CIO Office

Global Markets Weekly Kickstart

Financials Catching Up!

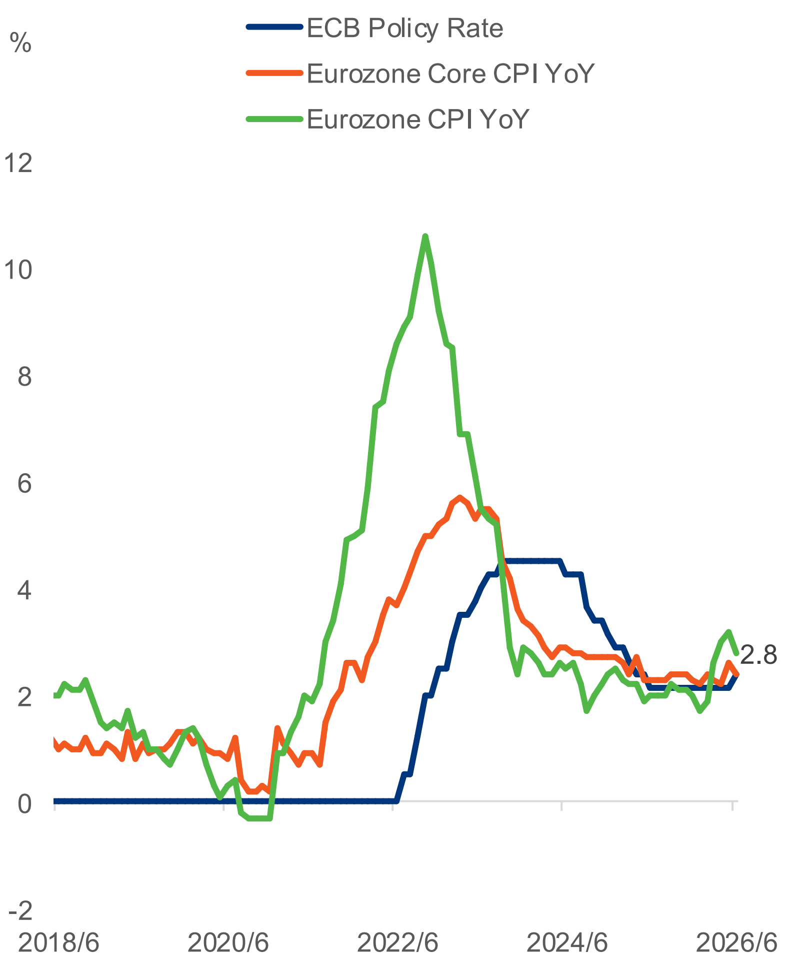
27 July 2026

Chart of the Week

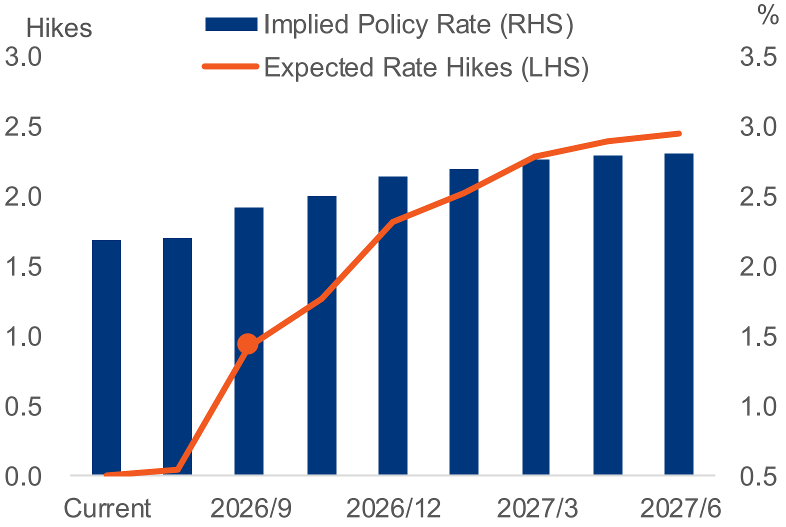
ECB Holds Rates Steady but Leaves Door Open for Further Tightening

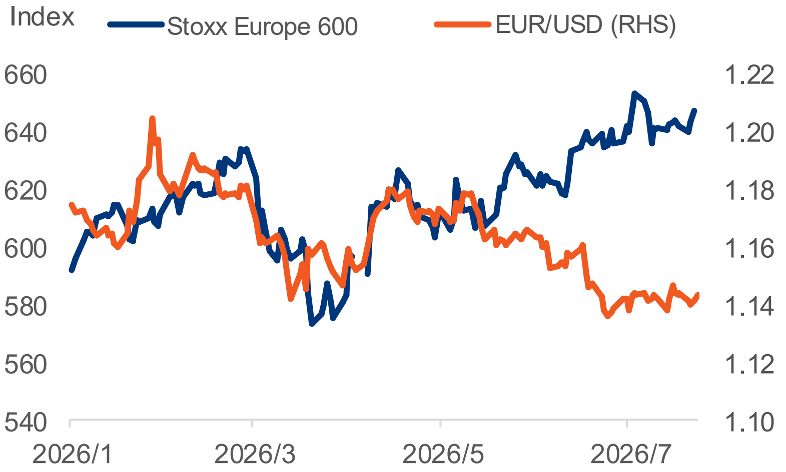
- Renewed fighting between the U.S. and Iran has pushed oil prices higher, prompting central banks to remain vigilant on inflation. Eurozone data have improved, with the July Sentix Investor Confidence Index rising to -3.1 from -3.4, well above expectations of -10. June Services PMI was revised up to 49.4, while the Composite PMI was revised to 50. However, renewed Middle East tensions have lifted Brent crude back above US$90/bbl, pushing the eurozone one-year inflation swap rate to 2.5%. June CPI rose 2.8% YoY, with core CPI at 2.4%, reigniting inflation concerns. Against this backdrop, the ECB maintained its restrictive policy stance while signaling a “hawkish pause,” keeping the option of a September rate hike if inflation pressures persist.
- Markets now expect eurozone GDP growth of 0.5% in 2026, down from 0.7% in last month’s survey and below the ECB’s baseline forecast of 0.8%. While the ECB left rates unchanged this week, interest rate futures continue to price in a September hike. Higher borrowing costs are likely to weigh on medium-term growth, keeping the euro under pressure, although resilient corporate earnings continue to support European equities.

ECB Holds Rates Steady as Inflation Risks Tilt Higher



Rate Futures Price Another ECB Hike in September





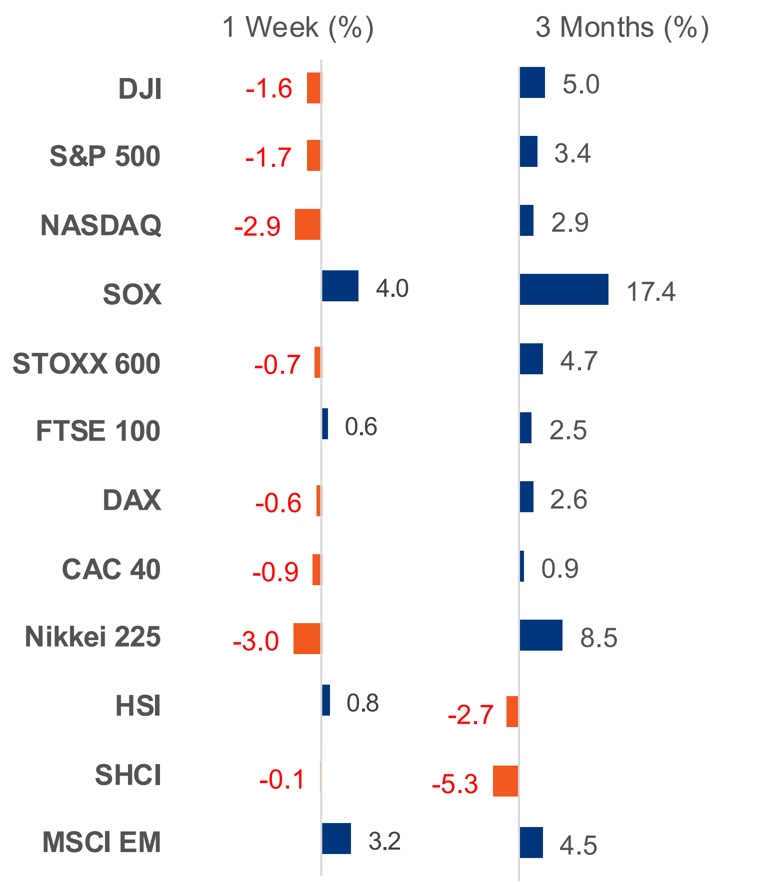
Source: Bloomberg

Market Recap

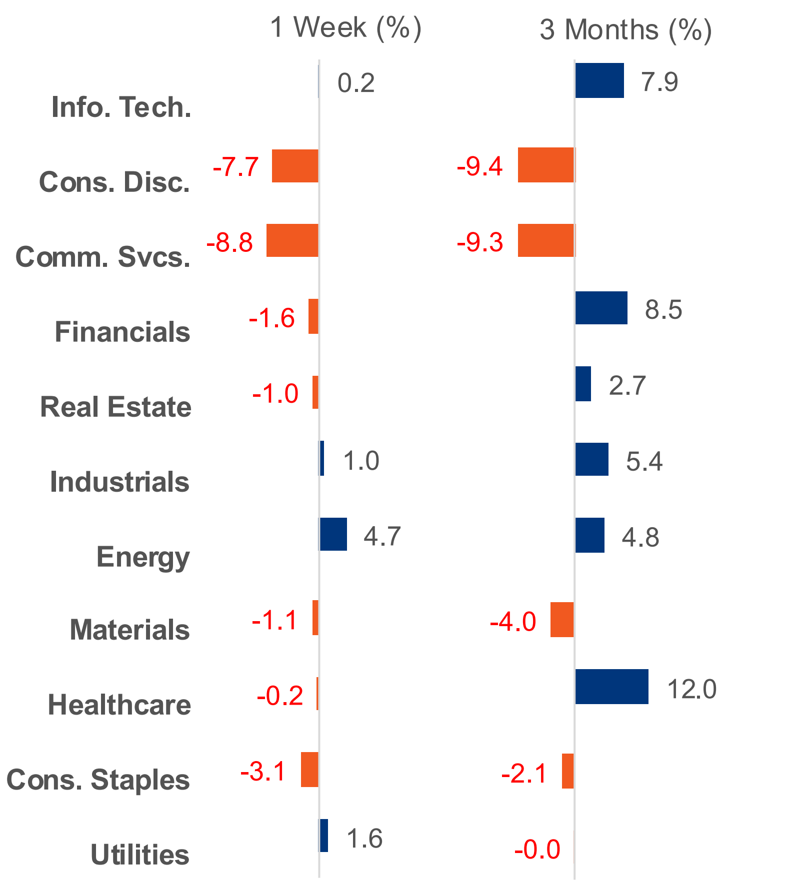
Geopolitical Tensions Persist, Driving Market Correction and Higher Volatility

- Military conflict between the U.S. and Iran intensified as U.S. airstrikes on Iran continued. Yemen's Houthi forces announced a maritime blockade against Saudi Arabia and threatened shipping through the Bab el-Mandeb Strait, while Iran stepped up attacks on oil shipments through the Strait of Hormuz. President Trump warned of retaliation, keeping global energy supply and trade under pressure. Oil prices rose, adding to equity market volatility.
- LSEG now forecasts S&P 500 2Q earnings growth of 26% YoY, up from 23.7%. Alphabet reported 2Q revenue of US$103.6bn (+27% YoY), beating expectations, driven by Google Cloud (+82% YoY), advertising (+14%), and YouTube ads (+13%). The company also raised its full-year capex guidance to US$195–205bn from US$180–190bn, though concerns over spending weighed on the stock. AMD signed an AI chip supply agreement with Anthropic for its next-generation MI450 accelerators and will invest about US$5bn in the company, strengthening its challenge to Nvidia. Tesla beat revenue expectations but missed on earnings. 2Q capex surged 142% YoY to US$5.79bn, free cash flow turned negative, and the stock declined.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

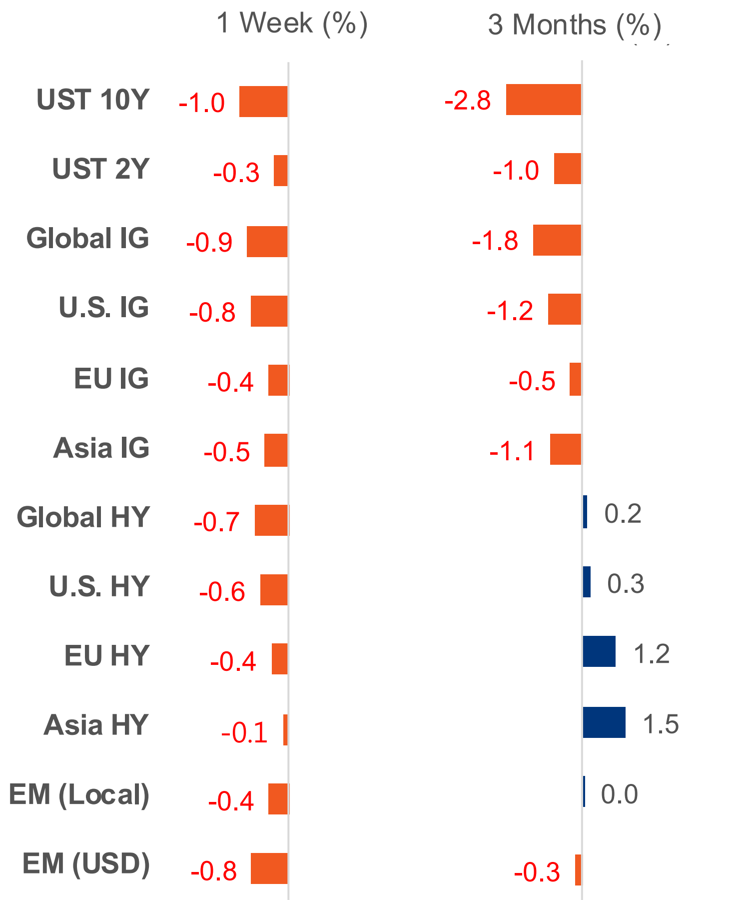


Source: Bloomberg

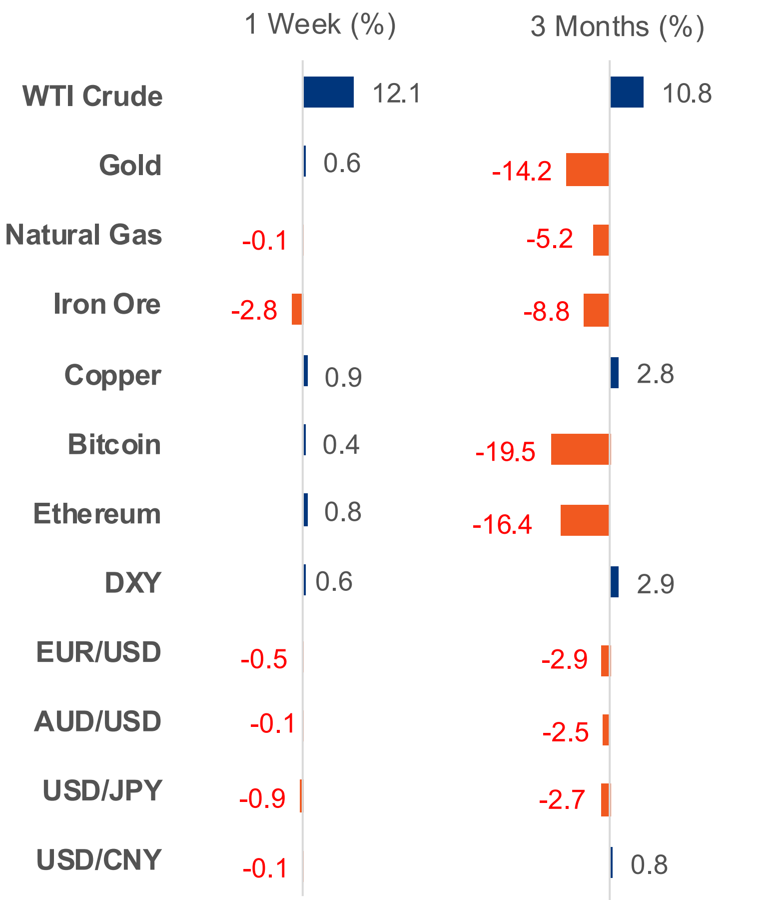
Oil Prices and Yields Climb, Pressuring Bonds and Commodities

- Escalating Middle East tensions pushed WTI crude back above US$92/bbl, lifting inflation expectations and Treasury yields. The U.S. 10-year yield rose to 4.70%, while the 30-year yield climbed above 5.16%, weighing on bond markets, with long-duration bonds underperforming. The U.S. dollar strengthened to 101.4, pressuring gold, silver, and base metals. Meanwhile, Bitcoin and Ether attracted inflows on expectations that the CLARITY Act will be passed.
- Japan unveiled its annual Basic Policy on Economic and Fiscal Management, with four key initiatives: 1) designate FY2027 as the start of a more proactive fiscal policy, expanding support for strategic industries such as AI and semiconductors; 2) target a gradual decline in the debt-to-GDP ratio while allowing temporary fiscal deterioration when needed to support growth and investment; 3) finalize policies on food tax cuts and refundable tax credits by early August; and 4) reaffirm the BOJ's independence in conducting monetary policy. Markets remain concerned that wider fiscal deficits could keep the yen under pressure.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



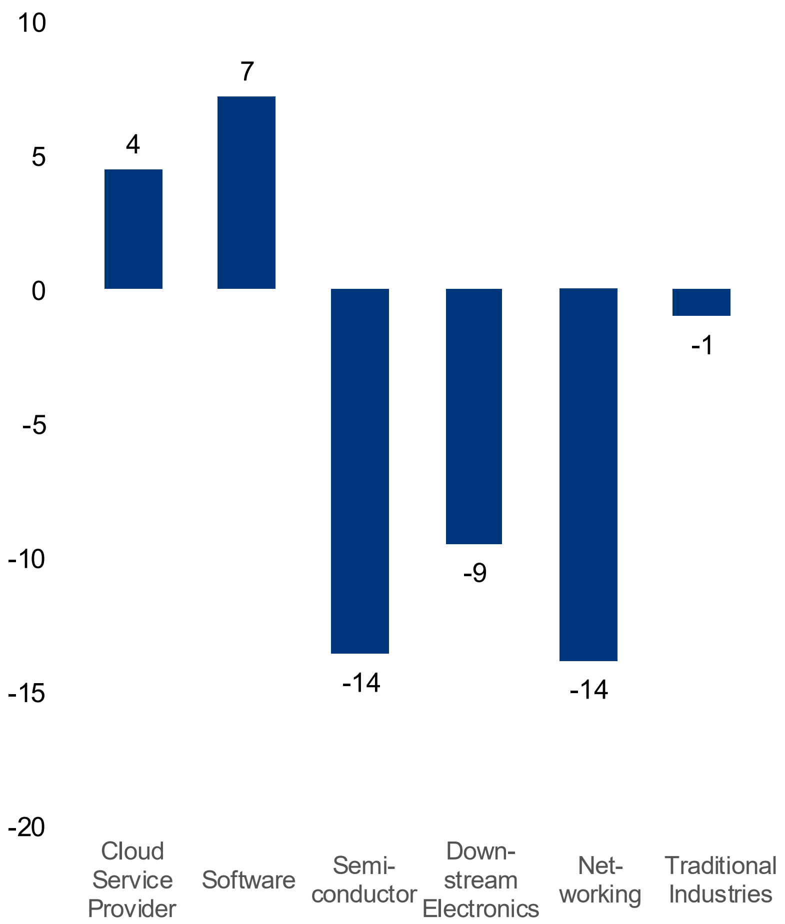
Source: Bloomberg

What’s Trending | Semiconductor Pullback Shifts Focus to Hyperscalers as Earnings Test AI Growth and ROI

- Semiconductor stocks have pulled back in recent weeks, while cloud platforms and enterprise software have outperformed. The rotation reflects investors shifting from AI hardware, such as chips and servers, toward platforms that control computing capacity, enterprise customers, and AI applications. For now, this appears to be a sector rotation rather than a reversal in AI infrastructure demand.
- Fundamentals support the shift. Markets expect 2Q26 AWS and Azure revenue growth to accelerate to 32% and 41%, respectively. Alphabet’s results also reinforced the trend, with Google Cloud revenue surging 82% YoY, suggesting AI demand is expanding from server procurement to model training, inference, and enterprise cloud usage. Upcoming results from other hyperscalers will be closely watched, particularly AWS growth at Amazon, Azure and Copilot at Microsoft, and Meta’s ability to generate new AI revenue beyond advertising.
- Consensus forecasts call for combined capex of US$637bn across the four major hyperscalers, with another upward revision likely. If earnings confirm stronger cloud growth and improving order visibility, concerns over negative free cash flow should ease, supporting continued rotation into cloud platform stocks.

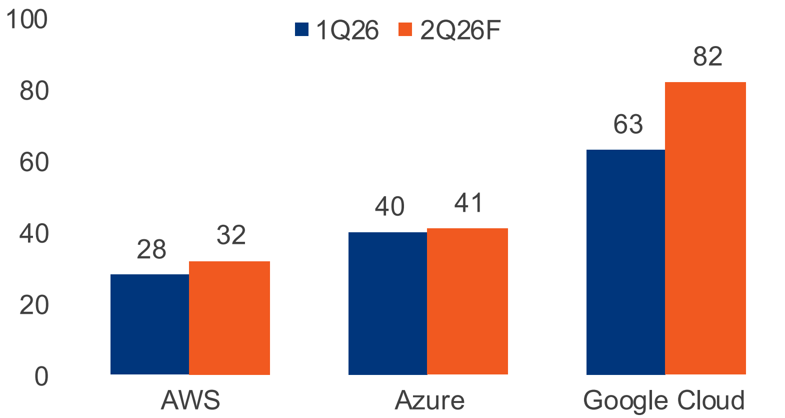
Semiconductors and Downstream AI Stocks Have Pulled Back, While Cloud and Software Outperformed

U.S. Equity Sector Performance Over the Past Month (%)

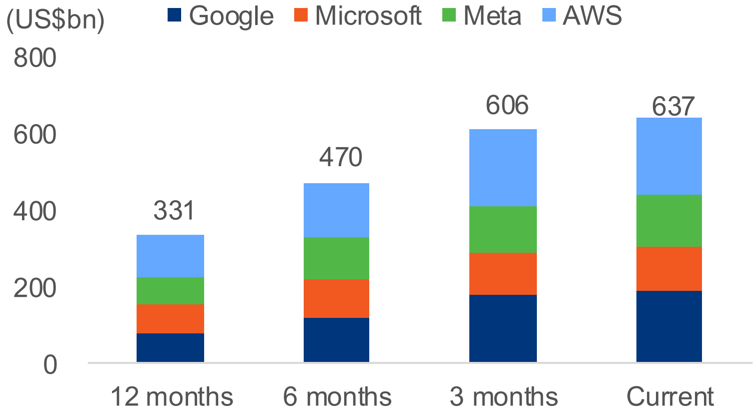


AI Demand Is Shifting to the Cloud; Top Three Hyperscalers Expected to Accelerate Growth in 2Q26

Revenue Growth (cc, %)



Top 4 CSP CAPEX Consensus



Source: Bloomberg, Visible Alpha

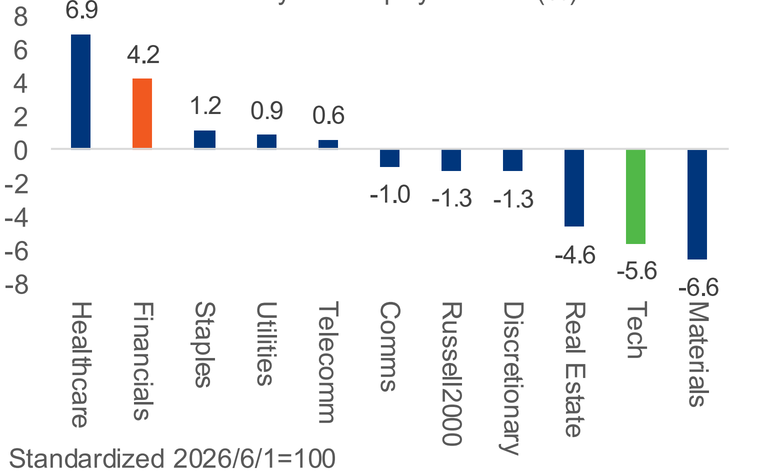
In Focus

Strong Economy and Earnings Support U.S. Banks, Driving Higher Dividends and Relative Outperformance

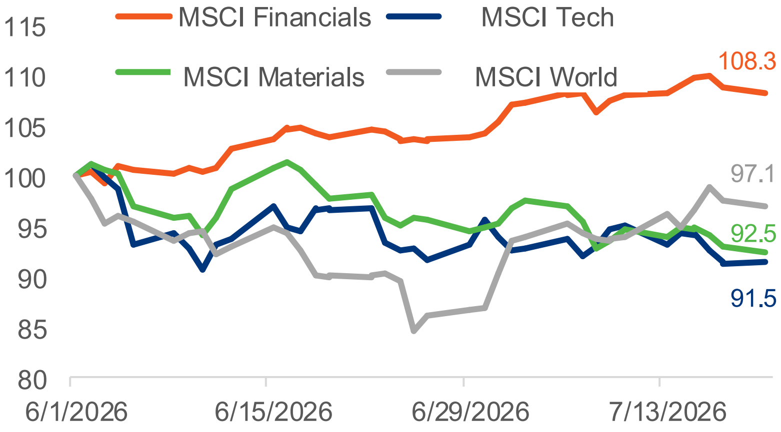
- Major U.S. banks reported better-than-expected 2Q earnings, led by strong investment banking, equity trading, and wealth management. Higher interest rates continued to support net interest income, while improving capital markets activity–including IPOs, M&A, and bond issuance–along with elevated market volatility boosted investment banking and trading revenue. JPMorgan's equity trading revenue rose 86% YoY, investment banking fees increased 30%, and the bank raised its full-year net interest income guidance. Goldman Sachs reported 72% growth in equity trading revenue, a 55% increase in investment banking fees, and 32% growth in fixed-income trading.
- Banks have also increased shareholder returns. JPMorgan raised its quarterly dividend by 10% and announced a US$50bn share buyback program. Goldman Sachs, Morgan Stanley, Wells Fargo, and Citigroup also raised dividends by 11–15%, while Bank of America announced a roughly US$20bn share buyback. With the U.S. economy remaining resilient, services PMI improving, and the six largest U.S. banks posting 13% YoY revenue growth–the strongest since mid-2024–investors have begun rotating into financials following the recent pullback in technology stocks.

Technology and Semiconductor Stocks Have Corrected, While Financials Have Outperformed

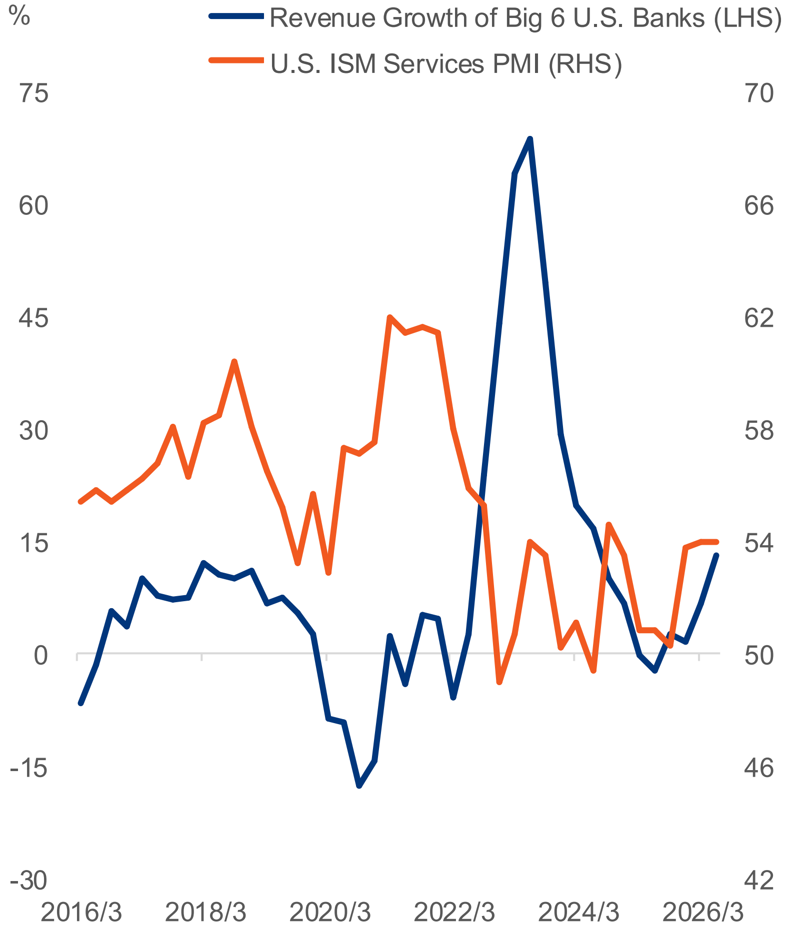
Recent Performance by U.S. Equity Sectors (%)



Standardized 2026/6/1=100



Resilient U.S. Economy Supports Bank Revenue Growth



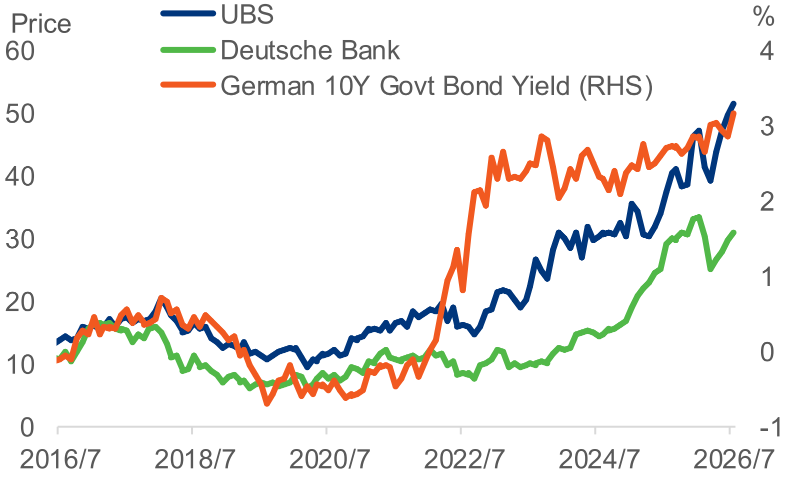
Source: Bloomberg

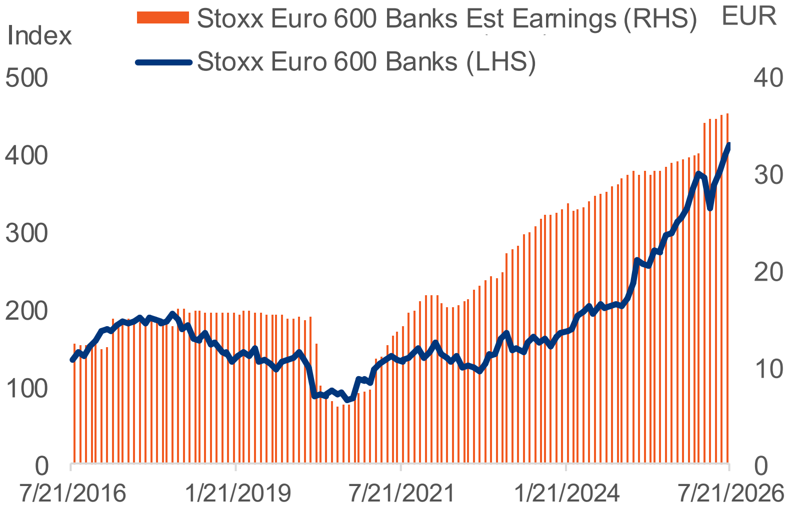
KGI

ECB Tightening and Higher Rates Continue to Lift European Bank Earnings

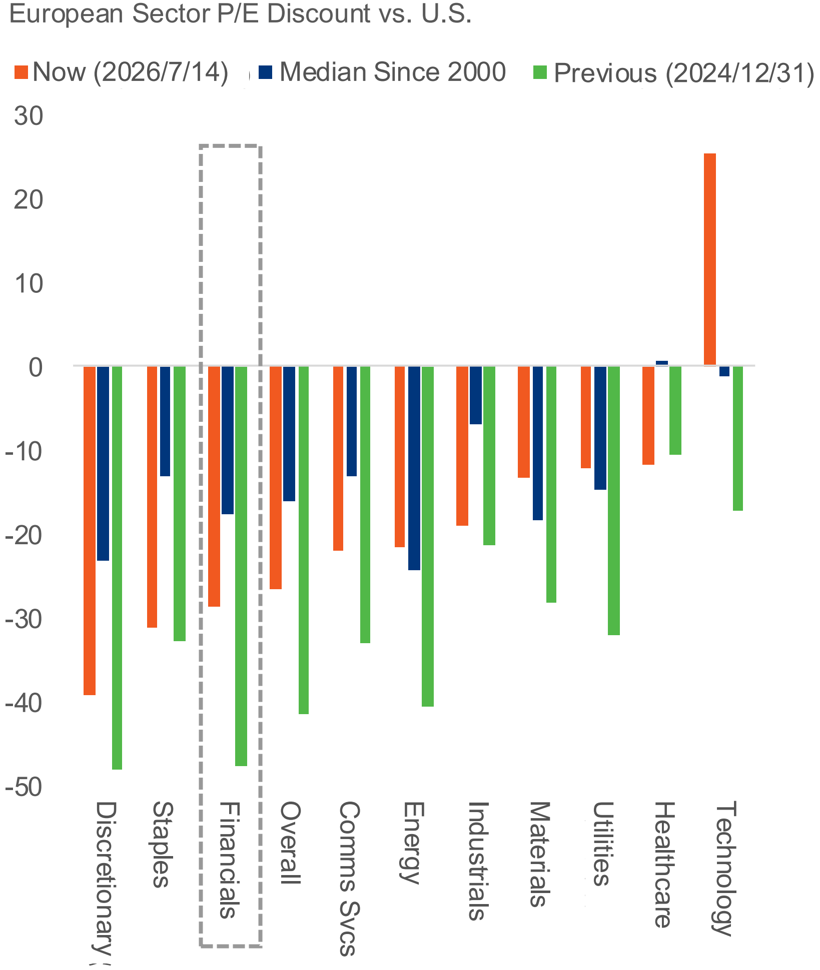
- Following the ECB's June rate hike, long-term yields have risen and yield curves have steepened, supporting European banks. Historically, European bank stocks have tended to move in line with higher German 10-year government bond yields. While U.S.-Iran tensions have resurfaced, they are unlikely to reach the severity seen in March. With the U.S. midterm elections approaching, oil prices and economic growth are expected to remain manageable. Markets still expect one more 25 bps ECB rate hike by year-end, supporting bank earnings. Reflecting this backdrop, earnings forecasts for European financials have been revised steadily higher over the past month.
- Beyond improving earnings, European banks continue to strengthen capital ratios and offer shareholder returns that exceed those of U.S. peers. Balance sheets have also improved across multiple metrics. Despite stronger fundamentals, European banks still trade at roughly a 30% valuation discount to U.S. banks and remain well below their own historical median since 2000, while also ranking among the most undervalued sectors in Europe. With solid earnings and attractive valuations, European financials still have room to catch up. As sector rotation broadens following the strong 1H rally in technology stocks, the higher-rate environment should continue to favor financials.

ECB Rate Hikes and Rising Bank Earnings Continue to Lift Bank Stocks





European Financials' Valuation Discount vs. U.S. Has Narrowed, but Remains Significant



Source: Bloomberg, BofA

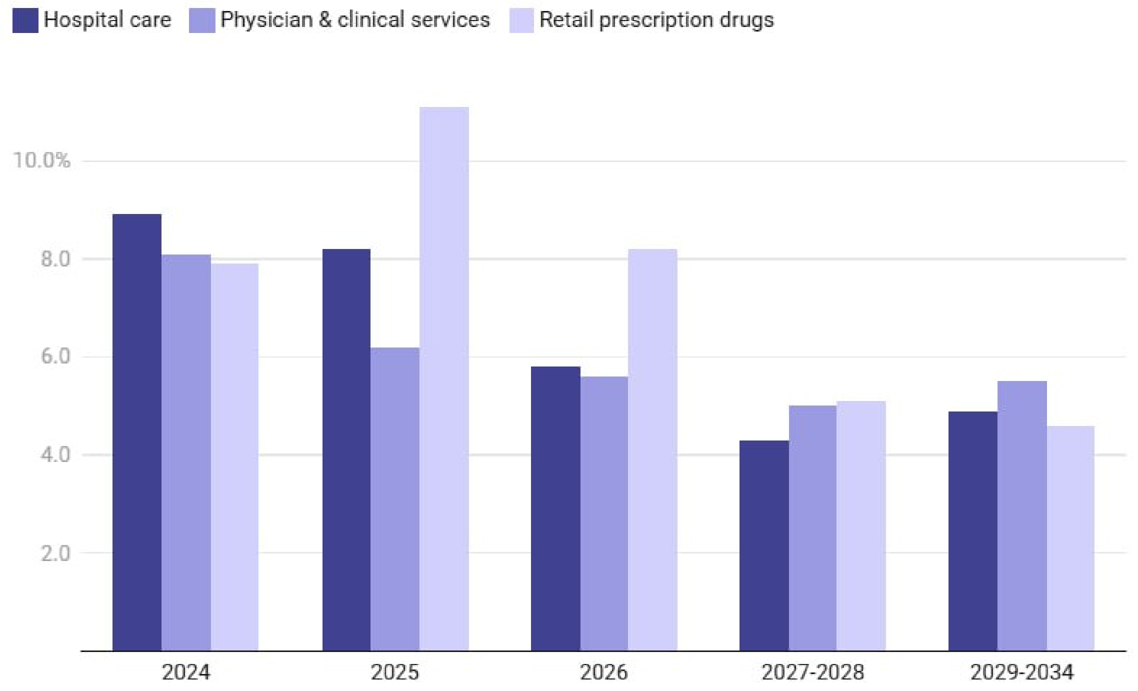
Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ Corporate earnings remain solid, but investors are increasingly focused on AI capex returns. Cash flow pressure at major tech firms has raised market volatility, while renewed U.S.-Iran tensions and higher oil prices have added uncertainty. Favor defensive sectors such as healthcare and utilities in the near term, while maintaining a positive long-term view on technology and AI semiconductors. Use pullbacks to build positions and diversify across regions and sectors. ◆ Europe and Japan remain attractive diversification markets. Higher global yields support bank stocks, while Japanese banks continue to benefit from solid fundamentals. Japan's semiconductor sector remains attractive on pullbacks. European defense stocks retain long-term appeal, and UK equities offer defensive characteristics.	**Strategy:** Short term: defensive sectors. Medium to long term: AI themes including technology and semiconductors; Outside AI, prefer values **Regions**: Japanese banks, Japanese semiconductor stocks, UK equities, European defense, European financials
Bonds	◆ Higher oil prices have pushed U.S. 30Y Treasury yields to YTD highs. Avoid long-duration bonds and focus on short- to intermediate-duration. High-quality IG credit remains resilient, with opportunities after risk-driven spread widening, particularly in financials, technology, telecom and utilities. ◆ A stronger USD supports diversification into non-USD bonds, such as EUR- or AUD-hedged IG bonds.	**Types:** Short/ Intermeidate term IG bonds, with a preference for financials, technology, telecoms, and utilities. **Satellite :** Non-USD IG bonds for diversification.
Forex	◆ The Fed remains hawkish, with rate hike expectations rising alongside oil prices. Near-term USD strength should persist. ◆ Japan's fiscal expansion keeps the JPY under pressure, while the RMB is expected to appreciate modestly under policy support.	**USD:** Near-term strength remains supported. Gradual JPY appreciation; modest RMB appreciation.
Commodity	◆ Renewed U.S.-Iran conflict has lifted oil prices. Higher U.S. Treasury yields and a stronger USD remain headwinds for gold. ◆ The Strait of Hormuz remains disrupted, while strong U.S. summer fuel demand and low gasoline/distillate inventories should keep oil prices elevated in the near term.	Higher U.S. yields remain a headwind for gold; elevated oil prices supported by Middle East tensions and low inventories.

US Equities U.S. Healthcare Industry: Fundamentals Recovering Alongside Innovation Growth

- S&P Global U.S. Manufacturing PMI for July was 53.8, below market expectations of 54.4 and slightly lower than the prior reading of 53.9.
- S&P Global U.S. Services PMI for July was 53.6, above consensus of 51.5 and higher than the previous 51.2.
- The U.S. healthcare sector is showing a differentiated recovery: medical cost growth is gradually improving, and the better-than-expected 2027 Medicare Advantage payment rates support insurers' profitability and valuation recovery. Meanwhile, biotech and pharmaceutical R&D activity is rebounding, driving demand for life science tools. Looking ahead, demographic aging, GLP-1 weight-loss drugs, oncology treatments, and healthcare technology innovation remain long-term growth drivers. Large pharmaceutical companies are expected to continue biotech M&A to offset revenue gaps from patent expirations. However, drug price controls, elevated healthcare utilization, changes in ACA subsidy policies, and potential tariffs may compress margins for some firms. Overall, companies with innovative pipelines, strong cost management, and clear growth visibility are relatively more attractive for investment.

Healthcare Industry Segment CAGR



Source: Bloomberg, Healthcare Dive, CMS

UnitedHealth Group (UNH US)

Closing Price	US$420.74	Target Price	US$480

UnitedHealth Group owns and manages organized healthcare systems. The company provides products and resources to corporate employers for planning and managing employee benefit programs. UnitedHealth Group also delivers services to clients worldwide.

Industry Cost Pressure & Policy Improvement

The U.S. managed care industry continues to face headwinds from elevated healthcare utilization, ACA and Medicaid membership attrition, and rising medical costs. However, the Centers for Medicare & Medicaid Services finalized a 2.48% average net payment increase for Medicare Advantage in 2027, involving over USD 13 billion. Together with premium repricing and benefit design adjustments, industry profitability is expected to gradually recover.

Operational Reform & Cost Control

The company is refocusing on the U.S. healthcare market, exiting certain non-U.S. businesses, and has refreshed nearly half of its top 100 senior management positions while strengthening board independence, risk oversight, and corporate governance. As of July 2026, it completed 23 improvement measures from the first phase of an independent review plan. Operationally, investments in AI, cybersecurity, and data connectivity are increasing. By end-2026, the firm plans to eliminate 30% of remaining prior authorization requirements and standardize over 70% of authorizations via electronic applications, reducing administrative costs and improving physician and member experience. Optum Rx introduced a transparent drug benefit model charging fixed fees per member, reducing reliance on drug pricing, prescription volumes, and spread revenue, while enhancing cost disclosure and consumer price comparison tools. These reforms may raise short-term tech and staffing costs but are expected to improve efficiency, restore regulatory and market trust, and strengthen synergies between UnitedHealthcare and Optum.

Q2 Earnings Beat & Guidance Raised

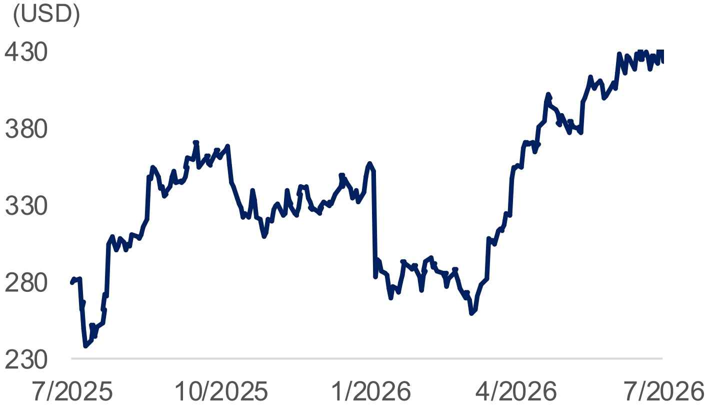
For fiscal Q2 2026, revenue reached USD 112 billion, with Non-GAAP EPS at USD 6.38, well above market expectations of about USD 4.90. The medical cost ratio fell to 86.7% from 89.4% a year earlier, reflecting improvements in pricing, benefit design, and cost management. The company also raised its adjusted FY2026 EPS guidance to USD 19.50–20.00.

Valuation Consensus

Bloomberg's 12-month average target price is USD 478.9, with a high of USD 529 and a low of USD 380.

Source: Bloomberg, Company

1-Year Price



FY2026 Guidance

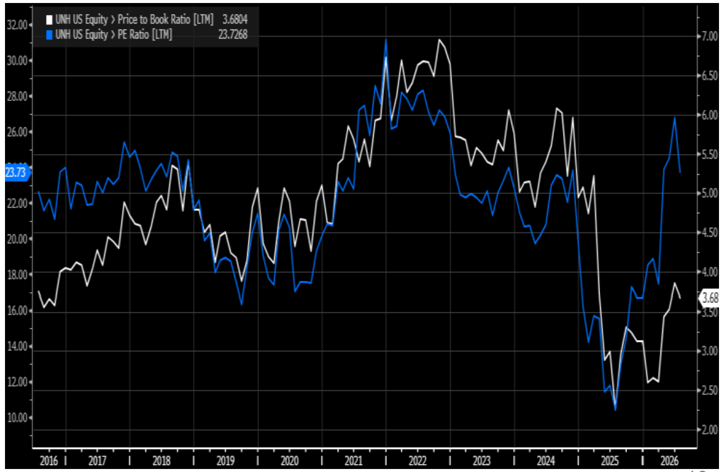
($ in millions, except per share data)	Reported Operating Earnings	Adjusted Operating Earnings
UnitedHealthcare	> $12,000	> $12,000
Optum Health	> $2,275	> $2,215
Optum Insight	> $4,925	> $4,750
Optum Rx	> $6,250	> $6,250
Optum (a)	> $13,450	> $13,215
UnitedHealth Group	**> $25,450**	**> $25,215**
Medical Care Ratio		88.1% ± 25 bps
Tax Rate		~18.5%
Cash Flows from Operations		~$24,000
Share Repurchase		At Least $5,000
Net Earnings to UNH Shareholders		> $16,750
	Diluted	**Adjusted (b)**
Net Earnings per Share	$18.45 - $18.95	$19.50 - $20.00

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	14.6	7.7	11.8	-0.5	3.1
EBITDA (%)	10.2	9.4	6.1	6.6	7.2
EPS(USD)	23.86	33.38	15.52	19.67	22.37
Net Profit Margin(%)	6.0	7.7	3.2	4.0	4.3

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B



Eli Lily (LLY US)

Closing Price	US$1,196.03	Target Price	US$1,400

Eli Lilly engages in the discovery, development, manufacturing, and marketing of human and animal pharmaceutical products. The company's products are sold worldwide, covering therapeutic areas including neuroscience, endocrinology, anti-infectives, cardiovascular, oncology, and animal health

Broader Insurance Coverage Expands GLP-1 Market

GLP-1 drugs are becoming a major driver of U.S. prescription drug spending, with reports indicating about one in eight Americans are using them. A new Medicare plan offers eligible beneficiaries a USD 50 monthly copay for certain obesity treatments, which may boost adoption among older patients. However, broader public coverage is expected to increase future pricing pressure.

Obesity Leadership & Diversified Pipeline

Eli Lilly's core portfolio continues rapid expansion: in Q1 FY2026, Mounjaro revenue rose 125% year-on-year to USD 8.7 billion, while Zepbound revenue grew 80% to USD 4.2 billion. Foundayo and retatrutide further enrich its oral and injectable obesity portfolio. The proposed USD 3.8 billion acquisition of AtaiBeckley adds long-term neuroscience potential via BPL-003, a Phase III candidate for treatment-resistant depression, even as obesity and diabetes remain the primary growth drivers.

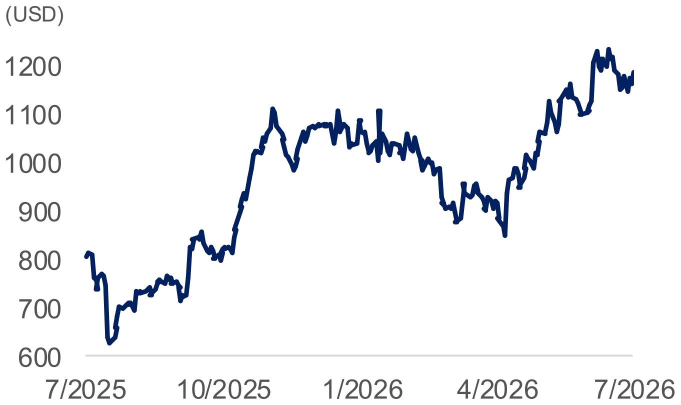
Q1 Earnings Beat & Guidance Raised

In Q1 FY2026, revenue reached USD 19.8 billion, exceeding expectations by USD 2 billion. Non-GAAP EPS was USD 8.55, far above consensus of USD 1.76. The company raised full-year revenue guidance to USD 82–85 billion and EPS guidance to USD 35.5–37.0.

Valuation Consensus

Bloomberg's 12-month average target price is USD 1,276.87, with a high of USD 1,600 and a low of USD 850.

1-Year Price



Financials

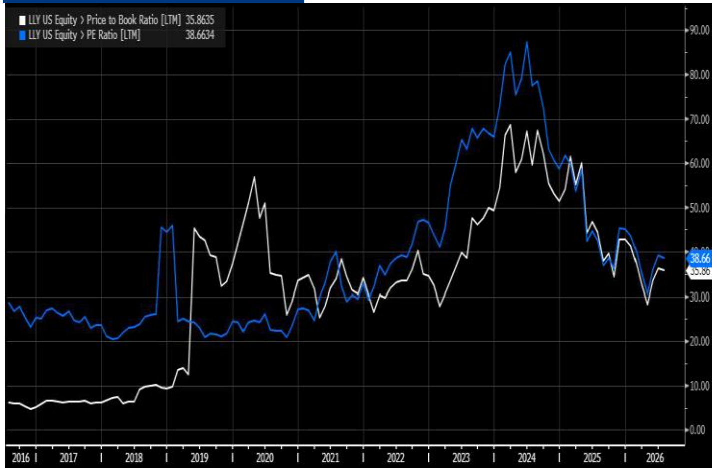
	2023	2024	2025	2026F	2027F
Revenue Growth(%)	19.6	32.0	44.7	30.8	16.4
EBITDA (%)	34.7	41.8	48.6	46.7	53.0
EPS(USD)	9.15	15.17	26.15	34.33	44.97
Net Profit Margin(%)	24.2	30.5	36.1	36.0	40.6

Source: Bloomberg; 2026/27F are market estimates

FY2026 Guidance

	Prior	Updated
Revenue[1]	$80.0 – $83.0 billion	$82.0 – $85.0 billion
Performance Margin[2]	46.0% – 47.5%	47.0% – 48.5%
Tax Rate	Approximately 18-19%	Unchanged
Earnings per share[3]	$33.50 – $35.00	$35.50 – $37.00

P/E & P/B



Source: Bloomberg, Company

Appendix Key Economic Data / Events

▶ JUL 2026

20 Monday	21 Tuesday	22 Wednesday	23 Thursday	24 Friday
			• •U.S. Initial Jobless Claim (weekly) (Act:187k Est:210k Prev:209k) • Eurozone Jul ECB Main Refinancing Rate (Act:2.40% Est2.40% Prev:2.40%)	• U.S. Jul S&P Global Manufacturing PMI (Prelim.) (Est:54.4 Prev:53.9) • U.S. Jun New Home Sales (Est:607k Prev:580k) • Eurozone Jul S&P Global Manufacturing PMI (Prelim.) (Est:51.5 Prev:51.4) • Japan Jun CPI YoY (Act:1.7% Est1.7% Prev:1.5%) • Japan Jul S&P Global Manufacturing PMI (Prelim.) (Act:54.7 Prev:54.8)

27 Monday	28 Tuesday	29 Wednesday	30 Thursday	31 Friday
• U.S. Jun Durable Goods Order (Prelim.) (Est:1.5% Prev:-4.5%)	• U.S. Jul Conference Board Consumer Confidence (Est:92.3 Prev:91.2) • Earnings: WELL US, KO US, GLW US, BA US,SPGI US	• Japan Jun Machine Tool Orders YoY (Final) (Prev:37.5%) • Earnings: KLAC US, V US, APH US, PG US, LRCX US	• U.S. Jul Federal Funds Rate (Est:3.75% Prev:3.75%) • U.S. Jun PCE YoY (Est:3.6% Prev:4.1%) • U.S. Jun Core PCE YoY (Est:3.3% Prev:3.4%) • U.S. Q2 GDP QoQ SAAR (Prelim.) (Est:2.3% Prev:2.1%) • U.K. Jul BoE Bank Rate (Est:3.75% Prev:3.75%) • Earnings: MSFT US, META US, QCOM US, MA US	• U.S. Jul Conference Board Consumer Confidence (Final) (Est:54.2 Prev:49.5) • Japan Jul BoJ Uncollateralized Overnight Call Rate (Est:1.00% Prev:1.00%) • China Jul Manufacturing PMI (Est:50.1 Prev:50.3) • Earnings: AAPL US, AMZN US, ABBV US, LIN US, CVX US, ETN US, XOM US

Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2026/7/21	Danaher Corporation (DHR US)	6.1B	6.27B	1.84	1.94	V	V
2026/7/21	Charles Schwab Corporation (SCHW US)	6.92B	7.07B	1.55	1.62	V	V
2026/7/22	Interactive Brokers Group (IBKR US)	1.79B	1.88B	0.63	0.69	V	V
2026/7/22	Capital One Financial Corporation (COF US)	15.76B	15.85B	4.68	5.81	V	V
2026/7/22	Chubb Limited (CB US)	15.96B	15.65B	6.75	7.26		V
2026/7/22	GE Vernova (GEV US)	10.82B	11.1B	3.05	2.40	V	
2026/7/22	AT&T Inc. (T US)	31.77B	31.56B	0.59	0.65		V
2026/7/22	Philip Morris International (PM US)	10.61B	11.19B	2.04	2.20	V	V
2026/7/23	Alphabet Inc. (GOOGL US)	101.07B	103.62B	2.90	9.11	V	V
2026/7/23	Texas Instruments Inc. (TXN US)	5.24B	5.46B	1.93	2.14	V	V
2026/7/23	Tesla Inc. (TSLA US)	26.32B	28.24B	0.51	0.33	V	
2026/7/23	International Business Machines Corporation (IBM US)	17.52B	17.16B	2.97	2.93		
2026/7/23	RTX Corporation (RTX US)	22.9B	24.71B	1.66	1.89	V	V
2026/7/23	Thermo Fisher Scientific Inc. (TMO US)	11.7B	11.99B	5.72	6.03	V	V
2026/7/23	Honeywell International Inc. (HON US)	5.02B	5.19B	1.83	1.95	V	V

Source: Investing.com

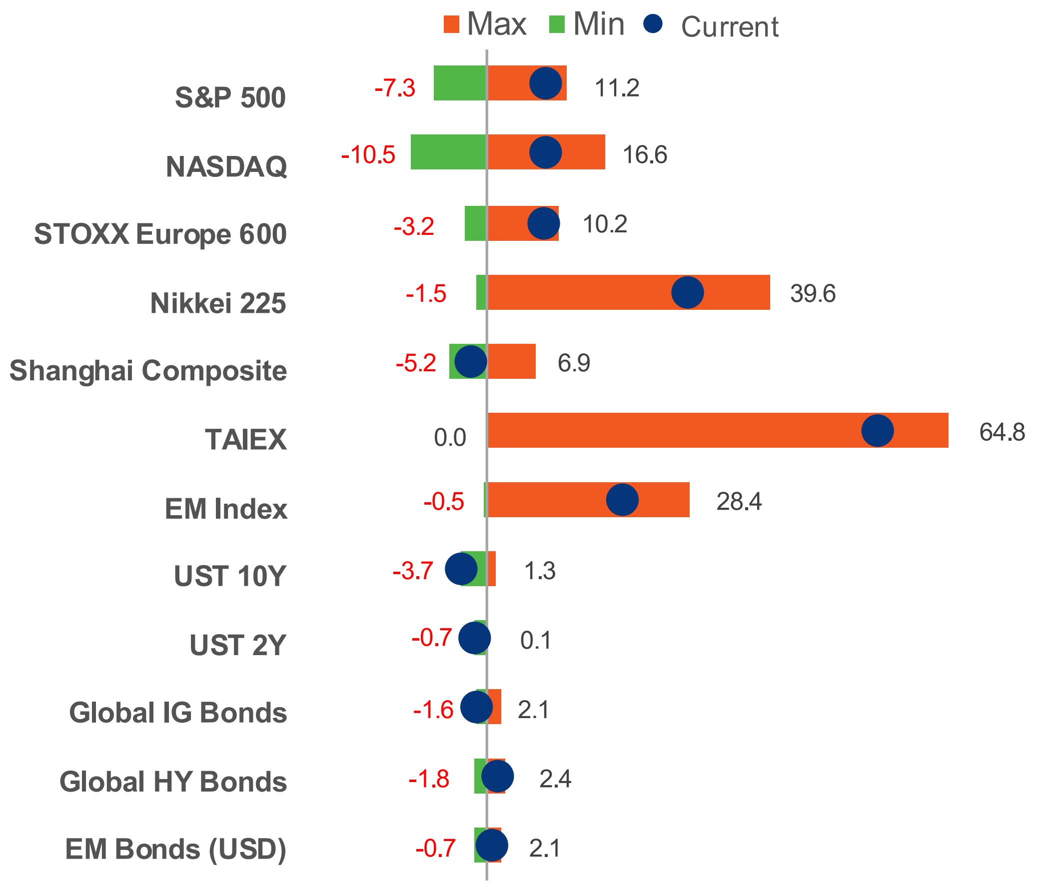
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2026/7/23	T-Mobile US Inc. (TMUS US)	22.93B	22.79B	2.59	2.99		V
2026/7/23	Lockheed Martin Corporation (LMT US)	19.33B	20.06B	7.13	7.94	V	V
2026/7/23	Blackstone Inc. (BX US)	3.39B	3.8B	1.33	1.52	V	V
2026/7/23	Union Pacific Corporation (UNP US)	6.72B	6.86B	3.24	3.41	V	V
2026/7/24	Intel Corporation (INTC US)	14.43B	16.13B	0.21	0.42	V	V
2026/7/24	Newmont Corporation (NEM US)	6.35B	6.12B	2.03	2.10		V

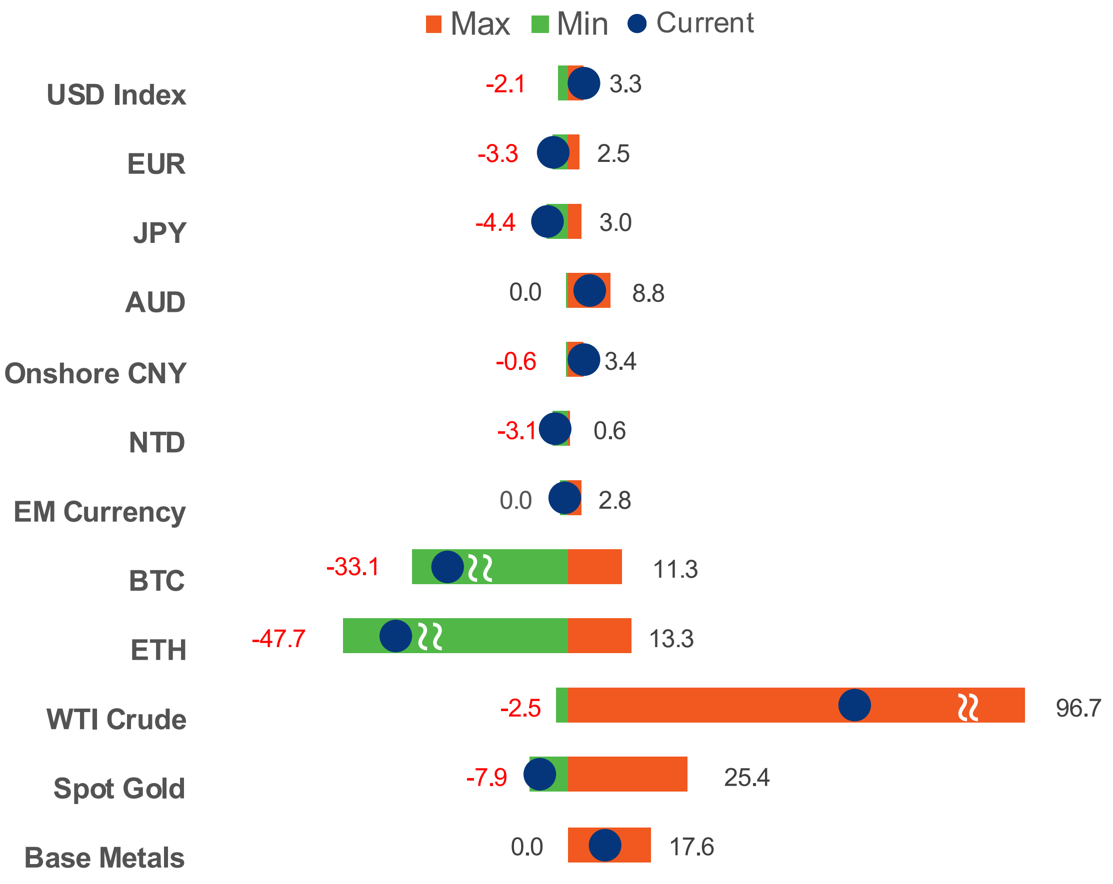
Source: Investing.com

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

NASDAQ Index

STOXX Europe 600 Index

Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

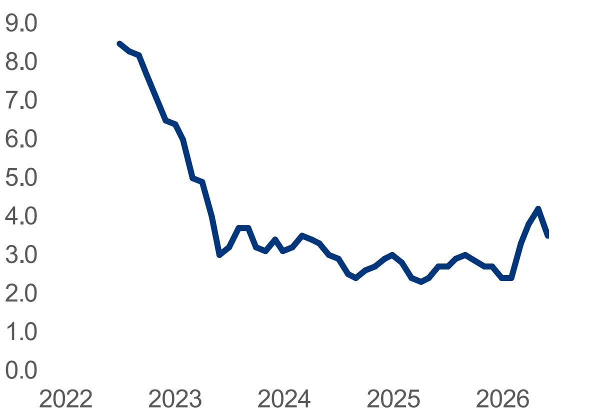
Gold

WTI Crude

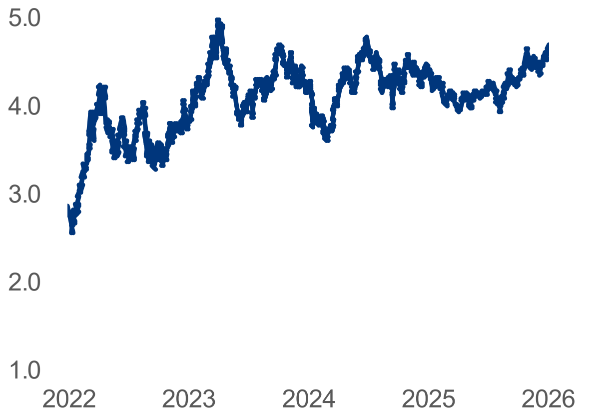
Source: Bloomberg

Market Monitor

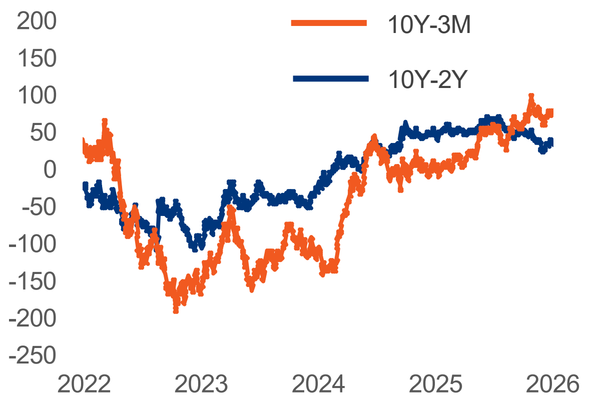
U.S. CPI YoY (%)



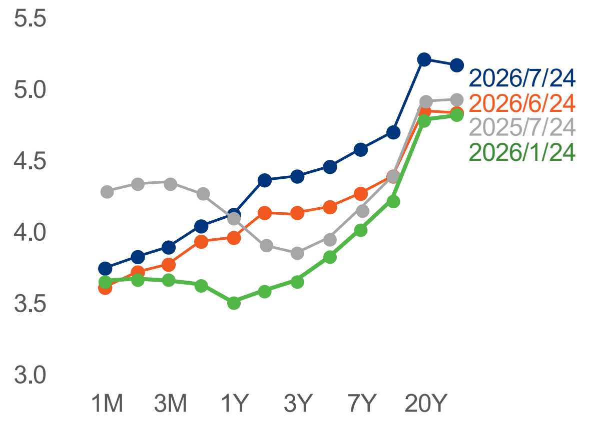
U.S. 10-Year Treasury Yield (%)



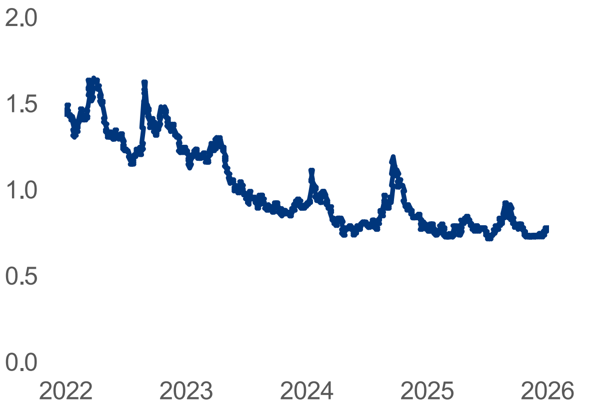
U.S. Treasury Yield Spread (bps)



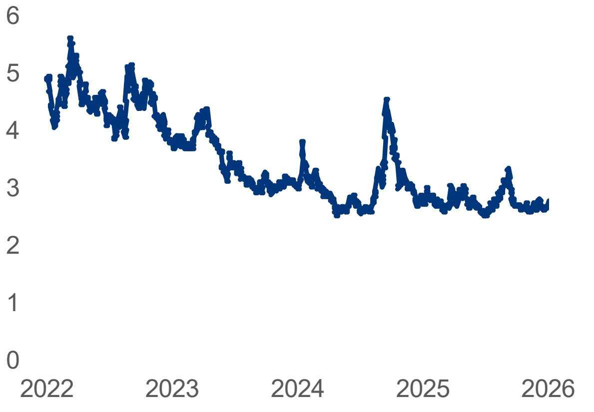
U.S. Treasury Yield Curve (%)



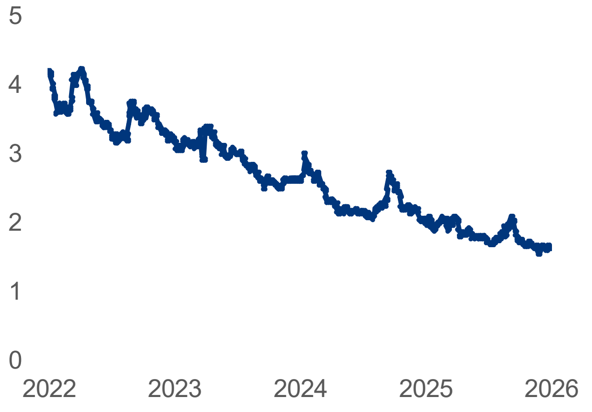
USD IG Credit Spread (%)



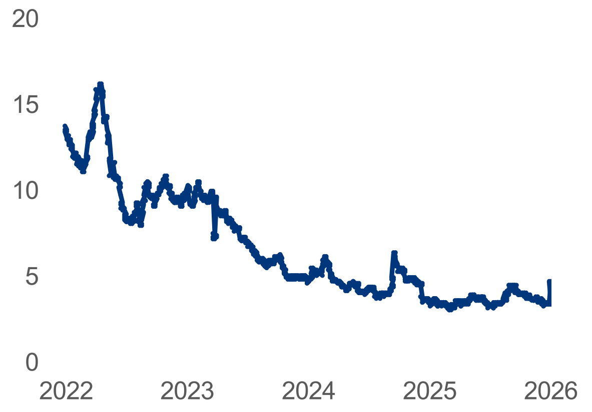
USD HY Credit Spread (%)



USD EM Credit Spread (%)



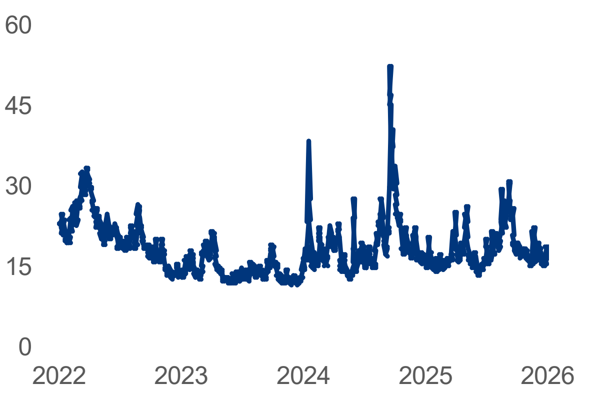
USD Asia Credit Spread (%)



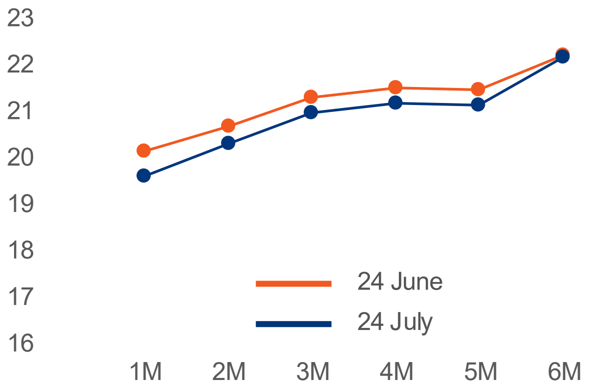
Source: Bloomberg

Market Monitor

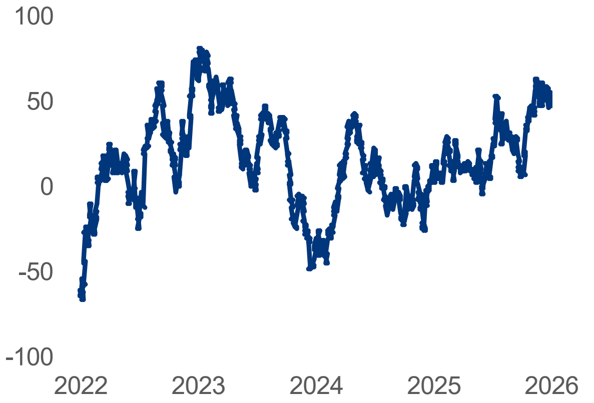
VIX Index



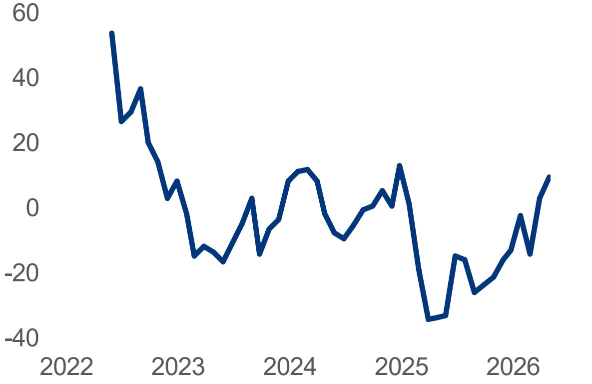
VIX Term Structure



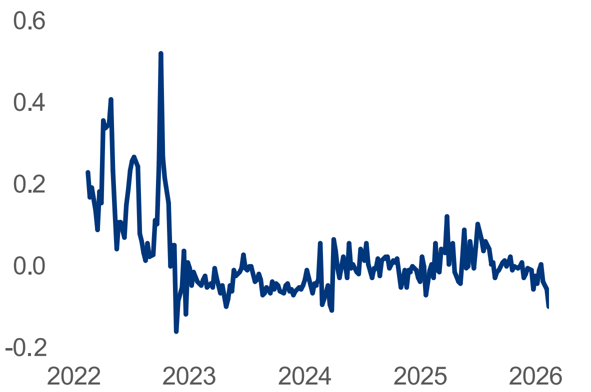
U.S. Citi Economic Surprise Index*



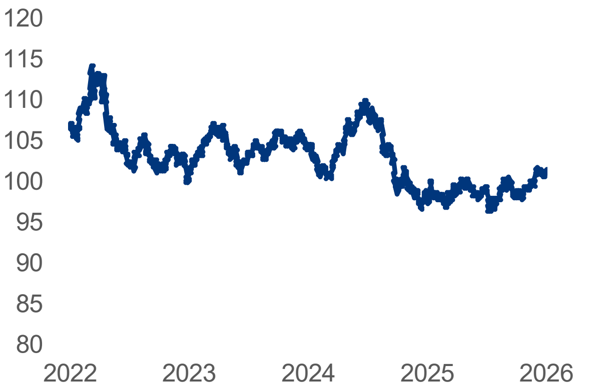
U.S. Citi Inflation Surprise Index*



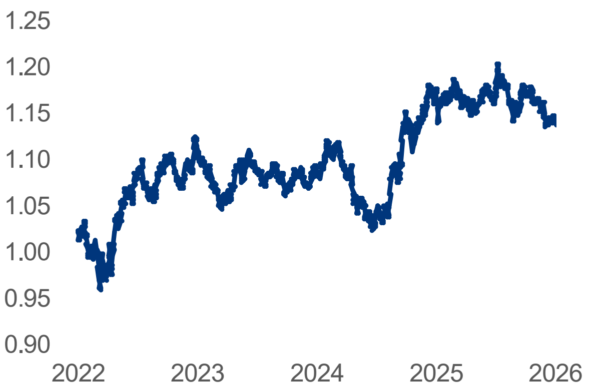
TED Spread (bps)



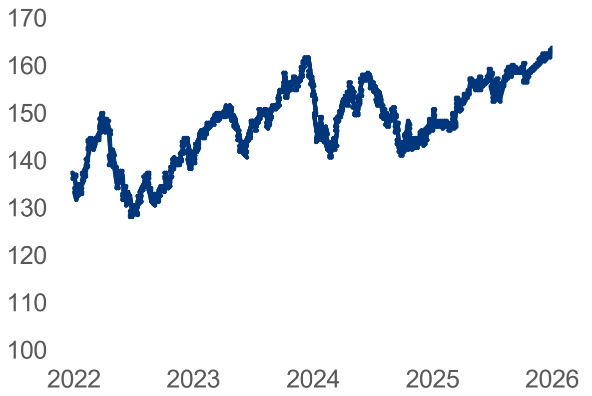
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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