



CIO Office Global Markets Weekly Kickstart

Super Central Bank Week, Stay Defensive!

21 September 2026

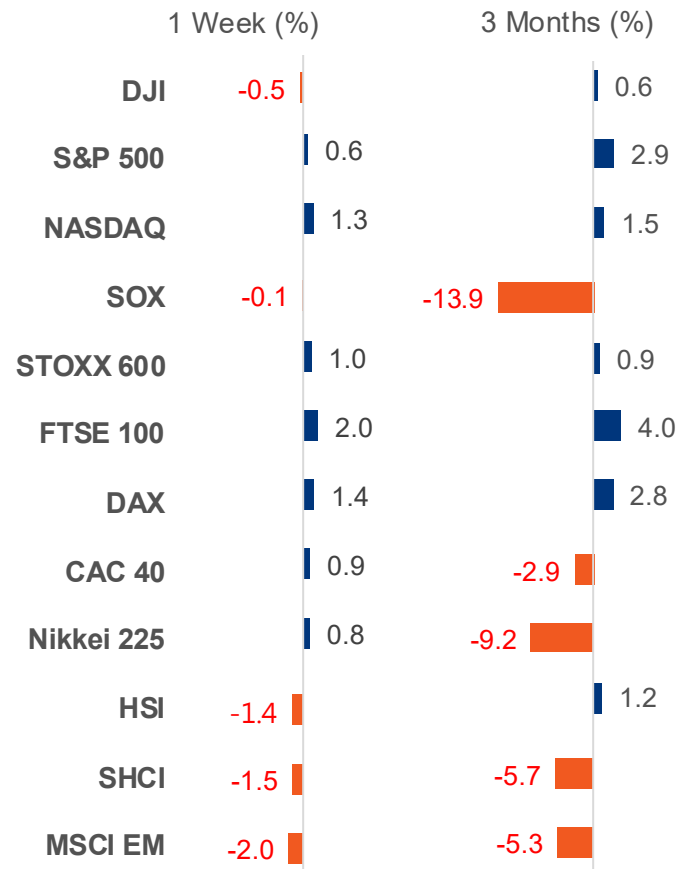
R E S E R V E

Market Recap

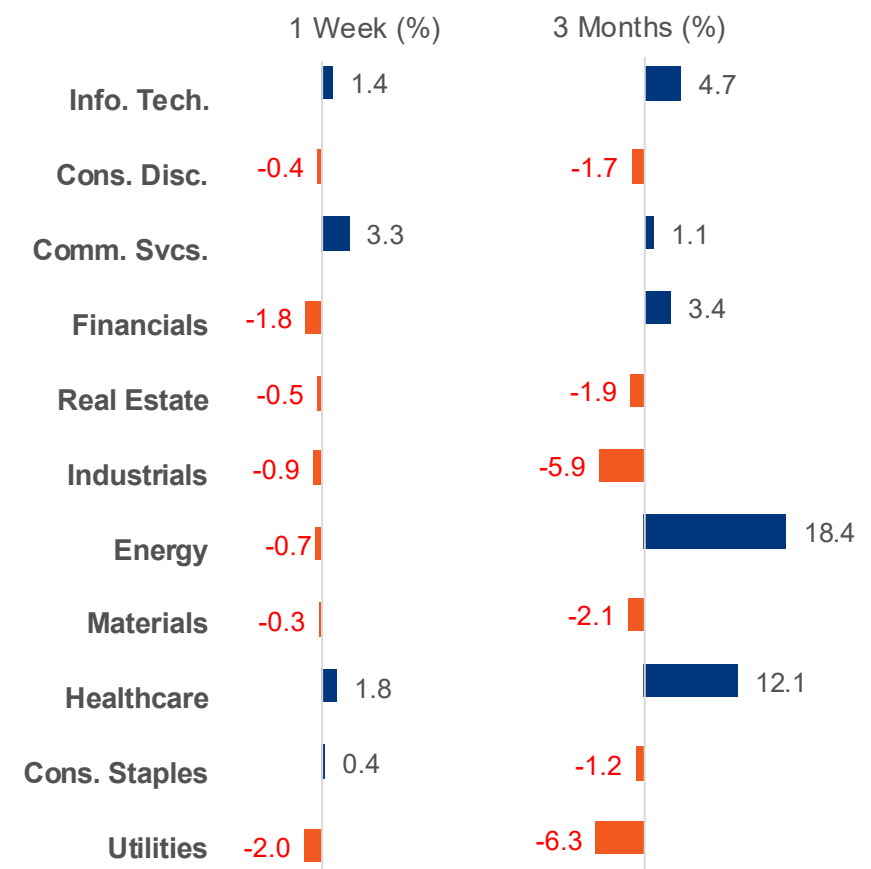
AI Concerns, Higher Rates Keep Markets Volatile

- ▶ The Fed and BOJ both raised rates by 25 bps. With rates rising and Warsh maintaining a hawkish tone, bond yields are likely to stay higher for longer, with the U.S. 10Y Treasury yield breaking above 5%. Meanwhile, Saudi Arabia shut an overland oil pipeline following a drone attack, while renewed vessel attacks in the Strait of Hormuz raised concerns over global oil supply and inflation, keeping equities volatile near recent highs. However, Saudi Arabia recently began using smaller shuttle tankers to transfer additional crude to larger vessels via Omani ports, easing the oil rally and supporting a rebound in European and Asian equities later in the week.
- ▶ Anthropic CEO Dario Amodei called on AI companies to slow the pace of model capability advances, with Elon Musk and OpenAI CEO Sam Altman also supporting the proposal, triggering a sharp selloff followed by a rebound in global AI and hardware stocks. Rising safety concerns amid rapid AI development have also fueled a strong rebound in cybersecurity and software stocks. South Korean memory giant SK Hynix is reportedly considering leasing part of an Ohio fab, while Intel CEO Lip-Bu Tan said memory-chip demand remains strong and supply tight, lifting Intel and other memory-related stocks.

Regional Index Performance (%)

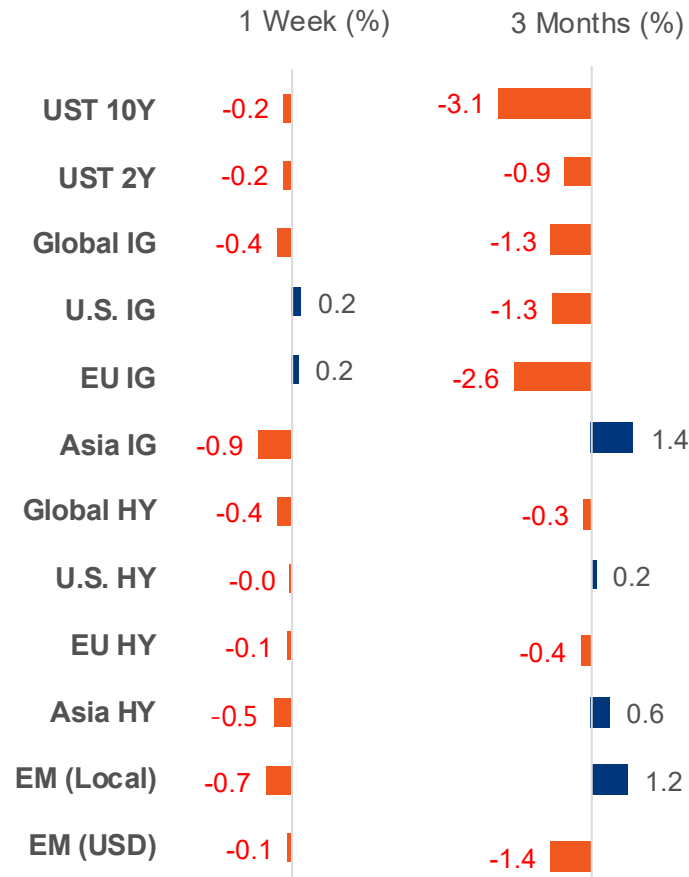
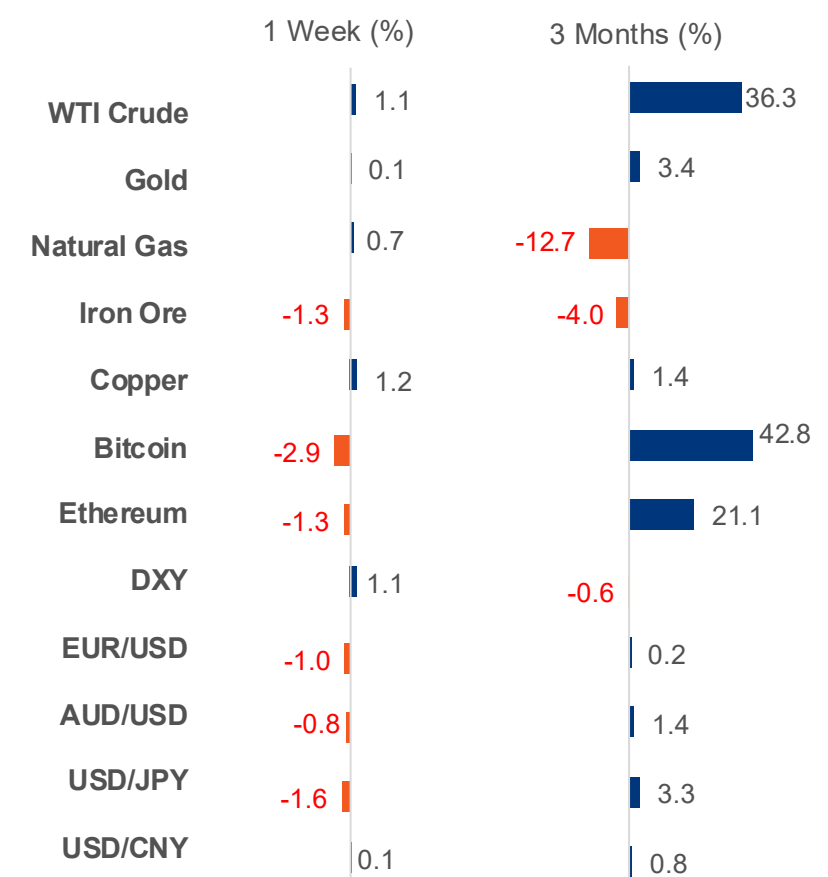


U.S. Sector Index Performance (%)



Market Recap**Fed, ECB, BOJ Hike; Bond Yields Rise, Dollar Rebounds**

- U.S. August CPI rose 0.4% MoM and 3.4% YoY, in line with expectations, while core CPI rose 0.3% MoM and 2.4% YoY, above the 2.3% forecast. Persistent inflation prompted the Fed to hike 25 bps, pushing the U.S. 10Y Treasury yield to its highest since 2007. Following the ECB's deposit-rate hike to 2.50% last week, the BOJ accelerated tightening, raising its policy rate to 1.25% and turning more hawkish. Global bonds initially fell before rebounding as some investors viewed rate-hike risks as largely priced in, with higher yields attracting demand.
- Markets still expect another 25 bps Fed hike by year-end, lifting the USD Index back above 100 and weighing on non-USD currencies. The CLARITY Act, a key U.S. crypto regulatory bill, failed to advance in the Senate after a 49–50 procedural vote, sending crypto assets lower. Saudi Arabia's closure of its East-West oil pipeline, which carries roughly 4–5% of global crude supply, intensified supply concerns. Saudi exports via Oman later eased the disruption, sending oil prices higher before reversing, while WTI remained near US\$100/bbl. After the Fed meeting, Treasury yields eased as tightening concerns were largely priced in, supporting a rebound in gold and copper.

Performance of Bonds (%)**Performance of Commodities and Currencies (%)**

Source: Bloomberg

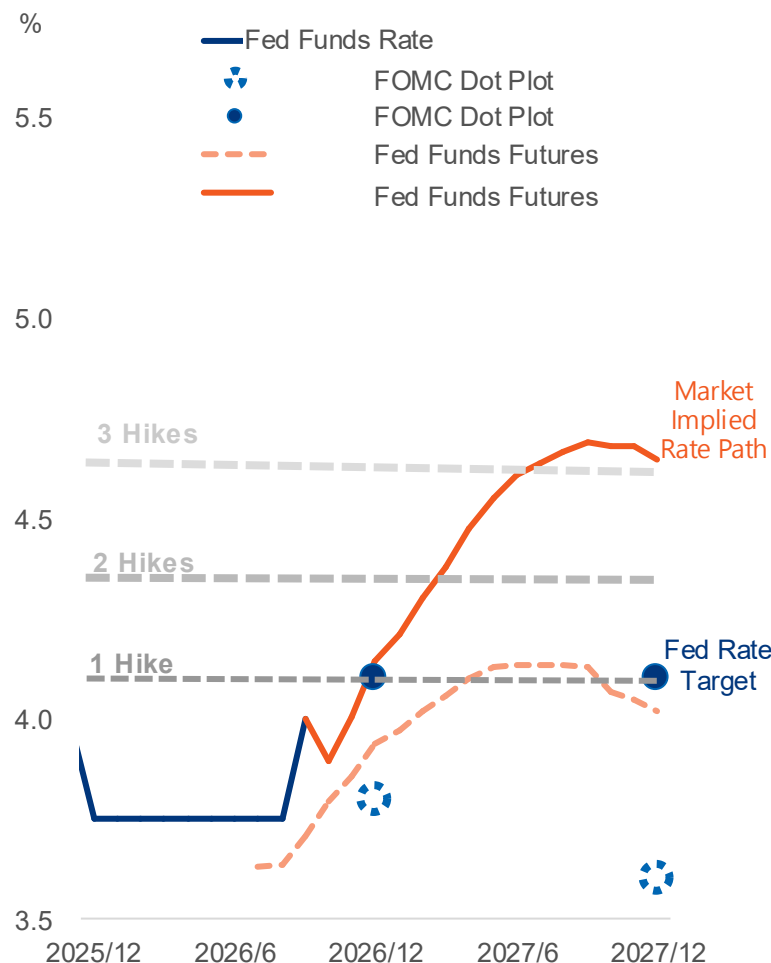
What's Trending

Fed Resumes Hikes, Extending High-Rate Environment

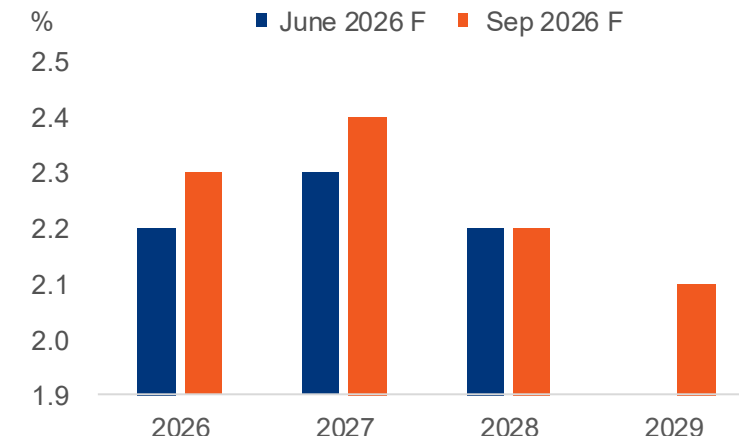
- ▶ The Fed raised rates by 25 bps in September to 3.75–4.00%. The latest dot plot signals room for another 25 bps hike in 2026, rates remaining unchanged in 2027, and gradual easing from 2028. Chair Warsh reiterated the Fed's inflation-fighting commitment, while significantly more officials favored higher rates than at the previous meeting, underscoring a hawkish stance. However, the projected rate path was less aggressive than the consecutive hikes markets had expected, prompting a positive market reaction.
- ▶ The Fed also raised its 2026–2027 GDP growth forecasts and lowered unemployment projections, suggesting the U.S. economy and labor market remain resilient. Meanwhile, higher energy prices and cost pass-through led to upward revisions in headline and core inflation forecasts. Resilient growth and sticky inflation leave room for tighter policy. With rates likely to stay higher for longer, equity valuations remain under pressure; favor defensive sectors with stable earnings and cash flows. In bonds, focus on short- to intermediate-duration, high-quality corporate bonds to lock in attractive yields. Long-duration Treasuries remain exposed to inflation, fiscal concerns and higher term premiums; consider increasing exposure only after clearer signs of cooling inflation and growth.

Source: Bloomberg

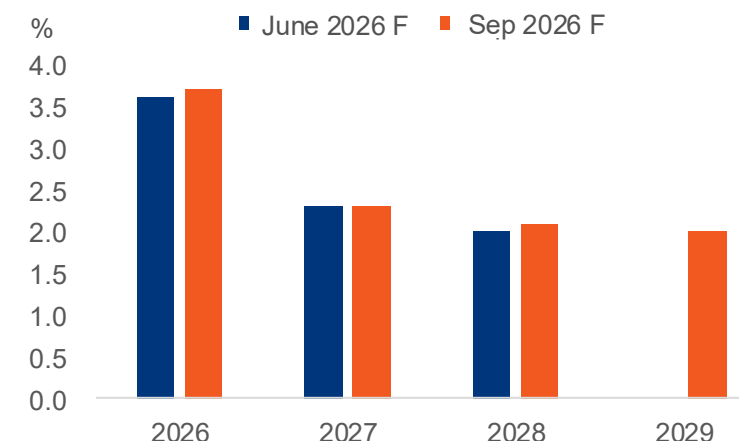
Dot Plot Signals Another 25 bps Hike by Year-End; Rates to Stay High in 2027



GDP Growth Revised Slightly Higher; Economy Remains Resilient



PCE Inflation Forecast Revised Higher; Disinflation Remains Slow

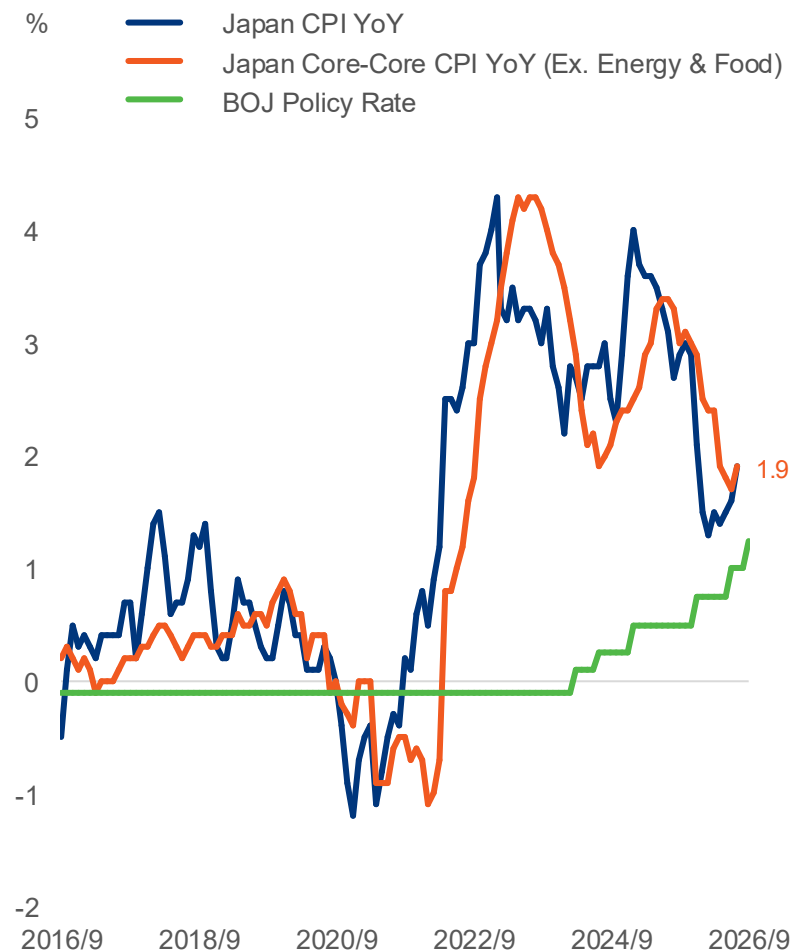


What's Trending

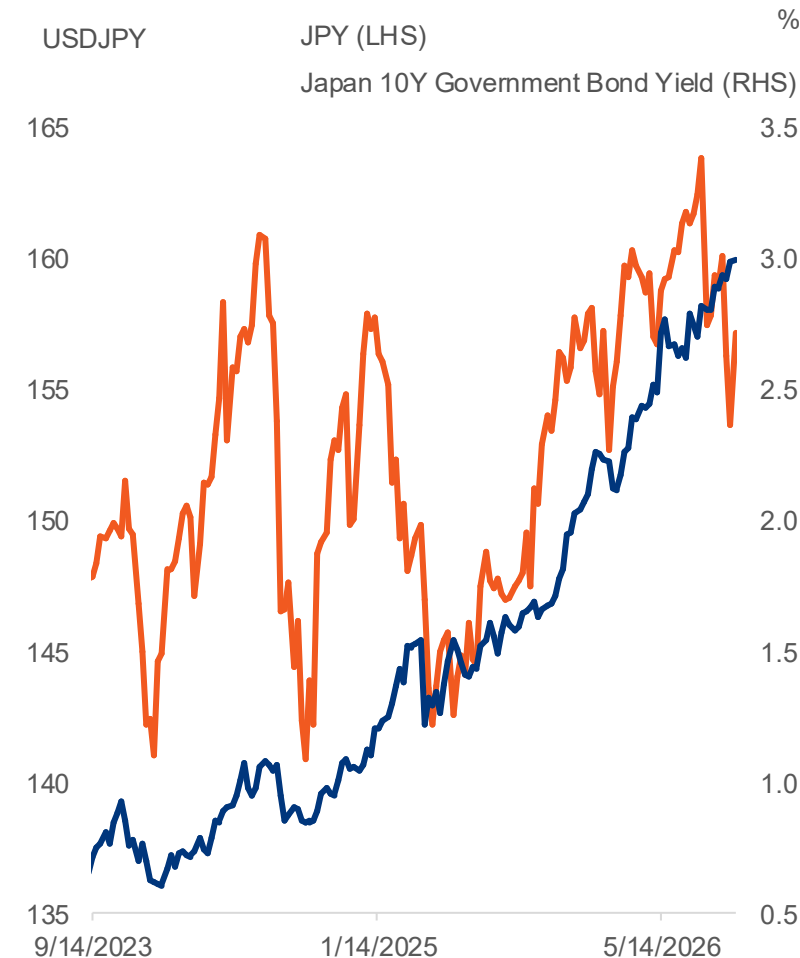
Stronger Growth, Inflation Accelerate BOJ Tightening

- ▶ Japan's August CPI rose 1.9% YoY as higher oil prices increasingly fed through to consumer costs. Average wages rose 4.7% YoY in July, the strongest increase since January 1997, outpacing inflation and supporting real wage growth. Meanwhile, 2Q GDP grew at a 1.4% annualized pace, beating expectations. Manufacturing PMI improved in August on strong AI and semiconductor demand, while July exports surged 23.2% YoY, the fastest growth since October 2022. Rising inflation and improving economic momentum provided support for the BOJ's rate hike.
- ▶ The BOJ said real interest rates remain low and monetary policy will be adjusted as conditions warrant, while stressing that financial conditions remain accommodative even after the hike. The statement was less hawkish than expected, supporting Japanese equities while weakening the yen. The BOJ's preference for accommodative financial conditions may limit further yen appreciation, but U.S. pressure and prospects for additional BOJ hikes should prevent a return to previous extreme weakness. Compared with the past, a stronger yen now poses manageable pressure on Japanese exporters and tech stocks. With the 10Y JGB yield reaching 3%, higher rates favor financials. Near term, focus on financials and domestic-demand sectors, while building positions in tech and semiconductor stocks on pullbacks.

Core Inflation Accelerates, Supporting BOJ Hikes



JGB Yield Hits Multi-Year High, Driving Greater Yen Volatility

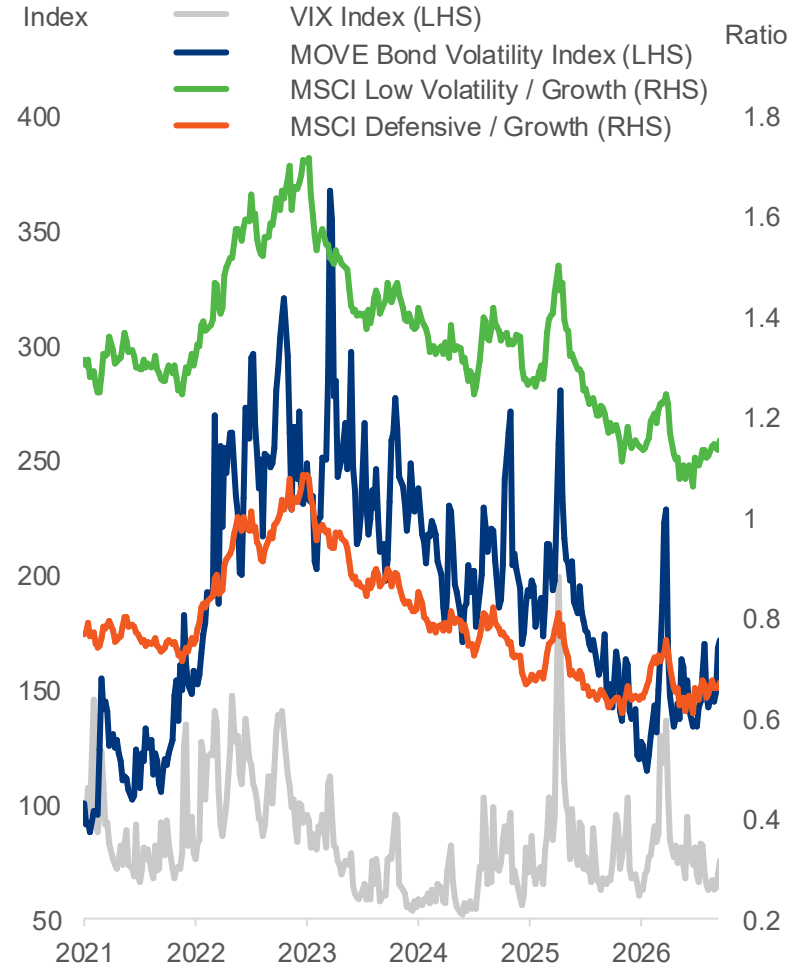


Source: Bloomberg

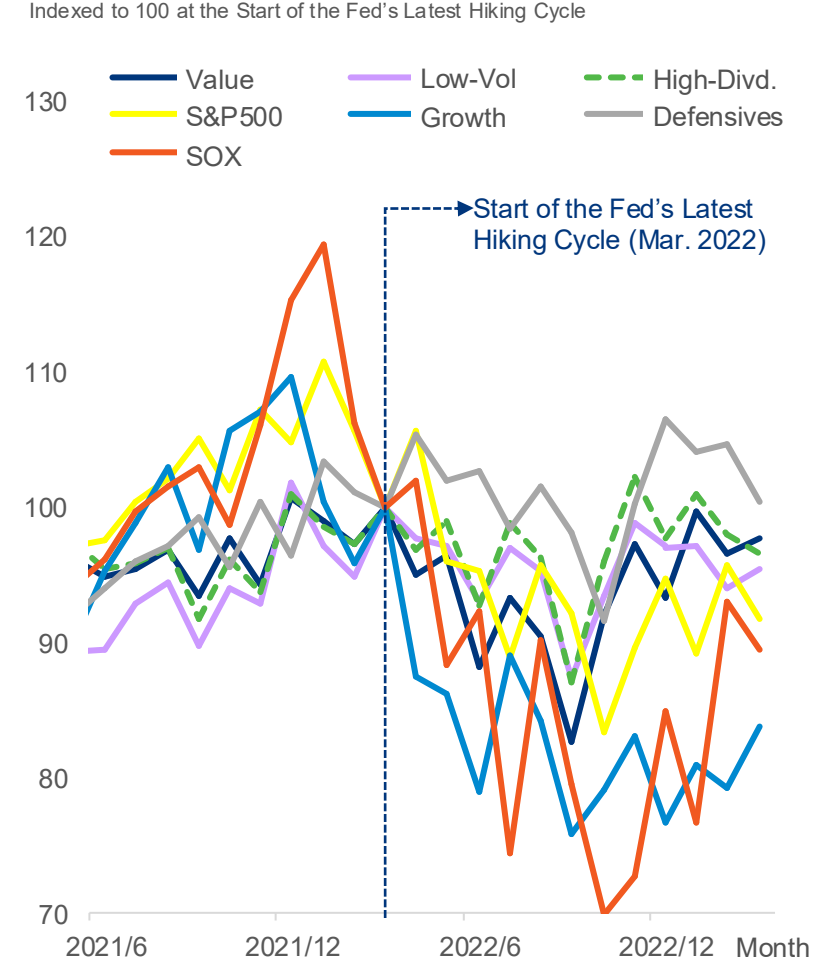
Higher Volatility Favors Low-Vol, Defensive Value Stocks

- ▶ Rate hikes by major central banks in the U.S., Europe and Japan, combined with escalating U.S.-Iran tensions and surging oil prices, have fueled inflation concerns and sovereign debt pressures, pushing government bond yields sharply higher worldwide. Markets are increasingly concerned that high rates and oil prices could weigh on growth, pressuring global equities, bonds and currencies and driving volatility higher, particularly in chips, semiconductors and technology stocks that previously led the rally. Year to date, bond volatility has risen as sharply as equity volatility. Historically, when the VIX and MOVE indices rise, low-volatility and defensive stocks tend to outperform growth stocks, as investors rotate toward more resilient assets.
- ▶ The Fed's previous hiking cycle began in 2022 after the pandemic and supply-chain disruptions drove inflation sharply higher, broadly resembling today's inflation-driven tightening backdrop. In the months after that hiking cycle began, growth stocks and the Philadelphia Semiconductor Index came under pressure, while defensive, value and low-volatility stocks proved more resilient. With Fed tightening risks again weighing on markets, greater exposure to these segments may help improve portfolio resilience.

U.S. Equity Volatility Rises; Low-Volatility and Defensive Stocks Outperform



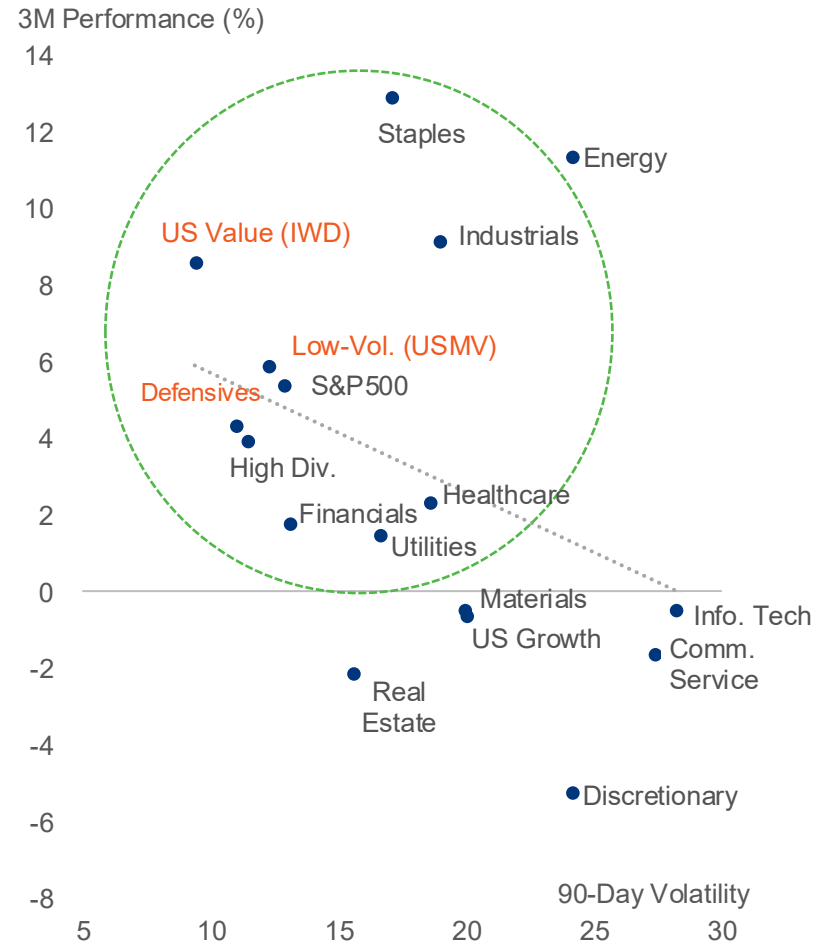
Styles that Outperform After the Fed's Latest Hiking Cycle Began



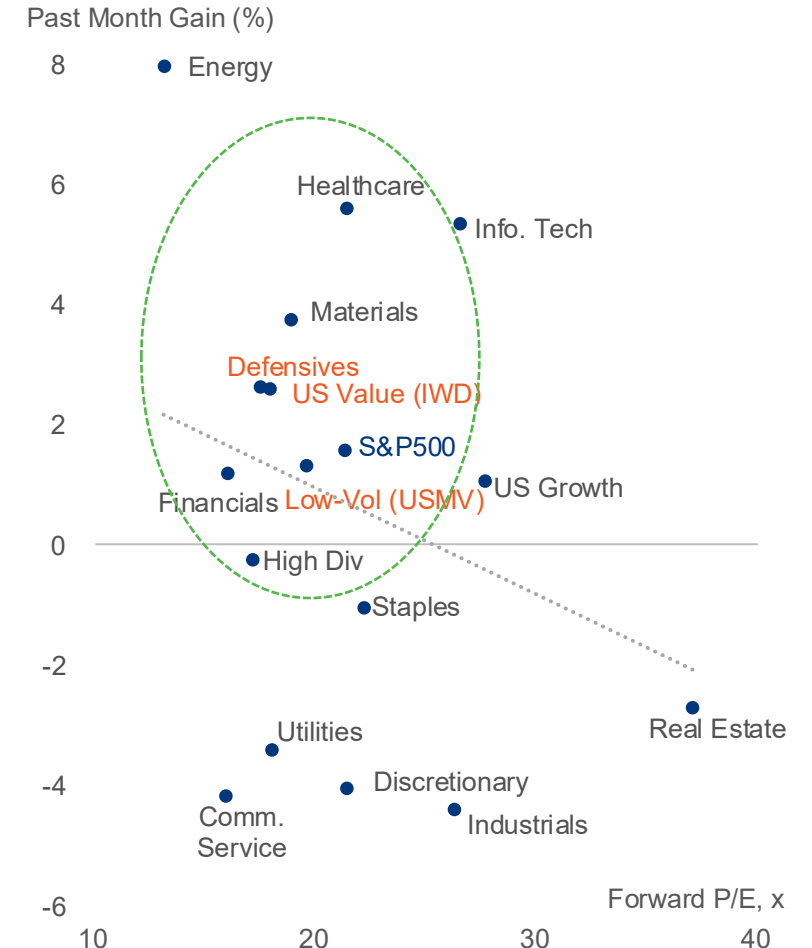
Rotation Favors Low-Vol, Attractively Valued Defensive Stocks

- Over the past quarter, high-beta sectors such as Information Technology, Communication Services and Consumer Discretionary have notably underperformed the broader market. In contrast, value, defensive and low-volatility factors, as well as traditional defensive sectors such as Consumer Staples and high-dividend stocks, have delivered more resilient returns and attracted capital. Following the strong rally in technology and semiconductor stocks in 1H, expectations that high interest rates and geopolitical risks may persist have shifted investor focus toward defensive assets with durable earnings and stronger cash generation.
- Based on forward P/E, Financials trade at just 16x, defensive stocks at 17.5x, value stocks (IWD ETF) at 17.9x and low-volatility stocks (USMV ETF) at 19.6x, all below the S&P 500's 21.3x. Recent flows have favored attractively valued low-volatility, value and defensive stocks, with lower valuations generally associated with stronger gains. Looking ahead, the long-term AI fundamentals remain positive, and the equity pullback likely reflects valuation normalization rather than earnings deterioration. Amid higher market volatility, investors should avoid excessive concentration in individual sectors or stocks, diversify into low-volatility, defensive and value exposures, and build positions gradually to manage risk and improve portfolio resilience.

Defensive, Value and Low-Volatility Stocks Attract Flows Amid Lower Volatility



Attractively Valued Low-Volatility, Value and Defensive Stocks Outperform Recently



Diversify Across Low-Vol, Value and Growth; Scale In to Manage Risk

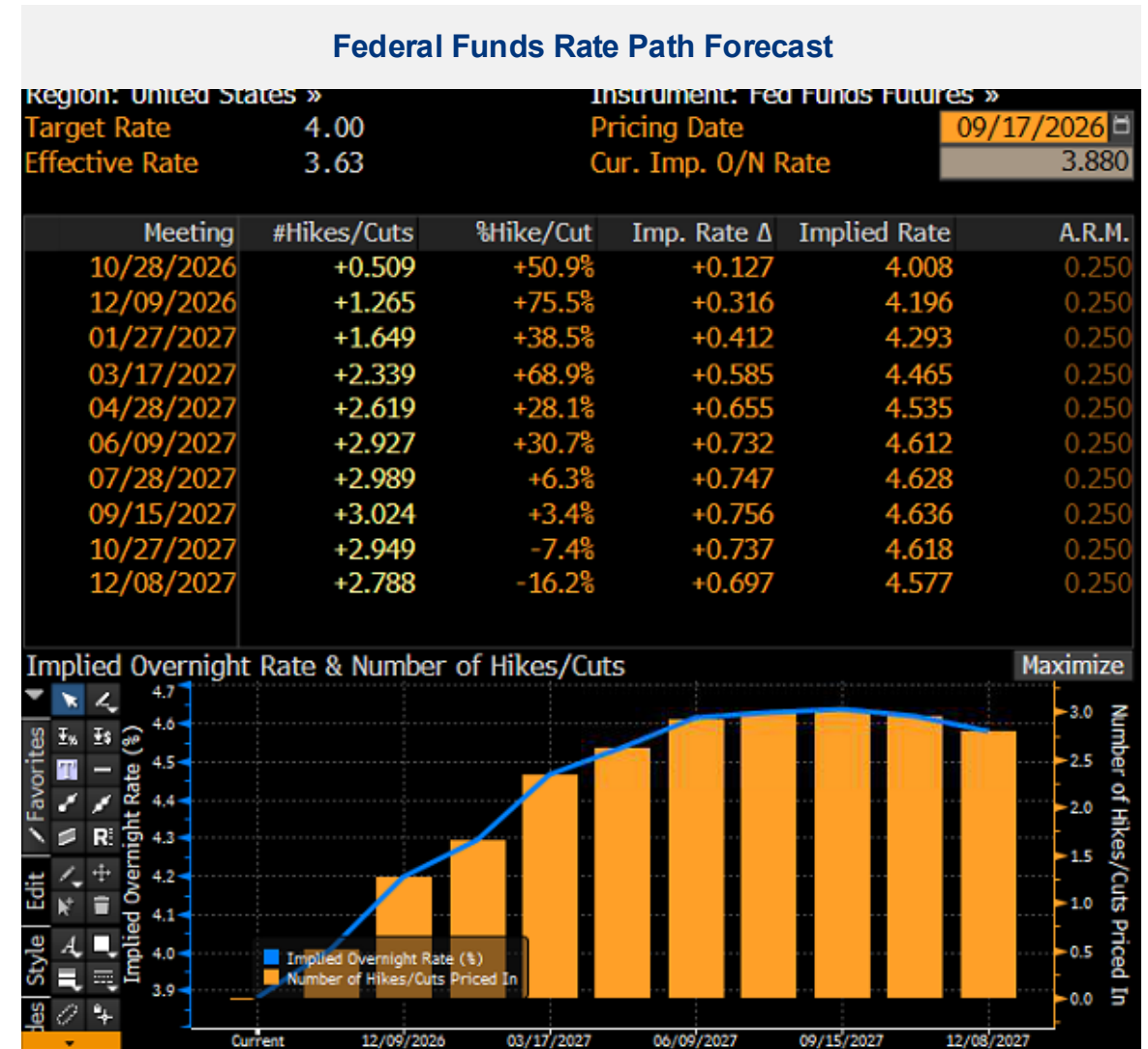
Asset Type	Market View	Preferred Assets
Equities	◆ Rate hikes by the Fed, ECB and BOJ to curb inflation have pushed rates to new highs, increasing equity volatility. Elevated sovereign debt in developed markets and heavy bond issuance by tech giants to fund capex are also keeping markets volatile. Renewed U.S.-Iran tensions add further uncertainty. Defensive, low-volatility and value stocks can help mitigate near-term risks. The long-term outlook for technology, AI and semiconductors remains intact, supported by solid earnings fundamentals. Diversification across countries and sectors remains preferred. ◆ European and Japanese equities provide diversification. Higher global rates benefit banks, while European and Japanese financials retain solid fundamentals. European defense stocks also remain attractive.	Strategy: Increase defensive exposure near term; remain constructive on AI themes such as technology and semiconductors over the medium to long term, while non-AI exposure can focus on financials. Regions: Japanese Banks, European Financials, European Defense
Bonds	◆ Global government bond yields have surged. Avoid ultra-long-duration bonds; we expect the U.S. 10Y Treasury yield to remain around 4.5–5.0% through year-end. Higher yields offer opportunities to lock in attractive income through short- to intermediate-duration bonds. High-quality bonds offer stronger fundamentals and cash-flow resilience; focus on sectors with attractive spreads after recent repricing, including financials, technology, communication services and utilities. ◆ Non-USD investment-grade bonds, such as EUR- or AUD-denominated bonds, can diversify single-currency risk.	Short- to intermediate-duration high-quality bonds; sectors including financials, technology, communication services and utilities Satellite Allocation: Non-USD Investment-Grade Bonds for Currency Diversification
Forex	◆ The dollar remains elevated as the Fed resumes rate hikes. ◆ Following the BOJ's September rate hike, further tightening remains possible by year-end or early next year, increasing JPY volatility and supporting appreciation.	USD to consolidate at elevated levels; JPY volatility to rise with an appreciation bias
Commodity	◆ Saudi Arabia's closure of an oil pipeline, coupled with renewed tensions in the Strait of Hormuz, has tightened energy supply. Oil prices are expected to remain elevated through year-end. ◆ Gold faces near-term pressure from a stronger dollar, but U.S. fiscal deficits and global central-bank buying continue to provide medium- to long-term support.	Gold faces near-term pressure; medium- to long-term outlook remains constructive.



Defensive Positioning in a Higher-for-Longer Rate Environment: Focus on Earnings Resilience and Dividend Growth

- ▶ U.S. retail sales rose 1.2% MoM in August, exceeding both consensus expectations of 0.8% and the revised prior reading of -0.5%, highlighting continued consumer resilience.
- ▶ The Fed raised rates by 25bps in September, bringing the target range to 3.75%-4.00%, and reiterated its commitment to returning inflation to 2%. Updated projections point to stronger growth and persistent inflation, while the latest dot plot suggests at least one additional rate hike this year, reinforcing the prospect of a higher-rate environment extending into 2027.
- ▶ Against this backdrop of renewed Fed tightening and elevated Treasury yields, investors may favor defensive sectors such as Consumer Staples and Health Care. Companies with strong brands, competitive advantages, disciplined cost controls, and solid balance sheets are better positioned to sustain earnings, cash flows, and dividend growth, enhancing portfolio resilience in a high-rate environment.

Source: Bloomberg



Procter & Gamble Company (PG US)

Closing Price US\$146.39

Target Price US\$160

Procter & Gamble is a global consumer goods company engaged in the manufacturing and marketing of products across fabric care, home care, paper products, beauty, grooming, health care, and food and beverage categories. Its products serve consumers worldwide.

Essential Consumer Staples Demonstrate Resilience in a High-Rate and Inflationary Environment

Elevated Treasury yields, persistent inflation, and Fed policy uncertainty continue to weigh on discretionary spending, highlighting the defensive nature of Procter & Gamble's business. Stable demand for everyday necessities, supported by strong brands and pricing power, helps offset rising costs and sustain resilient earnings and cash flows. Recent inflation and higher energy prices further underscore the value of its defensive business model.

Brand Leadership and Strong Cash Flow Generation Support Shareholder Returns

Procter & Gamble's portfolio of market-leading brands continues to generate strong cash flow. In fiscal 2026, operating cash flow reached US\$19.6bn, with more than US\$15bn returned to shareholders through dividends and share repurchases. The company has increased its dividend for 70 consecutive years, while ongoing productivity initiatives and disciplined portfolio management help protect margins and sustain shareholder returns despite a challenging consumer and cost environment.

4Q FY2026 Results Were Mixed, While FY2027 Outlook Remained In Line with Expectations

Procter & Gamble reported 4Q FY2026 revenue of US\$21.2bn, up 1.5% YoY, slightly below consensus expectations, while core EPS of US\$1.43 modestly exceeded forecasts. For FY2027, management expects core EPS of US\$6.89-7.11 and sales growth of 1%-3%, broadly in line with market expectations.

Valuation Consensus

Bloomberg's 12-month consensus target price is US\$159.23, with a high of US \$186 and a low of US\$143.

Source: Bloomberg, Company

1-Year Price

(USD)



FY2027 Guidance

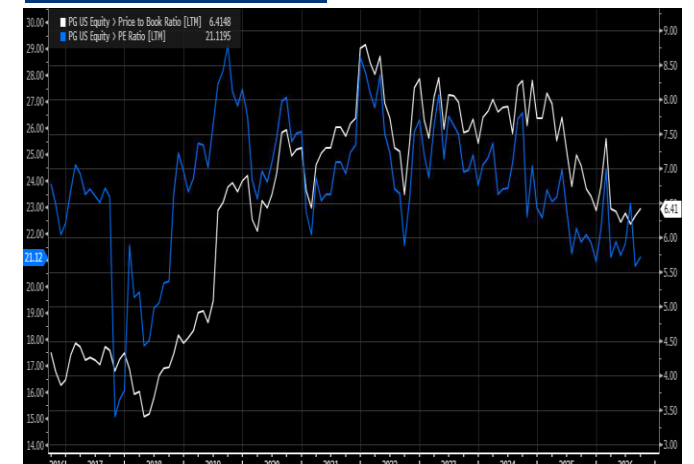
METRIC	FY 2027 GUIDANCE
Organic Sales Growth	+1% to +3%
Net Sales Growth	+1% to +3%
Core EPS Growth	+0% to +3%
All-In EPS Growth	+1% to +5%
Currency Neutral Core EPS Growth	+0% to +3%
Core Effective Tax Rate	~20%
Adjusted Free Cash Flow Productivity	85% to 90%
Capital Spending, % of Sales	4.5% to 5.5%
Dividends	>\$10bn
Direct Share Repurchase	~\$5bn

Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	2.5	0.3	3.3	2.0	2.9
EBITDA (%)	27.9	29.8	25.4	27.3	27.9
EPS (USD)	6.52	7.08	6.99	6.97	7.37
Net Profit Margin(%)	18.8	20.3	19.1	18.9	19.4

Source: Bloomberg; 2027/28F are market estimates

PE & PB



Johnson & Johnson (JNJ US)

Closing Price	US\$269.99	Target Price	US\$300
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Johnson & Johnson develops and markets healthcare products across the consumer health, pharmaceutical, and medical technology sectors. Its portfolio includes skincare, personal care, over-the-counter medicines, prescription drugs, diagnostic products, and surgical devices, serving patients and consumers worldwide.

Non-Cyclical Healthcare Demand Supports Earnings Resilience

Healthcare demand is generally less sensitive to economic cycles, reinforcing Johnson & Johnson's defensive profile in a high-rate environment. Long-term growth is supported by structural drivers such as population aging, rising treatment demand, and continued adoption of innovative therapies. Meanwhile, its diversified Pharmaceuticals and MedTech businesses enhance earnings resilience and support stable long-term growth.

Innovative Medicines and Cardiovascular MedTech Drive Above-Market Growth

Benefiting from strong momentum across oncology products, including DARZALEX, CARVYKTI, TECVAYLI, and RYBRENT, Johnson & Johnson reported 2Q FY2026 revenue growth of 6.6% YoY to US\$25.3bn. Meanwhile, its MedTech business delivered 3.6% operational sales growth, supported by cardiovascular franchises such as electrophysiology and Shockwave. The combination of high-growth innovative medicines and expanding cardiovascular technologies provides Johnson & Johnson with stronger growth prospects than traditional defensive healthcare companies.

2Q FY2026 Results Beat Expectations; Full-Year Guidance Raised

Johnson & Johnson reported 2Q FY2026 revenue of US\$25.3bn, up 6.8% YoY and ahead of consensus, while non-GAAP EPS of US\$2.90 also exceeded expectations. The company maintained its quarterly dividend at US\$1.34 per share and raised FY2026 guidance, increasing midpoint revenue and adjusted EPS forecasts to US\$101.1bn and US\$11.68, respectively, reflecting confidence in its operating outlook.

Valuation Consensus

Bloomberg's 12-month consensus target price is US\$283.04, with a high of US\$320 and a low of US\$210.

Source: Bloomberg, Company



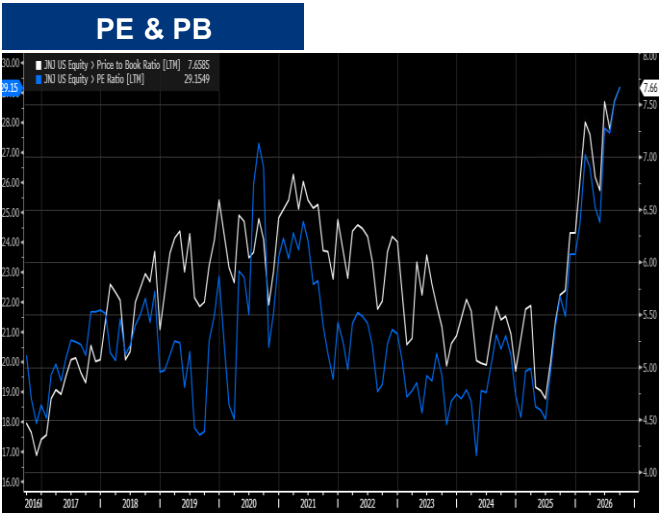
Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	6.5	4.3	6.0	7.5	7.3
EBITDA (%)	44.8	40.3	29.4	37.6	38.0
EPS (USD)	8.47	8.38	9.23	11.53	12.67
Net Profit Margin(%)	25.5	22.9	23.8	27.8	28.3

Source: Bloomberg; 2027/28F are market estimates

FY2026 Guidance Raised

	July 2026	April 2026
Adjusted operational sales ^{1,2}	6.2% - 6.8%	5.6% - 6.6%
Operational sales ²	\$100.3B - \$100.9B 6.5% - 7.1%	\$99.7B - \$100.7B 5.9% - 6.9%
Estimated reported sales ³	\$100.8B - \$101.4B 7.0% - 7.6%	\$100.3B - \$101.3B 6.5% - 7.5%
Adjusted pre-tax operating margin ^{4,5}	Increase of approximately 75 bps	Increase of at least 50 bps
Net other income ⁴	\$1.0 - \$1.2 billion	\$1.0 - \$1.2 billion
Net interest expense / (income)	\$250 - \$350 million	\$300 - \$400 million
Effective tax rate ⁴	17.0% - 18.0%	17.5% - 18.5%
Adjusted EPS (operational) ^{2,4}	\$11.50 - \$11.65 6.6% - 8.0%	\$11.30 - \$11.50 4.7% - 6.7%
Adjusted EPS (reported) ^{3,4}	\$11.60 - \$11.75 7.5% - 8.9%	\$11.45 - \$11.65 6.1% - 8.1%



Appendix

Key Economic Data / Events

► SEP 2026

14

Monday

- Japan Jul Industrial Production MoM (Final)
(Act:-0.2% Prev:0.1%)

15

Tuesday

- China Aug Retail Sales Advance YoY
(Act:0.4% Est:0.8% Prev:0.6%)
- China Aug Industrial Production YoY
(Act:5.2% Est:4.8% Prev:4.5%)

16

Wednesday

- U.S. Aug Retail Sales Advance MoM
(Act:1.2% Est:0.8% Prev:-0.5%)
- Japan Jul Core Machine Orders MoM
(Act:-3.7% Est:-1.2% Prev:9.7%)

17

Thursday

- U.S. Weekly Initial Jobless Claims
(Act:196k Est:207k Prev:206k)
- U.S. Sep Federal Funds Rate
(Act:4.00% Est:3.75% Prev:3.75%)
- Eurozone Aug CPI YoY (Final)
(Act:3.2% Est:3.3% Prev:3.3%)
- U.K. Sep BoE Bank Rate
(Act:3.75% Est:3.75% Prev:3.75%)

18

Friday

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

21

Monday

22

Tuesday

- Taiwan Aug Export Orders YoY
(Est:63% Prev:61.9%)

23

Wednesday

- U.S. Sep Manufacturing PMI (Prelim)
(Est:53.6 Prev:53.9)
- U.S. Sep Services PMI (Prelim)
(Est:56.0 Prev:56.5)
- Eurozone Sep Manufacturing PMI (Prelim)
(Est:52.3 Prev:52.7)
- Eurozone Sep Services PMI (Prelim)
(Est:51.1 Prev:51.6)

24

Thursday

- U.S. Weekly Initial Jobless Claims
(Prev:196k)

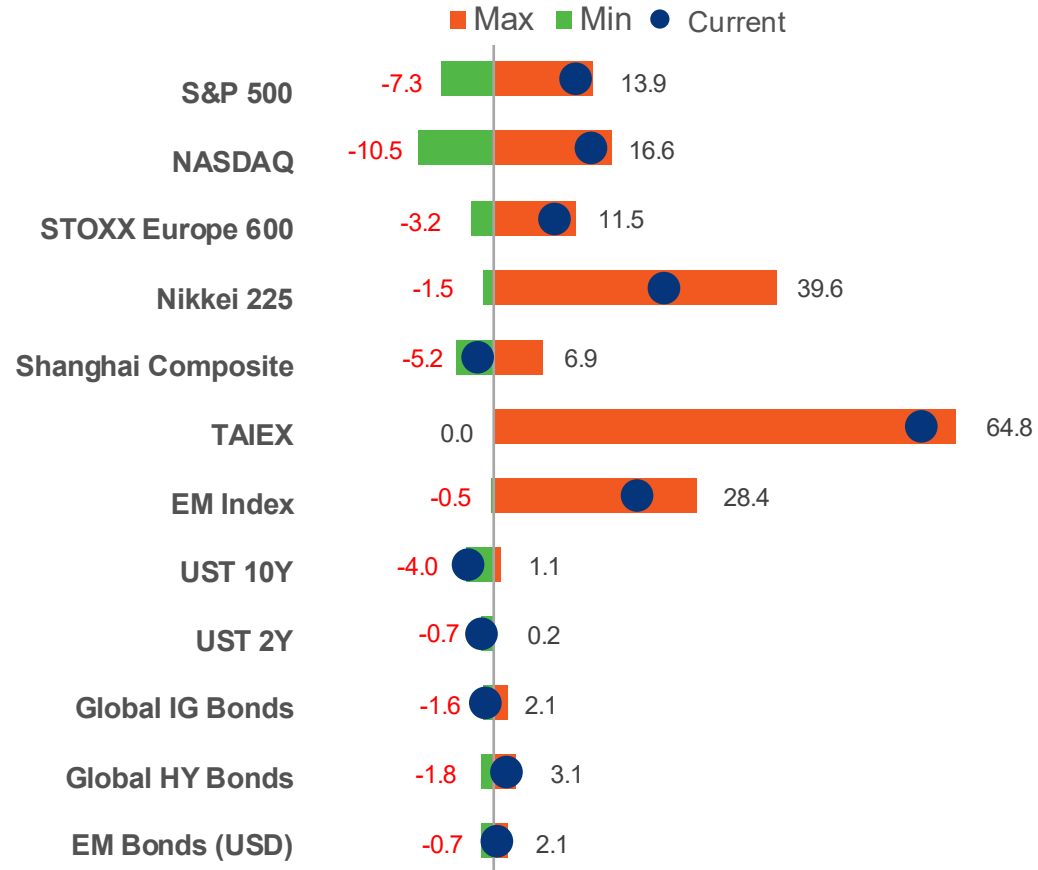
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Friday

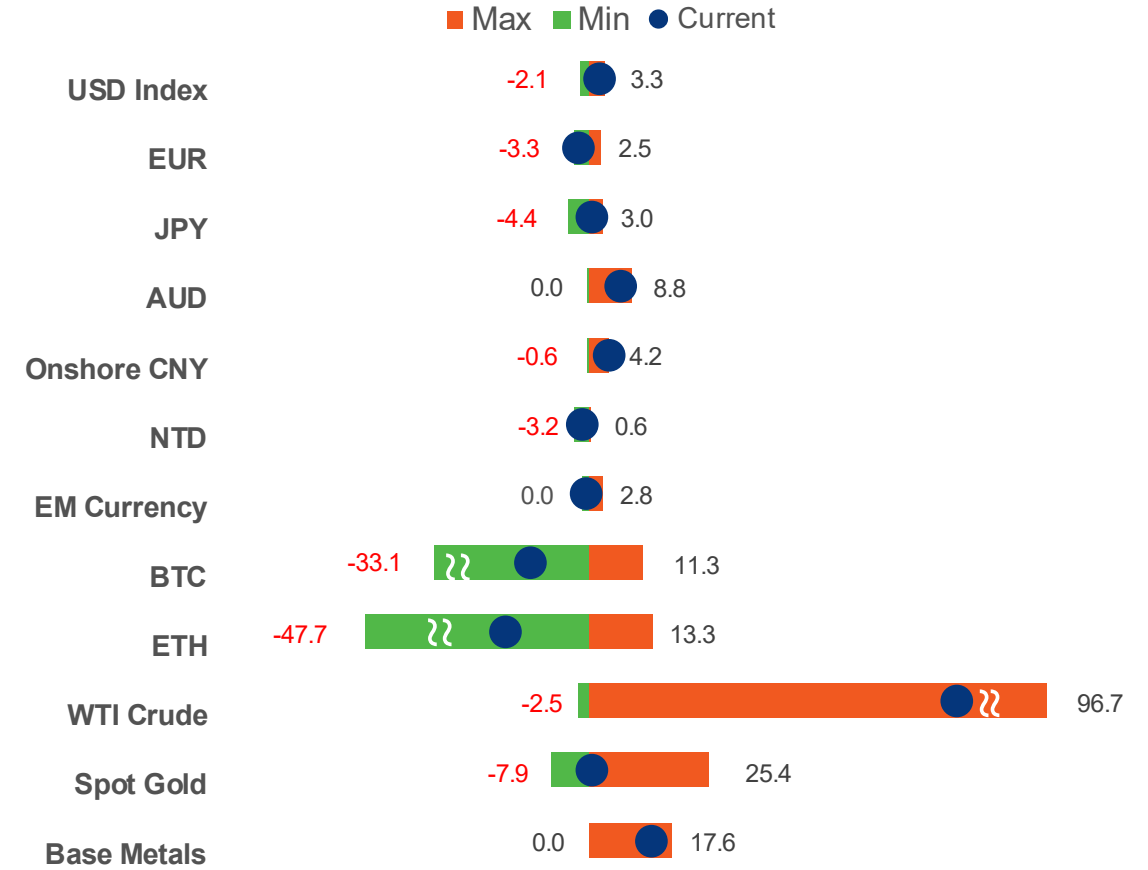
- U.S. Aug Durable Goods Orders MoM (Prelim)
(Est:-0.3% Prev:1.1%)
- U.S. Sep U. of Mich. Sentiment (Final)
(Est:47.8 Prev:47.8)

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



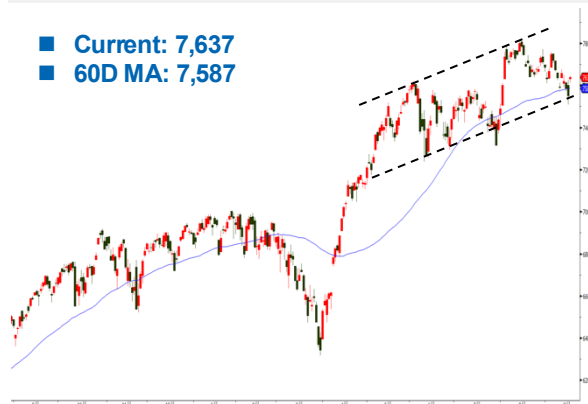
Source: Bloomberg, Sep. 18, 2026

Technical Analysis

60D MA

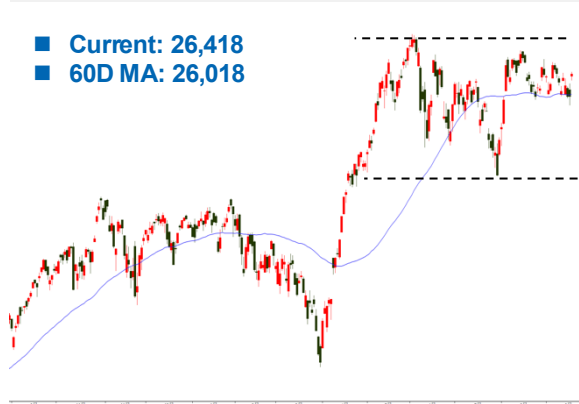
S&P 500 Index

■ Current: 7,637
■ 60D MA: 7,587



NASDAQ Index

■ Current: 26,418
■ 60D MA: 26,018



STOXX Europe 600 Index

■ Current: 642
■ 60D MA: 647



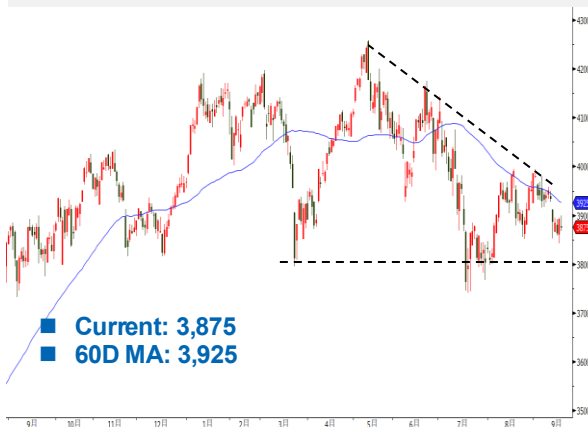
Nikkei 225 Index

■ Current: 64,136
■ 60D MA: 66,366



Shanghai Composite Index

■ Current: 3,875
■ 60D MA: 3,925



MSCI Emerging Markets Index

■ Current: 1,687
■ 60D MA: 1,684



Gold

■ Current: 4,341
■ 60D MA: 4,250



WTI Crude

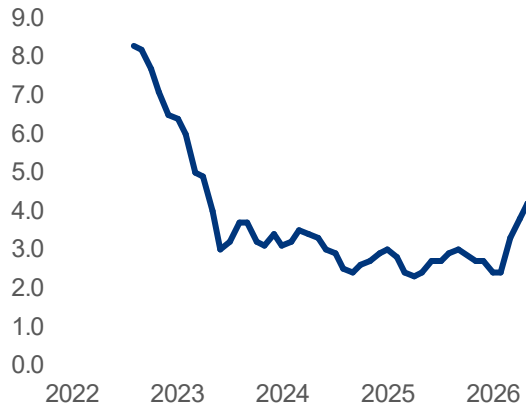
■ Current: 101.91
■ 60D MA: 83.22



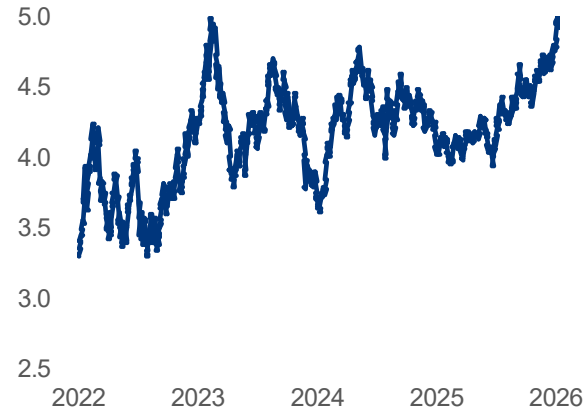
Source: Bloomberg, Sep. 18, 2026

Market Monitor

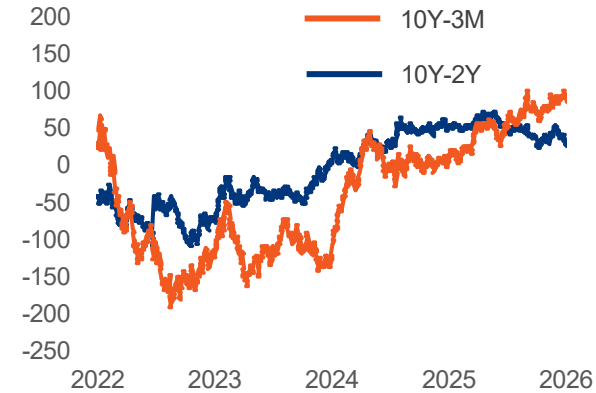
U.S. CPI YoY (%)



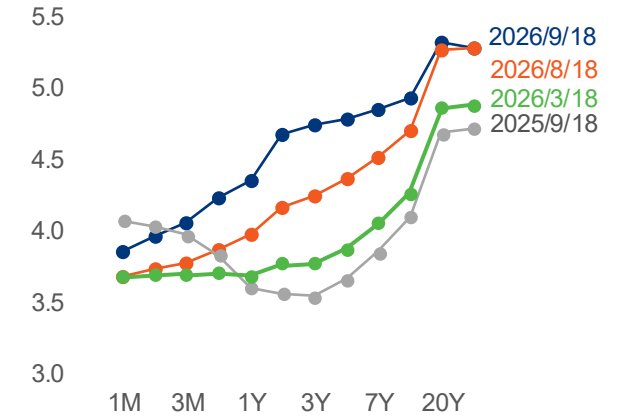
U.S. 10-Year Treasury Yield (%)



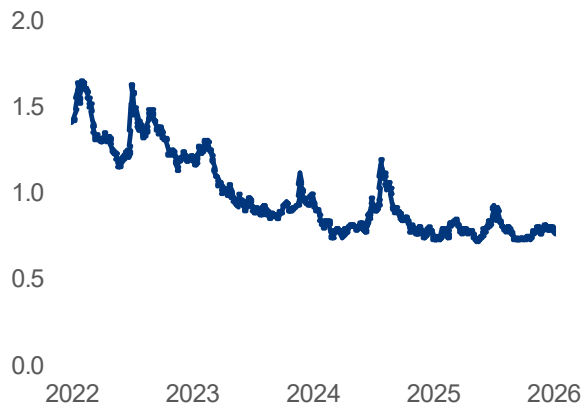
U.S. Treasury Yield Spread (bps)



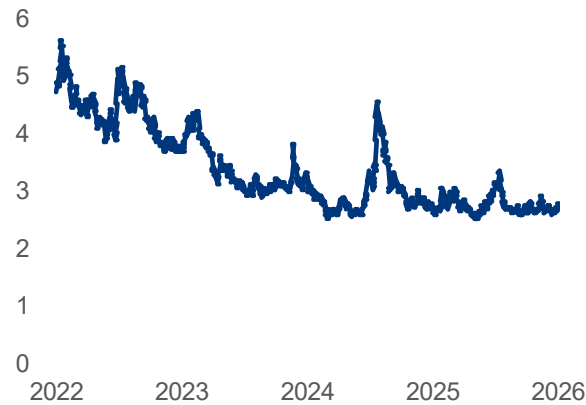
U.S. Treasury Yield Curve (%)



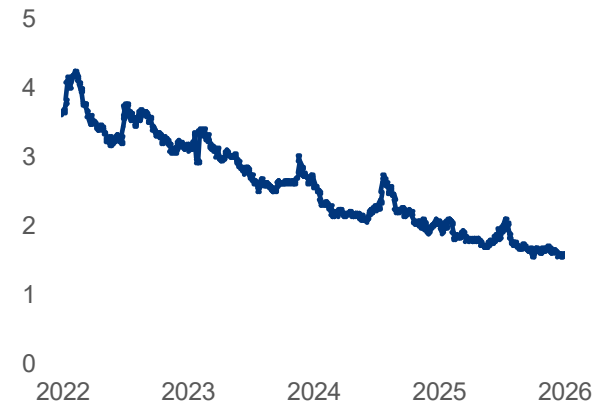
USD IG Credit Spread (%)



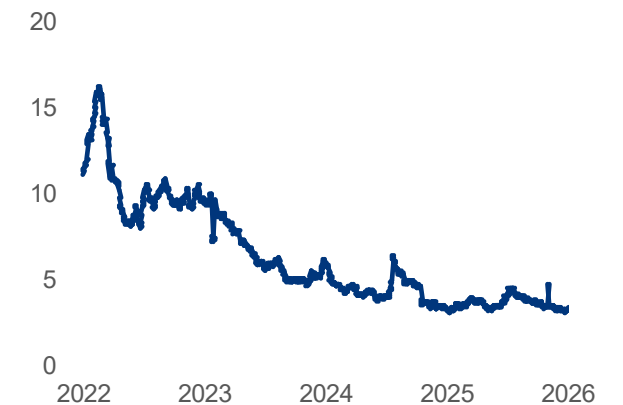
USD HY Credit Spread (%)



USD EM Credit Spread (%)

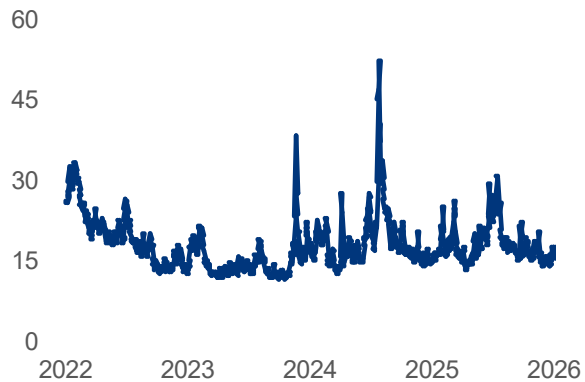
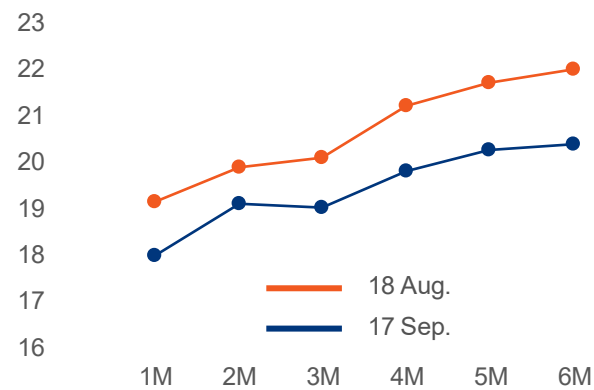
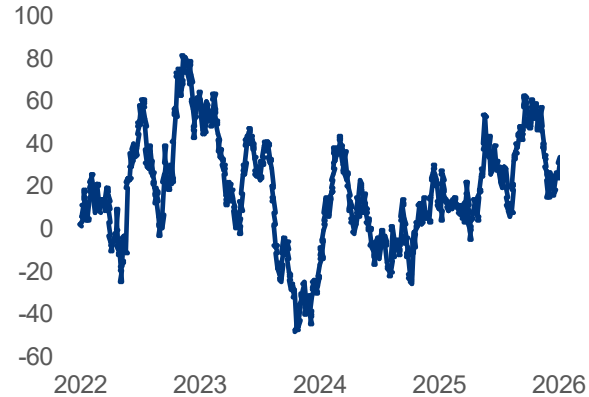
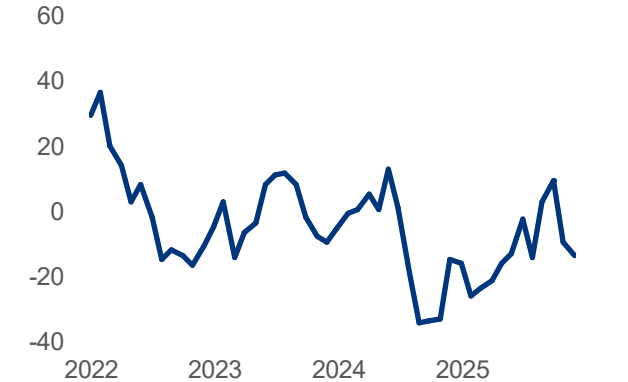
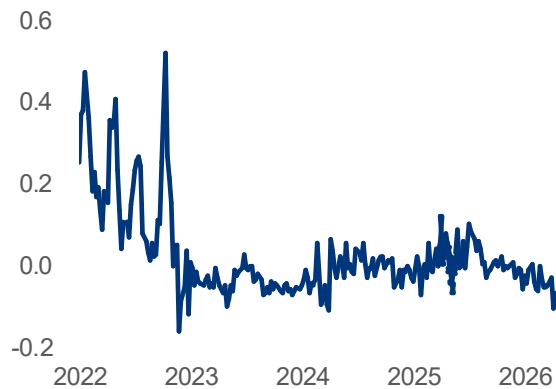
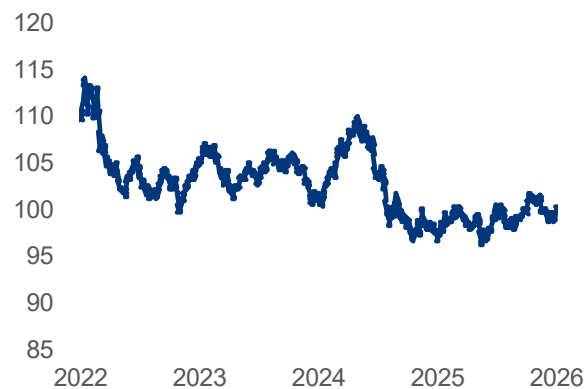
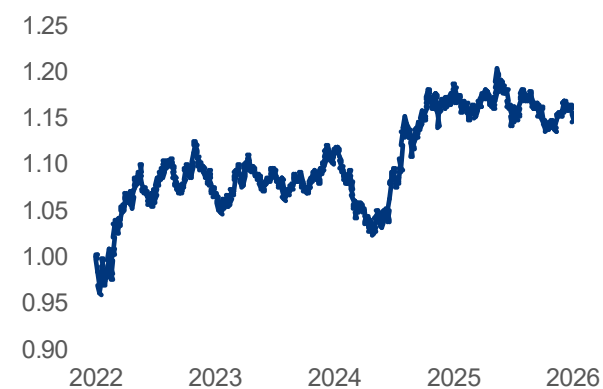
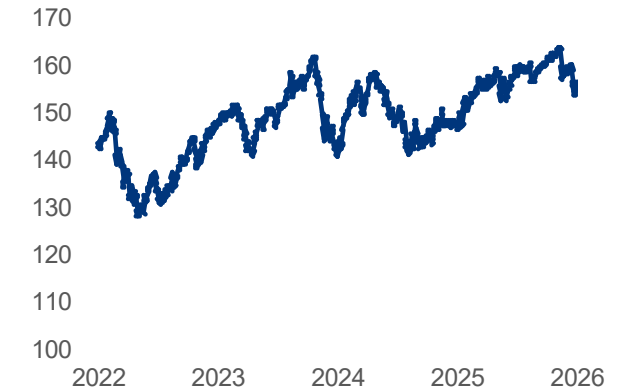


USD Asia Credit Spread (%)



Source: Bloomberg, Sep. 18, 2026

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, Sep. 18, 2026

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