

Video subject: US Bond Yields Rise - How to Allocate Asian Equity and Bond Markets?**Video highlights:**

- The Federal Reserve's policy remains focused on sticky inflation, high shipping costs and rebounding oil prices, alongside synchronized rate-hike cycles across Europe and Japan. With the US long-term Treasury yield rising to the 5% milestone, near-term equity rebounds remain structurally capped. However, investors should not exit equities entirely, as risk assets are poised for a relief rally once rate-hike expectations are fully priced in. Concurrently, gold retains strong long-term support, anchored by a 60% YoY surge in global central bank holdings during the first half of the year and compounding fiscal anxieties over the heavy US debt burden's impact on the dollar.
- The artificial intelligence sector continues to attract significant capital, transitioning from speculative hype to tangible commercial monetization. Unlocking advanced monetization channels like targeted advertising is projected to act as a massive multiplier, transforming vast user networks into over US\$100 billion in untapped revenue potential. The proportion of enterprises adopting paid AI services rose from 26% to 46% YoY. As firms embed these capabilities deeper into daily workflows, they inject sustainable cash flows into the AI ecosystem.
- For Asian equities, Taiwan remains a critical tech pillar due to its comprehensive AI supply chain, though positioning should pivot toward low-coverage, stable firms rather than overextended mega-caps, as valuations of large-cap tech stocks have recovered considerably. Conversely, a cautious stance is warranted for South Korea as slowing memory chip price hikes indicate positive catalysts are largely priced in. In Japan, the outlook favors defense, nuclear energy, and financial stocks poised to benefit from rising rates, provided investors guard against volatility from a stronger Yen and carry-trade unwinding if monetary tightening quickens.
- Within the A-share market, valuations for certain AI-related firms have retraced to a compelling level, offering a tactical short-term entry point; however, investors should pay attention to corporate earnings quality and actual revenue conversion. As for Hong Kong stocks, some newly listed AI companies may face near-term volatility due to sell-off pressure as their lock-up periods expire. However, for companies with strong fundamentals, this pullback could present a window for long-term investment.
- For fixed income, maintaining a short-duration strategy by capping the overall portfolio duration at roughly 4 years, is vital to sidestep the risks of surging long-term yields. Also, investors could pay attention to the new-issue investment-grade AT1 and Tier 2 USD subordinated bonds, from major financial institutions in Japan, Thailand, and India, which currently offer relatively attractive yields.

Full version is only available in Chinese language.

Important Note and Risk Disclosure Statement

This document is issued by China CITIC Bank International Limited ("the Bank") and used for reference purpose only. The information or opinion herein is not to be construed as professional investment advice or any offer of, or invitation by or on behalf of the Bank to any person to purchase or sell or acquire or invest in any investment products. The information or opinion presented has been developed internally and/or taken from sources believed to be reliable, but the Bank makes no warranties or representation as to the accuracy, correctness, reliabilities or otherwise with respect to such information or opinion, and assume no responsibility for any omissions or errors in the content of this document. For information which is provided by the Information Provider and other companies such as fund houses, it is being re-transmitted by the Bank in the ordinary course of business to you for general information and reference purposes only. The Bank makes no warranties or representation as to the accuracy. This document is not intended to provide any investment advice. Investors should not make investment decisions solely based on the content of this document, nor should they consider any content in this document as guidance for determining whether individual markets are suitable for investment. Before making any investment decision, investors should carefully consider the risk factors relating to an investment product in light of their own financial circumstances, investment objectives and experiences and other personal circumstances, and should seek appropriate professional advice if necessary. The Bank accepts no liability for any direct, special, indirect, consequential, incidental damages or other loss or damages of any kind arising from any use of or reliance on the information or opinion herein.

Investment involves risks, investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred but may not necessarily result in profits as a result of buying and selling investment product. Investment in emerging markets involves above average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. The price of securities fluctuates, sometimes dramatically. The price of securities may move down or up and may become valueless. It is as likely that losses will be incurred rather than profits made as a result of buying or selling securities.

When investing in high-yield or unrated bonds or related products, investors face higher default risk, credit risk or liquidity risk, and are more susceptible to the impact of economic cycles. During economic downturns, their value typically declines more as (i) investors become more risk-averse and (ii) default risk increases. Foreign currency investments are subject to exchange rate risk which may result in gain or loss. The fluctuation in the exchange rate of foreign currency may result in losses in the event that customer converts the foreign currency into HKD or other foreign currencies. Renminbi is not freely convertible at present. The actual conversion arrangement will depend on the restrictions prevailing at the relevant time.

China CITIC Bank International Limited is an authorized institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority

This document is issued by the China CITIC Bank International Limited and has not been reviewed by the Securities and Futures Commission ("SFC") or any regulatory authority in Hong Kong.

No part of this document may be reproduced or transmitted in any form or by any means without the prior written permission of the Bank.