



CIO Office Global Markets Weekly Kickstart

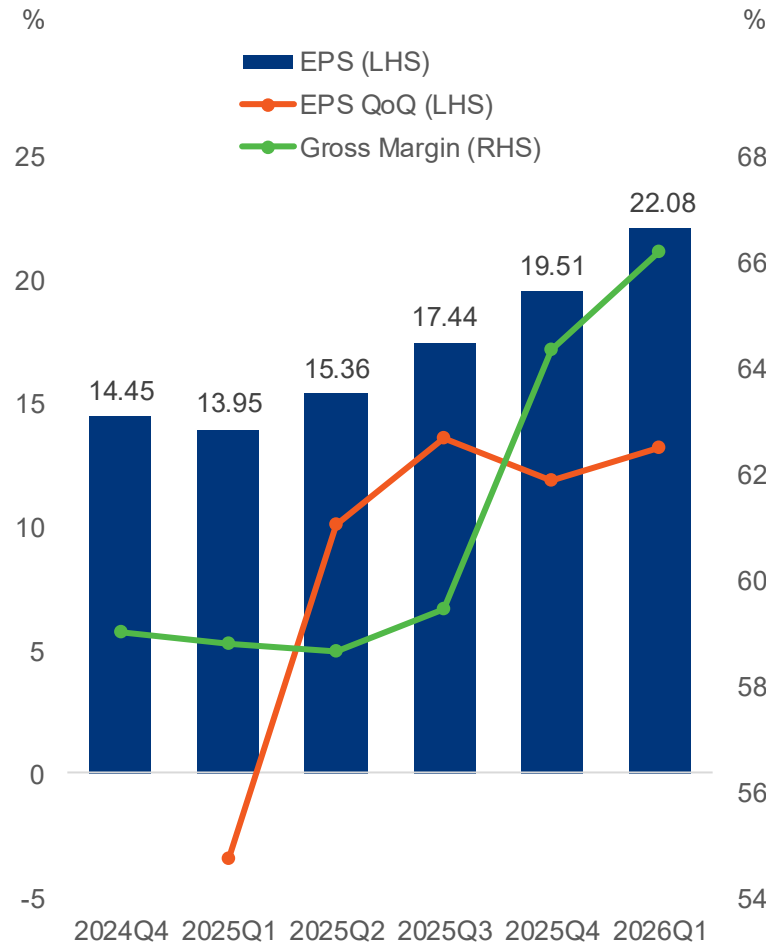
Pharma Protectionism in Progress

20 April 2026

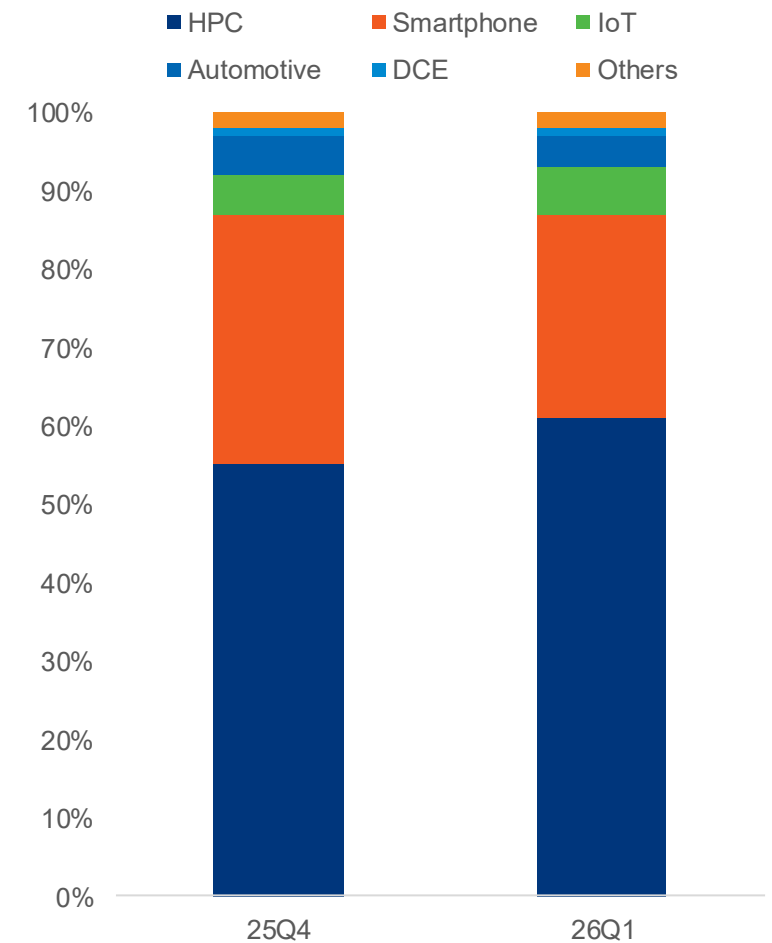
TSMC Earnings Hit Record Highs; Chairman Emphasizes "Insatiable AI Demand"

- ▶ TSMC announced its 1Q26 results, with revenue reaching NT\$1.134 trillion, exceeding market expectations of NT\$1.127 trillion. Net income stood at NT\$572.48 billion, also beating the consensus of NT\$543.32 billion. Driven by high-margin AI revenue, the gross margin reached a new record of over 66%, with a net profit margin of 50.5%. 1Q EPS simultaneously hit an all-time high of NT\$22.08.
- ▶ By product segment, High-Performance Computing (HPC), primarily fueled by AI, saw robust growth with a 20% QoQ increase. This pushed HPC's revenue contribution above the 60% threshold for the first time. Conversely, smartphone demand remained sluggish, declining 11% QoQ.
- ▶ During the earnings call Q&A, Chairman C.C. Wei noted that all customers are signaling an urgent need for capacity. To meet this demand, TSMC must accelerate its expansion roadmap, working closely with construction contractors and equipment suppliers to pull forward expansion schedules. He emphasized that AI demand is exceptionally strong. This robust demand is expected to bolster the revenue performance of the Taiwan-based supply chain, particularly in the aforementioned sectors, which may preemptively reflect this optimistic sentiment.

TSMC Profitability Metrics (1Q26)



Revenue Contribution by Platform

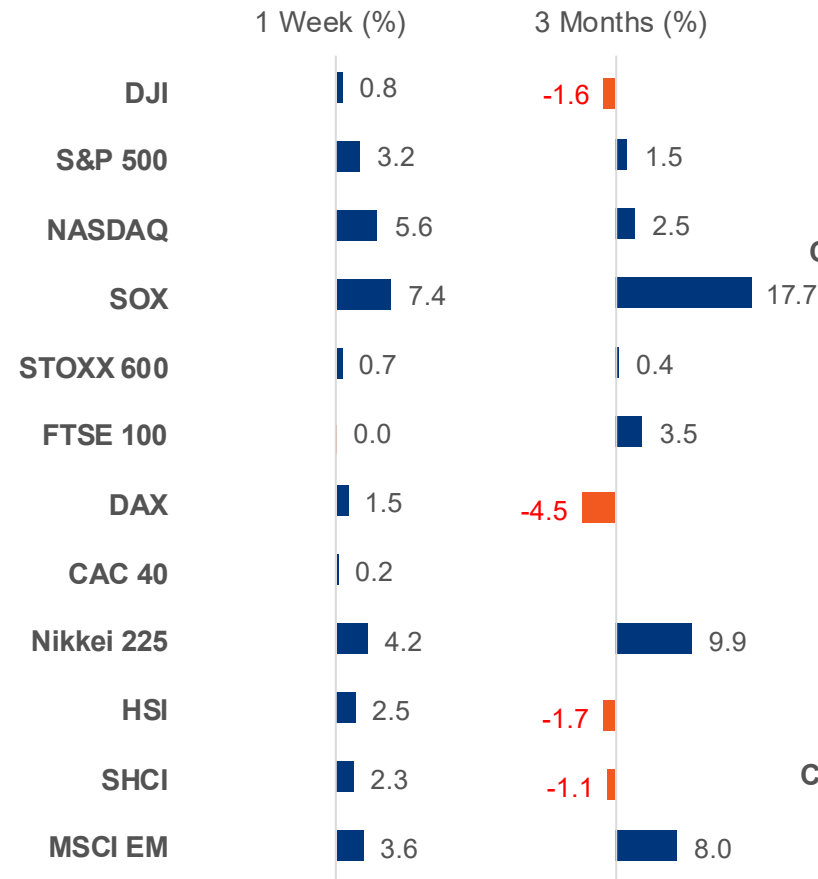


Market Recap

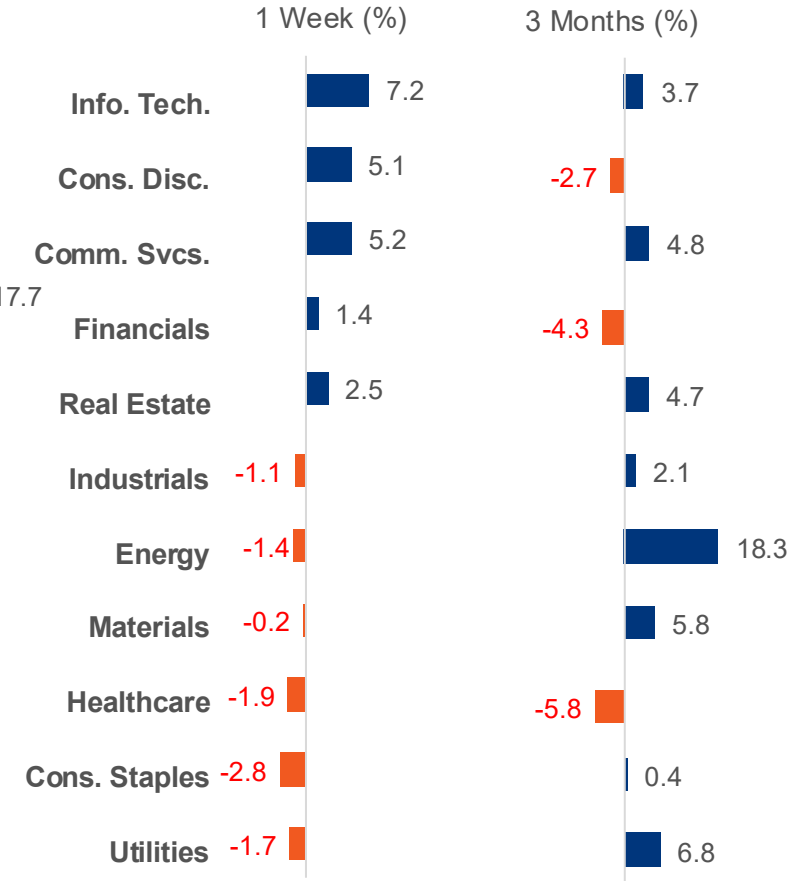
US-Iran Negotiations Progress Smoothly; Risk Appetite Surges as Industry Styles Shift

- ▶ Despite the impending expiration of the two-week ceasefire agreement between the U.S. and Iran and the lack of a scheduled second round of talks, Trump stated that Iran is interested in reaching a deal and that negotiations are progressing smoothly. This week, markets reflected optimism over the increased probability of peace talks. Global risk sentiment improved significantly, with capital flowing back into risk assets. All four major U.S. indices closed in the green, led by the Philadelphia Semiconductor Index (SOX) with a weekly gain of 7.4%. European markets, which were less impacted by the US-Iran conflict previously, showed relatively weaker gains this week. In contrast, Asia and emerging markets benefited significantly from the improved risk appetite. The Nikkei 225 performed strongly with a 4.2% weekly gain, making it one of the top performers among major markets outside the U.S.
- ▶ In terms of industry sectors, a clear divergence in styles was observed. Responding to the "risk-on" atmosphere, the market aggressively shifted from defensive sectors to cyclical stocks. Healthcare, consumer staples, and utilities performed poorly, while cyclical and growth sectors—such as information technology, consumer discretionary, and communication services—saw significant gains.

Regional Index Performance (%)

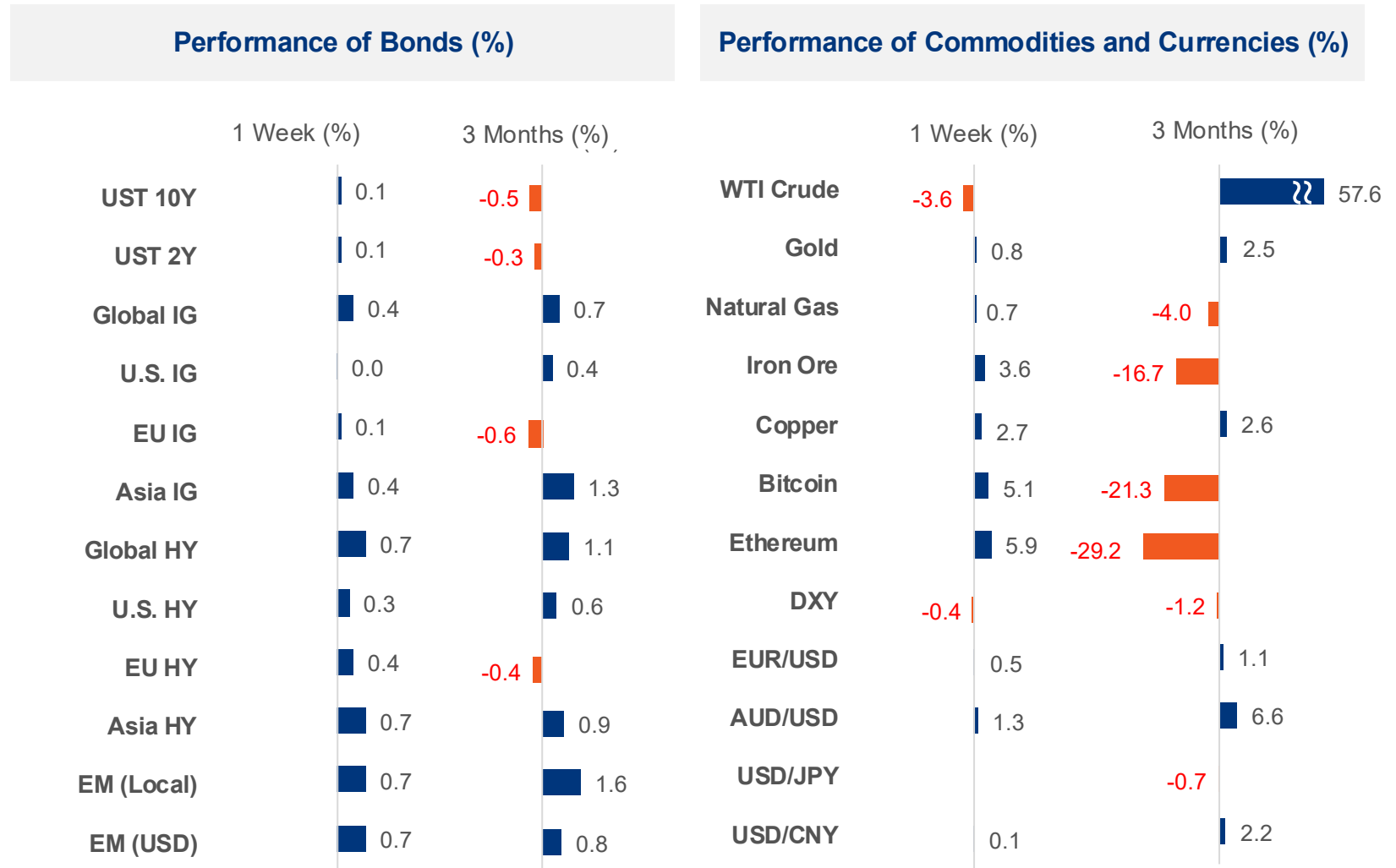


U.S. Sector Index Performance (%)



HY Bonds Gain on Risk-On Sentiment; Weaker Dollar Lifts Emerging Debt and Crypto

- ▶ Despite energy prices recording their largest gains since 2005, March inflation and core inflation data came in lower than expected. The U.S. March CPI rose 3.3% YoY, below the market expectation of 3.4% but a significant jump from 2.4% in February; core CPI rose 2.6% YoY, lower than the 2.7% forecast. Inflation data is expected to be impacted by high oil price spillovers, thereby limiting the room for rate cuts before year-end. KGI Invest believes the inflation risk is a one-off impact and the Fed will maintain its current monetary policy path. If oil prices retreat, the Fed may not resume rate cuts until the first half of 2027; Treasury yields remained stable.
- ▶ However, the strong atmosphere surrounding a potential U.S.-Iran agreement has improved risk sentiment, driving significant gains in both Investment-Grade (IG) and High-Yield (HY) bonds. The anticipated decline in oil prices is expected to ease operating costs for lower-rated companies, leading to a more pronounced narrowing of credit spreads in high-yield bonds.
- ▶ The U.S. Dollar retreated due to the optimistic market mood, leading to notable gains in emerging market debt. Precious metals like silver and risk assets such as cryptocurrencies also benefited, showing a clear price rebound. In terms of commodity performance this week, only crude oil prices fell back as geopolitical risks subsided.

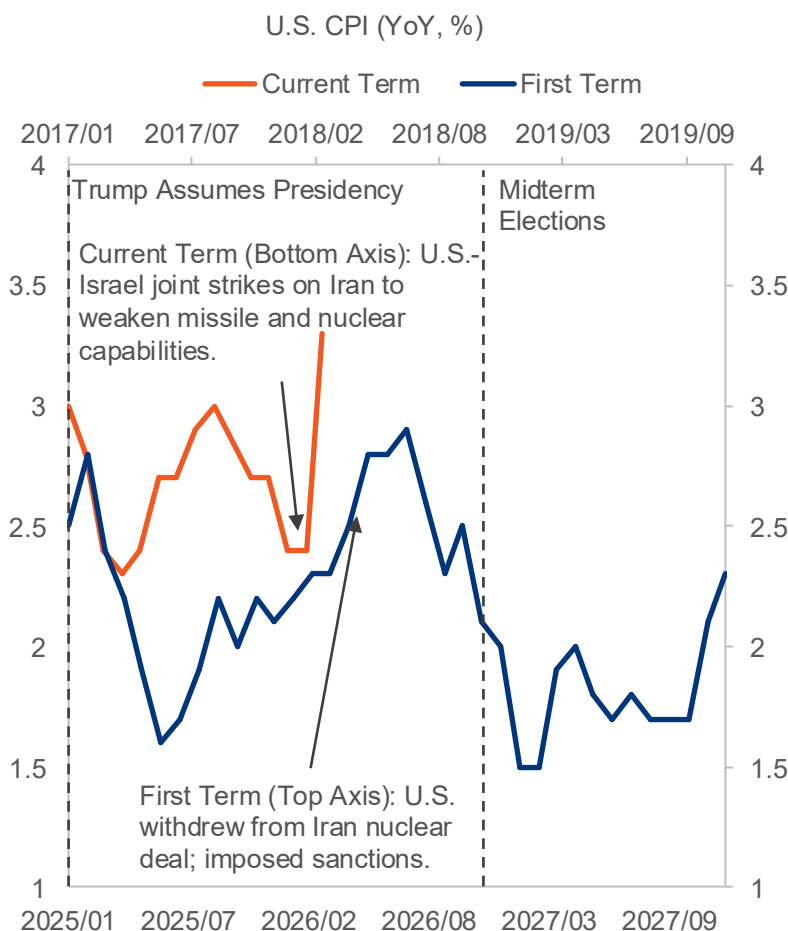


Source: Bloomberg

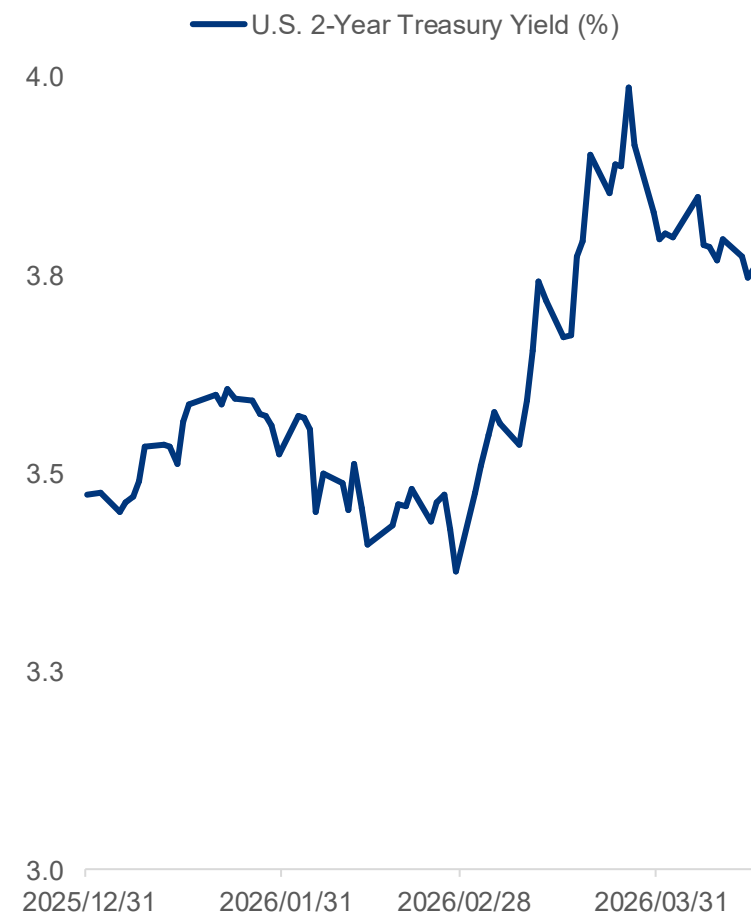
Trump's First Term vs. Current Term: Investment Opportunities Amid US-Iran Tensions

- ▶ Across both terms, Trump targeted Iran in his second year in office, with the core objective of preventing Iran from acquiring nuclear weapons. His first term relied primarily on economic sanctions paired with limited military actions. In contrast, the current term has shifted toward large-scale military operations, including the elimination of Iran's supreme leader and senior officials. During the first term, conflicts persisted until the 2020 pandemic, though their market and economic impact eventually diminished, with inflation receding from peaks before the midterm elections.
- ▶ The current term has seen a more severe oil price shock. Even if the impact on prices is a one-off event, inflation may remain elevated for an extended period, delaying the Federal Reserve's rate-cut plans. While the U.S. 2-year Treasury yield has retreated from its highs, it remains above pre-conflict levels. According to FedWatch, the probability of a single rate cut for the entire year has dwindled to approximately 30%.
- ▶ Midterm elections typically favor stock market performance, and Trump likely aims to prevent the conflict from hindering the Republican Party's electoral prospects. However, rising risk-free rates have pushed up discount rates, exerting pressure on stock valuations. Moving forward, a more rational approach to valuations is advised; portfolios should not be solely concentrated in high-valuation, high-growth enterprises.

Comparing Trump's Two Terms on Iran Strategy



Improved Investment Sentiment, but Diminished Rate-Cut Prospects

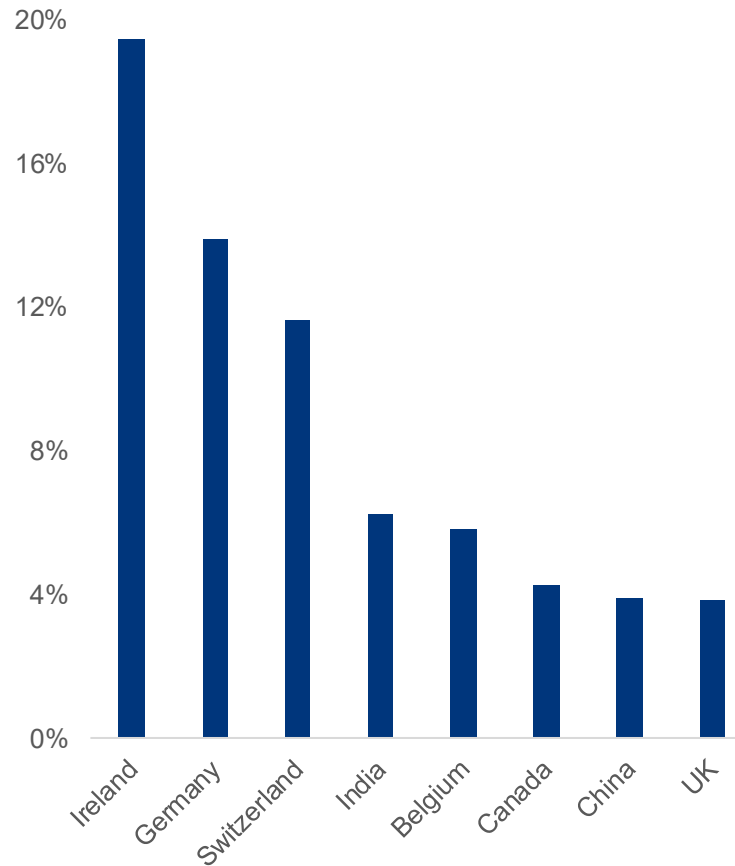


Global Pharma Giants Reach Accords with Trump to Avert 100% Tariff Crisis

- ▶ In April 2026, Trump signed an executive order under Section 232 to impose a 100% tariff on imported patented drugs and key active ingredients. The policy utilizes a tiered tax structure aimed at lowering domestic drug prices and forcing supply chains back to the U.S. For individual companies, drugmakers can secure a 0% tariff until 2029 by agreeing to Most-Favored-Nation (MFN) pricing and signing reshoring agreements. Those committing to relocate production bases to the U.S. can receive an initial 20% preferential rate until 2030. At the national level, specific import exemptions have been established: 10% for the UK, and 15% for the EU, Switzerland, Japan, South Korea, and Liechtenstein. Currently, most major pharmaceutical exporters to the U.S. (by value)—with the exceptions of India and China—have reached preferential rate agreements with the Trump administration.
- ▶ Regarding individual firms, nine of the world’s top ten pharmaceutical companies by market capitalization are listed in the U.S. To proactively comply with policy, these giants have successively reached agreements on MFN pricing (offering the lowest global prices within the U.S.) and domestic investment commitments in exchange for tariff exemptions.

Major Pharmaceutical Importers to the U.S.

U.S. Drug Import Share by Country of Origin (%)



Global Pharma Giants' Agreements with Trump for 3-Year Tariff Exemptions

Company	Ticker	Agreement Details & Investment Commitment
Eli Lilly	LLY	Significantly lower GLP-1 (weight loss/diabetes) prices; expand U.S. domestic capacity.
Novo Nordisk	NVO	Lower prices for Wegovy and insulin; ensure U.S. supply chain resilience.
Johnson & Johnson	JNJ	Signed MFN pricing agreement to ensure U.S. prices do not exceed global lows.
Merck	MRK	Adopt MFN pricing for cancer and chronic disease medications.
AbbVie	ABBV	Price reduction for immunology drugs; evaluate increasing U.S. API (Active Pharmaceutical Ingredient) production.
Novartis	NVS	High discounts for specific prescription drugs; adopt MFN pricing.
AstraZeneca	AZN	Historic price cuts for respiratory and cancer drugs; commit to increased U.S. R&D investment.
Roche	N.A.	Adopt MFN pricing; reform pricing models for high-cost ophthalmology and oncology biologics.
Pfizer	PFE	Comprehensive MFN pricing; commit to US\$70 billion in additional U.S. R&D and CAPEX.
Amgen	AMGN	Partial MFN pricing; peg specific biologic prices to international lows.

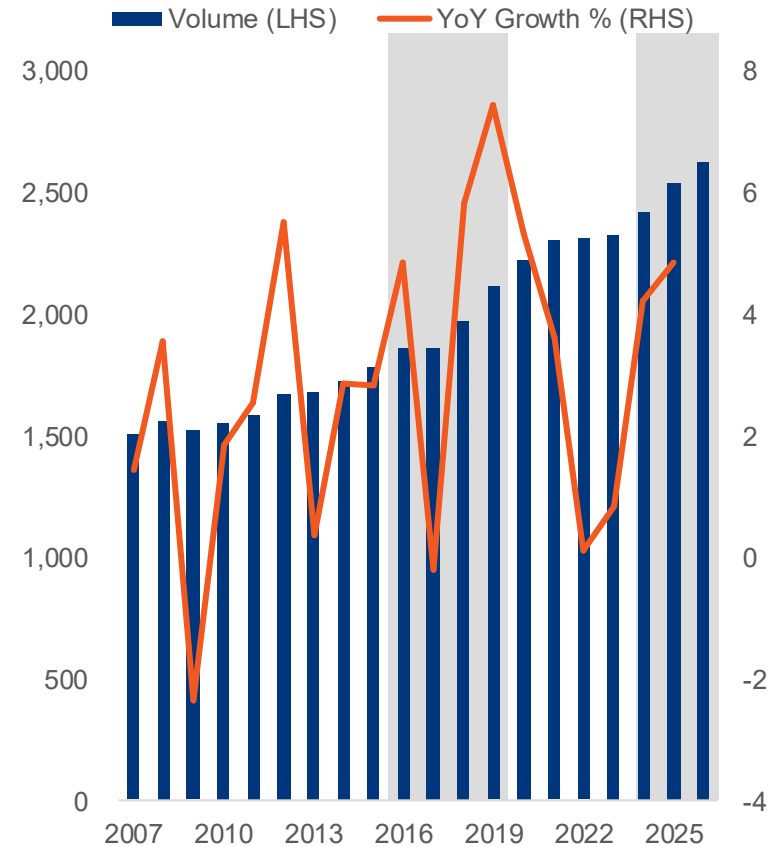
Source: Bloomberg, KGI

U.S. Drug Manufacturing Surges Under Trump; Markets Pivot Back to Biopharma

- ▶ During his first term, Trump actively promoted the reshoring of pharmaceutical manufacturing to fulfill his "America First" agenda. Amidst the COVID-19 pandemic, an executive order required federal agencies to prioritize the procurement of essential medicines and key active ingredients produced domestically. His second term has intensified these efforts through Section 232, leading to a marked increase in branded drugs manufactured in the U.S. in both periods. In 2025, production volume grew by approximately 4.8% YoY; as of March 31, 2026, the number of U.S.-made branded drugs has surpassed 2,600 units, representing a 3.4% growth compared to year-end.
- ▶ Under the pressure of Trump's Section 232 tariff threats, pharmaceutical giants have redirected capital expenditures and R&D toward the U.S. This shift has reignited market interest in domestic biopharmaceutical equity investments. Compared to the same period last year, U.S. venture capital and private equity (VC/PE) funding has grown by 26%. The capital raised through biopharma IPOs and follow-on offerings has seen even more significant growth, reaching US\$11.8 billion as of March 31, 2026—a 153% YoY increase. This indicates that capital is aggressively positioning itself during the recent market correction. With the Section 232 tariff conditions now finalized, the biopharma sector is poised to reflect potential growth opportunities driven by the reshoring of investment to the U.S.

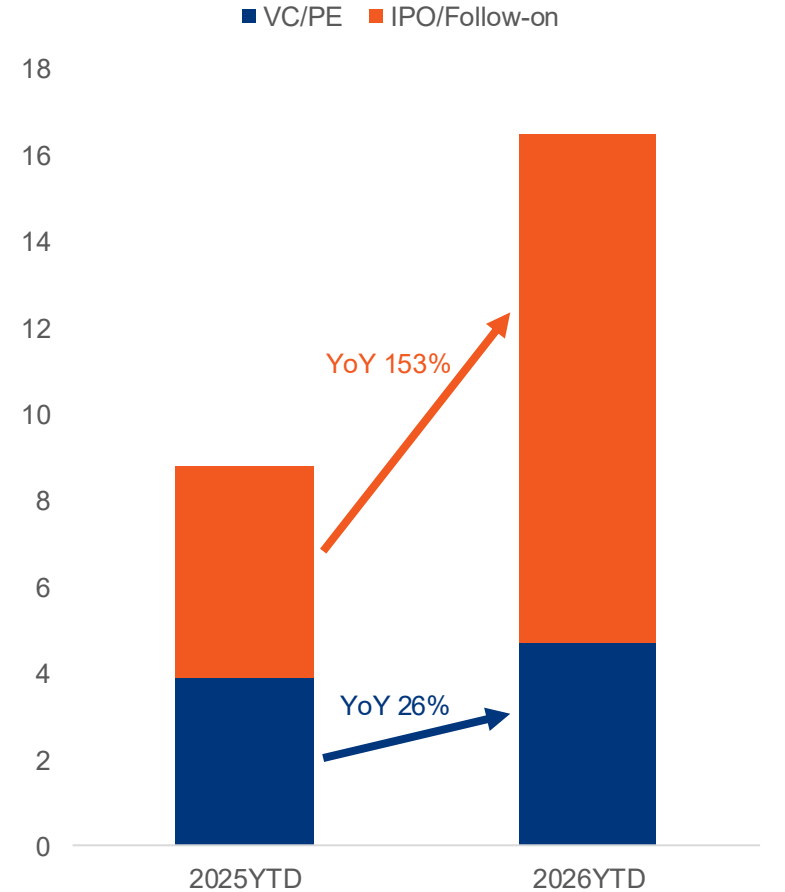
Significant Rise in U.S.-Manufactured Branded Drugs During Trump Administrations

Branded Drug Manufacturing in the U.S., (Number of items), YoY %



Surge in Market Interest for U.S.-Listed Biopharmaceutical Companies

Equity investment amount in U.S. biopharmaceuticals, Bln USD



Source: ibisworld (left axis), UBS (right axis), data as of March 31, 2026, KGI

Asset Strategy

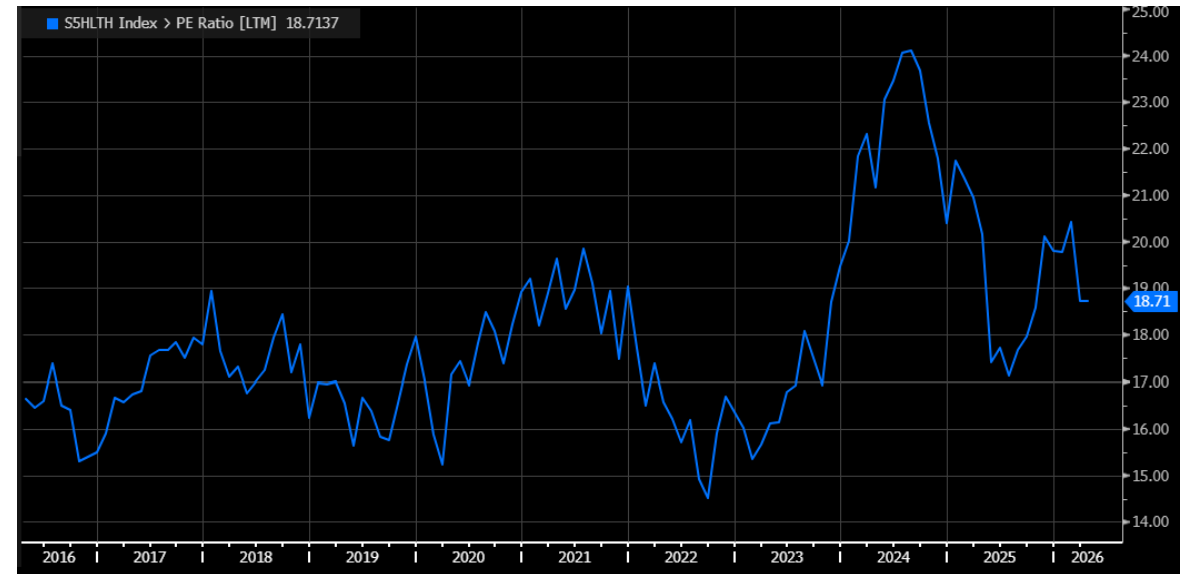
Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ Markets are reflecting a potential U.S.-Iran ceasefire, leading to a retreat in oil prices and slightly lower inflation expectations. However, risks such as rising production costs and equity valuation adjustments remain; U.S. equities are expected to experience continued volatility. Given current economic uncertainty and heightened fluctuations, defensive, low-volatility, and high-quality stocks are recommended as top picks, such as Consumer Staples, Healthcare, Utilities, and Telecommunications. Re-entry into AI themes like Technology, Communication Services, Consumer Discretionary, and Industrials is suggested for the latter half of Q2. ◆ European and Japanese equities can serve as key diversification anchors, with Japanese stocks showing higher upside potential than European ones. Japanese holdings should focus on Value and Banking stocks, while also monitoring commercial and wholesale companies with the HALO theme. The Eurozone reflects geopolitical pricing, with Defense as a primary support, specifically in Germany and the UK. 	<p>Strategy: Core allocation in large-cap high-quality and defensive stocks (Telecommunications, Utilities). Long-term positioning in AI themes (Technology, Semiconductors, Machinery). Non-AI convictions include Aerospace, Defense, and Value stocks.</p> <p>Regions: Japanese Banks, Japanese Semiconductors, German equities, and UK equities.</p>
Bonds	<ul style="list-style-type: none"> ◆ Fed minutes show that rate hikes to counter inflation from Middle East conflicts are not ruled out. The Fed is expected to maintain current monetary policy to observe data trends. Before oil prices and geopolitical risks subside, and with expanding U.S. government spending, Q2 U.S. Treasury yields may trend upward. High-quality corporate bonds offer better credit health and defensive capabilities; investors can utilize rate spikes to position in intermediate-term bonds, focusing on attractive risk-adjusted spreads in the Financial, Communication, Utility, and Energy sectors. ◆ The USD is strong in the short term but faces long-term depreciation concerns. Non-USD bonds, such as EUR and AUD-denominated investment-grade bonds, can be added to diversify risk. 	<p>Types: Lock in yields with intermediate-term high-quality bonds; sectors include Financials, Communications, Utilities, and Energy.</p> <p>Satellite Allocation: Non-USD bonds for risk diversification.</p>
Forex	<ul style="list-style-type: none"> ◆ Geopolitical disturbances have cooled slightly, curbing oil prices. Major central banks remain in a wait-and-see mode. The USD has retreated in the short term but remains bearish in the mid-to-long term. ◆ With the USD consolidating at highs in Q2, the RMB is expected to show relative strength. 	<p>USD: USD retreating short-term, bearish mid-to-long term with limited downside.</p> <p>EUR/JPY range-bound, RMB biased toward appreciation.</p>
Commodity	<ul style="list-style-type: none"> ◆ Gold has rebounded recently due to the decline in the USD and Treasury yields. Geopolitical risks from Trump, the scramble for critical resources, and market uncertainty from tariffs maintain gold's allocation value. We hold a bullish mid-to-long-term outlook and recommend accumulating on significant pullbacks. 	<p>Gold: Bullish mid-to-long term; accumulate on significant pullbacks.</p>



U.S.-Iran Conflict Subsides; Markets Pivot to New Narratives

- ▶ U.S. March Core PPI increased 0.1% MoM, lower than the previously revised 0.3% and below the market expectation of 0.4%. On a YoY basis, Core PPI rose 3.8%, remaining flat compared to the revised previous figure and coming in below the anticipated 4.1%.
- ▶ U.S. equities staged a V-shaped recovery in early April, reaching new all-time highs. The rally was primarily led by the Semiconductor and Technology sectors. The market narrative has swiftly shifted from the U.S.-Iran conflict back to the AI theme. On the policy front, the U.S. government has initiated a Section 232 investigation into imported patented drugs and their raw materials, imposing a 100% punitive tariff. If implemented, this tariff could provide a significant tailwind for U.S. pharmaceutical companies. As a defensive sector with currently attractive valuations, we recommend that investors consider strategic allocations to the U.S. Healthcare sector.

S&P 500 Healthcare Index Forward P/E Ratio



Source: Bloomberg

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Merck & Co., Inc. (MRK)

Closing Price US \$119.07

Target Price US \$132

Merck & Co. is a global healthcare company providing health solutions through prescription medicines, vaccines, biologic therapies, animal health, and consumer products. These products are distributed via direct sales and joint ventures. The company operates across the pharmaceutical, animal health, and consumer healthcare sectors.

Keytruda Continues to Bolster Earnings; FY26 as a Transitional Phase

Keytruda remains the company's core profit driver, generating US\$31.7B in revenue in FY25, accounting for ~48.7% of total revenue. Ahead of its patent expiration in 2028, it continues to benefit from new indications and the launch of the subcutaneous version, Keytruda Qlex. However, despite a strong 4Q, FY26 revenue guidance was set at US\$65.5B–\$67B, missing market expectations due to generic competition, Medicare price negotiations, and weakening COVID-19 treatment demand. The company is entering a short-term transitional phase awaiting new growth momentum.

Proactive Response to Patent Cliffs and Tariff Risks

Merck is mitigating the 2028 patent cliff by filing supplementary patents and strengthening Keytruda's lifecycle management. Simultaneously, the company is advancing its U.S. localization to reduce policy and supply chain risks. In 2025, Merck announced plans to invest over US\$70B in the U.S., helping buffer the impact of potential "100% tariffs on patented drugs" and providing an advantage to firms committed to domestic production.

4Q25 Results Exceed Expectations

4Q revenue grew 5% YoY to US\$16.4B, with adjusted EPS of US\$2.04—both beating consensus. Performance was driven by Keytruda's US\$8.87B in quarterly sales. Although management anticipates a US\$2.5B headwind in FY26 from loss of exclusivity (LOE) on older products and Medicare/IRA pricing pressures, they still expect long-term revenue growth of 5%–8%.

Valuation Consensus

The Bloomberg 12-month average target price is US\$132.11, with a high of US\$150 and a low of US\$100.

Source: Bloomberg, Company 10K

1-Year Price

(USD)



Historical Product Sales

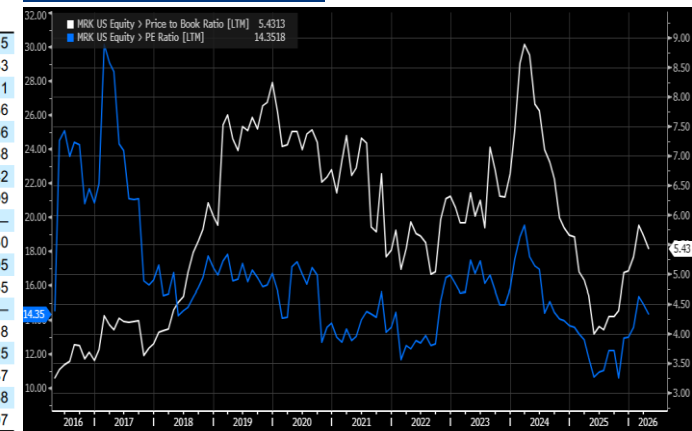
(\$ in millions)	2025	2024	2023
Total Sales	\$ 65,011	\$ 64,168	\$ 60,115
Pharmaceutical	58,142	57,400	53,583
Keytruda/Keytruda Qlex	31,680	29,482	25,011
Gardasil/Gardasil 9	5,233	8,583	8,886
Januvia/Janumet	2,544	2,268	3,366
ProQuad/M-M-R II/Varivax	2,451	2,485	2,368
Bridion	1,841	1,764	1,842
Alliance revenue - Lynparza ⁽¹⁾	1,450	1,311	1,199
Winreva ⁽¹⁾	1,443	419	—
Alliance revenue - Lenvima ⁽¹⁾	1,053	1,010	960
Prevymis	978	785	605
Vaxneuvance	825	808	665
Capvaxive	759	97	—
Welireg	716	509	218
Animal Health	6,354	5,877	5,625
Livestock	3,896	3,462	3,337
Companion Animal	2,458	2,415	2,288
Other Revenues ⁽²⁾	515	891	907

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	1.4	6.7	1.3	2.6	5.2
EBITDA (%)	46.3	40.0	46.4	30.3	45.7
EPS(USD)	6.76	7.00	8.04	5.11	9.68
Net Profit Margin(%)	28.6	27.7	31.0	18.9	33.8

Source: Bloomberg; 2027/28F are market estimates

P/E & P/B



Appendix

Key Economic Data / Events

► APR 2026

13

Monday

- U.S. Mar Existing Home Sales (Act:3.98m Est:4.05m Prev:4.13m)

14

Tuesday

- U.S. Mar PPI YoY (Act:4.0% Est:4.6% Prev:3.4%)
- Japan Feb Industrial Production MoM (Final) (Act:-2.0% Prev:4.3%)

15

Wednesday

- Japan Feb Core Machine Orders MoM (Act:13.6% Est:-1.1% Prev:-5.5%)
- Eurozone Feb Industrial Production MoM (Act:0.4% Est:0.3% Prev:-0.8%)

16

Thursday

- U.S. Weekly Initial Jobless Claims (Act:207k Est:213k Prev:218k)
- China Q1 GDP YoY (Act:5.0% Est:4.8% Prev:4.5%)
- China Mar Retail Sales YoY (Act:1.7% Est:2.4% Prev:2.8%)
- China Mar Industrial Production YoY (Act:5.7% Est:5.3% Prev:6.3%)
- Eurozone Mar CPI YoY (Final) (Act:2.6% Est:2.5% Prev:1.9%)

17

Friday

20

Monday

21

Tuesday

- U.S. Mar Retail Sales MoM (Est:1.3% Prev:0.6%)
- Taiwan Mar Export Orders YoY (Est:38.5% Prev:23.8%)
- Earnings: GE, UNH, RTX, DHR

22

Wednesday

- Eurozone Apr Consumer Confidence (prelim) (Prev:-16.3)
- Earnings: IBKR, COF, ISRG, CB, GEV, PM, T, BA, TXN

23

Thursday

- U.S. Weekly Initial Jobless Claims (Est:210k Prev:207k)
- U.S. Apr S&P Global Manufacturing PMI (prelim) (Est:52.8 Prev:52.3)
- Japan Apr S&P Global Manufacturing PMI (prelim) (Prev:51.6)
- Eurozone Apr S&P Global Manufacturing PMI (prelim) (Prev:51.6)
- Earnings: TSLA, LRCX, IBM, LMT, AXP, NEE, UNP

24

Friday

- U.S. Apr Univ. of Michigan Consumer Sentiment (Final) (Est:48.3 Prev:53.3)
- Japan Mar National CPI YoY (Est:1.5% Prev:1.3%)
- Earnings: INTC, NEM

Source: Bloomberg

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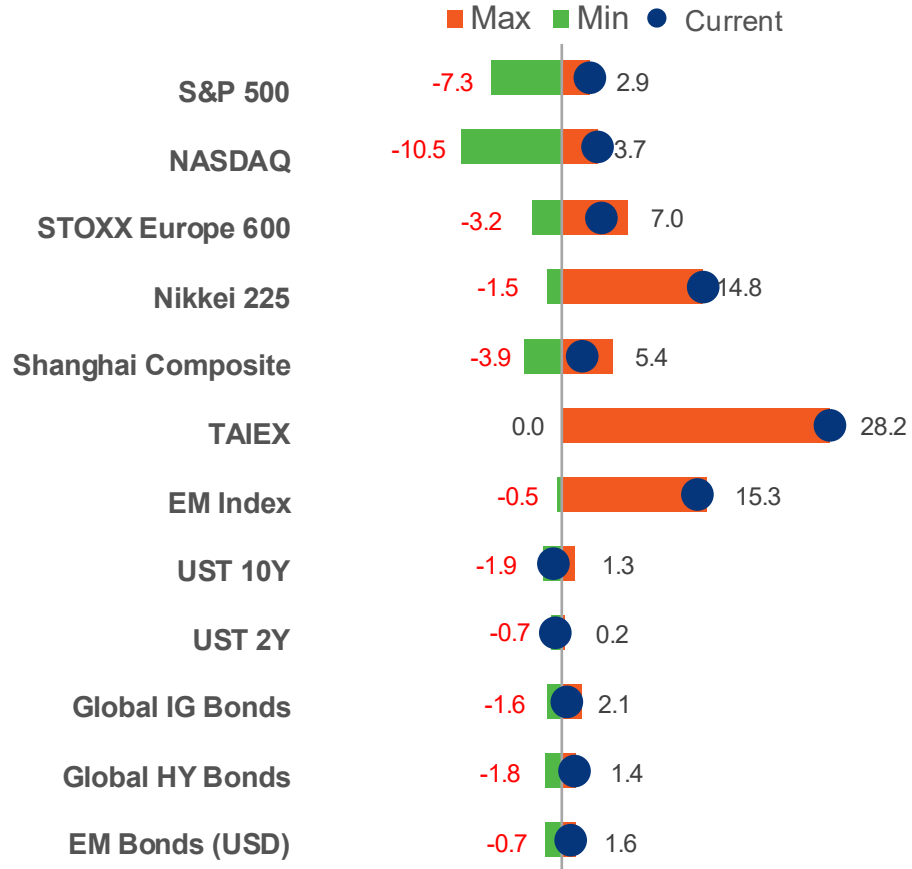
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2026/4/13	Goldman Sachs (GS)	16.95B	17.23B	16.34	17.55	V	V
2026/4/14	BlackRock (BLK)	6.5B	6.7B	11.48	12.53	V	V
2026/4/14	JPMorgan Chase (JPM)	49.26B	50.54B	5.41	5.94	V	V
2026/4/14	Johnson & Johnson (JNJ)	23.66B	24.06B	2.69	2.7	V	V
2026/4/14	Wells Fargo (WFC)	21.76B	21.45B	1.58	1.56		
2026/4/14	Citigroup (C)	23.54B	24.6B	2.66	3.06	V	V
2026/4/15	Progressive (PGR)	22.02B	22.19B	4.84	4.96	V	V
2026/4/15	Bank of America (BAC)	30.02B	30.27B	1.01	1.11	V	V
2026/4/15	Morgan Stanley (MS)	19.71B	20.58B	2.98	3.43	V	V
2026/4/16	PepsiCo (PEP)	18.93B	19.44B	1.55	1.61	V	V
2026/4/16	Abbott Laboratories (ABT)	11.01B	11.16B	1.15	1.15	V	
2026/4/16	Charles Schwab (SCHW)	6.51B	6.48B	1.39	1.43		V
2026/4/16	Prologis (PLD)	2.27B	2.3B	1.49	1.5	V	V
2026/4/17	Netflix (NFLX)	12.17B	12.25B	0.76	1.23	V	V

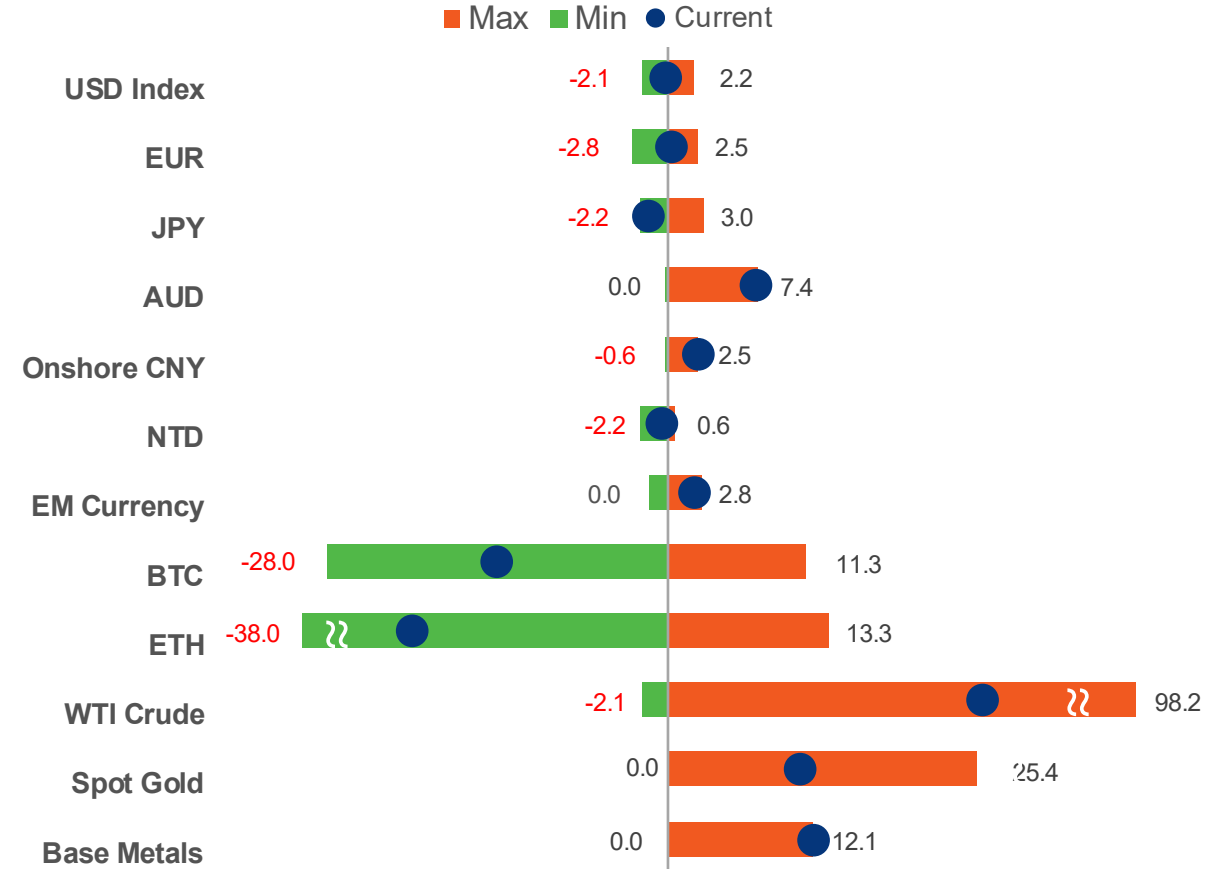
Source: Investing.com

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)

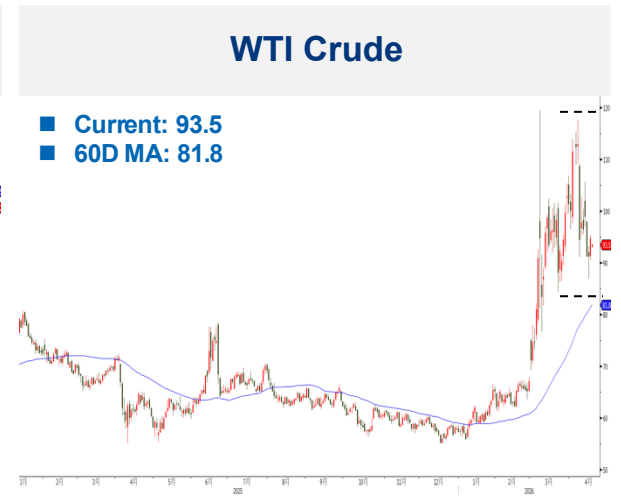
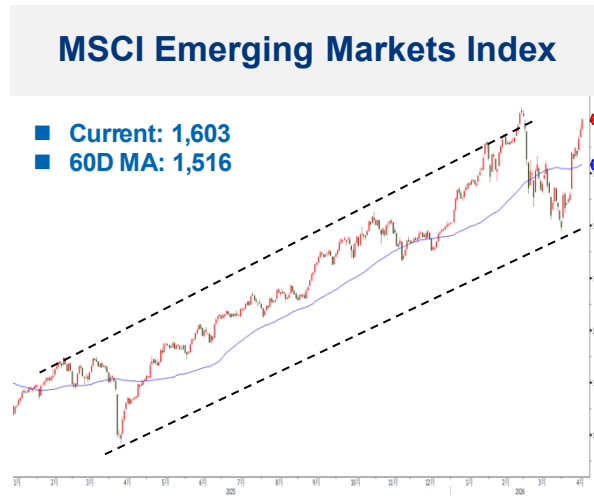
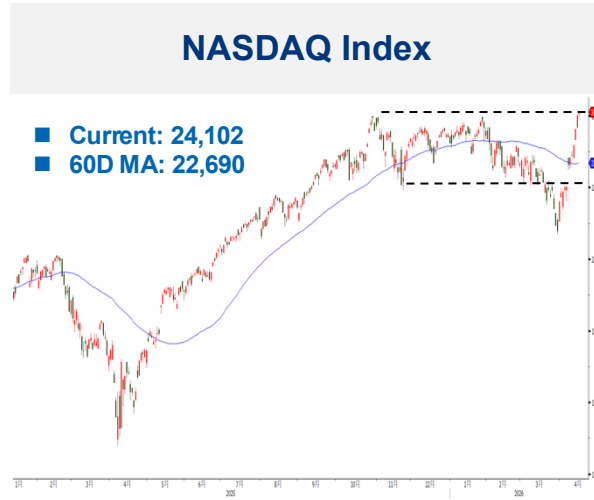
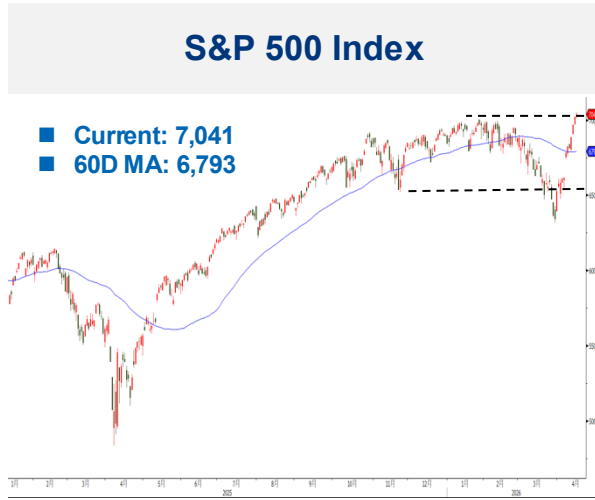


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

Technical Analysis



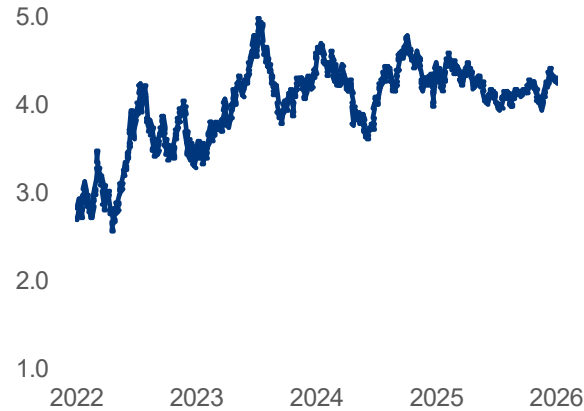
Source: Bloomberg

Market Monitor

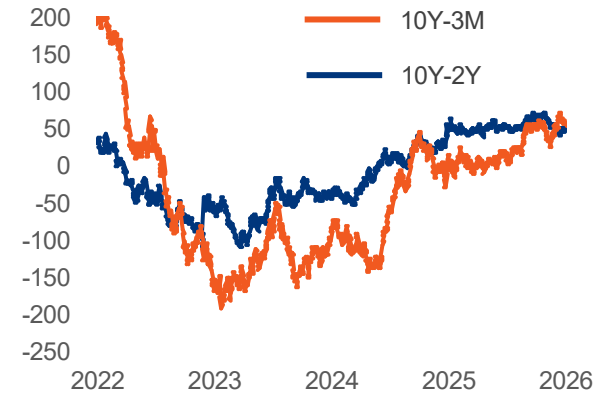
U.S. CPI YoY (%)



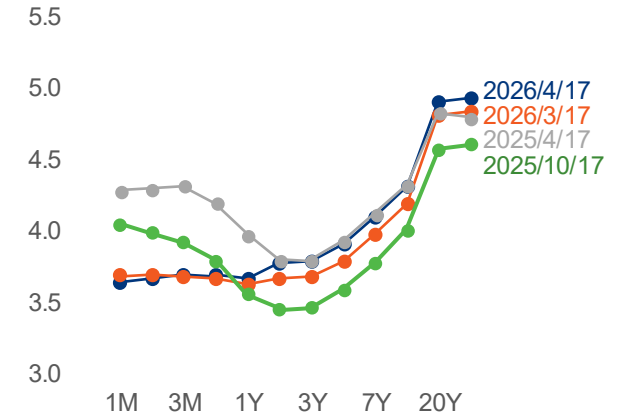
U.S. 10-Year Treasury Yield (%)



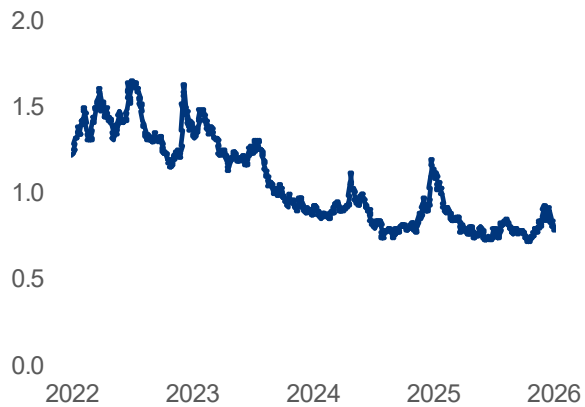
U.S. Treasury Yield Spread (bps)



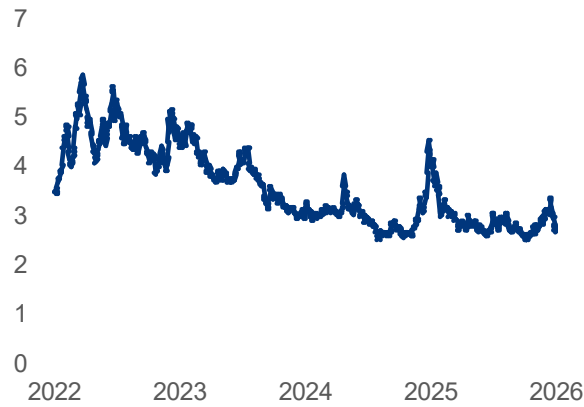
U.S. Treasury Yield Curve (%)



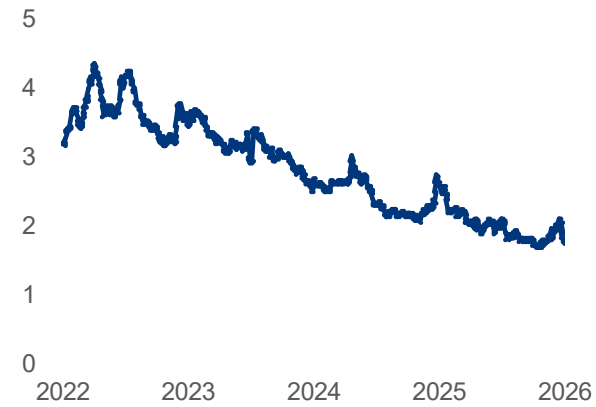
USD IG Credit Spread (%)



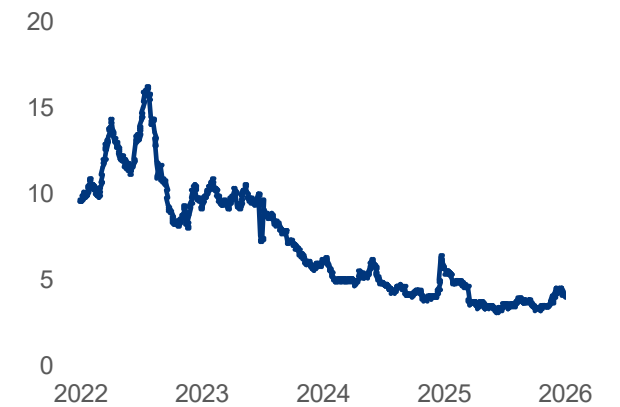
USD HY Credit Spread (%)



USD EM Credit Spread (%)



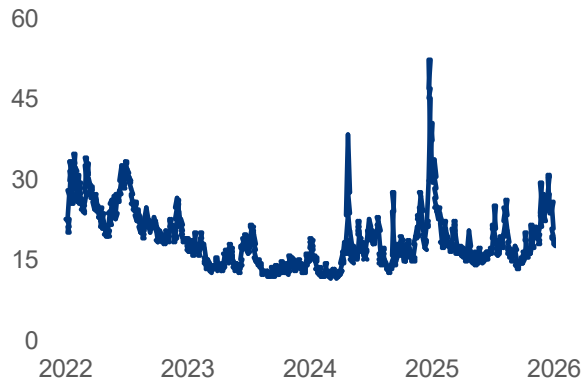
USD Asia Credit Spread (%)



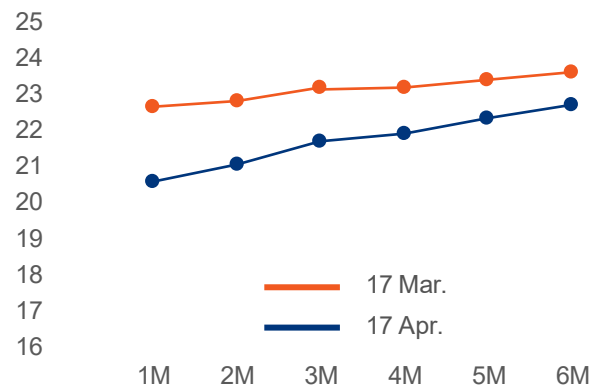
Source: Bloomberg

Market Monitor

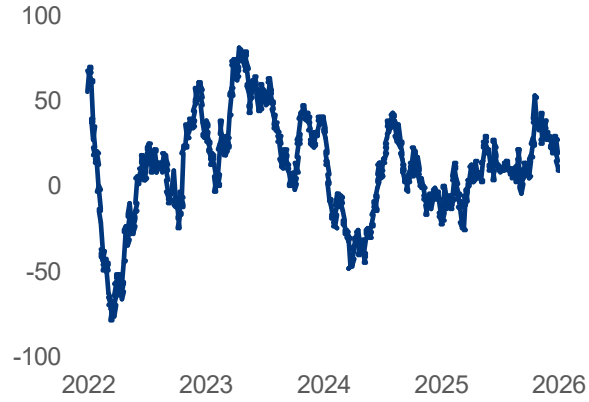
VIX Index



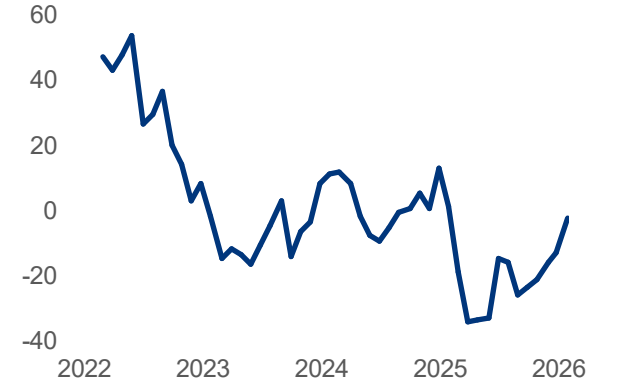
VIX Term Structure



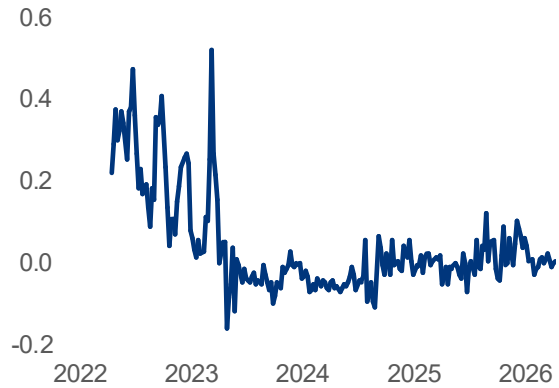
U.S. Citi Economic Surprise Index*



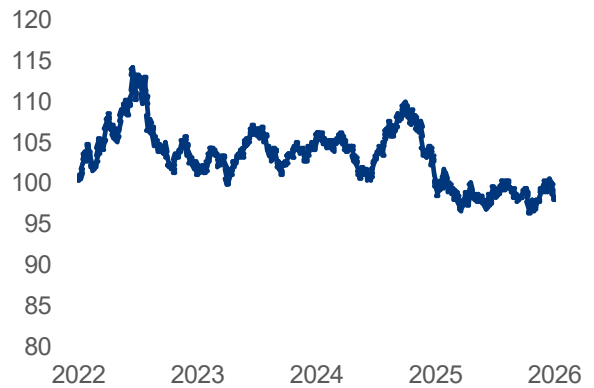
U.S. Citi Inflation Surprise Index*



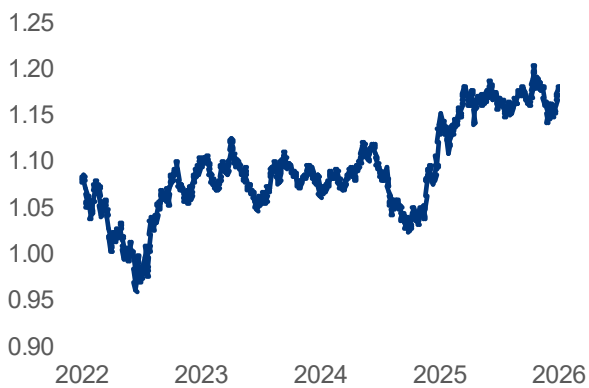
TED Spread (bps)



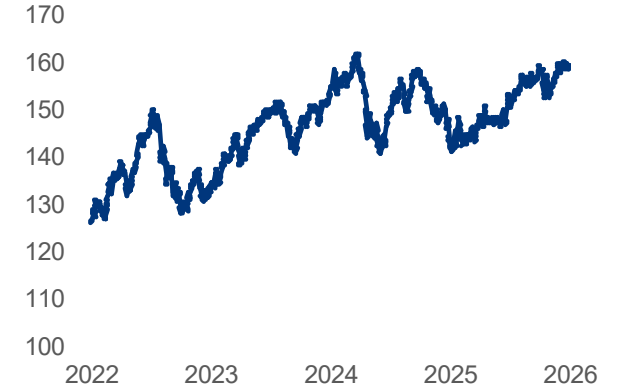
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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