Europe Bottoming Out

Global Markets Weekly Kickstart

24 March 2025

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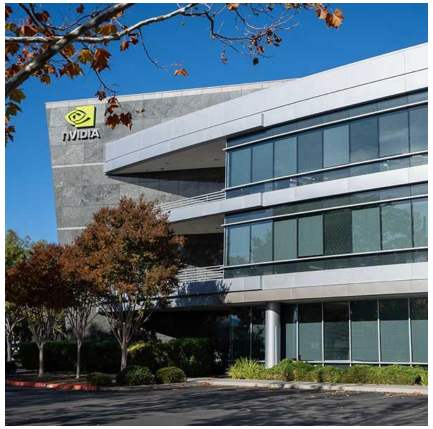

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Chart of the Week | Fed Holds Rates Steady, Raises Inflation Forecast, Lowers Growth Outlook

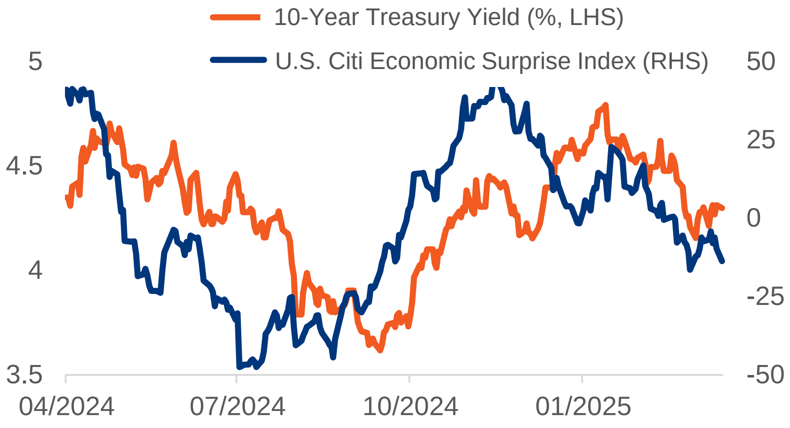
- Fed decided to keep interest rates unchanged at 4.25–4.5% this month, in line with market expectations. Compared to last December, the Fed lowered its 2025 real GDP growth forecast, slightly raised the unemployment rate projection, and revised up both overall and core inflation forecasts. The interest rate path remains largely consistent with the December outlook. The most dovish aspect of this meeting was the slowdown in quantitative tightening, with the Fed reducing its monthly balance sheet runoff from $25 billion to $5 billion.
- Historically, long-term U.S. Treasury yields have generally followed economic trends. Since the beginning of the year, the 10-year Treasury yield has declined from 4.8% to 4.2%, reflecting some concerns over economic slowdown.
- Looking at initial jobless claims, the Department of Government Efficiency (DOGE) has made progress on its layoff plans in Washington, D.C., though the nationwide impact remains limited. According to Bloomberg estimates, under the baseline scenario, DOGE's measures are expected to reduce Q4 real GDP growth by 0.7 percentage points, raise the unemployment rate by 0.3 percentage points, and lower overall inflation by 0.3 percentage points. Moving forward, further developments in DOGE's policies will be key. If layoffs exert greater pressure on the economy and further ease inflation, the Fed could have more room for rate cuts, leading to a further decline in long-term Treasury yields.

Source: Fed, Bloomberg

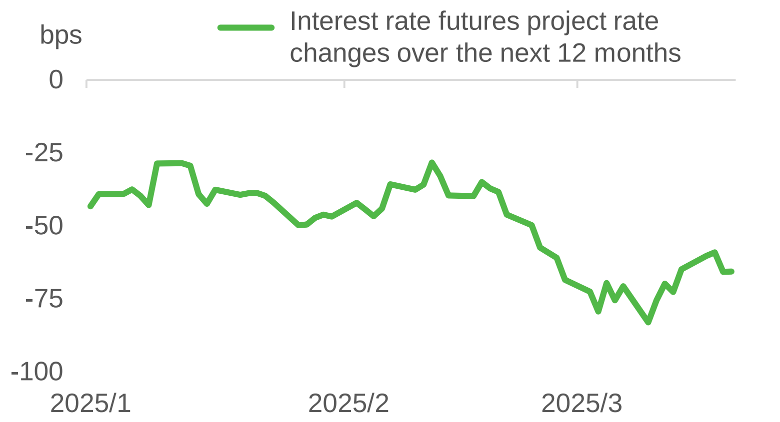
Fed raises inflation expectations and lowers economic growth forecasts

		Median (%) December Last Year Forecast	Median (%) This Month's Forecast
Real GDP Growth Rate	2025	2.1	1.7
	2026	2.0	1.8
Unemployment Rate	2025	4.3	4.4
	2026	4.3	4.3
Overall PCE Inflation	2025	2.5	2.7
	2026	2.1	2.2
Core PCE Inflation	2025	2.5	2.8
	2026	2.2	2.2

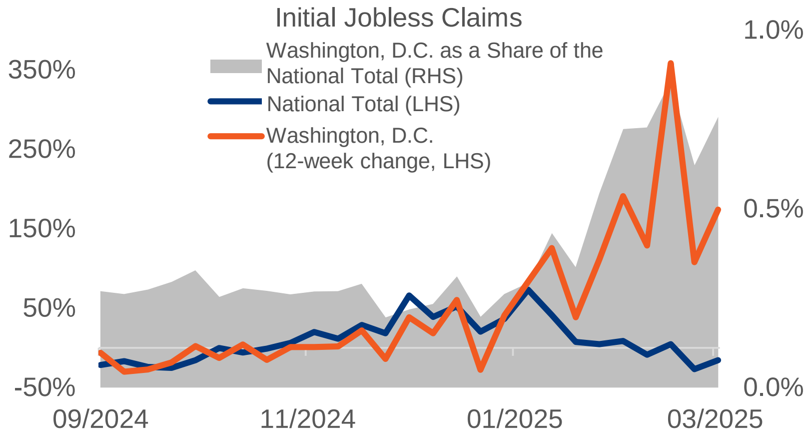
Long-term Treasury yields fluctuate with changes in economic outlook



Market anticipates fewer than three rate cuts for the entire year



DOGE makes progress in Washington, D.C., but its nationwide impact remains limited

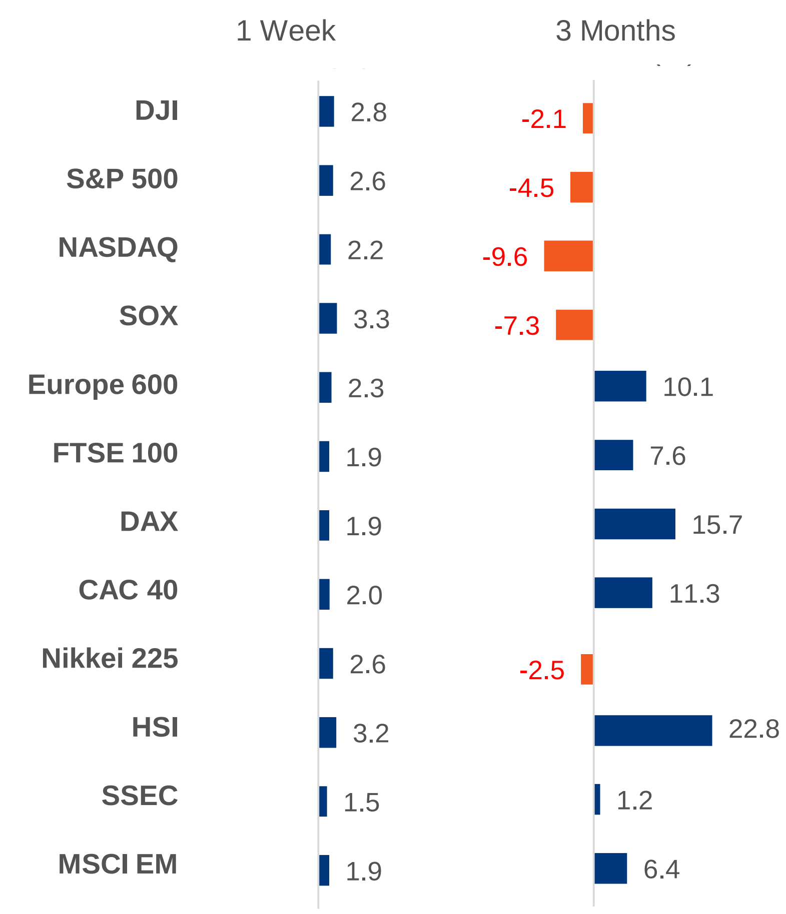


Market Recap

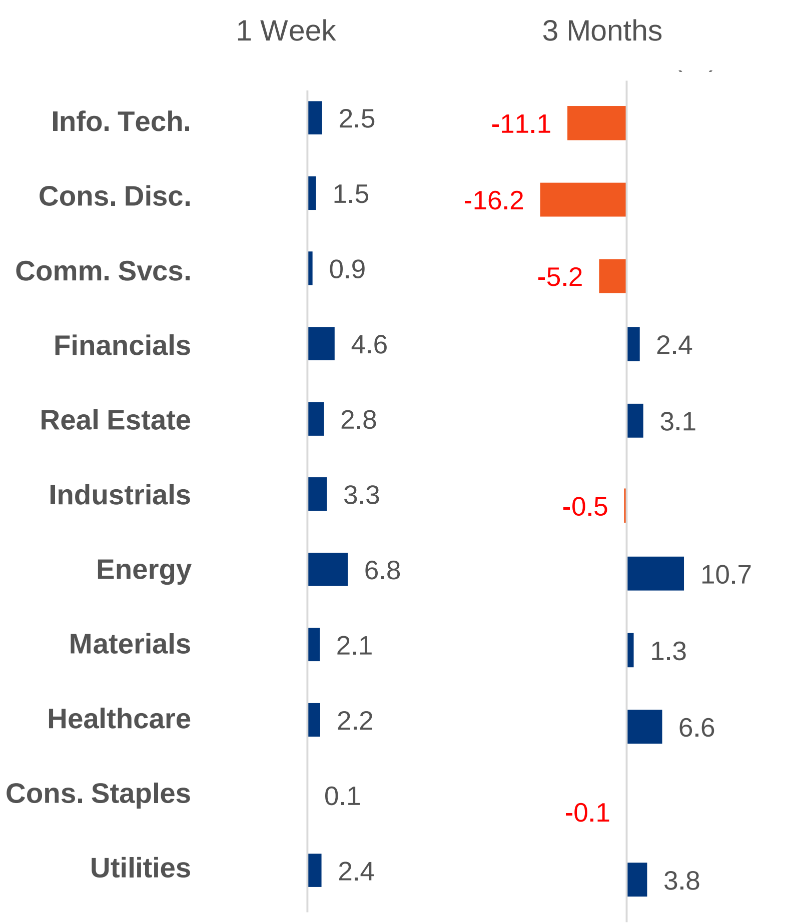
NVIDIA's GTC Fails to Boost Market Confidence, but Dovish Fed Remarks Lift Stocks

- NVIDIA provided updates on high-performance computing at the GTC conference from March 17 to 21, announcing that the GB300 chip is expected to launch in the second half of 2025. However, the news did not exceed market expectations, impacting mega-cap tech stocks. Meanwhile, Fed kept its policy rate unchanged but significantly lowered its economic growth forecast. Its post-meeting statement leaned dovish, signaling a slowdown in quantitative tightening, which boosted market sentiment and led to gains across the three major U.S. stock indices. Germany's shift toward fiscal expansion and potential ceasefire talks between Russia and Ukraine have reduced market uncertainty, supporting European equities, with the UK, German, and French markets closing higher. Additionally, the U.S. dollar has shown weakness since early March, providing support for emerging market stocks.
- Fueled by the Fed's dovish stance, all 11 S&P 500 sectors posted gains this week, with the energy sector leading the rally. Despite recent weakness in oil prices, the market anticipates limited downside. Former President Trump met with oil industry executives at the White House for the first time since leaving office, emphasizing his goal of boosting domestic energy production and reinforcing U.S. leadership in the energy sector. This has renewed investor interest in energy stocks.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)

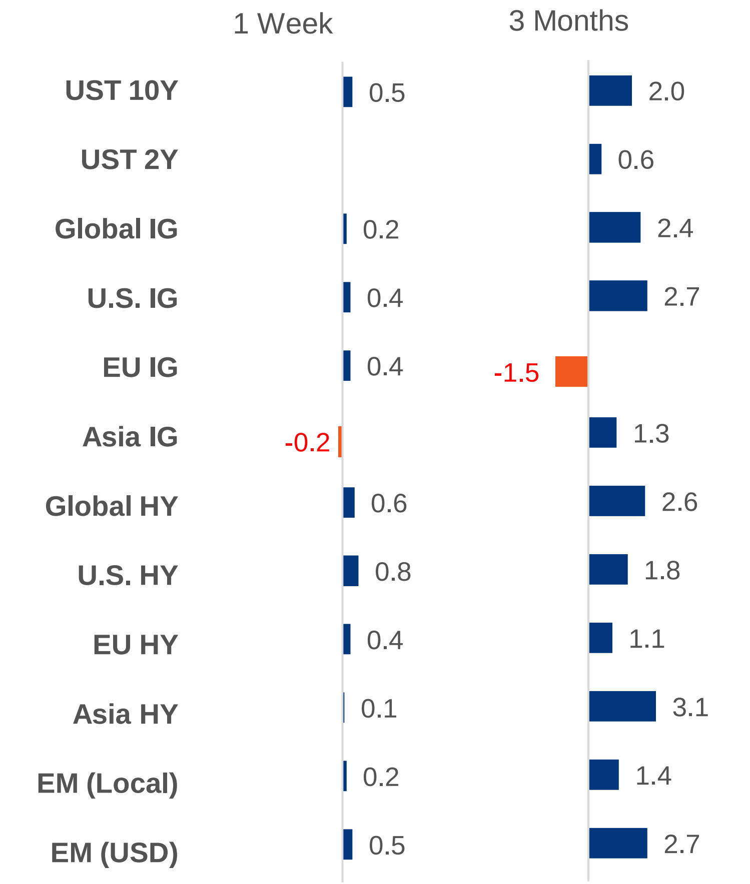


Source: Bloomberg, 21 Mar. 2025

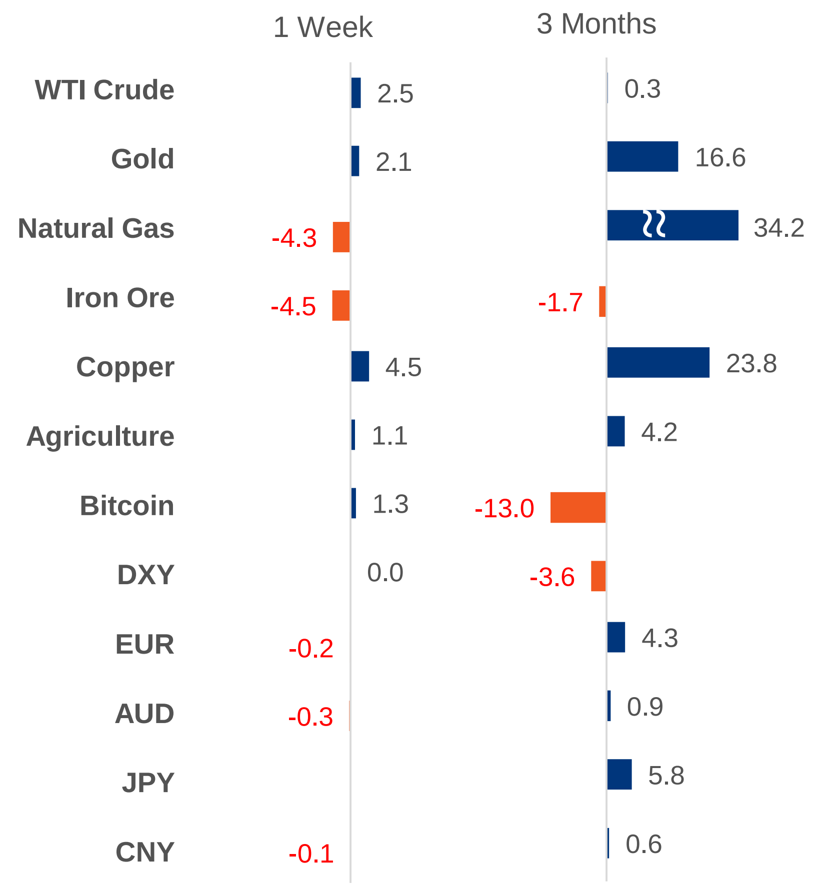
Fed Maintains Policy Path, Dovish Tone Boosts Bonds; Gold and Copper Prices Remain Strong

- Fed kept its policy rate unchanged but will slow the pace of its balance sheet reduction starting in April. The 2025 economic growth forecast was sharply revised down to 1.7%, which reassured markets and reinforced expectations of future rate cuts. As a result, the U.S. 2-year Treasury yield remained stable, while concerns over economic slowdown pushed 10-year Treasury prices higher. Apart from a slight decline in Asian investment-grade bonds, other bond categories reacted positively to the Fed's dovish stance.
- In commodities, the latest U.S. natural gas inventory data suggests a potential oversupply risk in 2025 due to lower domestic consumption, causing natural gas prices to retreat. Meanwhile, uncertainty over U.S. tariffs and ongoing safe-haven demand continued to support gold prices. Trump previously directed the U.S. Department of Commerce to investigate copper imports, and following the implementation of steel and aluminum tariffs, the market speculates that copper may be the next target. This, along with buying activity from traders, drove copper prices higher this week. In the currency market, with the Fed keeping its policy rate unchanged, the U.S. dollar saw little movement, while non-dollar currencies slightly depreciated. Bitcoin rebounded from recent lows as market risk sentiment eased somewhat.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



Source: Bloomberg, 21 Mar. 2025

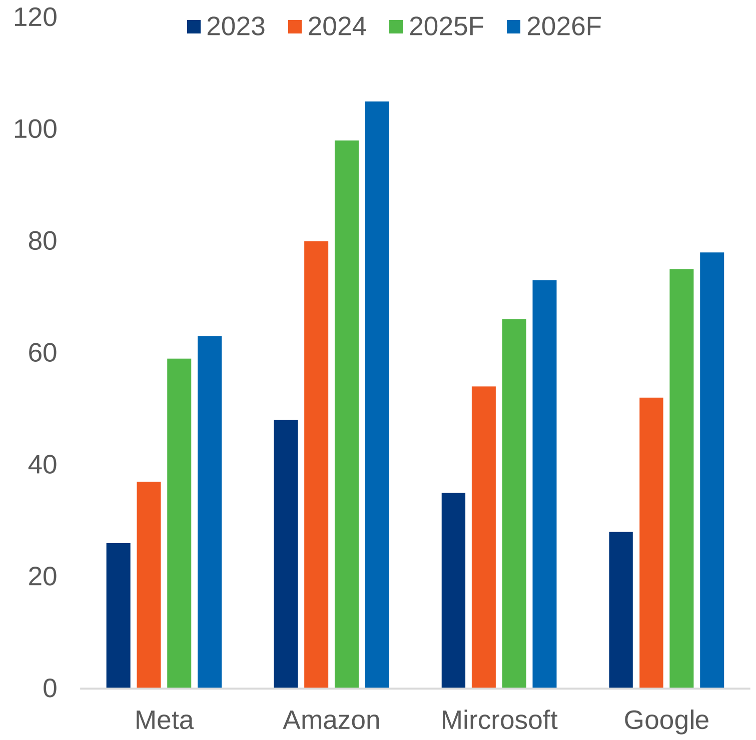
What's Trending

NVIDIA GTC Showcases High AI Compute Demand; CPO Solutions Expected in H2

- At the GTC conference, NVIDIA emphasized that AI computing demand is set to grow significantly, with inference model compute requirements expected to increase 100-fold. The company projects that data center capital expenditures will exceed $1 trillion by 2028. We estimate that the four major cloud service providers (CSPs) will see capital expenditures grow over 20% in 2025, with Meta leading at an estimated 60% growth. CEO Jensen Huang stated that the four major CSPs have committed to purchasing 3.6 million Blackwell GPU dies, aligning with the lower end of market expectations. NVIDIA announced that the GB200 has entered full-scale production, and if GB300/B300 production stays on schedule in the second half of the year, it could further boost the company's profitability. Currently, NVIDIA continues to benefit from scale-up expansion by increasing processor power to enhance compute performance. As the market transitions toward scale-out expansion, NVIDIA introduced its first Co-Packaged Optics (CPO) solution, leveraging silicon photonics for long-distance data transmission.
- In the autonomous driving and robotics sectors, NVIDIA positions itself more as a platform service provider, extending the application of its chips rather than developing standalone robotic end devices.

The Four Major U.S. Cloud Service Providers (CSPs) Continue Significant CapEx Expansion

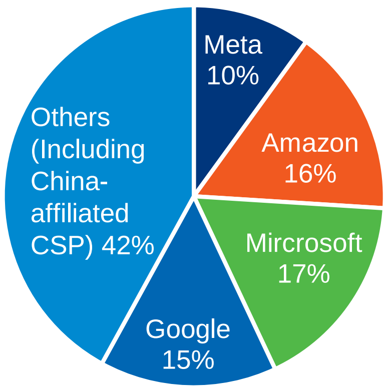
CapEx (Billion USD)



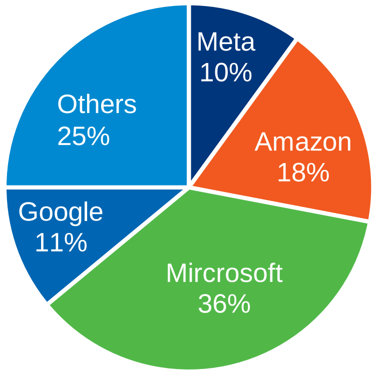
	Meta	Amazon	Mircrosoft	Google
2025 YoY	60%	20%	22%	43%
2026 YoY	7%	7%	10%	3%

The Four Major CSPs Account for 58% of AI Servers and 75% of NVIDIA GB200 Demand

Share of AI Servers by CSPs (%)



Share of NVIDIA GB200 Chip Demand by CSPs in 2025 (%)



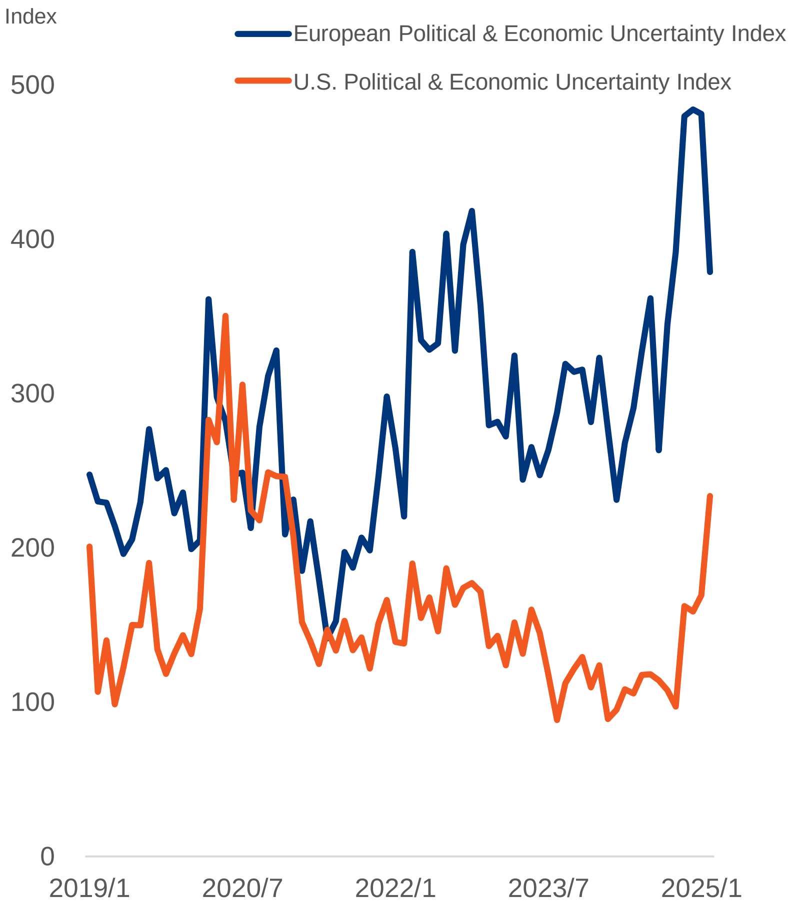
Source: KGISIA, Bloomberg

In Focus

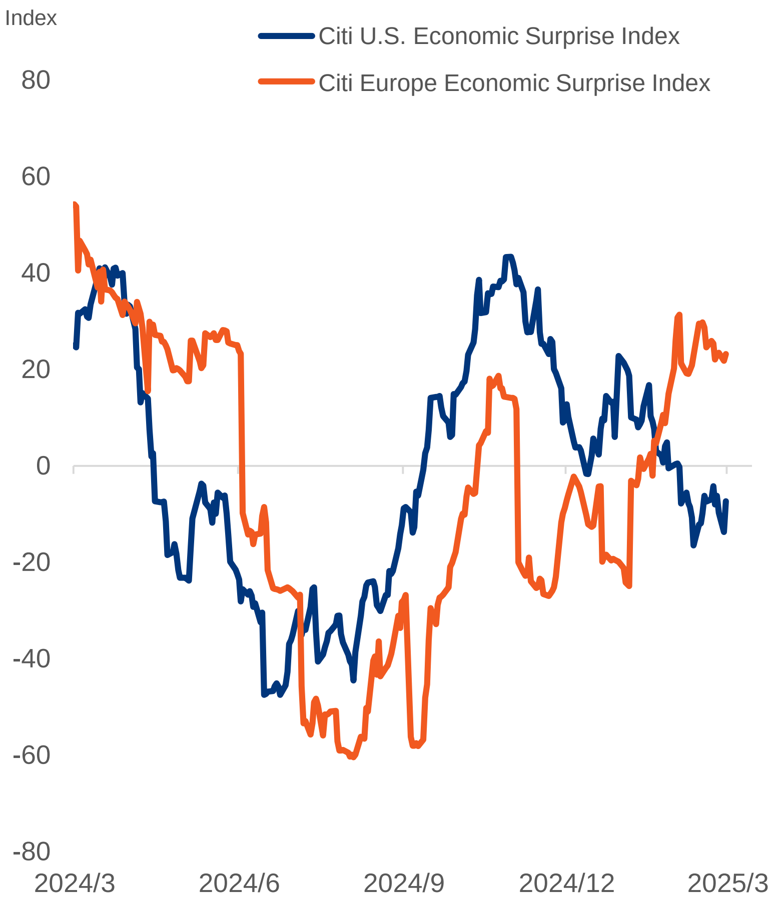
European Uncertainty Eases as Economic Indicators Rebound; Markets React to Priced-In Risks

- With active mediation by the U.S. government, Ukraine has agreed to a 30-day ceasefire, and Russia has also committed to halting attacks on Ukrainian energy infrastructure for the same period while continuing talks with Trump. The likelihood of an end to the Russia-Ukraine war has significantly increased. Combined with the European Central Bank's ongoing rate cuts and economic rebounds in major European countries, overall uncertainty in Europe has markedly decreased. In contrast, U.S. political and economic uncertainty has risen sharply due to Trump's aggressive tariff policies, with the uncertainty index recently surpassing the average level seen during Biden's tenure.
- Observing the U.S. and European economies through the Economic Surprise Index, it is evident that Europe's economy has bottomed out and is rebounding. In contrast, the U.S. Economic Surprise Index has been trending downward since February, reflecting market concerns that Trump's tariff policies could slow the U.S. economy or even lead to a recession. The European Economic Surprise Index has now crossed above the U.S. index, signaling a shift in sentiment. With rising uncertainty in the U.S., global investors are looking to diversify regional risks, which favors European equities as they price in the end of bearish trends.

European Uncertainty Declines Sharply, While U.S. Uncertainty Surges



European Economic Surprise Index Rises, Crossing Above U.S.

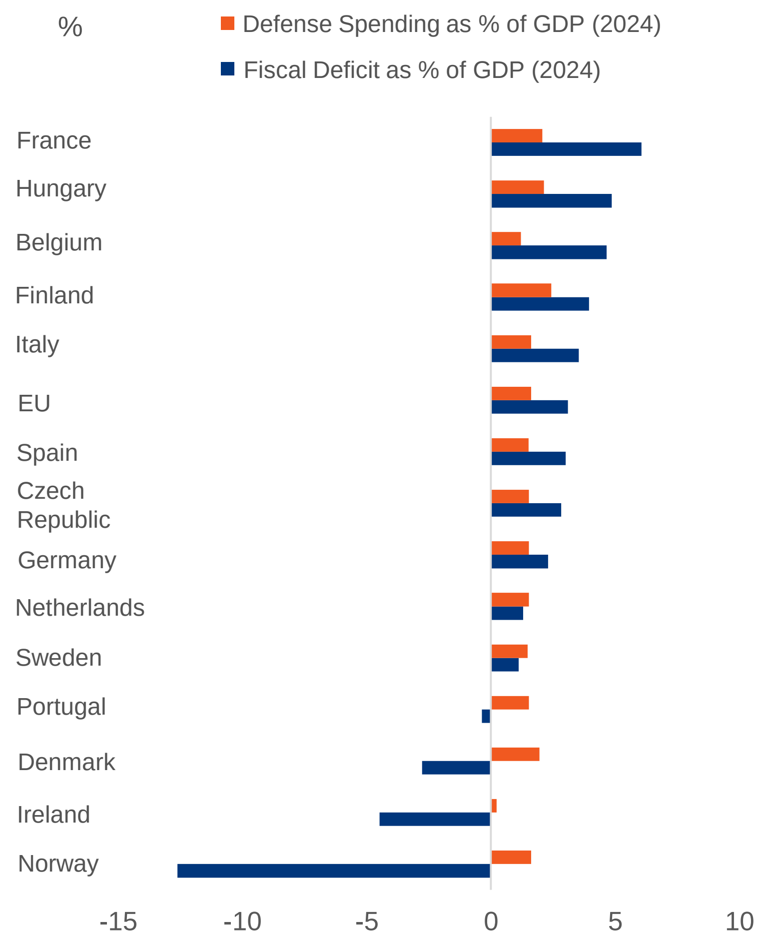


Source: Policyuncertainty, Bloomberg

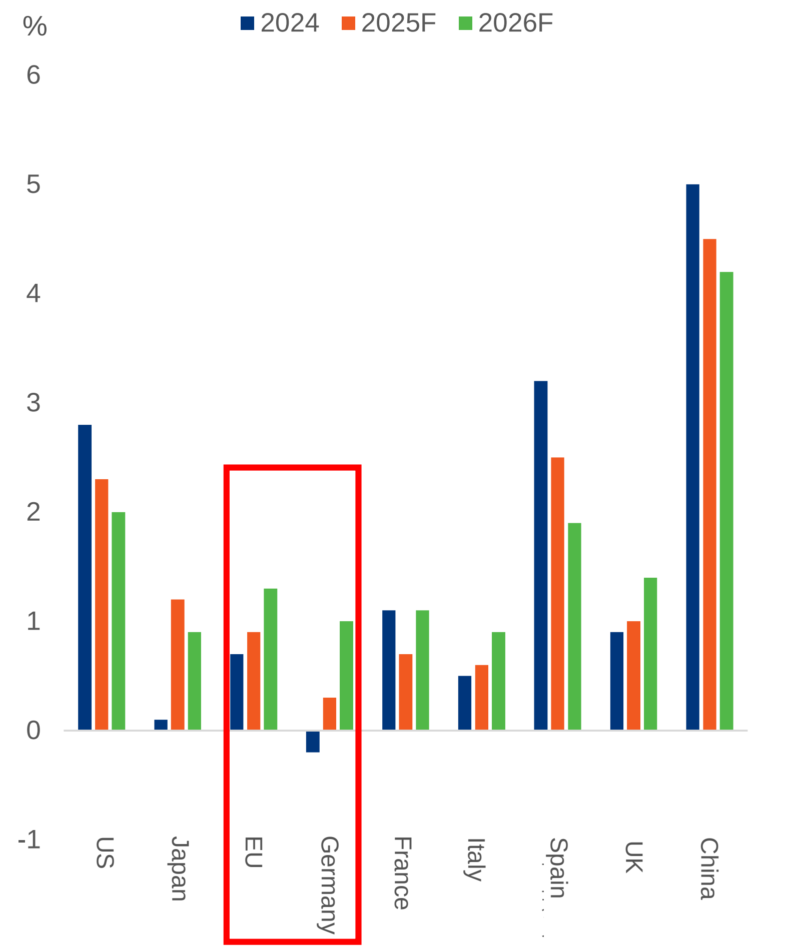
Germany Shifts to Fiscal Expansion, Boosting Economic Growth and Spurring Momentum Across the EU

- Germany's fiscal deficit is projected to be 2.3% of GDP in 2024, lower than the EU average of 3.09%, leaving room for additional borrowing. On March 15, 2025, the German Bundestag took the lead in unveiling a draft fiscal plan, significantly expanding government spending. Key measures include establishing an additional infrastructure fund, substantially increasing defense budget borrowing, raising the fiscal deficit cap for German states from 0% to 0.35%, and exempting aid to nations facing aggression from fiscal discipline constraints.
- The passage of the fiscal spending bill will inject substantial investment into Germany's domestic economy, with expectations that the country will emerge from two consecutive years of negative GDP growth in 2025. Market forecasts suggest Germany's GDP growth could reach 0.3% in 2025 and 1.0% in 2026. As domestic economic conditions improve, the stock market is likely to continue pricing in the end of bearish sentiment. We believe Germany's fiscal policy shift could serve as a model for other EU nations. The Netherlands, Portugal, and Ireland have room to expand fiscal spending, while Nordic countries, with strong fiscal positions and growing geopolitical concerns, may also increase defense expenditures. The trend of fiscal expansion across EU nations is expected to support economic recovery.

The Netherlands, Portugal, and Nordic Countries Have Room for Fiscal Expansion



Market Expects Germany's Fiscal Expansion to Boost Real GDP Growth



Source: KGISIA, Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ Trump's tariffs have heightened political and economic uncertainty. However, Fed maintained its forecast of two rate cuts in 2025 and did not adjust its policy trajectory in response to the tariff changes. There is a potential downside revision in U.S. corporate earnings, which could lead to valuation pressure. Given this outlook, a cautious approach toward U.S. equities in Q2 is advisable, with investors adopting short-term trading strategies. Sector rotation opportunities may arise in commodities, industrials, energy, and healthcare. ◆ Tariff-related risks between the U.S. and Europe remain, while Germany's fiscal expansion could support European markets. If European equities decline due to tariff impacts, it may present buying opportunities. In Japan, wage growth is gradually driving a positive consumption cycle, supporting a bullish outlook on domestic demand stocks. Meanwhile, Chinese and Hong Kong tech stocks have seen a notable short-term rally but may face consolidation, warranting a neutral stance.	**Strategy**: Preference for Large-Cap Stocks; Sector Focus on Industrials, Healthcare, and Defense & Aerospace. If a Soft Landing Fails, Shift to Defensive Plays in Utilities, Telecom, Consumer Staples, and Healthcare. **Regions**: U.S., Europe, Japan
Bonds	◆ Fed kept interest rates unchanged as expected. Given persistent U.S. fiscal reform challenges, we maintain a cautious stance on long-term Treasuries. However, with attractive yields in short- and medium-term bonds and lingering risks of a hard landing, we recommend locking in yields during U.S. Treasury yield spikes, focusing on short- and medium-term Treasuries and investment-grade bonds. ◆ For credit bonds, allocations should favor investment-grade bonds with higher risk-adjusted spreads, including sectors such as financials, industrials, energy, utilities, and communications.	**Duration**: Lock in yields with short- to medium-term bonds. **Types**: Prioritize Treasuries and investment-grade bonds, with a preference for large corporations. Sector focus on financial bonds with potential upside.
Forex	◆ Fed is slowing its rate-cut pace, while Trump's remarks weigh on the dollar. Though the dollar remains supported at high levels, its strength is weakening. ◆ Japan's economic improvement may prompt the Bank of Japan to accelerate rate hikes. If the spring wage negotiations yield positive results, the yen could strengthen further in the short term.	**USD**: Supported at high levels but weakening momentum. **JPY**: Expected to appreciate in the short term.
Commodity	◆ Trump's tariff and trade uncertainties, economic slowdown and inflation risks, fiscal deficit pressures, and continued central bank gold purchases all support gold's upside momentum.	**Gold**: Buy gold on pullbacks; medium- to long-term bullish.

Product Spotlight | HK Equities

February's "Three Horsemen" Data Exceeds Expectations

Retail sales grew by 4%, with online spending leading the gains

- From January to February 2025, total retail sales of consumer goods reached 8.3731 trillion yuan, marking a 4.0% YoY increase. Online retail sales grew at a faster pace of 7.3%, reflecting the continued expansion of e-commerce. Catering revenue reached 979.2 billion yuan, up 4.3%. Rural consumption grew by 4.6%, showing stronger performance, supported by policy measures and income growth.

Fixed asset investment grew by 4.1% YoY, driven by high-value investments

- Total fixed asset investment reached 5.2619 trillion yuan, growing 4.1% YoY. High-tech industry investment was the key driver, increasing by 9.7% annually, reflecting government policies supporting advanced manufacturing and technological upgrades. Meanwhile, real estate development investment continued to decline by 9.8% YoY, though the contraction narrowed by one percentage point. Notably, both 2023 and 2024 saw a month-on-month rebound in January, but momentum faded afterward. Whether real estate development has truly bottomed out this year remains to be seen.

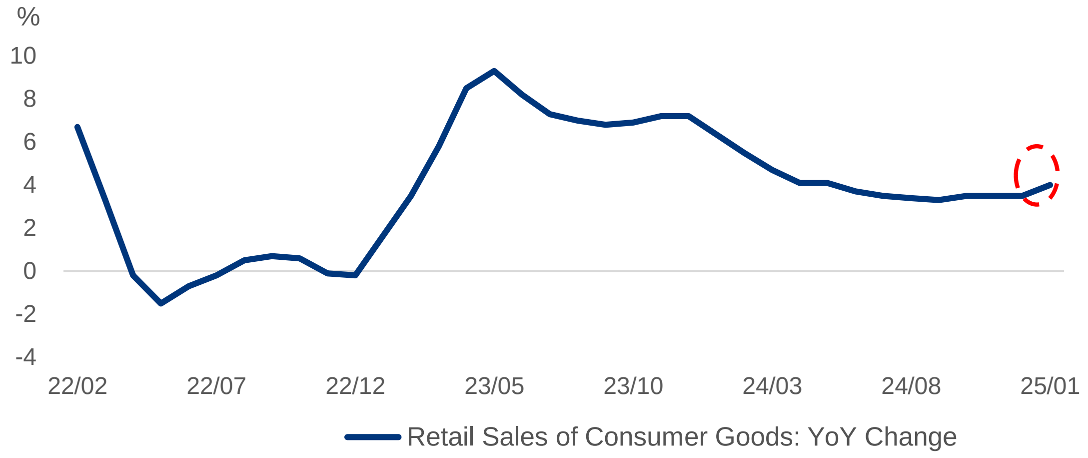
Industrial output of large-scale enterprises grew 5.9% YoY, sustaining the industrial upgrade trend

- Industrial output of large-scale enterprises grew 5.9% YoY, reflecting strong industrial production. Notably, equipment manufacturing expanded by 10.6%, while high-tech manufacturing grew by 9.1%, highlighting rapid advancements in industrial upgrading and technology-intensive sectors.

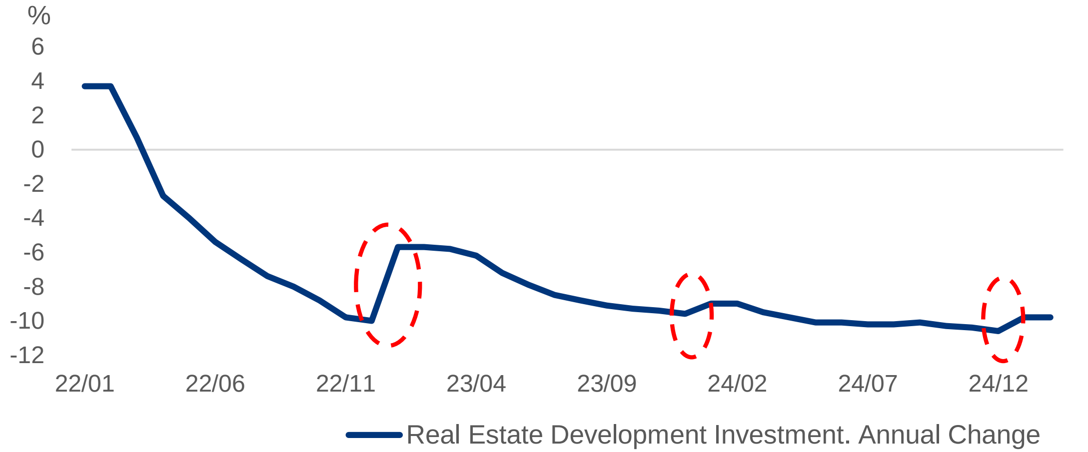
Consumption and high-value industrial production will be the main drivers this year

- Data from the "Three Horsemen" indicators suggest that the government is prioritizing resources toward retail consumption and high-tech industrial production. This aligns closely with the "Consumption + AI" theme emphasized at this year's Two Sessions.

Retail Sales Likely to Rebound After Bottoming Out



Real Estate Development Investment Rebounded at the Start of Each of the Past Two Years



Source: CEIC

BYD Co Ltd. (1211)

Closing Price HK $420	**Target Price** HK $500

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

- **Rising EV Penetration and Domestic Substitution Trend Drive New Energy Vehicle (NEV) Sales in China**

  China's auto industry is undergoing consolidation, with market expectations pointing to a further rise in NEV penetration to 61%. Domestic NEV brands are leading joint ventures in terms of functionality and performance, and are expected to capture a larger share of the market this year.

- **Reaffirming BYD's 2024 Sales Target of 6 Million Vehicles**

  BYD remains one of our top stock picks for 2025. We reaffirm our previous forecast for BYD's full-year vehicle sales at 6 million units, representing a 40.5% YoY increase. This projection is based on: (1) New energy vehicle (NEV) penetration stabilizing at 55%–60%; (2) BYD's overseas sales doubling; (3) Strong market demand for intelligent driving features.

- **"Flash Charging" May Become an Additional Sales Driver for Mid-Priced EVs**

  BYD recently unveiled its new Super e-Platform and Flash Charging battery. Backed by these innovations, BYD's new flash charging solution can deliver up to 1,000kW of charging power—twice that of Tesla's Superchargers. The first models equipped with this technology, the Han L and Tang L, are priced around RMB 300,000. In addition, BYD plans to build 4,000 new ultra-fast charging stations and upgrade the fast-charging capabilities of existing public stations. However, the company has yet to disclose a construction timeline or provide details regarding the power grid transmission and load capacity of the planned locations. As a result, the actual economic benefit from the charging network may not be fully reflected in this year's earnings.

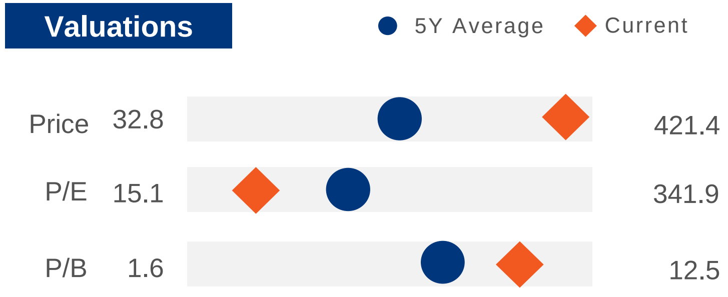
Source: Bloomberg

Financials

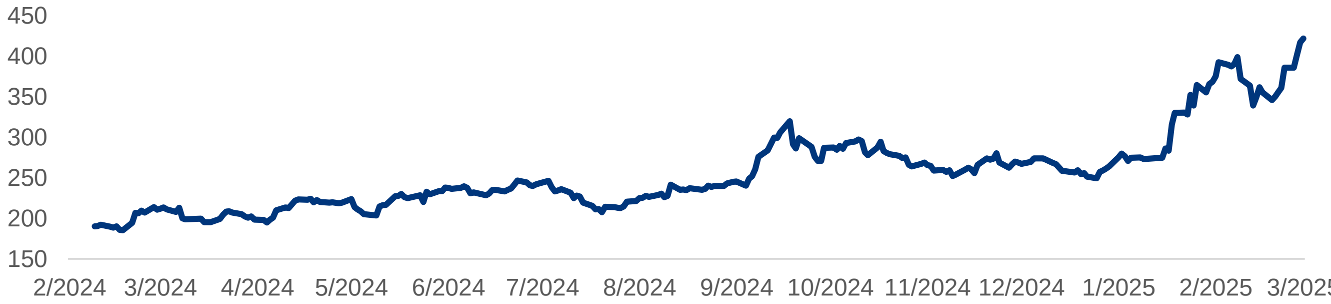
	2021	2022	2023	2024F	2025F
Net Income (100M HKD)	28.7	173.4	303.8	395.0	518.5
NI YoY(%)	-36	504	75	30	31
EPS(CNY)	1.0	6.0	10.5	13.4	17.4
DPS(CNY)	0.1	1.1	3.1	3.7	4.8
P/E	392.5	65.4	37.4	29.3	22.6
Dividend Yield(%)	0.0	0.3	0.8	0.9	1.2

Source: Bloomberg; 2024/25F are market estimates

Valuations



1-Year Price



As of 20 Mar. 2025	**1M**	**3M**	**YTD**	**1Y**	**3Y**	**5Y**
Return (%)	12.5	58.0	58.2	96.2	98.8	1043.1

Xiaomi Corp (1810)

Closing Price	HK $57.6	Target Price	HK $64.7

Xiaomi Corporation manufactures communication equipment and parts. The Company produces and sells mobile phones, smart phone software, set-top boxes, and related accessories.

- **Q4 Earnings Beat Expectations**

  Xiaomi Group reported strong financial results, with full-year 2024 revenue reaching a record high of RMB 365.9 billion, up 35.0% YoY. Adjusted net profit rose to RMB 27.24 billion, marking a 41.3% increase from the previous year—also a record high.

- **Smartphone and IoT Businesses Expected to Deliver Double-Digit Growth**

  In 2025, Xiaomi's smartphone segment profit margin is projected to rise from 12.6% to 13.6%, supported by its premium handset strategy and stable component costs. Revenue from the segment is expected to grow by approximately 12%. For the IoT segment, revenue from major home appliances is forecast to increase by over 50%, driven by supportive subsidy policies in China and continued overseas expansion. Overall, the IoT segment is expected to achieve revenue growth of around 23%.

- **EV Segment Expected to Become Xiaomi's Second-Largest Business by Next Year**

  Xiaomi has raised its 2025 electric vehicle (EV) sales target to 350,000 units, representing a 150% YoY increase. In an optimistic scenario, the market expects EV sales could double again to 700,000 units in 2026, positioning the EV segment as Xiaomi's second-largest revenue contributor after smartphones. Vehicle gross margin is projected to improve by 1 to 2 percentage points annually. With significant production ramp-up enabling operating leverage, we anticipate the EV business will achieve positive operating profit in 2026, contributing meaningfully to overall group profitability.

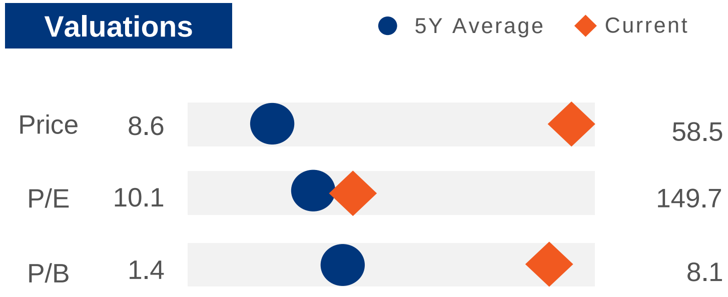
Source: Bloomberg

Financials

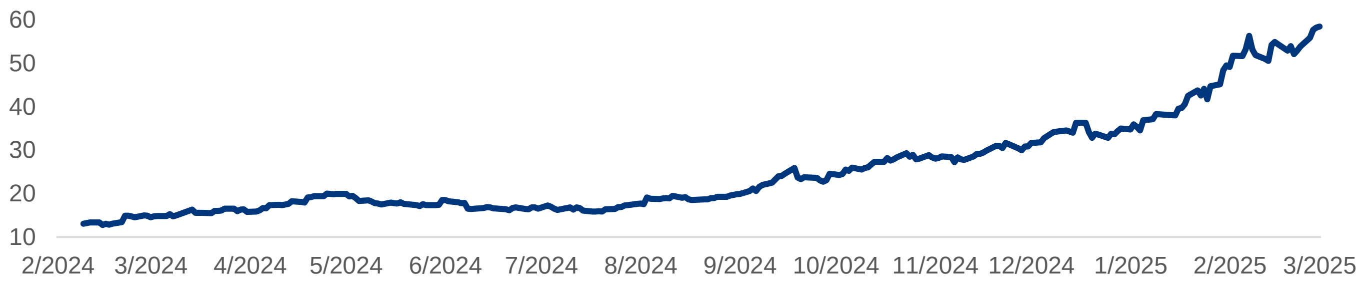
	2021	2022	2023	2024F	2025F
Net Income (100M USD)	38.5	131.8	227.2	337.2	435.8
NI YoY(%)	-71	241	73	48	29
EPS(CNY)	0.4	0.8	1.1	1.3	1.7
DPS(CNY)	0.0	0.0	0.0	0.1	0.1
P/E	136.0	68.0	49.4	41.8	32.0
Dividend Yield(%)	0	0	0	0.1	0.2

Source: Bloomberg; 2025/26F are market estimates

Valuations



1-Year Price

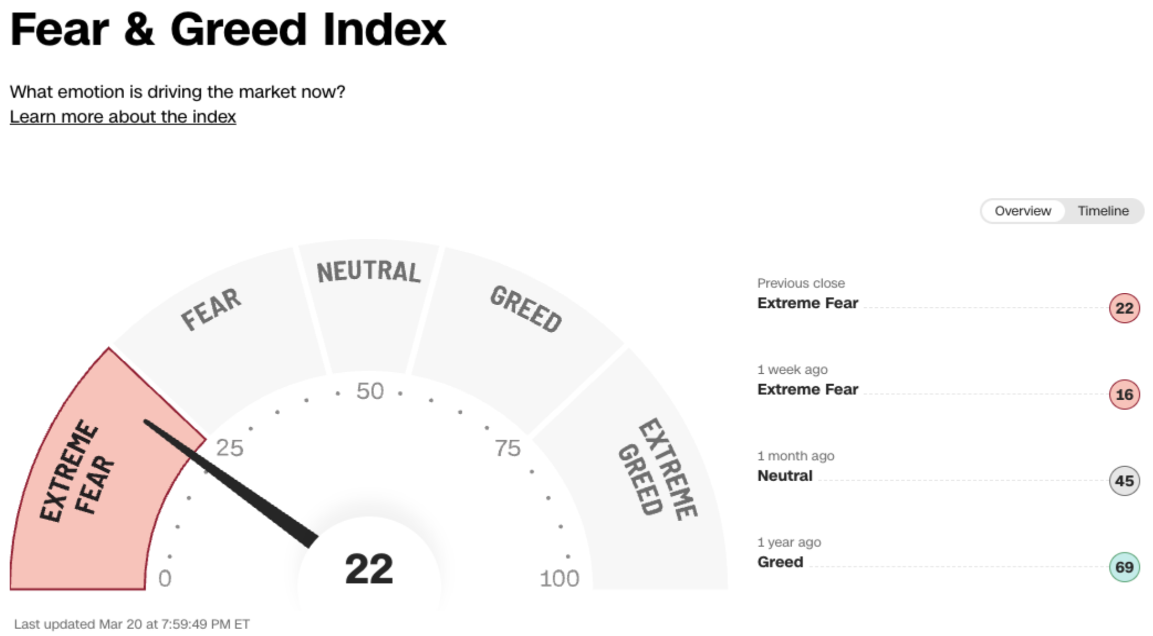


As of 20 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	18.6	84.2	69.0	302.1	331.2	473.8

US Equities U.S. Markets Stabilize for Now, But Investor Anxiety Remains Elevated

- At its March meeting, Fed held the federal funds rate steady at 4.25%–4.5%, continuing the rate pause initiated in Jan and in line with expectations. Policymakers noted increased uncertainty in the economic outlook but maintained their projection for approximately 50 bps of rate cuts this year—unchanged from Dec. forecasts. Fed lowered its 2024 GDP growth estimate from 2.1% to 1.7%, with 2026 and 2027 projections also revised down to 1.8% (from 2.0%) and 1.8% (from 1.9%), respectively. In contrast, PCE inflation forecasts were raised: the 2025 estimate increased from 2.5% to 2.7%, and 2026 from 2.1% to 2.2%, while the 2027 target remains unchanged at 2.0%. The unemployment rate forecast for 2024 was slightly revised upward to 4.4% (from 4.3%), while 2026 and 2027 remain at 4.3%. Additionally, Fed announced it will slow the pace of its balance sheet reduction starting in April, cutting the monthly U.S. Treasury runoff cap from $25 billion to $5 billion.
- U.S. retail sales rose 0.2% MoM in February, rebounding from January's downwardly revised 1.2% decline, though falling short of market expectations for a 0.6% increase. Core retail sales—which exclude food services, auto dealers, building materials, and gas stations—climbed 1%, reversing a revised 1% drop in January and outperforming the projected 0.4% gain.
- U.S. building permits declined by 1.2% in February to a seasonally adjusted annual rate of 1.456 million units—the largest drop in five months. However, the figure came in slightly above market expectations of 1.453 million units.
- U.S. housing starts unexpectedly surged 11.2% in February to a seasonally adjusted annual rate of 1.501 million units, well above January's downwardly revised 1.35 million and significantly higher than market expectations of 1.385 million. The sharp rebound followed a weather-driven 11.5% decline in January, which was impacted by blizzards and severe cold.
- In February, U.S. existing home sales rose by 4.2% from the previous month, reaching a seasonally adjusted annualized sales rate of 4.26 million units. This marked a rebound from the revised 4.7% decline in the prior month and significantly exceeded market expectations of 3.95 million units.
- U.S. equities have stabilized for now following a sharp selloff. However, investor sentiment remains cautious amid uncertainty surrounding the macroeconomic outlook, particularly due to the impact of former President Trump's tariff policies. The current downtrend has yet to show signs of a reversal.

Fear & Greed Index



Source: Bloomberg

SAP (SAP)

Closing Price	US $251.95	Target Price	US $300

SAP SE is a multinational software company. The Company develops business software, including e-business and enterprise management software, consults on organizational usage of its applications software, and provides training services.

- **Capital Flows into European Markets**

  Germany's fiscal stimulus measures and increased defense spending have spurred capital inflows into European markets, prompting a shift in investor interest from U.S. to European equities. With 60% of investors expecting stronger economic growth in Europe, sectors such as financials, industrials, and small caps are gaining traction—Germany emerging as the preferred market. As the European economy recovers, companies are accelerating their digital transformation efforts. SAP, as the region's leading enterprise software provider, is well-positioned to benefit from increased corporate investment in technology and cloud-based solutions.

- **Enhancing Process Automation**

  At the SAP Concur Fusion conference, SAP announced a series of new generative AI capabilities and an expanded partnership with American Express. Joule, SAP's AI copilot, will be integrated into Concur solutions to further automate travel and expense management processes. In collaboration with American Express, SAP Concur is also launching real-time authorization data for corporate card transactions. As the market leader in travel and expense management, SAP Concur plans to deepen integration with Mastercard and American Express Global Business Travel. By strengthening partnerships with financial service providers and expanding automation features, SAP aims to improve user experience, enhance compliance, and drive greater cost efficiency for businesses. Looking ahead, AI-powered expense processing and travel planning are expected to further bolster SAP's competitive edge and increase customer adoption.

- **Valuation Consensus**

  Bloomberg's 12-month average target price stands at $312.79, with the highest estimate at $343 and the lowest at $278.

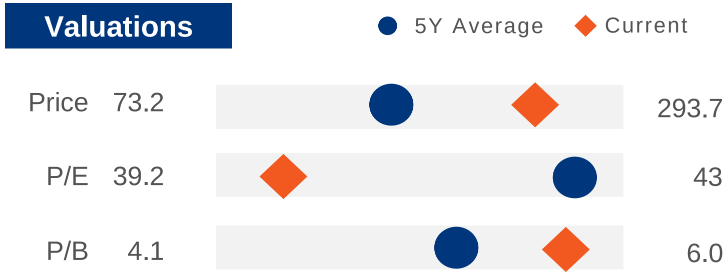
Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	6.0	5.7	9.5	12.2	12.5
EBITDA (%)	27.5	25.3	27.6	30.6	31.9
EPS(EUR)	3.07	3.62	4.72	6.39	7.66
Net Profit Margin(%)	13.5	13.7	16.3	19.0	20.2

Source: Bloomberg; 2025/26F are market estimates

Valuations



1-Year Price

As of 20 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-4.0	9.6	10.3	39.5	35.5	25.8

KGI

Nebius (NBIS)

Closing Price US $26.98 | **Target Price** US $50

Profile

Nebius Group is a technology company providing infrastructure and services to AI builders globally. The group's core business is an AI-centric cloud platform built for AI workloads.

- **Inference Compute to Drive Demand for Data Centers and AI Factories**

  At NVIDIA's 2025 GTC conference, the company reiterated its AI Scaling Law, highlighting that inference will become the central force in the next phase of AI development. The compute demand for inference is projected to grow more than 100-fold compared to last year. Looking ahead, cumulative investment in data centers and AI factories is expected to reach USD 1 trillion by 2028.

- **Expansion Across Europe and the U.S.**

  Nebius currently operates data center facilities in Finland and France, with a new site soon to open in Iceland. The company plans to invest $1 billion across Europe and recently launched a GPU cluster in Paris powered by NVIDIA H200 chips. In Finland, It aims to triple its compute capacity, ultimately supporting up to 60,000 GPUs—this segment alone could generate $1 billion in annual revenue at full utilization. In the U.S., It has just opened a data center in Kansas City and plans to build a hyperscale facility in New Jersey with up to 300 MW of power capacity. The company reported $117.5 million in revenue for fiscal year 2024 and expects to grow that figure to between $750 million and $1 billion in fiscal 2025.

- **NVIDIA-Linked Stock**

  As of the end of 2024, NVIDIA held 1.19 million shares in the company. The company was recently announced as an early adopter of the NVIDIA Blackwell Ultra platform and is expected to offer compute instances powered by the NVIDIA GB300 NVL72 by the end of 2025. Additionally, it has been selected as a partner in the NVIDIA Dynamo Inference Engine ecosystem.

- **Valuation Consensus**

  Bloomberg's 12-month average target price is $55, with the highest estimate at $60 and the lowest at $50.

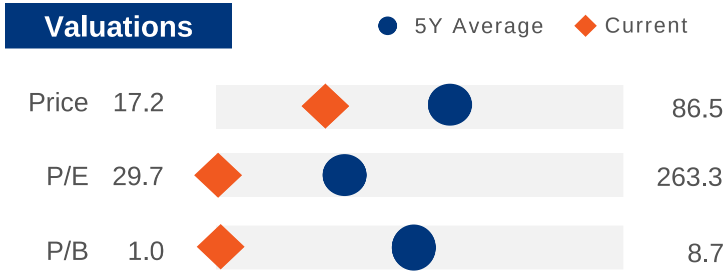
Source: Bloomberg

Financials

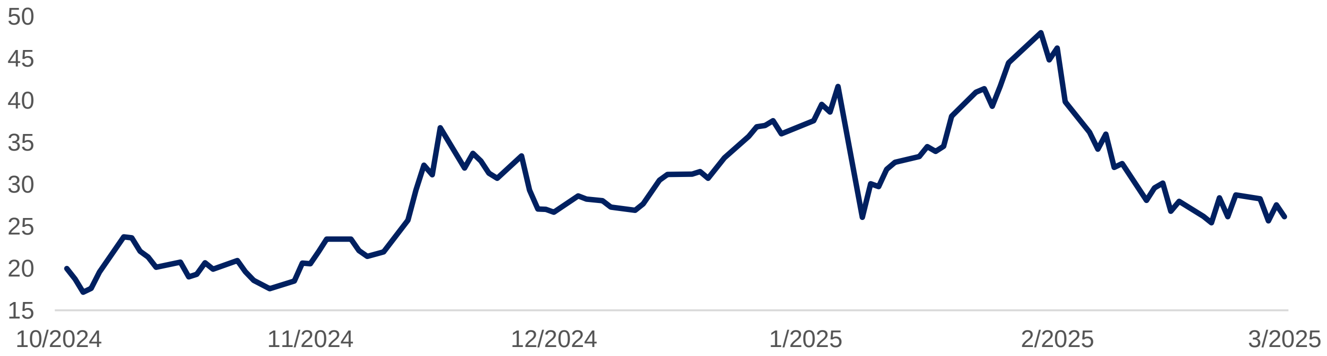
	2022	2023	2024	2025F	2026F
Revenue Growth(%)	46.5	53.4	-98.8	370.5	70.6
EBITDA (%)	9.0	9.7	-264.9	-	-
EPS (USD)	1.30	0.63	-1.47	-1.00	-
Net Profit Margin(%)	6.3	2.5	-293.6	-56.2	-14.8

Source: Bloomberg; 2025/26F are market estimates

Valuations



1-Year Price



As of 20 Mar. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-43.4	-2.0	-5.5	-	-	-

TW Equities

Taiwan Stocks See Short-Term Rebound, But Retesting Lows Remains a Risk; Focus on Stocks Above Key Averages

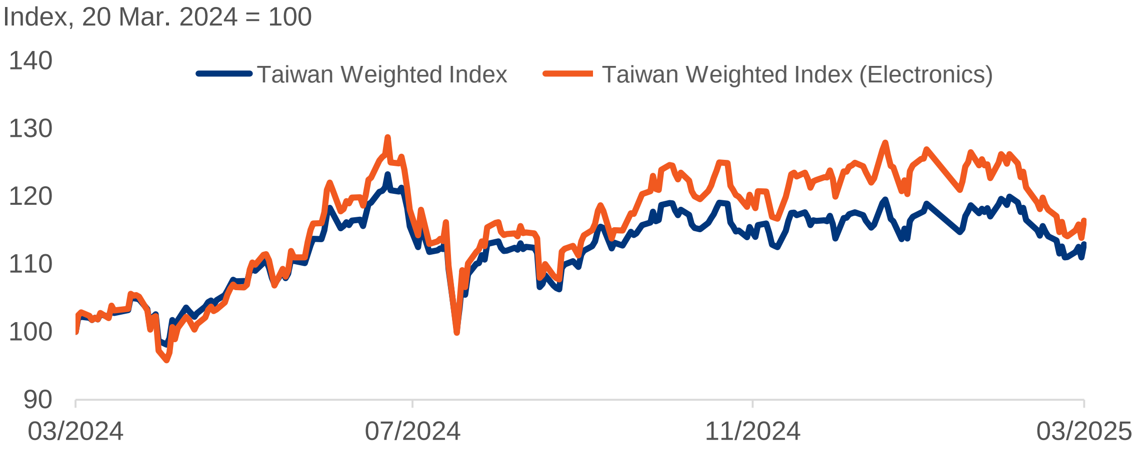
► Taiwan Market Consolidating Near Annual Moving Average; Short-Term Rebound May Still Retest Lows

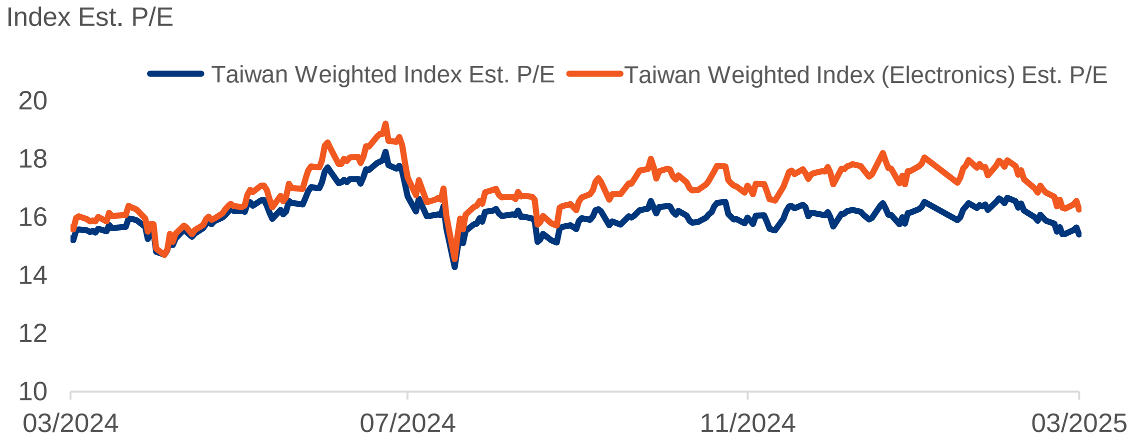
The rebound has been supported by the Fed's decision to hold rates steady and Chair Powell's measured tone, which helped ease fears of a sharp economic downturn. From a technical standpoint, last Tuesday's bounce was capped by resistance at the 10-day moving average, while persistently low trading volumes indicate that the market remains in a weak rebound phase. On the positive side, the index has held above the 5-day moving average for two consecutive sessions, and the KD indicator has begun to turn upward—supportive of a continued oversold rebound. Key to watch next is whether trading volume expands and if the index can break above the March 14 intraday high of 22,552. A successful breakout could mark the formation of a bottom and open the door to a broader uptrend. Otherwise, after a short-lived rebound, the market risks retesting the March 11 low at 21,769.

► NVIDIA GTC Conference Kicks Off; Eyes on Tech Sector Performance

At the sector level, NVIDIA unveiled its next-generation GB300 AI chip at the GTC conference, with the BBU (Battery Backup Unit) expected to become standard equipment for the platform—boosting momentum in related stocks. AI-themed names also showed strength, including PCB manufacturers, chassis and power supply makers, IP design houses, graphics card producers, and copper-clad laminate suppliers, many of which closed higher. In terms of market structure, Taiwan's tech sector still faces downside risk, though select segments like memory and display panels may warrant attention. Financials—particularly high-dividend names—continue to act as a source of market support. Among non-tech and non-financials, plastic, steel, shipping, high-yield, and defense-related stocks have shown relative resilience. Meanwhile, small- and mid-cap stocks have begun to rebound more broadly, offering greater price movement potential than large-cap names. In the current environment, investors may consider focusing on mid- and small-cap stocks with positive catalysts and those reclaiming technical levels, such as moving average resistance.

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





Source: Bloomberg

Chenbro Micom Co Ltd. (8210 TT)

Chenbro Micom Co., Ltd. produces computer serves and peripheral products. The Company manufactures and distributes rack-mounted edge computing server chassis, tower modular high-speed computing storage server chassis, high-speed storage server module, rack-mounted modular barebone server, and more.

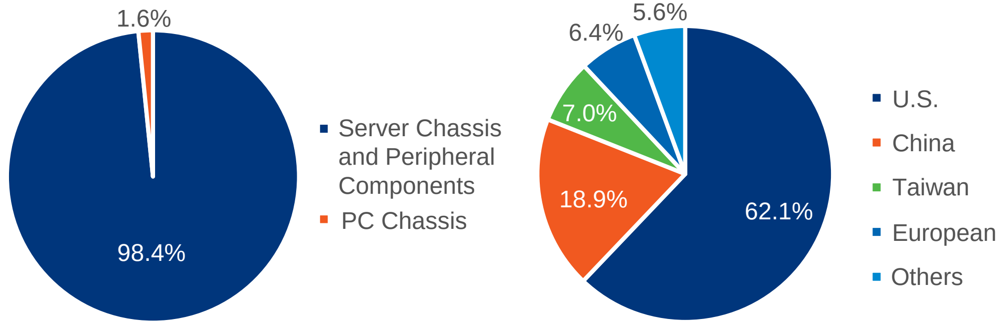
- **Positive Outlook for 1H25**

  Revenue for January–February rose 41% year-on-year, driven primarily by strong demand for HGX AI servers from cloud service providers (CSPs). As a result, KGI Securities revised its Q1 2025 revenue forecast to reflect a flat quarter-over-quarter performance. The company maintains a positive view on 1H25, with growth momentum supported by AI servers, MGX servers, and new project wins.

- **Strong Revenue Growth Expected in 2025**

  Management expects full-year revenue to grow in 2025, driven by new HGX AI server orders from cloud service providers (CSPs), growth in ASIC server revenue, and contributions from rack system sales. The company is expanding into customized rack solutions and internal mechanical components. KGI Securities anticipates that these new product lines will broaden AIC's market opportunities and improve profit margins through increased supply of in-house components. As a result, KGI has raised its 2025 revenue growth forecast to 29% YoY.

Revenue Sources and Regions



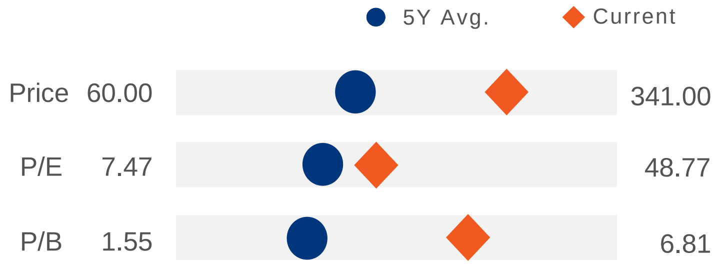
Source: Bloomberg

Financials

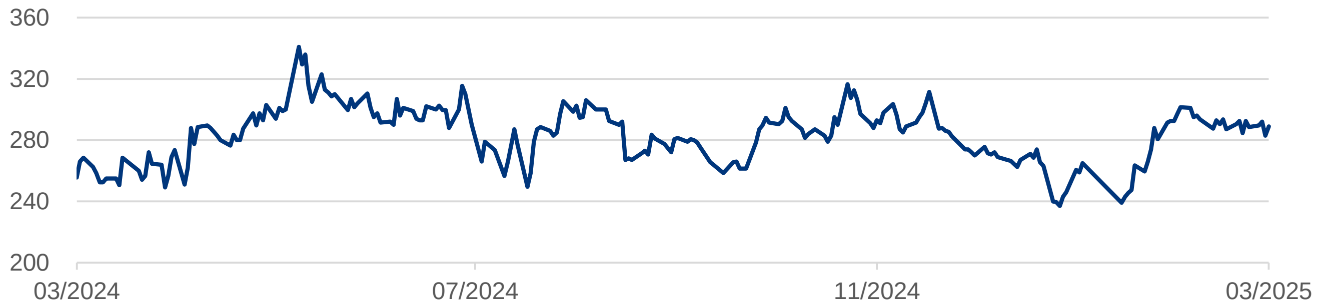
	2021	2022	2023	2024F	2025F
EPS (NTD)	5.62	8.32	9.03	16.05	20.38
EPS Growth (%)	-31.2	48.2	8.5	77.7	27.0
P/E Ratio	52.1	35.2	32.4	18.2	14.4
ROE (%)	16.6	22.0	20.8	30.4	31.6

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



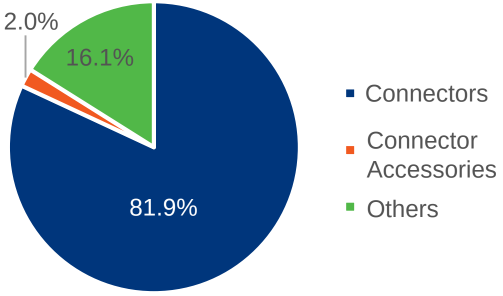
As of 20 Mar 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-1.2	-2.7	7.0	2.7	8.4	13.1

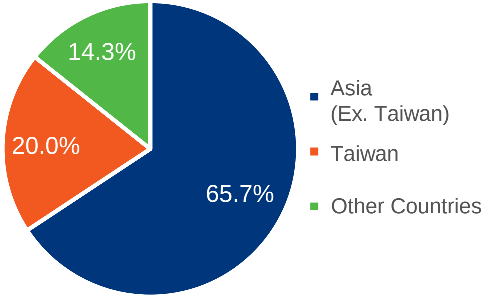
ACES Electronic Co Ltd. (3605 TT)

ACES Electronic provides services in Fine pitch, high density Electrical Connector for Portable electrical device, manufacture for trading models and parts.

- **Cloud Communication Revenue Expected to Grow 47% in 2025**
  With the company's network and accelerator card high-speed connectors for the GB200 platform gradually passing certification by North American cloud service providers (CSPs), and its inclusion in NVIDIA's supply chain, ACES's MCIO market share is projected to rise from approximately 1% in 2024 to 10% in 2025. This expansion is expected to drive an incremental NT$430 million in MCIO revenue, accounting for around 4% of total sales, and serve as a key growth driver for the server product line. As a result, cloud communication product revenue is projected to increase by 47% YoY in 2025.
- **AI and Gaming Notebooks Drive Demand for High-End Connectors; Laptop Segment to Outperform Industry Growth**
  AI PCs often require customized connector designs, leading to higher product pricing and enabling ACES to expand its market share. As a result, revenue from the company's notebook product line is expected to grow 15% YoY in 2025, outperforming the industry average growth rate of 5–8%.

Revenue Sources and Regions





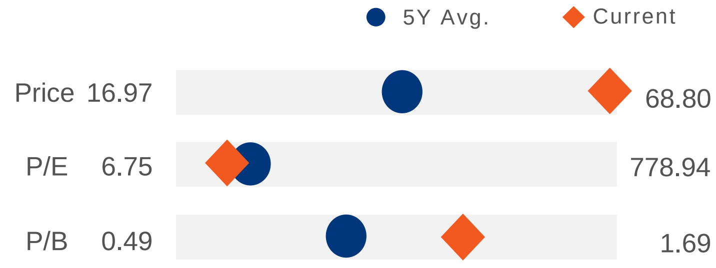
Source: Bloomberg

Financials

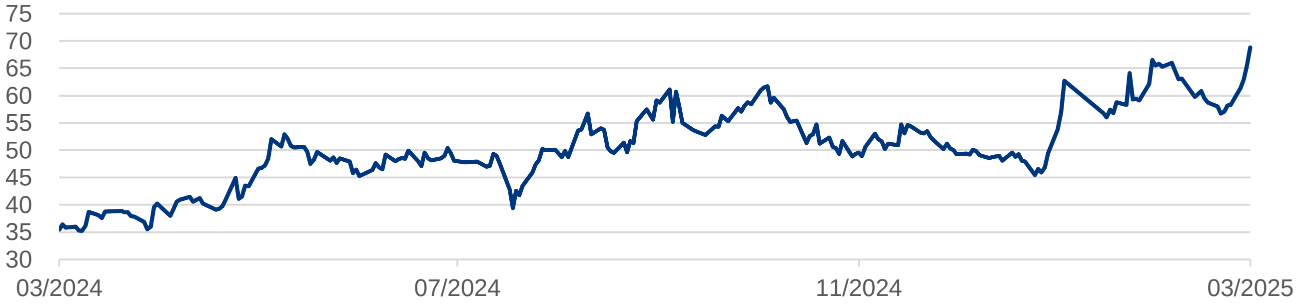
	2021	2022	2023	2024F	2025F
EPS (NTD)	4.16	1.68	-1.98	2.51	4.72
EPS Growth (%)	84.1	-59.7	-218.3	0.0	87.9
P/E Ratio	15.2	37.6	N.A.	25.1	13.3
ROE (%)	10.2	4.0	-4.9	5.9	9.7

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 20 Mar 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	18.2	4.6	39.7	17.2	41.1	93.8

KGI

Mutual Funds/ ETFs

Improving Earnings Outlook Likely to Support European Equities

► Vanguard FTSE Europe ETF (VGK.US)

- Tracks the performance of the FTSE Developed Europe All Cap Index.
- The index includes stocks from 16 European countries, with the largest weightings in the UK, France, Switzerland, and Germany.
- Heavily weighted toward large-cap stocks, with relatively lower allocations to mid- and small-cap stocks.
- Low expense ratio, currently at 0.09%.

► iShares Europe ETF (IEV.US)

- Tracks the performance of the Standard & Poor’s Europe 350 Index.
- The index comprises 350 stocks selected from over 10 different markets.
- Heavily weighted toward large-cap blended stocks.

Product	Vanguard FTSE Europe ETF (VGK.US)		iShares Europe ETF (IEV.US)	
Features	■ The ETF holds over 1,200 stocks, with a heavier weighting in large-cap stocks and relatively fewer small- and mid-cap stocks. ■ Its expense ratio is 0.06%, among the lower levels for similar ETFs, helping to reduce investment costs.		■ This ETF primarily invests in large-cap stocks, with the top ten holdings accounting for approximately 20.72%. ■ It covers multiple industries, including finance, pharmaceuticals, oil & gas exploration, and defense, preventing excessive sector concentration.	
AUM	USD 22.02 B		USD 1.98 B	
Tracking Index	FTSE Developed Europe All Cap Index		Standard & Poor's Europe 350 Index	
Holdings	1,263		363	
Expense Ratio	0.06%		0.61%	
3M/YTD Returns	16.12% / 15.76%		16.49% / 16.42%	
Top-5 Sectors (%)	UK France Switzerland Germany Netherlands	24.20 15.60 14.40 14.00 6.20	UK France Germany Switzerland Netherlands	22.95 17.05 15.10 14.87 6.58
Top-5 Holdings (%)	SAP Novo Nordisk ASML Holding Nestlé Roche Holding	2.36 2.17 2.17 1.92 1.78	ASML Holding SAP Nestlé Novo Nordisk Roche Holding	2.51 2.37 2.32 2.16 2.13

Source: Bloomberg, 25 Feb. 2025

Vanguard FTSE Europe ETF (VGK.US)

Profile

Vanguard FTSE Europe ETF is an exchange-traded fund incorporated in the USA. The ETF seeks to track the performance of the FTSE Developed Europe All Cap Index, which measures the investment return of stocks issued by companies located in the major markets of Europe.

Investing in European Equities

This ETF tracks equities across 16 European countries, with the largest weightings in the United Kingdom, France, Switzerland, and Germany. It is well-suited for investors seeking exposure to developed European economies.

Broad Holdings Exposure

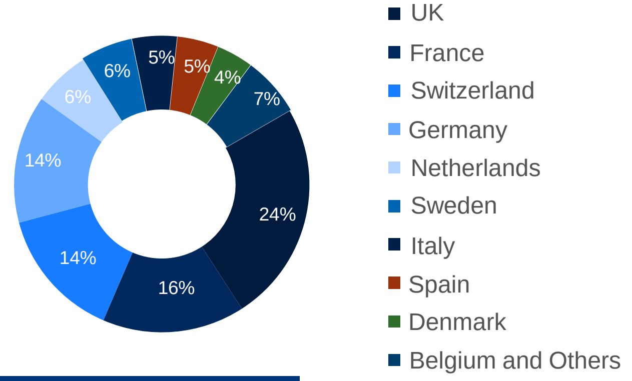
This ETF holds over 1,200 constituents, with a strong tilt toward large-cap stocks, while mid- and small-cap allocations are relatively limited. The top five holdings include SAP, Novo Nordisk, ASML Holding, Nestlé, and Roche Holding. The top ten positions collectively account for approximately 18.53% of the portfolio.

Low Expense Ratio

This ETF has an expense ratio of 0.06%, which is among the lower levels in its category. Its cost efficiency makes it an attractive option for investors seeking to minimize investment expenses.

Inception Date	4 Mar 2005	**AUM**	USD 22.2 B
ETF Category	Equities	**Holdings**	1,263
Expense Ratio	0.06%	**3Y Stand. Dev. (Ann.)**	19.33%

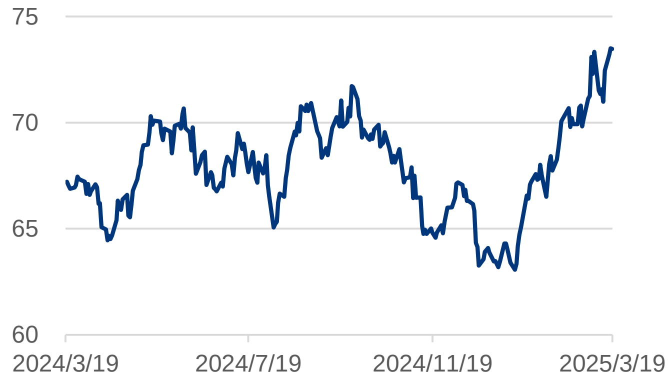
Regions



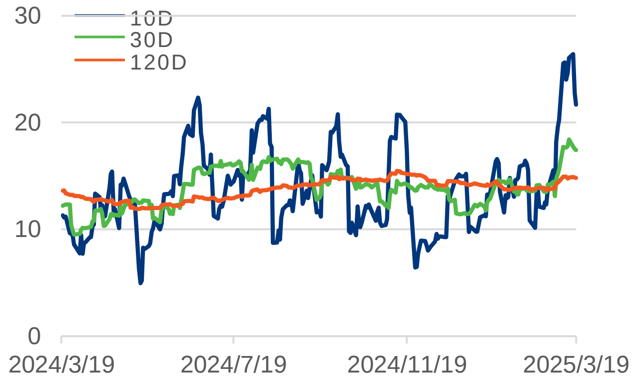
Top-5 Holdings (%)

SAP	2.36
Novo Nordisk	2.17
ASML Holding	2.17
Nestlé	1.92
Roche Holding	1.78

1-Year Price



1-Year Volatility



As of 19 Mar 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	4.63	16.12	15.76	12.53	29.43	129.13

Source: Bloomberg, 19 Mar. 2025

iShares Europe ETF (IEV.US)

Profile

iShares Europe ETF is an exchange-traded fund incorporated in the USA. The Fund seeks investment results that correspond to the performance of the S&P Europe 350 Index.

■ Focus on High-Quality Mid-Term Corporate Bonds

The index tracks U.S. corporate bonds with 5–10 year maturities, primarily in the financial and industrial sectors. Holdings are predominantly investment-grade (BBB or higher), offering balanced interest rate and credit risk exposure.

■ Diversified Portfolio

The ETF holds over 2,000 investment-grade corporate bonds (BBB or higher), with the top 10 holdings accounting for approximately 2.56%.

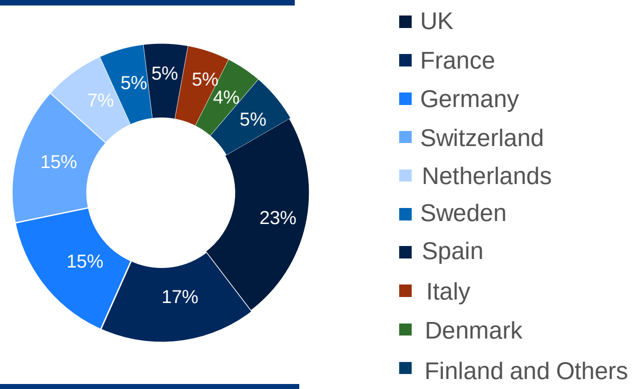
■ Low Expense Ratio

With a 0.03% expense ratio, this ETF is among the lowest in its category, offering cost-effective exposure and helping investors reduce costs.

Inception Date	25 July 2000	**AUM**	USD 1.98 B
ETF Category	Equities	**Holdings**	363
Expense Ratio	0.06%	**3Y Stand. Dev. (Ann.)**	18.99%

Source: Bloomberg, 19 Mar. 2025

Regions

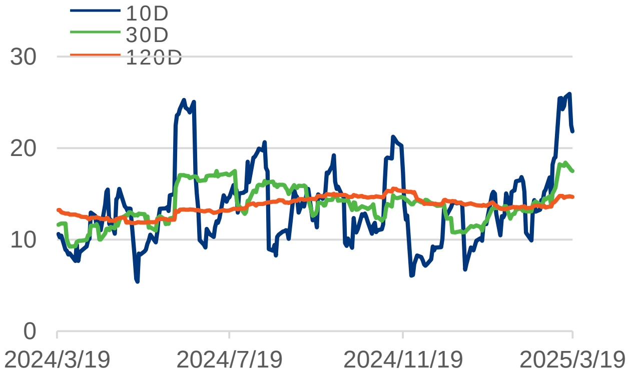


Top-5 Holdings (%)

ASML Holding	2.51
SAP	2.37
Nestlé	2.32
Novo Nordisk	2.16
Roche Holding	2.13

1-Year Price

1-Year Volatility



As of 19 Mar 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	4.50	16.49	16.42	12.17	31.46	128.03

Bonds

Rate Hike Cycle Supports Profit Margins of Japanese Financial Firms; Remain Positive on Bank and Insurance Bonds

► SUMIBK 5.632 01/15/35 (Sumitomo Mitsui Financial Group)

- Sumitomo Mitsui Financial Group is one of Japan's three major financial conglomerates, with Sumitomo Mitsui Banking Corporation ranking as the country's second-largest bank. The group maintains strong asset quality: as of end-2024, the group-level non-performing loan (NPL) ratio stood at just 0.69%, while the banking unit's NPL ratio was even lower at 0.43%—the best among Japan's top three mega financial groups. In terms of earnings composition, the group derives most of its revenue from net interest income and fee-based income, which together accounted for 88% of total revenue in FY2023—49% from net interest income and 39% from fees and commissions. These sources are considered more stable compared to trading income.
- Japan ended its long-standing negative interest rate policy in 2024, marking the beginning of a rate hike cycle—supportive of improved profit margins for Japanese banks. In addition, the group owns SMBC Aviation Capital, the world's second-largest aircraft leasing company, which is also set to benefit from the steady post-pandemic recovery in global aviation demand.

► MYLIFE 6.1 06/11/55 (Meiji Yasuda Life Insurance)

- Meiji Yasuda is one of Japan's four major life insurers. It holds the largest market share in group term life insurance for public institutions and group credit life insurance for Japanese banks, accounting for approximately 28% in FY2023. The company maintains strong capital adequacy, with a solvency margin ratio of 1,049% as of March 2024—well above the 200% regulatory minimum—and an economic solvency ratio of 220%, compared to the required 100%.
- In recent years, Meiji Yasuda has actively reduced interest rate risk by purchasing super-long-term Japanese government bonds, narrowing the asset-liability duration gap from 5.7 years in March 2020 to 1.5 years in March 2024. In February 2024, Japanese rating agency R&I upgraded Meiji Yasuda's insurer financial strength rating from AA- to AA.

Products	SUMIBK 5.632 01/15/35 (Sumitomo Mitsui Financial Group)	MYLIFE 6.1 06/11/55 (Meiji Yasuda Life Insurance)
ISIN	US86562MDU18	USJ41838AQ65
Highlight	Sumitomo Mitsui Banking Corporation is Japan's second-largest bank, with a solid asset quality within the group.	The company is one of Japan's four major life insurance companies and has a strong capital adequacy ratio.
Maturity Date	2023/1/15	2055/6/11
Next Redemption Day	-	2035/6/11
Coupon (%)	Fixed/5.632/Semi-annual	Float/6.1/Semi-annual
Currency	USD	USD
Years to Maturity	9.83	30.24
Rating (Moody's/ Fitch/S&P)	A1/A-/A-	A3/A-/-
Seniority	Senior Unsecured	Subordinated
YTM/YTC (%)	5.28/-	6.76/5.96

Source: Bloomberg

SUMIBK 5.632 01/15/35 (Sumitomo Mitsui Financial Group)

Profile

One of Japan's three major financial conglomerates, operating approximately 455 domestic branches across the country. Its core subsidiary, Sumitomo Mitsui Banking Corporation, is Japan's second-largest bank. The group offers a wide range of services, including retail banking, corporate and investment banking, asset management, securities trading, and lending.

- The group maintains strong asset quality. As of the end of 2024, the consolidated non-performing loan ratio stood at just 0.69%, while the bank-level NPL ratio was even lower at 0.43%—the lowest among Japan's three major financial groups. In addition, the group's revenue is largely derived from stable sources: net interest income and fee-based income accounted for a combined 88% of total revenue in FY2023, with net interest income contributing 49% and fees and commissions 39%—a more stable earnings mix compared to trading income.
- Japan ended its long-standing negative interest rate policy in 2024 and entered a rate hike cycle, which is supportive of profit margins for Japanese banks. In addition, the group owns SMBC Aviation Capital—the world's second-largest aircraft leasing company—which stands to benefit from the steady post-pandemic recovery in global aviation demand.
- As Fed begins a rate-cutting cycle, this presents an opportunity to lock in yields on high-quality bonds. With the issuing institutions carrying relatively low credit risk, investors may consider increasing exposure to quality bonds as interest rates stabilize, helping to cushion against market volatility.

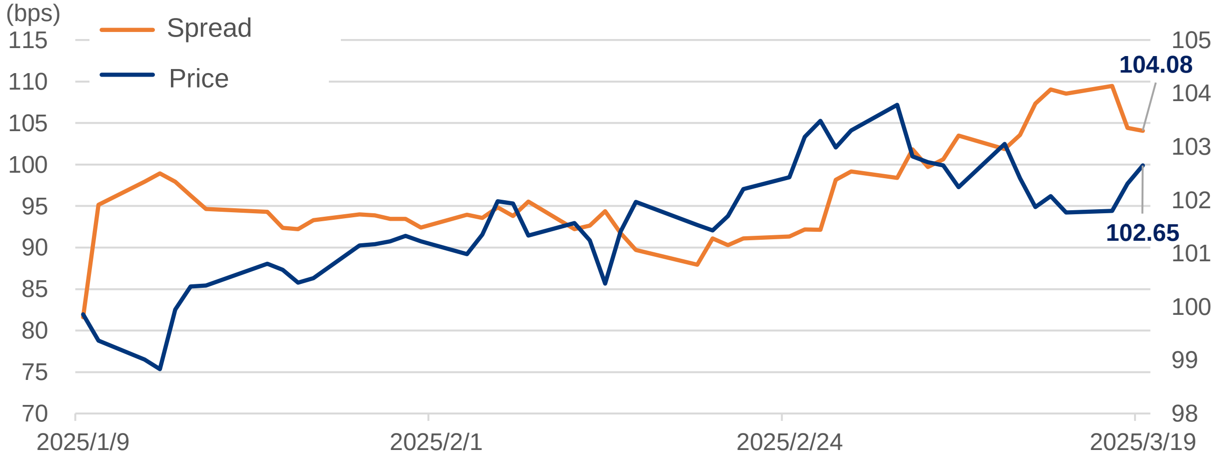
Financials	2022	2023	2024
Return on Tangible Equity (ROTE)	6.34	7.01	7.56
Non-Performing Loan Ratio (NPL)	1.08	0.80	0.81
Common Equity Tier 1 (CET1)	14.45	14.02	12.91

Source: Bloomberg, 19 Mar 2025

Overview

Name	SUMIBK 5.632 01/15/35	ISIN	US86562MDU18
Maturity Date	15 Jan 2023	Remaining Maturity	9.83
Coupon(%)	Fixed/5.632/Semi-annual	YTM/YTC(%)	5.28/-
Currency	USD	Min. Subscription/ Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A1/A-/A-	Seniority	Senior Unsecured

Price Since Issuance



MYLIFE 6.1 06/11/55 (Meiji Yasuda Life Insurance)

Profile

Meiji Yasuda Life Insurance is one of Japan's four major life insurers. The company provides a wide range of insurance products to individuals and corporations, including coverage for illness, hospitalization, long-term care, death, pensions, education, and other life insurance needs. In addition, Meiji Yasuda offers accident and disability insurance, as well as related financial products.

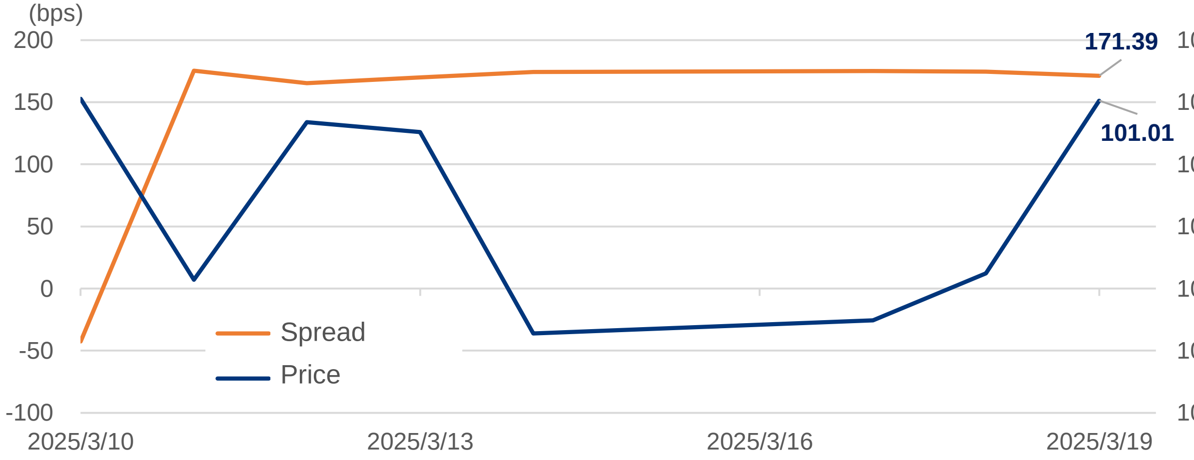
- Holds the largest market share in group term life insurance for public sector institutions and group credit life insurance for Japanese banks, accounting for approximately 28% in FY2023. It maintains a strong capital position: as of March 2024, its Solvency Margin Ratio stood at 1,049%—well above the regulatory minimum of 200%—while its Economic Solvency Ratio was 220%, compared to the 100% regulatory threshold.
- In recent years, Meiji Yasuda has significantly reduced interest rate risk by narrowing the duration gap between its assets and liabilities. Through increased purchases of super-long-term Japanese government bonds, the duration gap was reduced from 5.7 years in March 2020 to 1.5 years by March 2024. In recognition of its strong financial profile, Japanese rating agency R&I upgraded Meiji Yasuda Life's insurer financial strength rating from AA- to AA in February 2024.
- With Fed entering a rate-cutting cycle, investors may take the opportunity to lock in yields on high-quality bonds. Given the relatively low credit risk of such issuers, selectively adding high-grade bonds could enhance portfolio resilience amid rate fluctuations.

Financials	2022	2023	2024
Return on Tangible Equity (ROTE)	4.54	2.43	3.64
Total Written Premiums (Million USD)	25,023	27,148	23,154
Marginal Solvency Ratio	1,135	1,010	1,048

Overview

Name	MYLIFE 6.1 06/11/55	**ISIN**	USJ41838AQ65
Maturity Date	11 June 2055	**Remaining Maturity**	30.24
Coupon(%)	Float/6.1/Semi-annual	**YTM/YTC(%)**	6.76/5.96
Currency	USD	**Min. Subscription/ Increment**	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A3/A-/-	**Seniority**	Subordinated

Price Since Issuance



Source: Bloomberg, 19 Mar 2025. Note: Coupon reset date is June 11, 2035, with semiannual payments. Applicable annual interest rate is the U.S. 5-year Treasury yield, and the reset coupon rate is the bond yield on the settlement date plus 2.91%

Appendix Key Economic Data / Events

MAR 2025

17 Monday
- U.S. Feb. Retail Sales MoM (Actual:0.2% Est:0.6% Prev:-1.2%)
- China Jan~Feb. Retail Sales YoY (Actual:4.0% Est:3.8%)
- China Jan~Feb. Industrial Production YoY (Actual:5.9% Est:5.3%)

18 Tuesday
- U.S. Feb. Industrial Production MoM (Actual:0.7% Est:0.2% Prev:0.3%)
- U.S. Feb. Housing Starts (Actual:1,501k Est:1,385k Prev:1,350k)
- U.S. Feb. Building Permits Initial Value (Actual:1,456k Est:1,453k Prev:1,473k)

19 Wednesday
- U.S. Mar. FOMC Rate Decision (Actual:4.50% Est:4.50% Prev:4.50%)
- Eurzone Feb CPI YoY Final Value (Actual:2.3% Est:2.4% Prev:2.4%)
- Japan Mar. BoJ Target Rate (Actual: 0.5% Est:0.5% Prev:0.5%)
- Japan Feb. Machine Tool Orders YoY Final Value (Actual:3.5% Prev:3.5%)
- Japan Jan. Industrial Production MoM Final Value (Actual: -1.1%Prev:-1.1%)

20 Thursday
- U.S. Last Week's Initial Jobless Claims (Actual:223k Est:224k Prev:220k)
- U.S. Feb. Existing Home Sales (Actual:4.26m Est:3.95m Prev:4.09m)
- U.K. Mar. Bank of England Bank Rate (Actual:4.50% Est:4.50% Prev:4.50%)

21 Friday
- Eurzone Mar. Consumer Confidence Initial Value (Est:-13.6 Prev:-13.6)
- Japan Feb. Natl CPI YoY (Actual:3.7% Est:3.5% Prev:4.0%)

24 Monday
- U.S. Mar. S&P Global Manufacturing PMI Initial Value (Est:51.8 Prev:52.7)
- U.S. Mar. S&P Global Manufacturing PMI Initial Value (Est:51.2 Prev:51.0)
- Japan Mar. Jibun Bank Japan PMI Mfg Initial Value (Prev:49.0)
- Eurzone Mar. HCOB Mfg Initial Value (Prev:47.6)
- Eurzone Mar. HCOB Services Initial Value (Prev:50.6)

25 Tuesday
- U.S. Feb. New Home Sales (Est:680k Prev:657k)
- U.S. Mar. Conf. Board Consumer Confidence (Est:94.0 Prev:98.3)

26 Wednesday
- U.S. Feb. Durable Goods Orders MoM Initial Value (Est:-0.7% Prev:3.2%)

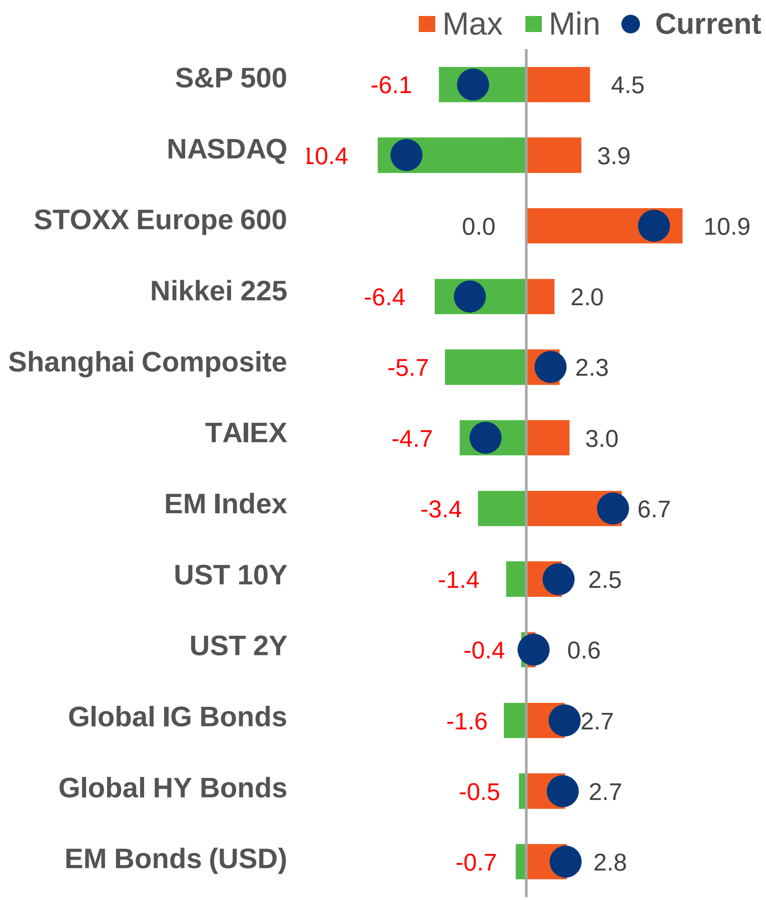
27 Thursday
- U.S. Last Week's Initial Jobless Claims (Prev:223k)

28 Friday
- U.S. Feb. PCE YoY (Est:2.5% Prev:2.5%)
- U.S. Feb. Core PCE YoY (Est:2.7% Prev:2.6%)
- U.S. Mar. U. of Mich. Sentiment Final Value (Prev:57.9)
- Japan Mar. Tokyo CPI YoY (Est:2.8% Prev:2.8%)
- Eurzone Mar. Economic Confidence (Prev:96.3)

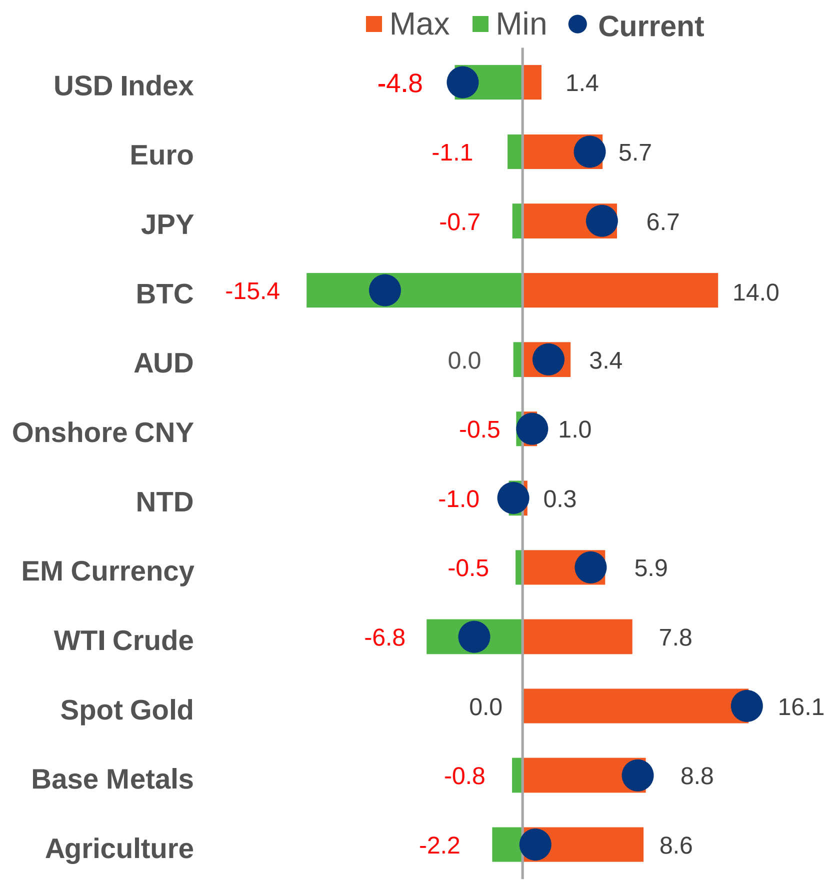
Source: Bloomberg

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 21 Mar. 2025

KGI

Technical Analysis

60D MA

S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

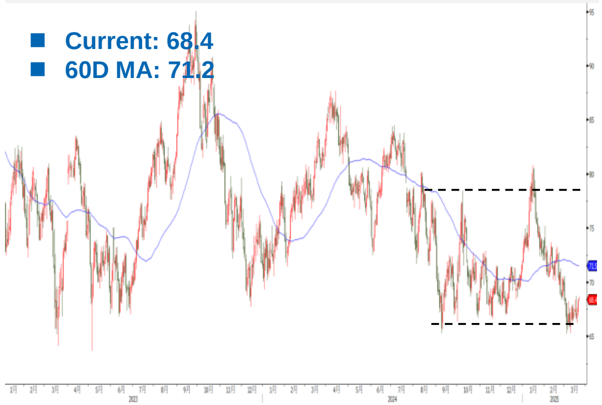
Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

Gold

WTI Crude

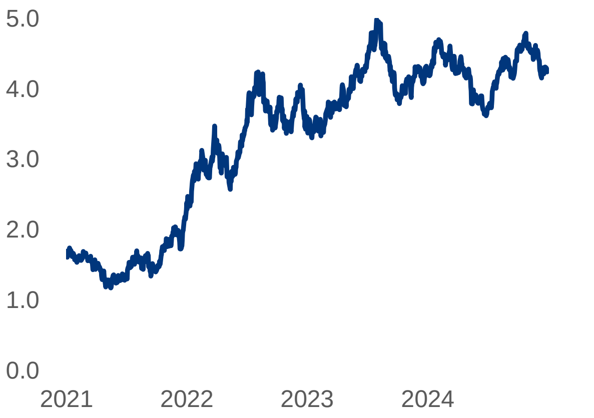


Source: Bloomberg, 21 Mar. 2025

Market Monitor

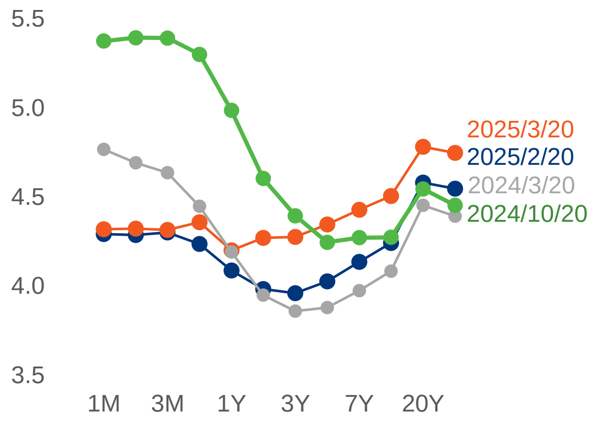
U.S. CPI YoY (%)

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

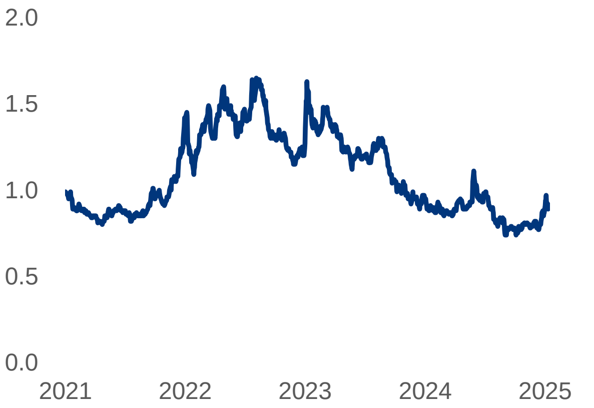


U.S. Treasury Yield Spread (bps)

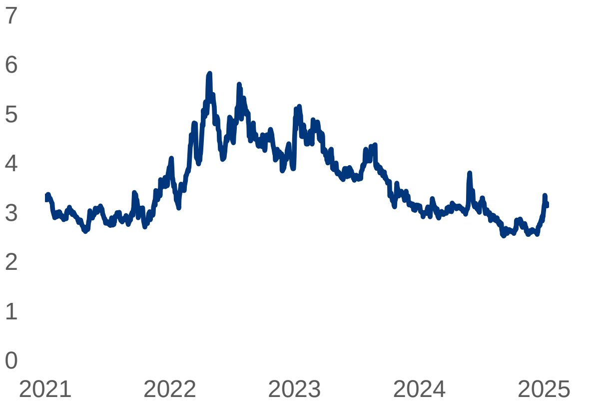
U.S. Treasury Yield Curve (%)



USD IG Credit Spread (%)

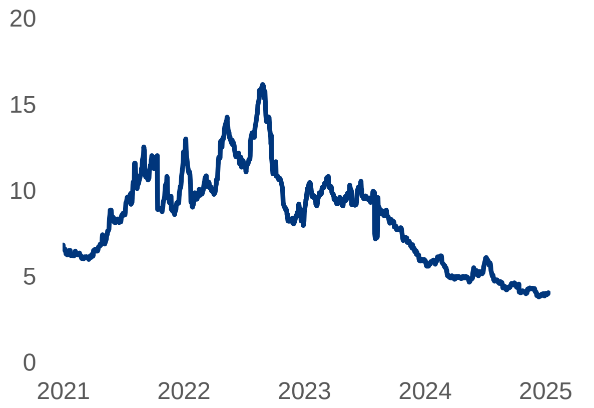


USD HY Credit Spread (%)



USD EM Credit Spread (%)

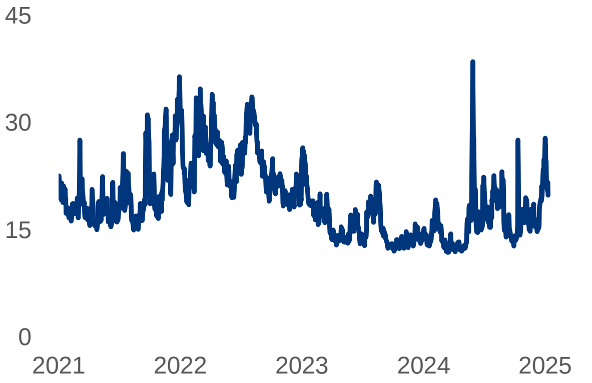
USD Asia Credit Spread (%)



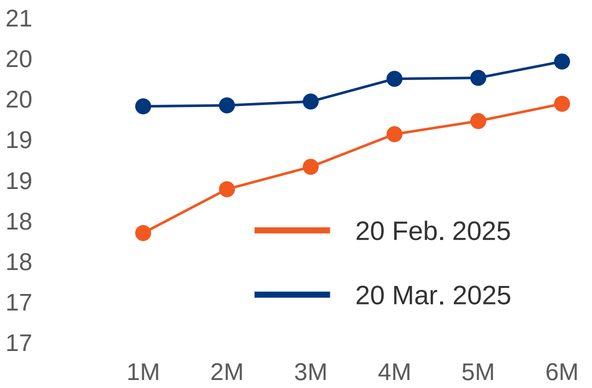
Source: Bloomberg, 20 Mar. 2025

Market Monitor

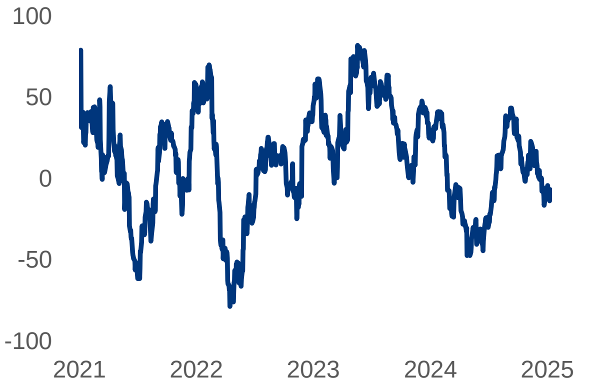
VIX Index



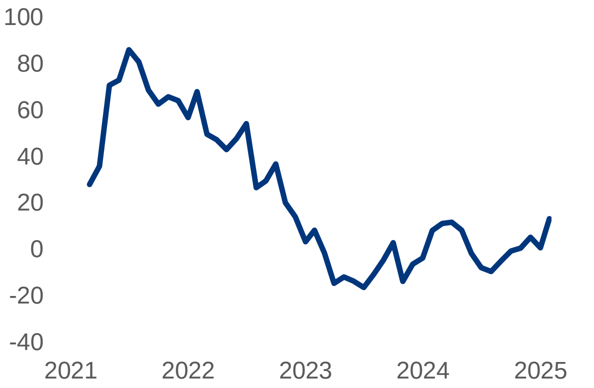
VIX Term Structure



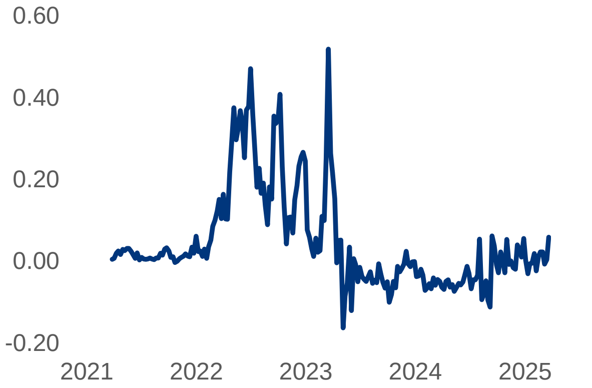
U.S. Citi Economic Surprise Index*



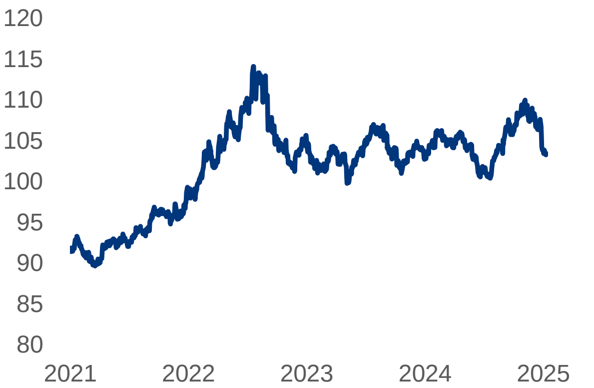
U.S. Citi Inflation Surprise Index*



TED Spread (bps)

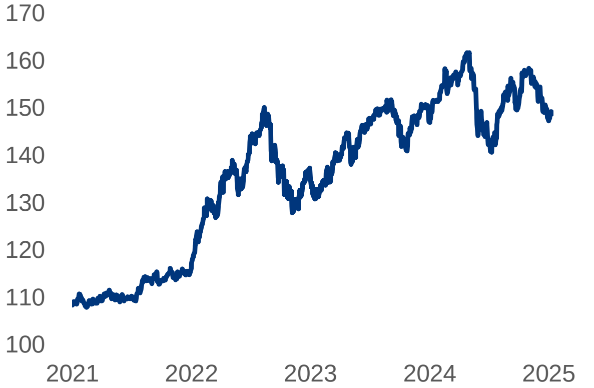


U.S. Dollar Index



USD to TWD

USD to JPY



Source: Bloomberg, 20 Mar. 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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