



CIO Office Global Markets Weekly Kickstart

Central Banks Ignite: Risk On / Risk Off?

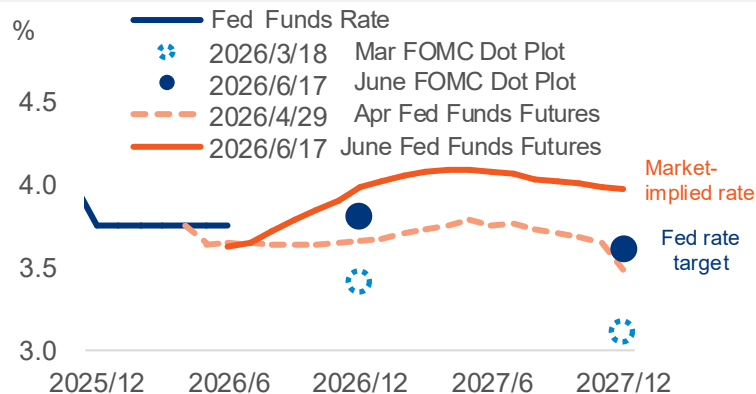
22 June 2026

Fed Turns More Hawkish as Japan Rates Hit Decade Highs, Signaling a New Era

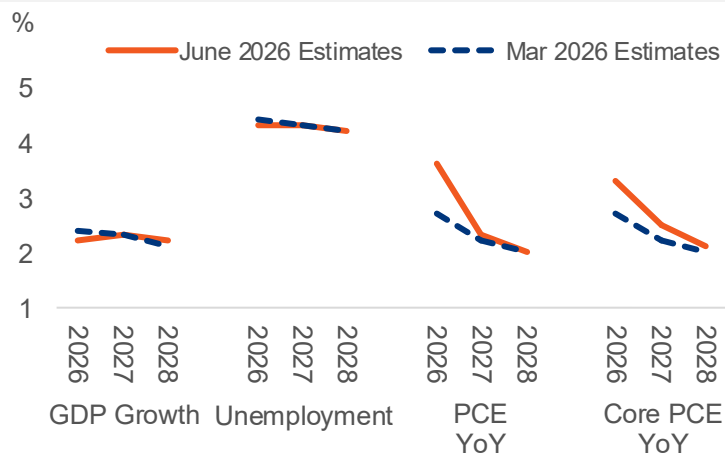
► The Fed left rates unchanged at 3.5%-3.75%, while updated projections showed resilient employment, sticky inflation, and higher rate expectations versus March. The dot plot signaled a more hawkish stance. New Fed Chair Waller also announced a streamlined policy framework, the end of forward guidance, and a reform task force. Markets see a potential rate hike risk as early as September, though falling U.S. one-year inflation swaps suggest rates are likely to remain on hold this year. With AI-driven earnings momentum intact, we remain positive on technology, AI semiconductors, and both growth and cyclical stocks.

► The BOJ raised rates by 25 bps to 1.0%, as expected. To address surging JGB yields, it will halt further bond-purchase reductions from Apr-2027, supporting market liquidity. The next rate hike is now likely pushed beyond year-end. Japan's economic fundamentals remain solid, while equity valuations are only slightly above the 10-year average. We remain constructive on banks benefiting from higher rates and semiconductor leaders in equipment and materials.

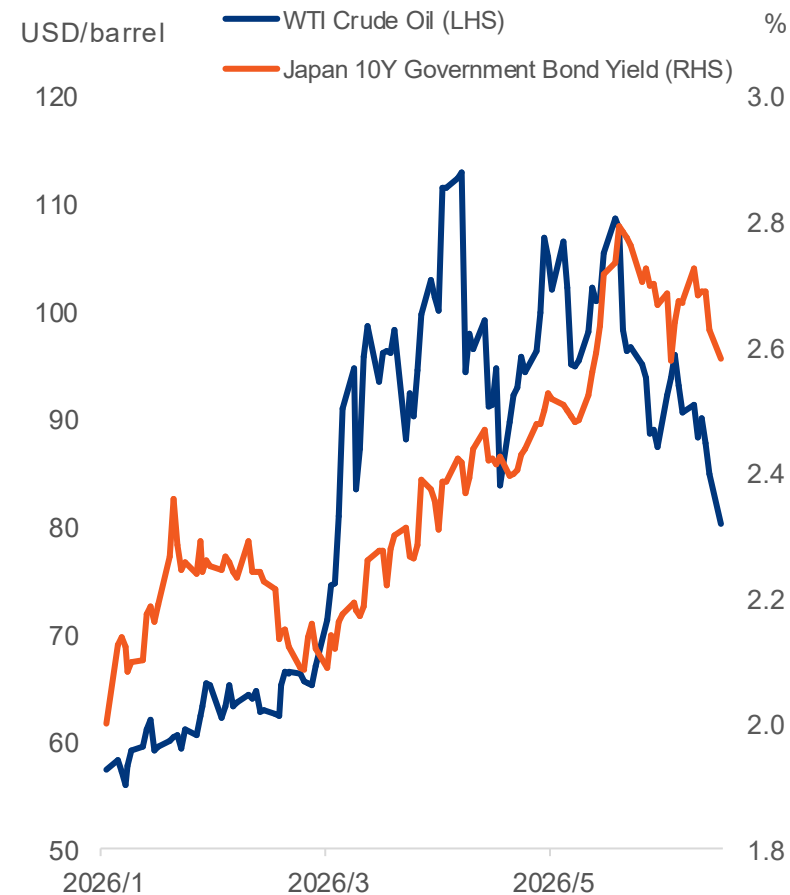
Fed Rate Path Shifts More Hawkish in Latest Projections



Fed Forecasts Point to Sticky Inflation and Resilient Employment



Oil Prices Fall as Japanese Government Bond Yields Retreat

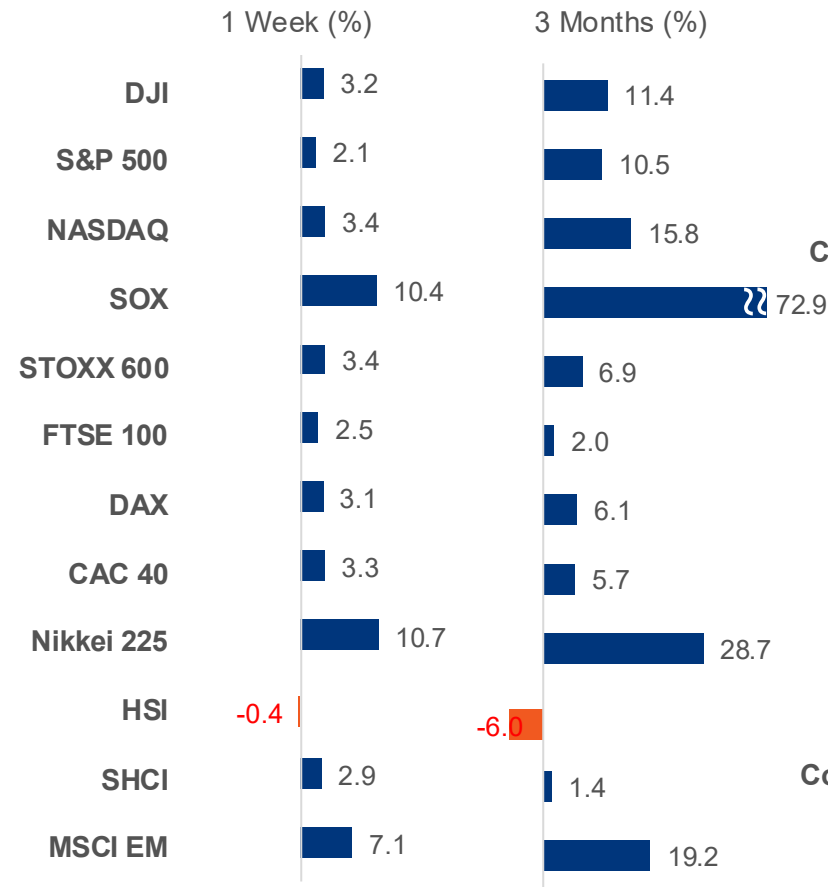


Market Recap

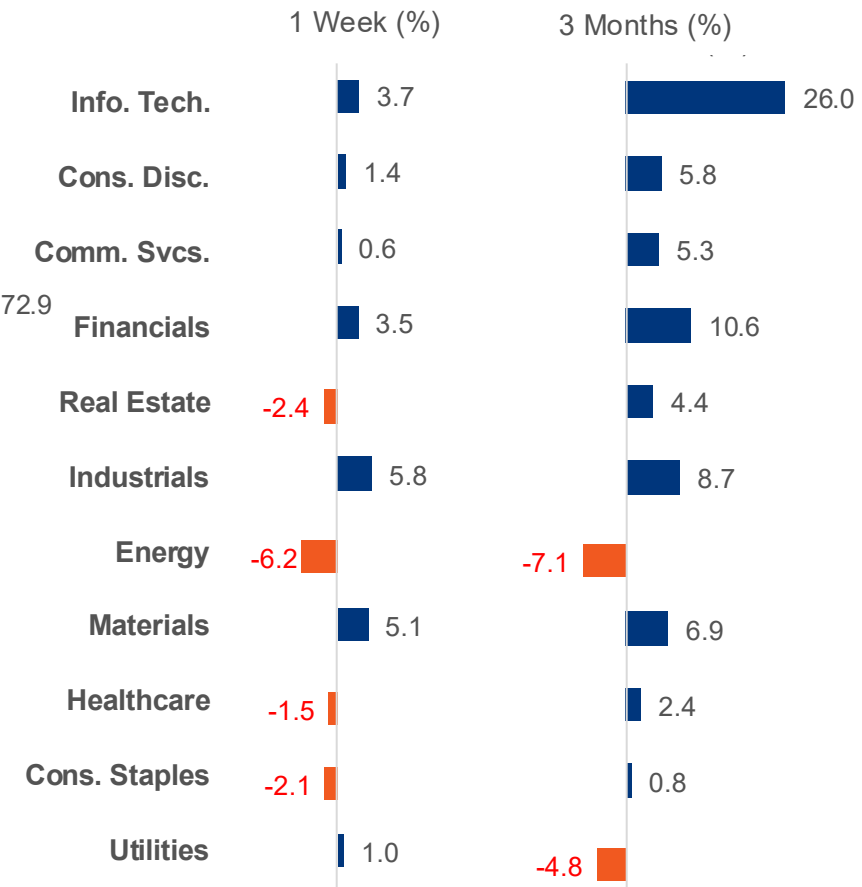
U.S.-Iran Peace Breakthrough Eases Inflation Fears, Lifting Tech and Cyclical Stocks

- ▶ The U.S. and Iran announced a 14-point memorandum and agreed to 60 days of ceasefire negotiations, sending WTI crude below US\$80/bbl. Lower energy cost expectations boosted risk appetite and supported global equities, with AI, technology, and semiconductor stocks leading gains. However, the Fed's increasingly hawkish stance could drive Treasury yields higher and pressure equity valuations. Investors should also watch for heightened volatility around June 18 quadruple witching.
- ▶ As a major energy importer, Japan stands to benefit from easing Middle East tensions and lower imported inflation. The BOJ raised rates by 25 bps as expected, reinforcing confidence in Japan's economic outlook. AI supply-chain names, particularly semiconductor equipment stocks, helped drive the Nikkei above 71,000.
- ▶ Beyond technology, falling oil prices improved the outlook for manufacturing costs and supported cyclical sectors such as industrials and materials. Energy stocks lagged sharply, while higher Treasury yields and resilient U.S. growth weighed on defensive sectors, including healthcare and consumer staples.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

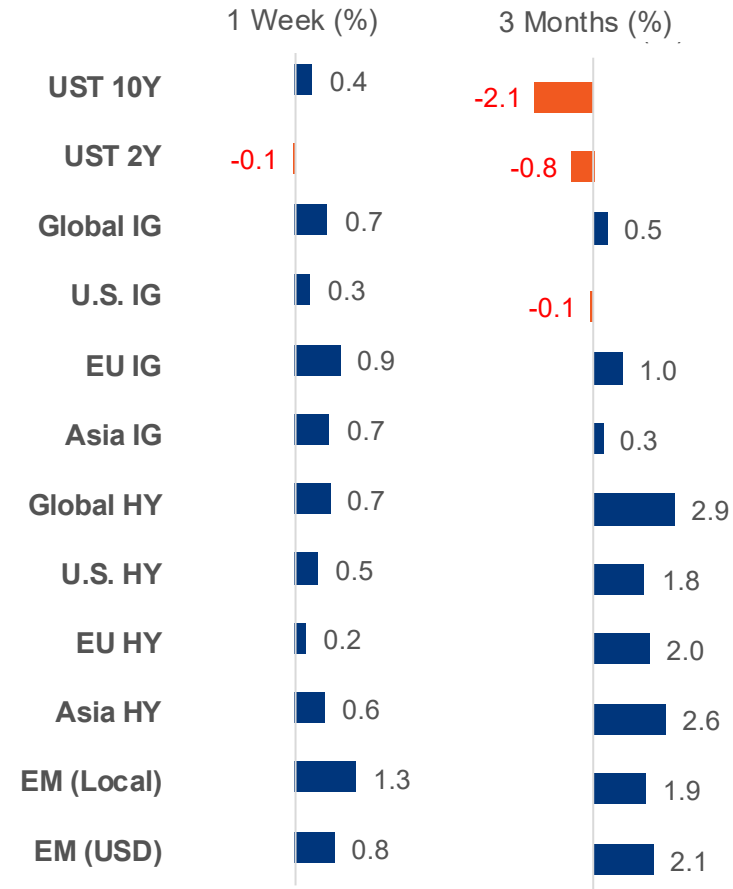


Source: Bloomberg

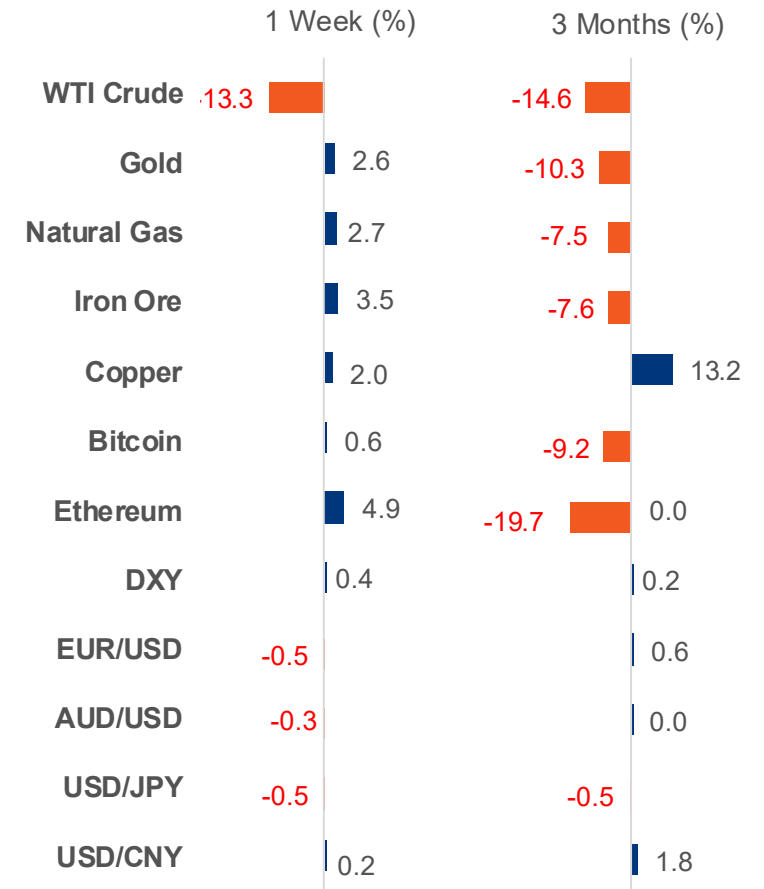
Hawkish Signals From New Fed Chair Boost Dollar, Weigh on Oil Prices

- ▶ The Fed delivered a hawkish policy outcome, with officials raising their dot-plot projections closer to market rate-hike expectations. Economic forecasts continued to reflect solid fundamentals, reinforcing expectations for tighter policy. The U.S. Treasury yield curve flattened further, with the 10Y-2Y spread narrowing to 29 bps, near this year's lows. In credit markets, both IG and HY spreads tightened, with HY outperforming on attractive carry. Easing Middle East tensions also supported inflows into EM bonds.
- ▶ News of a U.S.-Iran ceasefire memorandum and expectations for the full reopening of the Strait of Hormuz triggered a sharp decline in oil prices. Meanwhile, a World Gold Council survey showing nearly half of central banks plan to increase gold reserves over the next year supported gold and base metals.
- ▶ In FX markets, rising Fed rate-hike expectations lifted the U.S. dollar, weighing on major non-dollar currencies. Although the BOJ raised rates as expected, its decision to pause further bond-purchase reductions signaled a preference to maintain accommodative financial conditions. The U.S.-Japan real rate differential continues to support carry trades, leaving the yen under pressure.

Performance of Bonds (%)



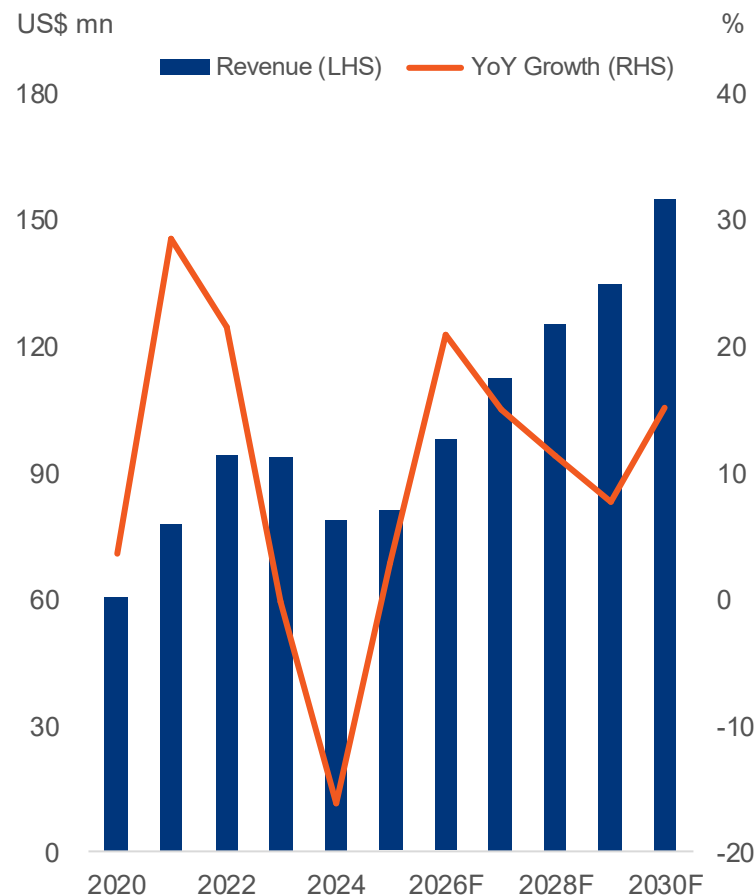
Performance of Commodities and Currencies (%)



Data Center Demand Signals a New Growth Cycle for Analog Semiconductors

- ▶ Explosive growth in data center demand is driving server rack power consumption above 100kW. As high-voltage power requires conversion and power management within servers, analog chip content is set to rise significantly. We expect the analog semiconductor market to deliver a 13.9% CAGR over 2025–2030. Unlike traditional industrial, automotive, and consumer applications that face pricing pressure from Chinese competitors, AI-driven data center demand should provide a longer-lasting growth tailwind for analog chipmakers across the U.S., Europe, and Japan.
- ▶ Analog semiconductors are key beneficiaries of AI infrastructure expansion, supporting a sector-wide re-rating. Key drivers include: (1) expanding data center demand increasing market size; (2) ongoing price hikes across the supply chain supporting revenue growth; (3) a richer mix of AI and automotive applications lifting margins; and (4) evolving server architectures increasing both analog chip content and value per rack.
- ▶ Meanwhile, industrial and automotive markets are entering a recovery phase after the pandemic-era boom and subsequent inventory correction. As channel inventories normalize, business conditions and capacity utilization should improve, providing further support for industry profitability.

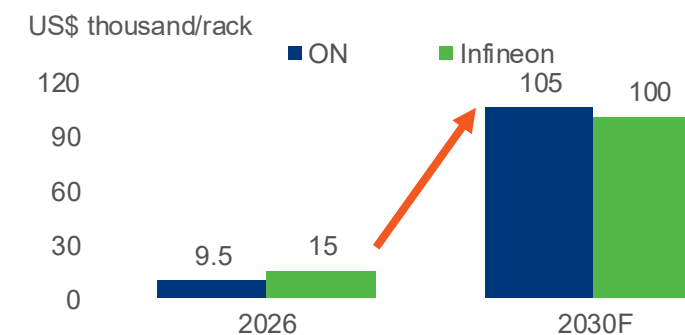
Analog Semiconductor Industry Set for a New Upcycle Through 2030



Leading Analog Chipmakers Expected to See Sharp Growth in Data Center Exposure

Company	2025	2026F	Commentary
MPWR	25	32	Data center revenue reached 32.7% in 1Q26; FY26 growth forecast raised from 50% to 85%
ADI	17	22	ATE and data center businesses expected to deliver double-digit growth
IFX	9	14	AI power revenue projected to reach €1.5bn/€2.5bn in 2026/2027, accounting for ~9.3%/13.6% of sales
TXN	9	11	AI power demand expected to accelerate from 2H26 through 2027
ON	4	6	AI data center revenue expected to double in 2026; data center TAM CAGR projected at ~40%

Analog Chip Content per Server Rack

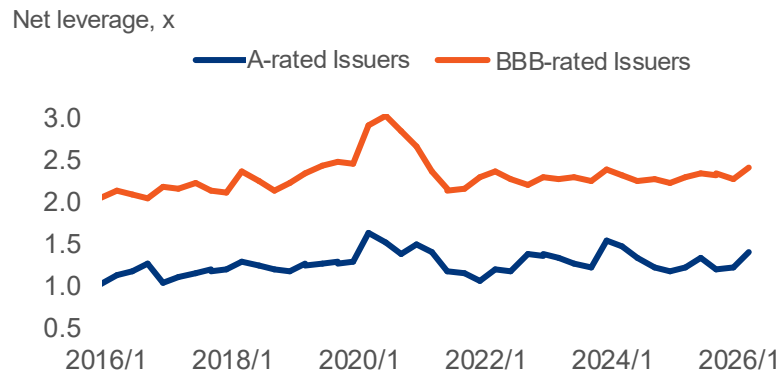
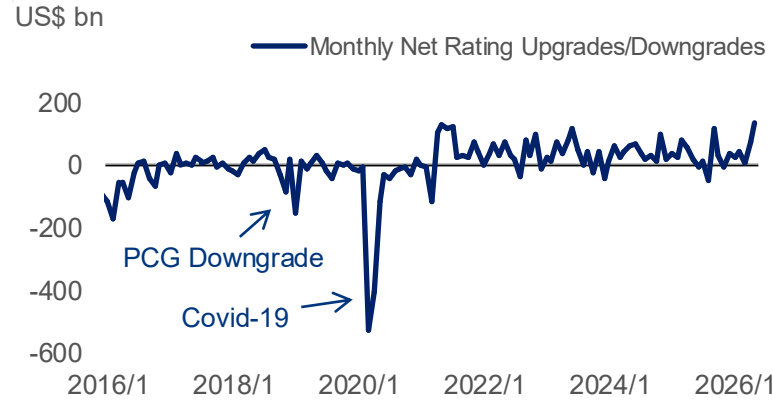


Source: Bloomberg, Citi

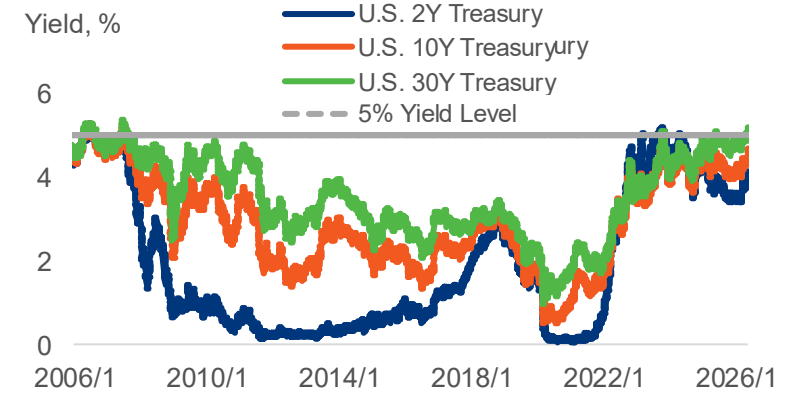
High Rates Here to Stay; Prioritize Yield Lock-In as Credit Fundamentals Remain Solid

- ▶ A review of U.S. investment-grade (IG) credit conditions in May showed: (1) net rating upgrades rose to US\$142bn from US\$77bn in the prior month, while the share of issuers with positive outlooks remained above historical averages; and (2) although higher capex and debt issuance by technology firms reduced cash balances and lifted leverage, 1Q gross margins improved to 37.3%, underscoring the strength of IG credit fundamentals. This was also reflected in modest credit spread tightening.
- ▶ Elevated oil prices have lifted near-term inflation expectations, while a resilient labor market has fueled expectations of Fed rate hikes next year. As a result, short-end Treasury yields have risen faster than long-end yields, leading to a flatter and partially inverted yield curve. However, with U.S.-Iran tensions showing signs of easing and no clear deterioration in economic fundamentals, high-quality credit remains our preferred fixed-income allocation. Should bond yields rise further due to oil prices or rate-hike expectations, investors may view this as an opportunity to lock in attractive yields in fundamentally sound credit bonds.

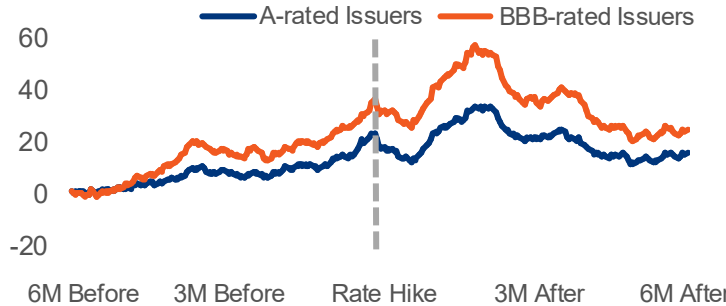
U.S. Large-Cap Corporate Credit Fundamentals Remain Resilient



Treasury Yields Revisit 2007 Highs, Creating Income Opportunities



Average Change in U.S. IG Credit Spreads Following Fed Rate Hikes Since 2000

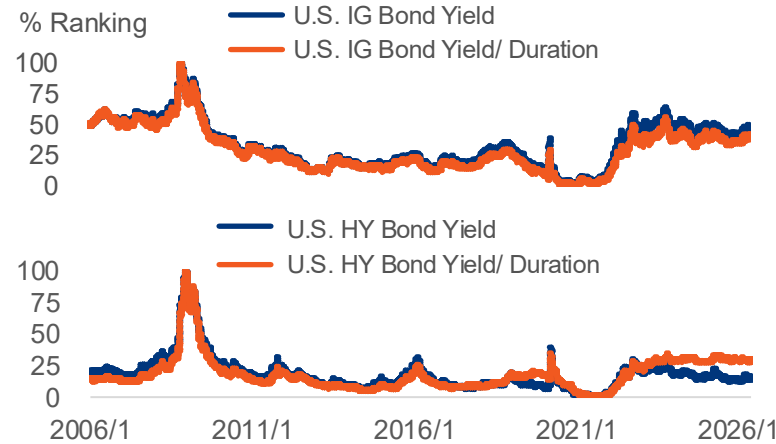


Source: Bloomberg; Note: Monthly net rating changes capture actions by Moody's, S&P, and Fitch. Changes are measured as bond amount × rating weight (±1 notch=1; CreditWatch=2/3; outlook=1/3) to indicate overall credit trends (upgrade vs. downgrade).

Credit Spreads Remain Reasonable; Favor High-Yield, Low-Duration Portfolios for Stable Income

- ▶ While U.S. credit spreads remain near historical lows, yield-to-duration ratios for both IG and HY bonds are still around the upper end of historical ranges, suggesting valuations are not overly stretched. Compared with credit bonds, longer-duration Treasuries remain more sensitive to interest-rate movements. Absent a severe demand shock or recession, long-duration government bonds are unlikely to provide meaningful diversification benefits.
- ▶ With inflation likely to remain elevated and rates staying higher for longer, credit bonds offer more attractive risk-reward profiles than Treasuries amid supply-side risks such as tariffs, supply-chain disruptions, and commodity volatility. Given persistent market uncertainty, investors may consider portfolios with higher income and lower rate sensitivity, such as IG bonds yielding 5%-6% and HY bonds yielding 7%-8%, to generate stable income during periods of equity market volatility.

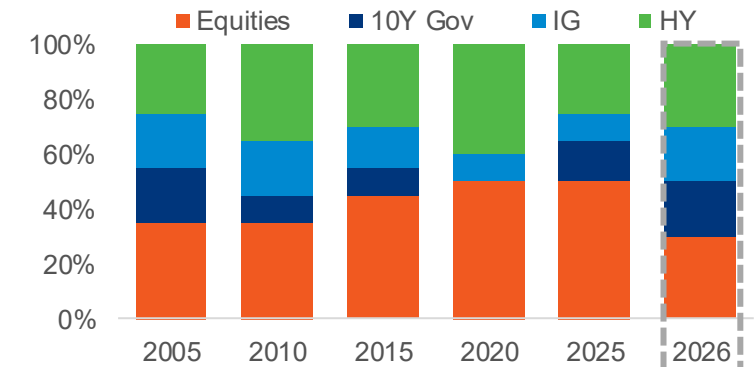
Rate-Hike Expectations Rise; Credit Spreads May Widen Before Tightening



	Global Gov. Bonds	Global IG	Global HY
YTM(%)	3.73	4.65	6.69
Credit Spread(bps)	8	75	278
Effective Duration (Years)	6.75	5.87	3.14

Core Diversification Can Enhance Portfolio Returns

Model Portfolio Allocation Targeting 7.5% Annual Return



	2005	2010	2015	2020	2025	2026
Expected Return	7.7	7.8	7.7	7.8	7.5	7.7
Volatility	9.2	9.7	10.4	11.3	10.6	8.9

Source: Bloomberg, Barings; Note: RHS assumes 10% earnings growth and a 3.7% equity risk premium.

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ U.S.-Iran peace prospects and easing oil prices support risk assets. Strong U.S. earnings continue to underpin equities, though near-term profit-taking may increase volatility. Favor buying pullbacks in growth sectors, particularly AI-related themes. ◆ Europe and Japan remain key diversification markets. Japan offers greater technology exposure, with banks benefiting from higher rates and semiconductors supported by solid fundamentals. European defense remains a structural theme, while UK equities offer defensive characteristics. 	<p>Strategy: AI, technology, semiconductors; defense</p> <p>Regions: Japanese banks, Japanese semiconductor stocks, UK equities, European defense</p>
Bonds	<ul style="list-style-type: none"> ◆ Despite a pullback in oil prices and long-end Treasury yields, yields remain elevated. Favor short- to intermediate-duration bonds over long-duration exposure. High-quality corporate bonds offer relatively strong downside protection, particularly in financials, technology, telecoms, and utilities. ◆ A stronger U.S. dollar supports diversification into non-USD investment-grade bonds, including EUR- and AUD-denominated issues. 	<p>Types: Short- to intermediate-duration IG bonds, with a preference for financials, technology, telecoms, and utilities.</p> <p>Satellite : Non-USD bonds for diversification.</p>
Forex	<ul style="list-style-type: none"> ◆ The new Fed Chair's debut at the June FOMC reinforced a hawkish policy stance, supporting the U.S. dollar through higher rate expectations. ◆ Dollar strength remains a headwind for most major currencies, while the RMB is supported by policy intervention. 	<p>USD: Near-term strength remains supported.</p> <p>Most non-USD currencies remain under pressure; RMB relatively firm</p>
Commodity	<ul style="list-style-type: none"> ◆ News of a U.S.-Iran ceasefire framework and the expected reopening of the Strait of Hormuz have pressured oil prices and increased volatility. ◆ Higher U.S. yields and a stronger dollar weigh on gold near term. However, rising sovereign debt levels and continued central bank demand support a constructive long-term outlook. 	<p>Gold: retains long-term upside potential; accumulate on weakness</p>



Fed Turns Hawkish, Semiconductor Trends Diverge

- ▶ The latest Fed rate decision, under new Chair Kevin Warsh, was unanimously passed 12-0, keeping the federal funds rate at 3.50%–3.75%. The dot plot shows 9 of 18 officials expect at least one more hike in 2026, with 6 anticipating multiple hikes. The median projection no longer supports rate-cut expectations, instead pointing to rates staying flat or edging higher. Warsh avoided strong forward guidance, stressing focus on macro trends rather than monthly swings. He expressed optimism about labor market structure and noted AI technologies could boost productivity, ease costs, and help lower inflation over the long term.
- ▶ U.S. May housing starts were 1.177M, below consensus (1.43M) and prior revised 1.392M.
- ▶ Building permits fell 0.7% QoQ, better than –0.9% expected but below prior +4.4%; seasonally adjusted at 1.413M vs 1.418M expected and 1.423M prior. Retail sales rose 0.9% MoM, above consensus (+0.6%) and prior revised (+0.4%).
- ▶ The analog semiconductor market is showing recovery after prolonged inventory adjustment, driven by demand in industrial, automotive, and AI data centers. While overall momentum is led by logic and memory chips, analog makers benefit from order rebound, normalized channel inventories, and rising content in power management, sensors, signal chain, and connectivity. Looking ahead, growth drivers include electrification, factory automation, software-defined vehicles, and AI servers requiring high-density, high-efficiency power solutions.

Global Semiconductor Revenue Growth Forecast by Region and Type

Spring 2026	Amounts in US\$M			Year on Year Growth in %		
	2025	2026	2027	2025	2026	2027
Americas	256,476	543,654	701,439	31.4	112.0	29.0
Europe	54,694	86,643	101,587	6.7	58.4	17.2
Japan	44,723	57,050	67,332	-4.3	27.6	18.0
Asia Pacific	439,747	823,900	1,043,326	30.3	87.4	26.6
Total World - \$M	795,640	1,511,248	1,913,683	26.2	89.9	26.6
Discrete Semiconductors	30,728	33,188	35,712	-1.0	8.0	7.6
Optoelectronics	43,042	44,218	46,436	4.7	2.7	5.0
Sensors	20,894	21,516	23,002	10.4	3.0	6.9
Integrated Circuits	700,975	1,412,326	1,808,533	29.9	101.5	28.1
Analog	86,519	95,358	101,662	8.7	10.2	6.6
Micro	84,867	101,655	121,966	7.9	19.8	20.0
Logic	299,547	411,371	522,820	38.8	37.3	27.1
Memory	230,042	803,941	1,062,085	39.0	249.5	32.1
Total Products - \$M	795,640	1,511,248	1,913,683	26.2	89.9	26.6

Note: Numbers in the table are rounded to whole millions of dollars, which may cause totals by region and totals by product group to differ slightly.

Analog Devices (ADI US)

Closing Price US \$434.46

Target Price US \$500

Analog Devices designs, manufactures, and sells integrated circuits for analog and digital signal processing. The company's products are applied across communications, computers, industrial, instrumentation, military, aerospace, automotive, and high-performance consumer electronics. Analog Devices distributes its products worldwide.

AI Infrastructure Expands Analog Content Beyond GPUs

AI infrastructure is extending analog content beyond GPUs. While AI demand is typically linked to GPUs and memory, data centers also require higher-density power management, optical connectivity, and signal chain solutions — all core product areas for Analog Devices (ADI). According to WSTS, driven by AI infrastructure, HBM, and accelerated computing, the global semiconductor market is projected to reach USD 1.51 trillion in 2026, giving ADI broader advantages in AI infrastructure.

Leading Analog Chipmaker, Benefiting from AI Power Upgrades

ADI combines semiconductor recovery, strong profitability, and AI infrastructure growth. The latest quarter delivered record revenue, improving gross margin, robust free cash flow, and recovering demand across industrial, automotive, and communications. Order momentum remains healthy, supported by strong B2B demand and favorable revenue guidance. Beyond traditional analog recovery, ADI is increasingly benefiting from AI data center power bottlenecks, with its acquisition of Empower Semiconductor further strengthening its high-density power management portfolio. Overall, ADI offers stable cash flow, improving earnings visibility, and a new AI-driven growth curve.

Q2 Results Beat Expectations, Strong Momentum Ahead

In fiscal Q2 2026 (fiscal year ending November), revenue reached USD 3.62 billion, up 37.1% YoY, exceeding estimates by USD 100 million. Non-GAAP EPS was USD 3.09, beating by USD 0.18. Guidance for fiscal Q3 calls for revenue of USD 3.9 billion (\pm USD 100M), EPS of USD 2.60 (\pm USD 0.15), and adjusted EPS of USD 3.30 (\pm USD 0.15).

Valuation Consensus

Bloomberg's 12-month average target price is USD 455.94, with a high of USD 515 and a low of USD 365.

Source: Bloomberg, World Semiconductor Trade Statistics (WSTS)

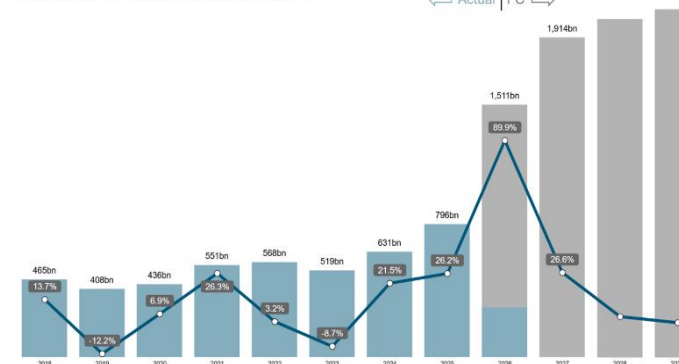
1-Year Price



Global Semiconductor Market

Global semiconductor market (billion US\$)

Actual & Forecast in billion US\$, YoY growth in percent



Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	2.4	-23.4	16.9	33.9	15.3
EBITDA (%)	68.1	63.9	60.7	55.1	55.1
EPS(USD)	10.09	6.38	7.23	12.40	14.91
Net Profit Margin(%)	41.5	33.7	32.6	41.3	41.7

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B



STMicroelectronics N.V. (STM)

Closing Price US \$78.39

Target Price US \$90

STMicroelectronics N.V. designs, develops, manufactures, and sells semiconductor integrated circuits and discrete devices. The company's products are widely used in telecommunications, consumer electronics, automotive, computers, and industrial applications. Its customer base spans North America, Europe, and the Asia-Pacific region.

AI Infrastructure Recovery Supports Power, Control, and Photonics Demand

STM is positioned to benefit from the overall semiconductor industry recovery and the rise of AI data center infrastructure, particularly in power semiconductors, microcontrollers, sensors, silicon photonics, and control chips. As AI data centers increasingly demand more efficient power management and optical connectivity, STM can leverage the recovery in industrial/automotive sectors and sustained AI infrastructure growth to gain operational advantages.

AI Data Center Demand Continues to Outpace Supply

With distribution inventories normalizing and management observing strong order growth in certain end markets, STM is benefiting from improved demand visibility. A key positive driver is its raised data center revenue target. STM now expects 2026 data center revenue to reach about USD 1 billion, up from the previous USD 500 million forecast, with potential to double again in 2027 if current momentum continues.

Q1 Results Beat Expectations, Strong Guidance Ahead

In fiscal Q1 2026, revenue reached USD 3.1 billion, up 23% YoY, exceeding estimates by USD 50 million. Non-GAAP EPS was USD 0.13, missing by USD 0.05. For fiscal Q2 2026, STM guides for median net revenue of USD 3.45 billion, gross margin around 34.8%, and non-GAAP gross margin of 35.2%. The company expects its data center business revenue to exceed USD 500 million in 2026 and far surpass USD 1 billion in 2027.

Valuation Consensus

Bloomberg's 12-month average target price is USD 68.3, with a high of USD 90 and a low of USD 32.8.

Source: Bloomberg, World Semiconductor Trade Statistics (WSTS)

1-Year Price

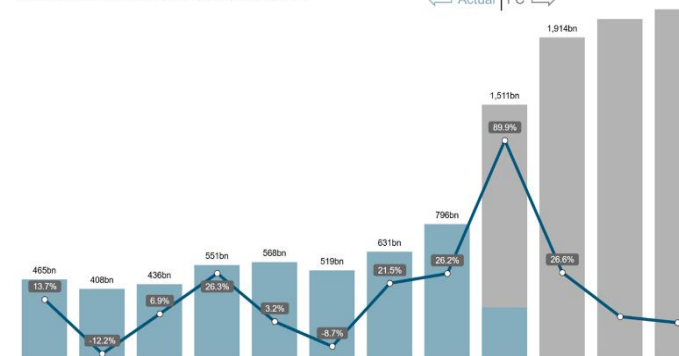
(USD)



Global Semiconductor Market

Global semiconductor market (billion US\$)

Actual & Forecast in billion US\$, YoY growth in percent



Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	7.2	-23.2	-11.1	21.0	17.0
EBITDA (%)	36.9	26.9	20.9	23.1	29.3
EPS(USD)	4.58	1.72	0.51	1.30	2.63
Net Profit Margin(%)	25.0	12.1	4.0	7.6	13.4

Source: Bloomberg; 2027/28F are market estimates

P/E & P/B



Appendix

Key Economic Data / Events

► JUNE 2026

15

Monday

- U.S. May Industrial Production MoM (Act:0.1% Est:0.3% Prev:0.9%)
- Eurozone April Industrial (Act:0.1% Est:0.1% Prev:0.4%)

16

Tuesday

- U.S. May Housing Starts (Act:1,177k Est:1,430k Prev:1,392k)
- Japan Jun BoJ Uncollateralized Overnight Call Rate (Act:1.00% Est:1.00% Prev:0.75%)
- China May Retail Sales YoY (Act:-0.6% Est:-0.2% Prev:0.2%)
- China May Industrial Production YoY (Act:4.5% Est:4.4% Prev:4.1%)

17

Wednesday

- U.S. May Retail Sales MoM (Act:0.9% Est:0.6% Prev:0.4%)
- Japan Apr Core Machinery Orders MoM (Act:8.7% Est:0.5% Prev:-9.4%)
- Eurozone May CPI YoY (Final) (Act:3.2% Est:3.2% Prev:3.0%)

18

Thursday

- U.S. Weekly Initial Jobless Claims (Act:226k Est:225k Prev:230k)
- U.S. Jun Federal Funds Rate (Act:3.75% Est:3.75% Prev:3.75%)

19

Friday

- Japan May Nationwide CPI YoY (Act:1.5% Est:1.5% Prev:1.4%)

22

Monday

23

Tuesday

- U.S. Jun S&P Global Manufacturing PMI (Prelim) (Est:54.5 Prev:55.1)
- U.S. Jun S&P Global Services PMI (Prelim) (Est:51.0 Prev:50.7)
- Japan June S&P Global Manufacturing PMI (Prelim) (Prev:54.5)
- Eurozone June S&P Global Manufacturing PMI (Prelim) (Est:51.6 Prev:51.6)
- Taiwan May Export Orders YoY (Est:48.9% Prev:48.1%)

24

Wednesday

25

Thursday

- U.S. Weekly Initial Jobless Claims (Prev:226k)
- U.S. May PCE YoY (Est:4.1% Prev:3.8%)
- U.S. May Core PCE YoY (Est:3.4% Prev:3.3%)
- U.S. Q1 GDP QoQ Annualized (Final) (Est:1.6% Prev:0.5%)

26

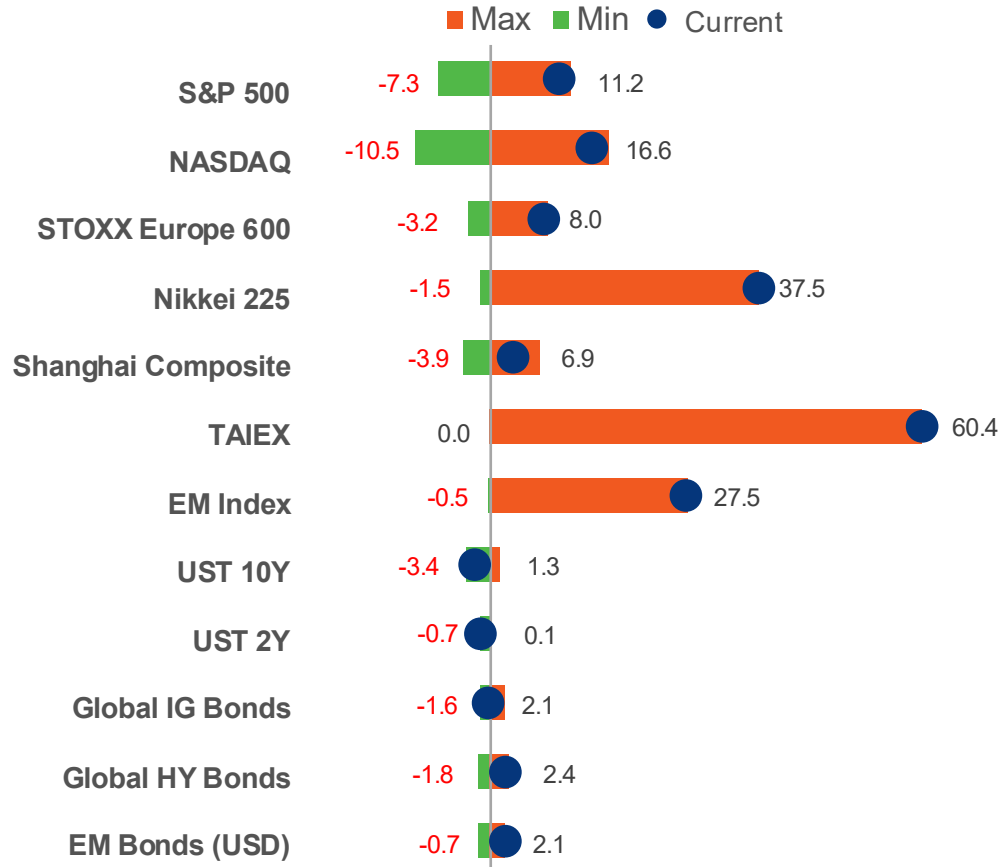
Friday

- U.S. Jun University of Michigan Consumer Sentiment Index (Final) (Est:50.0 Prev:44.8)
- Japan Jun Tokyo CPI YoY (Est:1.6% Prev:1.4%)

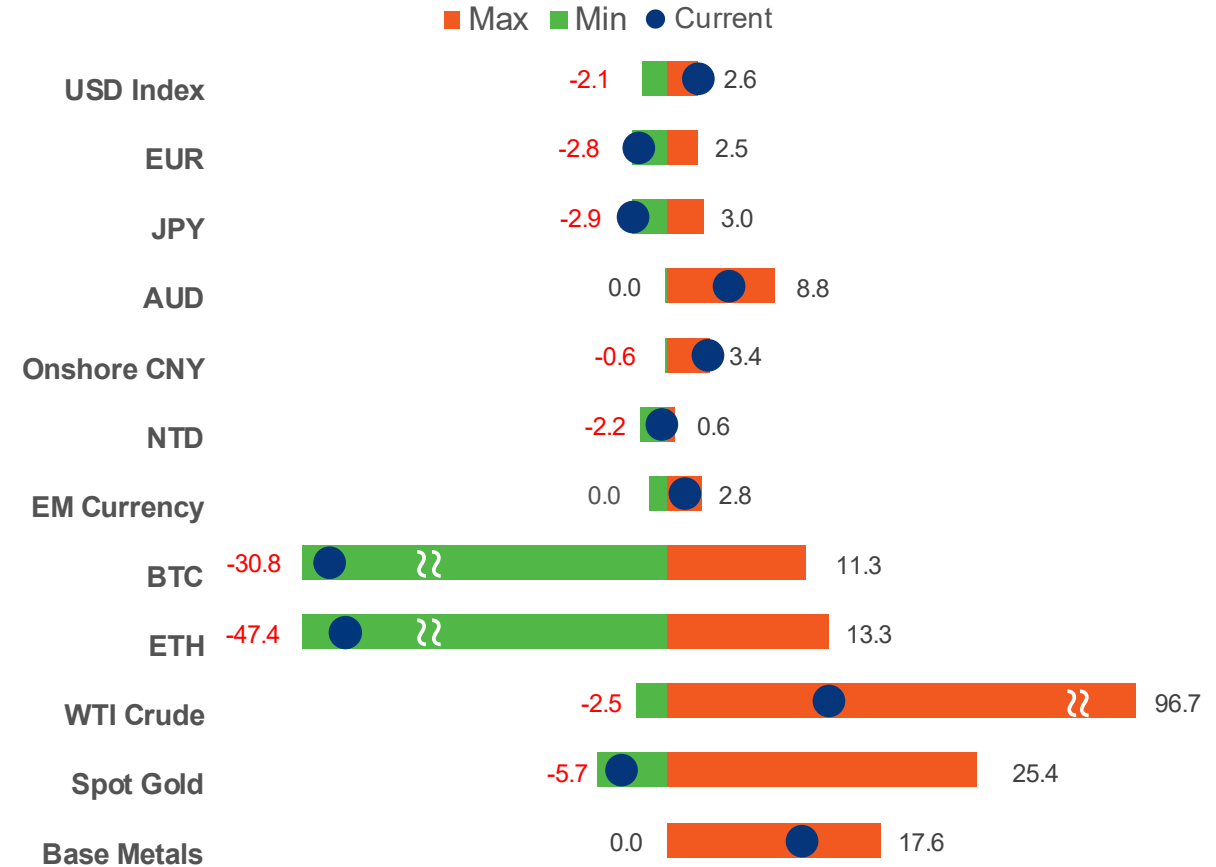
Source: Bloomberg

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)

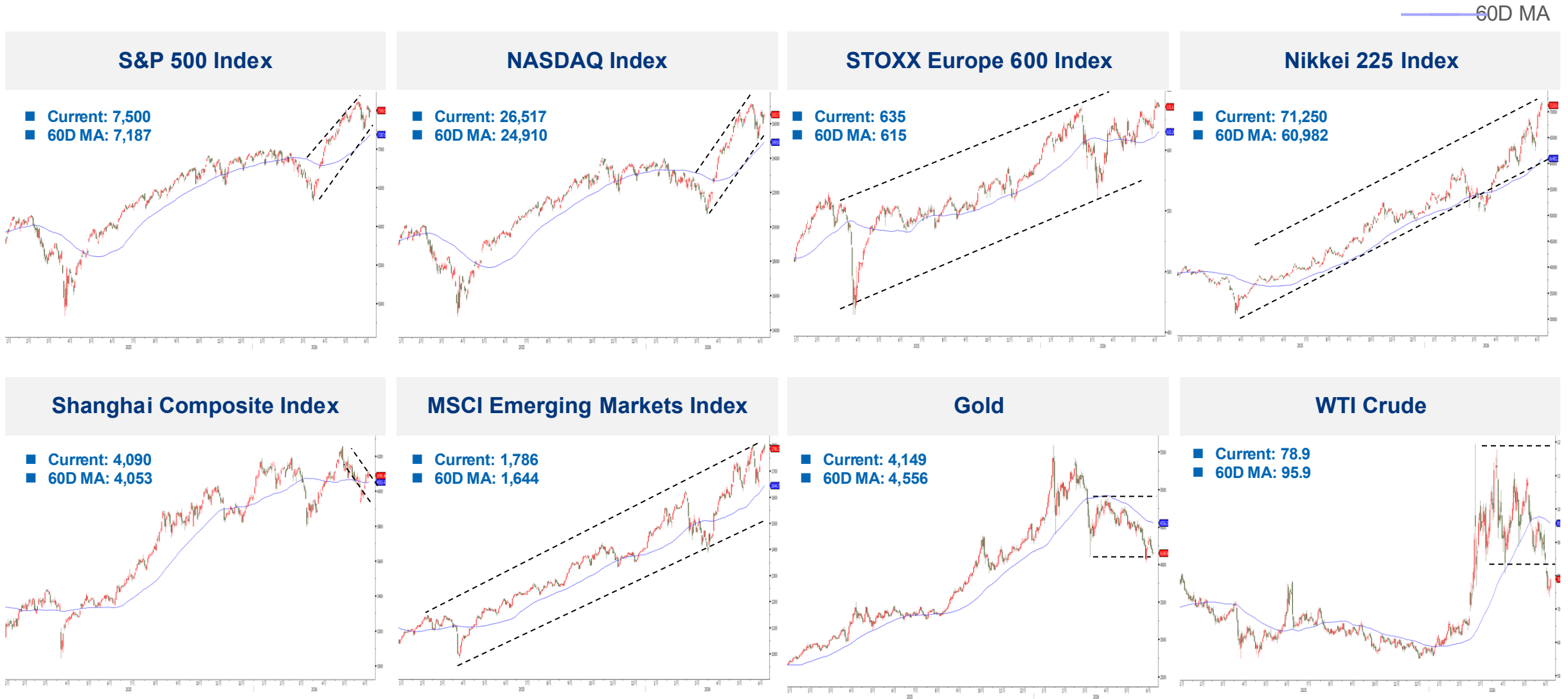


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

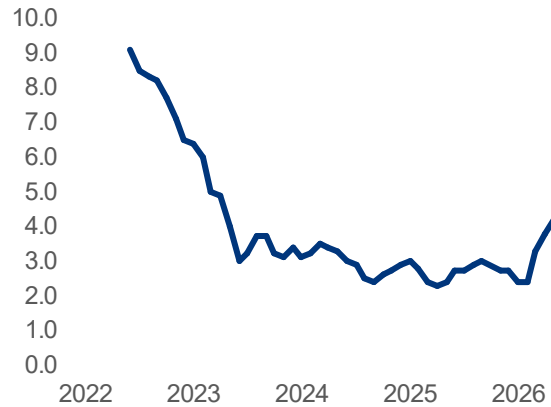
Technical Analysis



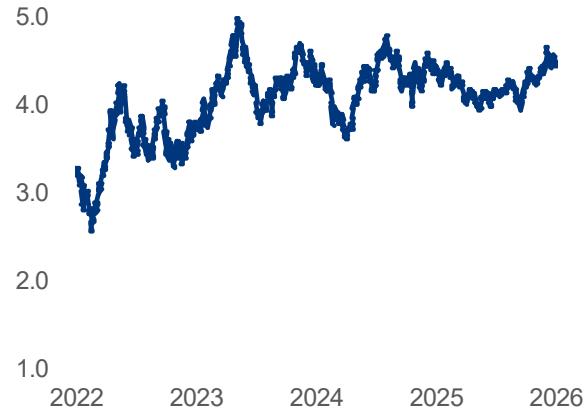
Source: Bloomberg

Market Monitor

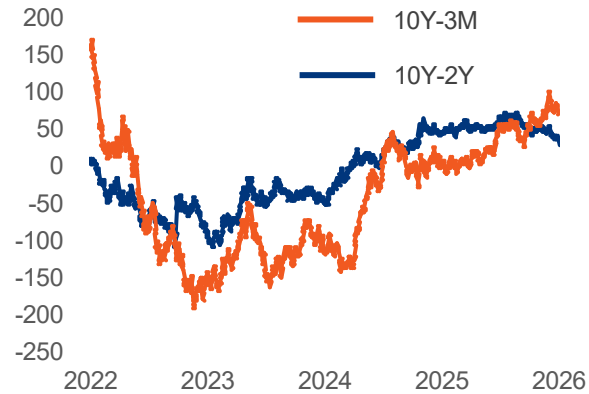
U.S. CPI YoY (%)



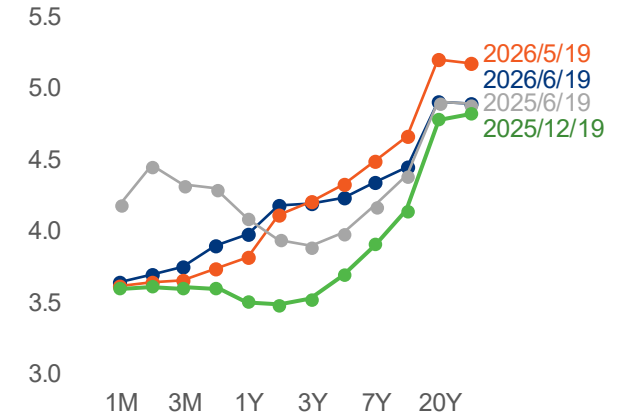
U.S. 10-Year Treasury Yield (%)



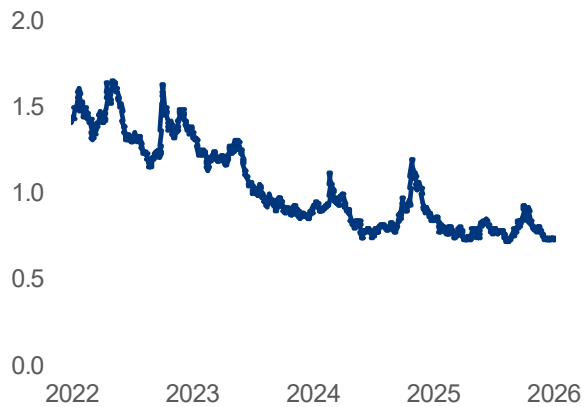
U.S. Treasury Yield Spread (bps)



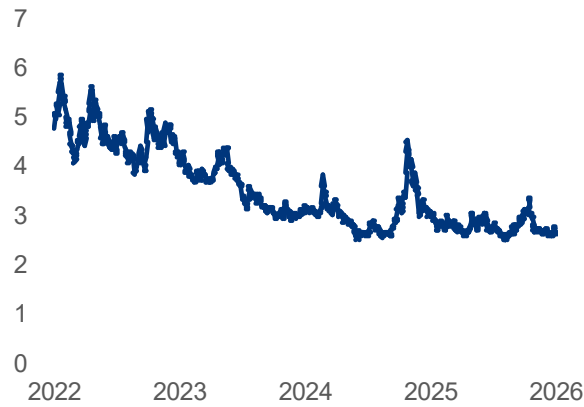
U.S. Treasury Yield Curve (%)



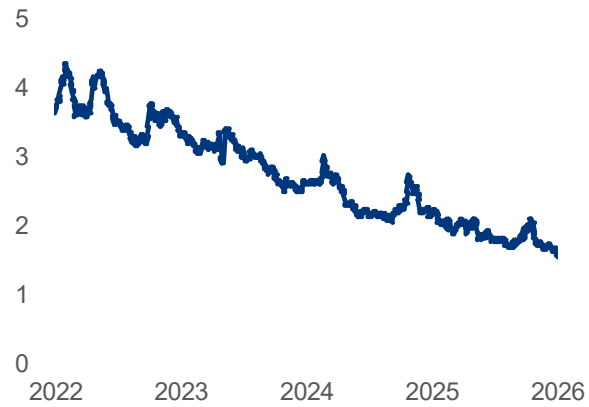
USD IG Credit Spread (%)



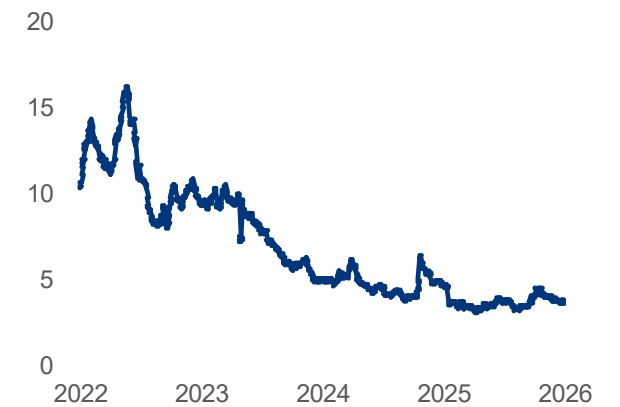
USD HY Credit Spread (%)



USD EM Credit Spread (%)



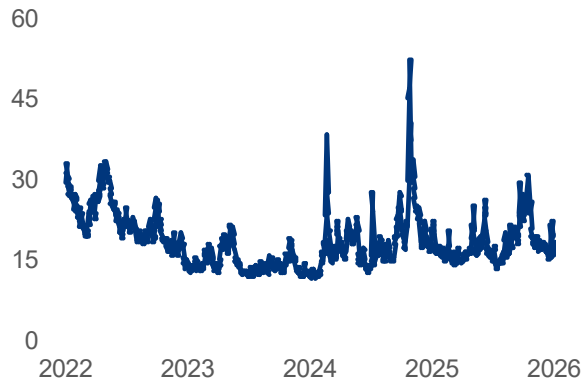
USD Asia Credit Spread (%)



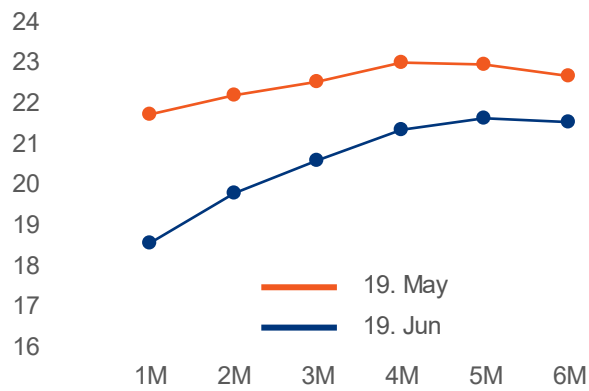
Source: Bloomberg

Market Monitor

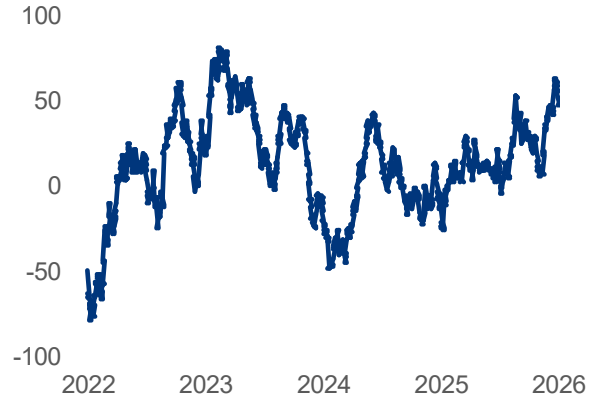
VIX Index



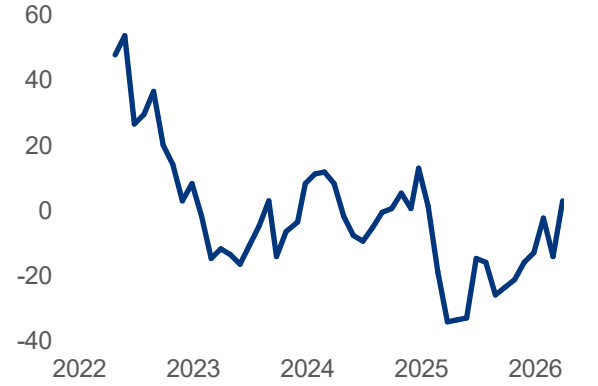
VIX Term Structure



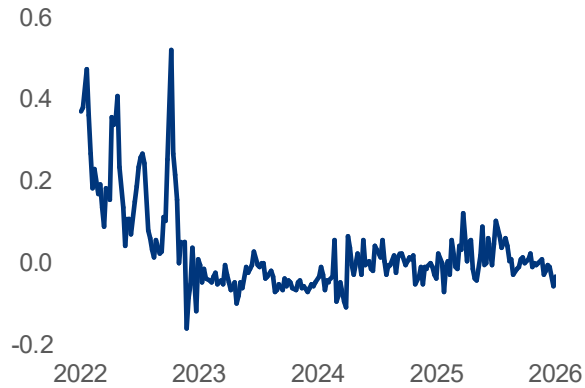
U.S. Citi Economic Surprise Index*



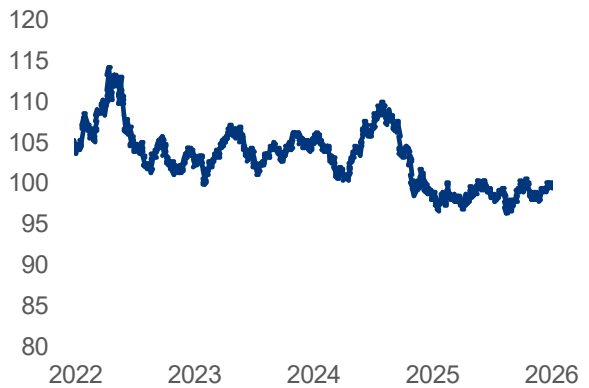
U.S. Citi Inflation Surprise Index*



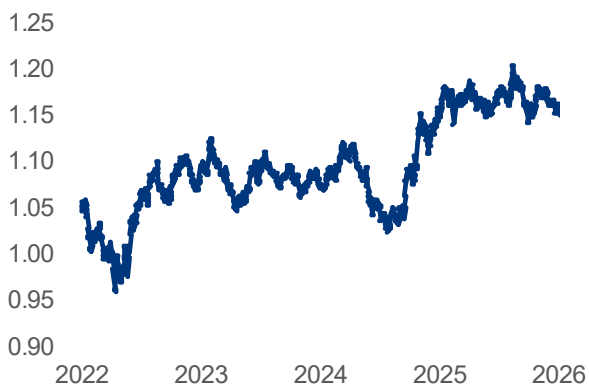
TED Spread (bps)



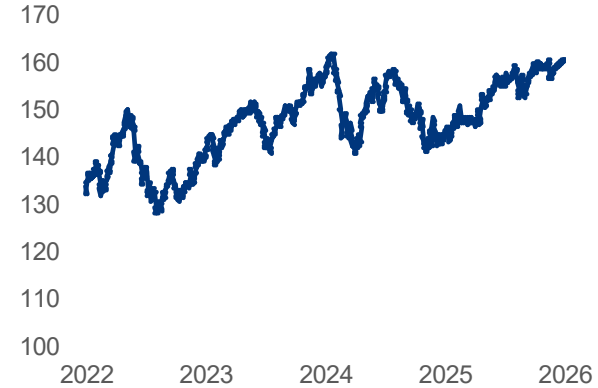
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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