

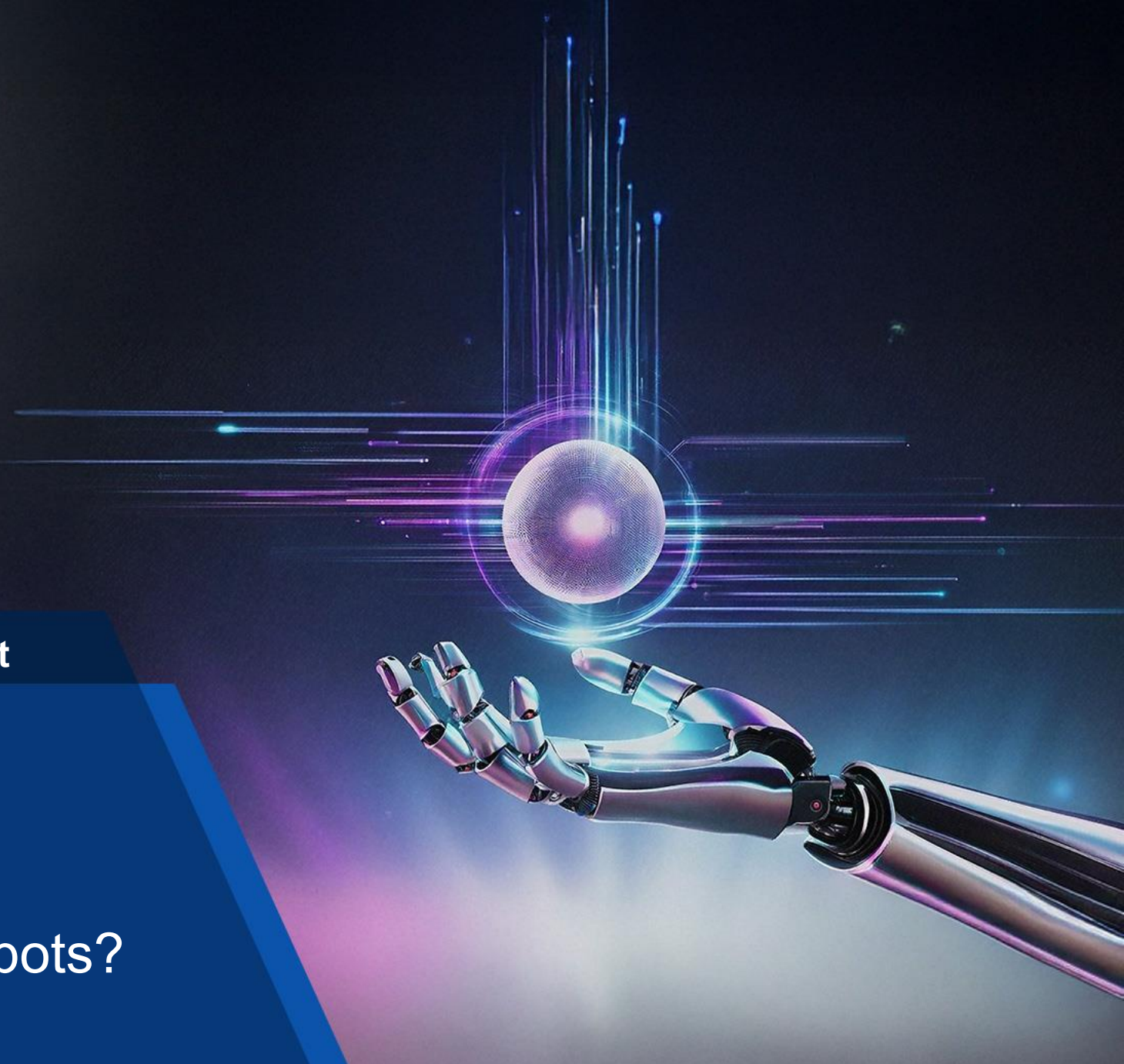


CIO Office

Global Markets Weekly Kickstart

Capturing the Potential of AI Robots?

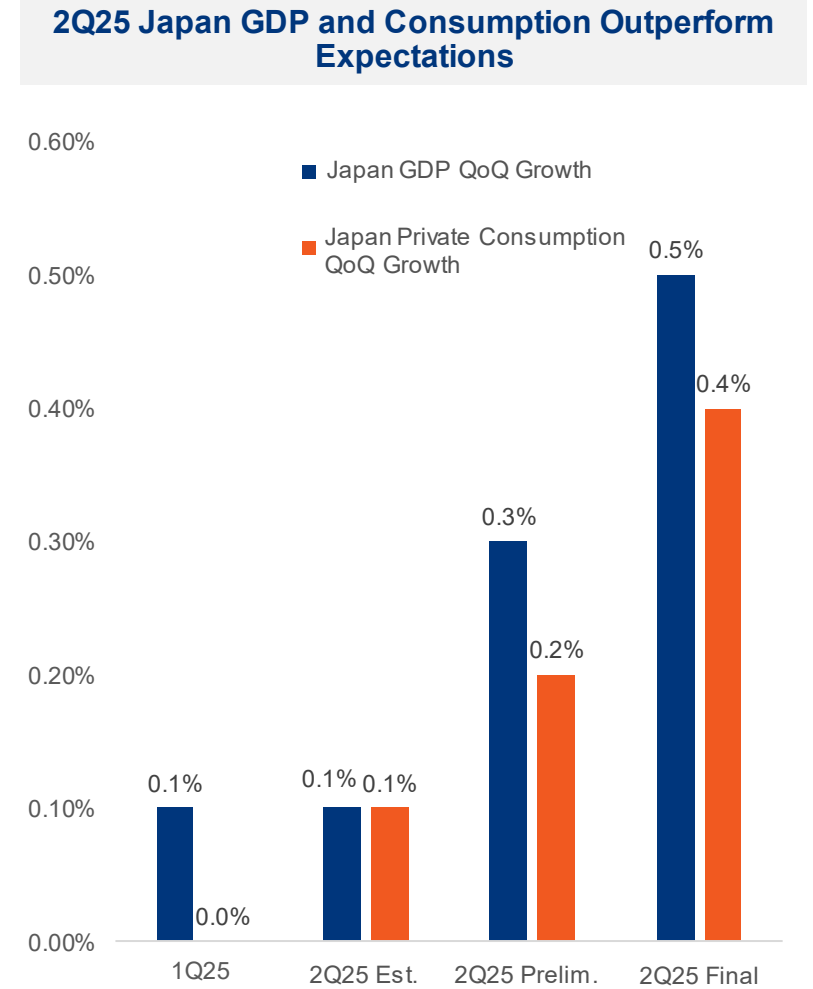
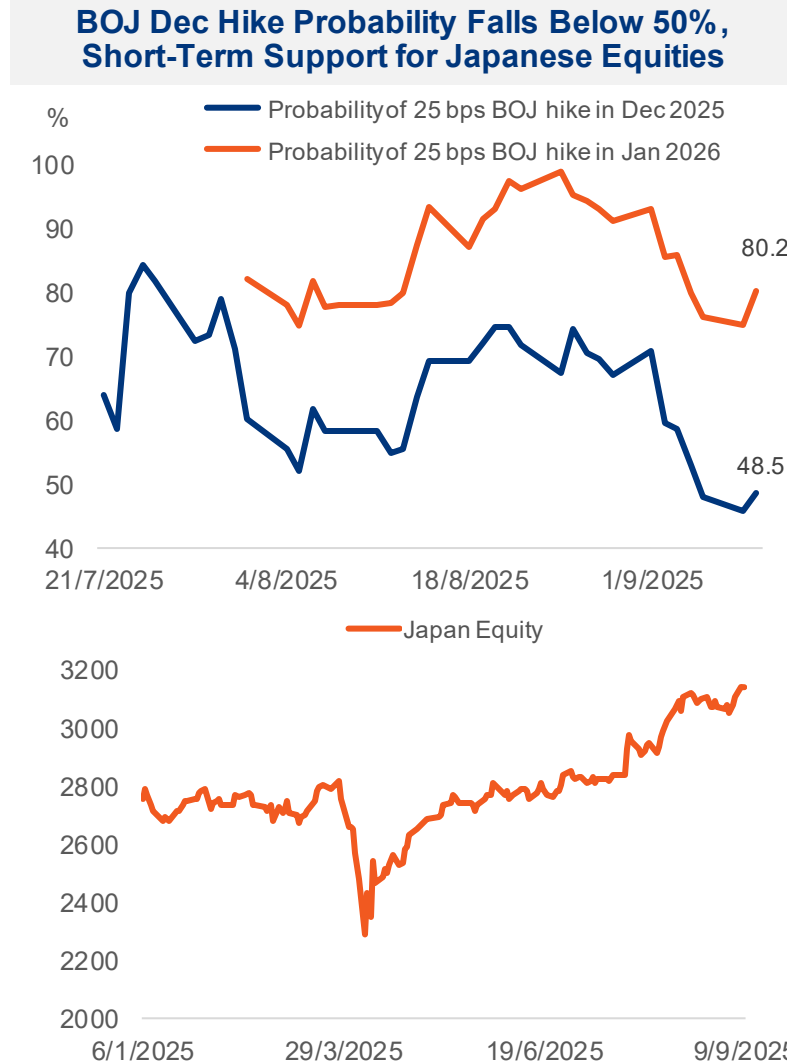
15 September 2025



Ishiba Resigns, Japanese Stocks May Have Priced in Negatives

- ▶ After the LDP's upper house loss on Jul 20, PM Shigeru Ishiba initially clung to office, but mounting pressure—including resignations by key party officials led by Hiroshi Moriyama, calls from Taro Aso for an early leadership race, and a decisive meeting with LDP Vice President Yoshihide Suga and Shinjiro Koizumi—pushed him to step down on Sep 7 to avoid a humiliating exit.
- ▶ Potential successors include Sanae Takaichi, Shinjiro Koizumi, Yoshimasa Hayashi, Takayuki Kobayashi, and Toshimitsu Motegi. Among them, Takaichi and Koizumi are seen as frontrunners. As these candidates are less hawkish than Ishiba on monetary policy, the shift is expected to support Japanese equities and exporters in the near term.
- ▶ While the pace of BOJ hikes could be influenced by the incoming PM, the policy direction should remain intact. Recent economic data support further BOJ tightening, and a likely Fed rate cut in September may narrow the U.S.–Japan rate gap. This underpins medium-term JPY appreciation, keeping domestic demand plays central to Japan equity positioning.

Source: Bloomberg

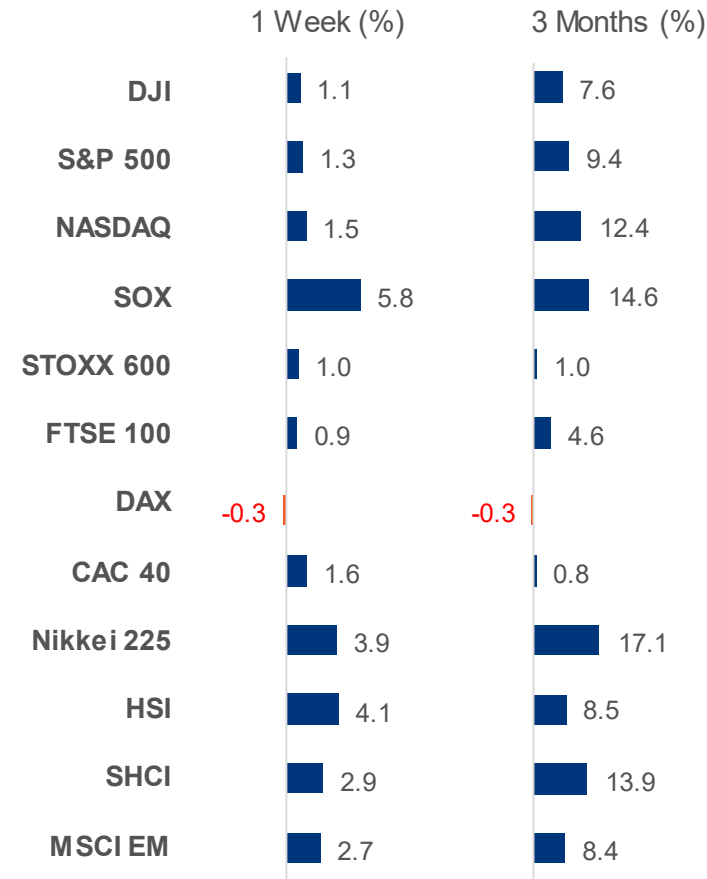


Market Recap

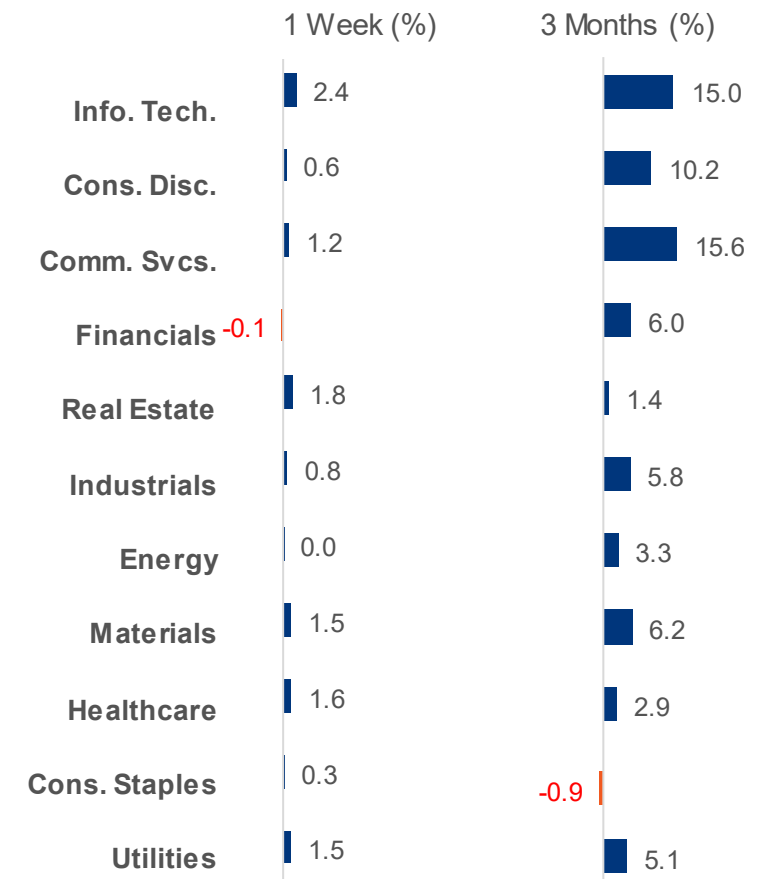
NFP Sharply Revised Down, Bolstering Fed Cut Bets; Tech and AI Lead Rally

- ▶ August nonfarm payrolls rose only 22k, far below expectations of 75k. In addition, the Labor Department revised down job gains between Mar 2024 and Mar 2025 by 911k—the largest downward adjustment on record. The weak data reinforced expectations for a Fed rate cut in September, pushing U.S. equities to fresh highs.
- ▶ Anglo American will merge with Canada's Teck Resources, creating the world's fifth-largest miner and lifting European mining stocks. In France, PM Bayrou resigned after losing a no-confidence vote, but the outcome was largely expected, limiting market impact; European equities ended modestly higher. In Japan, Ishiba's resignation raised hopes that his successor will be less hawkish on monetary policy, while stronger-than-expected economic growth supported both domestic and export-related sectors, driving Japanese equities higher.
- ▶ Although Apple's iPhone 17 launch disappointed, Oracle's strong cloud outlook, coupled with rate-cut optimism, fueled a sharp rebound in tech. This highlights investors' continued conviction in the AI growth trend.

Regional Index Performance (%)



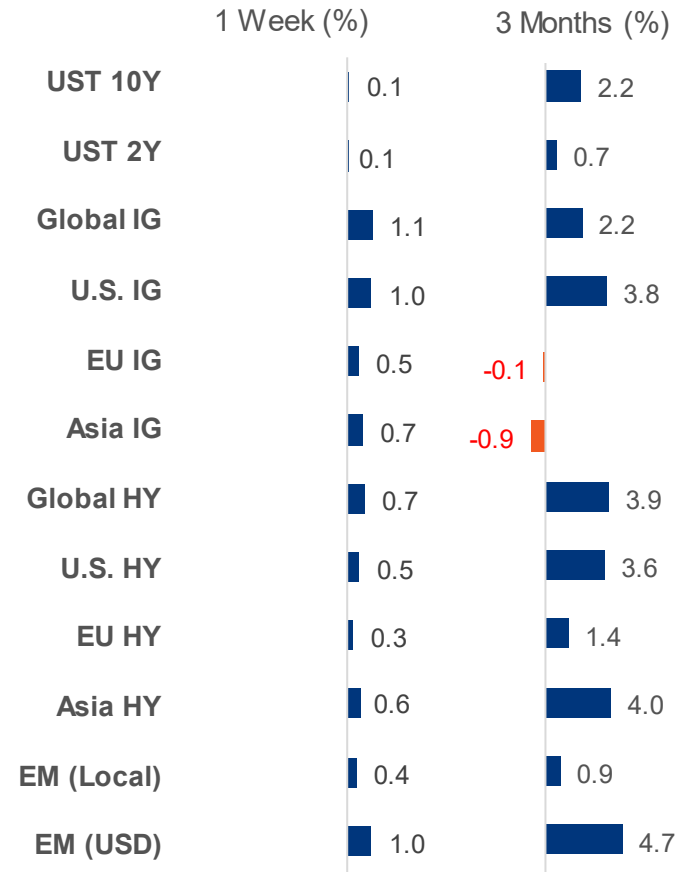
U.S. Sector Index Performance (%)



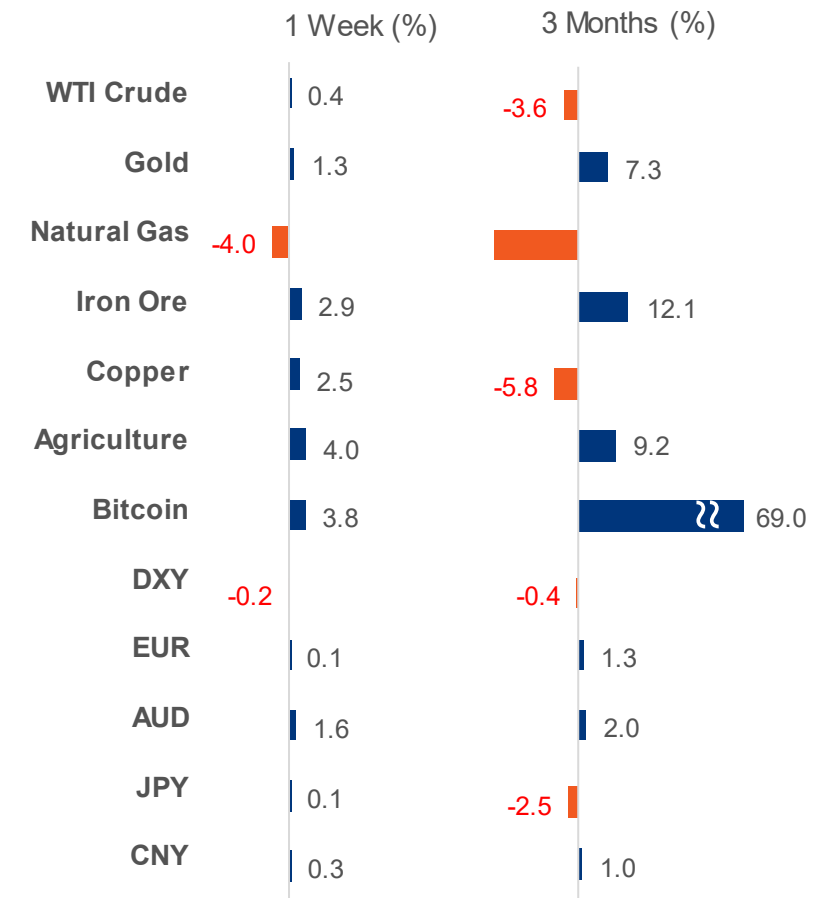
PPI Misses, CPI In Line; Yields and Dollar Fall, Gold Extends Rally

- ▶ PPI came in below expectations while CPI matched forecasts, leaving intact the Fed's expected September rate cut restart. Bonds rallied broadly on lower yields, though European debt lagged amid French political turmoil and an ECB hold on rates.
- ▶ Geopolitical risks resurfaced after Israel struck Hamas targets in Qatar. Doha vowed retaliation and urged regional allies to counter Israel, intensifying Middle East tensions. Combined with Fed cut expectations, safe-haven demand lifted gold toward the USD 3,700/oz level.
- ▶ Inflation data reinforced strong rate-cut bets, pressuring the dollar and supporting non-USD currencies. The euro underperformed on French political concerns, while JPY traded volatile. After PM Ishiba's resignation, markets initially sold the yen on expectations of a less hawkish successor. However, stronger 2Q growth data underpinned confidence in continued BOJ tightening, helping JPY rebound and leaving it choppy overall.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)

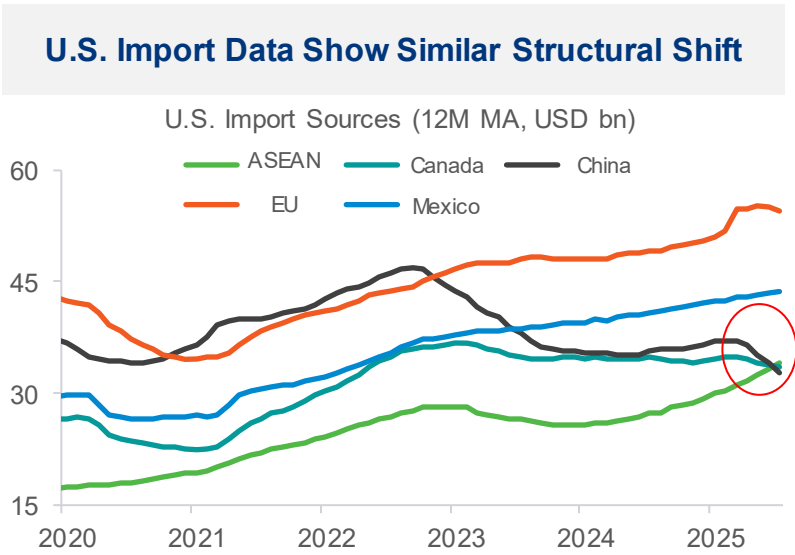
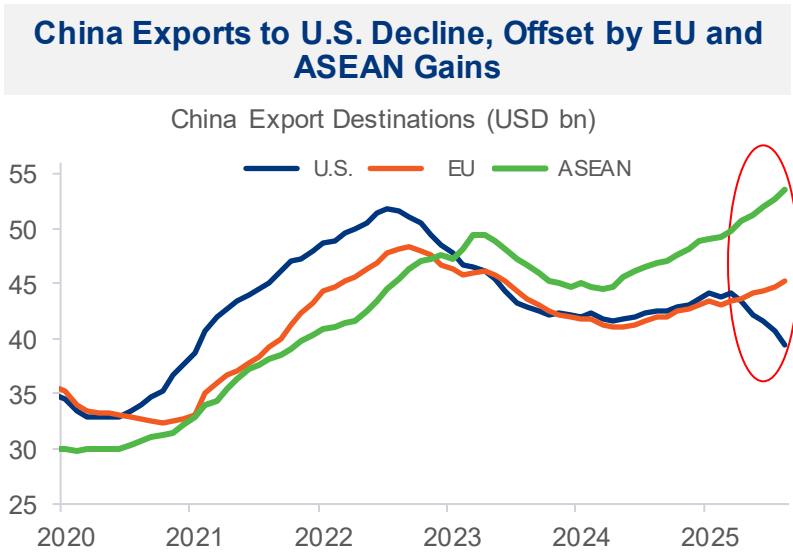
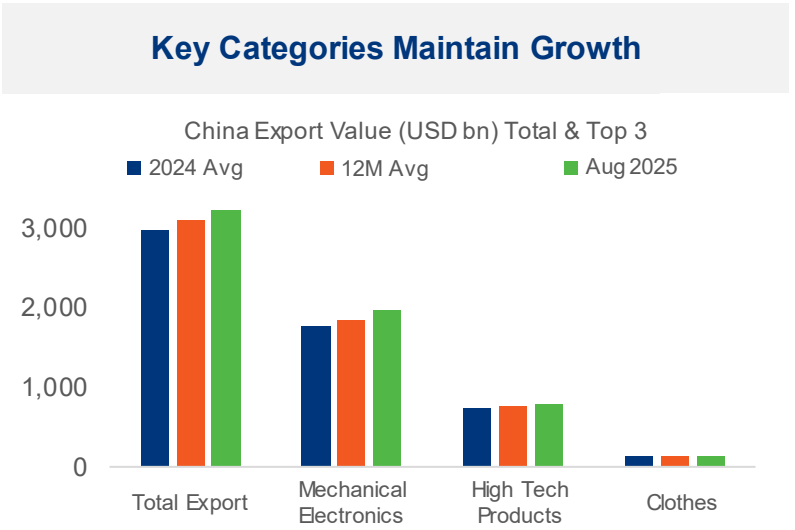
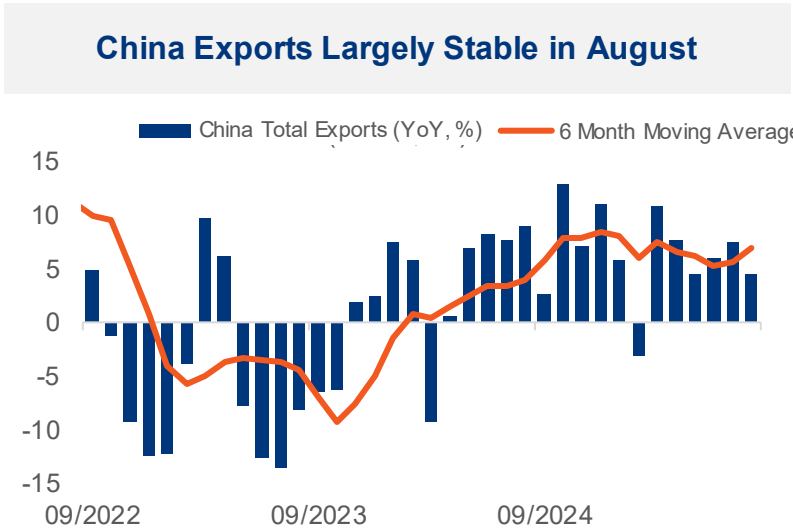


Source: Bloomberg, 12 Sep 2025

What's Trending

China Exports Stable as EU and ASEAN Growth Offsets U.S. Decline

- ▶ China's exports rose 4.6% YoY in August, slower than July's 7.5%, but the 6-month moving average of 6.9% shows growth remains intact. While exports to the U.S. continue to contract, overall exports stayed steady, supported by stronger shipments to the EU and ASEAN, both now larger markets than the U.S.
- ▶ U.S. import data reflect the same trend: imports from China have been falling since 2022, with declines accelerating this year, while imports from the EU and ASEAN continue to expand.
- ▶ By value, China's top export categories—machinery & electronics and high-tech goods—make up nearly 80% of exports. August export values in these categories exceeded both the 2024 full-year average and the trailing 12-month average, underscoring that U.S. trade policy has not significantly altered China's export structure, with high-tech goods remaining the key driver.
- ▶ Even under renewed trade war pressure in Trump's second term, China's export mix is diversifying, reducing reliance on the U.S. and broadening destinations. Overall exports remain resilient, with China maintaining strength in high-tech goods. Select export stocks remain worth attention.

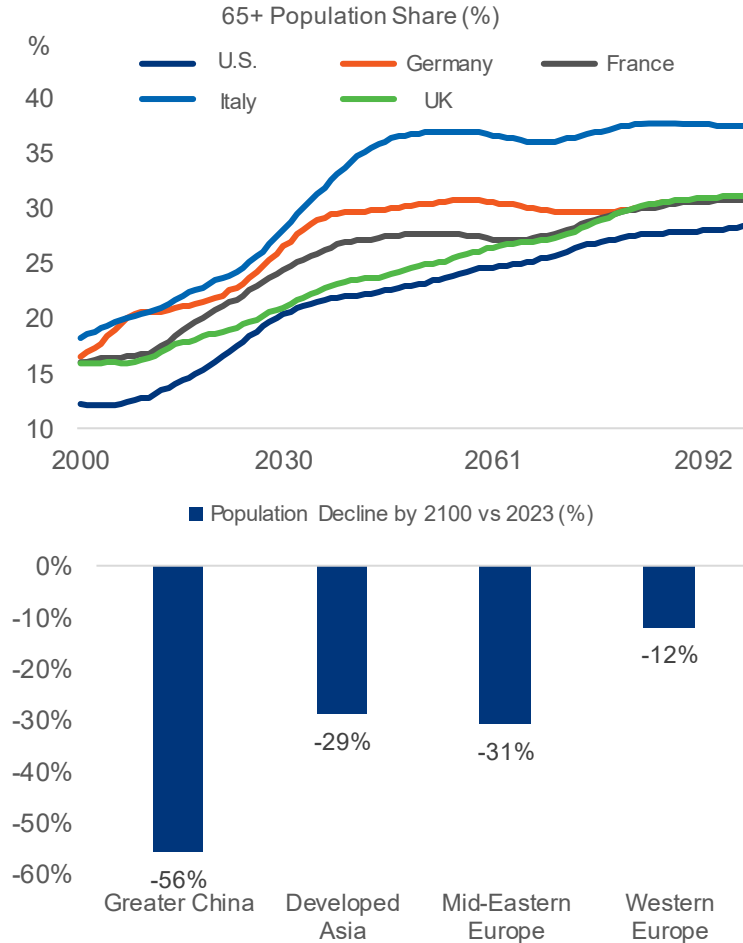


Source: Bloomberg

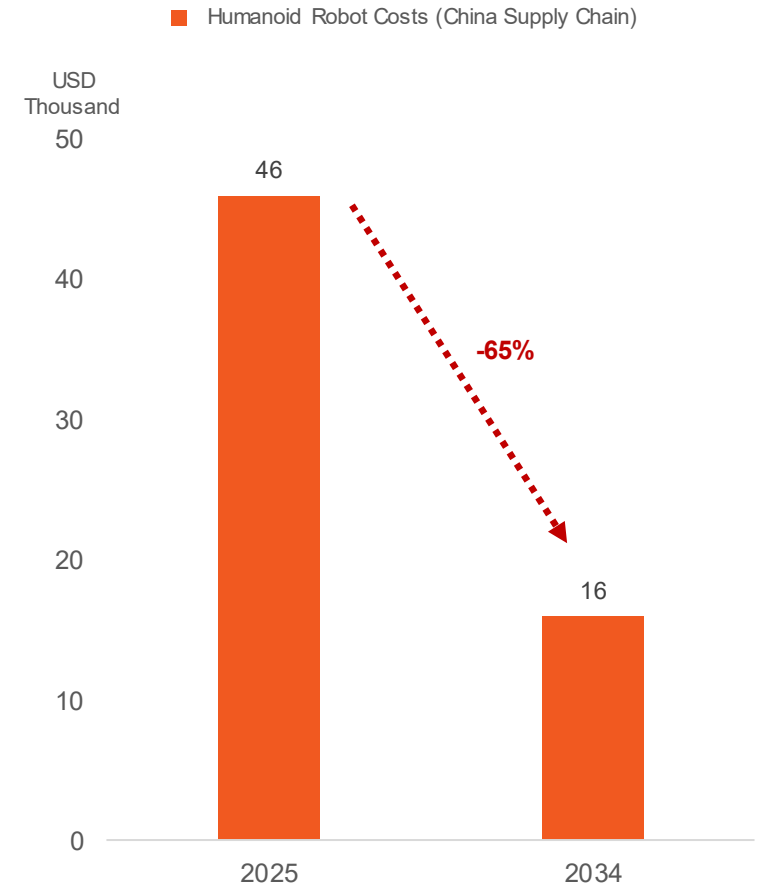
Global Workforce Set to Decline; Falling Robot Costs May Fill Labor Gap

- ▶ UN data show aging populations are pressuring developed markets, with those over 65 steadily rising in the U.S. and Europe. McKinsey projects declining fertility will lead to population contraction in many regions by century's end, widening global labor gaps. Humanoid robots with general-purpose labor capabilities could provide scalable solutions and efficiency gains.
- ▶ AI robot costs are rapidly falling as advances in technology and scaled production drive down prices of sensors, actuators, and other components. Government support is also accelerating R&D, equipment upgrades, and production. Morgan Stanley estimates humanoid robot costs in China's supply chain could fall 65% over the next decade, spurring adoption.
- ▶ Chipmakers such as AMD and NVIDIA are powering advanced robotic systems with high-performance AI processors. NVIDIA is also building platforms like Jetson and Isaac, laying the foundation for real-world AI robotics.

Aging and Falling Birth Rates to Shrink Global Workforce



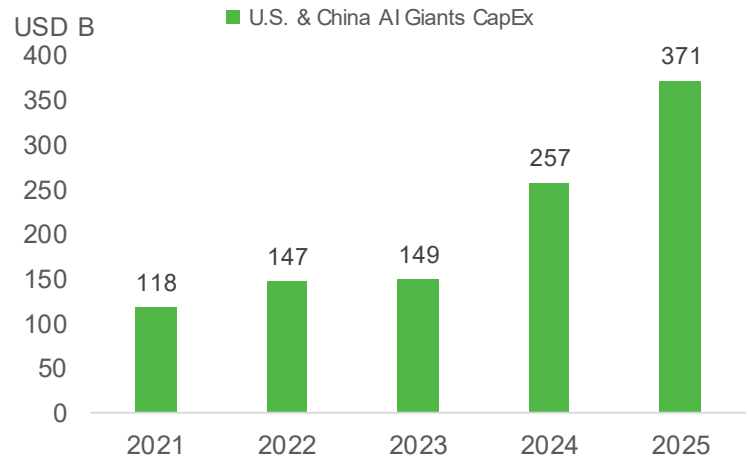
Humanoid Robot Costs Expected to Decline



Tech Giants Ramp Up AI Capex to Drive Humanoid Robot Applications and Market Growth

- ▶ Bloomberg estimates U.S. and Chinese tech giants will spend USD 371bn in capex in 2025, up 44% from 2024, underscoring an intense “AI arms race” to secure leadership in AI services. Heavy investment is expected to continue over the next 2–3 years to meet surging demand.
- ▶ NVIDIA CEO Jensen Huang has outlined four stages of AI development, also applicable to AI robotics. The current shift from generative AI to agentic AI means robots are evolving from performing repetitive tasks to operating in uncertain environments, self-training, making decisions, and interacting more flexibly with the physical world.
- ▶ No single country dominates AI robotics, but the U.S. and China lead in different areas—the U.S. in “brains” and China in “bodies.” These complementary strengths are accelerating global adoption and development. Morgan Stanley projects humanoid robot revenues could grow exponentially, reaching USD 4.7tn by 2050.

Rising AI Capex to Accelerate Development Stages

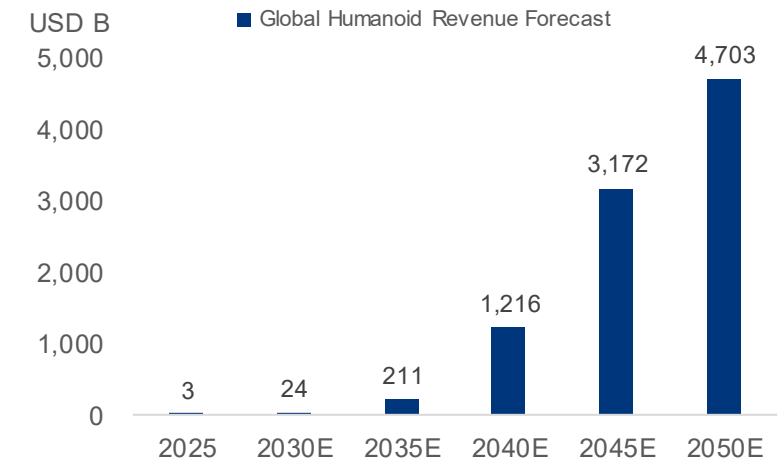


AI & Robotics Development Stages

Perception AI	Enables sensing and processing of external inputs (“seeing” and “hearing”).
Generative AI	Uses deep learning to generate unique content.
Agentic AI	Autonomous decision-making AI, integrated with reasoning systems (e.g., ChatGPT with tools).
Physical AI	Robots with physical capabilities to act in the real world.

U.S. vs China Advantages Driving AI Robotics Demand

	U.S.	China
Strength	Advanced AI computing	Complete supplychain, lower costs
Market	High-end	Mid- to low-end
App-lication	Warehousing, logistics, aerospace, defense	Entertainment, education, consumer uses
Key Players	Tesla, Agility, Boston Dynamics	Unitree, Fourier Intelligence, Ubtech



Source: Bloomberg, Nvidia, Taiwan Marketing Research, Morgan Stanley

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ With CPI in line and PPI below expectations, markets remain confident in a Fed rate cut in September. Given elevated U.S. equity valuations and potential downside from weaker growth in 2H, we recommend balanced sector allocation and flexible positioning. Near term, investors may add low-volatility, high-quality stocks. For long-term investors, AI remains a key theme, with software and cybersecurity stocks offering attractive entry points on pullbacks. ◆ In Europe, fundamentals are improving and valuations remain cheaper than U.S. equities, with U.K. and German stocks better positioned due to lower trade exposure. Despite short-term political uncertainty from Ishiba's resignation, Japan's economic recovery and tariff agreements support domestic demand and bank stocks, which can be accumulated on dips. 	<p>Strategy: Add high-quality, low-volatility stocks; long-term focus on AI, software, and cybersecurity; accumulate on pullbacks</p> <p>Regions: European equities, U.K. equities, Japan domestic demand and banks</p>
Bonds	<ul style="list-style-type: none"> ◆ Signs of cooling growth and expectations for a Fed rate cut in September are supporting bonds. Investors may lock in yields on short- to medium-term high-grade bonds, favoring A-rated or above blue-chip issuers. Sectors with attractive risk-adjusted spreads include financials, industrials, energy, utilities, and communications. ◆ With the dollar staying weak, diversifying into non-USD investment-grade bonds—such as those denominated in EUR and SGD—can help mitigate risk. 	<p>Duration: Lock in yields with short- to medium-term high-grade bonds, focus on financials, industrials, energy, utilities, and communications</p> <p>Sector: Financials, industrials, energy, utilities, communications</p>
Forex	<ul style="list-style-type: none"> ◆ With U.S. labor data softening and a more dovish Fed stance following personnel shifts, PPI and CPI releases have not altered expectations for a September rate cut. The DXY is expected to stay choppy near term and trend weaker medium term. ◆ EUR, JPY, and GBP likely to trade with an upward bias. 	<p>USD: Weak, consolidating</p> <p>EUR, JPY, GBP: Choppy upward tilt</p>
Commodity	<ul style="list-style-type: none"> ◆ A weaker USD outlook, lower rates from Fed easing, persistent inflation risks, and fiscal deficit pressures, combined with continued central bank and market buying, all support further gold upside. Accumulate gradually on pullbacks. 	<p>Gold: Bullish</p>

High-Tech Manufacturing Unlocks New Opportunities

From Cost Advantage to Technology-Driven Growth

China's manufacturing edge has shifted from low-cost production to technology-driven value creation. Two areas stand out: advanced optics and sensing technologies—the “smart eyes” for smartphones and EVs; and precision structural components with new material applications that shape product quality and functionality.

From OEM to Innovation Partner

Leaders in these segments, through sustained R&D and craftsmanship, have evolved from traditional OEMs into indispensable innovation partners for top global brands, building strong technology moats. Investing in these advanced manufacturing champions is a direct play on China's industrial upgrade and the vast opportunities from next-generation product innovation.

Deeply Embedded in Global Innovation

With AI, IoT, and AR/VR entering rapid growth phases, demand for high-performance sensors and new materials is set to surge. Crucially, these companies are now integrated into the R&D processes of global brands, shifting from passive order-takers to active co-innovators. This symbiotic relationship not only ensures steady orders but also secures their irreplaceable role in the global supply chain.

China Advanced Manufacturing Sectors

Sector	Key Focus
Next-Gen Information Technology	AI, 5G/6G, semiconductors, cloud, big data
Advanced CNC Machines & Robotics	High-precision CNC equipment, industrial robots
Aerospace Equipment	Large aircraft, engines, satellites, drones
Marine Engineering & High-Tech Vessels	Deep-sea drilling platforms, ocean-going ships
Rail Transit Equipment	High-speed rail, urban rail vehicles, smart signaling
Energy-Efficient & NEVs	EVs, hybrids, fuel-cell vehicles
Nuclear & Renewable Power Equipment	Nuclear power systems, wind, solar, energy storage
Smart Agricultural Machinery	Intelligent farm equipment, precision agri, agri IoT
New Materials	Nanomaterials, composites, functional films, alloys
Biopharma & High-End Medical Devices	Biopharma, diagnostic equipment, implants

Sunny Optical Technology (2382 HK)

Closing Price HK \$82.1

Target Price HK \$97

Engaged in the design, R&D, production, and sales of optical products and scientific instruments.

Dual Growth Engines, Clear Momentum

Sunny's core business is driven by the twin upgrade cycles of smartphone and automotive optics. For smartphones, a well-defined camera upgrade roadmap from key clients continues to lift ASPs of lenses and camera modules with double-digit growth. On the auto side, rising vehicle intelligence is expanding demand for car lenses. With ADAS adoption, average lenses per vehicle have risen from 3.5 to 4.3, underscoring a strong and sustained growth trend.

Positioning in AR, Targeting the Next "iPhone Moment"

Sunny is strategically expanding into AR, capturing a potentially revolutionary consumer electronics opportunity. Its deep partnership with Goertek, the AR assembly leader, secures its role in the future industry chain. Generative AI is enriching AR glasses applications, making the segment comparable to a future "iPhone moment." A near-term catalyst is Meta's planned September launch of its "Hypernova" smart glasses, priced at just USD 800—well below market expectations—potentially sparking strong demand. Goertek's involvement could translate into significant upside for Sunny.

Attractive Valuation, Re-Rating Potential

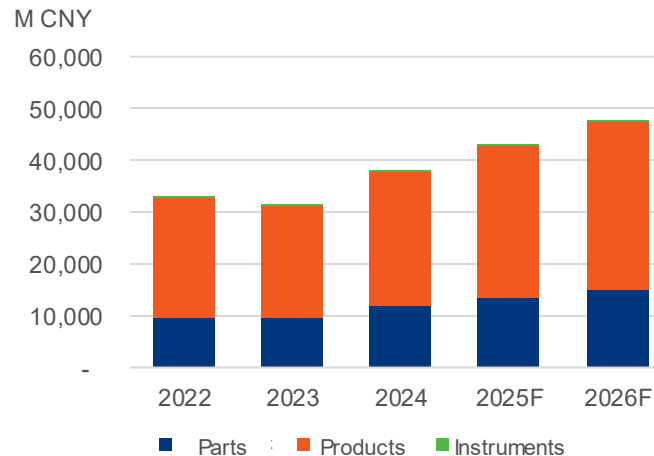
Earnings forecasts for 2025 and 2026 have been raised by 3.2% and 2.7%, respectively. The stock trades at just 18.6x forward P/E, well below its ~22x historical average, suggesting long-term growth is underpriced. We set a HKD 97 target price, based on 23x 2026E P/E, reflecting a robust 21% EPS CAGR over the next five years.

Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue (CNY Billion)	33.2	31.7	38.3	43.1	48.3
Revenue YoY	-11.5	-4.6	20.9	12.5	12.2
EPS (CNY)	2.2	1.0	2.5	3.3	3.9
EPS YoY	-52.0	-54.1	145.5	31.0	18.8
ROE(%)	11.4	5.0	11.4	13.1	13.8

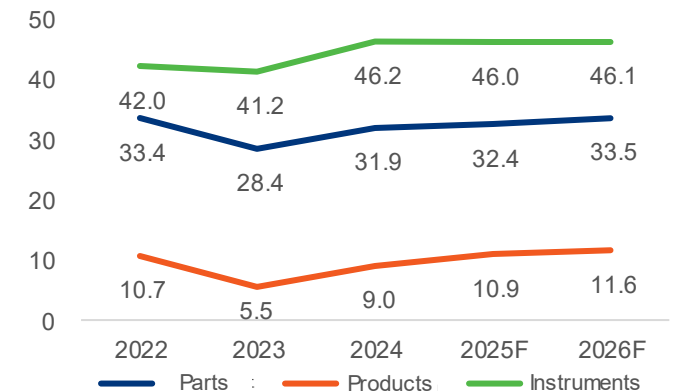
Revenue Segments



Estimated P/E



Segment Profit Margin (%)



Appendix

Key Economic Data / Events

► SEP 2025

8

Monday

- Eurozone Sep Sentix Confidence (Act:-9.2 Est:-2.0 Prev:-3.7)
- Japan 2Q GDP Final QoQ (Act:0.5% Est:0.3% Prev:0.1%)
- China Aug Exports YoY (Act:4.4% Est:5.5% Prev:7.2%)

9

Tuesday

- Japan Aug Machine Tool Orders YoY Prelim (Act:8.1% Prev:3.6%)
- Taiwan Exports YoY (Act:34.1% Est:25.0% Prev:42.0%)

10

Wednesday

- US Aug PPI YoY (Act:2.6% Est:3.3% Prev:3.1%)
- China Aug CPI YoY (Act:-0.4% Est:-0.2% Prev:0.0%)

11

Thursday

- US Weekly Jobless Claims (Act:263k Est:235k Prev:236k)
- US Aug CPI YoY (Act:2.9% Est:2.9% Prev:2.7%)
- US Aug Core CPI YoY (Act:3.1% Est:3.1% Prev:3.1%)
- Eurozone Sep ECB Refi Rate (Act:2.15% Est:2.15% Prev:2.15%)
- Japan Aug PPI YoY (Act:2.7% Est:2.7% Prev:2.5%)

12

Friday

- US Sep Michigan Sentiment Prelim (Est:58.0 Prev:58.2)
- Japan Jul Industrial Production Final MoM (Prev:2.1%)

15

Monday

16

Tuesday

- US Aug Industrial Production MoM (Est:0.0% Prev:-0.1%)
- Eurozone Jul Industrial Production MoM (Est:0.5% Prev:-1.3%)

17

Wednesday

- US Aug Building Permits Prelim (Est:1,370k Prev:1,362k)
- Japan Aug Exports YoY (Est:-1.9% Prev:-2.6%)
- Eurozone Aug CPI Final YoY (Est:2.1% Prev:2.0%)

18

Thursday

- US Weekly Jobless Claims (Prev:263k)
- US Sep Fed Funds Rate (Est:4.25% Prev:4.50%)
- Japan Jul Core Machinery Orders MoM (Est:-1.7% Prev:3.0%)
- UK Sep BoE Bank Rate (Prev:4.00%)
- Taiwan Sep CBC Discount Rate (Prev:2.00%)

19

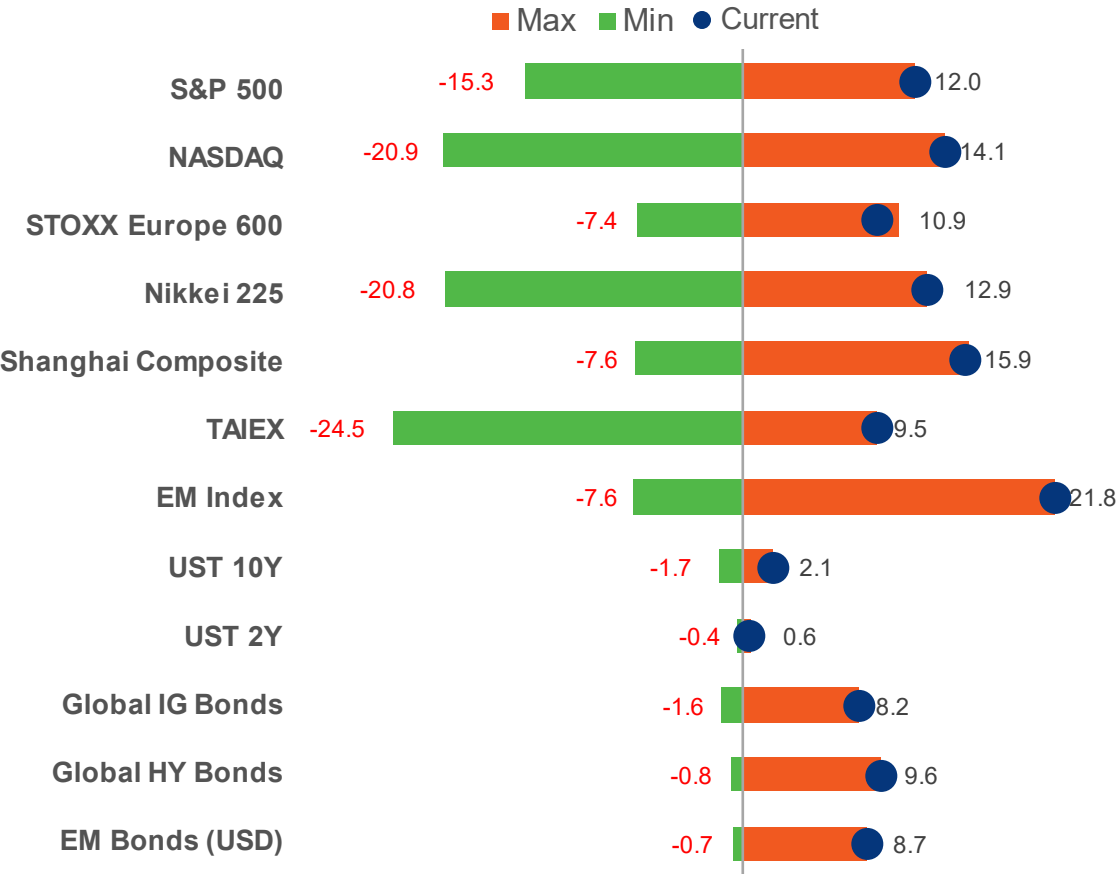
Friday

- Japan Aug Nationwide CPI YoY (Est:2.8% Prev:3.1%)
- Japan Sep BoJ Overnight Call Rate (Est:0.5% Prev:0.5%)

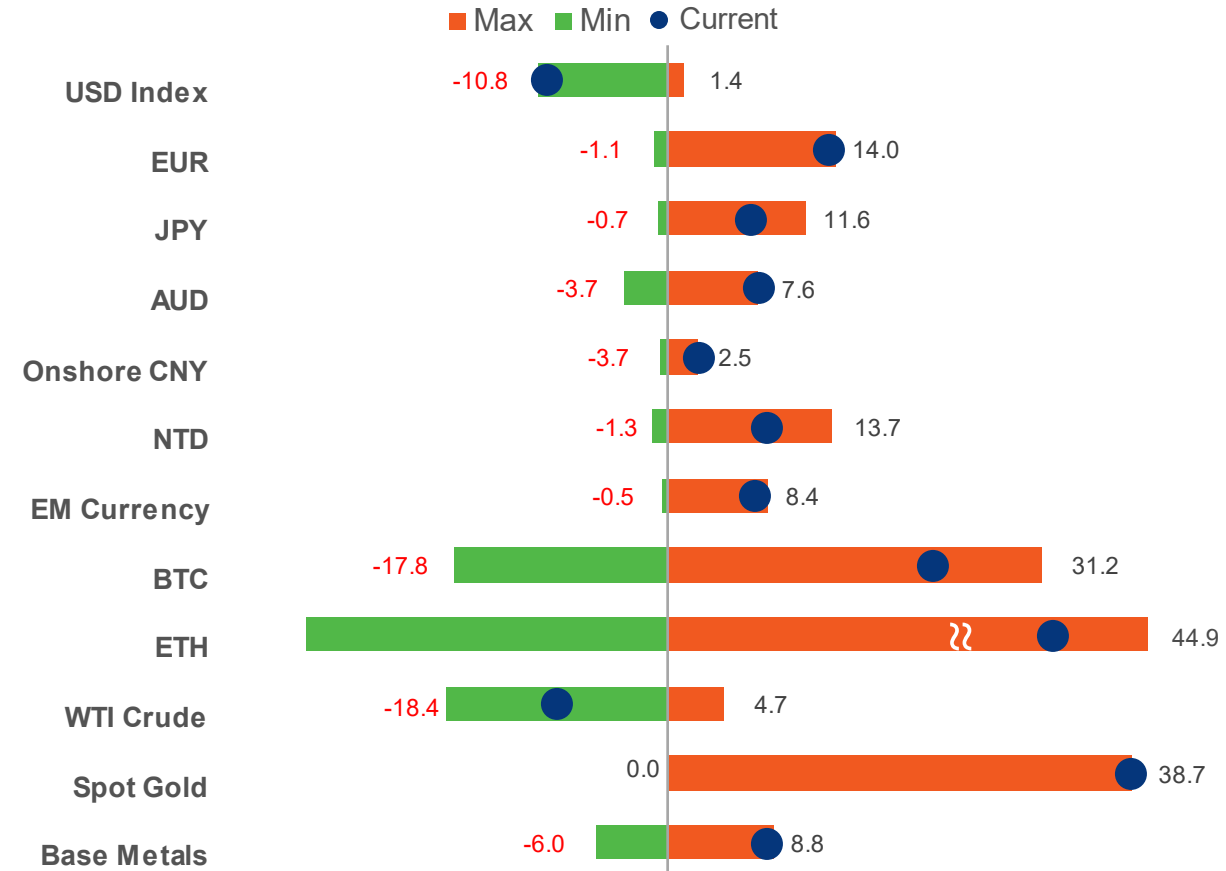
Source: Bloomberg

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

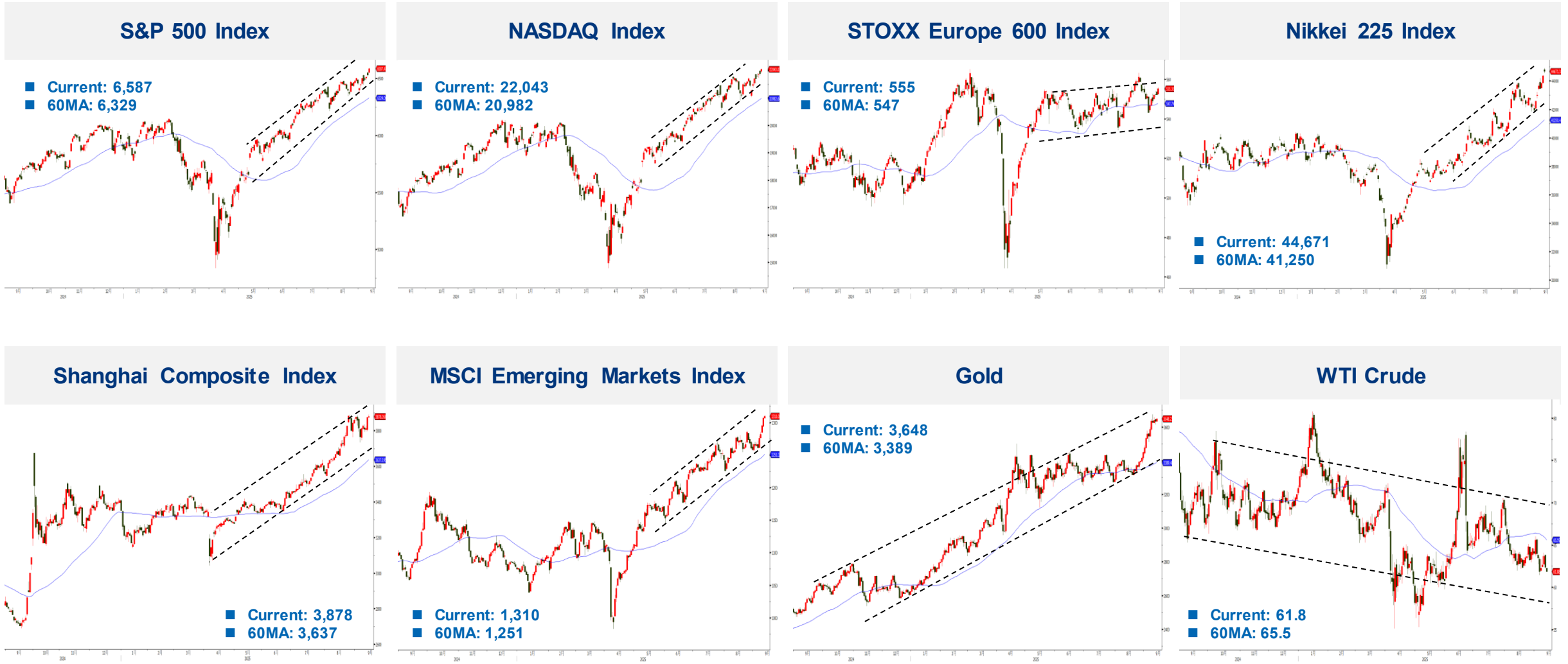


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 12 Sep 2025

Technical Analysis



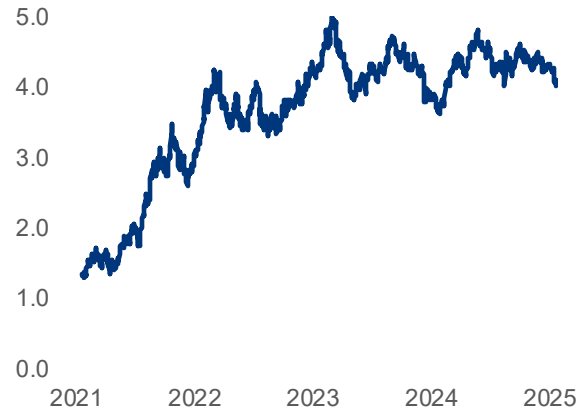
Source: Bloomberg, 12 Sep 2025

Market Monitor

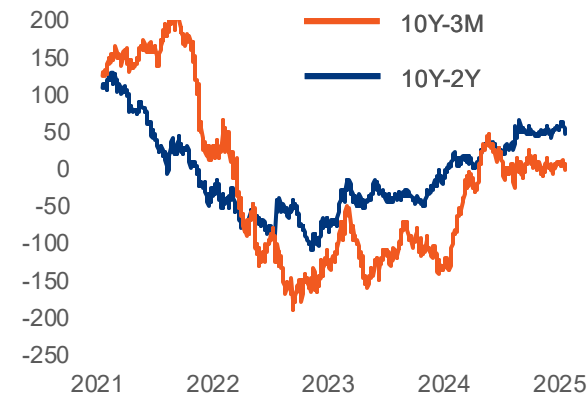
U.S. CPI YoY (%)



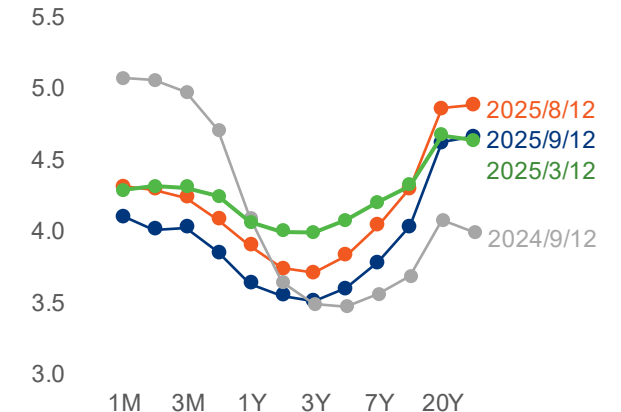
U.S. 10-Year Treasury Yield (%)



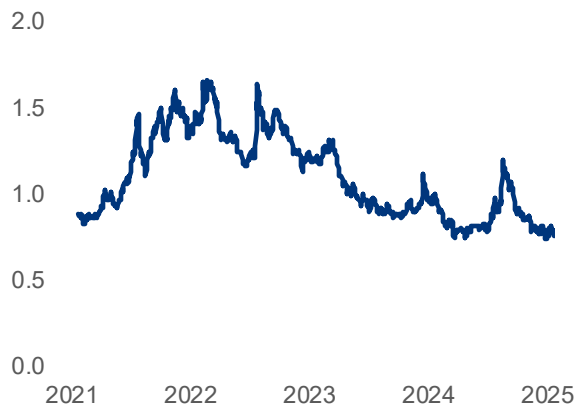
U.S. Treasury Yield Spread (bps)



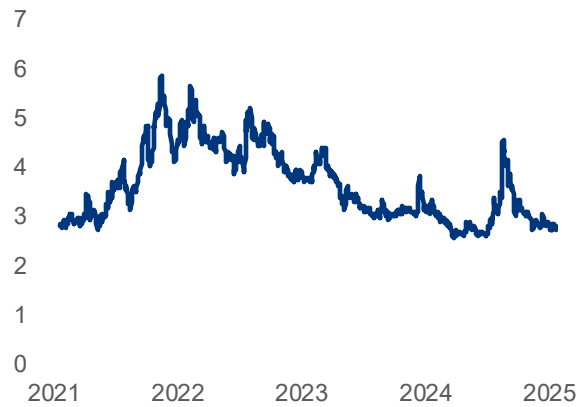
U.S. Treasury Yield Curve (%)



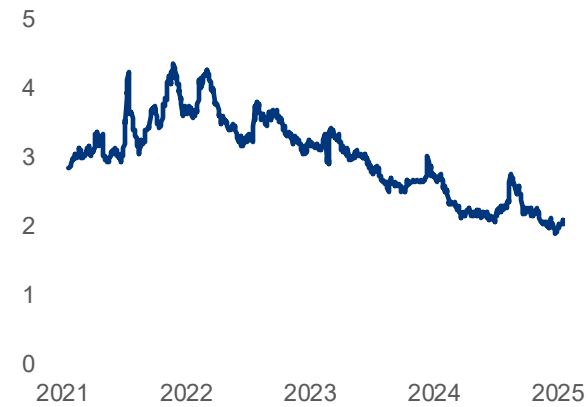
USD IG Credit Spread (%)



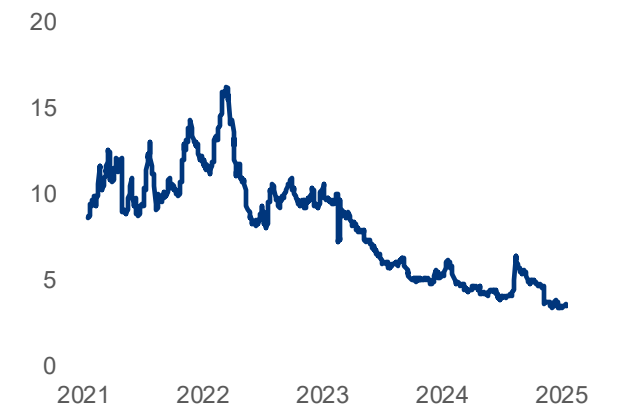
USD HY Credit Spread (%)



USD EM Credit Spread (%)



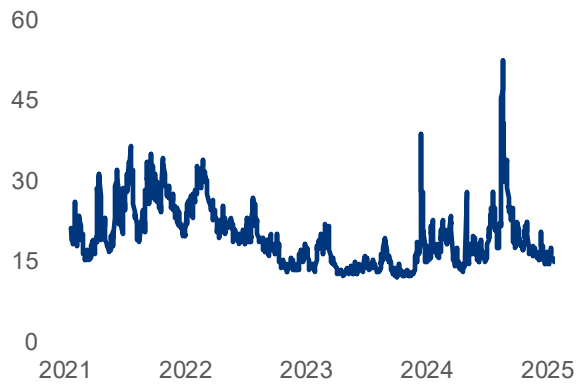
USD Asia Credit Spread (%)



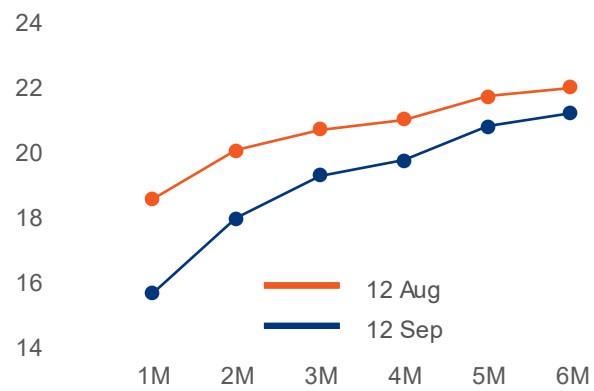
Source: Bloomberg, 12 Sep 2025

Market Monitor

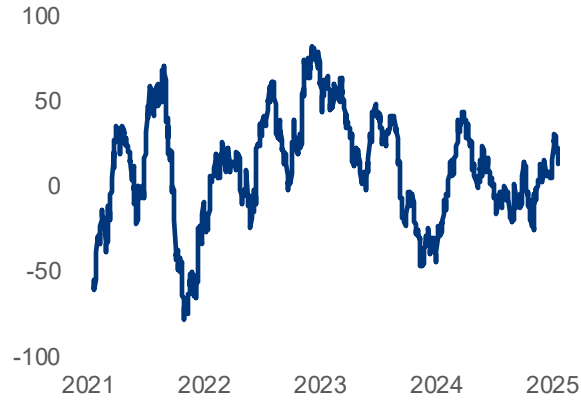
VIX Index



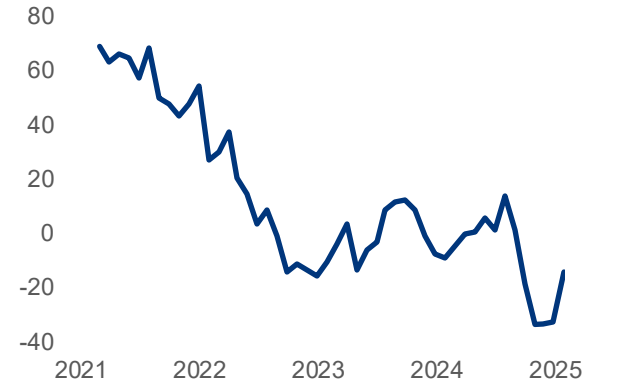
VIX Term Structure



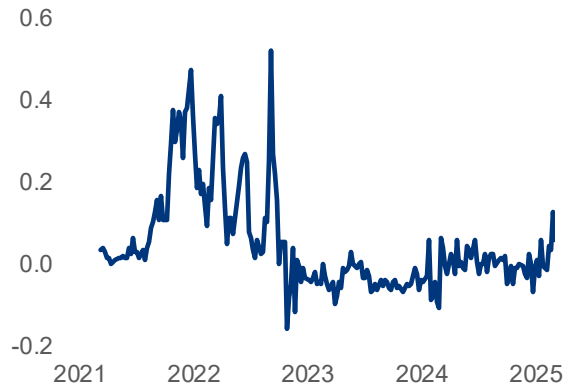
U.S. Citi Economic Surprise Index*



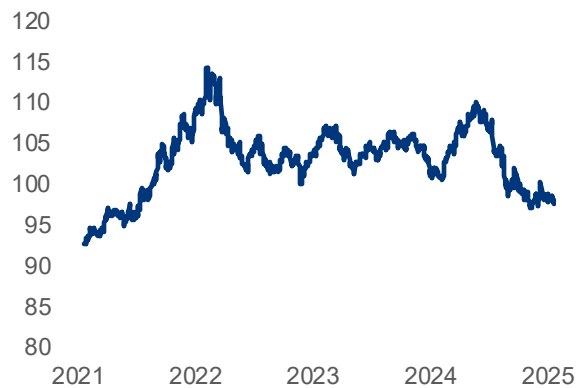
U.S. Citi Inflation Surprise Index*



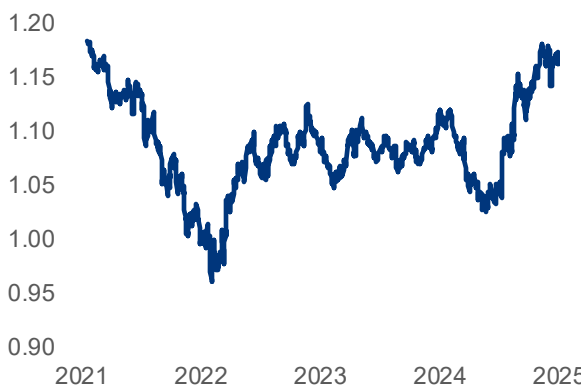
TED Spread (bps)



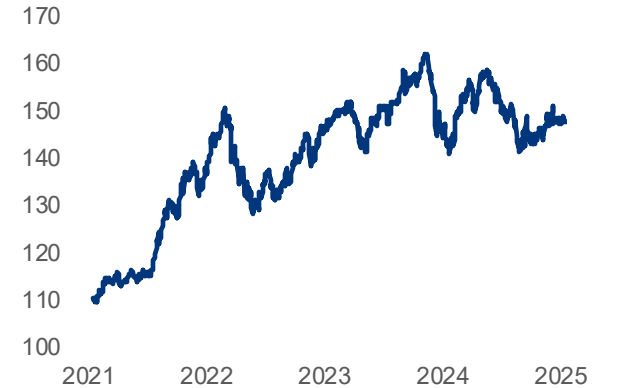
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 12 Sep 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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