



**CIO Office    Global Markets Weekly Kickstart**

# Equity Strategy Amid Oil Volatility

16 March 2026

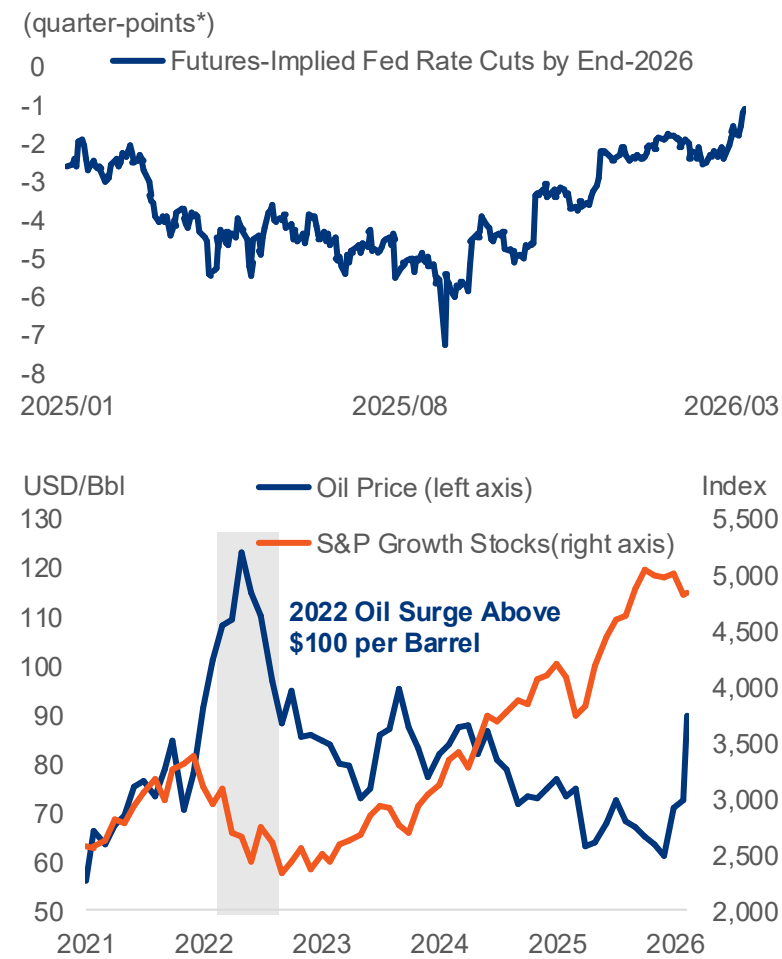
# Oil Surge Supports Energy Near Term; Growth Stocks May Face Pressure

- ▶ U.S. February CPI rose 2.4% YoY, with core CPI steady at 2.5%. However, following the U.S.–Iran conflict, oil prices have surged above \$100. Higher energy costs are likely to pass through to transportation and logistics, potentially supporting CPI readings from March onward. If the Strait of Hormuz remains blocked, sustained high oil prices could exert stronger inflation pressure.
- ▶ Inflation dynamics may also affect the Fed’s rate-cut path. Futures markets now expect fewer than two cuts by end-2026, and rising oil prices could further dampen easing expectations.
- ▶ Historical precedent offers a caution. In 2022, the Russia–Ukraine war drove oil above \$100 and briefly to \$120 per barrel, fueling inflation and prompting Fed tightening, which weighed heavily on growth sectors. As such, while rising oil prices may support energy stocks in the near term, growth sectors could remain under pressure amid heightened market uncertainty.

**Persistently High Oil Prices Could Increase Future Inflation Pressure**



**Rising Oil Prices Could Weaken Fed Rate-Cut Expectations, Unfavorable for Growth Stocks**



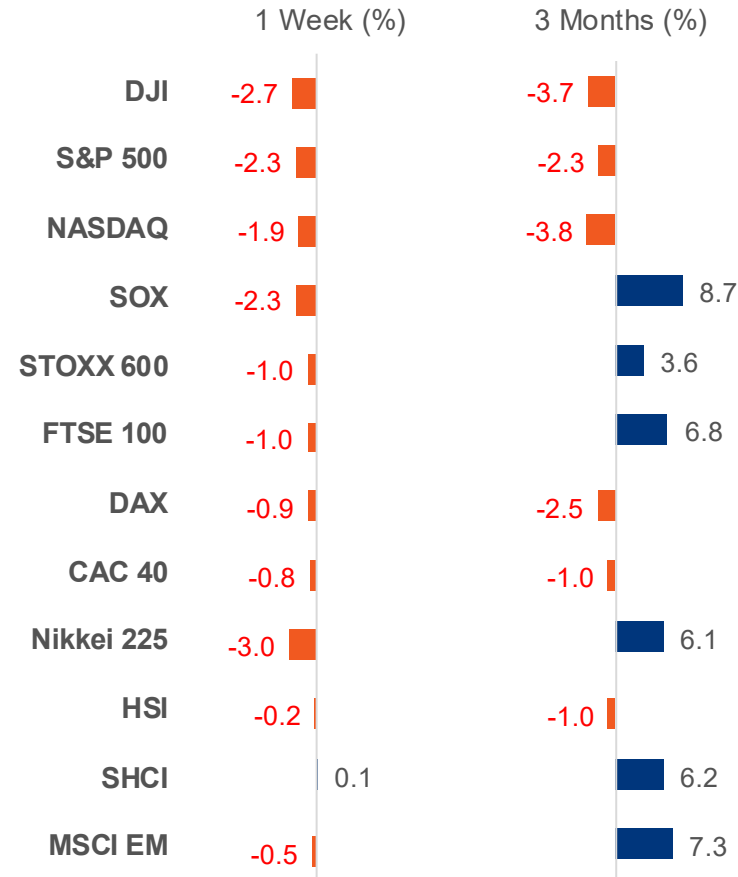
Source: Bloomberg, KGI, Note: One unit (“quarter-point”) equals to 25 bps

## Market Recap

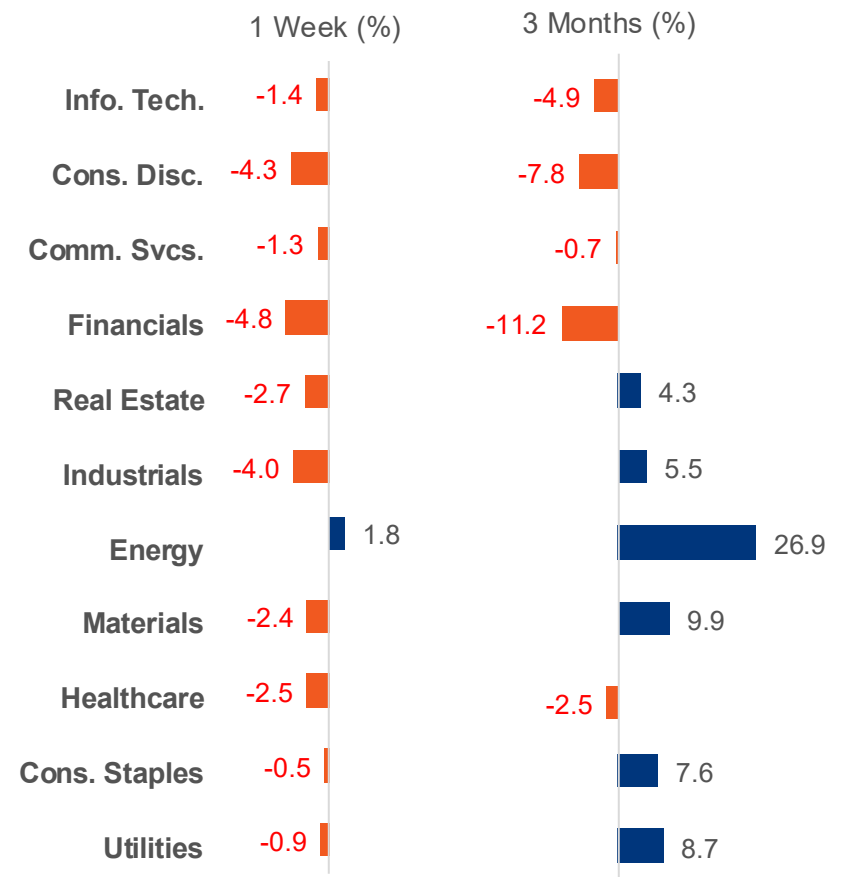
## Trump's Mixed War Messaging Fails to Ease Market Concerns; Equities Mostly Lower

- ▶ U.S. February nonfarm payrolls unexpectedly declined by 92k, down from January's revised gain of 126k, signaling softer economic momentum. Meanwhile, the unresolved U.S.–Iran conflict and Iran's effective blockade of the Strait of Hormuz have pushed oil prices back above \$100 per barrel. Rising energy costs have revived inflation concerns and weakened expectations for Fed rate cuts, while geopolitical uncertainty has increased selling pressure in equities. Trump has claimed the war will end soon and that the U.S. has already secured victory, but also stated that military operations will continue. The inconsistent messaging has left markets unconvinced that the conflict will end quickly or that energy transport will normalize, leading global equities to shift from sharp initial losses into volatile trading, though declines still outnumber gains.
- ▶ Sector-wise, surging oil prices have supported energy stocks. While February CPI remained stable, sustained high oil prices could reignite inflation pressures, dampening expectations for Fed easing and weighing on broader sectors, including defensive industries. At the same time, rising concerns over private credit risks have added pressure to financial stocks, following reports that BlackRock has restricted redemptions in related funds and JPMorgan has reduced leverage in private credit exposure.

## Regional Index Performance (%)



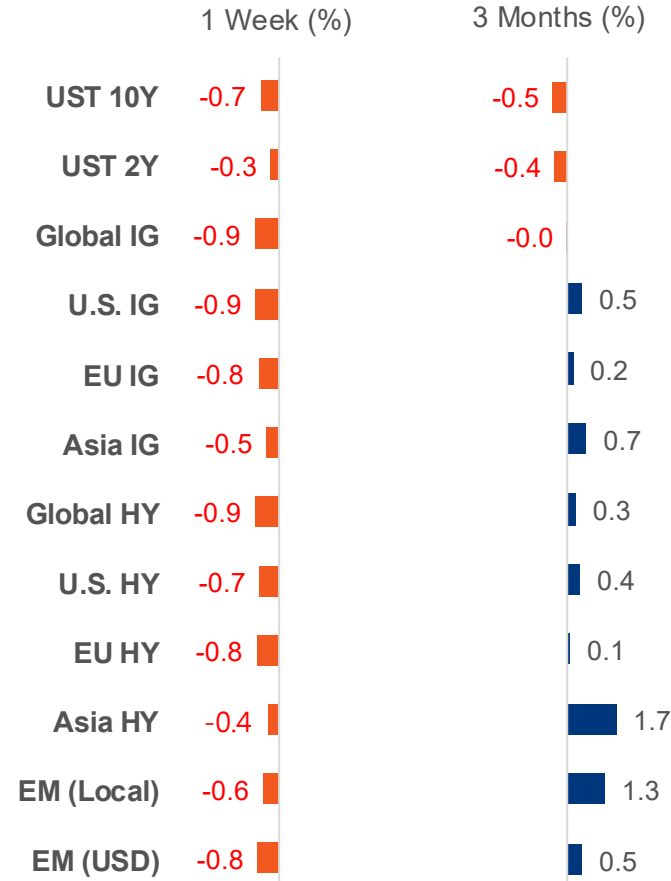
## U.S. Sector Index Performance (%)



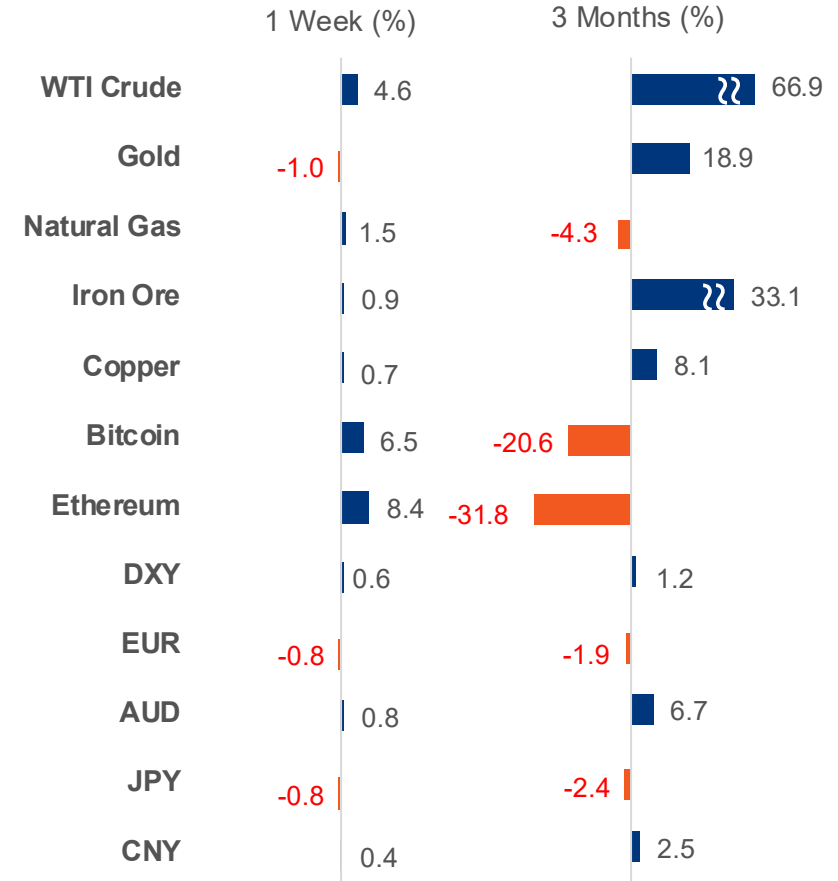
## Bond Markets Decline Broadly; Oil Holds Above \$100, Stronger Dollar Weighs on Gold

- ▶ Despite softer U.S. employment data and stable CPI, rising oil prices have renewed inflation concerns, pushing back expectations for Fed rate cuts. Treasury yields have continued to climb, leading to broad declines in bond markets. Longer-duration investment-grade bonds have seen larger losses, while high-yield bonds have also weakened amid concerns over the economic outlook.
- ▶ Middle East oil supply remains constrained as the Strait of Hormuz stays effectively closed. Iran has even warned it is prepared for a prolonged conflict and could disrupt the global economy. Brent crude briefly approached \$120 per barrel, while natural gas prices also rose due to production disruptions in Qatar. Although geopolitical risks and inflation expectations support gold, a stronger U.S. dollar has capped gains in the near term.
- ▶ Trump's comments suggesting the war could end soon briefly supported cryptocurrencies such as Bitcoin and Ethereum, though gains later moderated as his messaging shifted. Among currencies, moves were mixed: the euro and yen edged lower, the Australian dollar strengthened on rising inflation expectations and potential RBA tightening, while the renminbi remained broadly stable.

### Performance of Bonds (%)



### Performance of Commodities and Currencies (%)





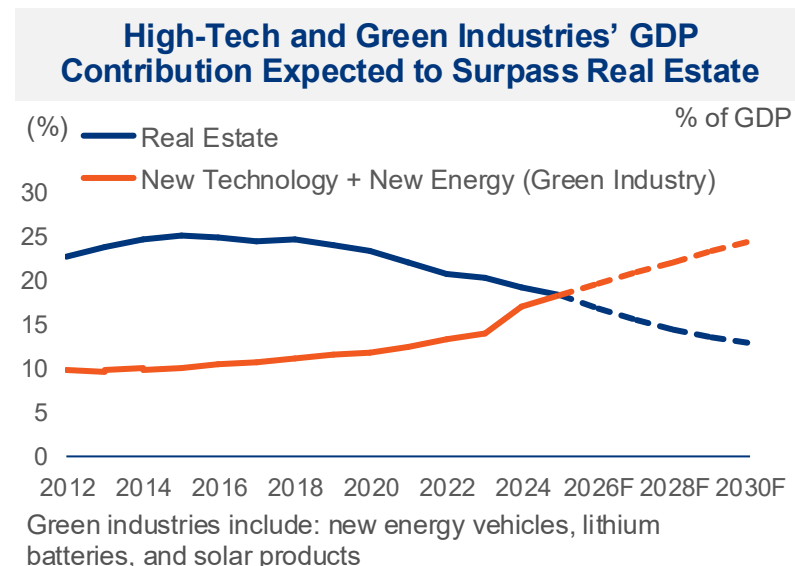
# China Launches 15th FYP in 2026, Prioritizing High-Quality Growth and Domestic Demand

- ▶ With the recent convening of China's "Two Sessions," the 15th Five-Year Plan officially begins in 2026. Authorities have set "high-quality growth" and "technological self-reliance" as core strategies for the next five years, focusing on two main pillars. First, accelerating the development of "new productive forces," including strengthening the domestic AI supply chain and emerging sectors such as the low-altitude economy. Second, boosting domestic demand through fiscal support to stimulate consumption and expand effective investment, forming a virtuous cycle between investment and consumption.
- ▶ To support these goals, the plan outlines 109 major projects across six key areas. Among them, "advancing new productive forces" and "building a modern infrastructure system" are expected to drive AI technology and next-generation infrastructure development.
- ▶ With policy support continuing to emphasize new productive forces, Bloomberg expects China's growth engine to gradually shift from real estate toward innovation and technology. By 2026, the combined GDP share of high-tech and green industries is projected to exceed that of real estate for the first time, signaling a structural transition in China's growth model.

Source: Bloomberg, KGI

15th Five-Year Plan: 109 Major Projects Across Six Key Areas			
Six Strategic Directions	Project Count	Two Key Focus Areas	Related Industries
Develop New Productive Forces	28	Development of New Productive Forces	Semiconductor equipment, AI computing power, Low-altitude economy (drones), Humanoid robots
Build a Modern Infrastructure System	23		
Promote Regional Coordination	9	Modern Infrastructure Systems	Ultra-high voltage smart grid, Green energy and storage systems, Data center infrastructure, Low-altitude infrastructure
Ensure National Security	25		
Advance Green and Low-Carbon Transition	18		
Strengthen Security Systems	6		
<b>Total</b>	<b>109</b>		

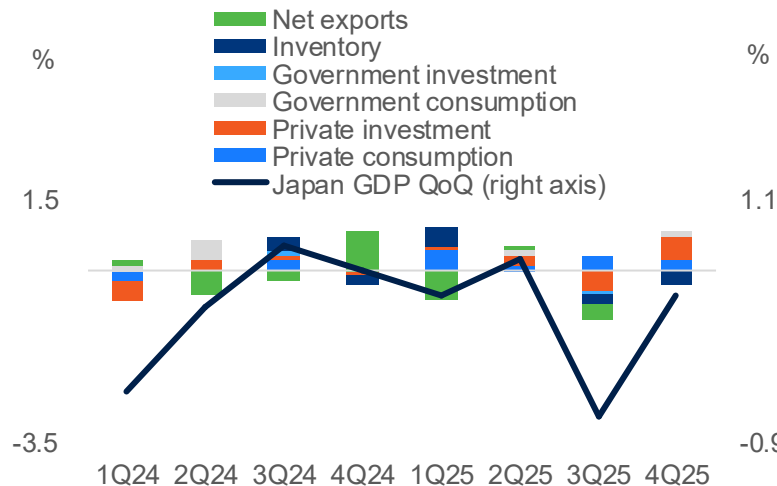
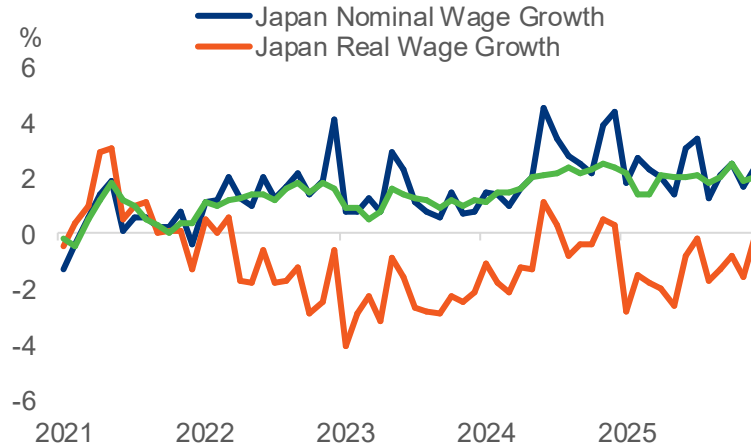
Fiscal Policy to Support Domestic Demand and Investment in 2026			
Policy	Funding Size	Policy Tools	Key Applications / Objectives
Boost Consumption (Expand Domestic Demand)	RMB 2.5tn	Ultra-long special gov. bonds	Support consumer goods trade-in programs and consumption upgrades
	RMB 1tn	Central government fiscal funds	Boost domestic demand and service consumption via loan subsidies and financing guarantees
Boost Investment (Effective Investment)	RMB 8tn	Ultra-long special gov. bonds	Develop new productive forces and support key infrastructure projects
	RMB 8tn	New policy-based financial instruments	Promote corporate capital expenditure and investment



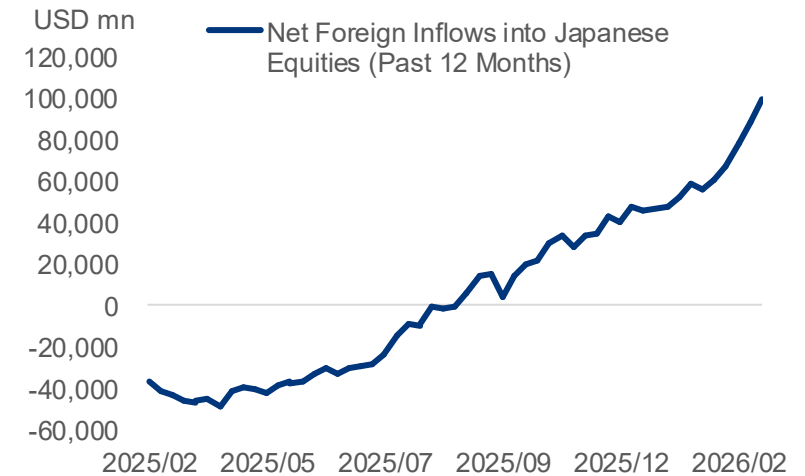
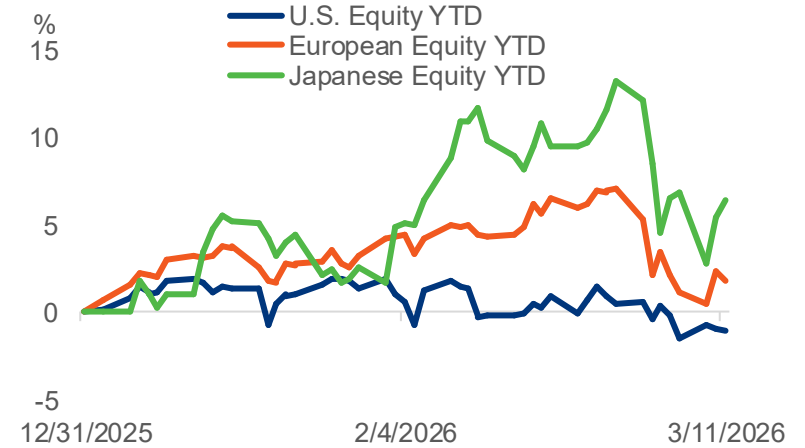
# Improving Economic Momentum and Foreign Inflows Support Japanese Equities

- Recent data show continued wage growth in Japan. Nominal wages rose from 1.7% YoY to 2.4%, while real wages improved from -1.6% to -0.1%, indicating a clear recovery in labor income, though real wage growth has yet to fully turn positive. Meanwhile, Japan's spring wage negotiations have entered the main bargaining phase, with major unions demanding larger pay increases than last year, making the outcome a key market focus.
- Japan's final 4Q25 GDP growth was revised up to +0.3% QoQ from the preliminary 0.1%, recovering from contraction in 3Q. However, growth remained modest due to weak inventory changes and subdued government investment. With the Kishida administration pursuing fiscal expansion, government investment could rise, supporting continued economic recovery.
- Following the general election, the Liberal Democratic Party secured a decisive victory, reinforcing near-term political stability and paving the way for fiscal expansion policies. Although the recent U.S.–Iran conflict triggered a pullback in Japanese equities, foreign capital continues to flow into the market, reflecting confidence in policy direction and the economic outlook. As a result, Japanese equities have generally outperformed U.S. and European markets since the start of the year.

**Japan's Economic Momentum Rebounds; Real Wages Yet to Turn Positive**



**Foreign Inflows Continue to Support Japanese Equities, Outperforming U.S. and Europe**



Source: Bloomberg, KGI

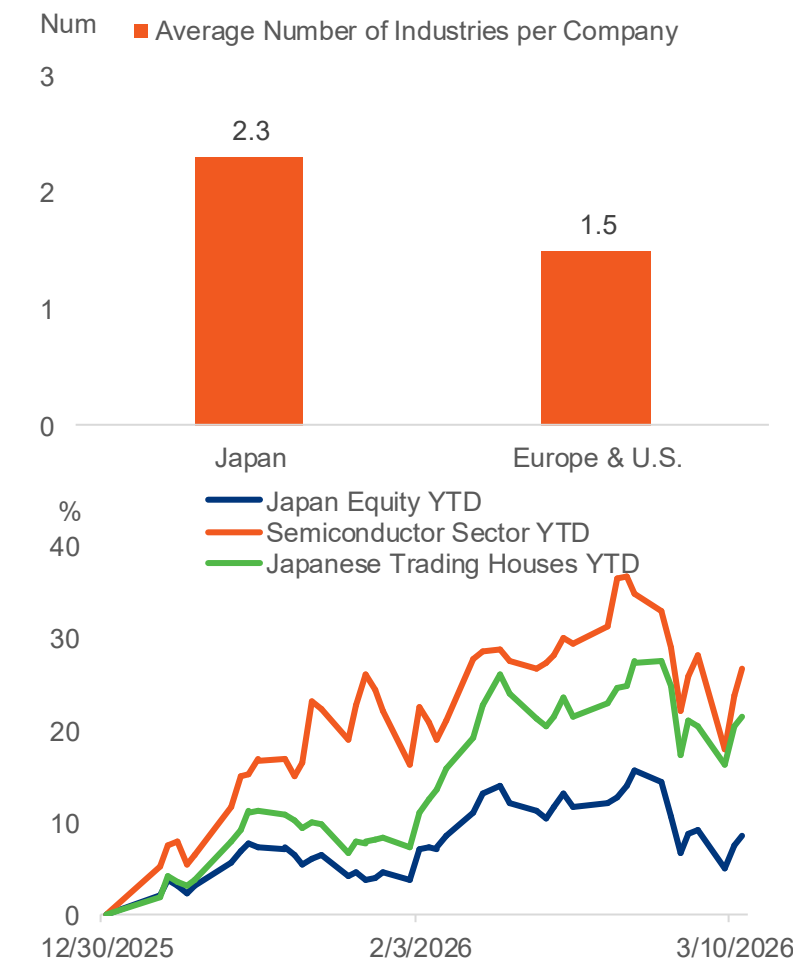
# Ride Japan's HALO Theme on Fiscal Expansion Policies

- ▶ Following the election, Sanae Takaichi's policy agenda focuses on three priorities: consumption, investment, and fiscal management. Key measures include suspending the food consumption tax for two years, expanding investment in AI and semiconductors, and controlling debt growth. Beyond AI, policy also emphasizes strengthening industrial capabilities in sectors such as semiconductors and shipbuilding.
- ▶ Meanwhile, Wall Street has introduced the HALO (Heavy Assets, Low Obsolescence) investment theme, reflecting a shift from asset-light AI firms toward companies requiring substantial physical infrastructure investment. The rapid build-out of AI infrastructure by major tech companies underscores the importance of real-asset investment.
- ▶ Japanese corporations—particularly trading houses—often operate diversified business models across multiple industries and retain strong industrial manufacturing capabilities, positioning them well to benefit from the HALO theme. Combined with Takaichi's push for expanded investment, sectors such as semiconductors and Japanese trading houses have already outperformed the broader market this year, a trend likely to continue.

Source: Bloomberg, Jefferies, KGI

Takaichi Fiscal Expansion Focuses on Long-Term Domestic Demand Investment	
Key Policy Direction	Description
<b>Domestic Consumption</b>	Suspend the food consumption tax for two years to ease cost-of-living pressures.
<b>Long-Term Investment</b>	Increase investment in AI, semiconductors, and shipbuilding to strengthen industrial competitiveness and address technological gaps.
<b>Fiscal Balance</b>	Control debt growth and maintain fiscal discipline over the long term.

## Japanese Trading Houses Gain Market Attention from Semiconductor and Diversified Businesses



# Asset Strategy

Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ The U.S.–Iran conflict remains unresolved. Investors should monitor the Strait of Hormuz blockade and its impact on oil supply and prices, as equities may remain volatile in the near term. The HALO (Heavy Assets, Low Obsolescence) strategy is also worth watching, as it hedges AI bubble risks while linking to real-economy recovery.</li> <li>◆ European and Japanese equities offer diversification. In Europe, preferred markets include Germany (fiscal stimulus and improving growth), the U.K. (attractive valuations and rate-cut tailwinds), and Spain (strong fundamentals with high financial sector weight). Preferred sectors include financials with improving balance sheets and policy-supported defense. In Japan, focus on domestic demand, banks, semiconductors, and trading houses benefiting from the HALO theme.</li> </ul>	<p><b>Strategy:</b> Core allocation to large-cap, high-quality stocks. Long-term positioning in AI themes including technology, semiconductors, utilities, and machinery. Outside AI, aerospace, defense, and value stocks are favored.</p> <p><b>Regions:</b> Germany, Spain, UK, Japanese banks, Japanese semiconductors stocks.</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ Rebounding oil prices are lifting inflation expectations, limiting Fed rate-cut room and putting upward pressure on Treasury yields in the near term. Corporate fundamentals remain stable, though market volatility has widened credit spreads—more notably in high-yield bonds. Investors may lock in income via Treasuries and investment-grade credit with stable cash flows. Preferred sectors with stronger risk-adjusted spreads include financials, utilities, and industrials.</li> <li>◆ The U.S. dollar may remain firm short term but faces long-term depreciation risks. Diversification into non-USD bonds—such as EUR- or AUD-denominated investment-grade bonds—may help reduce risk. Improving fundamentals in emerging markets also support allocations to higher-yield EM bonds.</li> </ul>	<p><b>Types:</b> Treasuries and high-quality credit for income locking; preferred sectors include financials, industrials, and utilities.</p> <p><b>Satellite Allocation:</b> Non-USD bonds for diversification.</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ Geopolitical uncertainty and rising oil prices may keep monetary policy cautious. The U.S. dollar could stay strong in the near term but trend weaker over the medium to long term.</li> <li>◆ ECB rate cuts are nearing an end, suggesting range-bound movement for the euro. Japan’s fiscal expansion expectations persist, while the BoJ remains cautious, limiting near-term appreciation potential for the yen.</li> </ul>	<p><b>USD:</b> short-term strength, mild medium-to long-term depreciation.</p> <p><b>JPY:</b> limited short-term appreciation.</p> <p><b>EUR:</b> Range-bound</p>
<b>Commodity</b>	<ul style="list-style-type: none"> <li>◆ Gold may see short-term volatility, but geopolitical risks linked to Trump-era policies, global competition for strategic resources, and tariff uncertainties continue to support its allocation value. Silver remains more speculative, and the gold–silver ratio is likely to revert to its long-term mean over time.</li> </ul>	<p><b>Gold:</b> bullish over the medium to long term.</p> <p><b>Silver:</b> higher volatility.</p>



## Japan Emerges as a Key Market for HALO Trades

- ▶ U.S. January core PCE rose 0.4% MoM, unchanged from the prior reading and in line with expectations; YoY growth was 3.1%, slightly above the previous 3.0%.
- ▶ February core CPI increased 0.2% MoM, below the prior 0.3% but meeting expectations, while YoY growth held at 2.5%.
- ▶ Meanwhile, U.S. 4Q25 GDP expanded 0.7% QoQ, slowing sharply from 4.4% previously and below the 1.4% consensus.
- ▶ The preliminary March Michigan consumer sentiment index came in at 55.5, down from 56.6 but slightly above the 54.8 forecast.
- ▶ HALO (Heavy Assets, Low Obsolescence) has emerged as a prominent investment theme, favoring asset-heavy industries with low technological obsolescence. As AI adoption accelerates, demand for infrastructure such as computing power, electricity, industrial equipment, and critical materials is rising, driving renewed value for companies with strong physical assets and technological barriers. In contrast, asset-light sectors more exposed to AI disruption—such as parts of software and IT services—may face pressure. With strong capabilities in industrials, materials, and precision equipment, and a critical role in semiconductor materials and advanced manufacturing supply chains, Japan is increasingly viewed as a key beneficiary of the HALO theme.

Source: Bloomberg

### Nikkei Index Price-to-Book and Price-to-Earnings Ratios



# Mitsui Mining & Smelting (5706 JP)

**Closing Price** JP ¥31,580

**Target Price** JP ¥38,000

Produces processed metal materials, including non-ferrous metals such as aluminum and copper alloys. The company also manufactures electronic materials, industrial chemicals, and automotive components, serving global customers.

## Strong Demand for High-End Copper Foil

Mitsui Mining's ultra-thin high-end copper foil (HVLP) holds about 60% global market share in AI servers, HPC packaging substrates, and high-frequency circuit boards. The company noted in its Jan 2026 briefing that demand for HVLP products is expanding rapidly. By 2030, monthly demand for HVLP3+ is expected to exceed ~2,400 tons and HVLP4+ over ~1,400 tons, supported by continued AI server growth.

## Capacity Expansion and Price Increases

Current MicroThin copper foil capacity is about 4.9mn sqm per month, expected to expand to ~5.6mn sqm by 2030. The company also plans a 12% price increase for MicroThin copper foil in Apr 2026, helping offset higher raw material, labor, and operating costs.

## FY25 3Q Results

For the first three quarters of FY25 (fiscal year ending March), revenue reached JPY 542.2bn (+3.1% YoY). Operating profit rose to JPY 71.7bn (+27.6% YoY), while net profit attributable to shareholders was JPY 49.1bn (-5.9% YoY). The company raised FY25 guidance, expecting revenue of JPY 750bn, operating profit of JPY 117bn, and net profit of JPY 77bn.

## Valuation Consensus

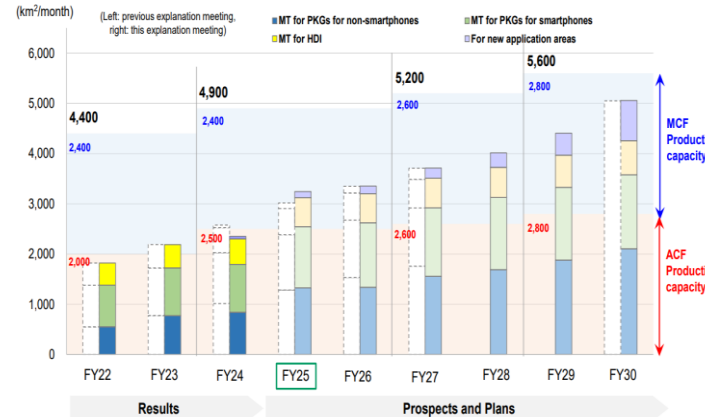
Bloomberg 12M average target price: ¥37,380 (high ¥56,700, low ¥22,500).

Source: Bloomberg

## 1-Year Price



## MicroThin Capacity Expansion Plan

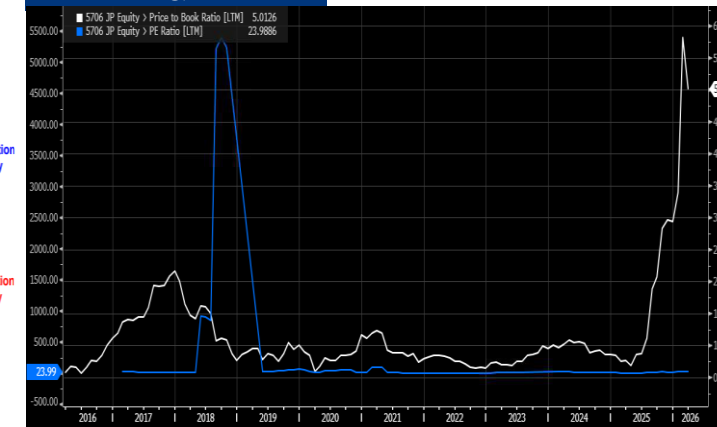


## Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	2.9	-0.8	10.2	2.9	5.2
EBITDA (%)	7.1	10.2	15.2	18.5	18.2
EPS(JPY)	190.05	479.72	1059.76	1078.45	1248.57
Net Profit Margin(%)	1.7	4.2	8.5	8.6	9.2

Source: Bloomberg; 2026/27F are market estimates

## P/E & P/B



# Nitto Boseki (3110 JP)

**Closing Price** JP ¥22,140

**Target Price** JP ¥28,000

Produces textiles, building materials, and fiberglass products. Its portfolio includes glass fiber, insulation materials, flooring, acoustic ceilings, and specialty chemicals, while also operating medical products and environmental engineering businesses.

## T-Glass Shortage Makes Nitto a Key Supplier for AI Packaging

Nitto is one of the few suppliers of ultra-low-loss specialty glass cloth used in AI and HPC packaging substrates, positioning it as a key upstream beneficiary of AI hardware expansion. Management noted strong demand driven by AI investment, while industry reports continue to highlight T-Glass as a bottleneck in advanced packaging.

## Capacity Expansion and Potential Price Hikes in FY26

The company expects specialty glass demand to remain strong, guiding for ~20% YoY sales growth in FY26 as new capacity ramps up. Management also indicated that price increase discussions for T-Glass are underway, suggesting potential margin upside if demand remains tight.

## Solid FY25 3Q Results

For the first three quarters of FY25 (fiscal year ending March), revenue reached JPY 87.6bn (+7.5% YoY), operating profit JPY 14.9bn (+26.4% YoY), and net profit JPY 35.1bn (+272.7% YoY). FY25 guidance is revenue of JPY 120bn, operating profit of JPY 20bn, and net profit of JPY 38bn. Management expects T-Glass sales to grow about 20% in FY26.

## Valuation Consensus

Bloomberg 12M average target price: ¥23,134 (high ¥27,770, low ¥17,000).

Source: Bloomberg

### 1-Year Price

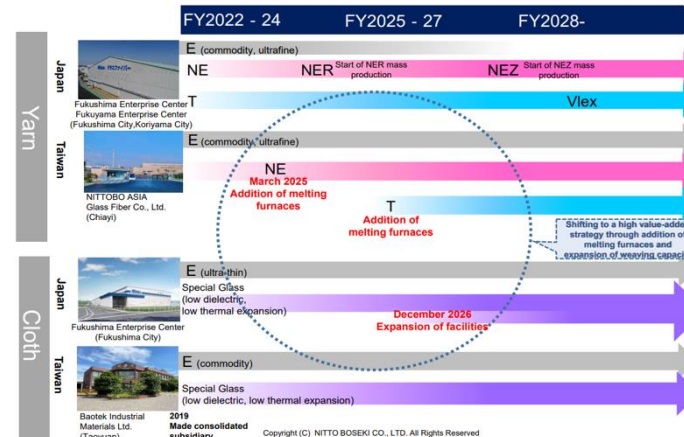


### Financials

	2023	2024	2025	2026F	2027F
<b>Revenue Growth(%)</b>	4.1	6.5	16.9	9.7	13.3
<b>EBITDA (%)</b>	15.0	16.7	22.4	24.9	29.6
<b>EPS(JPY)</b>	79.70	210.75	340.34	1051.20	553.49
<b>Net Profit Margin(%)</b>	3.4	8.2	11.4	32.2	15.0

Source: Bloomberg; 2026/27F are market estimates

### Specialty Glass Capacity Expansion



### P/E & P/B



## Appendix

## Key Economic Data / Events

## ► MAR 2026

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Monday

- China Feb CPI YoY  
(Act:1.3% Est:0.9% Prev.:0.2%)
- Eurozone Mar Sentix Investor Confidence  
(Act:-3.1 Est:-3.0% Prev.:4.2%)

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Tuesday

- U.S. Feb Existing Home Sales  
(Act:4.09m Est:3.88m Prev.:4.02m)
- Japan 4Q GDP Annualized QoQ Final  
(Act:1.3% Est:1.0% Prev.:2.6%)
- Japan Feb Machine Tool Orders YoY Prelim  
(Act:24.2% Prev.:25.3%)

11

Wednesday

- U.S. Feb CPI YoY  
(Act:2.4% Est:2.4% Prev.:2.4%)
- U.S. Feb Core CPI YoY  
(Act:2.5% Est:2.5% Prev.:2.5%)
- Japan Feb PPI YoY  
(Act:2.0% Est:2.2% Prev.:2.3%)

12

Thursday

- U.S. Initial Jobless Claims  
(Act:213k Est:215k Prev.:214k)
- U.S. Jan Housing Starts  
(Act:1,487k Est:1,341k Prev.:1,387k)

13

Friday

- U.S. Jan PCE YoY  
(Est:2.9% Prev.:2.9%)
- U.S. Jan Core PCE YoY  
(Est:3.1% Prev.:3.0%)
- U.S. 4Q GDP Annualized QoQ Revision  
(Est:1.4% Prev.:4.4%)
- U.S. Mar Michigan Consumer Sentiment Prelim  
(Est:54.8 Prev.:56.6)
- U.S. Jan JOLTS Job Openings  
(Est:6,750k Prev.:6,542k)

16

Monday

- U.S. Feb Industrial Production YoY  
(Est:0.1% Prev.:0.7%)
- Nvidia GTC 2026 (Mar 16–19)

17

Tuesday

18

Wednesday

- U.S. Feb PPI YoY  
(Prev.:2.9%)
- U.S. Jan Durable Goods Orders MoM Final  
(Prev.:1.4)
- Eurozone Feb CPI YoY Final  
(Est:1.9% Prev.:1.7%)

19

Thursday

- U.S. Initial Jobless Claims  
(Prev.:213k)
- U.S. Mar Fed Funds Rate  
(Est:3.75% Prev.:3.75%)
- Japan Mar BoJ Uncollateralized Overnight Call Rate  
(Est:0.75% Prev.:0.75%)
- UK Mar BoE Bank Rate  
(Est:3.75% Prev.:3.75%)
- Eurozone Mar ECB Main Refinancing Rate  
(Est:2.15% Prev.:2.15%)

20

Friday

- Taiwan Feb Export Orders YoY  
(Prev.:60.1%)

Source: Bloomberg

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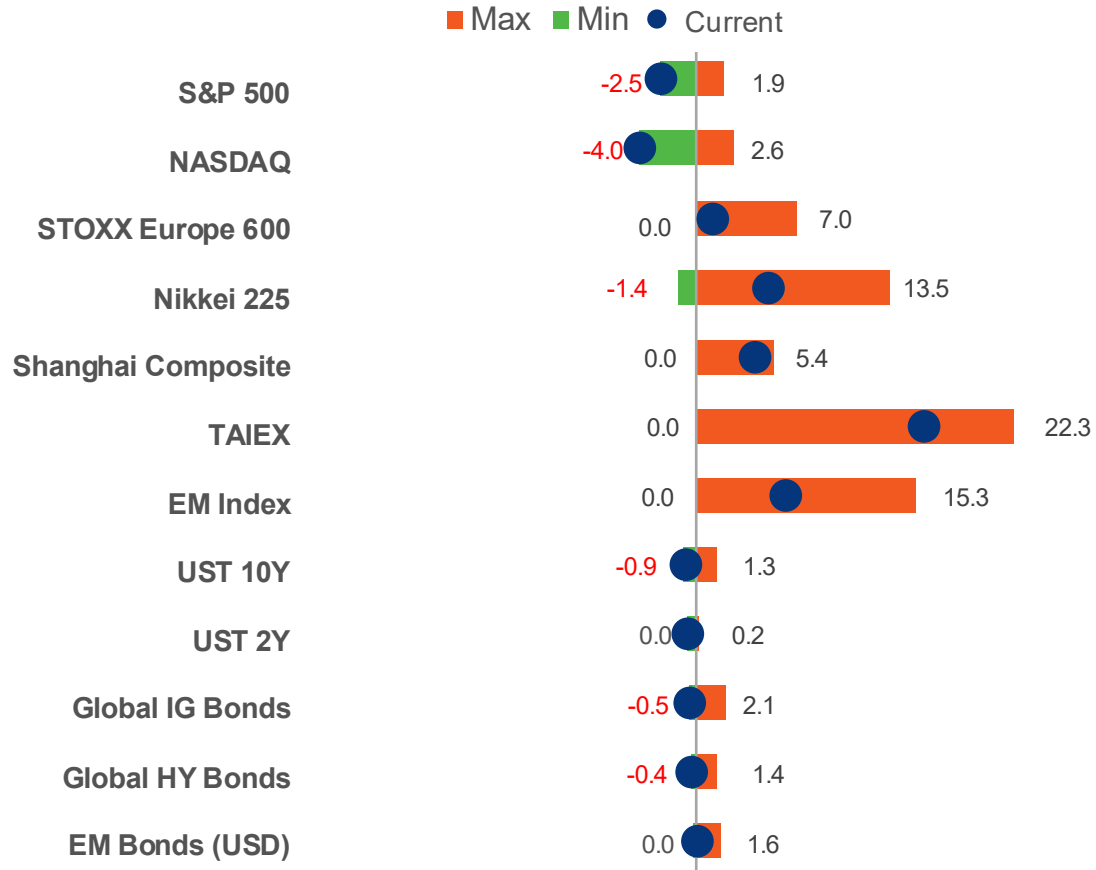
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# Key Earnings Releases

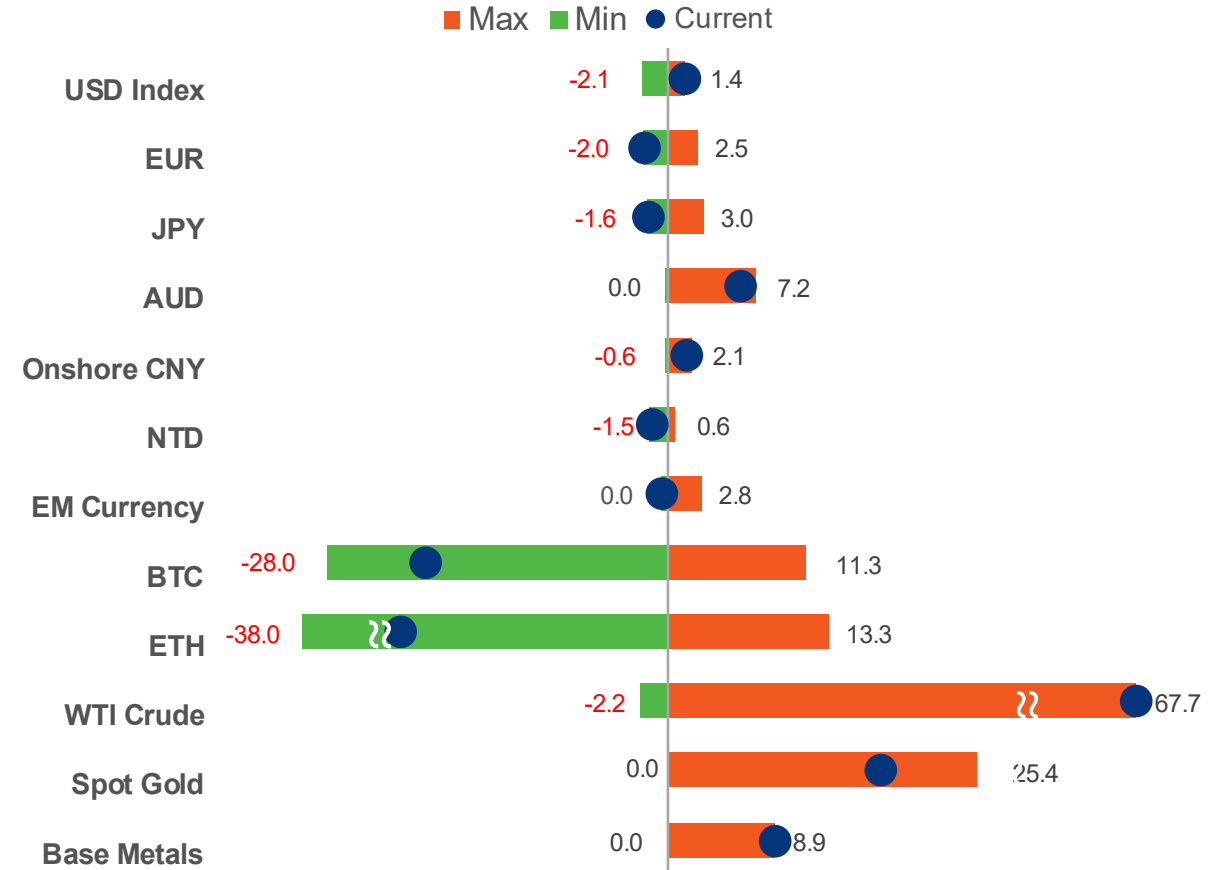
Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2026/3/10	Oracle Corporation (ORCL)	16.92B	17.20B	1.70	1.79	V	V
2026/3/13	Adobe Inc. (ADBE)	6.28B	6.40B	5.86	6.06	V	V

# Major Market / Asset YTD Performance

## Equities & Bond Markets 2025 Performance (%)

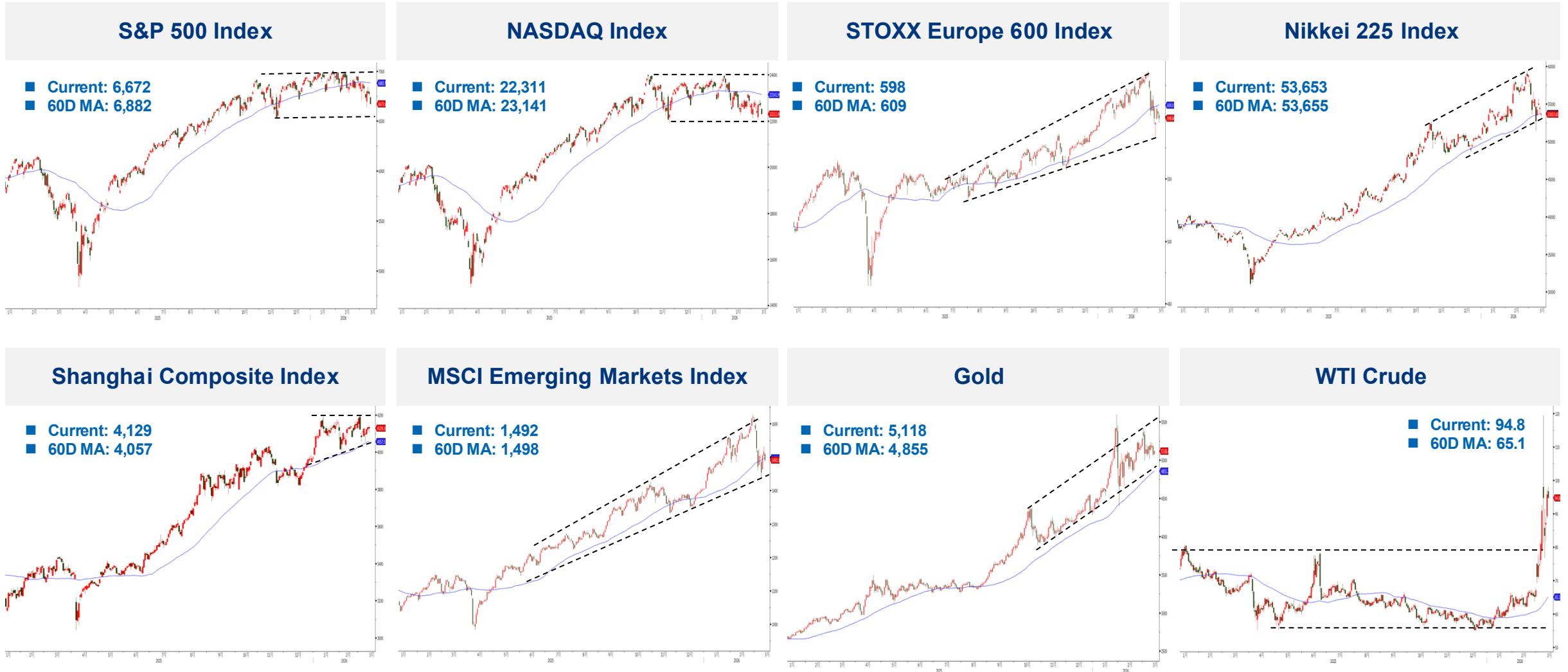


## Currencies and Commodities Market 2025 Performance (%)



Source: Bloomberg

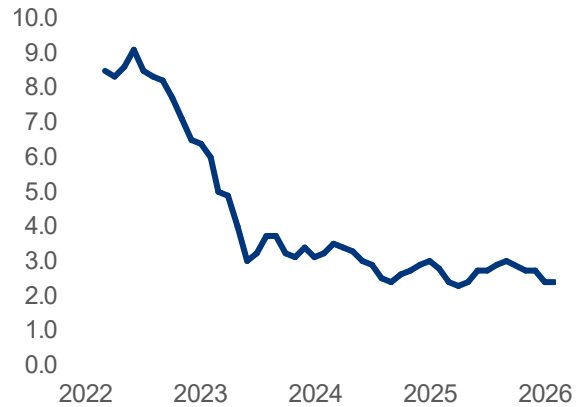
# Technical Analysis



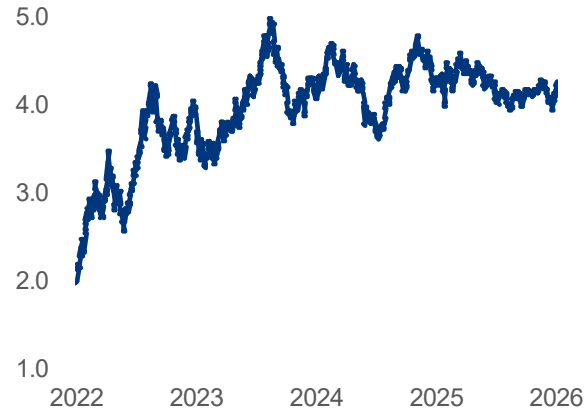
Source: Bloomberg

# Market Monitor

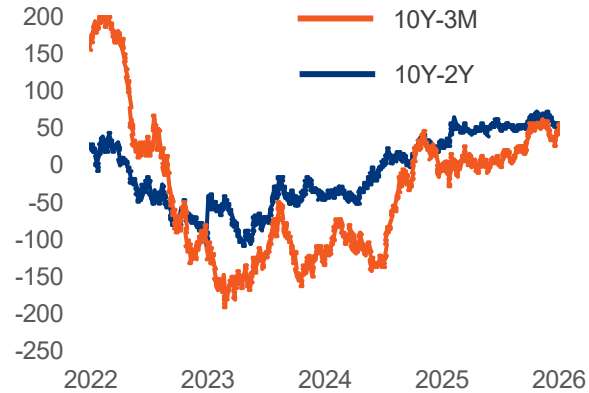
U.S. CPI YoY (%)



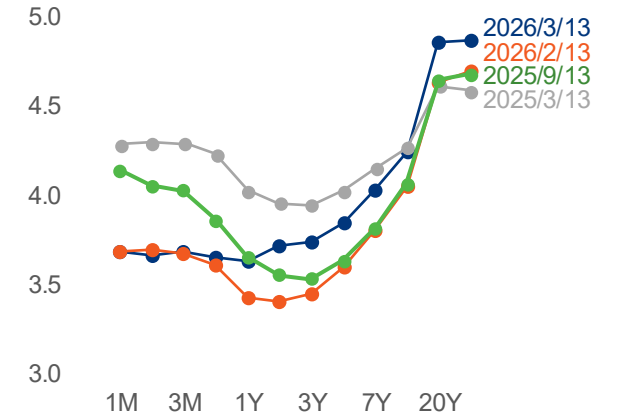
U.S. 10-Year Treasury Yield (%)



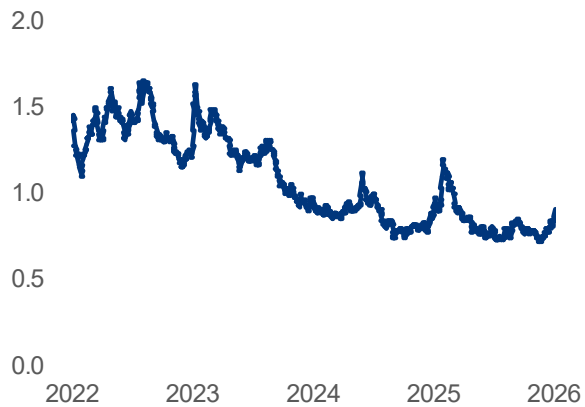
U.S. Treasury Yield Spread (bps)



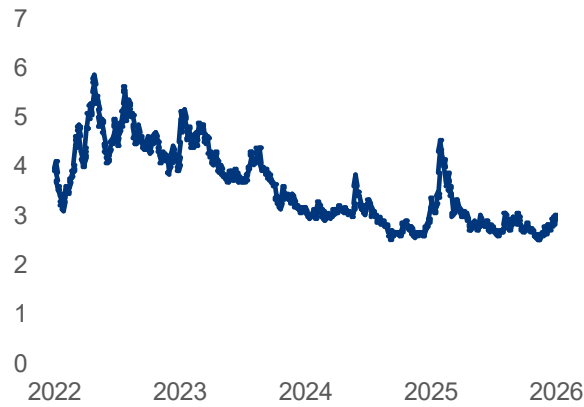
U.S. Treasury Yield Curve (%)



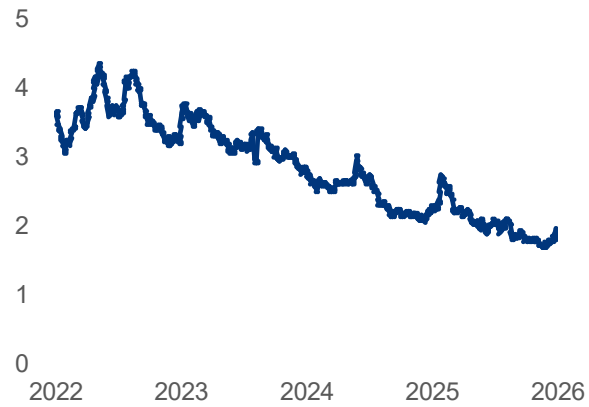
USD IG Credit Spread (%)



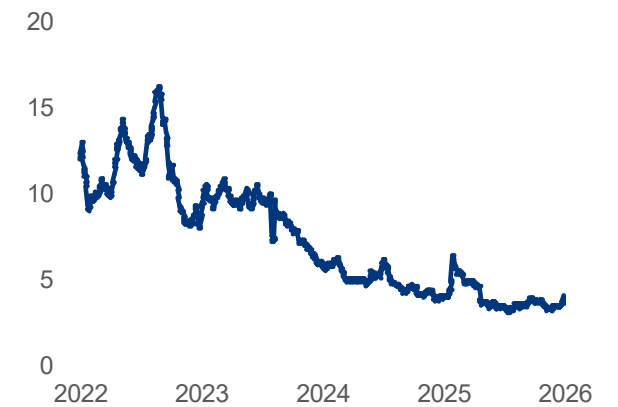
USD HY Credit Spread (%)



USD EM Credit Spread (%)



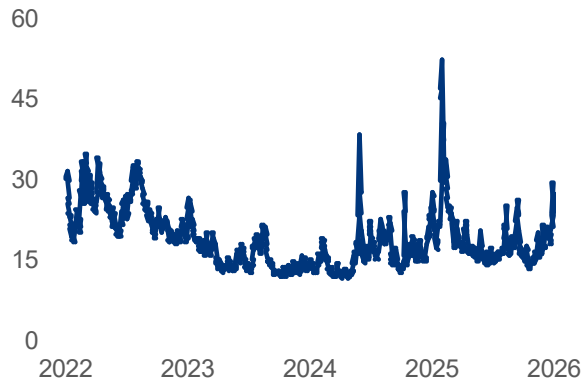
USD Asia Credit Spread (%)



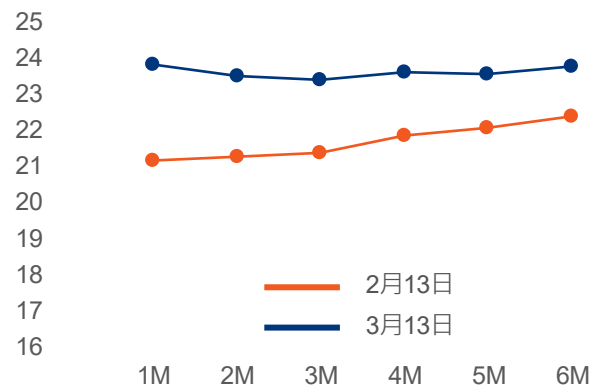
Source: Bloomberg

# Market Monitor

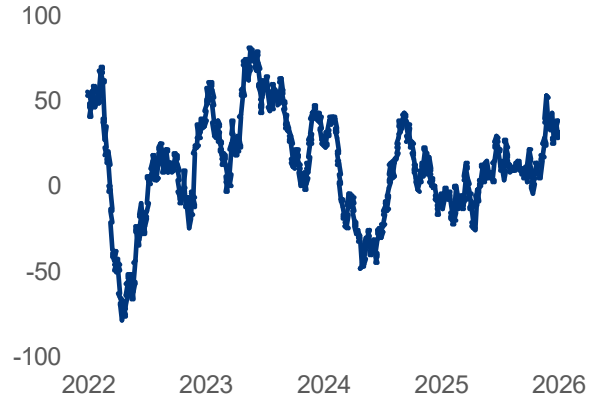
**VIX Index**



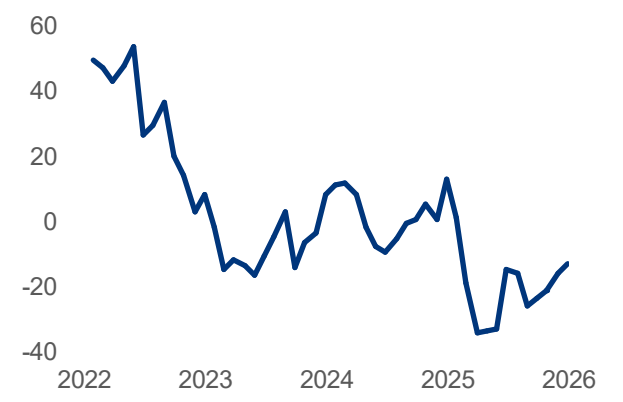
**VIX Term Structure**



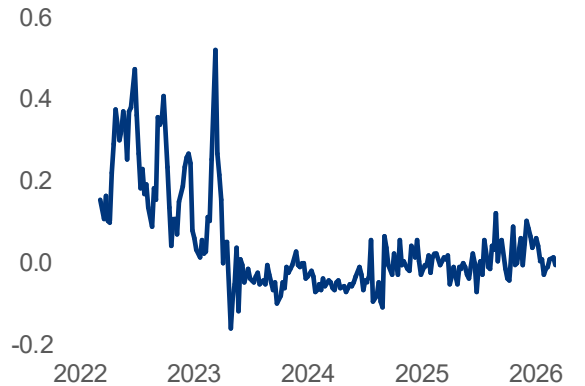
**U.S. Citi Economic Surprise Index\***



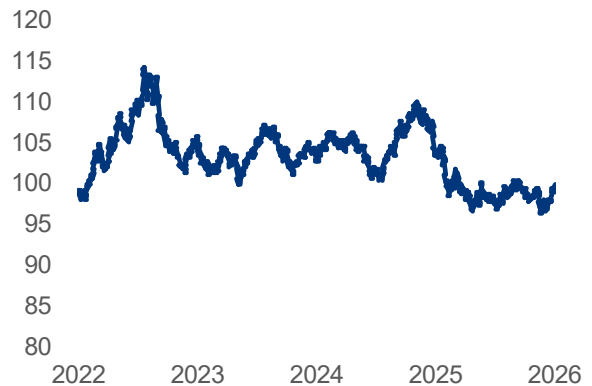
**U.S. Citi Inflation Surprise Index\***



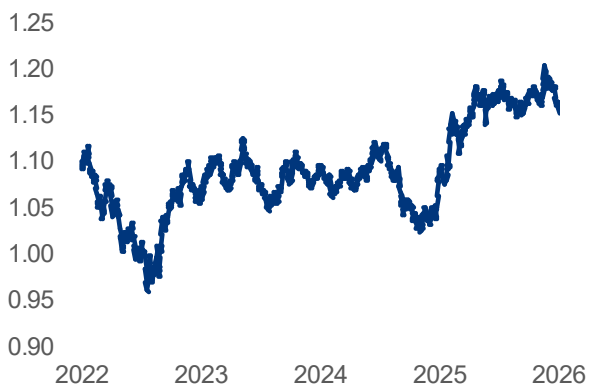
**TED Spread (bps)**



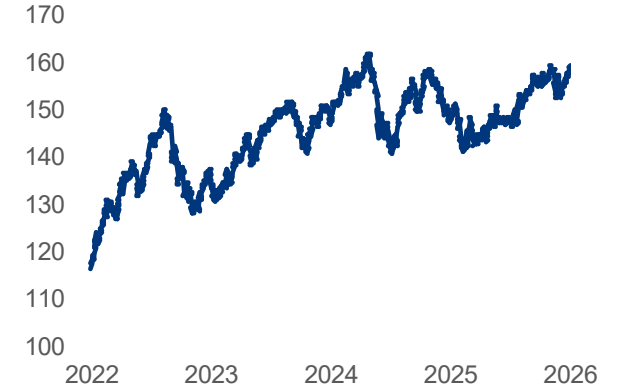
**U.S. Dollar Index**



**EUR to USD**



**USD to JPY**



Source: Bloomberg, \*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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