



Policy Fuels Financials

Global Markets Weekly Kickstart

6 January 2025



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Funds Remain Resilient, Bitcoin Still Favored



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Light Trading Over New Year, Market Sees Minor Fluctuations



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Eased Regulations and Spread Support Favor Financial Stocks for Further Gains

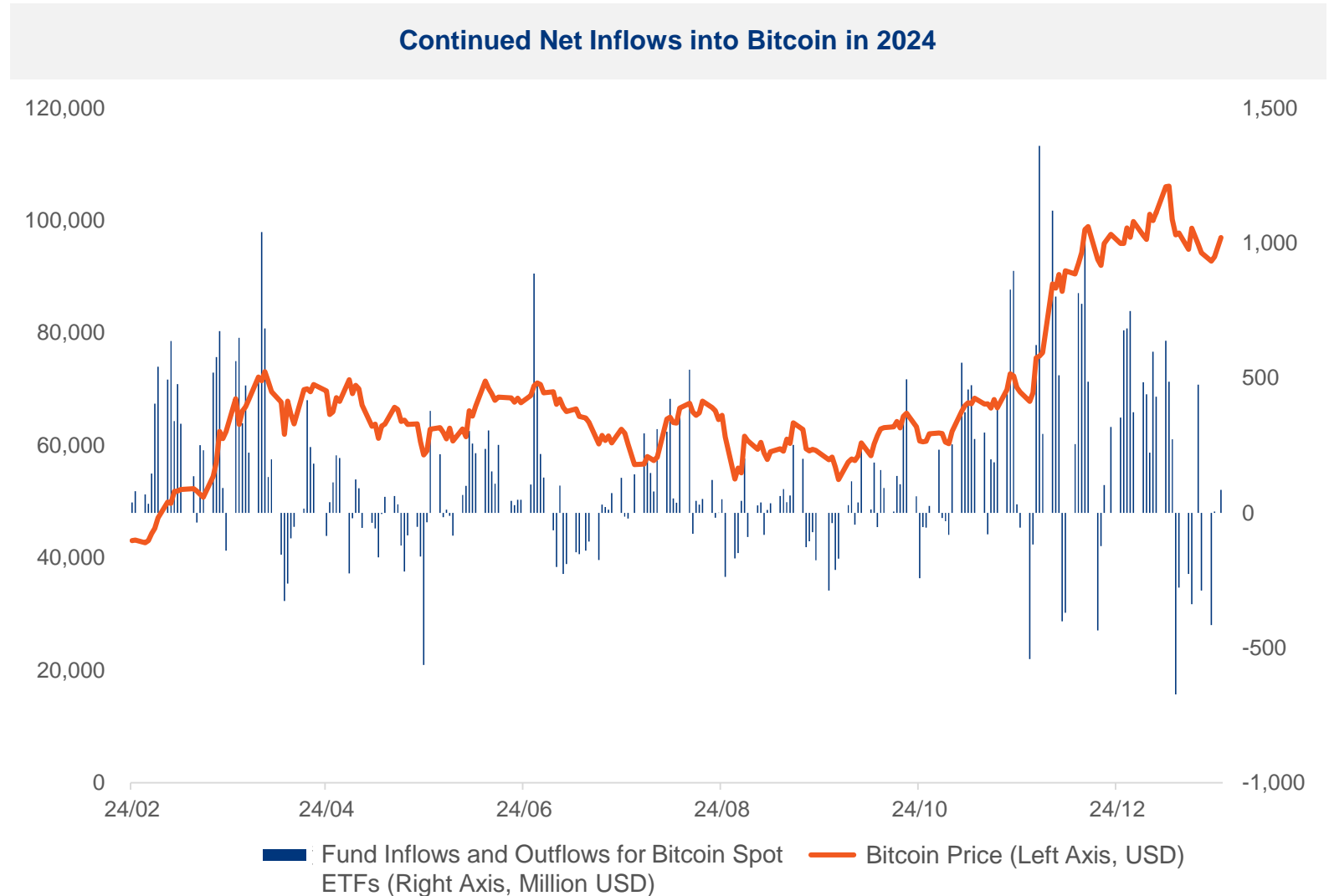


05 Product Spotlight

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

Funds Remain Resilient, Bitcoin Still Favored

- ▶ Despite year-end redemptions, funds are returning to Bitcoin, signaling strong investor confidence. The approval of Bitcoin spot ETFs by the SEC on January 10 provided regulated market access, boosting global investment. Trump's support, including plans for a national Bitcoin reserve and eased regulations, further lifted sentiment, attracting investors.
- ▶ The U.S. Bitcoin spot ETFs have surpassed gold ETFs in AUM within less than a year of trading, reflecting robust market demand. Beyond policy support, Bitcoin's fixed supply and decentralized nature give it inflation-hedging and value-preservation qualities similar to gold, making it an increasingly attractive option for long-term portfolio allocation.



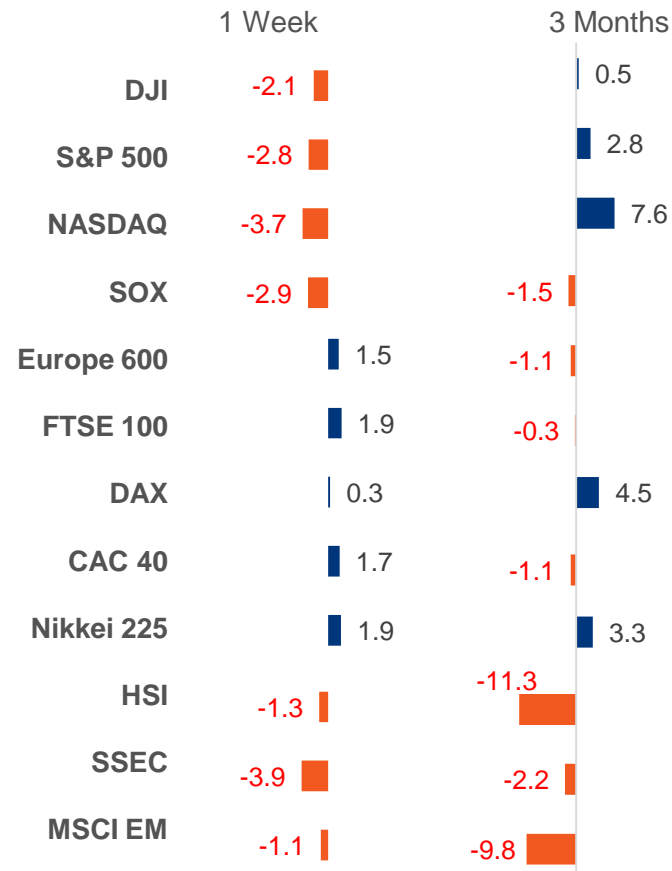
Source: CoinGlass

Market Recap

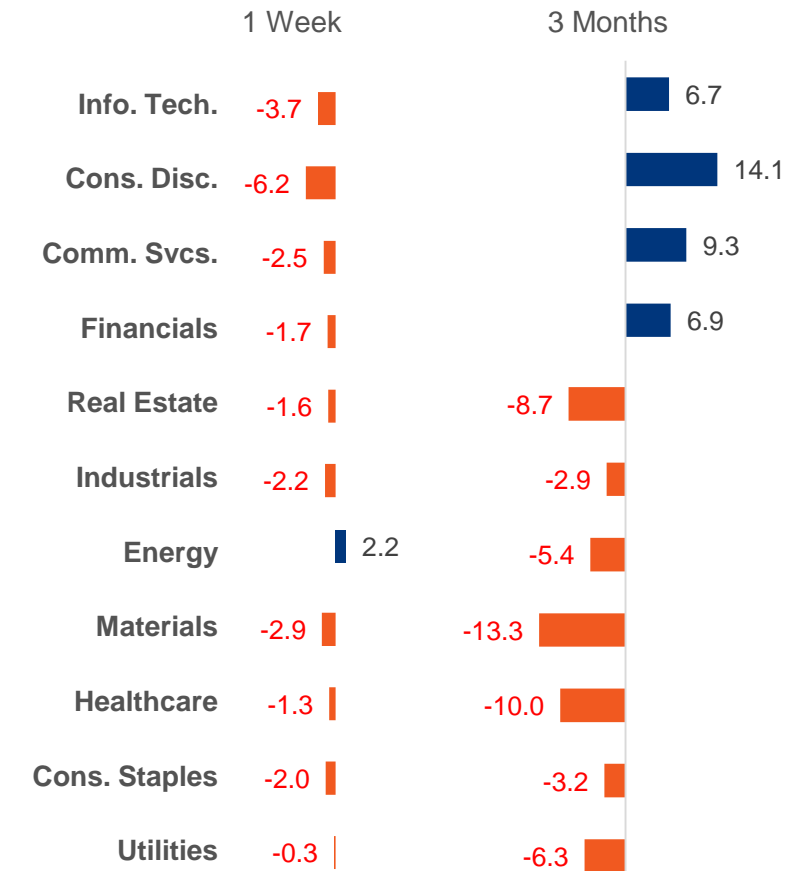
Year-End Trading Quiet, Mixed Stock Market Performance; Profit-Taking Adjustments Lead to Declines in Most Sectors

- ▶ As the New Year approaches, investors adopted a cautious stance, locking in profits from 2024's strong equity performance, leading to declines across the four major U.S. indices. European stocks saw a slight rebound but continue to lag behind U.S. markets due to weak economic performance and unresolved political uncertainties.
- ▶ China and Hong Kong stocks weakened as policy easing signals were met with delays in announcing deficit figures, likely until the Two Sessions. The absence of clear economic recovery signs led to a cautious market, dampening stock performance.
- ▶ With limited news flow at year-end, most sector indices declined. Investors took profits in better-performing sectors, leading to higher losses in tech, consumer discretionary, and communication services. Energy, supported by a recent oil price rebound, fared better, while other sectors saw declines.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)



Yield Plateau Limits Bond Market Moves; Strong Dollar Fuels Oil, Gas Rebound

- ▶ Bond market activity remains quiet with U.S. yields stabilizing at high levels. Investors are digesting expectations for slower Fed rate cuts and awaiting the impact of policy changes under the incoming Trump administration.
- ▶ Oil prices rise, supported by falling temperatures in Europe and the U.S., potentially boosting demand. Additionally, U.S. crude stockpiles fell more than expected. Natural gas prices are bolstered by supply disruptions due to the expiration of Russian transit contracts through Ukraine.
- ▶ The dollar stays strong, supported by high bond yields. The euro weakens due to political issues in Germany and France. Most currencies decline, but the Japanese yen strengthens on signals of potential interest rate hikes and reduced bond purchases by the Bank of Japan.

Performance of Bonds (%)

	1 Week	3 Months
UST 10Y	0.2	-4.4
UST 2Y	-0.0	-1.1
Global IG	-0.2	-4.8
U.S. IG	0.2	-3.1
EU IG	-0.2	-0.1
Asia IG	0.2	-4.9
Global HY	0.1	-0.2
U.S. HY	0.3	0.4
EU HY	0.1	1.9
Asia HY	0.3	0.9
EM (Local)	0.1	-2.9
EM (USD)	0.1	-1.5

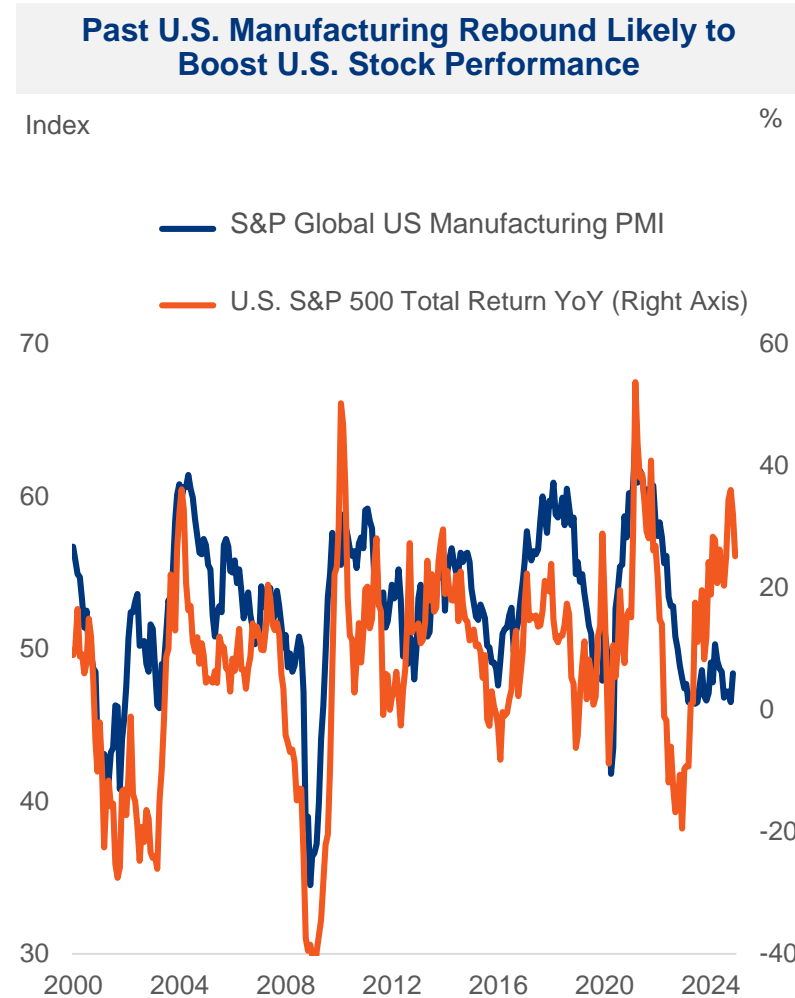
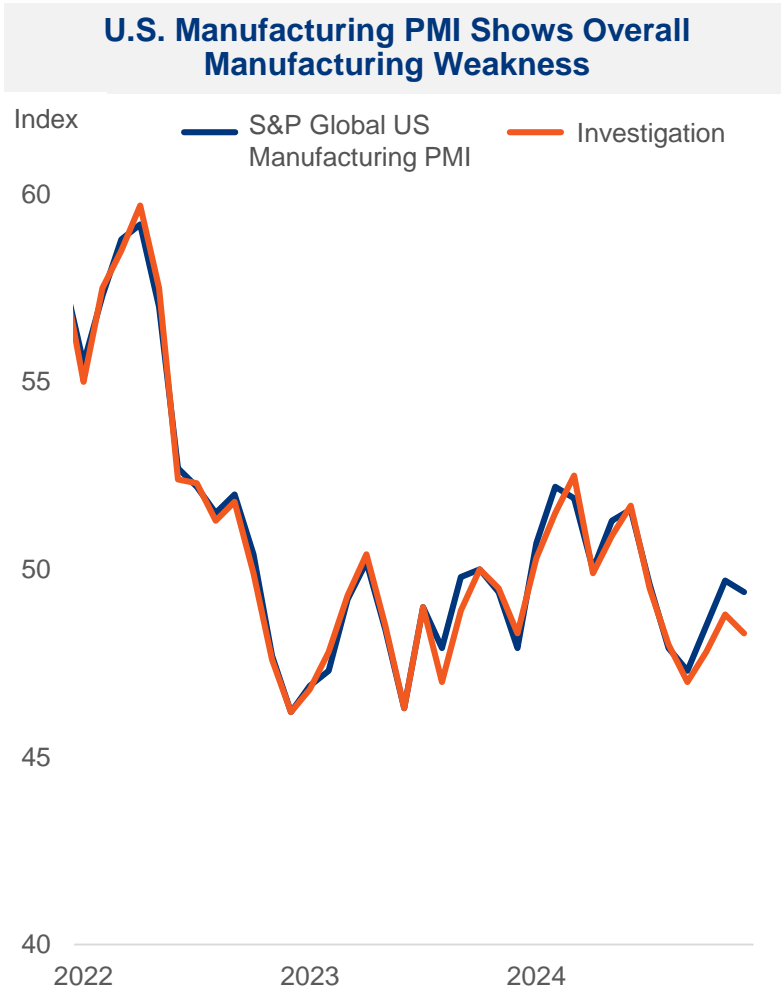
Performance of Commodities and Currencies (%)

	1 Week	3 Months
WTI Crude	5.1	1.2
Gold	1.5	0.2
Natural Gas	10.0	4.2
Iron Ore	-1.0	-1.6
Copper	-2.4	-12.2
Agriculture	1.1	-2.2
Bitcoin	3.8	59.2
DXY	1.1	7.6
EUR	-1.5	-6.9
AUD	-0.2	-9.3
JPY	0.3	-6.6
CNY	-0.0	-3.8

Source: Bloomberg, 3 Jan. 2025

U.S. Manufacturing Activity Remains Slow; Continued Recovery Could Boost U.S. Stock Market Momentum

- ▶ The U.S. manufacturing PMI for December dropped to 49.4, signaling weak manufacturing activity. The focus now shifts to President Trump's potential policies, like tax cuts and tariffs, which could boost domestic demand and help revitalize manufacturing.
- ▶ U.S. economic data outperformed expectations, with some managers expecting a shift from a soft landing to no landing. The recovery in manufacturing supports corporate earnings and U.S. stock performance. Historically, when manufacturing PMI rebounded, stocks performed well. Apart from large-cap growth stocks, sectors like finance, industrials, and defense benefit from policy. If economic conditions worsen, defensive stocks may be necessary to reduce risk.

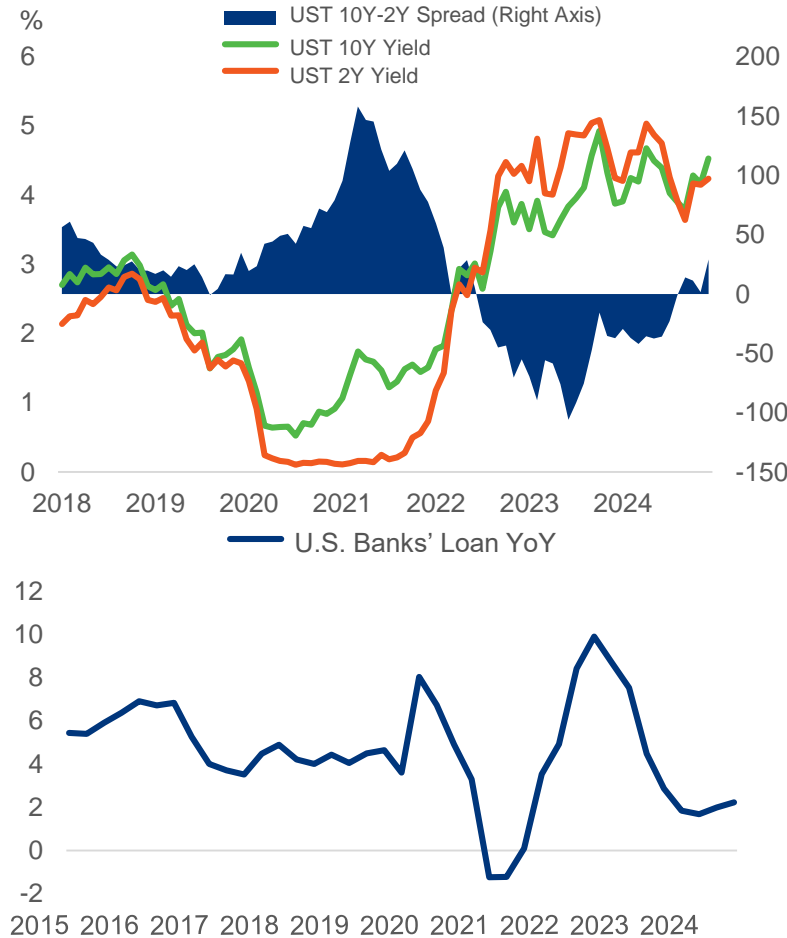


Source: Bloomberg, 3 Jan. 2025

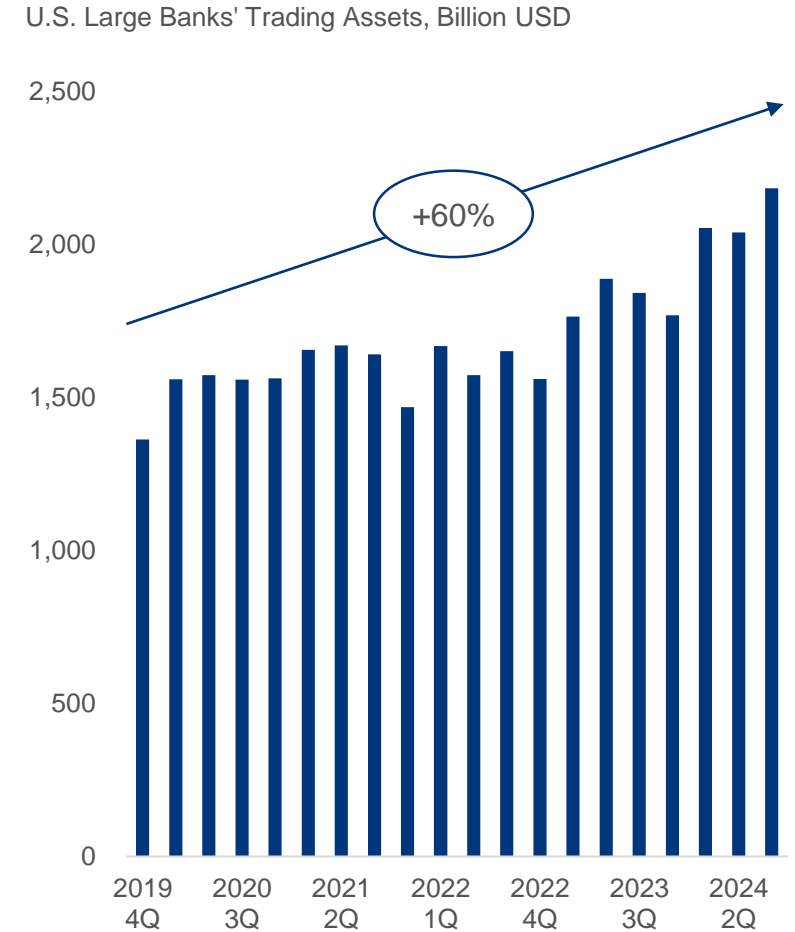
Financial Outlook Positive Amid Expected Improvement in Deposit Margins and Regulatory Easing

- ▶ As 2025 begins, Trump's return to the White House and his policies on tax cuts and fiscal deficits are influencing U.S. Treasury yields. The widening yield curve is notably impacting financial stocks. With around 60% of regional and large banks locking in higher fixed rates through loans and bond reinvestments, and bank loan growth showing signs of recovery, future earnings are expected to benefit.
- ▶ Easing regulations and a lower interest rate environment will benefit large banks through increased trading activity. Recent trends in banking show that declining funding costs have led to growth in both equity and debt trading assets, boosting overall trading asset volumes. Capital markets now account for 40% of total bank revenues. Additionally, market optimism surrounding post-election policy clarity is expected to drive an uptick in IPO activity.

Positive Yield Curve and Loan Recovery Support Financial Sector Profits



U.S. Large Banks' Trading Assets Up 60% Since 4Q19

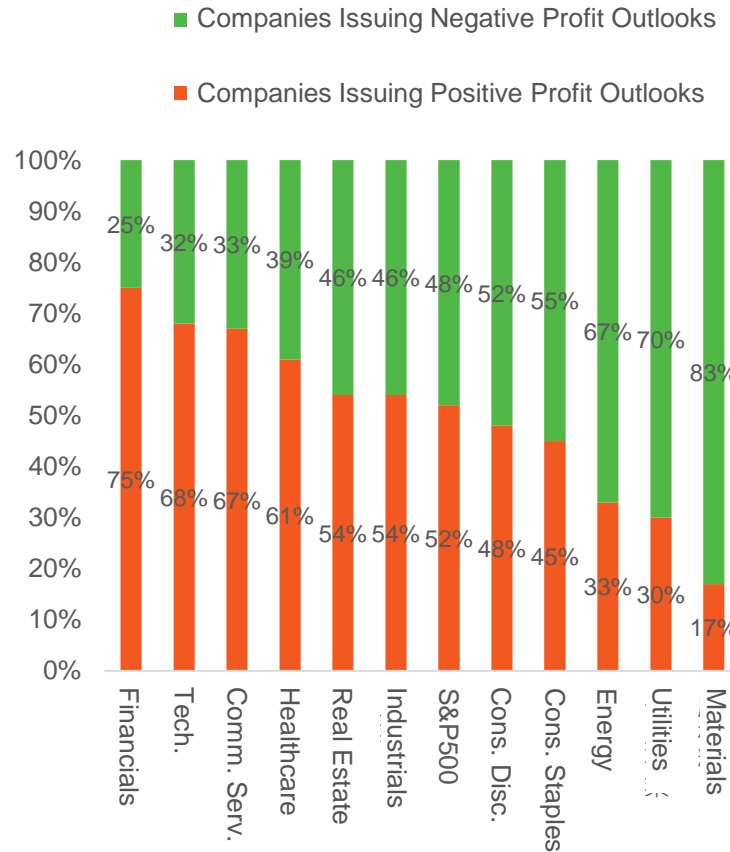


Source: Bloomberg, Goldman Sachs

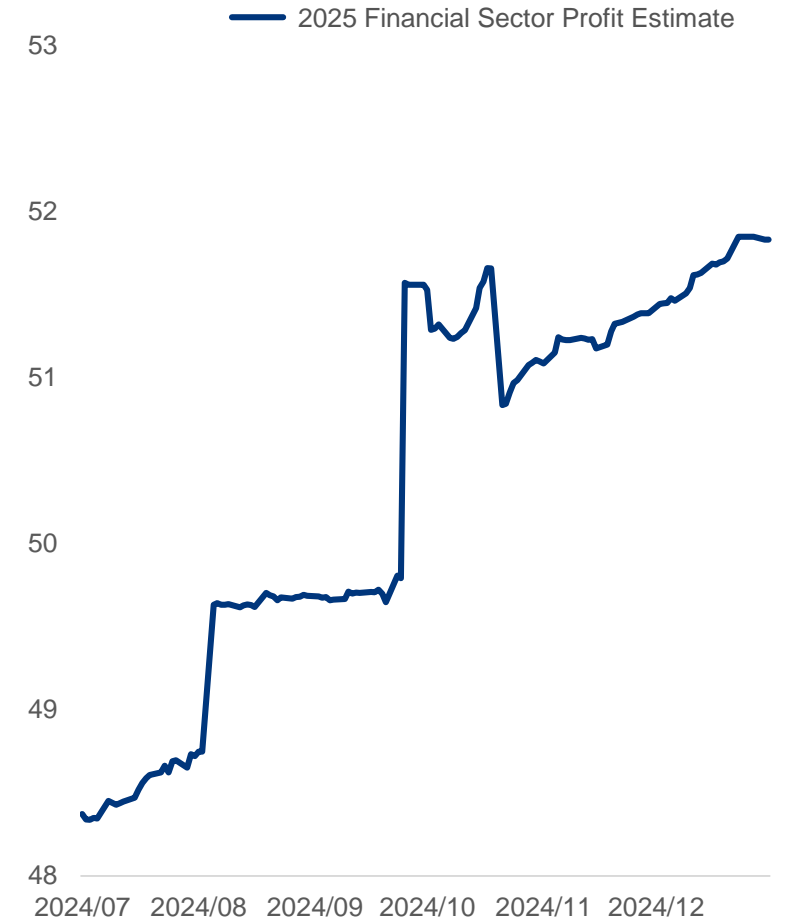
Positive Outlook as Profit Forecasts Continue to Rise, Fundamentals Support Financials

- ▶ Companies have begun revealing their 2025 outlooks. The materials sector is the most pessimistic, with only 17% expecting positive profit growth. Energy and utilities show limited optimism, at 33% and 30%. In contrast, 68% of tech companies and 75% of financial companies have a positive outlook, with the latter poised to drive future momentum in U.S. equities.
- ▶ U.S. economic growth and policy measures are expected to widen the yield curve and boost financial sector income. Earnings forecasts for financials are rising, supporting P/E expansion. Trump's upcoming policies, if more aggressive or faster than expected, could further strengthen financial stocks.

Financial Sector Leads with Highest Positive Profit Outlook for 2025



Market Continues to Raise Profit Forecasts for U.S. Financial Stocks in 2025



Source: FactSet, Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ Trump's policies—anti-immigration, deregulation, tax cuts, and high tariffs—are expected to support a soft landing for the U.S. economy, boosting consumer spending and corporate profits. Sectors like finance, industrials, and defense will benefit, while the positive long-term outlook for AI ensures tech stocks continue their upward trend. ◆ Higher tariffs will dampen China's external demand, while Europe faces weak economic performance, trade policy uncertainty, and increased NATO defense spending, leading to a neutral outlook for European stocks. With ongoing wage growth and recovering consumer spending, the outlook for Japanese stocks remains positive. 	<p>Style: Large-cap stocks, Financials, Industrials, Defense, AI, and Tech</p> <p>Regions: U.S., Japan, India (Satellite)</p>
Bonds	<ul style="list-style-type: none"> ◆ The Fed may slow rate cuts, with bond markets focusing on economic fundamentals. Uncertainty around Trump's policies could drive Treasury yield volatility. Consider short-term Treasuries and investment-grade bonds as rates rise. ◆ Long-term bonds are more volatile; investors should allocate based on risk tolerance. Only consider longer-duration bonds if economic conditions show clear signs of a hard landing, such as a notable slowdown in employment data. 	<p>Duration: Lock in yields with short-term bonds; long-term bonds are more volatile, allocation depends on investor risk tolerance.</p> <p>Types: Focus on U.S. Treasuries and investment-grade bonds, prioritizing large corporations. Consider financial bonds with potential upside.</p>
Forex	<ul style="list-style-type: none"> ◆ With Trump and the Republicans in power, rising inflation expectations could push U.S. Treasury yields higher. The dollar is expected to remain strong in the short term, possibly until early 2025. However, as the economy soft-lands and the Fed cuts rates, the dollar is likely to weaken. ◆ Trade tariffs may hurt non-U.S. economies, widening rate differentials and weakening non-U.S. currencies. The yen is expected to depreciate, with the BoJ's January meeting on rate hikes influencing its future direction. 	<p>The U.S. dollar is supported at current high levels in the short term.</p> <p>Yen is expected to weaken in the short term, with gradual appreciation in the long term.</p>

Spring Festival Boosts Transportation PMI Performance

December Official Manufacturing PMI Falls Below Market Expectation Of 50.3

► China's official Manufacturing PMI for December stood at 50.1, slightly below the expected 50.2, signaling weak growth. Medium-sized firms led with a rise to 50.7, surpassing large firms (50.5) and small firms (48.5). New orders rose to 51, the highest in eight months, while export orders remained weak at 48.3. This suggests strong domestic demand, supported by policy, but external demand struggles, aligning with Caixin's data. Additionally, the ex-factory price index dropped to 46.7, signaling reduced pricing power.

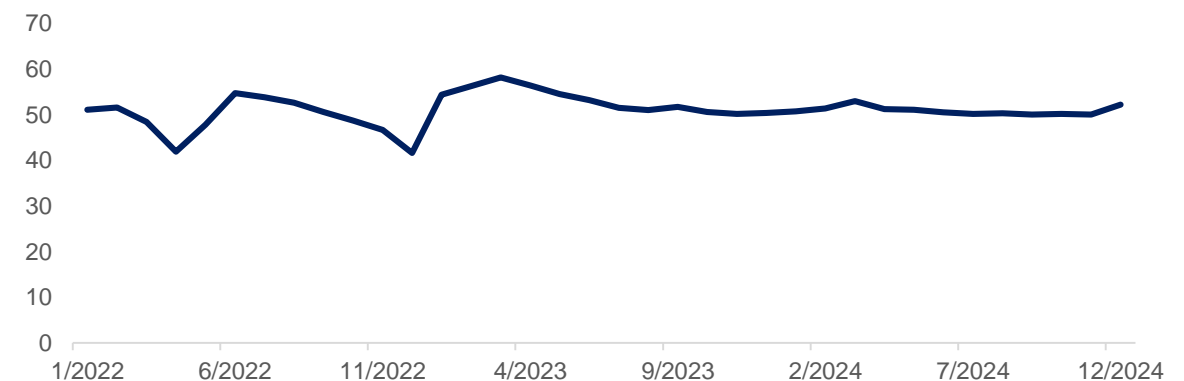
Non-Manufacturing PMI Shows Stronger Performance

► December's Non-Manufacturing PMI rose to 52.2, above expectations. The construction index surged to 53.2, while services rose to 52, driven by transportation, communication, and financial services. Transportation services benefitted from the early Lunar New Year, with record rail and air passenger volume expected. Overall, the economy shows marginal recovery, but liquidity tightening may prompt a rate cut before the Spring Festival.

Manufacturing PMI



Non-manufacturing PMI



Tencent Holdings (700)

Closing Price HK \$414.2

Target Price HK \$507

Profile

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

Highlights

"Gift-Giving" Feature Boosts Ad Revenue Growth

WeChat's mini-store has started testing the "Gift-Giving" feature, allowing users to send or receive products via a method similar to red envelopes. With upcoming holidays, Tencent may roll out this feature to all users. The large user base creates strong advertising demand. Tencent's ad load rate for Video Accounts is below 3%, and with underutilized ad inventory, we expect ad revenue to accelerate in 2025.

Tencent's Large Model Reportedly Used in Apple Intelligence Chinese Version

The iPhone 16 integrates OpenAI's ChatGPT, and Apple is now seeking partners in China. After Baidu's "Wenxin Yiyan" underperformed, reports say Apple is negotiating with Tencent and ByteDance. If Tencent is chosen, its large language model will be on par with global counterparts in application.

Stronger Defensive Performance Compared to Peers

Tencent's stock stayed above 400 after the September pullback, offering better defense than other tech stocks. With over a third of revenue from gaming, less affected by economic cycles, Tencent remains stable. If China's economy improves, its payment services could boost growth, positioning Tencent for both defense and expansion.

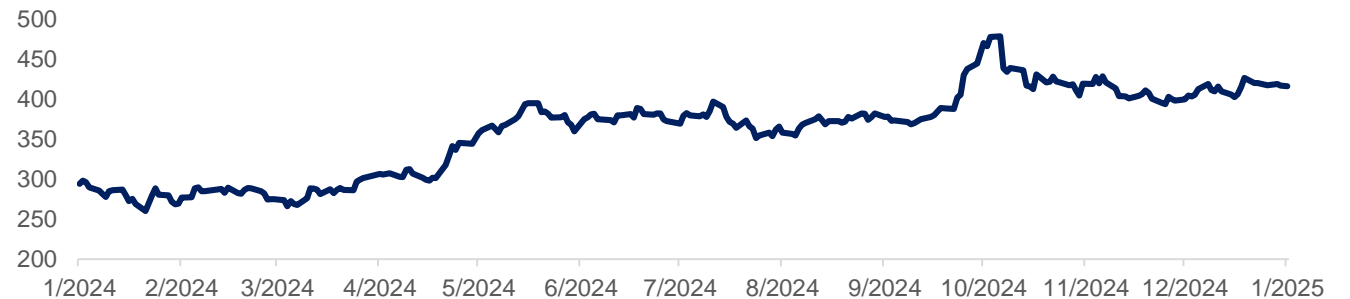
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (10B CNY)	12.3	11.5	15.7	21.9	24
NI YoY(%)	0.85	-6.57	36.35	39.33	9.49
EPS(CNY)	12.7	11.84	16.32	23.04	25.53
DPS(CNY)	1.33	2.06	3.08	4.37	4.84
P/E	30.7	33.0	23.9	16.9	15.3
Dividend Yield(%)	0.34%	0.53%	0.79%	1.12%	1.24%

Source: Bloomberg; 2024/25F are market estimates

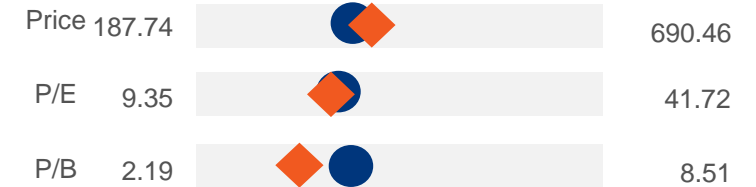
YTD Performance



As of 2 Jan. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	4.052	-11.489	-0.24	39.585	1.489	22.708

Valuations

● 5Y Average ◆ Current



China State Construction International Holdings (3311)

Closing Price HK \$11.86

Target Price HK \$13

Profile

China State Construction International Holdings Limited, through its subsidiaries, provides building construction and civil engineering works services in Hong Kong.

Highlights

■ Gaining from Enhanced Urban Village and Housing Renovations

The National Housing and Urban-Rural Development Work Conference aims to accelerate urban village and housing renovations in 2025, with funding from special government bonds. Greater flexibility for projects off the "negative list" may speed up fiscal allocation. China State Construction International's MiC technology, reducing project time by 60% and material waste by 25%, offers a competitive advantage.

■ New Market Value Management Rules Implemented, Highlighting Investment Value

The SASAC requires central enterprises to focus on long-term market value management. China State Construction International plans a 30%+ dividend payout and an ROE above 15%. Strong cash flow and increased funding from local governments position the company well, with potential share buybacks to boost ROE.

■ Upgrade Target Price, Recommend Waiting for Pullback to Collect

China State Construction International's stock has met our 2025 target price. With potential benefits from Hong Kong's Northern Metropolitan Area and China's economic stimulus, we've raised the target to 13 HKD, reflecting a 6x 2025 P/E ratio. We recommend waiting for a pullback.

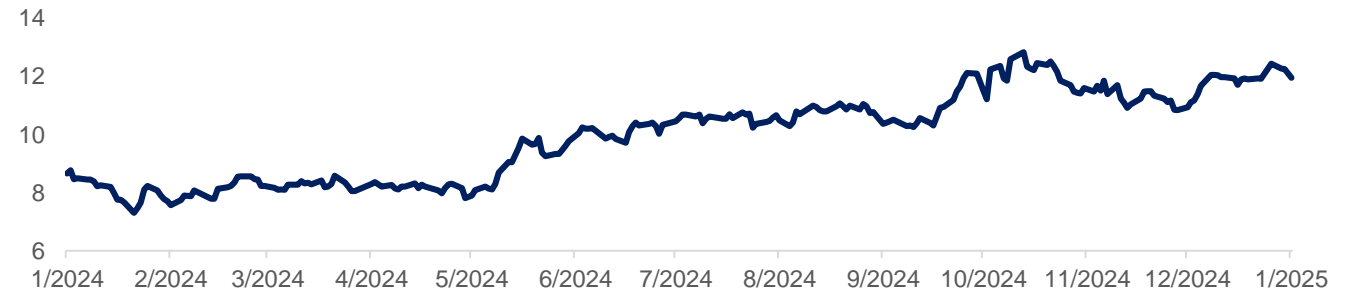
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (100M HKD)	68	79.5	91.6	104.4	118.6
NI YoY(%)	13	17	15.1	13.9	13.5
EPS(CNY)	1.35	1.58	1.82	2.05	2.34
DPS(CNY)	0.41	0.48	0.57	0.63	0.71
P/E	8.9	7.6	6.6	5.8	5.1
Dividend Yield(%)	3.43%	4.01%	4.77%	5.27%	5.94%

Source: Bloomberg; 2024/25F are market estimates

YTD Performance



As of 2 Jan. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	9.323	4.00	-2.447	36.339	44.346	124.48

Valuations

● 5Y Average ◆ Current

Price	3.17			12.84
P/E	2.88			6.87
P/B	0.35			0.99



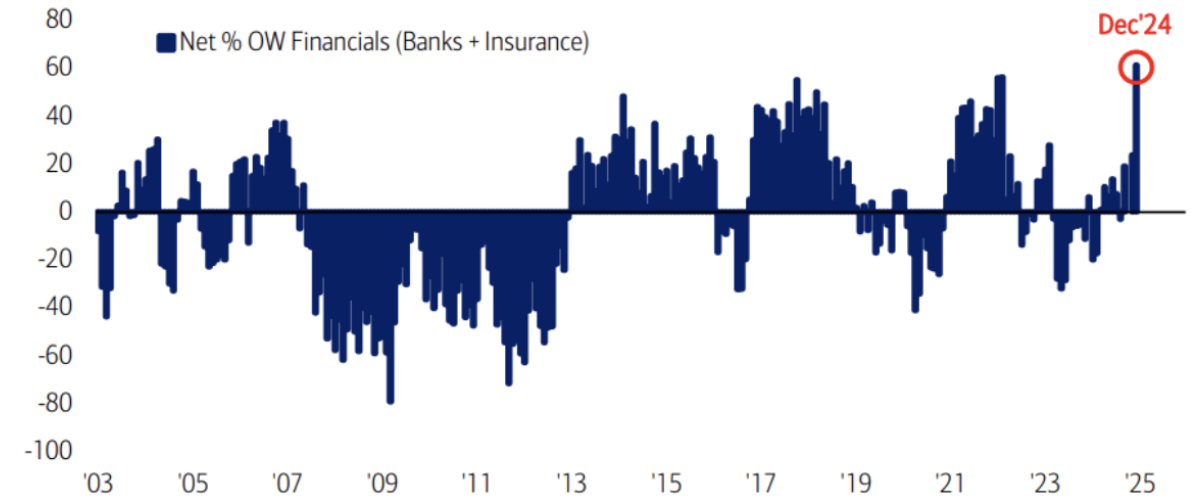
Uptrend Remains Intact, While Volatility Increases

- ▶ In December 2024, the U.S. ISM Manufacturing PMI rose by 0.9 points to 49.3, surpassing market expectations of 48.2.
- ▶ Meanwhile, the S&P Global U.S. Manufacturing PMI fell slightly from 49.7 to 49.4, also beating market expectations of 48.3.
- ▶ Funds are betting that the financial sector will replicate the significant gains seen under Trump's 2017 presidency, driven by factors such as regulatory easing and tax cuts. Additionally, the banking sector is pushing the Fed to modify stress test rules to lower reserve limits. However, risks such as rising default rates in credit cards, auto loans, and commercial real estate debt should be monitored. Among the sub-sectors of banking, insurance, brokerage, and private equity, investors are advised to prioritize private equity stocks, which offer a better risk-return profile.
- ▶ The financial sector acts as a barometer for a country's economic development. In Argentina, President Milei's liberal reforms have shown early signs of success, with the economy improving and related financial assets gaining market favor.
- ▶ To summarize the U.S. stock market performance in 2024: high returns, high yields, and low volatility—an unusual and unsustainable trend. Looking ahead to 2025, markets expect a soft landing for the U.S. economy, with artificial intelligence and other emerging technologies continuing to drive growth. However, Trump's policies bring significant uncertainty, meaning volatility will likely rise.

Source: Bloomberg

Funds Reach Historic Highs in U.S. Financial Sector Positions in December

Net % FMS OW financials (banks + insurance)



Source: BofA Global Fund Manager Survey.

BofA GLOBAL RESEARCH

KKR & Co. Inc (KKR)

Closing Price US \$149.19

Target Price US \$168

Profile

KKR & Co. Inc. operates as an investment firm. The Company manages investments such as private equity, energy, infrastructure, real estate, credit strategies, and hedge funds. KKR & Co serves clients worldwide.

Highlights

■ M&A Activity Momentum to Continue Globally in 2025

The Federal Funds rate is expected to decrease further, with moderate U.S. economic growth and strong corporate refinancing demand. High stock market valuations are encouraging more IPOs. The primary market is recovering, driven by gains in the secondary market and optimism in AI and emerging tech. Under Trump's return, global trade tensions will rise, pushing multinational companies toward M&As or asset divestitures to reduce geopolitical risks.

■ Strong Growth in Asset Management Size and Fee Income

As of Q3 FY24, assets under management (AUM) rose 26.6% YoY to \$624.396 billion. Fundraising in 2024 reached \$118.308 billion, up from \$38.089 billion in 2023. 60% of private equity positions saw unrealized returns exceeding 50%, with total unrealized gains up 40% YoY. Management fee income grew 79.5% YoY and 34.5% QoQ to \$1 billion in Q3.

■ Valuation Consensus

Bloomberg's 12-month average target price is \$168.38, with a high of \$200 and a low of \$130.

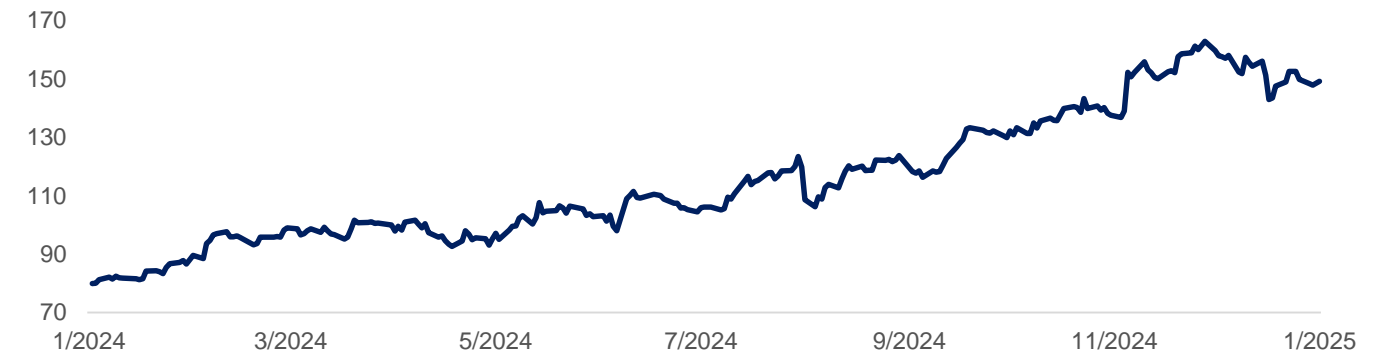
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	188.8	-77.5	232.5	-63.0	35.5
EBITDA (%)	56.7	9.5	44.5	60.8	52.9
EPS	7.37	-1.08	4.12	4.73	5.99
Net Profit Margin(%)	18.4	-14.3	19.8	60.9	58.0

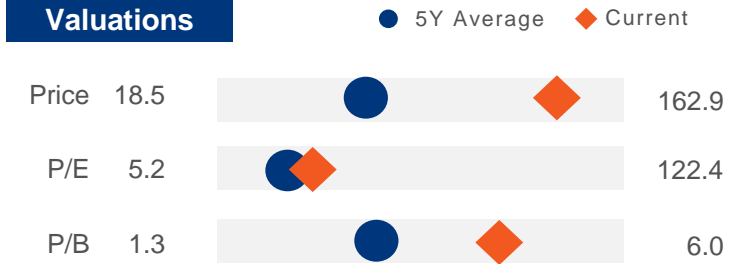
Source: Bloomberg; 2024/25F are market estimates

1-Year Performance



As of 2 Jan. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-6.6	12.8	0.9	83.5	26.9	39.8

Valuations



Banco Macro S.A. (BMA)

Closing Price US \$109.17

Target Price US \$125

Profile

Banco Macro SA attracts deposits and offers retail and commercial banking services. The Bank offers Visa and Amex credit cards, consumer loans, insurance, and other financial services.

Highlights

■ Argentina's Economy Shows Signs of Recovery

Argentina's GDP grew 3.9% QoQ in Q3 2024, its first positive growth since late 2023. Key drivers include consumption, capital investment, and increased exports. Inflation dropped to its lowest level since December 2023. President Milei's shock therapy, with spending cuts and deregulation, is showing early success.

■ 2025 GDP Growth Expected to Reach 5%

The World Bank forecasts Argentina's economy to grow by 5% in 2025, following a 3.5% decline in 2024. The Argentine government plans to implement a 90% tax cut in its 2025 economic plan and return tax autonomy to the provinces. Additionally, Argentina aims to promote currency competition by allowing transactions in multiple currencies. A key target for 2025 is the removal of exchange rate controls.

■ Key Role in Argentina's Banking Sector

The bank is Argentina's second-largest state-owned private bank and the sixth-largest overall (by deposits and lending size). As of Q3 2024, its total assets amounted to \$14.74 billion.

■ Valuation Consensus

Bloomberg's 12-month average target price is \$106.92, with a high of \$125 and a low of \$65.

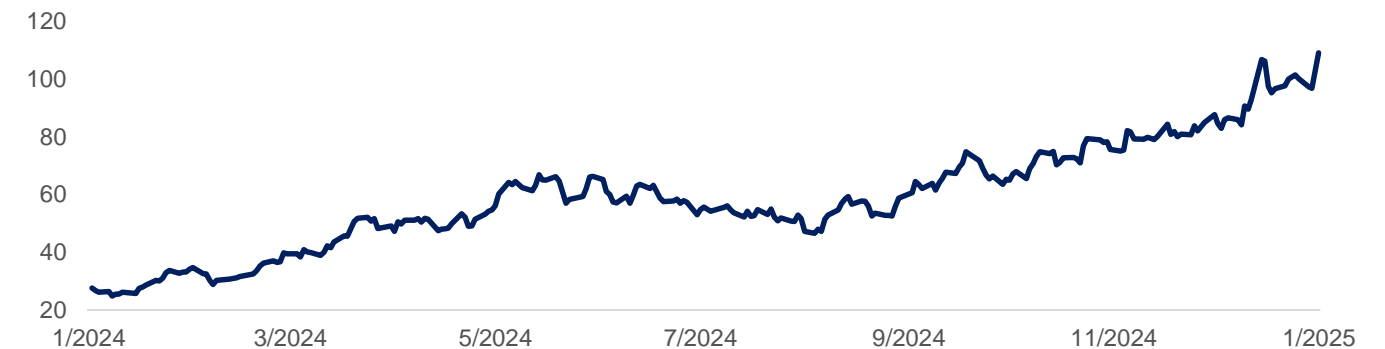
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	81.0	308.4	82.9	-44.5	-7.4
EBITDA (%)	46.7	57.0	69.5	NA	NA
EPS (USD)	82	213	922	1024	1209
Net Profit Margin(%)	13.6	8.5	20.2	14.7	27.1

Source: Bloomberg; 2024/25F are market estimates

1-Year Performance



As of 2 Jan. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	24.5	68	12.8	336.1	109	28.7

Valuations

● 5Y Average ◆ Current

Price	10.0	●	◆	109.2
P/E	3.93	●	◆	12.91
P/B	0.58	●	◆	2.26



Stocks Stable Amid Low Volume, Uptrend Requires Increased Trading, Supported by Mid to Long-Term Averages

► 2024 Index Posts Largest Historical Gain, Further Upside Hinges On Volume Expansion

Last Tuesday marked the final trading day of 2024, with Taiwan's index soaring 5,104 points, up 28.47%—the highest annual gain since 2010. Technically, the index has dipped below its short-term and monthly averages, testing the quarterly line. Key support is at the December 23 low of 22,811 points. If this level holds and trading volume increases as foreign investors return in early January, the index is poised for a rebound. It may challenge the 4Q24 high near 23,700 points after a short-term pullback.

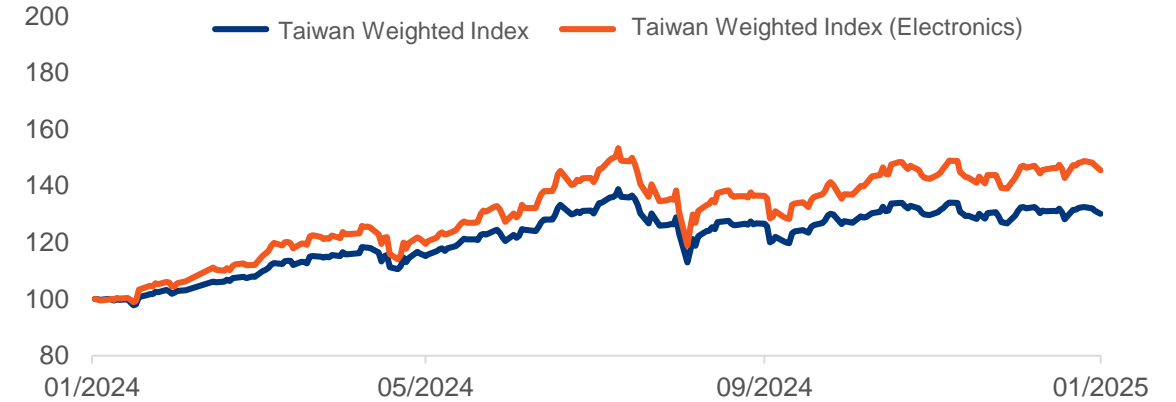
► Focus On CES Keynotes: Automotive Technology And Robotics-Themed Stocks In Spotlight

NVIDIA founder Jensen Huang will keynote CES on January 7, 2025, likely unveiling new AI strategies. Automotive tech and robotics may boost interest in robotics stocks. Key sectors include optical communications, semiconductor test interfaces, BBUs, optics, and PCBs, which remain strong. Financial stocks stay stable under low volume, while construction materials need watching. Drone and aircraft parts show momentum, and robotics components offer pullback opportunities. In low-volume markets, avoid chasing. Wait for pullbacks to stabilize near short-term averages before entering. Focus on catalyst-driven stocks breaking resistance or trending higher.

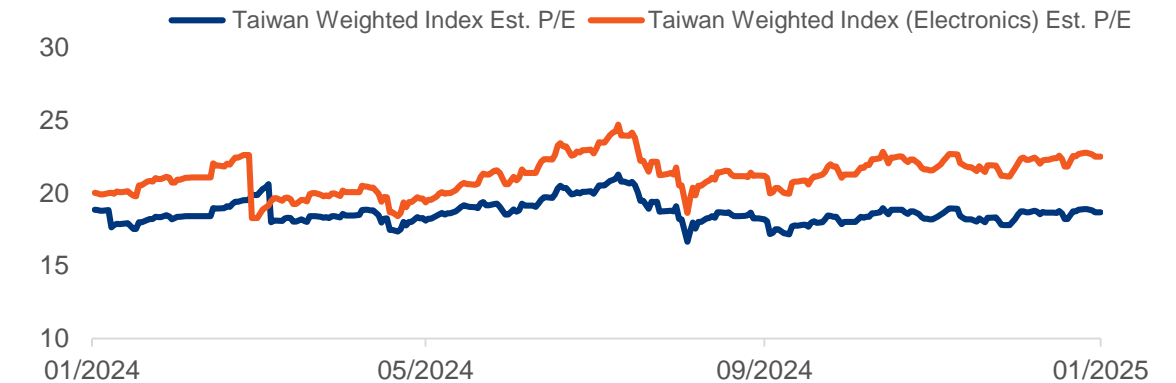
Source: Bloomberg

Taiwan Weighted Index and Taiwan Electronics Sector Trends & Est. P/E

Index, 2 Jan, 2024 = 100



Index Est. P/E



Elite Advanced Laser Corp (3450 TT)

Profile

Elite Advanced Laser Corp manufactures, wholesales and retails electronic parts.

Highlights

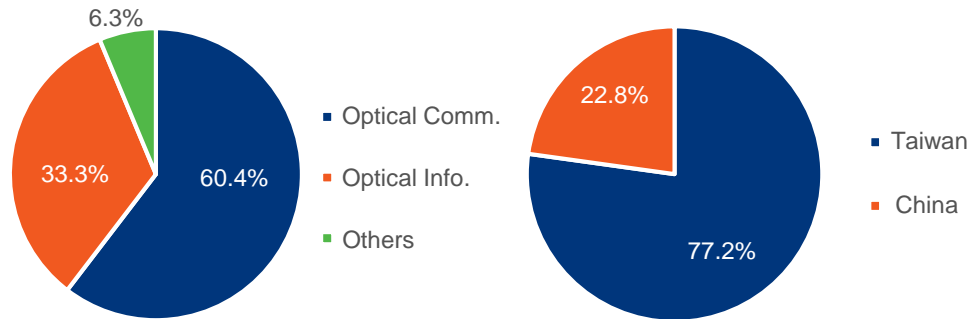
■ Active Optical Cable (AOC) Product Upgrades Accelerating

Elite Advanced Laser Corp's 56%-owned subsidiary, Centera Photonics Inc, reported 3Q24 revenue of NT\$668 million, up 112% QoQ. This growth was driven by higher AOC production, increasing from 10,000–20,000 units in 2Q24 to 20,000–30,000 units in 3Q24. KGI Securities forecasts 4Q24 production at 30,000–40,000 units, with a target of 80,000 units per month by 1H25.

■ Chip On Submount (COS) Demand Surge

Based on recent earnings calls from companies like Coherent and Lumentum, which mentioned the ongoing shortage of Electroabsorption Modulated Lasers (EML), KGI Securities expects Elite Advanced's COS business to benefit from increased EML packaging demand from U.S. clients, expected to rise through 2025.

Revenue Sources and Regions



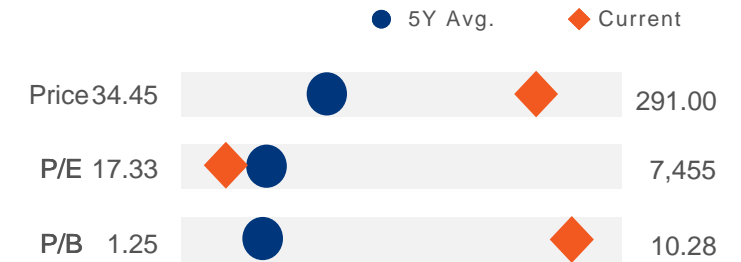
Source: Bloomberg

Financials

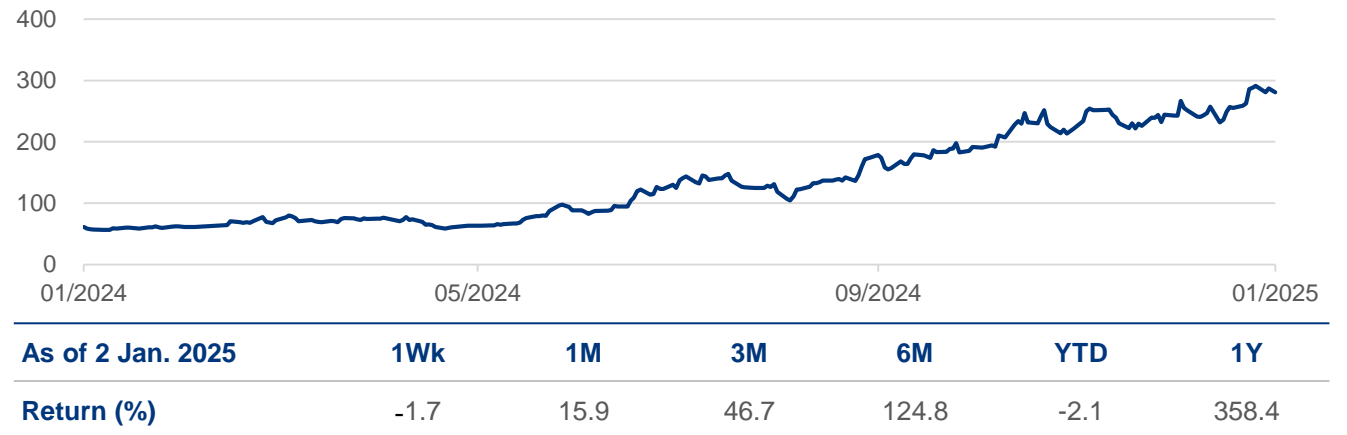
	2021	2022	2023	2024F	2025F
EPS (NTD)	2.55	1.32	-0.52	3.66	11.01
EPS Growth (%)	54.0	-48.3	-139.7	0.0	201.1
P/E Ratio	114.3	221.0	N.A.	79.6	26.4
ROE (%)	9.4	4.8	-2.0	13.6	36.4

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Sinbon Electronics Co., Ltd. (3023 TT)

Profile

Sinbon Electronics Co., Ltd. markets cable, connectors, and modems. The Company exports its products mainly to other Asian countries, America, and Europe.

Highlights

■ Slow and Steady Progress on the Road to Recovery

Sinbon expects 2025 revenue to return to double-digit growth, with industrial, automotive, and medical sectors growing 10-15%, green energy 5-10%, and communications 0-5%. The company is also focusing on long-term development in semiconductor equipment, humanoid robots, unmanned stores, renewable energy, electric vehicles, ADAS, and healthcare.

■ Semiconductor Equipment to Be Key Highlight in 2025

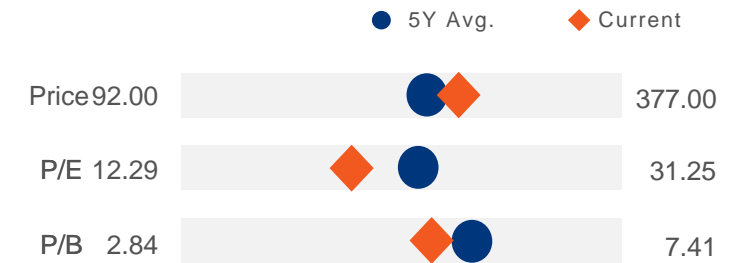
AI adoption is boosting semiconductor capital expenditures, benefiting Sinbon with two major semiconductor equipment clients. In 2024, semiconductor equipment will make up 6% of industrial revenue, with 20%+ YoY growth forecasted for 2025 and 2026. Sinbon plans a new plant in Miaoli to serve these clients, with production set for 2026.

Financials

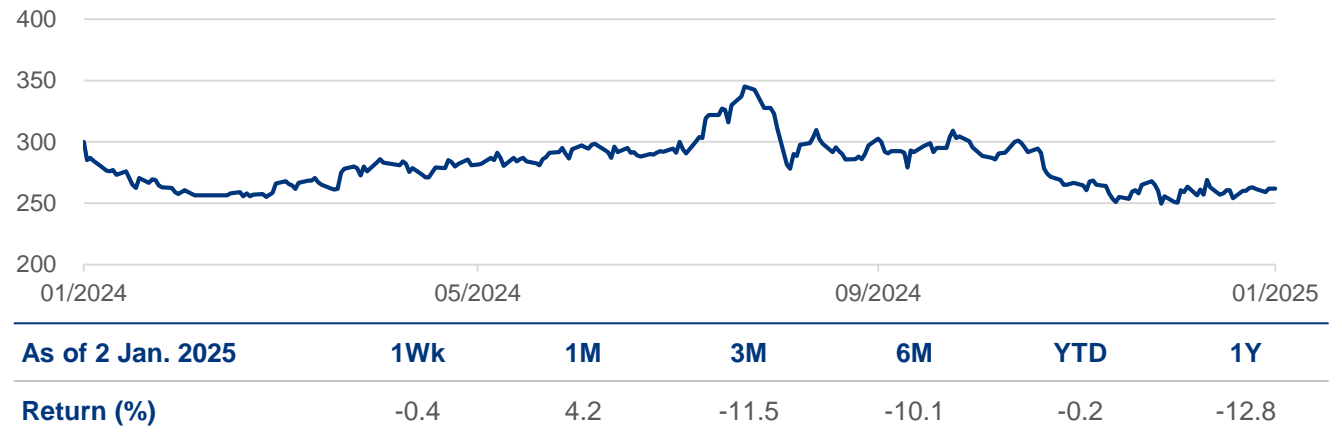
	2021	2022	2023	2024F	2025F
EPS (NTD)	12.22	13.71	14.39	15.25	17.70
EPS Growth (%)	22.2	12.2	4.9	6.0	16.1
P/E Ratio	21.0	18.7	17.9	16.9	14.5
ROE (%)	25.1	24.9	23.8	23.1	24.5

Source: Company data, estimates of KGI analyst

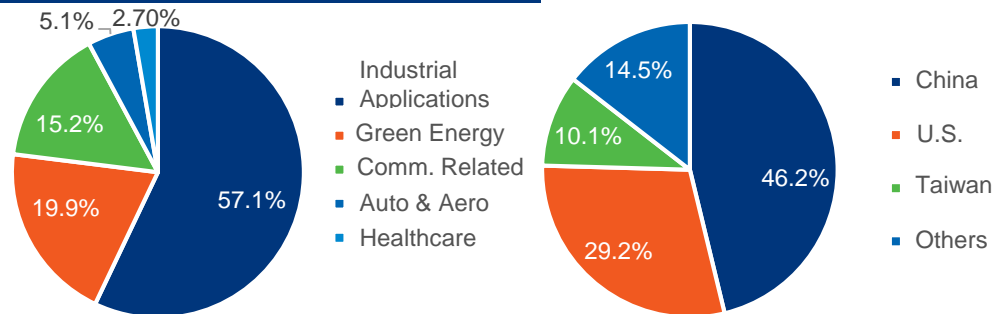
Valuations



1-Year Performance



Revenue Sources and Regions



Source: Bloomberg

Regulatory Easing and Spread Support Likely to Drive Financial Sector

With expectations that Trump will ease banking regulations and recent increases in U.S. Treasury yields, the banking sector is poised for growth. It is recommended to add financial stocks for medium- to long-term positioning.

► iShares U.S. Financials ETF (IYF)

- The fund aims to track the performance of the Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index.
- It primarily invests in securities that make up the Dow Jones U.S. Financials Index or have similar economic characteristics.
- The focus is on U.S. banks, insurance companies, and credit card firms.
- The fund holds 137 securities, with the top 10 holdings accounting for approximately 45%.

► Vanguard Financials ETF (VFH)

- The fund aims to track the performance of the MSCI US Investable Market Index (IMI)/Financials 25/50, which consists of large, mid, and small U.S. companies within the financial sector.
- The strategy seeks to replicate the target index by investing the majority of assets in the constituent stocks, aiming to align the weight of each stock with its proportion in the index.
- It covers a variety of sectors, including diversified banks, trading and payment processing services, asset management banks, property and casualty insurance, investment banks, and brokers.
- The fund holds 409 securities, with the top 10 holdings accounting for approximately 40%.

Product	iShares U.S. Financials ETF (IYF)	Vanguard Financials ETF (VFH)																				
Features	<ul style="list-style-type: none"> ■ This ETF primarily holds stocks of large U.S. financial companies, with the top 10 holdings accounting for about 46.77%. ■ It focuses on investing in the U.S. financial sector, making it suitable for investors seeking to profit from the sector's performance. 	<ul style="list-style-type: none"> ■ The ETF offers a diversified portfolio with over 400 stocks. ■ With an expense ratio of 0.1%, it is cost-effective and helps investors lower their investment costs. 																				
AUM	USD 3.58B	USD 11.47B																				
Tracking Index	Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index	MSCI US Investable Market Index (IMI)/Financials 25/50																				
Holdings	137	414																				
Fee	0.39%	0.1%																				
3M/YTD Returns	6.85% / 31.29%	8.01% / 30.44%																				
Top-5 Sectors (%)	<table border="1"> <tr><td>Banks</td><td>37.74</td></tr> <tr><td>Insurance</td><td>33.48</td></tr> <tr><td>Diversified Finan Serv</td><td>17.58</td></tr> <tr><td>Commercial Services</td><td>4.27</td></tr> <tr><td>Venture Capital</td><td>4.06</td></tr> </table>	Banks	37.74	Insurance	33.48	Diversified Finan Serv	17.58	Commercial Services	4.27	Venture Capital	4.06	<table border="1"> <tr><td>Banks</td><td>32.77</td></tr> <tr><td>Diversified Finan Serv</td><td>27.04</td></tr> <tr><td>Insurance</td><td>24.57</td></tr> <tr><td>Commercial Services</td><td>6.38</td></tr> <tr><td>Venture Capital</td><td>3.04</td></tr> </table>	Banks	32.77	Diversified Finan Serv	27.04	Insurance	24.57	Commercial Services	6.38	Venture Capital	3.04
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Top-5 Holdings (%)	<table border="1"> <tr><td>Berkshire Hathaway Inc</td><td>12.55</td></tr> <tr><td>JPMorgan Chase & Co</td><td>10.32</td></tr> <tr><td>Bank of America Corp</td><td>4.44</td></tr> <tr><td>Wells Fargo & Co</td><td>3.97</td></tr> <tr><td>Goldman Sachs Group Inc</td><td>3.05</td></tr> </table>	Berkshire Hathaway Inc	12.55	JPMorgan Chase & Co	10.32	Bank of America Corp	4.44	Wells Fargo & Co	3.97	Goldman Sachs Group Inc	3.05	<table border="1"> <tr><td>JPMorgan Chase & Co</td><td>8.56</td></tr> <tr><td>Berkshire Hathaway Inc</td><td>7.71</td></tr> <tr><td>Mastercard Inc</td><td>5.30</td></tr> <tr><td>Visa Inc</td><td>4.52</td></tr> <tr><td>Bank of America Corp</td><td>4.00</td></tr> </table>	JPMorgan Chase & Co	8.56	Berkshire Hathaway Inc	7.71	Mastercard Inc	5.30	Visa Inc	4.52	Bank of America Corp	4.00
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Source: Bloomberg, 31 Dec. 2024

iShares U.S. Financials ETF (IYF)

Profile

This ETF tracks the "Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index," aiming to replicate the performance of the index's constituent stocks and align with its investment returns.

Investing in the Financial Sector

This ETF focuses on U.S. financial sector stocks, including banks, insurance companies, and credit card firms. It is suitable for investors who want exposure to the U.S. financial market without directly selecting individual stocks, implementing tactical tilts, or engaging in sector rotation strategies.

Consisting of Major U.S. Financial Stocks

Constituents primarily consists of major U.S. financial stocks, including Berkshire Hathaway, JPMorgan Chase, Bank of America, Wells Fargo, and Goldman Sachs. The top 10 holdings account for approximately 46.77%.

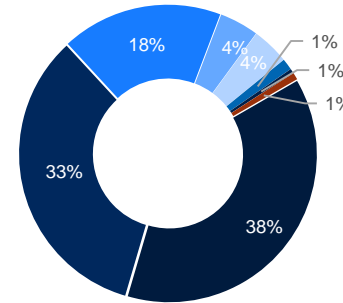
Expected to Benefit from Economic Policies

With the victory of former U.S. President Trump, economic policies are expected to lean toward tax cuts and further deregulation, which could benefit the financial sector.

Inception Date	22 May 2000	AUM	USD 3.58B
ETF Category	Equities	Holdings	137
Expense Ratio	0.39%	3Y Stand. Dev. (Ann.)	20.82%

Source: Bloomberg, 31 Dec. 2024

Sectors



- Banks
- Insurance
- Diversified Fin. Serv
- Commercial Serv
- Venture Capital
- Software
- REITS
- Internet

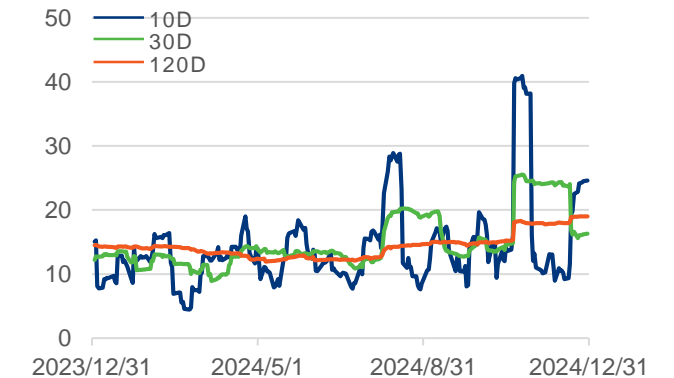
1-Year Performance



Top-5 Holdings (%)

Berkshire Hathaway Inc	12.55
JPMorgan Chase & Co	10.32
Bank of America Corp	4.44
Wells Fargo & Co	3.97
Goldman Sachs Group Inc	3.05

1-Year Volatility



As of 31 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-6.75	6.85	31.29	31.29	51.43	34.28

Vanguard Financials ETF (VFH)

Profile

This ETF tracks the "MSCI US Investable Market Index (IMI)/Financials 25/50," aiming to replicate the performance of the index's constituent stocks and align with its investment returns.

Focused on the U.S. Domestic Markets

With Trump's policies, the U.S. financial sector benefits from deregulation, tax cuts, and expanded spending. Bank profitability and stock prices are expected to rise, with U.S. financial stocks likely to see strong performance as these policies take effect.

Portfolio Diversification

This ETF tracks the MSCI US Investable Market Index (IMI)/Financials 25/50, with assets spread across over 400 stocks, offering exposure to large, mid, and small-cap stocks. It suits investors seeking tactical tilts, sector rotation, and broad financial sector exposure.

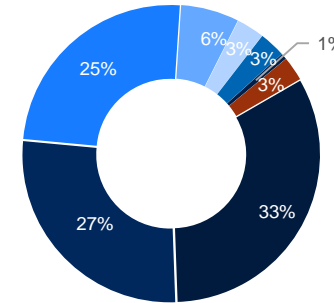
Low Expense Ratio

This ETF has an expense ratio of 0.1%, making it cost-effective and helping investors reduce investment costs.

Inception Date	26 Jan 2004	AUM	USD 11.47B
ETF Category	Equities	Holdings	414
Expense Ratio	0.1%	3Y Stand. Dev. (Ann.)	21.08%

Source: Bloomberg, 31 Dec. 2024

Sectors



- Banks
- Diversified Fin. Serv
- Insurance
- Commercial Serv
- Venture Capital
- Software
- REITS
- Savings & Loans (S&L)

1-Year Performance



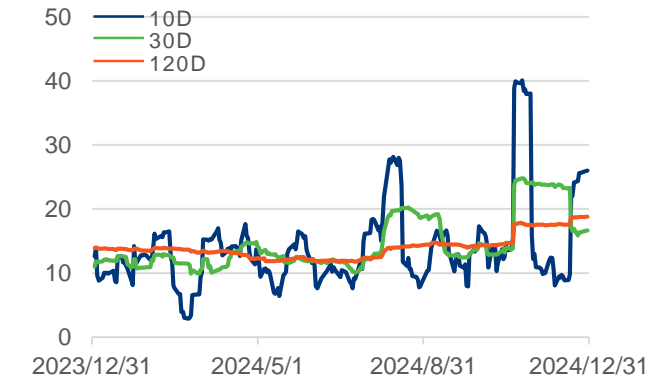
As of 31 Dec. 2024

	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-5.93	8.01	30.44	30.44	48.89	30.57

Top-5 Holdings (%)

JPMorgan Chase & Co	8.56
Berkshire Hathaway Inc	7.71
Mastercard Inc	5.30
Visa Inc	4.52
Bank of America Corp	4.00

1-Year Volatility



Rising Yields Provide Better Bond Entry; Lock-In Yields With High-Quality Financial Bonds

► HSBC 5.286 11/19/30

- HSBC has a strong capital adequacy ratio, with a reported CET1 capital ratio of 15.2% as of Q3 2024, higher than most European and U.S. banks.
- Q3 2024 results beat expectations, with net interest margin down just 1bp despite a 51bps drop in 1-month HIBOR. Wealth management sales grew 32% YoY to \$2 billion.
- HSBC boasts a high proportion of corporate deposits and ample liquidity. Its large, diversified deposit base supports a stronger funding profile compared to global peers. As of Q3 2024, the loan-to-deposit ratio stood at 59%, well below the domestic and global average.
- HSBC reported a liquidity coverage ratio of approximately 148%. Its long-term policy ensures that operating subsidiaries are self-sufficient in funding, with deposits exceeding loans.
- The group's asset quality is strong, with diversified credit exposure in corporate loans and residential mortgages, mainly in Hong Kong and the UK. Its risk appetite is generally lower than local competitors. While there were higher losses in offshore commercial real estate loans in China, provisions for Chinese real estate exposure are now fully covered.

Products	HSBC 5.286 11/19/30
ISIN	US404280EN53
Highlight	In addition to having a strong capital adequacy ratio, HSBC also maintains a high proportion of corporate deposits and strong liquidity.
Maturity Date	19 Nov. 2030
Coupon (%)	Float/5.286/Semi-annual
Currency	USD
Years to Maturity	5.88
Rating (Moody's/ Fitch/S&P)	A3/A+/A-
Seniority	Senior Unsecured
YTM/YTC (%)	5.35/5.36

Source: Bloomberg

HSBC 5.286 11/19/30

Profile

HSBC Holdings PLC is the holding company. The Company provides a variety of international banking and financial services, including retail and corporate banking, trade, trusteeship, securities, custody, capital markets, treasury, private and investment banking, and insurance. HSBC Holdings operates worldwide.

Highlights

- The Fed's rate-cutting cycle provides opportunities to lock in yields with high-quality bonds. By examining the credit risk of the issuing institutions, investors can increase holdings in high-quality bonds to mitigate volatility as interest rates rebound.
- HSBC's liquidity coverage ratio is around 148%. The company's risk appetite is typically lower than its local competitors. Aside from higher losses in offshore commercial real estate loans in China, its credit performance is solid, with adequate provisions for its real estate exposure.

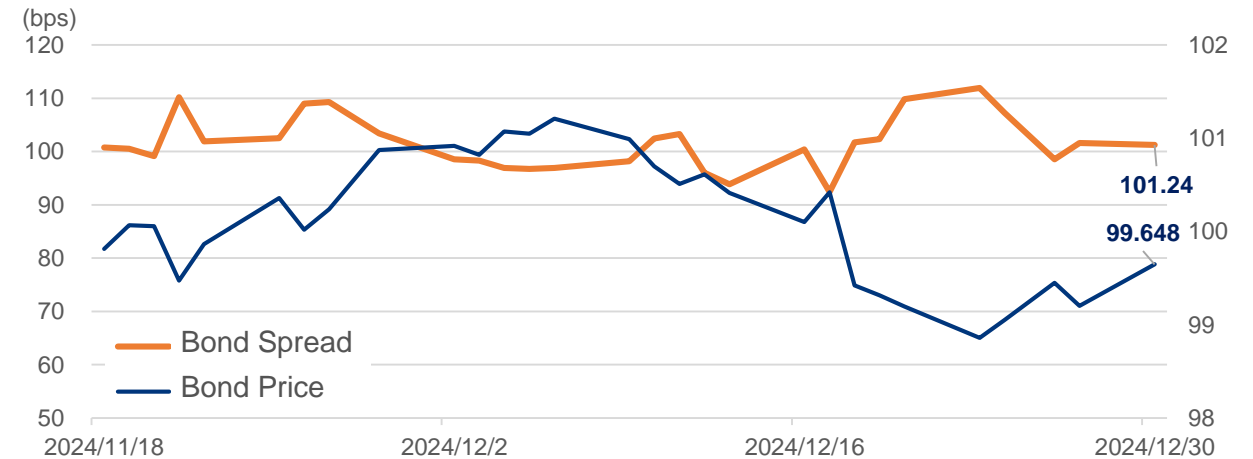
Financials	2021	2022	2023
Return On Assets (ROA)	0.47	0.53	0.79
Common Equity Tier 1 (CET1)	15.80	14.20	14.80
Interest Coverage Ratio	138.40	132.00	136.00

Source: Bloomberg, 31 Dec. 2024

Overview

Name	HSBC 5.286 11/19/30	ISIN	US404280EN53
Maturity Date	19 Nov. 2030	Remaining Maturity	5.88
Coupon (%)	Float/5.286/Semi-annual	YTM/YTC(%)	5.35/5.36
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A3/A+/A-	Seniority	Senior Unsecured

Price Since Issuance



Appendix

Key Economic Data / Events

▶ DEC 2024

30 Monday

- Japan Dec. Jibun Bank Japan PMI Mfg Final Value (Act:49.6 Prev:49.0)

31 Tuesday

- China Dec. Manufacturing PMI (Act:50.1 Est:50.2 Prev:50.3)
- China Dec. Non-manufacturing PMI (Act:52.2 Est:50.2 Prev:50.0)

▶ JAN 2025

1 Wednesday

2 Thursday

- U.S. Last Week's Initial Jobless Claims (Act:211k Est:221k Prev:220k)
- U.S. Dec. S&P Global US Manufacturing PMI Final Value (Act:49.4 Est:48.3 Prev:49.7)
- Eurozone Dec. HCOB Manufacturing PMI Final Value (Act:45.1 Est:45.2 Prev:45.2)
- China Dec. Caixin China PMI Mfg (Act:50.5 Est:51.7 Prev:51.5)

3 Friday

- U.S. Dec. ISM Manufacturing PMI (Est:48.2 Prev:48.4)

6 Monday

- U.S. Dec. S&P Global US Non-Manufacturing PMI Final Value (Est:58.5 Prev:56.1)
- U.S. Nov. Durable Goods Orders MoM Final Value (Est:-0.3% Prev:-1.1%)
- Eurzone Jan. Sentix Investor Confidence (Prev:-17.5)
- China Dec. Caixin PMI Composite (Est:51.4 Prev:51.5)

7 Tuesday

- U.S. Nov. JOLTS Job Openings (Est:7,700k Prev:7,744k)
- U.S. Dec. ISM Services Index (Est:53.0 Prev:52.1)
- Eurozone Dec. CPI MoM Initial Value (Est:0.3% Prev:-0.3%)
- Eurozone Nov. Unemployment Rate (Est:6.3% Prev:6.3%)

8 Wednesday

- U.S. Dec. ADP Employment Change (Est:130k Prev:146k)
- Eurozone Nov. PPI YoY (Prev:-3.2%)
- Eurzone Dec. Consumer Confidence Final Value (Prev:-14.5)

9 Thursday

- U.S. Last Week's Initial Jobless Claims (Prev:211k)
- Eurozone Nov. Retail Sales MoM (Est:0.5% Prev:-0.5%)
- China Dec. CPI YoY (Est:0.1% Prev:0.2%)
- China Dec. PPI YoY (Est:-2.4% Prev:-2.5%)

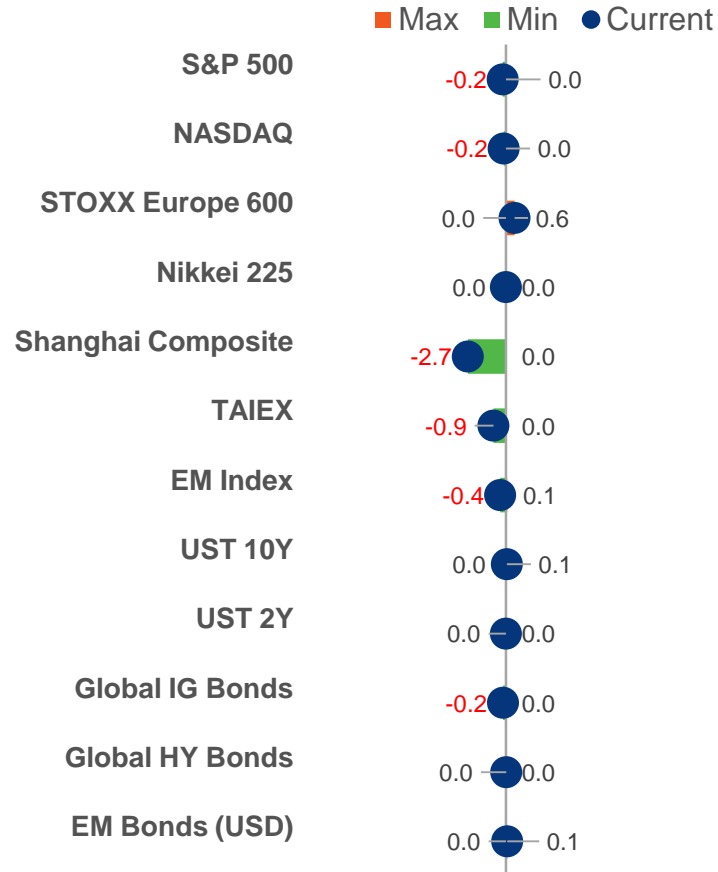
10 Friday

- U.S. Dec. Change in Nonfarm Payrolls (Est:153k Prev:227k)
- U.S. Dec. Unemployment Rate (Est:4.2% Prev:4.2%)
- U.S. Jan. U. of Mich. Sentiment Initial Value (Prev:74.0)

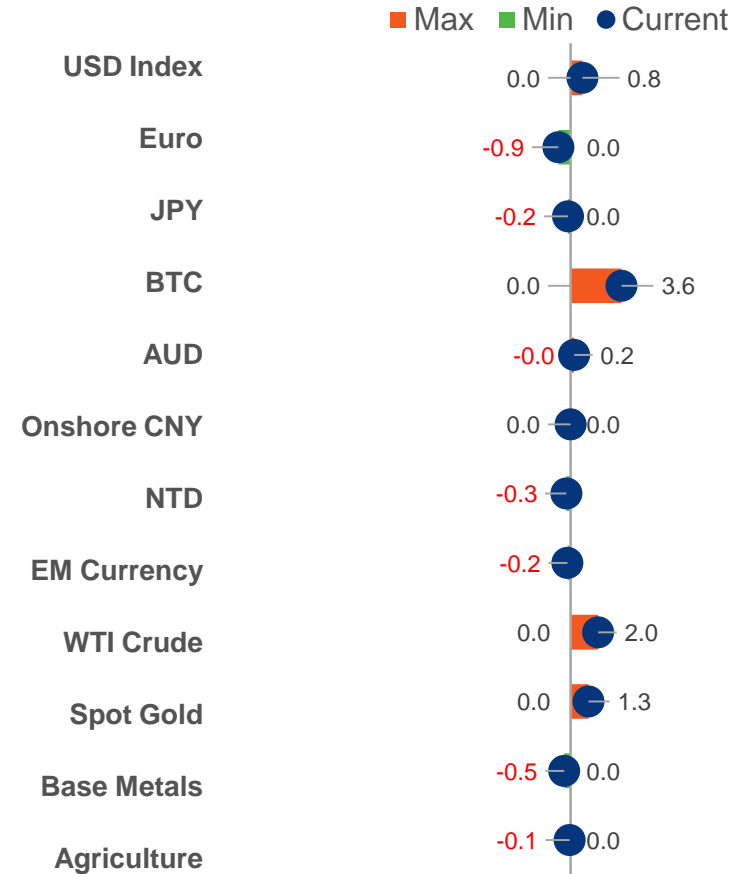
Source: Bloomberg

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



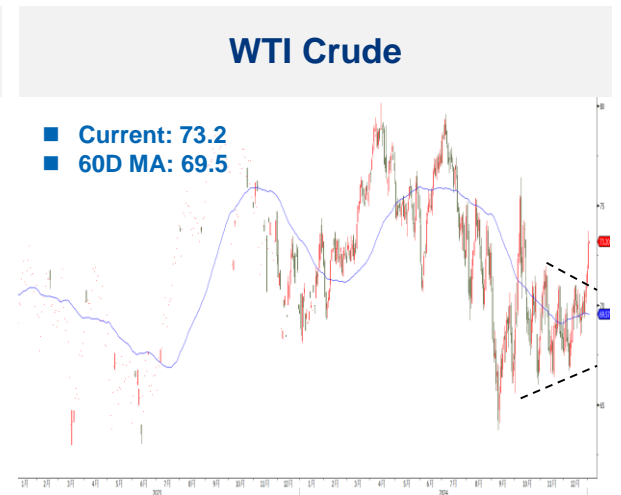
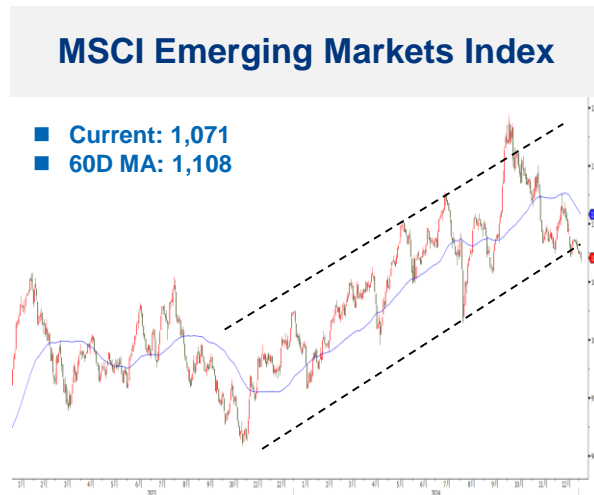
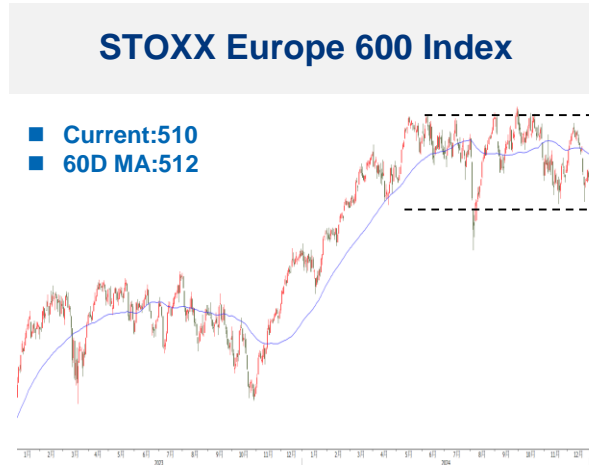
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 3 Jan. 2025

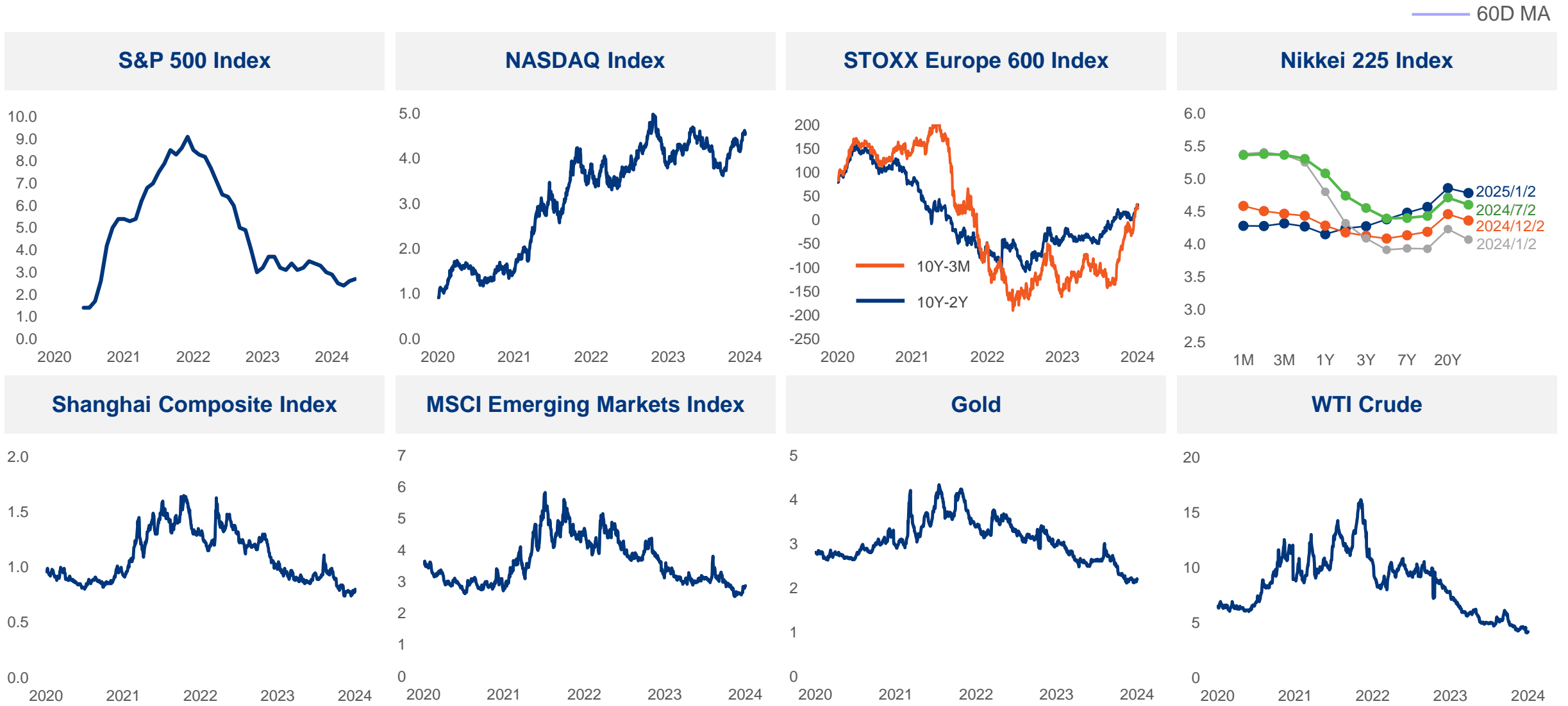
Technical Analysis

— 60D MA



Source: Bloomberg, 3 Jan. 2025

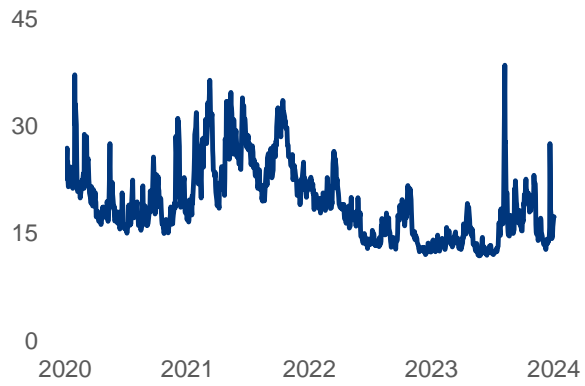
Technical Analysis



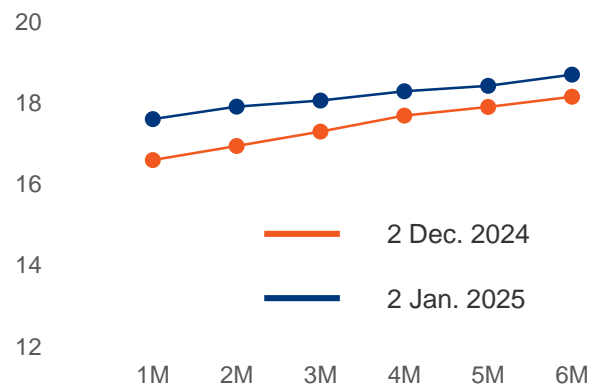
Source: Bloomberg, 2 Jan. 2025

Market Monitor

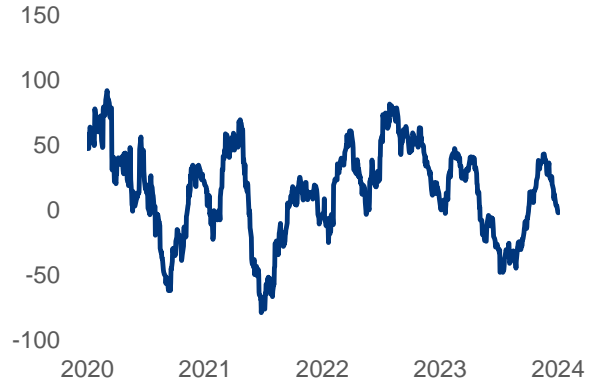
VIX Index



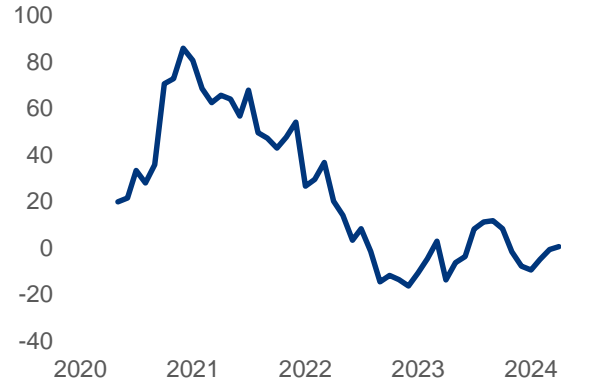
VIX Term Structure



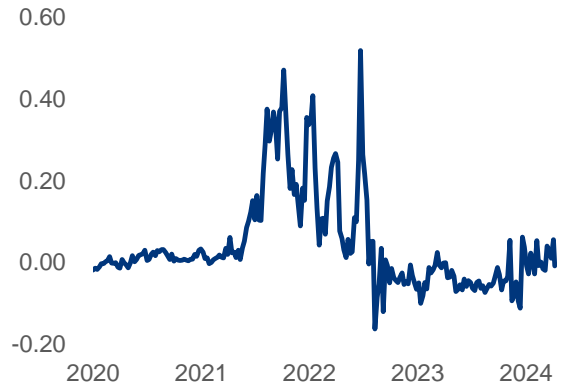
U.S. Citi Economic Surprise Index*



U.S. Citi Inflation Surprise Index*



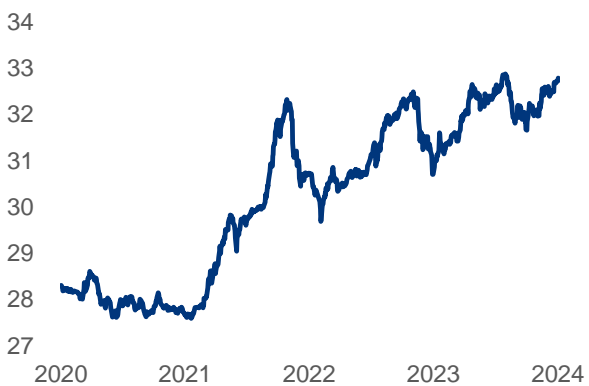
TED Spread (bps)



U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 2 Jan. 2025; *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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