Hamon 1Q 2026 Views

Following recent developments in the Middle East, a temporary two-week ceasefire was agreed between Iran and the US to allow time for further negotiations in the ongoing conflict. While risks remain, and a full ceasefire agreement may take time to materialize, we believe global markets should continue to edge higher amid elevated volatility. Oil prices have retreated from their peak above $120 per barrel to around $90, reflecting a degree of normalization.

Given this environment, we see room to modestly increase exposure to Asian markets, which were among the hardest hit during the March turmoil. The region has been disproportionately sensitive to geopolitical shocks due to the heavy reliance on oil imports, and has been oversold. Stabilizing sentiment would support a gradual recovery.

We remain positive on Taiwan and South Korea, particularly within the semiconductor sector, supported by rising capital expenditure from global cloud service providers. Additionally, the recent pullback in oil prices offers an attractive re-entry point into energy stocks. While much of the oil infrastructure has been damaged and production in several regions remains suspended, the recovery process will take months to years. As a result, we expect oil prices to remain firmly in the $80–$90 range for an extended period, even if a permanent ceasefire deal can be made, which should provide support for the energy sector.

In the post-war landscape, many countries are expected to increase investment in energy security, further benefiting the sector. However, sustained oil prices at current levels will likely keep headline inflation elevated, reducing the likelihood of a rate cut by the US Fed in 2026. We therefore do not anticipate a significant decline in bond yields in the near term.

As for gold, after a sharp rally earlier in the year followed by a correction, we expect sideways movement before the next potential rally. Notably, the Chinese government has remained a steady buyer during the March selloff. Having roughly 5-10% allocation to gold continues to provide solid diversification within portfolio.

Given ongoing geopolitical uncertainty and uneven recovery paths, we recommend continuing a diversified approach across regions, and like technology and energy sectors.

For oil stocks, we like CNOOC (883 HK), an oil exploration and production company in China. It operates with an "all-in" production cost of $27.9 per barrel, significantly lower than most global peers. Management has committed to a minimum dividend pay-out ratio of 45% through 2027. With a current dividend yield hovering around 5% to 6%, it offers a compelling income stream, backed by strong free cash flow. Assume that the average Brent oil price would be $88 for 2026, the company will EPS will be RMB3.83 in 2026, versus RMB2.57 in 2025, with earnings growth of 49%. Trading at 6x FY26 PE, 5.6% dividend yield, with 10% free cash flow yield, we find this stock attractive. We believe the stock may pull back if the war ends, and, as we mentioned above, we believe the oil price will stay relatively high for 2026, and therefore would suggest it to accumulate when there is a pullback.

For tech stocks, we like Kingboard Laminates (1888 HK), which is one of the largest copper clad laminates manufacturers in the world for Printed Circuit Board (PCB). Unlike competitors who buy raw materials, Kingboard makes its own, producing their own copper foil, glass fabric, and epoxy resins. The overall industry has been in an upcycle due to strong demand from AI, and the rising material costs from glass fabric and copper foil. The company is running at full capacity at the moment, and has been fully booked for its 2026 capacity. We expect the upcycle will continue for the rest of 2026, and possibly for 2027 as well. The stock is trading at 14x 2027 PE, with 56% earnings CAGR growth from 2025-2027, which we see as attractive.