



LIVE MARKETS-Nomura bets on China following surprise tariff reduction with US

Nasdaq rallies ~1.5%, S&P 500 rises ~0.7%, Dow declines

Tech leads S&P 500 sector gainers; Healthcare weakest group

Euro STOXX 600 index ~flat

Dollar down; gold, bitcoin gain; crude up >1.5%

US 10-Year Treasury yield edges up to ~4.47%

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NOMURA BETS ON CHINA FOLLOWING SURPRISE TARIFF REDUCTION WITH U.S.

Nomura upgraded Chinese equities to a 'tactical overweight' on Tuesday, a day after the U.S. and China agreed to , which sparked a relief rally in global financial markets.

The brokerage said that easing U.S.-China tensions should reduce the geopolitical risk premium that is associated with Chinese equities. Further, it is likely that the U.S. stays away from trying to de-list depository receipts of Chinese companies.

Following the release of DeepSeek earlier in the year, investors had started taking notice of Chinese technology stocks as cheaper alternatives to their U.S. peers.

Nomura noted that equity themes such as AI, electric vehicles, robotics, cloud computing, advanced manufacturing and localization in China, are at attractive valuations, at a time when earnings revisions have been resilient compared with the rest of the region.

The brokerage said that MSCI China stocks index , that currently trades at 11.2x times their earnings, has the potential to rise as high as 13x.

Chinese stocks , have rebounded from last month's declines and are up about 3% in May. Much of the losses incurred in April were cushioned by state support.

However, risks remain in the event of any U.S.-China escalation and it is yet to be seen how the newly negotiated tariffs can impact the two economies.

Research Analysts at Nomura lead by Chetan Seth added that they're funding their China "overweight" position by trimming their India "overweight" stance, while retaining the bullish rating on south Asian stocks.

"We think having both India and China equities as an overweight will offer Asian equity investors a natural hedge in portfolios against any trade-related volatility," they said.

Nomura added that the Indian market, with its robust earnings growth prospects in 2025 and supportive monetary policies, offers a safer investment amid tariff uncertainties. However, they could underperform as their Chinese peers rally.

(Akriti Shah)