



CIO Office

Global Markets Weekly Kickstart

Telecom Earnings Worth Watching

28 July 2025

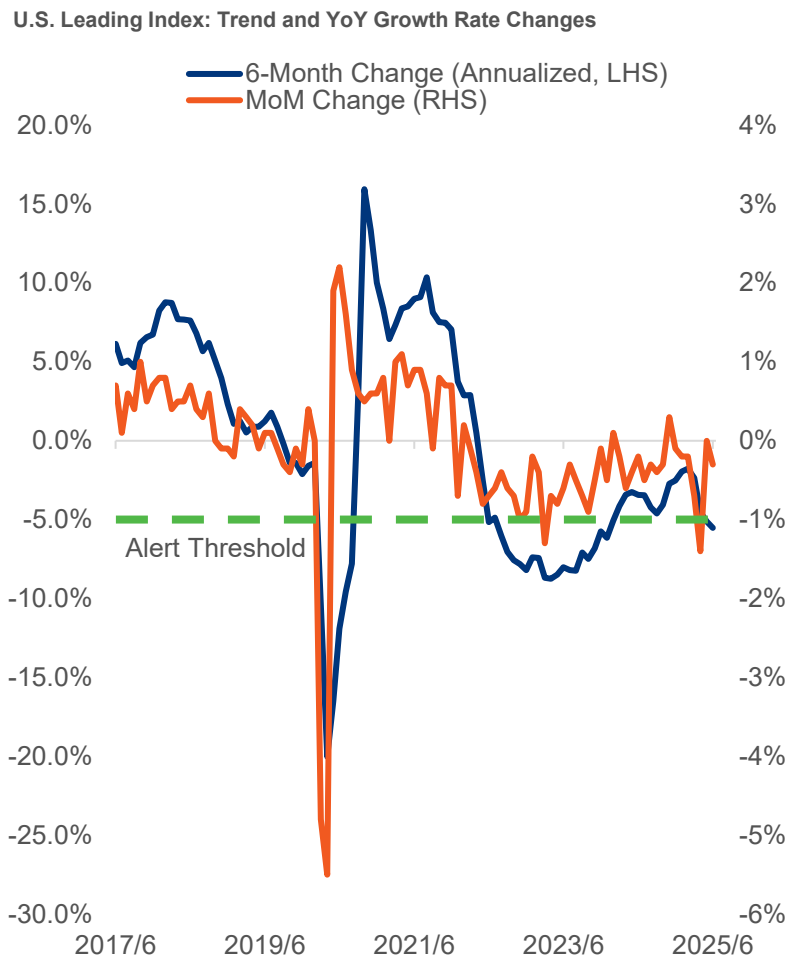


Chart of the Week

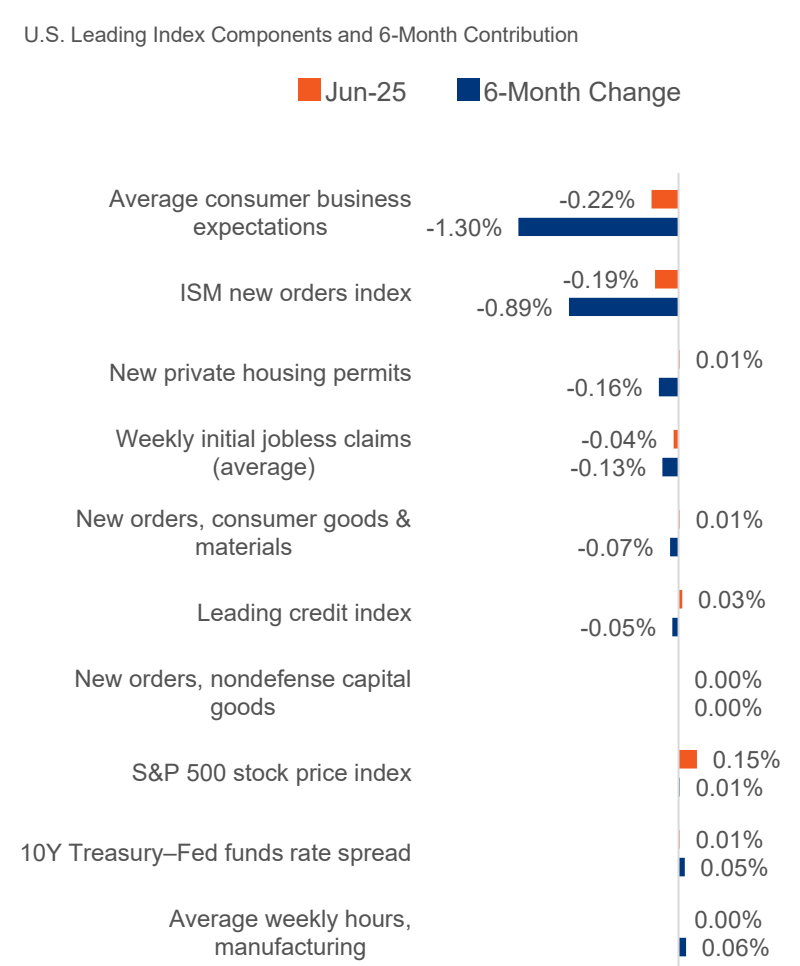
Leading Indicators Extend Decline, Raising U.S. Slowdown Risk

- ▶ U.S. leading indicators fell 0.3% MoM in June, marking the seventh decline in eight months since Dec 2024 (with May's final reading revised up from -0.1% to 0%). The 6-month annualized change for Jan–Jun 2025 fell 5.5%, breaching the Conference Board's -5% recession warning level and marking the steepest drop since early 2024. Officials noted that while rising equity prices provided some support, they were outweighed by weak data in consumer expectations, new manufacturing orders, and a third consecutive rise in initial jobless claims.
- ▶ Other economic signals reflect similar softness: the rate of job losses now exceeds job gains, labor force participation is trending lower, more regions are seeing home price declines, and mortgage-related financial stress is on the rise. While the Conference Board does not expect a full recession, it forecasts slower growth ahead, driven by reduced consumer spending amid rising prices. It also expects tariffs to exert more pressure in 2H25. Inflation and consumption trends will be key for shaping the Fed's policy path.

6-Month Annualized Growth Drops Below -5% Warning Threshold



Consumer Expectations and ISM New Orders Signal Potential Weakness



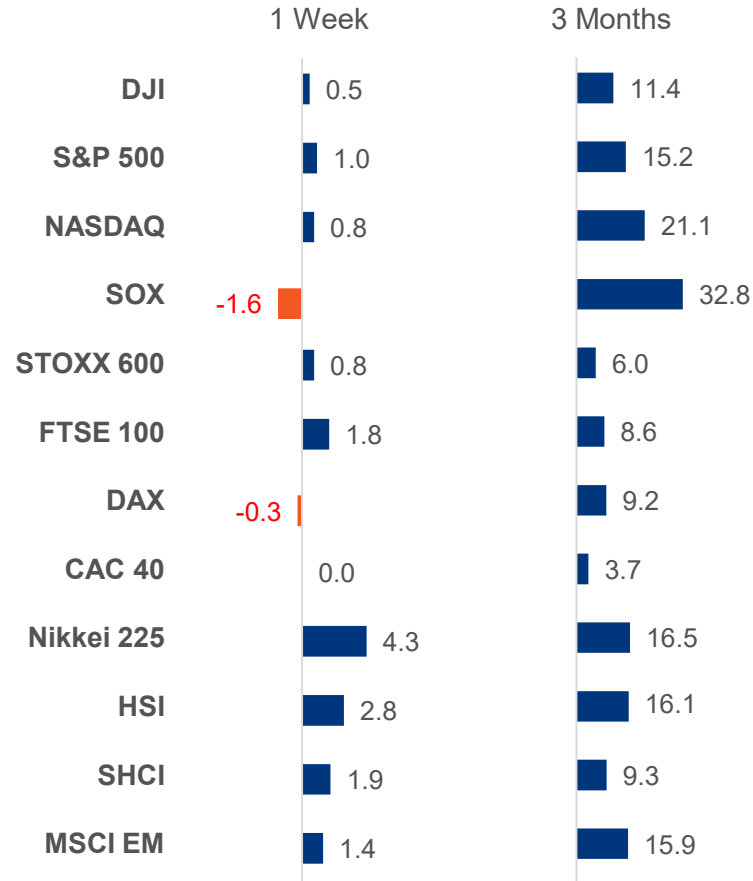
Source: Bloomberg, The Conference Board

Market Recap

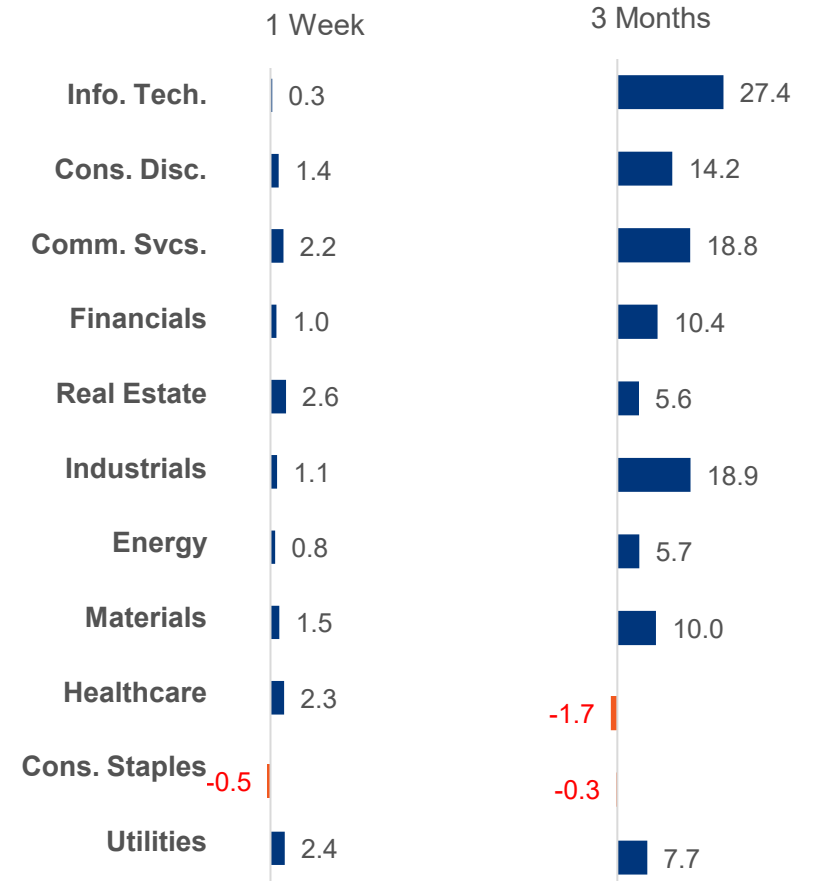
Earnings Boost Pushes U.S. Stocks to New Highs; Asia Gains, Semis Retreat on Profit-Taking

- ▶ The S&P 500 and Nasdaq both hit new intraday and closing highs on Thursday, driven by strong corporate earnings and AI optimism. Asian markets outperformed, buoyed by tariff agreements between the U.S. and countries like Japan, the Philippines, and Indonesia, as well as easing China-U.S. tensions following China's lift of its rare earth export ban and the U.S. resumption of advanced chip exports to China. In contrast, European equities underperformed due to ongoing geopolitical tensions with Russia.
- ▶ By sector, semiconductors lost steam this week after last week's gains triggered by U.S. export approval for Nvidia chips to China, dragging the Philadelphia Semiconductor Index lower and weighing on tech. Alphabet beat earnings expectations, posting strong ad and cloud performance, and sharply raised its 2024 capex guidance to \$85 billion, fueling a rally in communication services. Most other sectors saw broad-based gains. Market attention remains on 2Q earnings and 3Q guidance, which will be key to further equity re-rating.

Regional Index Performance (%)

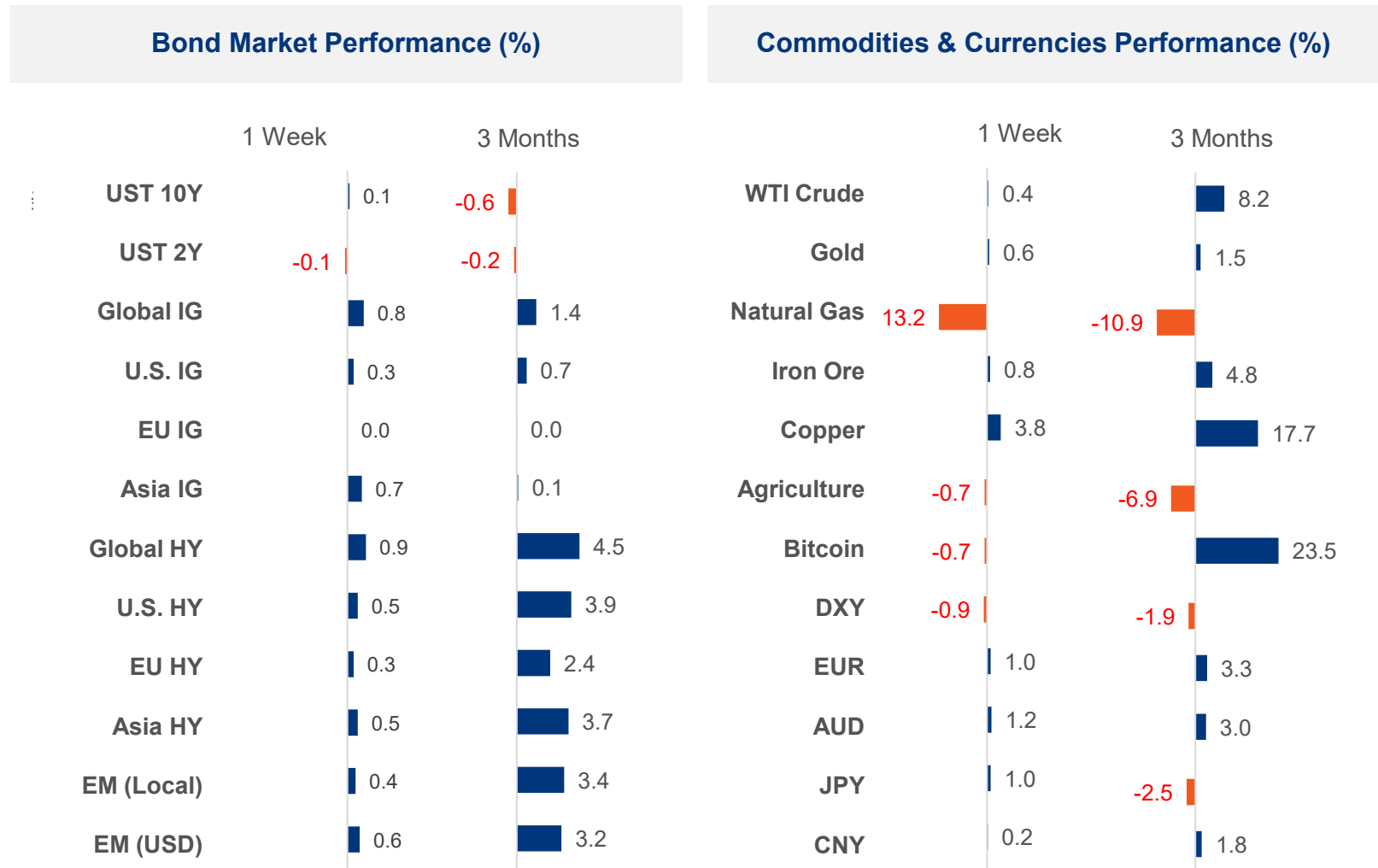


U.S. Sector Performance (%)



IG Leads in Bonds; Dollar Softens, Copper Extends Gains, Gold and Bitcoin Fluctuate Near Highs

- ▶ U.S. Treasuries were broadly flat, with yields hovering around 4.4% amid mixed economic data. University of Michigan consumer sentiment beat expectations and inflation expectations eased, while credit conditions showed slight improvement. However, housing data revealed a second consecutive quarterly decline in residential investment. Strong corporate earnings and progress on global tariff negotiations supported both investment-grade and high-yield credit across the U.S., Europe, and Asia, keeping bond market sentiment upbeat. Still, investors should monitor corporate fundamentals and the potential cost impact of new tariffs.
- ▶ Stronger-than-expected industrial output and GDP from China lifted base metal prices, with copper extending gains amid optimism for a potential U.S.-China tariff deal. As tariffs may delay disinflation, the Fed is now expected to push rate cuts beyond September. The dollar weakened, while major non-USD currencies like the euro and yen strengthened. Currency allocation into developed markets outside the U.S. may help mitigate FX risks. With tariff uncertainty fading, haven assets like gold and Bitcoin remain rangebound near highs.

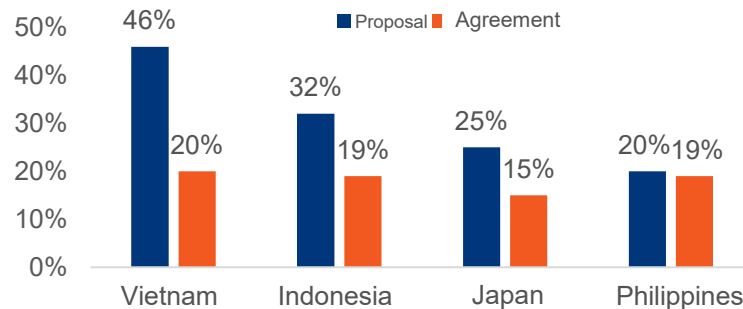


U.S.-Asia Tariff Deals and China Optimism Drive Hang Seng to 3-Year High

- ▶ Japan, the Philippines, and Indonesia have each reached tariff agreements with the U.S., with Japan seeing tariffs reduced from 25% to 15% on general exports and autos. These "reciprocal" and lower-than-expected tariffs lifted Japanese equities as uncertainty faded. Tariffs for Indonesia and previously announced terms for Vietnam also came in below the "Liberation Day" proposals, supporting overall Asian market sentiment.
- ▶ While a U.S.-China deal is still pending, Bessent is scheduled to negotiate with Beijing this week. Talks are expected to broaden and extend the current truce. Previous consensus on rare earths and advanced chip exports has already bolstered optimism, with markets now pricing in a potential deal, sending the Hang Seng Index to a near 3-year high.
- ▶ Beyond trade, the resilience of China and Hong Kong equities continues to attract global capital. Hong Kong's IPO market led global fundraising in 1H25, with HK\$106.7 billion raised, HK\$41 billion of which came from CATL alone. Strong investor focus on EVs and batteries remains, though sustained gains will depend on corporate fundamentals.

Tariff Rates Lower Than Initial Proposals

Tariff Rates of Asian Countries with Finalized Agreements



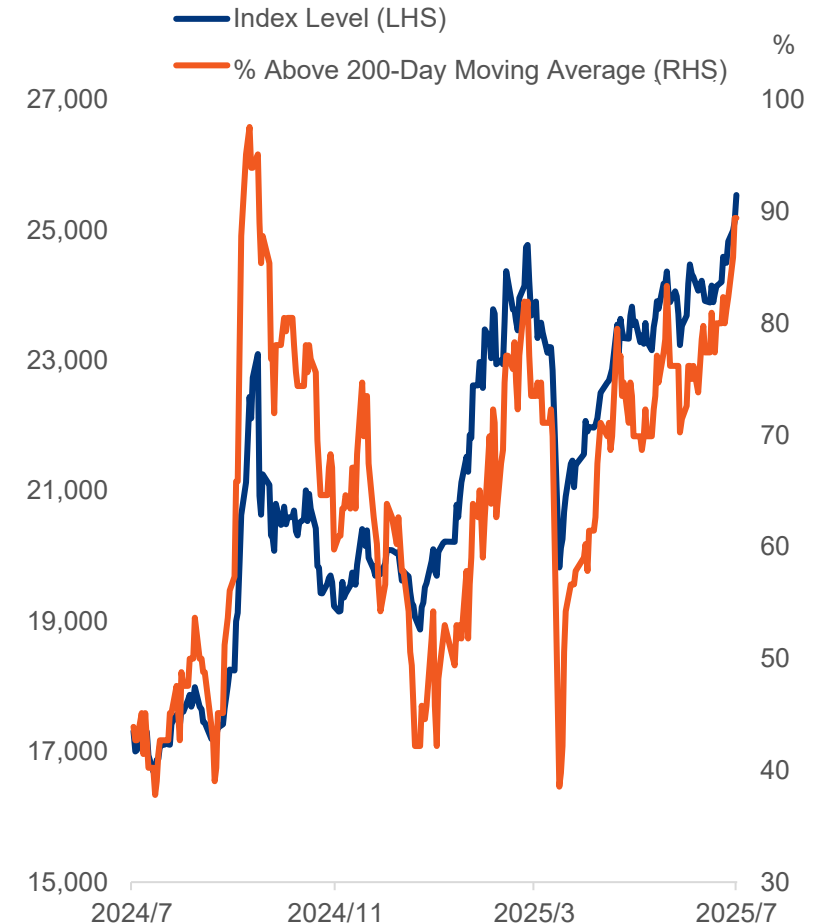
Transhipped goods from Indonesia and Vietnam are subject to an effective tariff rate of 40%.

Regional Tariff Deals Support Equity Rally



Hang Seng Hits 3-Year High; Nearly 90% of Constituents Above 200-Day MA

Hang Seng Index

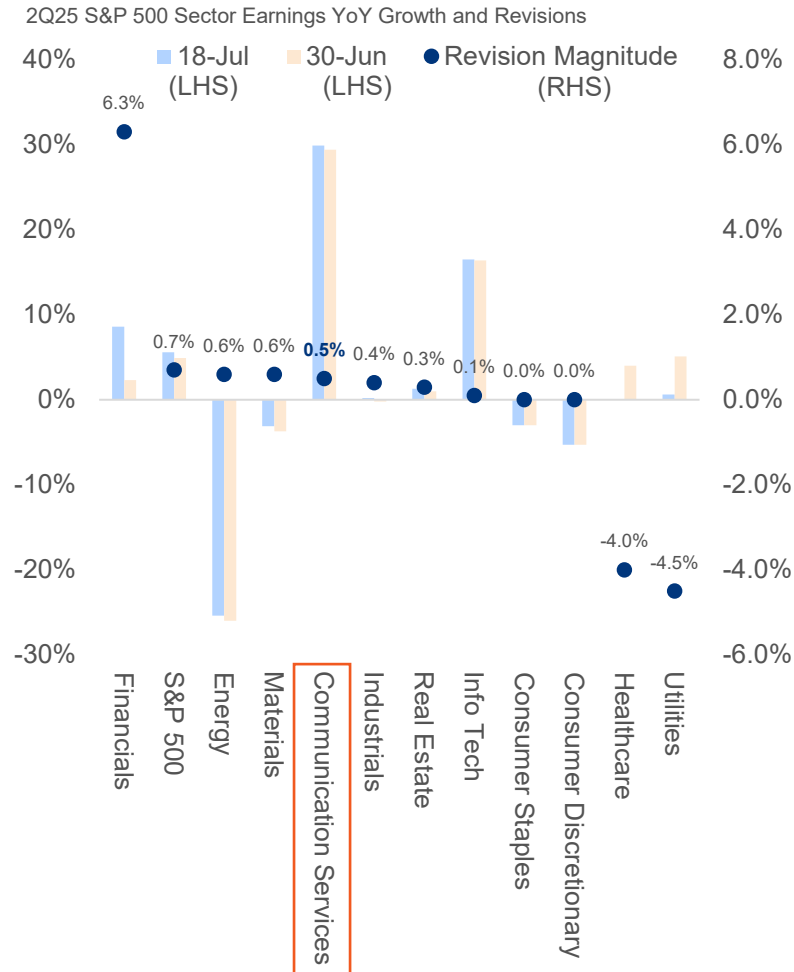


In Focus

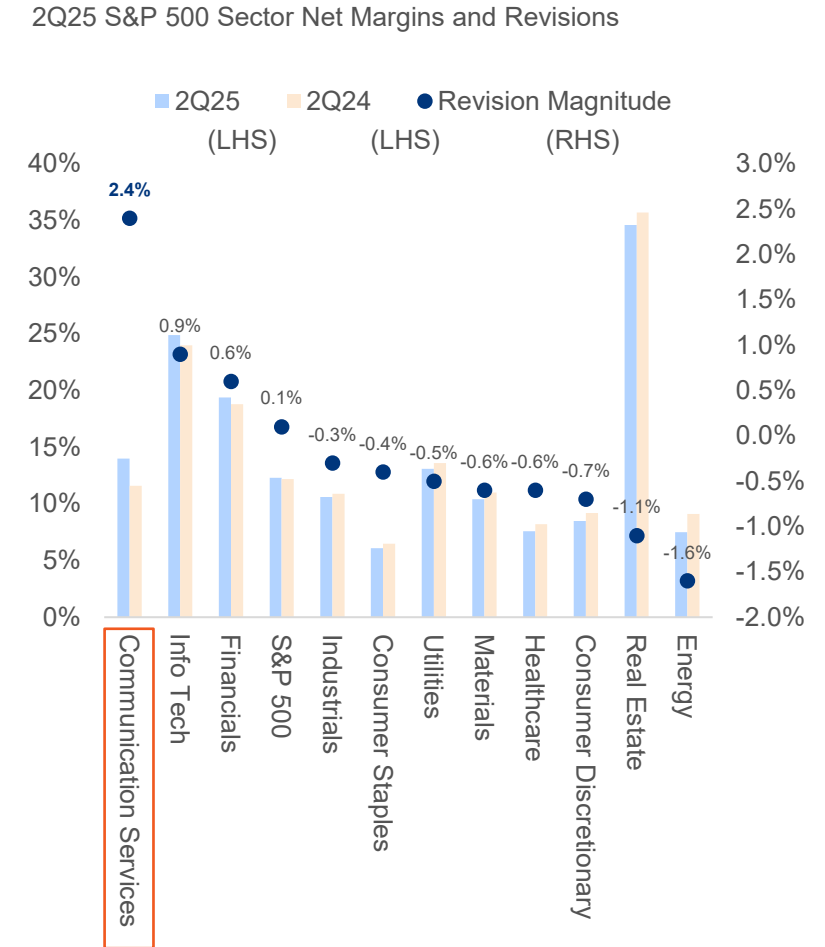
Strong Earnings Make Communication Services a Standout Amid Sector Rotation

- ▶ S&P 500 communication services sector is projected to post 29.9% YoY EPS growth in 2Q25—the highest among all sectors. Since end-1Q25, earnings estimates have been revised up by 0.5% (as of July 18), ranking just behind financials, energy, and materials. Financials benefited from a low 2024 base, while energy and materials saw milder-than-expected declines. Communication services is thus a major contributor to S&P 500 earnings growth.
- ▶ Within the sector, entertainment and interactive media & services—driven by gaming and ad-related revenues—are the key outperformers. Overall S&P 500 net margin is estimated at 12.3% in 2Q25, roughly flat YoY but down 0.5 ppt from 1Q25, as tariff-driven cost pressures weigh on companies. Communication services, however, saw a 2.4 ppt YoY margin expansion—the strongest across all sectors—indicating strong pricing power and effective inflation pass-through. These positive fundamentals should continue to support short-term outperformance.

Top EPS Growth Forecast with Notable Upward Revisions



Best Margin Expansion Across Sectors



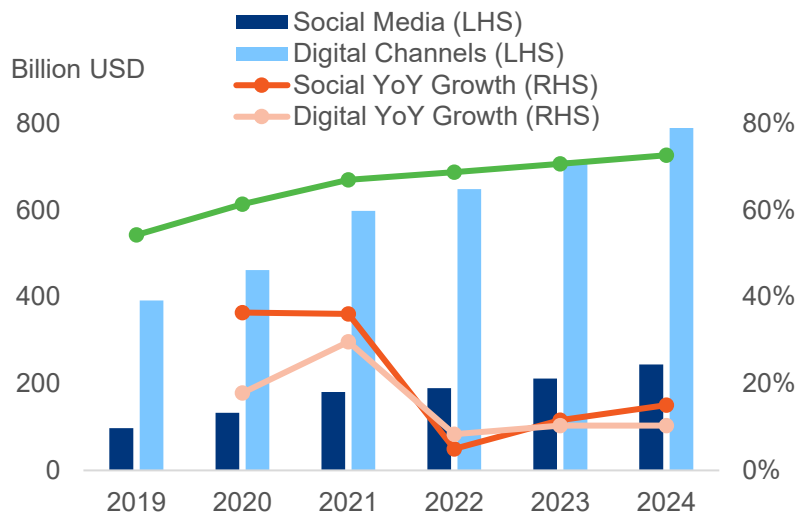
Source: FactSet

Social Media Ads, Gaming Consoles, and Cloud Gaming Inject Fresh Momentum into Communication Sector

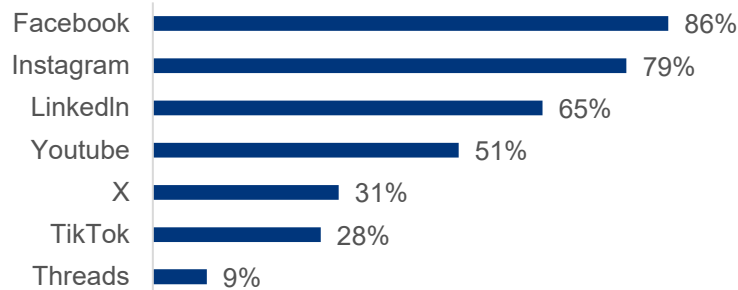
- ▶ Companies across sectors are increasingly shifting budgets toward digital channels, with digital ads surpassing 70% of total ad spending since 2023. Social media commands a growing share, steadily overtaking traditional and other digital formats, supported by over 5.2 billion global users. Platforms like Instagram, TikTok, and Facebook have become primary battlegrounds for advertisers, offering targeted campaigns, in-platform sales, and robust analytics to optimize performance and audience reach.
- ▶ The gaming industry is also seeing renewed momentum driven by next-gen consoles and fast-growing cloud gaming services. While market size estimates vary, consensus points to double-digit CAGR ahead. With 5G and AI accelerating adoption, mobile is expected to lead development, followed by console and PC platforms—bringing new growth catalysts to the broader communication services sector.

Social Platforms Become Core Ad Channels

Global Advertising Revenue and YoY Growth

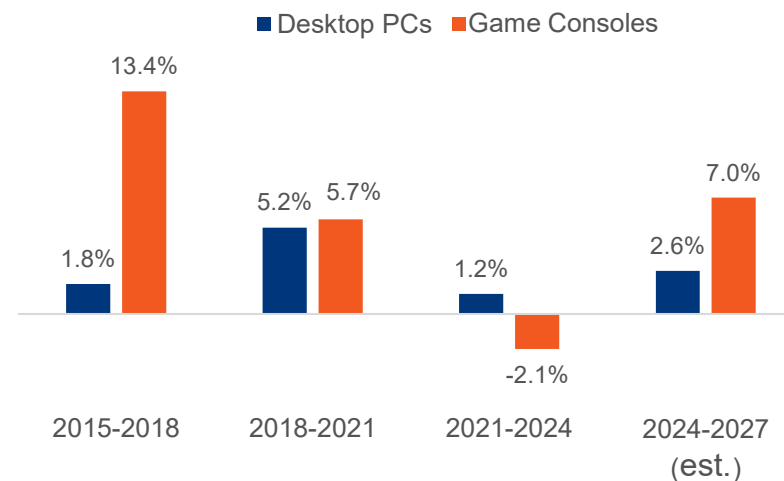


Share of Surveyed Companies Including Advertising Platforms in Their Strategy

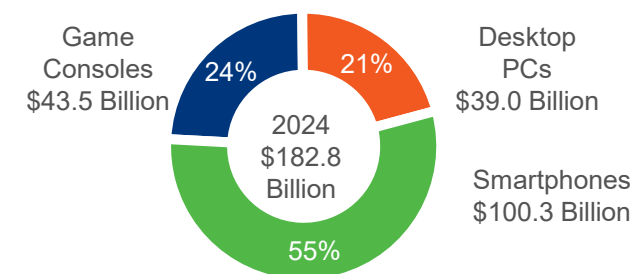


Gaming Gains Tailwinds from 5G and AI

Traditional Gaming Platform Revenue CAGR by Period



2024 Global Gaming Market Revenue and Share



Source: Statista (LHS) · Newzoo (RHS)

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ The U.S. has gradually reached tariff agreements with Asian countries, reducing uncertainty. NVIDIA's reported resumption of chip exports to China has improved market sentiment. However, given that earnings forecasts have been revised down and valuations are relatively high, sector-specific tariff risks may still emerge. As economic slowdown remains a possibility, maintain balanced sector allocation and investment flexibility. Long-term investors may focus on AI themes, with software and cybersecurity stocks favored within tech. Consider gradual accumulation on pullbacks. ◆ UK equities with finalized agreements have relative advantages. Easing monetary policy in the Eurozone and Germany's push for fiscal expansion support the case for selective accumulation of European equities on dips. Japan's economy continues to improve, and with tariffs resolved, domestic bank stocks are attractive on weakness. 	<p>Strategic Style: Focus on high-quality large caps with balanced sector allocation. For mid- to long-term investment, consider positioning in long-term AI themes such as software and cybersecurity stocks.</p> <p>Regional Focus: European and UK equities, Japan domestic demand and bank stocks.</p>
Bonds	<ul style="list-style-type: none"> ◆ Inflation data slightly increased, and the Fed Beige Book suggests that in the second half of the year, producers will gradually pass on tariff-related costs, adding inflationary pressure. However, the probability of a rate cut in September has slightly declined. The 10Y Treasury yield remains range-bound, while yields on short- to medium-term bonds remain attractive. Consider locking in yields during Treasury yield upticks. Favor investment-grade bonds rated A or above, particularly from leading firms. Sectors with relatively attractive risk-adjusted spreads include Financials, Industrials, Energy, Utilities, and Communication Services. ◆ With the USD remaining weak, consider diversifying with non-USD investment-grade bonds, such as those denominated in EUR or SGD. 	<p>Duration: Lock in yields with high-quality corporate bonds of short to medium duration.</p> <p>Type: Prioritize investment-grade bonds from large corporations, focusing on Financials, Industrials, Energy, Utilities, and Communication Services.</p>
Forex	<ul style="list-style-type: none"> ◆ The Trump administration's preference for a weaker USD aims to boost U.S. manufacturing competitiveness. Expectations around the passage of the "Big and Beautiful Act" could significantly widen the U.S. fiscal deficit, suggesting a structurally weaker USD in the medium to long term. ◆ Non-USD currencies such as the euro and yen may remain volatile but present medium- to long-term upside potential. 	<p>USD Consolidating with Weak Bias</p> <p>EUR and JPY Volatile</p>
Commodity	<ul style="list-style-type: none"> ◆ While global tariff negotiations have progressed, they remain unresolved. Economic momentum may slow in 2H24 amid inflation concerns and fiscal deficit pressures. With continued gold purchases by central banks and market participants, gold still has upside potential and may be accumulated gradually on pullbacks. 	<p>Gold: Bullish</p>

Outlook for NEV Market: Strong Sales Amid Headwinds, Policy Support to Fade, Industry Consolidation to Accelerate

► Robust Sales Despite Challenges; Penetration Hits Record High

- Despite headwinds in June—including market disruption from “zero-kilometer used cars,” intensified price competition, and tighter scrutiny on accounts payable cycles—China’s auto sector showed notable resilience. Retail sales of new energy passenger vehicles (NEVs) reached 1.11 million units, marking an 8.2% MoM increase. Market penetration climbed to a record 53.3%.

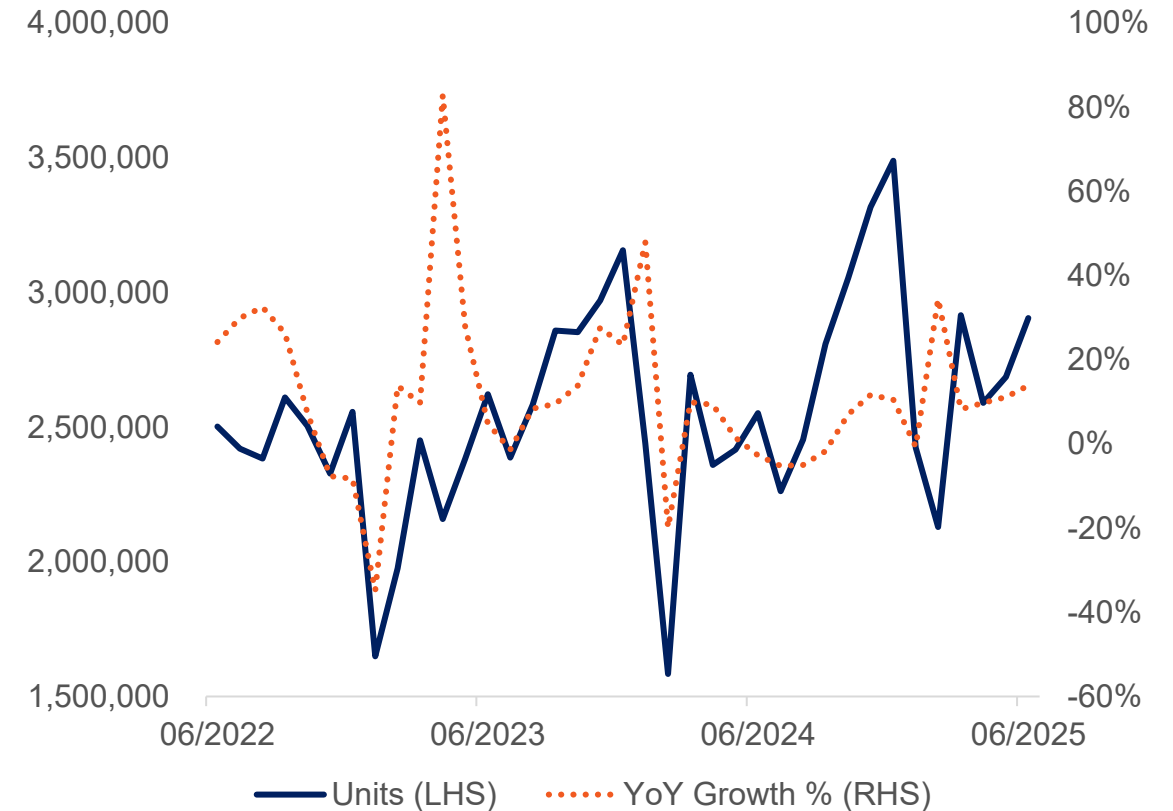
► Policy Incentives Likely to Decline

- Looking ahead to 2H25–2026, policy focus is expected to shift toward promoting healthy industry development and curbing excessive internal competition. As part of this shift, existing incentives such as purchase tax exemptions may see a systematic phase-out by 2026. This could lead to front-loaded demand in 4Q25, followed by a potential slowdown in 2026 growth.

► Consolidation to Deepen; Capital and Share to Flow to Leaders

Still, the end of the NEV sector’s phase of unrestrained expansion is not necessarily negative for leading players. Slower growth should accelerate consolidation and strengthen the dominance of large-scale, branded leaders. In a downshifted growth environment, capital is expected to favor high-quality players with proven, sustainable business models and stable profitability.

China Auto Sales Data



Appendix

Key Economic Data / Events

► JULY 2025

21

Monday

22

Tuesday

- Taiwan Jun Export Orders YoY (Act:24.6% Est:23.2% Prev:18.5%)
- Taiwan Jun Unemployment Rate (Act:3.34% Est:3.30% Prev:3.34%)

23

Wednesday

- US Jun Existing Home Sales (Act:3.93m Est:4.00m Prev:4.04m)
- Japan Jun Machine Tool Orders YoY (Act:-0.5% Prev:3.4%)

24

Thursday

- US Weekly Jobless Claims (Act.:217k Est:226k Prev:221k)
- US Jul S&P Global Mfg. PMI (Act.:49.5 Est:52.7 Prev:52.9)
- Eurozone Jul ECB Main Refinancing Rate (Act:2.15% Est:2.15% Prev:2.15%)
- Eurozone Jul HCOB Mfg PMI (Act:49.8 Est:49.8 Prev:49.5)
- Japan Jul Jibun Bank Mfg PMI (Act:48.8 Prev:50.1)

25

Friday

- US Jun Durable Goods Orders Prelim (Est:-10.7% Prev:16.4%)
- Japan Jul Tokyo CPI YoY (Act:2.9% Est:3.0% Prev:3.1%)

► AUG 2025

28

Monday

- Hong Kong Jun Exports YoY (Prev:15.5%)

29

Tuesday

- US Jun JOLTS Job Openings (Est:7,350k Prev:7,769k)
- Earnings: V, PG, UNH, MRK, BKNG, BA

30

Wednesday

- US 2Q GDP Annualized QoQ (Est:2.5% Prev:-0.5%)
- Eurozone 2Q GDP YoY (Prev:1.5%)
- Eurozone Jul Consumer Confidence Final (Prev:-14.7)
- Earnings: MSFT, META, QCOM, LRCX, ADP

31

Thursday

- US Jul Fed Rate Decision (Est:4.50% Prev:4.50%)
- US Jun Core PCE YoY (Est:2.7% Prev:2.7%)
- US Weekly Jobless Claims (Prev:217k)
- Japan Jul BoJ Rate Decision (Est:0.5% Prev:0.5%)
- Japan Jun Industrial Production MoM Prelim (Est:-0.7% Prev:-0.1%)
- Earnings: AAPL, AMZN, MA, ABBV

1

Friday

- US Jul Non-farm Payrolls (Est:101k Prev:147k)
- US Jul Unemployment Rate (Est:4.2% Prev:4.1%)
- US Jul ISM Mfg PMI (Est:49.5 Prev:49.0)
- Eurozone Jul HCOB Mfg PMI (Prev:49.5)
- Eurozone Jul CPI YoY Flash (Prev:2.0%)
- Earnings: XOM, CVX, LIN

Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/7/18	American Express (AXP)	17.7B	17.86B	3.87	4.08	V	V
2025/7/18	Charles Schwab (SCHW)	5.7B	5.85B	1.09	1.14	V	V
2025/7/21	Verizon Communications (VZ)	33.71B	34.5B	1.19	1.22	V	V
2025/7/22	Danaher (DHR)	5.84B	5.94B	1.64	1.8	V	V
2025/7/22	Coca-Cola (KO)	12.55B	12.5B	0.83	0.87		V
2025/7/22	Lockheed Martin (LMT)	18.58B	18.2B	6.54	1.46		
2025/7/22	RTX (RTX)	20.68B	21.6B	1.44	1.56	V	V
2025/7/22	Philip Morris International (PM)	10.31B	10.14B	1.86	1.91		V
2025/7/23	Capital One Financial (COF)	12.72B	12.5B	4.03	5.48		V
2025/7/23	Intuitive Surgical (ISRG)	2.35B	2.44B	1.93	2.19	V	V
2025/7/23	Chubb Limited (CB)	14.16B	14.2B	5.96	6.14	V	V
2025/7/23	Texas Instruments (TXN)	4.35B	4.45B	1.35	1.41	V	V
2025/7/23	AT&T (T)	30.45B	30.8B	0.53	0.54	V	V
2025/7/23	Boston Scientific (BSX)	4.89B	5.06B	0.73	0.75	V	V

Source: Investing.com

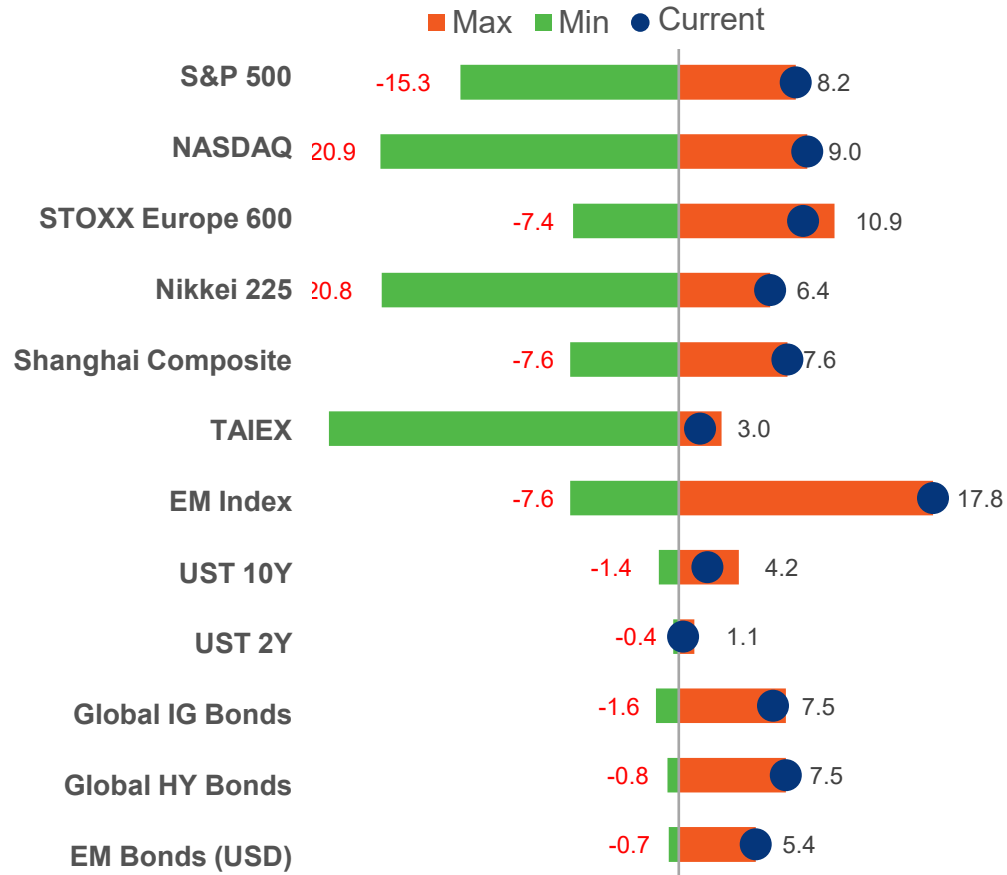
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/7/23	Thermo Fisher Scientific (TMO)	10.68B	10.85B	5.23	5.36	V	V
2025/7/23	GE Vernova (GEV)	8.8B	9.11B	1.5	1.86	V	V
2025/7/23	NextEra Energy (NEE)	7.29B	6.7B	0.98	1.05		V
2025/7/23	Amphenol (APH)	5.02B	5.7B	0.66	0.81	V	V
2025/7/24	T-Mobile US (TMUS)	21.04B	21.13B	2.68	2.84	V	V
2025/7/24	Tesla (TSLA)	22.4B	22.5B	0.4	0.4	V	
2025/7/24	ServiceNow (NOW)	3.12B	3.22B	3.57	4.09	V	V
2025/7/24	Alphabet (GOOGL)	93.9B	96.43B	2.17	2.31	V	V
2025/7/24	IBM (IBM)	16.59B	17B	2.65	2.8	V	V
2025/7/24	Blackstone (BX)	2.79B	3.71B	1.09	1.21	V	V
2025/7/24	Honeywell International (HON)	10.05B	10.4B	2.66	2.75	V	V
2025/7/24	Union Pacific (UNP)	6.15B	6.2B	2.9	3.03	V	V

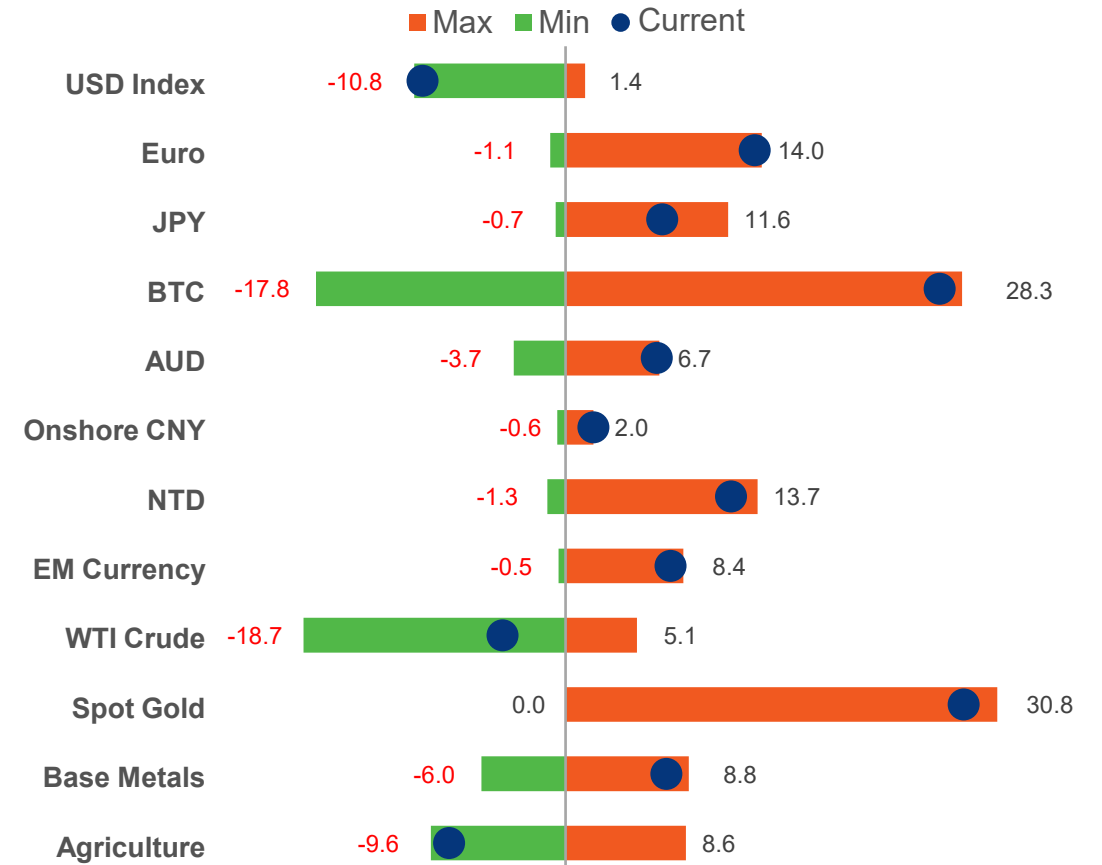
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

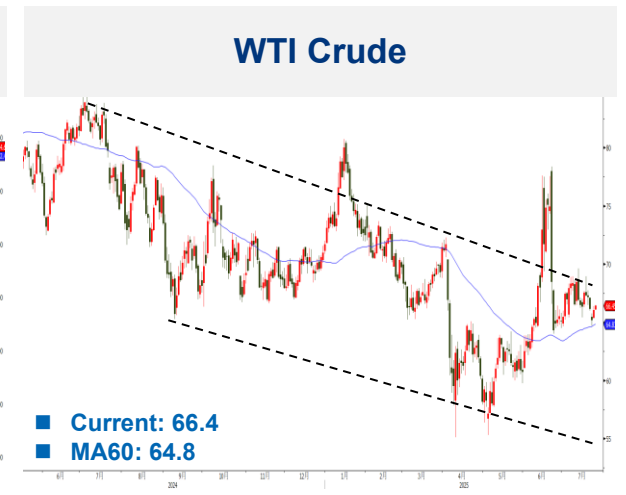
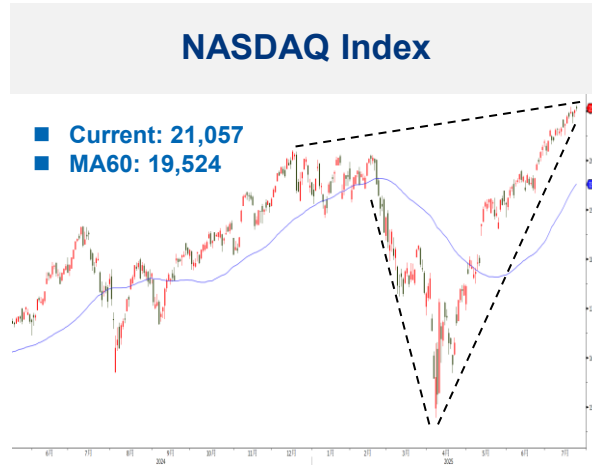
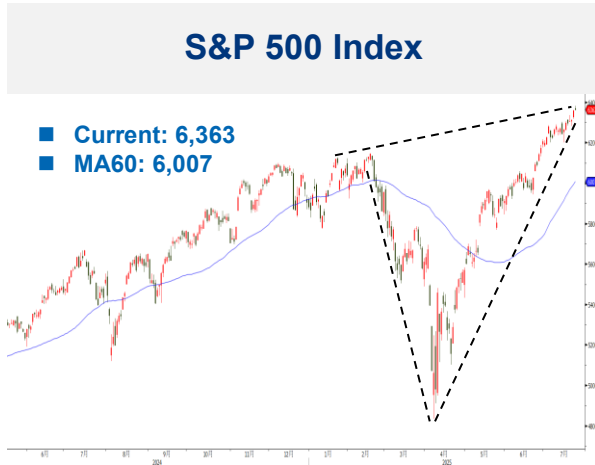


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 25 July 2025

Technical Analysis



Source: Bloomberg, 24 July 2025

Market Monitor

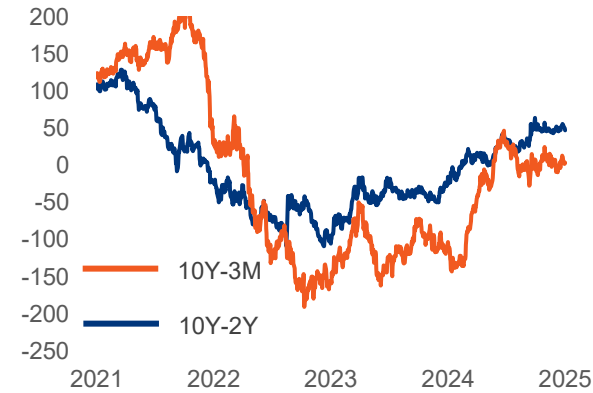
U.S. CPI YoY (%)



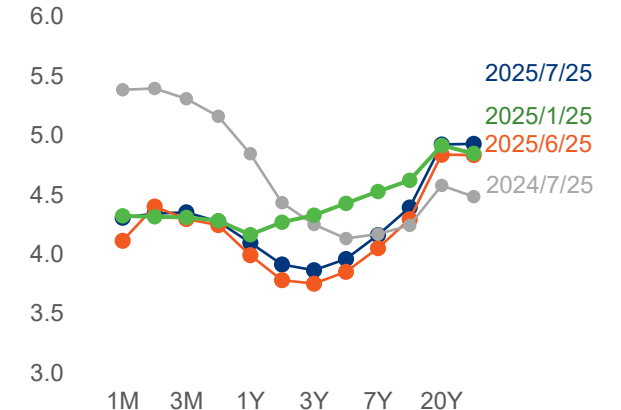
U.S. 10-Year Treasury Yield (%)



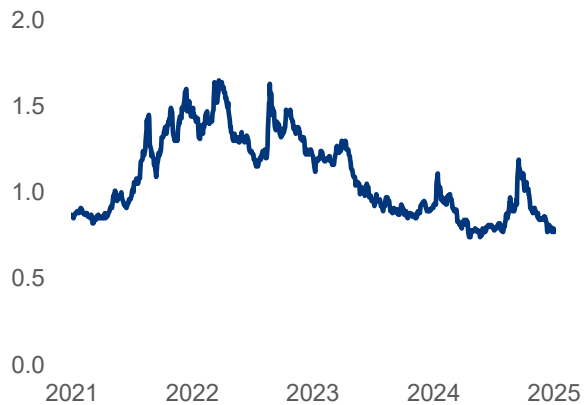
U.S. Treasury Yield Spread (bps)



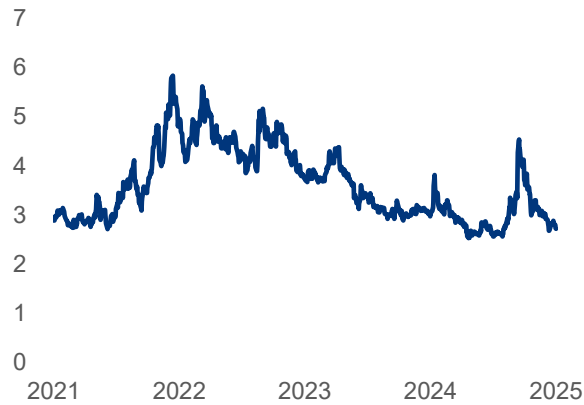
U.S. Treasury Yield Curve (%)



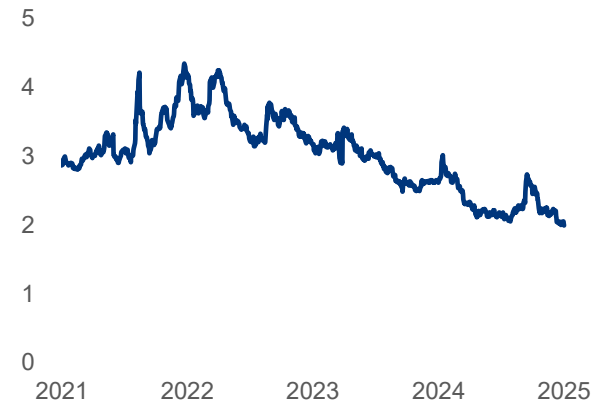
USD IG Credit Spread (%)



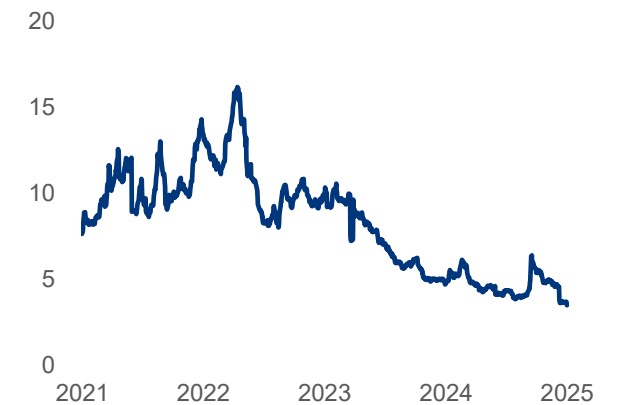
USD HY Credit Spread (%)



USD EM Credit Spread (%)



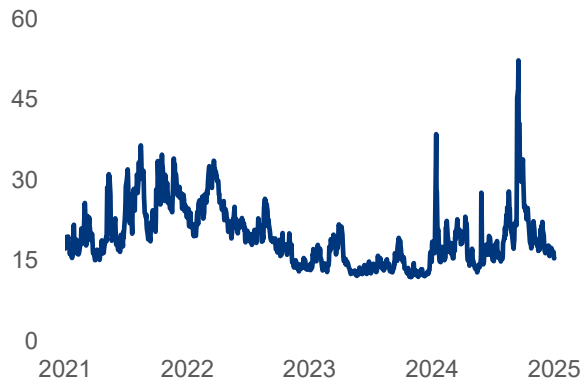
USD Asia Credit Spread (%)



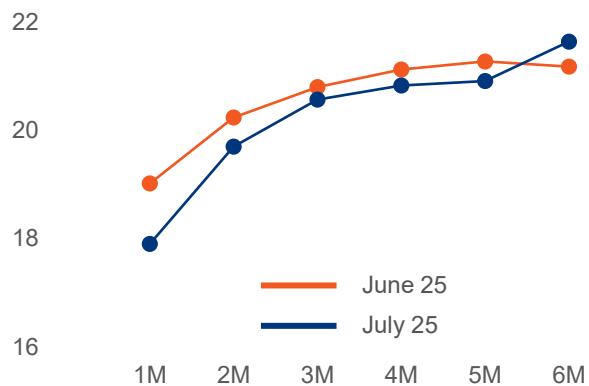
Source: Bloomberg, 24 July 2025

Market Monitor

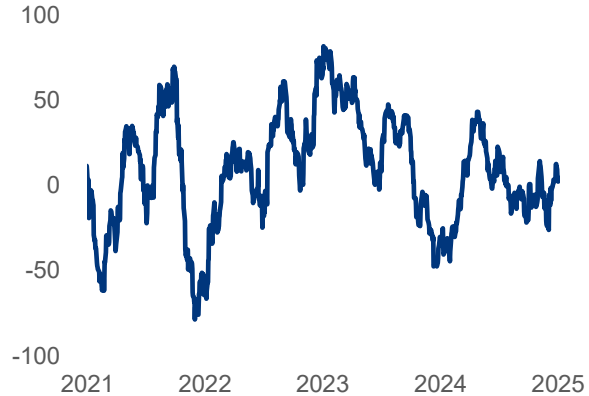
VIX Index



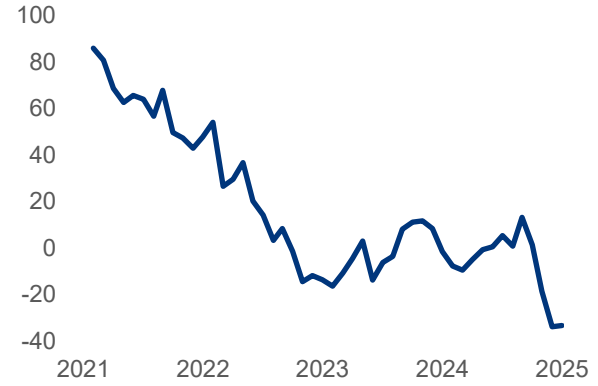
VIX Term Structure



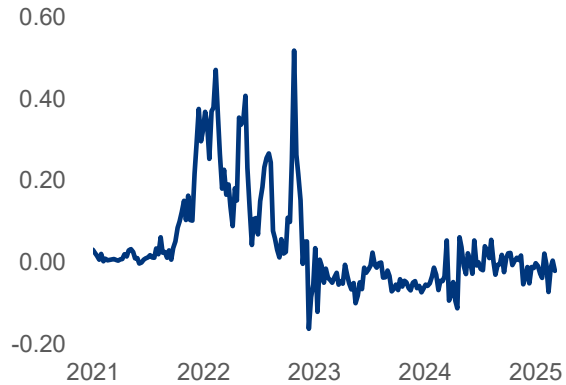
U.S. Citi Economic Surprise Index*



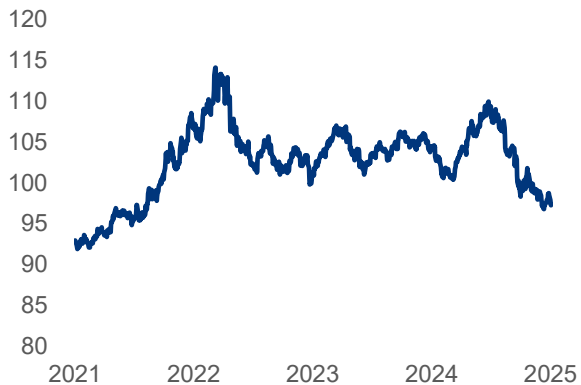
U.S. Citi Inflation Surprise Index*



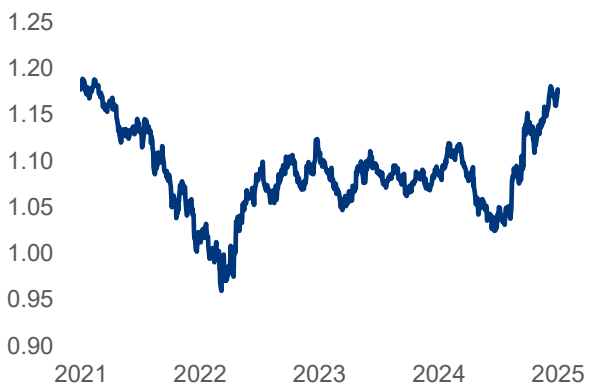
TED Spread (bps)



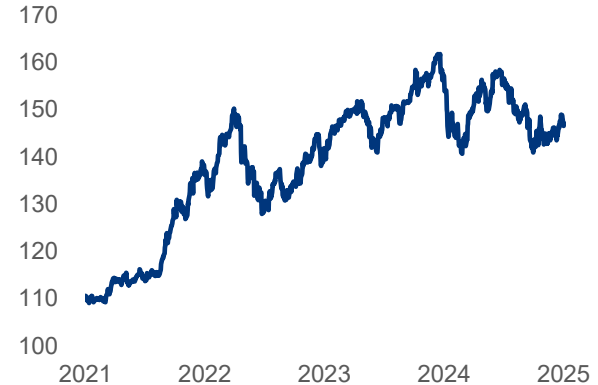
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 24 July 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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