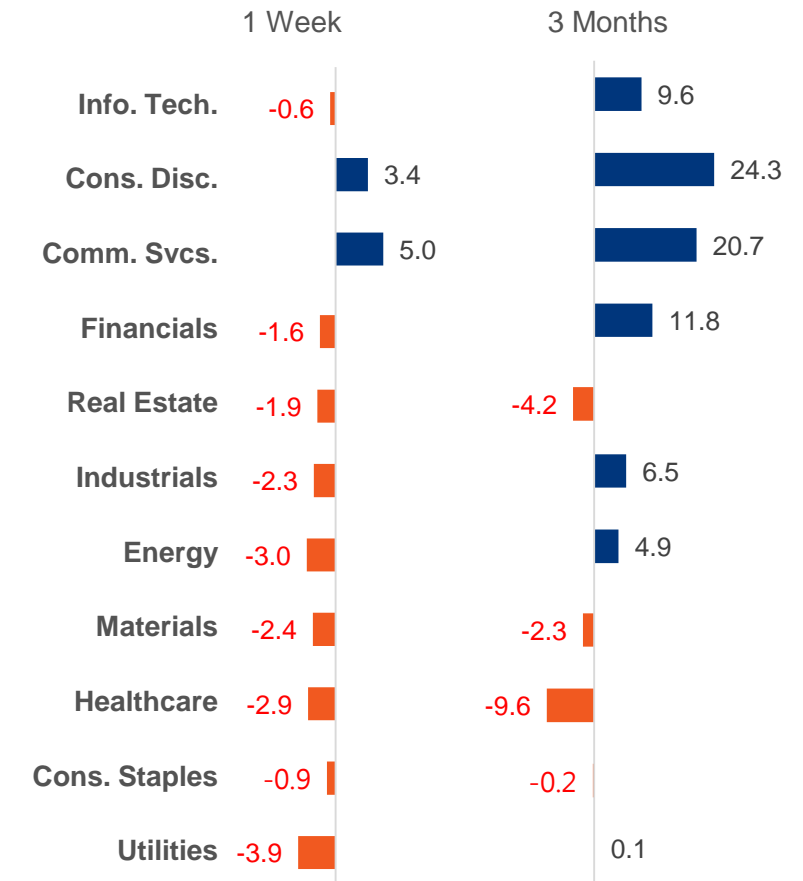
NVIDIA Antitrust Probe Fuels U.S.-China Trade Tensions, Stocks Waver

- ▶ U.S. CPI and last week's nonfarm payroll data met expectations, strengthening market confidence in a December Fed rate cut. However, China's December 9 announcement of an antitrust investigation into NVIDIA dragged down U.S. stocks. Despite ongoing political unrest in France, optimism persists over Macron's appointment of a new prime minister to ease the stalemate. Meanwhile, the ECB's December 12 decision to cut rates by 25bps lent support to European equities. In China, the December 9 Politburo meeting introduced a "moderately loose" monetary policy for 2025, marking the first such stance in 14 years and boosting expectations for further easing, spurring a significant rebound in Chinese and Hong Kong stocks.
- ▶ Sector-wise, NVIDIA's investigation weighed on tech stocks. Conversely, stronger-than-expected Michigan consumer sentiment and Tesla's plans to launch Cybertruck in China lifted discretionary stocks. Additionally, rising expectations for a December Fed rate cut supported some communication services stocks, though other sectors showed weakness.

Major Stock Indices Performance by Region (%)



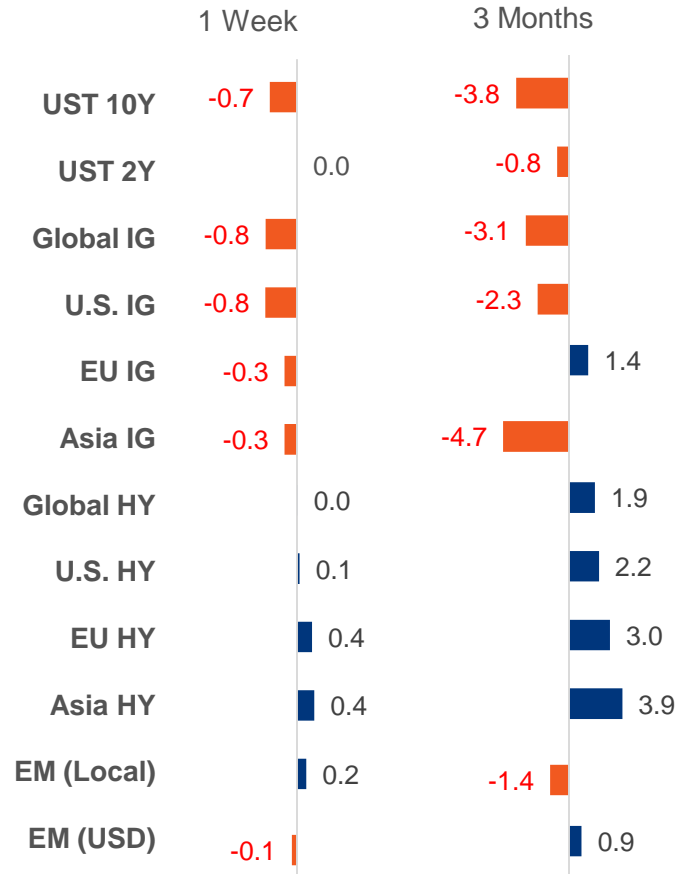
US Stock Performance by Sector (%)



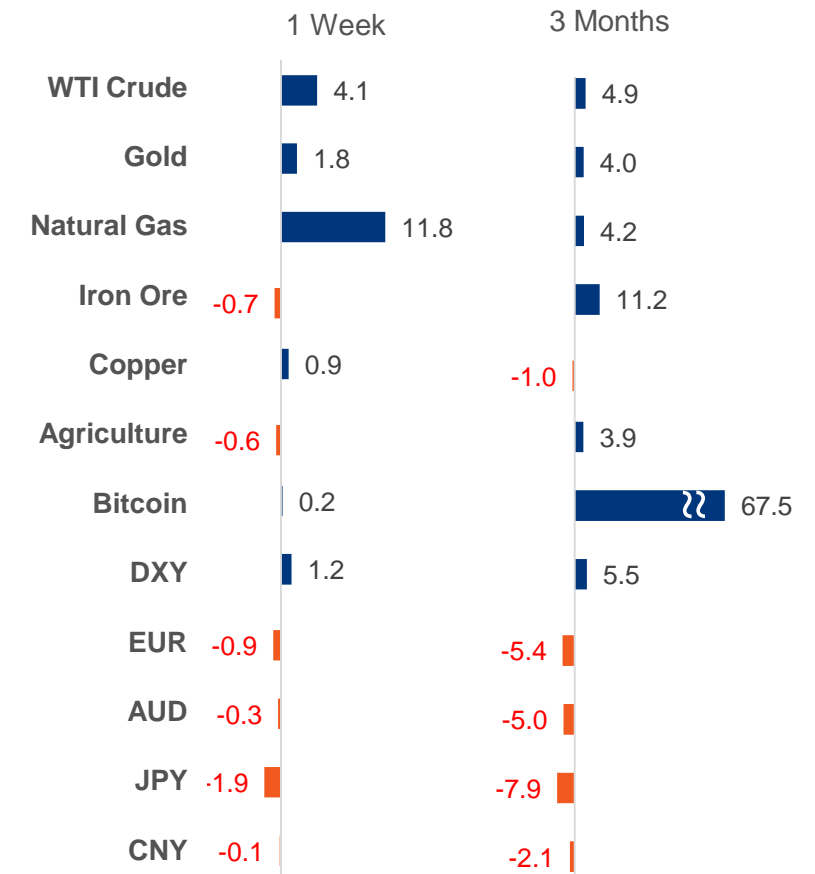
Stubborn U.S. Inflation Drives Yields Higher; Dollar Gains, Yen Volatility Widens

- ▶ Last week's U.S. Treasury auctions increased bond supply, coupled with CPI figures showing small but consistent monthly and yearly gains, pointing to sticky inflation. These factors pushed U.S. Treasury yields higher, weighing on investment-grade bonds.
- ▶ Geopolitical tensions resurfaced as Israel launched airstrikes in Syria following the Assad regime's collapse, advancing into a demilitarized zone. Meanwhile, reports of new EU sanctions on Russian oil exports raised concerns over tighter short-term oil supply, driving a sharp rebound in crude prices. Economic data in line with expectations boosted December Fed rate cut hopes, supporting gold prices through modest weekly gains.
- ▶ Stronger employment and inflation data underpinned the U.S. dollar, while the ECB's 25bps rate cut weighed slightly on the euro. The yen reversed last week's gains following reports that BOJ officials see no urgency for rate hikes. Yen volatility is expected to increase ahead of the BOJ meeting amid speculation over potential policy shifts.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)

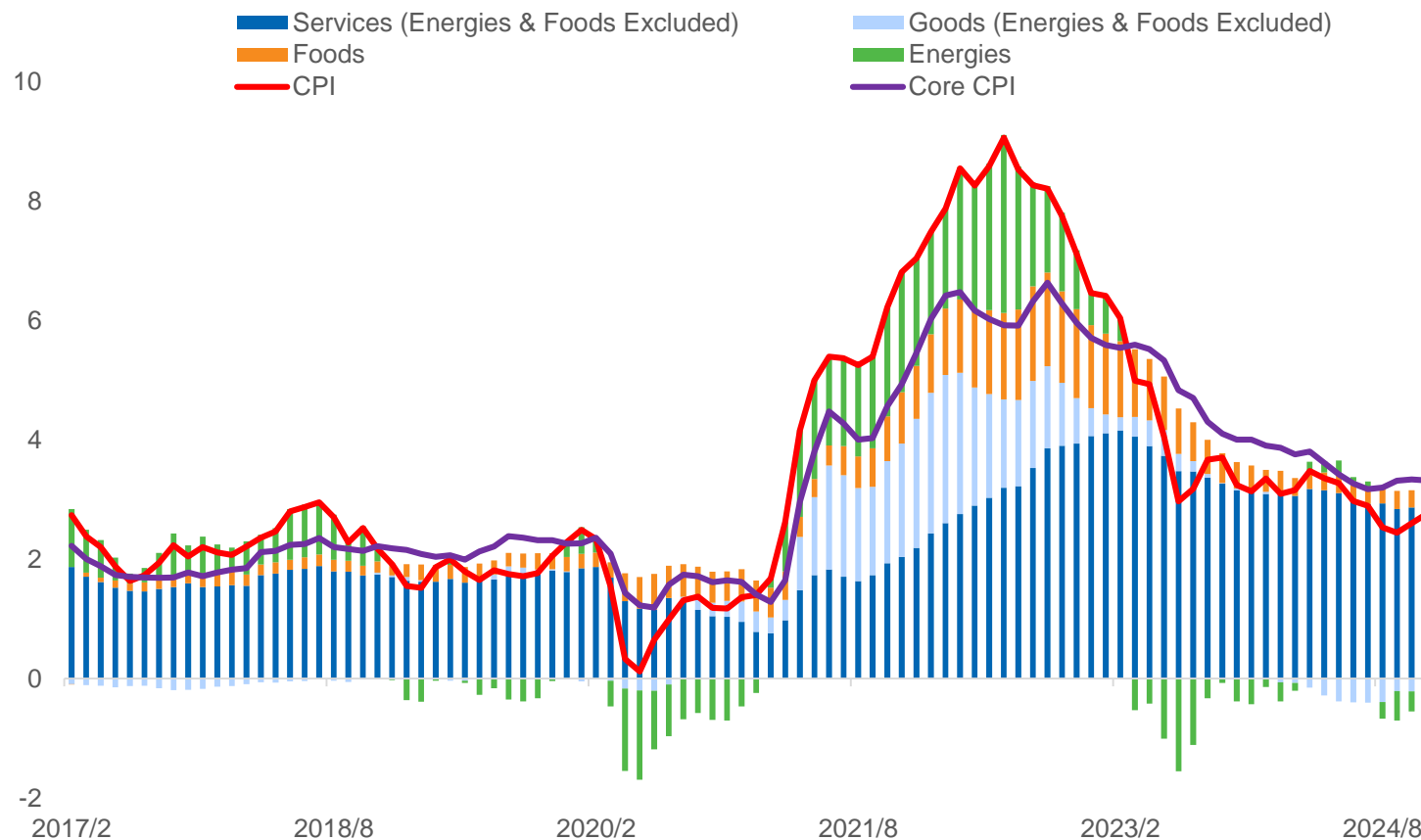


U.S. Inflation Shows Uptick, Fed Rate Cut Still Likely

- ▶ U.S. November CPI rose to 2.7% YoY, matching expectations, while core CPI held steady at 3.3% YoY. Core goods inflation accelerated from 0.05% to 0.31% MoM, driven by higher prices for household items, apparel, and transport goods. Housing inflation eased slightly from 0.38% to 0.34% MoM, while core services excluding housing edged up from 0.31% to 0.34%. November PPI posted its highest MoM increase since June, at 0.4%, doubling expectations, with the annual rate climbing from 2.6% to 3.0%, the highest since February 2022. Persistent inflationary pressures kept markets volatile ahead of the upcoming FOMC meeting.
- ▶ We expect the rise in November unemployment to bolster chances of a December rate cut, while inflation aligning with forecasts further strengthens consensus for a 25bps reduction. Short-term focus remains on FOMC's 2025 economic projections and dot plot updates. However, with Chair Powell emphasizing that unconfirmed policies are excluded from monetary modeling, long-term direction hinges on how Trump's upcoming policies influence Fed adjustments.

U.S. November CPI Rises to 2.7% YoY, Driven by Higher Food and Energy Prices

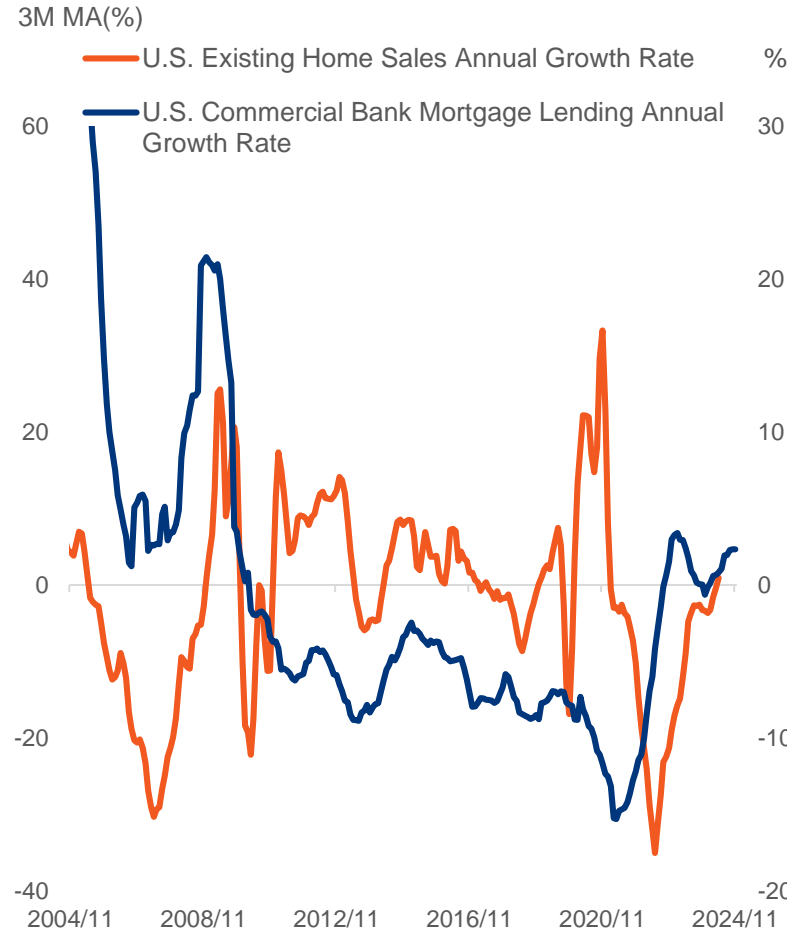
Annual Growth Rate(%)



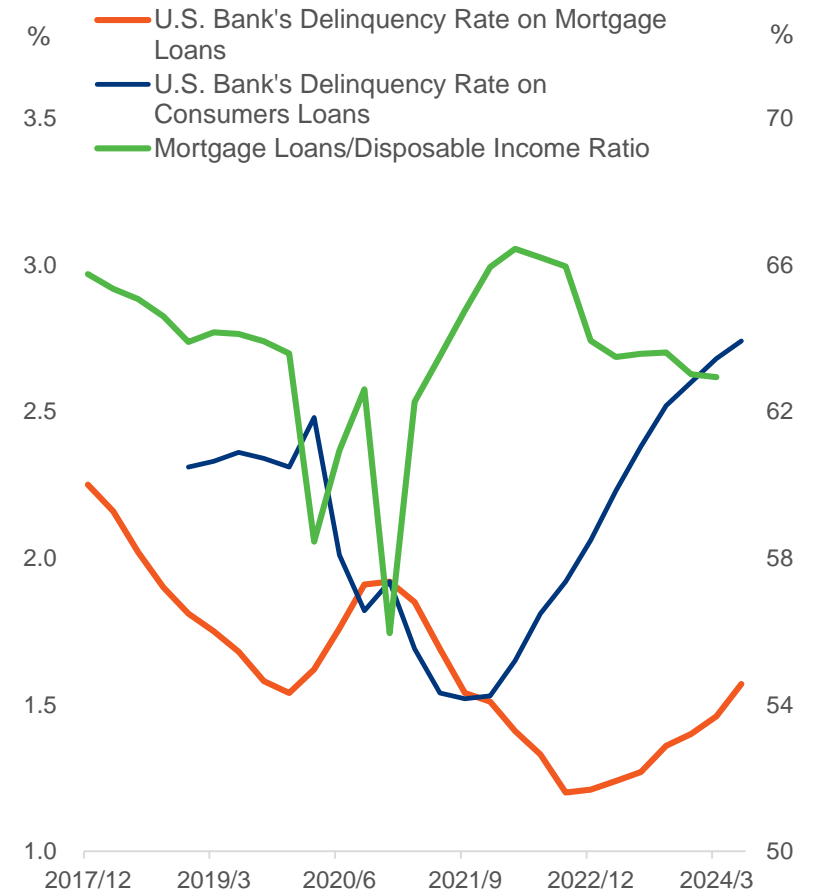
Economic Soft Landing and Loan Growth Support Housing Recovery

- ▶ After two years of high rates and housing costs, Trump's election and expected deregulation of bank lending, along with ongoing Fed rate cuts, have led to looser mortgage standards. Real estate lending by commercial banks has rebounded from its trough, turning positive. Historically, rising loan volumes have preceded increases in existing home sales by about six months.
- ▶ Key factors for the U.S. housing market include economic conditions and loan rates. Most U.S. mortgages are fixed-rate, allowing borrowers with pre-rate hike loans to avoid financial strain. Mortgage delinquency rates remain low at 1.57%, below consumer credit defaults. Wage growth from labor shortages and salary increases has reduced mortgage burdens as a share of disposable income.
- ▶ If Trump's policies lower tax rates and boost incomes, coupled with further rate cuts and moderate inventory growth, Realtor projects U.S. home prices will rise modestly next year, with gains gradually narrowing.

U.S. Commercial Bank Mortgage Lending Rises, Supporting Future Home Sales



Household Income Growth Keeps Mortgage Stress Low and Defaults Minimal



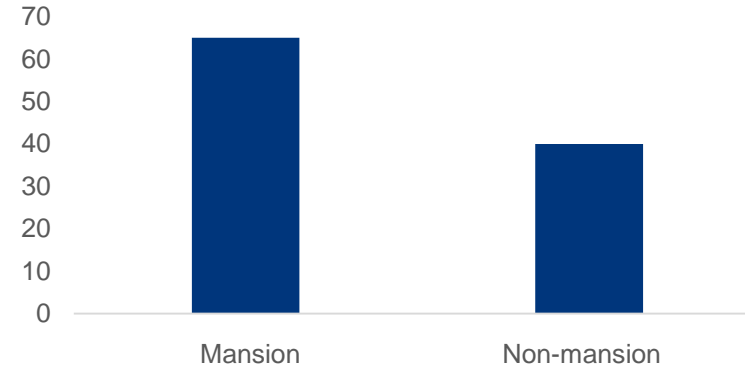
Source: Bloomberg

Luxury Housing Market Resilient to Rates and Economic Conditions

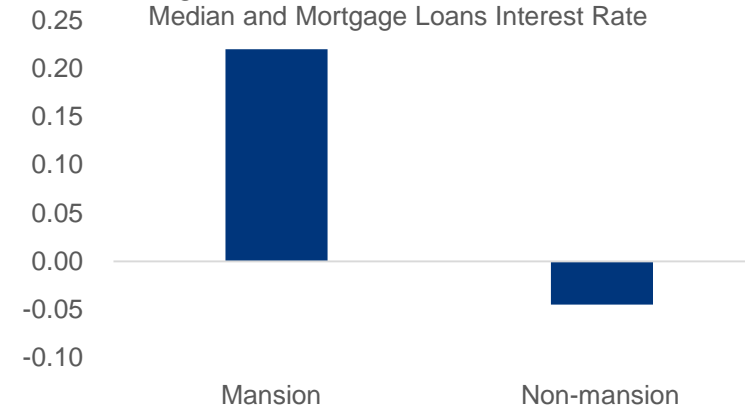
- ▶ Over the past two years, high inflation and interest rates in the U.S. have created a polarized housing market. While many families delayed major renovations in favor of smaller home repairs, boosting profits for contractors and maintenance businesses, the luxury housing market remained largely unaffected by rate hikes.
- ▶ From 4Q19 to 4Q23, luxury home prices rose 65%, outpacing the 40% gain in non-luxury homes. Long-term data reveals a strong positive correlation between luxury home prices and mortgage rates, with luxury sales thriving in robust, high-rate environments. In contrast, non-luxury home prices are inversely related to rates, with higher borrowing costs dampening demand. Wealthy buyers, often paying in cash, are insulated from mortgage rate fluctuations.
- ▶ Despite significant gains across most sectors this year, the housing construction industry still holds valuation appeal. With the Fed beginning rate cuts and economic soft landing prospects, the sector's forward P/E aligns with its 10-year average. Additionally, the S&P Homebuilders Index's projected earnings growth of 26% far surpasses the S&P 500's 9%, suggesting housing-related stocks remain attractive.

Luxury Homes Less Sensitive to Rates, Driven by Cash Buyers

20194Q - 20234Q Sale Price Median Growth(%)

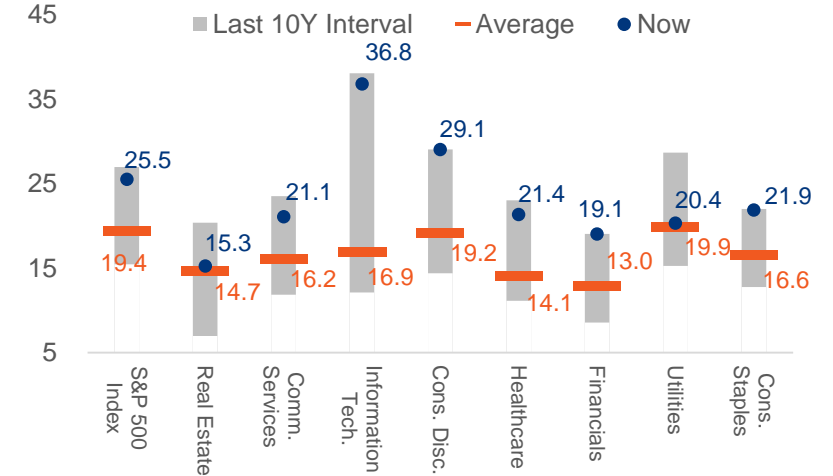


Regression Coefficient Between Sale Price Median and Mortgage Loans Interest Rate

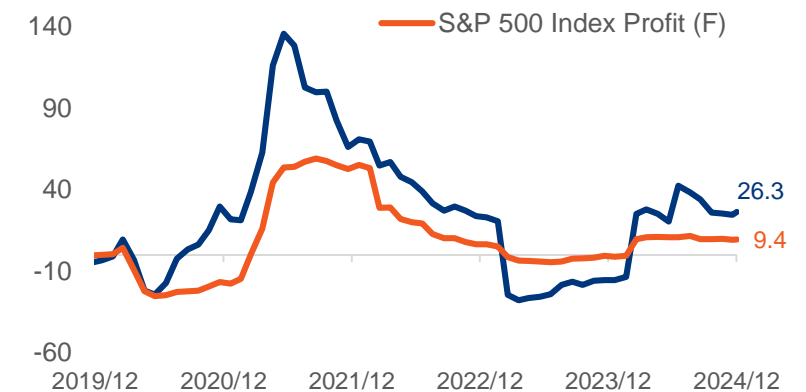


Housing Construction Maintains Valuation Appeal, Outperforming Market Earnings Growth

P/E Ratio Forecast, Times



Annual Growth Rate(%)



Source: Miller Samuel \ FHLMC \ NAR \ Haver (2019 Q4 to 2023 Q4); JP Morgan, Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ Trump’s unified Republican government raises inflation expectations, potentially driving U.S. Treasury yields higher. The U.S. dollar is likely to remain strong in the short term, with its strength persisting into early 2025. Mid-term, as the economy achieves a soft landing and the Fed continues rate cuts, the dollar is expected to weaken. ◆ Trade tariffs could hurt economic performance in non-U.S. regions, prompting deeper rate cuts abroad and widening interest rate differentials. This dynamic pressures non-U.S. currencies in the short term. Meanwhile, the yen’s trajectory depends on the timing of Bank of Japan rate hikes, with policy developments likely to cause yen volatility. 	<p>Style: Mid-to-large-cap stocks; financials, industrials, defense, AI, and tech.</p> <p>Regions: U.S., Japan, India</p>
Bonds	<ul style="list-style-type: none"> ◆ The appointment of a new U.S. Treasury Secretary is expected to stabilize bond markets. However, rising inflation indicators such as CPI and PPI have increased U.S. Treasury yield volatility. Given fiscal and monetary policy uncertainties, investors are advised to focus on short-term Treasuries and investment-grade bonds for stable returns. ◆ Mid-to-long-term bonds carry higher volatility. Investors should assess risk tolerance before allocating to this segment. A shift to longer-dated bonds may be considered if the economy trends toward a hard landing, signaled by weaker employment data. 	<p>Duration: Favor short-term bonds for stable returns; mid-to-long-term bonds require cautious allocation.</p> <p>Types: Prioritize government and investment-grade corporate bonds, with a focus on financial bonds benefiting from policy tailwinds.</p>
Forex	<ul style="list-style-type: none"> ◆ Trump’s Republican-controlled government is expected to fuel inflation expectations, potentially driving U.S. Treasury yields higher. The U.S. dollar is likely to remain strong in the short term, with its strength extending into early 2025. Mid-term, as the economy softens and the Fed continues rate cuts, the dollar is expected to weaken. ◆ Trade tariffs may negatively impact non-U.S. economies, prompting deeper rate cuts abroad and widening interest rate differentials, leading to short-term depreciation of non-U.S. currencies. The yen’s trajectory will hinge on policy developments, with rate hike timing playing a pivotal role. 	<p>Dollar Strength Supported</p> <p>Yen expected to weaken short-term but gradually trending upward</p>

Fiscal Policy Set for a Shift To "More Proactive" in 2024

Downtrend in Exports Confirmed, Urgency to Stimulate Domestic Demand

- ▶ China's export growth slowed in November amid weak global trade. Exports to both advanced and developing economies declined, with only U.S.-bound shipments holding steady, reflecting "frontloading" efforts to offset tariff risks. Tariff increases could accelerate the decline in exports. Domestically, internal demand is gradually surpassing external demand as the key growth driver. With stronger policy support, domestic demand is expected to take the lead next year, fueling economic and stock market growth. Key 2024 policies will include enhanced fiscal and monetary stimulus to boost consumption, strengthen technological independence, and support internal economic circulation to offset declining external demand.

Prices Remain Low, Necessitating Countercyclical Measures

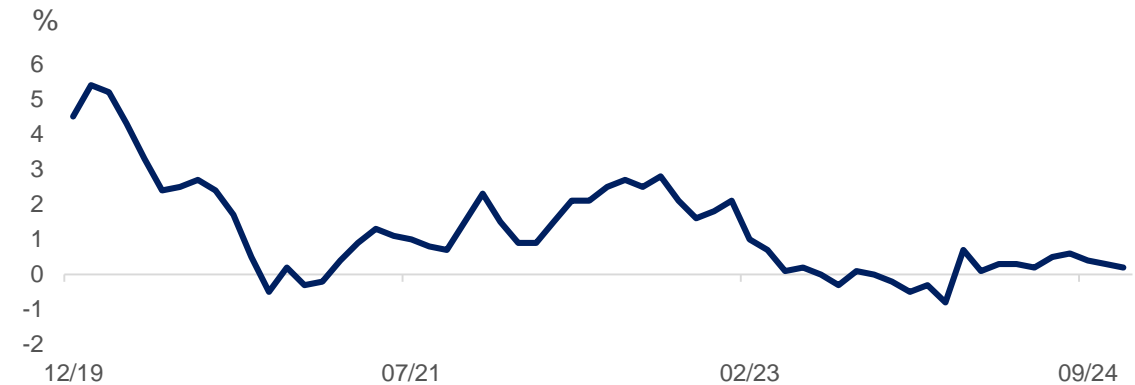
- ▶ November CPI fell slightly YoY, driven by weaker food prices, while non-food prices stabilized after months of declines. Core CPI rose for the second consecutive month but remains low. Prices for key goods such as fuel, household appliances, and vehicles no longer declined, signaling a stabilization in non-food prices. To stimulate a recovery in price levels, authorities may introduce a large-scale consumer stimulus package unprecedented in its scope.

Politburo Meeting Sets Proactive Tone for 2024 Economic Policy

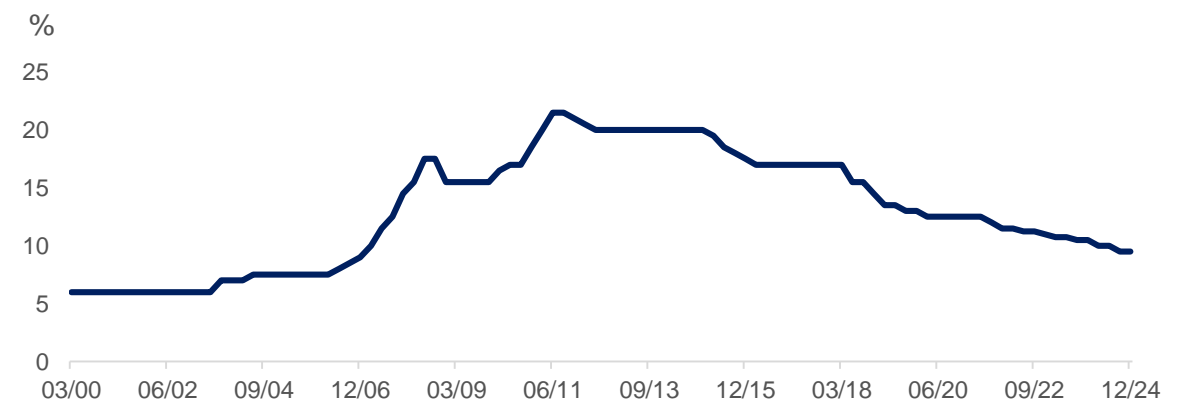
- ▶ China's 2024 fiscal policy is shifting from "proactive" to "more proactive," while monetary policy has been adjusted to "moderately loose" for the first time since 2010. Compared to this year's standards, a "more active" approach implies significant increases in fiscal deficit targets, special government bonds, and local government special bond issuance.
- ▶ The "moderately loose" monetary stance historically corresponds to aggressive easing. In late 2008, the central bank cut reserve requirements and interest rates by 150 and 162 basis points, respectively. While current room for cuts is limited, some flexibility remains, with the large financial institutions' reserve requirement ratio at 9.5%, above the historical low of 6%. Loan Prime Rates (LPR) remain above 3%, leaving room for further cuts.

Source: Bloomberg

China CPI



China Large Financial Institutions Reserve Requirement Rates



Yum China (9987)

Closing Price HK \$159.2

Target Price HK \$180.5

Profile

Yum China Holdings, Inc. operates chain restaurants. The Company offers pizza, entrees, pasta, rice dishes, appetizers, soups, vegetables, beverages, and desserts. Yum China Holding conducts its business worldwide.

Highlights

- Central Government Likely to Introduce Major Stimulus Measures**
 The December 9 Politburo meeting hinted at major policy moves. We expect significant consumption stimulus, like nationwide vouchers, to be discussed at next year's "Two Sessions," with provincial governments likely adopting similar measures. This would boost domestic demand stocks, particularly low-cost restaurant chains.
- Low-Pricing Strategies Poised to Benefit**
 Consumers are increasingly price-sensitive in today's economy. Yum China's strategies, like Pizza Hut WOW and KCOFFEE, align with these trends. KCOFFEE's subscription offers coffee at RMB 5 per cup, and its new store formats have reached 150 and 500 locations, respectively. KFC and Pizza Hut also introduced affordable menu options, lowering spending while attracting broader customers and enhancing loyalty, ensuring stable performance in tough times.
- Easing Price Competition Supports Margins**
 KFC's competitor, Tims China, has reduced price cuts, which benefits Yum China. Intense price competition in China's restaurant industry is easing, with management noting a shift toward rational promotions and sustainable growth. This healthier dynamic should help stabilize profit margins.

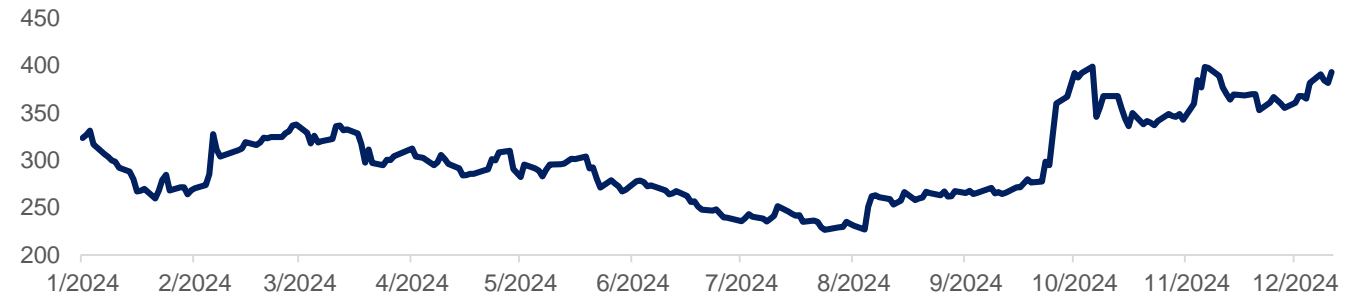
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	990	442	827	904	966
NI YoY(%)	26.2	-55.3	87.1	9.3	6.8
EPS(CNY)	2.28	1.04	1.97	2.32	2.58
DPS(CNY)	0.48	0.48	0.48	0.64	0.77
P/E	21.9	47.9	25.3	21.5	19.3
Dividend Yield(%)	1.0%	1.0%	1.0%	1.3%	1.5%

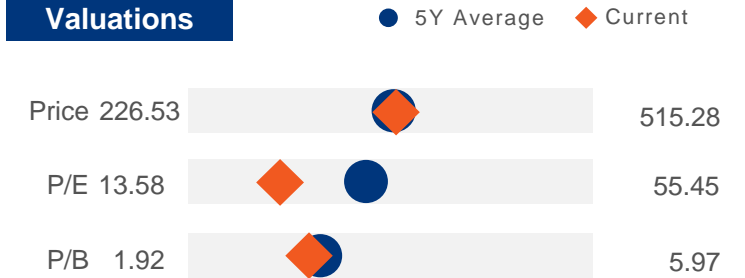
Source: Bloomberg; 2024/25F are market estimates

YTD Performance



As of 12 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	8.05	48.60	20.26	29.04	1.80	-0.10

Valuations



BYD (1211)

Closing Price HK \$72.5

Target Price HK \$80.9

Profile

BYD Company Limited manufactures automotive products. It produces ordinary passenger cars, commercial vehicles, and other products. BYD also operates battery making, rail transportation construction, and other businesses.

Highlights

■ BYD Momentum Unaffected by Peak Auto Demand

All provinces in China have implemented car replacement subsidies and strong consumption policies, driving NEV sales up 35.6% YoY in the first 11 months. While some demand may have been pulled forward, we estimate BYD's 2024 sales could surpass 600 million units, aligning with aggressive forecasts by the China Passenger Car Association. With rising EV penetration and BYD's ability to gain market share domestically and internationally, achieving this target appears feasible even if overall demand peaks this month.

■ Gasoline Price Drops Unlikely to Diminish EV Cost Advantage

With global economic slowdown and surplus oil supply concerns, we forecast declining oil prices in 2024. Despite higher upfront EV costs, our analysis shows that EVs retain their cost advantage, with savings recouped in 3-4 years, well within China's average car replacement cycle of 6 years. NEVs remain an attractive option.

■ Low Overseas Market Penetration

BYD's largest overseas market, Brazil, saw NEV sales (passenger and light commercial vehicles) surge 8.4x YoY to 51,300 units from January to September, supported by government efforts to boost adoption. With penetration still in low single digits, further increases could drive significant growth in local NEV sales, aligned with Brazil's "Rota 2030" target of 30% NEV sales by 2030.

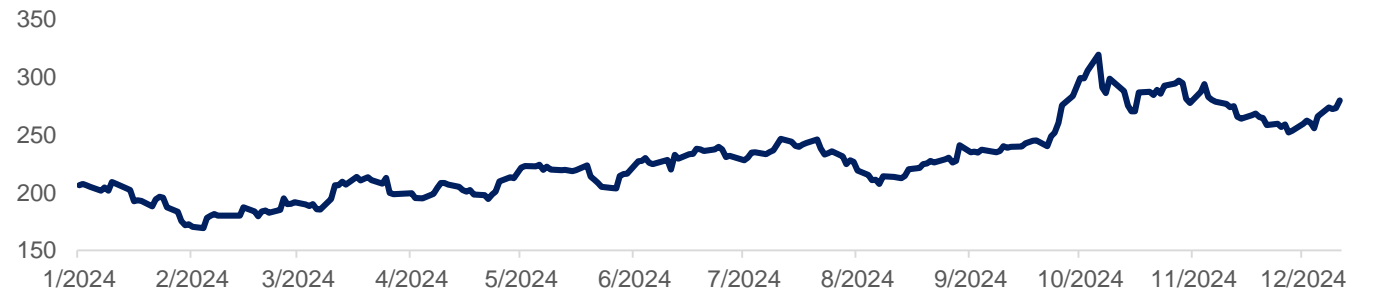
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	396.7	177.1	313.4	400.2	514.3
NI YoY(%)	-34.0	346.5	77.0	27.7	28.5
EPS(CNY)	1.06	5.71	10.32	13.19	16.75
DPS(CNY)	0.11	1.14	3.1	3.57	4.47
P/E	245.3	45.5	25.2	19.7	15.5
Dividend Yield(%)	0.04%	0.44%	1.19%	1.37%	1.72%

Source: Bloomberg; 2024/25F are market estimates

YTD Performance



As of 12 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	5.34	17.25	32.53	39.70	-0.87	648.33

Valuations

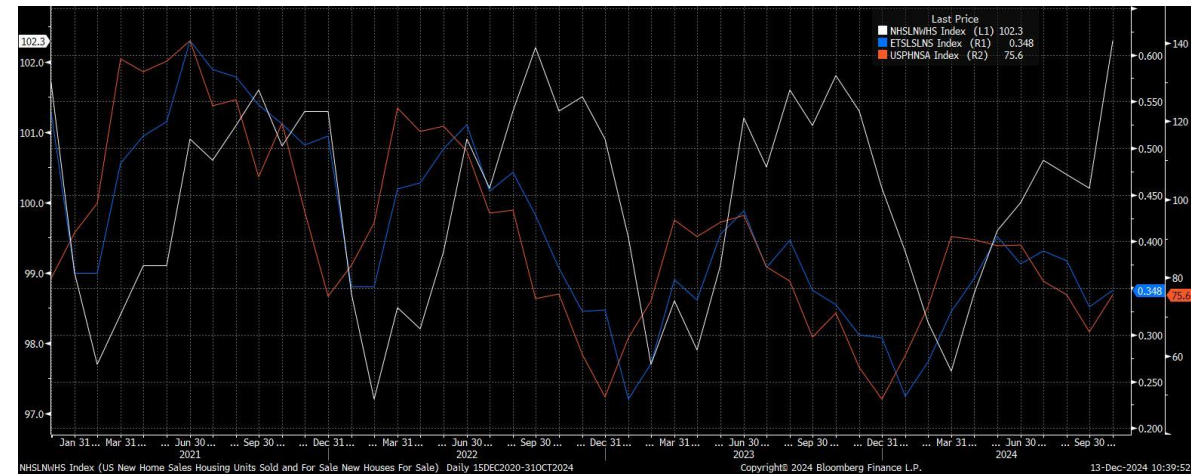
● 5Y Average ◆ Current



Cautious Optimism for U.S. Real Estate Market in 2025

- ▶ In November, U.S. CPI rose 2.7% YoY, up from October's 2.6%, matching expectations. Core CPI increased 3.3% YoY and 0.3% MoM, consistent with October and forecasts.
- ▶ PPI grew 0.4% MoM, exceeding October's revised 0.3% and doubling the 0.2% forecast. Core PPI remained steady at 3.4% YoY, above expectations of 3.2%.
- ▶ The 2025 U.S. real estate outlook suggests cautious optimism, with home sales projected to grow 5%-9%, reaching 4.2M-4.3M transactions. This growth is driven by stable mortgage rates and slightly improved inventory levels. Home prices are expected to rise moderately by 2%-3.5%, reflecting steady demand amid constrained supply. Inventory levels may increase 13%, reaching approximately 720,000 units by year-end, alleviating some buyer pressure but remaining below pre-pandemic norms.
- ▶ Historically, U.S. equities perform well during year-end. Buying on dips is advised.

U.S. Real Estate Market Trends



Toll Brothers (TOL)

Closing Price US \$133.94

Target Price US \$170

Profile

Toll Brothers builds luxury homes, serving both move-up and empty nester buyers in several regions of the United States. The Company builds customized single and attached homes, primarily on land that it develops and improves.

Highlights

■ Thriving Luxury Property Market

According to Douglas Elliman, high-end residential transactions in affluent U.S. areas surged in Nov. Markets like Manhattan, Miami, and Palm Beach saw significant YoY growth in transactions over \$5 million. The report highlights the strong financial market as a key driver, with high-net-worth individuals viewing luxury properties more as investment assets than residences. As wealth effects persist, demand for high-end properties is expected to remain robust.

■ Indirect Exposure to U.S. Luxury Real Estate

Toll Brothers serves as a market barometer for U.S. luxury homes. Higher demand for luxury properties boosts its sales, while its strong pricing power helps sustain high profit margins.

■ 4Q24 Financial Results

Toll Brothers reported 4Q revenue of \$3.33 billion, a 10.3% YoY increase, beating market expectations by \$160 million. Non-GAAP EPS was \$4.63, exceeding forecasts by \$0.29. The company signed 2,658 new contracts in 4Q, a 30% YoY increase, with a total value of \$2.66 billion, up 32% YoY.

■ Valuation Consensus

Bloomberg's 12-month average target price is \$160.78, with a high of \$189 and a low of \$108.

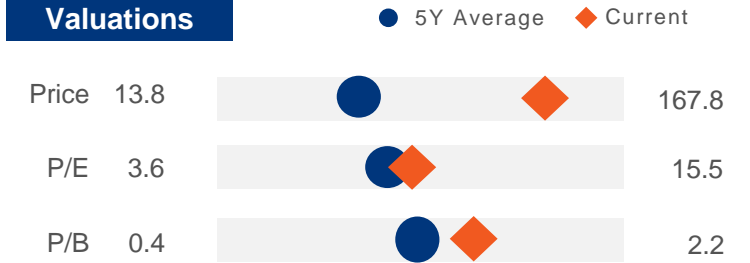
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	16.9	-2.7	8.5	1.8	7.2
EBITDA (%)	15.4	18.0	19.6	19.2	19.0
EPS (USD)	10.90	12.36	13.82	14.33	15.84
Net Profit Margin(%)	12.5	13.7	14.5	13.1	13.0

Source: Bloomberg; 2024/25F are market estimates

Valuations



Home Depot (HD)

Closing Price US \$416.98

Target Price US \$450

Profile

The Home Depot, Inc. is a home improvement retailer. The Company offers wide range of building materials, home improvement, lawn, and garden products, as well as provides DIY ideas, installation, repair, and other services.

Highlights

■ Positive Wealth Effect

The current bullish trend in U.S. equities may encourage investors to diversify gains into the real estate market. Rising confidence in the housing market could translate into higher demand for housing, boosting construction activity and driving up the need for home improvement materials. As a leading supplier in this sector, Home Depot stands to benefit significantly.

■ Robust U.S. Holiday Season Spending

The National Retail Federation (NRF) reported that 197 million shoppers participated in Thanksgiving weekend activities. NRF further forecasts that holiday season spending (Nov. 1–Dec. 31) will hit a record high, growing 2.5%-3.5% YoY to \$979.5 billion-\$989 billion. Despite strong holiday shopping activity, consumers still have ample time to complete their holiday purchases. Additionally, homeowners impacted by hurricanes are undertaking repairs, sustaining demand for recovery materials—a trend that benefits Home Depot. Furthermore, the holiday season traditionally boosts demand for festive decorations, further driving Home Depot's revenue growth.

■ Valuation Consensus

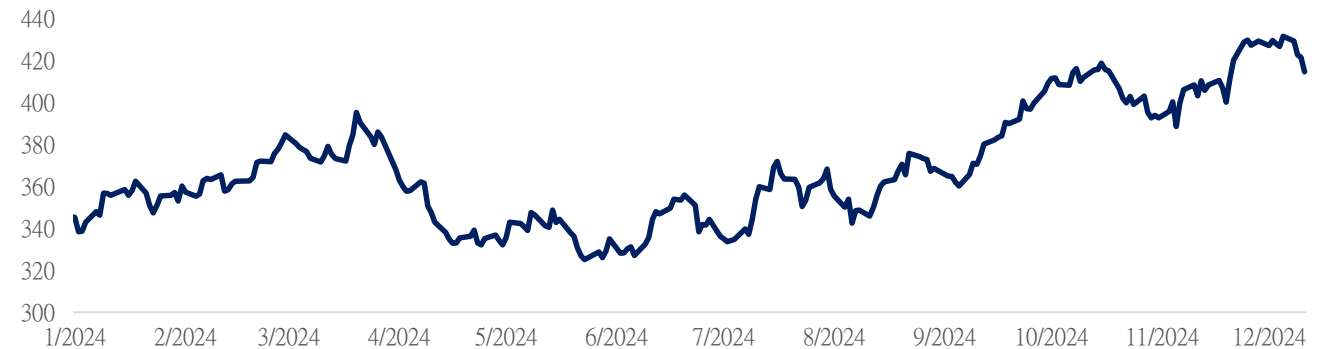
Bloomberg's 12-month average target price for Home Depot is \$429.11, with a high of \$471 and a low of \$292.

Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	14.4	4.1	-3.0	3.9	3.6
EBITDA (%)	16.8	16.8	16.0	15.8	15.8
EPS	15.53	16.69	15.11	15.09	15.74
Net Profit Margin(%)	10.9	10.9	9.9	9.4	9.6

Source: Bloomberg; 2024/25F are market estimates



As of 12 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	2.8	10.7	19.6	24.4	3.1	17.5

Valuations

● 5Y Average ◆ Current

Price	152.2	●	◆	431.4
P/E	14.8	●	◆	29.3
P/B	66.7	◆	●	1414.5



Market Stabilizes With Lower Volume, Supported by Moving Averages

► The Market Tests Support at Mid-to-Long-Term Moving Averages; Taiwan Stocks Await Structural Adjustment

After rebounding from 22,055, the market has tested support at long-term moving averages. Last Wednesday's low of 22,880 matched the quarterly moving average, limiting losses. The quarterly moving average is set to rise, providing strong support. If breached, the semi-annual moving average near 22,650 offers further backing, limiting downside risks.

However, frequent black candlesticks with upper shadows signal resistance, and the downward-sloping 5-day moving average adds short-term pressure. With no significant volume change, Taiwan stocks are likely to consolidate between 22,650 and 23,150.

► Small- and Mid-Cap Tech Stocks Lead; Focus on Catalyst-Driven Sectors

The market is consolidating with limited pullbacks, suggesting the short-term bullish trend holds. After consolidation, the index may target the November 8 high of 23,699.

In sectors, electronics are consolidating, with key stocks in AI servers and heavy electronics playing a major role. Optical communications, BBU, and connector stocks have stabilized and may strengthen. Focus areas in electronics include pivot components and copper-clad laminates.

The financial sector remains resilient, supporting the broader market. Weaker sentiment has led to profit-taking in high-revenue stocks despite positive news, while stocks with disappointing earnings have underperformed.

Source: Bloomberg

Taiwan Indices Performance and Estimated P/E Ratios



Wiwynn Corp. (6669 TT)

Profile

Wiwynn Corporation manufactures computer storage devices. It develops and sells servers, storage devices, network systems, equipment room infrastructure products, and others.

Highlights

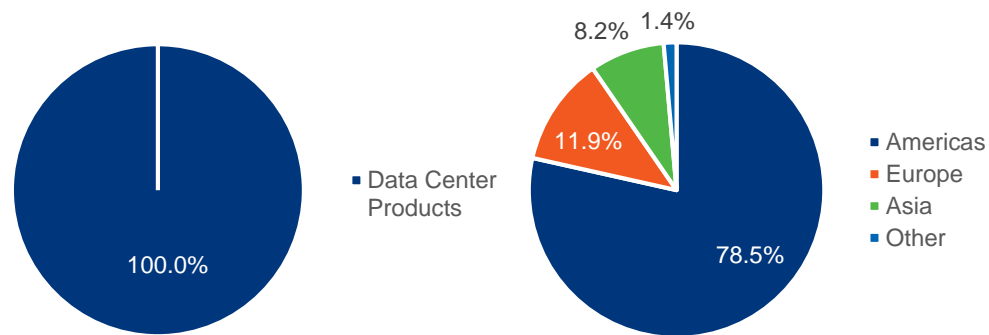
4Q24 Revenue Remains Stable with Steady Profit Margins

Wiwynn reported November revenue of NT\$37.5 billion (93% YoY increase), net profit of NT\$2.23 billion, and EPS of NT\$12. The record revenue was driven by a new AWS (U.S.) ASIC project. KGI Securities expects AI server revenue to make up 20-30% of total revenue in 4Q24, consistent with 1Q24 to 3Q24 levels.

ASIC and GPU Designs to Drive AI Server Revenue Growth in 2025

In 2H24, AI server revenue will mainly come from ASIC designs for AWS and Meta. AWS's Trainium2 chip shipments are expected to double in 2025. As Wiwynn's exclusive rack assembly provider for AWS, revenue from AWS is projected to surpass NT\$160 billion in 2025, making up around 35% of total revenue.

Revenue Sources and Regions



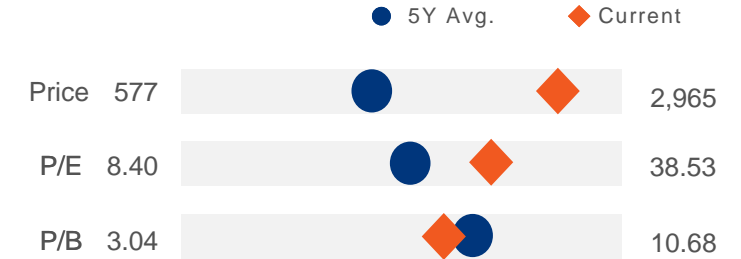
Source: Bloomberg

Financials

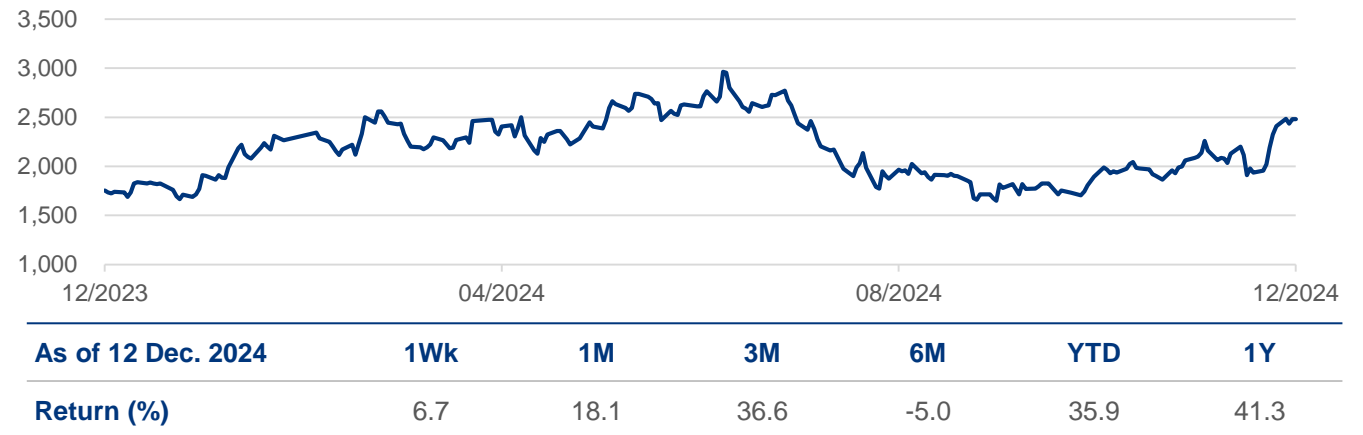
	2021	2022	2023	2024F	2025F
EPS (NTD)	49.46	81.07	68.88	124.76	154.17
EPS Growth (%)	0.4	63.9	-15.0	81.1	23.6
P/E Ratio	49.2	30.0	35.3	19.5	15.8
ROE (%)	33.3	42.9	29.7	36.9	33.3

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Richwave Technology Corp. (4968 TT)

Profile

Richwave Technology Corp manufactures and designs radio frequency integrated circuits for wireless communication products. The Company sells components for mobile devices.

Highlights

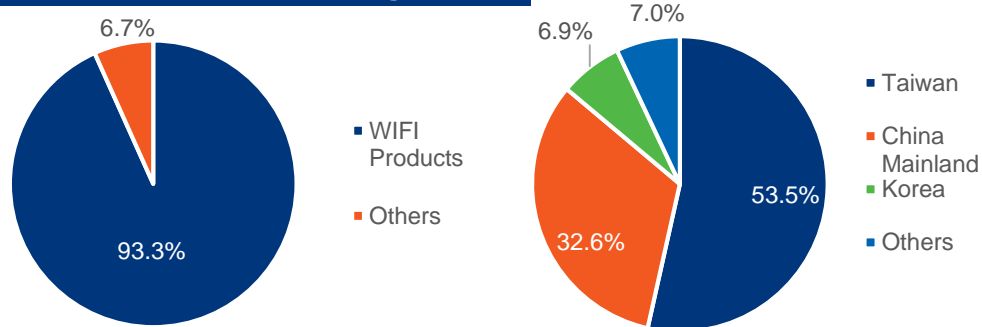
1Q25 Expected to Remain Strong Despite Seasonal Slowdown

Although 1Q25 is traditionally a slow season, we believe that demand for Richwave has already bottomed out in 2H24. The seasonal impact in 1Q25 is expected to be limited, with a slight 3.2% decrease in revenue compared to 4Q24 and an estimated EPS of NT\$0.23. Starting in 2Q25, revenue from mobile-related products, including GPS and Bluetooth, will gradually contribute. We remain optimistic about mobile-related revenue as a key growth driver in the future.

Wi-Fi 7 Outlook Becomes Clearer

Richwave has secured Wi-Fi 7 FEM design-in with key clients in both China and the U.S. As a result, KGI Securities has a clearer outlook for Richwave's Wi-Fi 7 business in 2025, raising its full-year revenue forecast by 3.4% to NT\$5.32 billion, with EPS upgraded by 10.6% to NT\$7.54.

Revenue Sources and Regions



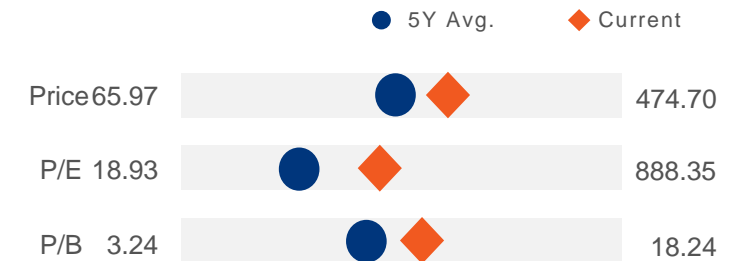
Source: Bloomberg

Financials

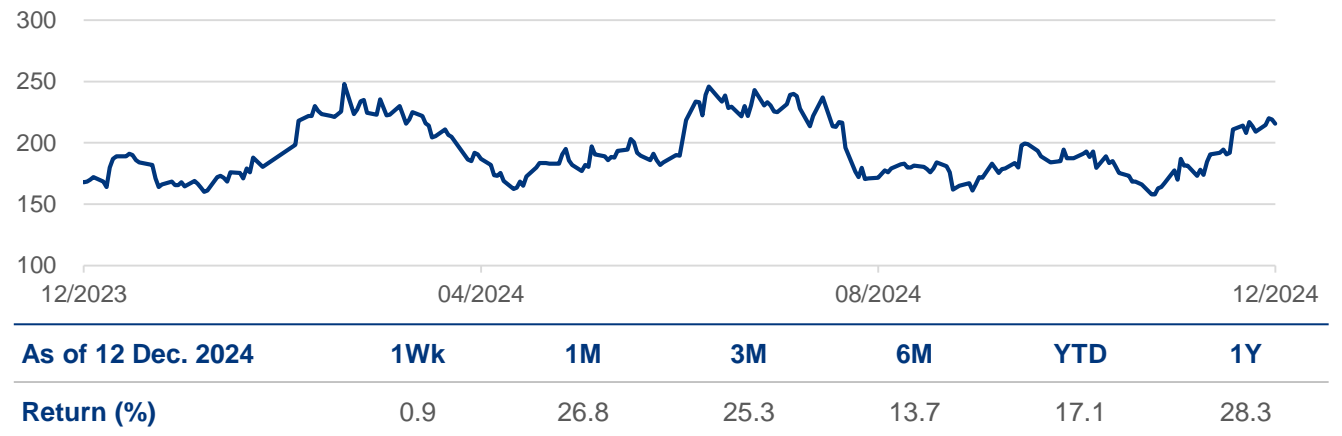
	2021	2022	2023	2024F	2025F
EPS (NTD)	5.26	0.62	-2.46	1.05	7.54
EPS Growth (%)	-61.9	-88.2	-497.1	0.0	620.5
P/E Ratio	40.8	346.7	N.A.	204.9	28.4
ROE (%)	20.3	2.3	-9.7	4.2	26.2

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Soft Landing and Low Base May Boost Housing and Construction Opportunities

Real estate construction stocks are highly sensitive to interest rate changes and are expected to benefit in a rate-cutting cycle.

► iShares U.S. Home Construction ETF (ITB.US)

- One of the largest real estate construction ETFs.
- Aim to track The Dow Jones U.S. Select Home Construction Index.
- Employs a market-cap weighted allocation, with holdings concentrated in two major builders, D.R. Horton and Lennar Corporation, accounting for over 25% of the portfolio.
- Top 3 industries include homebuilders, building materials, and home improvement retail.

► SPDR S&P Homebuilders ETF (XHB.US)

- Aim to track The S&P Homebuilders Select Industry Index.
- Employs an equal-weight strategy, covering large, mid, and small-cap stocks, with a relatively diversified portfolio—top 10 holdings represent approximately 37% of the total.
- Industry allocation includes homebuilders (43.68%), building materials (25.05%), and retail (15.07%), among others.

Product	iShares U.S. Home Construction ETF (ITB.US)	SPDR S&P Homebuilders ETF (XHB.US)																				
Features	<ul style="list-style-type: none"> ■ ITB adopts market-cap weighted method and focused on two major builders. ■ Targets the U.S. homebuilding sector, ideal for investors seeking to profit from industry performance. 	<ul style="list-style-type: none"> ■ XHB employs an equal-weight strategy to reduce concentration risk. ■ With an expense ratio of 0.35%, it is cost-effective, helping investors lower their investment costs. 																				
AUM	USD 3.28B	USD 2.227B																				
Tracking Index	Dow Jones U.S. Select Home Construction Index	S&P Homebuilders Select Industry Index																				
Holdings	44	35																				
Fee	0.39%	0.35%																				
3M/YTD Returns	-0.43% / 15.56%	3.89% / 23.36%																				
Top-5 Sectors (%)	<table border="1"> <tr><td>Home Builders</td><td>58.59</td></tr> <tr><td>Building Materials</td><td>20.16</td></tr> <tr><td>Retail</td><td>12.78</td></tr> <tr><td>Chemicals</td><td>4.51</td></tr> <tr><td>Engineering & Construction</td><td>3.13</td></tr> </table>	Home Builders	58.59	Building Materials	20.16	Retail	12.78	Chemicals	4.51	Engineering & Construction	3.13	<table border="1"> <tr><td>Home Builders</td><td>43.68</td></tr> <tr><td>Building Materials</td><td>25.05</td></tr> <tr><td>Retail</td><td>15.07</td></tr> <tr><td>Miscellaneous Manufactures</td><td>6.60</td></tr> <tr><td>Electronics</td><td>3.38</td></tr> </table>	Home Builders	43.68	Building Materials	25.05	Retail	15.07	Miscellaneous Manufactures	6.60	Electronics	3.38
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Source: Bloomberg

iShares U.S. Home Construction ETF (ITB.US)

Profile

iShares U.S. Home Construction ETF is an ETF located in the USA. It seeks investment results that correspond generally to the price & yield performance of the Dow Jones US Select Home Builders Index.

Large Asset Under Management

One of the largest homebuilders ETFs.

Market-Cap Weighted Allocation

The ETF tracks the Dow Jones U.S. Select Home Construction Index and uses a market-cap-weighted allocation. It includes several leading residential construction companies, with its holdings concentrated in two major builders, D.R. Horton and Lennar Corporation, which together account for over 25% of the total portfolio.

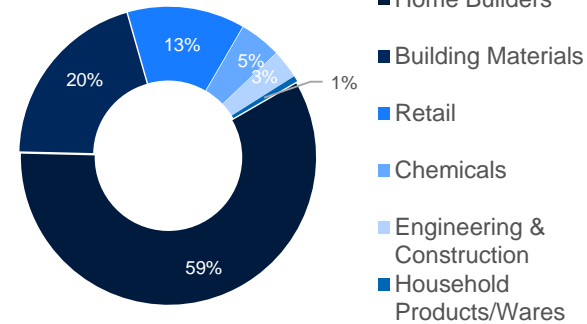
Focus On The U.S. Homebuilding Industry

Focused on the U.S. homebuilding industry, it's ideal for investors aiming to profit from the sector. Top industries include homebuilders, construction materials, and home improvement retail. The sector is highly sensitive to interest rates and may benefit from rate cuts.

Inception Date	1 May 2006	AUM	USD 3.28B
ETF Category	Equities	Holdings	44
Expense Ratio	0.39%	3Y Stand. Dev. (Ann.)	32.96%

Source: Bloomberg, 11 Dec. 2024

Sectors



1-Year Performance



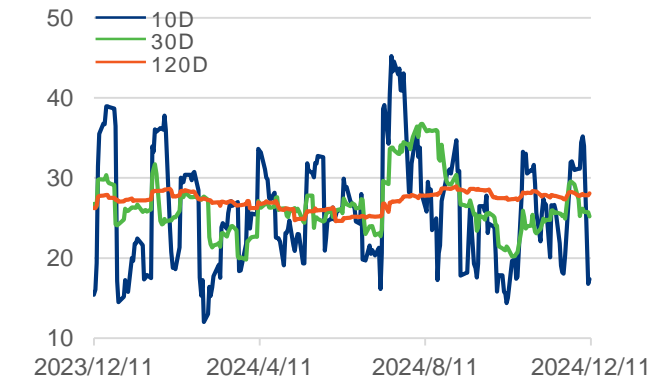
As of 11 Dec. 2024

	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-3.56	-0.43	15.56	25.74	95.47	43.86

Top-5 Holdings (%)

DR Horton Inc	13.15
Lennar Corp	11.16
NVR Inc	7.79
Pulte Group Inc	7.43
Home Depot Inc/The	5.16

1-Year Volatility



SPDR S&P Homebuilders ETF (XHB.US)

Profile

SPDR S&P Homebuilders ETF is an ETF incorporated in the USA. It seeks to replicate the performance of the S&P Homebuilders Select Industry Index, an equal-weighted index.

Low Expense Ratio

The ETF has an expense ratio of 0.35%, offering cost-efficiency to help investors reduce investment costs.

Equal-Weight Strategy

The ETF tracks the S&P Homebuilders Select Industry Index, allocating assets equally across all index constituents. This provides balanced industry exposure to large-, mid-, and small-cap stocks, reducing the risk of over-concentration in top holdings.

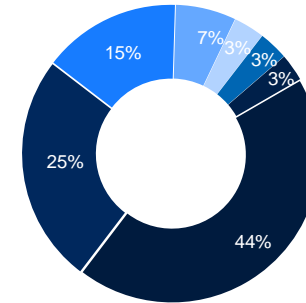
Broad Coverage of Homebuilding-Related Industries

The ETF primarily invests in homebuilding-related sectors. In addition to traditional builders, it includes a broader range of industries such as building products, home improvement retail, and household appliances.

Inception Date	31 Jan 2006	AUM	USD 2.227B
ETF Category	Equities	Holdings	35
Expense Ratio	0.35%	3Y Stand. Dev. (Ann.)	30.96%

Source: Bloomberg, 11 Dec. 2024

Sectors



- Home Builders
- Building Materials
- Retail
- Miscellaneous Manufactures
- Electronics
- Engineering&Construction
- Metal Fabricate/Hardware

1-Year Performance

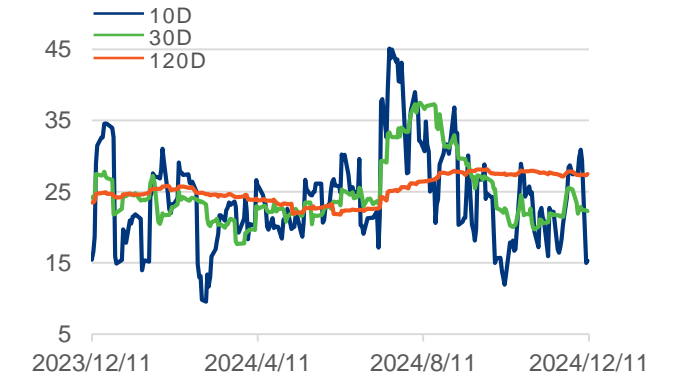


As of 11 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-1.45	3.89	23.36	33.31	94.72	39.80

Top-5 Holdings (%)

Williams-Sonoma Inc	4.38
Owens Corning	4.03
Johnson Controls International plc	3.87
Home Depot Inc/The	3.77
Lennox International Inc	3.71

1-Year Volatility



Post-Pandemic Growth in Defense and Aerospace Industry Boosts Bond Outlook

► SMBCAC 5.55 04/03/34

- SMBC Aviation Capital (SMBCAC) is the world's second-largest aircraft leasing company. As of June 30, 2023, it had 502 owned and 209 managed aircraft, with 183 more set for delivery by 2027.
- Its modern, in-demand fleet averages 5.2 years, younger than the 5-8 years of peers. New-technology aircraft make up 64%, and narrow-body planes account for 83%.
- SMBCAC is strategically important to SMFG, with continued parent support. As of December 2023, parent funding (\$7.6 billion) made up 47% of total debt.

► BAH 5.95 08/04/33

- Booz Allen Hamilton Inc. (BAH) provides management, technical consulting, and engineering services to U.S. and international governments, focusing on defense, intelligence, civil markets, global corporations, and nonprofits.
- With strong contract execution, a specialized workforce, and internal tech investments, BAH has grown its market share. As of March 31, 2024, it held a robust \$33.8 billion backlog, 3.15 times its annual revenue, with a book-to-bill ratio of 1.25, supporting future growth.
- In FY2024, 64% of revenue came from U.S. defense/intelligence, indicating high industry concentration. However, low contract concentration reduces risks of income disruption from rebidding failures. Most contracts are cost-plus, where the government covers allowable costs plus profit, minimizing overrun risks and ensuring stable profits and cash flow.

Products	SMBCAC 5.55 04/03/34	BAH 5.95 08/04/33
ISIN	USG82296AL16	US09951LAC72
Highlight	SMBCAC is strategically important to SMFG and is expected to continue receiving support from its parent company.	BAH has driven its market share growth through robust contract execution standards.
Maturity Date	3 Apr 2034	4 Aug 2033
Coupon (%)	Fixed/5.55/Semi-Annual	Fixed/5.95/Semi-Annual
Currency	USD	USD
Years to Maturity	9.31	8.65
Rating (Moody's/ Fitch/S&P)	-/BBB+/A-	Baa3/-/BBB-
Seniority	Senior Unsecured	Senior Unsecured
YTM/YTC (%)	5.26/5.25	5.35/5.34

Source: Bloomberg

SMBCAC 5.55 04/03/34

Profile

SMBC Aviation Capital Finance Designated Activity Company operates as an aircraft leasing company. The Company focuses on leasing and trading aircraft, as well as provides investment and aircraft management services. SMBC Aviation Capital Finance serves customers worldwide.

Highlights

- SMBCAC has a young, modern, and market-preferred fleet, with 64% of aircraft featuring new technology, higher than many peers. As of June 30, 2023, 83% of its fleet consists of narrow-body aircraft, and geographically, 36% of the fleet is in Europe, the Middle East, and Africa, 34% in Asia, and 31% in the Americas.
- SMBCAC is strategically important to SMFG and will continue to receive parent support. As of December 2023, parent financing (\$7.6 billion) made up 47% of its total debt.
- With the Fed's interest rate cuts, there are opportunities to lock in attractive bond yields with low-credit-risk issuers. As rates rebound, increasing high-quality bond holdings can hedge against volatility.

Financials	2021	2022	2023
EBITDA Margin(%)	-	-17.72	85.93
Free Cash Flow (100M USD)	-	-27.06	-31.64
Interest Coverage Ratio	-	-1.58	1.12

Source: Bloomberg, 11 Dec 2024

Overview

Name	SMBCAC 5.55 04/03/34	ISIN	USG82296AL16
Maturity Date	3 Apr 2034	Remaining Maturity	9.31 y
Coupon (%)	Fixed/5.55/Semi-Annual	YTM/YTC(%)	5.26/5.25
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	-/BBB+/A-	Seniority	Senior Unsecured

Price Since Issuance



BAH 5.95 08/04/33

Profile

Booz Allen Hamilton Inc. provides technology and management consulting services. The Company offers consulting, analytics, digital, engineering, and cyber solutions. Booz Allen Hamilton serves customers worldwide.

Highlights

- BAH has grown its market share through strong contract execution, a specialized workforce, and internal tech investments. Unlike many competitors, its growth in recent years has been organic, outpacing federal budget growth. As of March 31, 2024, it had a \$33.8 billion order backlog, 3.15 times its annual revenue, with a book-to-bill ratio of 1.25, supporting future growth.
- Most of BAH's contracts are cost-plus, where the government covers costs and a profit margin, reducing risk and ensuring stable profits and cash flow.
- With the Fed cutting interest rates, there are opportunities to lock in attractive bond yields with low-credit-risk issuers. As rates rebound, increasing high-quality bond holdings can hedge against volatility.

Financials	2021	2022	2023
EBITDA Margin(%)	11.55	10.77	7.35
Free Cash Flow (100M USD)	6.31	6.56	5.26
Interest Coverage Ratio	9.28	7.42	3.73

Source: Bloomberg, 11 Dec 2024

Overview

Name	BAH 5.95 08/04/33	ISIN	US09951LAC72
Maturity Date	4 Aug 2033	Remaining Maturity	8.65 y
Coupon (%)	Fixed/5.95/Semi-Annual	YTM/YTC(%)	5.35/5.34
Currency	USD	Min. Subscription/Increment	2,000/1,000
Ratings <small>(Moody's/Fitch/S&P)</small>	Baa3/-/BBB-	Seniority	Senior Unsecured

Price Since Issuance



Appendix

Key Economic Data / Events

► DEC 2024

9

Monday

- Japan Q3 GDP QoQ Final Value (Actual:0.3% Est:0.3% Prev:0.2%)
- Eurzone Dec. Sentix Investor Confidence (Actual:-17.5 Est:-12.3 Prev:-12.8)
- China Nov. CPI YoY (Actual:0.2% Est:0.4% Prev:0.3%)
- China Nov. PPI YoY (Actual:-2.5% Est:-2.8% Prev:-2.9%)

10

Tuesday

- China Nov. Export YoY (Actual:6.7% Est:8.7% Prev:12.7%)
- Japan Nov. Machine Tool Orders YoY Initial Value (Actual:3.0% Prev:9.4%)

11

Wednesday

- U.S. Nov. CPI YoY (Actual:2.7% Est:2.7% Prev:2.6%)
- U.S. Nov. Core CPI YoY (Actual:3.3% Est:3.3% Prev:3.3%)
- Japan Nov. PPI YoY (Actual:3.7% Est:3.4% Prev:3.6%)

12

Thursday

- U.S. Initial Jobless Claims (Actual:242k Est:220k Prev:225k)
- U.S. Nov. PPI YoY (Actual:3.0% Est:2.6% Prev:2.6%)
- Eurzone Dec. ECB Main Refinancing Rate (Actual:3.15% Est:3.15% Prev:3.40%)

13

Friday

- Japan Oct. Industrial Production MoM (Prev:3.0%)
- Japan Oct. Industrial Production MoM (Est:0.0% Prev:-2.0%)

16

Monday

- U.S. Dec. S&P Global US Manufacturing PMI Initial Value (Prev:49.7)
- Japan Oct. Core Machine Orders MoM (Est:1.0% Prev:-0.7%)
- Japan Dec. Jibun Bank Japan PMI Mfg initial Value (Prev:49.0)
- Eurzone Dec. HCOB Eurozone Manufacturing PMI initial Value (Est:45.6 Prev:45.2)
- China Nov. Industrial Production YoY (Est: 5.3% Prev:5.3%)

17

Tuesday

- U.S. Nov. Retail Sales Advance MoM (Est:0.5% Prev:0.4%)
- U.S. Nov. Industrial Production MoM (Est:0.2% Prev:-0.3%)

18

Wednesday

- U.S. Nov. Housing Starts MoM (Est:2.5% Prev:-3.1%)
- Japan Export YoY (Est:2.5% Prev:3.1%)
- Eurzone Nov. CPI YoY (Est:2.3% Prev:2.0%)

19

Thursday

- U.S. Initial Jobless Claims (Prev:242k)
- U.S. Dec. FOMC Rate Decision (Est:4.5% Prev:4.75%)
- U.S. Q3 GDP Annualized Final Value (Est:2.8% Prev:2.8%)
- Japan Dec. BOJ Target Rate (Est:0.25% Prev:0.25%)

20

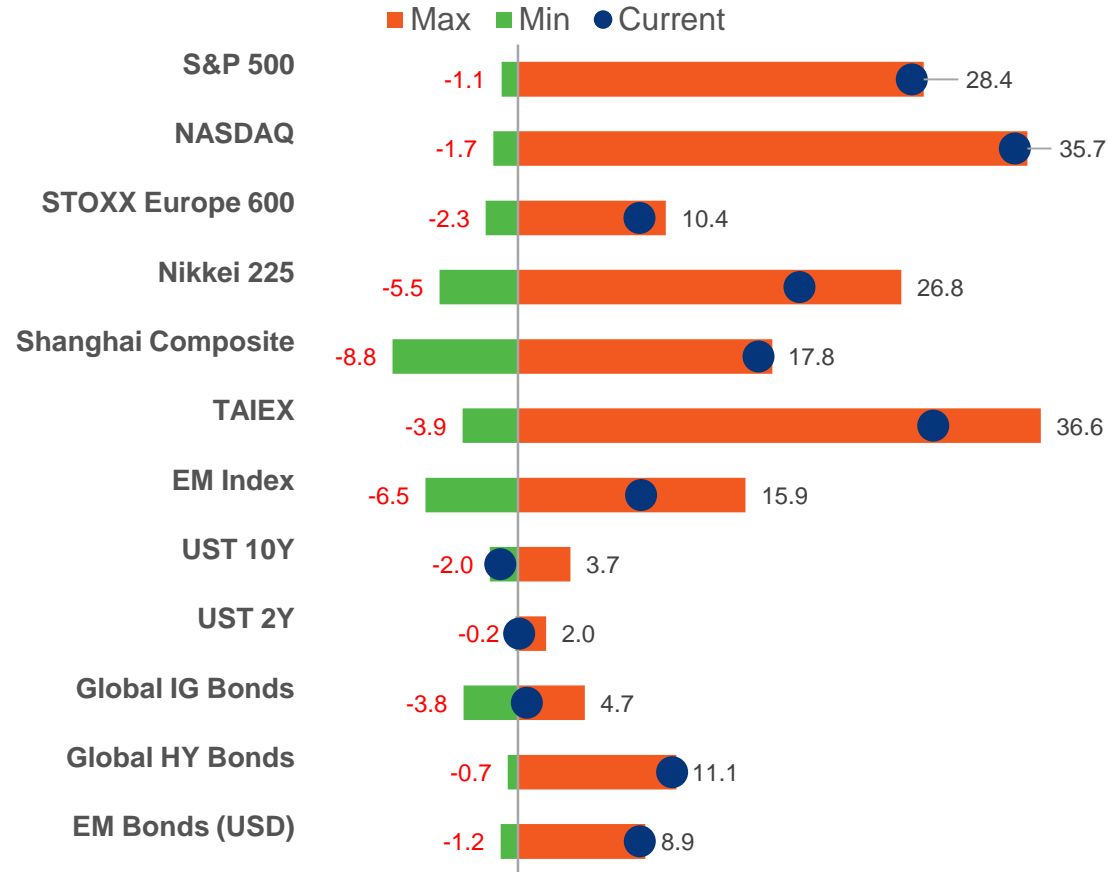
Friday

- U.S. Nov. PCE YoY (Est:2.5% Prev:2.3%)
- U.S. Nov. Core PCE YoY (Est:2.9% Prev:2.8%)
- U.S. Dec. U. of Mich. Sentiment Final Value (Prev:74.0)
- Japan Natl CPI YoY (Est:2.9% Prev:2.3%)
- Eurzone Dec. Consumer Confidence initial Value (Est:-13.2 Prev:-13.7)

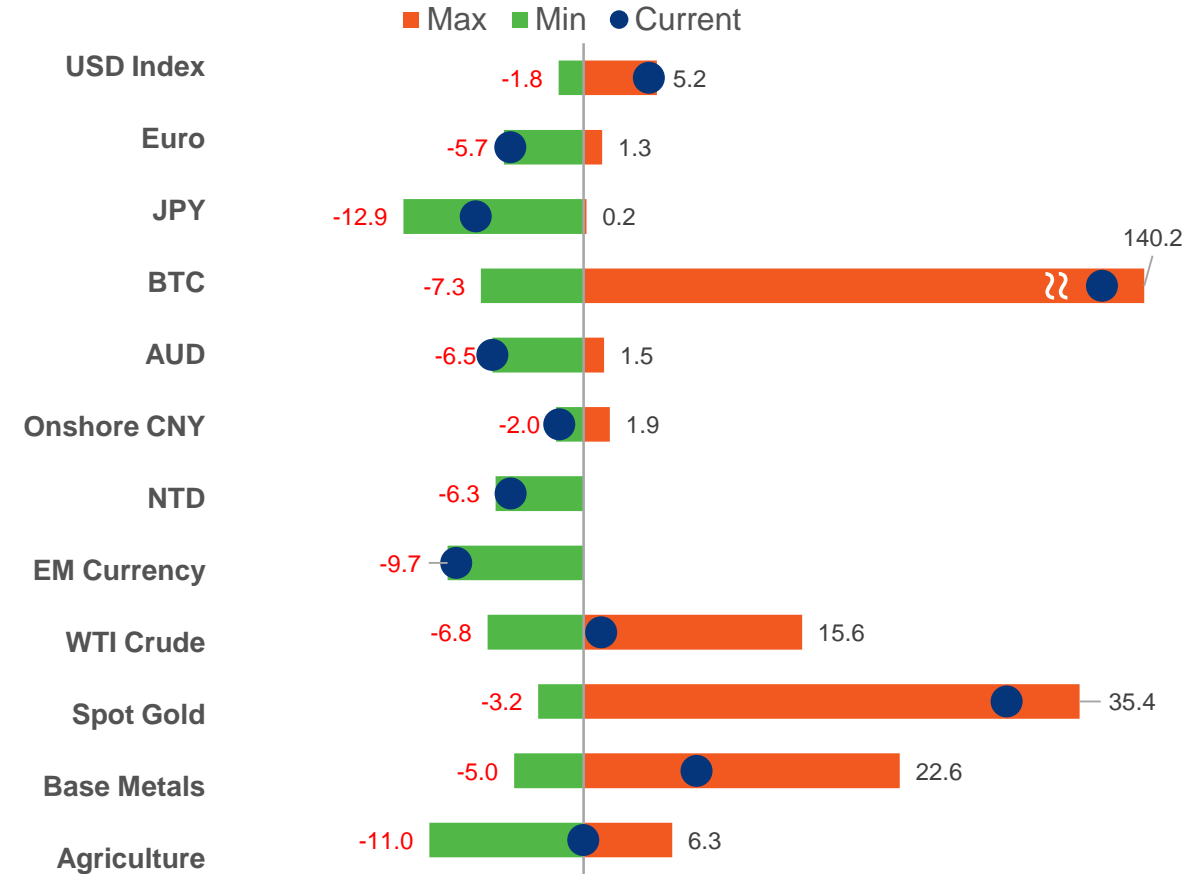
Source: Bloomberg

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



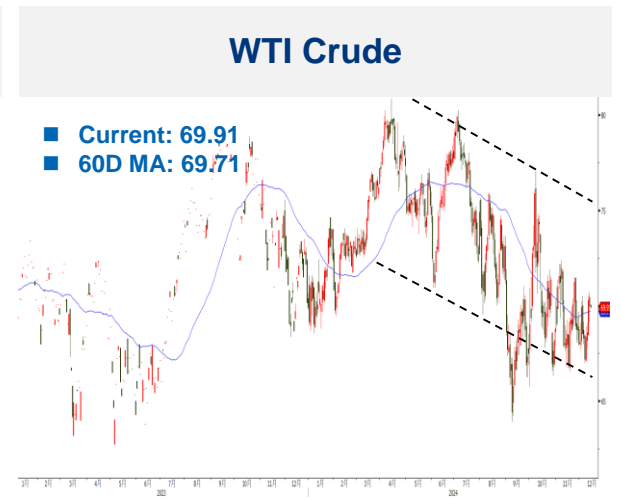
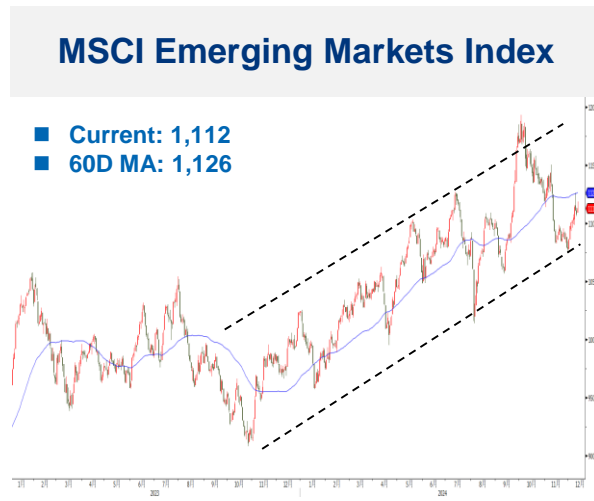
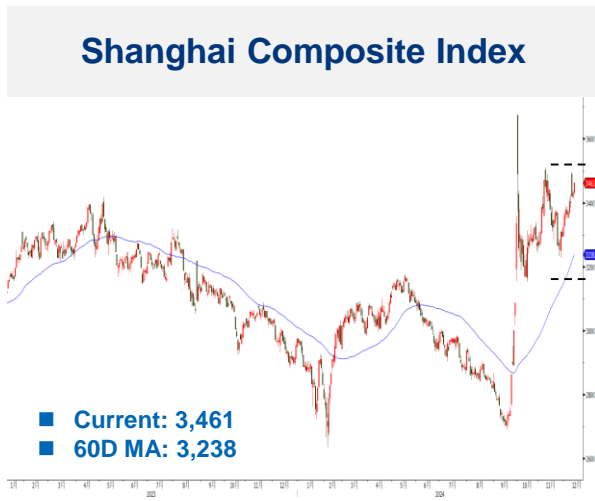
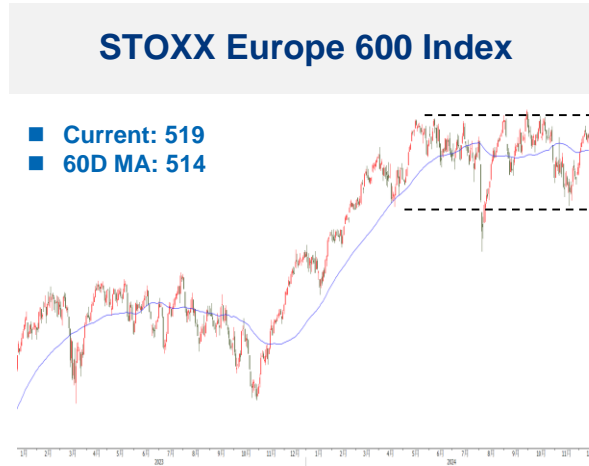
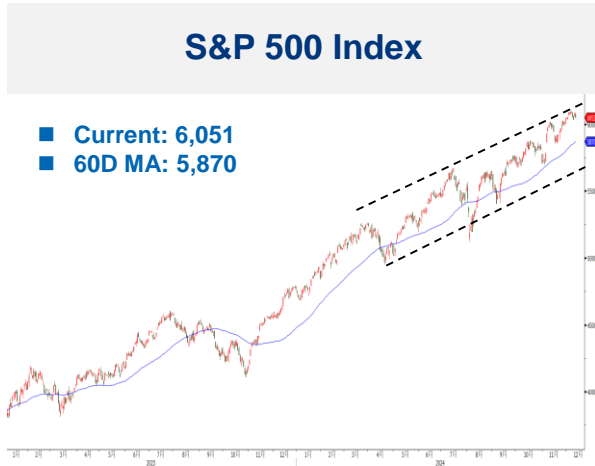
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 13 Dec. 2024

Technical Analysis

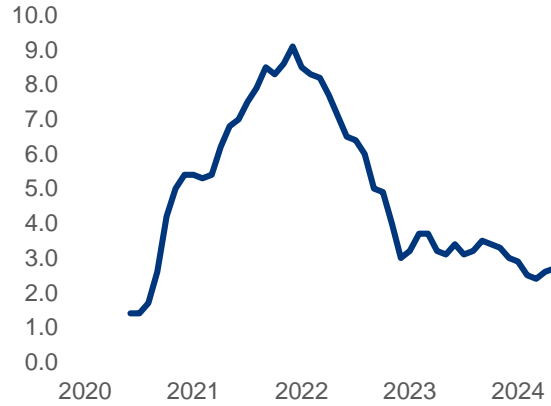
— 60D MA



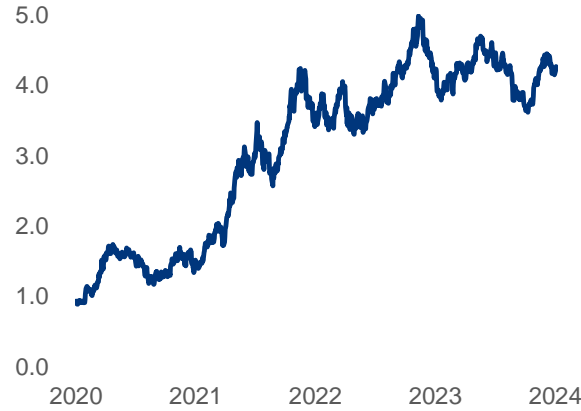
Source: Bloomberg, 13 Dec. 2024

Market Monitor

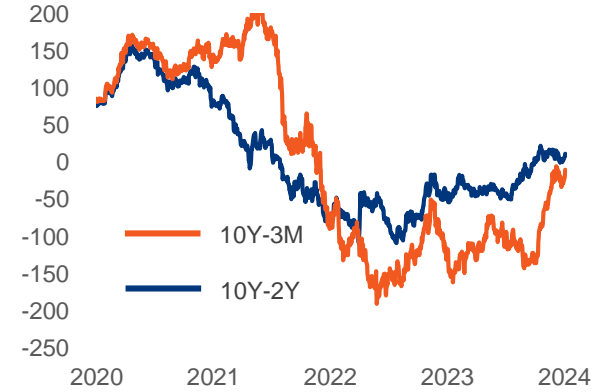
U.S. CPI YoY Growth Rate (%)



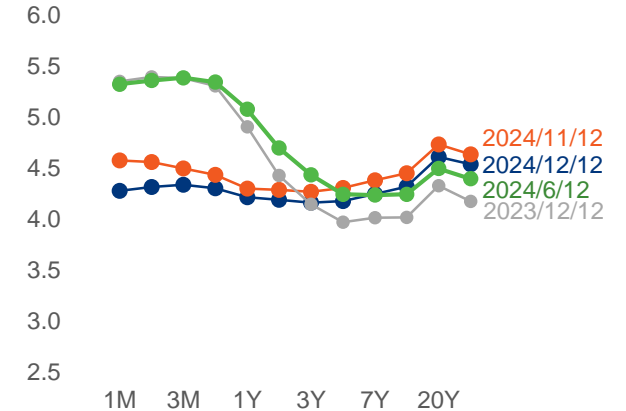
U.S. 10-Year Treasury Yield (%)



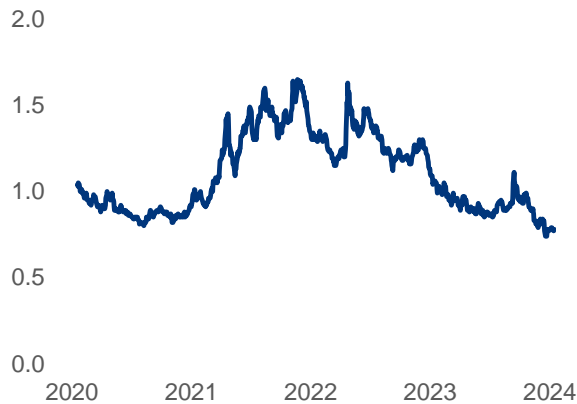
U.S. Treasury Yield Spread (bps)



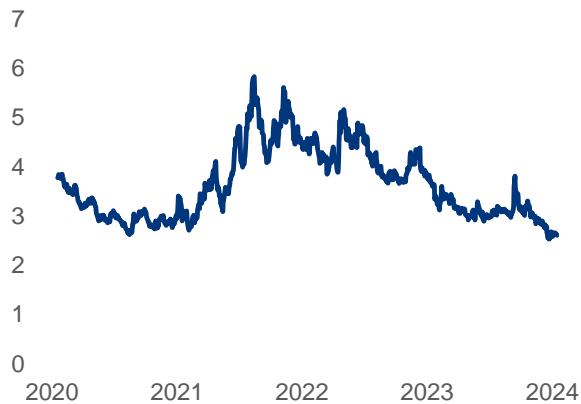
U.S. Treasury Yield Curve (%)



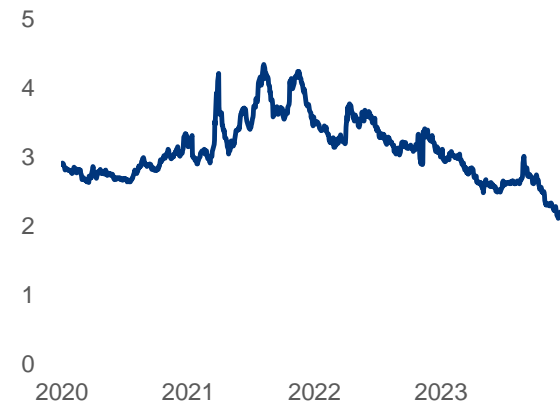
USD IG Credit Spread (%)



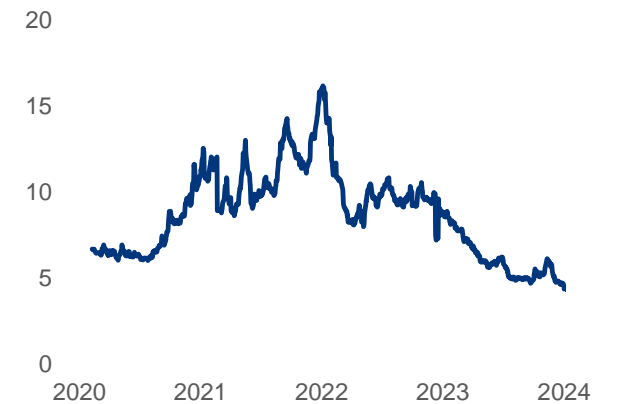
USD HY Credit Spread (%)



USD EM Credit Spread (%)



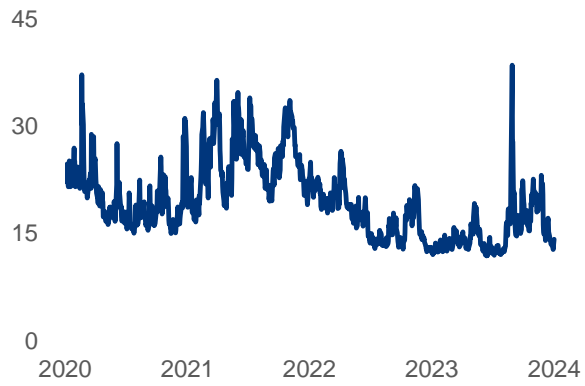
USD Asia Credit Spread (%)



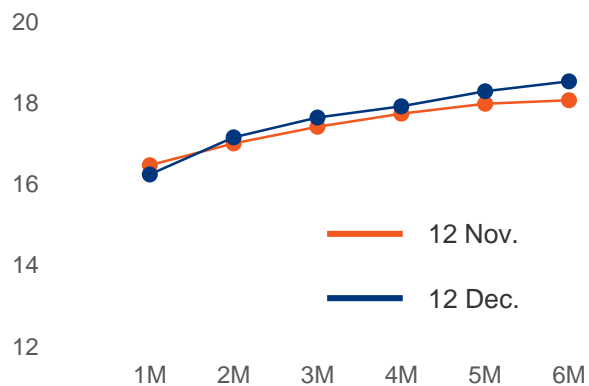
Source: Bloomberg, 12 Dec. 2024

Market Monitor

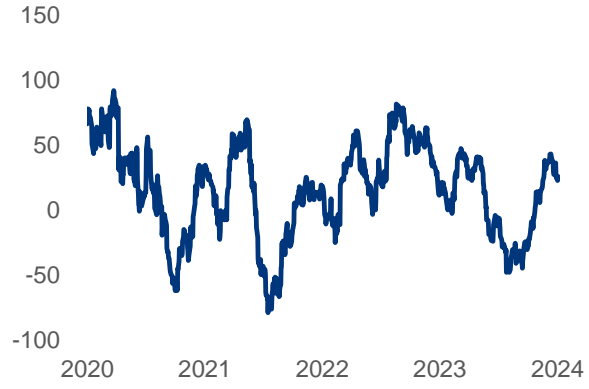
VIX Index



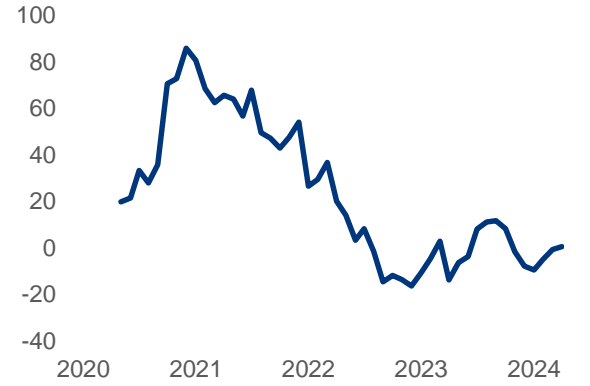
VIX Term Structure



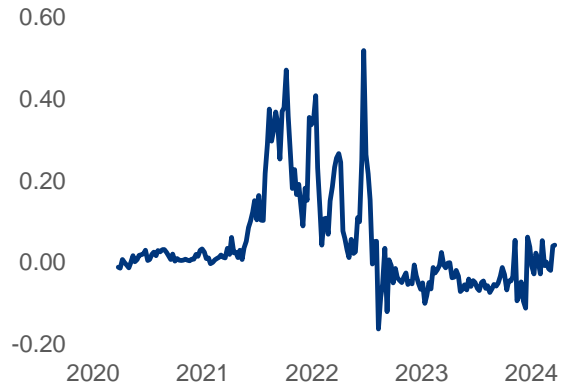
U.S. Citi Economic Surprise Index*



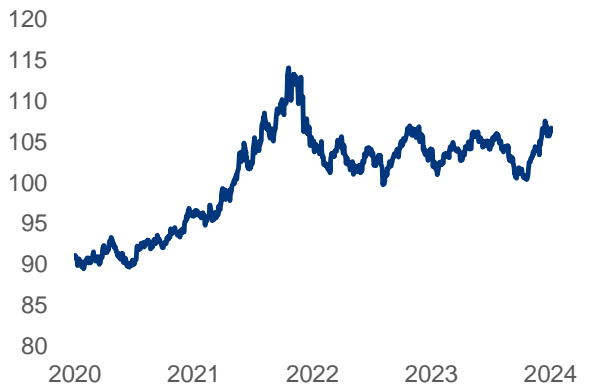
U.S. Citi Inflation Surprise Index*



TED Spread (bps)



U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 12 Dec. 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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