
TRUMP'S VOLATILITY | ADD FORTINET

Quick comments:

- ❖ Trump's flexi-tariffs and tributes are re-fueling the capital markets as investors discount impact of ongoing international trade war.
- ❖ US core CPI came in above consensus +3.1% yoy in July and +0.3% mom showed inflation remains elevated, which suggest increasing risk of US Feds keeping rates unchanged (or even a potential hike).
- ❖ INTEL (\$24.55, SELL, 6Σ column) CEO LB TAN in Trump spotlight. CEO already has a massive new job to turn around losses at Intel and does not need additional distraction. *We believe Intel is on a structural decline and will continue to recommend selling into any rally.*
- ❖ Putin-Trump summit to carve up Ukraine: we anticipate a protracted resolution with Ukraine expected to receive short-end of any resolution agreement. Airbus is good hedge.
- ❖ India hit with additional Russian tax to 50%.
- ❖ Trump granted China a 90-day tariff extension. It is likely Trump is still struggling to overcome China's Rare Earth leverage.
- ❖ Switzerland hitting back by cancelling F-35 purchase SFR6bn 36 jets (Lockheed Martin) after Trump imposed 39% on Swiss exports.
- ❖ EU hit with 15% tariffs: Much like Trump, the EU seems toothless and is unlikely to follow-through with its threatening retaliatory tariffs on US goods.

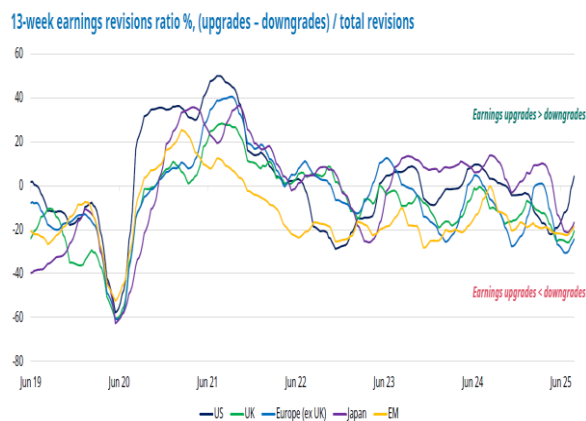
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6Σ column

What we think

US 2Q25 earnings largely above expectations, leading to earnings revisions turning positive.



Trade / Investment ideas

Nvidia (\$180.48, BUY) & AMD to give the federal government 15% of its chip sales to China in exchange for issuing the export licenses.

Reiterate our portfolio picks:

- Palantir
- Nvidia
- TKO
- Service Corp International
- LVS
- Geo Group
- Intel (**SHORT**)

New addition

- Fortinet

Trump's turnaround on Intel (\$24.55) from "CEO should resign" to potential US government taking significant stake in company (as viable competitor to TSMC) shows poor strategic leadership & gamble from the Administration. Intel continues to be plagued by inflexible business model aligned to mature cycle in CPU. TSMC is the world's leader in semi-conductor manufacturing & design, currently optimizing 3nm technology while Intel is struggling to upgrade from its foundry from 10nm production.

As mentioned previously (*Newsletter dated 10-July*), CEO LB Tan has monumental task of turning Intel around let alone catch up on the GPU-AI cycle. We believe recent share price rally on the back of potential US government stake & implied more forthcoming government contracts &/or grants presents further **SHORT** opportunity, maintain SELL on Intel (\$24.27).

Cybersecurity sector saw further consolidation as Palo Alto Networks continues its acquisition growth strategy.

We prefer **FORTINET** (\$79.12) for exposure in Cybersecurity sector given its entrenched market share in network security amongst Fortune500 companies. Much like Nvidia and Palantir, Fortinet continues to deliver above rule of 95%.

Regardless of outcome of Trump-Putin talks on resolution of Ukraine war, EU is expected to continue increasing defence spending, with over EUR150bn¹ (2023-2024 budget) on equipment procurement.

Airbus EUR 184.26 with 32% from Helicopters, Defence & Space (1Q25 revenue) seems well placed to benefit from recent upgrade in EU defence spending while its commercial aircraft book has 10.4years backlog (circa EUR630bn).

(1) <https://www.consilium.europa.eu/en/policies/defence-numbers/>