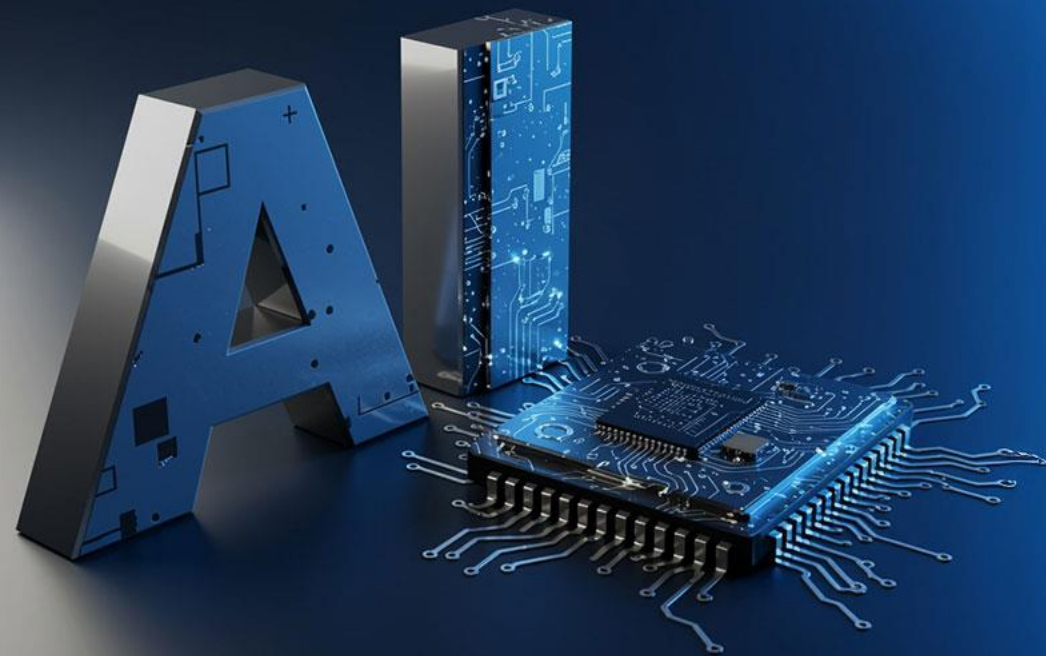




# Go Soft for Tech?

Global Markets Weekly Kickstart

21 February 2025



## 01 Chart of the Week

Trump Initiates Reciprocal Tariffs, Europe, India, and Vietnam Likely Next Targets



## 02 Market Recap

Trump's Tariff War Hits, Equities Faces Volatility at High Levels



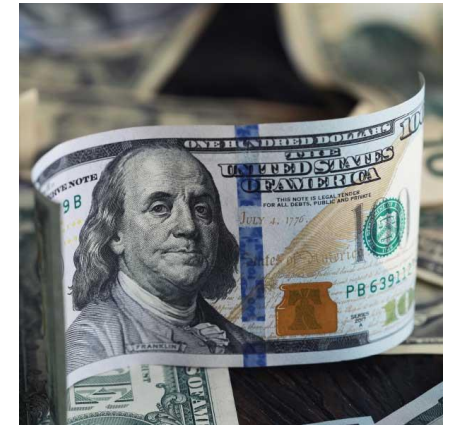
## 03 What's Trending

Xi Meets Private Tech Companies, Chinese Tech Stocks Surge



## 04 In Focus

U.S. Tech Stocks Excel in Software, AI Hardware Calls for Short-Term Caution and Long-Term Accumulation



## 05 Product Spotlight

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

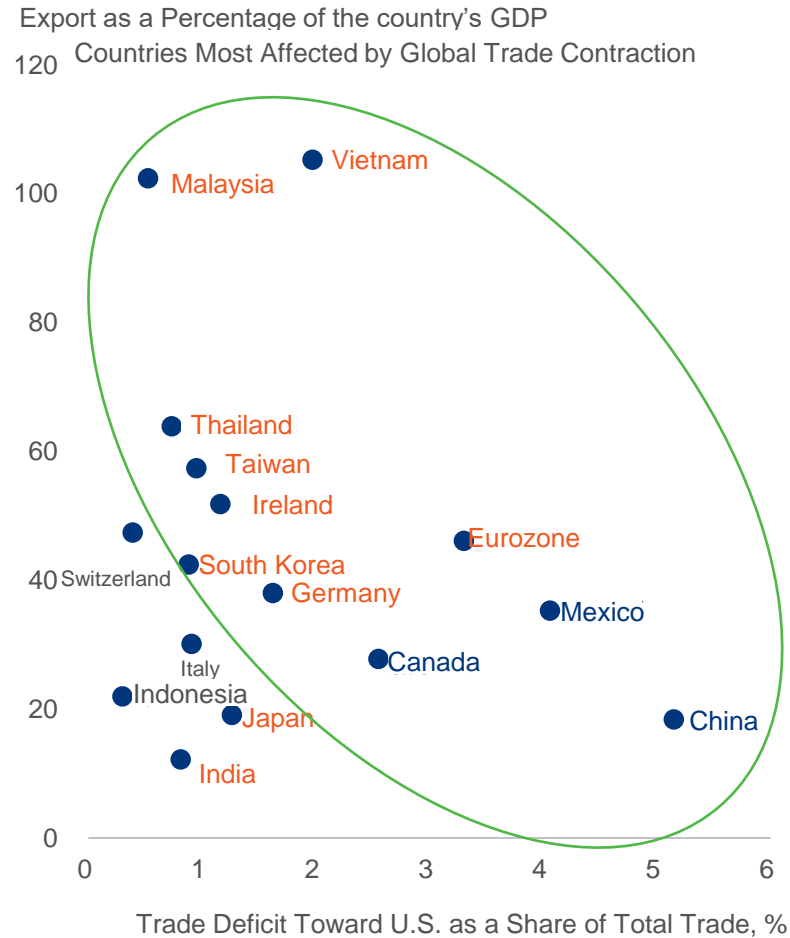
Chart of the Week

# Trump Initiates Reciprocal Tariffs, Europe, India, and Vietnam Likely Next

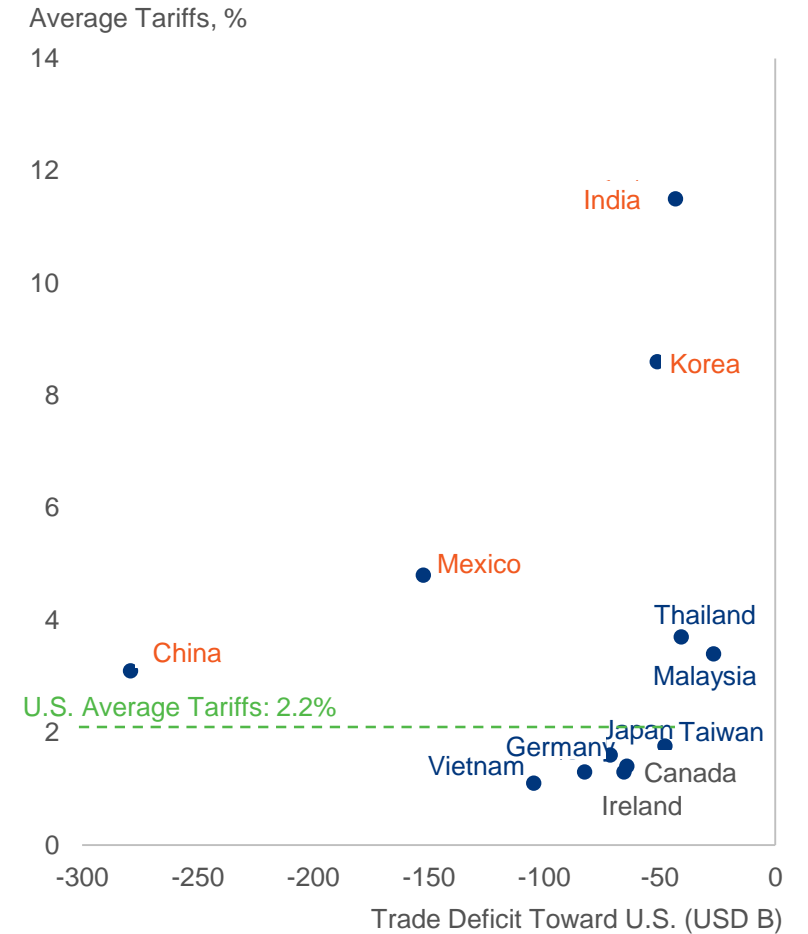
- ▶ Trump replaced an executive order with a memorandum on reciprocal tariffs, aiming to match tariffs between the U.S. and its trade partners. Non-tariff policies like VAT leading to unfair trade will also face retaliation. U.S. trade officials will propose new tariffs based on individual countries to ensure fairness. This approach sacrifices long-term geopolitical interests to maximize U.S. benefits by lowering tariffs from trade partners. With findings expected on April 1, new tariffs could be implemented, causing short-term volatility.
- ▶ India, South Korea, Brazil, Vietnam, Mexico, Canada, the UK, China, and the EU have higher most-favored-nation tariff rates than the U.S., with India, South Korea, Brazil, and Vietnam exceeding 5%. In 2023, countries with the largest trade deficits with the U.S. included China, Mexico, Vietnam, Germany, Japan, Canada, South Korea, and Taiwan. These countries are likely to face tariff increases, and those with high average tariffs may be targeted for sanctions.

Source: Bloomberg

## Trump's Tariff War Hits Broadly: Europe, Vietnam, and Taiwan Must Stay Alert



## Countries with Large Trade Deficits and High Tariffs with the U.S. to Face Additional Taxes

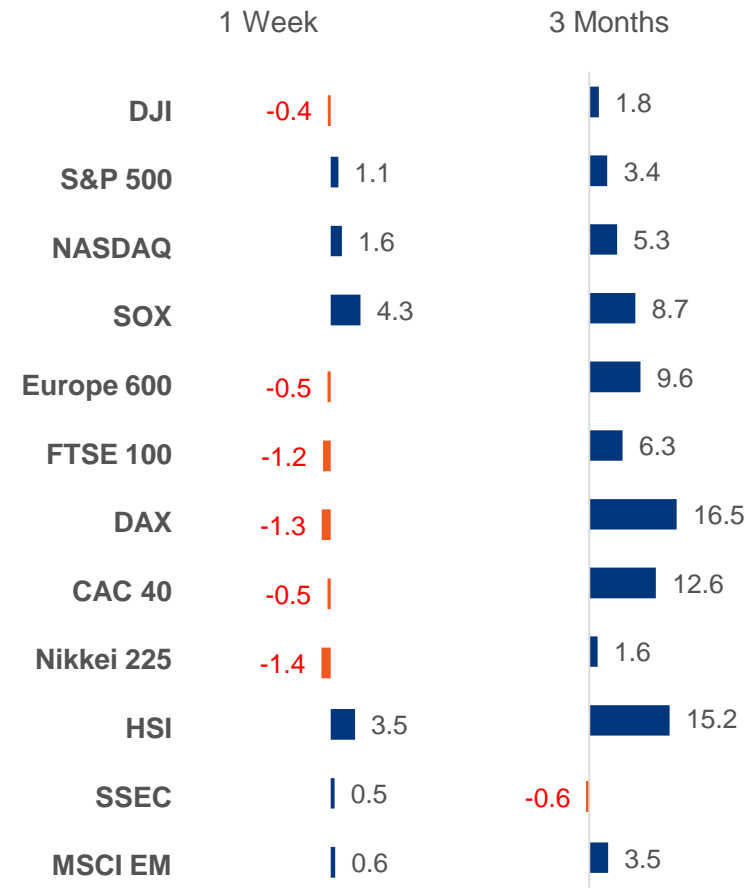


## Market Recap

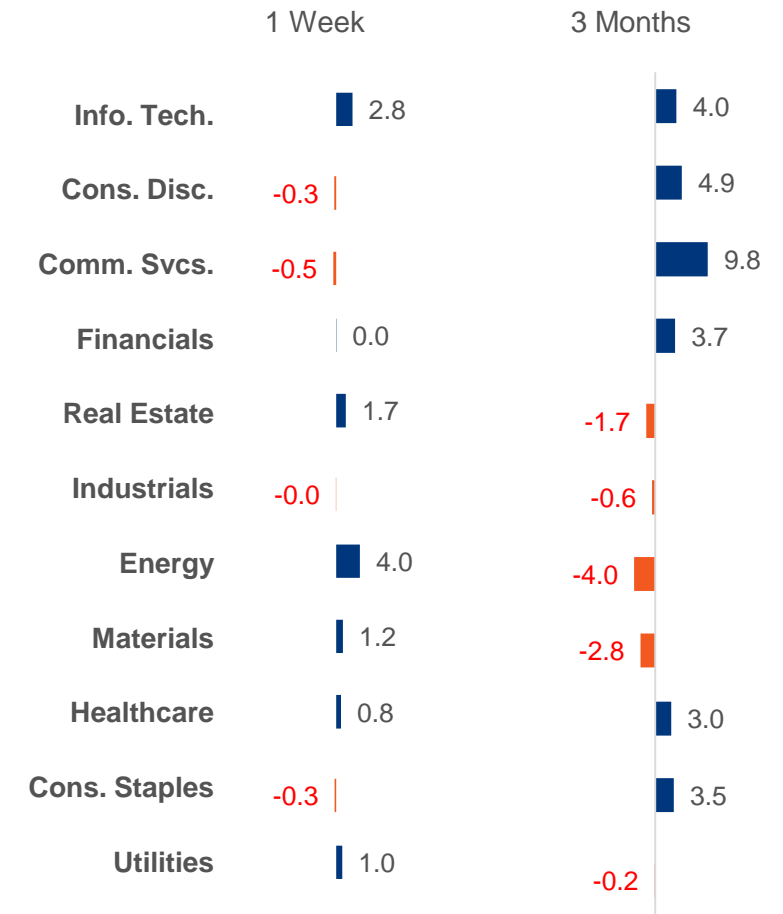
## Trump's Tariff War Hits, Stock Market Faces Volatility at High Levels

- ▶ Trump announced a 25% tariff on U.S. imports of automobiles, semiconductors, and pharmaceuticals, impacting non-U.S. automotive stocks. The EU is in talks with the U.S. to reduce tariffs on car imports. U.S.-Russia talks raised hopes that the Russia-Ukraine conflict may end soon, potentially improving relations. As 4Q24 earnings wrap up, 74% of S&P 500 companies exceeded expectations, with earnings per share up 15.3% YoY, surpassing the 9.6% forecast. Major U.S. indices, excluding the Dow, gained this week.
- ▶ Markets expect a rise in EU defense budgets, driving up military stocks. Walmart's earnings miss, citing the impact of Trump's tariff hikes, causes a stock decline. This dragged down the performance of consumer staples stocks.

## Major Stock Indices Performance by Region (%)



## US Stock Performance by Sector (%)



Source: Bloomberg, 21 Feb. 2025

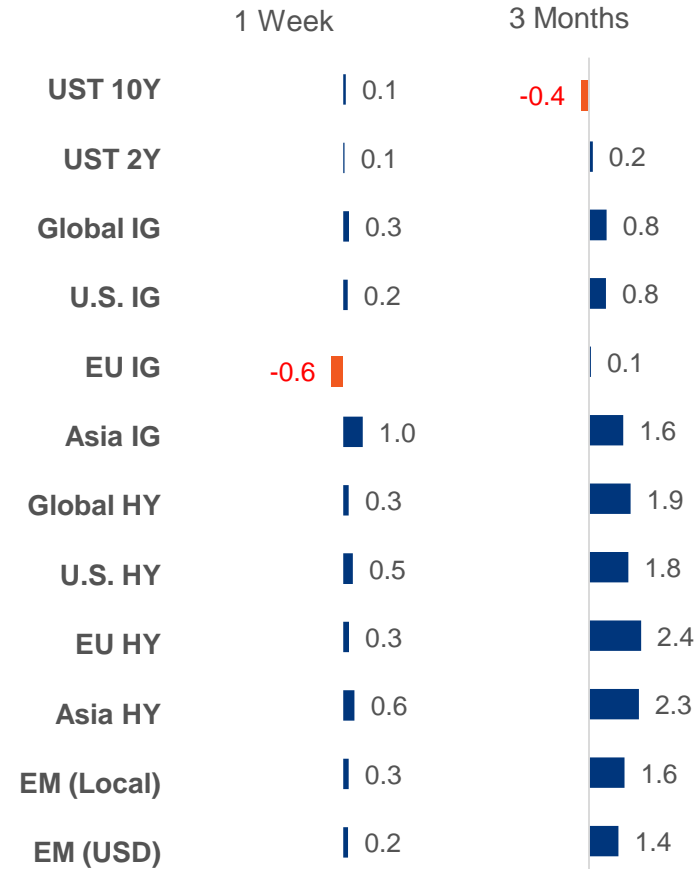
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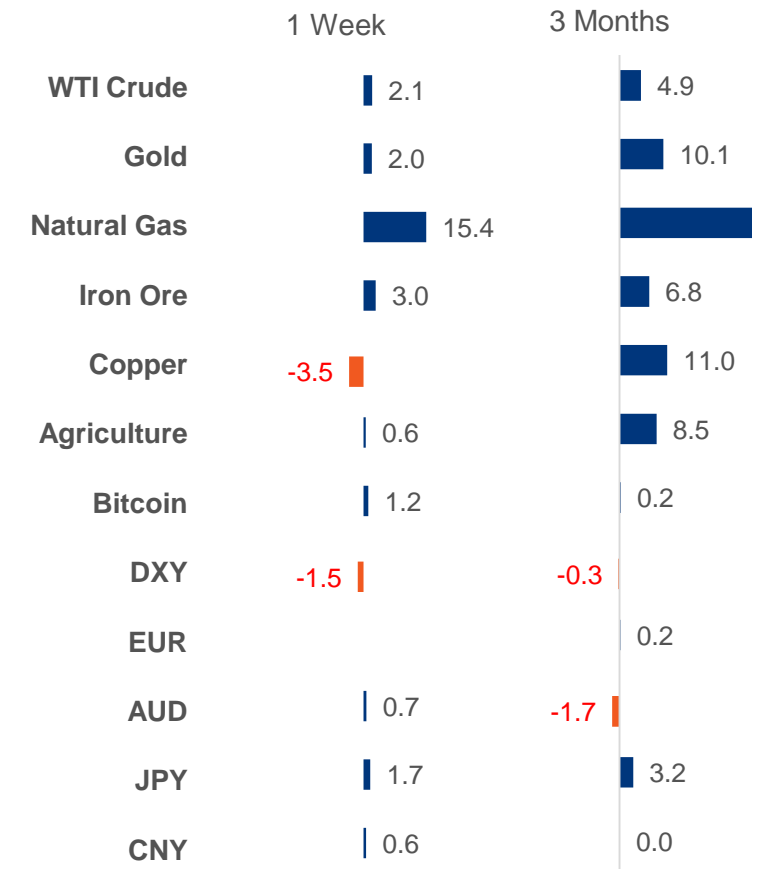
# Fed Minutes Suggest Possible Slowdown in QT, U.S. Treasury Yields Decline

- ▶ The Fed's January meeting minutes showed concerns over Trump's policies fueling inflation, indicating the policy rate will stay unchanged until inflation improves. Ongoing debt ceiling disputes complicate Treasury cash management, leading the Fed to consider pausing balance sheet reduction. U.S. Treasury yields fell slightly, with bond prices rising.
- ▶ U.S. caution on European defense prompts leaders to boost military spending, with Germany likely to issue more debt for defense. As a result, Germany's bond yields rose to a two-week high, putting pressure on European bonds.
- ▶ The U.S. dollar index declined, with the yen outperforming other currencies. BOJ official Takata's hawkish rate hike comments, along with strong GDP data and rising wages, led markets to expect a 50bps rate hike by Q2, boosting the yen.

## Performance of Bonds (%)



## Performance of Commodities and Currencies (%)



Source: Bloomberg, 21 Feb. 2025

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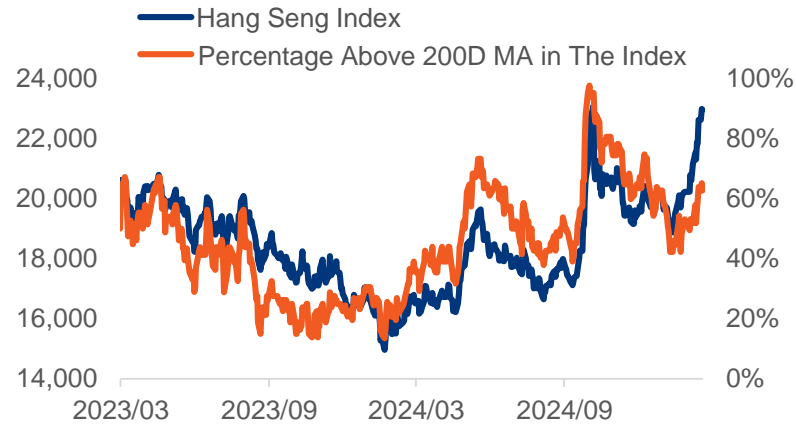
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What's Trending

# DeepSeek Shifts Market Sentiment, Driving Stock Market Rally; Xi Meets Private Tech

- ▶ DeepSeek has altered the outlook for Chinese tech stocks. While the Hang Seng Index nears its October high, the catalyst this time is AI-related tech, not fiscal stimulus. Fewer Hang Seng stocks are above the 200-day moving average, but a few major gains have lifted the index, pushing the Hang Seng Tech Index 6% above last year's peak.
- ▶ On the 17th, Xi Jinping held a roundtable with private sector leaders, including Huawei's Ren Zhengfei, Alibaba's Jack Ma, and DeepSeek's Liang Wenfeng. This is the first such meeting since 2018, with a significant rise in tech entrepreneurs, signaling potential policies to support platform economy development.
- ▶ Recent gains suggest potential short-term volatility. Investors may consider buying index ETFs that track Chinese and Hong Kong markets during pullbacks.

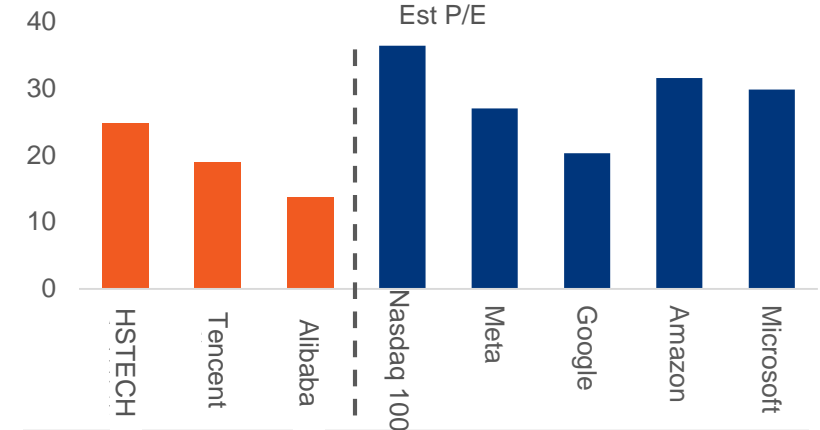
**This Round of Gains More Concentrated Compared to Last October**



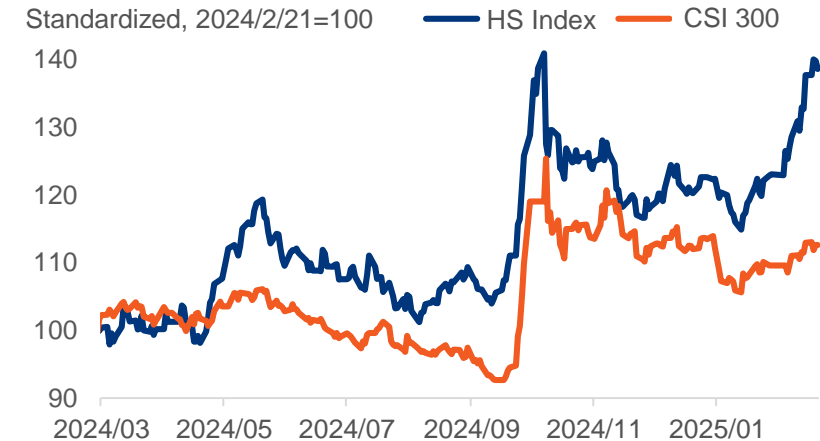
**Hang Seng Tech Index Breaks Above Last October's High**



**Valuation of U.S. and China's Mega AI-Related Stocks**



**Chinese Stocks Lag Behind Hong Kong Due to Lack of AI Application Focus**

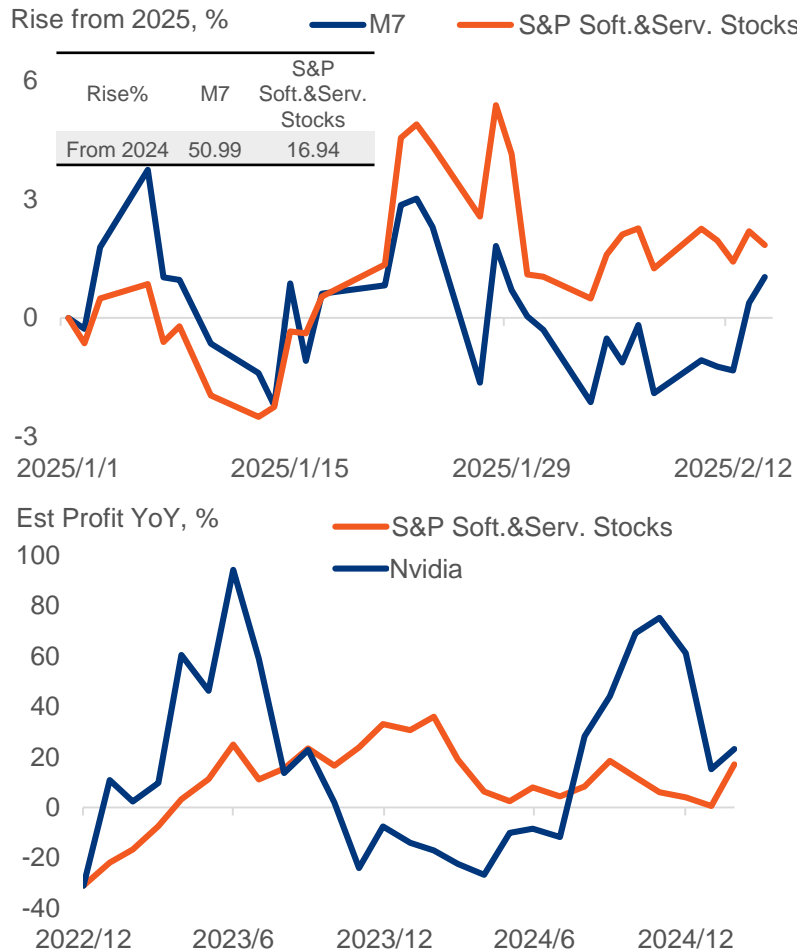


Source: Bloomberg

# DeepSeek Emerges, Shifting the Tide for Tech Hardware and Software Stocks

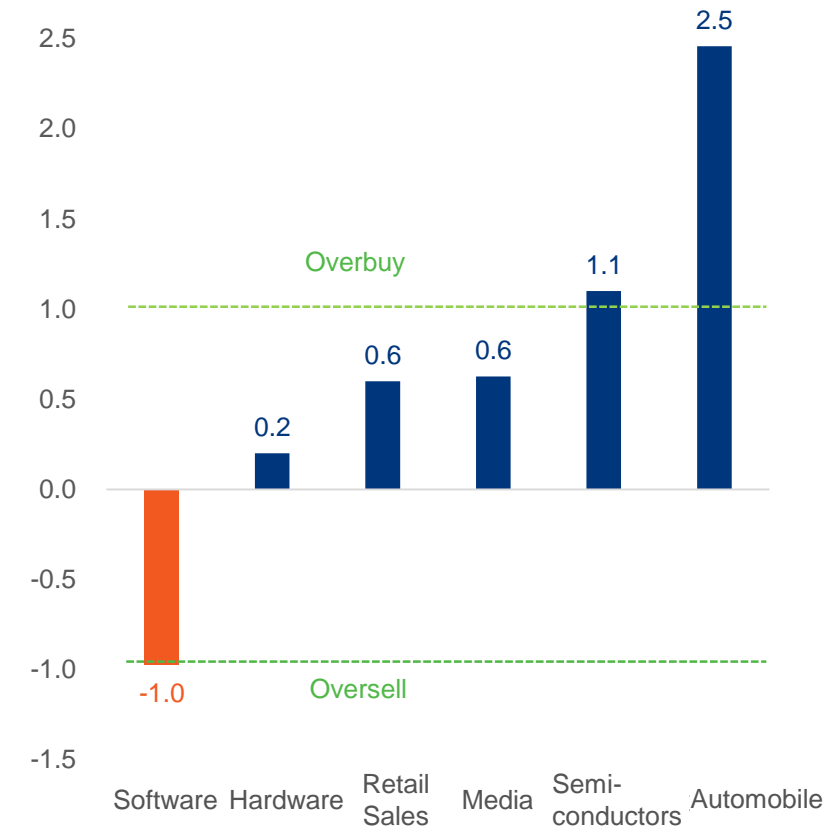
- ▶ DeepSeek’s cost-effective, high-performance models reduce AI server costs for cloud providers, raising concerns about the AI arms race ending prematurely. This has led to downgrades for AI hardware stocks that led last year. Meanwhile, major cloud providers like Meta, Alphabet, Amazon, and Microsoft are seeing positive outlooks, with software stocks becoming the new market favorites.
- ▶ DeepSeek’s impact includes lower development costs boosting AI demand, and downward revisions for AI hardware companies like Nvidia. AI software stocks have recently outperformed semiconductor and hardware stocks. While M7's overall gains this year are weaker, S&P software services stocks show better performance. Non-software M7 stocks were overvalued, and software stocks, previously sold off, have room to recover. AI ASICs have strong future potential, with Meta, Amazon, Alphabet, and Microsoft leading.

## U.S. Tech Hardware and Software Stocks See Shifting Performance This Year



## M7 Divided by Industry, Software Stocks Are the Only Oversold Group

US Stocks M7 Aggregative Technical Indicators, SD

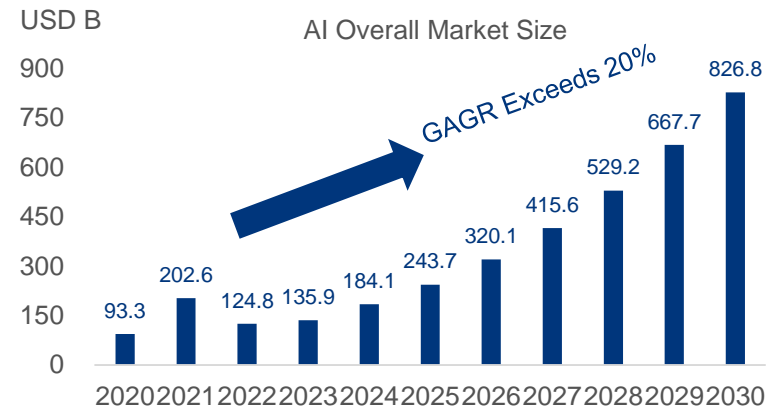
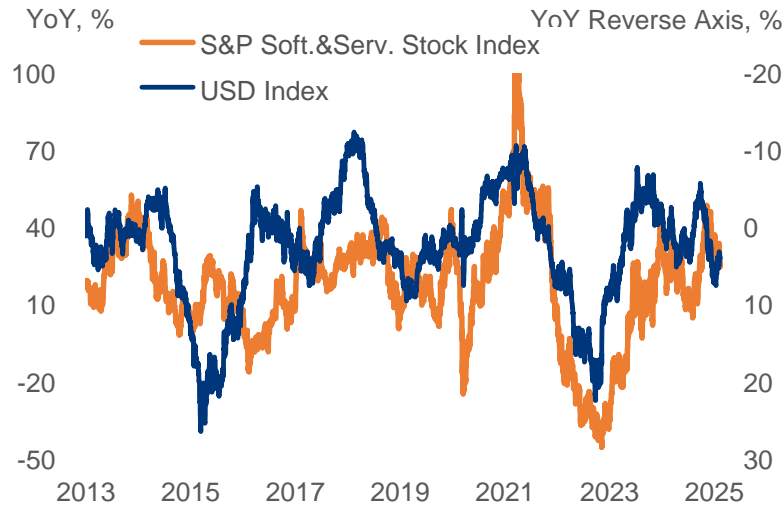


Source: Bloomberg

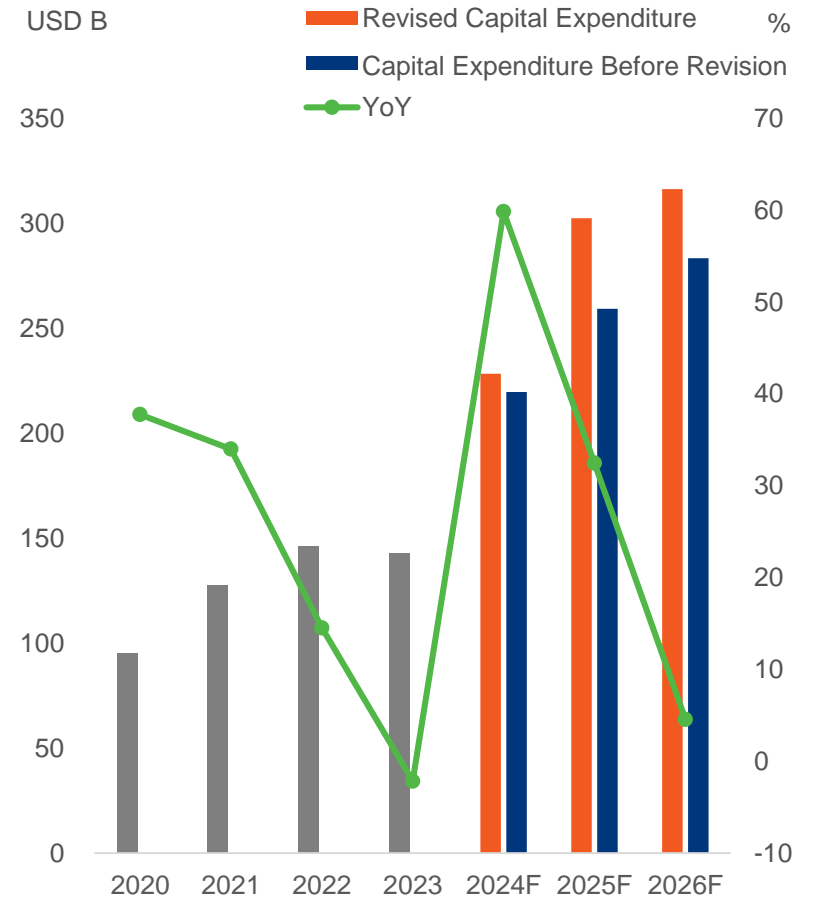
# U.S. Tech Software Stocks Benefit from AI Growth, Hardware Rebounds on Pullbacks

- ▶ FactSet data shows S&P 500 software revenue grew 12.5%, outperforming semiconductors and equipment at 11.3%. U.S. software firms, largely multinational, benefit from a weaker dollar, with bond yields dropping as the U.S. pauses rate cuts. This provides a favorable environment for software service stocks.
- ▶ While software stocks outperform hardware, AI chip demand stays strong before potential CSP capital expenditure cuts. AI servers remain in short supply, with valuation adjustments the main change. The AI market continues to grow, with U.S. CSPs raising capital expenditure, indicating the AI arms race is still intact. Meta and Microsoft expect strong growth through 2025, while Intel and Apple look to AI PC and smartphone adoption this year. AI hardware remains bullish long-term; consider gradual investments during pullbacks.

**Weaker Dollar Boosts Software Service Stocks**



**U.S. Top 4 Cloud Software Providers Continue Increasing CapEx Over the Past 3 Years**



Source: Bloomberg



# Asset Strategy

Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ U.S. earnings surpass expectations, with DeepSeek creating market rotation opportunities. Focus remains on Trump's tariff policies, benefiting financial, industrial, and defense sectors. The long-term AI outlook supports tech stock growth.</li> <li>◆ The Russia-Ukraine conflict shows potential for peace talks, while ECB easing boosts European stocks. In Japan, wage-driven consumer growth fuels optimism. DeepSeek rallies in China and Hong Kong, but tariff hikes may suppress external demand, increasing volatility risks.</li> </ul>	<p><b>Style:</b> Large-cap stocks, Financial, Industrial, Defense, AI, and Technology stocks</p> <p><b>Regions:</b> U.S., Japan</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ The U.S. economy remains resilient, but inflation concerns linger. The Fed may slow balance sheet reduction instead of cutting rates. For fixed income, favor medium-to-short-term investment-grade bonds. Caution is advised with long-term U.S. Treasuries due to fiscal risks.</li> <li>◆ With a soft landing, yield spreads have narrowed, but corporate credit quality remains strong. Focus on investment-grade bonds from leading companies, particularly in sectors like telecom, financials, utilities, and defense, considering potential slowdown risks in the second half.</li> </ul>	<p><b>Duration:</b> Opt for medium-to-short-term bonds to secure yields while managing interest rate risks</p> <p><b>Types:</b> Focus on investment-grade bonds from large companies, with an emphasis on sectors showing potential upside, such as telecommunications, financials, utilities, and defense industries</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ The dollar stays supported in H1, but its strength wanes due to slower Fed rate cuts and rising uncertainties from Trump's trade policies.</li> <li>◆ Japan's economic recovery signals a potential rate hike as early as Q2, with expectations of a 2bps increase, driving continued yen appreciation.</li> </ul>	<p>The US dollar remains supported at elevated levels in the near term</p> <p>The Japanese yen is likely to trend upwards</p>

## Sector Rotation May Occur in the Short Term

### Private Enterprise Forum Signals Focus on Innovation and Private Sector

- ▶ On February 17, President Xi Jinping held a private enterprise forum in Beijing, the first since 2018, signaling support for private sector confidence. Tech-driven industries saw increased representation, including AI, semiconductors, NEVs, and robotics, reflecting the government's focus on innovation. More policy mentions are expected at the Two Sessions.

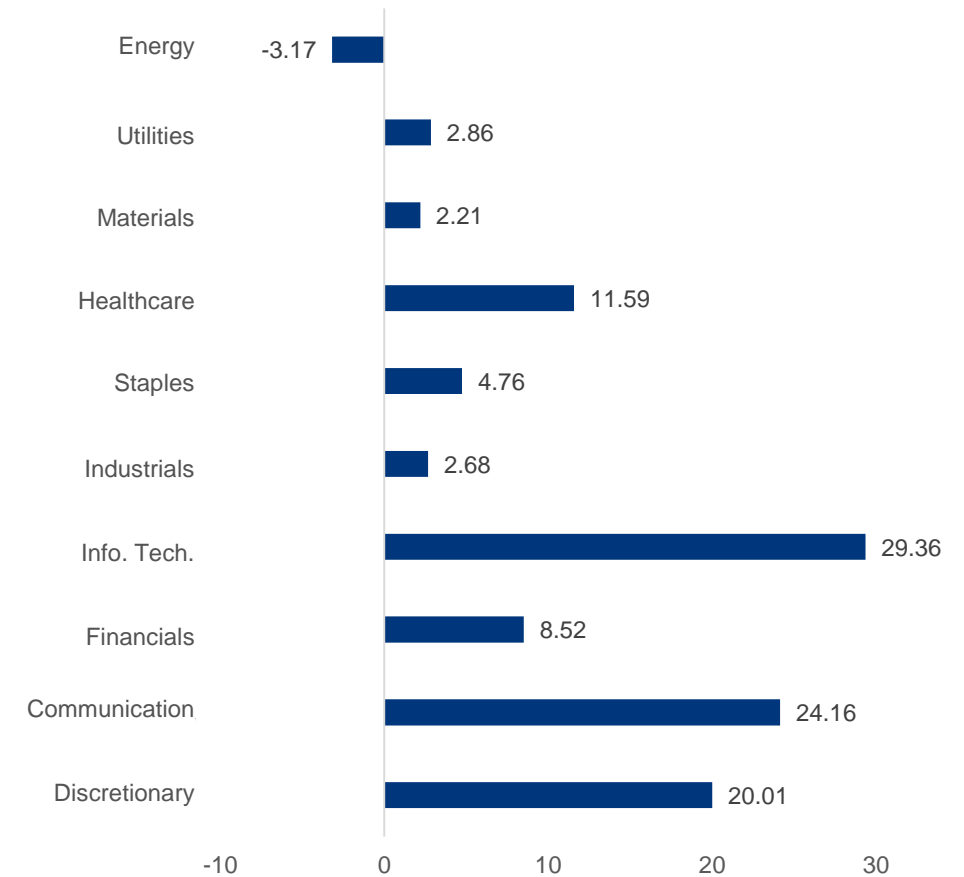
### Related Stocks Poised for Long-Term Revaluation

- ▶ President Xi's remarks signal support for private sector confidence. Amid geopolitical tensions, the forum suggests a more business-friendly shift. Jack Ma's presence hints at the end of platform economy crackdowns. With DeepSeek reshaping views on China's tech sector, related stocks may see revaluation.

### Short-Term Sector Rotation May Occur

- ▶ The tech index's RSI at 70 signals overbought conditions. Short-term sector rotation is likely, with non-tech stocks potentially catching up. January saw a 0.1% MoM rise in home prices in top-tier cities, and second-tier cities saw their first increase since June 2023. This could boost consumer and real estate stocks. With the Two Sessions approaching, capital may flow away from tech. Earnings season will provide insights into AI-related profit growth potential.

### MSCI China Index 1-Month Return by Sector (%)



# China Resources Power (836 HK)

**Closing Price** HK \$18.16

**Target Price** HK \$20.5

## Profile

China Resources Power Holdings Company Limited operates as a power generation company. It invests, develops, owns, and operates coal-fired power plants in China. The company serves customers in Hong Kong.

## Highlights

### Market Anticipates AI Driving Surge in Power Demand

With DeepSeek's rise, some anticipate AI-driven demand to boost China's power consumption, similar to U.S. stocks like NuScale. The State Grid Energy Research Institute forecasts data center power demand will double by 2030 to 400 TWh, but this remains a small share of China's total consumption (around 10,000 TWh). While speculative interest in Chinese power stocks is possible, we prefer to focus on fundamentals when evaluating investment potential.

### Stronger Fundamentals Compared to Peers

In 2024, despite a slight decline in national power generation due to increased new energy capacity and favorable hydro conditions, China Resources Power (CRP) showed resilience. CRP's subsidiaries saw a 7.4% YoY increase in electricity sales, totaling 208 million MWh. Its wind and solar plants grew by 10.5% and 141.5%, respectively. In 1H24, CRP's wind farms had 1,223 hours of operation, 89 hours above the national average, and its solar plants operated for 705 hours, surpassing the national average by 79 hours. Its coal plants also outperformed the national average by 50 hours.

### Industry Headwinds Largely Priced In

Power stocks have underperformed since mid-2023, mainly due to concerns about a significant electricity price cut in China, especially in Guangdong. However, the price uncertainty has been cleared, which is positive for investors. Additionally, the recent decline in coal prices due to increasing inventories will partly offset the 2025 electricity price cut. China Resources Power's projected dividend yield is above 7%, with a P/E ratio below its historical average, offering attractive investment potential.

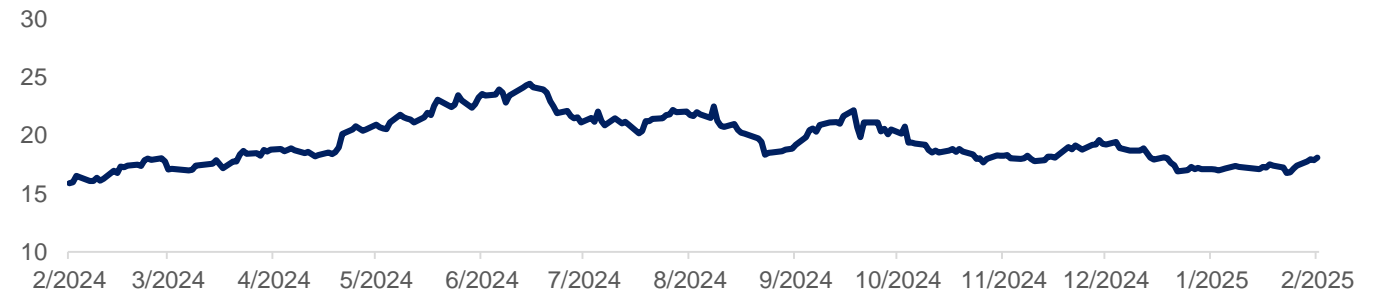
Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
<b>Net Income (100M HKD)</b>	21.37	70.42	110.03	147.72	164.81
<b>NI YoY(%)</b>	-71.8	229.4	56.2	34.3	11.6
<b>EPS(CNY)</b>	0.44	1.46	2.29	3	3.02
<b>DPS(CNY)</b>	0.3	0.59	0.92	1.17	1.29
<b>P/E</b>	41.3	12.4	7.9	6.1	6.0
<b>Dividend Yield(%)</b>	1.65%	3.25%	5.07%	6.44%	7.10%

Source: Bloomberg; 2024/25F are market estimates

## YTD Performance



As of 20 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	5.96	-0.76	-4.02	13.42	27.92	141.71

## Valuations

● 5Y Average ◆ Current

Price	5.085		24.94
P/E	3.69		82.05
P/B	0.33		1.35

# Semiconductor Manufacturing International Corporation (981 HK) (Underweight)

**Closing Price** HK \$50.25

**Target Price** HK \$-

## Profile

Semiconductor Manufacturing International Corporation operates as a semiconductor foundry. It provides integrated circuit foundry and technology services including the testing, development, design, and so on.

## Highlights

### Fundamentals and Valuation Disconnect

SMIC's valuation has surged, but its growth is facing challenges. Despite a 230% stock price increase, its fundamentals are misaligned with its valuation. The forecasted 48x P/E for 2026 exceeds the average by two standard deviations. The rally is mainly driven by market expectations that domestic GPUs, such as Huawei's Ascend 910C, will replace Nvidia's H100, with SMIC acting as the chip foundry.

### Profitability Faces Challenges

SMIC faces several fundamental challenges: (1) Weak growth, with expected revenue growth rates of 18% and 14% for 2025 and 2026; (2) High capital expenditures (\$7-7.5 billion in 2025) and increased depreciation, leading to a gross margin around 20%; (3) Rising production capacity and price competition may worsen pricing pressure.

Valuation decline may require a catalyst, such as the realization that SMIC's production of Huawei's GPUs won't bring profitability. The yield rate for the Ascend 910C chip is only 20%, far below the 70% needed for commercialization, limiting production capacity and raising concerns over gross margins.

### Investors Should Take Profits First

Investors should avoid entering SMIC now and consider taking profits if holding positions, shifting focus to sectors benefiting from domestic substitution and AI trends.

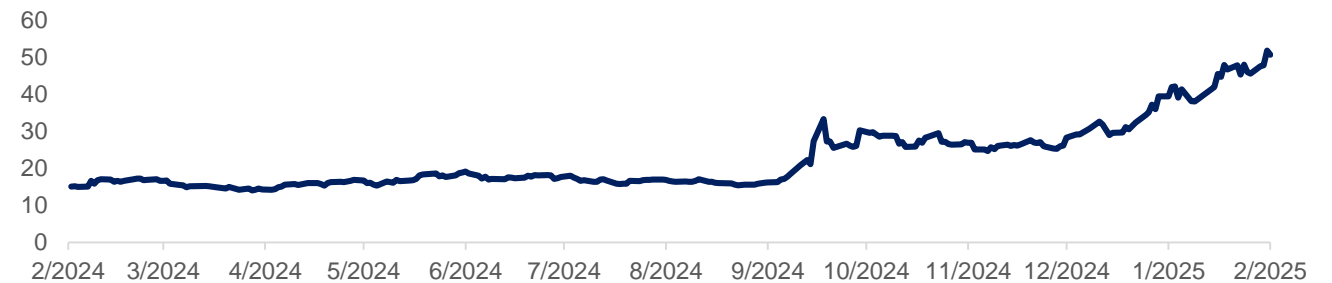
Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Net Income (100M USD)</b>	18.179	9.025	4.927	8.871	11.002
<b>NI YoY(%)</b>	6.8	-50.4	-45.4	80	24
<b>EPS(CNY)</b>	0.23	0.11	0.06	0.11	0.13
<b>DPS(CNY)</b>	0.0	0.0	0.0	0.0	0.0
<b>P/E</b>	28.0	58.7	107.6	58.7	49.6
<b>Dividend Yield(%)</b>	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg; 2025/26F are market estimates

## YTD Performance



As of 20 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	27.91	87.54	58.64	235.43	150.99	225.48

## Valuations

● 5Y Average ◆ Current

Price	11.38	●	◆	51.8
P/E	8.00	●	◆	115.34
P/B	0.70	●◆		4.39

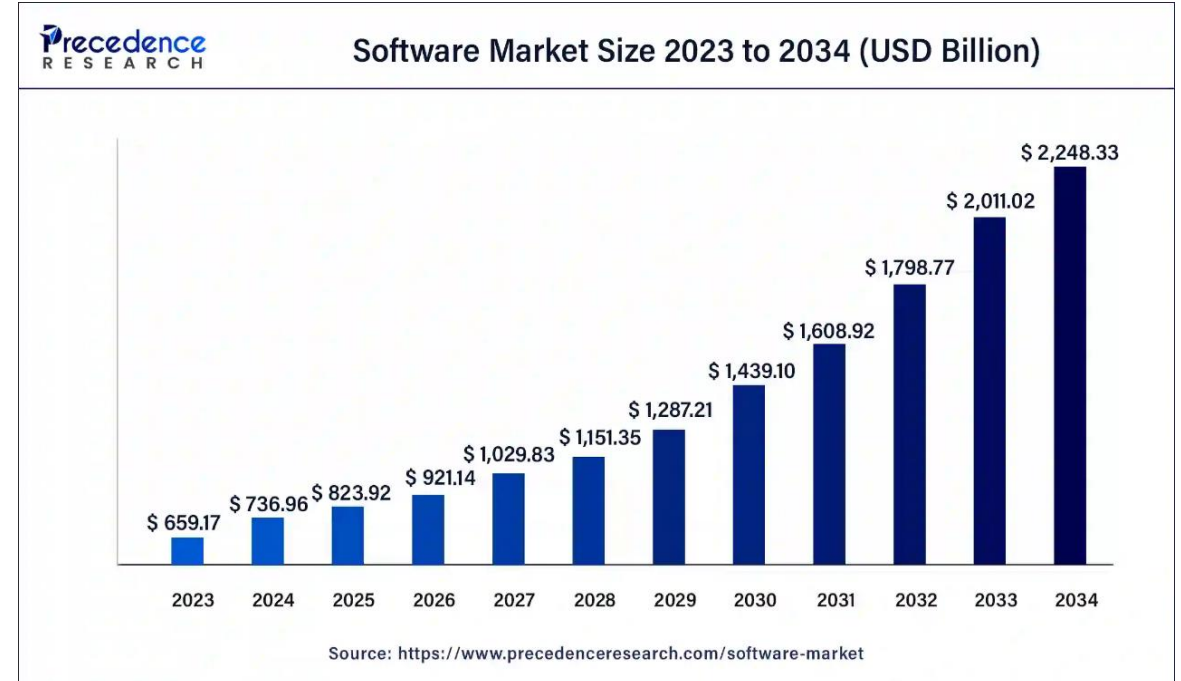


## Artificial Intelligence Drives Growth in the Software Industry

- ▶ FOMC minutes show that most Fed officials favor caution when adjusting monetary policy due to economic uncertainty. If the economy stays strong and inflation remains high, rates might stay restrictive. However, if the labor market weakens or inflation falls faster than expected, policy could ease. Policymakers stressed the need for more evidence of sustained inflation reduction, with risks from trade, immigration policies, geopolitical issues, and strong consumer spending.
- ▶ In February, the U.S. S&P Global Manufacturing PMI rose to 51.6, up from 51.2 in January and slightly above the market expectation of 51.4.
- ▶ Meanwhile, the U.S. S&P Global Services PMI fell to 49.7, down from 52.9 in January and well below the market forecast of 53.0.
- ▶ The University of Michigan Consumer Sentiment Index for February came in at 64.7, lower than the preliminary reading of 67.8 and the expected 67.8.
- ▶ In January, U.S. housing starts were 1.366 million units, down 9.8% from the previous month and below expectations of 1.39 million.
- ▶ Building permits saw a slight increase of 0.1%, with a seasonally adjusted annual rate of 1.483 million, above the expected 1.46 million.
- ▶ U.S. existing home sales declined by 4.9%, with a seasonally adjusted annualized sales rate of 4.08 million units, marking the largest drop in seven months and falling short of the market estimate of 4.13 million units.
- ▶ The competition between the U.S. and China in AI continues, with heavy investments from both sides. While China faces semiconductor restrictions, it has strengths in algorithms and software, prompting the U.S. tech sector to reassess its investments.
- ▶ Given high U.S. tech stock valuations, a pullback is likely, so a gradual approach to buying is recommended.

Source: Bloomberg

### Software Market Size 2023 to 2024



# Palo Alto Networks, Inc. (PANW US)

**Closing Price** US \$191.03

**Target Price** US \$225

## Profile

Palo Alto Networks, Inc. provides network security solutions. It offers firewalls that identify and control applications, scan content to stop threats, prevent data leakage, integrated application, user, and content visibility.

## Highlights

- Global Cloud Spending Expected to Grow Rapidly in 2025**  
 Global public cloud services spending is expected to grow from \$595.7 billion in 2024 to \$723.4 billion in 2025. Cybersecurity spending is projected to rise from \$183.9 billion in 2024 to \$212 billion in 2025. As AI grows, more investments are flowing into areas like application security, data protection, privacy, and infrastructure security. The cybersecurity market is anticipated to grow at an 11% annual rate until 2030.
- Firewall Market Leader**  
 The company holds a 20% share in the firewall market, serving 80,000+ customers, including enterprises and government agencies. Its customer retention rate exceeds 90%, reflecting strong demand. Prisma Cloud and Cortex XSOAR are expanding, with Prisma Cloud growing 38% YoY in Q4 2024.
- The Rule of 40**  
 Measures SaaS profitability and growth. The company's latest quarter shows a revenue growth and EBITDA margin sum of 48.6, indicating strong performance.
- FY25 Q2 Earnings Report**  
 Revenue grew 14.1% YoY to \$2.26B, beating estimates by \$20M. Non-GAAP EPS was \$0.81, exceeding expectations by \$0.03. FY25 revenue guidance was raised to \$9.14B–\$9.19B from \$9.12B–\$9.17B.
- Valuation Consensus**  
 Bloomberg's 12-month average target price is \$215.84, with a high of \$240 and a low of \$123.

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Revenue Growth(%)</b>	29.3	25.3	16.5	14.3	15.1
<b>EBITDA (%)</b>	2.3	10.1	15.8	31.7	32.6
<b>EPS</b>	-0.39	0.66	1.32	3.23	3.68
<b>Net Profit Margin(%)</b>	-4.2	6.6	11.7	24.8	24.6

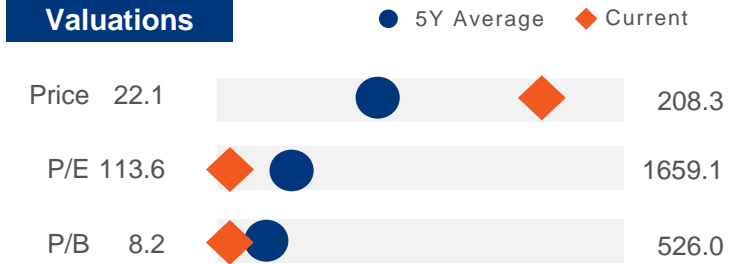
Source: Bloomberg; 2025/26F are market estimates

## 1-Year Performance



As of 20 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	12.3	1.2	9.3	8.6	36.6	37.6

## Valuations



# SoFi Technologies, Inc. (SOFI US)

**Closing Price** US \$14.67

**Target Price** US \$20

## Profile

SoFi Technologies, Inc. is an online personal finance company and online bank. It provides financial products including student and auto loan refinancing, mortgages, personal loans, credit card, investing, and banking through both mobile app and desktop interfaces.

## Highlights

### ■ Membership and Product Count Continue to Grow

The company's online financial services continue to expand. As of Q4 FY2024, membership grew 34.3% YoY to 10.13 million, while financial products on the platform increased 32.3% YoY to 14.75 million.

### ■ The Rule of 40

Measures SaaS profitability and growth. The company's latest quarter shows a revenue growth and EBITDA margin sum of 42.6, indicating strong performance.

### ■ 2024 Performance

FY2024 GAAP revenue increased by 26% to \$2.7B, with adjusted net revenue growing 26% to \$2.6B. Total deposits reached \$26B, with a large portion from direct deposit members. Management expects continued growth in 2025, with at least 2.8M new members, a 28% increase.

### ■ Valuation Consensus

Bloomberg's 12-month average target price is \$13.76, with a high target price of \$20 and a low of \$5.

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Revenue Growth(%)</b>	59.8	34.9	26.0	20.3	21.1
<b>EBITDA (%)</b>	-19.0	-2.6	6.5	11.5	20.3
<b>EPS (USD)</b>	-0.34	-0.06	0.41	0.26	0.53
<b>Net Profit Margin(%)</b>	-19.4	-2.5	16.9	9.1	15.7

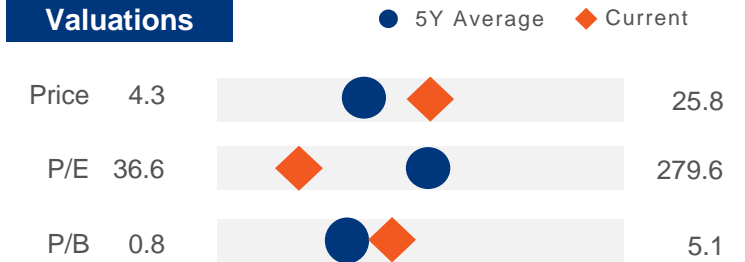
Source: Bloomberg; 2025/26F are market estimates

## 1-Year Performance



As of 20 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	-5.7	6.1	1.0	82.8	12.4	NA

## Valuations





# Tech Giants Stabilize, Index Reclaims Short-Term Moving Averages—Focus on Revenue-Driven Stocks

## ► Market Rebounds Strongly, Taiwan Stocks Break Out of Short-Term Consolidation

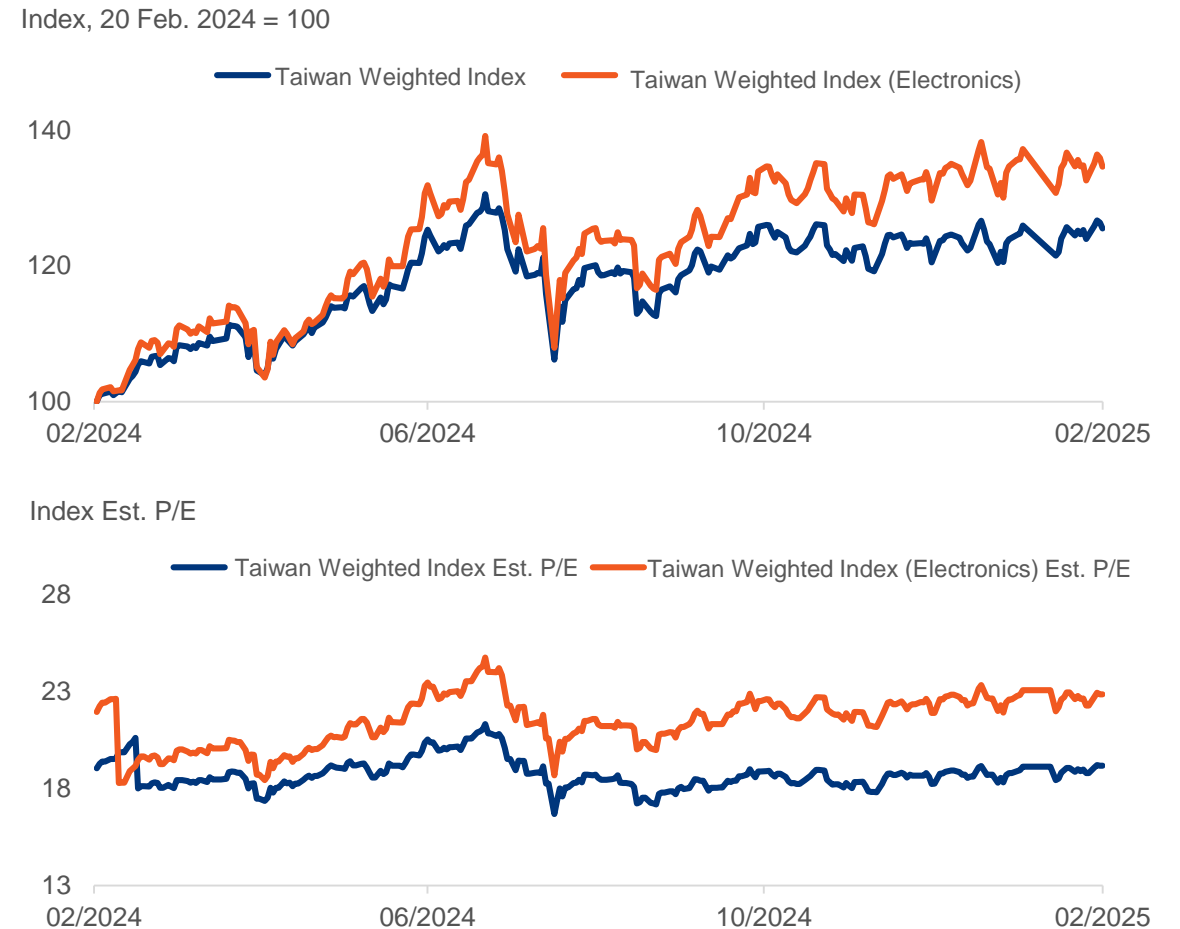
Taiwan stocks opened strong on Monday, reclaiming short-term moving averages and holding near highs. After breaking past consolidation, the market climbed above resistance at 23,528 (Jan 12 high) and 23,642 (Jan 22 high), signaling a trend shift. A brief pullback followed, but if support at 23,454 holds, the short-term bullish trend remains intact.

## ► Healthy Rotation in Mid- and Small-Cap Stocks, Focus on Revenue-Driven Opportunities

Global markets have mostly risen, boosting risk appetite and supporting rotation in Taiwan’s mid- and small-cap stocks. Large-cap tech stocks hold above their quarterly moving average, sustaining Q4’s trend. Key sectors include robotics, industrial PCs, GPUs, memory, IP design, high-speed connectors, and battery materials. Non-ferrous metals, steel, bulk shipping, and machine tools saw mild pullbacks with rebound potential. The market stays in a short-term uptrend, offering buy-on-dip opportunities. Focus on stocks with strong revenue drivers breaking resistance or trending along short-term moving averages.

Source: Bloomberg

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





# Primax Electronics Ltd (4915 TT)

## Profile

Primax Electronics Ltd mainly manufactures consumer and business electronics. Products include imaging products, computer peripherals, office equipment and communication devices.

## Highlights

### 1Q25 Short-Term Business Outlook Remains Strong

Strong PC and AIoT orders lead to 1Q25 expectations, with gross margin above 17%. KGI Securities forecasts 9% QoQ revenue growth and a 50% QoQ, 21% YoY rise in EPS to NT\$1.54.

### 2025 Outlook Exceeds Expectations

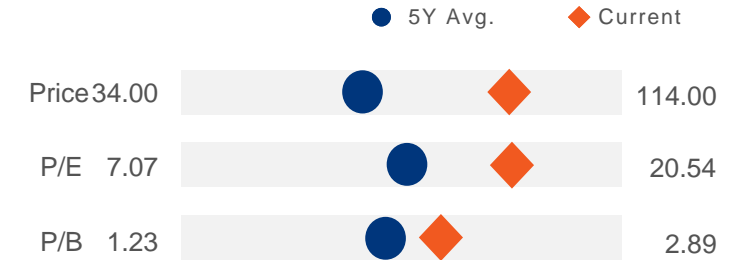
Management expects 15-20% revenue growth in 2025 from automotive and AIoT, with new AIoT shipments in 2H25. Information products to grow over 5%. We raise 2025 EPS estimate to NT\$7, up 25% YoY.

## Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	5.13	6.10	5.50	5.61	7.00
EPS Growth (%)	19.3	18.8	-9.9	2.1	24.8
P/E Ratio	16.9	14.3	15.8	15.5	12.4
ROE (%)	16.7	18.0	14.9	14.8	17.9

Source: Company data, estimates of KGI analyst

## Valuations

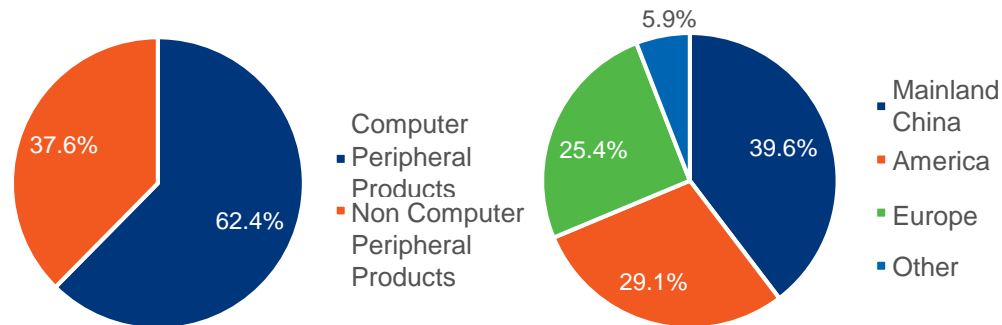


## 1-Year Performance



As of 20 Feb. 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	1.0	8.6	9.4	1.5	15.1	27.0

## Revenue Sources and Regions



Source: Bloomberg

# King Slide Works Co., Ltd. (2059 TT)

## Profile

King Slide Works Co., Ltd. manufactures and markets ball bearing slides, roller slides, and concealed hinges.

## Highlights

### ■ 4Q24 EPS Likely to Exceed Expectations

4Q24 server rail revenue share at 81-82% due to strong demand for AI and general-purpose servers. KGI Securities raises 4Q24 EPS to NT\$20.74, with 2024 EPS up 8% to NT\$62.71.

### ■ AI Servers Drive 2025 Revenue and Profit Growth

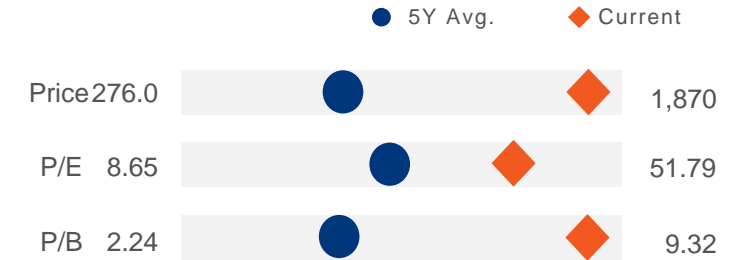
AI server demand will drive a 50% YoY increase in server rail revenue for 2025, with gross margin at 68% and operating margin at 61%. We raise EPS estimate to NT\$82.97, reflecting growth in both revenue and margins.

## Financials

	2021	2022	2023	2024F	2025F
<b>EPS (NTD)</b>	21.75	42.56	28.38	62.71	82.97
<b>EPS Growth (%)</b>	78.0	98.7	-33.3	121.0	32.3
<b>P/E Ratio</b>	86.0	43.9	65.9	29.8	22.5
<b>ROE (%)</b>	17.5	28.7	16.9	33.0	36.0

Source: Company data, estimates of KGI analyst

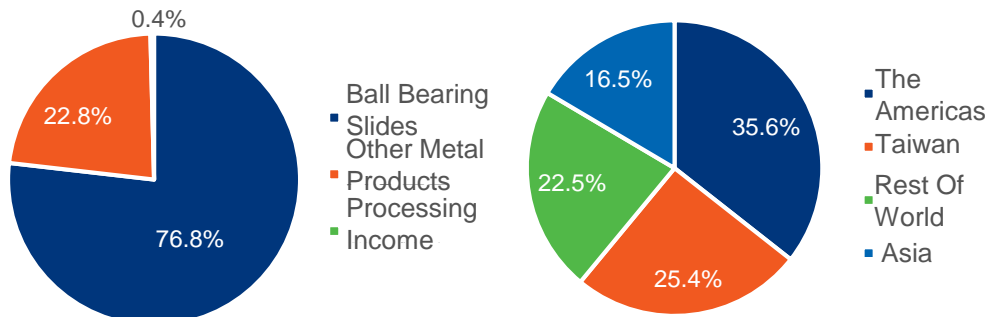
## Valuations



## 1-Year Performance



## Revenue Sources and Regions



Source: Bloomberg

# Tech Software Stocks Poised for Upside Potential

The U.S. tech sector may see rotation, with software stocks showing strong momentum. ETFs offer a way to capture this trend.

## ► iShares Expanded Tech-Software Sector ETF (IGV.US)

- The fund aims to track the performance of the S&P North American Expanded Technology Software Index,
- The fund primarily focus on large U.S. software tech stocks.
- The top three holdings include software service leaders Oracle, Salesforce, and Microsoft.
- With nearly 24 years of establishment, the fund has a large asset size and relatively good liquidity.

## ► SPDR S&P Software & Services ETF (XSW.US)

- The fund aims to track the performance of the S&P Software & Services Select Industry Index.
- It invests in large, mid, and small-cap software tech companies.
- The portfolio is diversified, with the top 10 holdings accounting for only about 10% of the overall composition.

Product	iShares Expanded Tech-Software Sector ETF (IGV.US)	SPDR S&P Software & Services ETF(XSW.US)
Features	<ul style="list-style-type: none"> <li>■ Mainly invests in large-cap stocks, with top 10 holdings at 60.04%</li> <li>■ The ETF has been established for nearly 24 years, with assets of approximately \$11.61 billion and strong liquidity.</li> </ul>	<ul style="list-style-type: none"> <li>■ Invests in large, mid and small-cap stocks with diversified holdings, top 10 at 9.78%</li> <li>■ The ETF has an expense ratio of 0.35%, which is relatively low compared to similar ETFs.</li> </ul>
AUM	USD 11.61 B	USD 0.583 B
Tracking Index	S&P North American Expanded Technology Software Index	S&P Software & Services Select Industry Index
Holdings	120	145
Expense Ratio	0.41%	0.35%
3M/YTD Returns	3.34% / 5.81%	4.44% / 2.27%
Top-5 Sectors (%)	Software 86.09 Computers 7.11 Internet 5.26 Investment Companies 0.59 Auto Parts & Equipment 0.83	Software 70.24 Computers 17.11 Investment Companies 4.12 Internet 2.83 Commercial Services 1.81
Top-5 Holdings (%)	Oracle Corp 8.90 Microsoft Corp 7.92 Salesforce Inc 7.79 Palantir Technologies Inc 6.97 ServiceNow Inc 6.36	D-Wave Quantum Inc 1.19 Palantir Technologies Inc 1.15 AppLovin Corp 1.09 Samsara Inc 0.95 Guidewire Software Inc 0.93

Source: Bloomberg, 19 Feb. 2025

# iShares Expanded Tech-Software Sector ETF (IGV.US)

## Profile

iShares Expanded Tech-Software Sector ETF is an exchange-traded fund incorporated in the USA. The ETF's objective seeks investment results that correspond to the performance of the S&P North American Expanded Technology Software Index.

### Focused on the Technology Software Sector

The ETF tracks an index invested in North American software companies within the technology and communications services sectors, including interactive home entertainment and media. Ideal for investors seeking sector-specific exposure.

### Concentrated Holdings

The ETF primarily holds large-cap stocks, including Oracle, Microsoft, Salesforce, Palantir Technologies, and ServiceNow. With around 120 holdings, the top ten holdings account for approximately 60.04% of the portfolio.

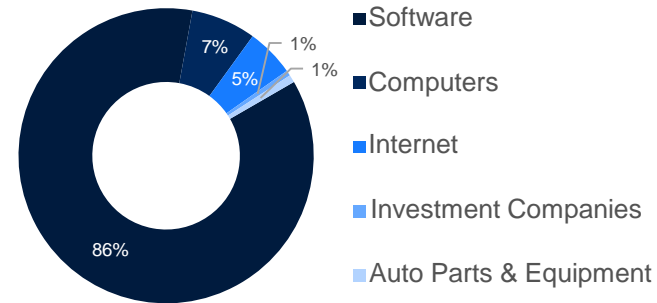
### Large Asset Size

Founded nearly 24 years ago, the ETF has an asset size of approximately \$11.61 billion. Compared to similar ETFs, it boasts a larger asset base and strong liquidity.

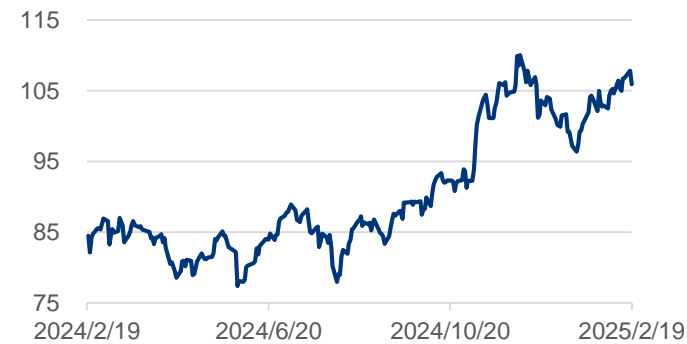
<b>Inception Date</b>	10 Jul. 2001	<b>AUM</b>	USD 11.61 B
<b>ETF Category</b>	Equities	<b>Holdings</b>	120
<b>Expense Ratio</b>	0.41%	<b>3Y Stand. Dev. (Ann.)</b>	23.8%

Source: Bloomberg, 19 Feb. 2025

## Sectors



## 1-Year Performance



As of 19 Feb. 2025

**Return (%)**

1M

3M

YTD

1Y

3Y

5Y

5.60

3.34

5.81

23.83

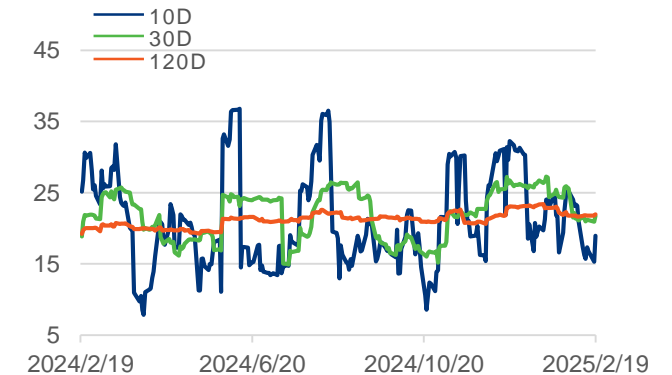
61.72

99.87

## Top-5 Holdings (%)

<b>Oracle Corp</b>	8.90
<b>Microsoft Corp</b>	7.92
<b>Salesforce Inc</b>	7.79
<b>Palantir Technologies Inc</b>	6.97
<b>ServiceNow Inc</b>	6.36

## 1-Year Volatility



# SPDR S&P Software & Services ETF (XSW.US)

## Profile

SPDR S&P Software & Services ETF is an exchange-traded fund incorporated in the USA. The Fund's objective is to replicate the performance of the S&P Software & Services Select Industry Index. The ETF equally weights its holdings of technology and service companies that are incorporated in the USA across a variety of market capitalizations.

### ■ Expanding Coverage in the Software and Services Sector

The ETF tracks an index that invests in application software, interactive home entertainment, IT consulting services, and system software providers. It is suitable for investors looking to target specific sectors.

### ■ Relatively Diversified Holdings

Compared to its peers, this ETF has relatively diversified holdings, covering large, mid, and small-cap software and tech companies such as D-Wave Quantum Inc, Palantir Technologies, AppLovin, Samsara Inc, and Cadence Design Systems. It holds around 145 stocks, with the top 10 making up roughly 9.78%.

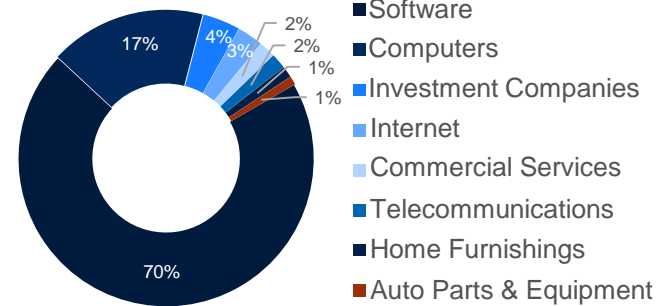
### ■ Low Expense Ratio

The ETF has an expense ratio of 0.35%, which is relatively low compared to similar ETFs, offering cost-efficiency and helping investors reduce investment costs.

<b>Inception Date</b>	28 Sep. 2011	<b>AUM</b>	USD 0.583 B
<b>ETF Category</b>	Equities	<b>Holdings</b>	145
<b>Expense Ratio</b>	0.35%	<b>3Y Stand. Dev. (Ann.)</b>	23.7%

Source: Bloomberg, 19 Feb. 2025

## Sectors



## 1-Year Performance



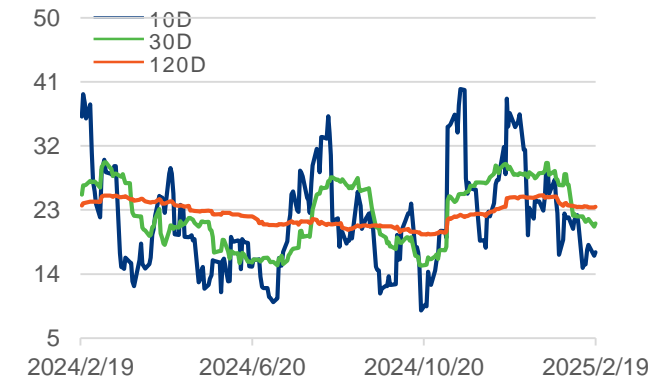
As of 19 Feb. 2025

	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	1.80	4.44	2.27	25.15	37.52	73.28

## Top-5 Holdings (%)

<b>D-Wave Quantum Inc</b>	1.19
<b>Palantir Technologies Inc</b>	1.15
<b>AppLovin Corp</b>	1.09
<b>Samsara Inc</b>	0.95
<b>Guidewire Software Inc</b>	0.93

## 1-Year Volatility



# Tariffs and Supply-Demand Factors Drive Gas Market Performance, Focus on Related Positive Bonds

## ► KANSEL 5.037 02/26/30 (The Kansai Electric Power Company)

- Kansai Electric Power Co., based in Osaka, is among Japan's top ten utilities, reporting ¥4.1 trillion (\$27 billion) in revenue for the fiscal year ending March 31, 2024.
- Its vertically integrated model reduces risks, creating a natural hedge between power generation and local demand.
- The company's nuclear operations enhance competitiveness and support its zero-carbon goal. In FY 2023, Kansai Electric restarted its final two reactors, bringing all seven back online, strengthening its credit profile.

## ► D 6.875 02/01/55 (Dominion Energy, Inc.)

- Dominion, a U.S. utility holding company, serves 3.6 million electricity customers and 400,000 natural gas customers in Virginia and South Carolina. By the end of 2023, its consolidated capital stood at about \$46 billion.
- In early 2024, Dominion strengthened its financial strategy, planning to issue \$700 million in equity annually from 2025 to 2029. This will improve credit metrics and reduce debt from over 40% in 2022 to around 30% by the end of 2024.
- A favorable regulatory environment supports Dominion's credit profile. Virginia's framework offers forward-looking electricity rates and ensures visibility in recovering investments and costs.

Products	KANSEL 5.037 02/26/30 (The Kansai Electric Power Company)	D 6.875 02/01/55 (Dominion Energy, Inc.)
ISIN	XS3007477444	US25746UDT34
Highlight	Kansai Electric, a top Japanese utility, uses a vertically integrated model to reduce risks.	Dominion, a U.S. utility holding company, enjoys strong regulatory support, boosting its credit profile.
Maturity Date	26 Feb. 2030	1 Feb. 2055
Next Redemption Day	-	11 Mar. 2029
Coupon (%)	Fixed/5.037/Semi-annual	Float/6.875/Semi-annual
Currency	USD	USD
Years to Maturity	5.02	29.96
Rating (Moody's/ Fitch/S&P)	A3/-/-	Baa3/BBB-/BBB-
Seniority	Secured	Subordinated
YTM/YTC (%)	4.94/-	6.50/5.96

Source: Bloomberg

# KANSEL 5.037 02/26/30 (The Kansai Electric Power Company)

## Profile

The Kansai Electric Power Company, Incorporated generates electricity from hydroelectric, thermal, geothermal, and nuclear power sources. The company distributes electricity to Osaka and the surrounding Kansai area. Kansai Electric also constructs and maintains electrical power facilities.

## Highlights

- The vertically integrated business model, including ownership of regulated grids, helps reduce risks. In its largest segment, energy (generation and sales), Kansai Electric retains significant vertical integration. Despite government policies for fair electricity access, we expect the company to maintain its model and dominant market position.
- Nuclear operations boost price competitiveness and support zero-carbon goals. In FY 2023, Kansai Electric restarted its final two nuclear reactors, positively impacting its credit fundamentals. These restarts lower fuel costs and help the company move closer to its net-zero emission target.
- As the Fed starts a rate-cut cycle, investors can lock in yields on quality bonds. Focusing on low-credit-risk issuers allows for increasing bond holdings to hedge against volatility as rates rise..

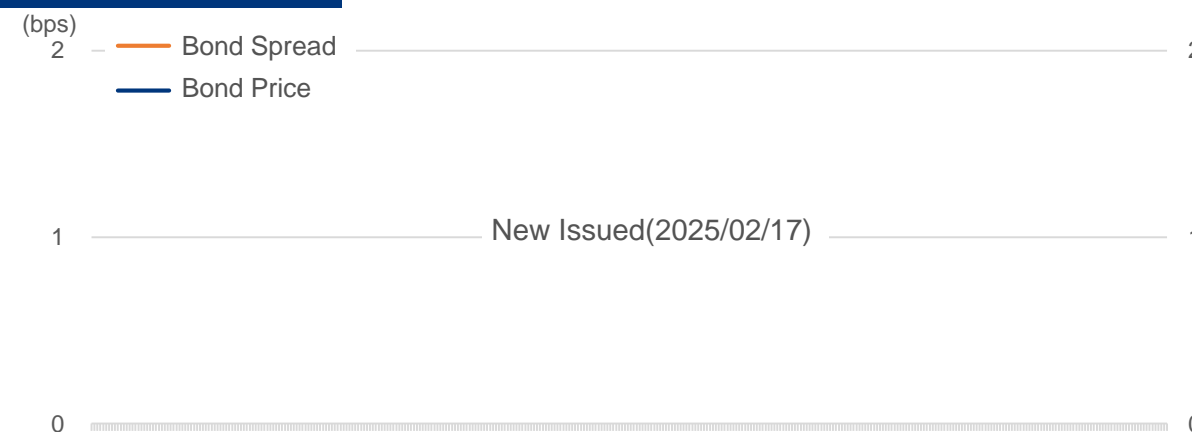
Financials	2022	2023	2024
EBITDA Margin	14.79	6.93	26.84
Return on Assets (ROA)	1.03	0.20	4.96
Interest Coverage	4.92	-2.14	25.08

Source: Bloomberg, 20 Feb. 2025

## Overview

<b>Name</b>	KANSEL 5.037 02/26/30	<b>ISIN</b>	XS3007477444
<b>Maturity Date</b>	26 Feb. 2030	<b>Remaining Maturity</b>	5.02
<b>Coupon(%)</b>	Fixed/5.037/Semi-annual	<b>YTM/YTC(%)</b>	4.94/-
<b>Currency</b>	USD	<b>Min. Subscription/Increment</b>	200,000/1,000
<b>Ratings (Moody's/Fitch/S&amp;P)</b>	A3/-/-	<b>Seniority</b>	Secured

## Price Since Issuance



# D 6.875 02/01/55 (Dominion Energy, Inc.)

## Profile

Dominion Energy, Inc. produces and transports energy products. The Company offers natural gas and electric energy transmission, gathering, and storage solutions. Dominion Energy serves customers in the United States.

## Highlights

- The company has strengthened its financial strategy in early 2024, planning to issue around \$700 million in equity annually from 2025 to 2029. This aims to improve credit metrics and reduce debt from over 40% in 2022 to about 30% by the end of 2024, enhancing cash flow and financial stability.
- A supportive legislative and regulatory environment bolsters Dominion's credit. Virginia's framework includes forward-looking electricity rates and laws ensuring recovery of investments and costs, such as capital base, financing, taxes, and annual operational expenses for offshore wind projects.
- With the Fed starting a rate-cut cycle, investors can lock in yields on quality bonds. Focusing on low-credit-risk issuers allows for increasing bond holdings to hedge against volatility as rates rise.

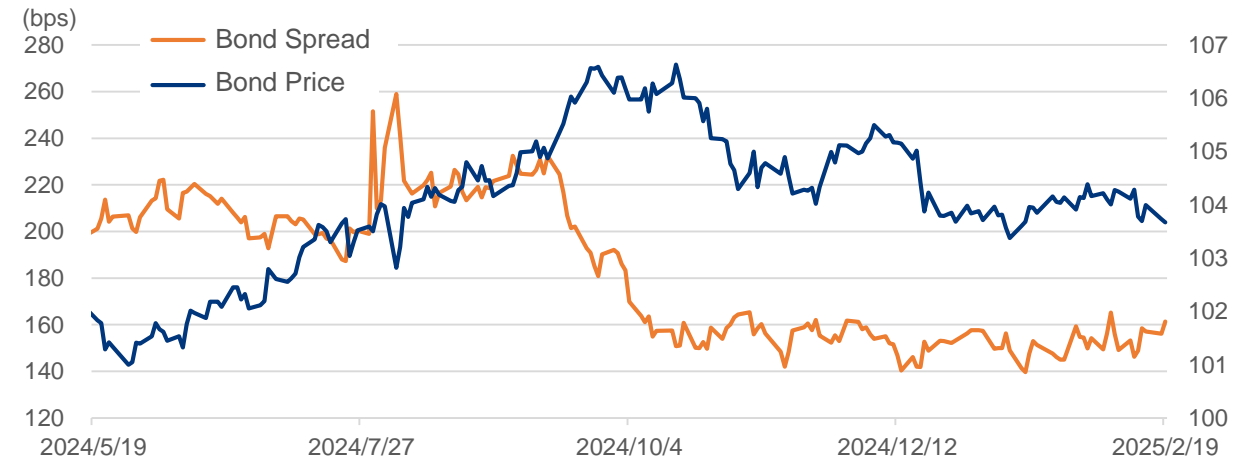
Financials	2022	2023	2024
EBITDA Margin	33.00	45.94	40.71
Return on Assets (ROA)	1.29	1.87	2.01
Interest Coverage	1.43	2.04	1.72

Source: Bloomberg, 20 Feb. 2025

## Overview

<b>Name</b>	D 6.875 02/01/55	<b>ISIN</b>	US25746UDT34
<b>Maturity Date</b>	1 Feb. 2055	<b>Remaining Maturity</b>	29.96
<b>Coupon(%)</b>	Float/6.875/Semi-annual	<b>YTM/YTC(%)</b>	6.50/5.96
<b>Currency</b>	USD	<b>Min. Subscription/ Increment</b>	2,000/1,000
<b>Ratings (Moody's/Fitch/S&amp;P)</b>	Baa3/BBB-/BBB-	<b>Seniority</b>	Subordinated

## Price Since Issuance





## Appendix

## Key Economic Data / Events

## ▶ FEB 2025

17 Monday

- Japan Q4 Annualized GDP QoQ Initial Value (Act:2.8% Est:1.1% Prev:1.7%)
- Japan Dec. Industrial Production MoM Final Ratio (Act:-0.2% Prev:0.3%)

18 Tuesday

19 Wednesday

- U.S. Jan. Housing Starts MoM (Act:-9.8% Est:-7.3% Prev:16.1%)
- Japan Jan. Exports YoY (Act:7.2% Est:7.7% Prev:2.8%)
- Japan Dec. Core Machine Orders MoM (Act:-1.2% Est:0.5% Prev:3.4%)

20 Thursday

- U.S. Last Week's Initial Jobless Claims (Act:219k Est:215k Prev:214k)

21 Friday

- U.S. Feb. S&P Global US Manufacturing PMI Initial Value (Est:51.4 Prev:51.2)
- U.S. Feb. S&P Global US Services PMI Initial Value (Est:53.0 Prev:52.9)
- U.S. Feb. U. of Mich. Sentiment Final Value (Est:67.8 Prev:67.8)
- Japan Jan. Natl CPI YoY (Act:4.0% Est:4.0% Prev:3.6%)
- Japan Feb. Jibun Bank Japan PMI Mfg Initial Value (Act:48.9 Prev:48.7)
- Eurozone Feb. HCOB Eurozone Manufacturing PMI Initial Value (Est:47.0 Prev:46.6)

24 Monday

- Eurozone Jan. CPI YoY Final Value (Prev:2.5%)

25 Tuesday

- U.S. Feb. Conf. Board Consumer Confidence (Est:103.0 Prev:104.1)
- Japan Jan. Machine Tool Orders YoY Initial Value (Prev:4.7%)
- HD Performance

26 Wednesday

- U.S. Jan. New Home Sales MoM (Est:-2.9% Prev:3.6%)
- U.S. Jan. Durable Goods Orders Initial Value (Est:1.8% Prev:-2.2%)
- LOW, TJX, INTU Performance

27 Thursday

- U.S. Last Week's Initial Jobless Claims (Prev:219k)
- U.S. Q4 GDP Seasonally Adjusted Annual Rate (Est:2.3% Prev:2.3%)
- Eurozone Feb. Consumer Confidence Final Value (Prev:-13.6)
- NVDA, CRM Performance

28 Friday

- U.S. Jan. PCE YoY (Est:2.5% Prev:2.6%)
- U.S. Jan. Core PCE YoY (Est:2.6% Prev:2.8%)
- Japan Feb. Tokyo CPI YoY (Est:3.3% Prev:3.4%)
- Japan Jan. Retail Sales MoM (Est:0.5% Prev:-0.8%)
- Japan Jan. Industrial Production MoM Initial Value (Est:-1.2% Prev:-0.2%)

Source: Bloomberg

For Internal Use Only 25

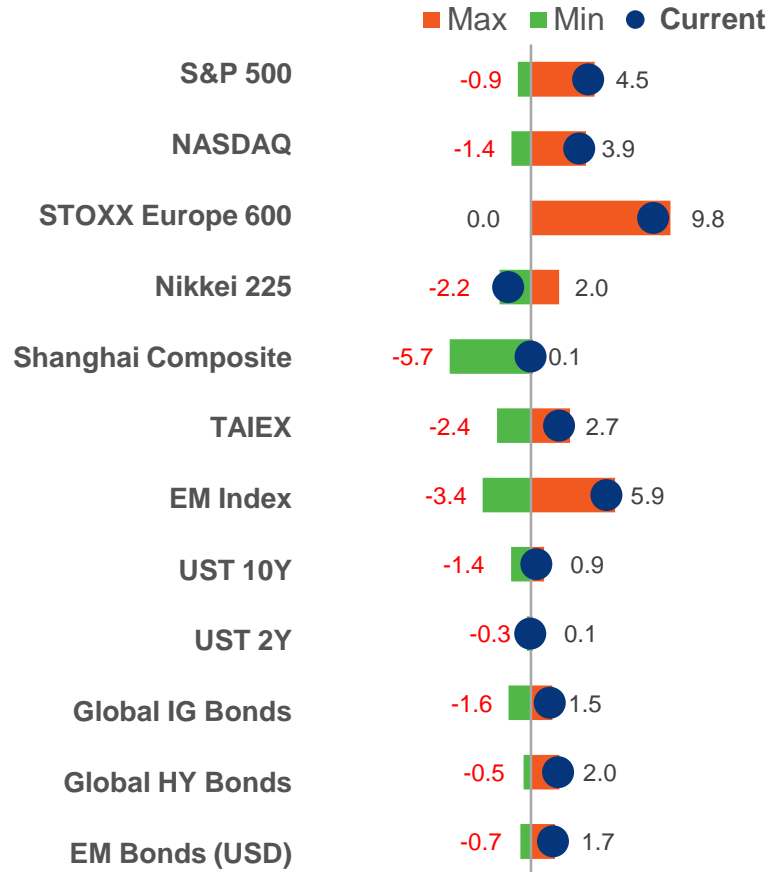
# Key Earnings Releases

Date	Name	Revenue (F) (USD)	Announced Revenue (USD)	EPS (F) (USD)	Announced EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/2/18	Medtronic Plc	8.33B	8.29B	1.36	1.39		V
2025/2/18	Constellation Energy	5.48B	5.38B	2.01	2.44		V
2025/2/19	Arista Networks Inc	1.9B	1.93B	0.57	0.65	V	V
2025/2/19	Analog Devices Inc	2.36B	2.42B	1.54	1.63	V	V
2025/2/20	Walmart Inc	179.85B	180.55B	0.64	0.66	V	V
2025/2/21	Booking Holdings Inc	5.19B	5.47B	36.13	41.55	V	V

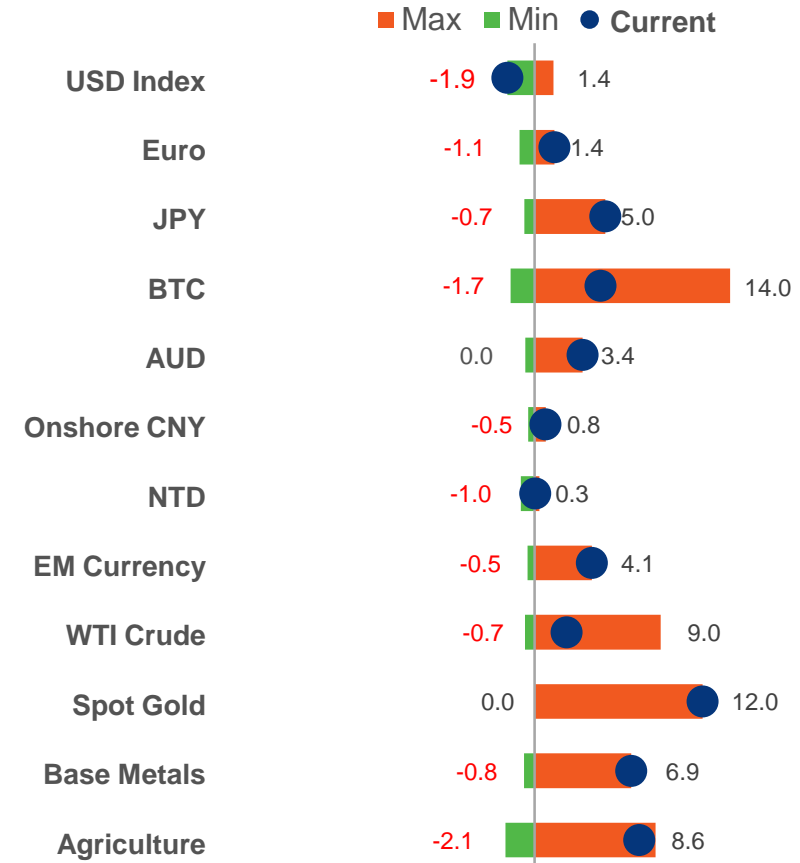
Source: Investing.com

# YTD Major Market / Asset Performance

## Stock and Bond Market YTD Performance (%)



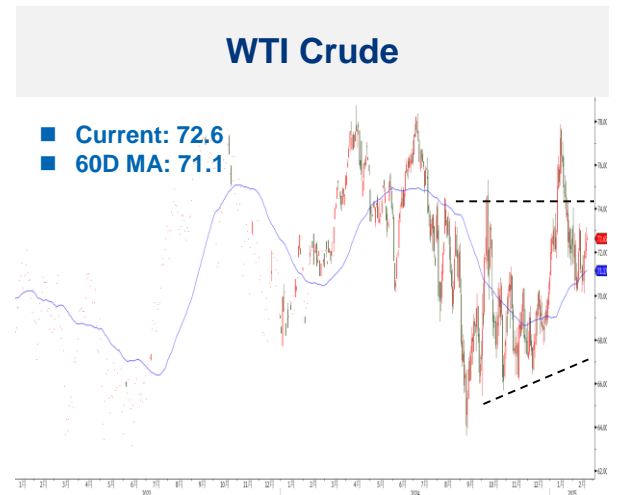
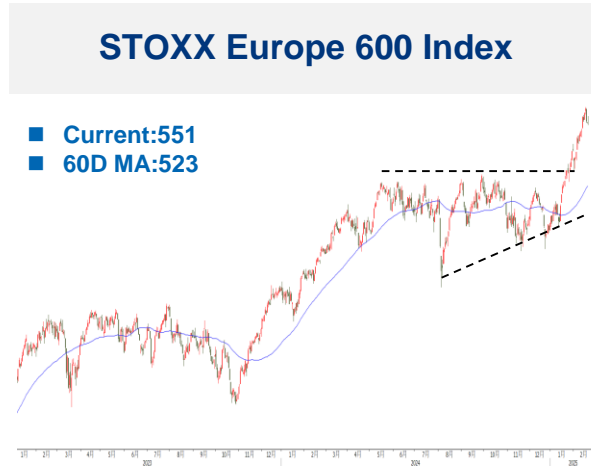
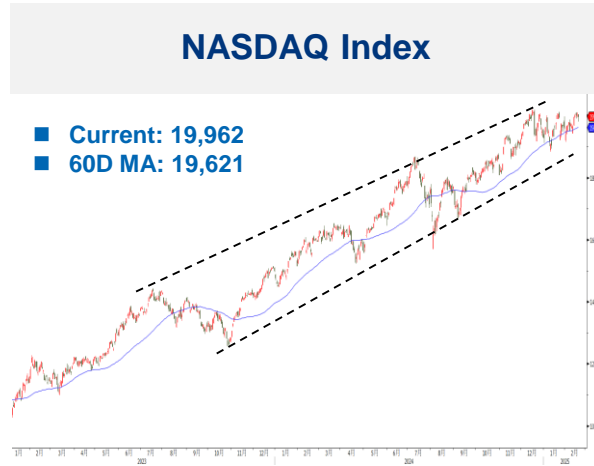
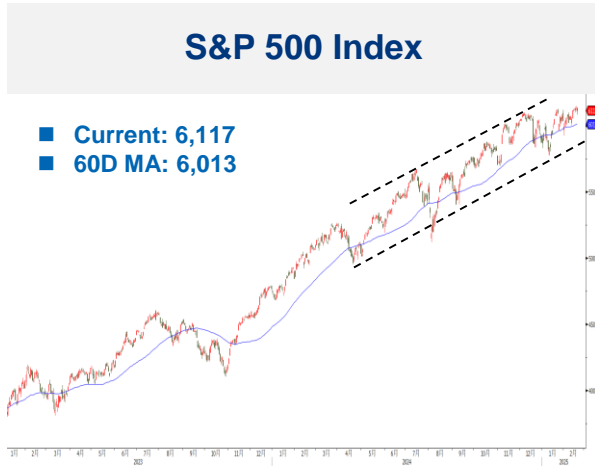
## Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 21 Feb. 2025

# Technical Analysis

— 60D MA



Source: Bloomberg, 21 Feb. 2025

# Market Monitor

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



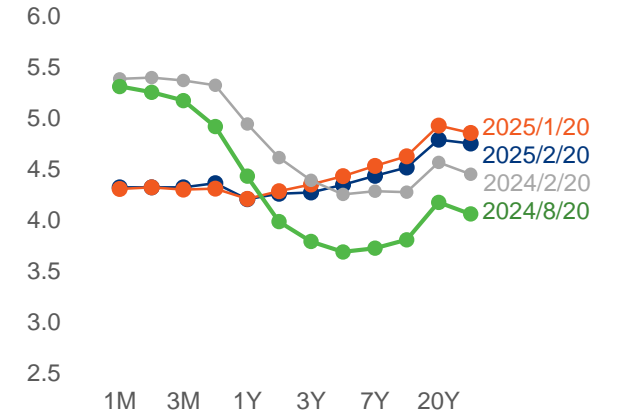
**U.S. 10-Year Treasury Yield (%)**



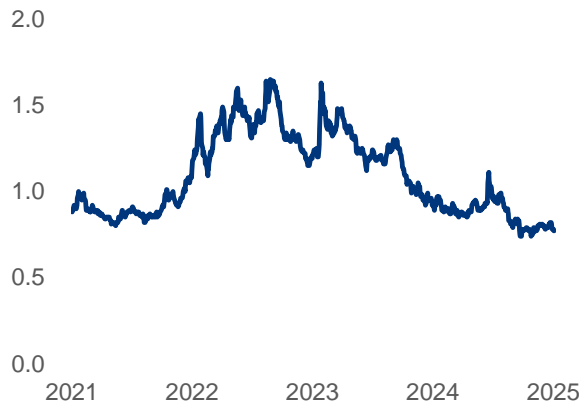
**U.S. Treasury Yield Spread (bps)**



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



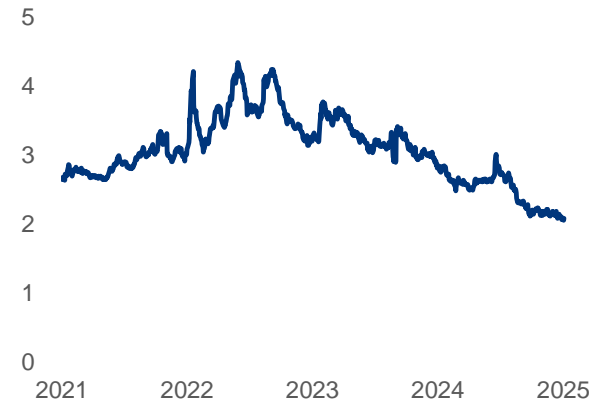
**USD IG Credit Spread (%)**



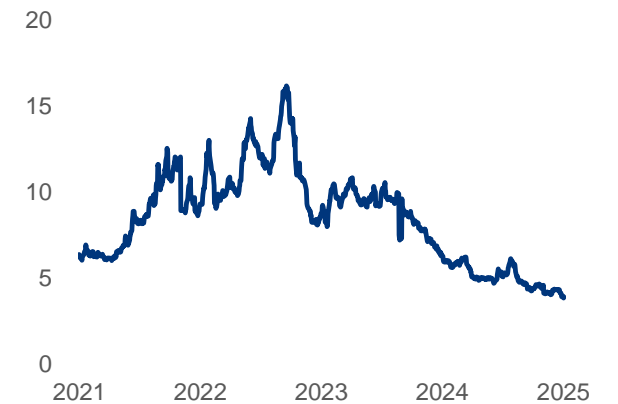
**USD HY Credit Spread (%)**



**USD EM Credit Spread (%)**



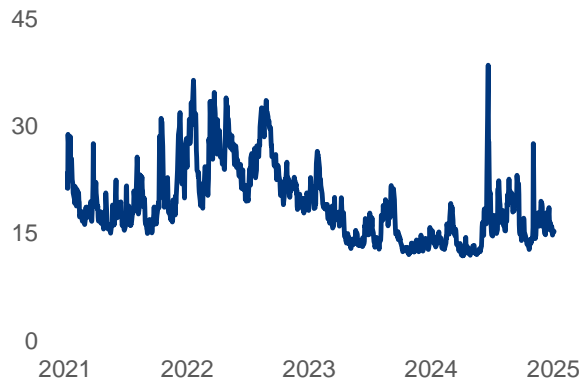
**USD Asia Credit Spread (%)**



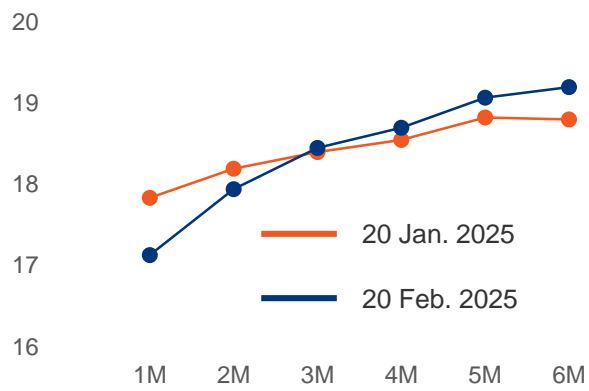
Source: Bloomberg, 20 Feb. 2025

# Market Monitor

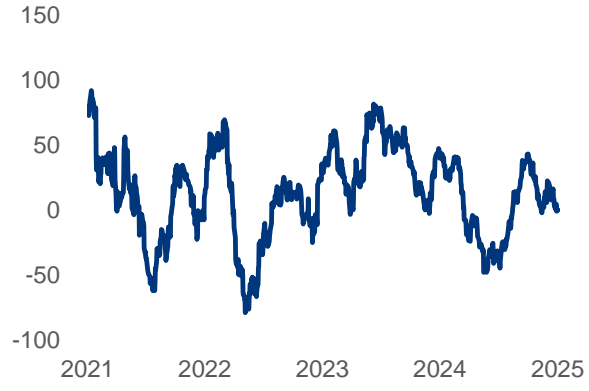
**VIX Index**



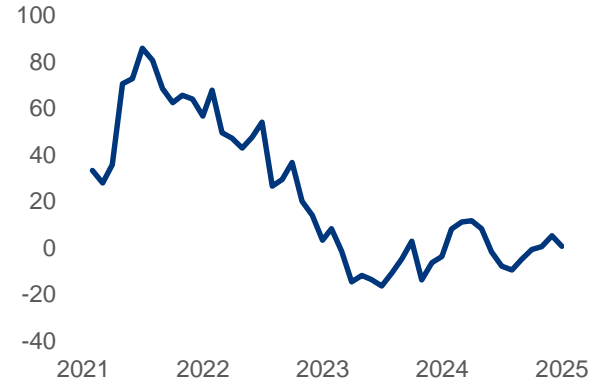
**VIX Term Structure**



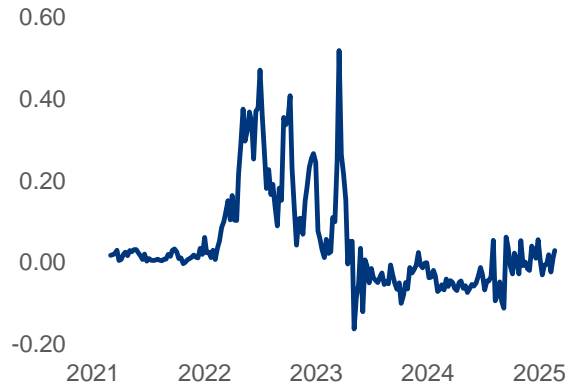
**U.S. Citi Economic Surprise Index\***



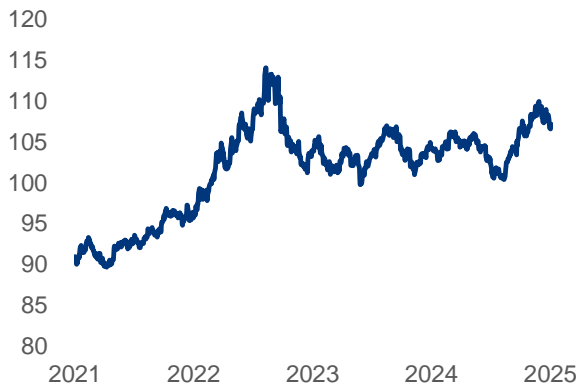
**U.S. Citi Inflation Surprise Index\***



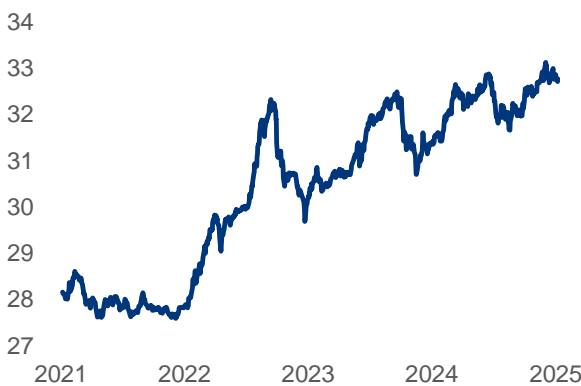
**TED Spread (bps)**



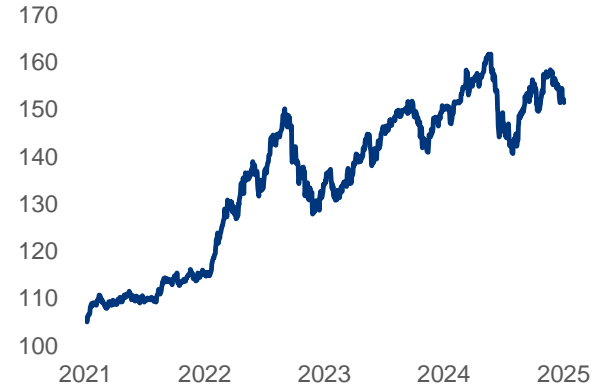
**U.S. Dollar Index**



**USD to TWD**



**USD to JPY**



Source: Bloomberg, 20 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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