



The Deep Seek for Yield

Global Markets Weekly Kickstart

10 February 2025



01 Chart of the Week

Manufacturing Activity Picks Up, U.S.
Stock Rotation Opportunities Ahead



02 Market Recap

Tariffs, Data, and Earnings Trio Disrupt
Market Dynamics



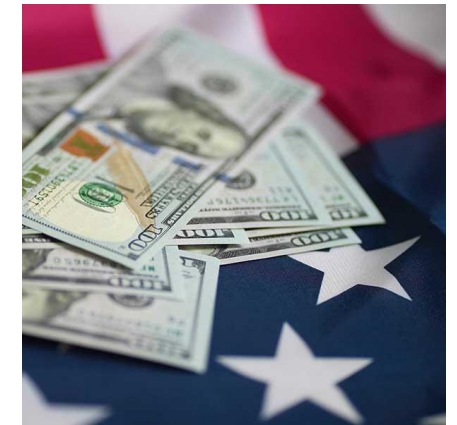
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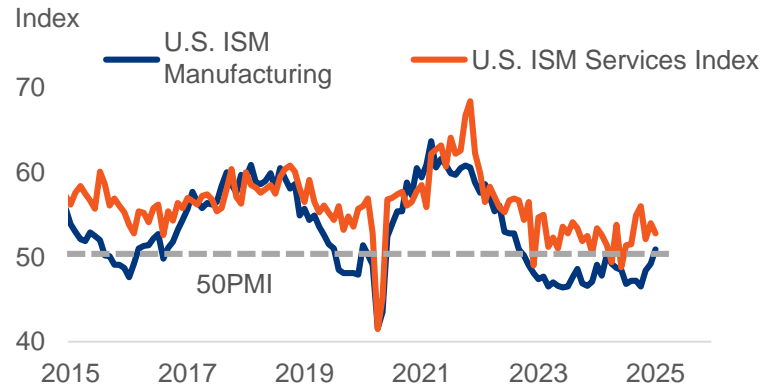
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Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs

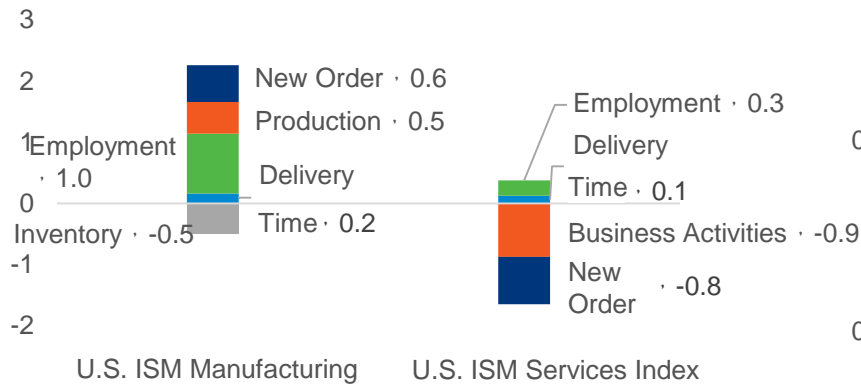
U.S. Manufacturing PMI Returns to Expansion, Watch for Sector Rotation Opportunities in U.S. Stocks in the Short Term

► In January, the U.S. ISM Manufacturing PMI rose to 50.9, exceeding expectations and returning to expansion since October 2022, signaling improved demand in manufacturing. However, the ISM Services PMI for January was 52.8, below market forecasts, indicating slower service sector growth. As of January 31, 40% of S&P 500 companies reported earnings, with over 70% surpassing expectations. FactSet predicts 14% earnings growth for 2025. While the U.S. economy shows resilience, tensions from U.S.-China trade and tech conflicts could increase market volatility. Short-term market movements may involve sector rotation, with a focus on healthcare, financials, and industrials, and selective tech buys during pullbacks.

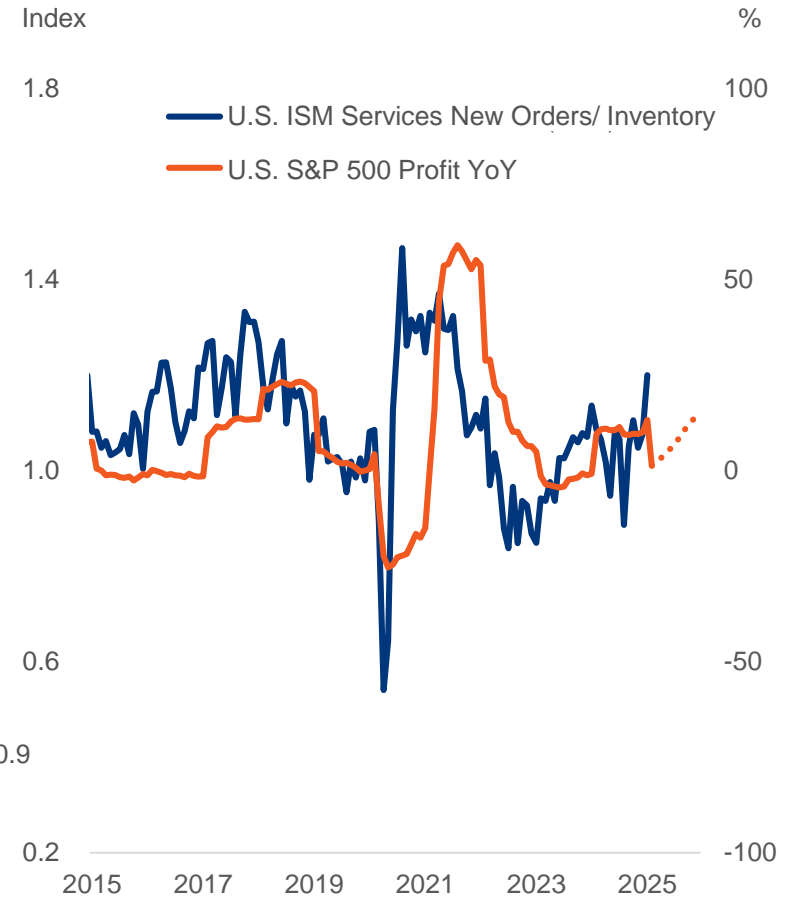
January U.S. Manufacturing Activity Picks Up, Service Sector Growth Slows



January vs. Previous Month Changes and Contributions by Subcomponents



Manufacturing Recovery Phase, U.S. Corporate Earnings in Growth Stage



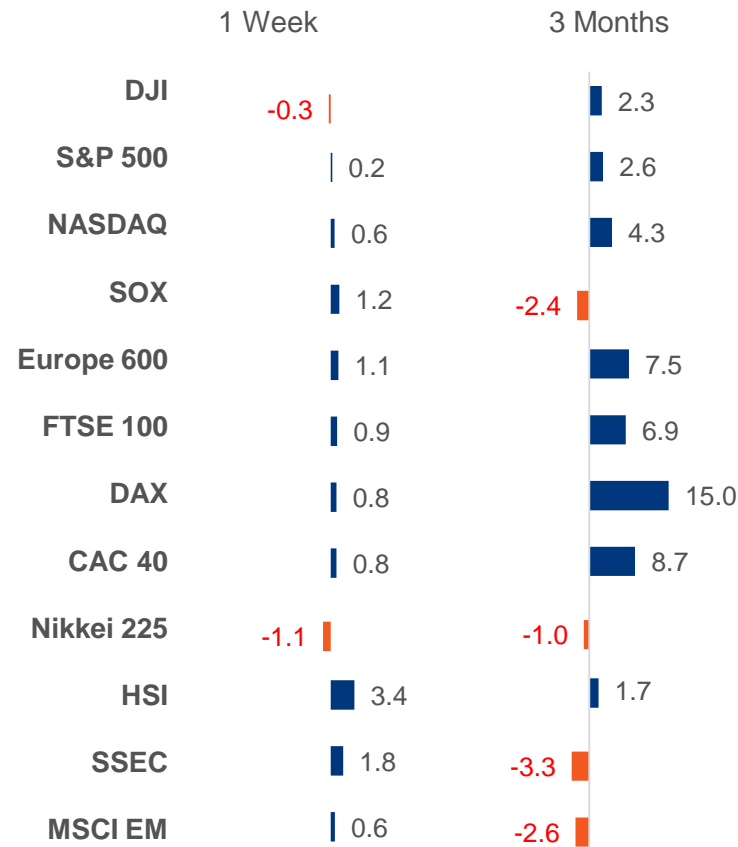
Source: Bloomberg, FactSet, 7 Feb. 2025

Market Recap

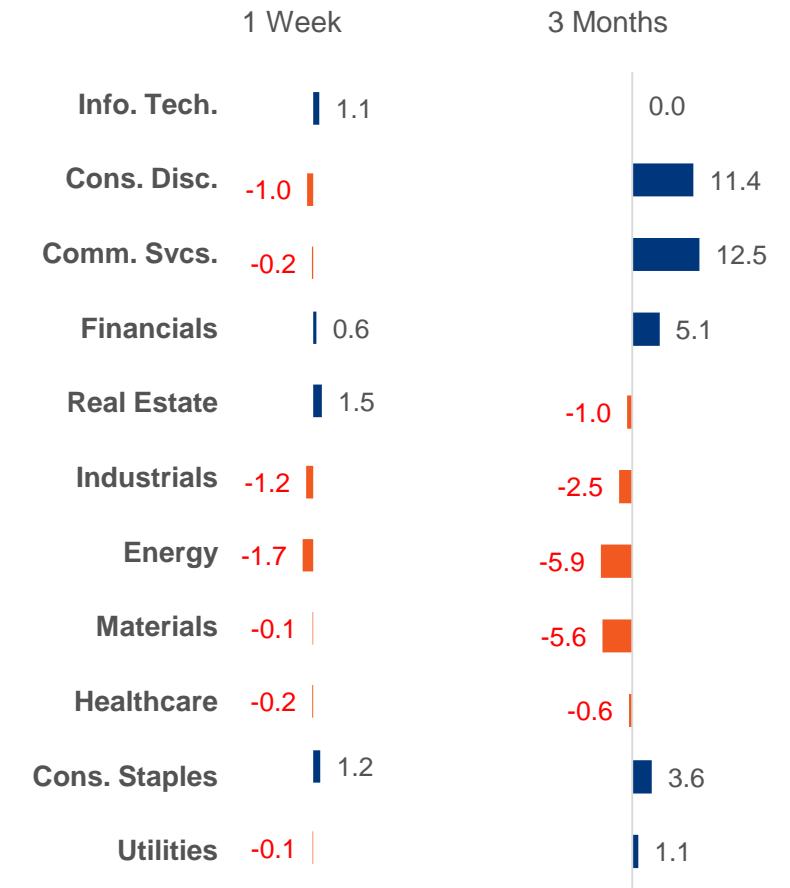
Manufacturing Data, Tariff Policies, and Corporate Earnings Period Cause Stock Market Volatility and Uptick

- U.S. stocks fluctuated this week, initially dipping before recovering. Economic data, like the ISM Manufacturing PMI, showed a manufacturing rebound, while DeepSeek and tariff concerns caused early disruptions in AI tech stocks. However, a tariff delay and better-than-expected corporate earnings boosted markets globally. Japan's wage growth and stable service PMI led to expectations of a rate hike and a stronger yen, with some stocks showing good performance. Tech earnings were a focus, with Alphabet beating expectations but its stock fell due to higher capital expenditures. AMD met earnings expectations, but lower-than-expected data center growth affected its stock price. Amazon's earnings were disappointing, but its continued AI investment raised concerns about its sustainability. U.S. data points to a soft landing, with easier loan standards and expectations of relaxed financial regulations, which have helped boost real estate and financial stocks.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)



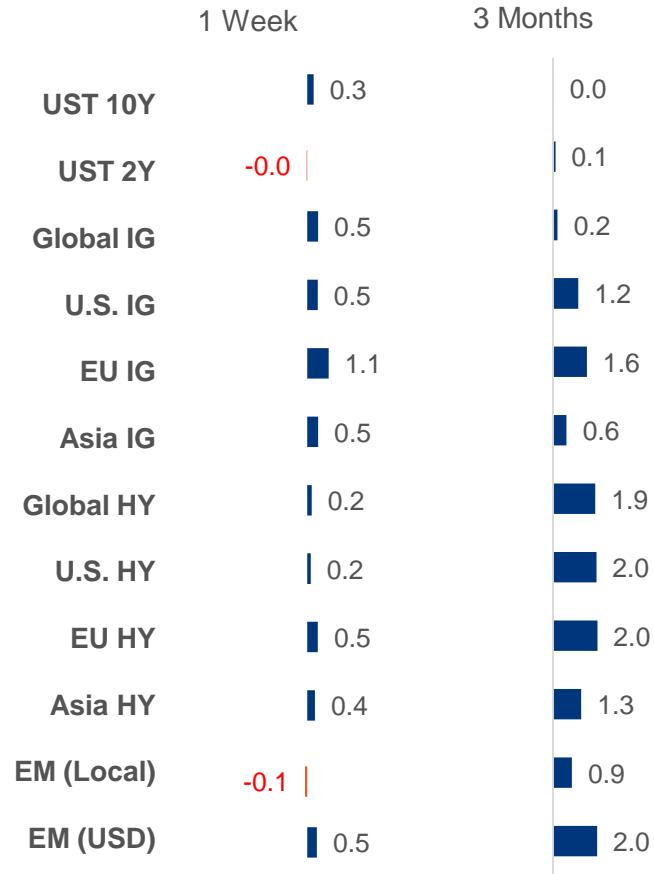
Source: Bloomberg, 7 Feb. 2025

Employment Data Slowdown and Treasury Secretary's Remarks Push Mid-To-Long Term Yields

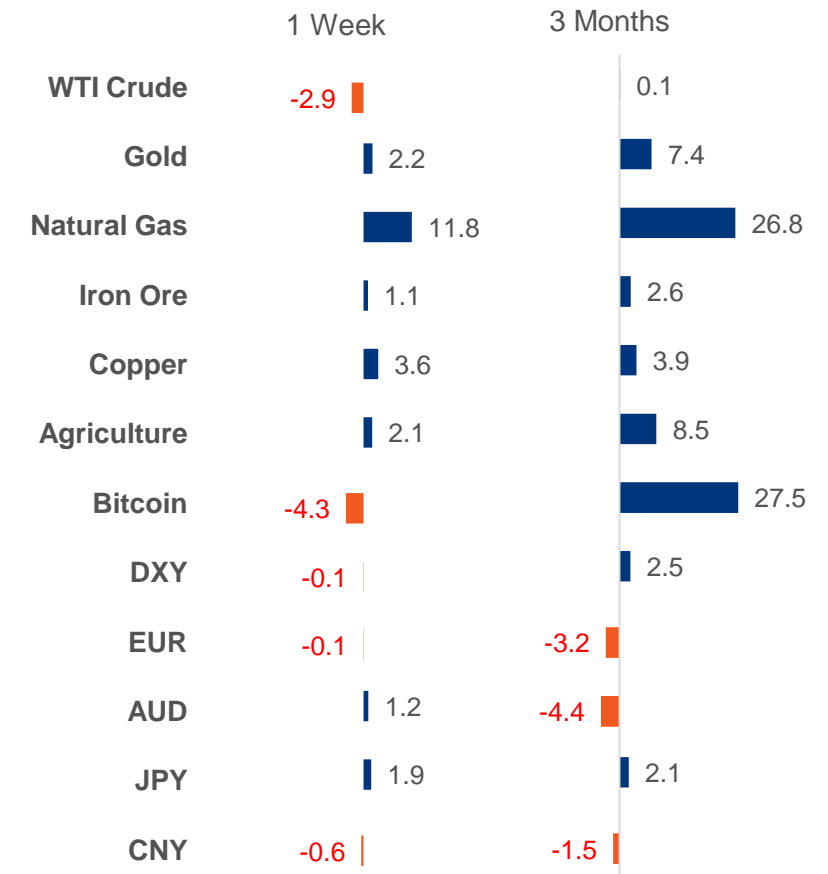
Lower, Weakening The Dollar and Boosting Natural Gas

- ▶ U.S. December JOLTS job openings dropped to 7.6 million, below expectations, signaling a weaker labor market. Initial jobless claims rose to 219,000, higher than forecasted. U.S. Treasury bond yields fell as Treasury Secretary Yellen aimed to lower long-term yields, supporting the bond market.
- ▶ Trump delayed tariffs on Mexico and Canada, easing market sentiment. The U.S. dollar weakened, and gold prices rose as geopolitical tensions increased demand for safe-haven assets. Natural gas prices surged due to higher demand, while crude oil inventories grew by 8.66 million barrels, pushing oil prices lower.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



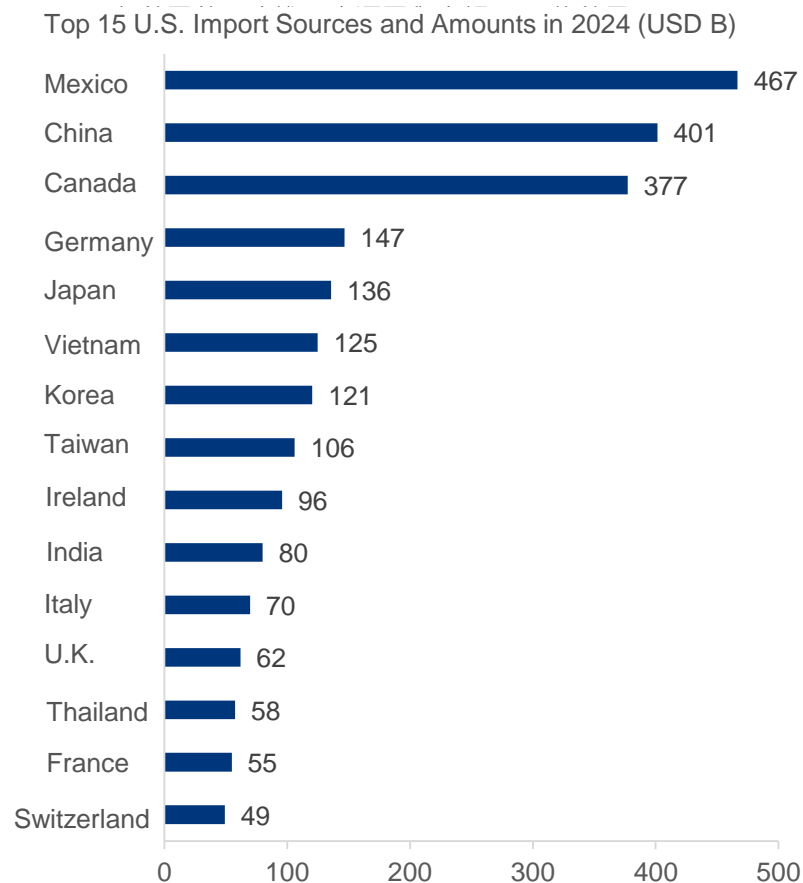
Source: Bloomberg, 7 Feb. 2025

Trump's First Tariff Policy Targets China, Canada, and Mexico

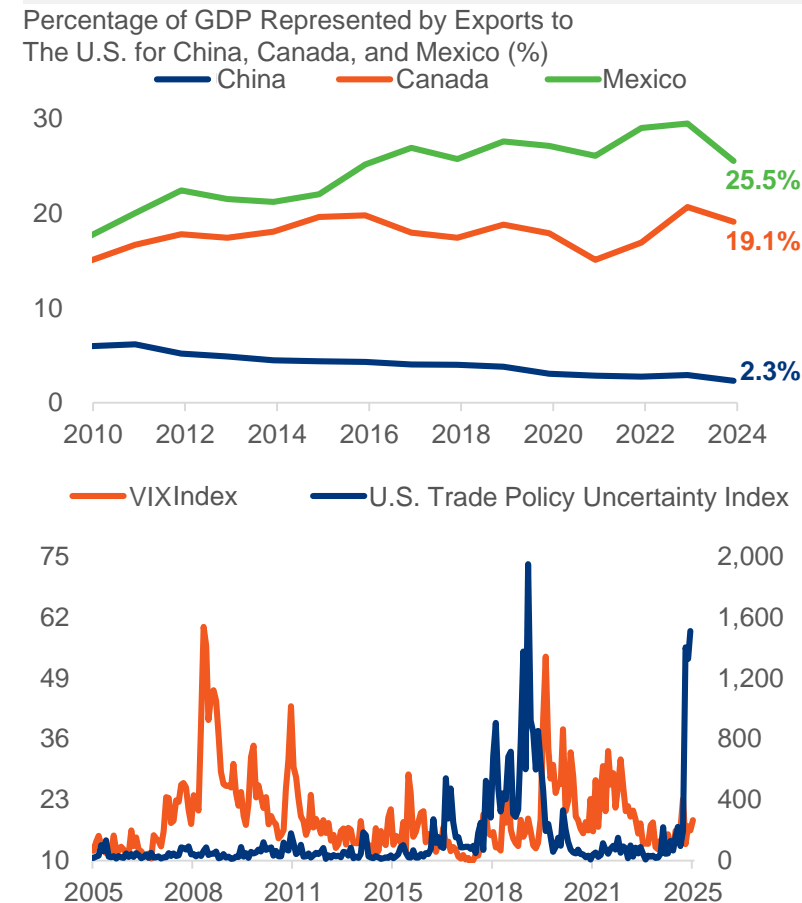
- ▶ On February 1st, Trump announced a 25% tariff on Canada and Mexico, and a 10% tariff on China to address trade imbalances,entanyl imports, and illegal immigration. However, after talks with Canadian and Mexican leaders, the tariffs were delayed by 30 days. In response, China imposed 10%-15% tariffs on U.S. exports of energy, machinery, and vehicles.
- ▶ Although the tariffs on Canada and Mexico have been postponed, there remains a risk of future tariffs due to their significant exports to the U.S. Trump's tariff actions on the U.S.'s top import partners indicate a desire to bring manufacturing back to the U.S. As these countries have high trade volumes with the U.S., the tariffs could have a considerable impact. U.S.-China trade relations continue to worsen, and trade tensions are likely to increase. In the financial markets, rising trade uncertainty may lead to increased volatility, which could negatively affect short-term market performance.

Source: Bloomberg, US Census Bureau (left chart: Nov. 2024)

Mexico, China, and Canada Are The Top Three Import Sources for The U.S.



Trade War Likely to Have A Greater Impact on Canada and Mexico, Increasing Market Volatility

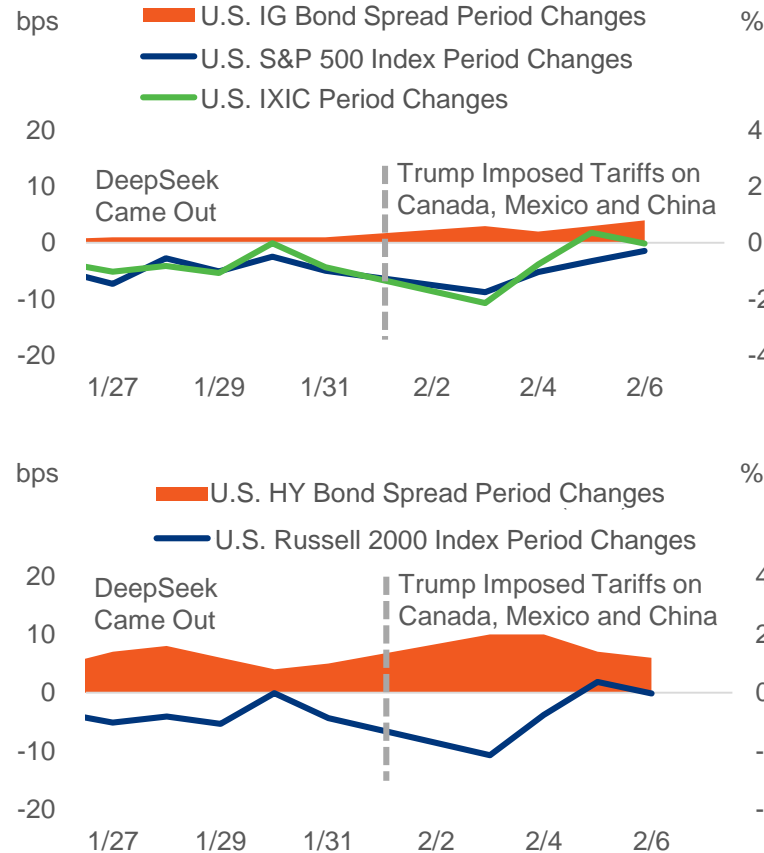


As Tech Stocks Correct, Credit Bond Spreads Show Limited Volatility

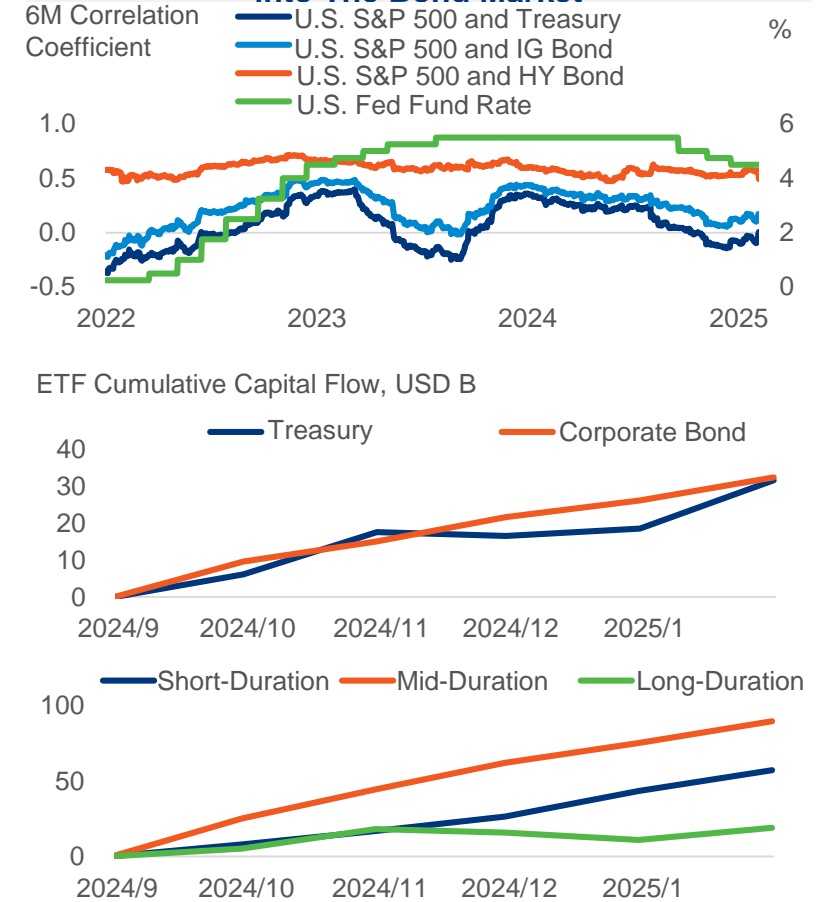
- ▶ DeepSeek, a Chinese AI startup, launched a new AI model on January 27. This, along with U.S. President Trump's tariffs on Mexico, Canada, and China, caused a decline in U.S. stocks and AI tech stocks. However, after these events, U.S. corporate bond spreads only rose slightly, indicating strong corporate credit. Moving forward, attention should be given to large tech companies' capital expenditure cuts and tariff impacts on corporate credit ratings.
- ▶ Since the September 2024 rate cuts, U.S. stocks and bonds have become negatively correlated. Bond ETFs continue to see inflows, especially in government and investment-grade corporate bonds. With the U.S. economy remaining resilient, the Federal Reserve may slow its rate-cutting actions. Therefore, investors have focused on medium-to-short-term bonds to navigate policy uncertainty. Conservative investors may prefer a balanced stock-bond allocation, with a focus on government and investment-grade bonds to lock in stable yields.

Source: Bloomberg

Despite Tech and Tariff Headwinds, U.S. Corporate Bond Spreads Remain Stable



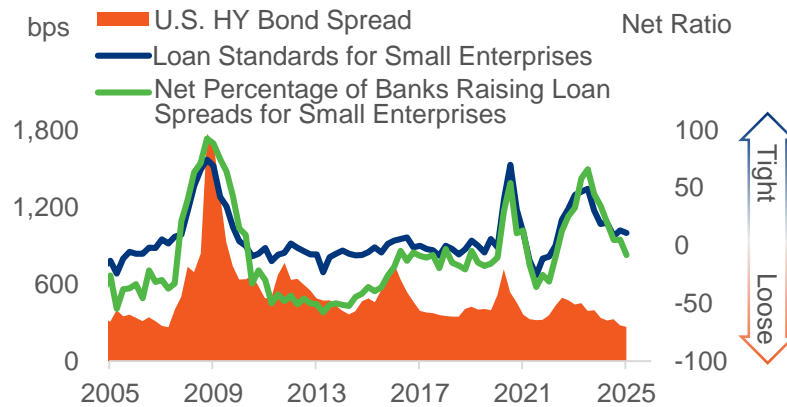
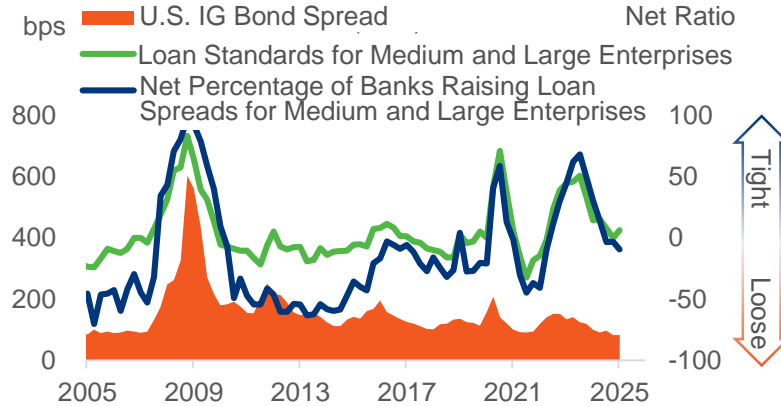
After Fed Rate Cuts, Stocks and Bonds Turn Negatively Correlated with Continued Inflows into The Bond Market



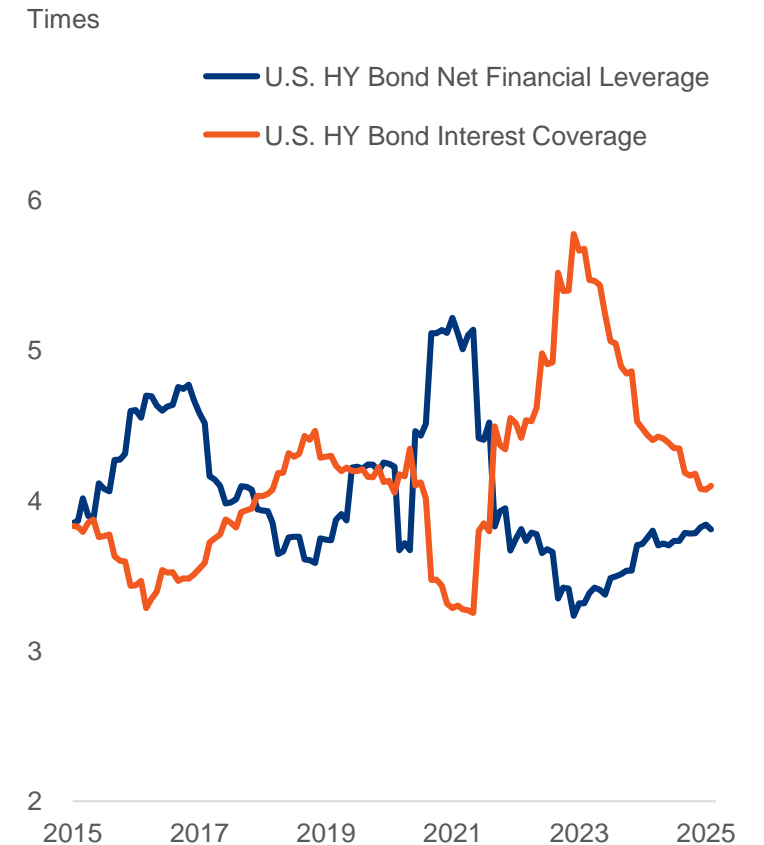
Banks Ease Tightening, Focusing on High-Quality Credit Bonds for Stable Yields

- ▶ The Federal Reserve reports that loan standards for mid & large businesses remain tight due to economic uncertainty and industry risks, leading to higher borrowing costs. However, demand for investments in plants, equipment, and M&A is driving loan growth for these businesses, while small business demand remains stable. Banks expect corporate loan quality to improve in 2025, with standards easing or remaining stable, supporting low credit spreads.
- ▶ Despite high interest rates and geopolitical risks, Bloomberg forecasts a higher upgrade rate for U.S. IG companies in comm., finance, and energy, while non-essential consumer firms may face downgrades. U.S. NI grade companies are increasing financial leverage. Key factors include (1) a soft landing for the U.S. economy, (2) potential Fed rate cuts, and (3) U.S. debt ceiling issues in early 2025. Corp. bond investments should focus on financially stable large companies, particularly in finance, defense, and aerospace.

U.S. Banks Maintain Lending Conditions, Credit Spreads Consolidate at Low Levels



Financial Leverage Rising Slowly in Low-Rated Firms, Watch for Pressure on CCC-Rated Companies



Source: Bloomberg, FRED, BofA

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ The U.S. economy is expected to have a soft landing, with focus on Trump's tariff policies and U.S. corporate earnings. DeepSeek's negative outlook creates rotation opportunities in U.S. stocks, with sectors like finance, industrials, and defense benefiting from Trump's policies. The long-term AI outlook remains positive, supporting tech stock growth. ◆ Higher tariffs may reduce China's external demand, while Europe's weak economy and trade policy uncertainties lead to a neutral view on European stocks. With rising wages and stronger consumer spending, Japanese stocks are more favorable. 	<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 U.S. economy and employment remain resilient, leading to a convergence in market expectations for future rate cuts by the Fed. In terms of strategy, investors should lock in yields through short- to medium-term Treasuries and investment-grade bonds as yields rise. ◆ Long-term bonds exhibit higher volatility, and risks related to fiscal discipline and inflation uncertainty make long-term Treasuries less attractive. Unless the economy shifts toward a hard landing, investors should wait for a clear slowdown in employment data before gradually increasing exposure to longer-duration bonds. 	<p>Duration: Short- to Medium-Term Bonds for Yield Lock-In</p> <p>Types: Treasuries and investment-grade bonds should focus on large-cap companies, with a sector focus on financial bonds with potential upside.</p>
Forex	<ul style="list-style-type: none"> ◆ The pace of Fed rate cuts has slowed, while U.S. fiscal stimulus continues to support the dollar. The strong dollar trend is expected to persist into the first half of 2025. ◆ Japan's economic improvement and the Bank of Japan's anticipated rate hike have turned the yen's trajectory toward appreciation. However, considering the significant U.S.-Japan interest rate differential, the upside for the yen is expected to be limited. 	<p>Short-Term Dollar Support at Higher Levels</p> <p>Yen Turns Toward Appreciation, but Upside is Limited</p>

U.S.-China Tariff War Begins

Trump Imposes Extra 10% Tariff on China

- ▶ In the China-Hong Kong market, Trump signed an executive order on February 1 imposing a 10% tariff on Chinese imports to the U.S. and removing the duty-free exemption for low-value goods. The measures take effect on Tuesday, February 4.

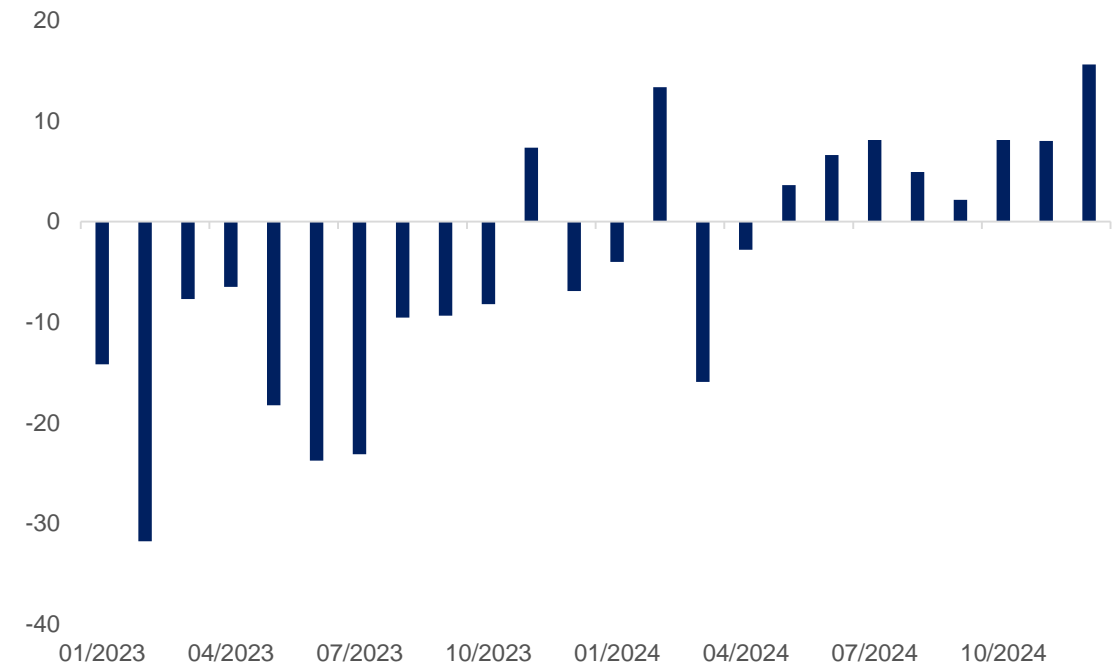
China Strikes Back with Countermeasures

- ▶ In response to U.S. tariffs, Beijing strongly opposes unilateral actions, stating that these measures breach WTO rules and negatively impact businesses and consumers in both countries. China has announced four countermeasures: (1) Tariffs on U.S. goods, including a 10% tariff on crude oil, agricultural machinery, large-engine vehicles, and pickup trucks, and a 15% tariff on coal and LNG. (2) Export controls on critical metals like tungsten, tellurium, bismuth, molybdenum, and indium, which are crucial for high-tech industries and heavily relied upon by the U.S. (3) A blacklist of U.S. firms, adding two companies to China's unreliable entity list. (4) An antitrust probe into Google by China's market regulator.

Tariff War Likely to Escalate in the Short Term

- ▶ Trump's signed order includes a "retaliation clause," which permits the U.S. to increase tariffs and expand their scope if China retaliates. Previously, our base case predicted two rounds of 10% tariffs in 2024, raising the average tariff rate to 35% by the end of 2025. However, China's swift countermeasures have officially ignited the tariff war, and future tariff actions may exceed initial forecasts. Given Trump's tendency for rapid and unpredictable policy shifts, the final measures remain uncertain. With China's countermeasures in place, stalled negotiations could lead Trump to escalate tariffs, increasing export uncertainty. This could affect equity markets, especially for companies heavily reliant on U.S. exports, which should proceed with caution.

China's Exports to U.S. (YoY Growth%)



China Telecom Corporation Limited (728 HK)

Closing Price HK \$4.99

Target Price HK \$5.5

Profile

China Telecom Corporation Limited offers wireline telecom services. The Company provides internet access, mobile communications connecting, and other services. China Telecom also offers information consulting services.

Highlights

■ U.S.-China Trade War Escalates, Favor Domestic-Focused Stocks

China retaliated with 10% to 15% tariffs on U.S. goods, including oil, machinery, and cars. Trump's executive order allows for further tariff hikes, potentially reaching 60%, pressuring China to negotiate. Investors should focus on companies with domestic exposure to reduce geopolitical risk. Telecoms, with operations mainly in China, are less affected by U.S.-China tensions.

■ China's State-Owned Enterprises Continue to Benefit from Policy Support

China's new measures aim to boost long-term investment, especially from financial institutions. Under Trump's 2.0 policies, continued support for the economy and markets is expected, benefiting companies like China Telecom.

■ Leading in AI Computing Power, LLMs Show Strong Competitiveness

Falling AI costs are accelerating adoption, with telecom companies using their data centers and infrastructure to support AI solutions. China Telecom has developed a leading AI infrastructure, featuring liquid-cooled data centers and nationwide AI inference pools. Its computing power has reached 21 EFLOPS, the highest among peers. The TeleChat2 LLM, developed by China Telecom, competes strongly with Tencent, highlighting its AI capabilities.

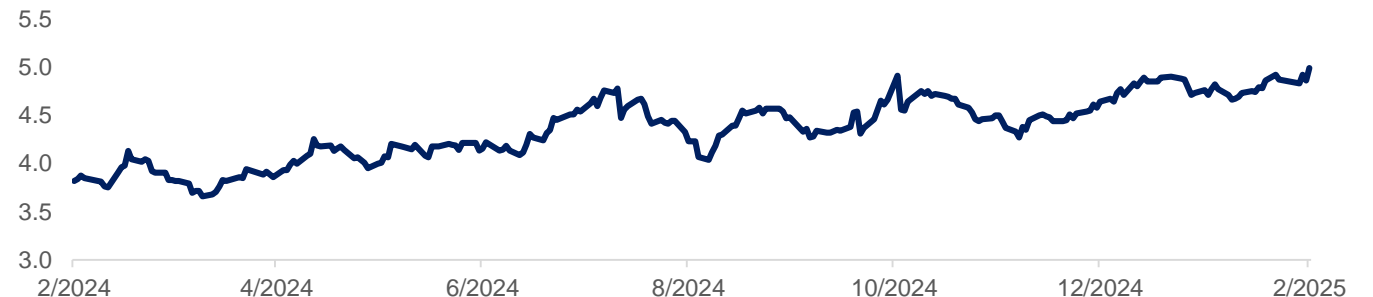
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	259.4	275.9	304.4	331.2	352.7
NI YoY(%)	24.4	6.3	10.3	8.8	6.4
EPS(CNY)	0.31	0.30	0.33	0.36	0.39
DPS(CNY)	0.17	0.20	0.23	0.26	0.29
P/E	15.0	15.5	14.1	12.9	11.9
Dividend Yield(%)	3.64	4.28	4.92	5.57	6.21

Source: Bloomberg; 2024/25F are market estimates

YTD Performance



As of 6 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	5.04	12.61	2.66	30.28	104.55	124.37

Valuations

● 5Y Average ◆ Current

Price	1.47	●	◆	4.98
P/E	4.81	●	◆	13.22
P/B	0.27	●	◆	0.93

Alibaba Group Holding Ltd (9988 HK)

Closing Price HK \$98.25

Target Price HK \$113

Profile

Alibaba Group Holding Ltd, through its subsidiaries, provides internet infrastructure, electronic commerce, online financial, e-commerce, retail, and internet content services via global marketplaces.

Highlights

■ Launch of DeepSeek Could Trigger New Valuation Wave for China's AI Assets

The rise of large models like DeepSeek accelerates AI adoption and cloud growth. Alibaba Cloud, with a 36% market share, remains the leader in China's cloud market. Leveraging financial strength, Alibaba invests heavily in large model development, enhancing its business operations. Recently, Alibaba launched Qwen2.5-Max, claiming it outperforms DeepSeek. According to SuperCLUE's benchmark, Alibaba's AI technology is impressive, boosting investor confidence. Alibaba's "Cloud + AI" strategy is yielding returns, with public cloud revenue growing double digits and AI products seeing triple-digit growth. This positions Alibaba for higher future valuations, driven by its ability to monetize AI advancements.

■ Removal of Small Parcel Tariff Exemption Has Minimal Impact on Alibaba

The U.S. measures affect Alibaba's overseas sales but its U.S. revenue is minimal. "Taobao Overseas" GMV in 2024 is around \$20 billion, a small share of total sales, with AIDC revenue at 12%. Approximately 20% of Alibaba's overseas GMV comes from the U.S., and 31% of deliveries use USPS. The impact is moderate, and while short-term costs may rise, this is a one-off event, presenting a buying opportunity.

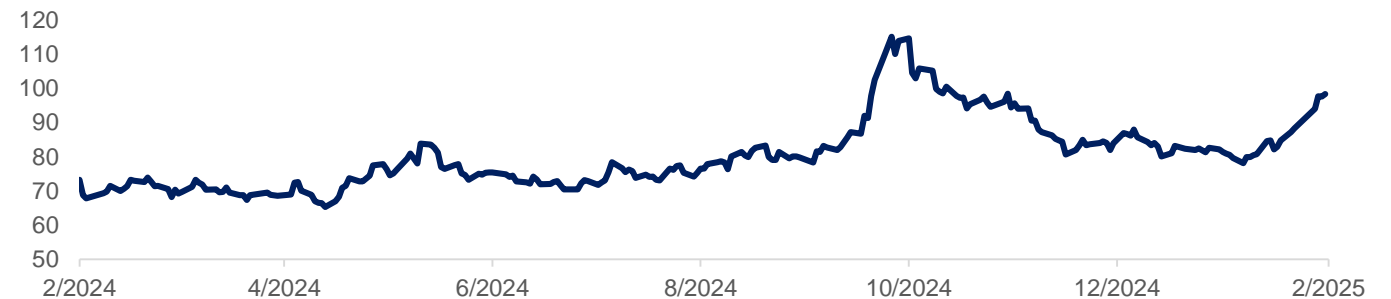
Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Net Income (10B CNY)	6.2	14.3	15.8	15.2	16.6
NI YoY(%)	15.9	16.2	16.7	15.4	16.0
EPS(CNY)	6.59	6.82	7.78	7.90	8.88
DPS(CNY)	0.00	0.125	0.125	0.114	0.120
P/E	13.9	13.5	11.8	11.6	11.9
Dividend Yield(%)	0.0	0.99	0.99	0.90	0.95

Source: Bloomberg; 2025/26F are market estimates

YTD Performance



As of 6 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	19.96	3.03	19.6	34.42	-11.24	-51.98

Valuations

● 5Y Average ◆ Current

Price	59.32	◆	●	296.78
P/E	8.36	◆	●	56.39
P/B	1.19	◆	●	6.51



U.S. Market Volatility to Persist

- ▶ In January 2025, U.S. nonfarm payrolls rose by 143,000, below the revised 307,000 in December 2024, and the expected 175,000. The unemployment rate fell to 4.0%, the lowest since May, better than the 4.1% forecast. Average hourly wages increased by 17 cents, or 0.5%, reaching \$35.87, higher than the expected 0.3%.
- ▶ The University of Michigan's consumer confidence index dropped to 67.8 in February, lower than January's 71.1 and below the expected 71.8.
- ▶ The U.S. ISM Manufacturing PMI rose to 50.9 in January, beating the expected 50.0, while the ISM Services PMI fell to 52.8, below the expected 54.0.
- ▶ Private companies added 183,000 jobs in January 2025, higher than December's revised 176,000 and exceeding the forecast of 150,000.
- ▶ U.S. markets have experienced higher volatility due to tariffs and China's rise in AI. However, the market remains resilient, rebounding quickly from negative news.
- ▶ In 2022, as inflation increased, funds rotated from growth to value stocks. Currently, expectations of re-inflation are driving funds into value stocks.
- ▶ The Trump administration is using tariffs and internal reforms, such as audits by the Department of Government Efficiency (DOGE), which has led to Democratic pushback. This is likely to keep market volatility high. Investors should focus on sectors less impacted by policy changes.

S&P 500 Growth Index vs. Value Index Comparison



Delta Air Lines (DAL)

Closing Price US \$68.14

Target Price US \$80

Profile

Delta Air Lines, Inc. provides scheduled air transportation for passengers, freight, and mail over a network of routes. It offers flight status information, bookings, baggage handling, and other related services.

Highlights

■ Jet Fuel Prices Expected to Stay Low

IATA forecasts average jet fuel prices at \$87 per barrel in 2025, with total fuel expenditure dropping nearly 5% to \$248 billion. Despite potential short-term disruptions, the market is expected to remain stable. Fuel costs as a share of airline expenses will fall from 28.4% to 26.4%, enhancing profitability for airlines like Delta.

■ Tourism Demand Expected to Rise

In 2025, global air travel will grow, with passenger numbers reaching 5 billion, up 6.7% from 2024. IATA forecasts 40 million flights, boosting revenue by 4.4% to over \$1 trillion. Increased connectivity will benefit hotels, retail, and aviation employment, reaching 3.3 million.

■ On Track for a Record Financial Year

Delta Airlines expects a record financial year in 2025, with free cash flow surpassing \$4 billion and earnings per share over \$7.35. Key growth drivers include its partnership with American Express, generating nearly \$2 billion in Q4 2024, along with the expanding SkyMiles program and premium travel services.

■ Valuation Consensus

Bloomberg's 12-month target is \$81, ranging from \$44 to \$100.

Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	69.2	14.8	6.2	-0.9	5.1
EBITDA (%)	13.0	16.7	13.8	16.3	16.7
EPS	3.24	4.70	5.87	7.54	8.33
Net Profit Margin(%)	4.1	5.2	6.2	8.0	8.4

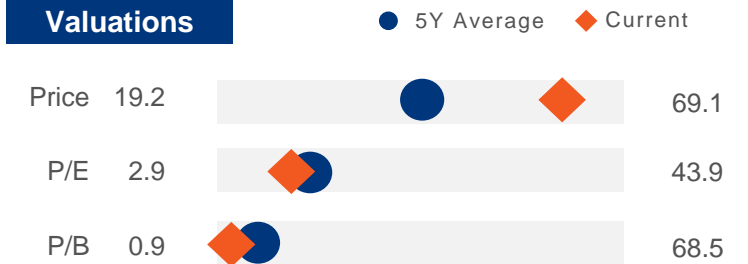
Source: Bloomberg; 2025/26F are market estimates

1-Year Performance



As of 6 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	13.1	9	12.3	69	20.7	3.7

Valuations



Costco Wholesale Corp. (COST)

Closing Price US \$1043.81

Target Price US \$1200

Profile

Costco Wholesale Corporation is a membership warehouse club. The company sells all kinds of food, automotive supplies, toys, hardware, sporting goods, jewelry, electronics, apparel, health, and beauty aids, as well as other goods.

Highlights

■ Tariff Policies Lead to Potential Inflationary Pressure

In 2024, the U.S. trade deficit reached \$918.4 billion, up 17% YoY, with a \$295.4 billion deficit with China. The Trump administration continues to use tariffs to pressure trade partners. While tariffs on Canada and Mexico are paused, the 10% tariff on Chinese goods remains. New tariffs may target high-value products from Taiwan, South Korea, and Japan, increasing U.S. inflation and driving funds into inflation-sensitive sectors.

■ Defensive and Growth Characteristics Combined

Costco's business model stands out by focusing on low wholesale prices while generating profit primarily from membership fees. By December 2024, the company had 77.4 million paid household members, an 8% increase from the previous year, and 138.8 million total cardholders, with a 90.4% global renewal rate. Membership fees were raised in the U.S. and Canada in September 2024. Additionally, Costco plans to open 29 new warehouses in 2025, 12 of which will be outside the U.S.

■ Valuation Consensus

The 12-month average target price from Bloomberg is \$1,047, with a highest target of \$1,195 and a lowest target of \$560.

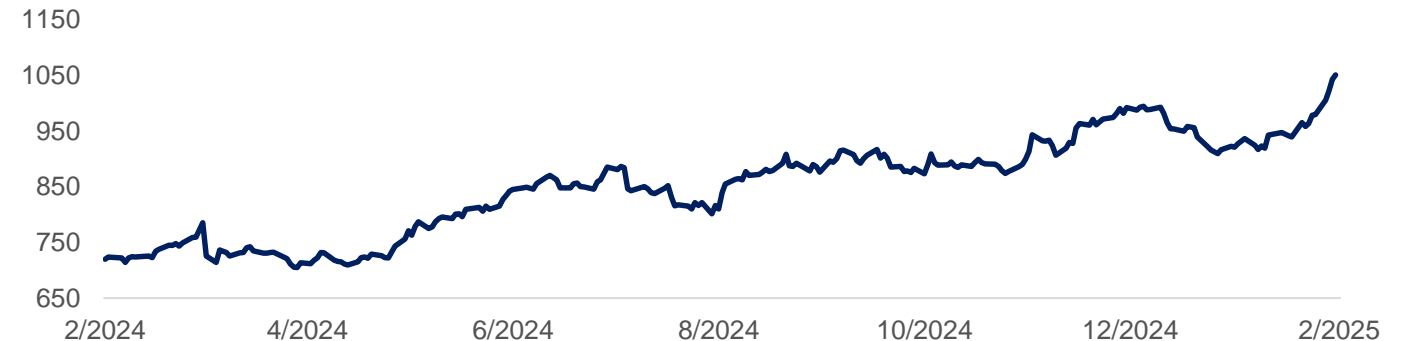
Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	15.8	6.8	5.0	7.3	6.9
EBITDA (%)	4.5	4.5	4.6	4.7	4.8
EPS (USD)	13.5	14.9	16.5	18.3	20.0
Net Profit Margin(%)	2.6	2.7	2.9	3.0	3.1

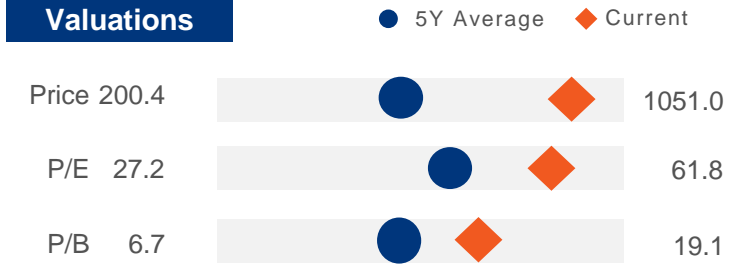
Source: Bloomberg; 2025/26F are market estimates

1-Year Performance



As of 6 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	13.9	16.9	14.7	47.9	27.8	29.7

Valuations





Taiwan Stock Market Stops Falling and Rebounds, Short-Term Uptrend Expected; Focus on Stocks Breaking Through Short-Term Moving Averages

► The Bullish Market Rescues the Situation, Short-Term Moving Averages and Monthly/Quarterly Lines Provide Support

After a sharp drop of 830 points last Monday, the Taiwan stock market has begun to show signs of a rebound. Technically, the index is now above key moving averages, suggesting a shift away from weakness. Foreign investors have been buying back futures shorts, signaling a neutral outlook. If the index stays above this support zone, the rebound may continue.

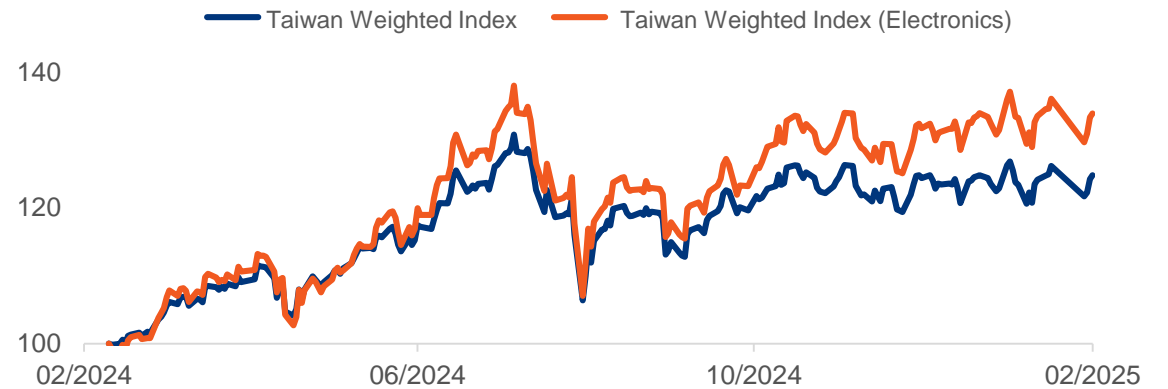
► Broad Sector Rally, Focus on Stocks Breaking Short-Term Moving Averages

The market has recently reversed its downtrend, with the index aiming to challenge the resistance at 23,472 points. Large-cap stocks are seeing rebounds, supported by financial holdings. Additionally, a potential easing in the U.S.-China trade war has strengthened market sentiment, lifting the index above key moving averages. This has led to increased interest in small and mid-cap stocks, particularly in sectors like robotics, autonomous driving, passive components, semiconductor IP, and biotech. With the market improving, investors can consider selectively buying on dips, focusing on stocks that are breaking short-term moving averages or previous resistance levels.

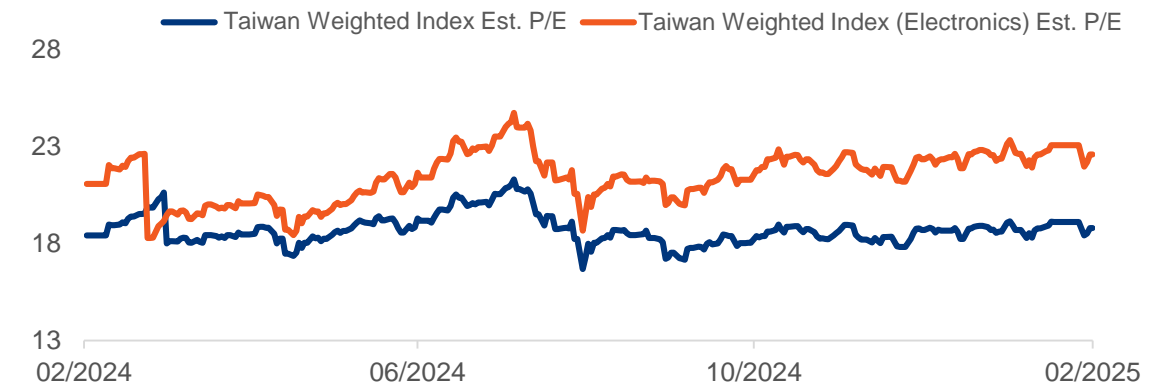
Source: Bloomberg

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

Index, 6 Feb, 2024 = 100



Index Est. P/E



MediaTek Inc. (2454 TT)

Profile

MediaTek Inc. operates as a fabless semiconductor company for wireless communications and digital multimedia solutions. It provides systems-on-chip solutions for wireless communications, high-definition TV, optical storage, etc.

Highlights

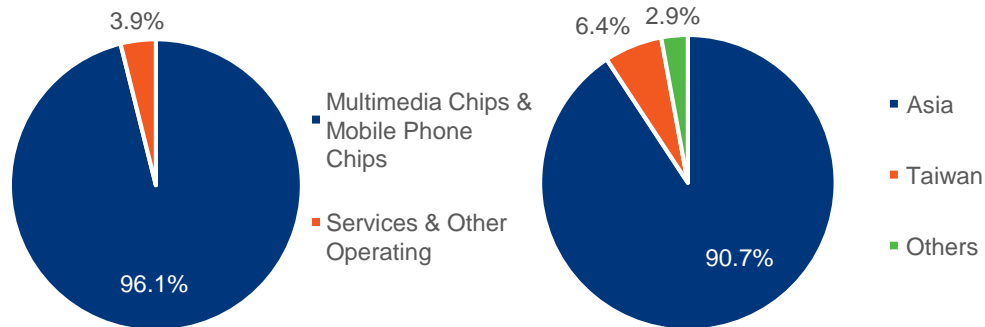
Market Share Expansion, 4Q24 Revenue Exceeds Expectations

4Q24 revenue totaled NT\$138 billion, up 4.7% QoQ, exceeding the company's upper guidance. This growth was driven by: (1) increased market share of D9400/8400 mobile SoCs, (2) a stronger product mix, and (3) the depreciation of the New Taiwan Dollar. KGI Securities forecasts that gross margin will likely hit the upper end of the company's guidance.

Strong Outlook Expected for 1Q25

KGI Securities expects 1Q25 revenue growth of 0-3% and a 48% gross margin. MediaTek raised its 2025 SoC shipment target to 455 million, driven by strong D9400/8400 demand and China's smartphone subsidies.

Revenue Sources and Regions



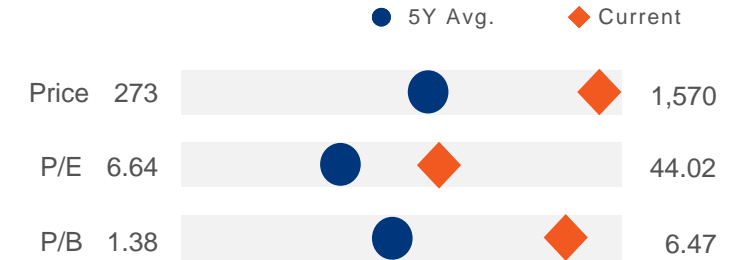
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	74.59	48.51	67.80	72.08	84.96
EPS Growth (%)	5.7	-35.0	39.8	6.3	17.9
P/E Ratio	20.4	31.4	22.5	21.2	17.9
ROE (%)	27.1	19.0	28.0	27.7	30.5

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Zyxel Group Corporation (3704 TT)

Profile

Zyxel Group Corporation develops, manufactures, and markets communication products. It produces broadband products, modems, integrated services digital network modems, terminal adapters, routers, and network equipment, and so on.

Highlights

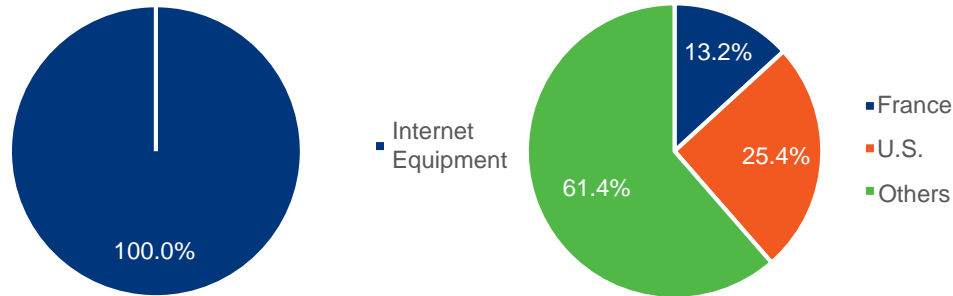
■ 4Q24 Gross Margin Benefited from Reversal of Inventory Write-Down Loss

4Q24 revenue was NT\$7.5 billion, up 17.2% QoQ and 1% YoY, slightly surpassing KGI Securities' expectations. The gross margin of 26.4% exceeded forecast, mainly due to a reversal of inventory write-down losses, contributing around 3 percentage points to the margin.

■ Demand Gradually Recovers in 2025

KGI expects demand from European and American customers to recover gradually in 2025. The company is optimistic about growth in South Asia, particularly in PON and FWA products, with defense products continuing to contribute. Due to price pressure from Chinese competitors in Europe, KGI has revised its 2025 revenue forecast to NT\$29.1 billion, a 12.2% YoY increase.

Revenue Sources and Regions



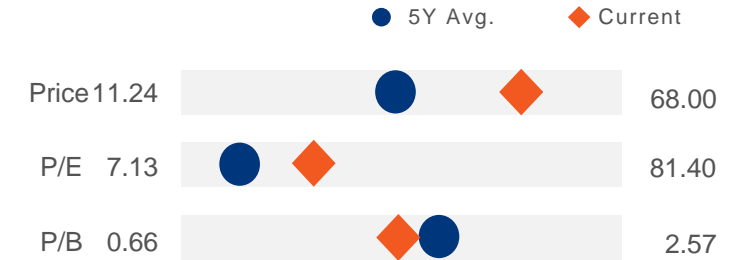
Source: Bloomberg

Financials

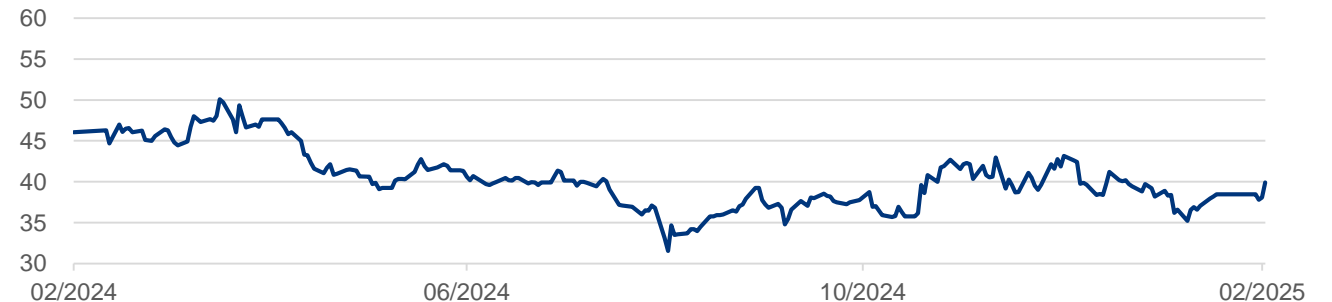
	2021	2022	2023	2024F	2025F
EPS (NTD)	2.49	3.87	3.38	1.41	2.69
EPS Growth (%)	30.1	55.6	-12.9	-58.2	90.5
P/E Ratio	15.3	9.8	11.3	26.9	14.1
ROE (%)	12.6	17.1	12.9	5.1	9.6

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



As of 6 Feb. 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	5.2	3.3	-5.0	27.4	1.3	-12.7

Diversifying Risk Via Low-Volatility Strategies

► AB Low Volatility Equity Portfolio

- The fund aims to capture 90% of market gains in uptrends and limit losses to 70% in downtrends. This strategy helps reduce risks while allowing for quicker recovery when the market rebounds.
- It invests in stable, high-quality global stocks with low valuations, aiming to provide excess returns (Alpha).
- The portfolio holds 70-90 stocks, focusing on large-cap companies in mature markets, with over 60% allocated to the U.S.
- A monthly dividend option is available, with an annualized yield of 4.66%.

► Invesco S&P 500 Low Volatility ETF (SPLV.US)

- Aims to track the performance of the S&P 500 Low Volatility Index.
- Unlike the S&P 500, this index is more concentrated in financials and utilities, with a lower weighting in technology.
- Helps reduce portfolio risk in volatile market conditions.

► Vanguard Intermediate-Term Corporate Bond ETF (VCIT.US)

- The strategy aims to track the performance of the Bloomberg U.S. 5-10 Year Corporate Bond Index.
- The portfolio predominantly holds investment-grade bonds rated BBB or above, with a focus on the financial and industrial sectors.
- The portfolio is well-diversified, holding over 2,000 bonds.

Products	AB Low Volatility Equity Portfolio	Invesco S&P 500 Low Volatility ETF (SPLV.US)	Vanguard Intermediate-Term Corporate Bond ETF (VCIT.US)
Features	<ul style="list-style-type: none"> ■ Adopts a low-volatility strategy, focusing on mature markets ■ Offers a monthly dividend payout class 	<ul style="list-style-type: none"> ■ Defensive sector allocation to reduce portfolio risk ■ The ETF is rebalanced quarterly 	<ul style="list-style-type: none"> ■ Holds over 2,000 high-quality mid-term corporate bonds ■ Diversified industry investments
AUM	USD 6.919 B	USD 7.41 B	USD 48.71 B
Tracking Index	-	S&P 500 Low Volatility Index	Bloomberg U.S. 5-10 Y Corporate Bond Index
Holdings	95	102	2,261
3M/YTD Returns	4.55% / 3.03%	-0.32% / 3.13%	1.27% / 1.18%
Ratings Distribution (%)	-	-	BBB 49.91 A 42.27 AA 4.24 BB 3.27 AAA 0.26
Top-5 Sectors (%)	Info. Tech. 25.62 Financials 20.19 Industrials 12.09 Healthcare 11.25 Discretionary 11.15	Financials 19.32 Utilities 17.63 Industrials 16.41 Staples 14.02 Healthcare 7.42	Banks 23.74 Electric 7.85 REITS 5.45 Telecommunications 4.29 Diversified Finan Serv 4.24
Top-5 Holdings (%)	Microsoft Corp. 5.25 Broadcom Inc. 3.49 Apple Inc. 3.33 Alphabet Inc. 2.93 Amazon.com Inc. 2.03	Coca-Cola Co/The 1.42 Berkshire Hathaway Inc. 1.34 Republic Services Inc. 1.31 Boston Scientific Corp. 1.26 T-Mobile US Inc. 1.24	TMUS 3 7/8 04/15/30 0.317 BAC 5.468 01/23/35 0.274 BAC 5.015 07/22/33 0.269 PFE 4 3/4 05/19/33 0.252 JPM 4.912 07/25/33 0.247

Source: Bloomberg, 5 Feb. 2025

AB Low Volatility Equity Portfolio

Profile

The portfolio invests in equity securities of companies that are organized, have substantial business activities in developed countries as well as Emerging Markets that the Investment Manager believes have lower volatility.

Adopting a Disciplined Low Volatility Strategy

The fund employs the QSP strategy, balancing Quality, Stability, and Price. It adopts a disciplined low volatility approach, buying high-quality and stable company stocks at favorable price levels. This strategy effectively controls downside risk while capturing potential appreciation opportunities.

Focus on Large-Cap Stocks in Developed Markets

The portfolio holds approximately 70-90 stocks, with a focus on large-cap companies and leaders in developed markets, including Microsoft, Broadcom, Apple, Alphabet, and Amazon.

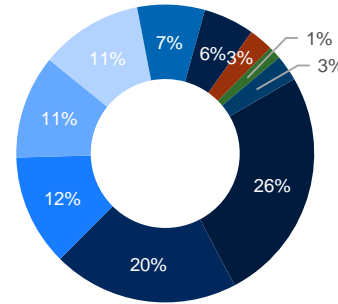
Monthly Dividend Class

The fund offers a monthly dividend class, with the latest annualized dividend yield at 4.66%.

Inception Date	12 Nov. 2012	AUM	USD 6.919 B
Morningstar Category	World large-cap value stock	Category	Equities
Morningstar Rating	★★★★	3Y Stand. Dev. (Ann.)	16.11%

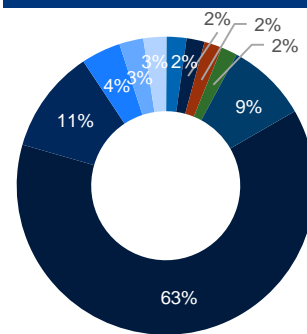
Source: AB Funds, 31 Dec. 2024; MorningStar, 31 Jan. 2025

Sectors



- Info. Tech.
- Financials
- Industrials
- Healthcare
- Discretionary
- Comm. Serv.
- Staples
- Energy
- Utilities
- Materials & Others

1-Year Performance



- U.S.
- United Kingdom
- Canada
- Singapore
- Japan
- Netherland
- France
- Spain
- Germany
- Others

Top-5 Holdings (%)

Microsoft Corp.	5.25
Broadcom Inc.	3.49
Apple Inc.	3.33
Alphabet Inc.	2.93
Amazon.com Inc.	2.03

1-Year Volatility



As of 31 Jan. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (USD, %)	3.03	4.55	3.03	17.07	36.28	29.95
Quartile Ranking	3	3	3	3	2	1

Invesco S&P 500 Low Volatility ETF (SPLV.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.

Low Volatility Strategy

This ETF invests in the 100 lowest volatility stocks within the S&P 500 Index. Stock selection is based on the past 12 months of volatility, with quarterly rebalancing. This strategy helps reduce portfolio risk during periods of significant market fluctuations.

Defensive Sector Allocation

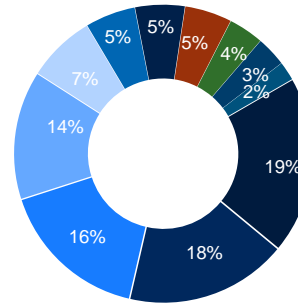
This ETF tracks the "S&P 500 Low Volatility Index," which is more concentrated in the financial and utilities sectors, with a relatively lower weight in technology. It invests in large-cap companies, including Coca-Cola, Berkshire Hathaway, Republic Services, Boston Scientific, and T-Mobile US.

Rebalancing Frequency

This ETF is rebalanced quarterly, allowing it to adapt flexibly to market changes.

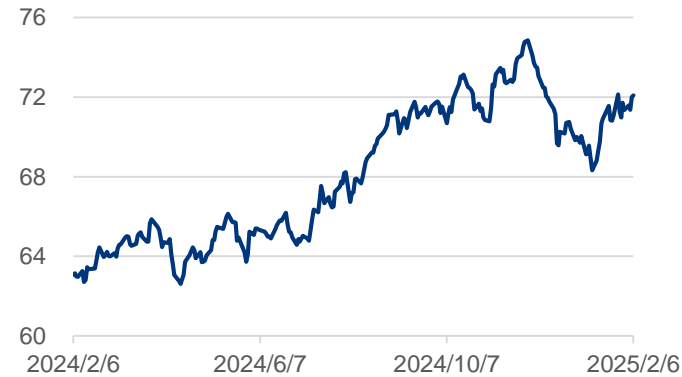
Inception Date	5 May. 2011	AUM	USD 7.41 B
ETF Category	Equities	Holdings	102
Expense Ratio	0.25%	3Y Stand. Dev. (Ann.)	13.11%

Sectors



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

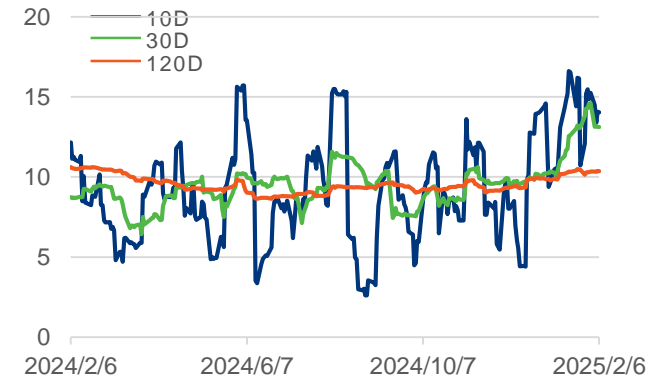
1-Year Performance



Top-5 Holdings (%)

Coca-Cola Co/The	1.42
Berkshire Hathaway Inc. CLASS B	1.34
Republic Services Inc.	1.31
Boston Scientific Corp.	1.26
T-Mobile US Inc.	1.24

1-Year Volatility



As of 6 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	4.43	-0.32	3.13	16.47	18.71	31.68

Source: Bloomberg, 6 Feb. 2025

Vanguard Intermediate-Term Corporate Bond ETF (VCIT.US)

Profile

Vanguard Intermediate-Term Corporate Bond ETF is an exchange-traded fund incorporated in the USA. The fund seeks to track the performance of a Bloomberg Index.

Focus on High-Quality Mid-Term Corporate Bonds

This ETF primarily invests in U.S. 5-10 year mid-term corporate bonds, offering balanced interest rate and credit risk exposure. It holds over 2,000 investment-grade corporate bonds rated BBB or above, with the top 10 holdings accounting for approximately 2.54% of the portfolio.

Diversified Industry Investments

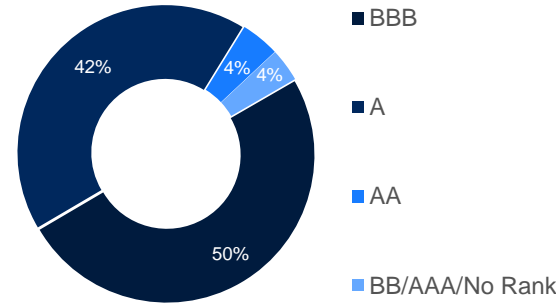
This ETF holds a wide range of corporate bonds, ensuring diversified risk exposure. Its investments span multiple industries, including banking, utilities, REITs, telecommunications, diversified financial services, pharmaceuticals, pipelines, healthcare services, insurance, and oil & gas.

Low Expense Ratio

This ETF has an expense ratio of 0.04%, offering cost-efficiency and helping investors reduce their investment costs.

Inception Date	19 Nov. 2009	AUM	USD 48.71 B
ETF Category	Bonds	Holdings	2,261
Expense Ratio	0.04%	3Y Stand. Dev. (Ann.)	9.48%

Sectors



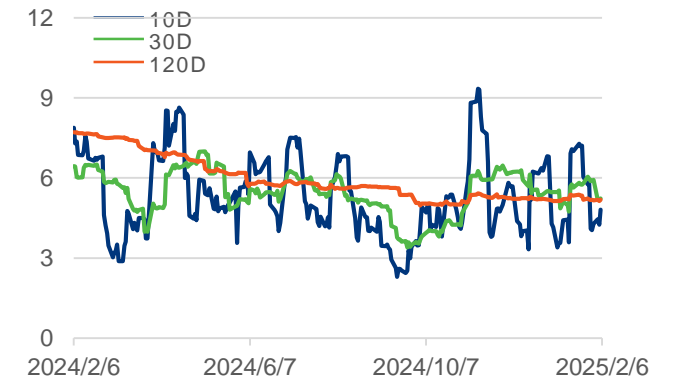
1-Year Performance



Top-5 Holdings (%)

TMUS 3 7/8 04/15/30	0.317
BAC 5.468 01/23/35	0.274
BAC 5.015 07/22/33	0.269
PFE 4 3/4 05/19/33	0.252
JPM 4.912 07/25/33	0.247

1-Year Volatility



As of 6 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	1.43	1.27	1.18	5.11	1.44	3.47

Source: Bloomberg, 6 Feb. 2025

Seek Relative High Yield in High Credit Quality Mid-Term Duration through a Hybrid Bond Structure

► T 4.35 03/01/29 (AT&T Inc.)

- AT&T is a leading U.S. wireless provider, serving approximately 116 million customers across postpaid, prepaid, and wholesale segments. With 72 million users in the high-margin postpaid mobile market, it is also among the top three U.S. broadband providers with 14 million customers.
- Recently, the company has refocused on core telecom services. In 2021, AT&T sold a 30% stake in DIRECTV and spun off its WarnerMedia business in 2022. It also reduced its annual dividend from \$15 billion to \$8 billion.
- AT&T maintains steady postpaid mobile growth and low churn, continuing to gain market share despite slower growth in the mature wireless industry.

► British Telecommunications Public Limited Company (BRITEL 4.875 11/23/2081)

- BT Group is the UK's top telecom and network operator, providing services to retail customers and businesses. Its subsidiary, Openreach, offers wholesale telecom services to other operators. Over 80% of its revenue and 90% of its EBITDA come from the UK.
- BT holds a leading position in the UK broadband and postpaid mobile markets.
- With solid financials, BT targets a net debt to EBITDA ratio under 2.0x and aims to maintain a BBB+/Baa1 credit rating.

Products	T 4.35 03/01/29 (AT&T Inc.)	British Telecommunications Public Limited Company (BRITEL 4.875 11/23/2081)
ISIN	US00206RHJ41	USG15820EB84
Highlight	The company has a lower churn rate for paid users compared to its three major competitors.	The company maintains strong financial indicators and adheres to a cautious financial policy.
Maturity Date	1 Mar. 2029	23 Nov. 2081
Next Redemption Day	1 Dec. 2028	23 Aug. 2031
Coupon (%)	Fixed/4.35/Semi-annual	Float/4.875/Semi-annual
Currency	USD	USD
Years to Maturity	4.06	56.83
Rating (Moody's/ Fitch/S&P)	Baa2/BBB+/BBB	Ba1/BB+/BB+
Seniority	Senior Unsecured	Subordinated
YTM/YTC (%)	4.77/4.80	7.09/6.43

Source: Bloomberg

T 4.35 03/01/29 (AT&T Inc.)

Profile

AT&T Inc. operates as a communications holding company. The Company, through its subsidiaries and affiliates, provides local and long-distance phone, wireless and data communications, Internet access and messaging, IP-based and satellite television, telecommunications equipment, and directory advertising and publishing services.

Highlights

- AT&T has focused on its core telecom business, selling a 30% stake in DIRECTV in 2021 and spinning off WarnerMedia in 2022. The company reduced its annual dividend from \$15 billion to \$8 billion. These changes are expected to strengthen its credit and drive earnings growth.
- The company continues to see stable postpaid mobile growth with low churn. In Q1 2024, its postpaid churn rate hit a record low of 0.72%, outperforming competitors.
- With the Fed starting a rate-cutting cycle, AT&T offers opportunities to lock in high-quality bonds, benefiting from low credit risk and potential for increased bond holdings as rates rise.

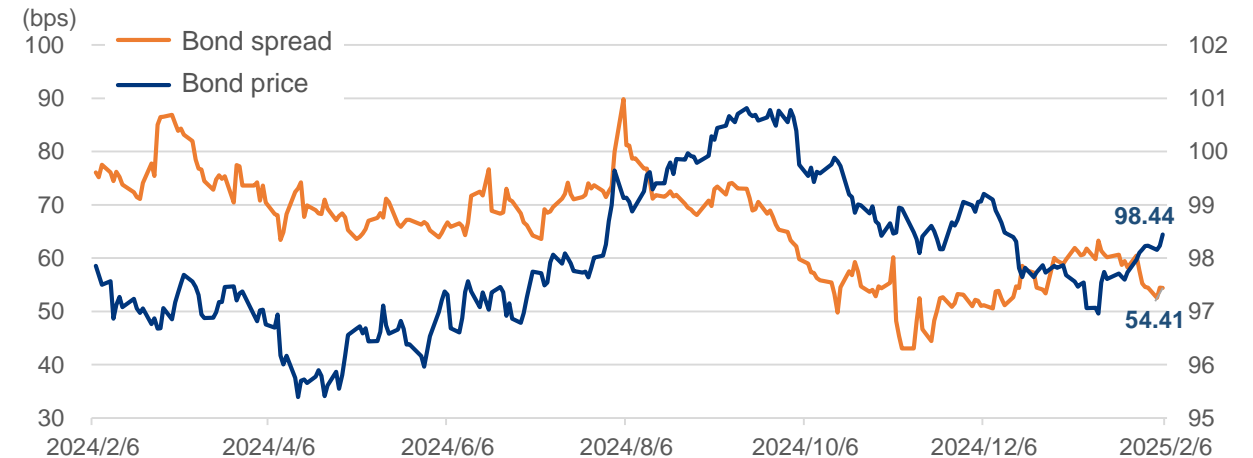
Financials	2022	2023	2024
EBITDA Return	15.63	39.06	32.39
Return on Assets (ROA)	-1.79	3.56	2.73
Interest Coverage	-0.75	3.50	2.82

Source: Bloomberg, 6 Feb. 2025

Overview

Name	T 4.35 03/01/29	ISIN	US00206RHJ41
Maturity Date	1 Mar. 2029	Remaining Maturity	4.06
Coupon(%)	Fixed/4.35/Semi-annual	YTM/YTC(%)	4.77/4.80
Currency	USD	Min. Subscription/Increment	2,000/1,000
Ratings (Moody's/Fitch/S&P)	Baa2/BBB+/BBB	Seniority	Senior Unsecured

Price Since Issuance



British Telecommunications (BRITEL 4.875 11/23/2081)

Profile

British Telecommunications Public Limited Company provides communications services. The Company offers fixed-line, broadband, mobile, and TV products and services as well as networked IT solutions. British Telecommunications serves customers worldwide.

Highlights

- BT holds a dominant position in the UK telecom sector, leading in both broadband (32% market share) and postpaid mobile (27% market share). It remains the largest mobile operator in the UK and continues to benefit from its strong market presence.
- The company maintains solid financials with a goal to keep its net debt to EBITDA ratio below 2.0x and aims to achieve a BBB+/Baa1 rating in the medium term.
- With the Fed's rate cuts underway, BT offers opportunities to lock in favorable bond yields, particularly with low credit risk, and to potentially increase bond holdings as interest rates rebound.

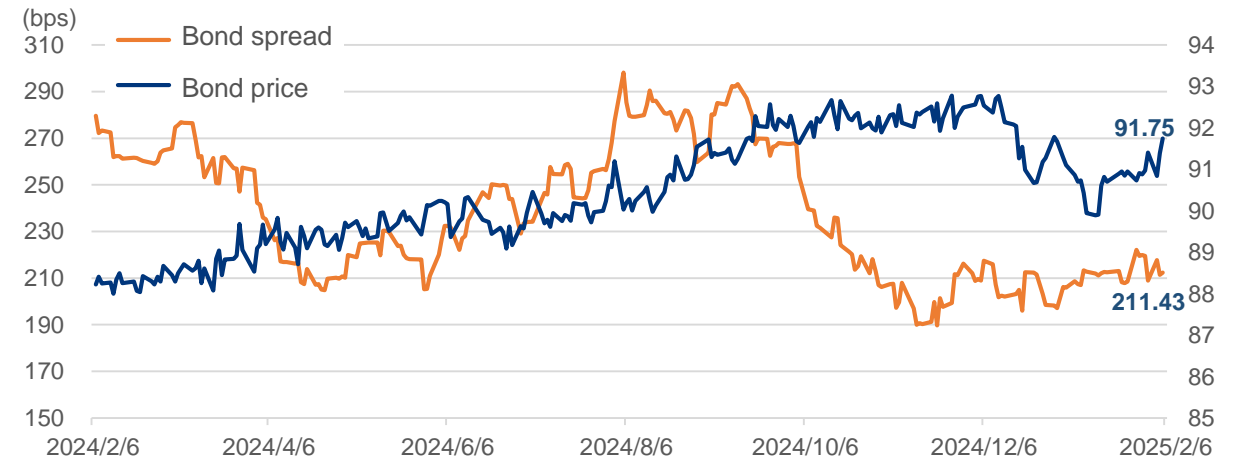
Financials	2022	2023	2024
EBITDA Return	32.51	34.96	36.60
Net Debts/EBITDA	1.74	1.75	2.07
Interest Coverage	3.21	3.09	1.86

Source: Bloomberg, 6 Feb. 2025

Overview

Name	BRITEL 4.875 11/23/2081	ISIN	USG15820EB84
Maturity Date	23 Nov. 2081	Remaining Maturity	56.83
Coupon(%)	Float/4.875/Semi-annual	YTM/YTC(%)	7.09/6.43
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Ba1/BB+/BB+	Seniority	Subordinated

Price Since Issuance



Appendix

Key Economic Data / Events

► FEB 2025

3

Monday

- U.S. Jan. ISM Manufacturing (Act:50.9 Est:50.0 Prev:49.2)
- U.S. Jan. S&P Global US Manufacturing PMI Final Value (Act:51.2 Est:50.1 Prev:49.4)
- Eurozone Jan. HCOB Eurozone Manufacturing PMI Final Value (Act:46.6 Est:46.1 Prev:45.1)
- Eurozone Jan. CPI YoY Initial Value (Act:2.5% Est:2.4% Prev:2.4%)
- China Jan. Caixin China PMI Mfg (Act:50.1 Est:50.6 Prev:50.5)

4

Tuesday

- U.S. Dec. JOLTS Job Openings (Act:7,600k Est:8,000k Prev:8,156k)
- U.S. Dec. Durable Goods Orders MoM Final Value (Act:-2.2% Est:-2.2% Prev:-2.2%)

5

Wednesday

- U.S. Jan. ADP Employment Change (Act:183k Est:150k Prev:176k)
- U.S. Jan. ISM Services Index (Act:52.8 Est:54.0 Prev:54.0)
- U.S. Jan. S&P Global Services PMI Final Value (Act:52.9 Est:52.9 Prev:56.8)
- Eurozone Dec. PPI YoY (Act:-0.1% Est:0.0% Prev:-1.2%)
- China Jan. Caixin China PMI Composite (Act:51.0 Est:52.4 Prev:52.2)

6

Thursday

- U.S. Last Week's Initial Jobless Claims (Act:219k Est:213k Prev:208k)
- Eurozone Dec. Retail Sales MoM (Act:-0.2% Est:-0.1% Prev:0.0%)
- Bank of England Bank Rate (Act:4.50% Est:4.50% Prev:4.75%)

7

Friday

- U.S. Jan. Change in Nonfarm Payrolls (Est:175k Prev:256k)
- U.S. Jan. Unemployment Rate (Est:4.1% Prev:4.1%)
- U.S. Feb. U. of Mich. Sentiment Initial Value (Est:71.8 Prev:71.1)

10

Monday

- Eurozone Feb. Sentix Investor Confidence (Est:-18.0 Prev:-17.7)
- MCD Performance

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Tuesday

- VRTX, KO, SPGI Performance

12

Wednesday

- U.S. Jan. CPI YoY (Est:2.9% Prev:2.9%)
- U.S. Jan. Core CPI YoY (Est:3.2% Prev:3.2%)
- Japan Jan. Machine Tool Orders YoY Initial Value (Prev:12.6%)
- GILD Performance

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Thursday

- U.S. Last Week's Initial Jobless Claims (Prev:219k)
- U.S. Jan. PPI YoY (Est:3.2% Prev:3.3%)
- Japan Jan. PPI YoY (Est:4.0% Prev:3.8%)
- Eurozone Dec. Industrials Production YoY (Est:-2.7% Prev:-1.9%)
- DE Performance

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Friday

- U.S. Jan. Retail Sales MoM (Est:0.0% Prev:0.4%)
- U.S. Jan. Industrial Production MoM (Est:0.3% Prev:0.9%)
- Eurozone Q4 GDP YoY Initial Value (Est:0.9% Prev:0.9%)
- AMAT, PANW, CSCO Performance

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
2025/2/4	Palantir Technologies Inc-A (PLTR)	778.17M	827.5M	0.11	0.14	V	V
2025/2/4	Pfizer Inc (PFE)	17.28B	17.8B	0.48	0.63	V	V
2025/2/4	Pepsico Inc (PEP)	27.95B	27.78B	1.95	1.96		V
2025/2/4	Merck & Co. Inc. (MRK)	15.47B	15.6B	1.81	1.72	V	
2025/2/4	Kkr & Co Inc (KKR)	1.95B	3.26B	1.31	1.32	V	V
2025/2/5	Amgen Inc (AMGN)	8.85B	9.1B	5.04	5.31	V	V
2025/2/5	Alphabet Inc-CI A (GOOGL)	96.69B	96.47B	2.12	2.15		V
2025/2/5	Advanced Micro Devices (AMD)	7.54B	7.7B	1.08	1.09	V	V
2025/2/5	Uber Technologies Inc (UBER)	11.77B	12B	0.49	3.21	V	V
2025/2/5	Fiserv Inc (FI)	4.96B	5.25B	2.49	2.51	V	V
2025/2/5	Boston Scientific Corp (BSX)	4.41B	4.56B	0.66	0.7	V	V
2025/2/5	Walt Disney Co/The (DIS)	24.7B	24.7B	1.45	1.76		V
2025/2/6	Qualcomm Inc (QCOM)	10.93B	11.67B	2.97	3.41	V	V
2025/2/6	Linde Plc (LIN)	8.41B	8.28B	3.95	3.97		V
2025/2/6	Conocophillips (COP)	14.27B	14.7B	1.79	1.98	V	V

Source: Investing.com

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Key Earnings Releases

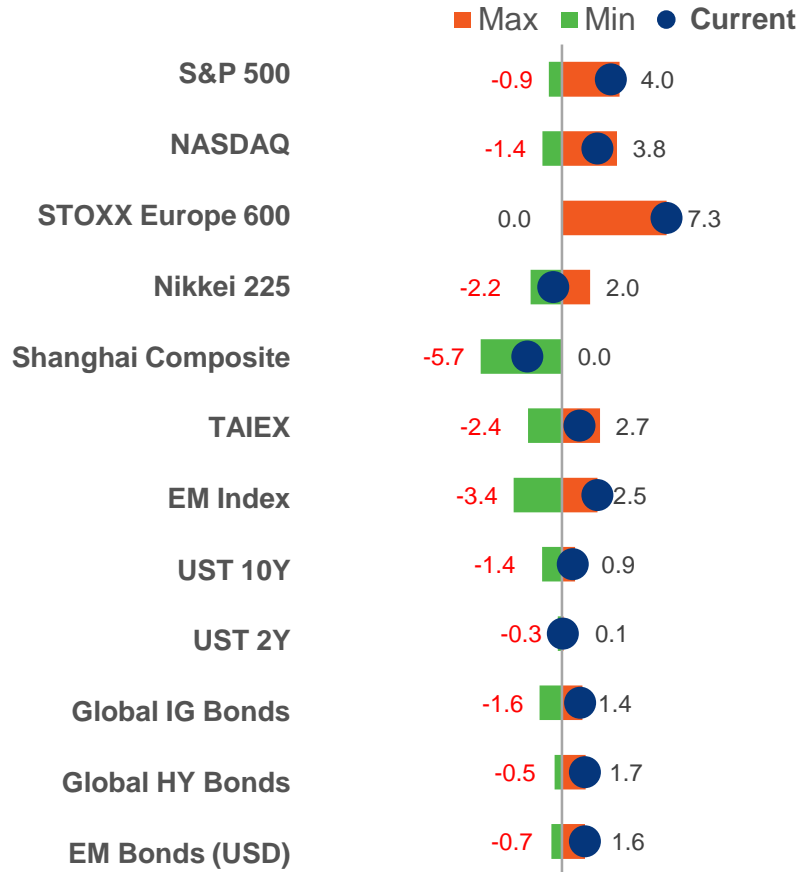
Date	Name	Revenue (F) (USD)	Announced Revenue (USD)	EPS (F) (USD)	Announced EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/2/6	Eli Lilly & Co (LLY)	13.78B	13.53B	5.3	5.32		V
2025/2/6	Honeywell International Inc (HON)	9.97B	10.1B	2.46	2.47	V	V
2025/2/6	Bristol-Myers Squibb Co (BMY)	11.54B	12.34B	1.47	1.67	V	V
2025/2/6	Philip Morris International (PM)	9.5B	9.71B	1.5	1.49	V	
2025/2/7	Amazon.Com Inc (AMZN)	187.33B	187.8B	1.47	1.86	V	V

Source: Investing.com

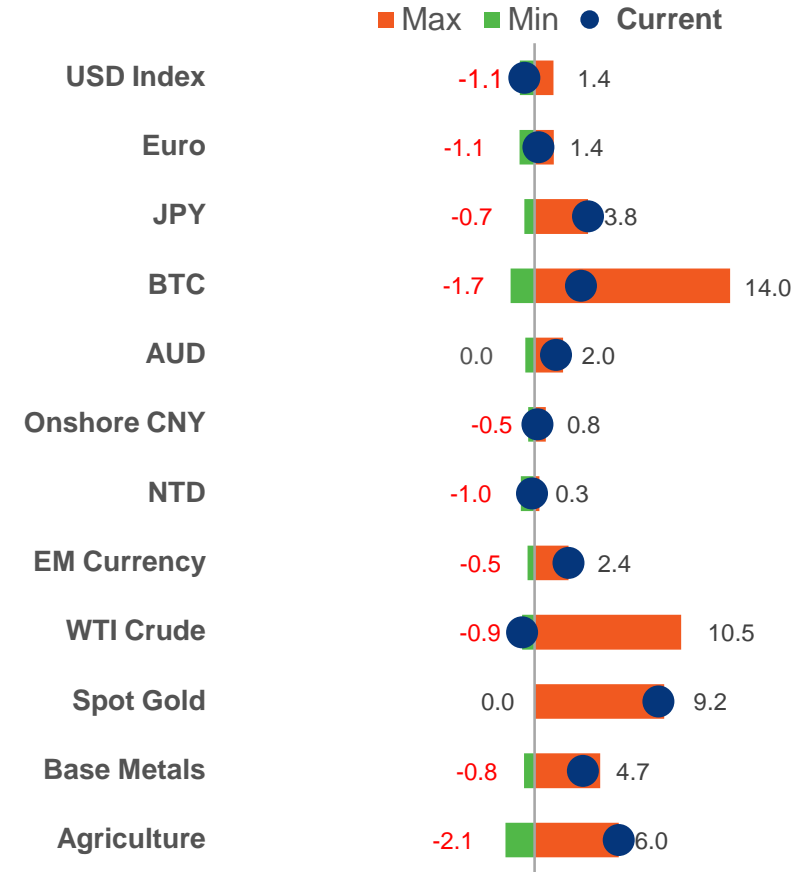
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YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



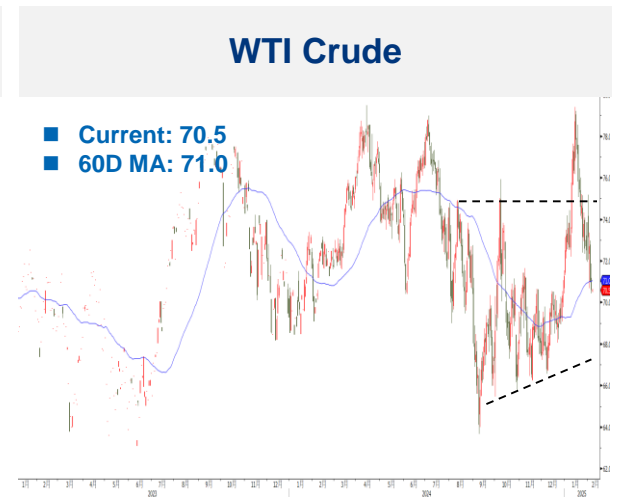
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 7 Feb. 2025

Technical Analysis

— 60D MA

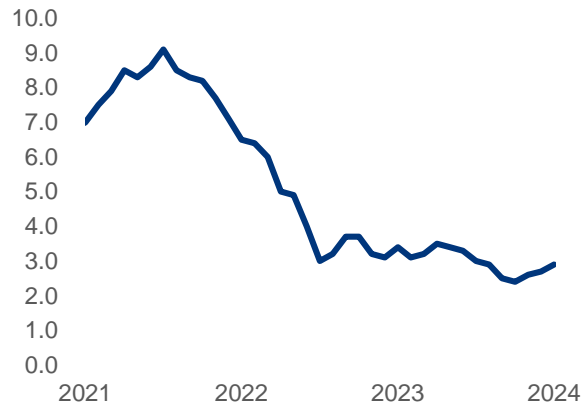


Source: Bloomberg, 7 Feb. 2025

Technical Analysis

— 60D MA

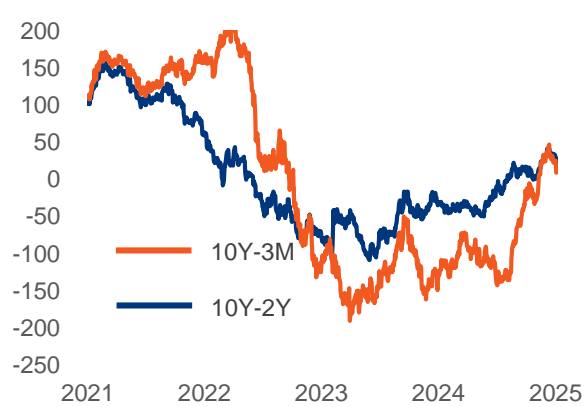
S&P 500 Index



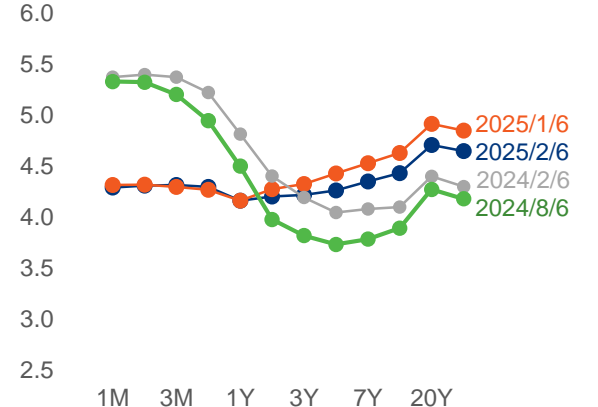
NASDAQ Index



STOXX Europe 600 Index



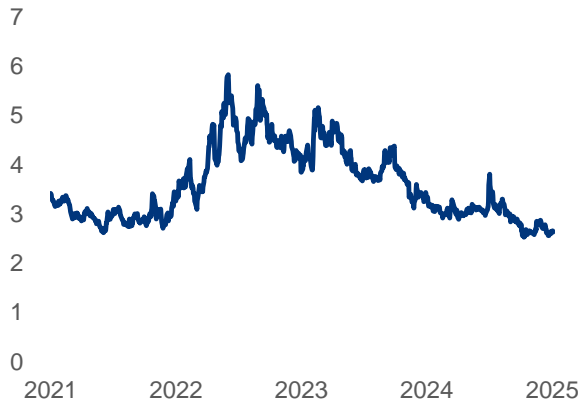
Nikkei 225 Index



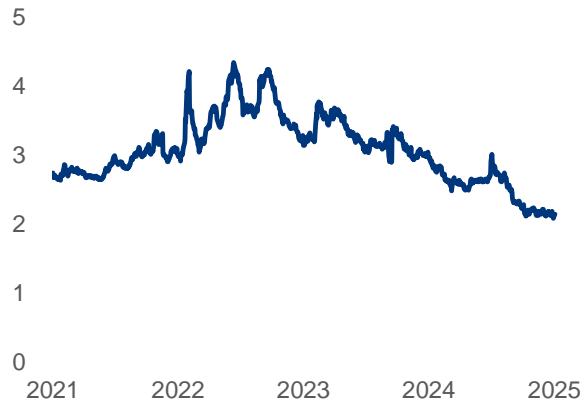
Shanghai Composite Index



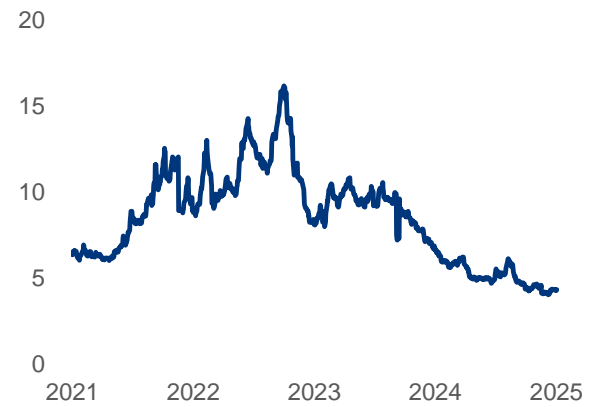
MSCI Emerging Markets Index



Gold



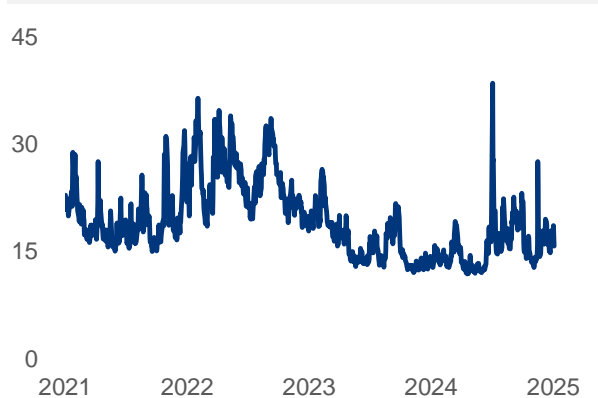
WTI Crude



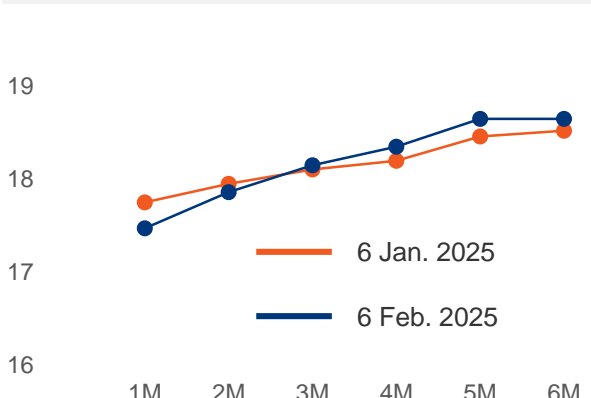
Source: Bloomberg, 6 Feb. 2025

Market Monitor

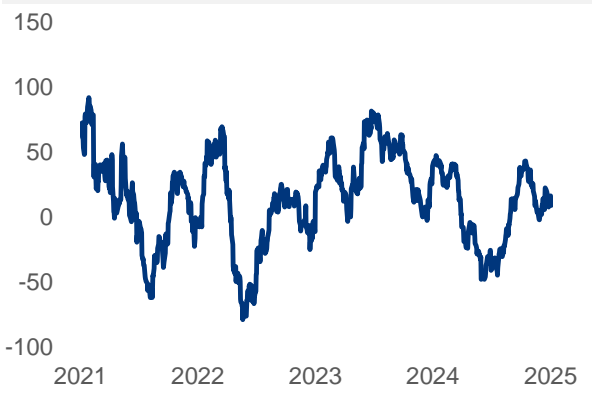
VIX Index



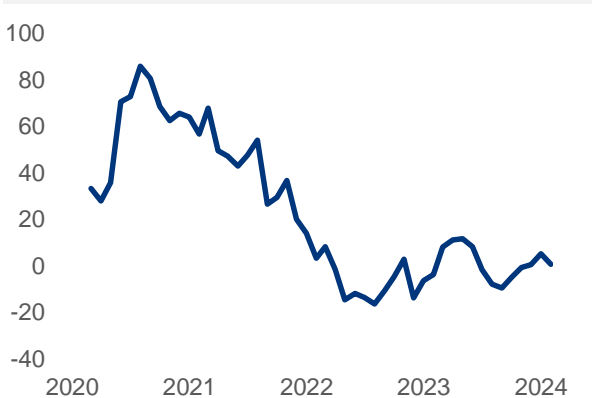
VIX Term Structure



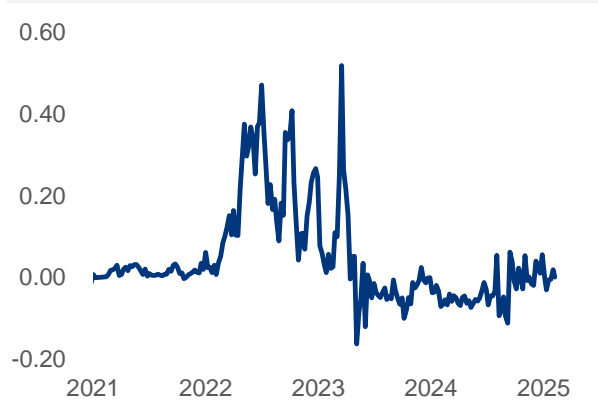
U.S. Citi Economic Surprise Index*



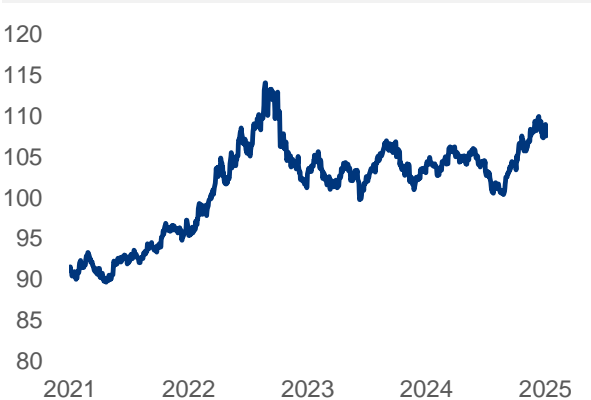
U.S. Citi Inflation Surprise Index*



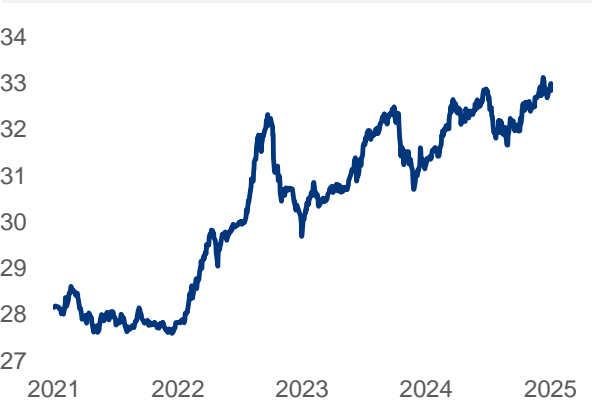
TED Spread (bps)



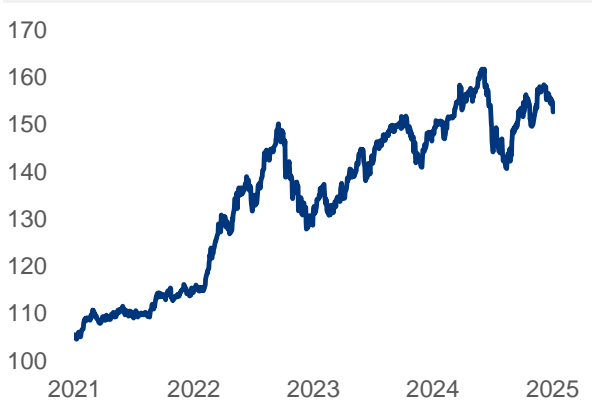
U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 6 Feb. 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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