CIO OFFICE MORNING MARKET WRAP
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Nvidia's Q2 results beat expectations with $46.7 billion in revenue and $1.05 EPS, but Q3 sales guidance of around $54 billion was seen as weak. No H20 chip sales to China were recorded, and legal risks remain over a potential 15% US government revenue cut from China AI chip sales. Shares dropped 3% after hours, and Nvidia approved an extra $60 billion in buybacks.

US Treasury yields fell, with the 2-year dropping nearly 7 bps and the curve's middle down 4 bps. Treasury Secretary Scott Bessent called for a Fed review but emphasized governors' independence. The yield curve steepened after dovish remarks from Fed President Williams, who is open to adjusting rates towards neutral. End user demand for yesterday's 5-year auction rose to 91.2%, the highest since January 2023. S&P 500 and Nasdaq rose by 0.2% prior to the declaration of the Nvidia results. In addition, Crowd Strike fell 7% after narrowly missing analyst estimates.

The Mexican government plans to increase tariffs on China as part of its 2026 budget proposal next month, targeting automobiles, textiles and plastics among others thus satisfying a longstanding demand of President Donald Trump. Other Asian countries are also expected to face higher tariffs according to Bloomberg.

Markets this morning:
This morning, Asian markets showed mixed performance. Japan increased by 0.6%. Hong Kong decreased by 0.7%, while mainland China gained 0.7%. Meituan shares fell 10% in Hong Kong after the company indicated it expects significant losses this quarter due to a pricing competition with Alibaba Group Holding Ltd. and JD.com Inc. Meituan's net income declined 97% to 365.3 million yuan ($51 million), although revenue rose by 12%. US equity futures are in the red. The US Treasury 10-year yield dropped 1 bps to 4.22%. Gold trades above $3,390 and Brent Crude is at $67.5 per barrel.

Upcoming key events/data:
The US is scheduled to release its second estimate of Q2 GDP today, with expectations at 3.1%. The Treasury plans to auction $44 billion in 7-year notes. Consumer confidence and M3 money supply data from the Euro Area will be published. Egypt is anticipated to reduce its policy rate by 1%.

Have a great day.

Chief Investment Office
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