GS Asia | China semi self sufficiency, WFE global TAM raised, Samsung shareholder re China macro weakness

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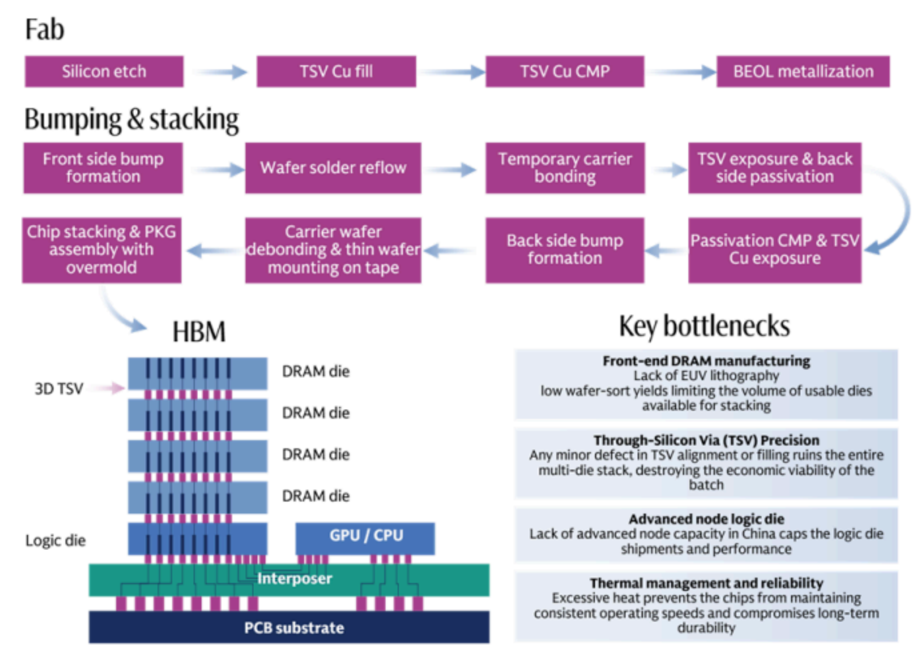
GOLDMAN SACHS (SINGAPORE) PTE.
FICC & Equities

Long shelf live thematic by Allen where he deep dives on the progress of China semi build to attain self sufficiency. He discussed 1) the ongoing build out of the suppl the gaps across SPE, Foundry, AI chips, Memory, EDA; (2) ambitious capex targets that amount to US$82bn in 2030E, or raised by 79%; (3) Lithography remains the k value S/D gap; R&D and Capex vs. global leaders remains wide despite the strong increase, suggesting more capital will be required to go global; and (4) Introduce ou DRAM TAM. To play the theme, Allen initiated coverage on DRAM lead CXMT **(688825.SS), with a BUY rating.** TP of Rmb129 implies 24x 2027E P/E vs. +77% 2027- driven by AI spending and customer supply diversification. We expect CXMT's capacity to more than double by 2030E vs. 2026E to 665k wpm, positioning it to captu demand, while product mix upgrades toward HBM should unlock further opportunities in China's AI market.

Exhibit 40: HBM manufacturing process and key bottlenecks



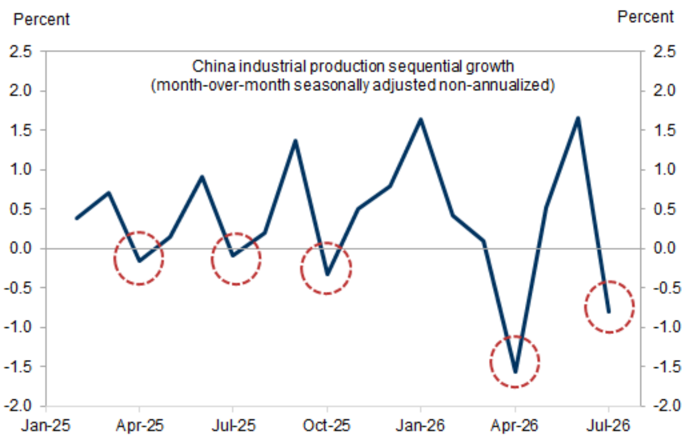
Source: Company data, Data compiled by Goldman Sachs Global Investment Research

Another bullish note on AI, where Jim raised WFE estimates significantly to 150/$218/$281 bn (+36%/+45%/+29%) from $141/$186/$208 bn (+28%/+32%/+12%) see DRAM and leading-edge foundry (near term) as well as NAND and Logic/Other (medium term, including Terafab) as key drivers of WFE momentum, supported by transitions, migration to HBM4, and capacity additions. We remain bullish on semi cap equipment stocks, and on a global basis we continue to prefer Buy-rated Appl Lam Research, ASML, Tokyo Electron, ASMI, BESI, Lasertec, and Ebara.

And a higher WFE capex, does it mean its less positive for memory? Intuitively yes … but Giuni's view is that while the higher capex is to meet an extremely tightness, can be tight so real impact could be mixed. The focus on memory now is shifting towards shareholder return policy where Samsung (after Hynix did that) shareholder the low end of media report. Taking mid point of KRW100tn, even if we assume company pays 50% of its FCF, the shareholder return pool for 2027/28 will likely incr to W179tn/W232tn respectively. This should indicate **continuous shareholder return announcements in coming Qs**. Unlike Hynix, we believe the **shareholder retu will center on dividends**, as the company is much closer in being qualified for the separate taxation for dividend income, and also considering the regulatory cap in t of shares financial affiliates can hold in non-financial group affiliates.

China macro – July data is concerning. retail sales grew only 0.6% yoy, and fixed asset investment (FAI) contracted 6.7% yoy in the first s digit year-over-year declines in July. With the construction sector still contracting and high-frequency data not pointing to a noticeable growth is running at a pace of around 4% yoy in the first half of Q3. The most concerning to us was some sectors that had appeared org July. For example, within retail sales, services sales growth had been running above 5% yoy earlier this year, has dropped to 3.2% yoy… Also, some of the headwinds present in April turned out to be more persistent, esp infra FAI has decline more from June to July. We thin stimulus and fundamental reforms to unleash domestic demand is that cyclical weakness could turn into structural hysteresis.

Exhibit 5: IP growth tends to decelerate sharply in quarter-start months



Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 6: Retail sales of services decelerated notal

Source: Wind, Goldman Sachs Global Investment Research

Breville Group (BRG.AX) -Register **New!**
AUG 24 – 12:00PM HKT

KIOXIA Holdings - Register **New!**
AUG 24 – 3:00PM HKT

Asia Pacific calls	Japan calls	U.S. calls	EMEA calls	Hong Kong in-person	Singapore in-person	Corporate Access events

Asia Pacific Calls

India Financials: Sector Initiation - Accelerating Growth Ahead - Register **New!**
AUG 25 – 4:00PM HKT

Dalba (483650.KS) - Register
AUG 26 – 3:00PM HKT

Hansoh Pharma (3692.HK) - Register
AUG 27 – 7:00PM HKT (Mandarin)

Amcor Plc (AMC.AX) - Register
SEP 2 – 10:00AM HKT

T.S.Lines Limited – RSVP
SEP 3 – 4:00PM HKT

Sino Land (0083.HK) – RSVP
SEP 4 – 10:00AM HKT

China Property Expert Series: Ahead of Peak Sales Season – with Founder of Iceberg Index - Register
SEP 7 – 4:30PM HKT

Japan Calls

***All calls will be held in English unless specified*

U.S. Calls

Monthly US Consumer Spec Sales call with Scott Feiler
AUG 26 – 7:00PM HKT

EMEA Calls

VDC800 Datacenter Technology with Herve Tardy - Register
SEP 14 – 9:00PM HKT

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Hong Kong In-person

Analyst Marketing

NDR

- **Infosys (INFY.BO) | Aug 24 – 25 (1x1 & Group)**
- **Seyond Holdings (2665.HK) | Aug 25 (1x1 & Group at 3pm)**
- **Tongcheng Travel Holdings (0780.HK) | Aug 27 (1x1 & Group at 2pm)**
- **Yihai Intl Holding (1579.HK) | Aug 27 (Mandarin group at 1pm)**
- **Ping An Bank (000001.SZ) | Aug 27 (Mandarin group at 10:30am)**
- **Shandong Weigao (1066.HK) | Aug 28 (1x1 & Group)**
- **CStone Pharma (2616.HK) | Aug 31 (1x1 & Group)**
- **InnoCare Pharma (9969.HK) | Sep 1 (1x1 & Group)**
- **Tryg AS (TRYG.CO) | Nov 4 (1x1)**

Singapore In-person

Analyst marketing

NDR

- **Prudential – Aug 28 (Group Call)**

Corporate Access Events

CONFERENCES & CORPORATE DAYS

Date	Event	Region Focus	Location	Registration	Details
31-Aug (Mon) to 2-Sep (Wed)	**Asia Leaders Conference 2026**	APAC	Hong Kong	Register	Latest Company List
3-Sep (Thu) to 4-Sep (Fri)	**Capital Market Forum 2026**	APAC	Shanghai	RSVP	Leading Saudi Arabian companies
23-Sep (Wed) to 25-Sep (Fri)	**Asia Healthcare CDMO Day 2026**	APAC	Singapore	Register	Latest Company List
30-Sep (Wed)	**SAVE THE DATE: Singapore Value Unlock Corporate Day**	Singapore	Singapore	SAVE THE DATE	Details to follow

5-Oct (Mon) to 6-Oct (Tue)	**Vietnam Corporate Day 2026**	Vietnam	Singapore	Register	Latest Company List
3-Nov (Tue) to 6-Nov (Fri)	**APAC Healthcare Corporate Day 2026 - Part I**	APAC	Hong Kong	SAVE THE DATE	Details to follow
24-Nov (Tue)	**Korea KRX Kosdaq Corporate Day in Singapore**	APAC	Singapore	SAVE THE DATE	Details to follow
25-Nov (Wed)	**Korea KRX Kosdaq Corporate Day in Hong Kong**	APAC	Hong Kong	SAVE THE DATE	Details to follow
24-Nov (Tue) to 27-Nov (Fri)	**APAC Healthcare Corporate Day 2026 - Part II**	APAC	Hong Kong	SAVE THE DATE	Details to follow
30-Nov (Mon) to 1-Dec (Tue)	**India Corporate Day in Hong Kong**	APAC	Hong Kong	SAVE THE DATE	Details to follow
30-Nov (Mon) to 4-Dec (Fri)	**Japan Conference 2026**	APAC	Tokyo	Register	Details to follow
2-Dec (Wed) to 3-Dec (Thu)	**India Corporate Day in Singapore**	APAC	Singapore	SAVE THE DATE	Details to follow

FIELD TRIPS

Date	Event	Region Focus	Language	Registration	Details
3-Sep (Thu) to 7-Sep (Mon)	**Global Mobility Tech Asia Trip**	IP/ Jiaxing, Ningbo, Beijing, Seoul	E&M&J / N	RSVP	Minth, Geely Auto , HL Mando , Toyota Motor , Hyundai Motor , KIA, Hyundai Mobis
3-Sep (Thu) to 4-Sep (Fri)	**Taiwan AI Ecosystem Booth Tour**	IP/ Taipei	E & M / N	RSVP	Reach out to your GS rep for more details
7-Sep (Mon) - 11-Sep (Fri)	**GS China Semi & AI Tour** ***(FULL)***	IP/ Beijing, Shanghai	M / N	RSVP	NAURA, AMEX, AccoTest, Anji Micro, Biren, MetaX, Hua Hong, StarPower, InnoScience, SG Micro, Gigadevice, Empyrean, Huaqin, UNIS, Ruijie, Horizon Robotics
7-Sep (Mon)	**Macau Gaming Trip**	IP/ Macau	E / N	Register	SJM Holdings, MGM China, Sands China, Galaxy Entertainment, Wynn Macau, Melco Resorts & Entertainment
7-Sep (Mon) to 9-Sep (Wed)	**China Machinery Trip**	IP/ Yantai, Weihai, Weifang, Jinan	E&M / N	RSVP	Reach out to your GS rep for more details
9-Sep (Wed) to 11-Sep (Fri)	**India IT Services, GCC, AI, Data Centres, System Integrators Tour**	IP/ Mumbai, Bengaluru	E / N	RSVP	Latest Company List
17-Sep (Thu) to 19-Sep (Sat)	**GS Make in India Trip 2026**	IP/ Sanand, Gujarat	E / N	RSVP	Kaynes, Motherson, Voltas, Micron, KEI, Hitachi, CG Power, Transformers & Rectifiers
21-Sep (Mon) to 24-Sep (Thu)	**2H26 GS China Commodity Trip (Semi-annual Tour with Trina Chen)**	IP/ Beijing, Jiangsu, Shanghai	E&M / N	RSVP	Reach out to your GS rep for more details
21-Sep (Mon) to 24-Sep (Thu)	**GS Asia LNG Tour**	Beijing, Seoul, Tokyo	E / N	RSVP	Reach out to your GS rep for more details
22-Sep (Tue) to 24-Sep (Thu)	**GS China Biopharma Investor Trip**	IP/ Shanghai	E&M / N	RSVP	Argo Biopharma, Duality Biologics, Generic, Insilico Medicine, Hengrui, Alebund Pharma, Henlius Biotech, Xtalpi etc.
25-Sep (Fri)	**GS Asia Healthcare CDMO Tour - Sartorius Application Center**	IP/ Singapore	E / N	Register	Sartorius AG

Global Semis – CHIPS IV: China Semis Self-Sufficiency Builds .

In 2023, amid constraints on talent, equipment, and advanced-node chips, we set out in our first edition of CHIPS (report link) to answ question of what it would take for China to build a self-sufficient semiconductor supply chain, how much capital might be required ar that would drive success in Semis. Three years later, our fourth edition shows: (1) the ongoing build out of the supply chain - filling th SPE, Foundry, AI chips, Memory, EDA; (2) ambitious capex targets that amount to US$82bn in 2030E, or raised by 79%; (3) Lithograph key to closing the value S/D gap; R&D and Capex vs. global leaders remains wide despite the strong increase, suggesting more capital required to go global; and (4) we introduce our China GPU and DRAM TAM. We also initiate on CXMT (China's DRAM leader) at Buy. Our Rmb129 implies 24x 2027E P/E vs. +77% 2027-28E avg. EPS, driven by AI spending and customer supply diversification. We expect CX capacity to more than double by 2030E vs. 2026E to 665k wpm, positioning it to capture strong demand, while product mix upgrades should unlock further opportunities in China's AI market. *Allen Chang*

Listen Up - GS Webcasts on the Agenda

China in Motion: Macro & Strategy | 10am HK | Global Macro, Activity Data, Market Views | Access Webinar | with Hui Shan, Xinquan Ch Song, Kinger Lau, Si Fu & Kevin Wang (in Mandarin)

Global Macro | Jackson Hole

Global Macro – Jackson Hole Roadmap 2026. We preview the upcoming Federal Reserve annual symposium in Jackson Hole, which ser highest profile opportunity to hear from policymakers ahead of the resumption of rate decisions in the fall. Chairman Warsh will deliv keynote address as Fed Chair on Friday morning, and while the speech usually focuses on current policy issues, there is uncertainty ar he will provide a big-picture view or a traditional preview of upcoming actions. We note that Jackson Hole speeches under recent lead generated larger FX moves, though a Chair's first speech does not necessarily generate higher volatility. Beyond the scheduled panels global central bankers, we will be closely watching televised sideline interviews, which are often the most relevant for near-term pol given the Chair's recent reluctance to provide forward guidance. *Lexi Kanter*

Themes in Play | Samsung Electronics, Japan Semi Equipment, China Matters, Humanoid Robots

Samsung Electronics – 2026 shareholder returns of ~W100tn to drive multiples – Buy (on CL). After market close on August 21, Samsu Electronics (SEC) announced its FY2026 shareholder return plan, outlining an estimated remaining return pool of W90tn to W110tn. key takeaways from the announcement, and raise our 2026E-2028E EPS estimates by 1%-11% to reflect our latest cash flow assump dividends and buyback/cancellation estimates. Our ROE estimates for 2026E/2027E/2028E go up to 53%/52%/43%. With the stock t 1.7X 2027E P/B and 1.2X 2028E P/B with a 40-50% ROE, we believe the risk/reward is attractive, and believe the substantial shareho on a more consistent basis will help drive higher valuation multiples. Reiterate Buy (on Conviction List). *Giuni Lee*

Also see: Korea Technology: Korea WFE/Substrate CCL/Chip testing/HBM Supply Chain Check reinforces our positive view on Samsung SK Hynix, and SEMCO

Japan Technology – Raising WFE Outlook and Focus on Production Capacity. We meaningfully raise our global wafer fab equipment m forecasts to US$150.3bn for CY26 and US$217.5bn for CY27, reflecting a large buildup of order backlogs amid heightening capex ap upward revision is driven by AI expanding demand across DRAM and logic/foundry, alongside brisk double-digit capex growth in Chin orders, we believe production capacity, lead times, and pricing power will increasingly determine earnings direction, leading us to rei ratings on Lasertec, Disco, Tokyo Electron, and Ebara given their technological advantages and margin expansion potential. *Shuhei N*

China Matters – From Weak to Weaker. We estimate China's official real GDP is running at around 4% yoy in early Q3 following renewe driven weakness in July activity data. We note that policy support over the past few years has been too small relative to the shock, lea private sector under sustained financial pressure. While recent easing measures such as faster government bond issuance and suppo sectors may help meet this year's growth target, they remain mostly supply-driven and are unlikely to create durable momentum. We without stronger demand-side stimulus and fundamental reforms, cyclical weakness risks becoming structural hysteresis. *Hui Shan*

China Humanoid Robot – 2026 WRC takeaways and shift to commercialization. We see a significant shift in the humanoid robotics ind technical demonstrations to a focus on product-market fit, measurable ROI, and early commercialization following the 2026 World R Conference. Logistics sorting has emerged as a leading early application, targeting small-batch volume ramps by late 2026 and large 2027. With no new AI model paradigm shifts observed, the focus remains on continuous refinement, scientific data collection, and up reductions driven by scale leverage and standardized components. We stay Buy on Inovance (on CL), Sanhua H, and Shuanghuan, whil Neutral on Leaderdrive, Sanhua A, Luster, and Best Precision, and Sell on Moons' Electric. *Jacqueline Du*

Results

Tech | NetEase, KE Holdings, Fujitsu, NEC

NetEase – NDR Takeaways on Game Pipeline and Margins – Buy. Following our investor meetings with management, we remain constr NetEase's long-term franchise mindset and global ambitions. The company has scaled back overseas studios to focus on large-scale t developed in China for global distribution, and expects overseas revenue contribution to gradually increase. While management sees for further gross margin expansion after recent optimization, operating expenses should remain stable with productivity gains from maintain our 12m TP of US$168/HK$263. *Lincoln Kong*

KE Holdings – 2Q26 Clean Beat and Margin Expansion – Buy. We see BEKE's 2Q26 clean profitability beat as another quarter validating driven by strong execution in agent and store efficiency. Existing home transaction volume grew 25% year-over-year, outperforming market, while contribution margins expanded across core home transactions and new initiatives. We lower our 2026E-2028E revenue 3-12% primarily on new initiatives, but raise EPS by 12%/7%/4% on stronger-than-expected gross margins and operating expense c raise our 12m TP to US$24/HK$63. *Timothy Zhao*

Fujitsu – IT Services Remain Strong – Buy. We raise our fiscal 2028 and 2029 operating profit estimates by 1-2% to reflect domestic IT demand expansion and better-than-expected margin improvements. While higher memory prices will likely cause near-term hardwar miss guidance, we expect this negative impact to shrink gradually as cost pass-throughs progress. We raise our 12m TP to ¥4,380. *Ch*

NEC – Raising Estimates and TP on Strong IT and Defense Demand – Buy. We raise our FY3/27-FY3/29 operating profit estimates by 8% our 12m TP to ¥6,000 from ¥5,190 following strong 1Q results. We expect FY3/27 non-GAAP operating profits to substantially beat u revised guidance, driven by robust modernization demand in domestic IT services and the consolidation of US-based CSG. Furthermor continued demand growth in aerospace, defense, and submarine cables, while the negative impact of higher memory prices should b than the company assumes. *Chikai Tanaka*

Industrials | Zijin Mining, Oriental Yuhong

Zijin Mining – 1H26 Inline with Strong FCF Generation – Buy. Zijin reported 1H26 recurring net profit of Rmb38.8bn, up 77% year-over- largely in line with our estimates, alongside a significant improvement in free cash flow to Rmb37.2bn. We revise up our earnings est for 2026E to reflect mark-to-market prices and by 32% for 2028E to align with our higher US$13,700/t copper price assumption. We company to maintain strong growth momentum driven by rising commodity prices and 5-12% volume growth in gold and copper outp our 12m TP unchanged at HK$51/Rmb49. *Joy Zhang*

Oriental Yuhong – Solid Execution Amid Weak Demand – Buy. We view the second-quarter results as a solid step in the company's tran into an integrated building material solution provider, driven by a rising retail revenue mix and a 208% year-over-year surge in overse revise our 2026-2028 net profit estimates down by 26%, 4%, and 2% respectively to reflect higher impairment losses and a slightly l due to weak project channel demand. We believe further earnings upside depends on a project channel volume recovery, which hinge in China fixed asset investment to stabilize domestic demand. We lower our 12m TP to Rmb16.2. *Yi Wang*

Financials | AIA, Ping An

AIA Group – HK Sales Miss on High Base but Demand Intact – Buy. AIA's 1H26 results missed on Hong Kong sales due to a high base ef Chinese mainland visitor segment, though the domestic segment showed strong 23% VONB growth. Management remains confident mainland visitor demand is intact, driven by wealth diversification and healthcare needs, despite recent regulatory newsflow. We low FY28E VONB estimates by 2-3% on weaker HK sales and reduce book value estimates by 5-7% due to unrealized bond portfolio losses our 12m TP to HK$96, as we believe the current share price already prices in structural disruptions. *Thomas Wang*

Ping An Insurance Group – 1H26 Earnings Review and Estimate Updates – Buy. We raise our FY26E net profit estimates by 12% to refle than-expected 1H26 investment gains, which helped offset impairment losses and address asset quality concerns. However, we sligh FY26E value of new business estimates due to a meaningful slowdown in bancassurance sales amid new expense regulations, and we 12m target prices to HK$73/Rmb75. We expect investor focus to shift back to the core life insurance operation as net investment yiel faster than anticipated, pressured by the 10-year bond yield falling below 1.7%. *Thomas Wang*

Consumer | Moutai, Li Ning

Kweichow Moutai – Prioritizing Sell-Through and Price Stability – Buy. We maintain our Buy rating and 12m TP of Rmb1,626 following briefing, where management emphasized prioritizing healthy sell-through, stable pricing, and lean channel inventory over near-term growth. We view the soft 2Q26 performance as a result of deliberate product and channel adjustments rather than a sharp deteriorat demand, with overall channel inventory remaining healthy. The direct-to-consumer reform remains on track, anchored by the i-Mouta which generated 43.6% of group revenue in 1H26 and successfully expanded engagement with younger consumer demographics. *Le*

Li Ning – Weaker Macro Drags Near-Term Profits – Buy. We adopt a more cautious near-term view after management revised down its 2026 revenue growth guidance to low-single-digits, citing a lack of meaningful recovery in consumer demand, declining offline traffi widening discounts. We lower our 2026-2028 sales estimates by 2-4% and net profit by 13-15% to reflect these near-term macro cha elevated marketing investments. However, we remain positive on the company's strategic direction of prioritizing operating quality o expecting ongoing efforts in branding and product innovation to pave the way for market share recovery. We lower our 12m TP to HK$19.50. *Michelle Cheng*

New | AAC downgrade

AAC – Downgrade to Neutral on fair valuation following 1H26 miss. We downgrade AAC to Neutral from Buy and lower our 12m TP to H following a 1H26 earnings miss driven by a slow smartphone market and high memory costs. We revise down our 2026-2028E net inc estimates by 2%-6% to reflect lower smartphone component shipments and gross margins. While we expect a 2H26 recovery support smartphone models and AI data center cooling ramps, the stock currently trades near our target 17x 2027E P/E, suggesting these pos largely priced in. *Allen Chang*

Event | Kakao Corp, Index Rebalancing

Kakao Corp. – Spin-off plan – Buy. Kakao announced a pro-rata spin-off into KakaoX (investments/affiliates) and KakaoAI (core platfo scheduled for January 2027, though the initial negative share price reaction suggests investors do not view this as an immediate valu catalyst. We believe the transaction itself does not create operating value, as our existing sum-of-the-parts valuation already separa business from ex-core holdings with a 30% discount applied to the latter. A sustained re-rating will require tangible AI monetization management's W1trn 2030 AI revenue target is materially above our W190bn estimate—alongside a credible net asset value realizat framework for KakaoX. We maintain our Buy rating and 12m TP of W51,000. *Eric Cha*

Asia Index Strategy – Hang Seng Indexes Rebalancing Review and Flow Implications. We expect the September 2026 Hang Seng Indexe to generate over US$7.2bn in gross two-way passive flows, with Tech hardware and semis seeing the largest passive buying and Bank experiencing the largest outflows. Hua Hong Grace Semis and Weichai Power will be added to the HSI, while Shanghai Iluvatar CoreX S replaces Tongcheng Travel in the HSTECH. Trip.com, Lenovo, Hua Hong, Weichai, Tencent, and SMIC are expected to see the largest pa buying flows. *Alvin So*

AU Strategy | Results Season

Australia Strategy – Earnings season past the half-way mark. We observe that 44% of ASX 200 stocks have beaten consensus earnings though FY27 EPS has already been cut by roughly 2%, running at twice the typical pace for this point in the season. We see large earn price swings skewing positive overall, with small caps, value screens, healthcare, and non-bank financials consistently outperforming has largely disappointed as consensus continues to cut earnings. Our model suggests recent beats including RSG, NST, ACL, PME, SPK CDA, COH, and SLC should continue to outperform, while misses like DOW, MP1, and IEL may face further pressure. *Matthew Ross*

Around the world | US Strategy, Global Rates & FX

US Strategy – Hedge funds and mutual funds differ on AI but converge on Financials. We analyze $10 trillion of equity positions at the 2026, finding that hedge funds and mutual funds have generated solid returns despite lackluster performance in popular holdings. W funds remain more exposed to the AI trade, both groups selectively adjusted exposures last quarter, with mutual funds buying shares semiconductor names while hedge funds sold. Notably, both groups are now overweight the Financials sector for only the third quart historical data, adding to various consumer finance and banking stocks. We highlight six shared favorite stocks across both portfolios spanning aerospace, financials, and healthcare, noting that a rolling portfolio of these shared favorites has returned 29% year-to-da

Global FX Trader – Tinker Taylor Holder Why. We see several factors combining to weaken the US Dollar, including a supply and demar in the Treasury market, FOMC communications revealing a preference to keep the policy rate on hold, and the Treasury's more activist its policy tools. In emerging markets, we believe the Mexican Peso is among the most overvalued currencies and revise our 3-, 6-, and USD/MXN forecasts to 16.75, 17.00, and 17.25, respectively. We also adjust our USD/TRY forecasts to 51, 53, and 59 over the same ho reflect the latest pace of monthly depreciation. In Asia, we revise our USD/KRW forecasts to an appreciating but flatter trajectory of 1 and 1350 in 3, 6, and 12 months, as the Won swings to being the best performing currency in the region year-to-date. *Kamakshya Tri*

Global Rates Trader – Macro Problems, Micro Solutions. We believe the US Treasury's decision to double the size of 10-to-30-year buy not address the fundamental factors and macro risks that are the primary drivers of recent long-end volatility. Attempting to suppres rates volatility via supply adjustments will simply push the pressure elsewhere, such as cheaper belly rates or a weaker currency, as lo underlying drivers like cyclical resilience and policy uncertainty remain unresolved. While clarity around the Fed's reaction function a Hole could bring relief, we see multiple routes to US belly underperformance in the near term and maintain our preference for cross- steepening versus Europe. In the UK, although fiscal risks are not the primary cause of the recent rise in Gilt term premium, we expec anticipation of the Autumn budget to keep the recent reset sticky. *George Cole*