CIO Office | Global Markets Weekly Kickstart

Finding the Sweet Spot in Fixed Income

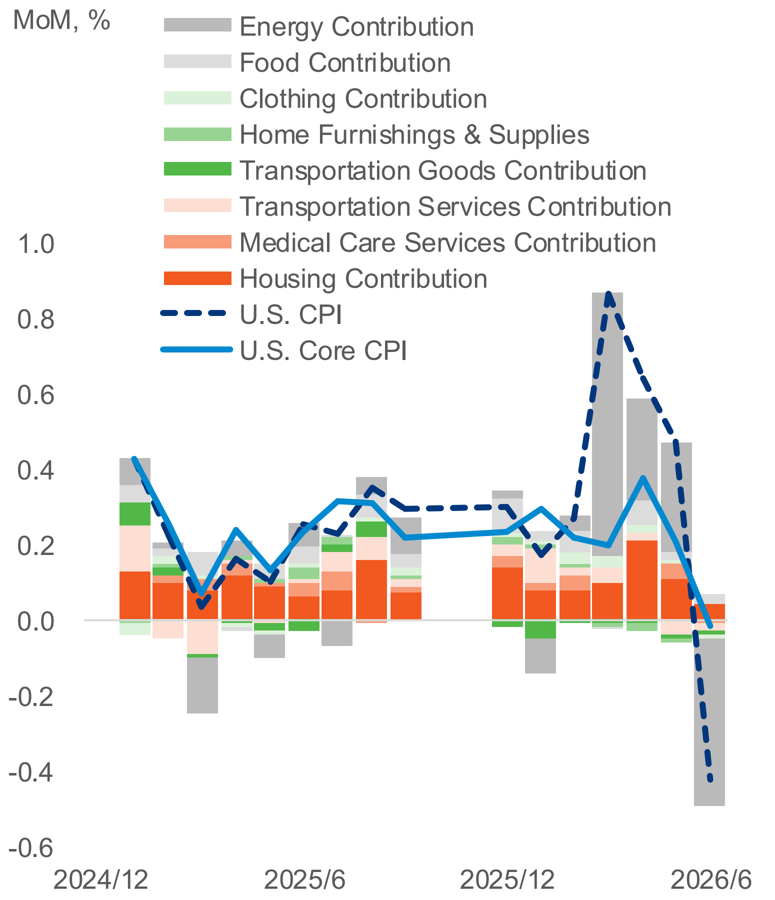
20 July 2026

Chart of the Week

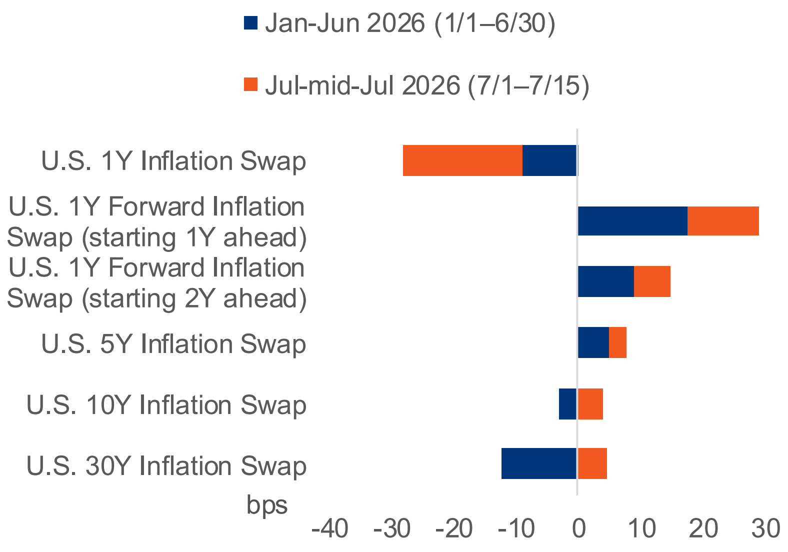
US CPI Eases on Oil, Focus on Core Inflation Slowdown

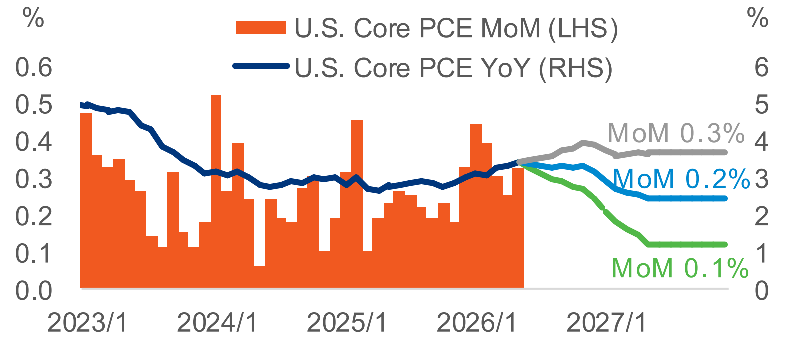
- U.S. June CPI fell 0.4% MoM, the largest monthly decline since April 2020, driven by lower energy prices. Annual CPI slowed from 4.2% to 3.5%. Despite the World Cup boosting demand, core CPI excluding housing also eased, with YoY growth down to 2.6%. Housing inflation moderated, while auto insurance, apparel, healthcare, and used car prices all declined. Both headline and core CPI came in below expectations, signaling broad cooling of inflationary pressures in June. However, the sharp disinflation may prove temporary.
- Since July, inflation swap markets have diverged: falling oil prices drove short-term inflation lower, while expectations beyond two years remain elevated. Fed Chair Warsh's firm stance in Congress reinforced the likelihood of maintaining high rates through year-end.
- The key question is when U.S. inflation will reach the Fed's 2% target. If housing costs continue to ease and tariff pass-through effects diminish, core PCE monthly growth could stay below 0.2%. In that case, annual core PCE may align with the Fed's target as early as next year.

US CPI Monthly Growth Slows on Energy Price Decline



Divergent Inflation Expectations, Focus on Core PCE in H2





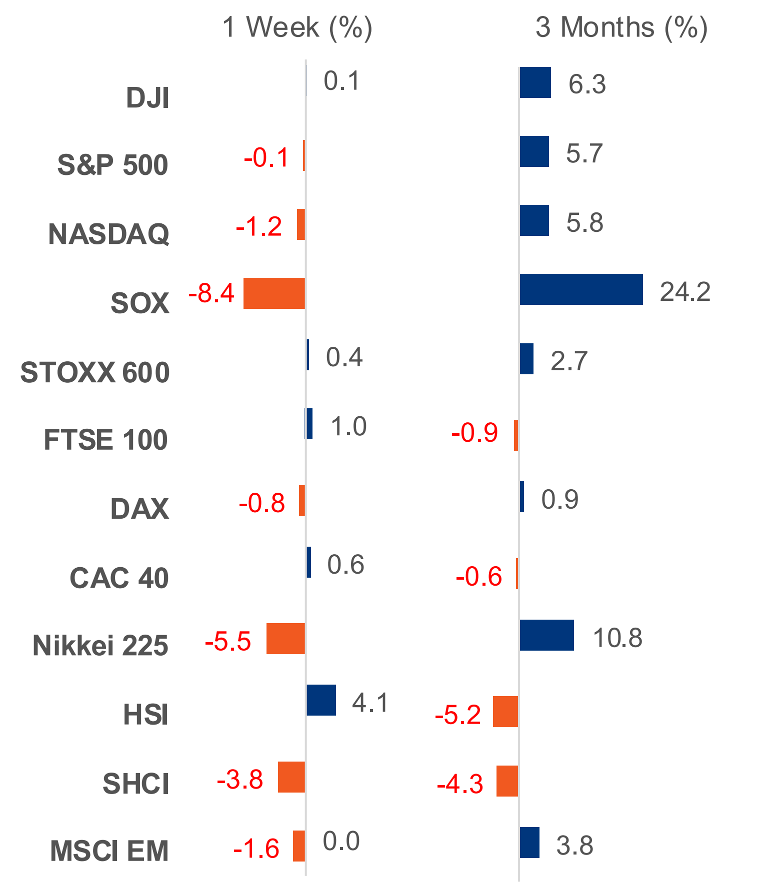
Source: Bloomberg, KGI

Market Recap

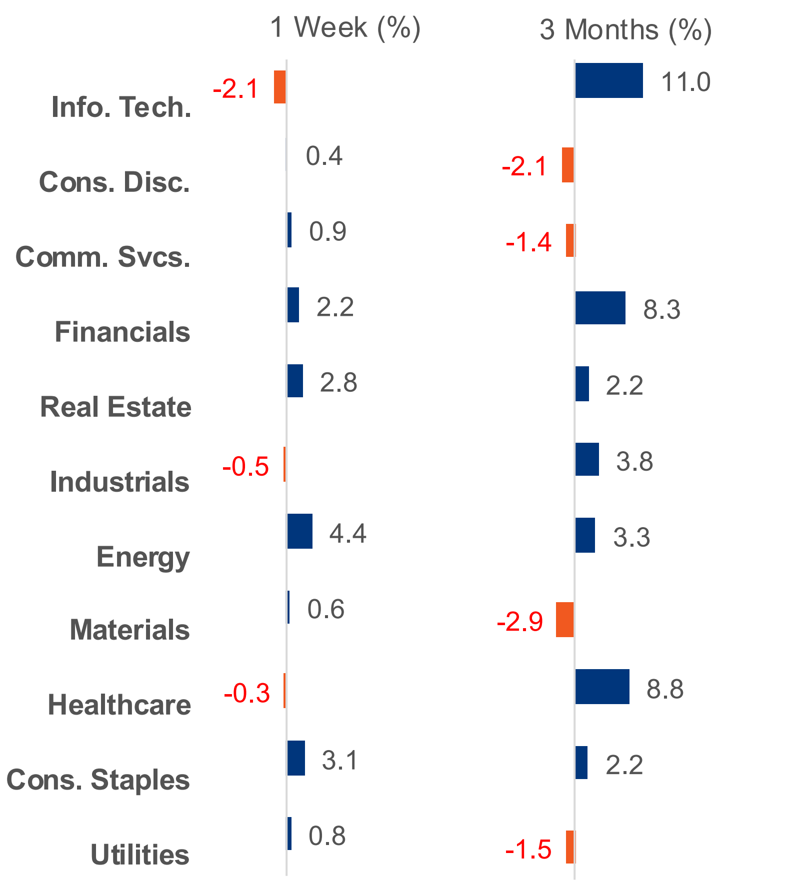
Semiconductor Selloff Persists, Investors Shift to Undervalued Stocks

- U.S. President Trump briefly announced a 20% fee on ships passing through the Strait of Hormuz, later rescinded, reigniting geopolitical risk concerns. In South Korea, a central bank rate hike and strong sales of leveraged equity products raised risks of deleveraging and liquidity tightening, leading to another market circuit breaker. Semiconductor stocks faced profit-taking pressure, while the Dow Jones Industrial Average showed relative resilience, highlighting that current market stress is concentrated in semiconductors and reflects ongoing sector rotation.
- AI-related equities remain under selling pressure, with Japanese stocks also correcting. China's Q2 GDP slowed to 4.3%, below both government targets and market expectations. Ahead of the mid-year Politburo meeting, Premier Li Qiang signaled structural support measures, spurring capital inflows and a rebound in Hong Kong equities, though mainland stocks stayed weighed down by weak domestic fundamentals.
- Despite upbeat earnings outlooks from ASML and TSMC, investor sentiment was mixed: Meta shifted focus from AI R&D to monetizing computing power, while Google's flagship Gemini 3.5 Pro model reportedly faced delays. Large-cap tech stocks showed divergent performance, with funds rotating toward undervalued sectors.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

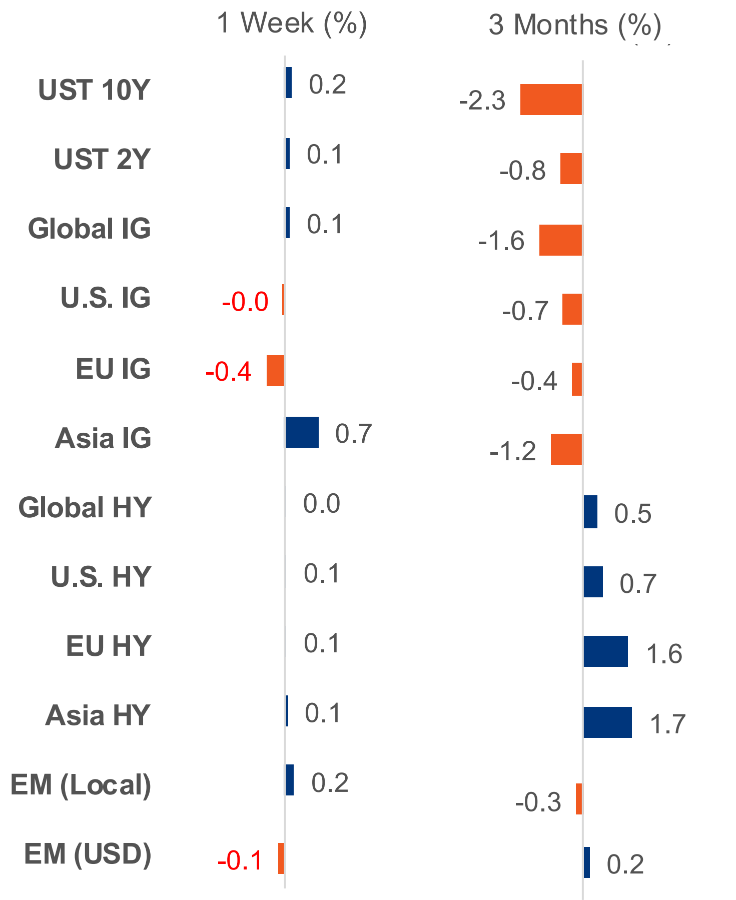


Source: Bloomberg

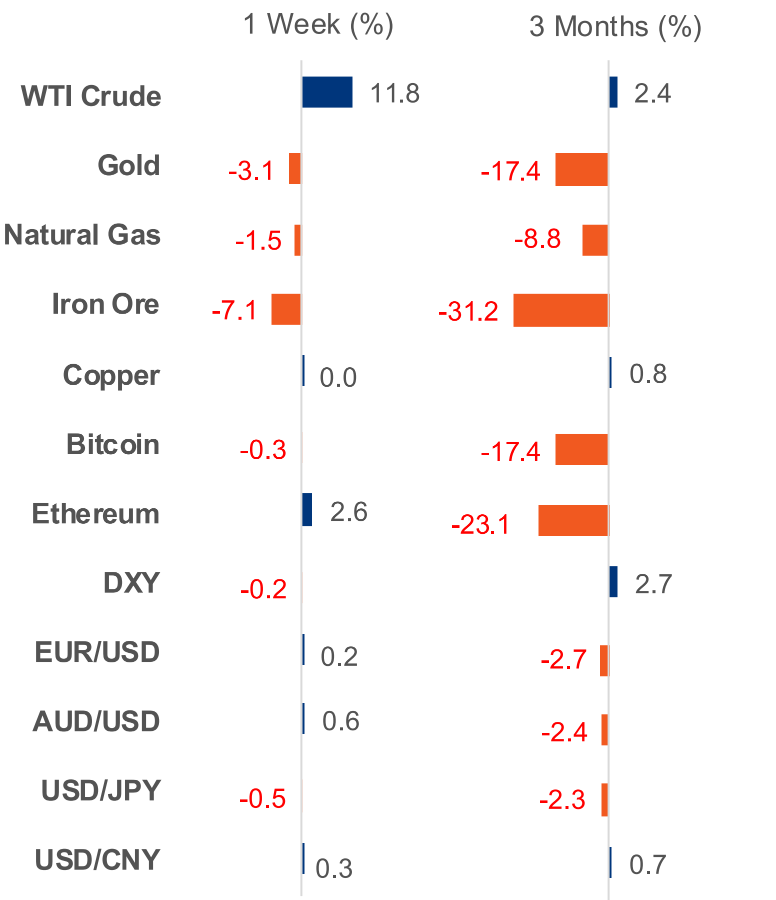
Fed Chair's Testimony and Data Jolt Bonds, U.S.–Iran Tensions Lift Oil Prices

- Fed Chair Warsh's debut testimony in Congress underscored a "zero tolerance" stance on high inflation and reaffirmed central bank independence, reinforcing a hawkish tone. Meanwhile, June CPI and PPI both eased below expectations, slightly delaying rate-hike bets. U.S. Treasury yields fell and the curve steepened, supporting credit markets. With inflation unlikely to reach the Fed's 2% target in H2, the near-term stance remains hawkish, while investors monitor the evolving U.S.–Iran conflict.
- The ceasefire gap in the Strait of Hormuz reignited tensions, raising energy supply concerns and pushing oil prices higher. Coupled with lingering Fed rate expectations, the high-rate backdrop weighed on gold prices.
- In FX, cooling CPI eased short-term Fed hike expectations, weakening the dollar and opening room for non-USD currencies. The Australian dollar rebounded on stronger oil and copper, while ECB Governing Council member Nagel warned of Middle East instability, pledging action if needed. Narrowing real yield spreads between U.S. and Europe supported a recovery in the euro.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



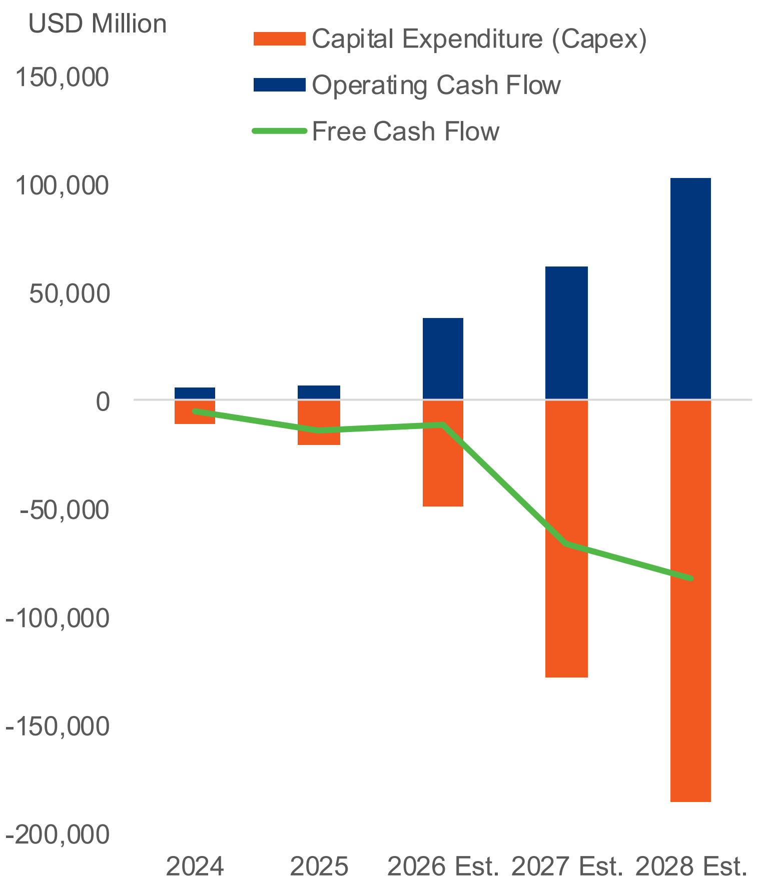
Source: Bloomberg

What's Trending

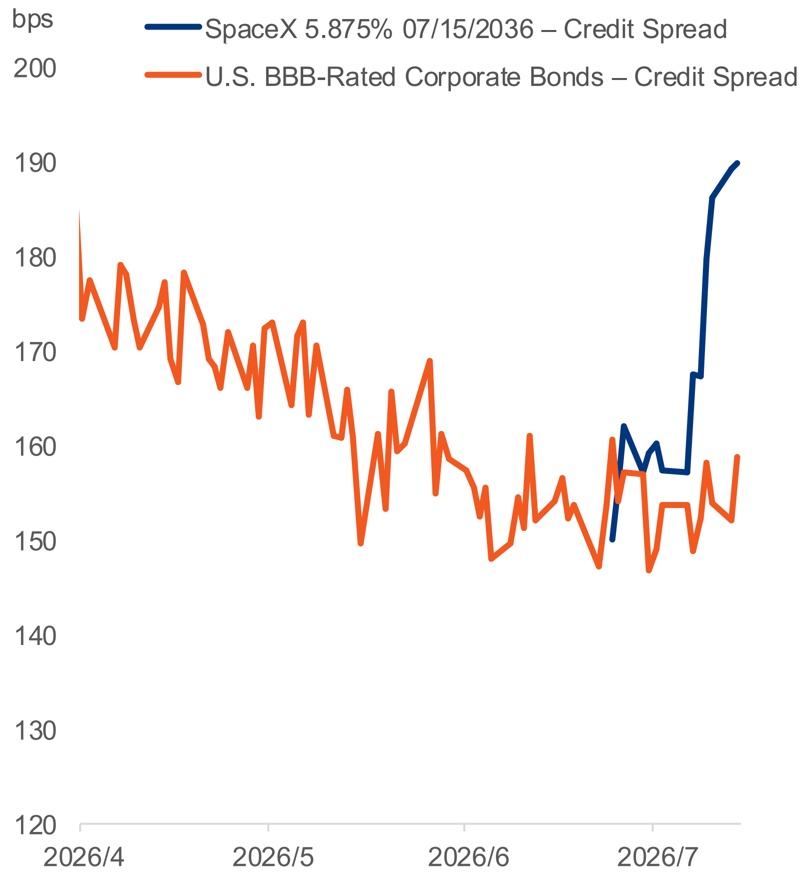
SpaceX Urgent Capital Needs, Large-Scale Financing Likely

- SpaceX's core businesses span rocket launches, satellite communications, and artificial intelligence. While rockets and satellites dominate current revenue, AI is positioned as the long-term growth engine, making computing power critical. To achieve ambitious milestones and tackle complex engineering challenges, the company faces exceptionally high capital needs.
- In June 2026, SpaceX went public, raising about $89 billion in equity, followed by $25 billion in bond financing — totaling roughly $115 billion. These funds, combined with operating cash flow, are expected to support $180 billion in capital expenditures across 2026–2027. However, cash requirements rise sharply in 2028.
- Beyond Starlink's cash inflows, further financing will be necessary. If operating cash flow underperforms or projects face delays, funding pressure could intensify. Long-term expansion requires massive capex, with future needs likely met through debt issuance. The company is projected to shift from net cash to net debt, consistent with its current BBB S&P rating, where credit spreads remain wider than the benchmark index.

SpaceX FCF Expected to Stay Negative



SpaceX Credit Spreads Wider Than Peers with Similar Ratings



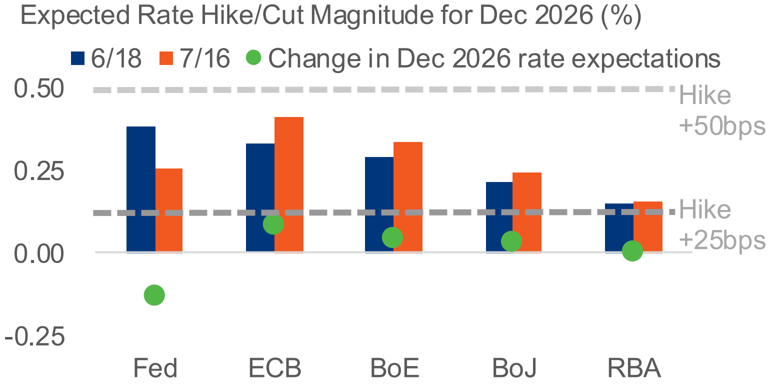
Source: Bloomberg, UBS, KGI

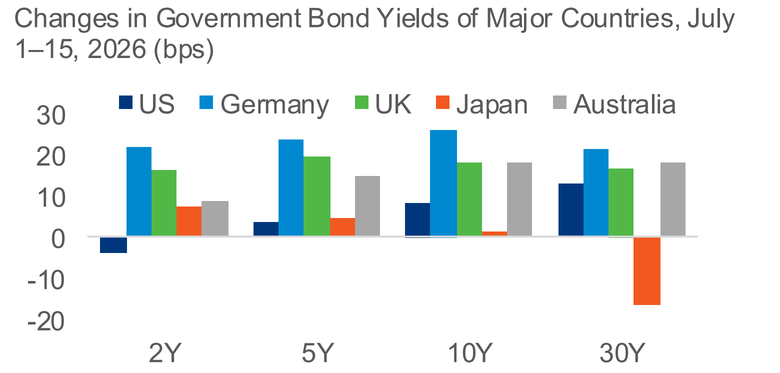
In Focus

Central Bank Rates Stay Higher for Longer, Quality Bonds Offer More Yield

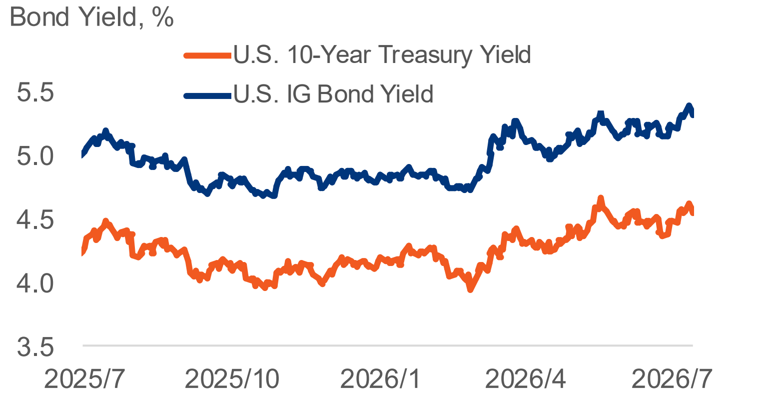
- Resilient U.S. labor data and sticky core PCE inflation kept the Fed hawkish at the June FOMC, while massive AI infrastructure and data-center investment bolstered productivity and economic fundamentals. This pushed real rates and Treasury yields to year-to-date highs. Major central banks in Europe, the UK, Japan, and Australia also maintained hawkish stances, reinforcing global rate-hike expectations and triggering broad bond-market sell-offs with spillover effects.
- U.S. investment-grade bonds saw yields rise passively alongside Treasuries, but credit spreads did not widen significantly thanks to healthy corporate balance sheets. This suggests credit risk remains contained, though short-term volatility may increase due to rate risk. In a “higher for longer” policy environment, positioning in short- to mid-term IG bonds helps lock in attractive yields while mitigating rate-driven price swings.

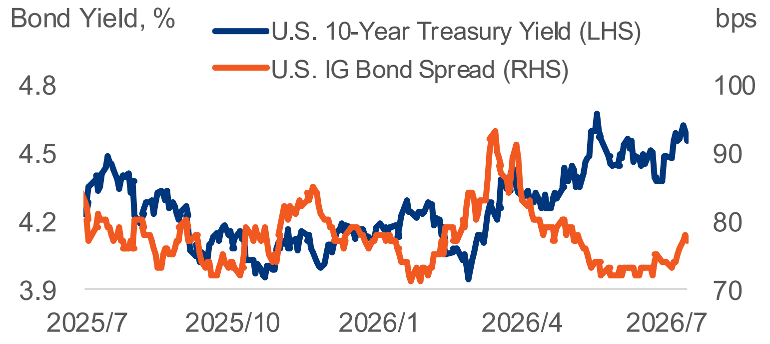
U.S. Year-End Rate Hike Expectations Persist, Driving Recent Treasury Yield Gains





U.S. Treasuries and IG Bond Yields Moving in Tandem Recently



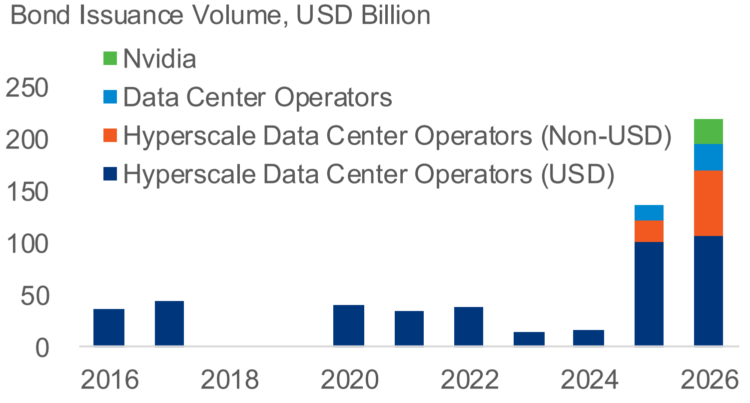


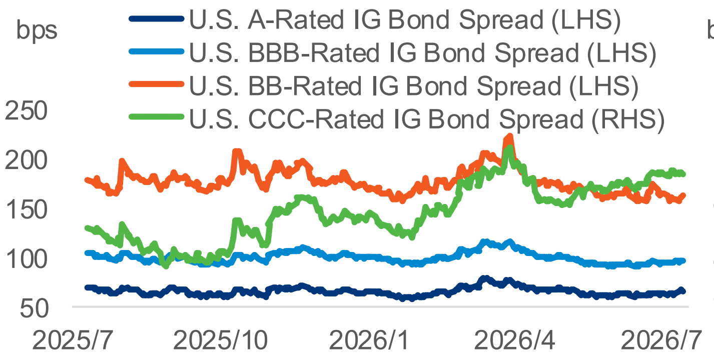
Source: Bloomberg, KGI

Large Bond Issuance Adds Price Volatility, Opportunity to Lock Yields in Investment-Grade Bonds

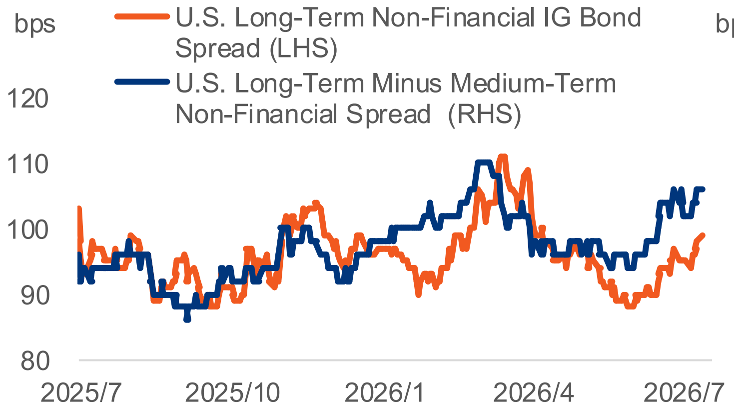
- AI data-center expansion has driven heavy bond issuance from major tech firms like Nvidia and Amazon. Since the start of 2026, issuance by data-center operators and related tech companies has risen 62% versus last year. Overall U.S. investment-grade tech issuance and leverage have edged higher, nudging credit spreads above the broader IG market. Yet spreads have not widened sharply, thanks to strong investor demand absorbing supply and dealers anticipating issuance, which dampened volatility.
- Looking at spread differentials, lower-rated bonds more widened than higher-rated. Meanwhile, rising U.S. real rates expanded long- vs. short-term IG spreads, while non-IG bonds saw narrowing due to their shorter maturities. With the Fed set to keep rates high for longer, IG bonds now offer average coupons above 5%. This makes it a favorable moment to lock yields, with BBB+ and above standing out as the preferred allocation tier.

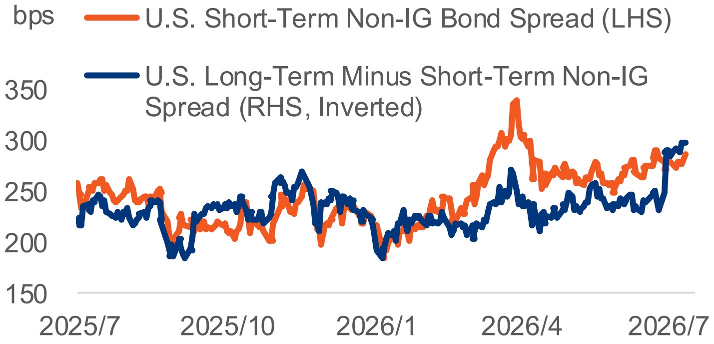
If Credit Spreads Widen, High-Rated Bonds See Limited Upside





Beyond Ratings, Watch if Short-Term Non-IG Spread Expansion Persists





Source: Bloomberg, BofA, KGI

Asset Strategy

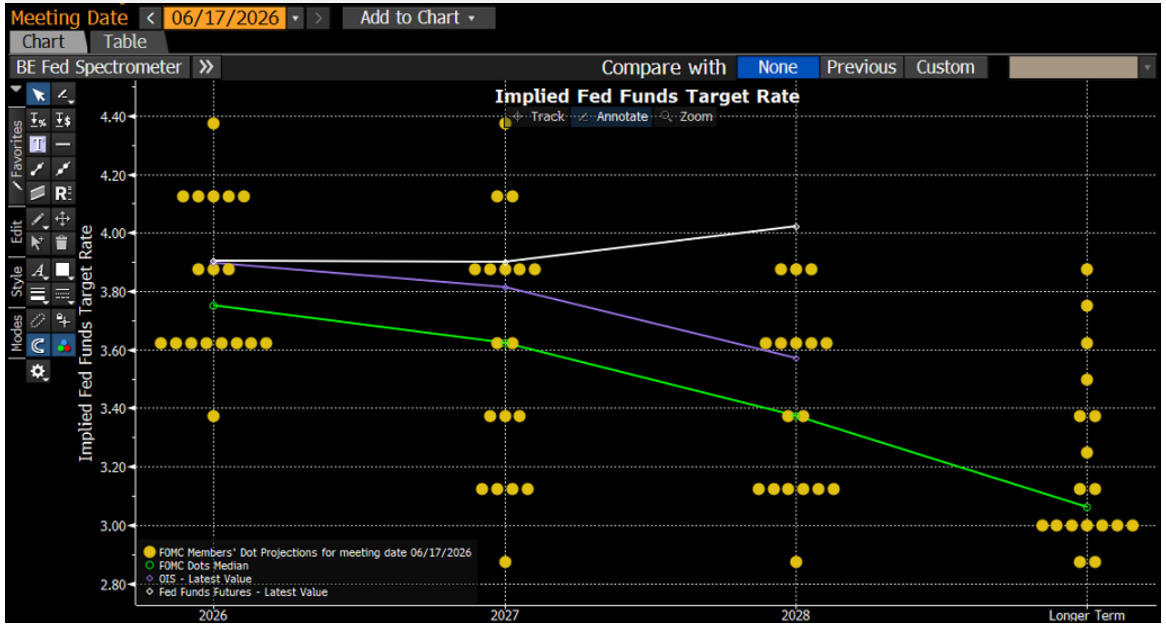
Asset Type	Market View	Preferred Assets
Equities	◆ Solid U.S. corporate earnings continue to provide fundamental support for equities, with room for market gains to broaden beyond AI. However, as investors focus more on AI capex returns, elevated valuations could trigger near-term profit-taking. Defensive sectors such as healthcare and utilities can help reduce risk, while technology and AI semiconductors remain favored over the medium to long term. Buy on pullbacks and diversify across regions and sectors. ◆ Japan and Europe remain preferred diversification markets. Japan offers stronger technology exposure, with semiconductor momentum intact, while rising JGB yields support bank stocks. Europe continues to benefit from defense spending, and U.K. equities provide defensive characteristics.	**Strategy:** Short term: defensive sectors. Medium to long term: AI themes including technology and semiconductors; Outside AI, Japanese banks are also attractive. **Regions**: Japanese banks, Japanese semiconductor stocks, UK equities, European defense
Bonds	◆ Oil prices have rebounded, while the U.S. 30-year Treasury yield remains relatively high. Avoid excessive duration risk and focus on short- to intermediate-duration bonds. High-quality corporate bonds remain resilient, particularly in financials, technology, communications, and utilities, where yields are attractive after recent adjustments. ◆ A stronger U.S. dollar supports diversification into non-USD investment-grade bonds, such as EUR- or AUD-denominated issues.	**Types:** Intermediate-term IG bonds, with a preference for financials, technology, telecoms, and utilities. **Satellite :** Non-USD IG bonds for diversification.
Forex	◆ The Fed's June meeting maintained a hawkish tone. Expectations for further rate hikes could steepen the yield curve, supporting the U.S. dollar in the near term. ◆ Although lower oil prices had eased inflation concerns earlier, the USD remains firm as markets continue to watch Fed policy. The JPY is likely to appreciate gradually on BOJ rate hikes and intervention, while the RMB is expected to strengthen modestly under policy support.	**USD:** Near-term strength remains supported. Gradual JPY appreciation; modest RMB appreciation.
Commodity	◆ Although the U.S.-Iran ceasefire memorandum initially pushed oil prices lower, renewed military exchanges have increased price volatility. ◆ Higher U.S. yields and a stronger dollar continue to pressure gold in the short term. However, geopolitical tensions, ongoing central bank purchases, and portfolio diversification demand should provide medium- to long-term support.	**Gold:** remains supported over the medium to long term.

US Equities

U.S. Rates Hold Steady, Banks Deliver Strong Earnings

- U.S. June core CPI was flat MoM, below consensus 0.2% and prior 0.2%; YoY rose 2.6%, under consensus 2.8% and prior 2.9%. Headline CPI fell 0.4% MoM, sharper than expected -0.1% and prior +0.5%; YoY rose 3.5%, below consensus 3.8% and prior 4.2%.
- U.S. June Core PPI rose 0.2% MoM, below consensus 0.3% but above revised prior 0.1%; YoY rose 4.7%, under consensus 5.1% yet slightly above revised prior 4.6%. Headline PPI fell 0.3% MoM, weaker than consensus 0.0% and prior revised +0.6%; YoY rose 5.5%, below consensus 6.2% and prior revised 6.0%.
- U.S. June Retail sales in June rose 0.2% MoM, in line with consensus but below revised prior +1.0%.
- U.S. July Michigan consumer sentiment Index preliminary was 54.4, above consensus 51.0 and prior 49.5.
- Fed Chair Wash reiterated the 2% inflation target as the primary goal, stressing policy will not shift on single-month data and decisions remain data-dependent. He emphasized Fed independence from politics, announced reforms in policy framework, communication, and balance sheet management, and highlighted AI's long-term potential to boost productivity, improve supply, and ease structural inflation. Overall tone remained hawkish, signaling cautious stance until inflation returns to target, while AI development continues to receive positive policy endorsement.

Implied Fed Funds Target Rate



Source: Bloomberg

JPMorgan Chase (JPM US)

Closing Price	US$341.1	Target Price	US$380

JPMorgan Chase provides both financial and retail banking services. Its offerings include investment banking, treasury and securities operations, asset management, private banking, credit card membership services, commercial banking, and home financing. The company serves corporations, institutions, and individuals worldwide.

Net Interest Income and Capital Markets Activity Support Earnings

JPMorgan remains a defensive core beneficiary among U.S. large banks, supported by resilient net interest income, recovering investment banking activity, and elevated trading volumes. While capital markets may normalize in H2 2026, its diversified revenue base across retail banking, trading, investment banking, and wealth management provides broader earnings support than peers reliant on single cycles.

Diversified Businesses and Credit Resilience Support Shareholder Returns

JPMorgan's scale, capital strength, and asset quality make it a defensive core holding in U.S. bank stocks. Management raised FY2026 NII guidance to about USD 105.5B and lowered expected credit card net charge-off rates to 3.4%–3.6%, reflecting stronger-than-expected interest income and consumer credit performance. With robust profitability and a CET1 ratio of ~15%, the bank continues capital returns via dividends and buybacks, distributing about USD 10B in Q2 2026 alone.

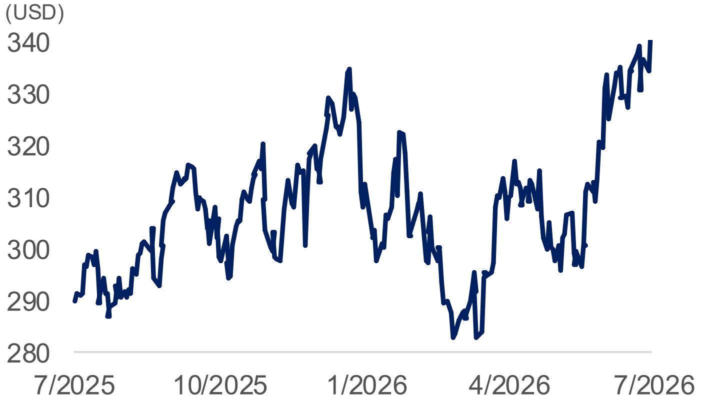
Strong Q2 FY2026 Performance and Higher NII Guidance

Managed revenue reached USD 58B (+27% YoY) with adjusted EPS of USD 6.14, beating consensus. Markets revenue rose 35%, equities surged 86%, investment banking fees grew 30%, and AUM expanded to USD 5.1T. Management lifted total NII guidance to USD 105.5B, excluding markets to USD 96.5B, though expense guidance also increased due to higher compensation and investment spending.

Valuation Consensus

Bloomberg's 12-month consensus target price is USD 366.24, with a high of USD 420 and a low of USD 305.

1-Year Price

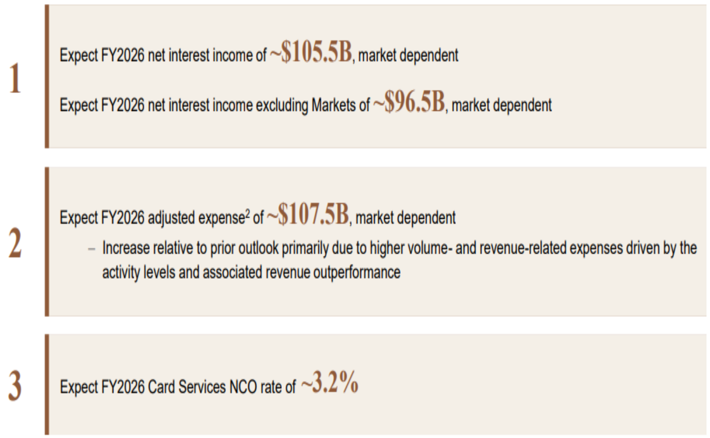


Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	22.3	12.3	2.6	12.1	2.5
EBITDA (%)	40.0	42.8	40.0	46.8	46.9
EPS(USD)	16.68	20.02	20.14	23.89	24.60
Net Profit Margin(%)	31.0	32.4	30.7	31.5	30.8

Source: Bloomberg; 2026/27F are market estimates

FY2026 Guidance



1 Expect FY2026 net interest income of ~$105.5B, market dependent

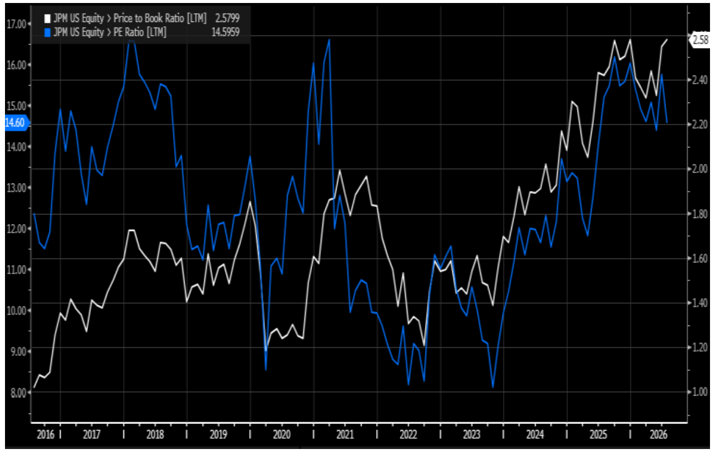
Expect FY2026 net interest income excluding Markets of ~$96.5B, market dependent

2 Expect FY2026 adjusted expense[2] of ~$107.5B, market dependent

– Increase relative to prior outlook primarily due to higher volume- and revenue-related expenses driven by the activity levels and associated revenue outperformance

3 Expect FY2026 Card Services NCO rate of ~3.2%

P/E & P/B



Source: Bloomberg, Company

Goldman Sachs (GS US)

Closing Price	US$1,065.22	Target Price	US$1,200

Goldman Sachs operates as a bank holding company and a global investment banking and securities firm. It focuses on investment banking, trading and principal investments, asset management, and securities services. The company serves corporations, financial institutions, governments, and high-net-worth individuals.

IPO, M&A and Trading Recovery Drive Earnings Momentum

Goldman Sachs is highly leveraged to capital markets recovery, benefiting from stronger equity trading, M&A advisory, and underwriting activity. If IPO issuance, deal completions, and AI-related financing remain active in H2 2026, Goldman should continue to gain from increased client activity and fee income. However, its earnings are more sensitive to market volumes, asset prices, and trading conditions, resulting in higher share price volatility and downside risk compared with JPMorgan.

Business Momentum and Shareholder Returns Enhance Earnings Sustainability

Q2 FY2026 results showed broad strength across Global Banking & Markets and Asset & Wealth Management. Global Banking & Markets revenue rose 47% YoY to USD 14.8B, while Asset & Wealth Management revenue grew 20% YoY to USD 4.6B. Investment banking backlog expanded, supported by fee income up 55% YoY to USD 3.4B. Wealth management scale and stronger capital returns, including USD 5.36B returned to shareholders this quarter, improved earnings stability versus past trading-driven cycles. Even if capital markets normalize in H2 2026, Goldman's optimized business mix and expanding recurring fee base should sustain structurally higher profitability and shareholder returns.

Strong Q2 FY2026 Performance Driven by Capital Markets Strength

Revenue reached USD 20.34B (+39% YoY) with EPS of USD 20.98, well above consensus. Equity trading revenue surged 72% YoY to a record USD 7.42B, FICC revenue rose 32% to USD 4.59B, and investment banking fees climbed 55% to USD 3.40B. Asset & Wealth Management revenue also grew 20% to USD 4.60B. The company raised its quarterly dividend 11% to USD 5.00 per share and returned USD 5.36B to shareholders through buybacks and dividends.

Valuation Consensus

Bloomberg's 12-month consensus target price is USD 1,139.27, with a high of USD 1,325 and a low of USD 834.

Source: Bloomberg, Company

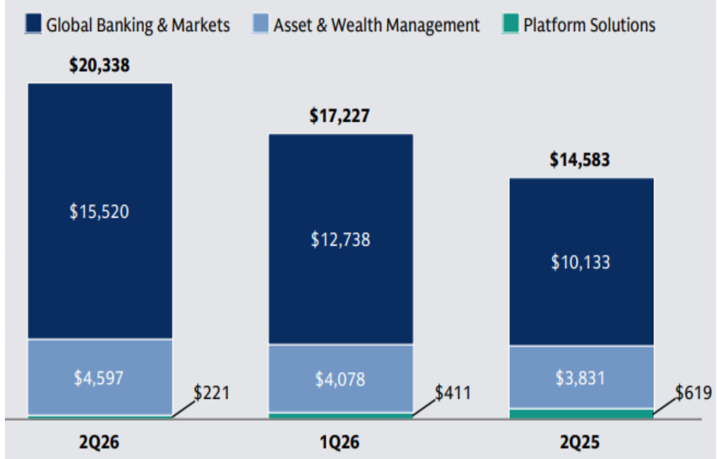
1-Year Price

Financials

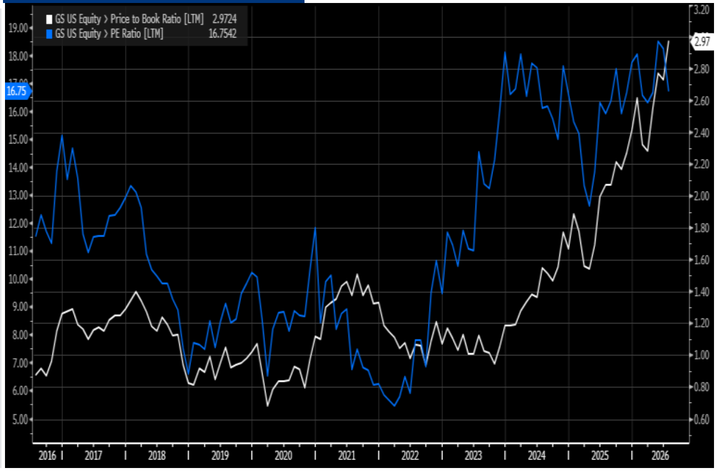
	2023	2024	2025	2026F	2027F
Revenue Growth(%)	-2.3	15.7	8.9	19.6	2.5
EBITDA (%)	23.5	34.7	37.9	41.8	42.2
EPS(USD)	23.13	40.94	51.86	67.37	71.55
Net Profit Margin(%)	17.3	25.5	28.3	30.0	29.9

Source: Bloomberg; 2026/27F are market estimates

Revenue by Business Segment



P/E & P/B



Appendix Key Economic Data / Events

► JUL 2026

13 Monday

14 Tuesday
- U.S. Jun CPI YoY (Act:3.5% Est:3.8% Prev:4.2%)
- U.S. Jun Core CPI YoY (Act:2.6% Est:2.8% Prev:2.9%)
- Japan May Industrial Production MoM (final) (Act:0.1% Prev:0.5%)
- China Jun Exports YoY (Act:27.0% Est:19.0% Prev:19.4%)

15 Wednesday
- U.S. Jun PPI YoY (Act:5.5% Est:6.2% Prev:6.0%)
- Japan May Core Machinery Orders MoM (Act:-4.2% Est:-12.4% Prev:8.7%)
- China Q2 GDP YoY (Act:4.3% Est:4.5% Prev:5.0%)
- China Jun Retail Sales YoY (Act:1.0% Est:-0.1% Prev:-0.6%)
- China June Industrial Production YoY (Act:5.3% Est:4.6% Prev:4.5%)

16 Thursday
- U.S. Initial Jobless Claim (weekly) (Act:208k Est:217k Prev:216k)
- U.S. Jun Retail Sales MoM (Act:0.2% Est:0.2% Prev:1.0%)

17 Friday
- U.S. Jun Industrial Production MoM (Est:0.2% Prev:0.1%)
- U.S. Jul Michigan Consumer Sentiment Index (prelim.) (Est:51.0 Prev:49.5)
- Eurozone June CPI YoY (final) (Est:2.8% Prev:3.2%)

20 Monday

21 Tuesday
- Earnings: DHR US, SCHW US

22 Wednesday
- Japan Jun Nationwide CPI YoY (Est:1.7% Prev:1.5%)
- Earnings: IBKR US, COF US, CB US, PM US,T US, GEV US

23 Thursday
- U.S. Initial Jobless Claim (weekly) (Prev:208k)
- Eurozone Jul ECB Main Refinancing Rate (Est2.40% Prev:2.40%)
- Earnings: TXN US, TSLA US, IBM US, GOOGL US, BX US, HON US, RTX US, LMT US

24 Friday
- U.S. Jul S&P Global Manufacturing PMI (prelim.) (Est:54.4 Prev:53.9)
- U.S. Jun New Home Sales (Est:615k Prev:580k)
- Eurozone Jul S&P Global Manufacturing PMI (prelim.) (Est:51.7 Prev:51.4)
- Japan Jul S&P Global Manufacturing PMI (prelim.) (Prev:54.8)
- Earnings: NEM US, INTC US, VZ US, AXP US, NEE US

Source: Bloomberg

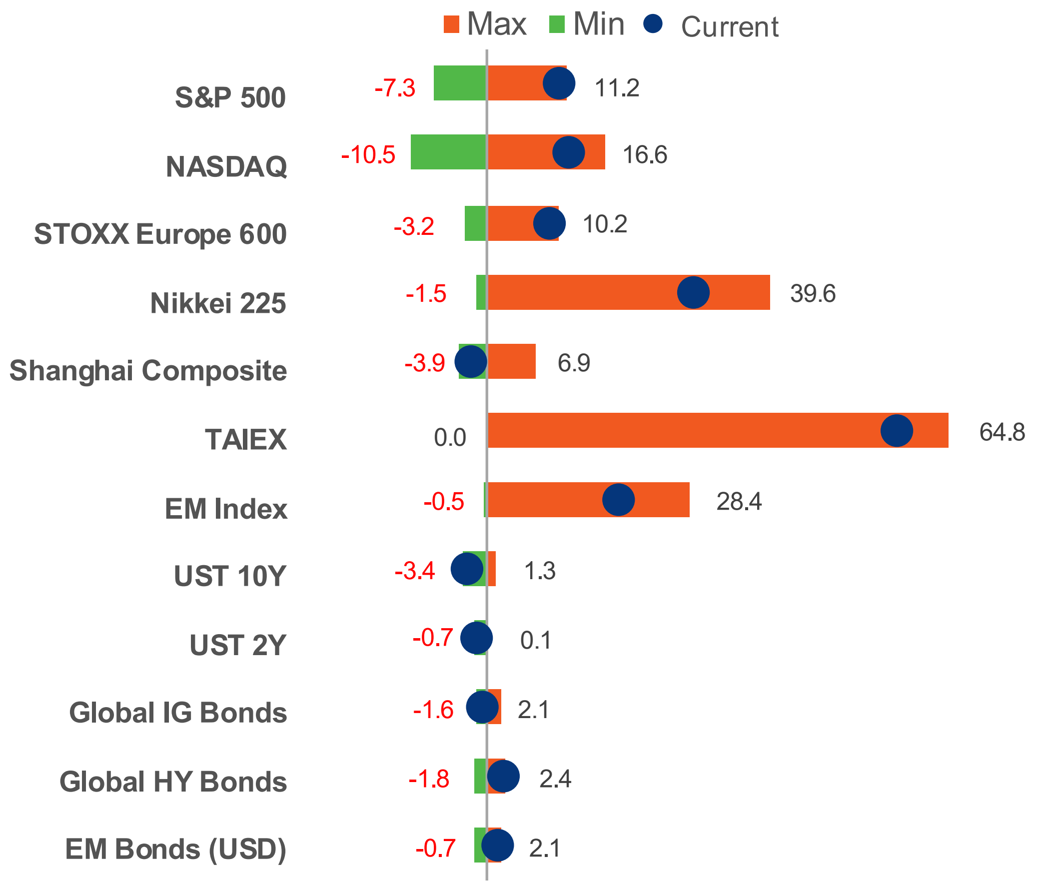
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2026/7/14	Wells Fargo (WFC US)	21.8B	22.62B	1.71	2.00	V	V
2026/7/14	JPMorgan Chase (JPM US)	51.39B	58.02B	5.73	7.70	V	V
2026/7/14	Bank of America (BAC US)	30.81B	31.56B	1.13	1.21	V	V
2026/7/14	Goldman Sachs (GS US)	16.35B	20.34B	14.49	20.98	V	V
2026/7/14	Citigroup (C US)	23.7B	24.77B	2.74	3.15	V	V
2026/7/15	BlackRock (BLK US)	6.82B	7.08B	12.66	13.91	V	V
2026/7/15	Johnson & Johnson (JNJ US)	25.04B	25.31B	2.87	2.90	V	V
2026/7/15	Morgan Stanley (MS US)	19.58B	21.35B	2.93	3.46	V	V
2026/7/15	Progressive (PGR US)	23.58B	23.61B	4.85	4.85	V	
2026/7/16	UnitedHealth Group (UNH US)	110.67B	112.03B	4.89	6.38	V	V
2026/7/16	General Electric (GE US)	11.86B	12.63B	1.86	2.02	V	V
2026/7/16	Intuitive Surgical (ISRG US)	2.82B	2.89B	2.50	2.80	V	V
2026/7/16	Abbott Laboratories (ABT US)	12.54B	12.59B	1.28	1.31	V	V
2026/7/16	Prologis (PLD US)	2.32B	2.43B	1.55	1.63	V	V
2026/7/17	Netflix (NFLX US)	12.58B	12.56B	0.79	0.80		V

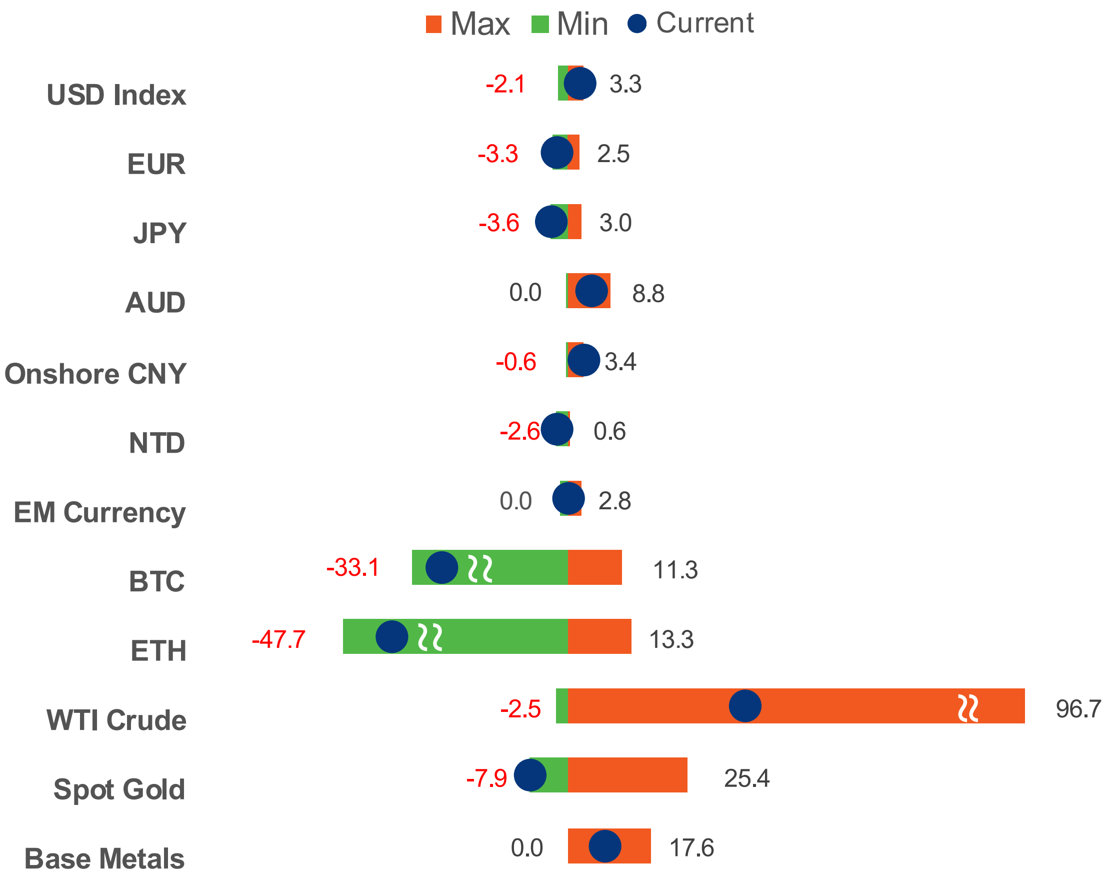
Source: Investing.com

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

Technical Analysis

60D MA

S&P 500 Index

- Current: 7,533
- 60D MA: 7,410

NASDAQ Index

- Current: 25,881
- 60D MA: 25,885

STOXX Europe 600 Index

- Current: 643
- 60D MA: 626

Nikkei 225 Index

- Current: 63,896
- 60D MA: 65,591

Shanghai Composite Index

- Current: 3,818
- 60D MA: 4,076

MSCI Emerging Markets Index

- Current: 1,664
- 60D MA: 1,701

Gold

- Current: 3,993
- 60D MA: 4,346

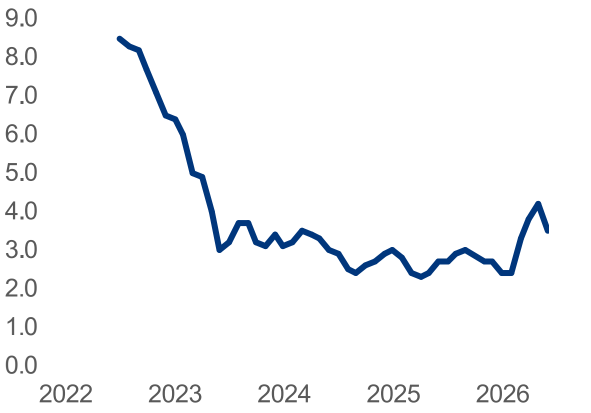
WTI Crude

- Current: 79.7
- 60D MA: 87.8

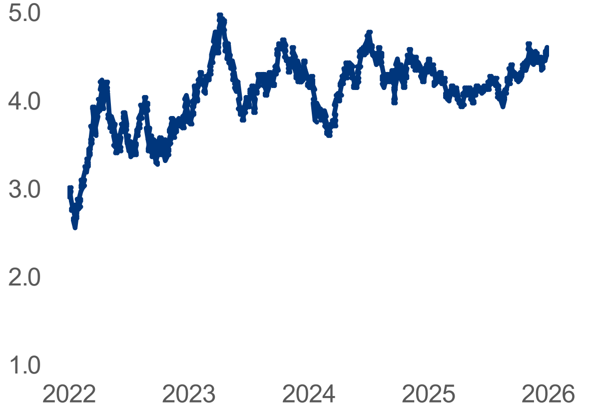
Source: Bloomberg

Market Monitor

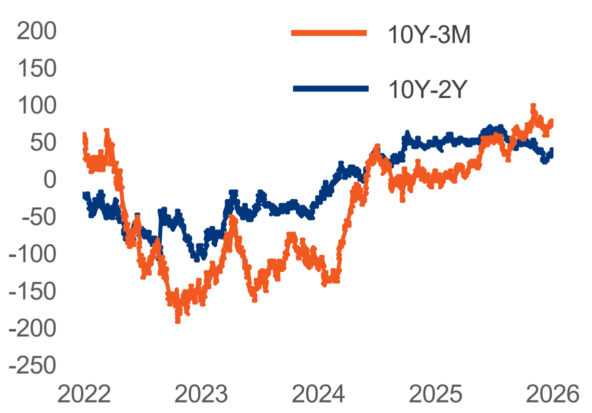
U.S. CPI YoY (%)



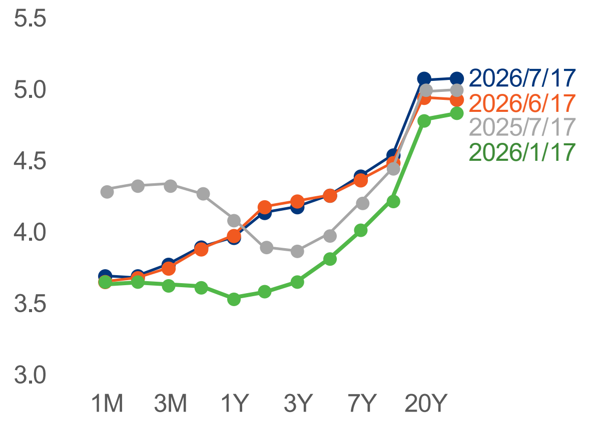
U.S. 10-Year Treasury Yield (%)



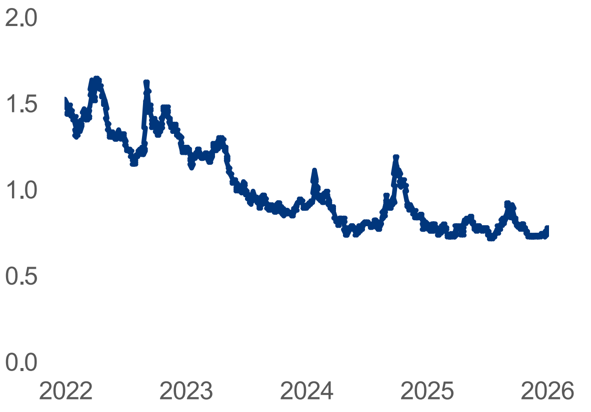
U.S. Treasury Yield Spread (bps)



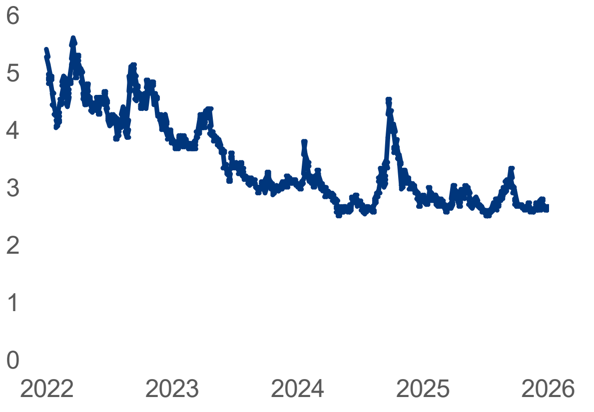
U.S. Treasury Yield Curve (%)



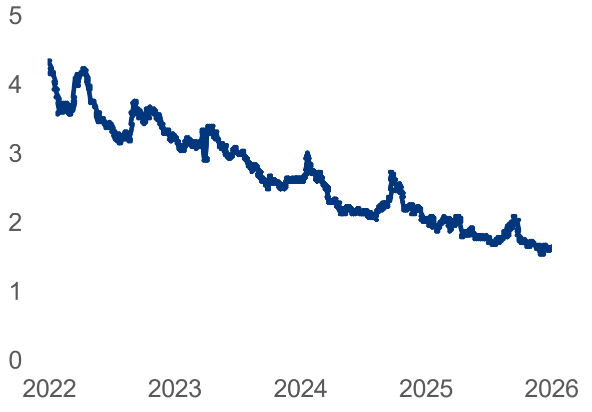
USD IG Credit Spread (%)



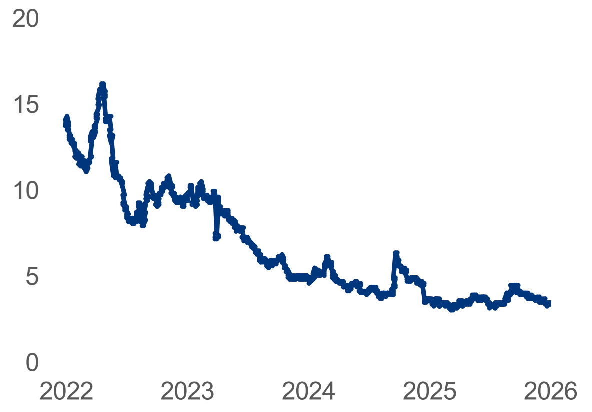
USD HY Credit Spread (%)



USD EM Credit Spread (%)



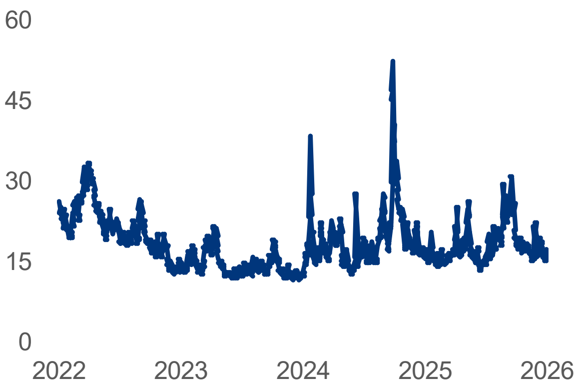
USD Asia Credit Spread (%)



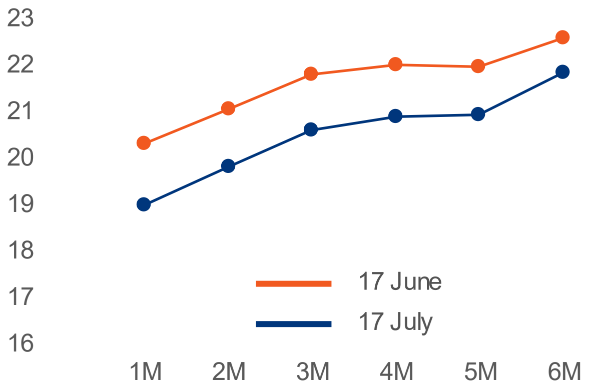
Source: Bloomberg

Market Monitor

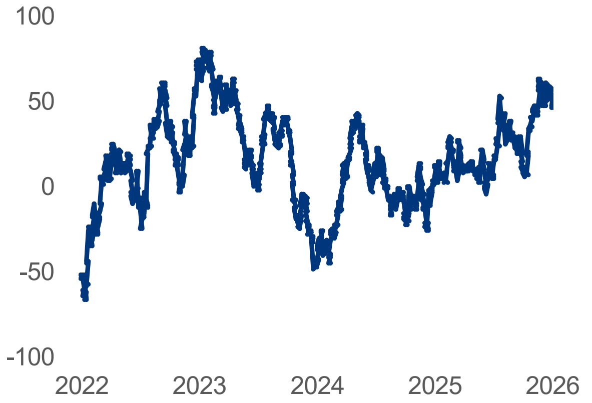
VIX Index



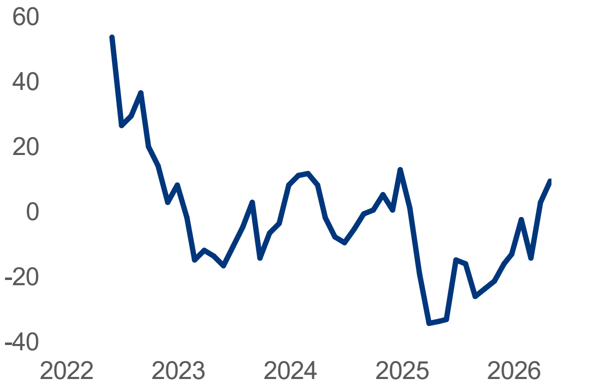
VIX Term Structure



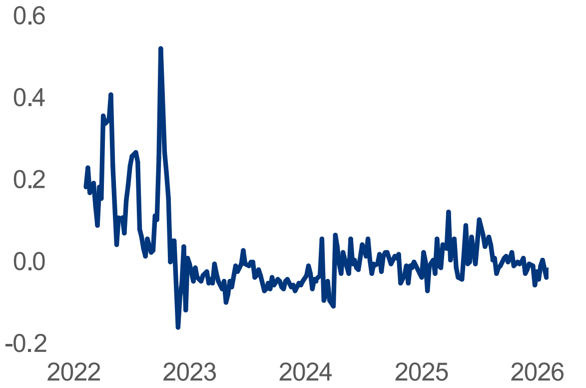
U.S. Citi Economic Surprise Index*



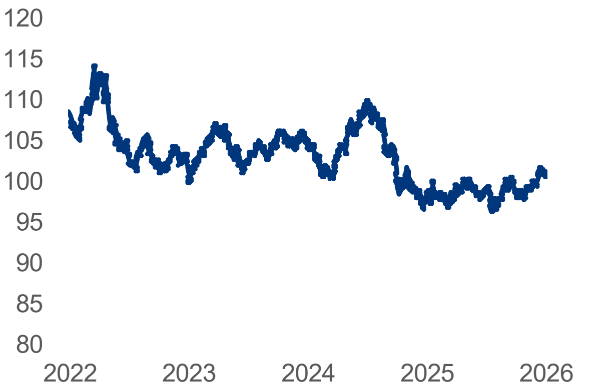
U.S. Citi Inflation Surprise Index*



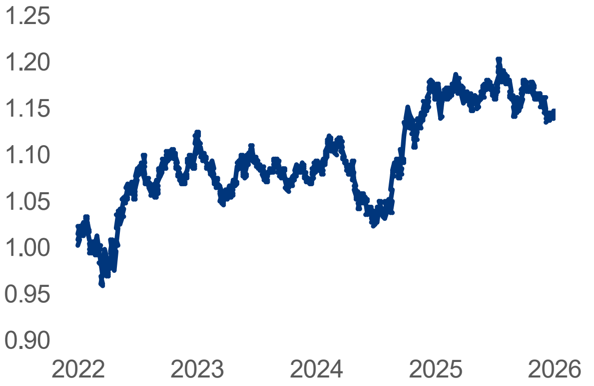
TED Spread (bps)



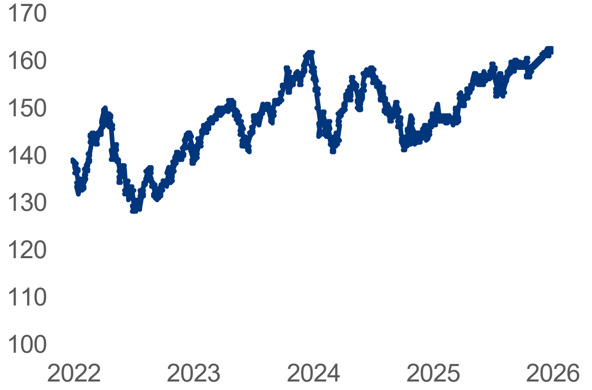
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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