



CIO Office

Global Markets Weekly Kickstart

# The 5% Yield Era is Here

13 April 2026

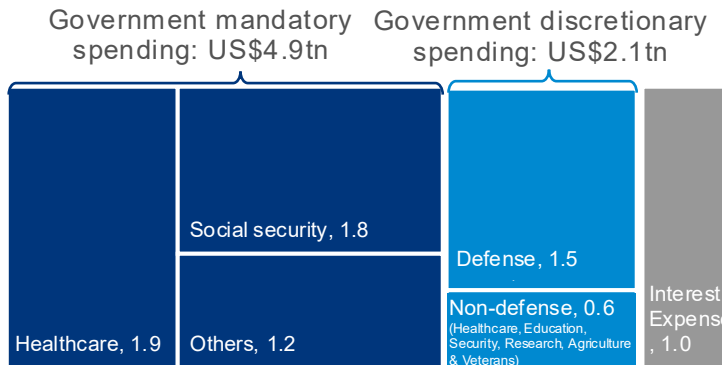
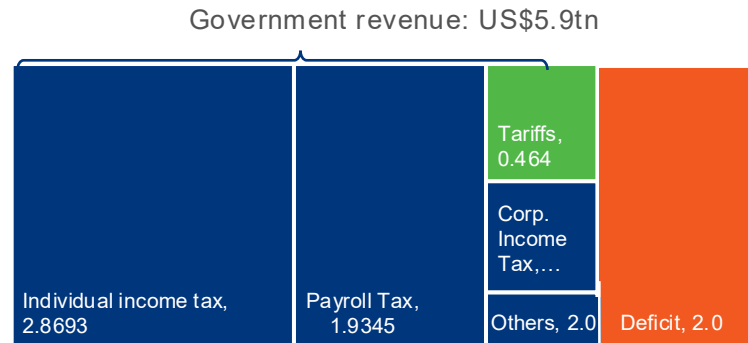


# US Slashes Budget Spending, Bets Big on Record US\$1.5tn Defense Outlay

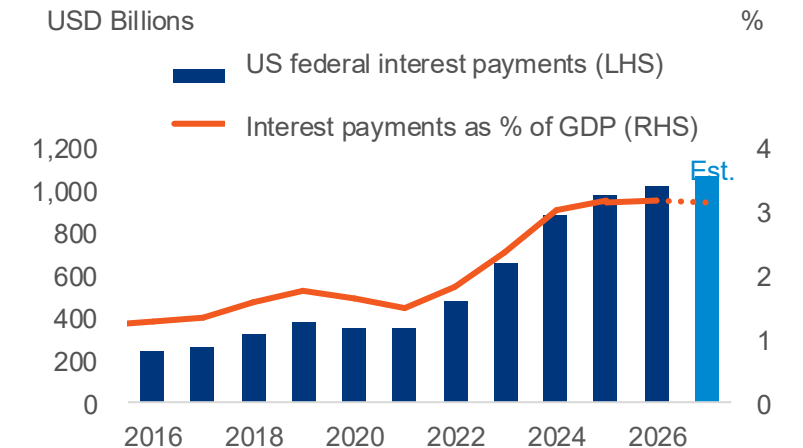
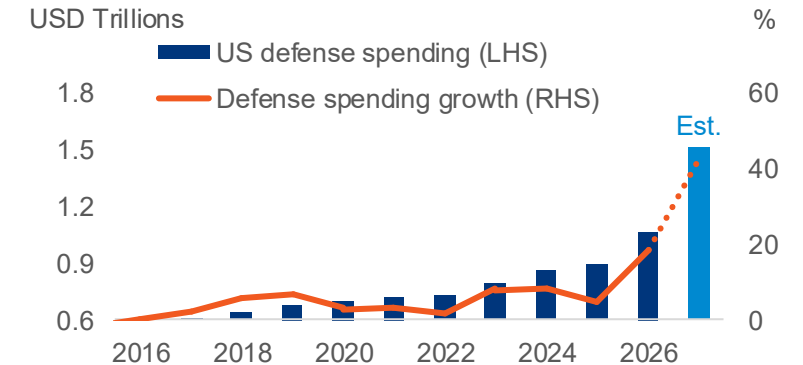
- ▶ With U.S.-Iran geopolitical tensions unlikely to fade, President Trump recently unveiled the FY2027 budget proposal, highlighting the administration's strong push for fiscal reform. The proposal cuts healthcare and public service spending, while trimming discretionary outlays on diplomacy, education, and environmental protection by about 10%. At the same time, it sharply expands defense spending, lifting the total defense budget to around US\$1.5tn, a record high and up about 40% YoY. This could drive demand for modern military and AI-related technologies, including fighter jets, naval vessels, missile systems, drones, and encrypted communications. Closer U.S. military allies may also see more technology transfers and cooperation. Together with tariff protection and lower regulatory costs, this should support the reshoring of manufacturing to the U.S.
- ▶ Although the FY2027 budget aims to curb spending and reduce the deficit, it projects tariff revenue will double versus 2025. This may reflect overly optimistic assumptions on the U.S. economic outlook, or signal that Trump could raise tariffs further in the coming years. With U.S. government debt nearing US\$39tn, interest costs remain a key long-term overhang for Treasuries. Given elevated inflation expectations have kept Treasury yields high, fiscal pressure could remain one of the main headwinds to U.S. Treasuries.

## US Budget Rebalance: Defense Surge, Cuts to Healthcare and Public Services

### FY2027 U.S. Budget Proposal (USD Trillions)



## Defense Spending Surge Supports Related Sectors but Adds Fiscal Burden

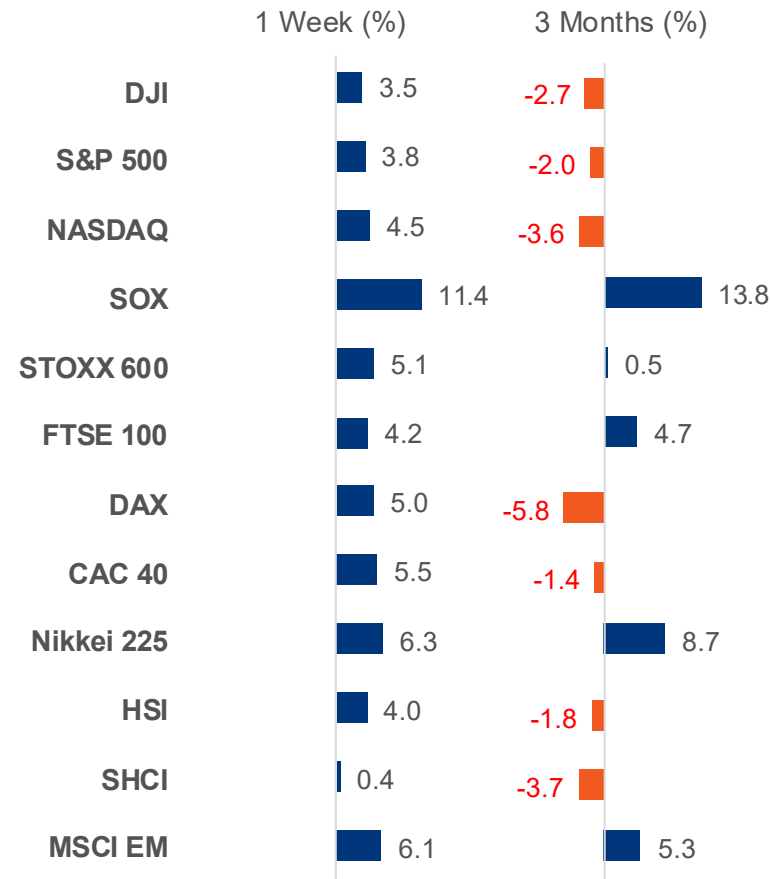


## Market Recap

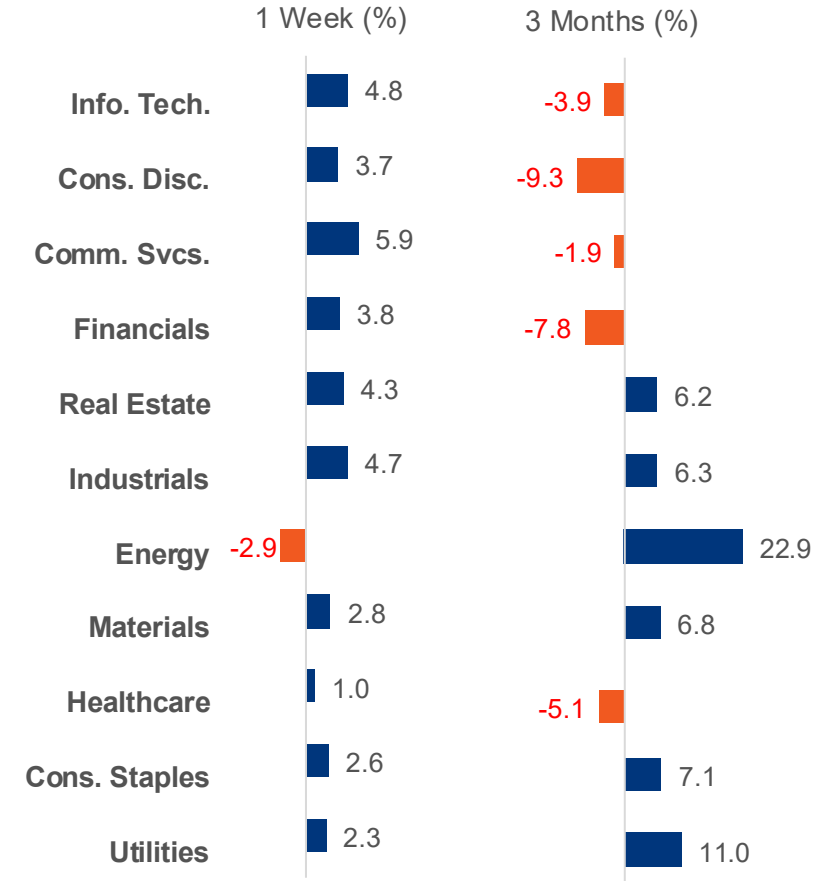
## US-Iran Ceasefire Eases Supply Risks, Sector Momentum Drives Equity Gains

- ▶ The US announced a two-week ceasefire with Iran and proposed a 10-principle peace plan, easing market concerns over supply disruptions from a potential Strait of Hormuz blockade. Oil prices fell sharply and Treasury yields declined, boosting risk appetite and alleviating valuation pressures on technology stocks, which in turn lifted global equities—most notably the Philadelphia Semiconductor Index surged. Although final peace negotiations remain challenging and differences in proposals persist, if the strait gradually reopens and oil prices fail to break prior highs, markets may interpret that the peak of geopolitical risk has passed. Attention would then shift toward U.S. earnings season, led by the financial sector, with profit growth momentum becoming the focal point for capital flows.
- ▶ and lower oil prices weighed on energy stocks, while non-energy sectors broadly strengthened. Among tech leaders, Meta launched its in-house AI model Muse Spark and signed a US\$21bn deal with CoreWeave to secure dedicated AI cloud capacity through 2032. Broadcom announced cooperation with Google to produce new custom AI chips and expanded its partnership with Anthropic to support the Claude model, driving related stocks to outperform.

## Regional Index Performance (%)



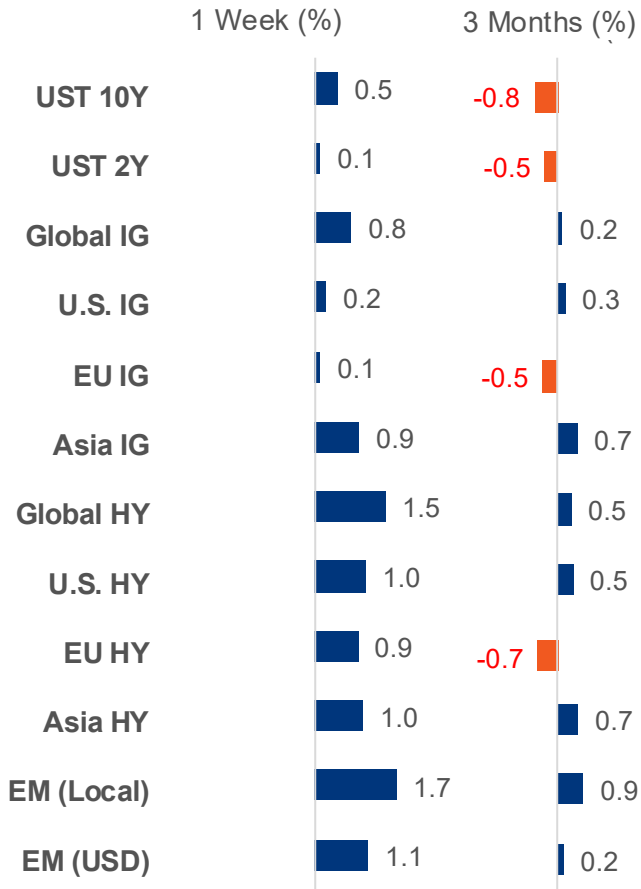
## U.S. Sector Index Performance (%)



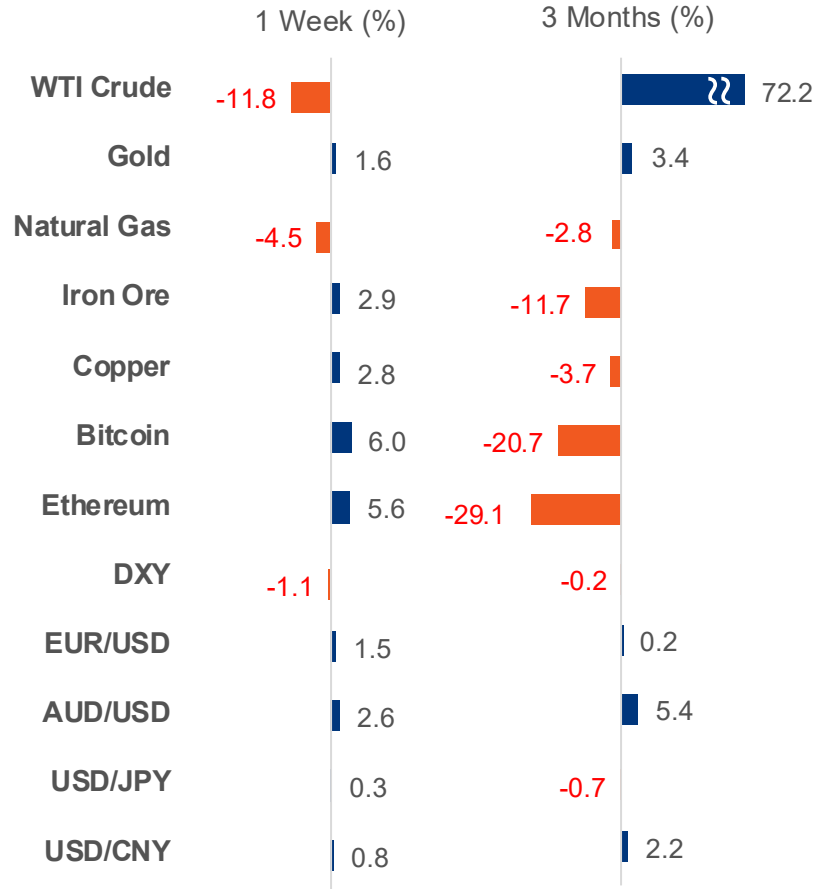
## Ceasefire Lifts Bonds and Precious Metals; Watch Israel Strikes for Renewed Risks

- ▶ Cooling Middle East tensions supported bond markets, with investors focusing on the Fed's March meeting minutes. Officials discussed a "higher-for-longer" rate path during the conflict and did not rule out further hikes to counter war-driven inflation, highlighting two-sided risks. The Fed is likely to hold policy steady while monitoring incoming data. As tensions ease and oil prices decline, inflation concerns and rate hike expectations have moderated; upcoming CPI data will be key to assess inflation resilience.
- ▶ Following the ceasefire news, oil prices fell below US\$100/bbl, easing global cost pressures. Lower inflation expectations pushed down U.S. Treasury yields and the USD index, while lifting gold and silver prices. Meanwhile, two major Iranian copper smelters reportedly halted operations, with combined annual capacity exceeding 370kt, tightening supply and supporting copper prices. Safe-haven flows rotated out of the USD into non-USD assets, boosting currencies such as the AUD and EUR. However, Israel's airstrikes in Lebanon and Iran's warning of withdrawing from the ceasefire if attacks continue highlight risks of renewed escalation.

### Performance of Bonds (%)



### Performance of Commodities and Currencies (%)

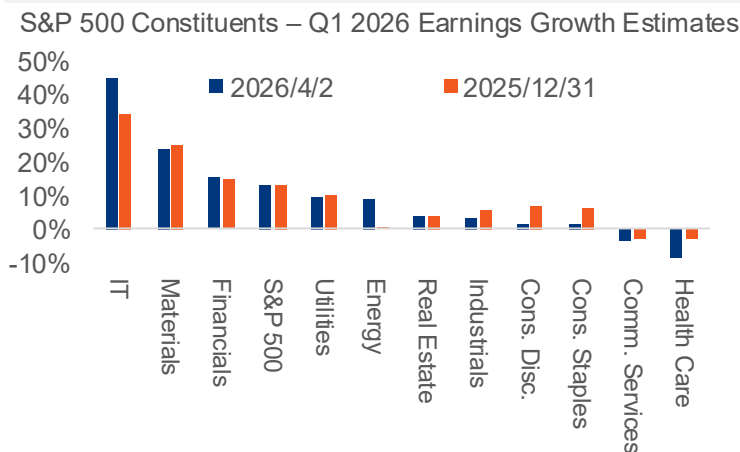


What's Trending

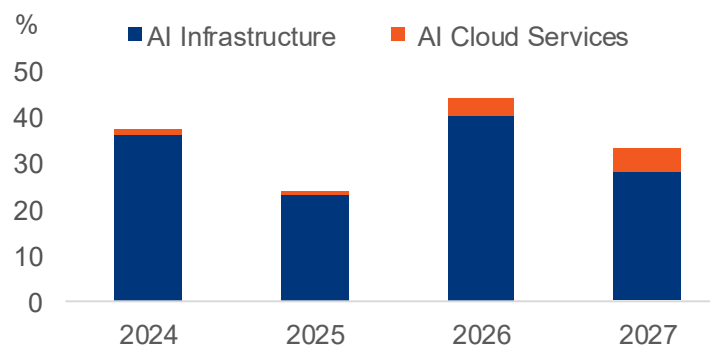
# Earnings Revisions Ahead of Reporting Season, Reinforcing Mid-to-Long-Term Tech Upside

- ▶ As the earnings season approaches, analysts remain constructive on 1Q26 profit outlooks, with S&P 500 earnings growth estimates revised up from 12.8% at the start of the quarter to 13.2%. Among sectors, Information Technology saw the largest upward revision (+10.7%), supported by continued AI infrastructure buildout and capex momentum. Energy also posted strong upgrades (+8.6%), driven by higher oil prices boosting sector earnings.
- ▶ However, sector performance in 1Q shows clear rotation, with defensive sectors such as utilities and consumer staples outperforming. With oil prices staying elevated and Fed rate-cut expectations fading, growth stocks remain vulnerable to rising yields, which pressure discounted future cash flows and weigh on near-term tech performance.
- ▶ The S&P 500 is currently trading at a forward P/E of 19.8x, slightly below its 5-year average of 19.9x. Information Technology trades at 21.1x, modestly above its 5-year average of 20.7x. While tech stocks may face near-term pressure from elevated valuations and high oil price volatility, AI-driven capex should continue to support EPS expansion, sustaining their mid- to long-term allocation appeal.

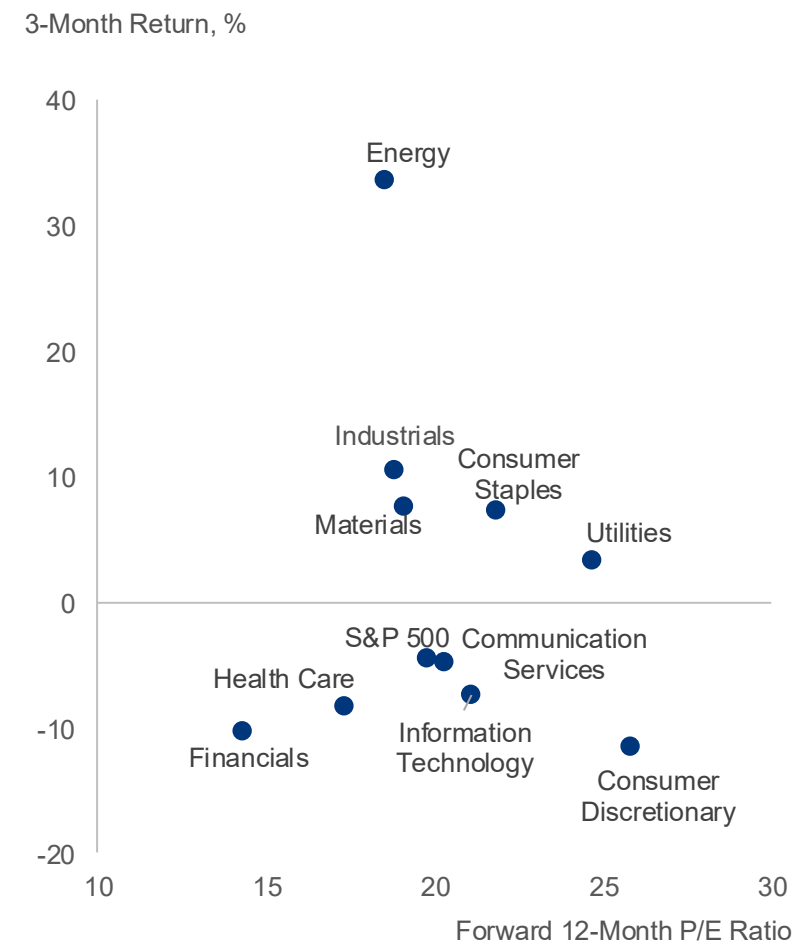
## IT Shows the Most Significant Upward Revision in Earnings Growth Forecasts



## AI Infrastructure Investment Expected to Contribute Nearly 40% of S&P 500 Earnings Growth



## Narrowing Rate-Cut Expectations Weigh on Recent Tech Stock Performance

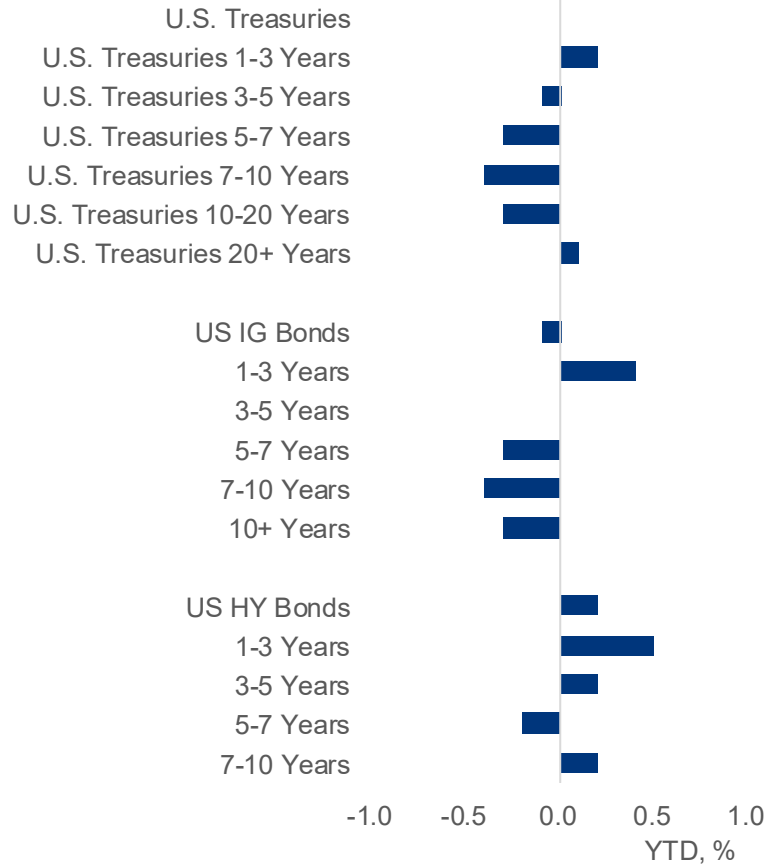


Source: Bloomberg, Factset, GS, KGI

# USTs Lag YTD, but Geopolitical Tensions Offer Buying Opportunity

- ▶ Bond market returns have shown a clear direction YTD. In detail: (1) U.S.-Iran tensions have lifted inflation expectations, pushing both short- and long-end Treasury yields higher; (2) lower-rated bonds (e.g., HY) benefited from shorter duration and higher yields, but CCC and below saw notable declines. With the Fed likely to remain on hold in the near term and markets transitioning between rate and credit risks, investors may adopt a barbell strategy to avoid concentration risk while locking in high coupons to build stable future cash flows.
- ▶ Historically, during periods when U.S. equities fell by more than 30%, HY bonds—highly correlated with equities—offered limited hedging benefits. Currently, U.S. IG bond yields have risen above 5% and remain higher than the earnings yield of equities. Treasury auction results show relatively stable demand for shorter tenors (e.g., 3-year), while demand for longer tenors (10-year and 30-year) remains weaker. This reflects stable inflation and labor data, as well as rising concerns over U.S. fiscal outlook. Amid ongoing geopolitical tensions and upcoming midterm elections, investors may consider adding IG bonds on yield backup.

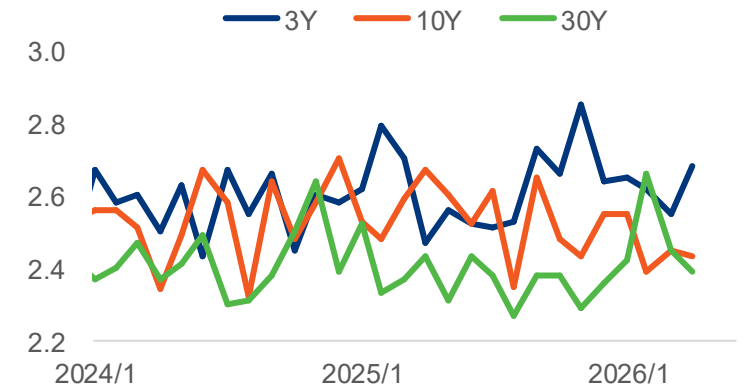
## US Treasuries Deliver Mixed Returns YTD, with Short-Term Bonds Outperforming



## US IG Bond Yields Remain Elevated Above S&P 500 Earnings Yield



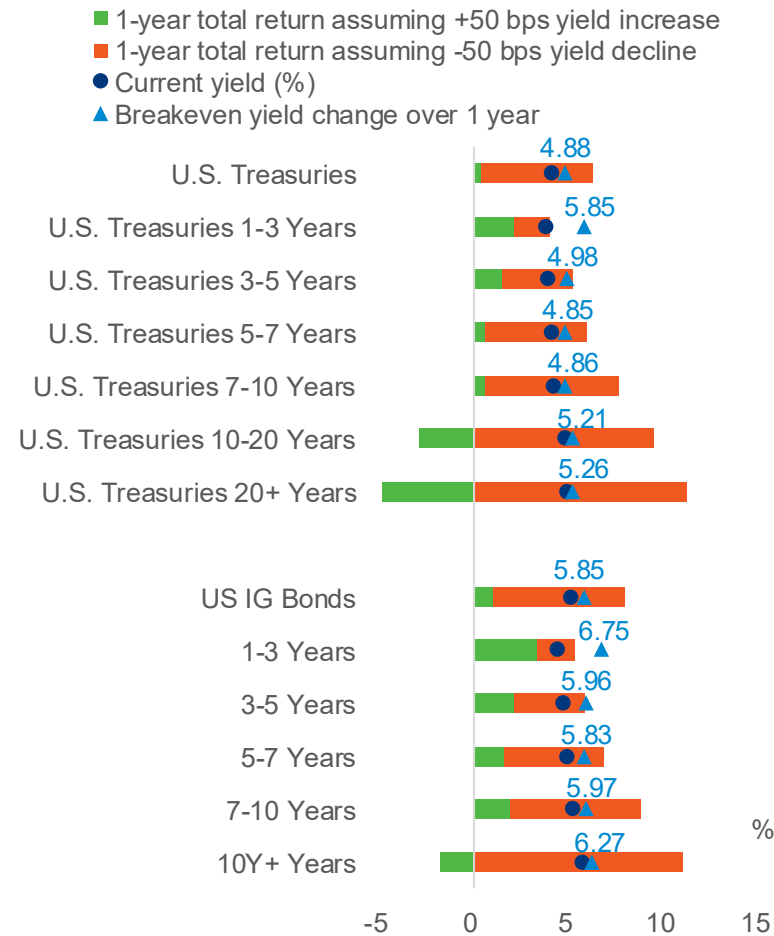
## US Treasury Auction Bid-to-Cover Ratios



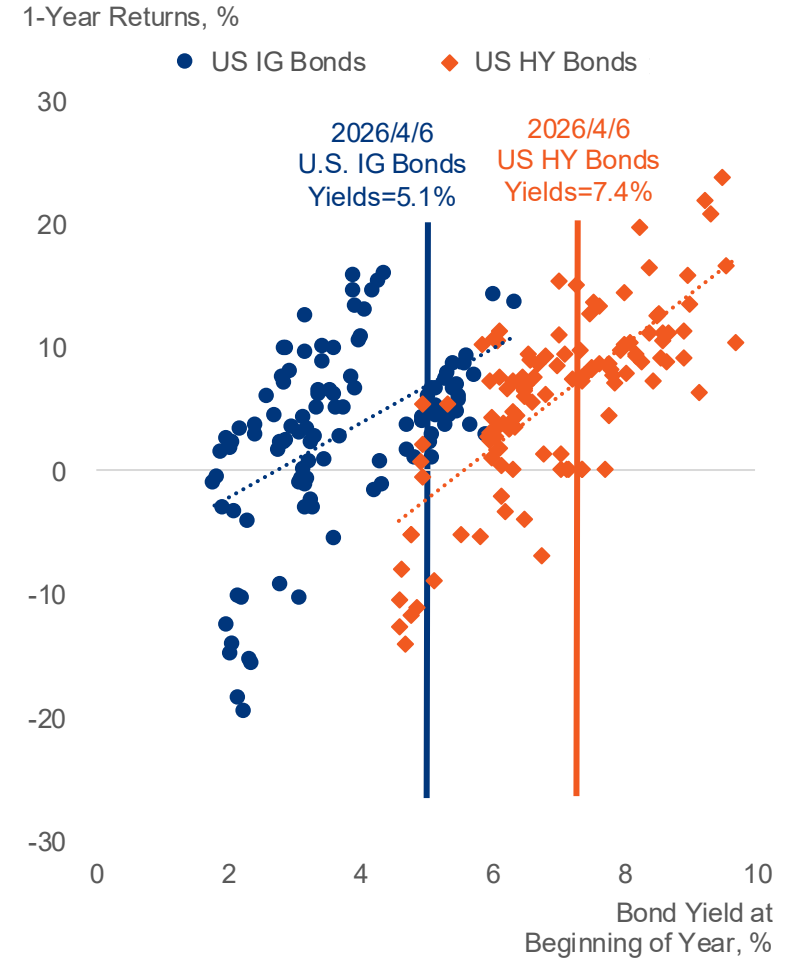
# Asymmetric Risk-Return in Bonds Favors Locking in Yields at Higher Levels

- ▶ From a breakeven analysis of U.S. bonds: (1) assuming a 50 bps rise in yields, total return (including coupon) for IG bonds with maturities over 20 years would decline by nearly 5%; conversely, if yields fall by the same magnitude, total return could exceed 10%. (2) IG bonds offer a more attractive risk-return profile than Treasuries, as the current high-rate environment provides a coupon buffer that can largely offset price declines and capital losses from rising yields, highlighting stronger downside protection and resilience.
- ▶ Looking at credit rating trends, upgrades among IG issuers continue to outpace downgrades, while HY issuers see significantly more downgrades than upgrades. With the Fed pausing rate cuts and maintaining a high-rate environment, the share of HY debt maturing within two years has risen to a record 10%, increasing refinancing pressure—particularly for SMEs with shorter funding cycles. Investors should remain cautious of spread widening and downside risks in HY. Meanwhile, recent geopolitical-driven yield increases and bond price corrections enhance the relative attractiveness of IG bonds and lift potential forward returns.

## Asymmetric Risk-Return Profile for US Investment Grade Bonds



## Elevated IG and HY Yields Provide Future Return Potential



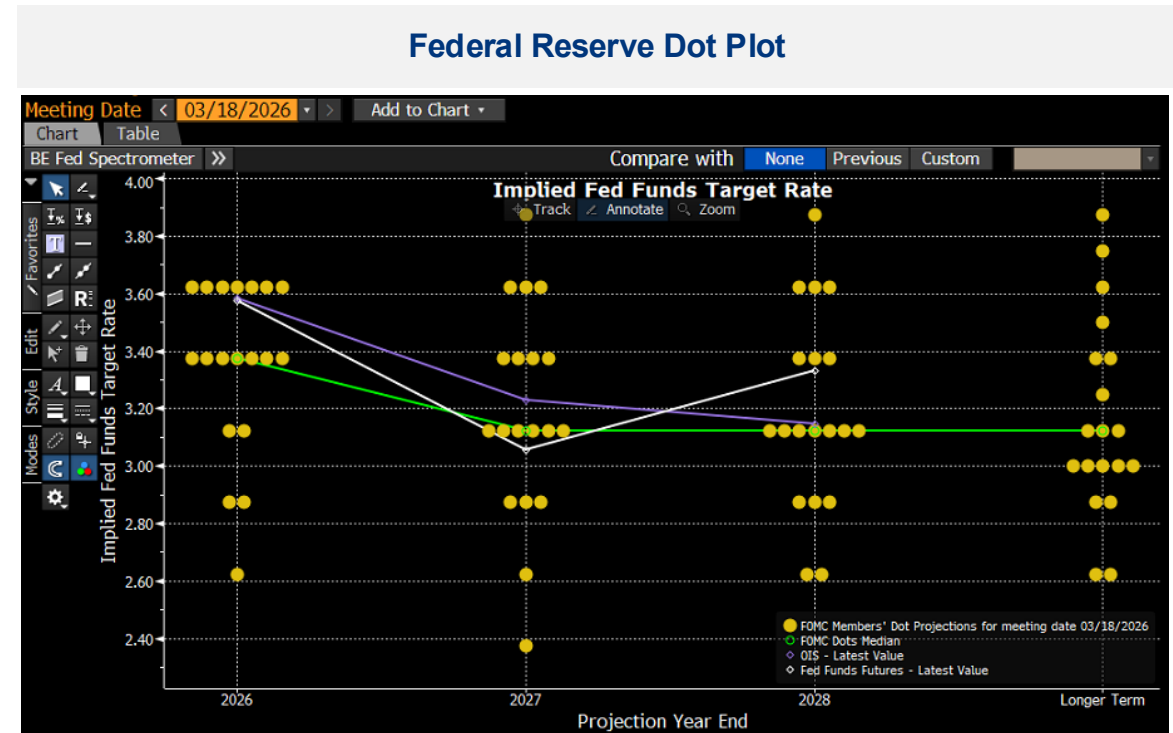
Source: Bloomberg, KGI

# Asset Strategy

Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ US-Iran ceasefire talks drive oil price declines and lower inflation expectations, easing cost pressures but leaving risks of valuation multiple compression in equities. Earnings growth remains the key driver of equity performance. Focus on sectors benefiting from easing geopolitical risks, such as non-essential consumption, healthcare, utilities, telecom, and, as 2Q approaches, renewed earnings momentum in technology, communication services, consumer discretionary, and industrials.</li> <li>◆ Europe and Japan can serve as diversification plays, with Japanese equities offering greater upside potential than European peers. Japanese stocks are led by value and financials, with potential upside from HALO-related trading companies. European equities are supported by easing geopolitical pressures, with Germany and the UK as key markets.</li> </ul>	<p><b>Strategy:</b> Core allocation to high-quality large caps, with balanced exposure across sectors. Focus on AI beneficiaries (tech, semiconductors, machinery) and selective opportunities in non-AI areas such as airlines, domestic demand, and value stocks.</p> <p><b>Regions:</b> Japanese financials, Japanese semiconductors, German and UK equities.</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ Fed meeting minutes suggest rate hikes are not ruled out to counter inflation driven by Middle East tensions. The Fed is expected to stay on hold while monitoring data. Declining oil prices help ease inflation pressure, supporting bonds, with potential for yield declines.</li> <li>◆ High-quality (investment grade) bonds offer stable income and defensive characteristics. Investors may consider adding medium- to long-duration bonds to capture yield and potential capital gains as rates stabilize.</li> </ul>	<p><b>Types:</b> Focus on IG bonds with medium-to-high credit ratings across sectors such as financials, telecom, utilities, and energy.</p> <p><b>Satellite Allocation:</b> Diversify with non-USD bonds (e.g., EUR, AUD IG bonds).</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ Geopolitical risks have eased, pressuring oil prices lower. Major central banks remain in a wait-and-see mode. USD remains firm in the short term but faces depreciation pressure over the longer term.</li> <li>◆ RMB may strengthen relatively in 2Q despite a strong USD environment.</li> </ul>	<p><b>USD:</b> USD strong short term, limited upside medium-to-long term.</p> <p><b>EUR and JPY:</b> EUR and JPY stabilize; RMB expected to appreciate.</p>
<b>Commodity</b>	<ul style="list-style-type: none"> <li>◆ Gold rebounded as USD and US yields declined. Despite easing geopolitical risks, ongoing uncertainties (e.g., geopolitics, supply competition, tariffs) support gold's safe-haven demand.</li> </ul>	<p><b>Gold:</b> remains attractive for medium-to-long-term allocation, with opportunities to build positions on pullbacks.</p>

# Cooling Middle East Tensions Shift Focus to Earnings Season Opportunities

- ▶ In March, U.S. core CPI rose 0.2% month-on-month, unchanged from the prior reading of 0.2% but below market expectations of 0.3%. Year-on-year, it increased 2.6%, higher than the previous 2.5% but lower than the expected 2.7%.
- ▶ Core PCE in February rose 0.4% month-on-month, in line with the prior reading and market expectations.
- ▶ The March ISM Services PMI fell to 54.0, down from 56.1 and below the expected 54.9.
- ▶ According to the March FOMC minutes, some Fed officials favored a two-way communication stance on future rate decisions, stressing that if inflation remains above target, further hikes may be necessary. In March 2026, the Fed left the federal funds rate unchanged at 3.5%–3.75% for the second consecutive meeting, in line with expectations. Policymakers still signaled one rate cut each in 2026 and 2027, though timing remains uncertain.
- ▶ U.S. Q4 2025 GDP grew at an annualized rate of 0.5%, revised down from the second estimate of 0.7% and the initial 1.4%, mainly due to weaker investment data.
- ▶ With the U.S. and Iran reaching a preliminary ceasefire agreement, Middle East tensions eased and geopolitical risk declined. However, elevated oil prices have lifted inflation expectations, reducing prospects for rate cuts. After a round of corrections, valuations in U.S. growth sectors such as AI and semiconductors are now lower. As the April earnings season begins, investor focus is shifting back to results and guidance. Large-cap tech stocks have corrected significantly but remain fundamentally strong, with valuations well off prior highs. Investors are advised to accumulate positions gradually for medium- to long-term allocation.



# Nvidia (NVDA)

**Closing Price** US \$188.63

**Target Price** US \$210

A technology company serving a global customer base, NVIDIA develops platforms for scientific computing, artificial intelligence, data science, autonomous vehicles, robotics, the metaverse, and 3D internet applications, while also focusing on PC graphics processing.

## AI Demand Shifts from Training to Inference, Supporting Continued Revenue Growth

NVIDIA has raised its AI chip revenue opportunity from US\$500bn by 2026 to over US\$1tn by 2027. The upgrade is driven by strong order momentum for its Blackwell and Rubin architectures, alongside the structural shift from AI training to large-scale inference deployment. As hyperscalers and AI developers move from experimentation to real-time production workloads, NVIDIA remains the core provider of the required compute, systems, and networking stack.

## Platform Leadership Positions NVIDIA as a Relative Safe Haven in AI

Despite rising macro uncertainty, NVIDIA retains relative defensiveness within tech, as it has evolved beyond a chip supplier into a full-stack AI infrastructure platform spanning GPUs, CPUs, networking, software, and integrated rack systems. This ecosystem depth raises switching costs, making NVIDIA one of the most direct ways for investors to capture AI capex growth while avoiding execution risks associated with more speculative downstream players.

## 4QFY26 Results Beat, Guidance Signals Strong Demand

The company reported revenue of US\$68.13bn, up 73.2% YoY and exceeding consensus by US\$1.9bn. Non-GAAP EPS came in at US\$1.62, beating estimates by US\$0.08. For 1QFY27, NVIDIA guides revenue to US\$78bn ( $\pm 2\%$ ), above consensus of US\$72.03bn, excluding data center revenue from China.

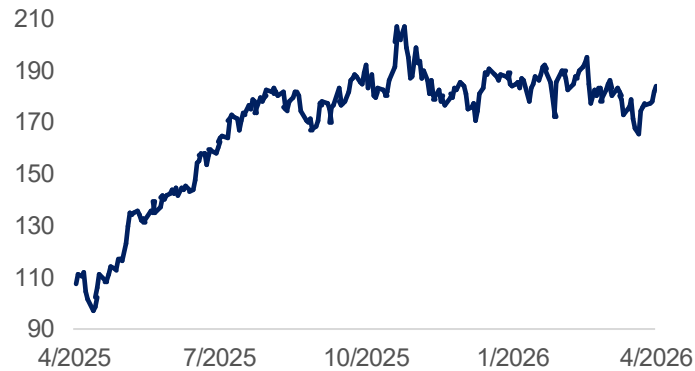
## Valuation Consensus

Bloomberg 12-month average target price: US\$270.40; High: US\$380; Low: US\$140

Source: Bloomberg, Market.us

## 1-Year Price

(USD)



## 1Q27 FY Guidance

	Q1 FY27	
Revenue	\$78.0 billion*	+ / - 2%
Gross Margin %	75.0%	+ / - 50 bps
Operating Expenses	\$7.5 billion	Approximately

(\$ in Millions)	Q1 FY27 Outlook
Non-GAAP gross margin	75.0%
Impact of acquisition-related costs and other costs	0.1%
GAAP gross margin	74.9%
Non-GAAP operating expenses	\$7,500
Acquisition-related costs and other costs	200
GAAP operating expenses	\$7,700

## Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	125.9	114.2	65.5	69.5	31.0
EBITDA (%)	58.1	64.6	62.1	66.9	66.7
EPS(USD)	1.20	2.93	4.36	8.37	11.13
Net Profit Margin(%)	49.3	55.7	49.5	55.4	55.8

Source: Bloomberg; 2027/28F are market estimates

## P/E & P/B



# Apple (AAPL)

**Closing Price** US \$260.48

**Target Price** US \$280

Apple designs, manufactures, and markets smartphones, personal computers, tablets, wearables, and accessories, while also offering payment, digital content, cloud, and advertising services. Its customer base spans global consumers, SMEs, education, enterprises, and government sectors.

### Disciplined AI Spending Becomes an Advantage in Risk-Averse Markets

Amid rising macro volatility and increased investor focus on cash flow visibility, Apple's disciplined approach to AI infrastructure spending has shifted from a perceived weakness to a strength. Unlike peers committing significant capex to AI buildout, Apple advances its AI roadmap more prudently while maintaining strong free cash flow, margins, and shareholder returns. This positions the stock as an attractive option for investors seeking equity exposure with more defensive characteristics.

### Resilient iPhone Demand and Services Support Defensive Growth

Apple's latest quarterly results reinforce its defensive profile: revenue rose 16% YoY to US\$143.8bn, with EPS at US\$2.84. The company guides March-quarter revenue growth of 13%–16%, driven by strong iPhone 17 demand, recovery in China, and accelerating growth in India. Supported by an installed base of 2.5bn devices, Apple continues to monetize its hardware and high-margin ecosystem services, providing a more resilient earnings base than most consumer tech peers amid uncertainty.

### 1QFY26 Beat and Positive Outlook

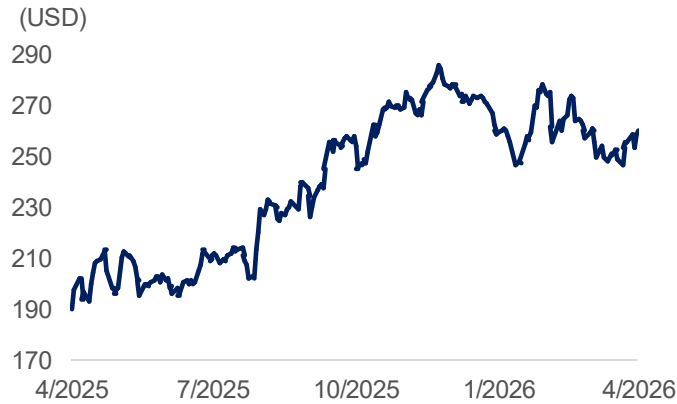
Apple reported revenue of US\$143.76bn, up 15.7% YoY and exceeding consensus by US\$5.24bn. GAAP EPS came in at US\$2.84, beating estimates by US\$0.17. For 2QFY26, the company expects revenue growth of 13%–16%, above analyst expectations of ~10%, and guides operating expenses at US\$18.4bn–18.7bn.

### Valuation Consensus

Bloomberg 12-month average target price: US\$299.45; High: US\$350; Low: US\$205

Source: Bloomberg

### 1-Year Price

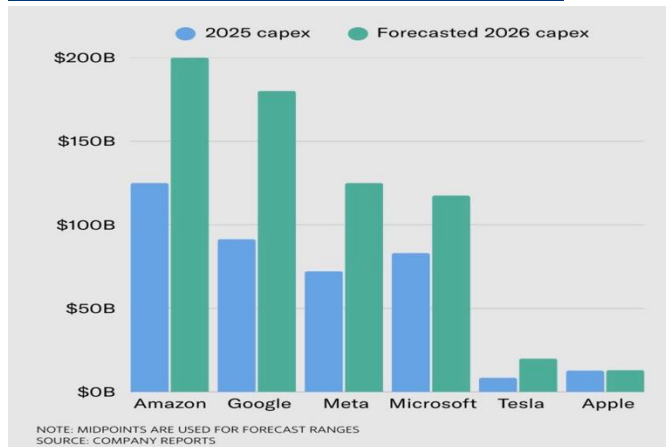


### Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	-2.8	2.0	6.4	11.7	7.0
EBITDA (%)	33.3	34.9	35.3	35.6	35.7
EPS(USD)	6.13	6.74	7.46	8.52	9.36
Net Profit Margin(%)	25.3	26.6	26.9	26.8	27.0

Source: Bloomberg; 2026/27F are market estimates

### 2026 Tech Giants CapEx Comparison



### P/E & P/B



## Appendix

## Key Economic Data / Events

## ▶ MAR 2026

## ▶ APR 2026

6

Monday

- US Mar ISM Services PMI (Act:54.0 Est:54.9 Prev:56.1)

7

Tuesday

- US Feb Retail Sales MoM (prelim) (Act:-1.4% Est:-1.2% Prev:-0.5%)
- Eurozone Apr Sentix Investor Confidence (Act:-19.2 Est:-8.0 Prev:-3.1)

8

Wednesday

- Eurozone Feb Retail Sales MoM (Act:-0.2% Est:-0.2% Prev:-0.1%)

9

Thursday

- US Initial Jobless Claims (Act:219k Est:210k Prev:203k)
- US FOMC Minutes
- US Feb PCE YoY (Act:2.8% Est:2.8% Prev:2.8%)
- US Feb Core PCE YoY (Act:3.0% Est:3.0% Prev:3.1%)
- US Q4 GDP Annualized QoQ (Final) (Act:0.5% Est:0.7% Prev:4.4%)
- Japan March Tool Orders YoY (prelim) (Act:28.1% Prev:24.2%)

10

Friday

- US Mar CPI YoY (Est:3.4% Prev:2.4%)
- US Mar Core CPI YoY (Est:2.7% Prev:2.5%)
- US Apr University of Michigan Sentiment (prelim) (Est:51.5 Prev:53.3)
- US Feb Durable Goods Orders MoM (Final) (Est:-1.4% Prev:-0.5%)
- Japan Mar PPI YoY (Act:2.6% Est:2.3% Prev:2.1%)
- China Mar CPI YoY (Act:1.0% Est:1.1% Prev:1.3%)

13

Monday

- U.S. Mar Existing Home Sales (Est:4.08m Prev:4.09m)
- GS Earnings

14

Tuesday

- US Mar PPI YoY (Prev:3.4%)
- Japan March Tool Orders YoY (Final) (Prev:4.3%)
- BLK, JPM, JNJ, WFC, C Earnings

15

Wednesday

- Japan Feb Core Machinery Orders MoM (Est:-0.9% Prev:-5.5%)
- Eurozone Apr Industrial Production MoM (Est:0.4% Prev:-1.5%)
- BAC, MS Earnings

16

Thursday

- US Initial Jobless Claims (Prev:219k)
- China Q1 GDP YoY (Est:4.8% Prev:4.5%)
- China Mar Retail Sales YoY (Est:2.3% Prev:2.8%)
- China Mar Industrial Production YoY (Est:5.3% Prev:6.3%)
- Eurozone Mar CPI YoY (Final) (Est:2.5% Prev:1.9%)
- PEP, ABT, SCHW, PLD Earnings

17

Friday

- NFLX Earnings

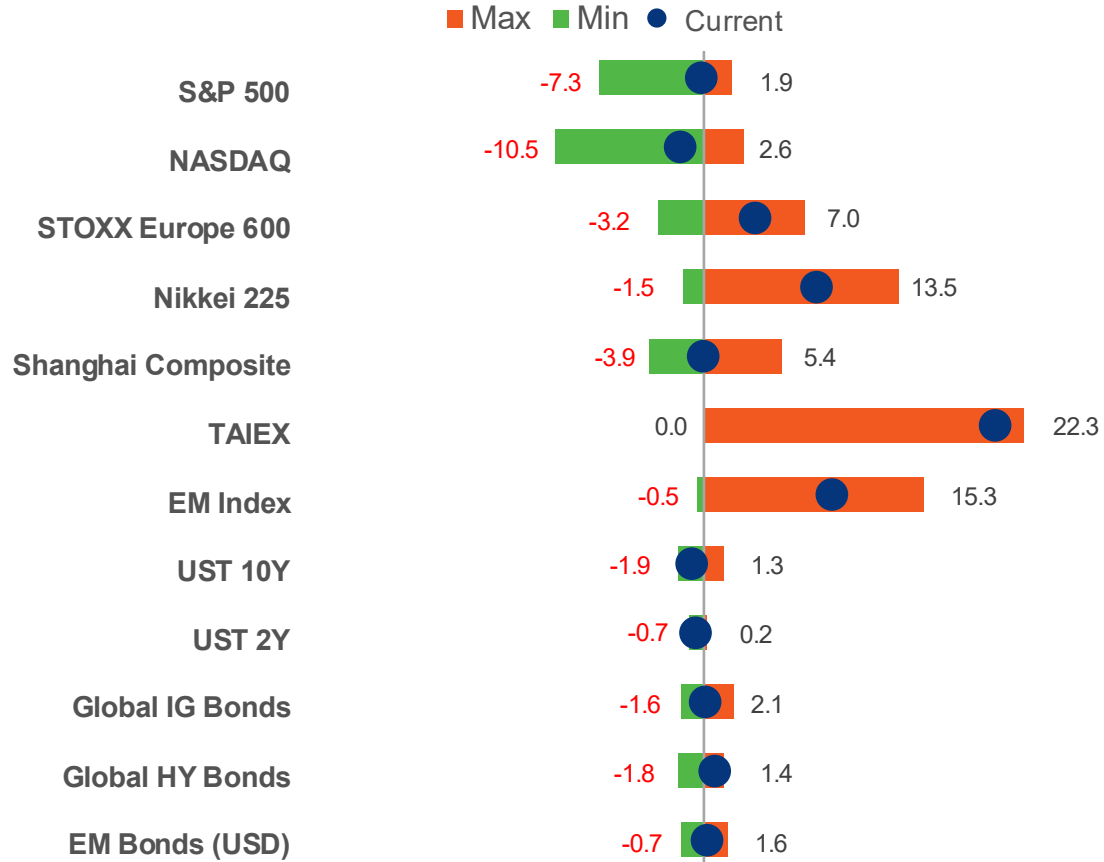
Source: Bloomberg

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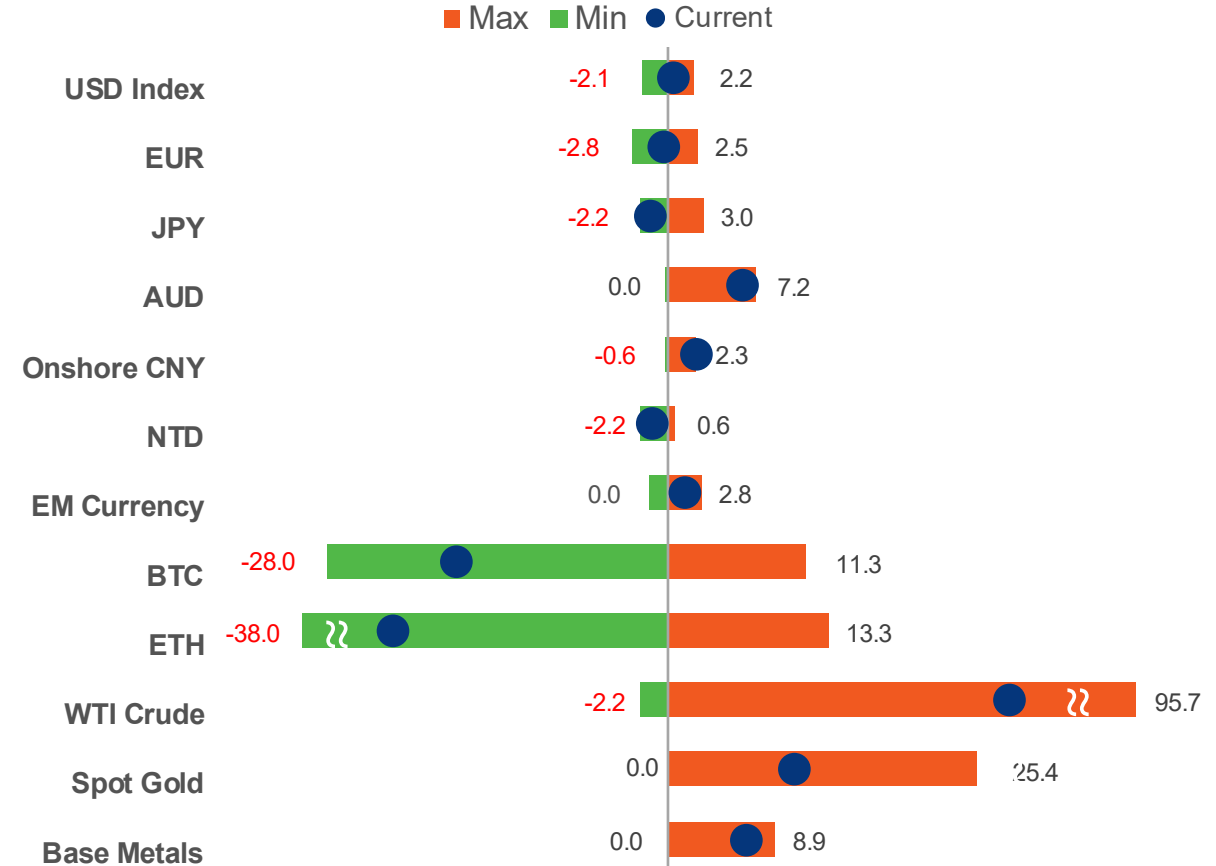
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# Major Market / Asset YTD Performance

## Equities & Bond Markets YTD Performance (%)

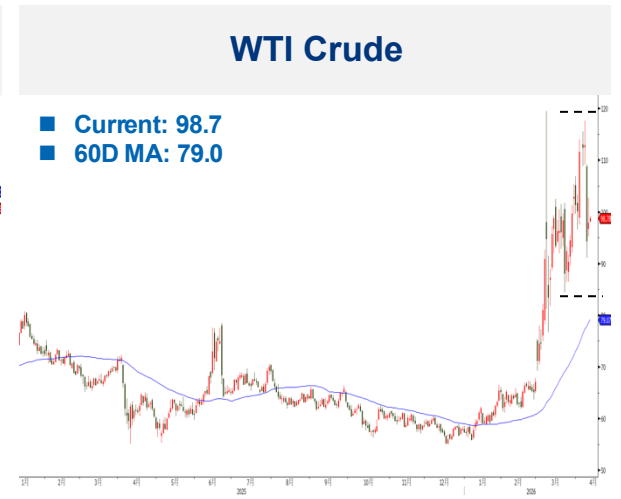
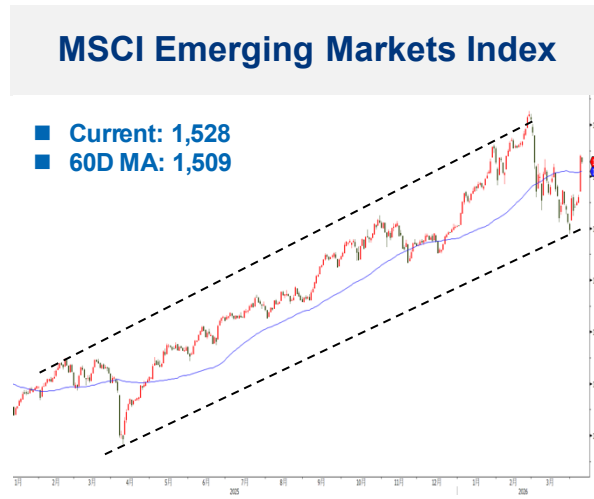
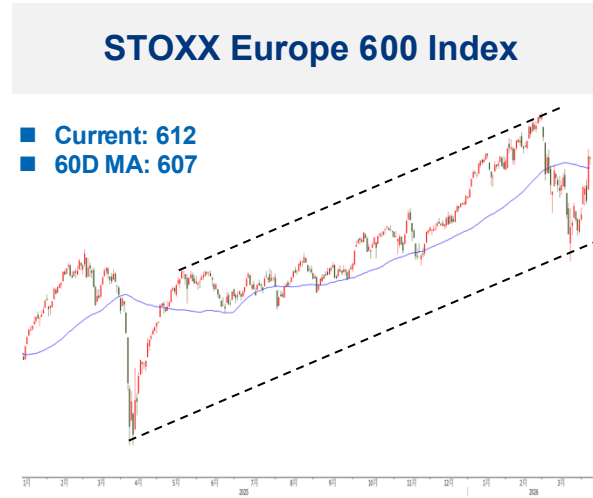
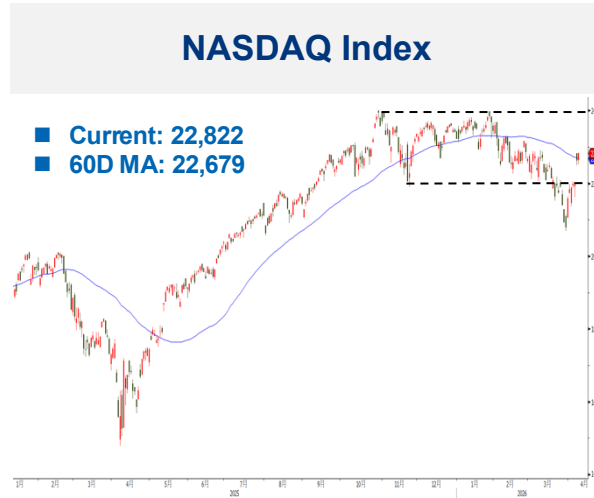
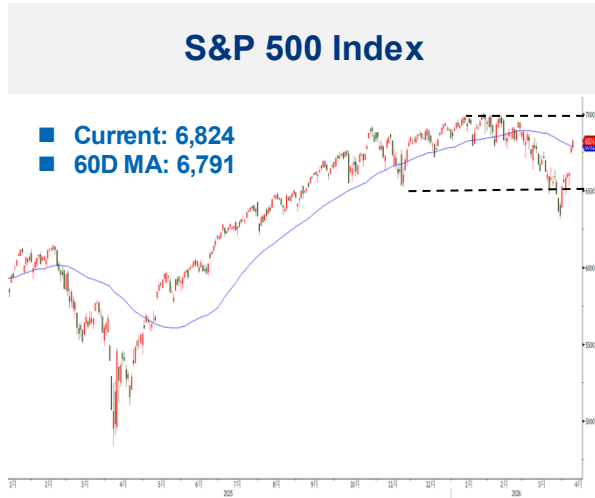


## Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

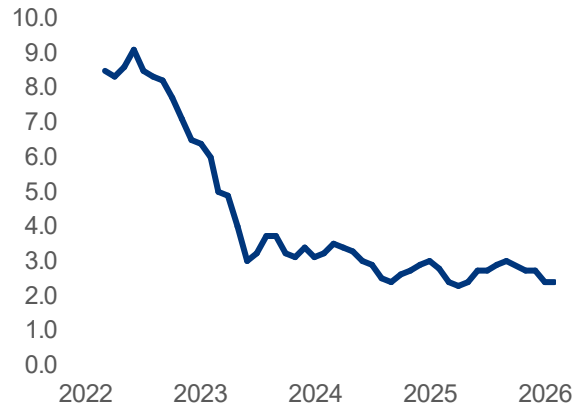
# Technical Analysis



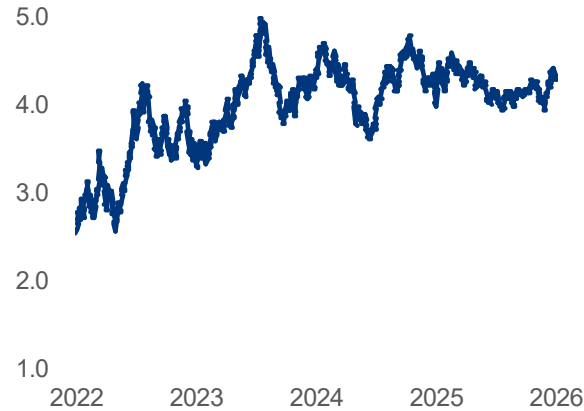
Source: Bloomberg

# Market Monitor

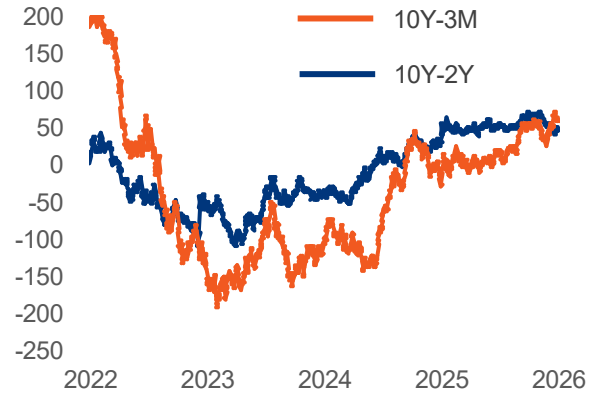
U.S. CPI YoY (%)



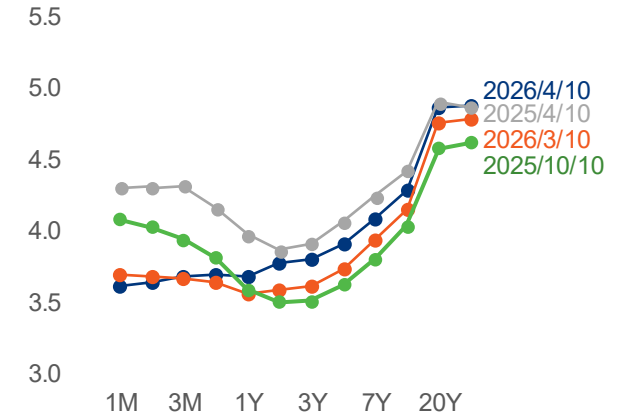
U.S. 10-Year Treasury Yield (%)



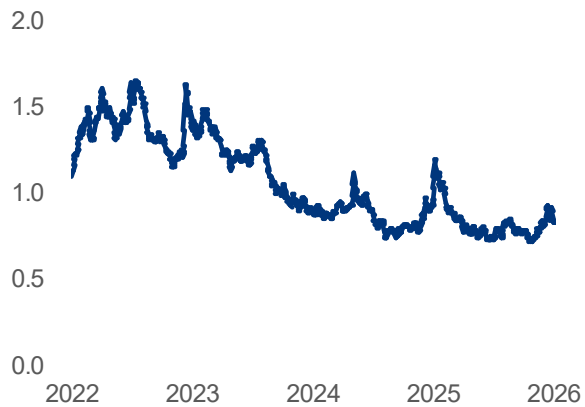
U.S. Treasury Yield Spread (bps)



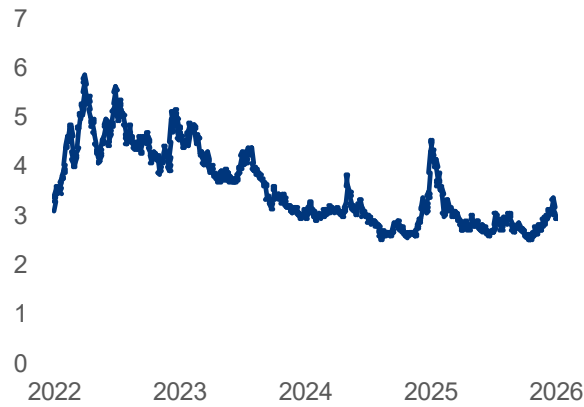
U.S. Treasury Yield Curve (%)



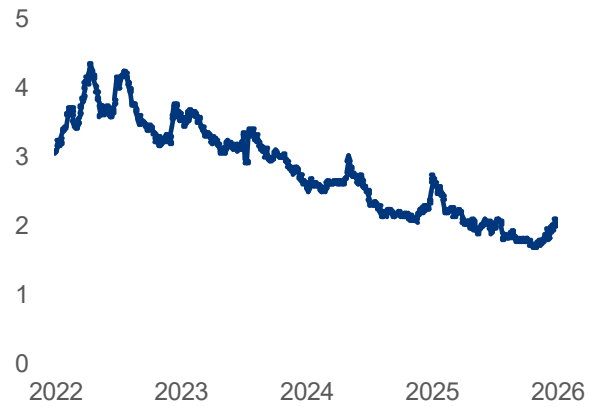
USD IG Credit Spread (%)



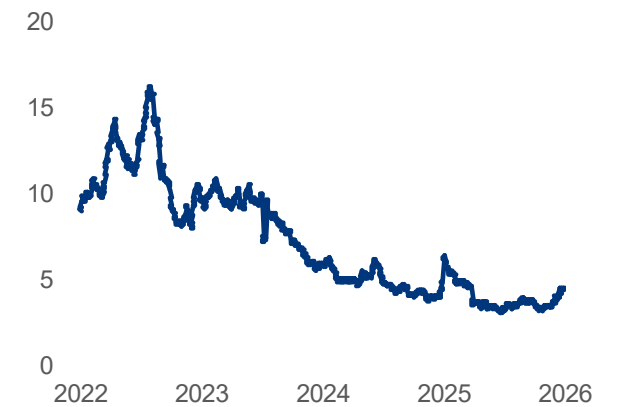
USD HY Credit Spread (%)



USD EM Credit Spread (%)

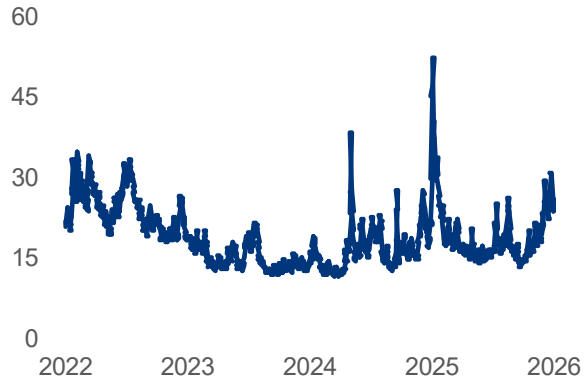


USD Asia Credit Spread (%)

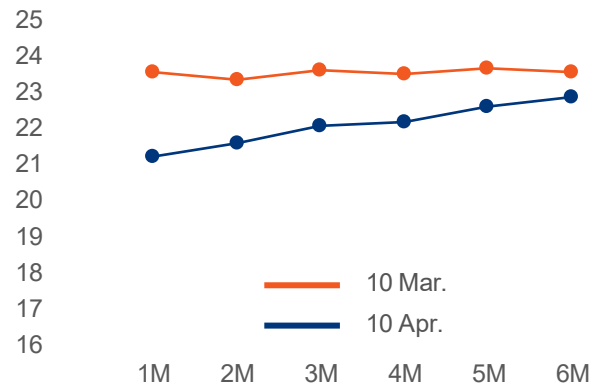


# Market Monitor

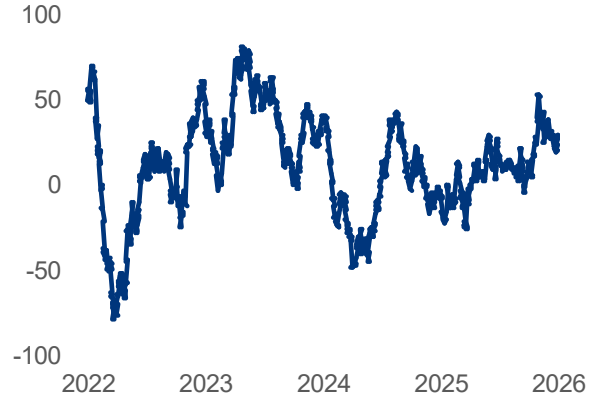
VIX Index



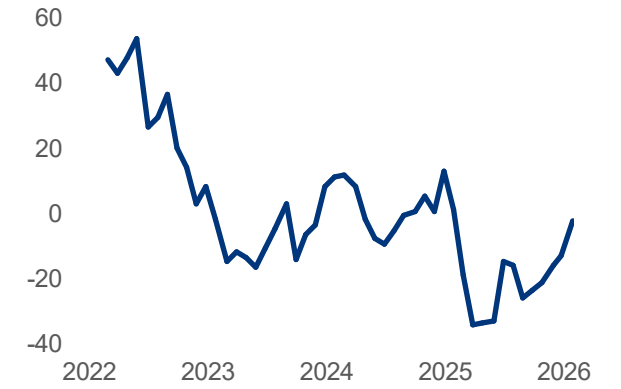
VIX Term Structure



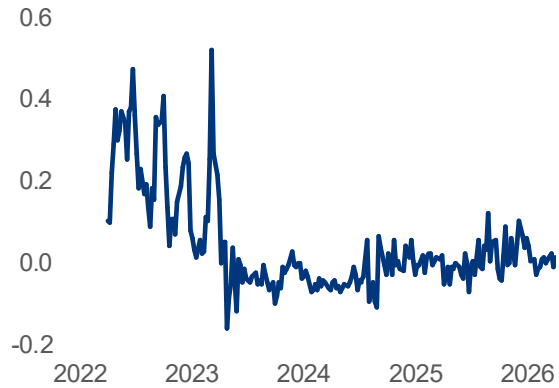
U.S. Citi Economic Surprise Index\*



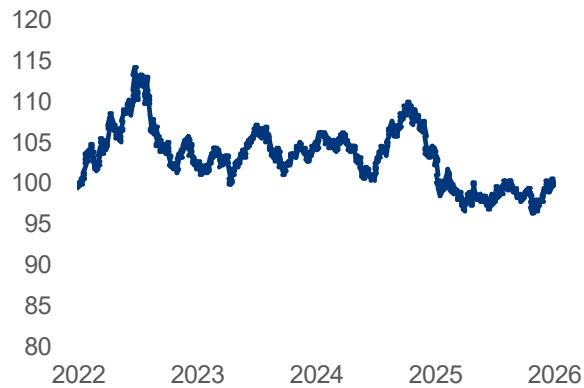
U.S. Citi Inflation Surprise Index\*



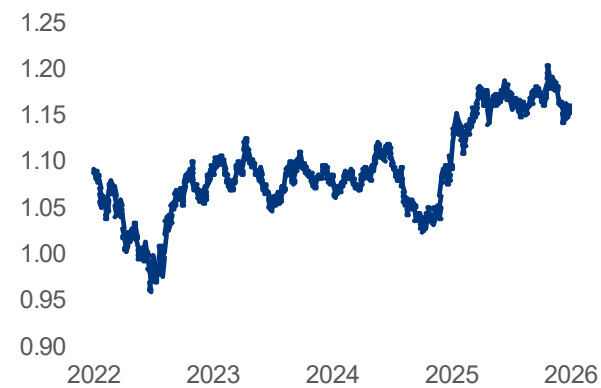
TED Spread (bps)



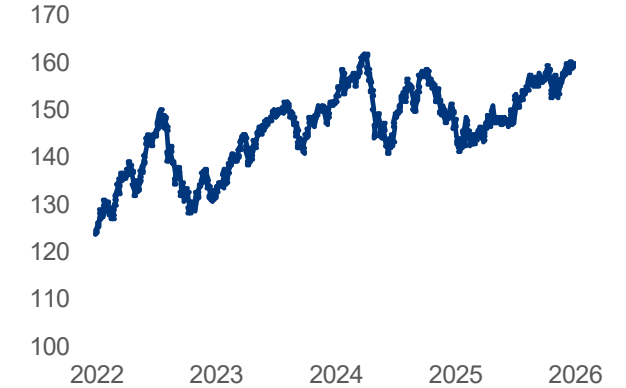
U.S. Dollar Index



EUR to USD



USD to JPY



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