Hamon Commentary – 2Q 2026

After the sharp selloff in March, markets looked through oil supply risks arising from the US-Iran conflict and refocused on earnings and AI related growth. Risk assets delivered strong positive returns in Q2, led by AI capex beneficiary names. Global semiconductor companies reported very robust results, while Anthropic's annual recurring revenue (ARR) surged from around US$19bn in early March to roughly US$47bn by May, reinforcing enthusiasm around the AI infrastructure theme. This backdrop helped drive the semiconductor index up by 87.7% over the quarter.

Oil also corrected meaningfully, falling from a peak of around US$120/bbl earlier in the quarter to the US$73/bbl range by end ofJune, easing one of the key macro risks that had weighed on sentiment in Q1. The reversal in oil contributed to weaker performance in Latin America and the Middle East, where equity markets are more closely tied to energy dynamics, even as broader global equity markets advanced.

On the policy front, Jerome Powell stepped down as Chair of the US Federal Reserve and was replaced by Kevin Warsh. Elevated US core PCE inflation has effectively removed the prospect of near term rate cuts. Following a more hawkish tone at the June FOMC meeting, market expectations have shifted toward at least one 25bps rise in the remainder of 2026 and possibly another hike in 2027. This adjustment in rate expectations contributed to a stronger US dollar, weaker bond prices, and significant weakness in gold.

Even so, the front end of the curve has already repriced substantially: 2 year US Treasury yield has moved from around 3.4% in February to 4.1% in June. In our view, the combination of falling energy prices, fading tariff related inflation, and contained services and housing inflation limits the scope for the Fed to deliver much more tightening from here. As a result, we believe a further rise in 2 year Treasury yields should be limited, and therefore see less downside for gold. Against this backdrop, a gradual build-up of gold exposure appears more attractive from a risk-reward perspective.

We have been structurally bullish on AI, especially AI hardware and semiconductors, for a long time. After the very strong rally over the past year, and particularly in Q2 2026, we believe that for the near term, the best phase of valuation re rating and aggressive earnings upgrades is largely behind us. Rather than implying a negative structural view, this points to a period of consolidation in AI-capex beneficiary names. We still expect global cloud service providers (CSPs) to continue raising capital expenditure into 2027, and we believe AI-related themes should perform again after a consolidation phase in Q3. CSPs' capex guidance in upcoming results will remain a key leading indicator for the durability of this cycle and for assessing the timing of the next leg of AI-driven equity performance.

Late in Q2, we observed early signs of rotation, with capital flowing out of AI-capex beneficiary names and market breadth starting to broaden. We expect this trend to continue in the near term. Against this backdrop, we believe it prudent to have a more diversified approach in equities, modestly reducing exposure to the most crowded AI-semi trades, maintaining core positions in structural AI winners, keeping some gold allocation as a portfolio hedge, and gradually increasing equity exposure in non-AI names to participate more fully as market leadership broadens. With geopolitical risk in the Middle East receding and oil prices lower, we expect the global equity backdrop to remain constructive.

One of the names we like in this context is E Ink (8069 TT). E Ink is a leading e-paper technology provider, with more than 95% market share. It has two main business segments: The first is in e-readers and e-notes, such as Amazon Kindle and Rakuten Kobo. The second is in electronic shelf labels (ESL), which grocery stores around the world have been converting to from paper price tags in recent years.

Previously, the market had high expectations for e-reader growth, driven by the migration from black-and-white to color e-readers, as well as the adoption of E Ink's ESL solutions by Walmart. However, tariff-related uncertainty led to a delay in projects, which in turn triggered a de-rating of the stock and weak share-price performance over the past two years. After several quarters of disappointing earnings, expectations are much lower, and we see signs of a turnaround.

In Q1 2026, E Ink delivered a marked improvement in results, driven mainly by a jump in gross margin from 52.2% to 59.7%, and supported by a smooth ramp-up of its new production line. Management is guiding for 2026 revenue growth of 20–25% YoY, with ESL revenue expected to grow 20–25% and consumer electronics (ie. e-readers) to grow at a single-digit rate. In addition, a new business segment, digital signage, is expected to contribute mid- to high-single-digit revenue from zero in 2025, with very strong demand. Management also expects margins to remain stable around the Q1 level for the rest of the year.

The stock is currently trading at a forward 12-month P/E of around 14.5x, with an expected 25% earnings CAGR, which we view as very attractive. We believe investors are waiting for another strong set of results to confirm the sustainability of the earnings recovery, and to see how recent memory price hikes will flow through to e-reader margins. Once there is greater confidence in the durability of the improvement, we believe the stock is well-positioned for a rerating.