CIO Office

Global Markets Weekly Kickstart

Diversify Smart as Geopolitics Up

9 March 2026

Chart of the Week

China's Two Sessions Open; Beijing Targets Nominal Growth, Prioritizing Sustainable Expansion

- On March 5, China opened the Fourth Session of the 14th National People's Congress. A key focus is the government's decision to lower the 2026 GDP growth target to a 4.5–5% range, marking the first time a range has been set again since 2016 and 2019. Over the past three years, the official target was 5%. If the 2026 target is achieved, it would represent the lowest growth goal in nearly 35 years.
- According to Bloomberg, despite slower growth expectations, authorities did not raise the quotas for special government bonds or local government special-purpose bonds. The fiscal deficit will remain in line with 2025 levels, suggesting policymakers are willing to tolerate slower growth in favor of more sustainable expansion.
- On prices, the government already lowered its inflation target last year. However, headline and core inflation stood at 0.8% and 1.2% in December, respectively, both below target levels. Authorities have therefore indicated plans to push prices from negative territory back into positive growth, supporting nominal economic expansion.
- Regarding industrial policy, consumption accounted for nearly half of China's GDP last year. Given uncertainties surrounding U.S. trade policy and rising shipping costs, we expect policy support to remain focused on domestic demand, with the services sector likely to be a key priority.

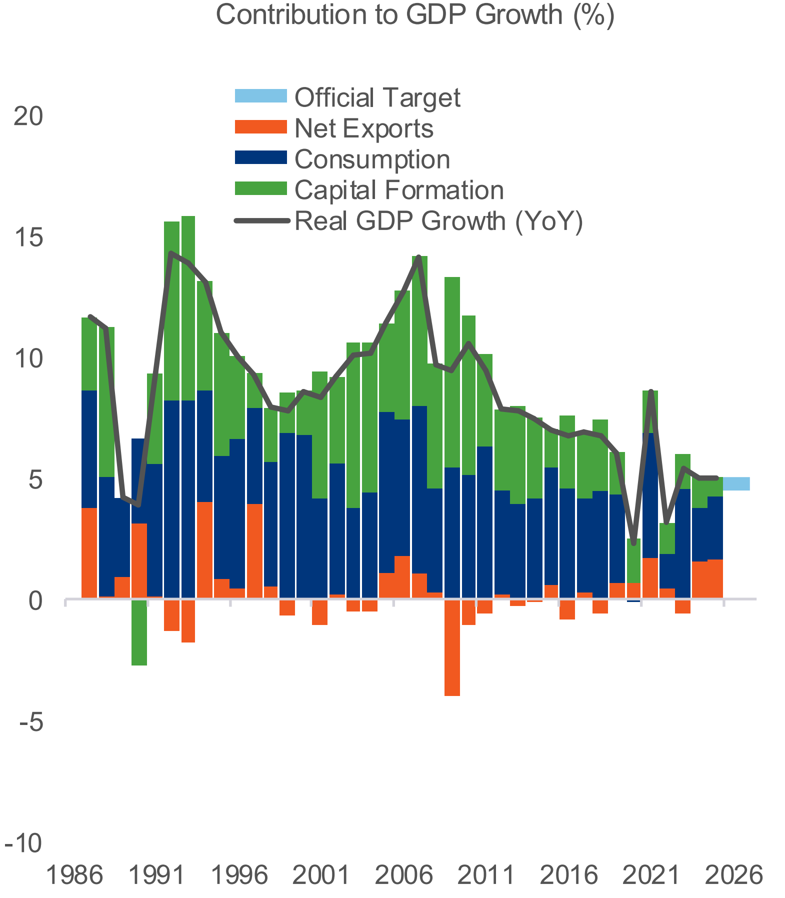
No Indication of Major Additional Stimulus

Indicator	Target 2023	2024	2025	2026
GDP Growth (%)	~5%	~5%	~5%	4.5 - 5%
Urban New Jobs (mn)	~12	>12	>12	>12
CPI Inflation (%)	~3%	~3%	~2%	~2%

Debt Types	2023	2024	2025	2026
Fiscal Deficit (% of GDP)	3.0%*	3.0%	4.0%	~4.0%
Ultra-Long Special Government Bonds Issuance (RMB bn)	-	1,000	1,300	1,300
New Local Government Special Bonds (RMB bn)	3,800	3,900	4,400	4,400

Including additional special government bonds, deficit ratio rises to 3.8%.

China Growth Slows; Official GDP Target at 4.5%–5.0%



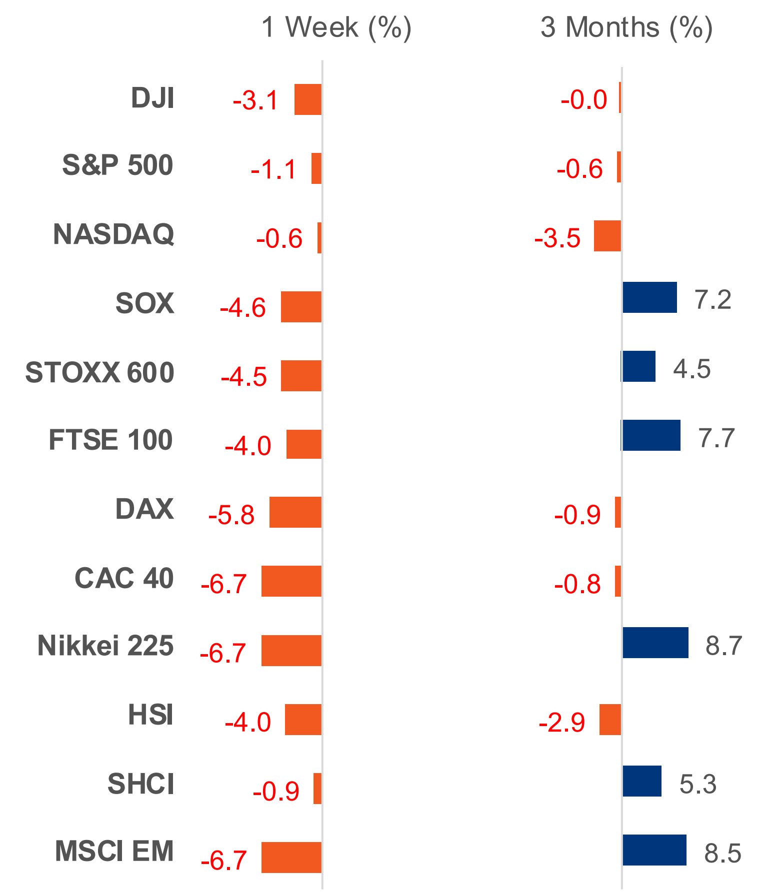
Source: Bloomberg, CEIC, KGI

Market Recap

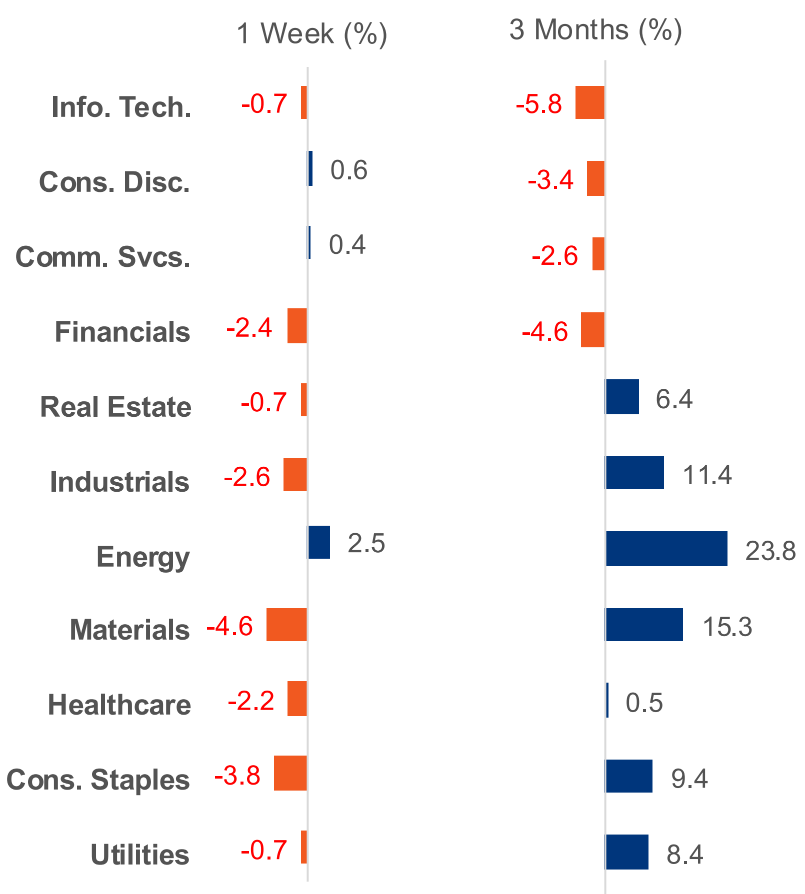
Geopolitical Tensions Add Turbulence, Near-Term Market Volatility Set to Rise

- With no signs of U.S.–Iran negotiations, geopolitical tensions continue to escalate, pushing oil prices sharply higher and lifting inflation expectations. Higher energy prices have driven Treasury yields up and delayed Fed rate-cut expectations, increasing near-term market volatility. U.S. equities declined, with semiconductor stocks leading losses, while European equities fell as rising energy risks dampened growth prospects.
- Asian markets also corrected as energy-importing economies face higher costs. Strait closures have driven shipping costs higher, raising risks for transport and manufacturing, while a stronger U.S. dollar increases capital outflow pressure.
- Sector-wise, energy stocks outperformed on surging oil prices. However, higher energy and gas costs may feed into materials and logistics, weighing on materials, industrials, and consumer staples. Rising oil prices have also revived stagflation concerns, while delayed Fed cuts, a flatter Treasury yield curve, and private credit risks have pressured financial stocks.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

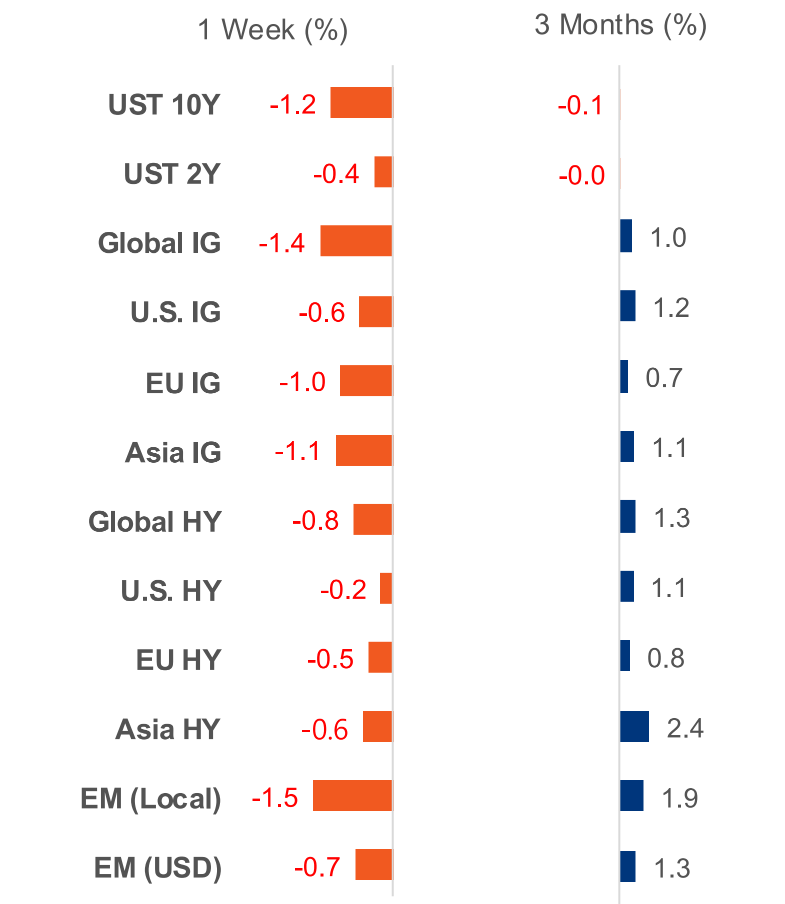


Source: Bloomberg

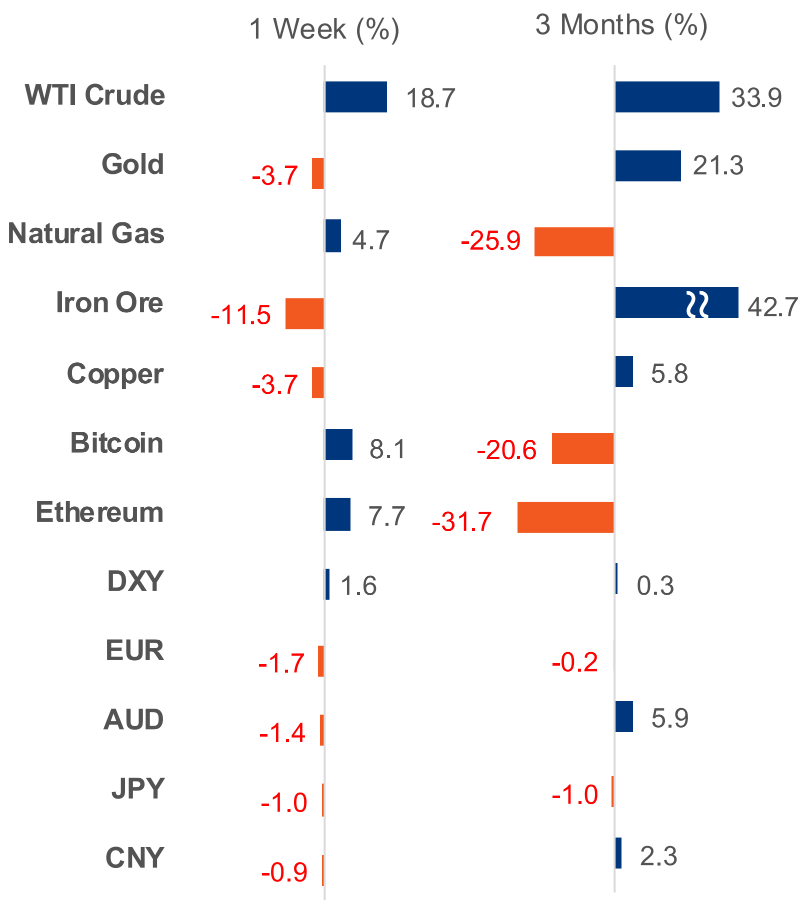
Rising Safe-Haven Demand Channels Flows into Oil and the U.S. Dollar

- U.S. ISM Manufacturing, ISM Services, and ADP employment data all beat expectations, highlighting resilient economic fundamentals. With the U.S.–Iran conflict unlikely to ease soon, markets fear disruptions to Middle East oil supply, lifting global inflation expectations. Fed rate-cut expectations have been pushed back and Treasury yields have risen. In credit markets, shorter-duration high-yield bonds have seen relatively smaller declines. Risk sentiment also turned cautious after the bankruptcy of UK non-bank institution MFS, raising concerns over private credit risks.
- The continued closure of the Strait of Hormuz has driven oil prices sharply higher. Safe-haven demand, rising inflation expectations, and higher Treasury yields have supported U.S. dollar strength. Reports that Poland may sell part of its central bank gold reserves to fund military spending have capped gold prices near term, though long-term demand remains stable.
- Digital assets briefly rebounded on earlier speculation of U.S.–Iran talks, lifting Bitcoin and Ethereum. However, Iran later denied negotiations, and ongoing geopolitical uncertainty could keep cryptocurrency markets volatile.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



Source: Bloomberg

What’s Trending

HALO Investing Emerges as the Next Trend: Heavy Assets Resistant to AI Disruption

- Investors continue pouring heavy capex into hyperscale cloud and data center giants, but earnings gains remain slow, fueling concerns over an AI bubble. In response, banks such as Goldman Sachs and Morgan Stanley are promoting the HALO (Heavy Assets, Low Obsolescence) strategy—favoring asset-heavy sectors with low tech disruption—to hedge AI risks while linking to real-economy growth.
- HALO targets industries that are hard for AI to replace, have high entry barriers, long build cycles, and regulatory protection. Key sectors include utilities, specialty materials, pipelines, critical machinery, defense, railways, waste management, and telecom towers.
- Key beneficiaries include the U.S. (power grids, midstream energy, defense, railways), Japan (specialty materials, heavy electrical equipment, trading houses), Europe (energy, mining, industrials, defense), and emerging markets such as Brazil (mining) and India (energy and infrastructure).

Differences in HALO Investment Strategy Between Two Major Investment Banks

Strategy Differences	Goldman Sachs	Morgan Stanley
Strategy Focus	Emphasizes asset intensity, industrial complexity, and resistance to AI disruption.	Focuses on large-cap companies with strong capex growth, global real asset exposure, and stable cash flows.
Key Metrics	Physical asset intensity, Capex-to-labor ratio, Capex concentration	Capex-to-revenue ratio, Cash flow stability, Barriers to entry.
Key Industries	Power grids, Oil and gas pipelines, Specialty materials, Critical equipment, Transportation infrastructure	Materials, Utilities, Railways, Defense, Telecom towers, Waste management
Investment View	Believes the market is entering a re-rating phase for asset-heavy sectors, with real assets set to regain valuation leadership.	Views HALO trades as the best hedge against AI risks, offering strong defensive characteristics.

Key Themes Benefiting from HALO Investment Strategy

Countries	Related Industries and Representative Companies
United States	Heavy machinery (Caterpillar) Railways (Union Pacific, CSX, Canadian National) Utilities (NextEra Energy, Southern Company) Diversified industrial gases (Honeywell, Linde) Energy pipelines (Enbridge) Consumer brands (Coca-Cola, PepsiCo) Healthcare suppliers (Johnson & Johnson) Telecom towers (American Tower) Waste Management (Waste Management)
Japan	Heavy electrical equipment (Hitachi) Automation equipment (Keyence) Semiconductor specialty materials (Shin-Etsu Chemical) Trading houses (Mitsubishi Corp) Consumer electronics manufacturing (Sony)
Europe	Industrials (Siemens) Aerospace & defense (Airbus, Safran, BAE Systems) Energy pipelines (Shell, BP, Total Energies, Equinor) Mining (Rio Tinto) Semiconductor equipment (ASML) Industrial gas infrastructure (Air Liquide) Luxury goods (LVMH) Utilities (Engie、Enel Spa、National Grid)
Emerging Markets	Iron ore mining (Brazil, Vale) Energy and infrastructure (Reliance Industries, India)

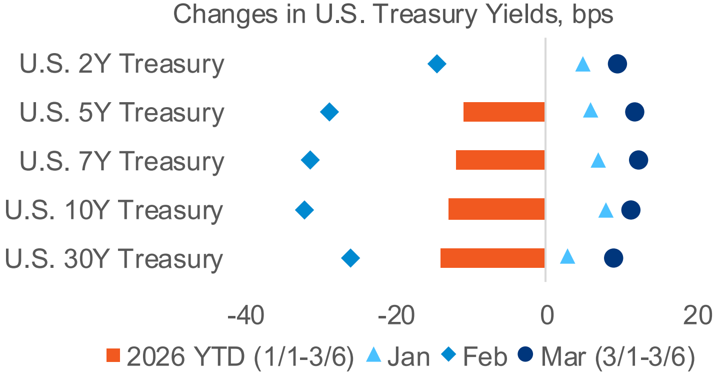
Source: Bloomberg, KGI, Note: Mentioned companies are provided for illustrative purposes only, do not constitute investment advice

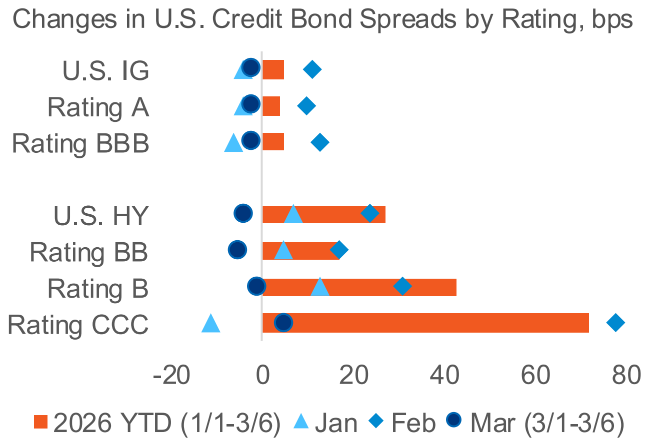
In Focus

War-Driven Volatility Favors Bonds: Quality Income as the Preferred Hedge

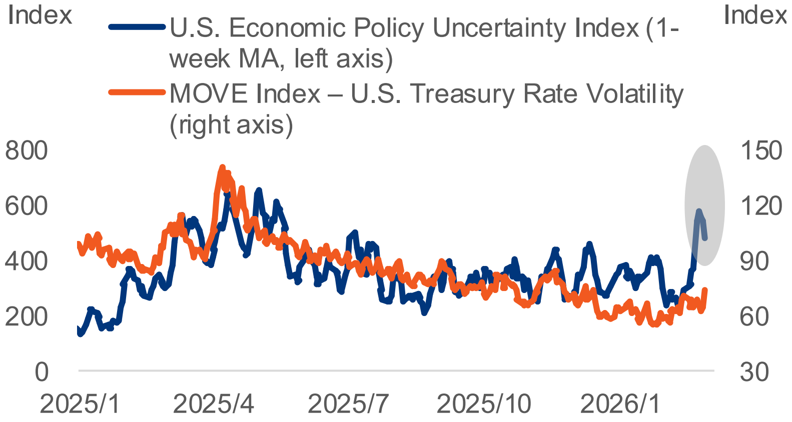
- Since the start of the year, markets have been shaken by events including U.S. tariff disputes and the U.S.–Iran conflict. Investment-grade bonds have performed broadly in line with Treasuries, while high-yield bonds lagged as credit spreads widened. The spread ratio between high-yield and investment-grade bonds has risen, while the gap between the two is near a decade low. Meanwhile, corporate credit trends continue to improve for investment-grade issuers. With Treasury yields easing on safe-haven demand and lower-rated credit spreads less attractive, locking in bonds from large issuers with solid fundamentals ahead of potential Fed rate cuts in 2H appears prudent.
- Following Iran's indiscriminate attacks, the U.K., Germany, and France issued a joint statement pledging cooperation with the U.S. and regional allies to maintain stability. Historically, looser financial conditions and a weaker U.S. dollar have supported tighter corporate credit spreads. If geopolitical and economic uncertainty rises alongside a stronger dollar, credit spreads could widen further—particularly among lower-rated issuers. For high-yield exposure, investors may consider diversified mutual funds or ETFs while avoiding CCC-rated issuers to better manage risk.

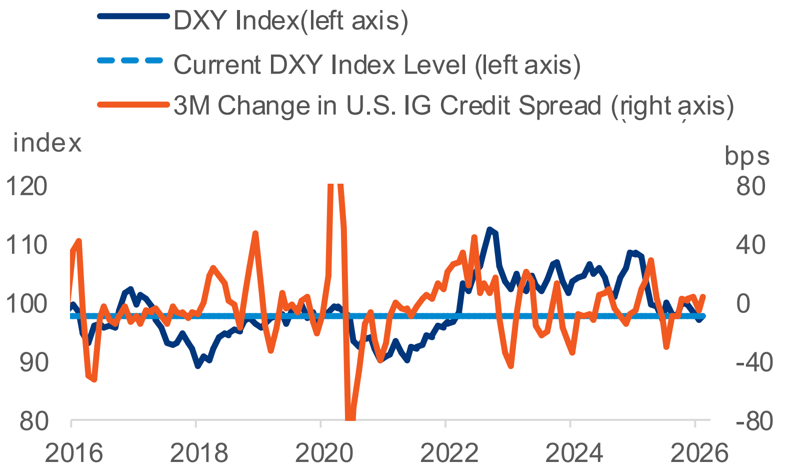
Geopolitical Conflicts Persist; Bonds Show Defensive Strength





Focus on U.S. Rate Volatility and the U.S. Dollar Trend



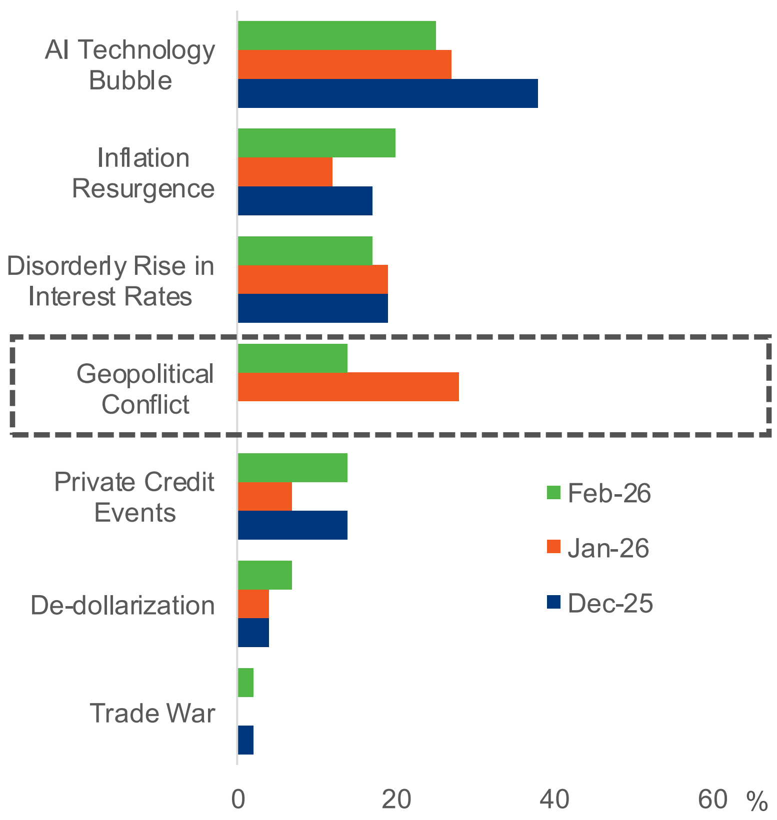


Source: Bloomberg

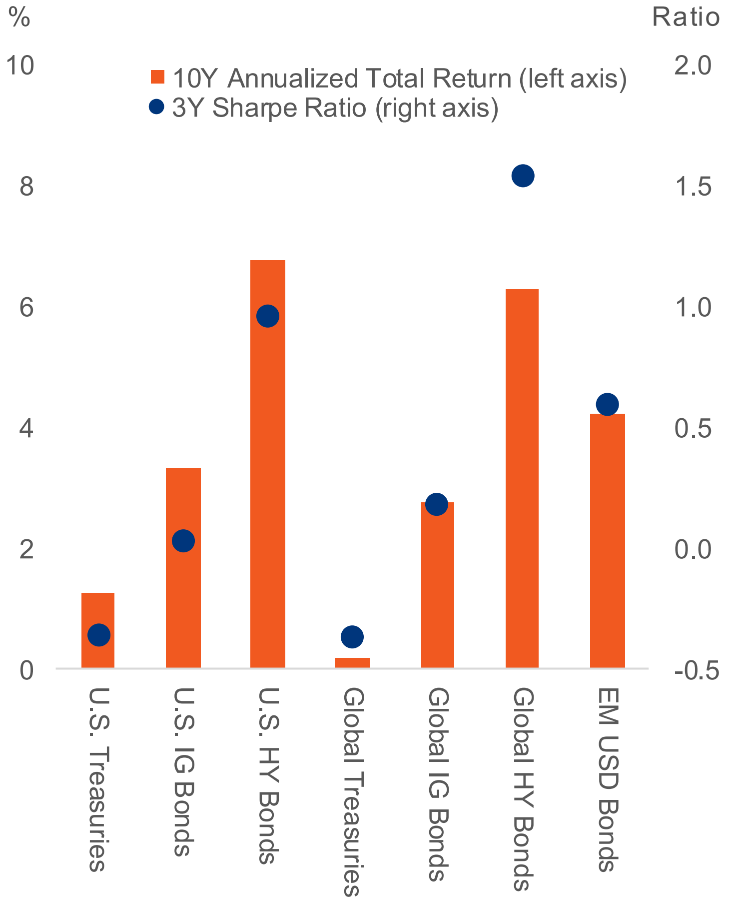
Persistent Market Risks Favor Diversified Allocation

- BofA's fund manager survey highlights key risks beyond the U.S.–Iran conflict, including a potential AI bubble, rising inflation, and higher interest rates. The Fed's incoming chair favors lower rates and balance sheet reduction, while the U.S. Supreme Court's ruling against tariffs may require refunds, raising fiscal discipline concerns. This could lift term premiums and steepen the yield curve. Meanwhile, Japan's fiscal expansion and rising JGB yields may add upward pressure to U.S. Treasury yields, supporting allocations to high-quality credit.
- The bankruptcy of UK non-bank lender Market Financial Solutions has also raised concerns over private credit risks. With potential U.S. rate cuts in 2H, global investors are searching for income alternatives. Based on Sharpe ratios, high-yield and emerging market bonds currently appear more attractive. Capital flows are increasingly shifting toward non-U.S. bonds, and if fiscal concerns and de-dollarization pressures weaken the dollar, non-U.S. investment-grade bonds could become another defensive allocation.

Fund Managers' Top Risks Also Include AI Bubble, Inflation, and Rising Rates



Beyond U.S. Credit, Non-U.S. Bonds Also Offer Attractive Risk-Return



Source: Bloomberg, BofA, KGI

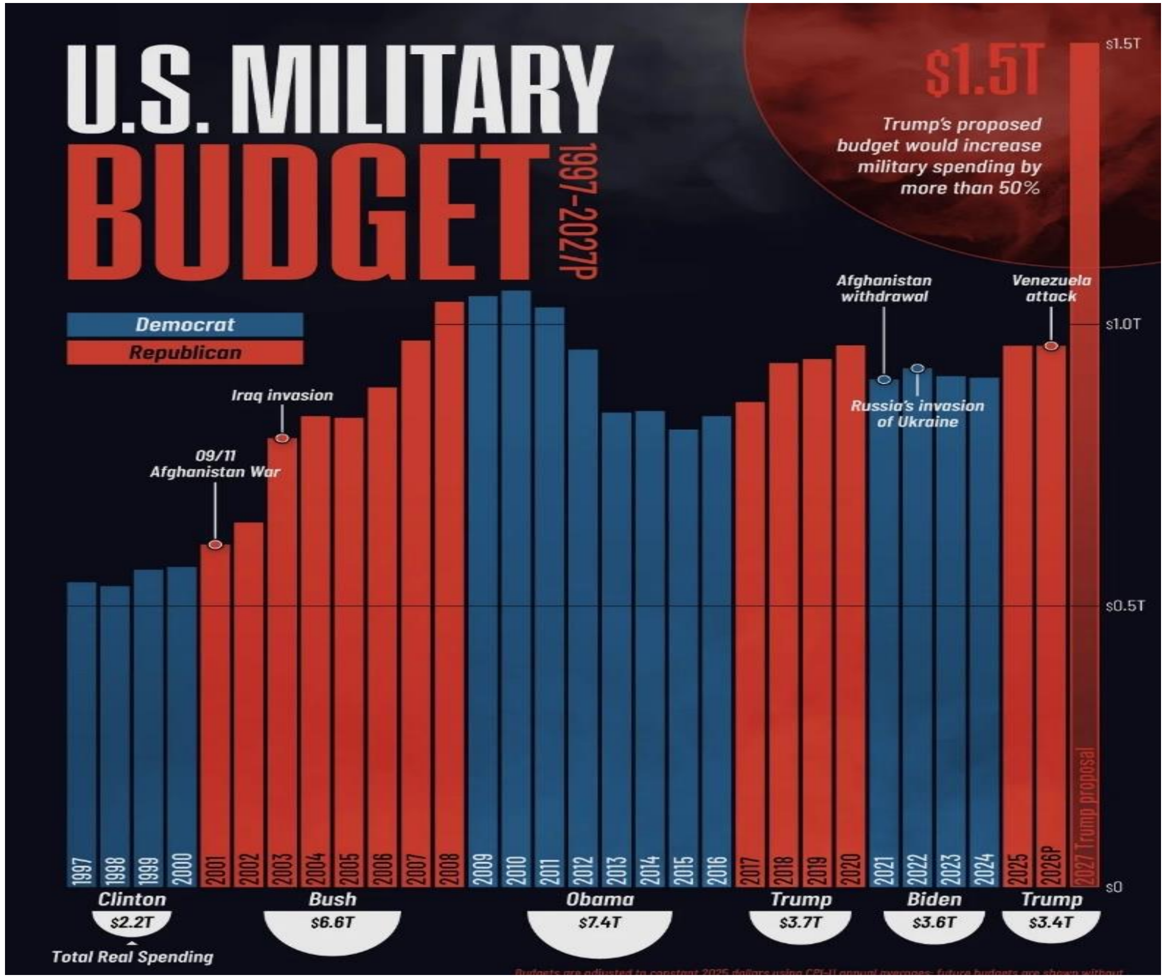
Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ After the court ruled tariffs unconstitutional, escalating U.S.–Iran tensions further increased market volatility. Investors should monitor whether navigation through the Strait of Hormuz remains smooth and the trajectory of oil prices to assess the potential timeline for the conflict. The HALO strategy—focusing on heavy assets with low obsolescence—can hedge AI bubble risks while linking to the real-economy recovery. ◆ European and Japanese equities can serve as key diversification allocations. In Europe, preferred markets include Germany (fiscal stimulus and improving growth), the U.K. (cheap valuations and rate-cut tailwinds), and Spain (strong fundamentals and high financial sector weight). Sector preferences include financials with improving balance sheets and defense supported by policy. In Japan, focus on domestic demand, banks, and semiconductor stocks.	**Strategy:** Core allocation to large, high-quality companies; long-term positioning in AI-related themes including technology, semiconductors, utilities, and machinery. Outside AI, aerospace, defense, and value stocks are favored. **Regions**: Germany, Spain, UK, Japanese banks, Japanese semiconductors.
Bonds	◆ Tariff refunds could worsen the U.S. fiscal deficit, potentially increasing Treasury issuance and steepening the yield curve. Corporate credit remains stable, but market volatility has widened spreads, more notably in high-yield bonds. Investors may lock in income through investment-grade bonds with stable cash flows. Recommended allocations include Treasuries and investment-grade credit, with sectors offering stronger risk-adjusted spreads such as financials, utilities, and industrials. ◆ Given long-term depreciation risks for the U.S. dollar, investors can diversify into non-USD bonds such as euro- and AUD-denominated investment-grade bonds. Improving fundamentals in emerging markets also make high-yield EM bonds attractive for income.	**Types:** Treasuries and high-quality credit for income locking; preferred sectors include financials, industrials, and utilities. **Satellite Allocation:** Non-USD bonds for diversification.
Forex	◆ Policy divisions within the Fed suggest a wait-and-see stance in the near term. The U.S. dollar may remain firm short term but trend weaker over the medium to long term. ◆ ECB rate cuts are nearing an end, suggesting range-bound movement for the euro. Japan's fiscal expansion expectations remain, while the BoJ remains cautious, limiting near-term appreciation potential for the yen.	**USD:** short-term strength, medium- to long-term mild depreciation. **JPY:** limited short-term appreciation. **EUR:** Range-bound
Commodity	◆ Gold prices show signs of bottoming. From a fundamental perspective, geopolitical risks associated with Trump-era policies, competition for strategic resources among major powers, and tariff-related uncertainties continue to support gold's allocation value. Silver remains more speculative; the gold–silver ratio should eventually revert to its long-term mean, suggesting a more cautious long-term view.	**Gold:** bullish over the medium to long term. **Silver:** higher volatility.

US Equities U.S.–Iran Conflict Escalates, Defense Spending Set to Rise

- U.S. nonfarm payrolls fell by 92k in February, well below the revised prior reading of 126k and market expectations of a 55k increase. The unemployment rate rose to 4.4%, above both the previous 4.3% and market expectations of 4.3%.
- January retail sales declined 0.2% MoM, compared with flat growth previously and slightly better than expectations for a 0.3% decline.
- February ISM Manufacturing PMI came in at 52.4, above the 51.5 consensus but slightly below the prior 52.6. ISM Services PMI rose to 56.1, beating both the 53.5 forecast and the previous 53.8.
- On Feb 28, the U.S., alongside Israel, launched military strikes on Iran under Operation Epic Fury. Iran's top leadership, including Supreme Leader Ali Khamenei, was reportedly eliminated in the initial attack. Iran subsequently launched indiscriminate missile and drone strikes targeting nearby Middle Eastern countries—including Dubai, Saudi Arabia, Kuwait, and Qatar—as well as U.S. military bases. Ongoing conflict has nearly halted shipping through the Strait of Hormuz.
- At the start of the operation, Trump suggested the campaign could last four weeks or less, but markets increasingly fear the conflict could evolve from a lightning strike into a prolonged war. Heavy consumption of offensive and defensive missiles over the past week suggests that once the conflict ends, missile replenishment could drive a sharp increase in orders for major defense contractors.

The U.S. Defense Budget is Expected to Reach USD 1.5 Trillion by 2027



Source: Bloomberg

RTX Inc. (RTX)

Closing Price	US $209.76	Target Price	US $230

Global aerospace and defense company providing avionics, aircraft systems, navigation equipment, environmental controls, and engine components for commercial, military, and government clients.

U.S. Weapons Production Boosts Missile Demand

RTX is positioned to benefit as the U.S. accelerates weapons production to replenish inventories following conflicts in Ukraine, Gaza, and Iran. The Pentagon is preparing a ~$50bn supplemental defense budget. As Raytheon is a key supplier of missile and air defense systems, including the Tomahawk cruise missile (~1,000 units annually), RTX stands to gain from rising procurement and sustained demand for precision weapons.

Rising Global Air Defense Demand

Geopolitical tensions and military modernization across Europe, the Middle East, and Asia are increasing demand for missile defense and integrated air defense systems. RTX's Patriot and other advanced air defense platforms are expected to see stronger global orders.

4Q25 Results Beat Expectations

4Q25 revenue reached $24.24bn (+12.1% YoY), beating expectations by $1.53bn. Non-GAAP EPS was $1.55 (+$0.08 vs consensus). FY25 revenue totaled $88.6bn (+10% YoY). Backlog rose to $268bn, including $161bn commercial and $107bn defense. FY26 guidance: revenue $92–93bn, organic growth 5–6%, adjusted EPS $6.60–6.80.

Valuation Consensus

Bloomberg 12M average target price: $217.68 (high $238, low $160).

Source: Bloomberg

1-Year Price

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	2.8	17.1	9.7	5.6	6.5
EBITDA (%)	19.7	18.3	18.5	15.7	16.1
EPS(USD)	3.43	5.75	6.29	6.82	7.54
Net Profit Margin(%)	7.1	9.6	9.6	10.0	10.2

Source: Bloomberg; 2026/27F are market estimates

2026 Guidance

P/E & P/B

Northrop Grumman (NOC)

Closing Price	US $756.13	Target Price	US $800

Global defense and security company providing aerospace systems, electronics, information systems, and technology services for government and commercial customers.

Defense Replenishment Supports Procurement Growth

Northrop is set to benefit from Pentagon efforts to accelerate weapons production and rebuild inventories depleted by recent conflicts. The Trump administration is discussing capacity expansion with major contractors alongside a potential $50bn supplemental defense budget. As a key supplier of advanced aerospace, missile defense, and command systems, Northrop is well positioned to capture increased defense procurement.

ISR and Command Systems Strengthen Strategic Position

Rising geopolitical tensions and modern warfare's reliance on intelligence, surveillance, and reconnaissance (ISR) support long-term demand for Northrop's technologies. Programs such as the E-130J airborne command and control training system highlight growing investment in battle management, readiness, and real-time intelligence, reinforcing Northrop's role in future defense systems.

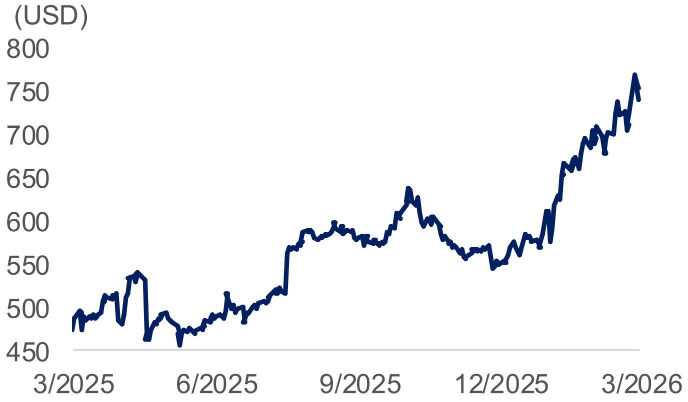
4Q25 Results Beat Expectations

4Q25 revenue was $11.7bn (+10% YoY), beating expectations by $80mn. Non-GAAP EPS reached $7.23 (+$0.27 vs consensus). FY25 revenue totaled $42bn (+2% YoY), with backlog rising to a record $95.7bn. For FY26, the company guides revenue of $43.5–44.0bn and adjusted EPS of $27.4–27.9.

Valuation Consensus

Bloomberg 12M average target price: $739.95 (high $849, low $450).

1-Year Price



FY2026 Segment Performance Guidance

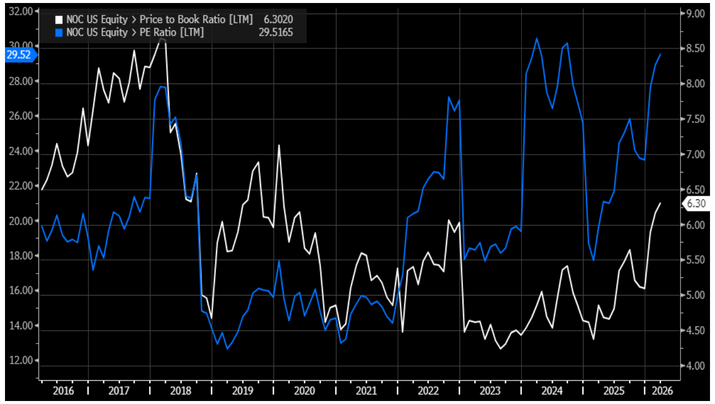
	As of 1/27/2026	
	Sales ($B)	OM Rate %
Aeronautics Systems	Mid $13	Low to Mid 9%
Defense Systems	Mid to High $8	~10%
Mission Systems	High $12	High 14%
Space Systems	~$11	~11%
Intersegment Eliminations	~($2.4)	High 13%

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	7.3	4.4	2.2	4.6	6.0
EBITDA (%)	10.8	14.9	14.6	14.2	14.3
EPS(USD)	15.72	26.09	25.07	28.02	30.02
Net Profit Margin(%)	6.1	9.4	8.6	9.1	9.2

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B



Source: Bloomberg

Appendix

Key Economic Data / Events

► MAR 2026

2 Monday
- U.S. Feb ISM Manufacturing PMI (Act:52.4 Est:51.5 Prev:52.6)
- U.S. Feb S&P Global Manufacturing PMI Final (Act:51.6 Est:51.4 Prev:52.4)
- Japan Feb S&P Global Manufacturing PMI Final (Act:53.0 Prev:51.5)
- Eurozone Feb HCOB Manufacturing PMI Final (Act:50.8 Est:50.8 Prev:49.5)

3 Tuesday
- Japan Jan Unemployment Rate (Act:2.7% Est:2.6% Prev:2.6%)
- Japan Jan Jobs-to-Applicants Ratio (Act:1.18 Est:1.20 Prev:1.20)

4 Wednesday
- U.S. Feb ADP Employment Change (Act:63k Est:50k Prev:11k)
- U.S. Feb ISM Services PMI (Act:56.1 Est:53.5 Prev:53.8)
- Taiwan Jan Export Orders YoY (Act:60.1% Est:54.5% Prev:43.8%)
- China Feb Manufacturing PMI (Act:49.0 Est:49.2 Prev:49.3)
- China Feb Services PMI (Act:49.5 Est:49.7 Prev:49.4)
- Chinese People's Political Consultative Conference (CPPCC)

5 Thursday
- U.S. Initial Jobless Claims (Act:213k Est:215k Prev:213k)
- National People's Congress (NPC)

6 Friday
- U.S. Feb Nonfarm Payrolls (Est:55k Prev:130k)
- U.S. Feb Unemployment Rate (Est:4.3% Prev:4.3%)
- U.S. Jan Retail Sales MoM (Est:-0.3% Prev:0.0%)
- Eurozone 4Q GDP YoY Final (Est:1.3% Prev:1.4%)

9 Monday
- China Feb CPI YoY (Est:0.9% Prev:0.2%)
- Eurozone Mar Sentix Investor Confidence (Est:-3.0% Prev:4.2%)

10 Tuesday
- U.S. Feb Existing Home Sales (Est:3.87m Prev:3.91m)
- Japan 4Q GDP Annualized QoQ Final (Est:1.2% Prev:-2.6%)
- Japan Feb Machine Tool Orders YoY Prelim (Prev:25.3%)
- ORCL Earnings

11 Wednesday
- U.S. Feb CPI YoY (Est:2.5% Prev:2.4%)
- U.S. Feb Core CPI YoY (Est:2.4% Prev:2.5%)
- Japan Feb PPI YoY (Est:2.3% Prev:2.3%)

12 Thursday
- U.S. Initial Jobless Claims (Prev:213k)
- U.S. Jan Housing Starts (Est:1,340k Prev:1,404k)

13 Friday
- U.S. Jan PCE YoY (Est:2.9% Prev:2.9%)
- U.S. Jan Core PCE YoY (Est:3.1% Prev:3.0%)
- U.S. 4Q GDP Annualized QoQ Revision (Est:1.4% Prev:4.4%)
- U.S. Mar Michigan Consumer Sentiment Prelim (Est:56.3 Prev:56.6)
- U.S. Jan JOLTS Job Openings (Prev:6,542k)
- ADBE Earnings

Source: Bloomberg

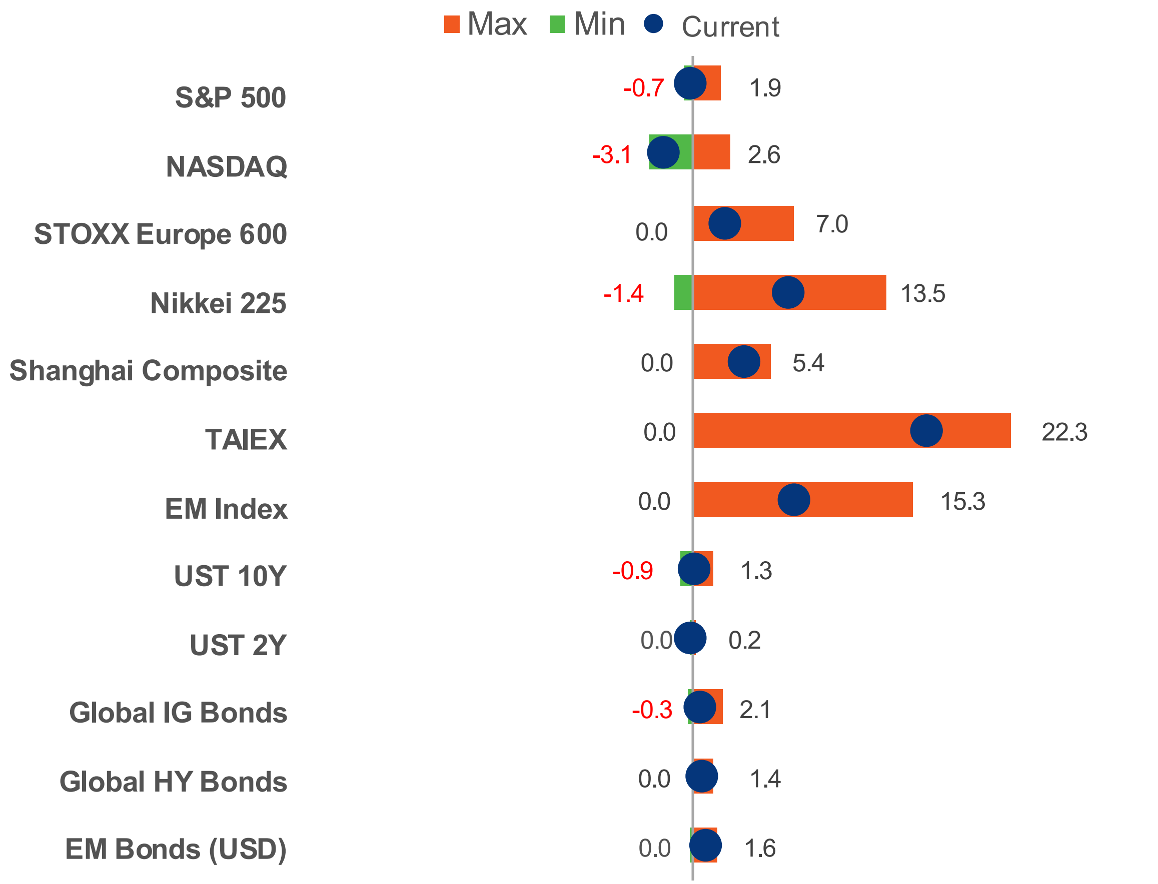
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2026/3/6	Costco Wholesale Corp (COST)	69.25B	69.60B	4.55	4.58	V	V
2026/3/6	Broadcom Inc (AVGO)	19.21B	19.31B	2.02	2.05	V	V

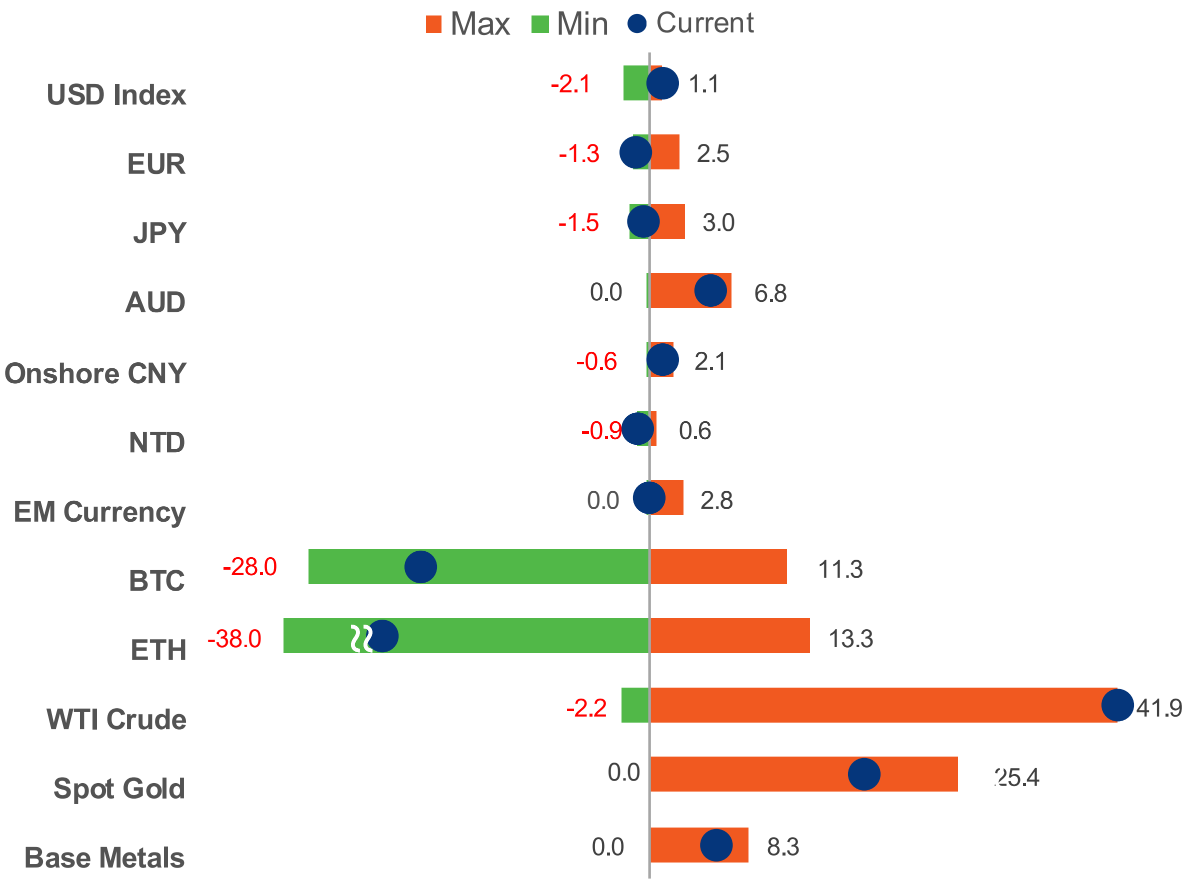
Source: Investing.com

Major Market / Asset YTD Performance

Equities & Bond Markets 2025 Performance (%)



Currencies and Commodities Market 2025 Performance (%)



Source: Bloomberg

Technical Analysis

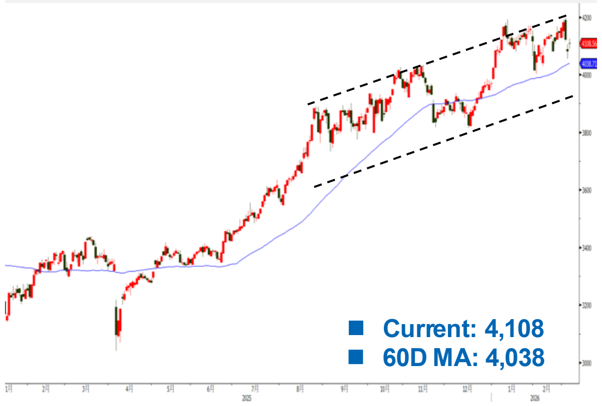
S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

Nikkei 225 Index

Shanghai Composite Index



MSCI Emerging Markets Index

Gold

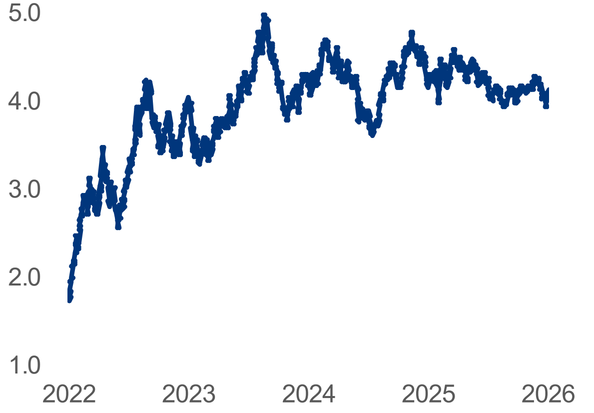
WTI Crude

Source: Bloomberg

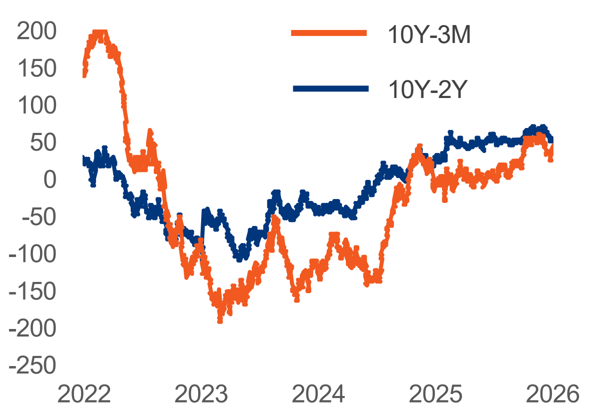
Market Monitor

U.S. CPI YoY (%)

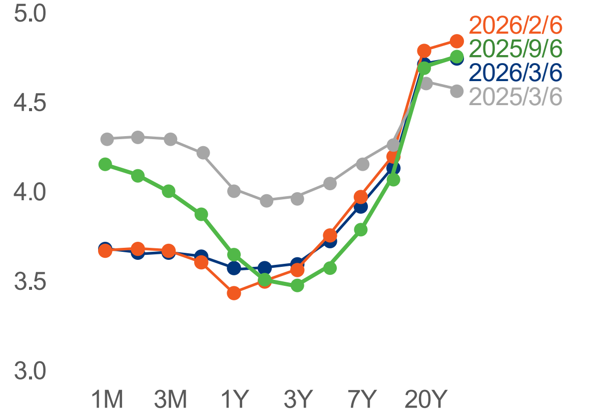
U.S. 10-Year Treasury Yield (%)



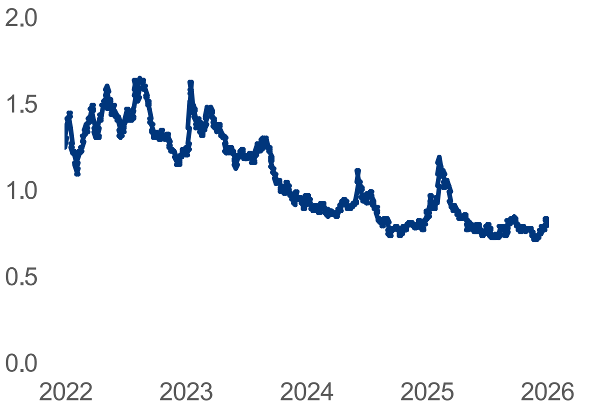
U.S. Treasury Yield Spread (bps)



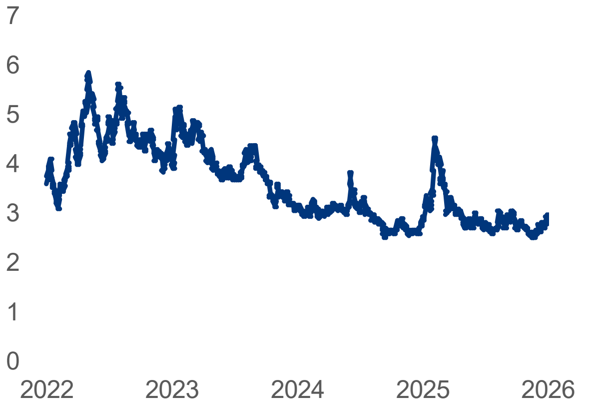
U.S. Treasury Yield Curve (%)



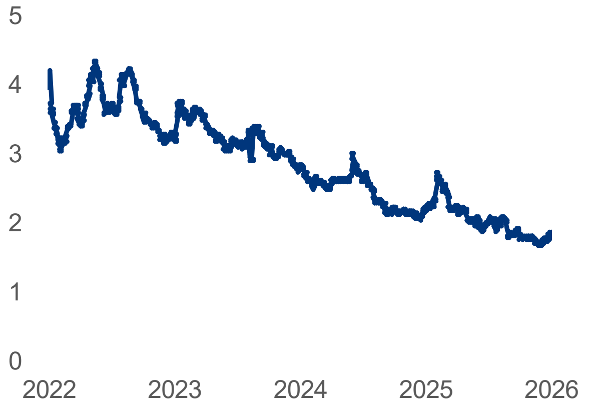
USD IG Credit Spread (%)



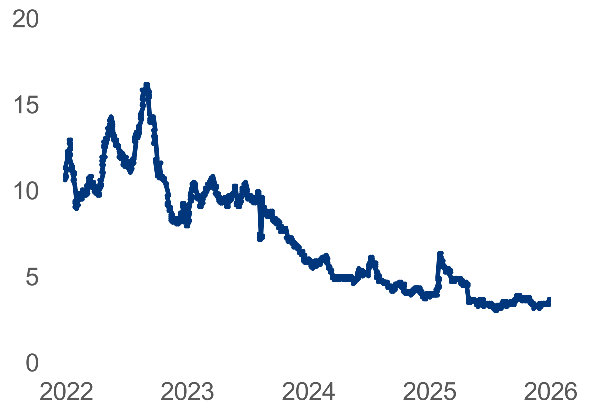
USD HY Credit Spread (%)



USD EM Credit Spread (%)



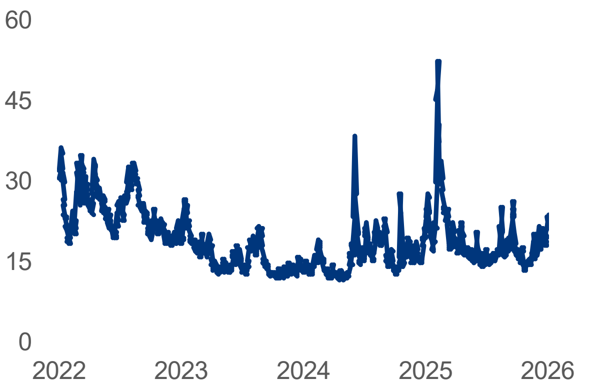
USD Asia Credit Spread (%)



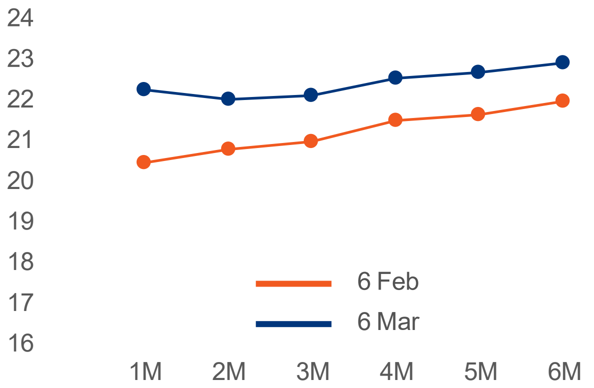
Source: Bloomberg

Market Monitor

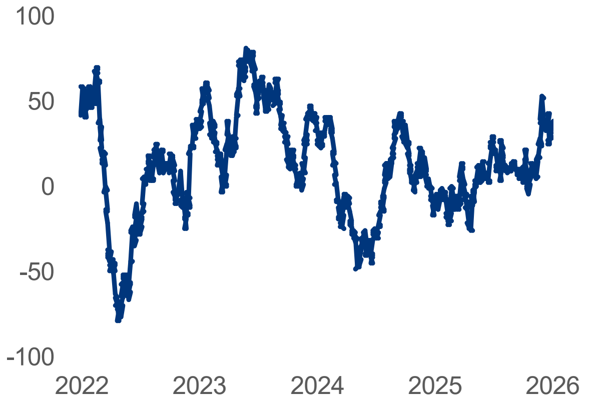
VIX Index



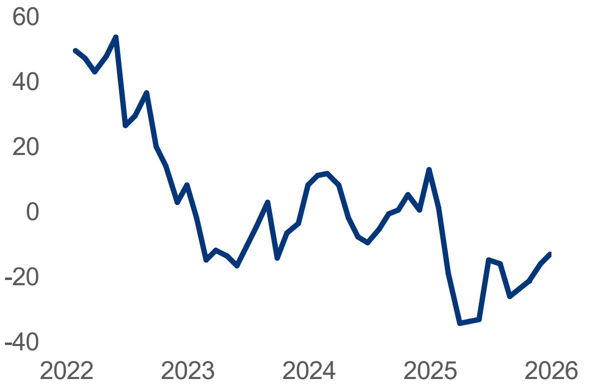
VIX Term Structure



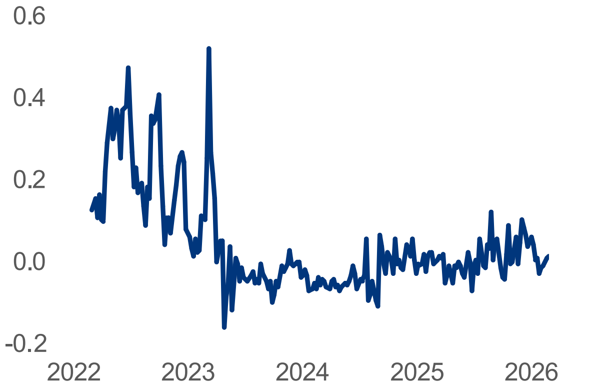
U.S. Citi Economic Surprise Index*



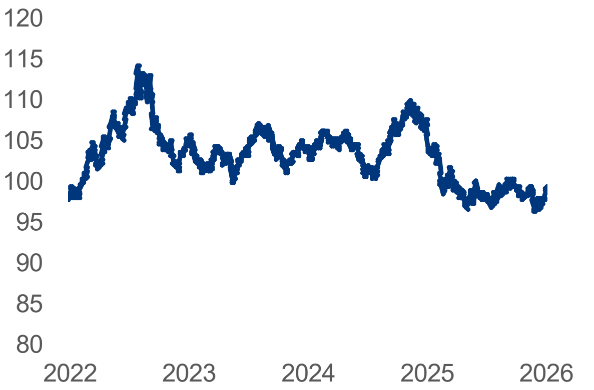
U.S. Citi Inflation Surprise Index*



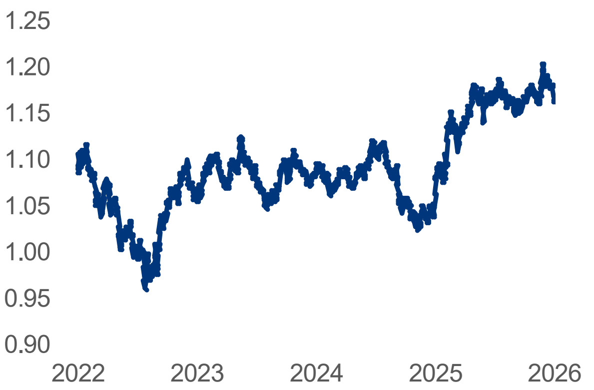
TED Spread (bps)



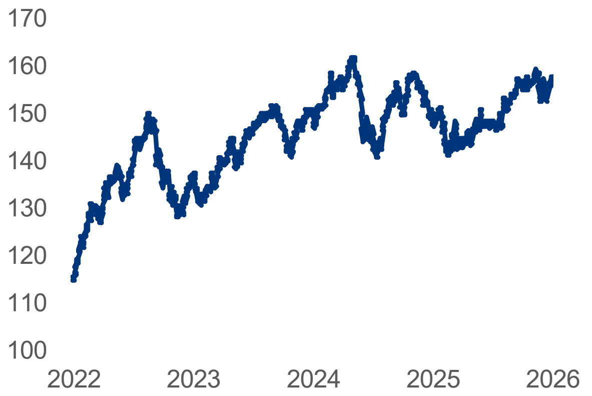
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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