



CIO Office Global Markets Weekly Kickstart

Bond Supply Shock: Where Is the Safe Haven?

14 September 2026

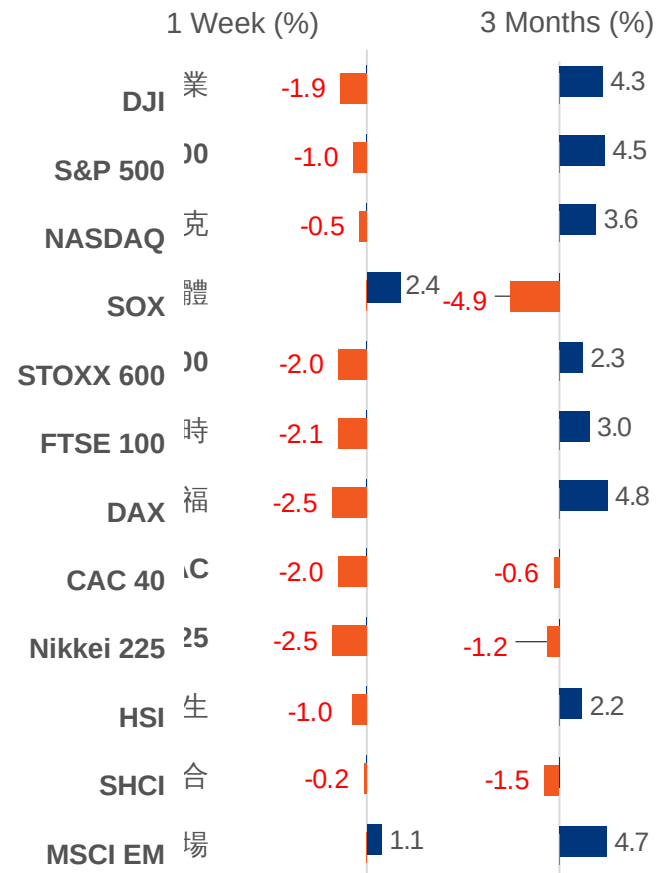
Market Recap

Middle East Tensions and Rate-Hike Expectations Pressure Equities

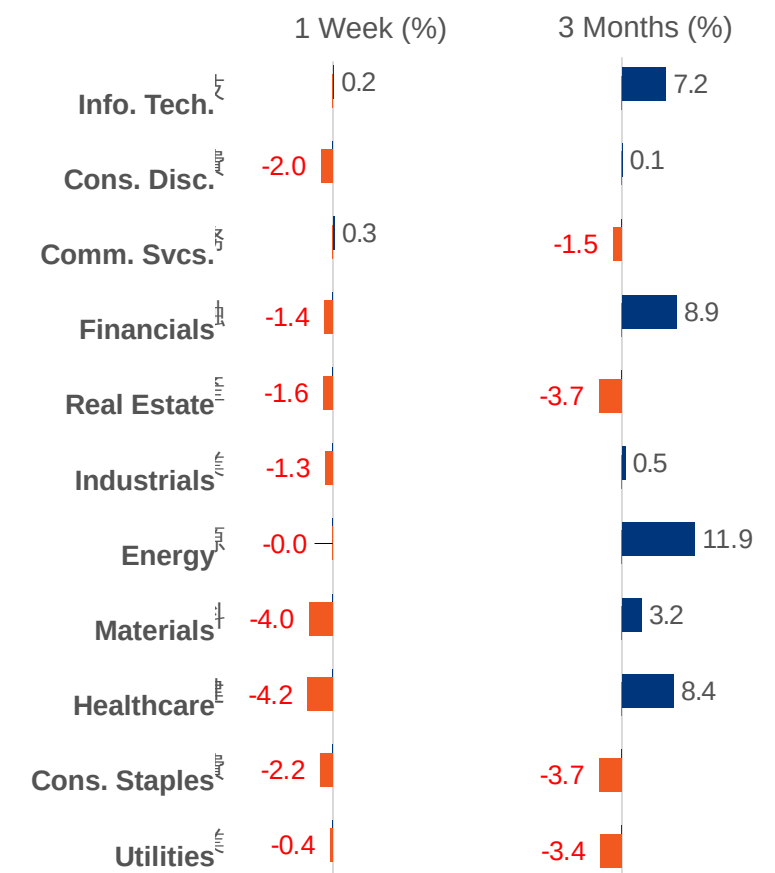
- Escalating tensions in the Middle East pushed oil prices above US\$100/bbl, while producer inflation accelerated from 4.8% to 5.4% YoY, reinforcing near-term inflation concerns. As a result, expectations for a September Fed rate hike rose above 70%, weighing on U.S. equities, although positive company-specific developments helped support semiconductor shares. Meanwhile, persistent inflation concerns kept global markets under pressure. The ECB delivered a rate hike as expected, while the BOJ is increasingly expected to follow next week. Investors will closely watch upcoming U.S. CPI data, which remains a key factor for the Fed's policy path.
- In the technology sector, memory chip prices and continued AI data center investment are driving a larger share of semiconductor industry revenue toward memory, supporting gains in major memory suppliers. Meanwhile, Intel announced a 10% price increase for its CPUs, while Oracle reported better-than-expected earnings and maintained a strong outlook. Meta's new AI assistant, Muse, further strengthened sentiment toward technology and communication services stocks. Ongoing U.S.-Iran tensions reignited oil price gains, helping energy stocks outperform the broader market.

Source: Bloomberg

Regional Index Performance (%)



U.S. Sector Index Performance (%)

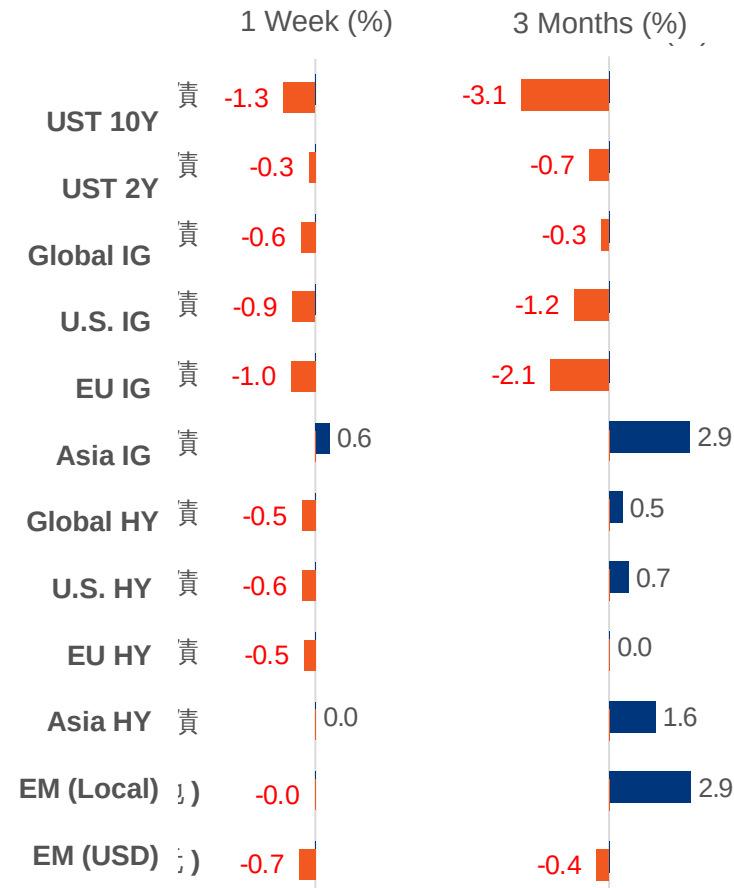


Market Recap

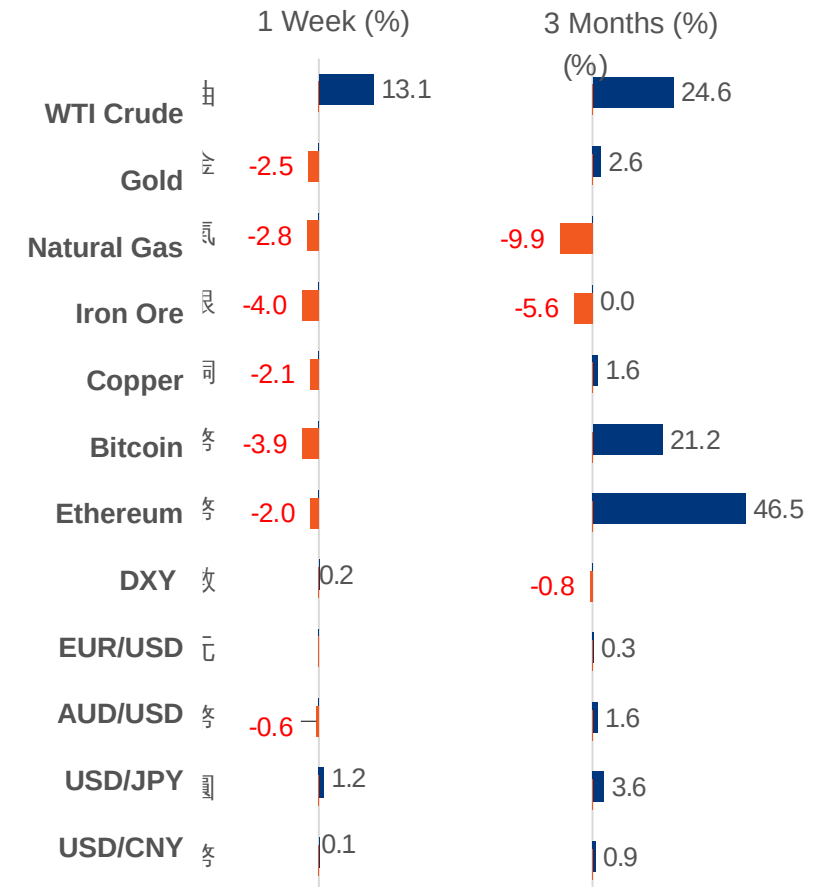
Rate-Hike Expectations and Disappointing Treasury Buybacks Pressure Bonds; Middle East Risks Continue to Support Oil Prices

- ▶ Surging oil prices and stronger producer inflation reinforced expectations of a September Fed rate hike. Meanwhile, the U.S. Treasury's planned increase in long-dated bond buybacks fell short of market expectations, pushing Treasury yields higher and flattening the yield curve. Expectations for further policy tightening by the ECB and BOJ also lifted German and Japanese government bond yields to year-to-date highs. Against this backdrop, investors favored higher-yielding and more defensive Asian investment-grade bonds.
- ▶ Escalating tensions in the Middle East have increased concerns over potential oil supply disruptions, particularly around key shipping routes. While U.S. President Trump suggested that the U.S.-Iran conflict may soon ease, geopolitical risks remain elevated, supporting oil prices at high levels.
- ▶ Rising energy prices have added to inflation concerns and strengthened expectations for further Fed tightening, supporting the U.S. dollar. The ECB raised rates as expected, while hawkish comments from BOJ officials have increased expectations of further policy normalization, lending support to the JPY. Investors should continue to monitor upcoming central bank policy decisions.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)

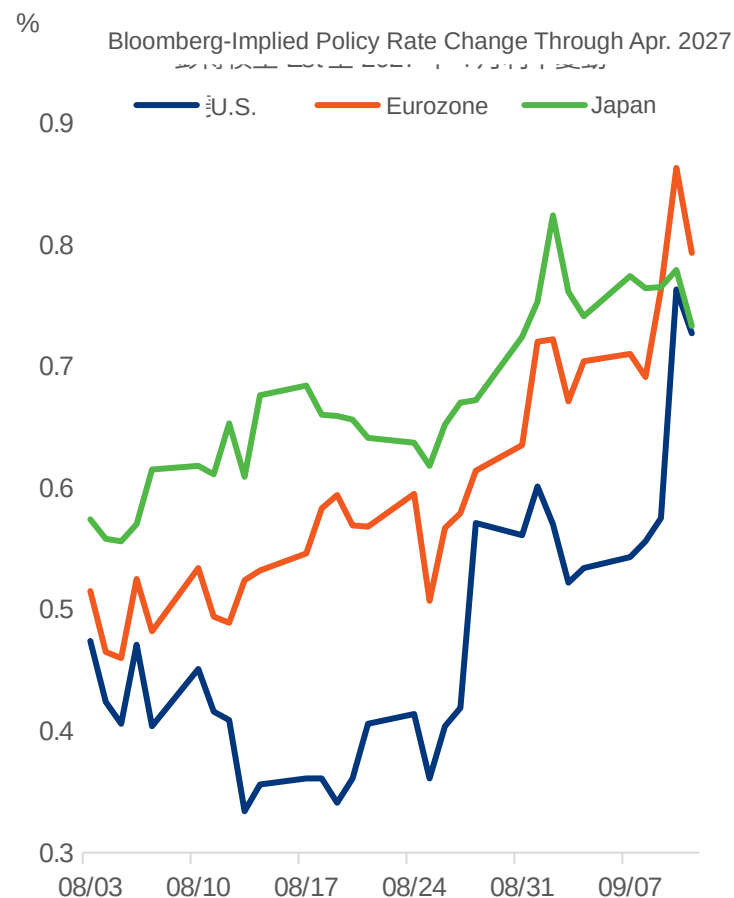


What's Trending

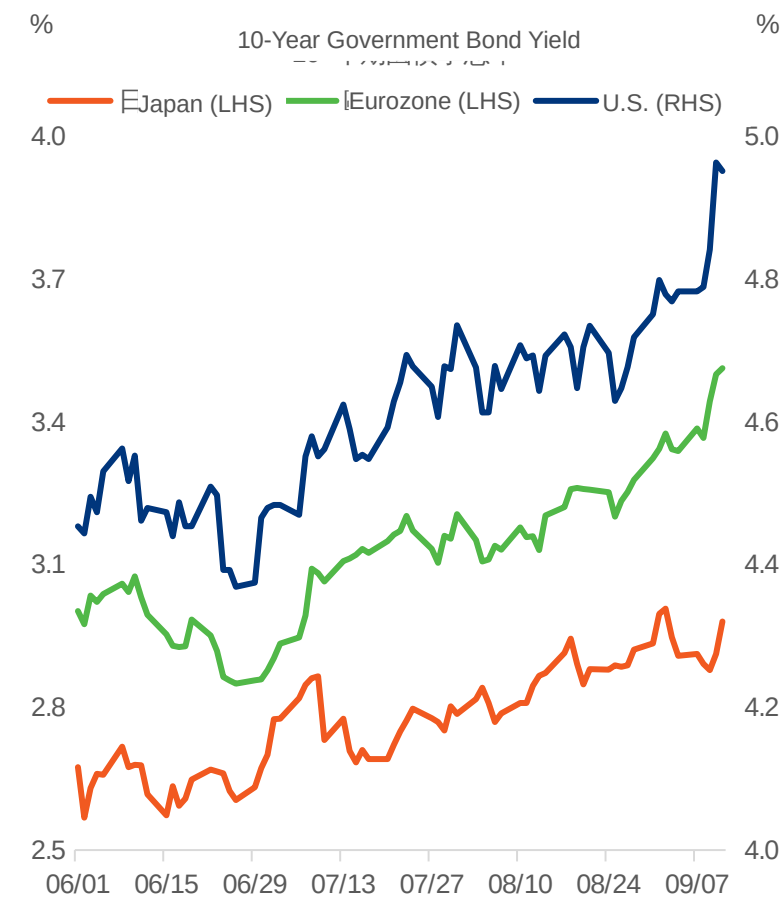
Hawkish ECB and BOJ Signals Support Domestic Demand Outlook

- ▶ The ECB raised all three key policy rates by 25bps on September 10, bringing the deposit rate to 2.50% on September 16. While highlighting persistent inflation pressures from ongoing Middle East tensions, the ECB also warned of downside risks to growth. Following the latest hike, markets are now pricing in more than 75bps of additional tightening by April next year.
- ▶ The BOJ will meet on September 17-18. BOJ board member Hajime Takata noted that further rate hikes may be warranted if underlying inflation accelerates amid accommodative financial conditions, a weak JPY, and rising energy and food costs. However, he emphasized that inflation remains contained, reducing the need for aggressive tightening.
- ▶ Rising energy-driven inflation has prompted major central banks to maintain a hawkish stance. While higher rates may weigh on financing conditions and growth-oriented sectors, further BOJ policy normalization could support the JPY, lift Japanese government bond yields, and accelerate the unwinding of carry trades. A stronger JPY may benefit Japanese banks, selected insurers, utilities, consumer staples retailers, and domestic telecom and service sectors.

Rate-Hike Expectations Rise Across Major Economies



Long-Term Government Bond Yields Continue to Rise Across Major Economies



In Focus

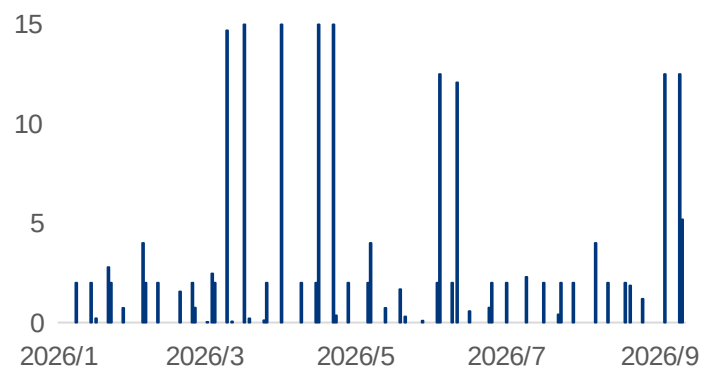
Treasury's Doubled Debt Buybacks Under Expected; Remain Cautious on Government Bonds

- On September 10, the U.S. Treasury conducted buybacks of 10- and 20-year Treasury securities and increased the program size from US\$2bn to US\$6bn to support liquidity in older long-dated bonds and help contain rising term premiums. However, actual buybacks totaled only US\$5.18bn, below market expectations of US\$6-10bn, disappointing investors. While recent 10- and 30-year Treasury auctions indicated that demand for long-dated bonds remains resilient, concerns over rising future government debt issuance continue to weigh on sentiment. Going forward, investor confidence will largely depend on whether the U.S. government can maintain fiscal discipline and stabilize debt supply expectations.
- Stronger-than-expected U.S. nonfarm payrolls highlighted the resilience of the labor market and broader economy. However, persistent inflation pressures have reinforced expectations that the Fed could resume rate hikes as early as September. With much of the expected tightening already reflected in 2-year Treasury yields, and ongoing concerns over fiscal sustainability and higher policy rates, investors should remain cautious on U.S. Treasuries and closely monitor Fed policy signals and economic forecasts.

Source: Bloomberg

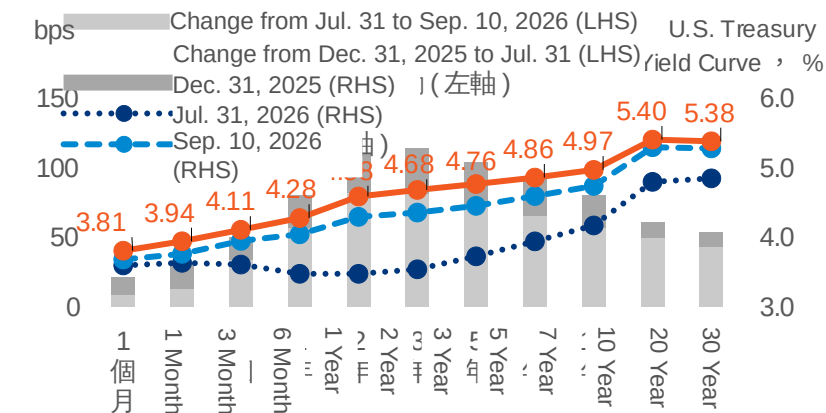
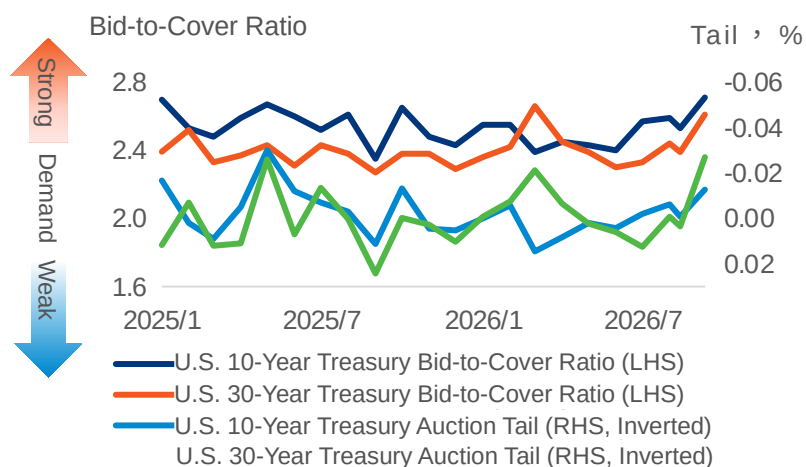
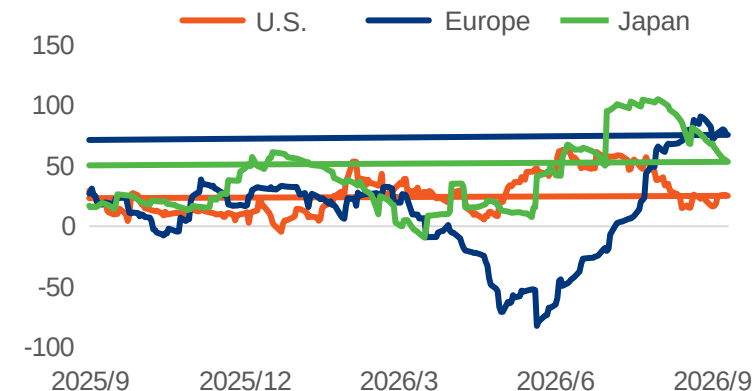
Treasury's Doubled Debt Buybacks Under Expected, While Auction Demand Improves

U.S. Treasury Buyback Size (US\$ bn)



Resilient U.S. Growth Data Reinforce Rate-Hike Expectations

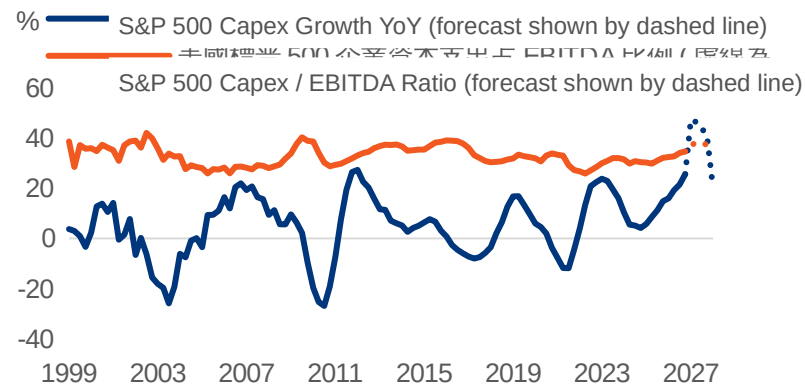
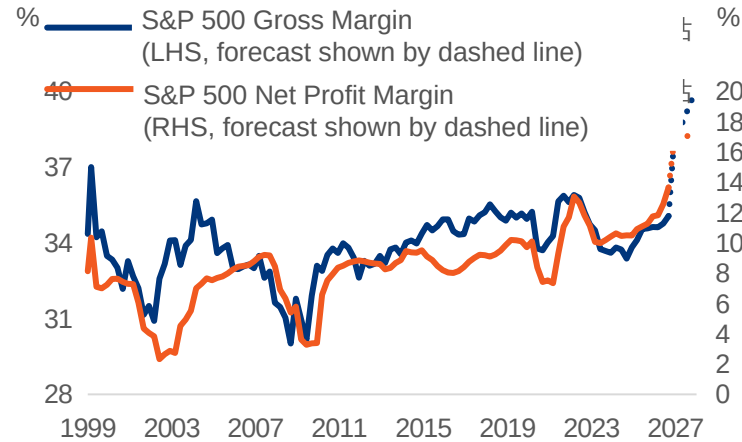
Citi Economic Surprise Index



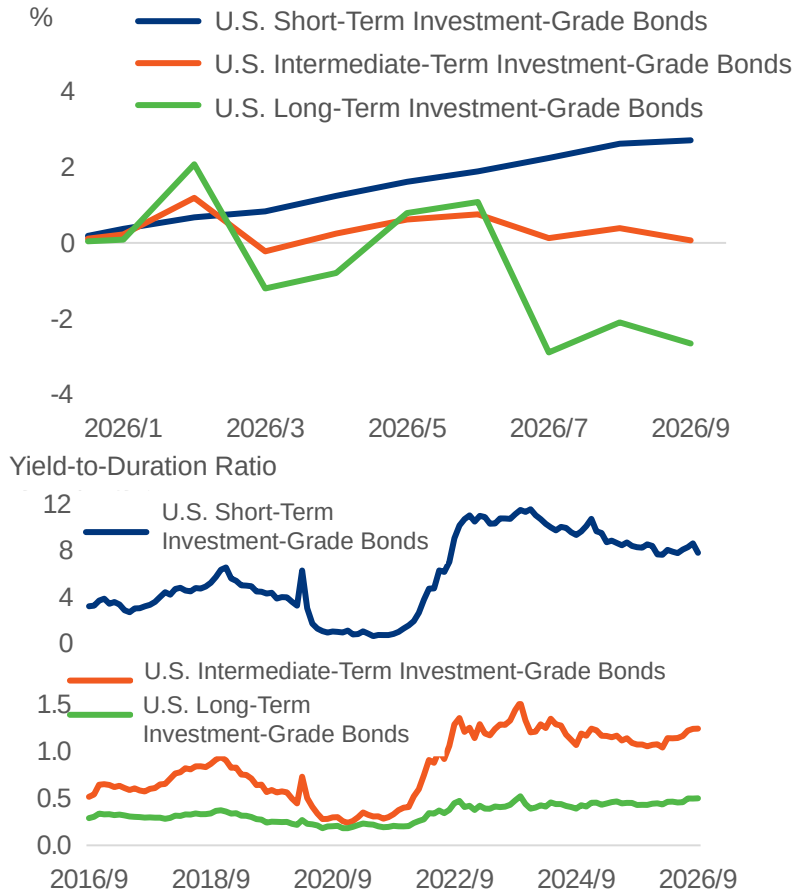
Strong Corporate Fundamentals Favor Intermediate-Term Investment-Grade Bonds

- ▶ 2Q26 earnings results show that profit growth among S&P 500 companies has significantly outpaced debt growth. Large-cap companies, which benefit from stronger competitive moats, maintained gross margins near the highest levels since 2022, while net profit margins reached their highest level since 1998. Capital expenditures grew 25% YoY to a record high, with capex-to-EBITDA rising to 35%. We expect large U.S. corporations to continue increasing capital investment to support earnings growth while maintaining sufficient capital efficiency, with profits remaining above capital spending. This should help prevent excessive leverage buildup and preserve credit quality and debt-servicing capacity.
- ▶ From January to August 2026, short- and intermediate-duration investment-grade bonds continued to deliver positive total returns. Fiscal concerns and Fed tightening expectations have pushed Treasury yields higher, favoring shorter maturities with lower interest-rate sensitivity. Given ongoing rate risks, investors may consider increasing allocations to short- and intermediate-duration bonds to enhance portfolio resilience.

S&P 500 Net Profit Margin Reaches Highest Level Since 1998



Short- and Intermediate-Term Investment-Grade Bonds Show Greater Resilience



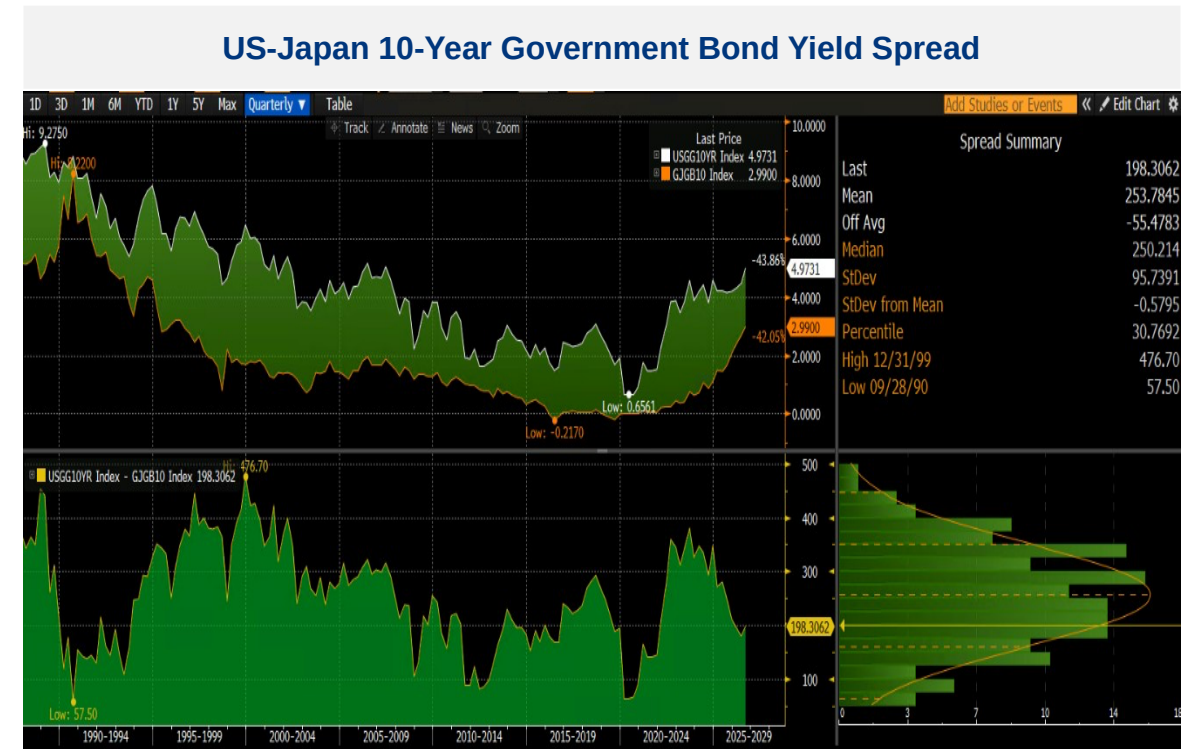
Rate Concerns and Debt Supply Drive Volatility, While Fundamentals Create Long-Term Opportunities

Asset Type	Market View	Preferred Assets
Equities	◆ Rising global debt levels and elevated interest rates continue to pose valuation risks for equities, while increased borrowing by technology companies has heightened focus on future earnings and cash flow generation. Amid geopolitical uncertainty, defensive sectors such as Healthcare and Utilities may help reduce portfolio volatility. Meanwhile, the long-term outlook for Technology and AI-related sectors remains supported by solid fundamentals, favoring a buy-on-dips approach and diversified allocations across regions and industries. ◆ European and Japanese equities remain attractive diversification opportunities. Higher interest rates continue to support bank earnings, while Japanese semiconductors and European defense stocks remain preferred investment themes.	Strategy: Increase Defensive Exposure in the Near Term; Maintain a Long-Term Preference for AI, Technology, and Semiconductors, while also Favoring Opportunities in Financials and Industrials Regions: Japanese Banks, Japanese Semiconductors, European Financials, European Defense
Bonds	◆ Rising Treasury supply and Fed tightening expectations continue to keep U.S. yields elevated. With the 10-year Treasury yield likely to remain within a 4.5%-5.0% range through year-end, investors may use higher yields as opportunities to lock in income through short- and intermediate-duration bonds. Reference remains on high-quality issuers with resilient cash flows and attractive risk-adjusted spreads, particularly in the Financials, Technology, Communications, and Utilities sectors. ◆ Non-USD investment-grade bonds, such as EUR- and AUD-denominated issues, may also help diversify currency risk.	Types: Intermediate-Term Investment-Grade Bonds, with a focus on Financials, Technology, Communications, and Utilities Satellite : Non-USD Investment-Grade Bonds for Currency Diversification
Forex	◆ Expectations for a September Fed rate hike remain elevated, keeping the USD range-bound at strong levels in the near term. ◆ Hawkish BOJ signals have increased the likelihood of a September rate hike, supporting a gradual recovery in the JPY.	JPY Trends Gradually Higher
Commodity	◆ Persistent Middle East tensions and limited prospects for a full normalization of traffic through the Strait of Hormuz are expected to keep oil markets tight, supporting elevated oil prices. ◆ U.S. fiscal challenges and the long-term de-dollarization trend remain intact. Continued central bank buying should provide a solid medium- to long-term foundation for gold prices.	Gold: Range Trading Near Term, Bullish Long Term



Japan's Corporate Reforms and Policy Normalization Drive Investment Opportunities

- ▶ In August, the U.S. PPI rose 0.4% m/m, in line with market expectations and higher than the revised prior 0.1%. On a y/y basis, PPI increased 5.4%, above the expected 5.3% and the revised prior 4.8%. Core PPI rose 0.2% m/m, below the expected 0.3% and the revised prior 0.3%. Core PPI increased 4.6% y/y, matching expectations and higher than the revised prior 4.3%.
- ▶ In August, the U.S. CPI rose 0.4% m/m, in line with expectations and higher than the prior 0.1%. CPI increased 3.4% y/y, in line with expectations and unchanged from the prior. Core CPI rose 0.3% m/m, above the expected 0.2% and the prior 0.2%. Core CPI increased 2.4% y/y, in line with expectations but lower than the prior 2.5%.
- ▶ In September, the U.S. University of Michigan Consumer Sentiment Index came in at 47.8, below the expected 51.0 and the prior 51.7.
- ▶ The medium- to long-term appeal of the Japanese equity market stems from corporate governance reforms and improved capital efficiency. Listed companies continue to optimize resource allocation, supporting earnings quality and valuation improvement. The Bank of Japan's gradual policy normalization benefits financial sector profitability and drives demand for hedging and trading. We believe companies with strong cash flows, proactive shareholder returns, and advantages in financial services warrant attention. However, yen appreciation increases pressure on exporters' earnings, leading to greater sectoral divergence.



Tokio Marine Holdings, Inc. (8766 JP)

Closing Price	JP¥7,970	Target Price	JP¥8,500	
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Tokio Marine Holdings, Inc. is one of Japan's leading insurance groups, with operations spanning property and casualty insurance, life insurance, and risk management services. The company drives growth through its global footprint and specialized overseas insurance businesses.

Premium Hikes Support Underwriting Profitability

Japan's insurance sector has raised premiums to offset claims cost inflation. Tokio Marine expects the pricing impact in auto and travel insurance to become more evident from Q2. Overseas performance is mixed: medical stop-loss insurance retains pricing momentum, while the North American specialty market faces intensifying competition. In this environment, insurers with diversified operations and disciplined underwriting stand out.

Partnership with Berkshire Boosts Global Growth Momentum

Berkshire Hathaway's ~2.5% stake and strategic partnership provide Tokio Marine with additional reinsurance capacity and opportunities to jointly pursue overseas acquisitions, supporting business expansion and reducing underwriting volatility. Operationally, overseas net written premiums rose 16.6% y/y in Q1 (+4.8% ex-FX), while the combined ratio held at 88.8%, underscoring resilient underwriting profitability.

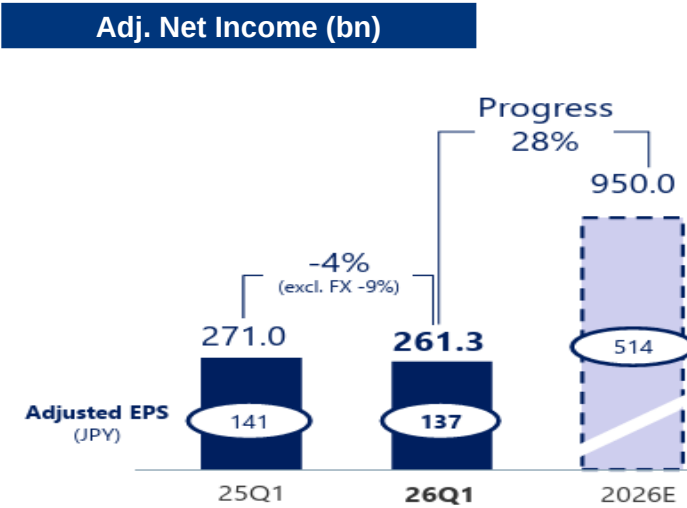
Full-Year Profit Target Intact, Dividends Rising

For FY2026 Q1 (April–June), insurance revenue grew 12.3% y/y to JPY 20.5 trillion, while net income attributable to shareholders rose 3.3% y/y to JPY 264.3 billion. Adjusted net income fell 3.6% y/y to JPY 261.4 billion. Management reaffirmed full-year adjusted net income guidance of JPY 950 billion (+7.8% y/y) and adjusted EPS of JPY 514. The annual dividend is expected to rise from JPY 218 to JPY 245 per share, signaling continued shareholder returns despite quarterly profit pressure.

Valuation Consensus

Bloomberg's 12-month consensus target price is JP¥8,765, with a high of JP¥10,500 and a low of JP¥5,842.

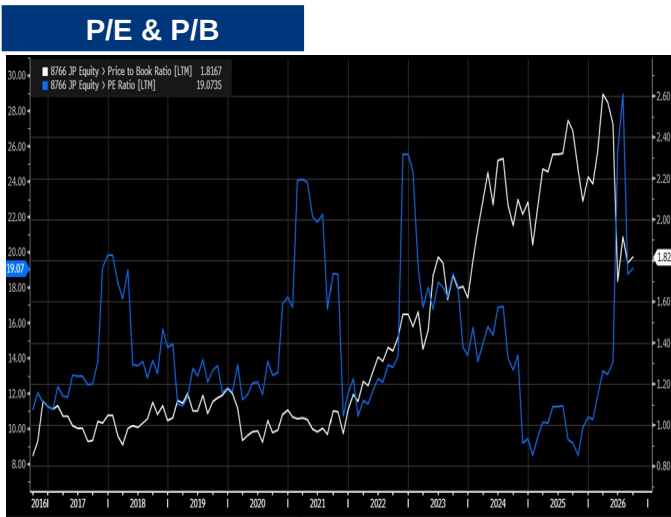
Source: Bloomberg, Company



Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	14.0	0.6	5.5	15.5	4.1
EBITDA (%)	11.9	8.5	10.1	14.0	13.8
EPS (USD)	356.07	231.69	280.20	508.79	560.63
Net Profit Margin(%)	9.8	6.2	7.0	10.5	10.9

Source: Bloomberg; 2027/28F are market estimates



Japan Exchange Group, Inc. (8697 JP)

Closing Price	JP¥2,210.5	Target Price	JP¥2,500	
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Japan Exchange Group, Inc. owns the Tokyo Stock Exchange and the Osaka Exchange, providing equity and derivatives trading, clearing, listing, and market data services. It serves as the core infrastructure of Japan’s capital markets.

Policy Normalization Drives Trading and Hedging Demand

The Bank of Japan maintains its rate-hike trajectory, with the yen expected to gain medium-term support from narrowing yield spreads, while JGB yields remain under upward pressure. FX and bond market volatility are likely to boost asset reallocation and hedging demand. Japan Exchange Group can benefit through government bond futures trading, interest rate swap clearing, and collateral-related income. Yen volatility may also indirectly stimulate equity and index derivatives trading; however, a sharp yen appreciation could weigh on equities, offsetting part of the benefit.

Spot Trading Surges, Data and Index Businesses Expand Revenue Sources

In Q1, average daily turnover in the cash equity market reached JPY 12.39 trillion, up 106.2% y/y, driving rapid growth in trading service revenue. Increased use of market data and higher index licensing income lifted information services revenue to JPY 9.31 billion. Collateral-related clearing income also rose, with multiple business lines jointly supporting profit expansion.

Strong Quarterly Earnings, Raised Full-Year Outlook and Dividend

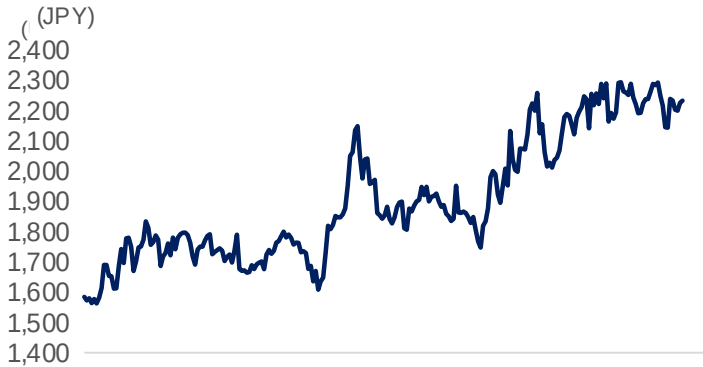
For FY2026 Q1 (April–June), revenue grew 50.8% y/y to JPY 65.52 billion, operating profit rose 73.3% y/y to JPY 43.72 billion, and net income attributable to shareholders increased 73.6% y/y to JPY 29.57 billion. Management raised full-year revenue and net income forecasts to JPY 241.5 billion and JPY 98.5 billion, respectively, and lifted the dividend forecast from JPY 61 to JPY 77 per share. Future growth will depend on whether trading activity remains elevated.

Valuation Consensus

Bloomberg’s 12-month average target price is JP¥2,504, with a high of JP¥2,800 and a low of JP¥2,000.

Source: Bloomberg, Company

1-Year Price



Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	14.1	6.1	22.5	23.0	0.4
EBITDA (%)	68.7	67.4	67.1	65.9	60.7
EPS (USD)	59.12	60.47	77.07	97.23	94.30
Net Profit Margin(%)	40.2	38.8	40.0	40.7	39.0

Source: Bloomberg; 2027/28F are market estimates

FY2026 Guidance Raised

	FY2026 (Forecast)		
	(Initial)	Revised on July 28	Change from Initial
Operating Revenue (JPY mil.)	205,000	241,500	+17.8%
Operating Expenses (JPY mil.)	91,000	97,500	+7.1%
Operating Income (JPY mil.)	115,000	145,500	+26.5%
Net Income (JPY mil.) (Attributable to owners of the parent company)	77,500	98,500	+27.1%
Earnings Per Share	JPY 75.85	JPY 96.40	-
Dividend Per Share	JPY 61	JPY 77	+26.2%
Dividend Payout Ratio	Approx. 80%	Approx. 80%	-

P/E & P/B



Appendix

Key Economic Data / Events

► SEP 2026

7

Monday

- Eurozone Q2 GDP Growth QoQ (final)
(Act:0.6% Est:0.4% Prev:0.0%)

8

Tuesday

- Japan Q2 GDP Growth QoQ (final)
(Act:1.4% Est:1.8% Prev:1.9%)
- China Aug Exports YoY
(Act:25.0% Est:25.9% Prev:23.9%)

9

Wednesday

- Japan Aug Machine Tool Orders YoY (prelim)
(Act:64.7% Prev:50.4%)
- China Aug CPI YoY
(Act:0.8% Est:0.8% Prev:0.5%)
- China Aug PPI YoY
(Act:3.8% Est:3.6% Prev:3.5%)

10

Thursday

- U.S. Weekly Initial Jobless Claims
(Act:206k Est:205k Prev:206k)
- U.S. Aug PPI YoY
(Act:5.4% Est:5.2% Prev:4.7%)
- Eurozone Sep ECB Main Refinancing Rate
(Act:2.65% Est:2.65% Prev:2.40%)

11

Friday

- U.S. Aug CPI YoY
(Est:3.4% Prev:3.4%)
- U.S. Aug Core CPI YoY
(Est:2.4% Prev:2.5%)
- U.S. Sep U. of Mich. Sentiment (prelim)
(Est:51.0 Prev:51.7)
- Japan Aug PPI YoY
(Act:7.6% Est:7.4% Prev:7.2%)

14

Monday

- Japan Jul Industrial Production MoM (final)
(Prev:1.9%)

15

Tuesday

- China Aug Retail Sales YoY
(Est:0.8% Prev:0.6%)
- China Aug Industrial Production YoY
(Est:4.8% Prev:4.5%)

16

Wednesday

- U.S. Aug Retail Sales MoM
(Est:0.9% Prev:-0.6%)
- Japan Jul Core Machine Orders MoM
(Est:-4.8% Prev:9.7%)

17

Thursday

- U.S. Weekly Initial Jobless Claims
(Prev:206k)
- U.S. Sep Federal Funds Rate
(Est:3.75% Prev:3.75%)
- Eurozone Aug CPI YoY (final)
(Prev:2.9%)
- U.K. Sep BoE Bank Rate
(Est:3.75% Prev:3.75%)

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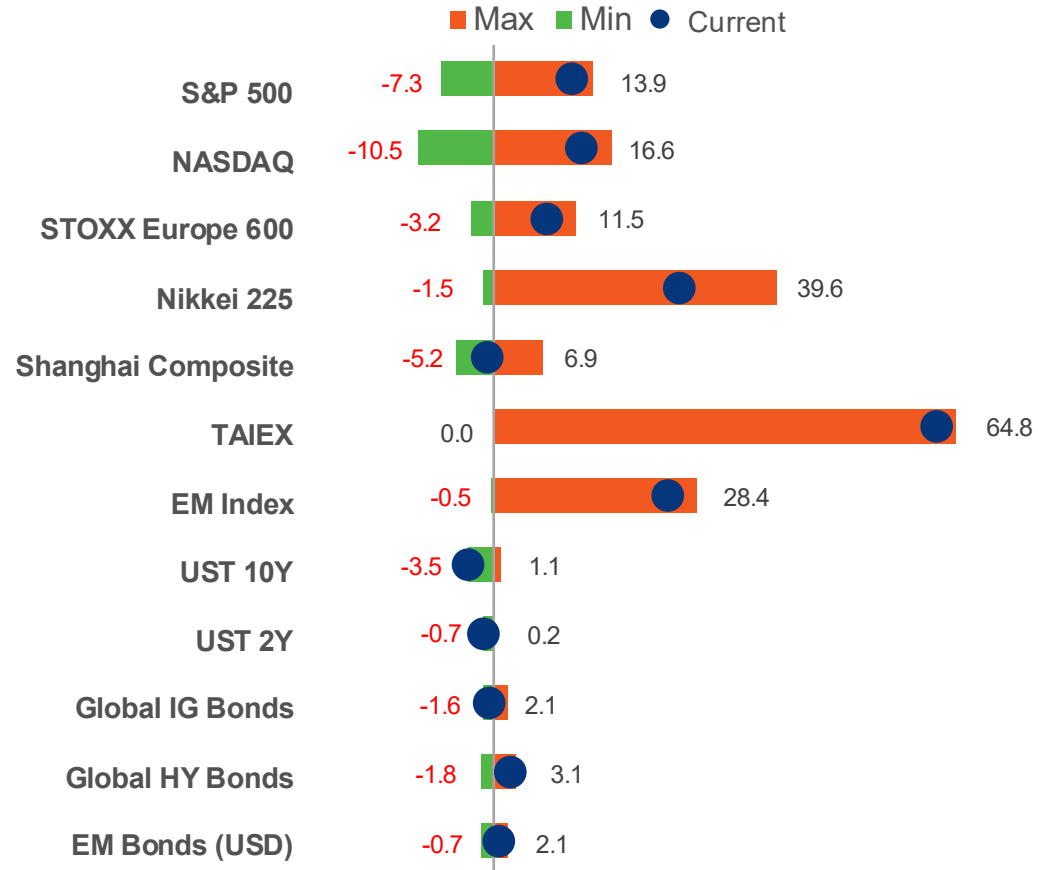
Friday

- U.S. Aug Industrial Production MoM
(Est:0.3% Prev:0.2%)
- Japan Aug CPI YoY
(Est:2.0% Prev:1.9%)
- Japan Sep BoJ Uncollateralized Overnight Call Rate
(Est:1.25% Prev:1.00%)

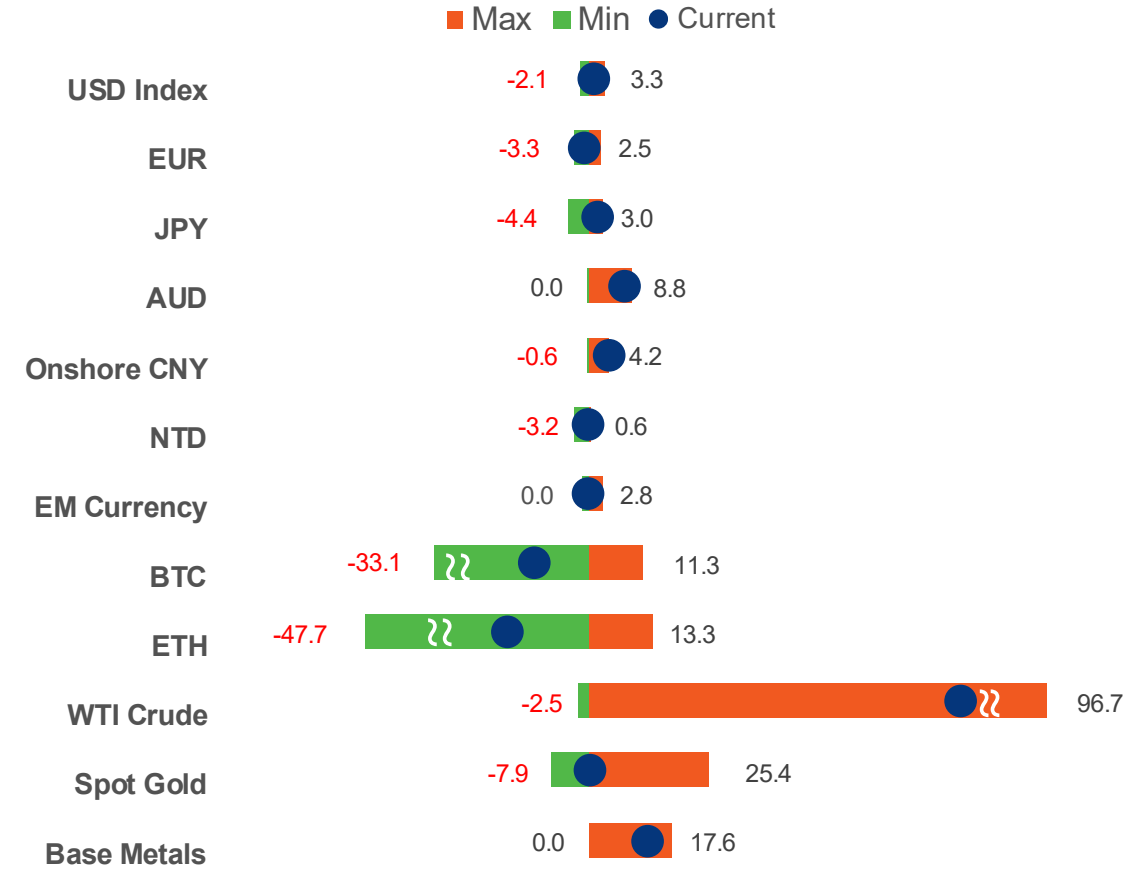
Source : Bloomberg

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, Sep. 11, 2026

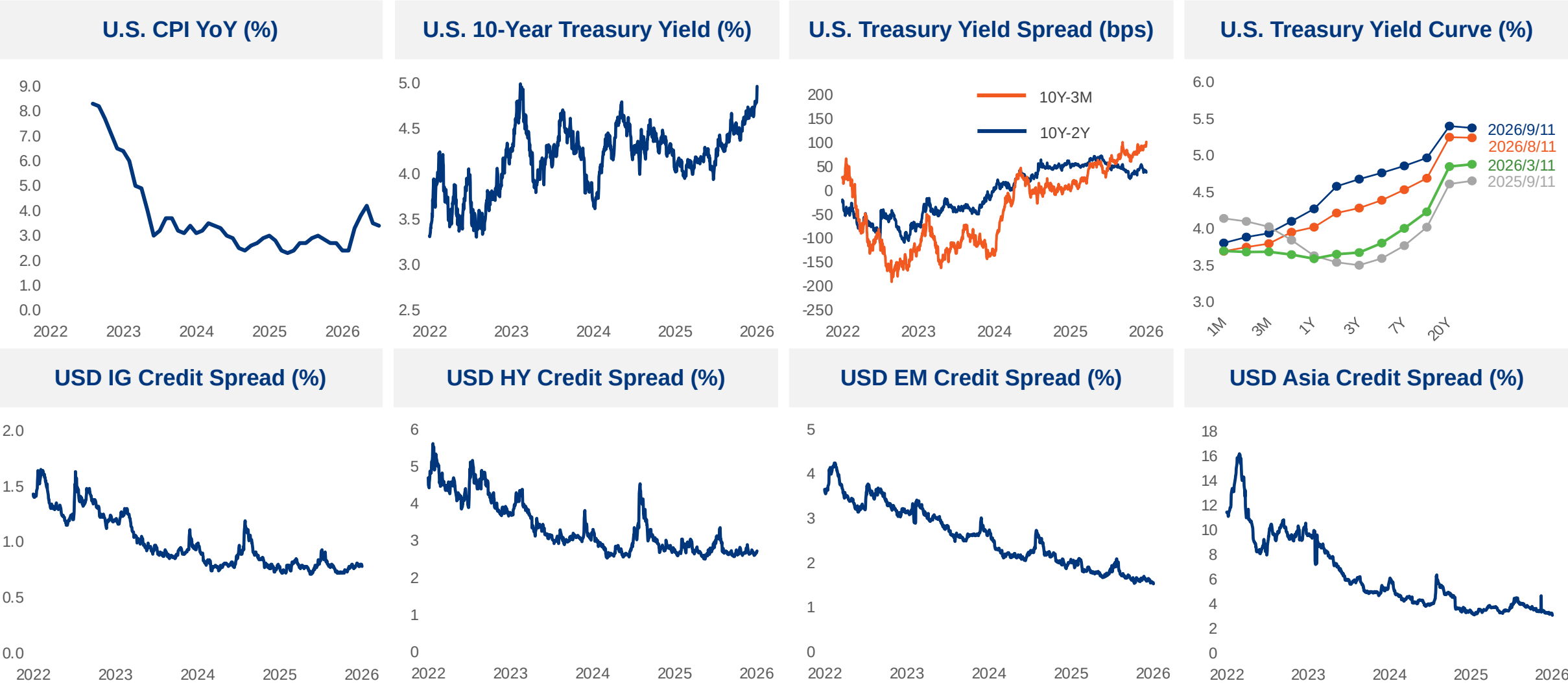
Technical Analysis

60D MA



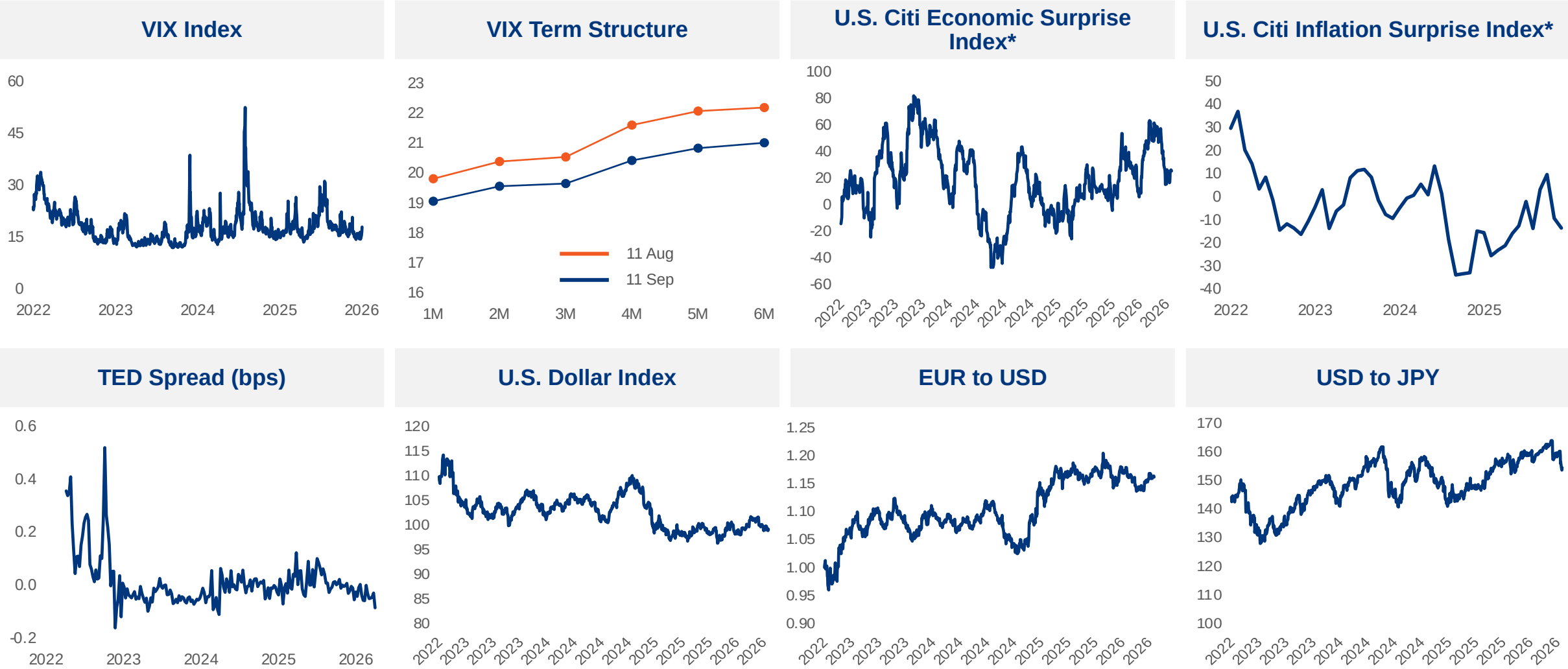
Source: Bloomberg, Sep. 11, 2026

Market Monitor



Source: Bloomberg, Sep. 11, 2026

Market Monitor



Source: Bloomberg, Sep. 11, 2026

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Bond investment is NOT equivalent to a time deposit. It is NOT protected under the Hong Kong Deposit Protection Scheme. Bondholders are exposed to a variety of risks, including but not limited to: (i) Credit risk - The issuer is responsible for payment of interest and repayment of principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive interest and get back the principal. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer; (ii) Liquidity risk - some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity; (iii) Interest rate risk - When the interest rate rises, the price of a fixed rate bond will normally drop, and vice versa. If you want to sell your bond before it matures, you may get less than your purchase price. Do not invest in bond unless you fully understand and are willing to assume the risks associated with it. Please seek independent advice if you are unsure.

All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

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