



CIO Office

Global Markets Weekly Kickstart

Build Ladders, Hike Safely

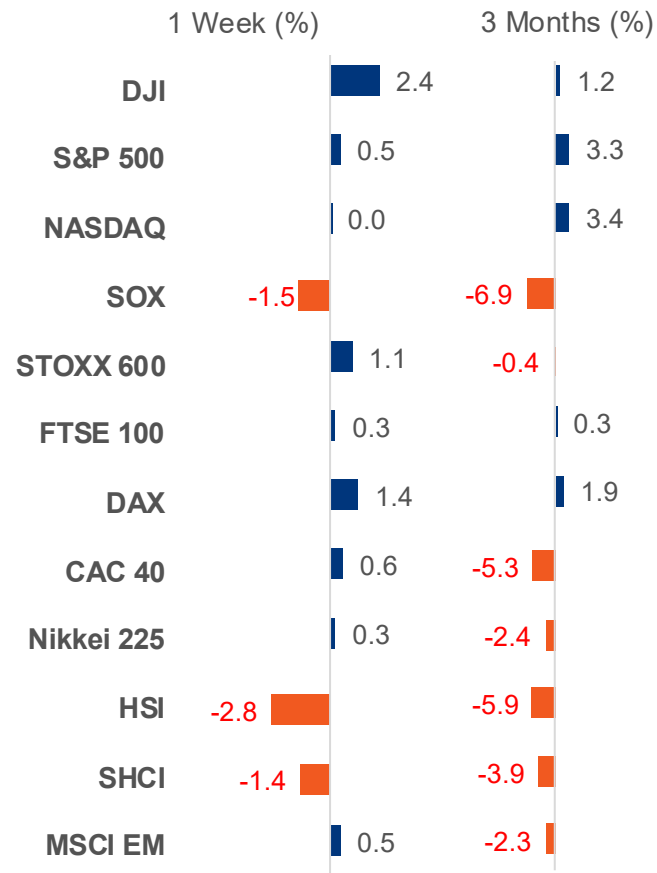
26 October 2026

Market Recap

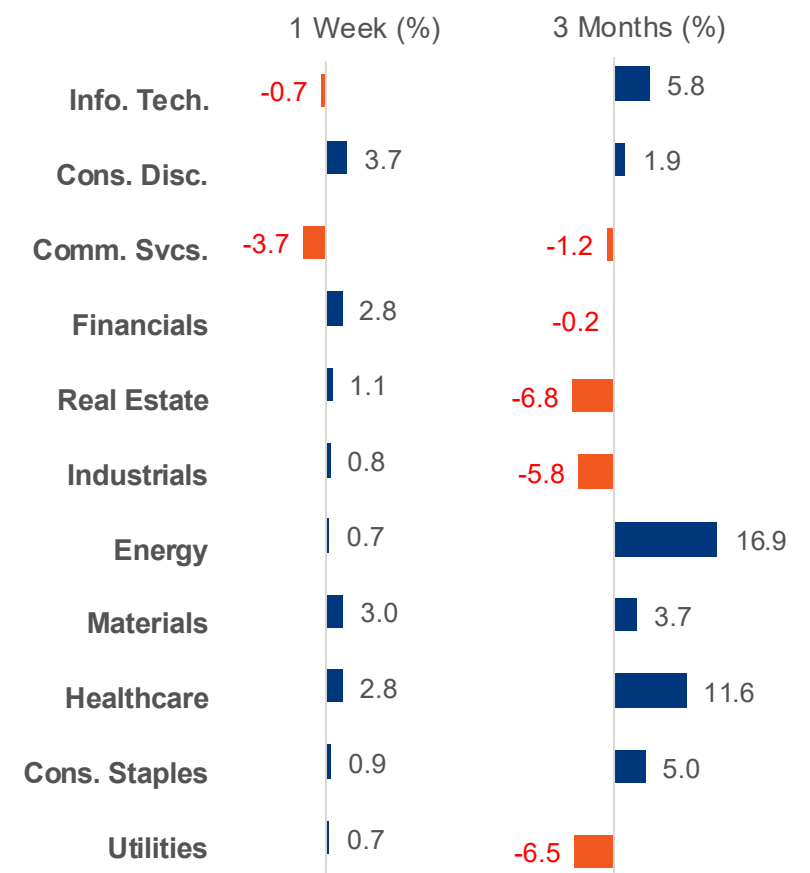
U.S.-Iran Tensions and Mixed Earnings Drive Volatile Equity Gains

- U.S.-Iran diplomatic efforts continue, with compromise proposals from Qatar and Pakistan briefly raising hopes of a breakthrough. However, differences over nuclear issues persist, while U.S. and Israeli military preparations raise concerns over intensified strikes on Iran after the midterm elections, adding to Middle East uncertainty and market volatility. Markets remain focused on U.S. earnings. Strong initial results from financials provide downside support, while Thermo Fisher Scientific and other healthcare firms beat revenue, earnings and outlook expectations, lifting healthcare stocks.
- Rising financing costs at CoreWeave have heightened AI sector concerns, weighing on semiconductor and tech stocks. Meta kicked off AI giants' earnings, beating revenue and outlook expectations on AI-driven advertising efficiency while raising the lower end of its full-year capex guidance. SpaceX swung to profitability, beating consensus and supporting its share price. Tesla reported mixed results, with limited near-term revenue contribution from its flying Roadster; attention now turns to geopolitical risks surrounding a potential merger. In communications, AT&T and Netflix beat earnings expectations, but concerns over satellite communications competition and a weaker-than-expected 4Q outlook added pressure on communication services stocks.

Regional Index Performance (%)

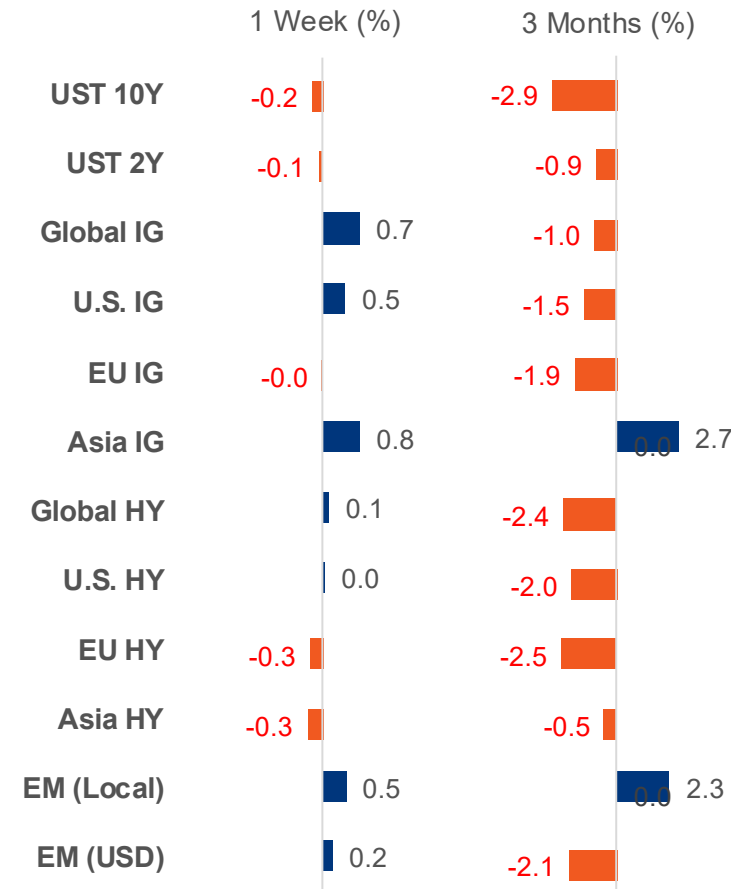
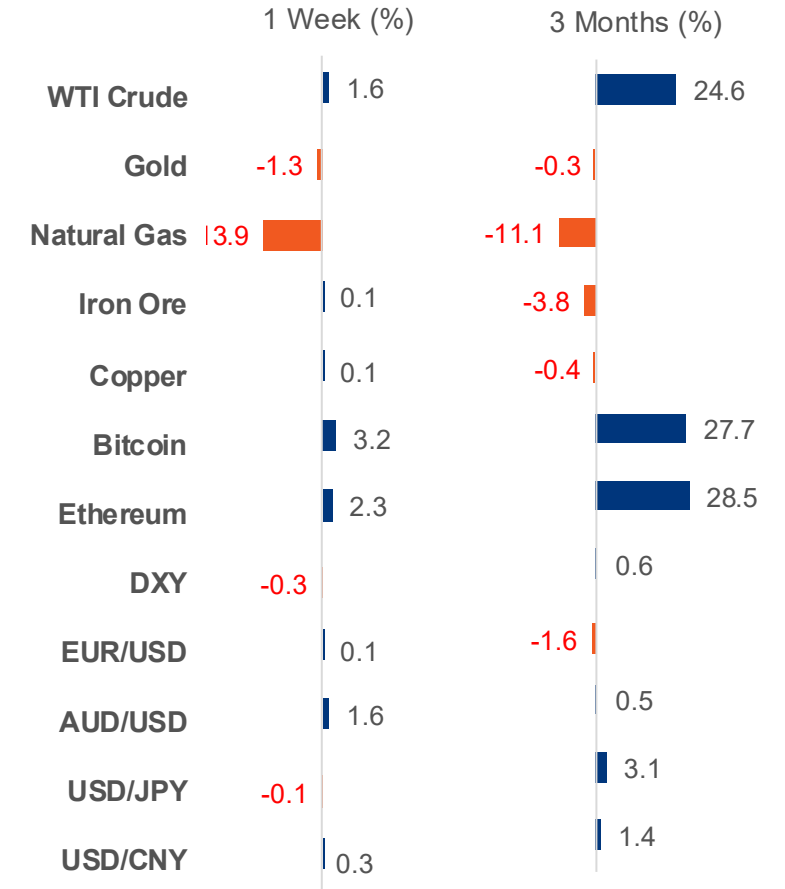


U.S. Sector Index Performance (%)



Market Recap**Weak Treasury Demand Fuels Bond Volatility; Oil and Commodities Show Resilience**

- ▶ Weak demand at the U.S. Treasury's \$13bn 20-year bond auction pushed the high yield to 5.469%, the highest auction rate since January 1986, highlighting persistent weakness in long-duration Treasury demand. Credit spreads briefly widened amid concerns over heavy AI-related debt issuance and investment payback. As earnings season began, investors shifted toward defensive, high-quality bonds, with U.S. and Asian investment-grade bonds showing relative resilience.
- ▶ Risks of escalating U.S.-Iran tensions persist. U.S. crude inventories fell 3.1mn barrels last week, exceeding expectations, while geopolitical risks and supply-demand imbalances drove oil prices higher amid volatility. Cryptocurrencies also rebounded after the U.S. Office of the Comptroller of the Currency (OCC) finalized implementation rules for the GENIUS Act, supported by growing institutional adoption. In FX markets, U.S.-Iran tensions added inflation uncertainty, while investors awaited next week's Fed rate decision, weighing on the USD.

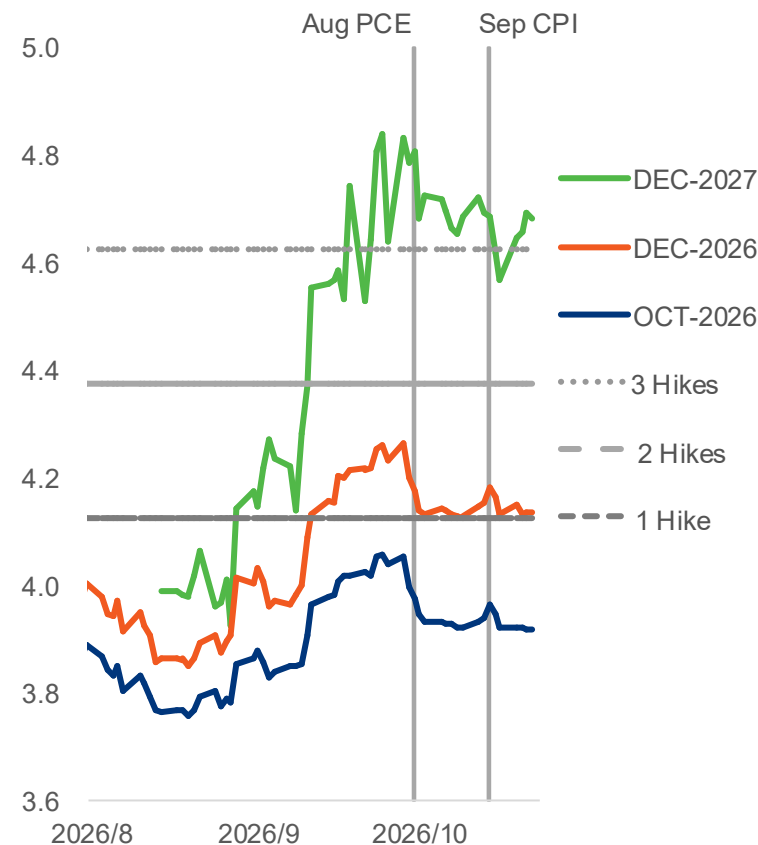
Performance of Bonds (%)**Performance of Commodities and Currencies (%)**

Rising Rate Expectations Lift Treasury Yields; Liquidity Remains Ample

- Persistent U.S.-Iran tensions and elevated oil prices have prompted the Fed to resume rate hikes, lifting expectations for further tightening. While some Fed officials remain cautious, rate futures imply another 25 bps hike, potentially in December, and three additional hikes over the next year. With geopolitical tensions likely to persist, we expect the Fed to maintain a hawkish stance in 2027 if inflation remains above target. However, the U.S. 2Y Treasury yield has largely priced in future hikes, with its direction dependent on core inflation trends.
- Despite sharply higher global rates, overall financial conditions remain largely unaffected, as reflected in low equity and credit market volatility. Real policy rates remain below restrictive levels, while the Bloomberg Financial Conditions Index has changed little, suggesting U.S. monetary conditions and market liquidity remain relatively accommodative. If geopolitical tensions keep inflation elevated, Fed hike expectations could rise further. Combined with fiscal risks and reduced monetary policy transparency, this could increase upside risks to long-term Treasury yields. We therefore favor trading long-duration bonds rather than holding them long term.

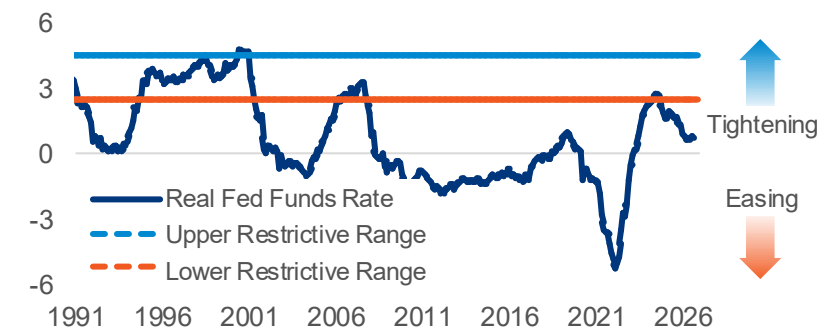
Market Expects One More Fed Hike by Year-End

Rate Futures-Implied Fed Policy Rate (%)

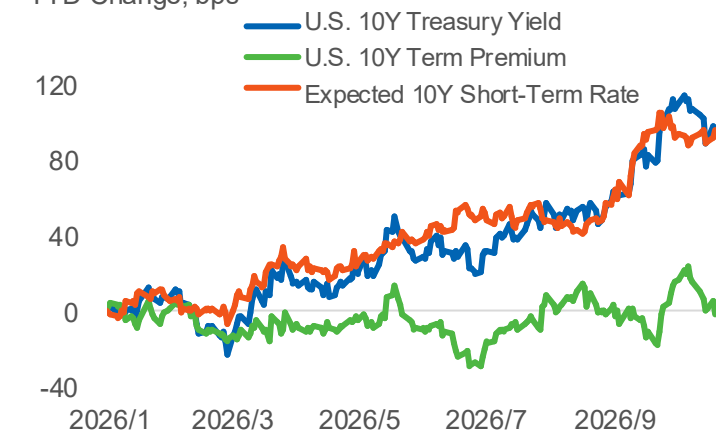


Despite Fed Rate Hikes, Market Liquidity Remains Ample

Real Fed Funds Rate (Fed Funds Rate Minus U.S. Core PCE, %)



YTD Change, bps

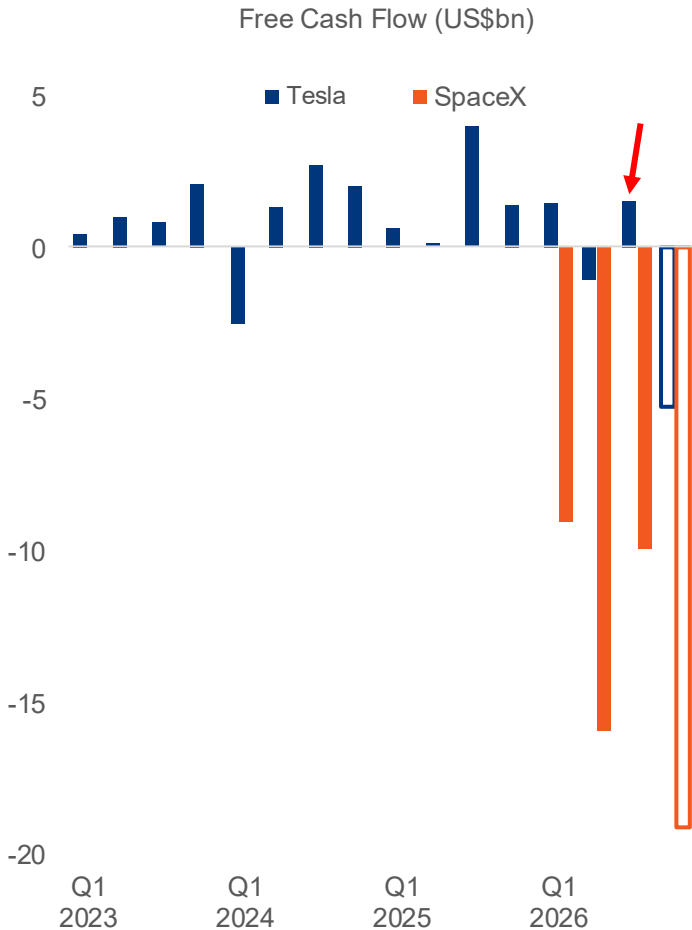


What's Trending

Tesla Reports Mixed Earnings; Roadster Contribution Limited, Potential Merger Faces Geopolitical Risks

- ▶ Tesla's 3Q26 results were mixed. Gross margin and deliveries beat expectations, revenue was broadly in line, and operating profit missed. The biggest surprise was free cash flow of US\$1.5bn versus consensus of negative US\$4.3bn, while lower capex guidance raised concerns.
- ▶ Tesla recently showcased its next-generation Roadster, essentially a halo car with a high price and limited target market. Production is not expected until 2028, implying limited earnings contribution. Meanwhile, the Model 3/Y have become mass-market products, facing intense competition and margin pressure. Much like traditional automakers using motorsports to showcase technology, the "flying" Roadster aims to demonstrate Tesla's unique cross-industry integration capabilities and sustain its brand premium.
- ▶ A potential Tesla-SpaceX merger would aim to integrate multiple businesses, improve capital efficiency and share costs such as Terafab investment. Their combined market capitalization currently stands at approximately US\$3.5tn. Beyond the exceptionally high shareholder approval threshold, the deal faces major geopolitical conflicts: SpaceX has sensitive U.S. defense and NASA partnerships, while Tesla relies on its Shanghai Gigafactory for over 20% of its business. We expect Musk to accelerate a Tesla-SpaceX merger before Trump leaves office.

Tesla's Free Cash Flow Unexpectedly Turns Positive in 3Q26



Tesla and SpaceX Both Trade at Elevated Valuations



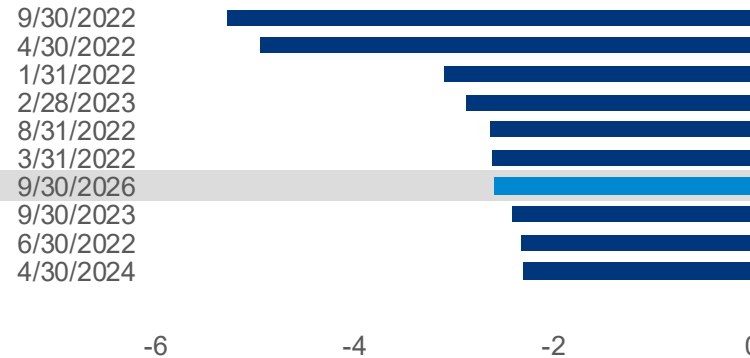
Source: Bloomberg

Time Is on Investors' Side: Worst Monthly Bond Losses Create Future Return Opportunities

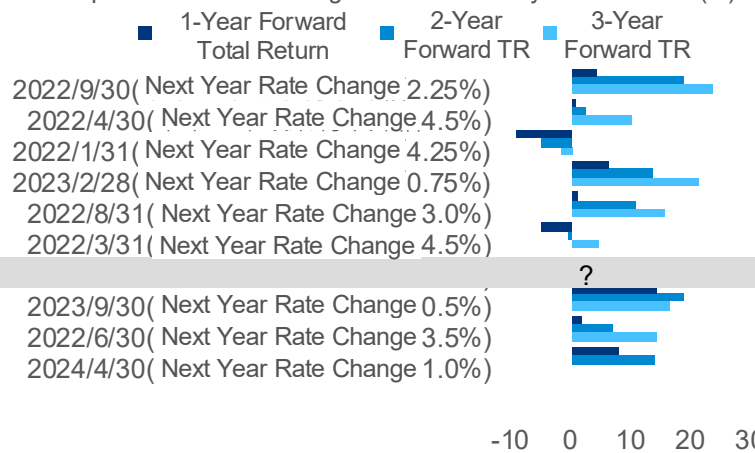
- ▶ In September, persistent geopolitical tensions drove oil prices higher, while renewed Fed rate hikes and heavy Treasury and corporate bond issuance contributed to the bond market's worst monthly performance this year. Among the 10 worst monthly total returns for U.S. investment-grade bonds since 2021, more than half occurred in 2022, when the Fed began hiking rates in March, highlighting interest rate risk as the bond market's biggest challenge over the past five years. However, subsequent returns following these weak months were mostly positive over the following year, except for January and March 2022, immediately before and during the Fed's initial hikes. Higher yields enhanced carry income and improved long-term bond return potential.
- ▶ Interest rate volatility has driven credit spreads wider this year, with lower-rated bonds seeing the largest increases. Since September, rate-sensitive and AI-related corporate bonds have also experienced significant spread widening, reflecting investors' preference for reducing exposure to market uncertainty. Following the selloff driven by rising rates, wider credit spreads have created attractive income opportunities. Investors can capitalize on higher yields from fundamentally sound corporate issuers, allowing compounding over time to enhance returns.

September Marks Worst Monthly Return for U.S. Investment-Grade Bonds This Year

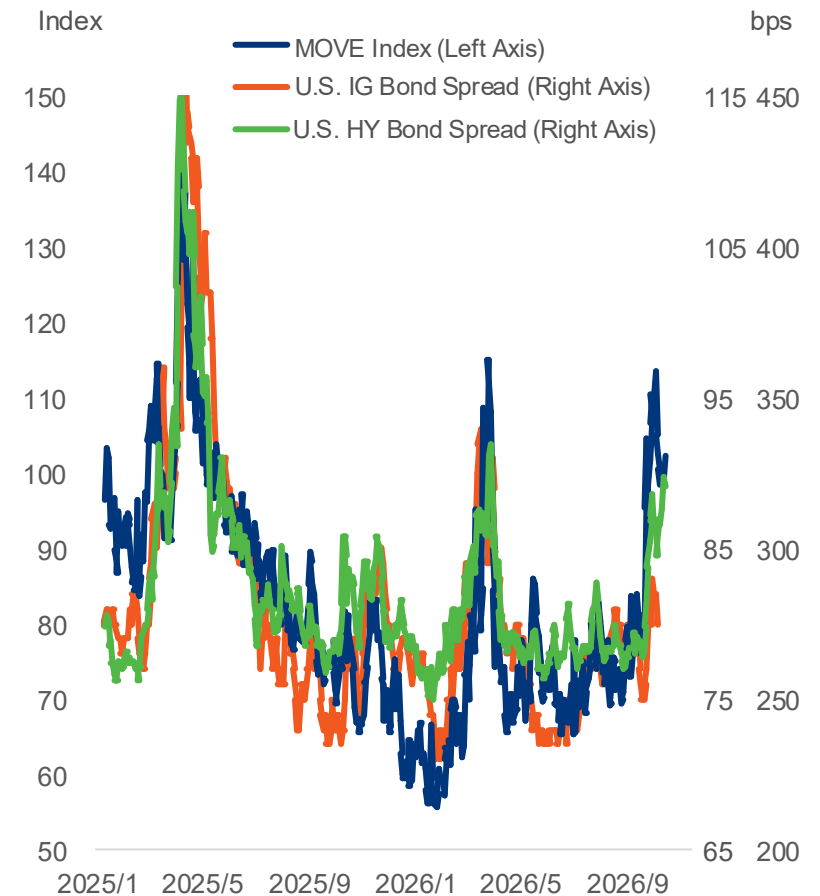
10 Worst Monthly Total Returns for U.S. IG Bonds Since 2021 (%)



Subsequent Returns Following the Worst Monthly Total Returns (%)



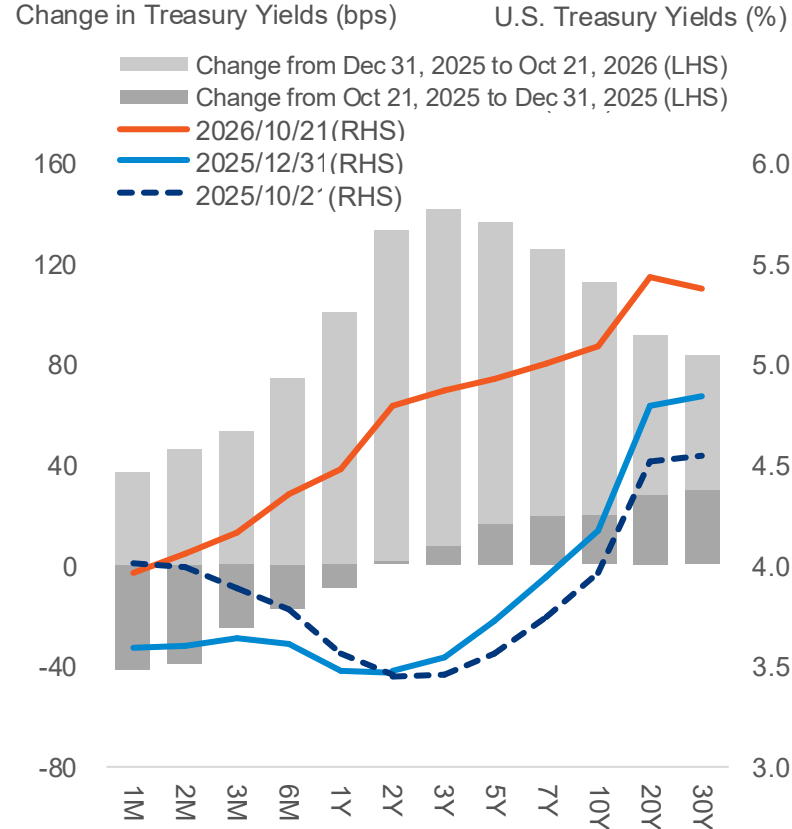
Rising Rate Volatility Drives Wider Spreads, Particularly for Lower-Rated Bonds



Persistent Rate Volatility Calls for Strategies to Navigate Market Uncertainty

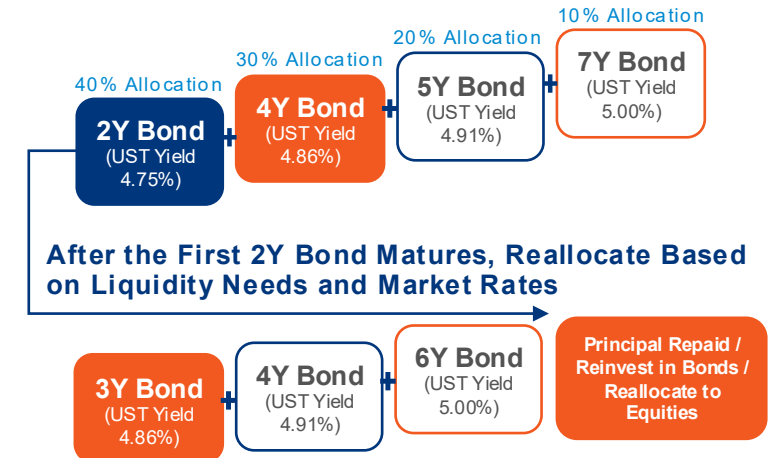
- ▶ The Fed's renewed rate hikes have steepened the U.S. Treasury yield curve over the past year, with the largest yield increases concentrated in the 2Y–3Y segment. Resilient U.S. core inflation and employment suggest the Fed will maintain restrictive monetary policy to combat elevated inflation. With high inflation and interest rates unlikely to ease near term, shortening bond duration and dynamically adjusting allocations offer effective ways to manage rate uncertainty.
- ▶ To navigate rate uncertainty, investors can adopt a bond ladder strategy, combining bonds of different maturities and types. The key is to structure maturity ladders based on the yield curve and interest rate trends. When rates are rising and the yield curve is upward-sloping, a short-duration bond ladder can reduce interest rate risk while providing stable yield income for investors with idle short-term funds or income needs. If liquidity needs arise, investors can use proceeds from maturing short-term bonds, reducing the liquidity risk of holding a single bond to maturity or selling it prematurely.

U.S. Treasury Yield Curve Remains Upward-Sloping



Build a Short-Duration Bond Ladder to Diversify Risk and Stabilize Cash Flow

Short-Duration Bond Ladder: Allocate Across 2Y, 3Y, 4Y, 5Y and 7Y Bonds for Stable Income



- ▶ A bond ladder diversifies investments across bonds of different maturities and types, offering:

- 1) Interest Rate Risk Diversification:** Spread investments across maturities to reduce rate risk.
- 2) Credit Risk Diversification:** Invest across issuers to avoid concentration in a single bond and diversify credit risk.
- 3) Lower Liquidity Risk:** Proceeds from maturing short-term bonds can meet liquidity needs, reducing the risk of holding a single bond to maturity or selling prematurely.

Stay Defensive, Then Rotate Back to Growth as Volatility Eases

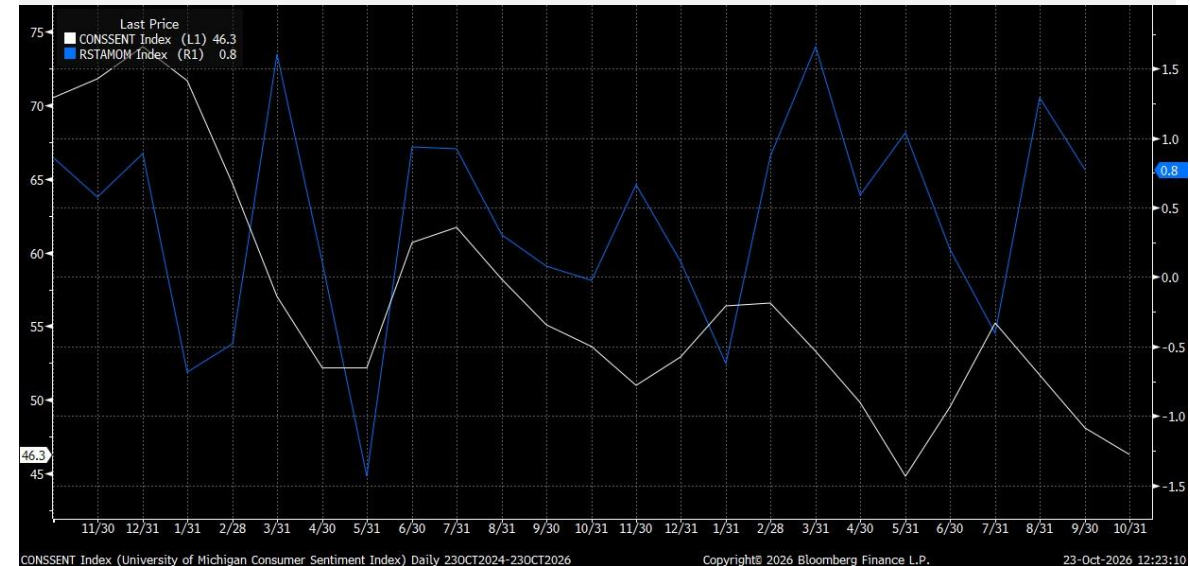
Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ U.S. corporate earnings are expected to deliver double-digit growth for a third consecutive quarter. Markets await earnings results and guidance to assess returns on AI capex. Geopolitical tensions, elevated interest rates, valuation pressure and the approaching U.S. midterm elections may sustain near-term volatility. Increase defensive equity exposure while maintaining a positive long-term outlook for AI and tech. Diversify across countries and sectors to reduce volatility, balancing defensive and growth strategies. ◆ European and Japanese equities offer diversification, while elevated global rates favor banking stocks. European defense remains an attractive investment theme amid persistent geopolitical tensions. 	<p>Strategy: Increase defensive exposure; favor AI-related tech and semiconductors over the medium to long term; focus on fundamentally sound non-AI sectors</p> <p>Regions: Japanese banks, European defense</p>
Bonds	<ul style="list-style-type: none"> ◆ Global government bond yields have risen, with major economies expected to retain room for further rate hikes before year-end. Elevated yields make short- to intermediate-duration bonds attractive for locking in income. High-quality bonds offer stronger credit profiles, stable cash flows and repayment capacity. Focus on sectors with attractive spreads following risk repricing, including financials, communications and utilities. 	<p>Bond Types: Short- to intermediate-duration, high-quality bonds, particularly financials, communications and utilities</p>
Forex	<ul style="list-style-type: none"> ◆ Rising European political risks and near-term EUR weakness support the USD at elevated levels. ◆ Uncertainty over the timing of further BOJ rate hikes keeps the JPY volatile. 	<p>USD, supported at elevated levels</p>
Commodity	<ul style="list-style-type: none"> ◆ Middle East geopolitical tensions have eased temporarily, but oil prices remain elevated amid intensifying underlying risks. ◆ Rising U.S. short-term yields weigh on gold near term. However, U.S. fiscal deficit pressures and de-dollarization support continued central-bank and long-term investor purchases, providing medium- to long-term support. 	<p>Gold faces near-term pressure; medium- to long-term outlook remains positive.</p>



U.S. Consumer Sector Rebounds: Focusing on Value Retailers to Capture Defensive and Growth Opportunities

- ▶ The S&P Global U.S. Manufacturing PMI rose to 56.0 in October, exceeding market expectations of 55.5 and the previous reading of 55.9.
- ▶ The S&P Global U.S. Services PMI fell to 57.9 in October, below market expectations of 58.0 and down from 58.8 in the previous month.
- ▶ The U.S. consumer sector continues to exhibit resilient spending despite weakening consumer confidence and increasingly divergent retail performance. September CPI rose 3.7% YoY, while the Federal Reserve raised its policy rate to 3.75%-4.00%, with higher prices and borrowing costs continuing to pressure household purchasing power. Although September retail and food services sales increased 6.3% YoY, the figures were not adjusted for inflation. Meanwhile, the preliminary University of Michigan Consumer Sentiment Index fell to 46.3 in October, reflecting ongoing concerns over living costs. Looking ahead, geopolitical uncertainty and risk-off sentiment may highlight the defensive appeal of consumer staples retailers, while the growing consumer focus on value and affordability should continue to benefit retailers with scale advantages and strong pricing competitiveness.

U.S. Michigan Consumer Sentiment & Retail Sales MoM Growth



White Line: Michigan Consumer Sentiment Index
Blue Line: Retail Sales MoM Growth

Walmart (WMT US)

Closing Price	US\$119.89	Target Price	US\$135		
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Walmart Inc. is one of the world's largest retailers, operating across grocery, consumer staples, apparel, and electronics. The company operates through Walmart, Sam's Club, and international retail businesses, while driving diversified growth through e-commerce, advertising, and membership services.

Low-Price Strategy Strengthens Market Position, While Omnichannel Expansion Continues

Leveraging its extensive purchasing scale and low-price strategy, Walmart continues to strengthen its competitive position in retail. In 2Q FY2027, revenue increased 5.9% YoY to US\$187.9 billion, while U.S. comparable sales grew 2.6% and transaction volume rose 1.5%. As consumers remain focused on value and convenience, Walmart's integrated store and e-commerce network is expected to support further market share gains.

Rapid Growth in E-Commerce and Advertising Enhances Profitability

Walmart continues to expand its e-commerce, digital advertising, and membership businesses. In 2Q FY2027, global e-commerce sales increased 23% YoY, advertising revenue grew 38%, and membership income rose 17%. Walmart Connect advertising revenue in the U.S. increased 43%, highlighting the growing contribution from higher-margin digital businesses and helping diversify earnings beyond traditional retail operations.

Raised FY2027 Guidance Reflects Improving Operating Efficiency

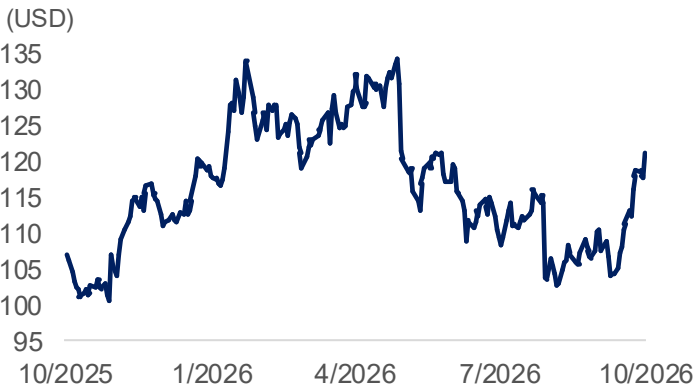
Management raised FY2027 guidance and now expects constant-currency revenue growth of 4.0%-5.0%, adjusted operating income growth of 7.0%-8.5%, and adjusted EPS of US\$2.80-2.87, up from the previous range of US\$2.75-2.85. In 2Q FY2027, adjusted EPS increased 19.1% YoY to US\$0.81. While part of the earnings uplift was supported by one-off tariff-related refunds, investors should continue to monitor the impact of tariff policies and price investments on margins.

Valuation Consensus

Bloomberg consensus implies an average 12-month target price of US\$127.35, with a high target price of US\$155 and a low target price of US\$81.

Source: Bloomberg, Company

1-Year Price



Raised FY2027 Guidance

Fiscal year 2027

The Company's fiscal year guidance is based on the following FY26 figures: Net sales: \$706.4 billion, adjusted operating income¹: \$31.0 billion, and adjusted EPS¹: \$2.64.

Consolidated metric	Original from 2.19.2026	As of 5.21.2026	As of 8.20.2026
Net sales (cc)	Increase 3.5% to 4.5%	Unchanged	Increase 4.0% to 5.0%
Adj. operating income (cc)	Increase 6.0% to 8.0%	Unchanged	Increase 7.0% to 8.5%
Adj. interest, net ²	Increase approximately \$200M to \$300M	Unchanged	Unchanged
Effective tax rate	Approximately 23.5% to 24.5%	Unchanged	Unchanged
Adj. EPS	\$2.75 to \$2.85	Unchanged	\$2.80 to \$2.87
Capital expenditures	Approximately 3.5% of net sales	Unchanged	Approximately 4.0% of net sales

Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	6.0	5.1	4.7	5.5	4.4
EBITDA ratio (%)	6.4	6.6	6.7	6.6	6.8
EPS (USD)	2.21	2.51	2.64	2.89	3.22
Net Profit Margin(%)	2.8	3.0	3.0	3.1	3.2

Source: Bloomberg

PE & PB



Costco (COST US)

Closing Price	US\$1,003.32	Target Price	US\$1,100
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Costco Wholesale Corporation is one of the world's leading membership-based warehouse retailers. The company primarily sells groceries, household products, consumer electronics, and everyday essentials. Its competitive advantages are built on membership fees, a low-margin pricing strategy, and large-scale purchasing power, while continued expansion of its international footprint and digital retail capabilities supports long-term growth.

Growing Membership Base and High Renewal Rates Support Earnings Stability

Costco's membership model and value-oriented product offerings continue to support a loyal customer base. In FY2026, paid memberships reached 84.1 million, up 3.8% YoY, while renewal rates remained strong at 92.3% in the U.S. and Canada and 89.8% globally. Fourth-quarter membership fee income increased 7.3% YoY to US\$1.849 billion. Rising penetration of executive memberships is expected to further strengthen recurring revenue and long-term profitability.

Strong Comparable Sales and Digital Growth Drive Performance

Supported by consumer demand for value-priced products, Costco reported 4Q FY2026 net sales of US\$93.9 billion, up 11.2% YoY. Excluding the impact of foreign exchange and gasoline prices, comparable sales increased 6.7%, while e-commerce sales grew 19.8%. September 2026 net sales further increased 13.0% YoY, with adjusted comparable sales growth of 7.6%, indicating continued resilience in core retail demand.

Double-Digit Earnings Growth and International Expansion Support Long-Term Growth

For FY2026, net sales increased 10.1% YoY to US\$297.2 billion, while net income rose 13.9% YoY to US\$9.226 billion. EPS increased from US\$18.21 to US\$20.76. Continued warehouse expansion, growth of the Kirkland private-label brand, and increasing executive membership penetration are expected to support future growth. However, investors should note that 4Q EPS included a one-time tariff-related benefit of US\$0.15 per share, while the company's elevated valuation may limit near-term share price upside.

Valuation Consensus

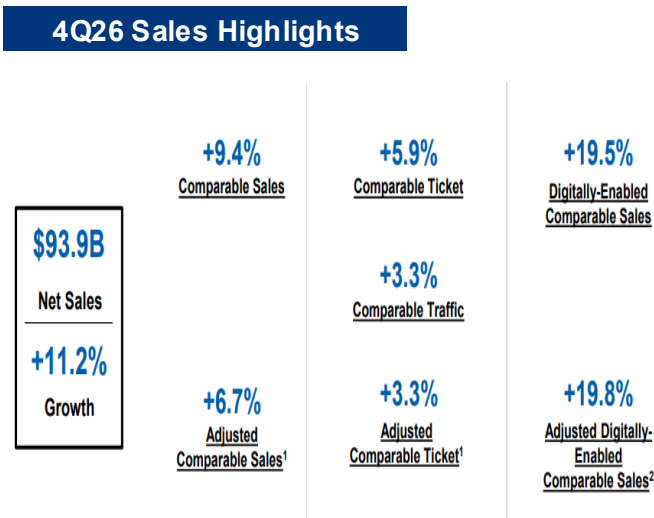
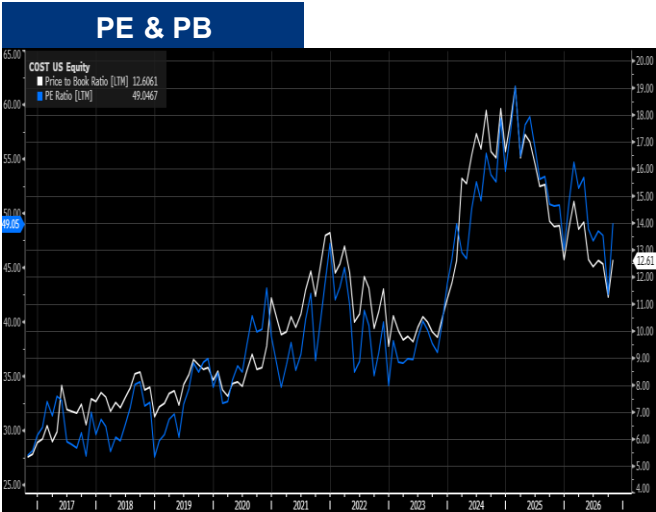
Bloomberg consensus estimates imply an average 12-month target price of US\$1,066, with a high target price of US\$1,315 and a low target price of US\$770.



Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	5.0	8.2	10.1	8.4	7.6
EBITDA ratio (%)	4.6	4.7	4.8	4.8	4.9
EPS (USD)	16.54	18.00	20.76	22.78	25.02
Net Profit Margin(%)	2.9	2.9	3.0	3.1	3.1

Source: Bloomberg; 2027/28F are market estimates



Source: Bloomberg, Company

Appendix

Key Economic Data / Events

► Oct 2026

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Monday

- China Q3 GDP YoY (Act:4.5% Est:4.4% Prev:4.3%)
- China Sep Retail Sales YoY (Act:1.1% Est:0.5% Prev:0.4%)
- China Sep Industrial Production YoY (Act:5.5% Est:5.5% Prev:5.2%)

20

Tuesday

- Taiwan Sep Export Orders YoY (Act:62.4% Est:61.7% Prev:71.4%)

21

Wednesday

22

Thursday

- U.S. Initial Jobless Claims (Act:194k Est:200k Prev:200k)

23

Friday

- U.S. Oct S&P Global Manufacturing PMI (Prelim) (Est:55.5 Prev:55.9)
- U.S. Oct Michigan Consumer Sentiment (Final) (Est:46.3 Prev:48.1)
- Japan Oct S&P Global Manufacturing PMI (Prelim) (Act:53.3 Prev:54.1)
- Japan Sep CPI YoY (Act:2.1% Est:2.1% Prev:1.9%)
- Eurozone Oct S&P Global Manufacturing PMI (Prelim) (Est:52.8 Prev:52.9)

26

Monday

- Earnings: VZ

27

Tuesday

- U.S. Sep Durable Goods Orders MoM (Prelim) (Est:1.4% Prev:-0.1%)
- U.S. Oct Conference Board Consumer Confidence (Est:80.4 Prev:81.9)
- Earnings: WELL, BA, KO, GLW, SPGI

28

Wednesday

- Earnings: V, STX, APH, GEV

29

Thursday

- U.S. Oct Fed Funds Rate (Est:4.00% Prev:4.00%)
- U.S. Sep PCE YoY (Est:3.6% Prev:3.4%)
- U.S. Sep Core PCE YoY (Est:3.1% Prev:3.0%)
- U.S. Q3 GDP Annualized QoQ (Prelim) (Est:3.0% Prev:2.2%)
- Eurozone Oct ECB Main Refinancing Rate (Est:2.65% Prev:2.65%)
- Earnings: GOOGL US, MSFT, NOW, LLY

30

Friday

- Japan Oct BoJ Uncollateralized Overnight Call Rate (Est:1.25% Prev:1.25%)
- Eurozone Q3 GDP QoQ (Prelim) (Est:0.2% Prev:0.6%)
- Earnings: SYK, SBUX, SNDK, INTC, AMZN, GILD, CVX, XOM

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
2026/10/20	GE Aerospace (GE US)	12.86B	13.29B	2.01	2.25	V	V
2026/10/20	RTX Corporation (RTX US)	24.08B	24.97B	1.79	2.26	V	V
2026/10/21	Netflix, Inc. (NFLX US)	12.87B	12.87B	0.83	0.87	V	V
2026/10/21	Capital One Financial Corporation (COF US)	16.25B	16.34B	5.43	6.69	V	V
2026/10/21	Intuitive Surgical, Inc. (ISRG US)	2.9B	3.05B	2.64	3.00	V	V
2026/10/21	Chubb Limited (CB US)	16.02B	16.72B	6.79	7.66	V	V
2026/10/21	Danaher Corporation (DHR US)	6.56B	6.55B	1.93	2.11		V
2026/10/21	Thermo Fisher Scientific Inc. (TMO US)	11.96B	12.14B	6.41	6.68	V	V
2026/10/21	Philip Morris International Inc. (PM US)	11.3B	11.44B	2.30	2.36	V	V
2026/10/21	AT&T Inc. (T US)	31.7B	32.32B	0.60	0.65	V	V
2026/10/21	Abbott Laboratories (ABT US)	13B	13.01B	1.42	1.42	V	
2026/10/21	NextEra Energy, Inc. (NEE US)	8.5B	8.09B	1.20	1.24		V
2026/10/22	Meta Platforms, Inc. (META US)	63.33B	64.6B	8.31	3.83	V	
2026/10/22	Texas Instruments Incorporated (TXN US)	5.93B	6.06B	2.44	2.62	V	V

Source: Investing.com

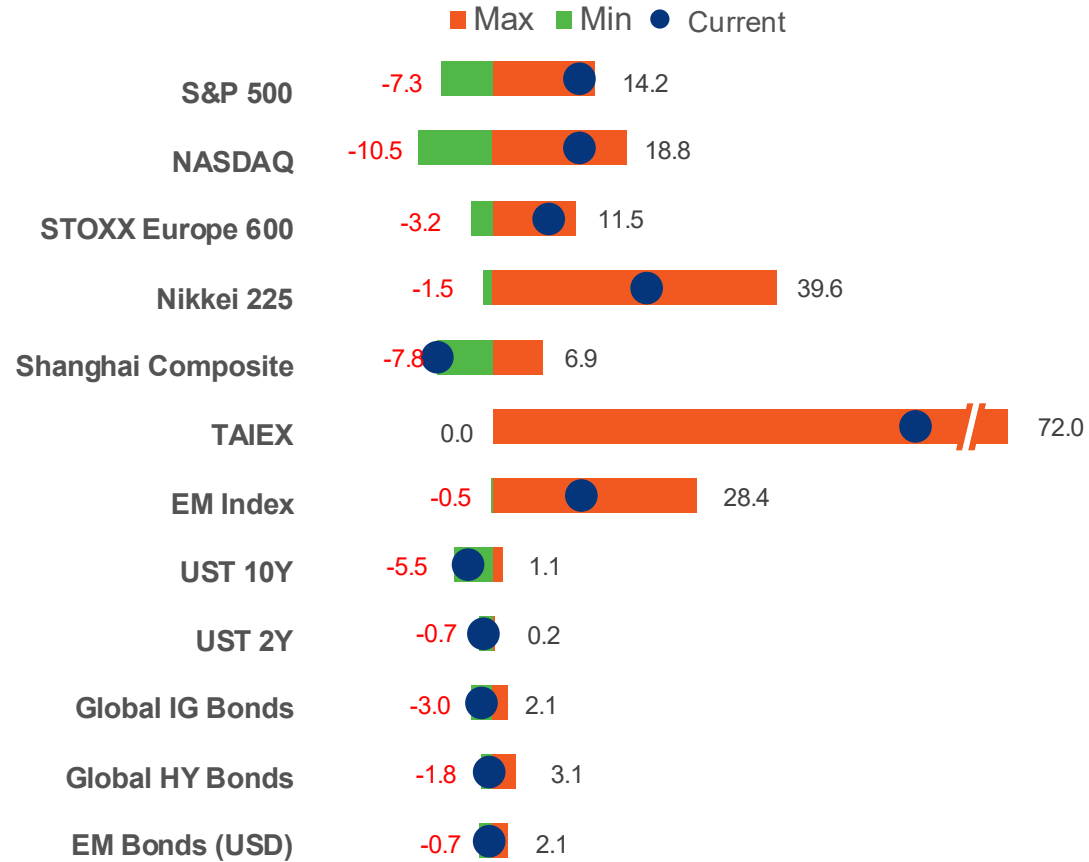
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	EPS
2026/10/22	Lam Research Corporation (LRCX US)	8.13B	8.22B	2.19	2.19	V	
2026/10/22	Tesla, Inc. (TSLA US)	28.13B	28.05B	0.44	0.48		V
2026/10/22	International Business Machines Corporation (IBM US)	16.83B	17.1B	2.86	2.95	V	V

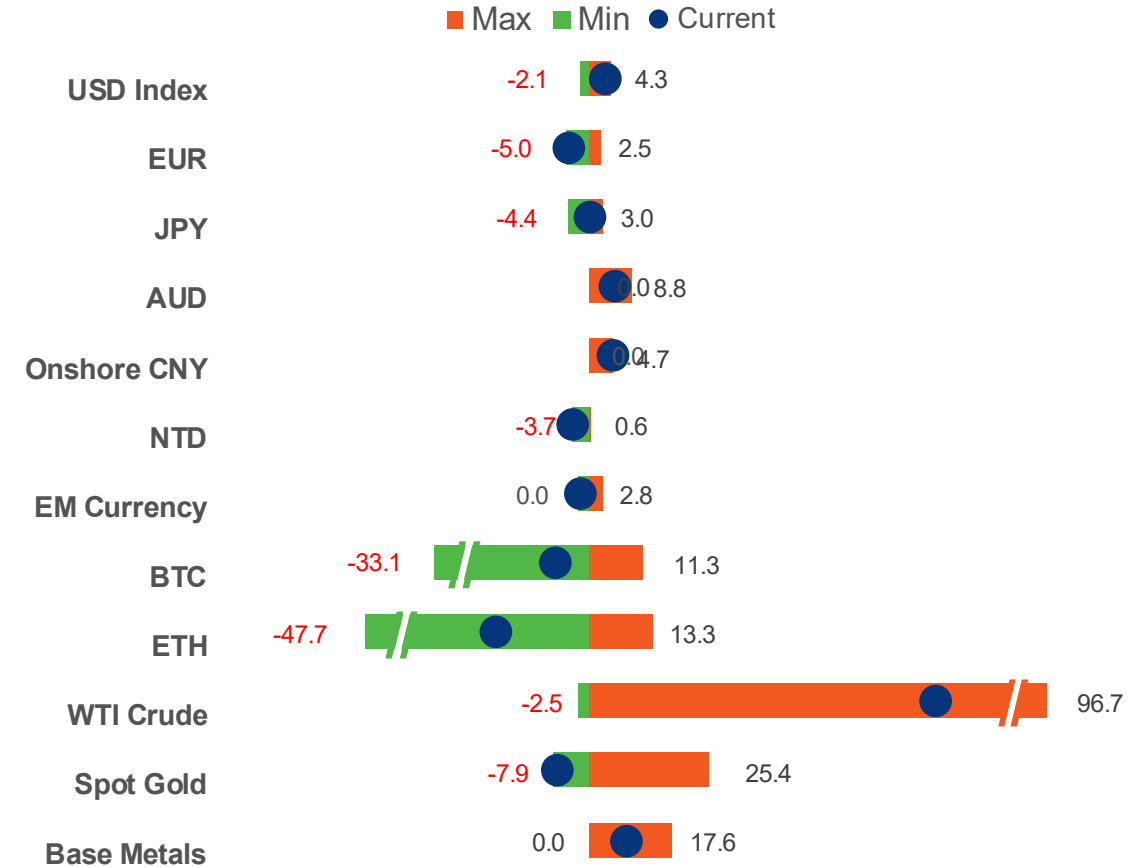
Source: Investing.com

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)

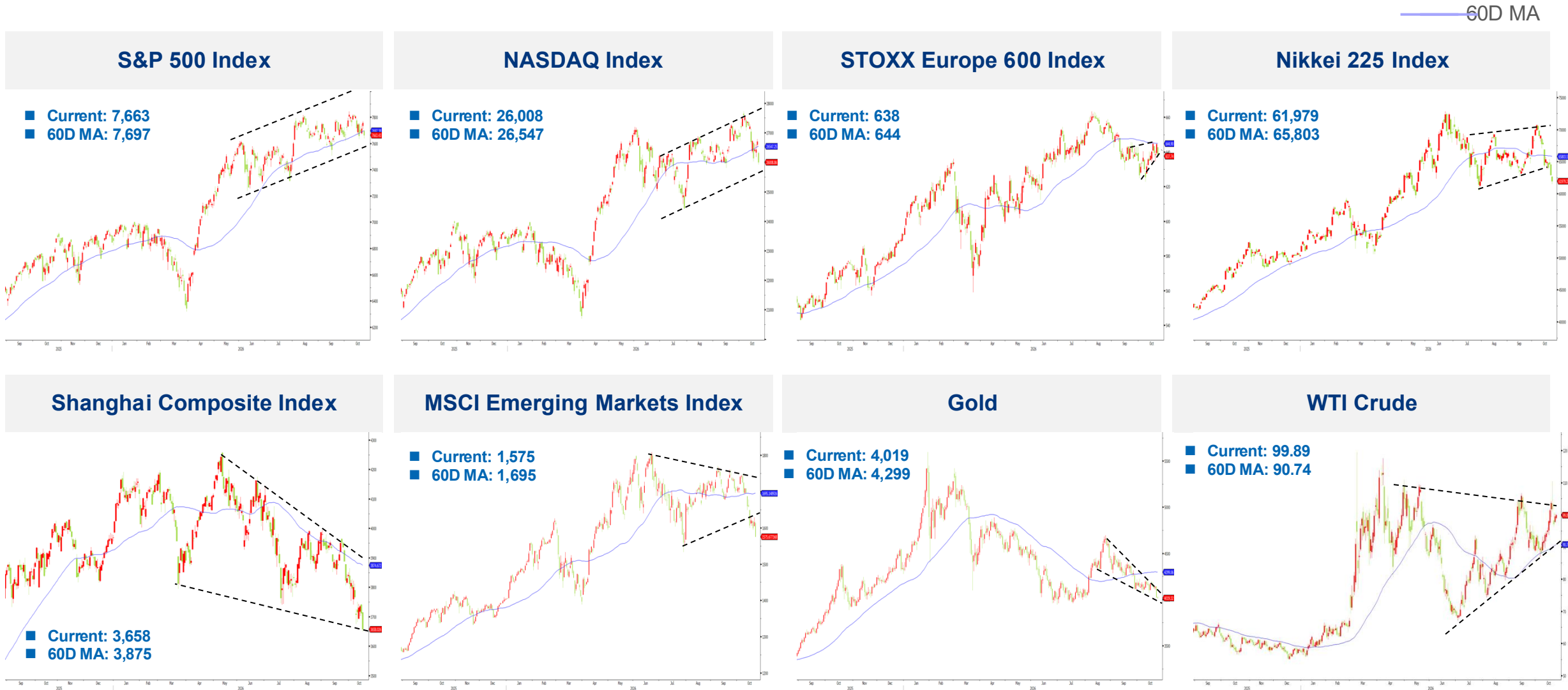


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 23 Oct 2026

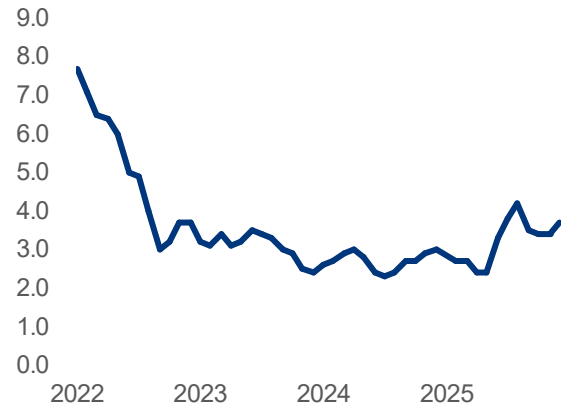
Technical Analysis



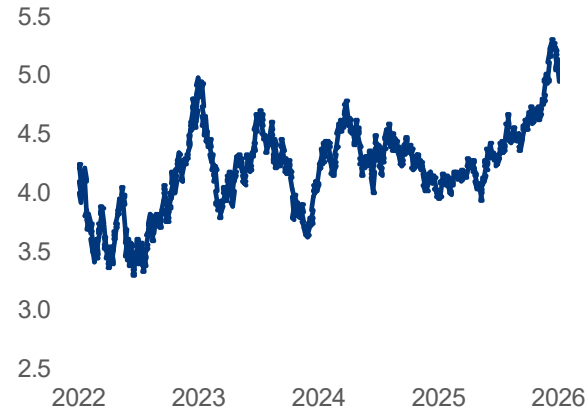
Source: Bloomberg, 23 Oct 2026

Market Monitor

U.S. CPI YoY (%)



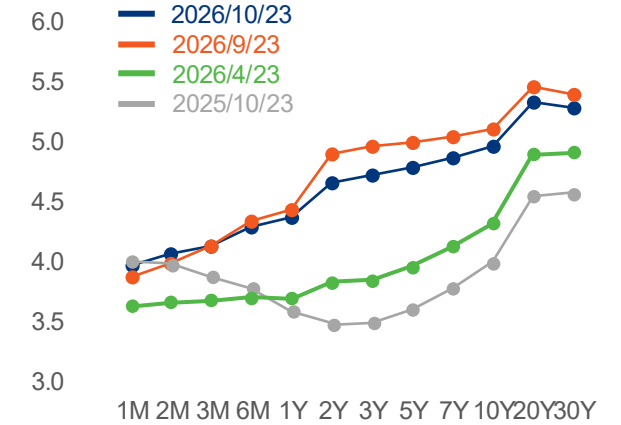
U.S. 10-Year Treasury Yield (%)



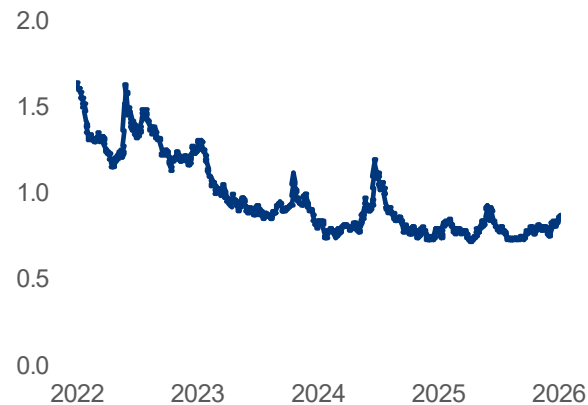
U.S. Treasury Yield Spread (bps)



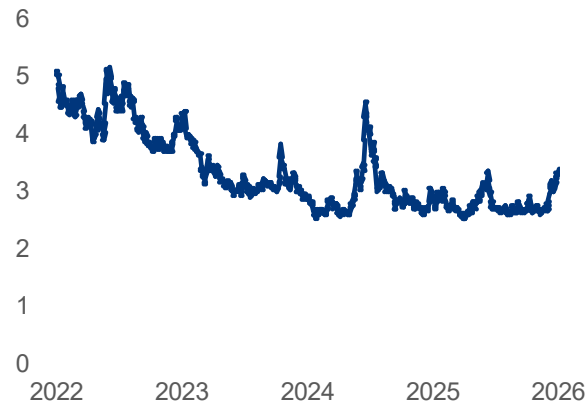
U.S. Treasury Yield Curve (%)



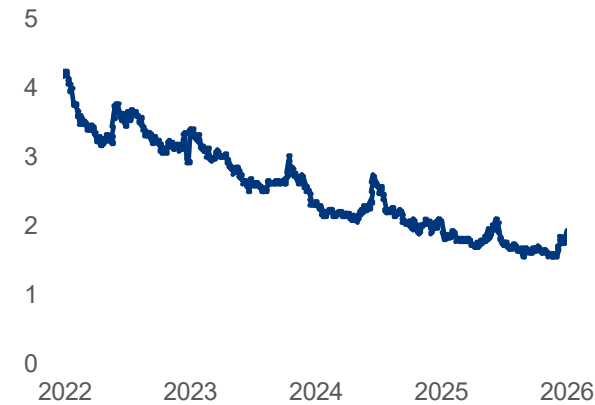
USD IG Credit Spread (%)



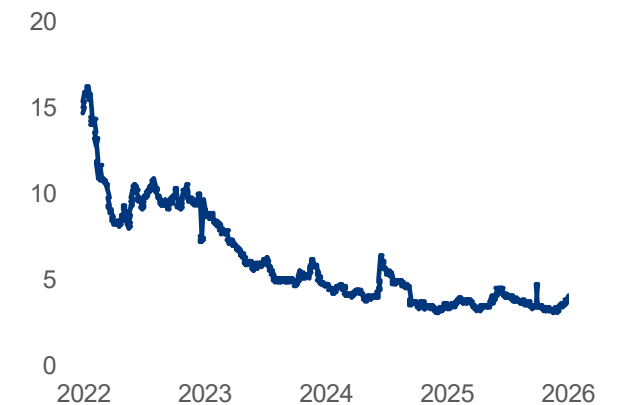
USD HY Credit Spread (%)



USD EM Credit Spread (%)

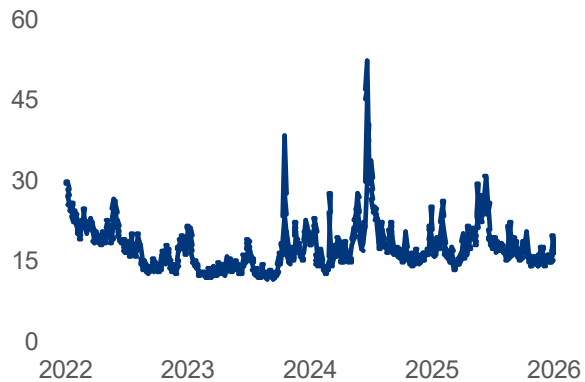
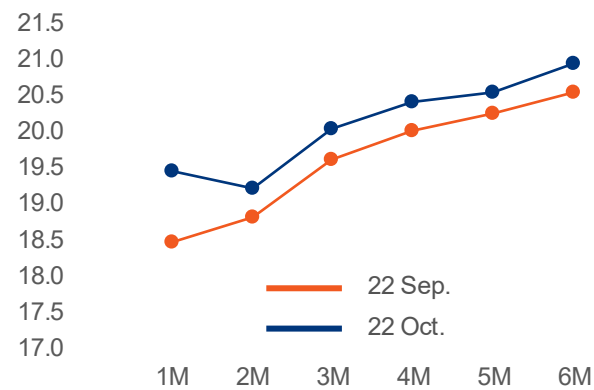
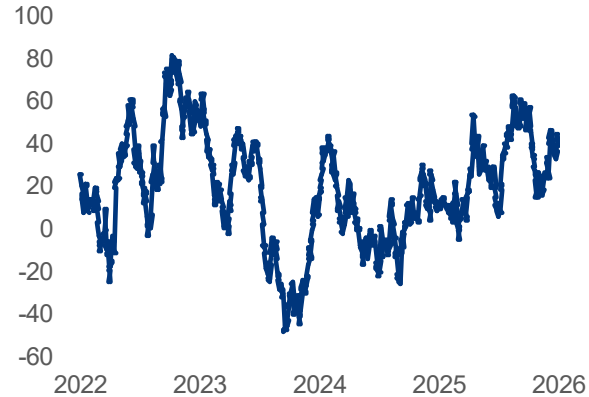
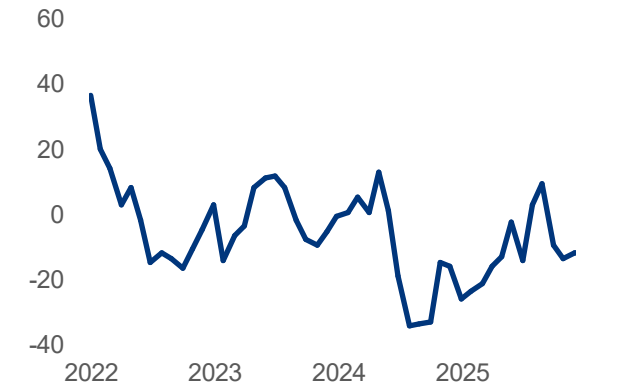
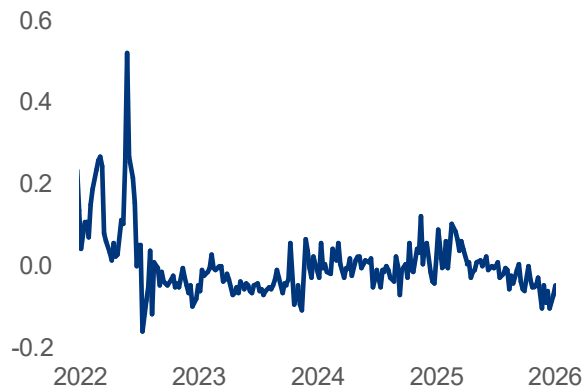
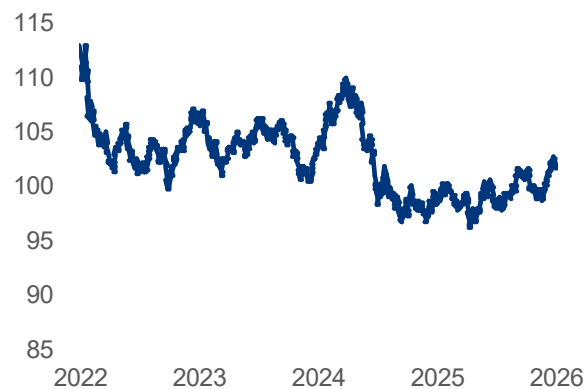
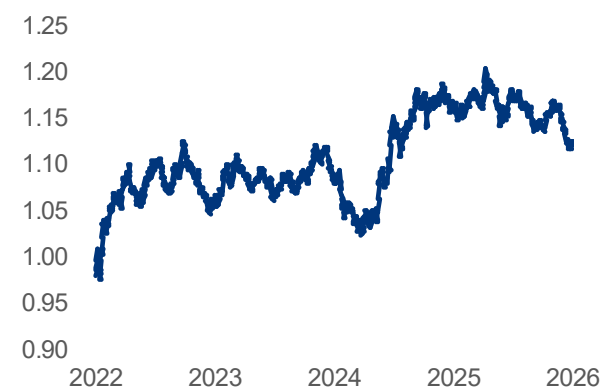
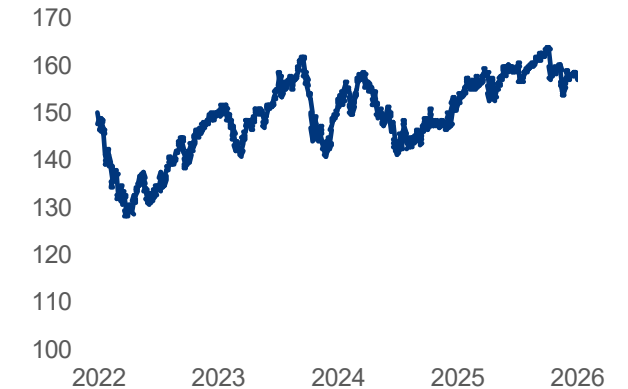


USD Asia Credit Spread (%)



Source: Bloomberg, 23 Oct 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, 23 Oct 2026

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