



CIO Office Global Markets Weekly Kickstart

Tariff Threats Remain

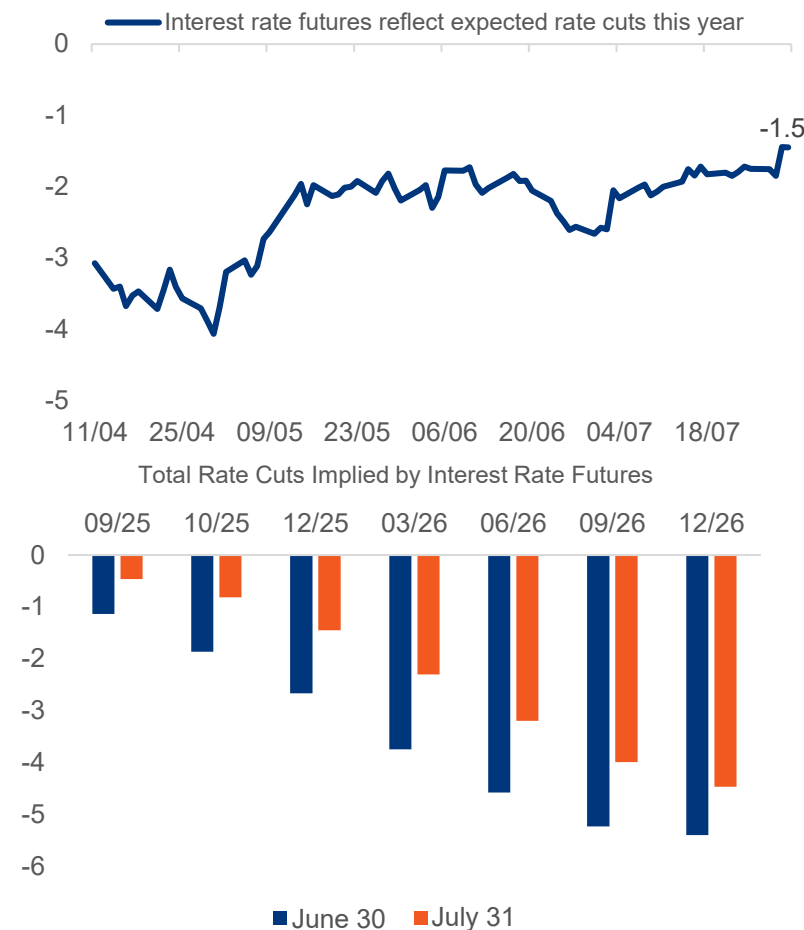
4 August 2025

Chart of the Week

Fed Holds Rates; Hawkish Powell Flags Sticky Inflation, Dampens Sep Cut Hopes

- ▶ The Fed held rates steady at 4.25%–4.5% for a fifth consecutive meeting. At the press conference, Chair Powell emphasized a still-strong labor market and warned that tariff-driven goods inflation may just be starting, signaling potentially more persistent inflation. He made no mention of a possible September rate cut, with his tone notably more hawkish than the meeting statement.
- ▶ 2Q US GDP grew at an annualized 3%, beating expectations of 2.6% and reversing the prior quarter's 0.5% contraction. The rebound was mainly driven by a sharp 30.3% drop in imports, alongside stronger consumer spending—especially on goods—and a recovery in government spending, though fixed investment slowed. The quarter coincided with raised US tariffs and a pause in reciprocal measures. Data suggests front-loaded imports have ended, and tariff uncertainty is weighing on investment appetite, though consumption remains resilient.
- ▶ Overall, 2Q economic performance was solid, but early signs of a slowdown are emerging in leading indicators. Markets may be underestimating the broader impact of the trade war. Strong 2Q data may not persist into 2H25, potentially prompting a more dovish tone in the September FOMC.

Rate-Cut Expectations Largely Repriced



Yields Surge During Powell's Press Conference



Solid U.S. Growth May Not Extend Into 2H25



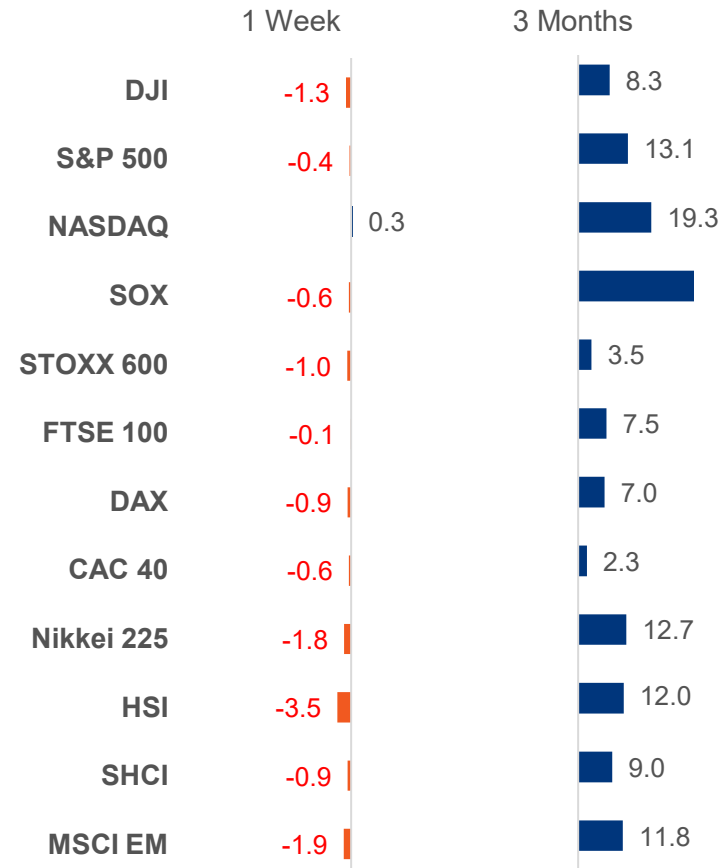
Source: Bloomberg

Market Recap

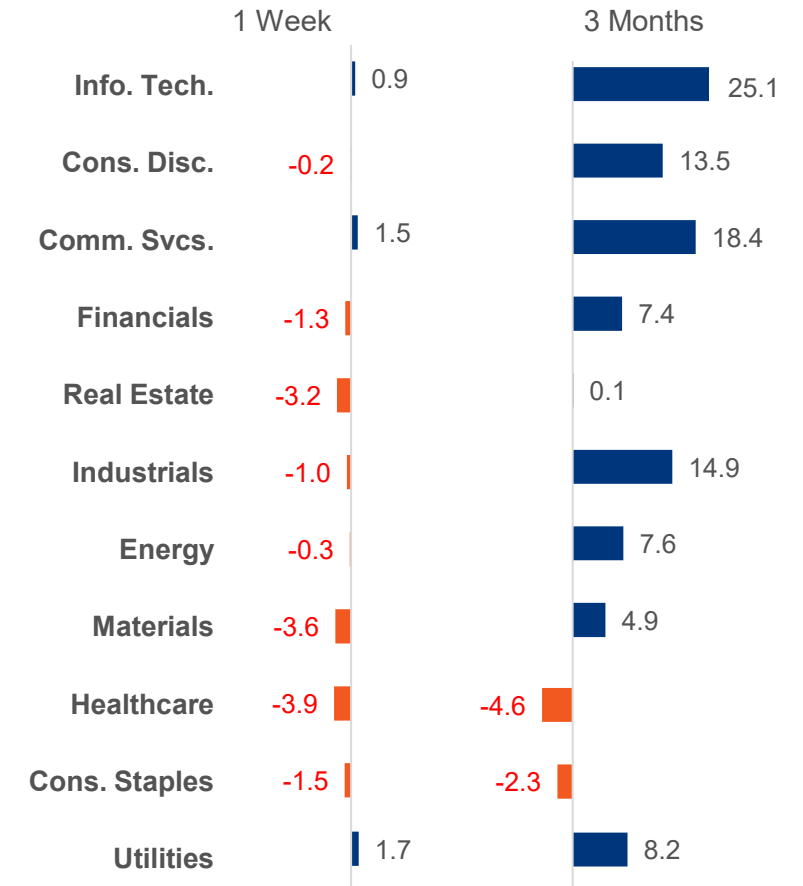
Rally Fades Midweek; MFN Pricing Pressures Healthcare Sector

- ▶ U.S. equities hit new highs early last week, buoyed by a U.S.–EU trade deal that halved tariffs from 30% to 15%, granted exemptions for some tech products, and included a €600 billion investment pledge from Europe. However, gains faded midweek after Fed Chair Powell's press conference offered no signal of a September rate cut, denting market sentiment. The S&P and Dow ended the week lower, while the Nasdaq posted modest gains.
- ▶ In sector moves, healthcare underperformed after former President Trump announced letters had been sent to 17 pharmaceutical firms, requesting an extension of the "Most-Favored-Nation" pricing clause by September 29. Profitability concerns dragged the sector down.
- ▶ NVIDIA briefly hit record highs on news it ordered 300,000 H20 chips from TSMC to meet China demand, but later retraced gains in line with broader market weakness.

Regional Indices Performance (%)



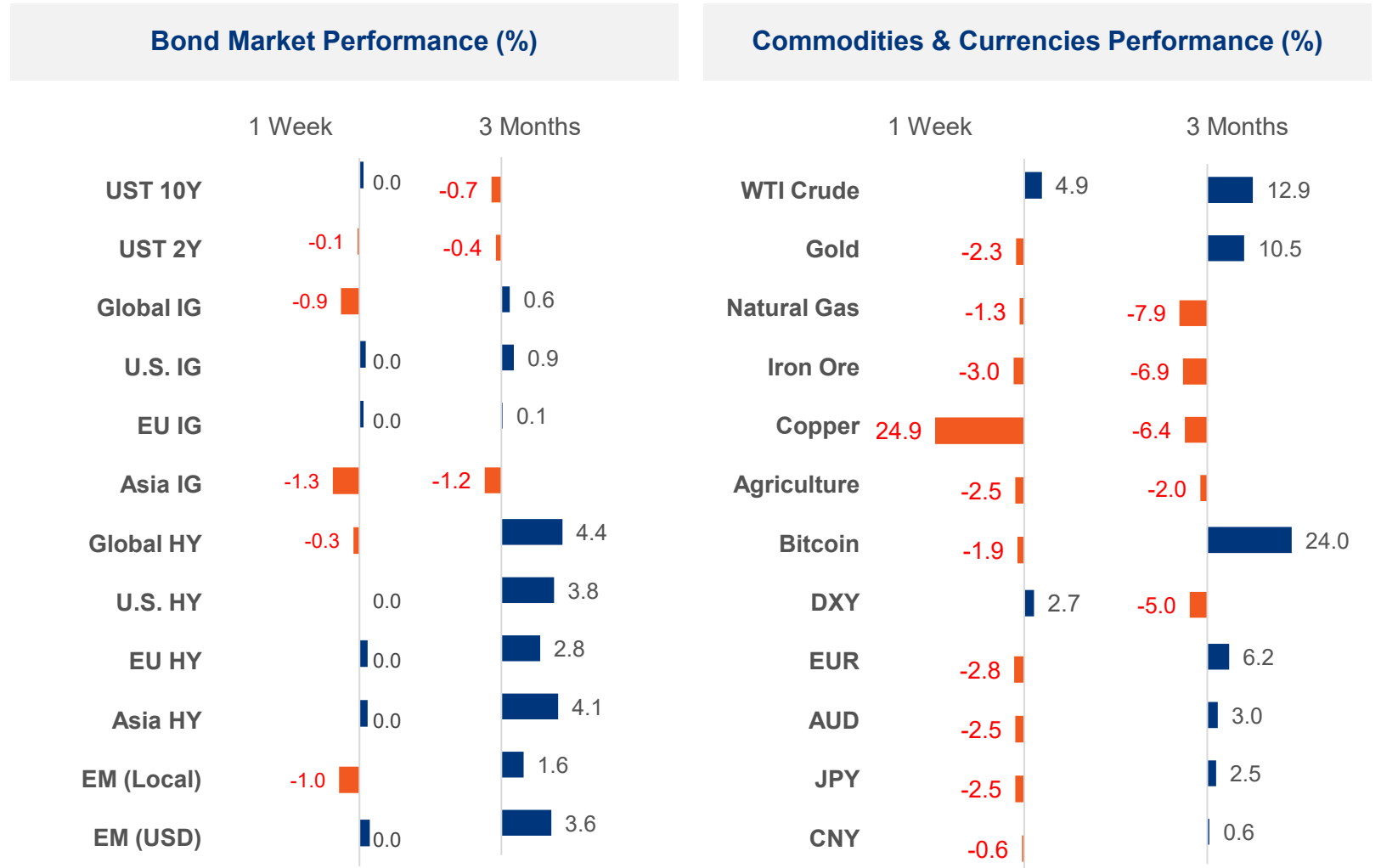
U.S. Sector Performance (%)



Source: Bloomberg, 25 July 2025

Hawkish Powell Lifts USD; Refined Copper Exempt from Tariffs, Prices Plunge

- ▶ Fed Chair Powell avoided mention of a possible September rate cut during his press conference, a stance the market interpreted as hawkish. Rate-cut expectations were sharply reduced, pushing 2-year yields higher and pressuring bond prices. The U.S. Dollar Index continued climbing, nearing the 100 level—a two-month high—dragging down non-dollar currencies.
- ▶ The Bank of Japan held rates steady for a fourth consecutive meeting and raised its inflation outlook. It also flagged uncertainties from U.S. tariffs, with no shift toward tightening, leaving the yen weak against the dollar.
- ▶ The U.S. announced a 50% tariff on semi-finished copper products, but excluded refined copper. Markets had priced in full coverage, so the exemption triggered a sharp reversal—copper futures plunged over 20% this week, weighing on select materials stocks.



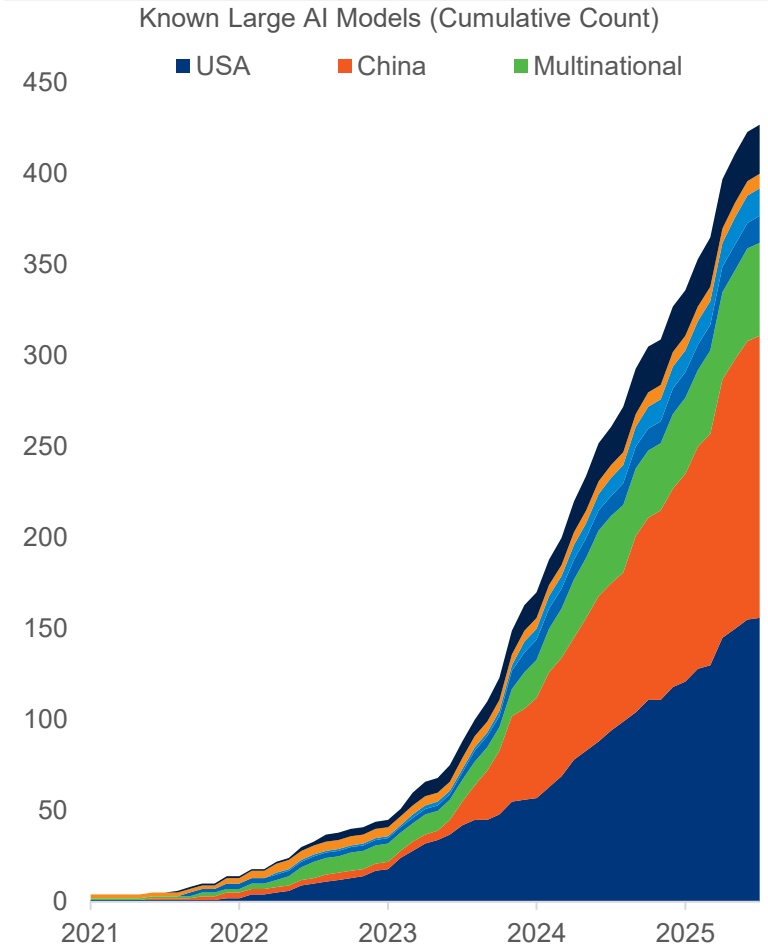
Source: Bloomberg, 25 July 2025



World AI Conference Ends on Positive Note for China Tech

- ▶ The 2025 World Artificial Intelligence Conference (WAIC) wrapped up in Shanghai, where major Chinese tech firms unveiled a range of AI technologies and products. The event reported over RMB 16 billion in intended procurement deals. Concurrently, Shanghai rolled out new support measures—including full first-year subsidies for small firms renting computing power—to boost the AI ecosystem across infrastructure, model applications, and training data.
- ▶ China is rapidly narrowing the AI gap with the U.S., with each now accounting for about one-third of large-scale AI models. Domestic models like Deepseek and Moonshot gained recognition for strong language performance despite low training costs and export restrictions on chips. However, nearly 75% of AI supercomputing capacity remains in the U.S., while China holds 15%. Chinese model training still relies on imported chips, leaving the U.S. in a leading position.
- ▶ Still, with supportive policy and cost advantages, market sentiment toward China's AI trajectory remains optimistic. The mid-July resumption of H20 chip exports to China eased supply-chain pressures, marking a positive shift for Chinese tech firms. Upcoming developments in humanoid robotics and autonomous driving are expected to remain key focal points.

U.S. and China Each Hold One-Third Share in Large AI Models

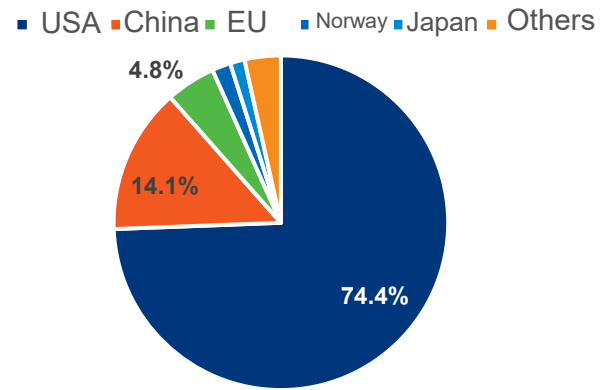


Chinese AI Models Show Rising Competitiveness

LMarena Rank – Text Grouping

Rank	Developer	Model Name	Region
1	Google	Gemini-2.5-pro	USA
1	OpenAI	O3	USA
2	OpenAI	Chatgpt-4o	USA
3	OpenAI	Gpt-4.5	USA
3	xAI	Grok-4	USA
5	Anthropic	Claude-opus-4	USA
5	Moonshot	Kimi-k2	China
5	DeepSeek	Deepseek-r1	China

Nearly 75% of Global Supercomputing Power Is Based in the U.S.



Source: Bloomberg

In Focus

U.S. Yet to Reach Deals with Key Partners; Avg Effective Tariff Rises to 18%

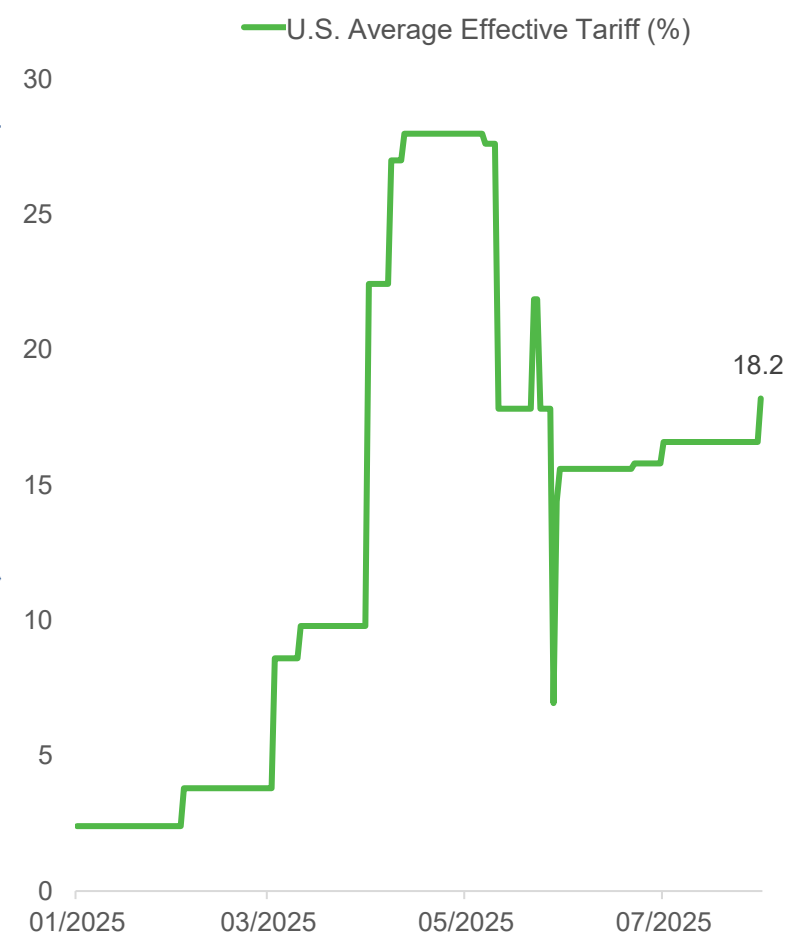
- ▶ Last week, the U.S. continued signing trade agreements with more regions, imposing 15% and 25% tariffs on South Korea and India, respectively. President Trump signed an executive order enforcing the new tariffs starting August 7.
- ▶ However, no agreement has been reached in the widely watched U.S.–China talks. The two sides only discussed extending the tariff truce, with the U.S. refusing to ease restrictions on high-tech chip and equipment exports, and warning China against buying oil from Iran and Russia. Talks with Mexico were extended by 90 days, while tariffs on Canada rose to 35%, though exemptions remain in place.
- ▶ Trade data shows China and Mexico as the largest sources of U.S. trade deficits, with Canada ranking third in imports. The three account for over 40% of U.S. imports, and the lack of finalized deals with them adds to market uncertainty.
- ▶ Recent market optimism stems from lower-than-feared tariff rates in some deals, but actual levels remain high. As of August 1, Yale Budget Lab estimates place the U.S. average effective tariff at 18%, well above the global average of 10%.

U.S. Yet to Reach Agreements with Major Trade Partners

	2024 Import Data		Tariff
	Import Value	% of U.S. Imports	
	505.9	15.5	30%
China	438.9	13.4	30%
Canada	412.7	12.6	35%

	2024 Import Data		Negotiated Tariff
	Import Value USD (Billion)	% of U.S. Imports	
Germany	160.4	4.9	15%
Japan	148.2	4.5	15%
Vietnam	136.6	4.2	20%
Korea	131.5	4.0	15%
Taiwan	116.3	3.0	20%
Ireland	103.3	3.2	15%
India	87.2	2.4	25%

Average Effective Tariff Rises to 18%

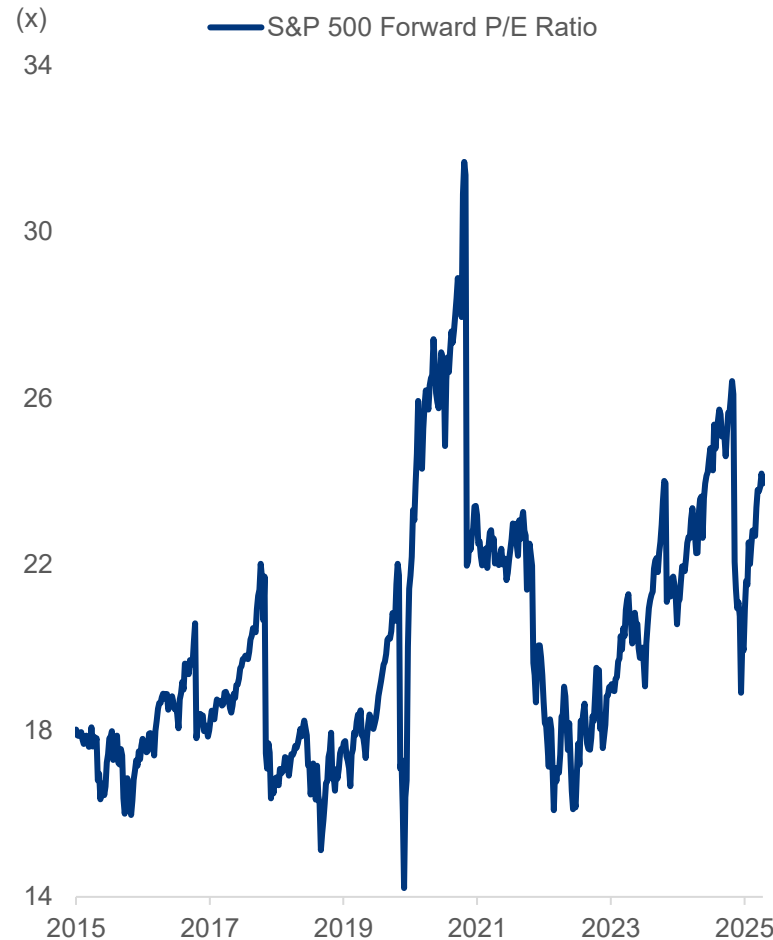


Source: FactSet

Fading Tailwinds May Add Volatility; Equity Strategies Focus on Downside Protection

- ▶ Economic and equity market performance held up well in 1H25, supported by front-loaded imports and tariff deferrals. However, that honeymoon phase may be ending. Elevated U.S. tariffs risk disrupting supply chains and dampening real consumption through rising prices. The Fed maintained a neutral stance in its July meeting, despite signs of a potential slowdown. With U.S. equities near record highs, fading tailwinds could increase volatility ahead.
- ▶ From a fundamental perspective, we remain cautious on U.S. equities. Defensive positioning is key in 2H25. Investors may consider rotating profits into sectors with stronger downside resilience or companies with more stable earnings. Low-volatility equities—those with below-average index-level fluctuations—also warrant attention.
- ▶ Covered call strategies may offer added protection. While limiting upside, they generate premium income that can cushion downside moves. The strategy is sector-agnostic and can also be applied to low-yielding tech stocks.

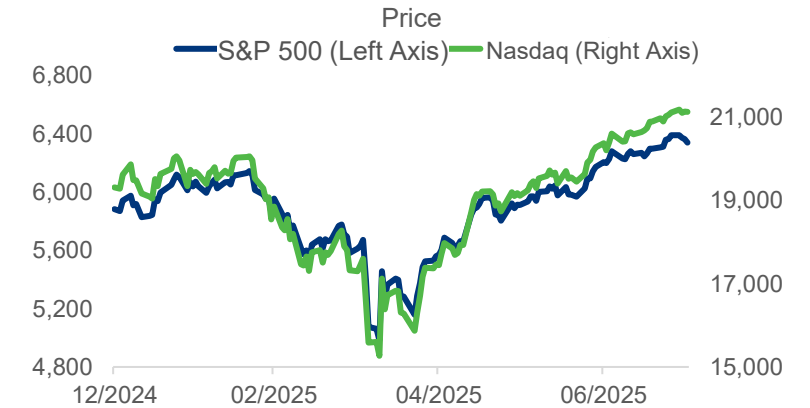
U.S. Equity Valuations Return to Elevated Levels



Market Complacency Risks Underpricing Trade War Impact



U.S. Stocks Keep Hitting Highs with Little Pricing of Trade War Risks



Source: Statista (LHS) · Newzoo (RHS)

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ With U.S. average effective tariffs rising and solid economic momentum unlikely to extend into 2H25, positioning should emphasize high-quality stocks and maintain portfolio flexibility amid fast-changing conditions. Long-term investors may consider AI themes, favoring software and cybersecurity within tech; accumulate gradually on pullbacks. ◆ The U.K. stock market gains relative appeal following a trade deal with the U.S. In the Eurozone, dovish monetary policy and Germany's push for fiscal expansion support a medium- to long-term case for European equities—gradual accumulation on dips is advised for diversification. Japan's economy continues to improve; within domestic demand plays, banks offer value on weakness. 	<p>Strategic Style: Focus on Quality Large Caps; Long-Term AI Themes in Software, Cybersecurity</p> <p>Regional Focus: Opportunities in European, U.K. Equities and Japanese Domestic Banks</p>
Bonds	<ul style="list-style-type: none"> ◆ Short- to medium-term bonds remain attractive; consider locking in yields during U.S. Treasury sell-offs. Within investment-grade credit, focus on A-rated or higher blue-chip issuers. Sectors with favorable risk-adjusted spreads include financials, industrials, energy, utilities, and communications. ◆ Given potential USD depreciation, select non-USD bonds—such as euro- or SGD-denominated investment-grade debt—to diversify currency exposure and reduce dollar risk. 	<p>Duration: Lock in Yields with Short- to Mid-Term High-Quality Corporate Bonds</p> <p>Type: Prefer Investment-Grade Debt from Large-Cap Issuers in Financials, Industrials, Energy, Utilities, and Communications</p>
Forex	<ul style="list-style-type: none"> ◆ The Trump administration's call for a managed USD decline, coupled with policy inconsistency, may erode confidence in the U.S. economic outlook and dollar assets—keeping the dollar index biased lower over the medium term. However, resilient U.S. data and a firm but patient Fed provide near-term support. ◆ Non-USD currencies such as the euro and yen remain rangebound at elevated levels but hold potential for medium- to long-term upside. 	<p>USD in Range as Policy Signals Remain Mixed</p> <p>Euro, Yen Hold Highs with Medium-Term Upside</p>
Commodity	<ul style="list-style-type: none"> ◆ Rising geopolitical tensions in the Middle East and uncertainty around Trump's shifting tariff policy have fueled risk-off sentiment. With economic slowdown risks, inflation concerns, and fiscal deficit pressures in play—alongside continued central bank and institutional gold buying—gold retains upside potential. Gradual accumulation on pullbacks is advised. 	<p>Gold: Bullish</p>

Humanoid Robots Enter First Year of Mass Production

► Shanghai World AI Conference: Robot Exhibition Hits Record High

The Shanghai World Artificial Intelligence Conference concluded with the robotics exhibition emerging as a key highlight. Both the number of exhibitors and exhibition space reached record highs, reflecting rapid advances and expanded applications in robotics. Numerous companies and research institutions showcased their latest developments, including several bipedal humanoid robots and innovations from emerging startups. The exhibition fostered cross-industry collaboration and reaffirmed its status as a premier event in the AI sector.

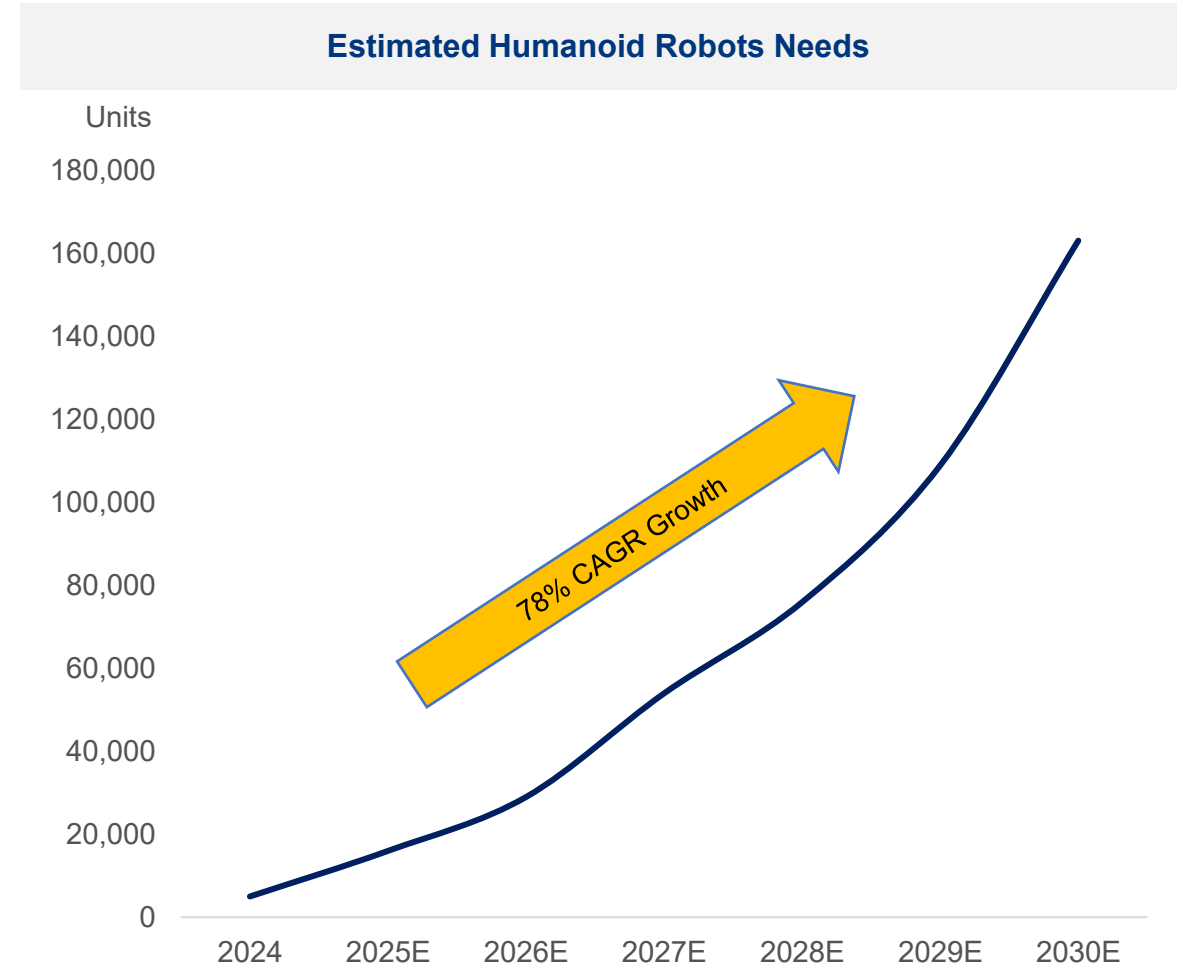
► Humanoid Robots Enter ‘First Year of Mass Production’

China has formally incorporated humanoid robotics into its national development strategy, including in the “14th Five-Year Plan for Intelligent Manufacturing,” with increased funding and strong policy backing. The year 2025 is widely regarded as the industry’s “first year of mass production,” marking the transition from prototypes to large-scale commercial deployment. Supportive policies, capital inflows, and breakthroughs in technology are laying a solid foundation for widespread adoption in manufacturing, healthcare, and service sectors, accelerating the industry’s shift toward high-quality growth. Market forecasts estimate the sector’s potential to reach a size of USD 30–40 billion by 2035.

► From Agent AI to the Era of Physical Intelligence

NVIDIA founder Jensen Huang stated that the rise of agent AI signals a new phase for artificial intelligence. The next wave will move beyond software-based intelligence into “physical AI”—integrating robotics and hardware capable of autonomous perception and decision-making in the physical world. This trend suggests AI will no longer be confined to data processing but will become a core driver of everyday life and industrial automation, enabling deeper cross-sector innovation and technological transformation.

Source: CEIC



Appendix

Key Economic Data / Events

► JULY 2025

28

Monday

- Hong Kong Jun Exports YoY (Act:11.9% Est:16.2% Prev:15.5%)

29

Tuesday

- US Jun JOLTS Job Openings (Act:7,437k Est:7,500k Prev:7,712k)
- US Jul Conference Board Consumer Confidence (Act:97.2 Est:96.0 Prev:95.2)

30

Wednesday

- US 2Q GDP QoQ SAAR (Act:3.0% Est:2.6% Prev:-0.5%)
- Eurozone 2Q GDP YoY (Act:1.4% Est:1.2% Prev:1.5%)
- Eurozone Jul Consumer Confidence Final (Act:-14.7 Prev:-15.3)

31

Thursday

- US Jul Fed Rate Decision (Act:4.50% Est:4.50% Prev:4.50%)
- US Jun Core PCE YoY (Act:2.8% Est:2.7% Prev:2.8%)
- US Initial Jobless Claims (Act:218k Est:224k Prev:217k)
- Eurozone Jun Unemployment (Act:6.2% Est:6.3% Prev:6.2%)
- Japan Jul BoJ Rate Decision (Act:0.5% Est:0.5% Prev:0.5%)

1

Friday

- US Jul Nonfarm Payrolls (Est:104k Prev:147k)
- US Jul Unemployment Rate (Est:4.2% Prev:4.1%)
- Eurozone Jul HCOB Mfg. PMI (Est:49.8 Prev:49.5)
- Eurozone Jul CPI YoY Flash (Est:1.9% Prev:2.0%)
- Japan Jun Unemployment Rate (Act:2.5% Est:2.5% Prev:2.5%)

► AUG 2025

4

Monday

- US Jun Durable Goods Orders MoM Final (Est:-9.3% Prev:16.5%)
- Eurozone Aug Sentix Investor Confidence (Est:8.0 Prev:4.5)
- Earnings: BRKb/ PLTR/ VRTC

5

Tuesday

- US Jul ISM Services PMI (Est:51.5 Prev:50.8)
- Eurozone Jul HCOB Services PMI (Est:51.2 Prev:50.5)
- Eurozone Jun PPI YoY (Prev:0.3%)
- Earnings: AMD/ CAT/ AMGN/ ANET/ ETN/ PFE

6

Wednesday

- Eurozone Jun Retail Sales MoM (Est:0.4% Prev:-0.7%)
- Taiwan Jul Core CPI YoY (Prev:1.47%)
- Taiwan Jul CPI YoY (Prev:1.37%)
- Taiwan Jul PPI YoY (Prev:-5.47%)
- Earnings: MCD/ DIS/ UBER

7

Thursday

- US Initial Jobless Claims (Prev:218k)
- China Jul Exports YoY (Prev:5.9%)
- UK Aug BoE Rate Decision (Est:4.00% Prev:4.25%)
- Earnings: LLY/ GILD/ COP/ CEG

8

Friday

- Taiwan Jul Exports YoY (Prev:33.7%)

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
2025/7/25	HCA Healthcare (HCA)	18.49B	18.61B	6.27	6.84	V	V
2025/7/28	Welltower Inc. (WELL)	2.45B	2.55B	0.45	0.45	V	
2025/7/29	Visa Inc. (V)	9.84B	10.2B	2.84	2.98	V	V
2025/7/29	Procter & Gamble Co. (PG)	20.81B	20.89B	1.42	1.48	V	V
2025/7/29	UnitedHealth Group (UNH)	111.59B	111.62B	4.45	4.08	V	
2025/7/29	Merck & Co. (MRK)	15.87B	15.81B	2.03	2.13		V
2025/7/29	Booking Holdings (BKNG)	6.54B	6.8B	50.14	55.4	V	V
2025/7/29	Boeing Co. (BA)	21.45B	22.75B	-1.4	-1.24	V	V
2025/7/29	Starbucks Corp. (SBUX)	9.29B	9.5B	0.65	0.5	V	
2025/7/30	Microsoft Corp. (MSFT)	73.79B	76.4B	3.37	3.65	V	V
2025/7/30	Meta Platforms (META)	44.72B	47.52B	5.85	7.14	V	V
2025/7/30	Qualcomm Inc. (QCOM)	10.33B	10.37B	2.71	2.77	V	V
2025/7/30	Lam Research (LRCX)	4.99B	5.17B	1.2	1.33	V	V
2025/7/30	Automatic Data Processing (ADP)	5.04B	5.13B	2.23	2.24	V	V

Source: Investing.com

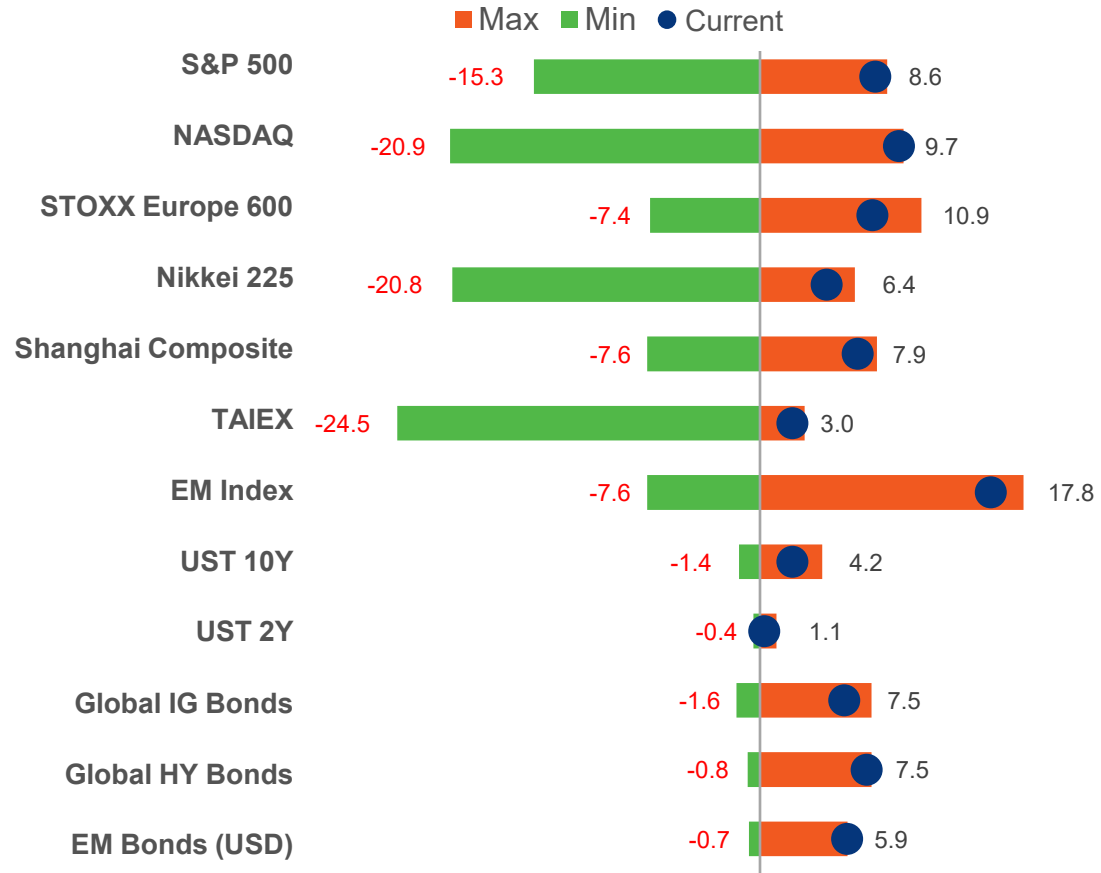
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/7/30	Altria Group (MO)	5.2B	6.1B	1.38	1.44	V	V
2025/7/31	Apple Inc. (AAPL)	89B	94.01B	1.42	1.57	V	V
2025/7/31	Amazon.com Inc. (AMZN)	162.05B	167.7B	1.32	1.68	V	V
2025/7/31	Mastercard Inc. (MA)	7.93B	8.13B	4.03	4.15	V	V
2025/7/31	AbbVie Inc. (ABBV)	14.99B	15.42B	2.96	2.97	V	V
2025/7/31	S&P Global Inc. (SPGI)	3.66B	3.76B	4.2	4.43	V	V
2025/7/31	Stryker Corp. (SYK)	5.94B	6.02B	3.07	3.13	V	V
2025/7/31	KKR & Co. Inc. (KKR)	1.81B	1.86B	1.13	1.18	V	V

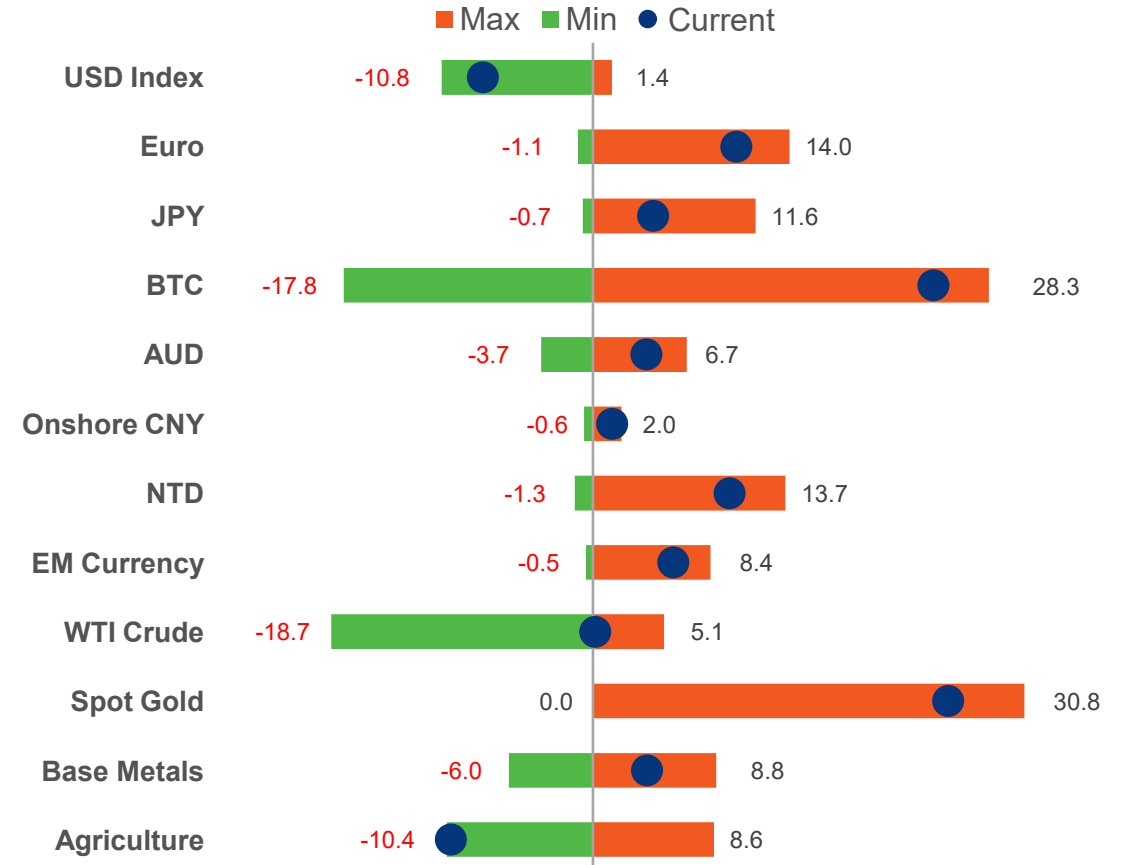
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

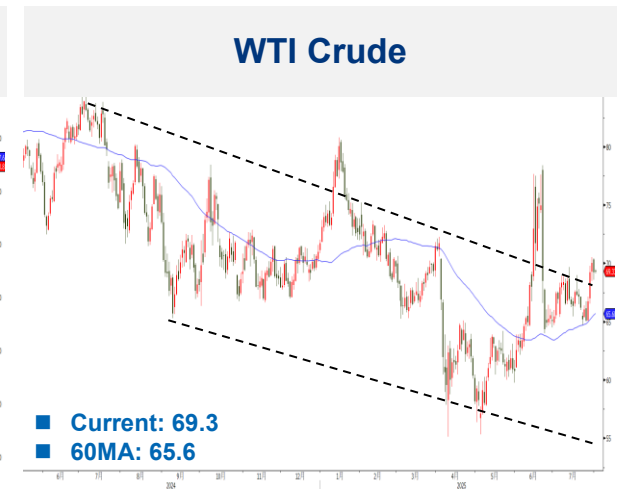
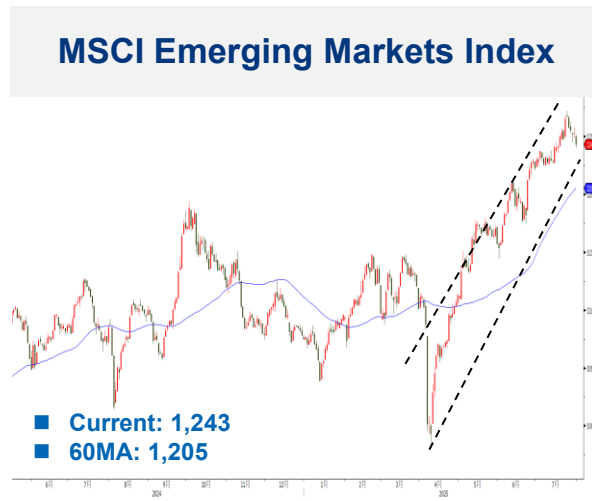
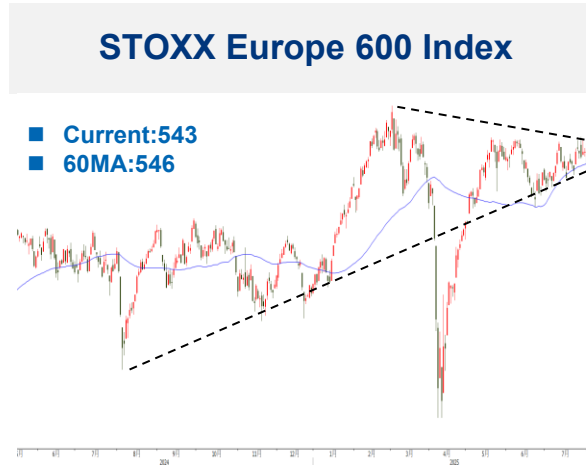
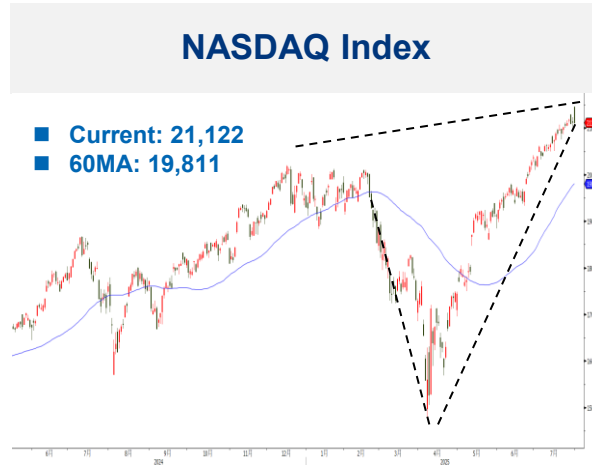
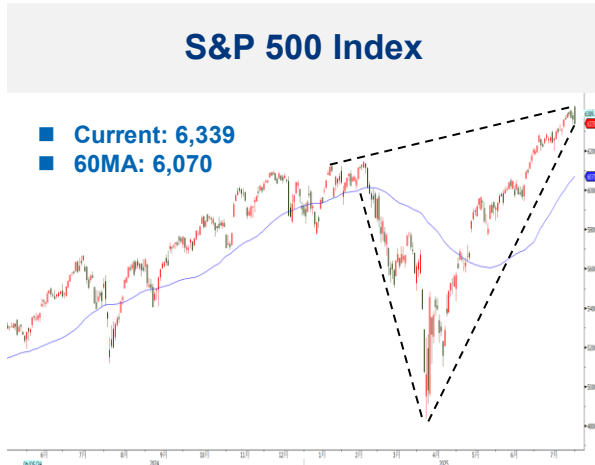


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 1 August 2025

Technical Analysis



Source: Bloomberg, 1 August 2025

Market Monitor

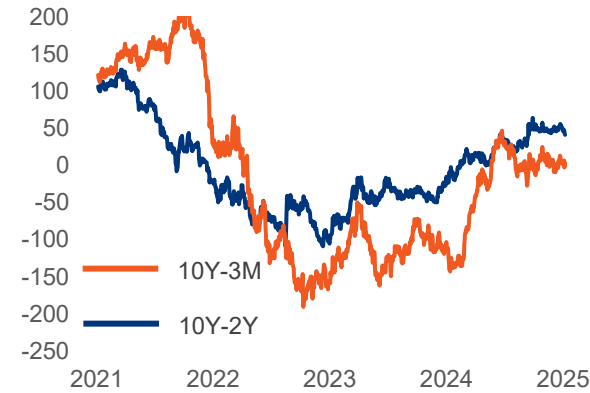
U.S. CPI YoY (%)



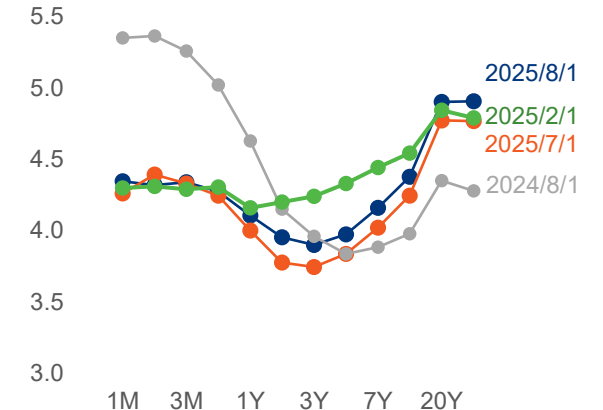
U.S. 10-Year Treasury Yield (%)



U.S. Treasury Yield Spread (bps)



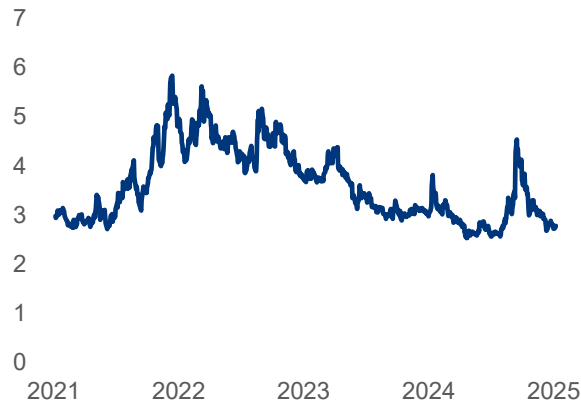
U.S. Treasury Yield Curve (%)



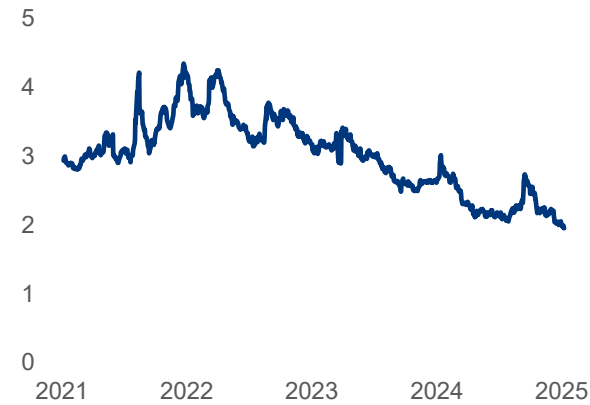
USD IG Credit Spread (%)



USD HY Credit Spread (%)



USD EM Credit Spread (%)



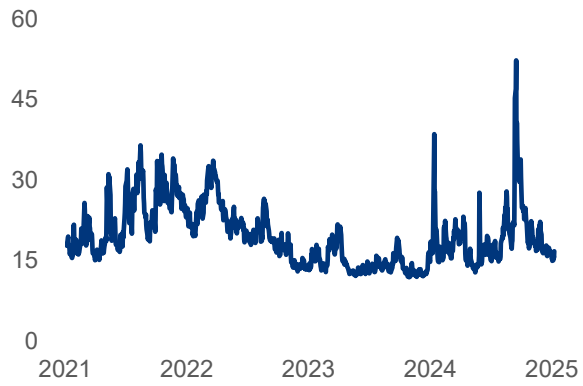
USD Asia Credit Spread (%)



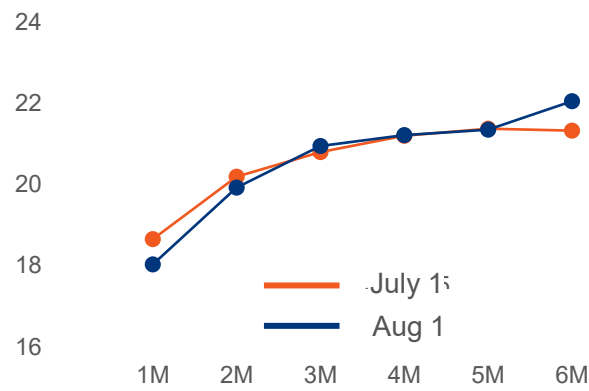
Source: Bloomberg, 1 August 2025

Market Monitor

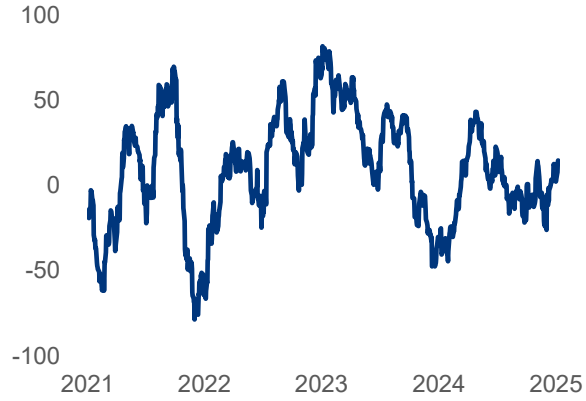
VIX Index



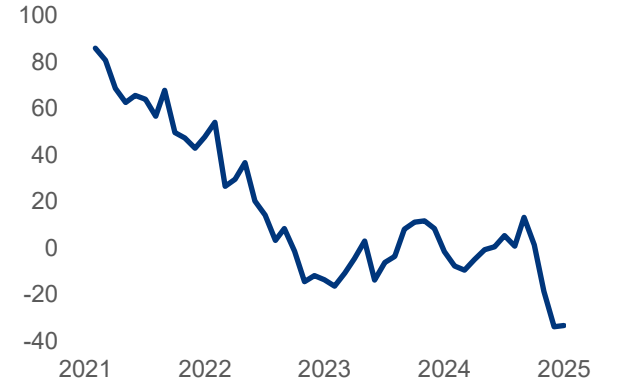
VIX Term Structure



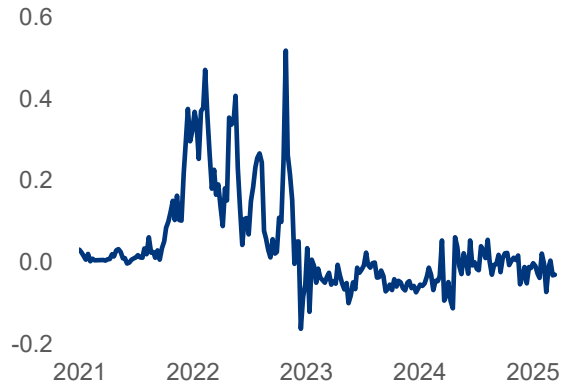
U.S. Citi Economic Surprise Index*



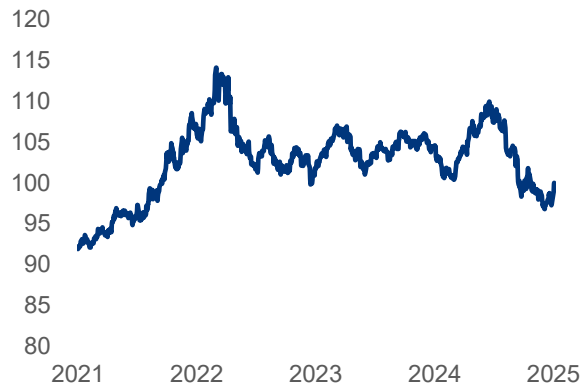
U.S. Citi Inflation Surprise Index*



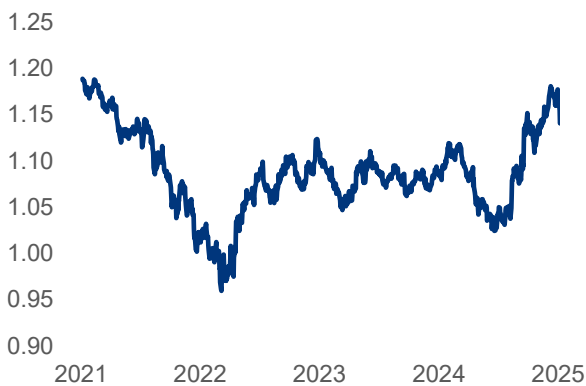
TED Spread (bps)



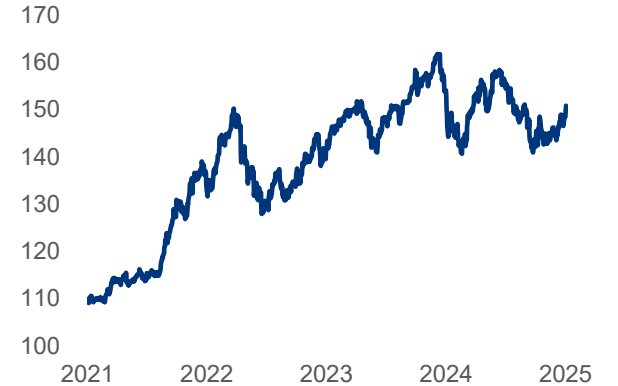
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 1 August 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.

Disclaimer and Important Notice

The information contained in the document herein is confidential and is not intended for general public distribution or for use by any person or entity located or residing in any jurisdiction which restricts the distribution of such information by KGI Asia Limited ("KGI") or any affiliate of KGI. Re-distribution of the document herein and any part thereof by any means is strictly prohibited. Such information shall not be regarded as an offer, invitation, solicitation or recommendation to invest in or sell any securities or investment products to any person or entity in any jurisdiction. The above information (including but not limited to general financial and market information, news services, market analysis and product information) is for general information and reference purpose only and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd. Such information is not intended to provide investment advice and should not be relied upon in that regard. You are advised to exercise caution, and if you are in any doubt about such information, you should seek independent professional advice.

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.

No representation or warranty is given, whether express or implied, on the accuracy, adequacy or completeness of information provided herein. In all cases, anyone proposing to rely on or use the information contained herein should independently verify and check the accuracy, completeness, reliability and suitability of the information. Simulations, past and projected performance may not necessarily be indicative of future results. Information including the figures stated herein may not necessarily have been independently verified, and such information should not be relied upon in making investment decisions. None of KGI, its affiliates or their respective directors, officers, employees and representatives will be liable for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind) suffered or incurred by any person or entity due to any omission, error, inaccuracy, incompleteness or otherwise, or any reliance on such information. Furthermore, none of KGI, its affiliates or their respective directors, officers, employees and representatives shall be liable for the content of information provided by or quoted from third parties.

Complex Products refers to an investment product whose terms, features and risks are not reasonably likely to be understood by a retail investor because of its complex structure. Investors should exercise caution in relation to complex products. Investors may lose the entire amount or more than the invested amount. For complex products with offering documents or information not reviewed by the Hong Kong Securities and Futures Commission (SFC), investors should exercise caution regarding the offer. For complex products described as SFC-approved, such approval does not imply official endorsement, and SFC recognition does not equate to a recommendation or assurance of the product's commercial viability or performance. Past performance data, if provided, is not indicative of future performance. Some complex products are only available to professional investors. Before making any investment decisions, investors should review the offering documents and other relevant information to understand the key nature, features, and risks of the complex products. Independent professional advice should be sought, and investors should have sufficient net assets to bear the potential risks and losses associated with the product. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers, employees and representatives may from time to time have a position in any securities mentioned herein.

Bond investment is NOT equivalent to a time deposit. It is NOT protected under the Hong Kong Deposit Protection Scheme. Bondholders are exposed to a variety of risks, including but not limited to: (i) Credit risk - The issuer is responsible for payment of interest and repayment of principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive interest and get back the principal. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer; (ii) Liquidity risk - some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity; (iii) Interest rate risk – When the interest rate rises, the price of a fixed rate bond will normally drop, and vice versa. If you want to sell your bond before it matures, you may get less than your purchase price. Do not invest in bond unless you fully understand and are willing to assume the risks associated with it. Please seek independent advice if you are unsure.

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.