



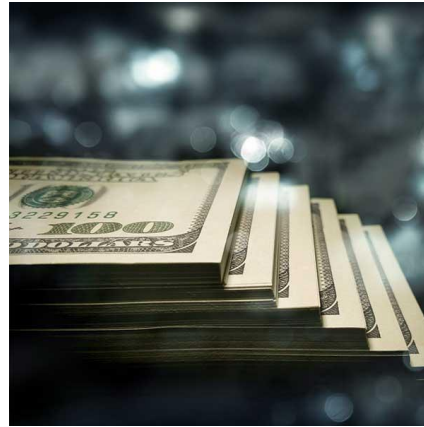
Here Comes BATMMAAN

Global Markets Weekly Kickstart

20 January 2025

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Stabilizing Inflation and Robust Employment;
Greater Volatility in Dollar and Treasury Yields



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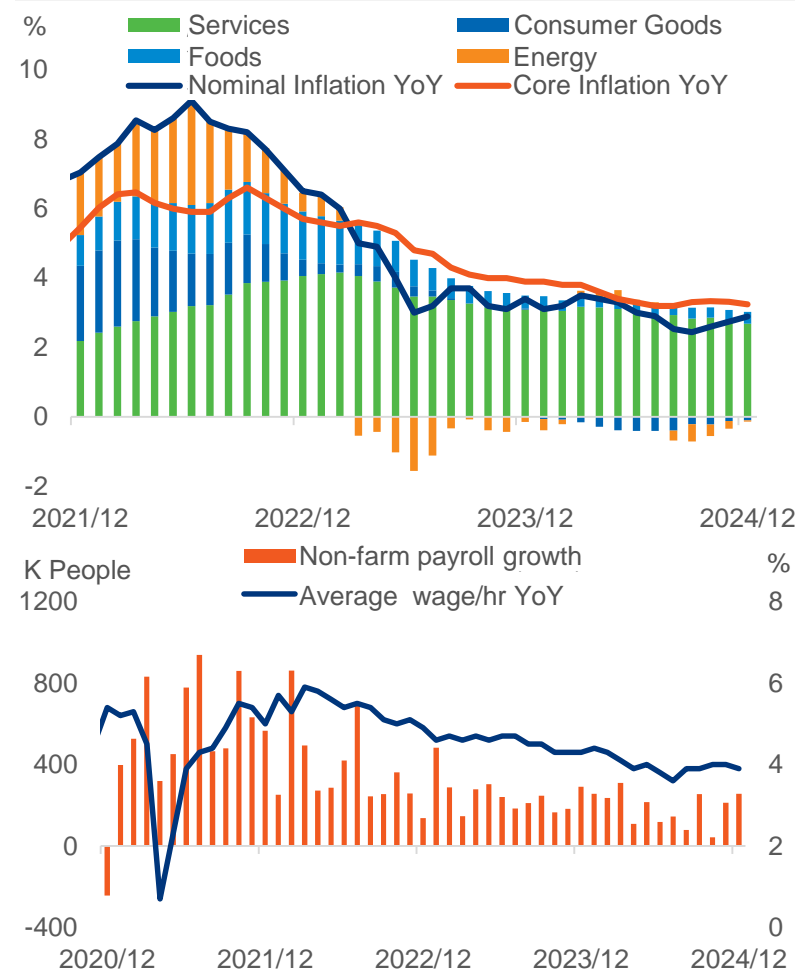
05 Product Spotlight

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

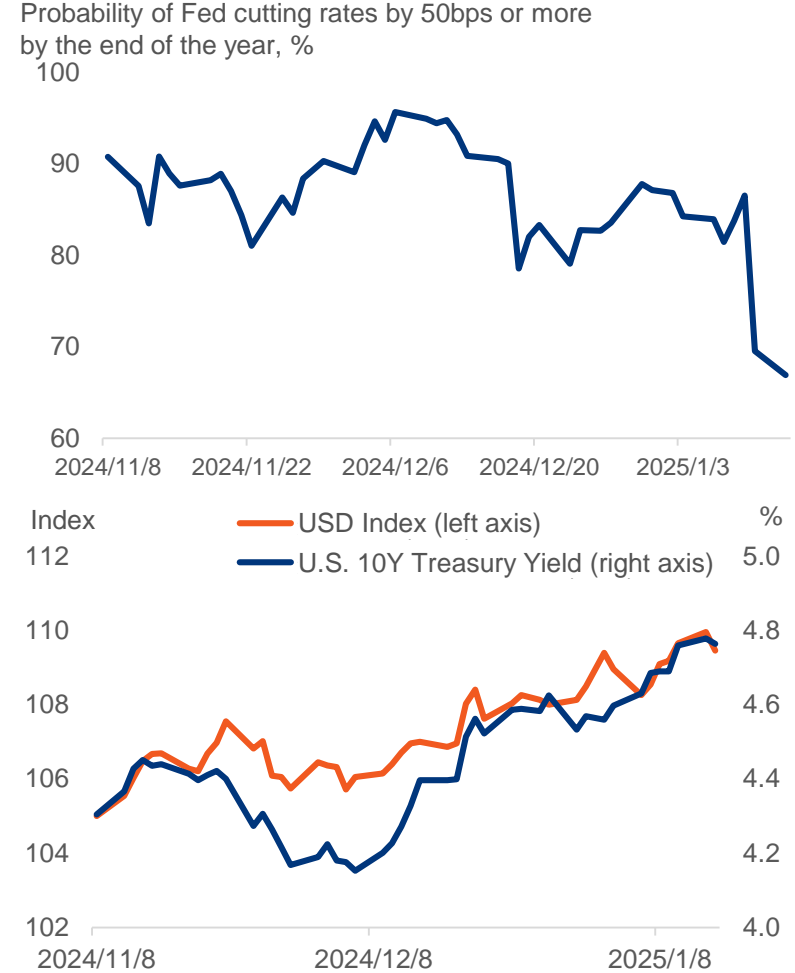
Stabilizing Inflation, Robust Employment; Rising Volatility in USD and Yields

- ▶ In December, U.S. PPI rose 0.2%, below the forecast of 0.4%, and core PPI remained unchanged. CPI increased by 0.4%, slightly above the expected 0.3%, with the annual increase at 2.9%, meeting expectations. Core CPI rose 0.2% month-on-month and 3.2% year-on-year, both lower than expected. Energy prices pushed CPI up, but housing, which accounts for a third of CPI, showed moderate growth, easing inflation concerns.
- ▶ The U.S. added 256,000 jobs in December, exceeding forecasts, and the unemployment rate dropped to 4.1%. The market adjusted expectations for rate cuts to 1-2 basis points, likely to begin in June. U.S. 10-year Treasury yields spiked to 4.8%, before retreating. The U.S. dollar index stayed high at 109, and market attention will be on Trump's policies post-inauguration. Volatility in the stock market and bond yields continues.

U.S. Nominal CPI Rebounds, but Core CPI Declines, Labor Market Remains Strong



Fed's Rate Cut Expectations Drop, U.S. Yield Curve Steepens



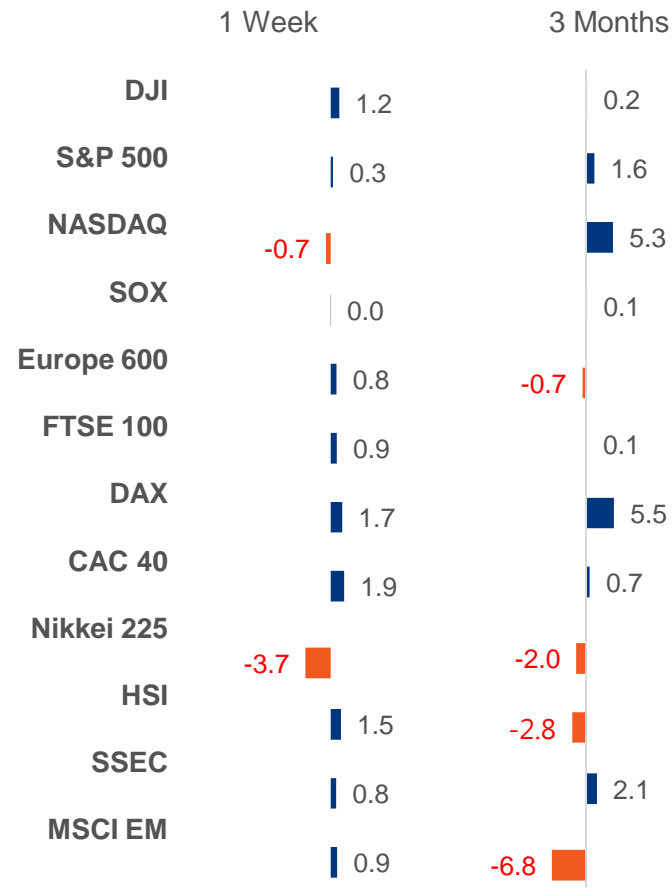
Source: Bloomberg

Market Recap

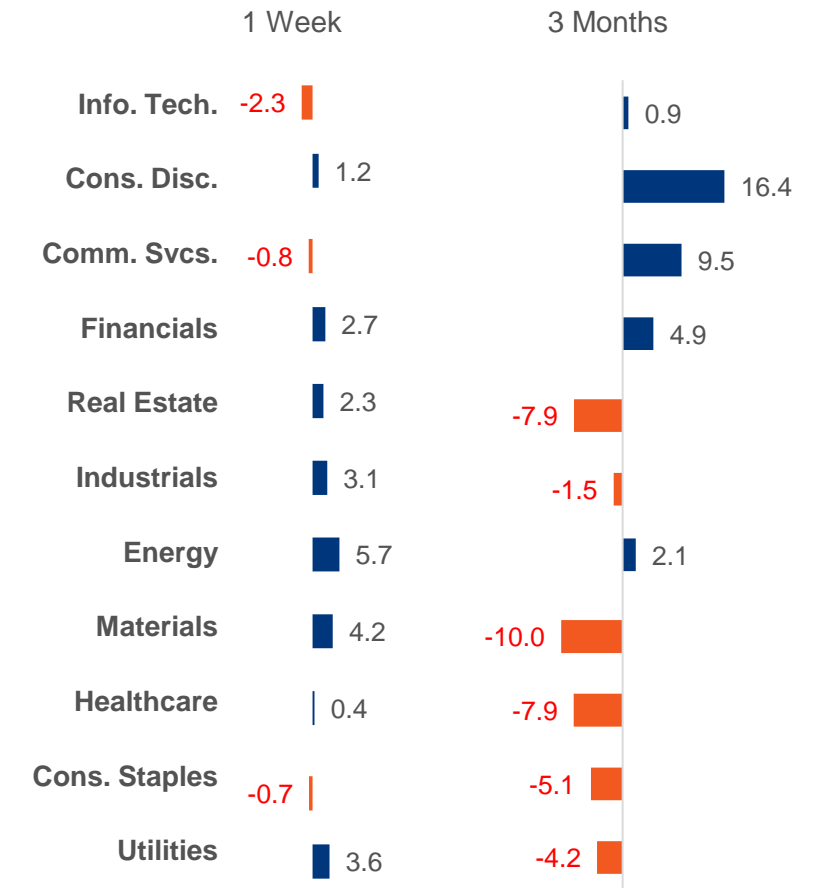
Markets Experience Range-Bound Volatility Amidst Earnings and Inauguration

- ▶ U.S. stocks saw mixed movements this week. Economic data such as PPI and CPI remained stable, easing inflation concerns. December retail sales increased by 0.4%, below estimates of 0.6%, showing strong sales momentum without fueling inflation worries. Earnings season kicked off with positive results for bank stocks, including J.P. Morgan, Citigroup, and Goldman Sachs, driving financial stocks higher.
- ▶ TSMC also reported solid Q4 results, boosting tech stocks, although Apple's sales drop in China weighed on the sector. U.S. crude oil inventories decreased, pushing oil prices up, while Trump's tariffs are expected to lift metal prices, supporting raw materials stocks.

Major Stock Indices Performance by Region (%)



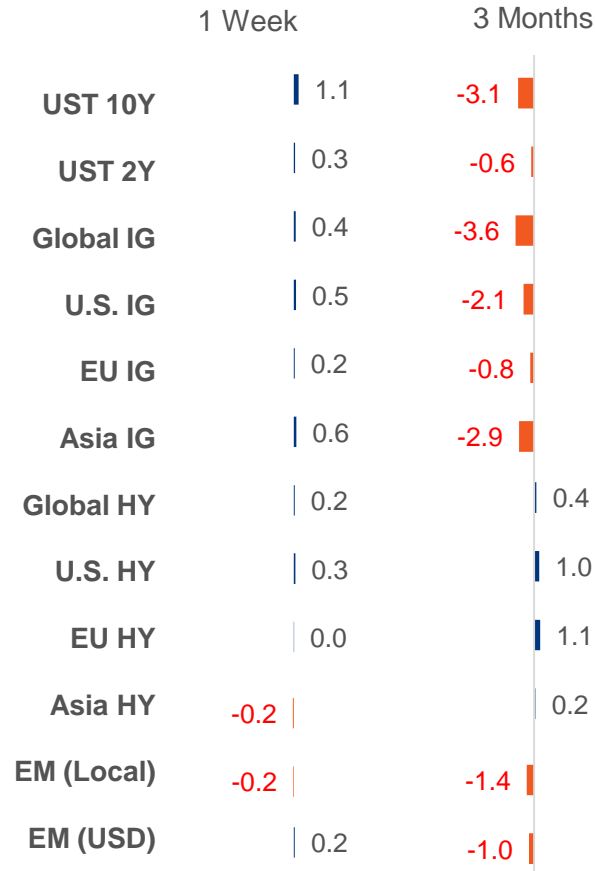
US Stock Performance by Sector (%)



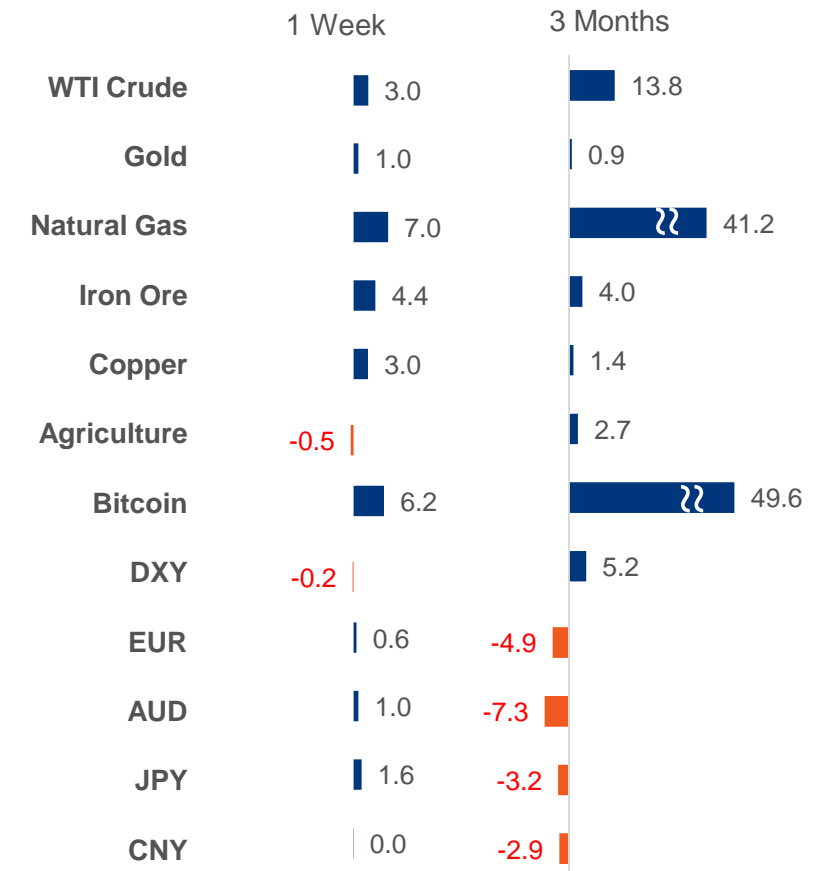
U.S. Treasury Yields Fluctuates, Dollar Remains High, Energy & Natural Gas Continue to Surge

- ▶ U.S. December PPI, core CPI, and retail sales were below market expectations. Initial jobless claims rose to 217,000 due to California wildfires, exceeding forecasts. U.S. economic activity showed signs of slowing, easing the impact of strong job growth. The 10-year Treasury yield briefly hit 4.81% before dropping to 4.61%, with slight gains in the bond market.
- ▶ The U.S. Dollar Index held steady at 109. Bitcoin rebounded after its fall. Israel and Hamas reached a ceasefire, releasing hostages and ending the 15-month conflict. Gold prices reacted to the yield drop and Chinese gold purchases, closing at \$2,714. U.S. sanctions on Russia's oil industry and a drop in crude oil inventories pushed oil prices higher. The Department of Energy projected higher natural gas prices due to rising demand.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



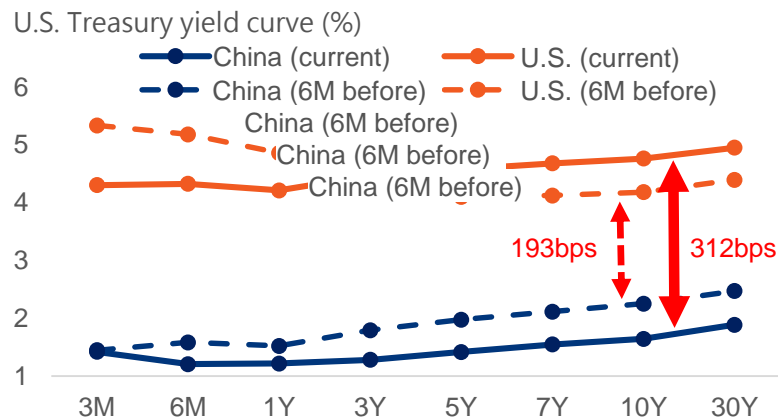
Source: Bloomberg, 17 Jan. 2025

PBOC Easing Policy and China-US Spread Increase RMB Depreciation Risk

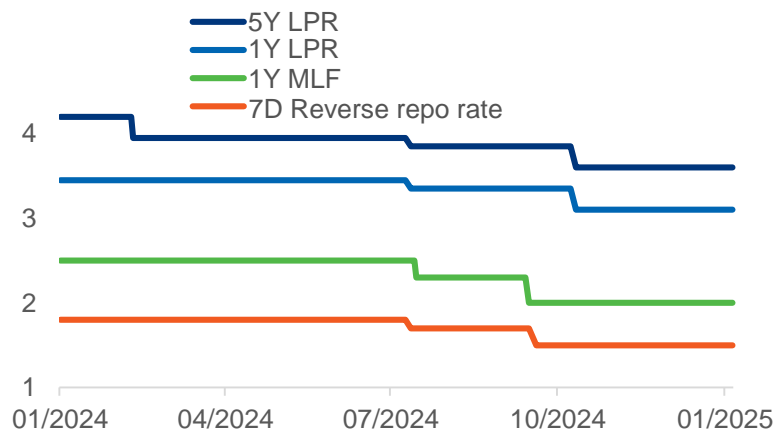
- ▶ China and the U.S. are diverging in economic outlook and monetary policies, with the U.S. fiscal deficit, high bond issuance, and rising Treasury yields widening the long-term interest rate gap by nearly 120 basis points in the past six months, weakening the yuan.
- ▶ The trade war and tariffs also contributed to yuan depreciation. In response to U.S. tariffs, China allowed the yuan to weaken, similar to the initial phase of the trade war when the yuan fell nearly 10%, partially offsetting tariff impacts.
- ▶ China's Net E&O in its balance of payments, reflecting untracked capital flows, showed an increase in capital outflows during the 2015 yuan depreciation. If further depreciation occurs, capital outflows may accelerate, requiring attention to capital controls.
- ▶ Depreciation of the yuan is generally unfavorable for domestic-focused Chinese companies. Hedging currency risk is vital when investing in Chinese stocks and bonds.

Source: Bloomberg, CEIC

Economic Outlook and Monetary Policy Divergences Widen the U.S.-China Spread



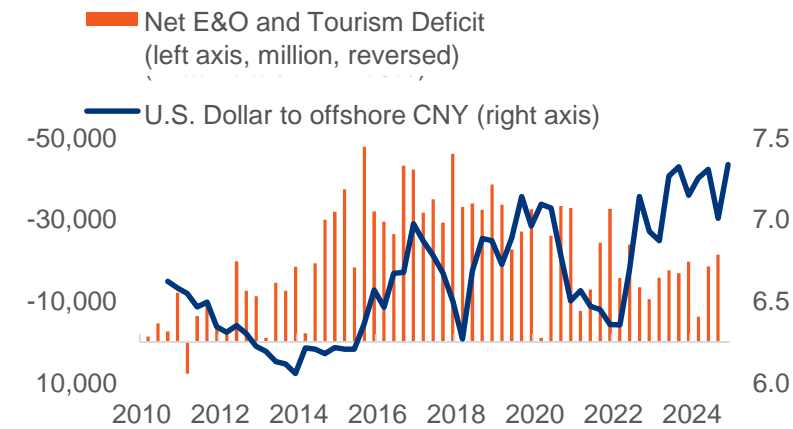
Expectations for China's Monetary Policy to Remain Accommodative



Trump's Policies Strengthen the USD, Increasing the Risk of CNY Depreciation



Past CNY Depreciation Could Exacerbate Capital Outflow Pressures

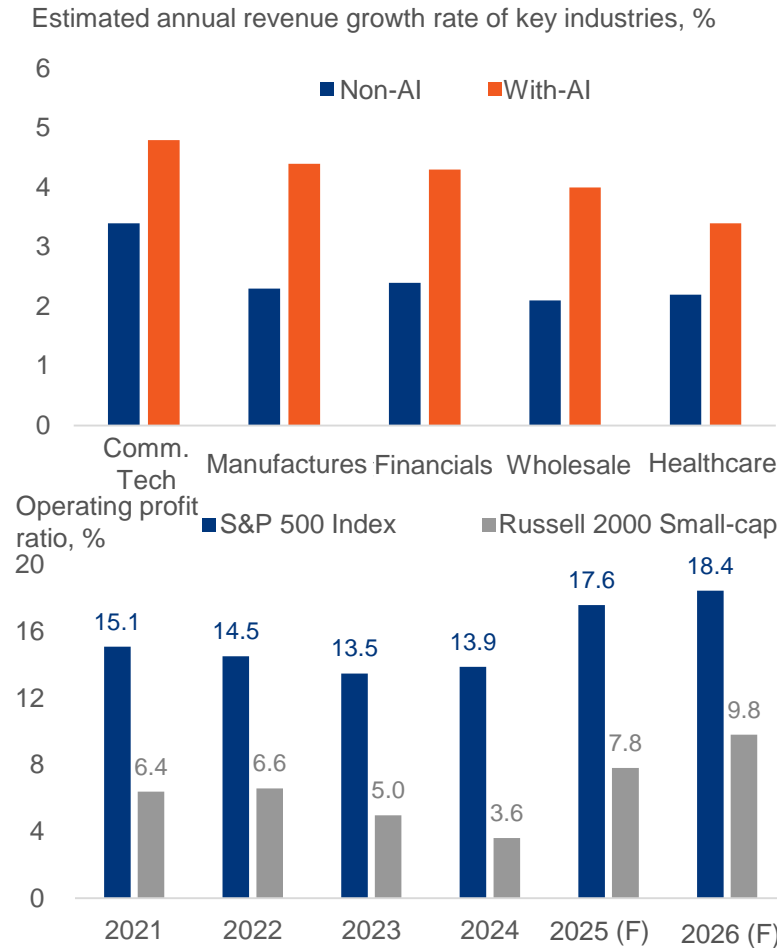


Blue-chip Stocks Have Competitive Moats, Large Growth Stocks and AI Revenue Perform Well

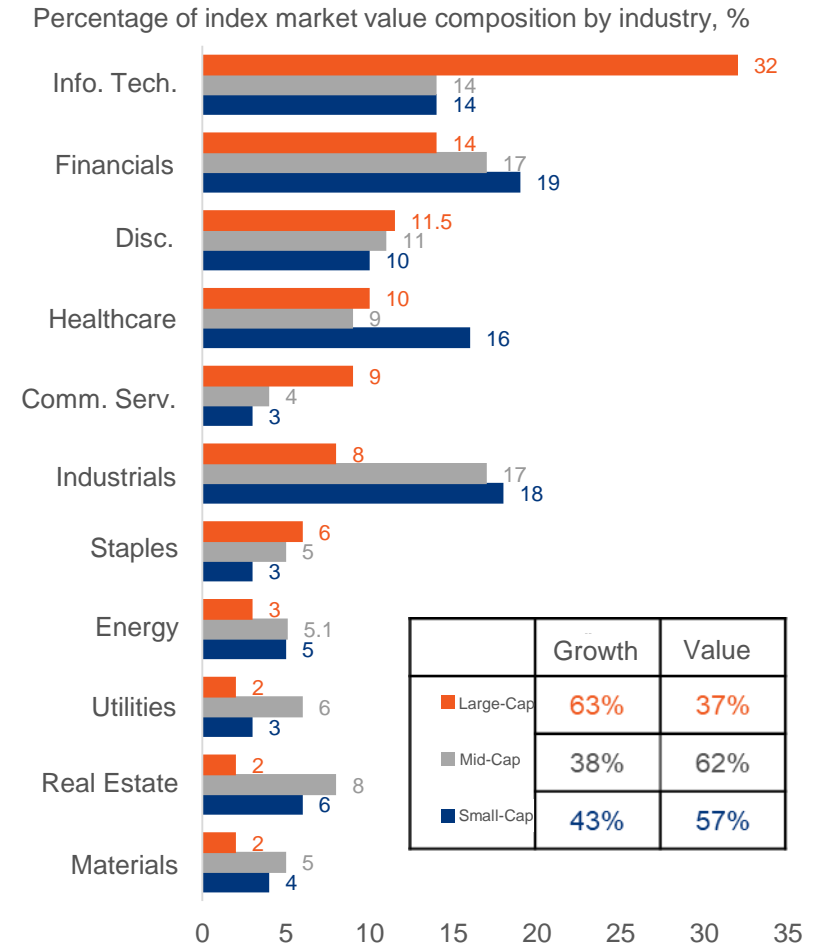
- ▶ This year, demand for technology and AI applications remains robust. Despite a decrease in U.S. interest rate cut expectations causing Treasury yields to rise, AI usage has expanded beyond tech stocks to sectors like finance, healthcare, and consumer industries. These sectors use AI to enhance efficiency and customer experience, driving profitability. For example, retail uses AI for inventory management, while healthcare and finance simplify processes with AI. As a result, AI-using companies are expected to see higher revenue growth than those that don't.
- ▶ In the current high-rate environment, the costly capital situation harms small-cap stocks, whereas large-cap stocks with ample cash flow are better positioned to withstand economic slowdowns. Info. technology, discretionary consumer goods, and communication services have the highest proportion of large-cap stocks in the U.S. Thus, large-cap AI growth stocks are expected to remain the top performers this year.

Source: Bloomberg, JP Morgan

AI and Big-cap Stocks Remain the Main Trend for the Next Two Years



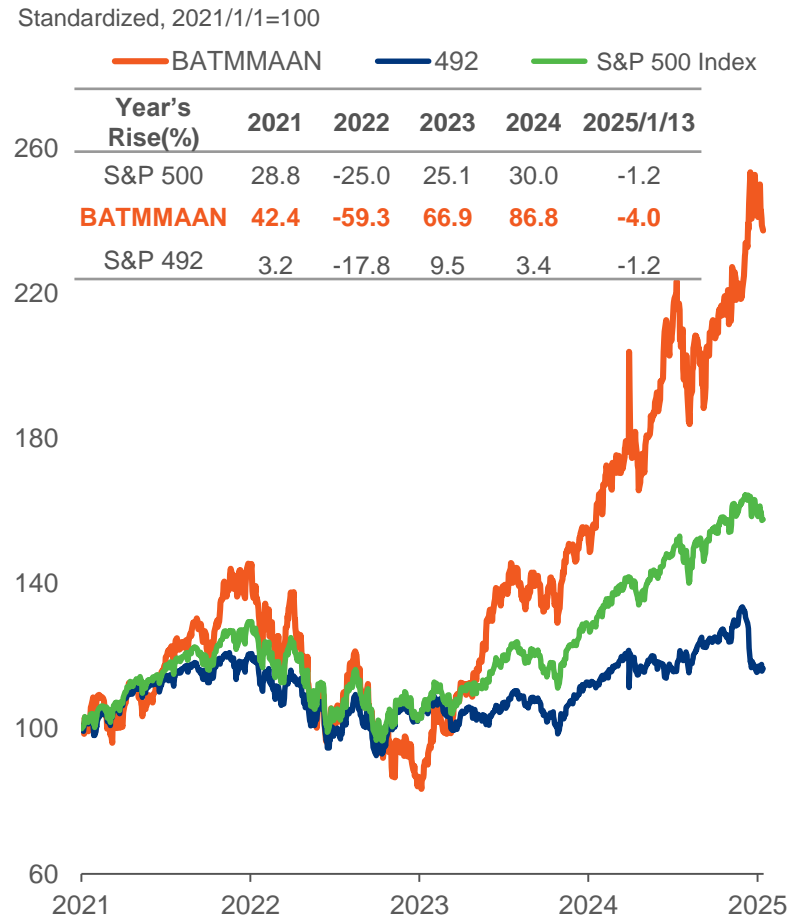
Tech., Discretionary, and Comm. Have the Highest Proportion of Big-cap Stocks



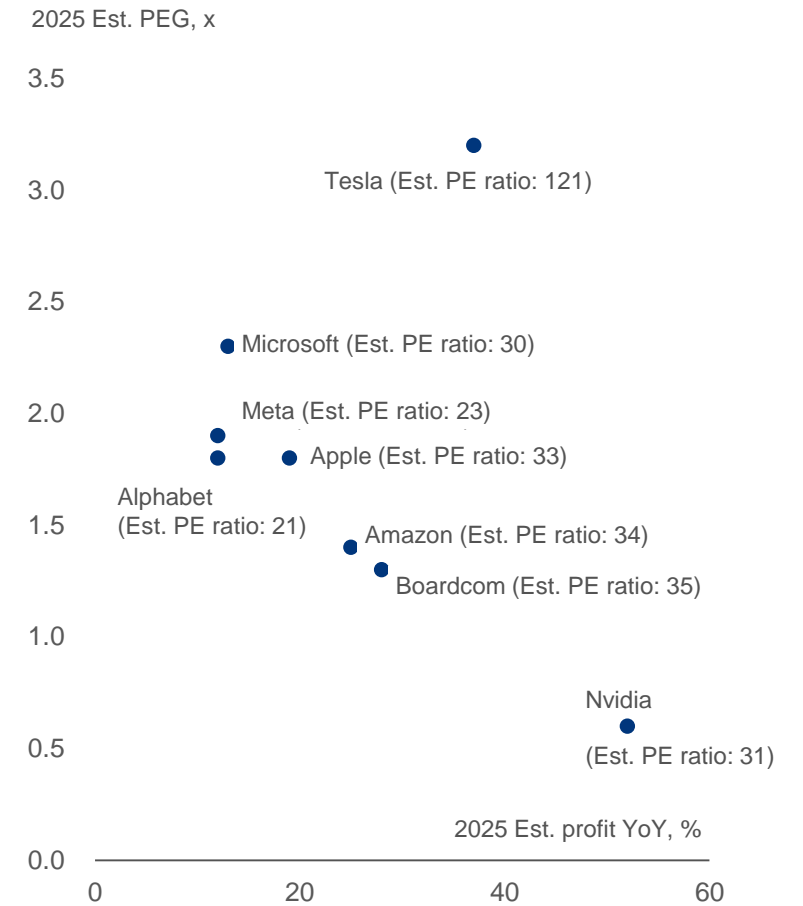
BATMMAAN's Out-performance Promising, Gradual Allocation on Market Pull-backs

- ▶ The combination of US big tech stocks and AI applications has led to the creation of the new acronym BATMMAAN, consisting of the "Magnificent Seven" plus Broadcom. These 8 companies surged 87% in 2024. Since the US presidential election, their market value increased by \$1.9 trillion, while the rest of the S&P 500 only gained 3.4%, showing that BATMMAAN drove most of the index's growth.
- ▶ Despite the rise in US 10-year Treasury yields, which caused a pullback in growth stocks since 2025, BATMMAAN still holds strong growth potential. If earnings continue to grow and keep pace with valuation increases, their future returns remain promising. Nvidia, with an estimated 52% profit growth, has a PEG ratio of just 0.6. Investors who were hesitant to enter these growth stocks might consider using pullbacks to build long-term positions and benefit from the AI boom.

U.S. Stocks Show Significant Differences in Price Gains with/without "BATMMAAN" Support



BATMMAAN's Projected Annual Profit Growth for This Year Starts at Double Digits



Source: Bloomberg

Asset Strategy

| Asset Type | Market View | Preferred Assets |
|-----------------|--|---|
| Equities | <ul style="list-style-type: none"> ◆ The market is awaiting Trump's policy details, with a focus on US corporate earnings. A soft landing for the economy is anticipated, benefiting sectors like finance, industrials, and defense. The long-term AI outlook supports tech stocks. ◆ Higher tariffs may slow China's demand, while Europe's weak economy results in a neutral outlook. Japan's stocks are positive, supported by rising wages and consumer strength. | <p>Style: Large-cap stocks, Financial, Industrial, Defense, AI, and Technology stocks</p> <p>Regions: U.S., Japan</p> |
| Bonds | <ul style="list-style-type: none"> ◆ The US economy and employment show resilience, leading to adjusted expectations for rate cuts. Inflation remains under control, and bond yields fluctuate. As yields rise, investors can focus on short to medium-term government bonds and high-rated investment-grade bonds. ◆ For longer-term bonds, volatility is higher, so adjust allocations based on risk tolerance. Gradually increase exposure to longer-term bonds if employment data slows. | <p>Duration: Focus on short-term bonds; medium to long-term volatility requires risk-based adjustments.</p> <p>Types: Government bonds, investment-grade bonds, and financial sector bonds with potential</p> |
| Forex | <ul style="list-style-type: none"> ◆ The pace of Fed rate cuts has slowed, with the US dollar expected to remain strong in the short term, potentially continuing into the first half of 2025. ◆ Japan's improving economy and the possibility of the Bank of Japan raising rates may halt the yen's depreciation, awaiting the outcome of the Bank of Japan's January interest rate decision meeting. | <p>Short-term support for the US dollar remains at elevated levels.</p> <p>The yen's depreciation is temporarily stalled.</p> |

Uncertainty Surrounds China's Economic Growth in 2025

China's GDP Growth in 2025 May Fall Slightly Below 2024 Levels

► China's GDP grew 5.4% in 4Q24, exceeding the 5% market expectation, with annual growth at 5%, meeting the central government's target. Growth was mainly driven by the secondary sector, which expanded by 5.3%. While the 2024 growth target was achieved, challenges remain for 2025, including strained U.S.-China relations affecting exports and slow domestic consumer confidence recovery. KGI Securities projects 2025 GDP growth at 4.7%, slightly below 2024 levels, with stronger policy measures needed for higher growth.

Annual Total Retail Sales of Staples Expected to Grow 5.5% This Year

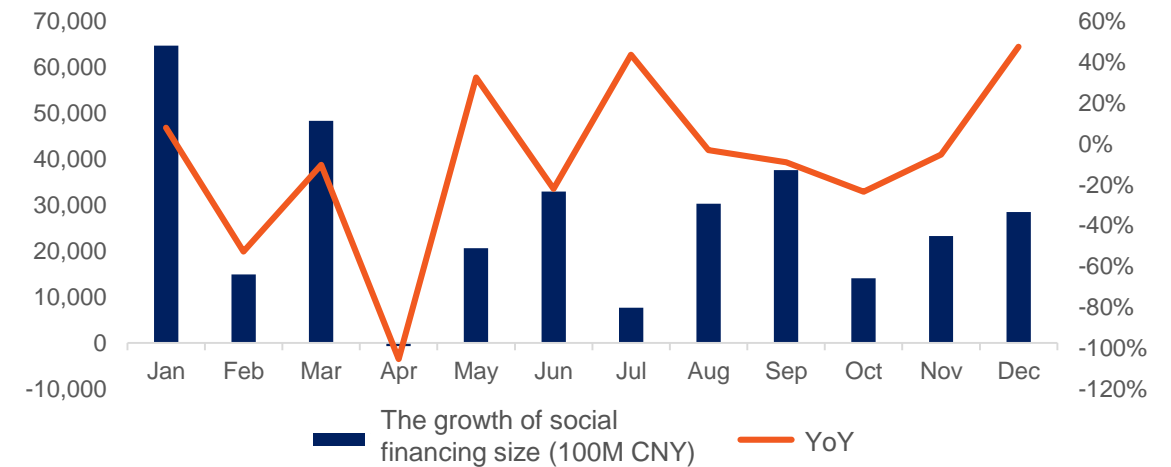
► Retail sales in December grew 3.7%, and industrial production increased 6.2%, both exceeding expectations. Goods retail sales accelerated to 3.9%, with home appliances up 39.3%. Expanding trade-ins, like smartphones, are expected to support sales, with 2025 retail growth forecast at 5.5%. Industrial production grew 5.8%, driven by high-tech manufacturing. However, trade volatility may slow growth to 4.6% in 2025.

Household Loans Increase YoY, Indicating Mild Recovery in Housing Market

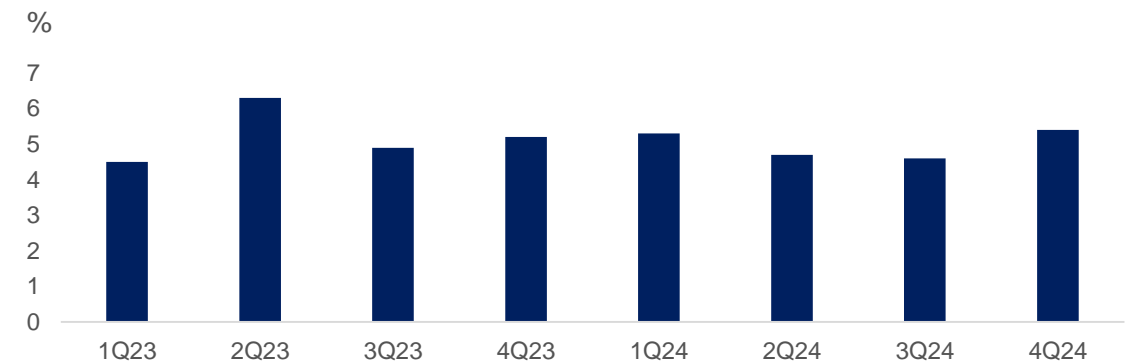
► In December, social financing increased by 2.86 trillion RMB, surpassing expectations. However, this growth was largely driven by government bonds, contributing 1.75 trillion RMB (61% of the total). RMB loans to the real economy grew by 840 billion RMB. Household loans saw an increase, primarily in medium- and long-term consumer loans, signaling a slight recovery in the housing market. However, corporate loans continued to show a year-on-year decrease for the eighth consecutive month, indicating a lack of confidence in borrowing among businesses. January typically sees a peak in borrowing activity, which will offer further insight into corporate confidence for 2025.

Source: National Bureau of Statistics of China, Bloomberg

2024 Total Social Financing Growth



China GDP Growth Rate



China Merchants Bank (3968 HK)

Closing Price HK \$41.8

Target Price HK \$43

Profile

China Merchants Bank Co., Ltd. operates as a commercial bank. It provides deposits, loans, wealth management, asset custody, finance leasing, investment banking, and other banking services. China Merchants Bank conducts businesses domestically and internationally.

Highlights

■ Asset Quality Stable, Financial Statements Ideal

Recent policies like the whitelist, bond swaps, and corporate loan extensions are expected to improve banks' asset quality. China Merchants Bank's 2024 preliminary results show a stable non-performing loan ratio of 0.95% and a provision coverage ratio of 411.98%, higher than most peers. Its CET1 capital buffer is the highest, eliminating concerns over capital injections or profit dilution.

■ Wealth Management Business Outlook Looks Promising

With further rate cuts, investors may seek better returns, benefiting China Merchants Bank's wealth management. The bank's Gold Sunflower clients grew by 9.16% to 5.0657 million, with total assets rising 8.15% to 11.7 trillion yuan. Private banking clients also increased by 7.22%. As risk appetite rises, the bank stands to benefit from its wealth management leadership.

■ Impact of Net Interest Margin Contraction is Limited

In 2024, Mainland China's loan market rates (LPR) were cut three times, with the 1-year and 5-year LPRs falling by 35 and 60 basis points. A further 45 basis point reduction is expected in 2025. Due to lower deposit rates and a higher proportion of demand deposits, China Merchants Bank's net interest margin impact will be minimal.

Source: Bloomberg

Financials

| | 2022 | 2023 | 2024F | 2025F | 2026F |
|-----------------------------|-------|-------|-------|-------|-------|
| Net Income (10B CNY) | 13.8 | 14.7 | 14.8 | 15.2 | 16.2 |
| NI YoY(%) | 15.0 | 6.2 | 1.2 | 2.6 | 6.0 |
| EPS(CNY) | 5.26 | 5.63 | 5.66 | 6.10 | 6.18 |
| DPS(CNY) | 1.74 | 1.97 | 1.97 | 2.04 | 2.14 |
| P/E | 7.4 | 6.9 | 6.9 | 6.4 | 6.3 |
| Dividend Yield(%) | 4.43% | 5.01% | 5.01% | 5.19% | 5.45% |

Source: Bloomberg; 2025/26F are market estimates

YTD Performance



| As of 16 Jan. 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|--------------------|-------|------|------|-------|--------|-------|
| Return (%) | 11.61 | 4.63 | 4.50 | 77.18 | -22.82 | 26.74 |

Valuations

● 5Y Average ◆ Current



Trip.com Group (9961 HK)

Closing Price HK \$511.5

Target Price HK \$625.3

Profile

Trip.com Group Limited operates as an online travel agency. The Company offers mobile applications, hotel reservations, flight and train ticketing, package tours, and corporate travel management services.

Highlights

Chinese New Year Sees Increased Travel Sentiment Among Citizens

The Chinese New Year holiday runs from Jan. 28 to Feb. 4. With the addition of just two days off, workers can enjoy an 11-day break, encouraging more travel, including international trips. The Thailand KK Garden incident may reduce Chinese visitors to Thailand by 10-20%, but many could shift their bookings to other spots, limiting the overall impact.

Expected Strong Demand for Orders to China Tourism

Inbound tourism is expected to boost Ctrip's revenue, with international OTAs like Trip.com making up 10% of total income. Currently, inbound tourism contributes 2.5%, projected to rise to 4% by 2025. In Q3, foreign arrivals grew by 48.8%, and visa-free entries rose 78.6%. A weaker RMB and relaxed entry policies have driven growth, with Trip.com seeing a 77% revenue boost. The 2025 Spring Festival could see a 203% increase in foreign tourist bookings compared to last year.

Further Consumption Promotion From Policy

The State Council's measures, like the "Hundred Cities and Hundred Districts" plan, promote cultural and tourism consumption with vouchers, discounts, and regional integration. We anticipate large-scale consumption stimulus at this year's "Two Sessions," benefiting consumption-related sectors.

Source: Bloomberg

Financials

| | 2021 | 2022 | 2023 | 2024F | 2025F |
|------------------------------|-------|-------|-------|-------|-------|
| Net Income (100M CNY) | 29.1 | 12.9 | 130.7 | 175.5 | 189.4 |
| NI YoY(%) | 418.7 | -55.5 | 910.1 | 34.2 | 7.9 |
| EPS(CNY) | 4.55 | 1.97 | 19.48 | 25.56 | 27.54 |
| DPS(CNY) | 0.00 | 0.00 | 0.00 | 0.46 | 0.51 |
| P/E | 105.8 | 244.4 | 24.7 | 18.8 | 17.4 |
| Dividend Yield(%) | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |

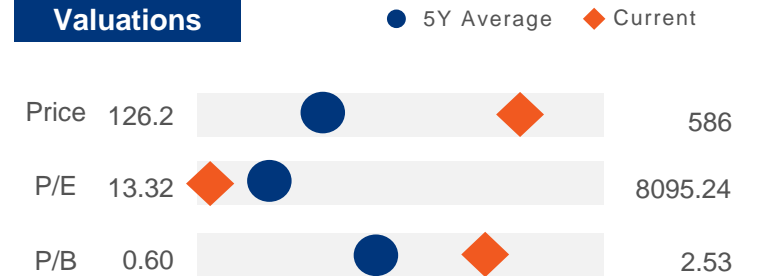
Source: Bloomberg; 2024/25F are market estimates

YTD Performance



| As of 16 Jan. 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|--------------------|-------|-------|-------|-------|--------|-------|
| Return (%) | -8.98 | 11.77 | -5.27 | 83.59 | 170.49 | 90.85 |

Valuations

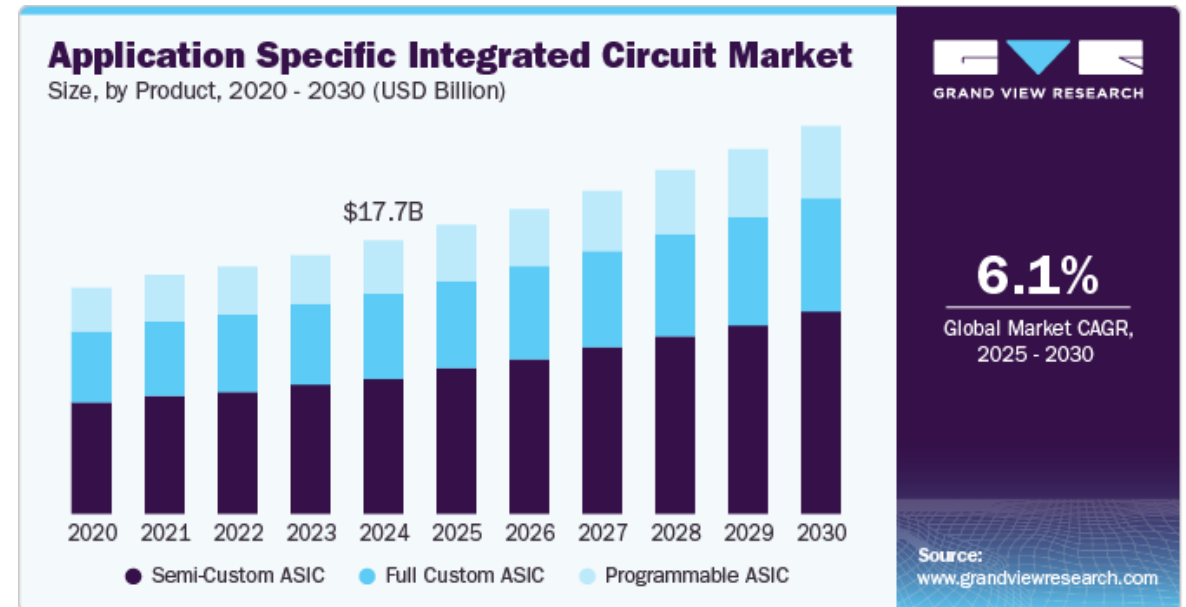


Large Technology Stocks Exhibit Strong Resilience, Buy on Dips

- ▶ In December, the U.S. Consumer Price Index (CPI) rose by 0.4% month-over-month, higher than November's 0.3%, but in line with market expectations. Year-over-year, CPI increased by 2.9%, slightly higher than November's 2.7%, yet still matching market predictions. Core CPI, which excludes food and energy prices, rose by 0.2% month-over-month, lower than November's 0.3% and the expected 0.3%. On a year-over-year basis, core CPI increased by 3.2%, lower than November's 3.3% and the expected 3.3%.
- ▶ December Producer Price Index (PPI) rose by 0.2% MoM, lower than November's 0.4% and market expectations of 0.4%. YoY, PPI rose by 3.3%, higher than November's 3.0%, but below the expected 3.5%. Core PPI, which excludes food and energy, showed no MoM increase, lower than November's 0.2% rise and the expected 0.3%. On a year-over-year basis, core PPI increased by 3.5%, slightly higher than November's 3.4%, but still below the forecasted 3.8%.
- ▶ Retail sales for December rose by 0.4% month-over-month, lower than the revised 0.8% in November and below market expectations of 0.6%.
- ▶ Artificial intelligence (AI) remains a hot investment theme for 2025, with particular focus on semiconductor companies involved in custom chip design and manufacturing. In the business application field, attention will continue on companies with proven business models that have gained market recognition.
- ▶ January 20th marks the inauguration of former President Trump. On this date, he will announce his key policy agenda. Trump's policies bring significant uncertainty, leading to increased market volatility in the U.S. stock market.

Source: Bloomberg

Global Customized Chip Market Size and Growth Rate



Broadcom Inc. (AVGO US)

Closing Price US \$229.41

Target Price US \$250

Profile

Broadcom Inc. designs, develops, and supplies semiconductor and infrastructure software solutions. The Company offers storage adapters, controllers, networking processors, motion control encoders, and so on.

Highlights

■ Customized Chip Market Shows Enormous Growth Potential

Grand View Research forecasts that the customized chip (ASIC) market will reach USD 17.65 billion in 2024, growing at a 6.1% compound annual growth rate (CAGR) from 2025 to 2030. Meanwhile, the AI chip market size was USD 56.82 billion in 2023, with a projected CAGR of 28.9% from 2024 to 2030. Starting in 2024, tech giants are diversifying their AI chip supply and increasing their use of customized chips. As a result, the demand for AI ASIC chips is expected to experience rapid growth in the next five years.

■ Leading Players in the Customized Chip Market

Broadcom is strengthening its position as a key AI hardware partner for large companies shifting away from NVIDIA. The CEO revealed that three major clients plan to deploy one million XPU clusters by 2027, with two more in development. The company saw impressive growth in the AI semiconductor sector, with AI-related revenue of \$30.1 billion in 2024, marking a 220% year-over-year increase, highlighting its strong impact and rapid growth in AI chip innovation.

■ Valuation Consensus

The 12-month average target price according to Bloomberg is \$248.08, with the highest target at \$300 and the lowest at \$175.

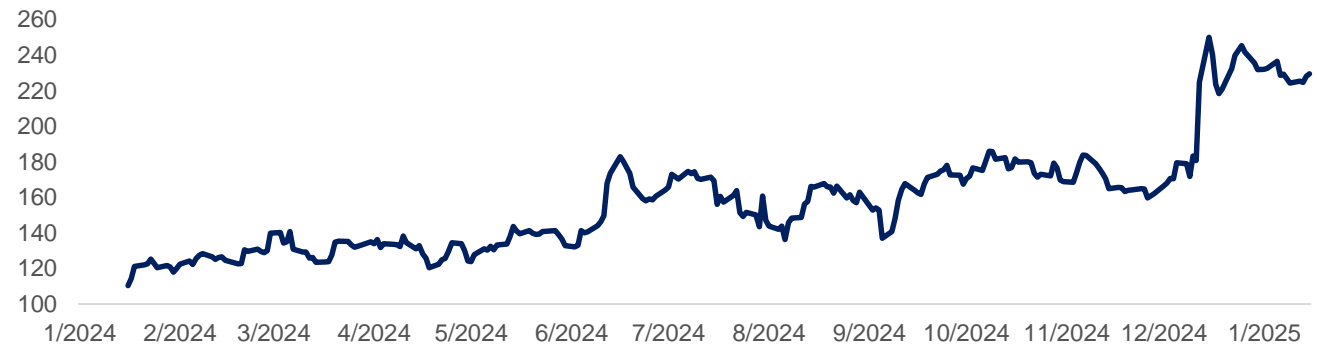
Source: Bloomberg

Financials

| | 2022 | 2023 | 2024 | 2025F | 2026F |
|-----------------------------|------|------|------|-------|-------|
| Revenue Growth(%) | 21.0 | 7.9 | 44.0 | 18.6 | 16.2 |
| EBITDA (%) | 58.7 | 57.6 | 50.4 | 66.2 | 65.9 |
| EPS | 2.74 | 3.38 | 2.64 | 6.35 | 7.69 |
| Net Profit Margin(%) | 34.9 | 40.3 | 24.5 | 50.3 | 52.2 |

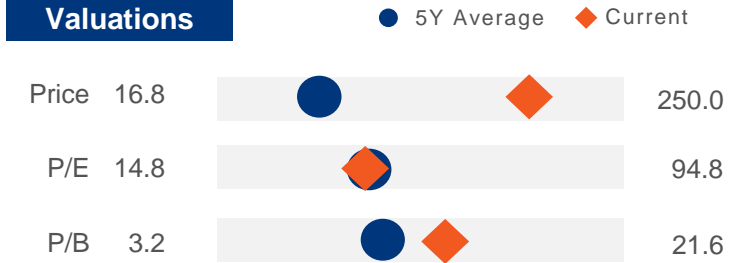
Source: Bloomberg; 2025/26F are market estimates

1-Year Performance



| As of 16 Jan. 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|--------------------|------|------|------|-------|------|------|
| Return (%) | -8.2 | 29.7 | -1.0 | 105.8 | 59.8 | 53.9 |

Valuations



AppLovin Corporation (APP US)

Closing Price US \$332.01

Target Price US \$400

Profile

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

Highlights

AI + Mobile Advertising

The company exceeded Wall Street's expectations in Q3, driven by its AI ad engine, Axon. Axon uses AI to analyze ad performance and optimize ads, improving targeting. It integrates with the MAX platform, boosting ad revenue while maintaining user experience. Axon also automates A/B testing, adjusting strategies for optimal results with minimal human intervention.

Mobile Game Advertising Targeting

In 2024, the company hit 1.4 billion daily active users, focusing on the mobile game advertising market. Competitors like Meta, Unity, and IronSource exist, but Applovin's specialization in mobile games has made it the preferred platform for game developers.

2025 Catalysts

Axon AI's progress enables the company to expand into e-commerce and connected TV while boosting growth in its core mobile game advertising business.

Valuation Consensus

The 12-month average target price on Bloomberg is \$369.83, with the highest target at \$480 and the lowest at \$180.

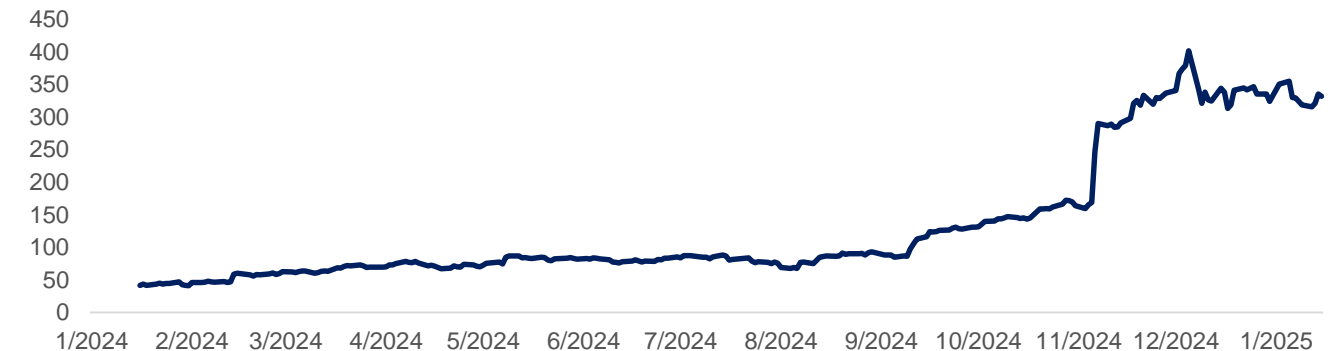
Source: Bloomberg

Financials

| | 2021 | 2022 | 2023 | 2024F | 2025F |
|-----------------------------|------|------|------|-------|-------|
| Revenue Growth(%) | 92.5 | 0.9 | 16.5 | 39.9 | 23.0 |
| EBITDA (%) | 22.5 | 27.3 | 35.2 | 57.3 | 61.8 |
| EPS (USD) | 0.16 | 0.28 | 1.05 | 4.07 | 6.10 |
| Net Profit Margin(%) | 2.2 | 3.7 | 11.6 | 30.7 | 36.9 |

Source: Bloomberg; 2024/25F are market estimates

1-Year Performance



| As of 16 Jan. 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|--------------------|------|-------|-----|-------|------|----|
| Return (%) | -3.5 | 129.2 | 2.5 | 715.3 | 61.7 | NA |

Valuations

● 5Y Average ◆ Current

| | | | | |
|-------|------|--|--|--------|
| Price | 9.3 | | | 401.5 |
| P/E | 27.3 | | | 1277.7 |
| P/B | 1.9 | | | 143.6 |



Stocks Rebound, Short-Term Upside Expected; Focus on Revenue Growth and Stocks Breaking Moving Averages

► Market Bulls Stage a Comeback, Key Role of Weighted Stocks

Taiwan stocks rebounded after last Monday's decline, showing bullish resistance. Closing above the 22,713-point neckline (January 2 low) last Thursday resolved the downtrend. TSMC's positive earnings call supports further gains. The index may challenge 23,463 points (January 9 high) and, if breached, target 23,943 points (January 7 high). Support is now around 23,200 points.

► Market Rebounds, Focus Shifts to Sectors with Revenue Growth Catalysts

The market rebounded, with last Thursday's close near 23,000 points, the short- to mid-term moving average zone. Electronics and financials remained weak, with major tech and AI stocks declining. The electronics index fell further after losing its quarterly average, while only a few sectors, like security monitoring, gallium arsenide, USB ICs, IC packaging, and optical communication, showed strength. Non-tech stocks continued last Tuesday's rebound, led by plastics and steel. With the Lunar New Year holiday nearing, selling pressure may rise. Focus on short-term trades, prioritizing stocks with positive catalysts that have moved above short-term moving averages.

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



Source: Bloomberg

Largan Precision Company Limited (3008 TT)

Profile

Largan Precision Company Limited manufactures and markets optical lens modules and optoelectronic components. It offers lenses for LCD projectors, scanners, optical mice, DSCs, DVDs, LEDs, and photography mobile phones.

Highlights

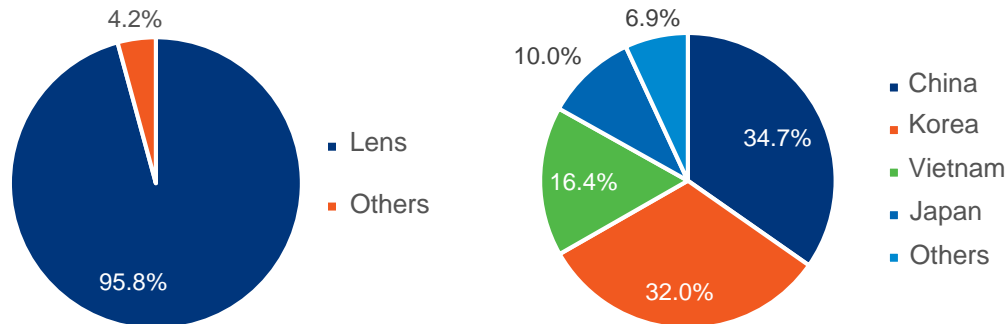
4Q24 Earnings Per Share Exceed Expectations

4Q24 revenue reached NT\$18.2 billion, down 3.9% QoQ, aligning with KGI Securities' forecast. Gross margin improved to 59.1% due to meeting project shipment targets for 2023-24 contracts. Supported by NT\$1.58 billion in foreign exchange gains and NT\$1.1 billion in interest income, EPS came in at NT\$65, surpassing KGI's expectations.

Stronger Shipment Momentum in Jan.-Feb. 2025 Compared to 2024

Shipment momentum in January-February 2025 is expected to surpass 2024. In 1Q25, while utilization rates are lower than 4Q24, gross margin will decline due to bonus adjustments. KGI Securities revised 1Q25 revenue to NT\$12.7 billion, with an EPS of NT\$35.2.

Revenue Sources and Regions



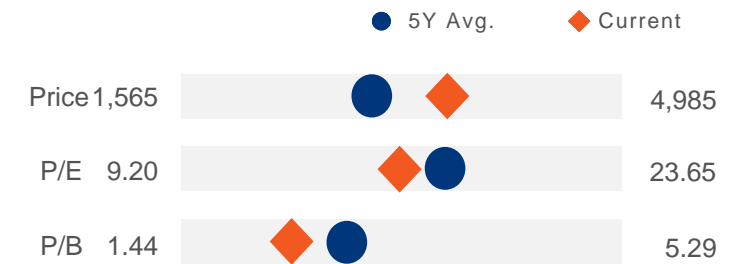
Source: Bloomberg

Financials

| | 2021 | 2022 | 2023 | 2024F | 2025F |
|----------------|-------|-------|-------|-------|-------|
| EPS (NTD) | 139.3 | 169.5 | 134.1 | 194.2 | 183.6 |
| EPS Growth (%) | -23.8 | 21.7 | -20.9 | 44.8 | -5.5 |
| P/E Ratio | 18.6 | 15.3 | 19.3 | 13.4 | 14.1 |
| ROE (%) | 13.2 | 15.2 | 11.2 | 14.9 | 12.8 |

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Elite Material Co., Ltd. (2383 TT)

Profile

Elite Material Co., Ltd. manufactures and markets prepreg and copper clad laminates for varieties of PCBs. Applications of its products include comm. devices, networking infrastructure products and the upcoming 5G products.

Highlights

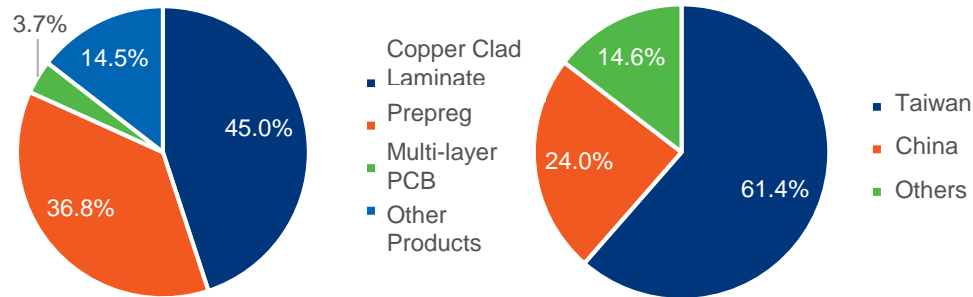
■ 4Q24 Revenue Revised Due to Strong Trainium2 Server Shipments

November revenue hit NT\$6.34 billion, up 9% MoM and 50% YoY, driven by strong Amazon Trainium2 AI server shipments. KGI Securities raised 4Q24 revenue growth to 5.9% QoQ, reaching NT\$18.49 billion, with gross margin up to 28.1%. EPS is revised up 22% to NT\$8.45.

■ UBB Order Visibility to 3Q25, Sequential Growth; 1Q25 Revenue Resilient

KGI Securities forecasts a sequential increase in PCB shipments from 1Q25 to 3Q25. With Trainium2 server shipments ramping up in 1Q25, it is expected to drive Elite Material's quarterly revenue share to over 10%. As a result, KGI has revised its 1Q25 revenue forecast upward by 12.5% to NT\$18 billion.

Revenue Sources and Regions



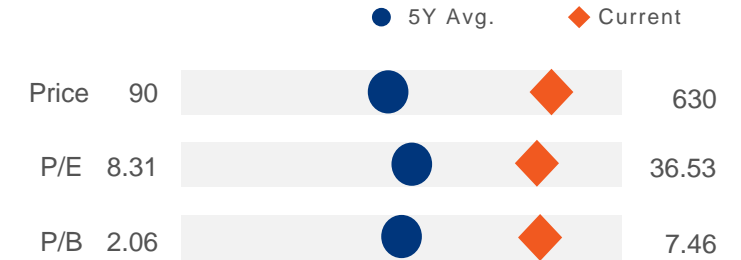
Source: Bloomberg

Financials

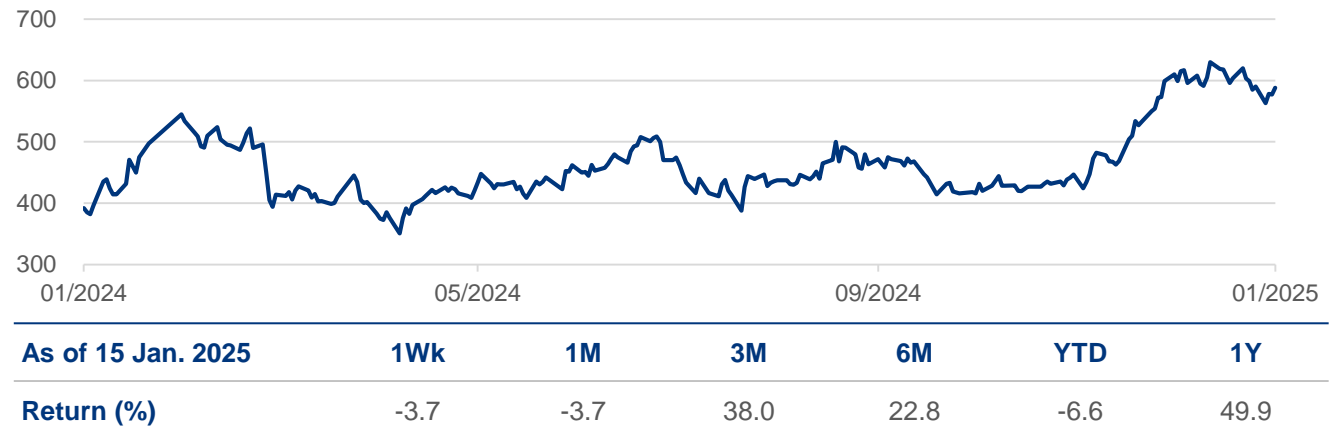
| | 2021 | 2022 | 2023 | 2024F | 2025F |
|----------------|-------|-------|-------|-------|-------|
| EPS (NTD) | 16.50 | 15.24 | 16.35 | 28.53 | 35.52 |
| EPS Growth (%) | 45.6 | -7.7 | 7.3 | 74.5 | 24.5 |
| P/E Ratio | 36.1 | 39.1 | 36.5 | 20.9 | 16.8 |
| ROE (%) | 30.1 | 24.3 | 22.5 | 34.4 | 37.4 |

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Increasing U.S. Equities Exposure During Market Pullbacks

► Tech. Select Sector SPDR Fund (XLK.US)

- The investment seeks to track the Technology Select Sector Index.
- Focusing on technology companies, including hardware, software, telecom equipment, IT services, semiconductors, electronics, and so on.
- The top sectors are semiconductors (34.19%), software (31.66%), and computers (23.61%).
- The portfolio holds 72 stocks, with the top ten making up 62%.

► Invesco QQQ Trust Series 1 (QQQ.US)

- The investment tracks the NASDAQ-100 Index, featuring the top 100 non-financial NASDAQ companies.
- The leading sectors are semiconductors (22.61%), networking (21.10%), and software (16.01%).
- The portfolio has 102 holdings, with the top ten representing around 52%.

► JPMorgan U.S. Equity Fund

- The strategy allocates flexibly across sectors, focusing on large-cap stocks (20-40 holdings).
- Current focus areas include technology, finance, consumer, and healthcare.
- Managed by 4 experienced fund managers, the fund holds a Morningstar 5-star rating and ranks in the top quartile over 3, 5, and 10 years.

| Product | Tech. Select Sector SPDR Fund (XLK.US) | | Invesco QQQ Trust Series 1 (QQQ.US) | | JPMorgan U.S. Equity Fund | |
|--------------------|---|-------|--|-------|--|-------|
| Features | <ul style="list-style-type: none"> ■ Focused on investments in the technology sector. ■ Offers a cost-effective expense ratio of 0.09%. | | <ul style="list-style-type: none"> ■ Features a large asset base and high trading volume. ■ Provides diversification across technology, consumer services, and healthcare. | | <ul style="list-style-type: none"> ■ Targets U.S. large-cap stocks. ■ Managed by a team with over 20 years of average experience, earning a 5-star Morningstar rating. | |
| AUM | USD 72.86B | | USD 322.41B | | USD 8.271B | |
| Tracking Index | Technology Select Sector Index | | NASDAQ-100 Index | | - | |
| Holdings | 72 | | 102 | | - | |
| 3M/YTD Returns | 1.43% / -0.10% | | 5.42% / 1.07% | | 1.8% / 0.73% | |
| Top-5 Sectors (%) | Semiconductors | 34.19 | Semiconductors | 22.61 | Info. Tech. | 24.80 |
| | Software | 31.66 | Internet | 21.10 | Financials | 19.20 |
| | Computers | 23.61 | Software | 16.01 | Discretionary | 12.80 |
| | Telecommunications | 5.22 | Computers | 10.60 | Healthcare | 8.10 |
| | Internet | 2.30 | Auto Manufacturers | 4.33 | Industrials | 7.40 |
| Top-5 Holdings (%) | Apple Inc. | 14.66 | Apple Inc. | 9.19 | Microsoft Corp. | 6.1 |
| | NVIDIA Corp. | 13.63 | NVIDIA Corp. | 8.53 | NVIDIA Corp. | 5.9 |
| | Microsoft Corp. | 12.93 | Microsoft Corp. | 8.10 | Amazon.com Inc. | 5.7 |
| | Broadcom Inc. | 5.75 | Amazon.com Inc. | 6.00 | META Inc. | 4.4 |
| | Salesforce Inc. | 3.29 | Broadcom Inc. | 4.50 | Apple Inc. | 3.6 |

Source: Bloomberg, 15 Jan. 2025

Technology Select Sector SPDR Fund (XLK.US)

Profile

Technology Select Sector SPDR Fund is an ETF incorporated in the USA. The ETF tracks the performance of The Technology Select Sector Index. The ETF holds large and mid-cap technology stocks. Its largest investment allocation is in the United States. The ETF weights the holdings using a market capitalization methodology.

Investing in the Technology Sector

This ETF targets the technology sector, including hardware, software, semiconductors, and IT services, suitable for investors using tactical tilts or industry rotation strategies.

Holdings Concentrated in Top 10 Companies

The fund primarily holds stocks of the largest companies in the industry, including Apple, Nvidia, Microsoft, Broadcom, and Salesforce, with the top 10 holdings accounting for approximately 62%.

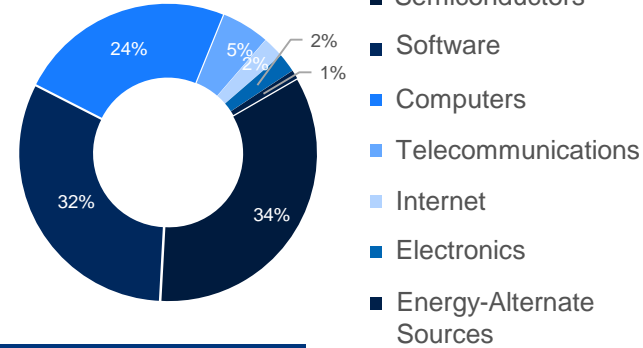
Low Expense Ratio

The ETF has an expense ratio of 0.09%, making it cost-effective and helping investors reduce investment costs.

| | | | |
|-----------------------|--------------|------------------------------|-------------|
| Inception Date | 16 Dec. 1998 | AUM | USD 72.86 B |
| ETF Category | Equities | Holdings | 72 |
| Expense Ratio | 0.09% | 3Y Stand. Dev. (Ann.) | 23.07% |

Source: Bloomberg, 15 Jan. 2025

Sectors



1-Year Performance



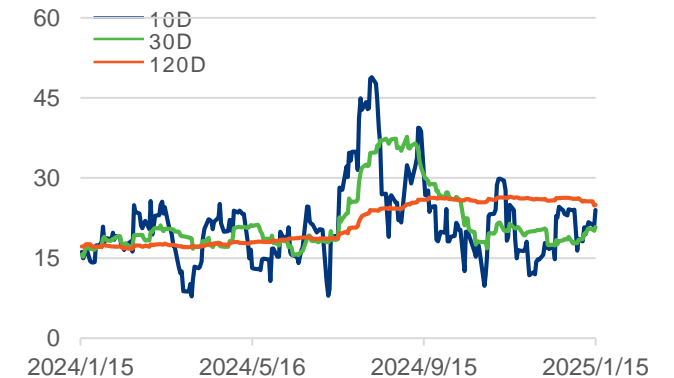
As of 15 Jan. 2025

| | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|-------------------|-------|------|-------|-------|-------|--------|
| Return (%) | -3.63 | 1.43 | -0.10 | 21.36 | 43.71 | 151.94 |

Top-5 Holdings (%)

| | |
|------------------------|-------|
| Apple Inc. | 14.66 |
| NVIDIA Corp. | 13.63 |
| Microsoft Corp. | 12.93 |
| Broadcom Inc. | 5.75 |
| Salesforce Inc. | 3.29 |

1-Year Volatility



Invesco QQQ Trust Series 1 (QQQ.US)

Profile

Invesco QQQ Trust Series 1 tracks the Nasdaq 100 Index. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology.

High Liquidity

This ETF has a large AUM, high trading volume, and strong liquidity, making it a popular choice among individual and institutional investors. The high liquidity makes it an attractive option for investors seeking capital appreciation.

Diversified Investment

The NASDAQ-100 Index consists of the 100 largest non-financial listed companies on the Nasdaq Stock Exchange, including sectors such as technology, consumer services, and healthcare, offering a diversified investment portfolio.

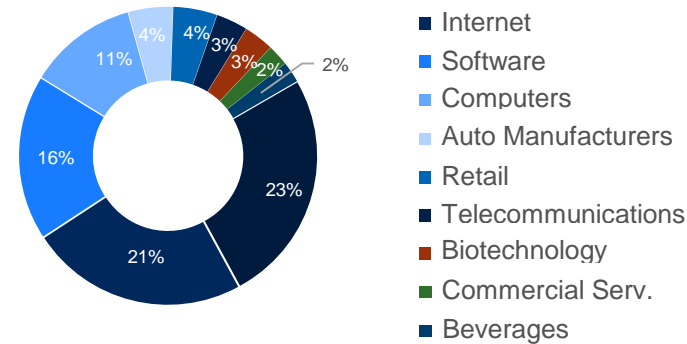
Growth Potential

This ETF tracks an index composed of companies known for their growth-oriented business models, investing in many of the world's leading large corporations such as Apple, Nvidia, Microsoft, Amazon, and Broadcom. The top ten holdings account for approximately 52%.

| | | | |
|-----------------------|--------------|------------------------------|--------------|
| Inception Date | 10 Mar. 1999 | AUM | USD 322.41 B |
| ETF Category | Equities | Holdings | 102 |
| Expense Ratio | 0.2% | 3Y Stand. Dev. (Ann.) | 22.28% |

Source: Bloomberg, 15 Jan. 2025

Sectors



1-Year Performance



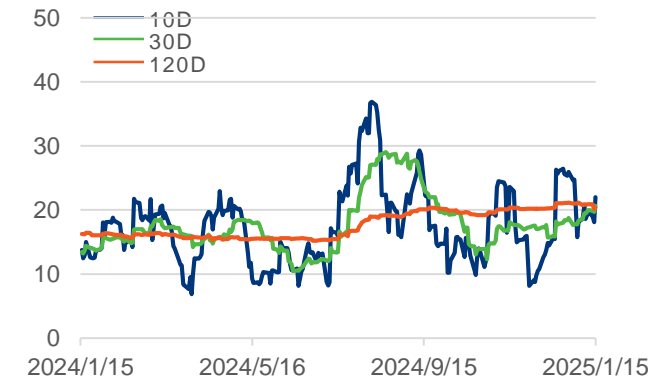
As of 15 Jan. 2025

| | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|-------------------|-------|------|------|-------|-------|--------|
| Return (%) | -3.84 | 5.42 | 1.07 | 26.92 | 38.73 | 140.02 |

Top-5 Holdings (%)

| | |
|------------------------|------|
| Apple Inc. | 9.19 |
| NVIDIA Corp. | 8.53 |
| Microsoft Corp. | 8.10 |
| Amazon.com Inc. | 6.00 |
| Broadcom Inc. | 4.50 |

1-Year Volatility



JPMorgan U.S. Equity Fund

Profile

With its proven, long-term investment philosophy, the U.S. Equity Fund is designed as a strong portfolio foundation for large cap investors.

Focus on the U.S. Market

The fund mainly invests in U.S. companies, focusing on sectors like information technology, financials, discretionary consumer goods, and healthcare, capturing growth opportunities through equity holdings.

Concentrated Holdings

The fund primarily invests in large-cap stocks with a concentrated portfolio, targeting 20 to 40 holdings. It focuses on companies with strong cash flows and dominant, long-lasting market share, including Microsoft, NVIDIA, Amazon, META, and Apple.

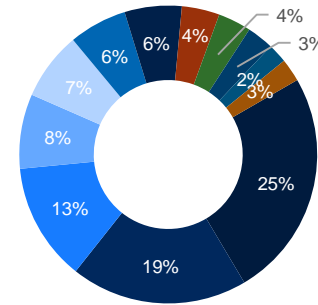
High-Quality Investment Team

This fund's investment team includes four senior fund managers, each with an average experience of over 20 years, and has received a 5-star rating from Morningstar.

| | | | |
|-----------------------------|--------------|------------------------------|-------------|
| Inception Date | 16 Nov. 1988 | AUM | USD 8.271 B |
| Morningstar Category | Balanced | Category | Equities |
| Morningstar Rating | ★★★★★ | 3Y Stand. Dev. (Ann.) | 21.34% |

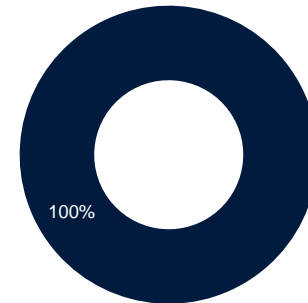
Source: JPM, 30 Nov. 2024; MorningStar, 15 Jan. 2025

Sectors



- Info. Tech.
- Financials
- Discretionary
- Healthcare
- Industrials
- Energy
- Comm. Serv.
- Real Estate
- Staples
- Materials
- Utilities
- Cash

Regions



- U.S.

Top-5 Holdings (%)

| | |
|------------------------|-----|
| Microsoft Corp. | 6.1 |
| NVIDIA Corp. | 5.9 |
| Amazon.com Inc. | 5.7 |
| META Inc. | 4.4 |
| Apple Inc. | 3.6 |

3 Year Performance



As of 15 Jan. 2025

| | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|-------------------------|-------|------|------|-------|-------|-------|
| Return (USD, %) | -1.84 | 1.80 | 0.73 | 26.63 | 61.46 | 35.48 |
| Quartile Ranking | 2 | 3 | 3 | 2 | 1 | 1 |

Robust Earnings for U.S. Banks, Rate Cut Cycle Tailwind for Fundamentals

► JPM 5.581 04/22/30

- JPMorgan Chase (JPM), the largest U.S. bank, leads in retail deposits and ranks top-three globally in investment banking. Its 2023 acquisition of First Republic Bank bolstered its lending, deposits, and wealth management.
- JPMorgan Chase (JPM) consistently outperforms peers in profitability across various economic conditions. It targets a 17% return on tangible common equity (ROTCE), one of the highest among U.S. peers. Adjusted for non-recurring items, its ROTCE ranged from 19% to 21% during the first three quarters of 2024. Additionally, JPM holds the highest Common Equity Tier 1 (CET1) ratio among U.S. Global Systemically Important Banks (G-SIBs), reaching 15.3% as of the end of 3Q24.
- S&P upgraded JPMorgan Chase (JPM) in November 2024, and Moody's revised its outlook to positive. JPM outperformed peers during recent rate hikes, achieving strong net interest income growth. Its unrealized losses were 3.0% of its securities portfolio as of September 30, 2024, better than most peers. Over the past decade, JPM avoided major regulatory issues and trading losses while making strategic acquisitions.

| | |
|----------------------------|---|
| Products | JPM 5.581 04/22/30 |
| ISIN | US46647PEG72 |
| Highlight | JPMorgan Chase (JPM) continues to outperform peers in profitability and has recently seen its rating upgraded by credit agencies. |
| Maturity Date | 22 Apr. 2030 |
| Coupon (%) | Float/5.581/Semi-annual |
| Currency | USD |
| Years to Maturity | 5.26 |
| Rating (Moody's/Fitch/S&P) | A1/AA-/A |
| Seniority | Senior Unsecured |
| YTM/YTC (%) | 5.16/5.13 |

Source: Bloomberg

JPM 5.581 04/22/30

Profile

JPMorgan Chase & Co. provides global financial services and retail banking. The Company provides services such as investment banking, treasury and securities services, asset management, private banking, card member services, commercial banking, and home finance. It serves business enterprises, institutions, and individuals.

Highlights

- Consistently outperforms peers. In 1Q-3Q24, its adjusted ROTCE was 19%-21%. Its CET1 ratio, the highest among U.S. G-SIBs, stood at 15.3% as of 3Q24.
- In November 2024, S&P upgraded JPMorgan Chase (JPM), and Moody's revised its outlook to positive. This reflects JPM's leading net interest income growth during sharp rate hikes and its low unrealized losses at 3.0% of its securities portfolio as of September 30, 2024.
- The Fed's rate-cutting cycle presents an opportunity to lock in yields on high-quality bonds. Focus on issuers with low credit risk, and as rates rebound, consider increasing allocations to premium bonds to mitigate volatility.

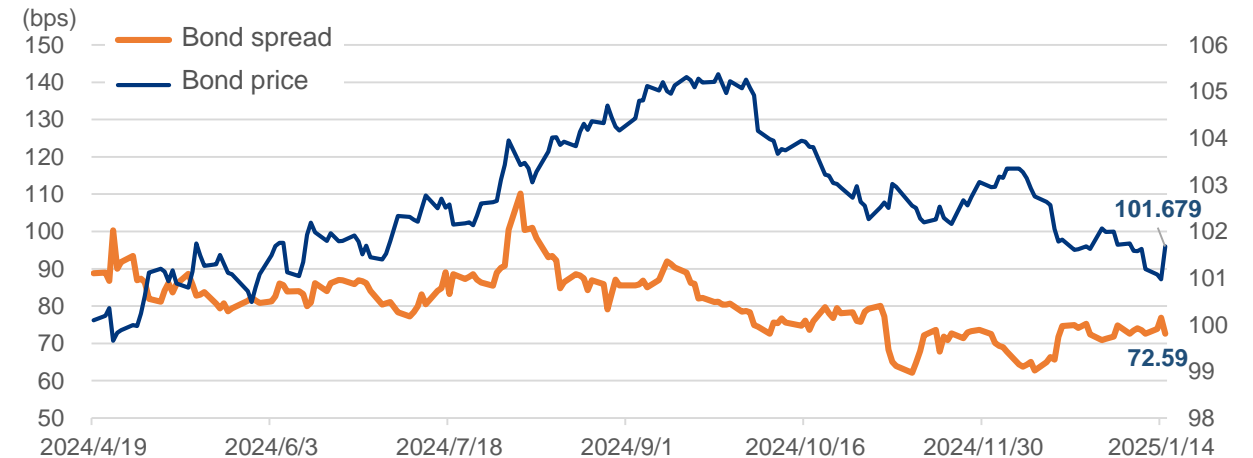
| Financials | 2022 | 2023 | 2024 |
|----------------------------------|--------|--------|--------|
| Return on Tangible Common Equity | 17.09 | 20.92 | 22.13 |
| Common Equity Tier 1 (CET1) | 13.20 | 15.00 | 15.70 |
| Interest Coverage Ratio | 112.00 | 113.00 | 113.00 |

Source: Bloomberg, 16 Jan. 2025

Overview

| | | | |
|--|-------------------------|------------------------------------|------------------|
| Name | JPM 5.581 04/22/30 | ISIN | US46647PEG72 |
| Maturity Date | 22 Apr. 2030 | Remaining Maturity | 5.26 |
| Coupon(%) | Float/5.581/Semi-annual | YTM/YTC(%) | 5.16/5.13 |
| Currency | USD | Min. Subscription/Increment | 2,000/1,000 |
| Ratings (Moody's/Fitch/S&P) | A1/AA-/A | Seniority | Senior Unsecured |

Price Since Issuance



Appendix

Key Economic Data / Events

▶ JAN 2025

13

Monday

- China Dec. Exports YoY (Act:10.7% Est:7.5% Prev:6.7%)

14

Tuesday

- U.S. Dec. PPI YoY (Act:3.3% Est:3.5% Prev:3.0%)

15

Wednesday

- U.S. Dec. CPI YoY (Act:2.9% Est:2.9% Prev:2.7%)
- U.S. Dec. Core CPI YoY (Act:3.2% Est:3.3% Prev:3.3%)
- Japan Dec. Machine Tool Orders YoY Initial Value (Act:11.2% Prev:3.0%)
- Eurozone Nov. Industrial Production Growth YoY (Act:-1.9% Est:-1.9% Prev:-1.1%)

16

Thursday

- U.S. Last Week's Initial Jobless Claims (Act:217k Est:210k Prev:203k)
- U.S. Dec. Retail Sales Advance MoM (Act:0.4% Est:0.6% Prev:0.8%)
- Japan Dec. PPI YoY (Act:3.8% Est:3.8% Prev:3.8%)

17

Friday

- U.S. Dec. Industrial Production MoM (Est:0.3% Prev:-0.1%)
- U.S. Dec. Housing Starts MoM (Est:3.0% Prev:-1.8%)
- China Q4 GDP YoY (Act:5.4% Est:5.0% Prev:4.6%)
- China Dec. Industrial Production YoY (Act:6.2% Est:5.4% Prev:5.4%)
- China Dec. Retail Sales YoY (Act:3.7% Est:3.6% Prev:3.0%)
- Eurozone Dec. CPI YoY Final Value (Est:2.4% Prev:2.4%)

20

Monday

- Japan Nov. Core Machine Orders MoM (Est:-0.8% Prev:2.1%)
- Japan Nov. Industrial Production MoM Final Value (Prev:-2.3%)

21

Tuesday

- The Performance of SCHW, PLD and 3M

22

Wednesday

- The Performance of NFLX, APH, PG, ABT, GEV, JNJ

23

Thursday

- U.S. Last Week's Initial Jobless Claims (Prev:217k)
- Japan Dec. Exports YoY (Est:0.8% Prev:3.8%)
- The Performance of GE, ELV, UNP

24

Friday

- U.S. Jan. U. of Mich. Sentiment Final Value (Prev:73.2)
- Japan Jan. BOJ Target Rate (Est:0.50% Prev:0.25%)
- Japan Dec. National CPI YoY (Est:3.4% Prev:2.9%)
- The Performance of TXN, ISRG, NEE, PGR, NOW, HCA, AXP, VZ

Source: Bloomberg

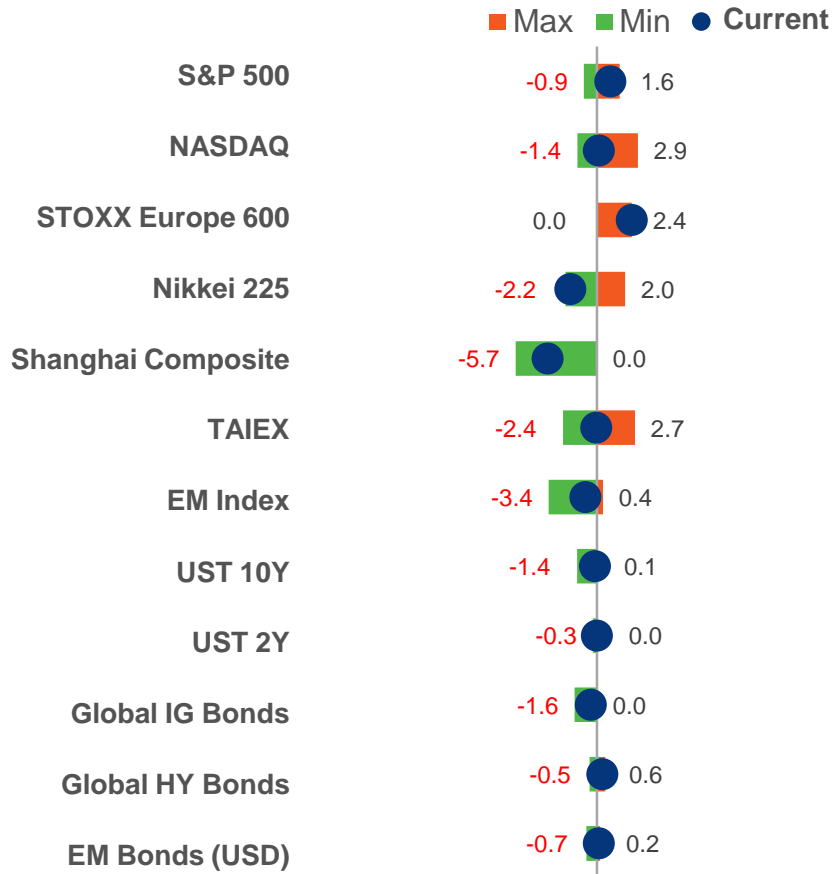
Key Earnings Releases

| Date | Name | Revenue (F) (USD) | Announced Revenue (USD) | EPS (F) (USD) | Announced EPS (USD) | Exceed Expectation Revenue | Exceed Expectation EPS |
|-----------|------------------------------|----------------------|----------------------------|------------------|------------------------|-------------------------------|---------------------------|
| 2025/1/15 | Blackrock Inc | 5.44B | 5.68B | 11.02 | 11.93 | V | V |
| 2025/1/15 | Wells Fargo & Co | 20.49B | 20.38B | 1.34 | 1.42 | | V |
| 2025/1/15 | Jpmorgan Chase & Co | 41.25B | 43.74B | 3.95 | 4.81 | V | V |
| 2025/1/15 | Goldman Sachs Group Inc | 12.15B | 13.87B | 8.12 | 11.95 | V | V |
| 2025/1/15 | Citigroup Inc | 19.45B | 19.58B | 1.22 | 1.34 | V | V |
| 2025/1/16 | Unitedhealth Group Inc | 101.61B | 100.8B | 6.74 | 6.81 | | V |
| 2025/1/16 | Us Bancorp | 6.98B | 7.01B | 1.05 | 1.07 | V | V |
| 2025/1/16 | Pnc Financial Services Group | 5.48B | 5.57B | 3.3 | 3.77 | V | V |
| 2025/1/16 | Bank Of America Corp | 25.1B | 25.3B | 0.77 | 0.82 | V | V |
| 2025/1/16 | Morgan Stanley | 14.76B | 16.2B | 1.64 | 2.22 | V | V |

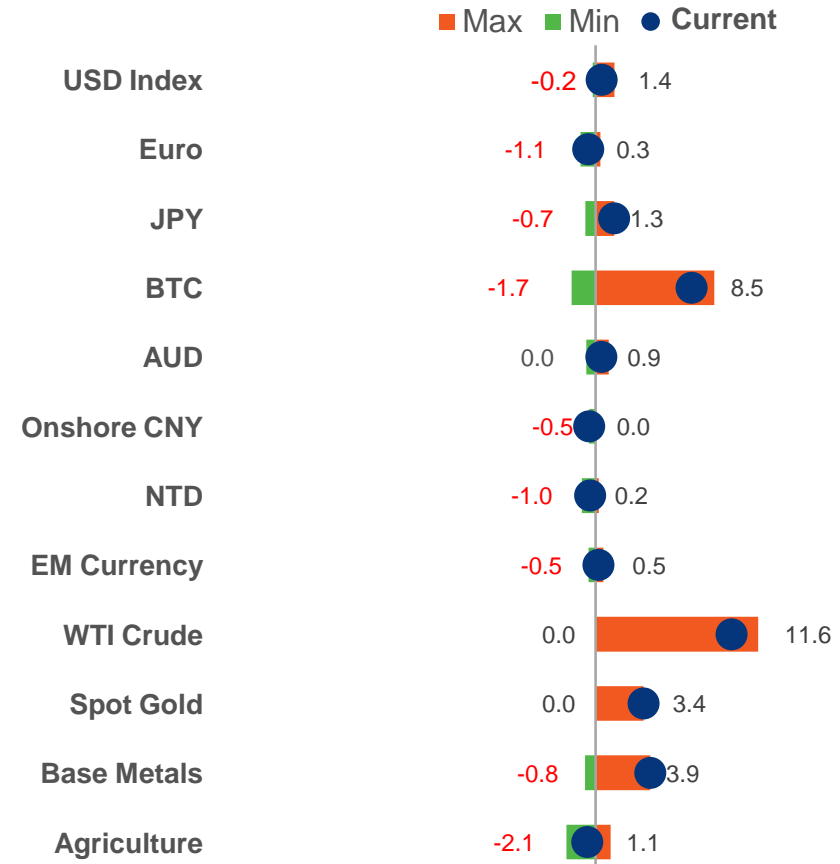
Source: Investing.com

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



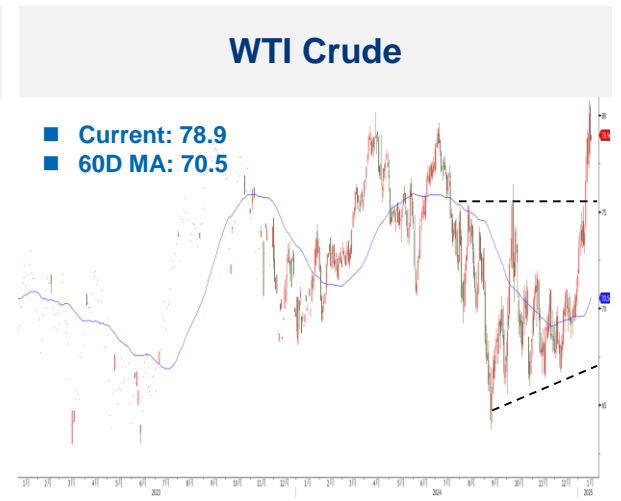
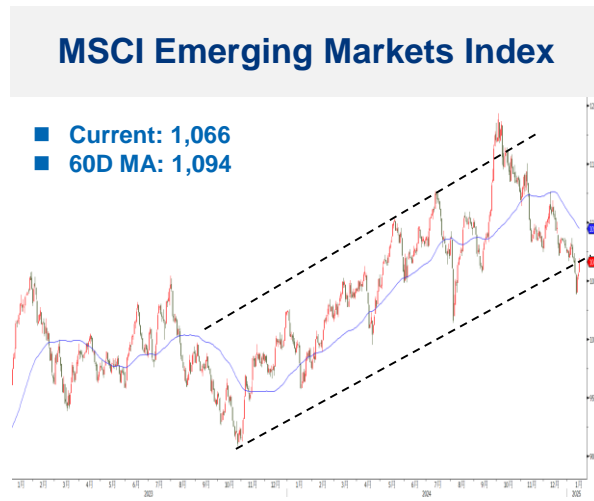
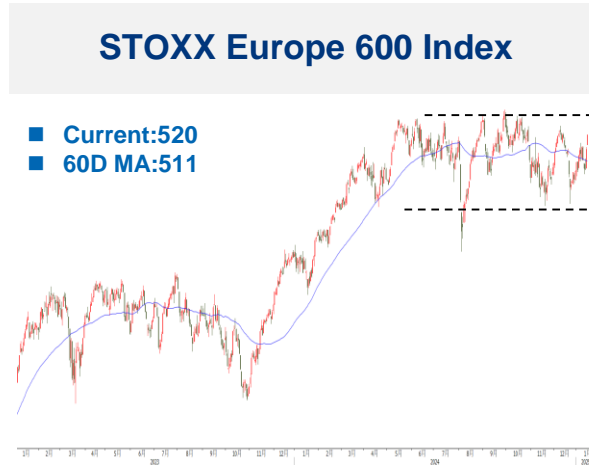
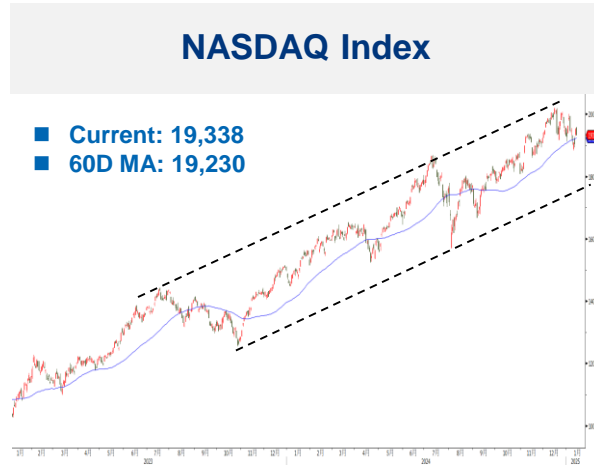
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 17 Jan. 2025

Technical Analysis

— 60D MA

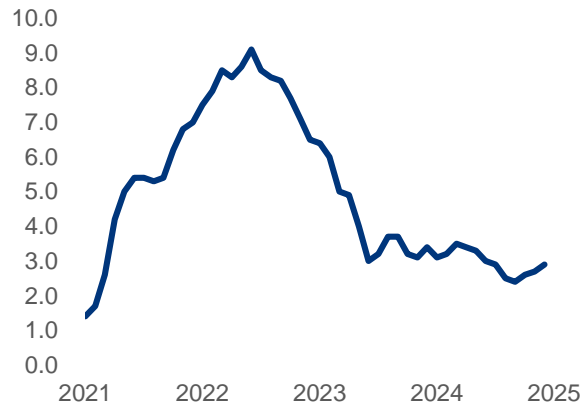


Source: Bloomberg, 17 Jan. 2025

Technical Analysis

— 60D MA

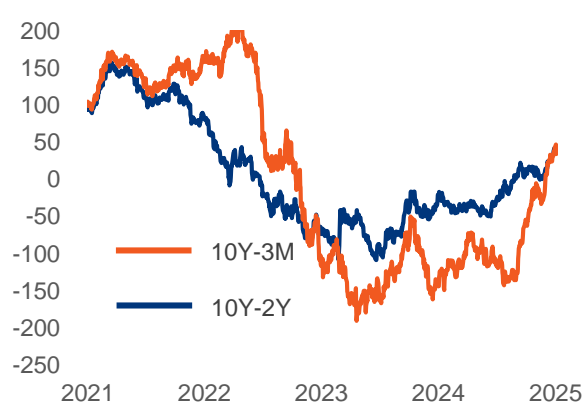
S&P 500 Index



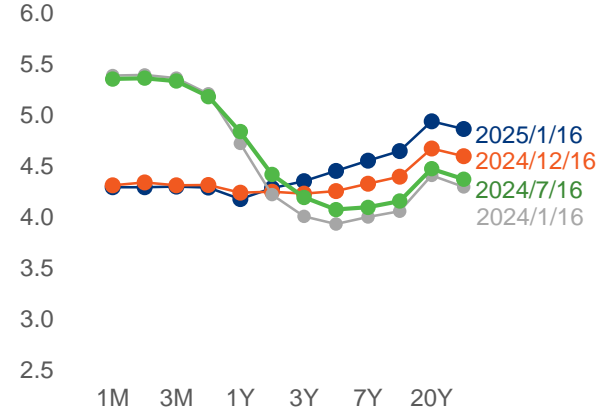
NASDAQ Index



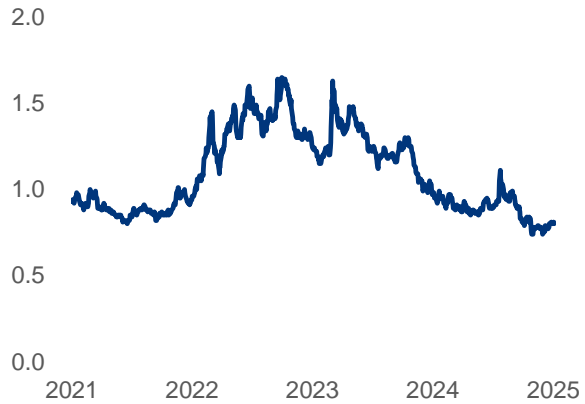
STOXX Europe 600 Index



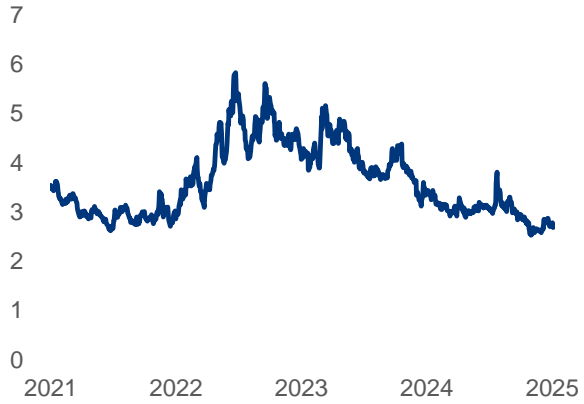
Nikkei 225 Index



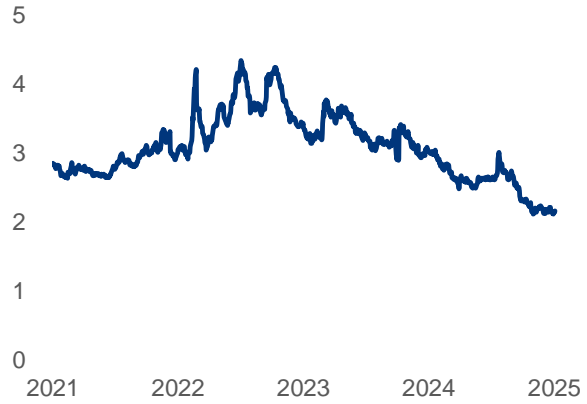
Shanghai Composite Index



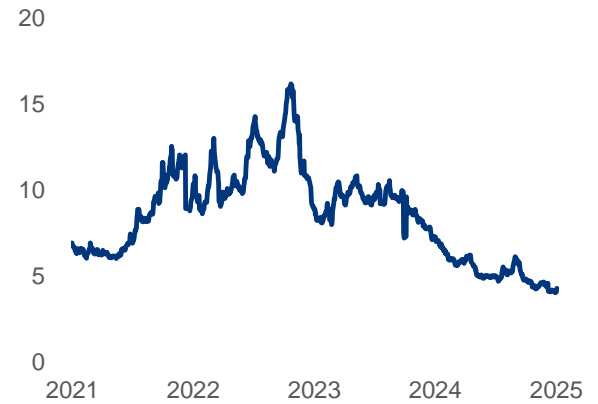
MSCI Emerging Markets Index



Gold



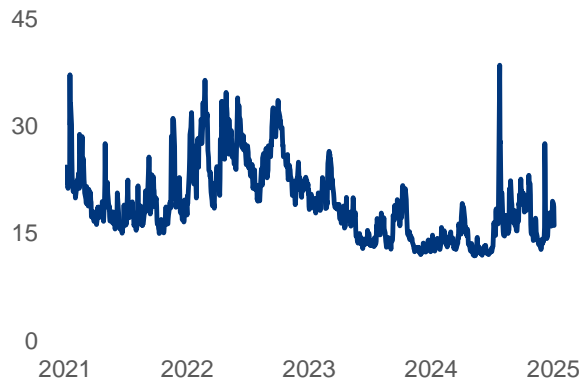
WTI Crude



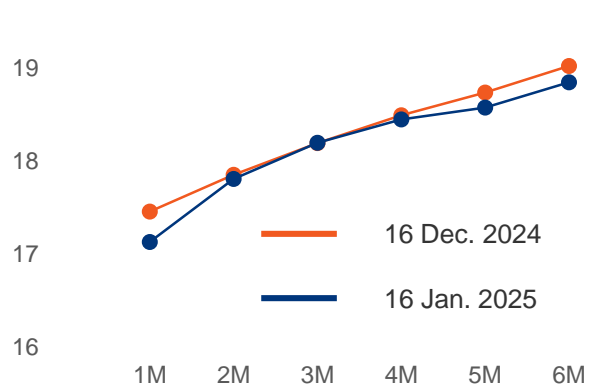
Source: Bloomberg, 16 Jan. 2025

Market Monitor

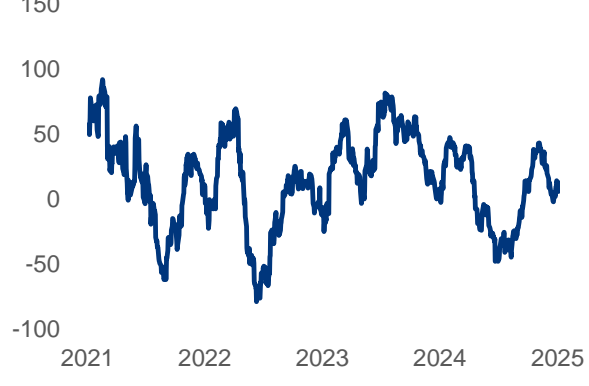
VIX Index



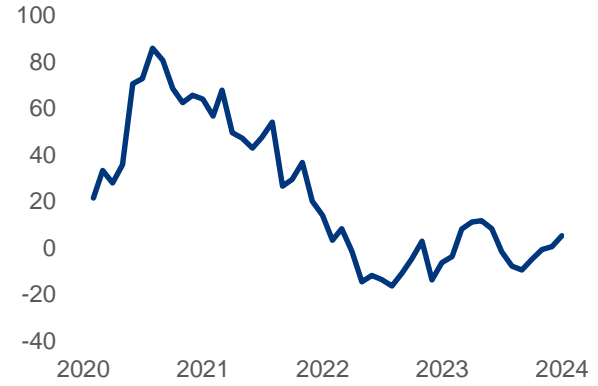
VIX Term Structure



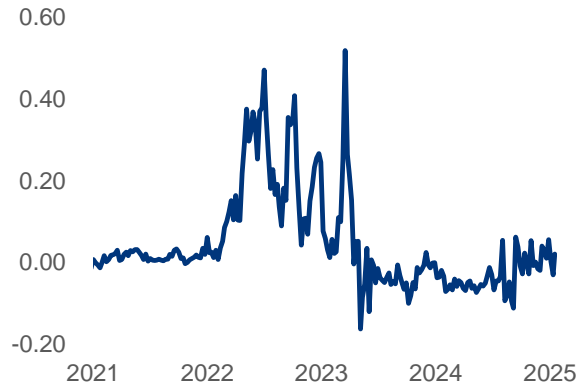
U.S. Citi Economic Surprise Index*



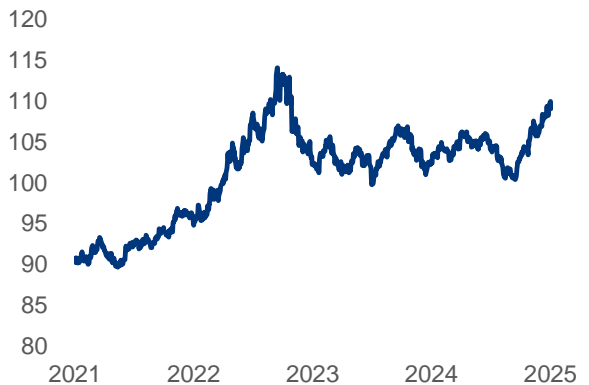
U.S. Citi Inflation Surprise Index*



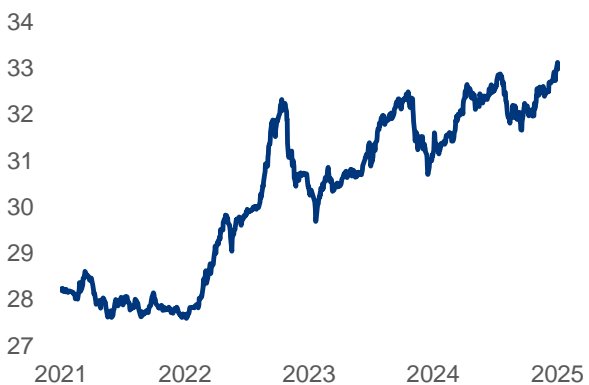
TED Spread (bps)



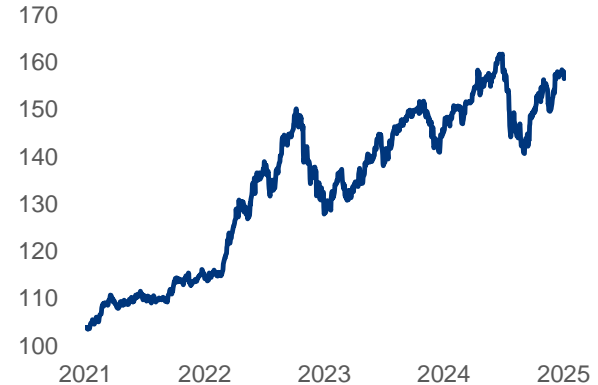
U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 16 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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