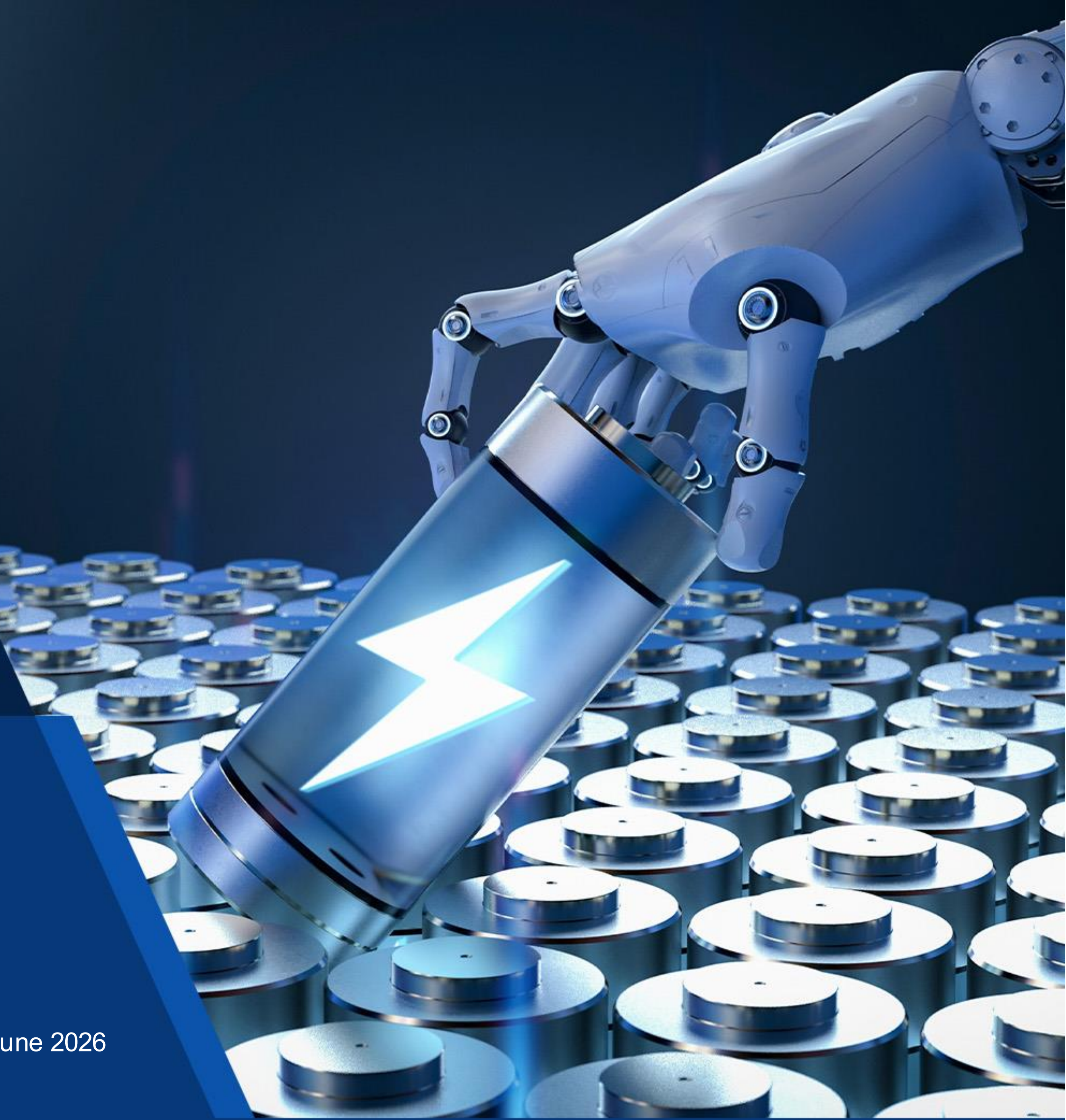
CIO Office | Global Markets Weekly Kickstart

AI Power Beast: Feeding on Materials



29 June 2026

Chart of the Week

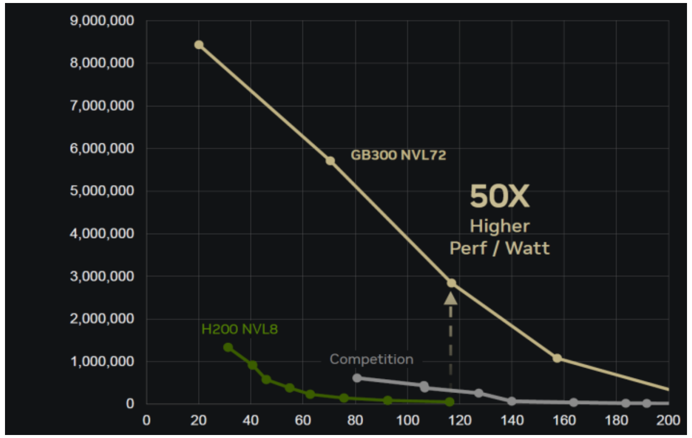
Nvidia AGM Addresses AI ROI; Jensen Huang Unveils Three Key Growth Engines

- The AGM focused on AI investment returns, product ramp-up, the company's three long-term growth engines, chip smuggling, and China export issues. Jensen Huang said AI can generate profits as long as its output is valuable (e.g., automated code generation), highlighting Nvidia's systems' advantages in both cost efficiency and revenue potential. The company also reaffirmed its commitment to return 50% of free cash flow to shareholders. On products, Huang said Vera Rubin is now in full-scale production, with its GPU-CPU architecture addressing computing bottlenecks and expanding into the AI agent computing market.
- Nvidia's three growth engines are AI agents (the core driver), AI reasoning, and physical AI. AI agents are expected to be the primary growth driver as AI enters an era of reasoning capabilities and autonomous execution of business tasks. Meanwhile, physical AI robotics, combining large-scale industrial and healthcare applications, represents the next major growth opportunity. On chip smuggling, Huang said Nvidia will continue to comply with U.S. policy and prioritize U.S. national interests if commercial opportunities conflict with national security. He added that chip smuggling and assembling systems from individual components are not viable. As for China-specific chips, although they have received U.S. approval, the revenue contribution remains uncertain.

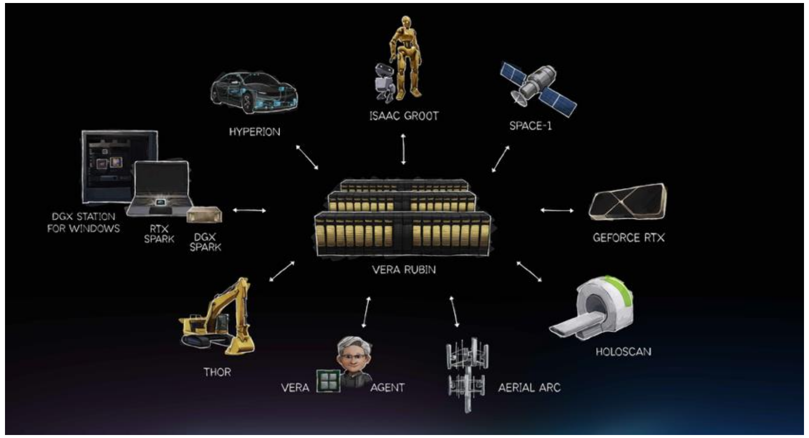
AI Monetization Accelerates: AI Factories Turn Tokens into Profits; 3 Growth Engines Focus on AI Agents, AI Reasoning, and Physical AI

Key Takeaways from Nvidia's 2026 AGM

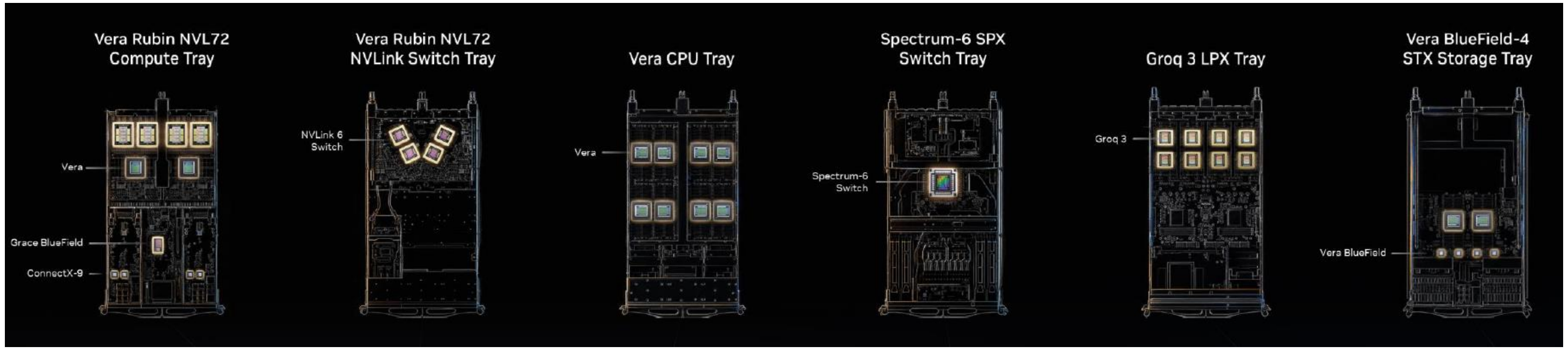
Nvidia's higher-performance products will contribute vastly to revenue growth



AI reasoning, AI agents, and physical AI will be the company's key growth drivers going forward



Vera Rubin has entered full-scale production



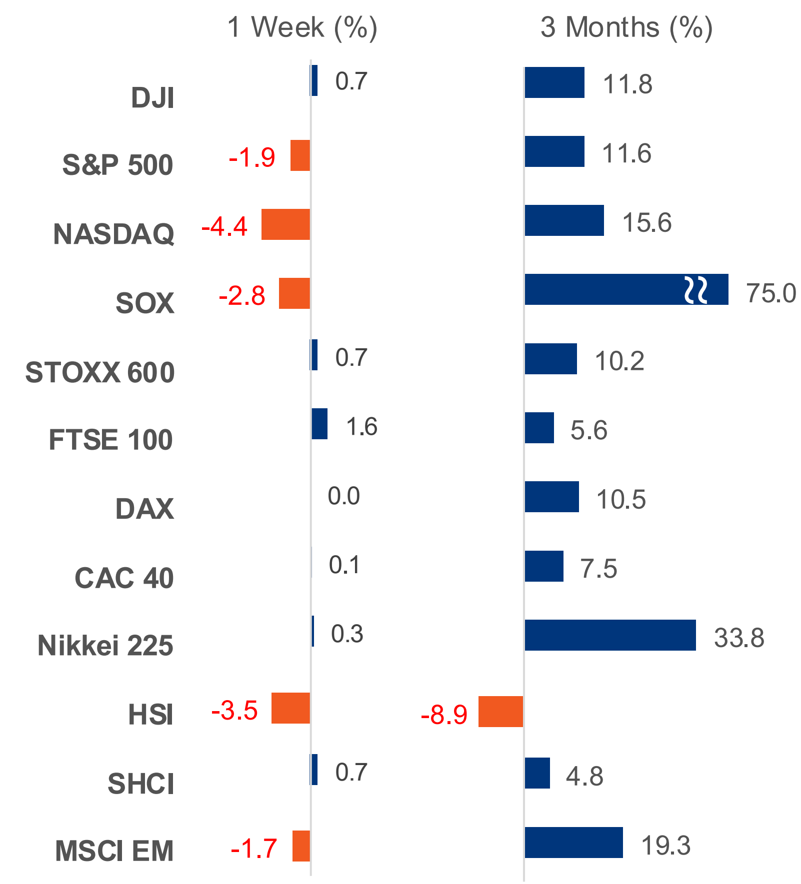
Source: NVIDIA

Market Recap

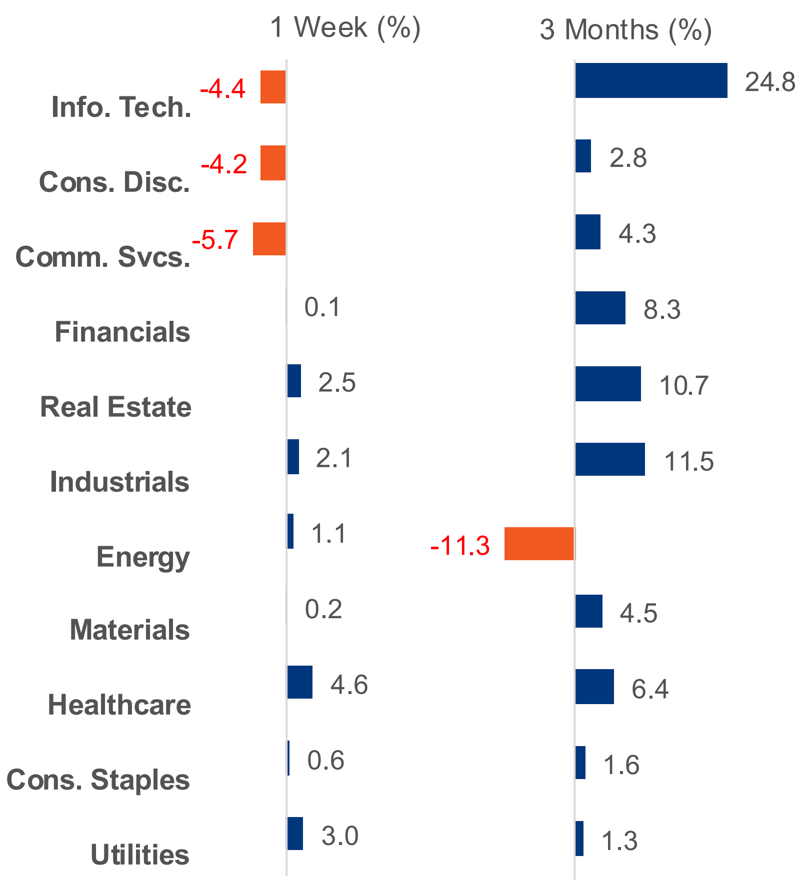
U.S. Major Indexes Mixed as Sector Rotation Favors Defensive Stocks

- U.S. major indexes were mixed, with the Nasdaq and Philadelphia Semiconductor Index underperforming as AI and technology stocks faced profit-taking after strong gains. Elevated valuations and rate sensitivity continued to pressure growth stocks. The S&P 500 declined modestly, while the Dow was more resilient, supported by stable cash flow and lower-valuation constituents, highlighting a clear rotation toward defensive sectors.
- European and Japanese equities remained resilient on more reasonable valuations, with Japanese stocks continuing to benefit from semiconductor and AI supply chain themes. Hong Kong equities, however, extended losses on weak macroeconomic data.
- By sector, technology, communication services, and consumer discretionary led declines, while healthcare and utilities outperformed. Industrials and materials also gained on AI-related infrastructure demand. Energy rebounded, though the move appears to be a technical rebound as oil prices continue to trend lower.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

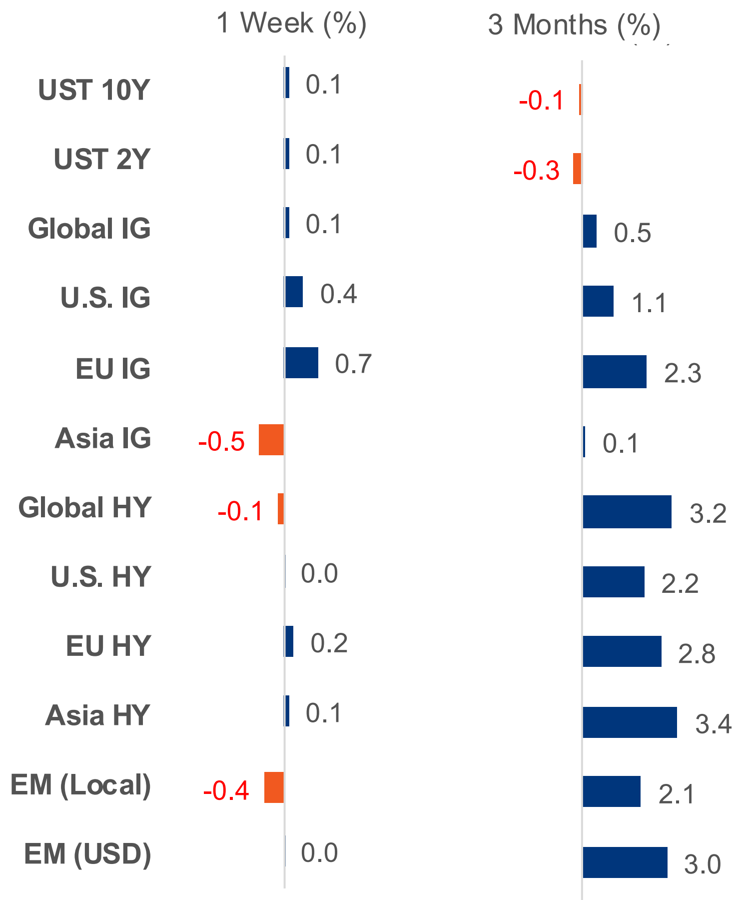


Source: Bloomberg

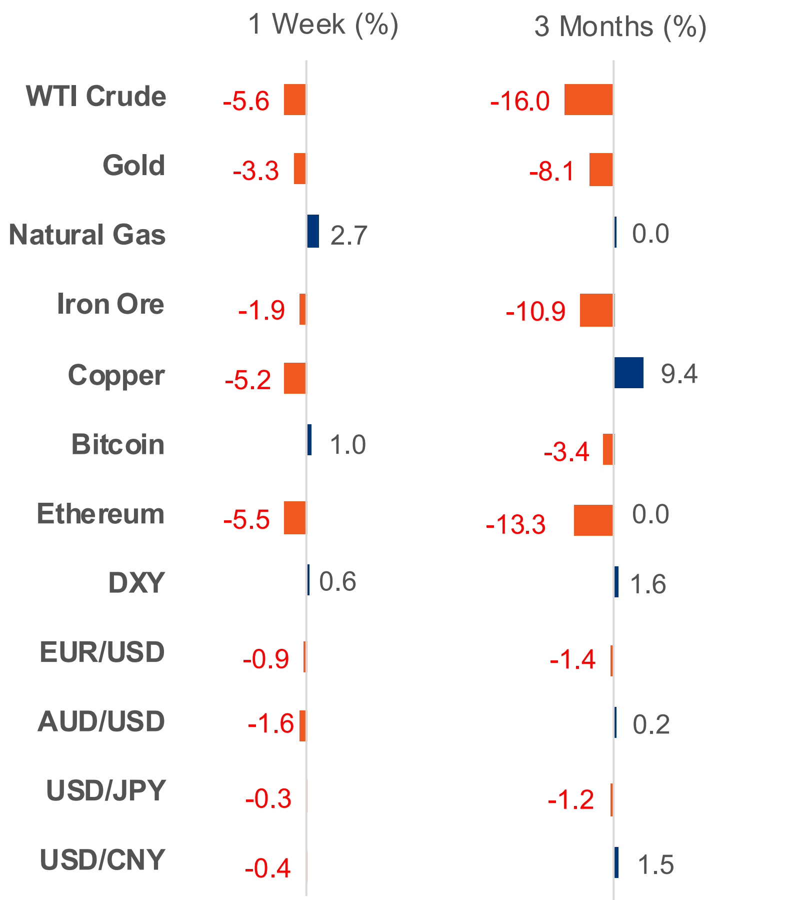
Inflation Data In Line; Treasury Yields Ease Slightly While Dollar Stays Firm, Pressuring Commodities

- U.S. May PCE inflation rose about 4.1% YoY, with core PCE at roughly 3.4%, broadly in line with market expectations. Concerns over runaway inflation eased somewhat, but expectations for rapid Fed rate cuts have declined sharply. The 10-year Treasury yield initially rose before retreating, supporting a modest gain in the bond market. Investment-grade bonds remained relatively stable, with credit spreads largely unchanged. Meanwhile, the U.S. dollar index stayed firm, reflecting continued market pricing for higher interest rates over a longer period.
- The U.S. and Iran signed a ceasefire memorandum, easing geopolitical risks around the Strait of Hormuz and extending the decline in oil prices, which could gradually improve inflation expectations. Markets will watch whether Treasury yields and the U.S. dollar begin to weaken. Commodity markets remained driven by interest rates and the stronger dollar, with both gold and copper prices declining. However, copper has remained one of the stronger-performing raw materials over the past three months, supported by AI-driven demand. Going forward, investors should watch opportunities tied to power grid infrastructure. Overall, with inflation contained but financial conditions still tight, markets are undergoing selective risk-taking and asset repricing, which could lead to higher asset price volatility.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



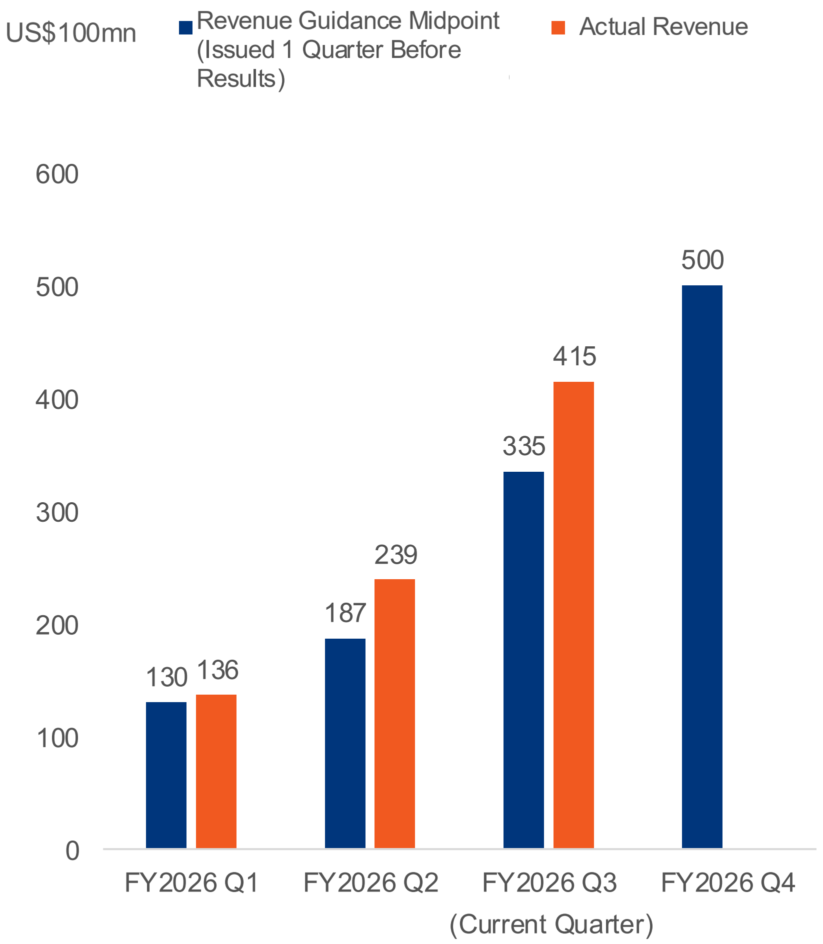
Source: Bloomberg

What's Trending

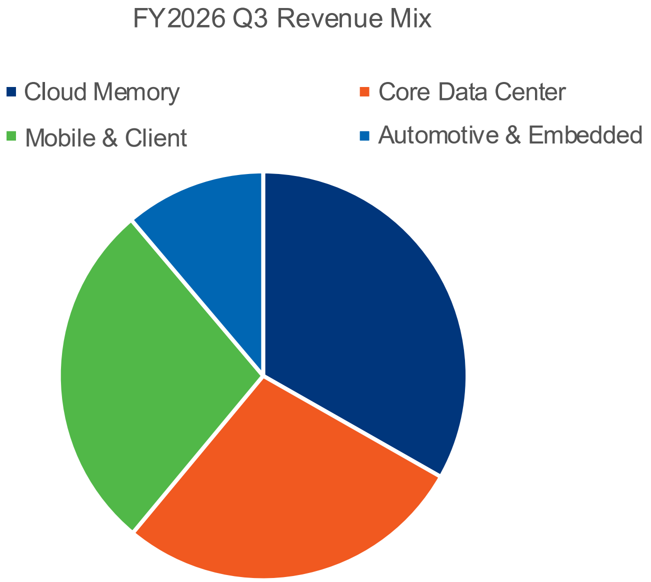
Micron Beats Expectations; 16 SCAs Reshape Business Model

- Micron reported strong FY3Q26 results, with revenue of US$41.46bn (+74% QoQ, +346% YoY), surpassing the previous quarter's record high and sending the stock sharply higher. Non-GAAP EPS reached US$25.11, about 20% above consensus. For FY4Q26, the company guided revenue to US$50bn (+21% QoQ, +342% YoY), with management attributing the outlook to AI-driven structural demand growth.
- To improve earnings visibility amid the cyclical nature of memory pricing, Micron said it has signed 16 Strategic Customer Agreements (SCAs), fundamentally reshaping its business model. The agreements extend through end-2030, covering about 20% of DRAM and one-third of NAND shipments. Once fully implemented, they will cover more than half of company revenue while establishing a gross margin floor above historical peak levels. Management said capital spending will be guided by these agreements, with both the CEO and CFO emphasizing disciplined investment.

Strategic Agreements Reshape Business Model, Improving Earnings Visibility



Business No Longer Overly Concentrated in a Single Segment



	FY2026 Q3 Gross Margin
Cloud Memory	83%
Core Data Center	87%
Mobile & Client	87%
Automotive & Embedded	79%

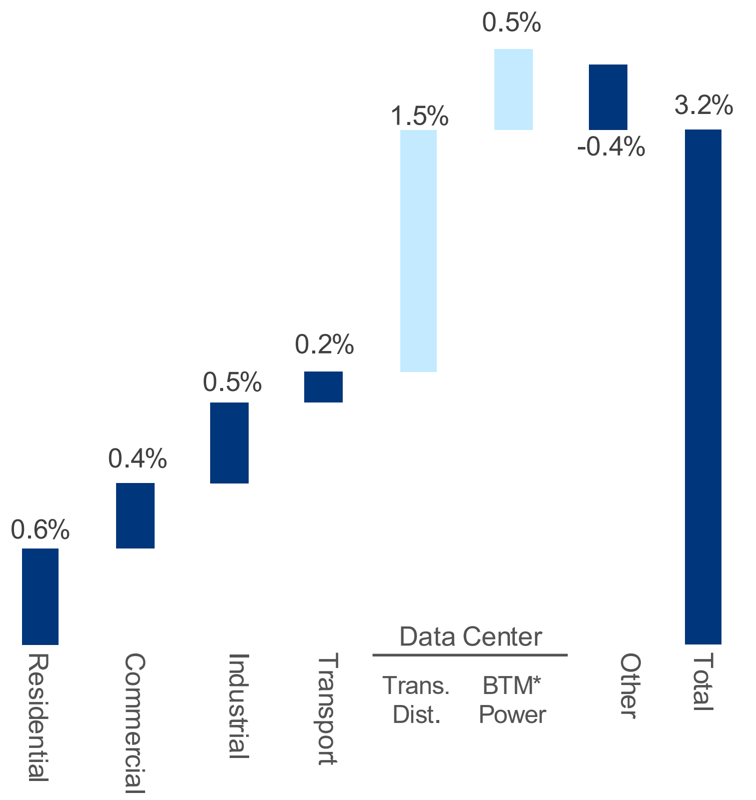
Source: Bloomberg

In Focus | Utilities, Grid, Renewables, and Energy Storage to Drive Near-Term AI Power Supply

- Goldman Sachs raised its forecast for U.S. electricity demand growth, driven by data center expansion and increased deployment of grid infrastructure and behind-the-meter (BTM) power generation (Note 1), much of which relies on natural gas. Lengthy permitting processes and supply chain constraints mean hyperscalers and data center operators must address both near-term (five-year) and long-term (10–15 year) power supply challenges. While nuclear power offers superior generation capacity, it requires substantial upfront investment and years before becoming operational. For hyperscalers, speed to deployment matters more than minimizing electricity costs, making energy planning increasingly complex.
- Goldman estimates that about 60% of incremental data center power demand will require new generation capacity, with roughly 30% supplied by combined-cycle natural gas plants, 30% by peaking power plants, 27.5% by solar, and 12.5% by wind. Although renewables remain the fastest and most cost-effective source of new capacity, current storage technologies cannot provide long-duration power. Further advances in energy storage will be needed to support reliable baseload supply and reduce renewable energy's dependence on weather conditions.

Data Centers Are the Primary Driver of U.S. Power Demand Growth

Sources of U.S. Electricity Demand CAGR



Natural Gas, Grid Power, Renewables, and Battery Storage Form the Most Reliable Near-Term Power Mix*

Power Sources for Hyperscale Data Centers

Power Source	Generation	Advantages	Key Challenges
Solar		• Low carbon footprint	• Large land requirements • Intermittent generation
Onshore Wind		• Low carbon footprint	• Large land requirements • Intermittent generation
Nuclear (Large Reactors & SMRs)		• Reliable • Small land footprint • Low carbon emissions	• Supply chain constraints • Nuclear waste • Labor availability • Enriched uranium supply • Long lead times
Battery Storage		• Improves renewable power reliability	• Limited storage capacity
Combined-Cycle Natural Gas		• Reliable • Small land footprint	• Higher carbon emissions
Natural Gas Peaker Plants		• Reliable • Small land footprint	• Higher carbon emissions • Lower efficiency than combined-cycle plants
Grid Power		• Reliable • Small land footprint	• Higher carbon emissions • Grid connection delays

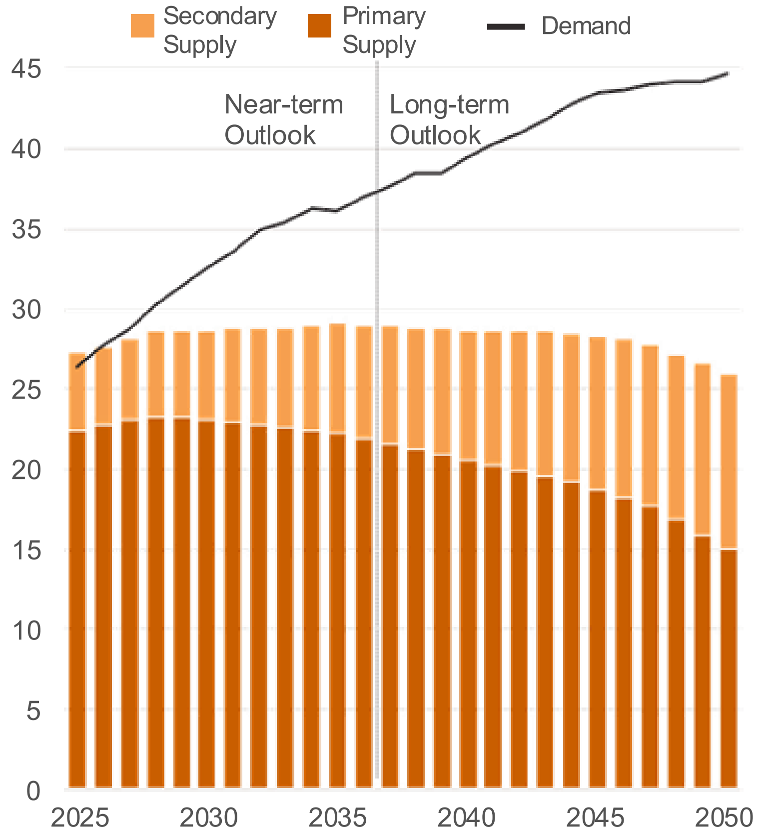
Source: Goldman Sachs Global Investment Research; *Note: Behind-the-meter (BTM) power refers to on-site generation and energy storage installed behind a customer's electricity meter, while front-of-the-meter power is supplied by utilities; Reliability refers to the ability to provide continuous, stable, 24/7 power regardless of weather conditions or time of day.

Copper Critical to Grid Expansion; Structural Supply Shortage May Emerge

- JPMorgan and Goldman Sachs both identify copper as a critical material for power generation, grid infrastructure, and renewable energy. AI-driven investment in grid upgrades, power infrastructure, and energy storage is expected to accelerate demand, raising the risk of a structural copper supply shortage. JPMorgan estimates the mining industry will need to invest about US$350bn by 2040 to meet growing copper demand. However, limited new mine supply and constraints on expanding existing operations could make copper-focused miners and potential M&A activity key market themes.
- Meanwhile, much of the U.S. transmission and distribution network is nearing the end of its service life. Goldman estimates US$600bn in capital spending will be required between 2026 and 2030 to upgrade generation, distribution, and transmission infrastructure. While hyperscalers and data center operators are increasingly deploying behind-the-meter power as a near-term solution, surveys indicate they still prefer grid power over the long run. As a result, raw materials, mining capacity, and skilled labor needed for grid expansion could become new bottlenecks in AI development, intensifying competition for these resources.

Structural Copper Supply Shortage Likely to Emerge

Copper Supply (Mt) and Demand Outlook

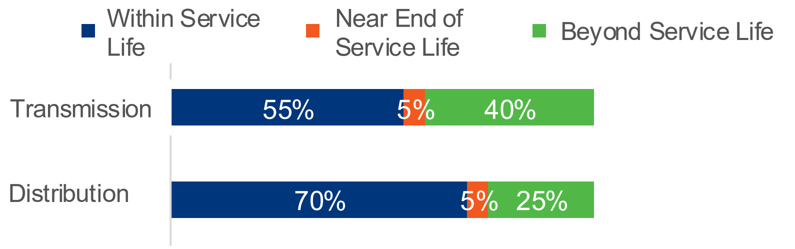


Primary supply includes mined copper, while secondary supply includes recycled and recovered materials.

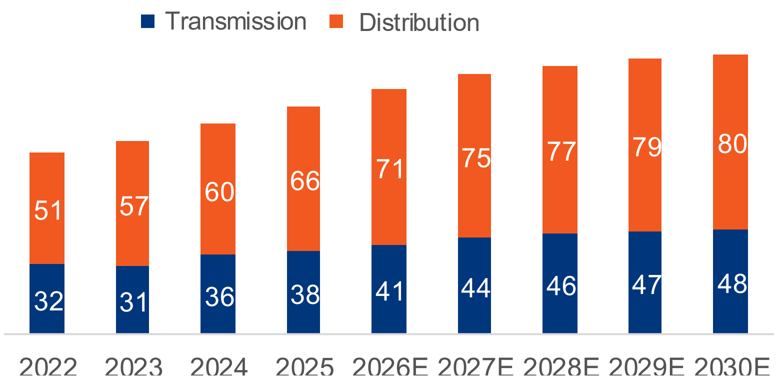
Much of the U.S. Transmission & Distribution Grid Is Nearing End of Life, Requiring Significant Capex

U.S. T&D Line Stats & Outlook

Existing U.S. T&D Infrastructure



Goldman Sachs' Forecast for U.S. Grid Capex (US$bn)



Source: Goldman Sachs Global Investment Research, J.P.Morgan

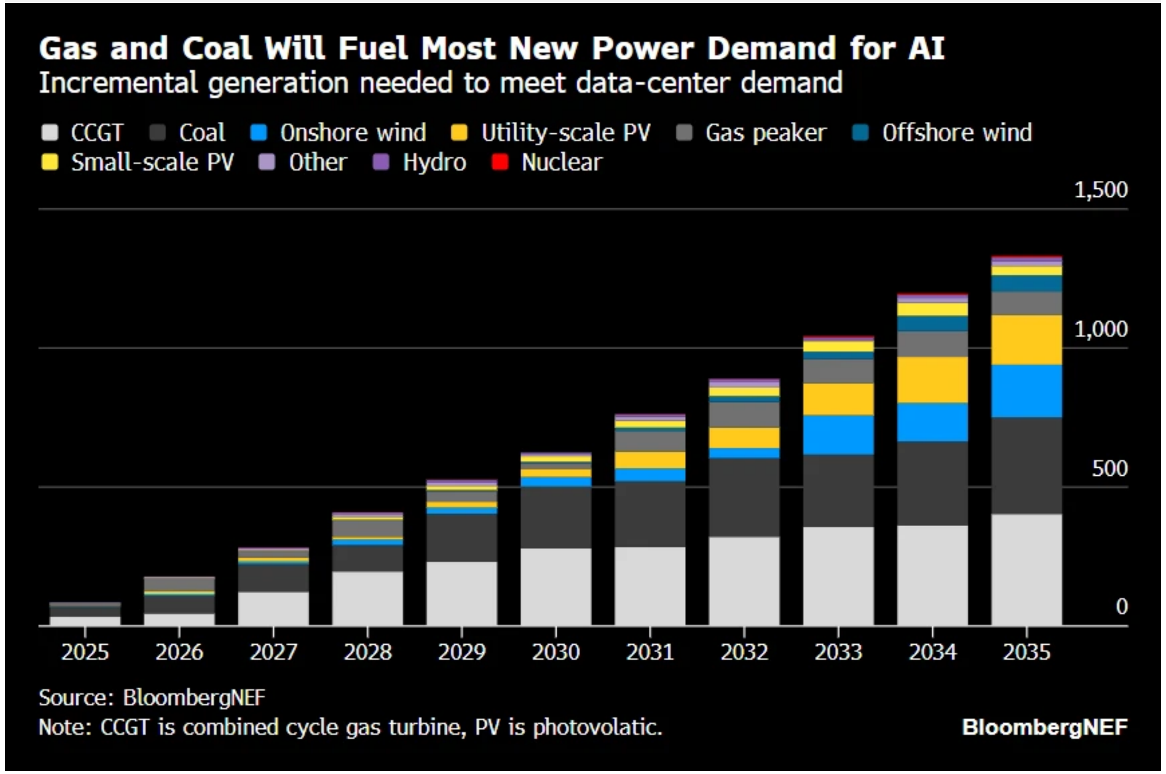
Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ The U.S.-Iran ceasefire memorandum, easing oil prices, and solid U.S. corporate earnings provide fundamental support for equities. While major indexes still have upside, narrow market breadth and elevated valuations warrant caution. Near term, favor defensive sectors such as healthcare and utilities to reduce risk. Longer term, remain constructive on technology and AI, while selectively adding AI infrastructure, physical AI, and AI software. Diversify across regions and sectors. ◆ Japan and Europe remain preferred diversification markets. Japan continues to benefit from semiconductor strength, while higher JGB yields support bank stocks. Europe is led by defense, with U.K. equities offering additional defensive exposure.	**Strategy:** Short term: defensive sectors. Medium to long term: AI infrastructure, physical AI, AI software; AI software also favors large-cap and defensive names. **Regions**: Japanese banks, Japanese semiconductor stocks, UK equities, European defense
Bonds	◆ Although oil prices have declined, the U.S. 30-year Treasury yield remains elevated. Avoid excessive duration risk and focus on short- to intermediate-duration bonds. Investment-grade corporate bonds offer attractive yields, particularly in financials, technology, communications, and utilities. ◆ A stronger U.S. dollar also supports diversification into non-USD investment-grade bonds, such as EUR- and AUD-denominated issues.	**Types:** Short- to intermediate-duration IG bonds, with a preference for financials, technology, telecoms, and utilities. **Satellite :** Non-USD IG bonds for diversification.
Forex	◆ The Fed's new Vice Chair is expected to make his FOMC debut in June, with a more dovish stance that could steepen the yield curve. The U.S. dollar should remain supported in the near term. ◆ Lower oil prices may ease inflation expectations. The JPY is likely to appreciate gradually on BOJ rate hikes and intervention, while the RMB is expected to strengthen modestly under policy support.	**USD:** Near-term strength remains supported. Gradual JPY appreciation; modest RMB appreciation.
Commodity	◆ Oil prices may remain volatile following the U.S.-Iran ceasefire memorandum and easing geopolitical risks around the Strait of Hormuz. ◆ Higher U.S. yields and a stronger dollar have pressured gold in the short term. However, geopolitical tensions, continued central bank purchases, and portfolio diversification demand should support gold over the medium to long term.	**Gold:** remains supported over the medium to long term.

US Equities AI Compute Demand Driving Power Infrastructure Expansion Cycle

- Q1 GDP (Final): Annualized QoQ growth at 2.1%, above consensus 1.6% and prior 0.5%.
- May Core PCE (MoM): Up 0.3%, in line with expectations and flat vs. revised prior.
- May Durable Goods Orders (MoM): Down 4.5%, smaller decline than consensus -5%, but weaker than revised prior -8.5%.
- AI compute expansion is significantly lifting data center electricity demand. BloombergNEF projects 2025-2035 incremental power needs to grow rapidly. In the near term, supply will rely mainly on gas combined cycle and coal power for stable dispatch. Meanwhile, utility-scale solar, onshore wind, and distributed solar will gradually increase their share, though intermittency and grid absorption constraints require traditional sources, peaking units, and storage systems as support. Overall, AI growth is not only driving chips and servers, but also pushing power infrastructure, gas generation, transmission upgrades, and renewable integration into a new expansion cycle.

2025-2035 Power Demand Growth (by Generation Type)



Source: Bloomberg, BloombergNEF

GE Vernova (GEV)

Closing Price	US $1,045.17	Target Price	US $1,200

GE Vernova is a global power company that designs, manufactures, and delivers electric power systems and services. Its operations span generation, transmission, dispatch, substation, and storage. The company serves a broad base of global customers, positioning itself as a key player in the energy transition and infrastructure modernization.

Record Orders Provide Multi-Year Growth Visibility

GE Vernova benefited across both generation and grid equipment businesses: Q1 FY2026 new orders reached USD 18.3B, with backlog rising to USD 163B. Management raised FY2026 guidance. Its Electrification segment secured USD 2.4B in data center equipment orders in just one quarter, surpassing the full-year 2025 total. The Prolec GE acquisition strengthened transformer manufacturing and grid equipment capabilities in North America.

AI-Driven Power Shortage Accelerates Gas Generation & Grid Upgrades

AI data centers are structurally boosting electricity demand, outpacing current grid capacity. This drives investment in gas turbines, transmission equipment, transformers, and renewables. With data center consumption expected to more than double long term, GE Vernova is well positioned across the full power value chain.

Q1 FY2026 Earnings Beat & Guidance Raised

Revenue: USD 9.34B, up 16.3% YoY, beating consensus by USD 900M. GAAP EPS: USD 17.44, exceeding expectations by USD 15.44. FY2026 guidance raised: revenue USD 44.5–45.5B, adjusted EBITDA margin 12–14%, free cash flow USD 6.5–7.5B.

Valuation Consensus

Bloomberg 12-month average target price: USD 1,218.9 (high: USD 1,400, low: USD 637).

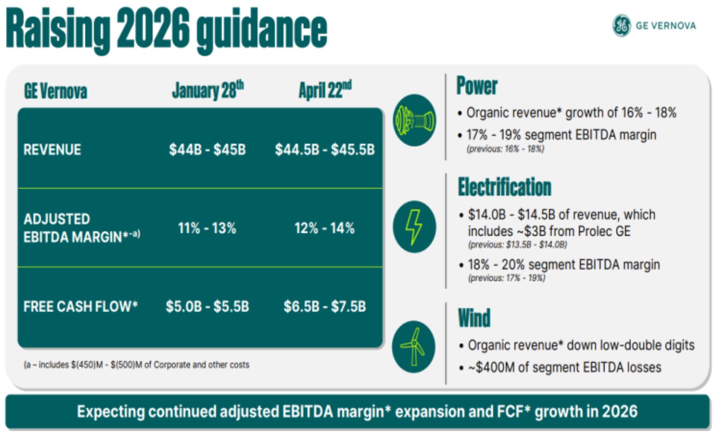
1-Year Price

Financials

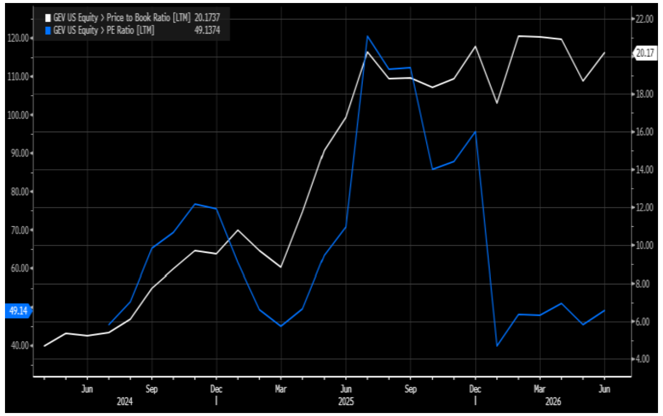
	2023	2024	2025	2026F	2027F
Revenue Growth(%)	12.1	5.1	9.0	19.4	14.3
EBITDA (%)	2.4	5.8	8.4	13.6	17.9
EPS(USD)	-0.35	1.6	8.5	20.6	23.9
Net Profit Margin(%)	-0.3	4.4	12.8	13.9	12.6

Source: Bloomberg; 2026/27F are market estimates

Raising FY2026 Guidance



P/E & P/B



Source: Bloomberg, Company

Eaton (ETN)

Closing Price	US $402.68	Target Price	US $450

Eaton Corporation is a global power management company. It provides a wide range of products including actuators, clutches, brakes, fluid connectors, industrial controls, sensors, motors, generators, pumps, valves, as well as engines and transmission systems. Eaton serves diverse markets worldwide, including industrial, vehicle, construction, commercial, and aerospace.

Strong Orders & Boyd Thermal Expand Eaton’s Data Center Footprint

Eaton’s Q1 FY2026 sales rose 17% YoY, a record high. The Americas Electrical segment’s trailing 12-month orders grew 42%, driven by data center demand. This strength supported raising FY2026 organic growth guidance to 9–11%. The Boyd Thermal acquisition enhanced liquid cooling capabilities, broadening Eaton’s portfolio from grid to chip-level thermal management.

Rack Density Elevates Power & Cooling Needs

AI server energy consumption is driving demand for power distribution, backup systems, conversion equipment, and liquid cooling. Higher rack density raises infrastructure requirements per MW, fueling demand for Eaton’s integrated electrical + thermal solutions as hyperscale operators expand AI compute and upgrade power architectures.

Q1 FY2026 Earnings Beat & Growth Outlook

Revenue: USD 7.45B, up 16.8% YoY, beating consensus by USD 310M. Non-GAAP EPS: USD 2.81, exceeding estimates by USD 0.08. Q2 EPS guidance: USD 3.00-3.10, organic growth 9-11%. FY2026 EPS guidance: USD 13.05-13.50, organic growth 9-11%, free cash flow USD 3.9-4.3B.

Valuation Consensus

Bloomberg 12-month average target price: USD 459.62 (high: USD 534, low: USD 350).

1-Year Price

Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	11.8	7.3	10.3	16.2	10.5
EBITDA (%)	22.3	24.2	25.4	23.7	25.1
EPS(USD)	8.3	10.0	11.5	13.3	15.6
Net Profit Margin(%)	14.4	16.0	15.0	16.0	17.2

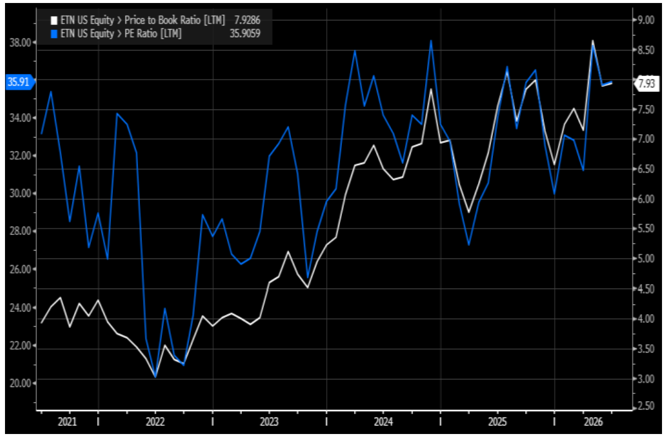
Source: Bloomberg; 2027/28F are market estimates

FY2026 Guidance

2026 Guidance

	2nd Quarter Outlook	2026 FY Outlook
Adjusted Earnings Per Share	$3.00 – $3.10	$13.05 – $13.50
Organic Growth	9 – 11%	9 – 11%
Segment Operating Margins	22.6 – 23.0%	24.1 – 24.5%
Operating Cash Flow	N/A	$5.0B – $5.4B
Free Cash Flow	N/A	$3.9B – $4.3B
Share Repurchases	--	--

P/E & P/B



Source: Bloomberg, Company

KGI

Appendix Key Economic Data / Events

▶ JUNE 2026

22 Monday

23 Tuesday
- U.S. Jun S&P Global Manufacturing PMI (Prelim) (Act:55.7 Est:54.6 Prev:55.1)
- U.S. Jun S&P Global Services PMI (Prelim) (Act:51.3 Est:51.1 Prev:50.7)
- Japan June S&P Global Manufacturing PMI (Prelim) (Act:54.9 Prev:54.5)
- Eurozone June S&P Global Manufacturing PMI (Prelim) (Act:51.3 Est:51.6 Prev:51.6)
- Taiwan May Export Orders YoY (Act:47.2% Est:50.0% Prev:48.1%)

24 Wednesday
- U.S. May New Home Sales (Act:580k Est:640k Prev:626k)

25 Thursday
- U.S. Weekly Initial Jobless Claims (Act:215k Est:225k Prev:227k)
- U.S. May PCE YoY (Act:4.1% Est:4.1% Prev:3.8%)
- U.S. May Core PCE YoY (Act:3.4% Est:3.4% Prev:3.3%)
- U.S. Q1 GDP QoQ Annualized (Final) (Act:2.1% 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 (Act:1.7% Est:1.6% Prev:1.4%)

▶ JUL 2026

29 Monday
- Japan May Retail Sales MoM (Est:-0.2% Prev:2.1%)

30 Tuesday
- U.S. Jun Conference Board Consumer Confidence (Est:94.3 Prev:93.1)
- U.S. May JOLTS Job Openings (Est:7,257k Prev:7,618k)
- Japan May Unemployment Rate (Est:2.5% Prev:2.5%)
- China Jun Manufacturing PMI (Est:50.1 Prev:50.0)
- China Jun Non-Manufacturing PMI (Est:49.9 Prev:50.1)

1 Wednesday
- U.S. Jun ADP Employment Change (Est:118k Prev:122k)
- U.S. June S&P Global Manufacturing PMI (Final) (Prev:55.1)
- U.S. Jun ISM Manufacturing Index (Est:53.8 Prev:54.0)
- Japan June S&P Global Manufacturing PMI (Final) (Prev:54.5)
- Eurozone Jun S&P Global Mnfg. PMI (Final) (Est:51.3 Prev:51.6)

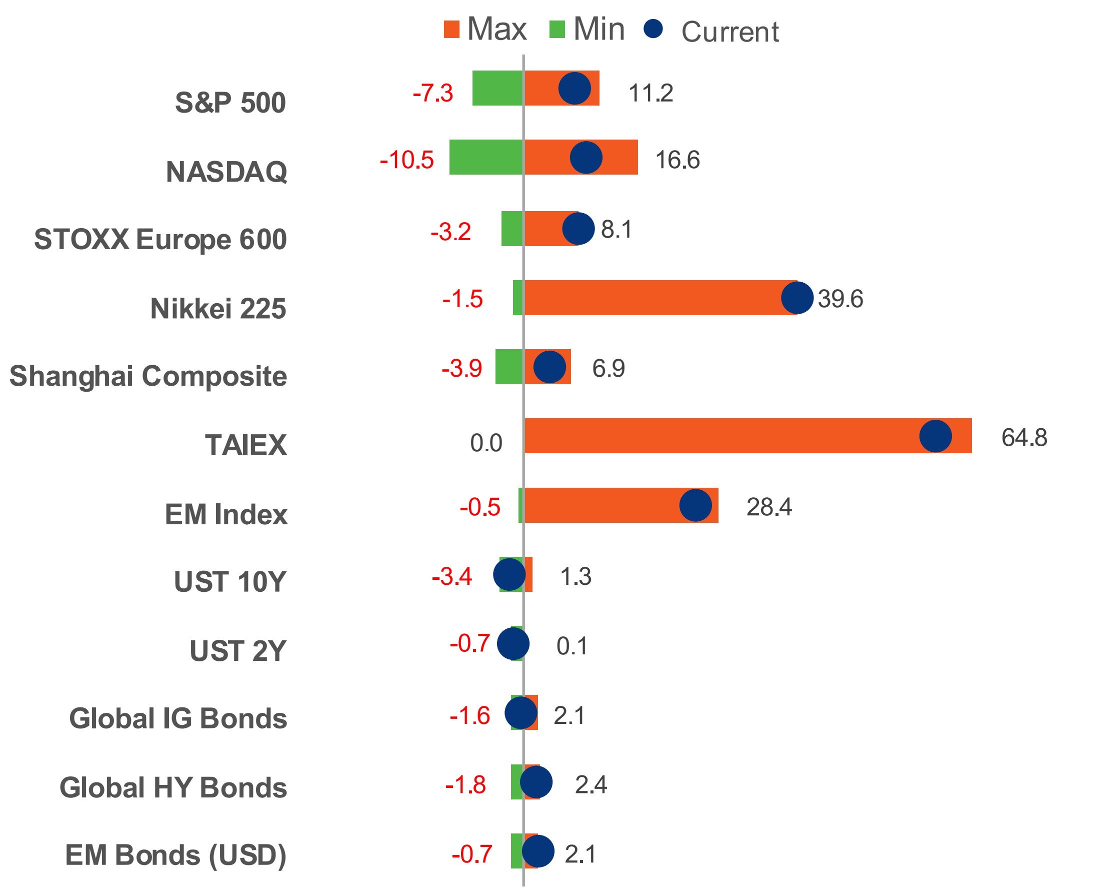
2 Thursday
- U.S. Weekly Initial Jobless Claims (Est:220k Prev:215k)
- U.S. Jun Nonfarm Payrolls (Est:115k Prev:172k)
- U.S. Jun Unemployment Rate (Est:4.3% Prev:4.3%)
- Eurozone May Unemployment Rate (Est:6.3% Prev:6.3%)

3 Friday

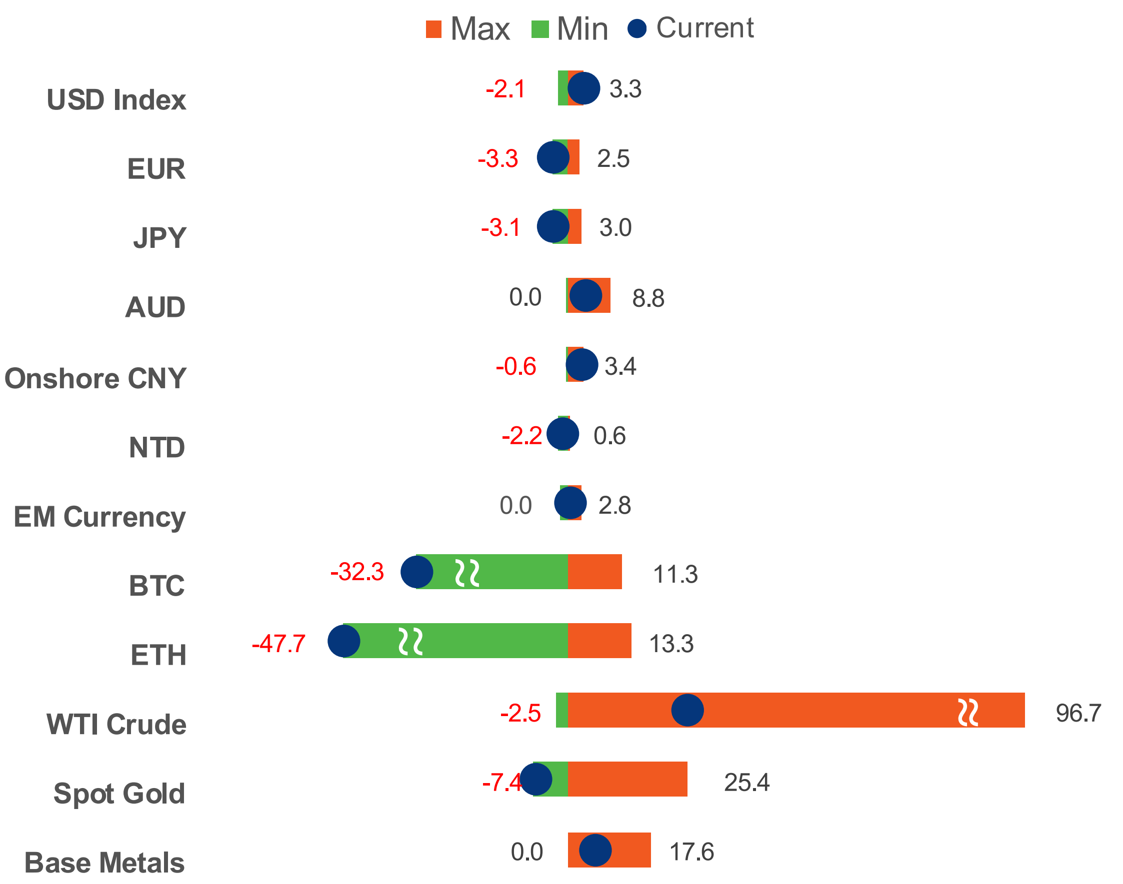
Source: Bloomberg

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

Technical Analysis

60D MA

S&P 500 Index

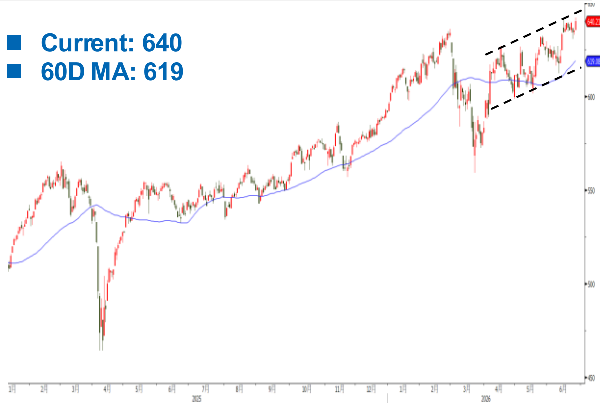
- Current: 7,357
- 60D MA: 7,250

NASDAQ Index

- Current: 25,358
- 60D MA: 25,202

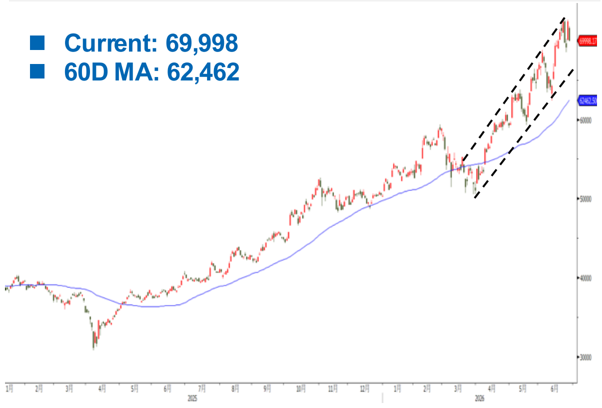
STOXX Europe 600 Index

- Current: 640
- 60D MA: 619



Nikkei 225 Index

- Current: 69,998
- 60D MA: 62,462



Shanghai Composite Index

- Current: 4,087
- 60D MA: 4,053

MSCI Emerging Markets Index

- Current: 1,756
- 60D MA: 1,666

Gold

- Current: 4,020
- 60D MA: 4,516

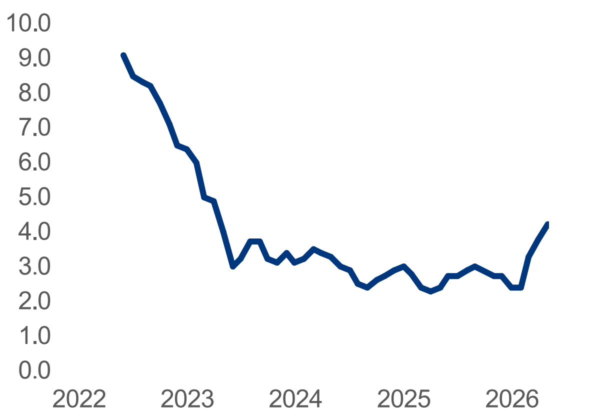
WTI Crude

- Current: 71.2
- 60D MA: 93.6

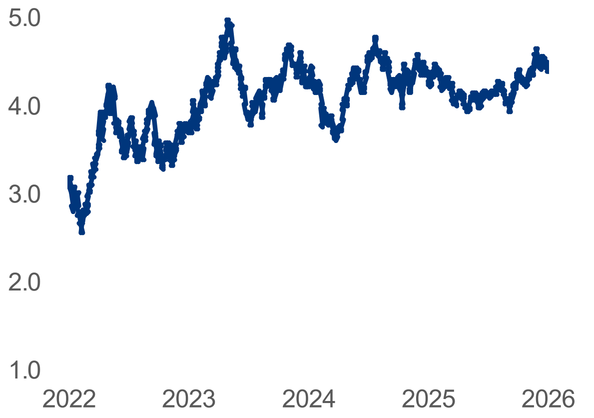
Source: Bloomberg

Market Monitor

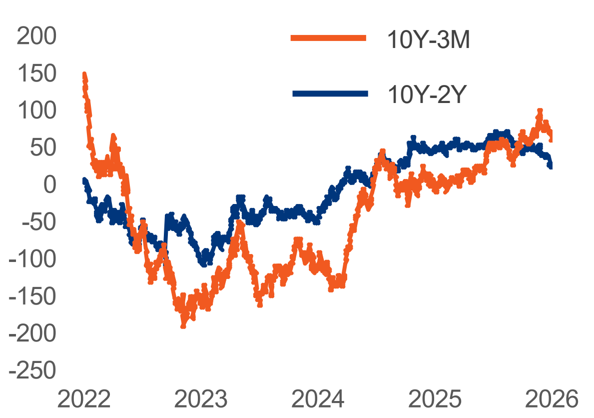
U.S. CPI YoY (%)



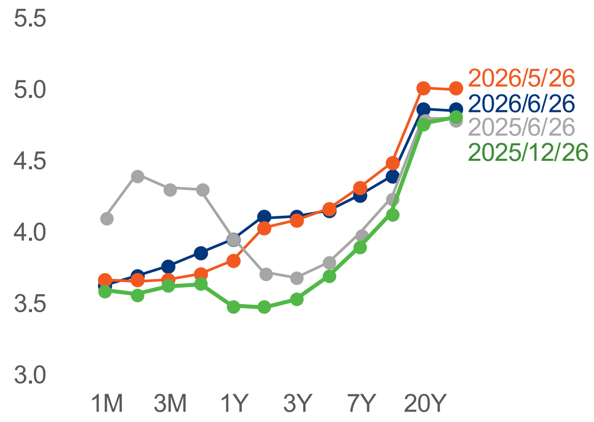
U.S. 10-Year Treasury Yield (%)



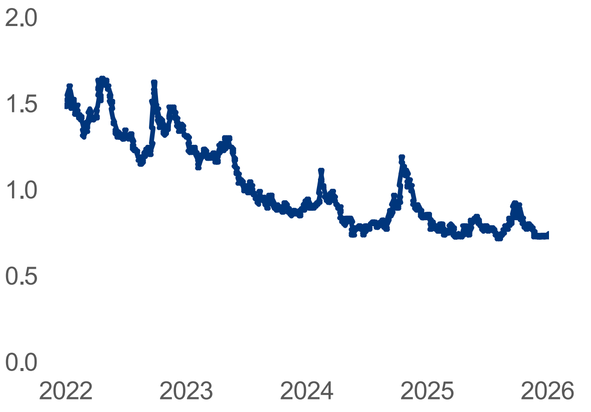
U.S. Treasury Yield Spread (bps)



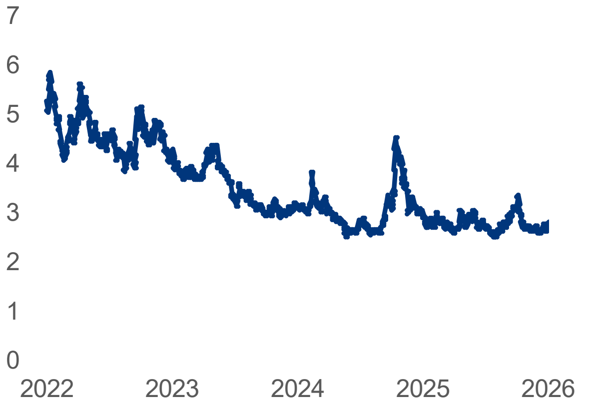
U.S. Treasury Yield Curve (%)



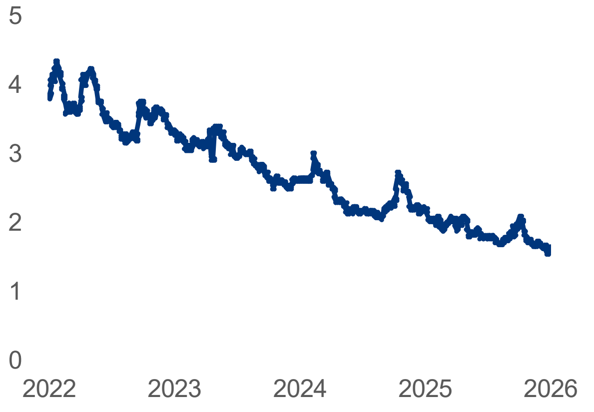
USD IG Credit Spread (%)



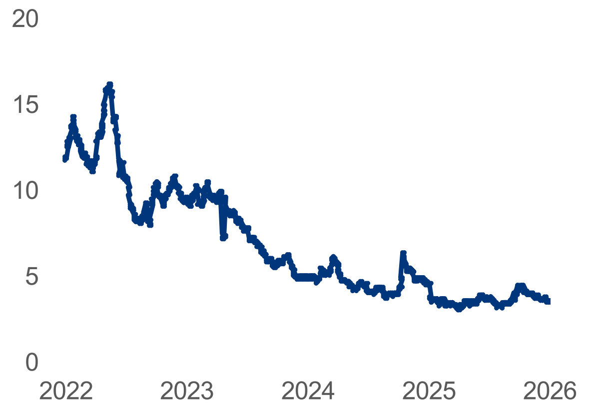
USD HY Credit Spread (%)



USD EM Credit Spread (%)



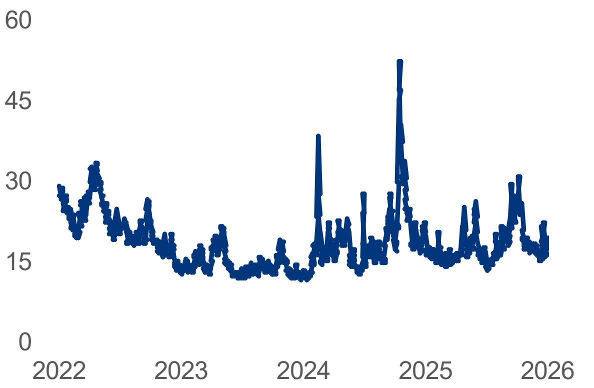
USD Asia Credit Spread (%)



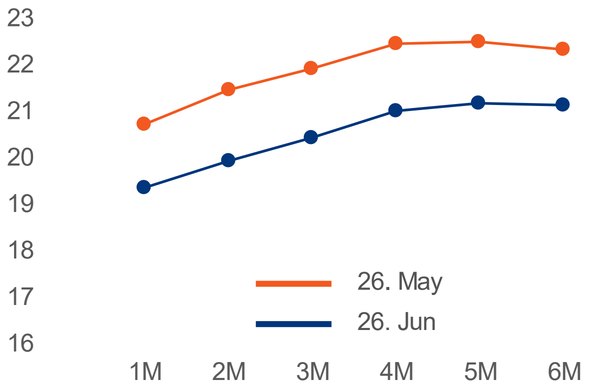
Source: Bloomberg

Market Monitor

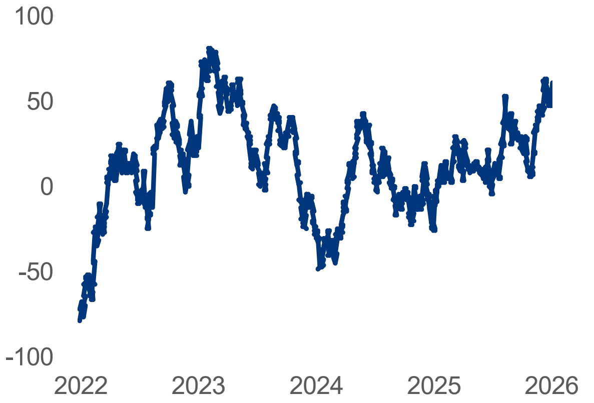
VIX Index



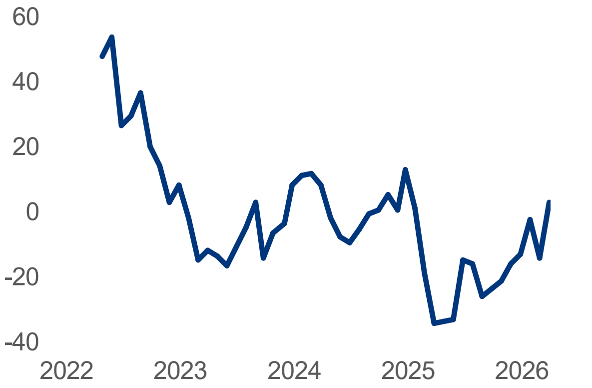
VIX Term Structure



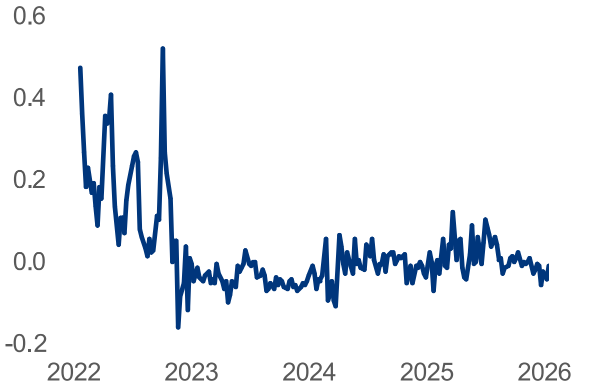
U.S. Citi Economic Surprise Index*



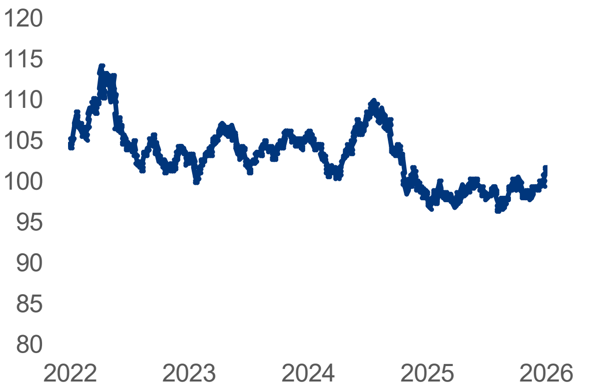
U.S. Citi Inflation Surprise Index*



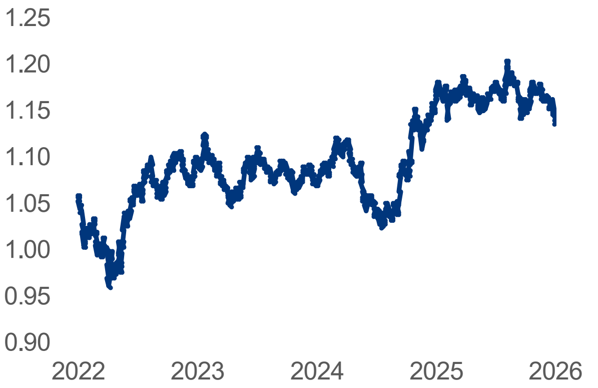
TED Spread (bps)



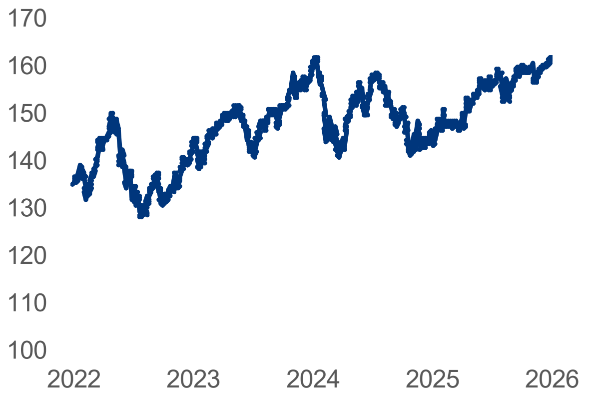
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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