



CIO Office

Global Markets Weekly Kickstart

Are European Stocks Ready To Rise?

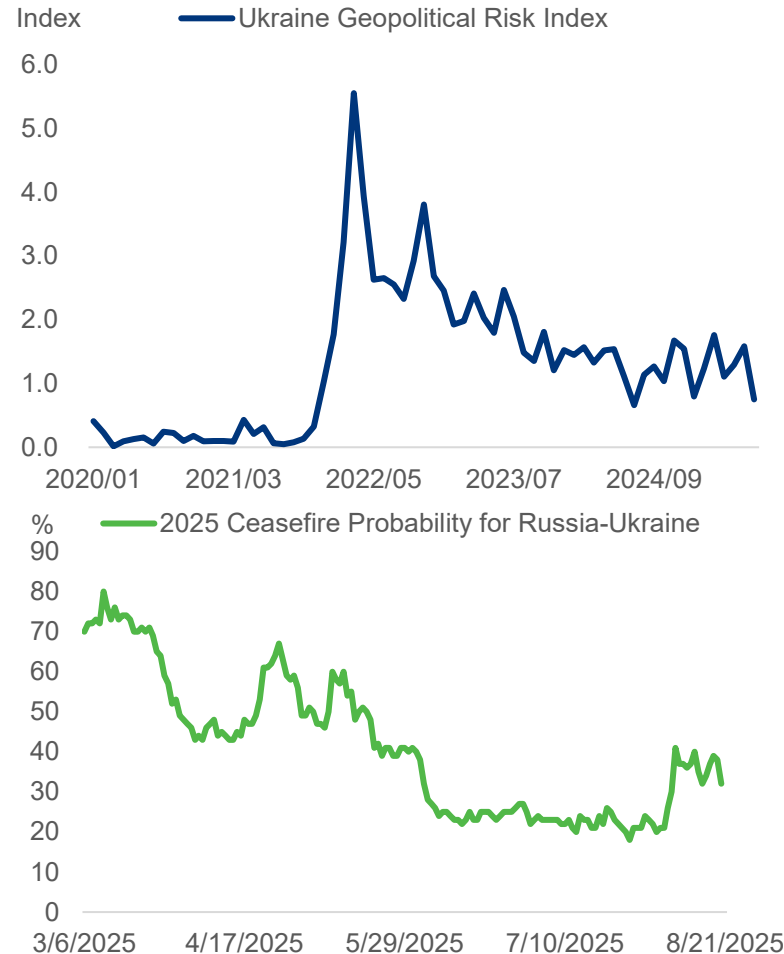
25 August 2025



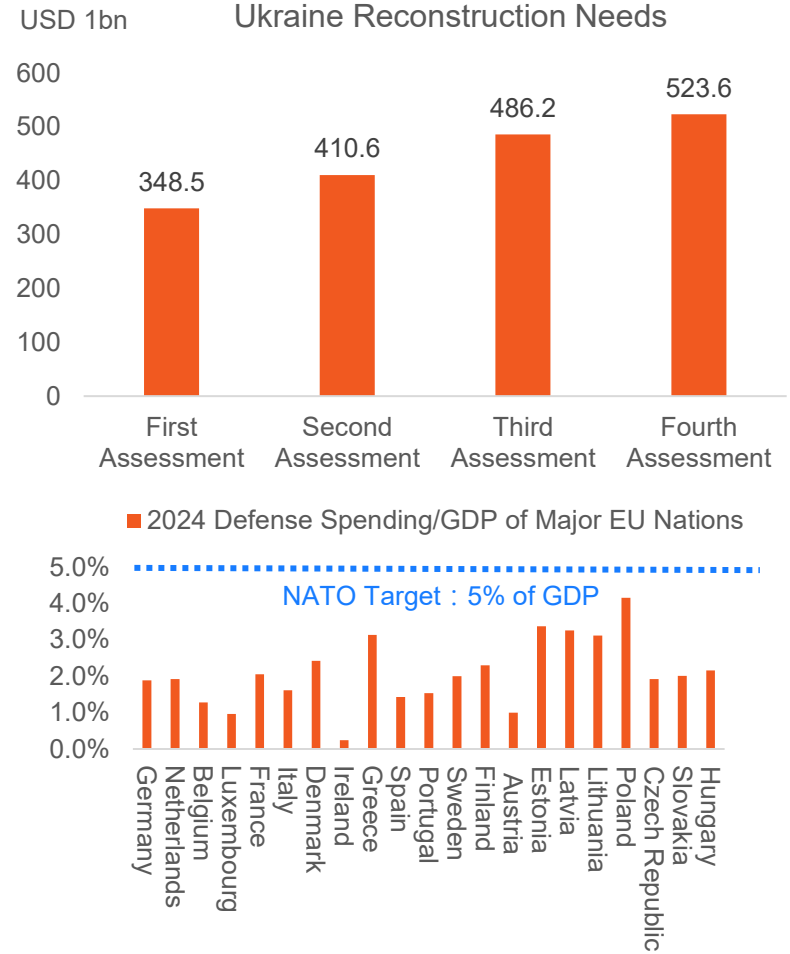
US-Russia, US-Ukraine Talks Hint at Breakthrough, but Truce Still Elusive

- ▶ Trump met Putin in Alaska on Aug 15 and held talks with Ukraine’s president and seven European leaders on Aug 18. While no ceasefire was reached, the US and Europe will start planning a security framework for Ukraine and prepare for a future Zelensky-Putin summit.
- ▶ The war, now over three years long, continues, but global attention is waning as the battlefield stalemates. Trump’s push for diplomacy has eased Ukraine’s geopolitical risk index. Still, Polymarket odds put the chance of a 2025 ceasefire at just 32%, showing tough hurdles remain in negotiations.
- ▶ Ukraine’s damage is severe. World Bank estimates reconstruction needs have reached USD 523.6bn and could rise further as the war drags on. Defense and security concerns also imply sustained upside for European infrastructure and defense-related stocks.

Ukraine Risk Eases but Ceasefire Still Distant



Reconstruction Needs and Europe Defense Spending to Keep Rising



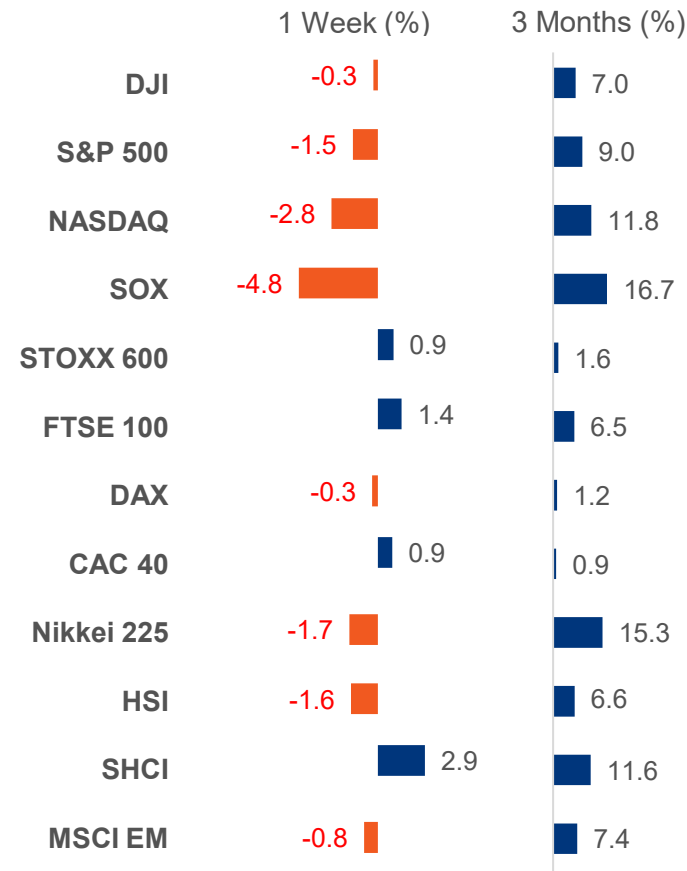
Source: Matteo Iacoviello (Top Left Chart), Polymarket (Bottom Left Chart), World Bank (Top Right Chart), SIPRI(Bottom Right Chart)]

Market Recap

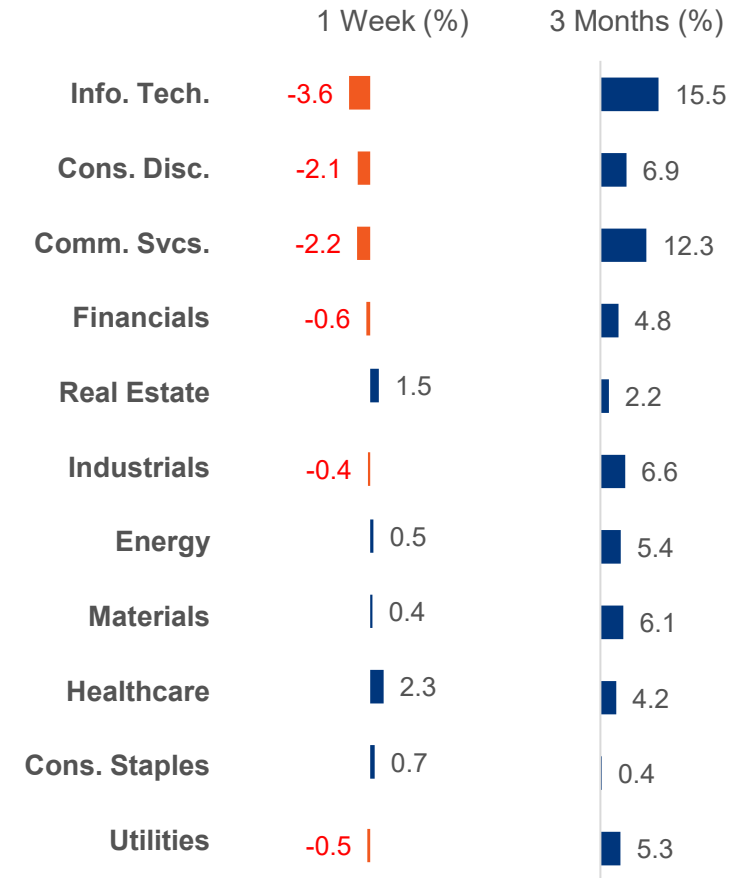
Fed Minutes and Chip Tariff Risk Weigh on Growth, Cyclical

- ▶ Trump said chip tariffs will be set within two weeks, possibly as high as 200–300%, dragging semiconductors and broader US equities lower. Meanwhile, despite no concrete deal from recent US-Russia and US-Ukraine talks, progress on the conflict eased geopolitical risk premiums, supporting most European markets.
- ▶ Despite weak economic data, China A-shares remained resilient, as ample liquidity and retail confidence in anti-“involution” policies sustained risk appetite.
- ▶ Tech stocks retreated on semiconductor weakness, while disappointing economic reports and July Fed minutes—showing most officials leaning toward no action—slightly trimmed September rate-cut expectations. Growth sectors like communication services and cyclicals including consumer discretionary, industrials, energy, and materials underperformed. Defensive sectors such as healthcare and staples drew inflows.

Regional Index Performance (%)



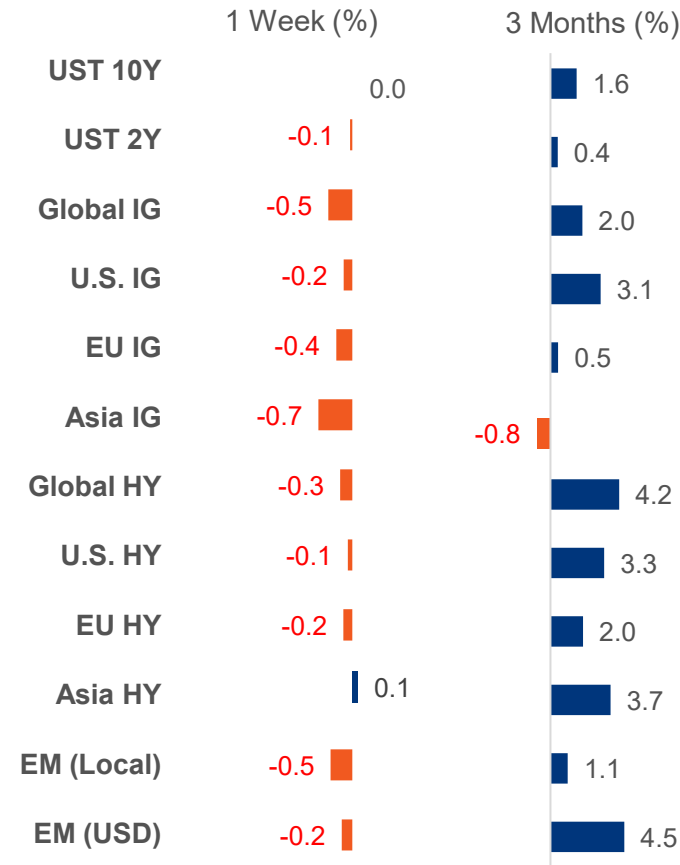
U.S. Sector Index Performance (%)



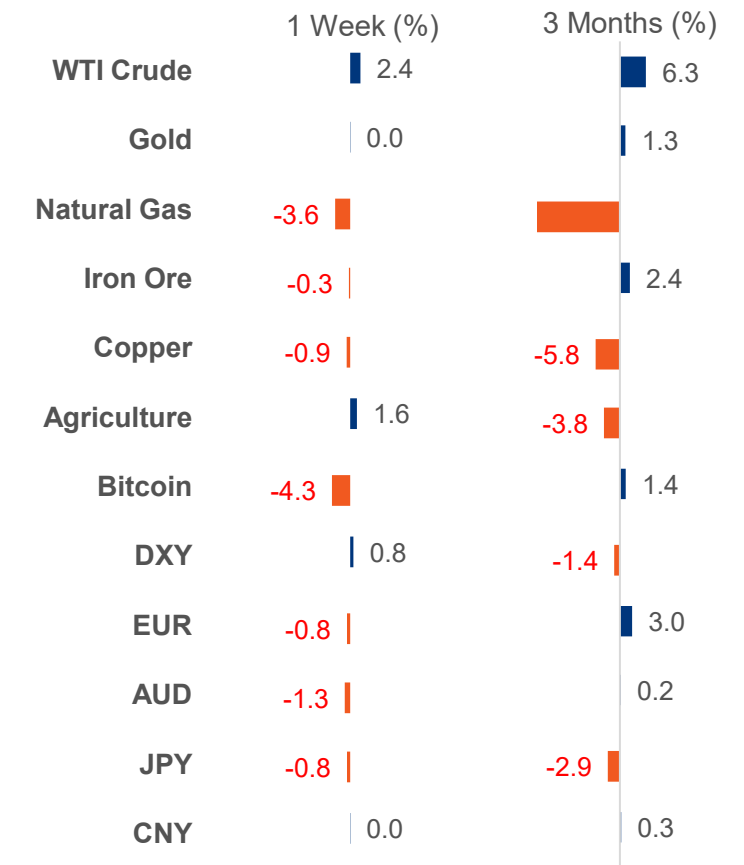
Rate-Cut Bets Ease; Bonds Dip, Dollar Strengthens, Oil Rebounds

- ▶ Fed Governor Schmid said rate cuts are not urgent, noting key inflation data remain ahead of the September meeting. His hawkish stance, along with July Fed minutes showing most officials cautious on cuts, pushed down rate-cut expectations and left Treasuries slightly weaker ahead of Jackson Hole.
- ▶ EIA data showed US crude inventories fell 6mn barrels, far above the expected 1.8mn draw. Gasoline stocks dropped 2.7mn barrels versus forecasts of 915k, underscoring robust demand in the summer travel season. Four-week average jet fuel consumption also hit the highest since 2019, reinforcing strong US oil demand and driving crude prices sharply higher.
- ▶ Trump called for Fed Governor Lisa Cook to resign amid a mortgage fraud controversy, raising concerns over political pressure on the Fed. While the dollar briefly dipped, sliding September rate-cut odds ultimately sent the greenback higher, with most non-USD currencies weakening.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)

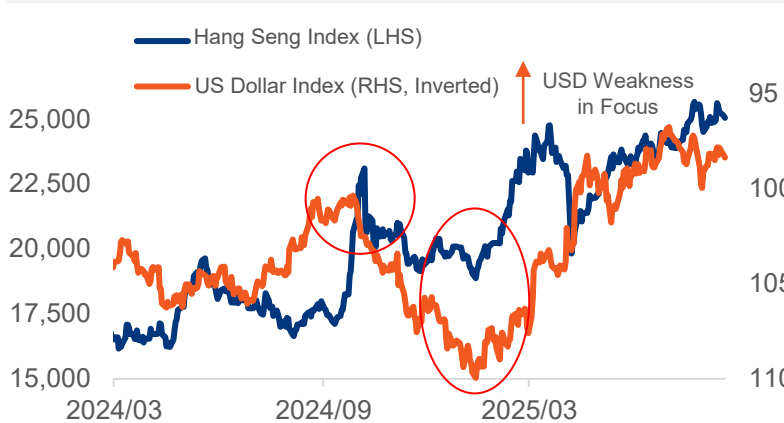


What's Trending

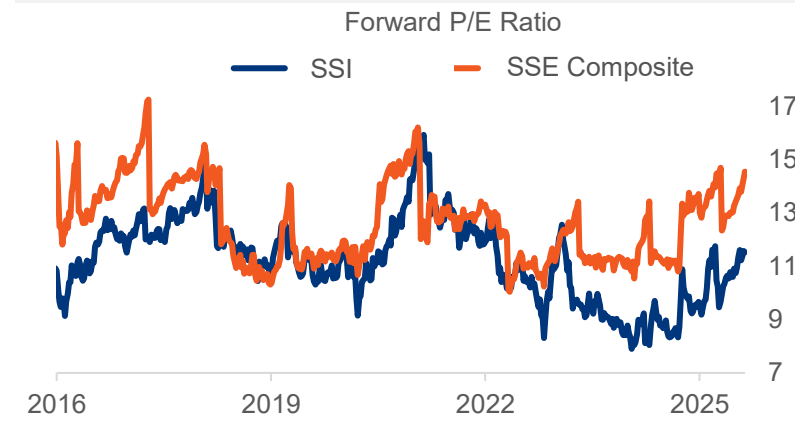
China, HK Equities Hold Highs as Liquidity Boosts Risk Appetite; Wealth Effect May Lift Consumption

- ▶ The Hang Seng Index is hovering near 25,000, up nearly 27% YTD. China and HK equities have performed strongly, with the SSE Composite—led by financials and staples—surpassing pre-Covid levels to a decade high. De-dollarization, easing trade tensions, and accommodative policies have underpinned the rally.
- ▶ Onshore liquidity shows signs of risk-taking. The July M1-M2 growth gap narrowed, while the 10Y CGB yield rose from 1.6% to 1.7%, suggesting capital rotation away from defensive fixed income. With the SSE hitting new highs and valuations rising, HSI trades at 11.5x forward PE, near its 10Y average of 11.2x, supported by generally in-line corporate earnings.
- ▶ Given high retail participation in A-shares, a renewed market uptrend may trigger a wealth effect, lifting consumption. 1Q mall tenant sales have improved, and if households move past reluctance to spend, consumption could enter a positive cycle, benefiting China consumer stocks.

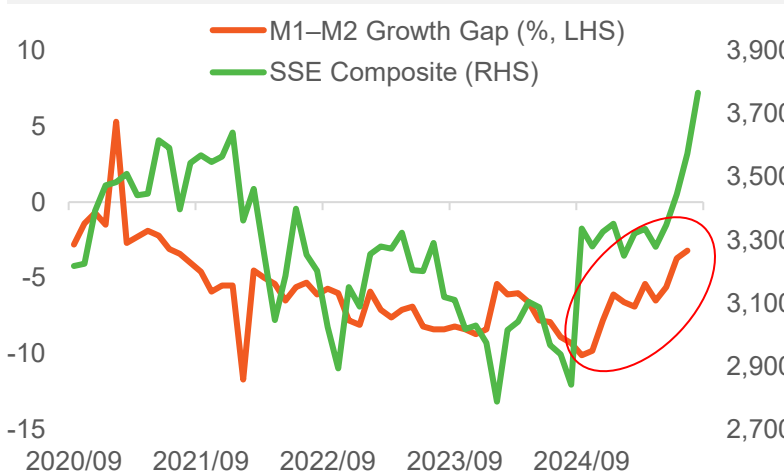
Weaker USD Supports HK Stocks



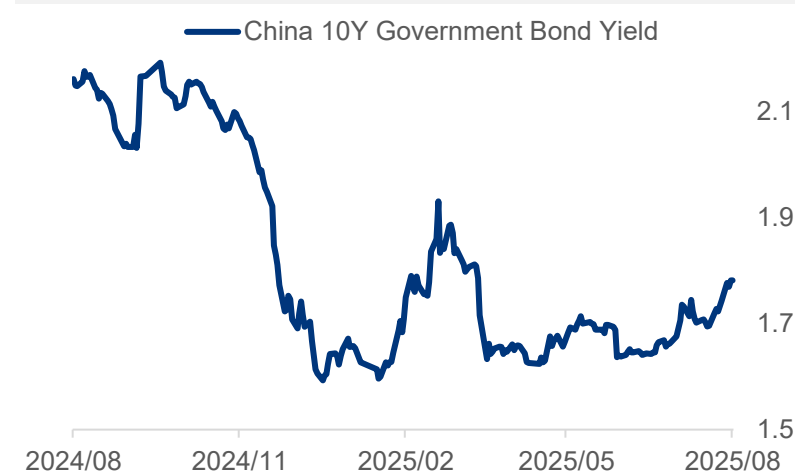
Valuations Climb in China, HK Equities



Rising Liquidity Fuels Market Momentum



China 10Y Govt Bond Yield Rebounds from Lows



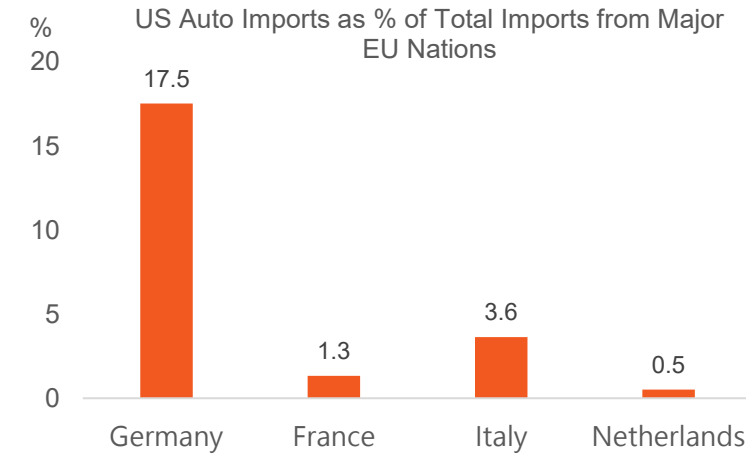
Source: Bloomberg, CEIC, 21 August 2025

Germany to Benefit as Auto Tariff Cut to 15% and Fiscal Expansion Lifts Demand

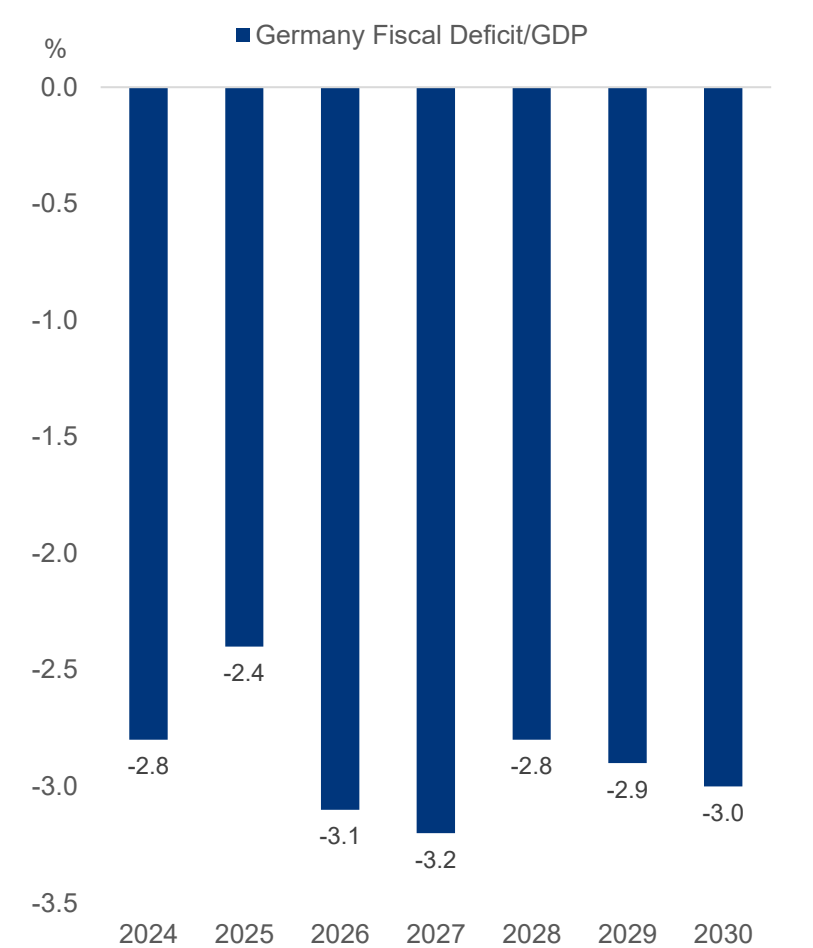
- ▶ The US and EU reached a preliminary trade deal, lowering tariffs to 15%—higher than the UK’s 10% but the lowest among the US’s top 10 trade-deficit partners. Official documents confirmed coverage of semiconductors, autos, and pharmaceuticals, easing EU trade-policy uncertainty and improving European firms’ global competitiveness.
- ▶ US imports from Europe are concentrated in pharma/chemicals, autos, and machinery. German autos account for 17.5% of US imports from Germany, far above other EU peers. With auto tariffs reduced from the originally announced 25% to 15%, Germany is the biggest beneficiary.
- ▶ In 2025, Germany will shift from post-Eurozone crisis austerity toward fiscal expansion, channeling up to EUR 1tn into defense and infrastructure via budgets and special funds. Bloomberg estimates Germany’s fiscal deficit-to-GDP ratio will rise to around 3% in coming years, providing meaningful support to its economy and equities.

15% US Tariff on Autos and Other Sectors Favors Germany

Trump’s Announced Tariff Brackets	Top 10 US Trade-Deficit Partners
50%	India
35%	Canada
30%	China
25%	Mexico
20%	Taiwan, Vietnam
19%	Thailand
15%	EU, Japan, Korea



Germany Shifts Toward Fiscal Expansion

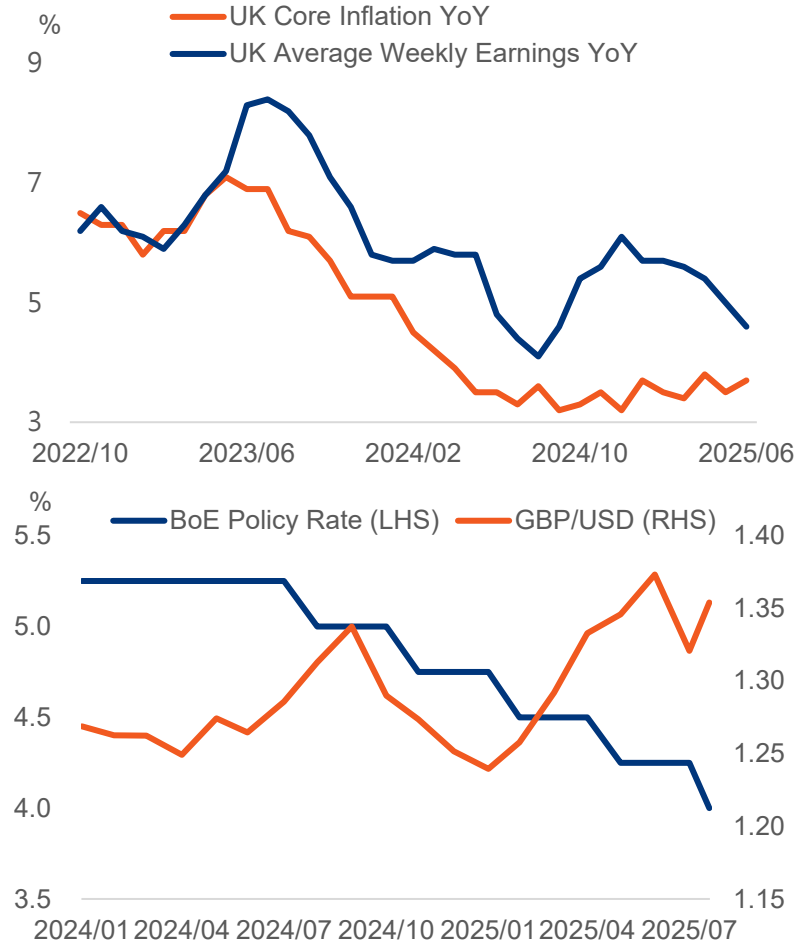


Source: Bloomberg

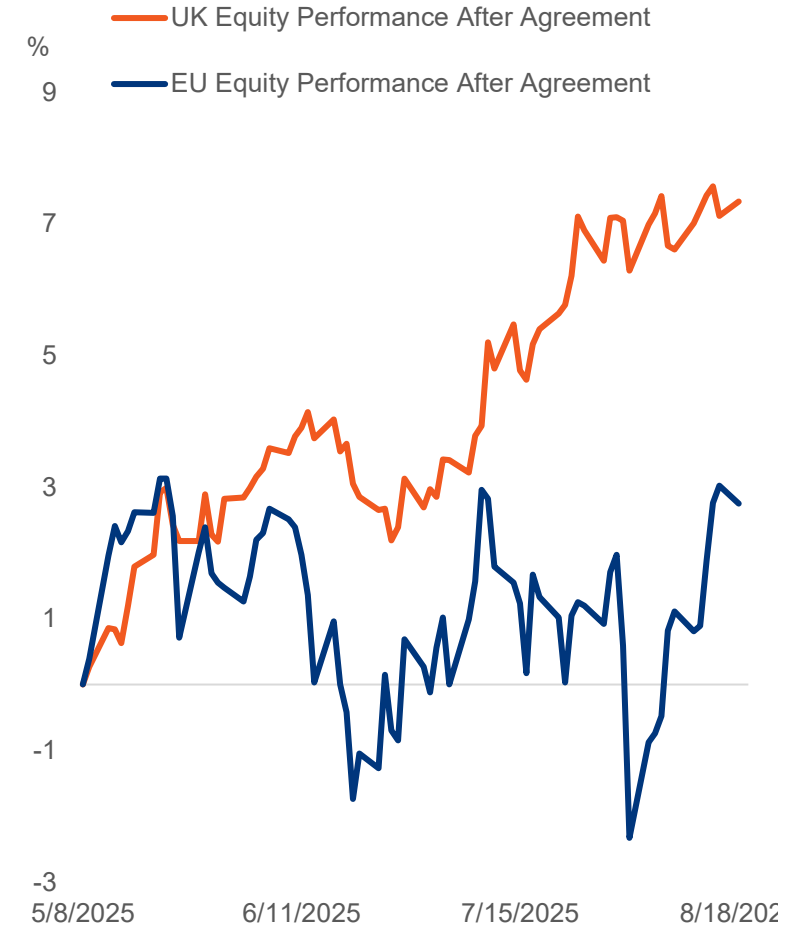
BoE Retains Room to Cut; UK's 10% Tariff Advantage Seen Supporting Economy and Equities

- ▶ Since August 2024, the BoE has cut rates by 125 bps, maintaining a quarterly pace. While core inflation ticked higher recently, slowing average wage growth suggests disinflation ahead, giving the BoE more easing room than markets currently expect.
- ▶ Despite steady cuts, GBP has strengthened, reflecting stronger-than-expected economic data and capital inflows from portfolio diversification amid USD weakness. With the dollar likely to remain soft medium term, support for GBP should persist.
- ▶ On May 8, the UK became the first country to secure a trade deal with the US, with most goods facing only 10% tariffs—lower than the EU, Japan, and Korea's 15%. The lower tariff burden has aided UK equities' relative performance. With domestic monetary easing and external tariff advantages, UK assets are set to remain attractive to investors.

Slowing Wage Growth May Ease Core Inflation



UK Equities Outperform EU Peers Post US-UK Deal



Source: Bloomberg.

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> Recent US data has disappointed, keeping attention on whether the Fed can deliver a September rate cut. With US equities near record highs and valuations elevated, weaker 2H growth could increase correction risk. Investors should maintain balanced sector exposure and flexibility. High-quality, low-volatility stocks can be added, while long-term investors may focus on AI, with software and cybersecurity favored within tech—building positions gradually on pullbacks. In Europe, fundamentals are improving and valuations remain cheaper than the US. UK and German equities, less exposed to trade risks, look preferable. Japan's economy is strengthening, and with a trade deal in place, domestic demand and banks offer dip-buying opportunities. 	<p>Strategy: Add high-quality, low-volatility stocks; for long-term, focus on AI themes with software and cybersecurity favored—accumulate gradually on pullbacks.</p> <p>Regions: European equities, UK equities, Japan domestic demand and bank stocks.</p>
Bonds	<ul style="list-style-type: none"> Signs of cooling growth and uncertainty over a September Fed cut left bonds slightly volatile. Short- to medium-term high-grade bonds can be used to lock in yields. Within IG, A-rated and above blue-chip corporates are preferred, with attractive risk-adjusted spreads in financials, industrials, energy, utilities, and communications. With the USD still weak, diversifying into non-USD bonds—such as euro- and SGD-denominated IG debt—can help manage currency risk 	<p>Duration: Lock in yields with short- to medium-term high-grade bonds, focusing on financials, industrials, energy, utilities, and communications.</p> <p>Type: Emphasis on financials, industrials, energy, utilities, and communications.</p>
Forex	<ul style="list-style-type: none"> US labor market is cooling, and with Fed personnel changes tilting dovish, policy bias has softened. However, stronger-than-expected PPI adds uncertainty. The DXY may stay supported short term but remains structurally weak medium to long term. Non-USD currencies such as the euro, yen, and pound are expected to trade with an upward bias amid volatility. 	<p>USD: Consolidating with Downward Bias</p> <p>EUR, JPY, GBP: Fluctuating with upward bias</p>
Commodity	<ul style="list-style-type: none"> The USD is set to weaken medium to long term as rate cuts drive yields lower, while inflation risks and persistent fiscal deficits add pressure. With both central banks and private capital continuing to buy gold, the metal retains upside potential and can be accumulated gradually on pullbacks. 	<p>Gold: Bullish bias</p>

Earnings Validate Rally, Unlocking Value Potential in HK Stocks

► Strong Market Momentum, Earnings as True Test of Resilience

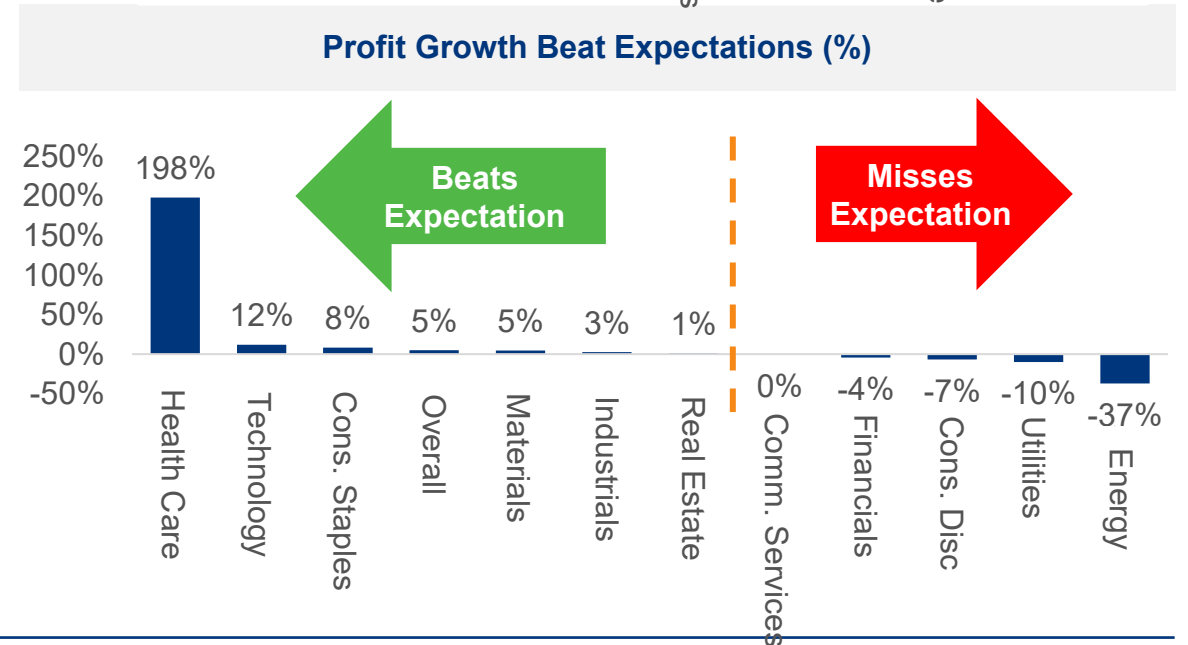
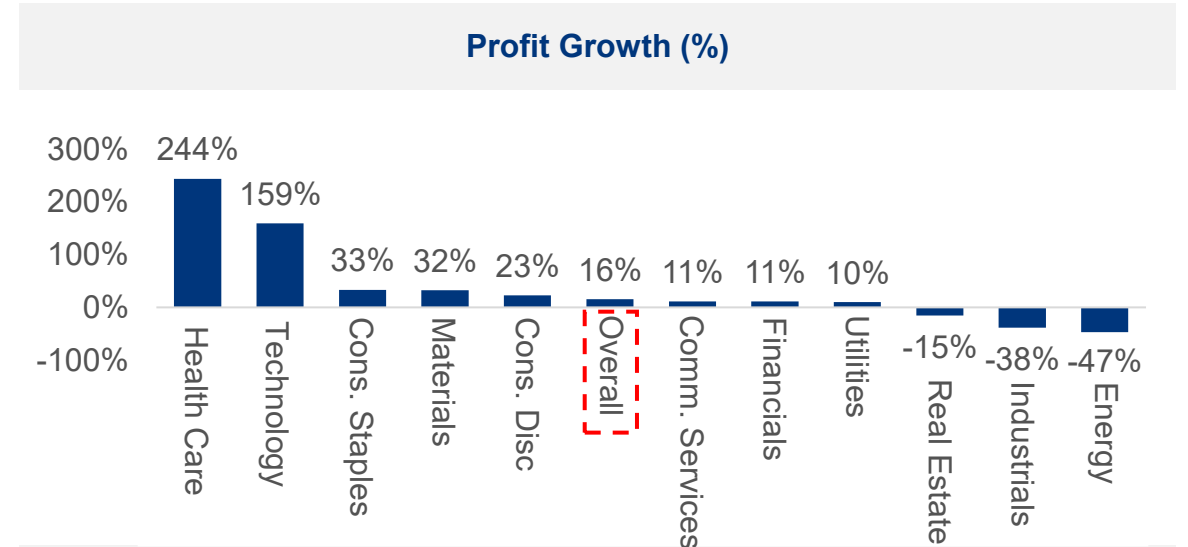
Hong Kong and China equities extended last year’s rally, with the Hang Seng Index up 27% YTD, on par with major US, European, and Asia-Pacific markets. Market resilience has been evident with higher turnover and a revived IPO pipeline. While short-term gains may be event-driven, long-term trajectory hinges on fundamentals—making this earnings season a key test of profitability.

► Accelerating Earnings Growth

As of Aug 20, 167 of 500 Hang Seng Composite constituents have reported results, showing average earnings growth of 16%, beating consensus by 5%. Healthcare, technology, and consumer staples led gains, with related stocks seeing strong share price appreciation supported by solid earnings momentum.

► Value Opportunities Still Underpriced

Despite sizeable YTD gains, we believe part of the intrinsic value of select Hong Kong stocks remains underpriced this earnings season, creating opportunities for investors to uncover hidden value plays.



Appendix

Key Economic Data / Events

► AUGUST 2025

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Monday

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Tuesday

- US Jul Housing Starts (Act:1,428k Est:1,297k Prev:1,358k)
- US Jul Building Permits (Prelim) (Act:1,354k Est:1,386k Prev:1,393k)
- HK Jul Unemployment Rate (Act:3.7% Est:3.5% Prev:3.5%)

20

Wednesday

- Eurozone Jul CPI YoY (Final) (Act:2.0% Est:2.0% Prev:2.0%)
- Japan Jul Exports YoY (Act:-2.6% Est:-2.1% Prev:-0.5%)
- Japan Jun Core Machinery Orders MoM (Act:3.0% Est:-0.5% Prev:-0.6%)
- Taiwan Jul Export Orders YoY (Act:15.2% Est:16.7% Prev:24.6%)

21

Thursday

- US Weekly Initial Jobless Claims (Act:235k Est:225k Prev:224k)
- US Aug S&P Global Mfg PMI (Act:53.3 Est:49.7 Prev:49.8)
- Eurozone Aug HCOB Mfg PMI (Act:50.5 Est:49.5 Prev:49.8)
- Eurozone Aug Consumer Confidence (Act:-15.5 Est:-14.7 Prev:-14.7)
- Japan Aug S&P Global Mfg PMI (Act:49.9 Prev:48.9)
- HK Jul CPI YoY (Act:1.0% Est:0.9% Prev:1.4%)

22

Friday

- Japan Jul Nationwide CPI YoY (Act:3.1% Est:3.1% Prev:3.3%)
- Taiwan Jul Unemployment Rate (Est:3.30% Prev:3.34%)
- Jackson Hole Central Bank Symposium (thru Aug 23)

25

Monday

- US Jul New Home Sales (Est:628k Prev:627k)
- US Jul Building Permits (Final) (Prev:1,393k)

26

Tuesday

- US Jul Durable Goods Orders MoM (Prelim) (Est:-4.0% Prev:-9.4%)
- US Aug Conference Board Consumer Confidence (Est:96.4 Prev:97.2)
- HK Jul Exports YoY (Prev:11.9%)

27

Wednesday

- Earnings: NVDA

28

Thursday

- US Weekly Initial Jobless Claims (Prev:235k)
- US 2Q GDP QoQ (Est:3.1% Prev:3.0%)
- Eurozone Aug Consumer Confidence (Final) (Prev:-14.7)
- Eurozone Aug Economic Sentiment (Prev:95.8)

29

Friday

- US Jul Core PCE YoY (Est:2.9% Prev:2.8%)
- US Jul Core PCE MoM (Est:0.3% Prev:0.3%)
- US Aug Michigan Consumer Sentiment (Final) (Est:58.6 Prev:61.7)
- Japan Jul Industrial Production MoM (Est:-1.1% Prev:2.1%)
- Japan Jul Unemployment Rate (Est:2.5% Prev:2.5%)
- Japan Aug Tokyo CPI YoY (Est:2.6% Prev:2.9%)

Source: Bloomberg

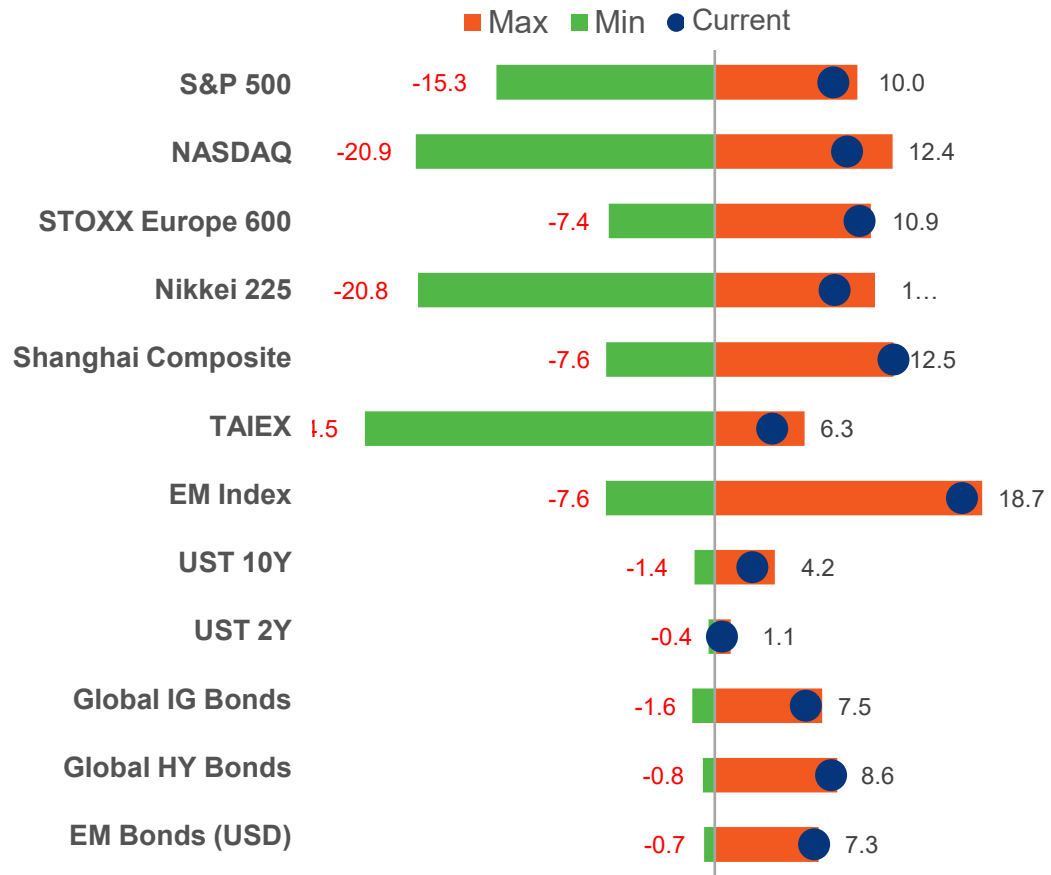
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/8/18	Palo Alto Networks Inc (PANW)	2.5B	2.5B	0.89	0.95		V
2025/8/19	Home Depot Inc (HD)	45.44B	45.30B	4.72	4.68		
2025/8/19	Medtronic PLC (MDT)	8.38B	8.60B	1.23	1.26	V	V
2025/8/20	TJX Companies Inc (TJX)	14.14B	14.40B	1.01	1.10	V	V
2025/8/20	Lowe's Companies Inc (LOW)	23.96B	23.96B	4.24	4.33		V
2025/8/20	Analog Devices Inc (ADI)	2.76B	2.88B	1.95	2.05	V	V
2025/8/21	Walmart Inc (WMT)	174.4B	177.4B	0.74	0.68	V	
2025/8/21	Intuit Inc (INTU)	3.74B	3.80B	2.66	2.75	V	V

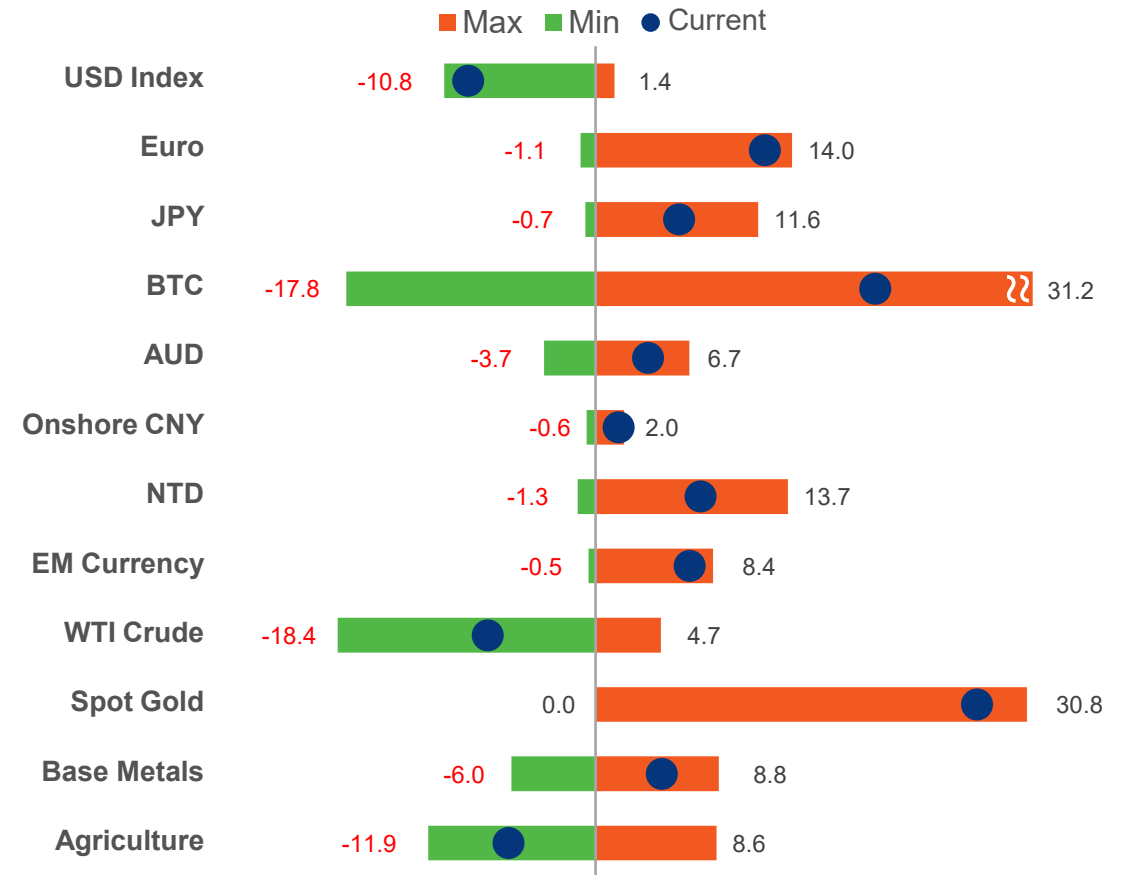
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

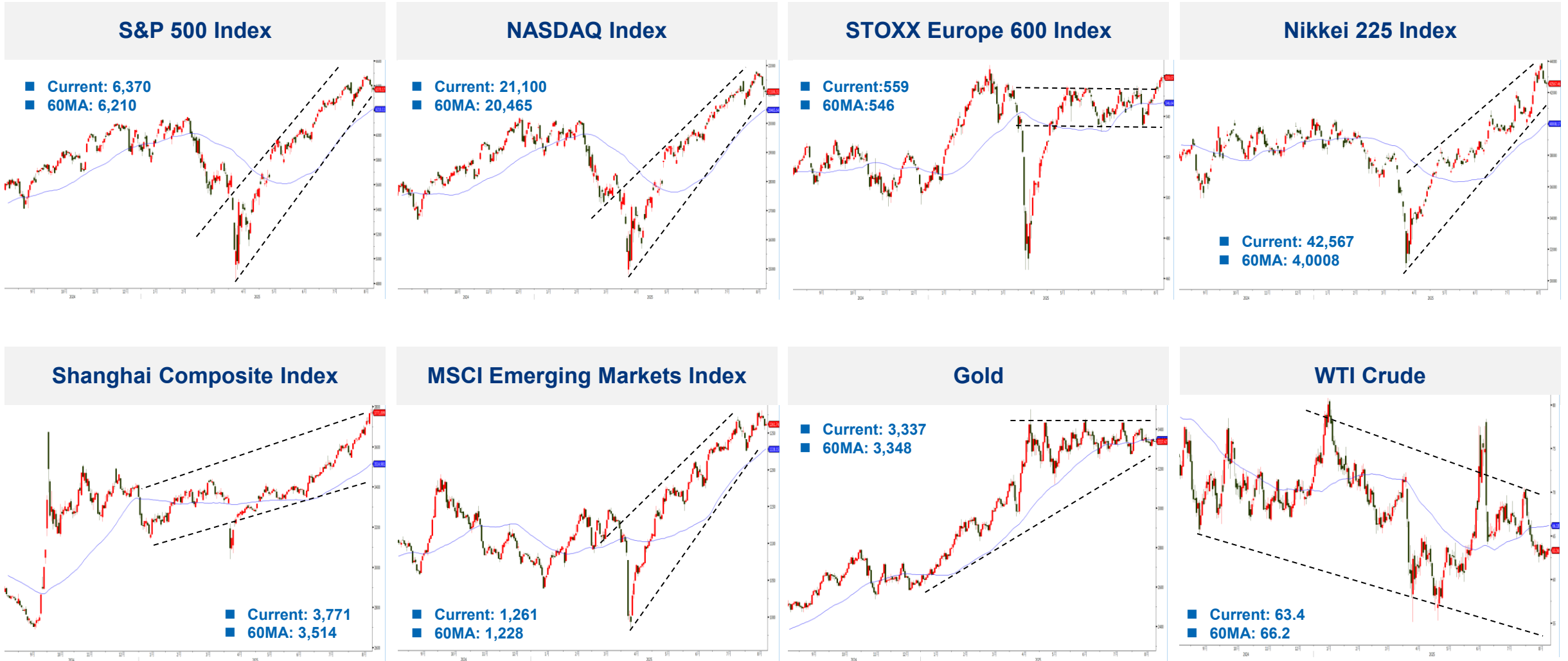


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 22 Aug 2025

Technical Analysis



Source: Bloomberg, 22 Aug 2025

Market Monitor

U.S. CPI YoY (%)



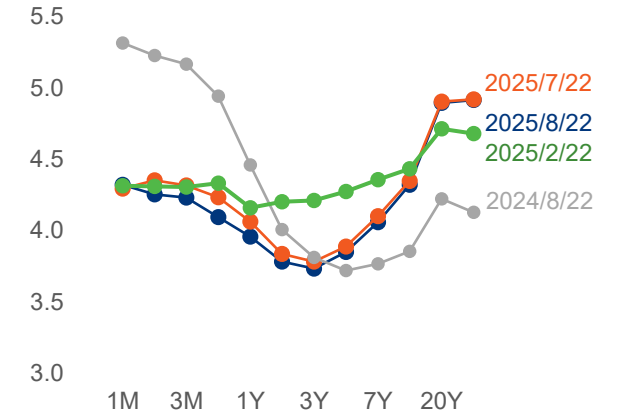
U.S. 10-Year Treasury Yield (%)



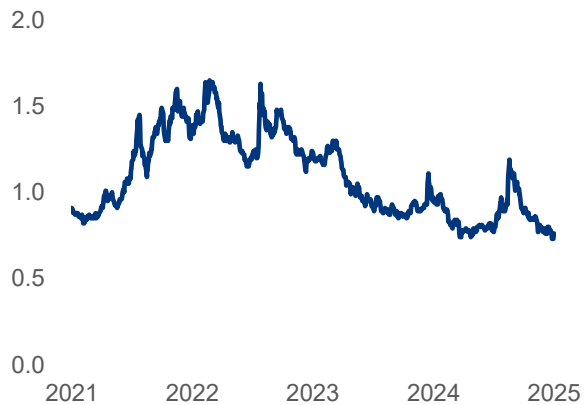
U.S. Treasury Yield Spread (bps)



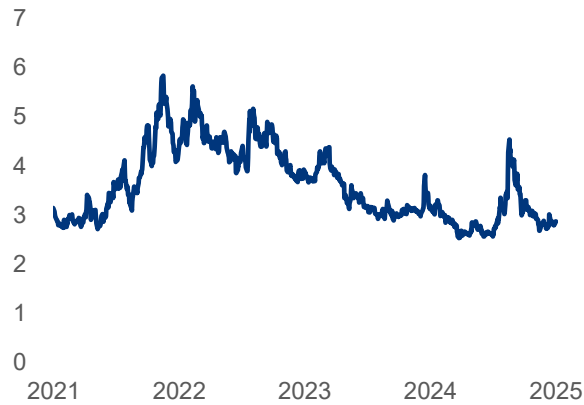
U.S. Treasury Yield Curve (%)



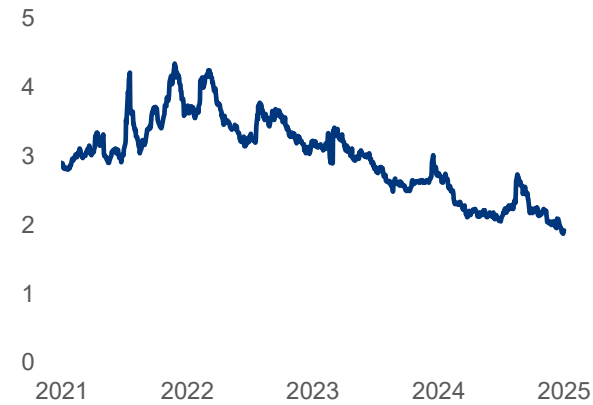
USD IG Credit Spread (%)



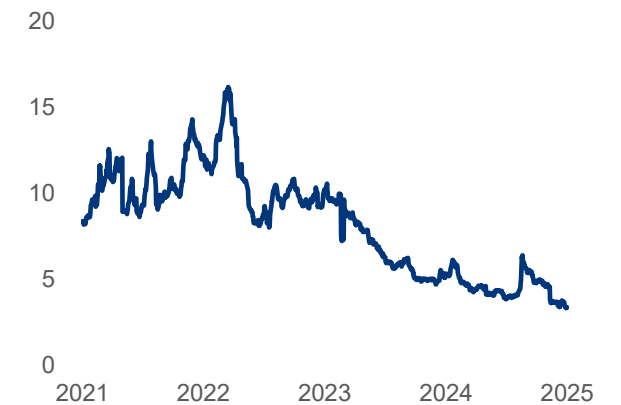
USD HY Credit Spread (%)



USD EM Credit Spread (%)



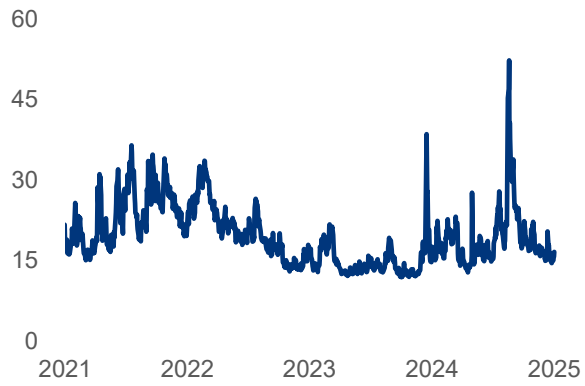
USD Asia Credit Spread (%)



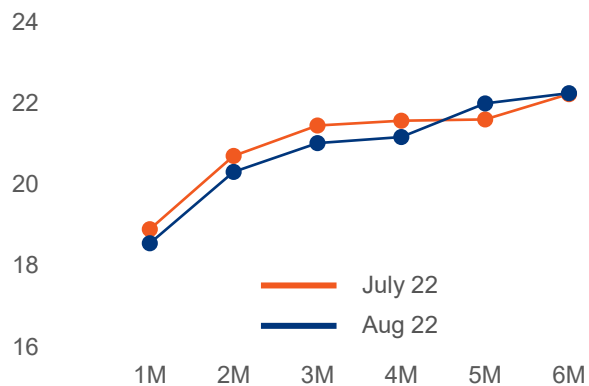
Source: Bloomberg, 22 Aug 2025

Market Monitor

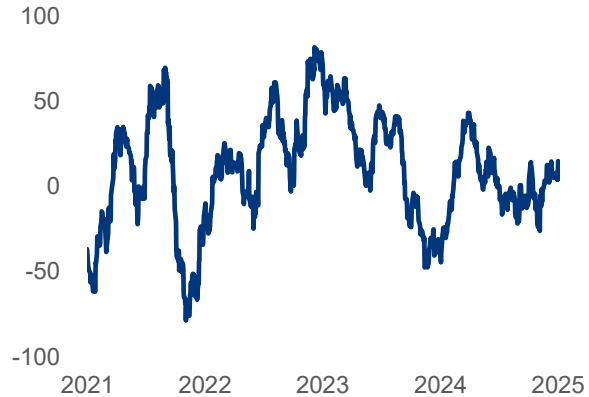
VIX Index



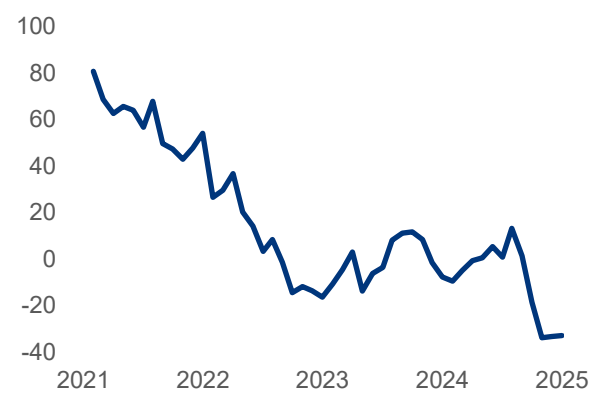
VIX Term Structure



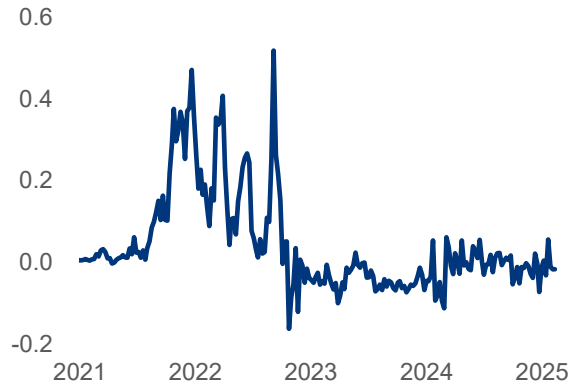
U.S. Citi Economic Surprise Index*



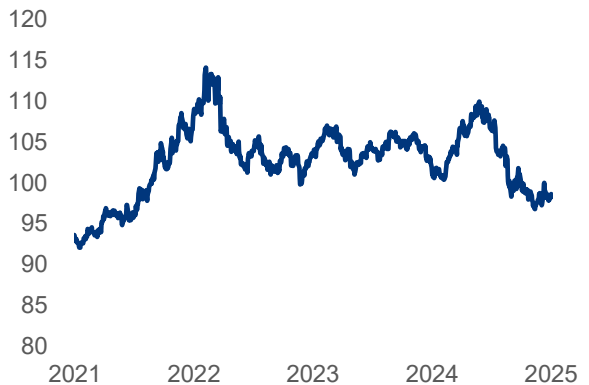
U.S. Citi Inflation Surprise Index*



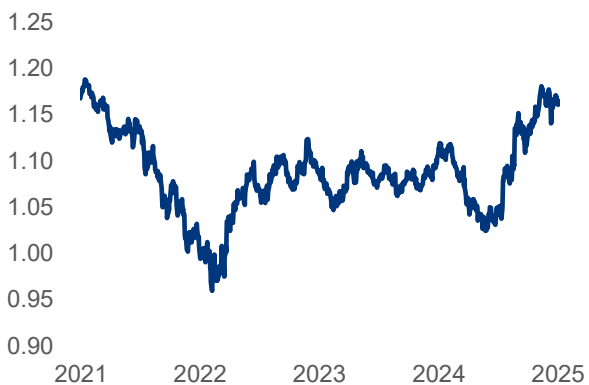
TED Spread (bps)



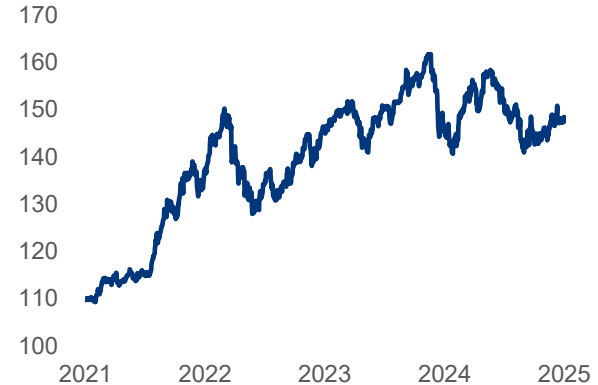
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 22 Aug 2025 *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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All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

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