# CIO Insights 3Q26

## Power Play

Source: Getty

### Central Bank Dilemma

The Fed must make a difficult decision: tighten monetary policy to contain energy-driven inflation and risk stalling growth, or stay patient and run the danger of spiralling inflation.

### Bond Coupon for Income

Stay in the 5-7Y duration sweetspot with IG credit for durability of coupon-driven returns. Expect limited capital gains as spreads hover at historical tights and rate trajectory have become uncertain.

### Add Energy to AI Stocks

Stay structurally overweight technology on AI capex trajectory; add energy and infrastructure as strategic enablers of the AI economy and on return of energy security.

### Retain Alternatives Exposure

Remain constructive on gold amid de-dollarisation and monetary debasement concerns. Private assets and hedge funds enhance portfolio resilience through non-market directional returns.

DBS

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# Foreword

Dear valued clients,

In an increasingly complex global landscape, the traditional boundaries of safety and security are continually redefined. The intricate dance of geopolitics and the strategic importance of natural resources, particularly oil, are now inextricably linked to every facet of our operations and the security of our future.

The pursuit of vital resources has long been a driver of international relations, and in today's world, this dynamic is more pronounced than ever. Nations leverage their resource wealth to enhance economic strength and political influence, while competition for these resources can fuel regional instability and even conflict.

Markets remain unsettled, and the outlook — while not without opportunity — demands discipline, resilience, and clear eyed judgment from every financial institution.

At DBS, our response to an uncertain world has never been to seek safety only when conditions deteriorate. Safety is structural here — embedded in how we lend, how we capitalise, and how we govern. It reflects years of disciplined choices, often made when market sentiment or short-term pressures pointed in a different direction.

For seventeen consecutive years, Global Finance has recognised us as the "Safest Bank in Asia". We regard this not as an endpoint, but as a standard to be upheld every day. It informs how we serve our customers, steward our balance sheet, and support the broader communities in which we operate. In an era when confidence in institutions can no longer be assumed, such recognition underscores the values we strive to embody — prudence, transparency, and long-term stewardship.

This report reflects that commitment. The pages that follow are grounded in rigour and candour, providing a clear view of both the risks and the opportunities ahead. We do not minimise the complexities of today's environment. Rather, we address them from a position of strength, shaped by discipline and guided by purpose.

Volatility will persist, but our conviction remains steadfast. Thank you for allowing us to be your trusted wealth partner in this journey.

Shee Tse Koon
Group Head, Consumer Banking & Wealth Management

# Executive Summary

Dear valued clients,

Despite persistent Middle East tensions and rising bond yields, global equities – spearheaded by the US – have extended their bull run.

US earnings growth surged 26% in the latest quarter, led by AI-related companies, resulting in a 13% decline in the market's Price-to-Earnings ratio to 22x. While above the historical 18x, the PE/G (Price/Earnings-to-Growth) ratio is not out of line once growth expectations are taken into account.

We remain all-in on AI-related exposure, while recognising the market has become increasingly concentrated, with the top 10 AI stocks generating c.78% of index gains.

We see diversified opportunities in other themes, particularly energy, which trades in the low-teens. The return of energy security, plus sustained AI-related capex of some USD1tn p.a. over the next few years, will drive demand for power and electricity. Investment opportunities span renewables and traditional hydrocarbons, as well as energy infrastructure across storage, grid networks, and nuclear power.

On bonds, we avoid ultra-long duration on heightened inflation and supply risks. We remain focused on IG credit with a 5-7Y average portfolio duration for maximum income with lower price downside.

Gold, our core alternative asset class, has recently behaved more like a risk asset due to crowded positioning by speculative flows. We remain constructive over the long term, supported by the structural drivers of de-dollarisation and monetary debasement. Private equity, private credit, and hedge fund strategies will continue to provide returns independent of market direction, helping to strengthen overall portfolio resilience.

Stay invested. Stay diversified. Employ our "barbell" strategy, which has delivered 9.1% annualised net returns (as of 3 Jun 2026) since inception in Sep 2019, despite periods of volatility during Covid-19, the 2022 meltdown from the Fed's 500 bps of rate hikes, and Liberation Day.

I wish you a profitable second half in your investing journey.

Hou Wey Fook, CFA
Chief Investment Officer

# War, Inflation & Capex


Source: Unsplash

## Asset Allocation 3Q26

Brace for structurally higher inflation and the return of central bank hawks amid the ongoing Iranian war, worsening US fiscal deficits, and elevated energy prices. Rising equity-bond correlation necessitates new safe havens. In addition to gold, gain exposure to commodities and China 'A' shares. The AI-driven market rally, meanwhile, translates to sharp dispersions. Complement AI exposures with lower volatility plays. On corporate bonds, selectivity is key in EM/HY credit; we favour markets possessing energy independence and policy credibility.

## Asset Class Views

The US economy exhibited sustained resilience as consumer spending, energy exports, and investments remain robust. Positive impact from Trump's One Big Beautiful Bill is also lifting sentiments and driving capex momentum. Inflation risk remains skewed to the upside and market consensus is pricing in rate hikes in 2027. On risk assets, rising equity-bond correlation necessitates new safe havens and we advocate investors to gain exposure to commodities and China 'A' shares. Expect oil prices to stay higher-for-longer amid disruptions at the Strait of Hormuz. Maintain preference for low energy intensity industries and companies to avoid margin compression.

| | Asset Class | - Views + | Commentary |
|---|---|---|---|
| Macro | US |  | US data trends and political pressure could push the Warsh-led FOMC in opposing directions. Strong US economic data and heightened inflation concerns should point to the Fed's case to hold or even lean hawkish. We have dropped our 2026 rate cut calls but have yet to venture into 2027 hiking calls. |
| | Eurozone |  | The stagflationary shock arising from the Middle East conflict is likely to affect the Eurozone more than the US. We have lowered our 2026 growth forecast to 1.0%, while raising our inflation forecast to 3.1%. The ECB is expected to stay cautious and hawkish. |
| | Japan |  | We maintain our GDP and inflation forecasts for Japan. Fiscal expansion, BOJ policy normalisation, robust wage growth, and buoyant semiconductor exports should support the economy despite ongoing risk related to the Middle East conflict. |
| | Asia |  | Asian exports and GDP remain resilient, buoyed by robust demand for AI-driven electronics and green tech, defying energy shock. South Korea and Taiwan are seeing exceptional export growth, while Malaysia, Singapore, and Vietnam are also ascendent. |
| Equities | US |  | S&P 500 remains highly concentrated and historically, such narrow up-moves preceded higher volatility. Surging bond yields and rising volatility are potential headwinds for expensively valued growth stocks. Balance exposure to US momentum plays with defensive names. |
| | Europe |  | While near-term risks from inflation, bond yields, and geopolitical uncertainty remain elevated, Europe continues to offer selective alpha opportunities. Market leadership is increasingly driven by earnings certainty, structural capex exposure, and energy security themes. |
| | Japan |  | Sector performance divergence is likely to intensify given elevated valuations and fiscal risks driving bond yields higher. Structural winners supported by strategic investments and corporate reforms should outperform. |
| | Asia ex-Japan |  | Asia ex-Japan equities hold firm amid geopolitical and energy shocks, supported by AI-led capex, benign inflation, and improving policy. Selective reacceleration is driven by North Asia technology, China's strategic industries, and income opportunities in Singapore and Hong Kong. |
| Credit | Investment Grade |  | IG returns will continue to be driven more by carry than spread compression. Stay with high-quality (A/BBB) issuers with a portfolio duration of 5-7Y, complemented by Liquid+ strategy (2-3Y) as a cash alternative for front-end carry and liquidity. AT1s may benefit from curve-steepening, while TIPS remain a favourite pick to hedge stagflation risks. |
| | High Yield |  | Tight spreads leave little margin for error amid rate uncertainty and wide sector dispersion. We prefer higher quality issuers with resilient balance sheets to withstand uncertainty over reaching down for yield. |
| Rates | Global |  | The Middle East conflict introduced inflation worries at a time when the global economy is largely resilient. Rate hikes may be considered amid price pressures. |
| | Asia |  | Stresses on Asia rates have become evident as central banks grapple with rising inflation, currency weakness, and a potential conflict of objectives. |
| Currencies | US Dollar Index |  | The US-Iran conflict triggered a new macroeconomic landscape. The US economy is navigating this new reality much better than other economic blocs, resulting in a return of US exceptionalism. This supports the moderately stronger USD in 3Q26. |
| | G7 |  | EUR and GBP to underperform within the G10 space as Europe remains most vulnerable to elevated energy prices. JPY weakness appears more enduring. AUD and NZD are better positioned to outperform as they benefit from yield advantage and firmer commodity complex. |
| | Asia |  | PBOC has been tolerant of persistent RMB strength. However, it may have reached a tipping as the RMB Index approach cycle highs. SGD will track broad USD prospects, while the performance of the other Asian currencies will depend on their exposure to energy prices. |
| Alternatives | Private Equity |  | Private equity returns will continue to diverge across managers and companies. We favour co-investments alongside top-tier managers, allowing investors to gain exclusive access to high-conviction deals in order to capture excess returns amid rising dispersion. |
| | Private Credit |  | Private credit's floating-rate income can buffer against rate uncertainty, but quality is paramount. Select senior-secured first-lien strategies with top-tier managers, avoiding subordinated or unitranche risk with weaker structural protections. |
| | Hedge Funds |  | Hedge funds remain essential portfolio stabilisers as stock-bond diversification weakens. Their flexibility to short, and exploit macro or arbitrage dislocations supports capital preservation, downside protection, and alpha generation through volatile regimes. |
| | Gold |  | While the Iran War and heightened inflation risk will weigh on gold in the short to medium term, signs of stabilisation and recovery have begun to emerge. The long-term outlook remains robust on the back of intensified de-dollarisation and monetary debasement risk. |
| | Commodities |  | Escalation in Iran has shifted energy markets into a regime of physical tightness. Implications for industrial metals and agricultural commodities also positive but more nuanced. In the long term, rising resource nationalism, alongside AI-driven energy intensity and electrification will benefit select commodities. |

# Market Data

## Equities

| | 2026 EPS Growth (% y/y) | 2027 EPS Growth (% y/y) | Forward P/E | P/Book (x) | P/Sales (x) | ROE (%) |
|---|---|---|---|---|---|---|
| Global | 25.2 | 14.6 | 18.9 | 3.5 | 2.7 | 17.7 |
| Developed Markets | 20.2 | 13.2 | 20.2 | 3.8 | 2.8 | 17.7 |
| Emerging Markets | 54.3 | 21.1 | 12.8 | 2.3 | 2.0 | 17.5 |
| US | 24.9 | 15.2 | 22.2 | 5.1 | 3.4 | 21.6 |
| Europe | 13.4 | 8.4 | 15.6 | 2.3 | 1.8 | 14.4 |
| Japan | 12.7 | 16.6 | 18.0 | 1.9 | 1.6 | 10.3 |
| UK | 21.2 | 5.5 | 13.0 | 2.2 | 1.6 | 15.9 |
| Asia ex-Japan | 55.9 | 23.3 | 13.6 | 2.3 | 2.1 | 16.7 |
| Latin America | 37.0 | 6.3 | 9.5 | 1.7 | 1.3 | 18.3 |
| EMEA | 33.0 | 9.7 | 10.3 | 1.8 | 2.1 | 16.9 |
| China | 5.5 | 16.1 | 11.8 | 1.3 | 1.3 | 10.7 |
| India | 6.9 | 12.5 | 20.7 | 3.0 | 2.2 | 14.7 |

Source: Bloomberg, DBS (as at 8 Jun 2026)

## Fixed Income

| | Yields (%) | Average Rating | Average Time to Maturity (Years) | Average Coupon (%) | Market Valuation (USDbn) |
|---|---|---|---|---|---|
| 10Y UST | 4.6 | N.A. | N.A. | N.A. | N.A. |
| 2Y UST | 4.2 | N.A. | N.A. | N.A. | N.A. |
| US IG | 5.3 | A3/Baa1 | 10.5 | 4.6 | 7,440 |
| Europe IG | 3.6 | A3/Baa1 | 5.3 | 3.0 | 2,952 |
| Asia IG | 4.9 | A2/A3 | 7.3 | 4.2 | 561 |
| US HY | 7.2 | Ba3/B1 | 4.8 | 6.6 | 1,488 |
| Europe HY | 6.2 | Ba3/B1 | 4.2 | 5.4 | 412 |
| Asia HY | 8.1 | Ba3/B1 | 4.1 | 6.3 | 79 |
| EM USD | 6.1 | Baa2/Baa3 | 9.6 | 5.3 | 2,365 |
| Asia USD | 5.2 | A3/Baa1 | 7.6 | 4.5 | 537 |
| Global AT1s | 5.8 | Baa3/Ba1 | 5.0 | 6.2 | 376 |

Source: Bloomberg, DBS (as at 8 Jun 2026)

## Forecast: Interest Rates

| | | 1Q26 | 2Q26 | 3Q26 | 4Q26 | 1Q27 |
|---|---|---|---|---|---|---|
| US | 2Y | 3.79 | 3.80 | 3.85 | 3.85 | 3.90 |
| | 10Y | 4.32 | 4.30 | 4.40 | 4.50 | 4.55 |
| Japan | 2Y | 1.35 | 1.20 | 1.25 | 1.30 | 1.35 |
| | 10Y | 2.35 | 2.30 | 2.40 | 2.50 | 2.60 |
| Eurozone | 2Y | 2.62 | 2.55 | 2.55 | 2.60 | 2.65 |
| | 10Y | 3.00 | 3.00 | 3.10 | 3.20 | 3.25 |
| China | 2Y | 1.37 | 1.25 | 1.25 | 1.25 | 1.25 |
| | 10Y | 1.86 | 1.75 | 1.75 | 1.80 | 1.80 |
| India | 2Y | 6.37 | 6.25 | 6.30 | 6.30 | 6.35 |
| | 10Y | 7.04 | 6.95 | 6.95 | 6.90 | 6.90 |

Source: Bloomberg, DBS (as at 8 Jun 2026)

## Forecast: Currencies

| Exchange rates / eop | 1Q26A | 2Q26F | 3Q26F | 4Q26F | 1Q27F |
|---|---|---|---|---|---|
| USD/CNY | 6.86 | 6.83 | 6.77 | 6.70 | 6.74 |
| USD/SGD | 1.26 | 1.27 | 1.26 | 1.25 | 1.26 |
| AUD/USD | 0.70 | 0.71 | 0.72 | 0.73 | 0.73 |
| USD/CAD | 1.35 | 1.36 | 1.35 | 1.34 | 1.34 |
| EUR/USD | 1.19 | 1.18 | 1.19 | 1.21 | 1.20 |
| USD/JPY | 150 | 156 | 153 | 149 | 151 |
| NZD/USD | 0.61 | 0.59 | 0.60 | 0.61 | 0.60 |
| USD/CHF | 0.76 | 0.78 | 0.76 | 0.75 | 0.75 |
| GBP/USD | 1.37 | 1.36 | 1.39 | 1.41 | 1.40 |
| DXY Index | 96.0 | 98.0 | 96.6 | 95.3 | 95.7 |

Source: Bloomberg, DBS (as at 8 Jun 2026)

## Forecast: Oil

| (USD per barrel) | 1Q26A | 2Q26F | 3Q26F | 4Q26F | 1Q27F |
|---|---|---|---|---|---|
| Brent Crude Oil | 78.5 | 102.0 | 90.0 | 83.5 | 81.5 |
| WTI Crude Oil | 72.5 | 97.0 | 86.0 | 80.5 | 78.5 |

Source: Bloomberg, DBS (as at 8 Jun 2026)

## Forecast: GDP, Inflation, and Policy Interest Rates

| | GDP growth, % y/y | | CPI inflation, % y/y, ave | | | Policy interest rates, eop | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026F | 2027F | 2026F | 2027F | | 1Q26F | 2Q26F | 3Q26F | 4Q26F | 1Q27F |
| China | 4.5 | 4.0 | 0.5 | 0.8 | China** | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| India | 6.5 | 6.4 | 4.5 | 4.2 | India | 5.25 | 5.25 | 5.25 | 5.50 | 5.75 |
| India (FY basis) | 6.5 | 6.4 | 4.9 | 4.0 | Eurozone^ | 2.00 | 2.25 | 2.50 | 2.50 | 2.50 |
| Eurozone | 1.0 | 1.2 | 3.1 | 2.1 | Japan | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 |
| Japan | 0.5 | 0.5 | 1.8 | 1.8 | US | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| US* | 1.5 | 1.7 | 2.5 | 2.5 | | | | | | |

Source: CEIC, Bloomberg, DBS (as at 8 Jun 2026)

*eop for CPI inflation; ** 1-yr Loan Prime Rate; ^ Deposit Facility Rate

# Asset Allocation

Hou Wey Fook, CFA
Chief Investment Officer

Dylan Cheang
Strategist

**The art of the deal?** "*When the facts change, I change my mind. What do you do, sir?*" John Maynard Keynes, the great 20th century economist, is often credited with this saying which aptly captures the mood in financial markets today. Events of the past 18 months have unveiled several inconvenient truths which necessitate investors to reassess the basic assumptions in portfolio construction. Recall that Trump won his second presidency on the premise that he would stop unnecessary wars, lower cost of living, and reduce America's fiscal profligacy. Investors, in turn, positioned their portfolios along those lines. But the direct opposite has happened since, with the administration waging military campaigns in Middle East and Venezuela, while the One Big Beautiful Bill adds trillions to the national debt.

The Iranian war debacle, a campaign with no clear strategic endgame, is going down in history as one of the biggest strategic blunders of the US military. Aside from massive financial costs, the other lasting damage the war has created is the rupture within NATO – a situation which brings into question whether American security guarantees can even be relied upon anymore. Right now, negotiation with Iran for a peace deal is still ongoing and looking at the state of play, it is clear that Tehran has the leverage and holds the cards. Iran's nuclear programme will be a thorny issue that is unlikely to see concrete resolution in the ongoing negotiations.

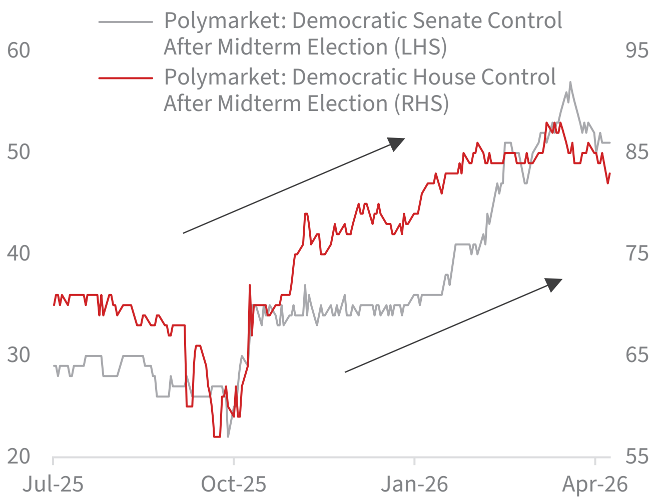
So why is Trump willing to accept a bad deal? The truth of the matter is, there is no better optionality. Faced with plummeting popularity, surging gasoline prices, and a looming midterm election, things can't get any worse, and the price of dragging on with a meaningless conflict will be larger. Resumption of military strikes is not feasible either as Iran's asymmetric counterair campaign through clever usage of low-cost drones has changed the war dynamics. A bad deal, it seems, is the only viable option left on the table now.

**The Aftermath: Structurally higher inflation.** The Pentagon has guided that the war will cost USD25bn so far. But such an assumption is based on the historical cost of weapons and does not reflect the reality of replacing them at current prices. This, coupled with the cost of repairing the destroyed military bases in allied countries, will increase the damage significantly. Based on the estimates of Harvard Professor Linda Bilmes, the war will cost closer to USD1tn in totality. Separately, the administration had asked Congress to boost US defence spending to USD1.5tn, the highest since WWII.

US fiscal deficits, coupled with elevated energy prices, suggests that investors are under-pricing inflation tail risks. Buoyed by AI optimism, equity investors are already off to the races. The AI capex cycle had rooms to run and with it, driving corporate earnings higher. We concur with this view. But portfolio downside protection matters. It makes sense to watch your downside at this point while equities are already pricing in an eventual end to the crisis and weaker oil prices. We believe investors will need to confront the following issues in the coming months:

- Higher-for-longer oil price and rising central bank hawkishness
- Rising equity-bonds correlations and the need for new safe havens
- The new capex supercycle

Rising odds of Democrats controlling both House and Senate in prediction markets



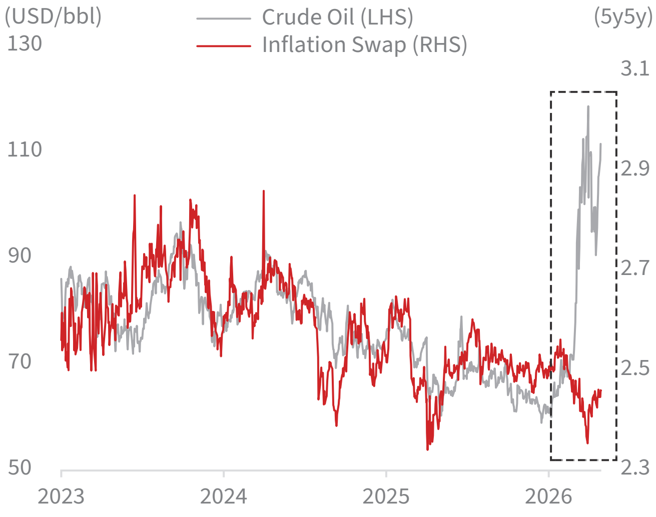

Source: Bloomberg, DBS

**The return of central bank hawks.** Judging from risk indicators, we believe there is currently too much complacency on the inflation front. As evident from the Covid-19 pandemic, inflation buildup is often slow and unnoticeable at the beginning (remember the Fed's infamous "transitory" mistake?). But with the Hormuz stalemate remaining unresolved and oil inventories drawing down fast, the risk of an oil price surge is a clear and present danger. Already we are now seeing signs of inflationary pressure seeping through the supply chains and case in point is the US auto industry. Detroit carmakers are warning of a commodity shock and the need to increase prices in order to protect their razor-thin margins. Expect broad-based price pressure to accelerate as oil price stays elevated.

The other significant driver of inflationary pressure comes from the ongoing AI frenzy. It was often said that AI will drive productivity gains and push down production costs. This is probably only true from a longer-term perspective, and the San Francisco Fed reinforces this view as analysis shows that the current productivity trend is similar to past decades. On the flipside, in the near term, the AI frenzy actually translates to higher inflation given the strong infrastructure buildup which pushes up the demand for everything from software and electronic parts to electricity consumption. Indeed, producer prices for electronic components and accessories have surged 37.7% since Oct 2020 while the construction of data centres also translated to higher electricity prices.

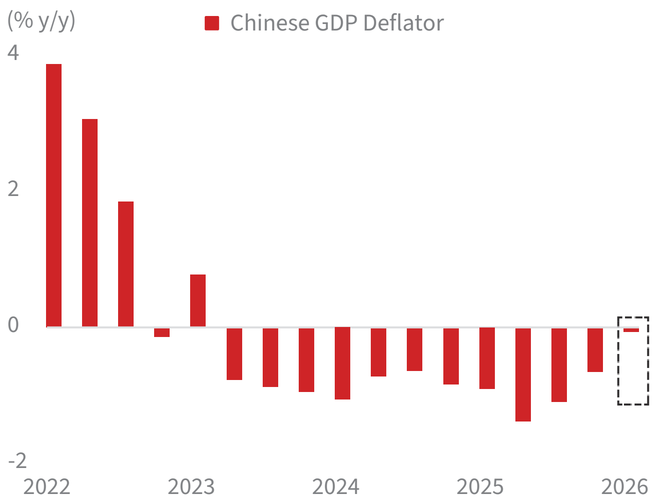
Beyond oil and AI capex, the third driver for global inflation is China's exit from deflation. Since 2022, the country has been trapped in a deflationary spiral as domestic consumption weakness and intense price wars ("involution") led to severe profitability headwinds for Chinese companies. But the latest PPI and GDP deflator data shows that the downtrend in prices is reversing, thanks to recent anti-involution measures by the government and the surge in commodity prices as a result of the Iranian crisis. A resurgence of price pressure in China will have significant impact on the global inflation outlook.

Markets are under-pricing inflation risk




Source: Bloomberg, DBS

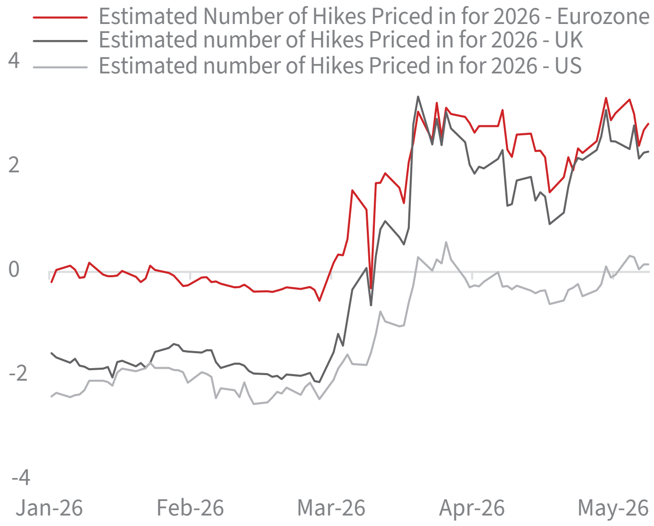
China exiting from its deflationary spiral




Source: Bloomberg, DBS

Recent developments, meanwhile, have compelled central bankers to adopt a more hawkish view. For instance, the Fed has in the April FOMC meeting, signalled a shift from its dovish bias and switched to a neutral stance while the ECB has halted its rate cutting cycle and shifted towards a hawkish pause. Based on futures and overnight index swaps, the street is pricing in rate hikes by the Fed, ECB, and BOE by the end of this year. Given high oil prices and a strong global capex cycle, we expect inflationary pressure to stay and for central banks to maintain a hawkish stance in the course of 2H26.

Markets starting to price-in potential rate hikes in 2026




Source: Bloomberg, DBS

**Rising equity-bond correlation: The need for new safe havens.** Investors have long adopted the traditional 60/40 portfolio as a means to reduce volatility through diversification. However, the inflation spike in 2022 and consequential surge in bond yields has led to a breakdown of the negative equity-bond correlation. Since then, equity-bond correlation has remained elevated and the return of inflationary headwinds (as a result of supply-side shocks) will push correlation higher in the coming quarters. Such a scenario exposes traditional 60/40 portfolios to heightened volatility should equities undergo extreme drawdowns.

A rising equity-bond correlation regime necessitates new safe havens. Based on a five-year weekly correlation, bond's correlation with equities is significantly high at 0.47. In contrast, the correlations for gold, commodities, and China 'A' shares are significantly lower in the range of 0.18-0.25. A part of our strategic asset allocation, our preference for gold as a risk diversifier is well-documented and the call has panned out well. But beyond gold, we also advocate for investors to explore new safe havens and our recommendations are:

- Commodities: Given its low correlation with equities (at 0.18), investors should gain exposure to commodities for diversification reasons. We adopt a three "S" framework in our commodity investment strategy, focusing on: (1) scarcity, (2) security, and (3) strategic demand. For obvious reasons, commodities that are scarce in nature enjoy positive demand-supply dynamics which underpin their pricing, while the second and third points are closely intertwined.

  Essentially, these factors have gained greater prominence in light of the Covid-19 pandemic, Trump's trade war, and the Middle East tensions. These crises triggered a rethink of the importance of supply chain resilience and self-sufficiency. Commodities, particularly those with a national security angle (such as rare earths) are top on the list in terms of strategic importance as they are increasingly weaponised as leverage for bilateral negotiation among countries.

- China 'A' Shares: China 'A' shares exhibit low correlation of 0.25 relative to global equities and is a great source of portfolio diversification. The fundamental outlook remains promising with earnings growth expected at 28% in 2026 while valuation is not excessive at 14.4x forward P/E. The anti-involution drive and China's exit from its deflationary spiral augurs well for the outlook of domestic corporate earnings. Seek opportunities in the prevailing AI theme and in particular, the hardware segment.

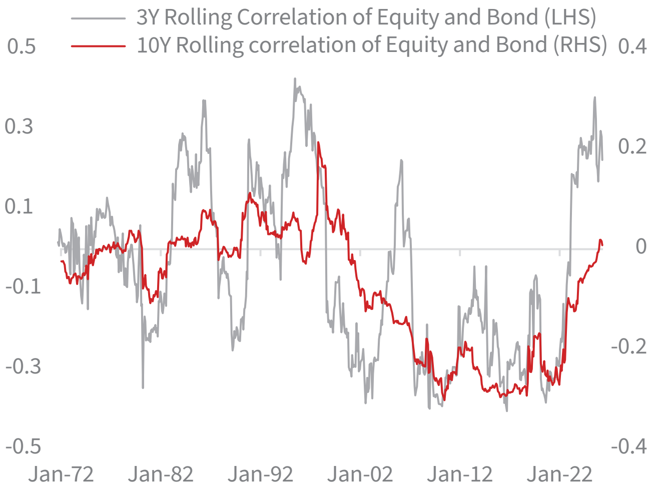
  Beyond AI, a key theme to keep a lookout for in the coming quarters is the bottoming out of the capex cycle. Extracts from the 15$^{th}$ Five-Year Plan suggest strong government emphasis on technology as a core growth pillar, particularly the AI, semiconductors, humanoid, and aerospace industries. We believe government-led initiatives in these areas will translate to a turnaround for China's capex cycle.

Multi-asset correlation

| | Equities | Bonds | Gold | Commodities | China 'A' Shares |
|---|---|---|---|---|---|
| Equities | 1.00 | 0.47 | 0.21 | 0.18 | 0.25 |
| Bonds | 0.47 | 1.00 | 0.34 | -0.11 | 0.15 |
| Gold | 0.21 | 0.34 | 1.00 | 0.25 | 0.16 |
| Commodities | 0.18 | -0.11 | 0.25 | 1.00 | 0.15 |
| China 'A' Shares | 0.25 | 0.15 | 0.16 | 0.15 | 1.00 |

Source: Bloomberg, DBS

Equity-Bond correlation on the rise




Source: Bloomberg, DBS

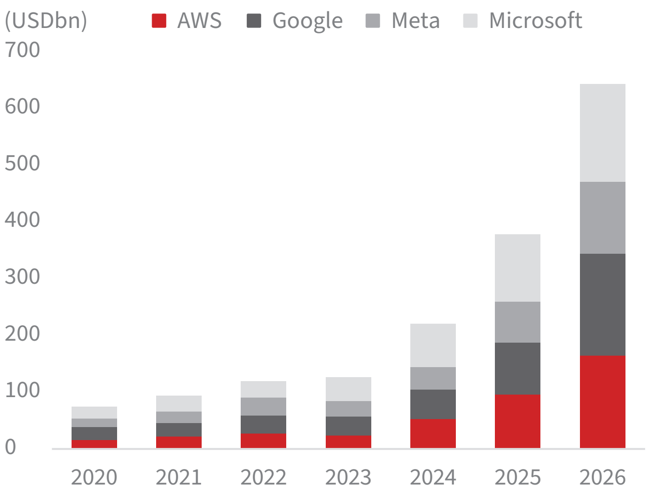
### The New Capex Supercycle

**Twin Turbines: Global capex expansion phase.** The global economy is currently driven by two major investment cycles: (1) AI capex and (2) energy capex.

On AI, accelerating enterprise adoption is underpinning compute infrastructure, with demand materially outpacing both existing and planned supply. To cater to rising demand, the combined capex of Alphabet, Amazon, Meta, and Microsoft has increased by c.200% since the launch of ChatGPT. More recently, some of these hyperscalers have raised their 2026 capex guidance to c.USD725bn, nearly double 2025 levels.

Beyond commercial demand, there is also the sovereign angle. Rising geopolitical tensions globally is accelerating the push for sovereign AI as governments increasingly view AI infrastructure and semiconductor capabilities as strategic national priorities.

Hyperscaler capex on the rise



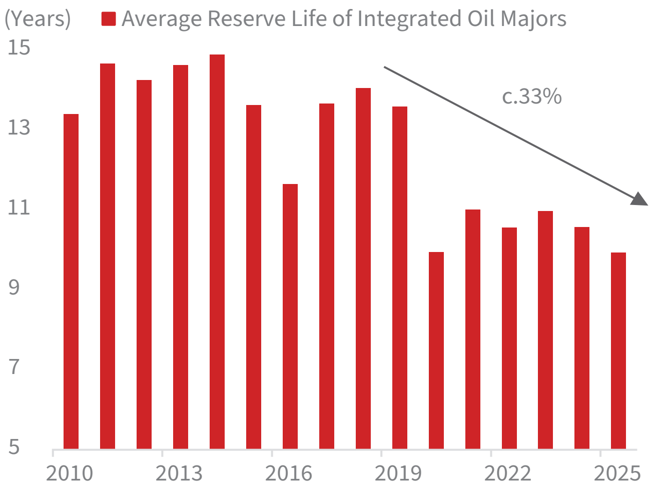

Source: Bloomberg, DBS

According to McKinsey, the total addressable market for sovereign AI could reach USD500-600bn by 2030.

In the energy space, past boom-bust cycles and rising ESG-related pressure compelled producers to prioritise capital discipline and shareholder returns over production growth, thus resulting in prolonged periods of underinvestment in upstream capacity.

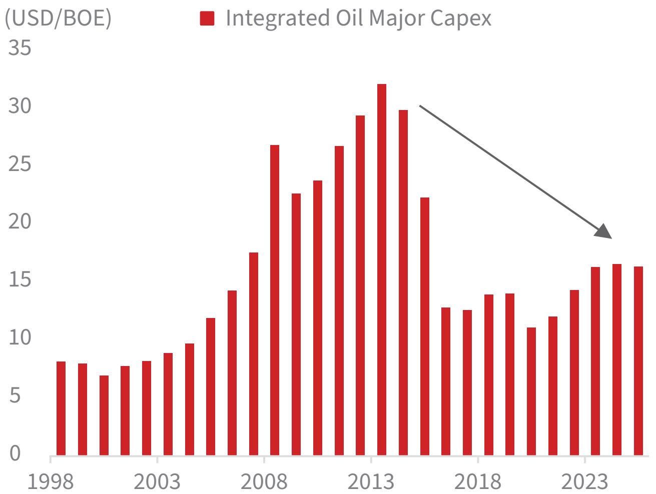
As a result, capex per barrel of oil equivalent remains c.49% below 2014 peak levels, while integrated oil majors' average reserve life has declined to around 10 years in 2025. Apart from underinvestment, the renewed focus on energy security (as a result of rising geopolitical uncertainties) is also driving energy investments across the value chain.

Reserve life has shrunk by c.33%




Source: Bloomberg, DBS

Capex/BOE is approximately half of that in 2014




Source: Bloomberg, DBS

Against this backdrop, we favour "pick and shovel" beneficiaries positioned to capture rising capex intensity across the AI and energy space:

**Beneficiaries of AI capex:**

- Semiconductor manufacturers and designers: This industry has become the primary gatekeeper of the AI era, capturing c.60% of total data centres capex as hyperscalers race to build out massive compute clusters, according to McKinsey. This surge is fuelling a historic expansion in the global semiconductor market, which is projected by the World Semiconductor Trade Statistics to reach USD975bn in 2026.

  On a segmental basis, semiconductor designers are seeing unprecedented demand for high-performance accelerators, while custom ASIC partners benefit from hyperscalers seeking proprietary efficiency. The growth is particularly strong in the memory segment, forecasted to grow c.39% as immense data requirements of Large Language Models (LLMs) turn high-bandwidth memory (HBM) into a critical and high-margin bottleneck.

  Ultimately, this capital "arms race" is funnelled directly through foundries like TSMC, ensuring that as long as hyperscaler capex continues to climb, the semiconductor ecosystem remains the single largest beneficiary.

- Networking and specialised hardware: As hyperscalers move beyond individual chips to build "mega-cluster" GPUs in data centres, networking and specialised hardware increase in importance. To prevent data bottlenecks, companies are investing massively on high-speed Ethernet and InfiniBand fabrics – a move which benefits companies providing sophisticated switching and routing required for seamless inter-processor communication.

  Above all, rising complexities of AI "supercomputers" are creating strong tailwinds for specialised hardware and OEMs which integrate proprietary designs into high-density, rack-scale solutions.

**Beneficiaries of Energy capex:**

- Oil services and equipment providers: The industry is well positioned to benefit from the capex cycle as it provides equipment and services essential for oil exploration. Recent industry spending has been skewed towards brownfield developments, which offer faster production and shorter payback cycles, resulting in a predominance of short-cycle investments.

  Since 2019, 90% of annual capex in the oil and gas industry was directed towards replacing declining production from existing fields and only 10% were used for expanding supply. This focus on short cycle investments underscores the need for oil majors to replenish longer-term reserves through higher exploration and greenfield activities.

**Cross Assets – Indifference.** The latest scoring on our CAA framework suggests a broadly neutral stance on both equities and bonds.

Fundamentals: The US economy continues to exhibit sustained resilience as consumer spending, energy exports, and the investment cycle remain robust. The Atlanta Fed GDPNow GDP forecast has recently surged from a trough of 0.9% on 16 Apr to 3.1% (as of 29 May) as positive impact from AI-related investments continue to buoy macro momentum. Moreover, positive impact from the tax incentives of Trump's One Big Beautiful Bill Act is also lifting sentiments and driving further capex. We believe that inflation risk is skewed to the upside and market consensus is pricing in rate hikes in 2027. On corporate earnings, consensus is expecting global earnings growth of c.26% in 2026, followed by 15% in 2027.

Valuation: On a cross-assets basis, using UST 10Y yield as proxy, bonds are more attractively valued compared to equities.

Momentum: The inflow of funds into both global equities and bonds in 2Q26 was broadly similar at USD111bn and USD78bn respectively (as of 6 May). On a geographic basis, the US market was the "only game in town" as it registered inflows of USD96bn (vs outflows for Europe, Japan, and Asia ex-Japan). The rebound in enthusiasm for US equities stemmed predominantly on the spike in interest for AI-related plays amid strong corporate earnings and positive outlook.

3Q26 Asset Allocation – Tactically bullish

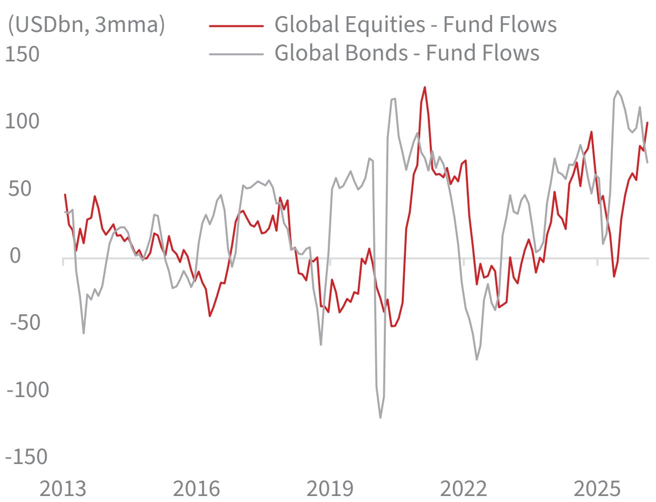
3Q26 CIO Asset Allocation (CIO AA)

| Categories | Indicators | Score Range | Equities | | | | Bonds | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | US | Europe | Japan | AxJ | DM Govt. | DM Corp. | EM |
| Fundamentals | PMI | -1 to +1 | 0 | 0 | 1 | 1 | 0 | 0 | 0 |
| | Economic Surprise | -1 to +1 | 0 | 0 | 1 | 1 | 0 | 0 | 0 |
| | Inflation | -1 to +1 | -1 | -1 | 0 | -1 | -1 | 0 | 0 |
| | Monetary Policies | -1 to +1 | 0 | -1 | 0 | 0 | -1 | -1 | -1 |
| | Forecasted EPS Growth | -2 to +2 | 2 | 0 | 1 | 1 | - | 1 | 1 |
| | Earnings Surprise | -2 to +2 | 1 | 0 | 0 | 2 | - | 0 | 0 |
| Valuation | Forward P/E | -2 to +2 | 0 | 0 | -1 | 1 | - | - | - |
| | P/B vs ROE | -2 to +2 | 0 | 0 | 1 | 1 | - | - | - |
| | Earnings Yield - 10Y Yield | -2 to +2 | -1 | -1 | -1 | 0 | 1 | 1 | -1 |
| | Free Cashflow Yield | -2 to +2 | -1 | 0 | 0 | 0 | - | - | - |
| | Credit Spread | -2 to +2 | - | - | - | - | - | -1 | -1 |
| Momentum | Fund Flows | -2 to +2 | 2 | 0 | 0 | 0 | 0 | 1 | -2 |
| | Volatility | -1 to +1 | 0 | 0 | 0 | 0 | 0 | - | - |
| | Catalysts | -2 to +2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Raw Score | | | 2 | -3 | 2 | 6 | -1 | 1 | -2 |
| Adjusted Score* | | | 0.10 | -0.14 | 0.10 | 0.29 | -0.09 | 0.06 | -0.13 |

*Note: The "Adjusted Score" is calculated using the "Raw Score" divided by the maximum attainable score for each category.

Source: DBS

Equities and bonds registering broadly similar inflow of funds




Source: EPFR Global, DBS

<u>Equities</u>: **Momentum Reigns – Top-down country allocation matters less, while bottom-up selection matters more.** The sharp up-move in risk assets since end-March caught most investors by surprise, in particular the sheer speed and magnitude of it. While bond and oil investors are still dwelling on the implications from the Iranian crisis; equity investors (the ever-optimistic bunch) were already pricing in a resolution to the crisis and for oil prices to return to normalcy. But of course, the optimism might seem somewhat misplaced should US and Iran remain stuck on an impasse while oil stays elevated.

A dissection of the recent rally shows that the up-move is driven predominantly by AI-related plays – a move that was indiscriminate and across all markets. This has since translated to high dispersion in equity markets with momentum stocks vastly outperforming the low volatility plays. Based on these observations, we believe that the following equity strategies could play out in the coming months:

1. Riding the AI theme with downside protection: Backed by strong corporate earnings, we expect investors' enthusiasm on AI-related plays to remain despite prevailing geopolitical tensions and the risk of equity drawdowns. But as always, watch the downside. Given the narrowness of the rally, it makes sense to adopt a "barbell approach" and complement the AI exposures with industries that are less exposed to the technology.

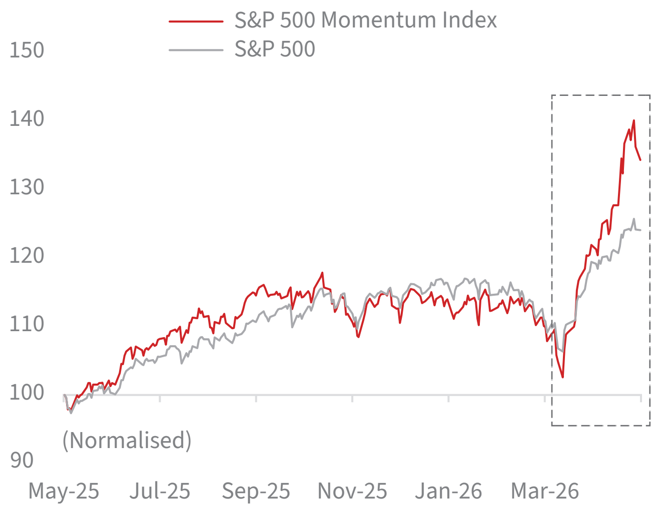
2. Favour low energy intensity plays: Disruptions at the Strait of Hormuz will weigh on oil inventories and keep prices higher-for-longer. But markets could be under-pricing the risk on hopes that the crisis will soon reach a resolution (and with both sides honouring the agreement). We adopt a more cautious stance here and reiterate our preference for low energy intensity industries/companies to avoid margin compression should high fuel cost linger on in the second half of the year.

**Bonds: Bond yields skewed to the upside; Selectivity is key in EM credit.** The impact of high oil prices filtering into headline inflation numbers is becoming evident from recent macro releases. The Middle East crisis, coupled with surprising macro resilience as result of AI-related capex, will keep inflationary pressure elevated.

To avoid a repeat of the policy mistakes made after Covid-19 pandemic (which led to surging inflation), more rate hikes in developed economies are on the table this year and this is already reflected in the futures and swaps market. Government bond yields, especially on the long-end, have surged massively in recently weeks as markets begin to price-in the likelihood of sticky inflation and broadening policy rate hikes by central banks (beyond BOJ, Norges Bank, and RBA). As the world transits from a savings glut regime to one of massive capex boom, the flow into corporate bonds could crowd out the treasury space and push bond yields higher.

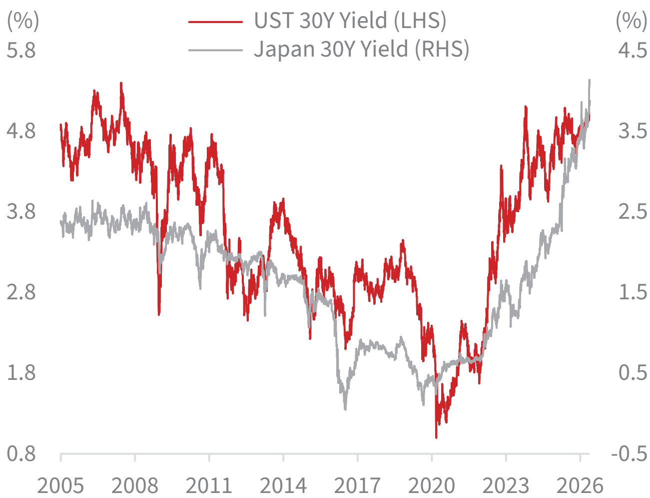
In corporate credit, we continue to advocate a duration of 5-7Y for bond portfolios. For investors seeking exposure to EM, our credit strategist prefers markets that possess: (1) energy independence, (2) policy credibility, and (3) adequate risk compensation. This is based on the rationale that in an era of geopolitical uncertainties and elevated oil prices, countries with heavy energy import dependency will be particularly vulnerable. From a bottom-up perspective, selectivity is key. We favour quality issuers with strong fundamentals and the ability to repay their debt. Additionally, we also see opportunities in bank AT1s on the assumption that banks' net interest margin will expand in a rising rates environment.

Momentum reigns in equity markets




Source: Bloomberg, DBS

Long-term bond yields on the rise




Source: Bloomberg, DBS

**Alternatives: Constructive on gold despite near-term inflation headwinds.** Gold has been trading as a risk asset of late as a result of its crowded positioning by speculative capital, which translated to sporadic profit takings and heightened volatility. But we do not expect this “speculative phase” for gold to persist as the precious metal will eventually return to its safe haven role. Meanwhile, as inflation trends higher in the months ahead, based on historical trends, the impact on gold will be two-fold:

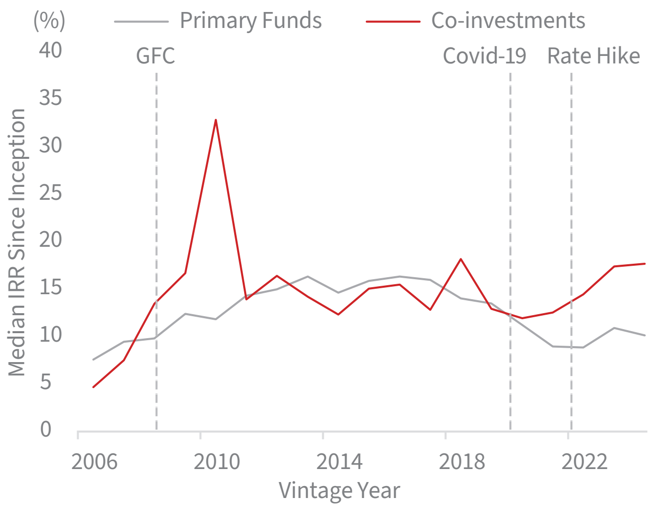
1. If inflation is moderately high (4-8%) and central banks tighten monetary policy in response, the rise in real yield will lead to an underperformance in gold given its status as a non-interest-bearing asset.

2. In the extreme situation where inflation overshoots the 8% mark (which is very unlikely in our view), gold’s outperformance will resume given the combination of low/negative real yields and deteriorating confidence on the monetary system.

Despite the medium-term inflation headwinds, we maintain a constructive stance on gold given structural drivers like de-dollarisation and monetary debasement. Our commodity strategists are forecasting gold price of USD5,000/oz in 3Q26 and USD5,300/oz for 4Q26.

Lastly in private assets, dispersion is on the rise amid AI disruption and macro uncertainties, and this warrants greater focus on quality managers and assets. Henceforth, we advise investors to gain exposure to co-investments on high conviction deals and the advantages are: (1) provision of direct access to later-stage companies with strong moats and earnings resilience, (2) faster value creation and return realisation, and (3) provision of deployment flexibility which allows investors to adjust their capital outlay in response to market conditions as opposed to staying committed to a fixed schedule.

Co-investments delivering stronger IRR than primary funds during uncertainties



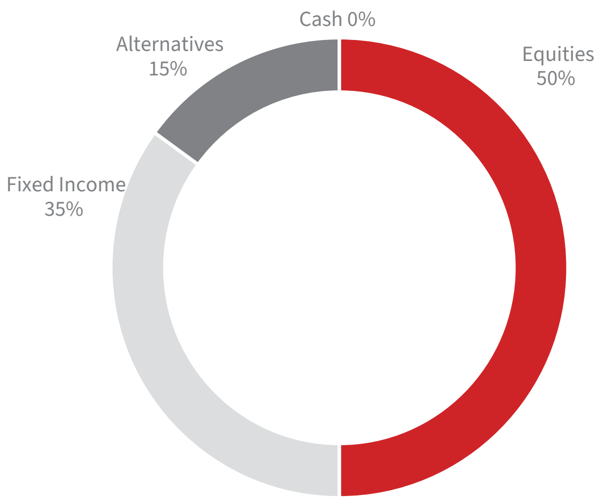

Source: Pitchbook, DBS

3Q26 CIO Asset Allocation (CIO AA)

| | 3-Month Basis | 12-Month Basis |
|---|---|---|
| Equities | Neutral | Neutral |
| US Equities | Neutral | Overweight |
| Europe Equities | Underweight | Underweight |
| Japan Equities | Neutral | Neutral |
| Asia ex-Japan Equities | Overweight | Overweight |
| Fixed Income | Neutral | Neutral |
| Developed Markets Government Bonds | Neutral | Neutral |
| Developed Markets Corporate Bonds | Overweight | Overweight |
| Emerging Markets Bonds | Underweight | Underweight |
| Alternatives | Overweight | Overweight |
| Gold | Overweight | Overweight |
| Private Assets & Hedge Funds | Overweight | Overweight |
| Cash | Underweight | Underweight |

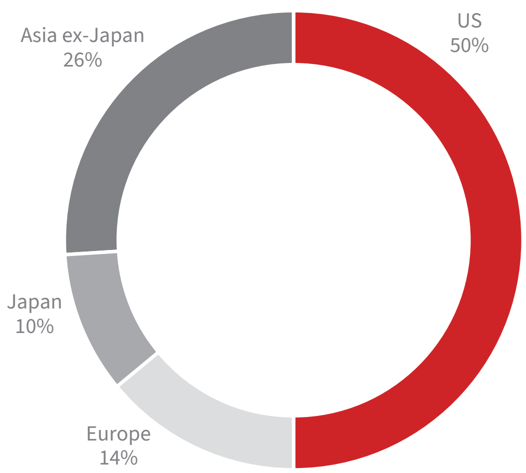
Source: DBS

CIO AA breakdown by asset class (Medium Risk)



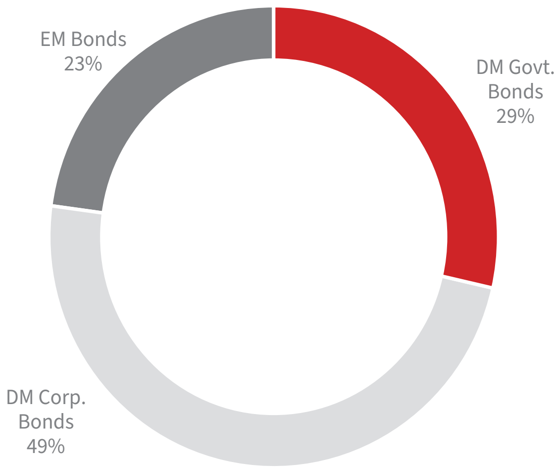

Source: DBS

CIO AA breakdown by geography within equities (Medium Risk)



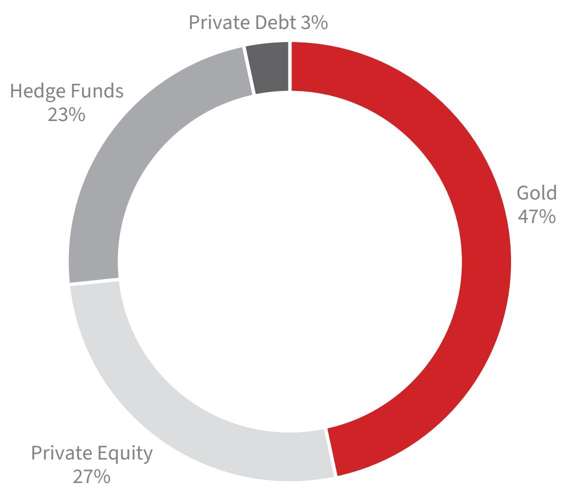

Source: DBS

CIO AA breakdown by bond types within fixed income (Medium Risk)



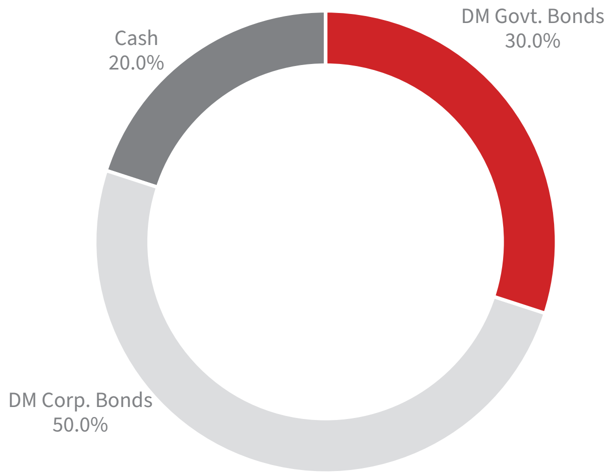

Source: DBS

CIO AA breakdown by segments within alternatives (Medium Risk)



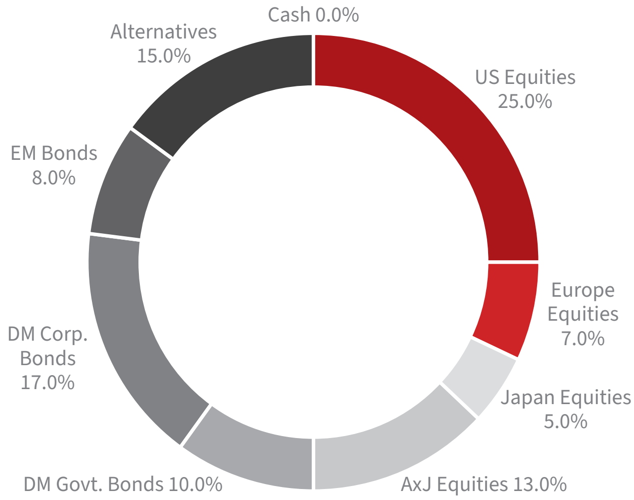

Source: DBS

Low Risk




Source: DBS

Medium Risk




Source: DBS

## Low Risk

| | CIO AA | SAA | Active |
|---|---|---|---|
| **Equities** | 0.0% | 0.0% | - |
| US | 0.0% | 0.0% | - |
| Europe | 0.0% | 0.0% | - |
| Japan | 0.0% | 0.0% | - |
| Asia ex-Japan | 0.0% | 0.0% | - |
| **Fixed Income** | 80.0% | 80.0% | - |
| Developed Markets - Government | 30.0% | 30.0% | - |
| Developed Markets - Corporate | 50.0% | 50.0% | - |
| Emerging Markets | 0.0% | 0.0% | - |
| **Alternatives** | 0.0% | 0.0% | - |
| Gold | 0.0% | 0.0% | - |
| Private Assets & Hedge Funds* | 0.0% | 0.0% | - |
| Private Equity | 0.0% | 0.0% | - |
| Hedge Funds | 0.0% | 0.0% | - |
| Private Debt | 0.0% | 0.0% | - |
| **Cash** | 20.0% | 20.0% | - |

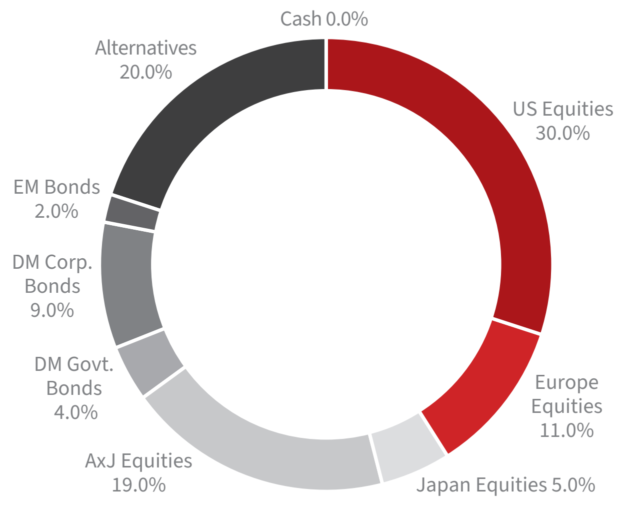
*Only P4 risk rated UCITs Alternatives

## Medium Risk

| | CIO AA | SAA | Active |
|---|---|---|---|
| **Equities** | 50.0% | 50.0% | |
| US | 25.0% | 25.0% | |
| Europe | 7.0% | 10.0% | -3.0% |
| Japan | 5.0% | 5.0% | |
| Asia ex-Japan | 13.0% | 10.0% | 3.0% |
| **Fixed Income** | 35.0% | 35.0% | |
| Developed Markets - Government | 10.0% | 10.0% | |
| Developed Markets - Corporate | 17.0% | 15.0% | 2.0% |
| Emerging Markets | 8.0% | 10.0% | -2.0% |
| **Alternatives** | 15.0% | 10.0% | 5.0% |
| Gold | 7.0% | 5.0% | 2.0% |
| Private Assets & Hedge Funds* | 8.0% | 5.0% | 3.0% |
| Private Equity | 4.0% | 2.4% | 1.6% |
| Hedge Funds | 3.5% | 2.0% | 1.5% |
| Private Debt | 0.5% | 0.5% | - |
| **Cash** | 0.0% | 5.0% | -5.0% |

*Only P4 risk rated UCITs Alternatives

High Risk




Source: DBS

## High Risk

| | CIO AA | SAA | Active |
|---|---|---|---|
| **Equities** | 65.0% | 65.0% | |
| US | 30.0% | 30.0% | |
| Europe | 11.0% | 15.0% | -4.0% |
| Japan | 5.0% | 5.0% | |
| Asia ex-Japan | 19.0% | 15.0% | 4.0% |
| **Fixed Income** | 15.0% | 15.0% | |
| Developed Markets - Government | 4.0% | 4.0% | |
| Developed Markets - Corporate | 9.0% | 7.0% | 2.0% |
| Emerging Markets | 2.0% | 4.0% | -2.0% |
| **Alternatives** | 20.0% | 15.0% | 5.0% |
| Gold | 7.0% | 5.0% | 2.0% |
| Private Assets & Hedge Funds* | 13.0% | 10.0% | 3.0% |
| Private Equity | 6.0% | 4.9% | 1.1% |
| Hedge Funds | 5.9% | 4.0% | 1.9% |
| Private Debt | 1.1% | 1.1% | |
| **Cash** | 0.0% | 5.0% | -5.0% |

*Only P4 risk rated UCITs Alternatives

# Inflation Watch

## Macroeconomics 3Q26

US economic resilience and sticky inflation reinforce the Fed's pause or even hawkish stance. Europe and Japan face energy-driven stagflation risks from the Middle East conflict. Asia remains the bright spot, led by strong AI- and electronics-driven exports.

# Macroeconomics

Taimur Baig, PhD
Chief Economist

Radhika Rao
Economist

Ma Tieying
Economist

Suvro Sarkar
Analyst

## US

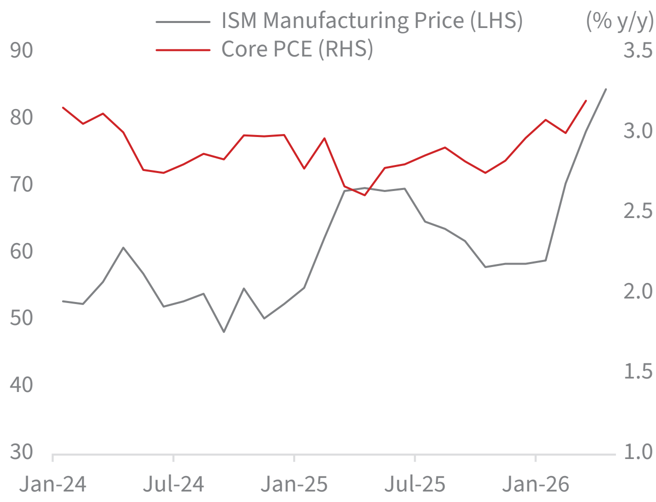
The Fed's Open Market Committee has a new chair in Kevin Warsh, but Jay Powell, the outgoing chair, will not disappear from the scene. Mr Powell has expressed a desire to continue serving as a member of the Fed Board of Governors through the expiration of his term at end-Jan 2028. With Powell legally allowed to remain on the FOMC until then, and with several other members in the 12-person committee aligned with his views, a contentious set of Fed meetings are ahead. This is especially likely with incoming Fed Chair Warsh and current Trump appointee Miran expected to push hard for policy accommodation.

What sort of data will confront the next round of deliberations? Consider the widely followed purchasing managers' survey released by the Institute of Supply Management, April readings showed an economy still very much on the march, with indicators for production, new orders, inventories, and imports pointing to sustained demand growth. The labour market may be on the weaker side and inflation may be soaring, but economic activities are proceeding apace. Double-digit retail sales growth in the first four months of the year confirms this narrative, alongside robust investment figures. The Atlanta Fed's Nowcast points to 2Q GDP tracking at 3% or higher.

Strong consumer spending, a flat housing market, a decent investment cycle (though concentrated in tech), booming energy exports, and substantial upside inflation risks — driven by energy and electronics prices — characterise the US economy at present. These factors point to keeping rates unchanged, or may even justify a shift towards a more hawkish stance in the coming months.

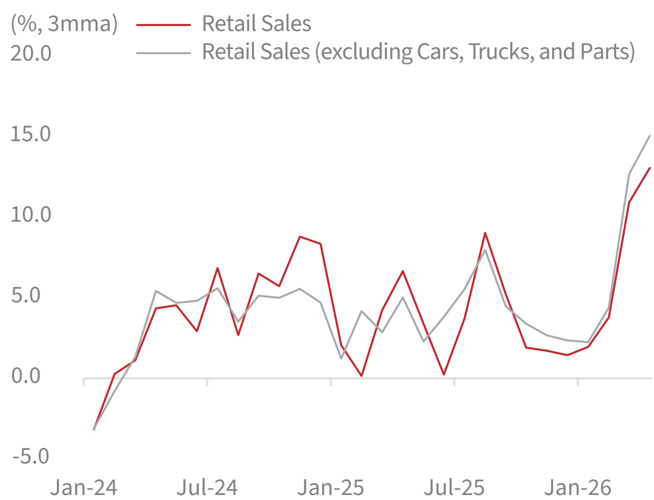
We have long maintained that 2026 would be marked by at least two 25 bps rate cuts, on account of incipient weakness in the labour market and the likelihood of a financial market correction.

US core inflation heading towards 3.5%




Source: CEIC, DBS

US consumers continue to spend




Source: CEIC, DBS

The latter expectation stemmed from various stock market overvaluation estimates. Those risks remain, but are now offset by the present inflationary environment and robust economic growth. The Fed is not likely to move in a hawkish direction soon, but removing its dovish bias and shifting towards a neutral stance are on the cards, in our view.

Short of a dramatic and concrete resolution to the ongoing US-Israel war on Iran, inflation risks are unlikely to recede in the coming months. It is conceivable that, under Chair Warsh, the Fed will find a way to convince markets to look through headline inflation risks so long as core inflation markers are stable. But even such a shift to neutrality will displease President Trump, while any talk of possible hikes could be met with major challenges to Fed independence from the US president.

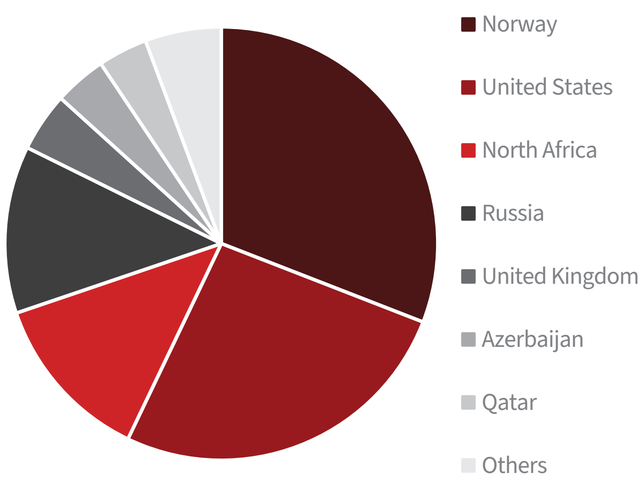
Once the midterm elections are over, there may be further clarity on the balance of power in Washington, which could pave the way for more independent decision-making. While Mr. Warsh is likely to be reluctant to lead the Fed down a path of rate hikes, the data may ultimately force that outcome. Assuming growth remains strong and price pressures do not ease, 2027 could be marked by Fed rate hikes, in our view. As for our forecasts, we will remove the rate cut calls for this year, but will not yet venture into rate hike calls for next year. Like the Fed, we would need several more months of data before heading in that direction.

### Eurozone

Growth in the Eurozone economy had stabilised at the start of the year, supported by a strong labour market and buffered corporate balance sheets, while inflation had returned to target. This led the ECB to state that its policy settings were in a "good place." Geopolitical risks have since dealt a spanner in the works. It is becoming increasingly apparent that the stagflationary shock from US-Iran tensions will impact Europe more than the US.

The nature of the current crisis differs from the Russia-Ukraine conflict that began in 2022. The bloc's heavy reliance on pipeline gas from Russia, the sudden stoppage in supply, and limited substitutes triggered a sharp inflationary jolt, lifting headline inflation from 5% y/y in Dec 2021 to 10.6% in Oct 2022, before a gradual moderation. Since then, the EU has focused on decoupling from Russian supplies — expanding renewables for electricity generation, constructing new natural gas terminals, trimming reliance on fossil fuels, and diversifying its supply mix. The EU is seeking to cease all fossil fuel imports from Russia in a calibrated manner under the REPowerEU roadmap.

Gas suppliers to the EU in 2025 (% share)

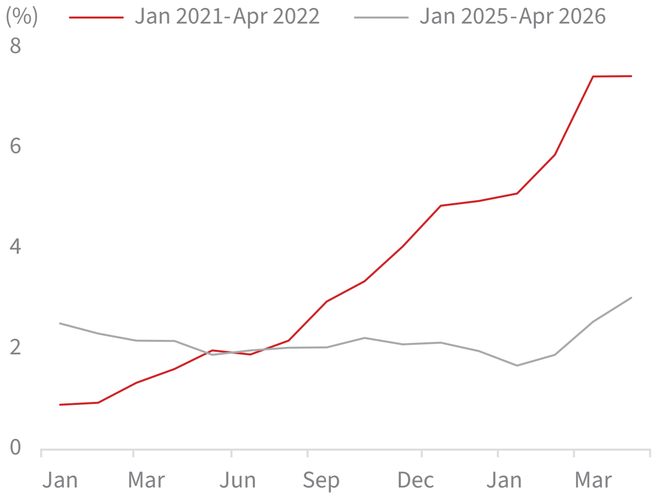



Source: European Commission, CEIC, DBS

The direct impact from the Middle East is contained. Norway was the top supplier of gas to the EU in 2025, providing almost one-third of all gas imports, followed by the US. Qatar accounted for less than 4% of the mix. Around 7% of the EU's oil imports in 2025 came from the Gulf Cooperation Council countries. In this context, the region is relatively more vulnerable to gas and electricity shocks than to oil. There are, nonetheless, indirect effects via higher global prices that push up domestic pump costs, rising competition for alternate suppliers especially in Asia, and increasing Russian leverage.

May inflation quickened to 3.2% y/y from April's 3.0%, past the official target and accompanied by an uptick in core readings. Annual headline inflation is expected to average 3.1% y/y this year, up from our previous forecast of 2.0%, above the policy target before aligning with the mandate in 2027. Long-term HICP inflation expectations are likely to remain anchored at 2%. While price pressures build, incoming data also points to a slowdown in momentum. PMIs remained in contractionary territory, reflecting slower growth in both manufacturing and services output, alongside declines in new orders and employment indices. Businesses face a steady increase in cost-push pressures, but are yet to pass these on to end-consumers. This sets the stage for industrial production to cool into the summer months. Europe's economic sentiment index slipped for a third consecutive month, and despite a surprising pickup in the Eurozone consumer confidence index in May, readings remain firmly in negative terrain. In light of these risks, we moderate our 2026 growth forecast to 1.0% from 1.4% earlier, while maintaining 2027 at 1.2%.

Inflation pick up is milder than in 2022 but remains exposed to global price rises




Source: ECB, CEIC, DBS

**ECB will closely monitor inflationary pressures, energy prices, and financial market stability.** While the inflationary environment has pushed markets to price in rate hikes this year, growth risks will also need to be factored into the baseline assumptions. Policy guidance is likely to remain cautious and hawkish, signalling a meeting-to-meeting approach while monitoring the probability of a US-Iran ceasefire and a de-escalation of tensions.

### Japan

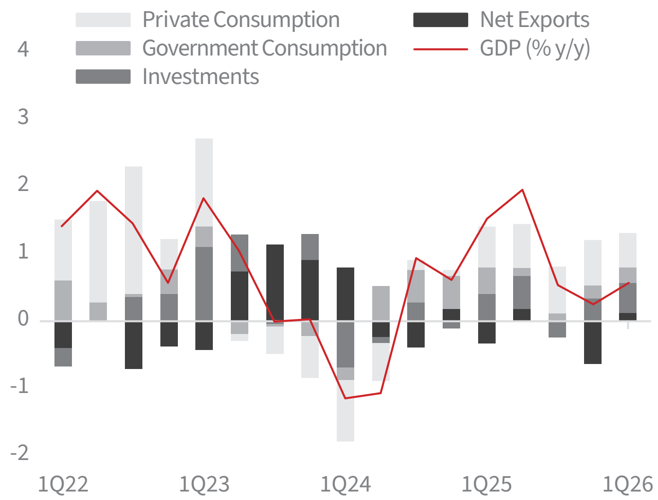
The full-year 2026 GDP growth forecast is maintained at 0.5%. Japan remains exposed to global shipping disruptions caused by the Middle East conflict. While the Middle East accounts for only 4% of Japan's total exports, Europe represents a more meaningful 9% share. Japan's automobile exports to Europe, which rely heavily on sea freight, could face longer shipping routes, delivery delays, and higher transportation costs.

Nonetheless, semiconductor exports continue to outperform expectations, supported by the global AI supercycle driven by agentic AI adoption and further capex expansion by hyperscalers. Meanwhile, household consumption remains supported by firm labor market conditions. This year's Shunto wage negotiations delivered a 5.1% wage increase, similar to the outcomes in 2024 and 2025, which is likely to translate into base wage growth of around 2% this year.

The full-year CPI inflation forecast is also maintained at 1.8%. Japan is highly exposed to energy price shocks arising from the Middle East conflict. Thermal power accounts for roughly 70% of the country's electricity generation, while Japan depends on the Middle East for around 90% of its crude oil imports. Higher oil import prices could add upward pressure on inflation and erode household real incomes.

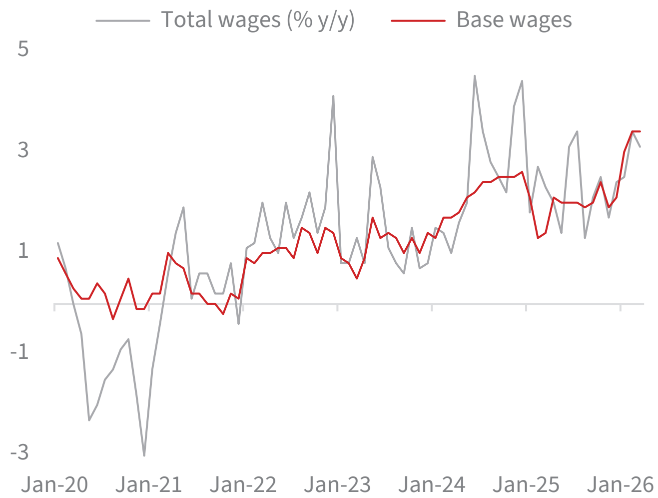
That said, Japan still has policy buffers to cushion the impact. The government has reinstated emergency gasoline subsidies to cap retail fuel prices and authorised a large-scale release of strategic petroleum reserves to stabilise supply. Japan's strategic oil reserves are among the largest in the region, covering approximately 240 days of demand prior to the outbreak of the conflict.

GDP growth remains resilient




Source: CEIC, DBS

Wage growth continues to hold up



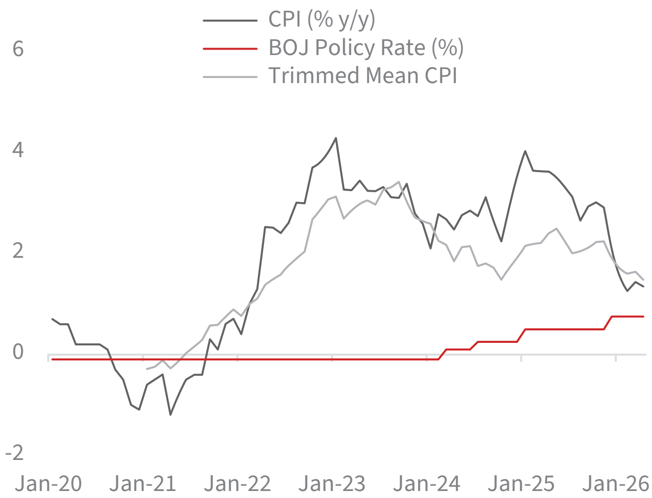

Source: CEIC, DBS

Fiscal expansion remains likely in 2H26. As Middle East-related energy price shocks threaten to raise household living costs, political pressure continues to build for additional support measures, including fuel subsidies, food consumption tax cuts, and relief packages for households and SMEs. Bond markets have already reacted negatively, with rising JGB yields reflecting concerns over Japan's fiscal credibility. If oil prices remain elevated and upward pressure on JGB yields persists, the government may prioritise fuel subsidies and household relief packages over food tax cuts.

Monetary policy normalisation is expected to proceed. BOJ is expected to raise the overnight call rate from 0.75% to 1.00% in June. As energy price shocks increase volatility in headline CPI, underlying inflation measures are becoming more important for policymakers in assessing interest rate decisions. Trimmed mean CPI continues to hold steady at around 1.5%, suggesting interest rates remain below neutral and that there is still room for the BOJ to further normalise monetary policy.

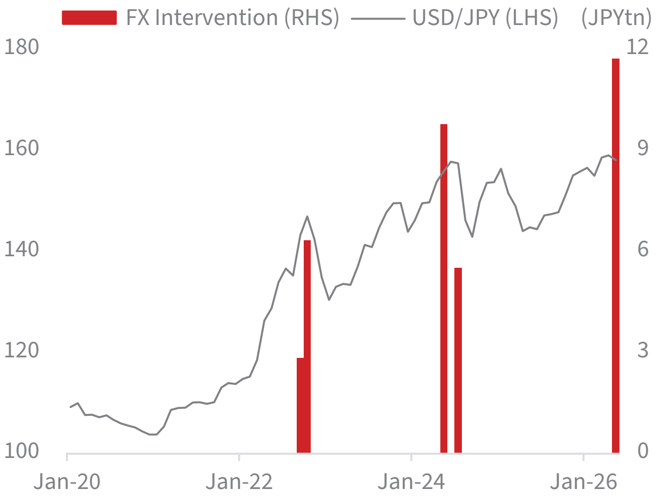
FX intervention risks remain, although the impact is likely to be temporary. The Ministry of Finance is estimated to have spent nearly JPY10tn intervening in the FX market in late April and early May to support the yen, helping push the USD/JPY down from 160 to around 156–157. However, experience in 2022 and 2024 suggests that the effects of intervention tend to be short-lived. With higher oil prices weakening Japan's trade and fiscal balances, and with the BOJ remaining gradual in its rate normalisation process, the fundamental pressures weighing on the JPY are expected to persist.

Interest rates need to normalise




Source: CEIC, DBS

Impact of yen intervention is only temporary




Source: CEIC, DBS

## Asia

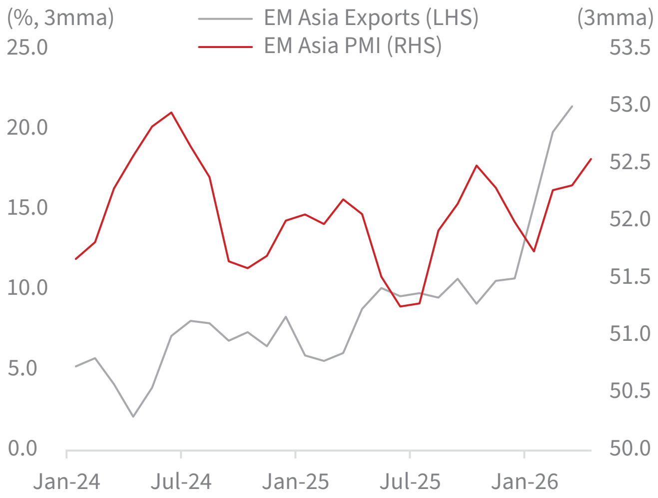
Asian economies are likely to report a constructive set of 1Q GDP numbers, given the strong trade data already available. The strength in the cycle is extending well beyond the first quarter, with early 2Q trade data showing regional external demand going from strength to strength.

Admittedly, there is considerable doom and gloom among policy makers and citizens regarding the rising cost of energy and lingering uncertainty around the Iran war. But concurrently, the market for electronics and green technology has never been more buoyant. The AI-driven buying frenzy has broadened to every aspect of the electronics ecosystem, with substantial price increases having no impact on the surging quantity demanded.

It is not just about electronics; signs of overall demand resiliency are evident in data for the first four months of 2026. Exporters are seeing strong order books across the board. US retail sales are robust, investment cycles are picking up worldwide, and the war has added further impetus to procurement across the energy ecosystem, from generators and batteries to EVs and defence equipment.

China's January-April trade data is a good case in point. For the world's largest exporter, mid-teens export growth is striking to say the least. Even exports to the US, after a year of intense trade war, rose 11% y/y in April.

Asia's exports go from strength to strength




Source: CEIC, DBS

For South Korea and Taiwan, the region's two electronics stalwarts, export outturns are breaking records month after month, registering growth rates of 40-50% y/y. Memory and compute chips are leading the way, pushing some companies at the top of the pack beyond trillion-dollar valuations.

Malaysia, Singapore, and Vietnam are also enjoying banner moments, with export growth in the 15-35% range. Their synchronised rise in exports underscores the integrated nature of the regional supply chain, with the AI cycle lifting all parts of the electronics ecosystem.

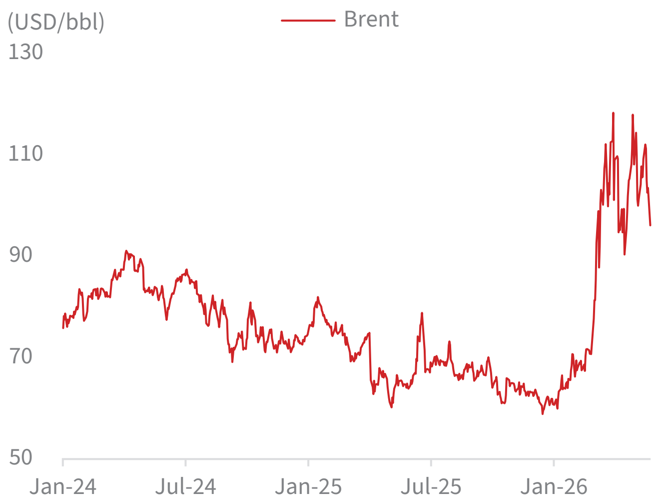
There are, however, some laggards. India and Indonesia have not been touched by the heady momentum in the region. In both cases, businesses are reporting a steady weakening in sentiment. Rising energy prices should support Indonesia's export performance from April onwards, in our view, but India's outlook looks less promising at this moment. With 15% of its exports bound for the Middle East, the lingering uncertainty around the Strait of Hormuz presents a considerable headwind for Indian exporters. Its lack of participation in the region's extensive electronics supply chain further constrains upside.

There are also risks to Asia's export outlook for the remainder of the year. For starters, the lagged impact of the energy shock stemming from the Iran war bears watching. Second-round inflation effects, as higher energy prices percolate through the system, are also in the pipeline. Coupled with exceptionally strong electronics demand, plenty of inflation risks remain on the horizon. These developments could ultimately trigger demand destruction, although they may also lead to greater nominal revenues for exporters.

### War-risk premium to persist in oil prices for now

**Oil prices to remain elevated even if a deal is reached.** Under our base-case scenario of a near-term resolution to the US-Iran talks and the reopening of the Strait of Hormuz within 2Q26, we expect market conditions to normalise only gradually. Clearing the Strait of Hormuz of mines could take up to six months after the conflict formally ends, and mine-clearing operations are unlikely to begin until a comprehensive deal is in place. Any residual risk is sufficient to prevent insurance markets from underwriting shipping through the Strait. Without this, commercial operators will not send vessels, regardless of whether a ceasefire or deal is in place. This means that, even in our base scenario, the realistic timeline for full traffic normalisation has extended materially. We now think full normalisation of the Strait of Hormuz traffic is realistically a 2027 story rather than a next-quarter outcome. Adding to this are production losses and reservoir damage in the Gulf countries, which are likely to persist even longer. Under such a scenario, we now expect Brent to average between USD85-90/bbl in 2026 (up from the USD62-67/bbl forecast at the start of the year) and USD72-77/bbl in 2027 (up from the USD65-70/bbl forecast).

Brent crude oil prices pricing in chances of a deal in the near term




Source: Bloomberg, DBS

**Diplomacy continues but the gap remains wide.** The most significant development of late is the emergence of a tentative 60-day memorandum of understanding (MOU) between US and Iranian negotiators, which would extend the existing ceasefire and formally launch a new round of nuclear talks. However, as of writing, President Trump has not signed off on the terms, and the gap between what negotiators agreed and what the President is willing to endorse remains publicly unresolved. The key sticking points on the nuclear side have not materially shifted since the first round of talks in Islamabad. The US position continues to

Quarterly average oil price forecast 2026/27 – DBS base case view

| (USD per barrel) | 1Q26A | 2Q26F | 3Q26F | 4Q26F | 1Q27F | 2Q27F | 3Q27F | 4Q27F |
|---|---|---|---|---|---|---|---|---|
| Average Brent Crude Oil Price | 78.5 | 102.0 | 90.0 | 83.5 | 81.5 | 74.0 | 74.5 | 72.0 |
| Average WTI Crude Oil Price | 72.5 | 97.0 | 86.0 | 80.5 | 78.5 | 71.0 | 71.5 | 69.0 |

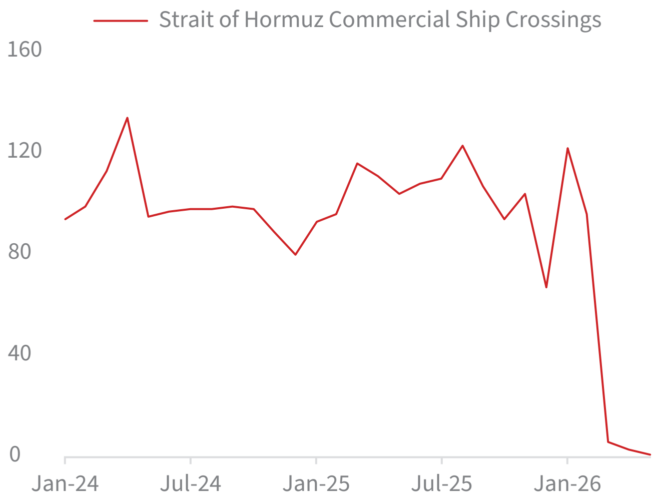
Source: DBS
Data as at 2 Jun 2026

centre on zero enrichment and physical removal of Iran's stockpile of enriched uranium. Meanwhile, Iran insists that enrichment is a sovereign right and that no stockpile will leave Iranian territory. The US side has acknowledged that issues on the "nuclear stuff" remain open and said there are no guarantees a deal will be reached.

**The Strait remains commercially paralysed, with full recovery expected only in 2027.** While Iran has shifted away from a blunt closure strategy, the Strait is not really functioning as a viable commercial shipping lane. Currently, approximately 10 vessels per day are transiting the Strait, compared with a pre-war average of 120-140. War-risk insurance premiums have surged, and major carriers have all suspended transits. QatarEnergy's force majeure on LNG shipments is still in place. The mine-clearing timeline remains the central constraint on normalisation. Pentagon officials estimate that a six-month operation would be required even after a comprehensive deal is reached, and that operations cannot begin until a deal is in place. Even residual mine risk is sufficient to prevent war-risk insurance markets from underwriting transits.

Meanwhile, the sovereign toll regime announced by Iran in mid-May adds a new dimension that markets appear to be underpricing. Even if a deal is struck, Iran's stated intention to levy transit fees on commercial shipping through what it describes as its sovereign waters introduces a lasting institutional friction that could keep insurance costs elevated and deter some operators well beyond the formal end of hostilities. Thus, our revised base case is that full Hormuz traffic normalisation is a 1H27 story, pushed back further from our prior end-2026 estimate. Even if a deal is signed in June, the sequential recovery – mine-clearing, insurance reinstatement, and the resumption of major carrier transits – implies a gradual rather than immediate rebound in supply flows.

Hormuz ship traffic unlikely to recover fully in 2026




Source: Bloomberg, DBS

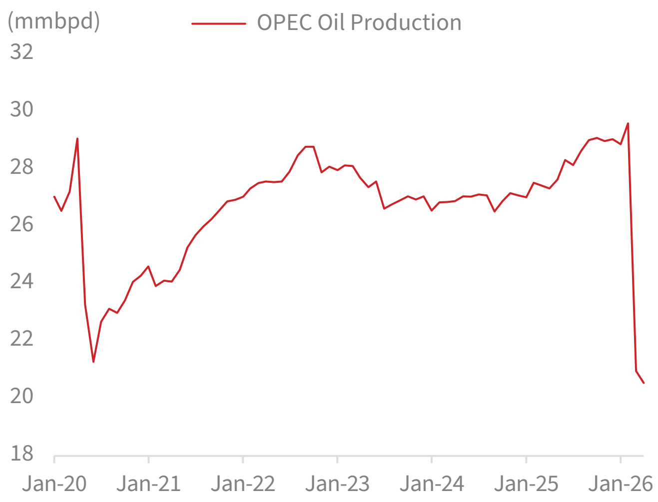
**UAE exits OPEC: near term irrelevant, medium term significant.** The UAE formally departed OPEC on 1 May. OPEC+ subsequently approved a limited production increase to partially fill the gap. ADNOC simultaneously announced a USD55bn capital programme to accelerate its stated 5mmbpd capacity target by 2027, up from current output of approximately 3.6mmbpd. The near-term market impact remains negligible: the Strait is effectively closed, and the UAE cannot meaningfully increase exports regardless of quota status. The medium-term implications, however, are structurally significant. With quota constraints removed, the UAE has an uncapped incentive to ramp output towards capacity and has already begun signing bilateral supply agreements with major

Asian importers, particularly in India. Once Hormuz reopens, the UAE's incremental supply could create a scenario in which the market transitions from acute shortage toward meaningful oversupply over a 12-18 month timeframe. The departure also weakens OPEC's institutional credibility as a supply management body, given the UAE's status as a credible swing producer alongside Saudi Arabia. A structurally weakened OPEC is modestly bearish for the long-term oil price floor, reinforcing our existing view that the long-run equilibrium sits around USD65-70/bbl despite current elevated levels.

**What are our scenarios hereon?** With the current turmoil in energy markets and dependence on geopolitical factors, it is sanguine to consider various scenarios going forward. Our base case (50% probability) assumes Trump endorses the MOU in June, kicking off a 60-day nuclear negotiation period. Hormuz gradually reopens through 2H26, with mine-clearing limiting full normalisation to 1H27 and Iran's toll regime creating ongoing but manageable friction; we see Brent in the USD90-100/bbl range near term, moderating to USD80-85/bbl as supply returns. The bear case (30% probability) envisions the MOU being signed but nuclear talks deadlocking, with Hormuz opening only partially as toll regime friction and residual mine risk keep traffic below 50% of pre-war levels through year-end – a prolonged stalemate that markets gradually price as the new normal, with Brent sustaining USD100-115/bbl with spikes toward USD130+ on incidents. The worst case (20% probability) is a full breakdown: talks collapse, the ceasefire is revoked, and the US escalates militarily against Iranian energy infrastructure including Kharg Island and IRGC naval assets, with subsequent Iranian retaliation against wider Gulf and Red Sea targets. Under such circumstances, Brent could easily surge above USD130/bbl, with USD150-200/bbl tail risk fears back on the table.

**Inventories falling sharply, support for "benign" oil price levels dwindling.** Global inventories entered the crisis from a position of relative strength, at around 8,200mn barrels across OECD commercial stocks, strategic reserves, Chinese crude holdings, oil on water, and other non-OECD reserves, which is the primary reason the world has remained reasonably well supplied and oil prices largely below USD100/bbl despite more than 10mn barrels per day of lost Middle Eastern supply since war began. That buffer is now being consumed at an alarming pace. The IEA recorded an 85mn-barrel global draw in March, the sharpest monthly decline since Covid-19; outside the Gulf, the draw was 205mn barrels (around 6.6mn barrels per day), partially offset by a 120mn-barrel build inside the Gulf as storage tanks filled up ahead of production shutdowns. April and May are estimated to have drawn down a further 300-350mn barrels per month. The IEA's coordinated 400mn barrel release is the biggest on record, running at around 2.5mn barrels per day. Global inventory coverage is now tracking towards 70 days by end-May, against a practical stress threshold of around 80 days and a treaty-based IEA floor of 90 days of net import cover for member countries. The stress is already visible at the margins. If the Strait remains effectively closed beyond 2Q26, non-OECD countries outside China will begin to face genuinely thin import cover, and the balancing mechanism will increasingly be demand destruction driven by price rather than policy. Should a deal fail to be signed in the near term, oil price volatility is likely to increase as the inventory buffer continues to dwindle.

OPEC production has fallen off the cliff for now, exports even more




Source: Bloomberg, DBS

# Fundamentally Strong, Tactically Fragile

Source: Unsplash

## US Equities 3Q26

S&P 500 is highly concentrated with AI-plays contributing the bulk of returns. Historically, such narrow up-moves preceded higher volatility and below average forward returns. Surging bond yields and rising volatility are potential headwinds for expensively valued growth stocks. Yield surge to weigh on “long duration” equities and drive portfolio rotation towards lower-volatility and defensive plays. Balance exposure to US momentum stocks with defensive names to cushion against short-term macro turbulence.

# US Equities

Dylan Cheang
Strategist

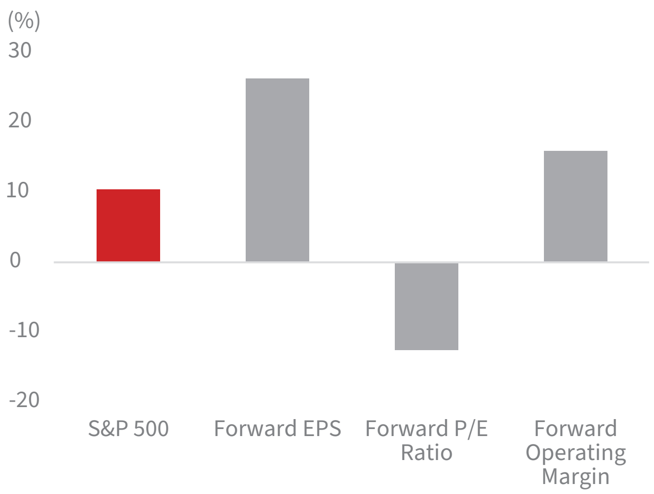
**Cross-currents: Robust earnings vs concentration risks.** Despite geopolitical tensions in the Middle East and surging bond yields, the S&P 500 has rallied sharply this year with AI plays contributing the bulk of the returns. A dissection of S&P 500 performance unveiled both good and bad news.

On the positive front, this rally is truly backed by fundamentals. YTD, the index is up 10%, entirely supported by forward earnings growth which surged 26%, aided in part by the 2.7% increase in operating margins. On the flipside, valuation actually fell 13% this year to 22.4x forward P/E. Given the robust outlook for AI-related industries, we expect the positive earnings momentum to persist in the coming quarters.

Now, the bad news. While the rally is strong, the market has also become extremely lopsided and concentrated. Big Tech and AI infrastructure stocks dominate the upside and today, the top 10 contributors generate c.78% of index gains while the median company is sitting c.13% below its 52-week high. Take Google for instance. The company accounts for c.6.5% of S&P 500 market cap and single-handedly contributed c.16.5% of market returns. The same goes for Nvidia, which accounts for 7.4% of market weight and 14.9% of the returns.

Historically, high market concentration risk does not necessarily mean that the rally will come to an end. But from a portfolio concentration standpoint, such narrow up-moves do deserve attention as they tend to precede higher volatility and below average forward returns even during times when the macro backdrop is supportive.

US equity rally propelled by earnings growth




Source: Bloomberg, DBS

Top 10 contributors of S&P 500 returns this year

| | S&P 500 Weight | YTD Return | Contribution to S&P 500 YTD Returns |
|---|---|---|---|
| Google | 6.5% | 23.9% | 16.5% |
| Nvidia | 7.4% | 18.3% | 15.2% |
| Micron | 1.1% | 144.8% | 8.5% |
| Apple | 6.1% | 10.0% | 7.3% |
| Intel | 0.8% | 200.3% | 6.8% |
| AMD | 0.9% | 93.3% | 6.0% |
| Amazon | 3.9% | 12.4% | 5.6% |
| Broadcom | 2.7% | 18.8% | 5.6% |
| Walmart | 1.5% | 20.5% | 3.3% |
| Sandisk | 0.3% | 482.7% | 3.1% |

Source: Bloomberg, DBS

**Relationship between bond yields and US equity performance.** Long-term government bond yields have undergone a spectacular melt-up with UST 30Y breaching the 5% mark and JPY 30Y yield above 4%. This up-move is underpinned by both structural and cyclical factors: (1) fiscal profligacy and rising government debt putting upward pressure on yields; (2) surge in commodity prices as result of supply-driven shocks pushing inflationary pressure higher; and (3) rise in global AI spending which, according to Gartner's forecast, is expected to total USD2.5tn in 2026.

Conventional wisdom suggests that rising bond yields could weigh on equity valuation and pose headwinds for long duration momentum trades. However, economic context matters. Historically, when bond yields rise alongside a growing economy, expanding corporate earnings will supersede the rising cost of capital and propel equity prices higher. Case in point: The post-Dot.Com bubble recovery from Jun 2003 to Jul 2006. During this period, the UST 10Y yield climbed c.176 bps against a healthy economic backdrop, and US corporate earnings grew 32%.

The true danger for equities lies not in the magnitude of yield surge, but from the velocity of it. A slow and gradual rise in bond yields can be easily absorbed by the markets. However, sudden spikes in yield as a result of aggressive central bank policy tightening can trigger acute equity drawdowns. During the 2022 inflation regime shift, the 10Y yield surged over 253 bps in 10 months as result of inflation spikes on the back of supply-shocks. Equity multiples underwent sharp compression and the S&P 500 plunged 19% into a bear market.

We are currently experiencing a mix of both scenarios. Given the Middle East crisis, there is an element of supply-driven inflation shock via higher commodity prices. For now, the impact remains muted as countries are drawing down their oil inventories and keeping prices manageable. However, this situation could change very quickly if the US-Iran impasse persists. Meanwhile, the global economy remains resilient as result of strong support from AI-related capex. The rise in corporate earnings will offset the negatives from rising bond yields.

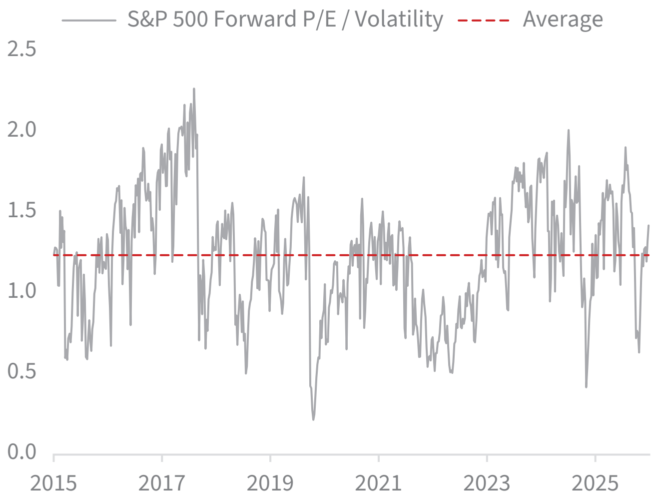
**Maintain fair value of 7,869 for S&P 500.** Based on data from EPFR Global, the flow momentum for US equities has rebounded significantly as the market registered inflows of USD96mn in 2Q26 (as of 6 May) while Europe, Japan and Asia ex-Japan saw outflows. This robust momentum reflects investors' enthusiasm for the AI theme and will likely persist in coming months. Based on our investor sentiments gauge, the index is currently near its long-term average which suggests that positioning is not overly stretched from a valuation and volatility standpoint.

Impact of rising bond yields on US equity performance

| | | UST 10Y Yield Change (bps) | S&P 500 | Financials | Energy | Technology | Materials | Industrials | Cons. Staples | Cons. Disc. | Comm. Services | Utilities | Real Estate | Healthcare |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Economic Expansion | Jun 2003-Jul 2006 | 176.65 | 32% | 32% | 113% | 20% | 56% | 49% | 21% | 25% | 23% | 47% | 65% | 7% |
| | Jul 2016-Oct 2018 | 169.04 | 25% | 37% | -1% | 58% | 8% | 17% | 1% | 28% | -17% | 3% | -7% | 18% |
| Monetary Tightening | Jan 2022-Oct 2022 | 253.77 | -19% | -13% | 63% | -27% | -18% | -11% | -6% | -30% | -39% | -7% | -29% | -6% |
| | Apr 2023-Oct 2023 | 150.87 | 1% | -2% | 0% | 10% | -6% | -2% | -11% | 5% | 10% | -14% | -12% | -7% |

Source: Bloomberg, DBS

Investors' positioning is not overly stretched from valuation and volatility standpoint




Source: Bloomberg, DBS

Using our dividend discount model (DDM), assuming a risk-free rate of 4%, terminal growth rate of 2%, and an equity risk premium (ERP) of 3.7%, our fair value for S&P 500 stands at 7,869. Based on consensus earnings forecast of USD339.83 for 2026, the target price implies a forward P/E multiple of 23.2x.

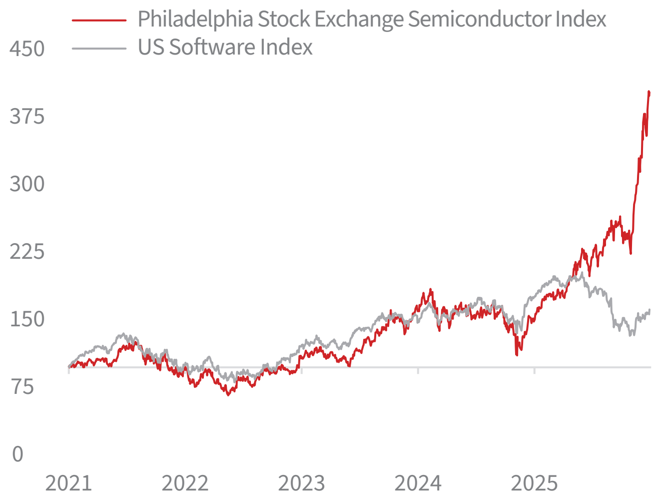
**3Q26 US Sector Strategy – Walking the path of least resistance**

Our sectoral calls were a mixed bag in 2Q26. Within our overweight basket, technology performed well and rallied 33.8% during the quarter (as of 28 May). However, the performance from financials was subdued while energy stocks corrected during the quarter as investors priced in a resolution to the Middle East crisis and a softening of energy prices. Within our underweight basket, the likes of communication services and consumer discretionary performed well, thanks to the revival of investors' interest on tech names.

As we head into 2H26, we will be positioning for (1) higher bond yields, (2) elevated oil prices, and (3) robust AI-related earnings momentum. In a rising rates environment, the traditional beneficiary will be financials on the assumption of widening net interest margins, while sectors like real estate could face headwinds. To position for elevated oil prices and robust AI earnings, Tech-related plays will be a geared beneficiary. Hence, the sectoral switches which we are making for the quarter are:

- Upgrade Communication Services to overweight and Consumer Discretionary to neutral
- Downgrade Utilities, Consumer Staples to underweight

AI frenzy




Source: Bloomberg, DBS

## US Sector Allocation – 3Q26

| | Overweight | Neutral | Underweight |
|---|---|---|---|
| US | Technology | Industrials | Real Estate |
| | Comm. Services | Cons. Discretionary | Utilities |
| | Financials | Materials | Cons. Staples |
| | Energy | Healthcare | |

Source: DBS

## US Valuation Table

| | Forward P/E (x) | P/Book (x) | EV/EBITDA (x) | ROE (%) | ROA (%) | OPM (%) |
|---|---|---|---|---|---|---|
| US | 22.2 | 5.7 | 18.0 | 19.9 | 4.3 | 15.6 |
| Financials | 15.1 | 2.3 | 9.0 | 14.1 | 1.5 | 21.7 |
| Energy | 13.3 | 2.5 | 10.2 | 11.4 | 5.3 | 10.7 |
| Technology | 27.2 | 14.4 | 30.4 | 32.6 | 15.0 | 28.7 |
| Materials | 17.9 | 3.3 | 13.6 | 11.0 | 4.8 | 13.1 |
| Industrials | 27.7 | 7.9 | 20.4 | 25.1 | 7.2 | 13.8 |
| Cons. Staples | 22.8 | 7.3 | 18.0 | 25.8 | 7.6 | 8.0 |
| Cons. Discretionary | 25.7 | 8.4 | 18.1 | 24.2 | 7.1 | 9.8 |
| Comm. Services | 20.1 | 5.5 | 16.3 | 23.9 | 10.3 | 23.9 |
| Utilities | 18.5 | 2.3 | 13.2 | 10.7 | 2.8 | 21.6 |
| Real Estate | 36.8 | 3.4 | 21.3 | 9.8 | 4.0 | 23.3 |
| Healthcare | 19.8 | 5.1 | 17.5 | 17.1 | 5.9 | 7.4 |

Source: Bloomberg
Data as at 8 Jun 2026

# Market in Transition

Source: Getty

## Europe Equities 3Q26

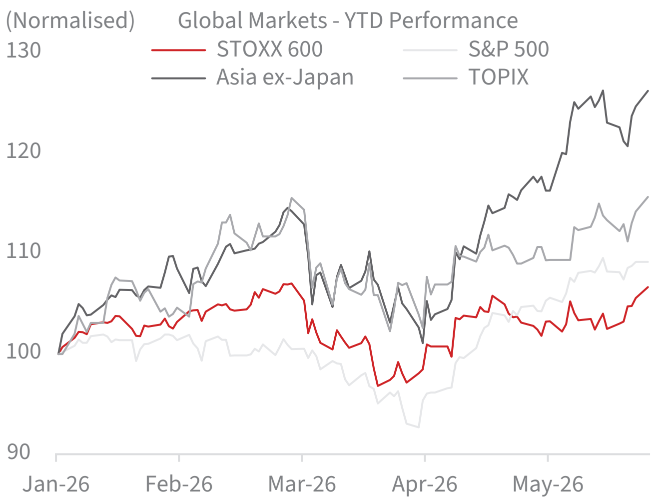
While near-term risks from inflation, bond yields, and geopolitical uncertainty remain elevated, Europe continues to offer selective alpha opportunities. Market leadership is increasingly driven by earnings certainty, structural capex exposure, and energy security themes.

# Europe Equities

Joanne Goh
Strategist

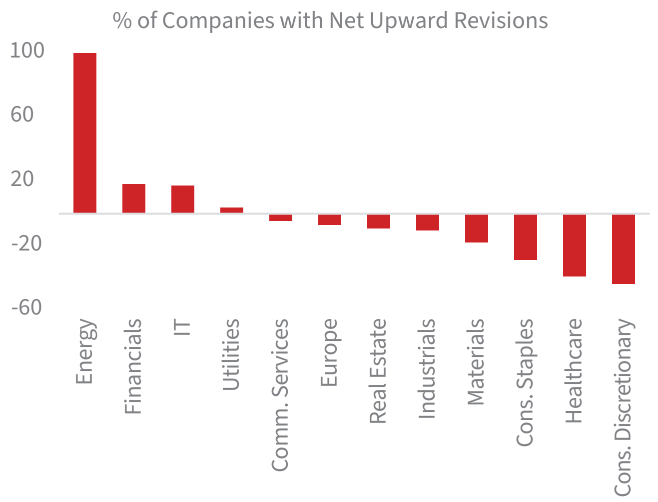
Chloe Park
Analyst

Europe has lagged other regions




Source: LSEG, DBS

Earnings upgrades led by Energy




Source: LSEG, DBS

Europe equities have rebounded meaningfully from recent lows, with the market now broadly flat YTD and only modestly below pre-conflict highs. Performance recovery, however, has been uneven and highly sensitive to movements in energy prices and bond yields. The sharp rise in both oil and government bond yields has heightened macro uncertainty and pushed up equity risk premiums across the region.

At the same time, the widening bifurcation between technology and non-technology sectors has weighed on Europe relative to the US and parts of Asia, given its comparatively lower exposure to high-growth AI beneficiaries. As a result, regional equity performance continues to lag global peers, despite improving earnings momentum.

**Bifurcated earnings landscape**

Europe earnings trends remain highly polarised. Aggregate earnings estimates continue to rise, led primarily by energy and select technology enablers benefitting from AI-related capital expenditure. Financials have also shown relative resilience, supported by steady rates and government fiscal stimulus plans, though this may shift depending on how the crisis evolves. In contrast, the consumer discretionary and consumer staples sectors continue to face downgrades amid weaker demand conditions, rising fuel costs, and soft consumer sentiment.

Ongoing disruptions to shipping and supply chains are expected to create further cost pressures across chemicals, plastics, textiles and industrial components, with downstream margin compression likely to intensify through 2H26. Consumer-facing sectors remain especially vulnerable as higher transport and energy costs filter through the economy.

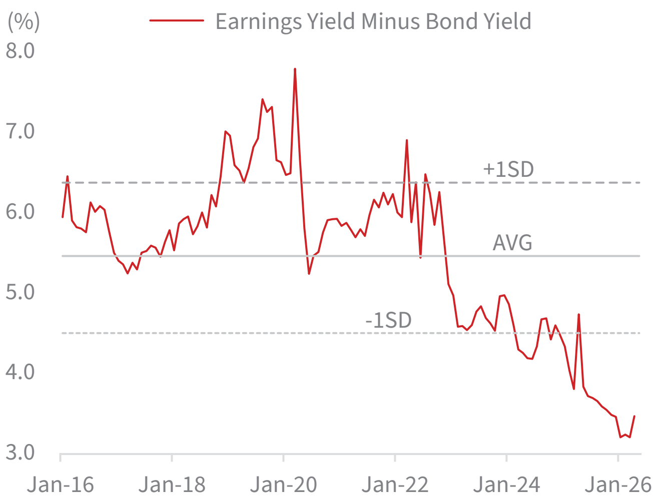
Against this backdrop, we raise our STOXX Europe 2026 EPS growth forecast to 10% from 5%, while trimming 2027 growth expectations to 5% from 7% as base effects moderate. We maintain our year-end STOXX Europe target of 644, implying approximately 5% total return potential, supported mainly by structurally improving earnings from energy and AI-related technology infrastructure beneficiaries. Markets continue to reward earnings visibility and cash-flow durability — a trend we expect to persist as war uncertainties linger.

### Valuations and rates

Europe equity valuations have remained relatively resilient despite elevated geopolitical risks. Historically, conflicts and supply-side shocks tend to trigger sharp multiple compression as risk premiums rise, evident during the 2022–2023 Russia–Ukraine conflict. This time, however, the prospects of re-industrialising Europe and structural policy shifts — including Germany's fiscal expansion, energy security initiatives, and increased infrastructure spending — have partially cushioned downside risks. While we believe these measures are still relevant amid the ongoing crisis, their implementation is likely to be delayed.

Moreover, the dramatic increase in fiscal spending has pushed up government bond yields across the eurozone as markets price in higher debt issuance and inflation risks, while simultaneously expanding the equity risk premium. The earnings yield spread vs bonds has narrowed materially as markets increasingly price in further tightening risks from persistent inflation pressures from the current crisis.

### Equities more expensive than bonds

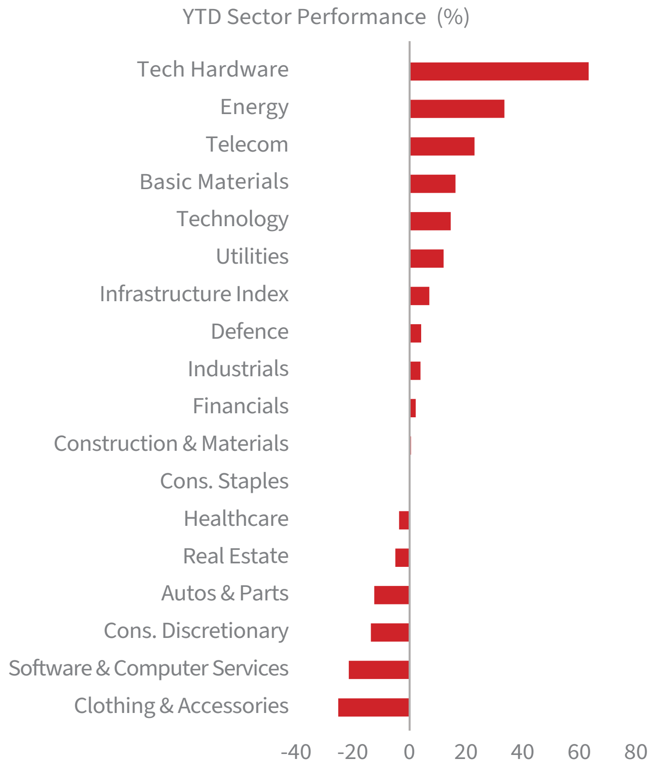



Source: LSEG, DBS

### 3Q26 Europe Sector Strategy

In line with global trends, sector dynamics in Europe are increasingly reflecting global capital expenditure cycles, especially those related to AI infrastructure, electrification, renewable energy, defence, and industrial reshoring. This has evolved into a broader and more eclectic mix of sectoral winners. Traditionally cyclical sectors such as energy, industrials, semiconductors, and infrastructure-linked companies are now exhibiting more structural growth characteristics, benefitting from long-term secular trends. In contrast, higher interest rates and inflation continue to weigh on defensive and consumer-oriented cyclical sectors.

### Sector performance



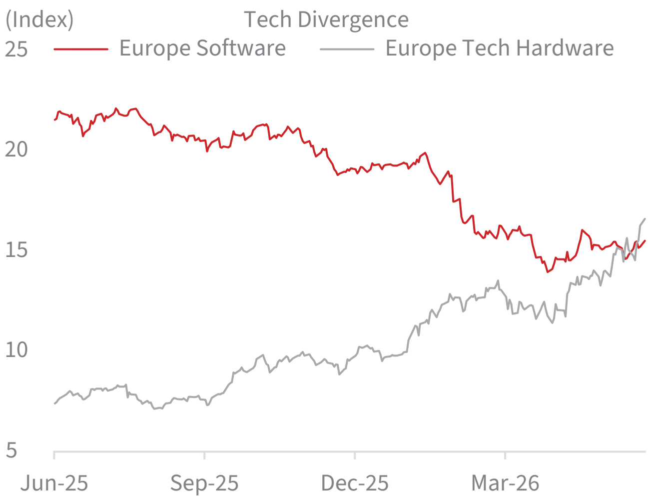

Source: LSEG, DBS

We discuss our key sector perspectives below.

**Growing divergence within the technology sector.** Technology is no longer trading as a homogeneous bloc. Hardware, semiconductors, and infrastructure beneficiaries tied to AI capex continue to outperform, while software and SaaS companies face sharp de-rating pressures amid concerns over disruption from agentic AI models.

Investors increasingly fear that AI-native platforms could undermine traditional seat-based subscription models, eroding pricing power and compressing long-term terminal values for incumbent software providers. As a result, valuation dispersion within the sector has widened significantly, favouring asset-heavy infrastructure and compute beneficiaries over asset-light SaaS models.

Europe's tech divergence




Source: LSEG, DBS

**Recovery remains selective in luxury.** The Europe luxury sector is showing early signs of stabilisation, supported by improved store traffic, new product cycles and stronger US demand. However, the broader outlook remains uneven due to geopolitical tensions, weaker domestic consumption, and inconsistent tourism flows.

Consumer behaviour has become increasingly polarised. Ultra-high-income consumers remain resilient, while middle-income demand continues to soften. Fatigue around "quiet luxury" trends, alongside rising allocations towards gold and hard assets, has also weighed on parts of the sector.

Brand leadership continues to favour companies known for scarcity, craftsmanship, and exclusivity. Meanwhile, accessible luxury and pre-owned segments are gaining momentum as consumers become more value conscious.

**Energy earnings strength remains durable.** Europe energy majors have delivered strong earnings and cash-flow growth, supported by elevated oil prices, refining margins, and increased trading activity amid volatile energy markets. While share prices have reacted conservatively thus far due to intermittent ceasefire optimism, underlying earnings momentum remains robust under both base-case and prolonged conflict scenarios.

We expect any normalisation in energy markets to be gradual, with shipping and production disruptions likely to persist well beyond any formal resolution. We now forecast Brent crude to average USD85–90/bbl in 2026 and USD72–77/bbl in 2027, significantly above earlier expectations. Under a prolonged geopolitical stalemate, upside risks to oil prices — and consequently energy earnings — remain substantial.

Our overall view on regional oil and gas equities remains broadly constructive for upstream and integrated names, while more caution is warranted on downstream-heavy and refining-exposed stocks. Upstream earnings and cash flows in 2026 are being significantly enhanced by the oil price uplift relative to levels embedded in consensus estimates at the start of the year, and this dynamic persists under both the base case and the prolonged stalemate scenario. Dividend visibility remains strong.

**Energy security accelerates adoption in renewables.** Europe continues to emerge as a global leader in renewable energy deployment, supported by strong policy coordination, regulatory clarity, and heightened energy security concerns. Recent disruptions linked to the Strait of Hormuz reinforce the strategic imperative to diversify away from fossil fuel dependency.

Historically, major energy shocks have accelerated renewable adoption, and we expect a similar dynamic to unfold once more. Utility-scale solar, wind, and battery storage developers are likely to be key beneficiaries as governments and corporates accelerate investment across the energy transition value chain.

Battery Energy Storage Systems (BESS) are becoming increasingly critical to renewable integration, improving grid flexibility, reliability, and efficiency while mitigating intermittency challenges associated with solar and wind generation. Falling battery costs and improving economics should further strengthen long-term renewable adoption across Europe.

**Defence sector execution risks.** Despite unprecedented defence commitments across Europe following the Russia-Ukraine conflict, Europe defence equities have significantly underperformed, reflecting severe execution risks and operational constraints. Decades of underinvestment have left European manufacturers with limited production capacity, constrained supply chains for critical components, and skilled labour shortages after years of industry downsizing. The sector faces long lead times, with artillery shell production taking two to three years to meaningfully scale. Meanwhile, complex multinational defence projects like Eurofighter and FCAS continue to suffer from delays, cost overruns, and bureaucratic procurement that slow contract execution.

The Iran-Israel conflict has also exposed critical technology gaps in Europe defence capabilities, highlighting how traditional defence giants remain focused on legacy platforms – the likes of tanks, jets, and ships – while falling behind in areas such as drone warfare, electronic warfare, cyber defence, and precision munitions. European companies are also struggling to adapt to software-defined warfare concepts and real-time battlefield connectivity, with R&D cycles proving too slow for the rapidly evolving threat landscape.

### Europe Sector Allocation – 3Q26

| | Overweight | Neutral | Underweight |
|---|---|---|---|
| Europe | Technology | Industrials | Cons. Discretionary |
| | Healthcare | Materials | Real Estate |
| | Energy | Comm. Services | Cons. Staples |
| | Utilities | Financials | |

Source: DBS

### Europe Valuation Table

| | Forward P/E (x) | P/Book (x) | EV/EBITDA (x) | ROE (%) | ROA (%) | OPM (%) |
|---|---|---|---|---|---|---|
| Europe | 15.6 | 2.4 | 12.4 | 12.9 | 1.5 | 13.9 |
| Financials | 11.2 | 1.5 | - | 13.4 | 0.8 | 21.8 |
| Energy | 8.5 | 1.6 | 5.3 | 9.9 | 3.5 | 10.4 |
| Technology | 36.3 | 7.9 | 29.1 | 16.5 | 8.5 | 18.7 |
| Materials | 17.1 | 2.2 | 10.3 | 10.9 | 4.9 | 8.8 |
| Industrial | 23.6 | 4.5 | 13.6 | 16.7 | 5.1 | 11.1 |
| Cons. Staples | 15.4 | 3.1 | 10.7 | 18.2 | 6.0 | 11.1 |
| Cons. Discretionary | 16.1 | 1.8 | 9.3 | 5.0 | 1.7 | 4.1 |
| Comm. Services | 17.0 | 2.2 | 6.4 | 7.8 | 2.1 | 14.8 |
| Utilities | 16.2 | 2.2 | 10.1 | 11.1 | 2.7 | 13.7 |
| Real Estate | 13.7 | 0.8 | 17.1 | 9.5 | 3.7 | 63.5 |
| Healthcare | 16.0 | 3.8 | 12.8 | 16.9 | 7.1 | 20.8 |

Source: Bloomberg
Data as at 8 Jun 2026

# Selectivity in the Rough

## Japan Equities 3Q26

Sector performance divergence is likely to intensify given elevated valuations and fiscal risks driving bond yields higher. Structural winners supported by strategic investments and corporate reforms should outperform.

# Japan Equities

Joanne Goh
Strategist

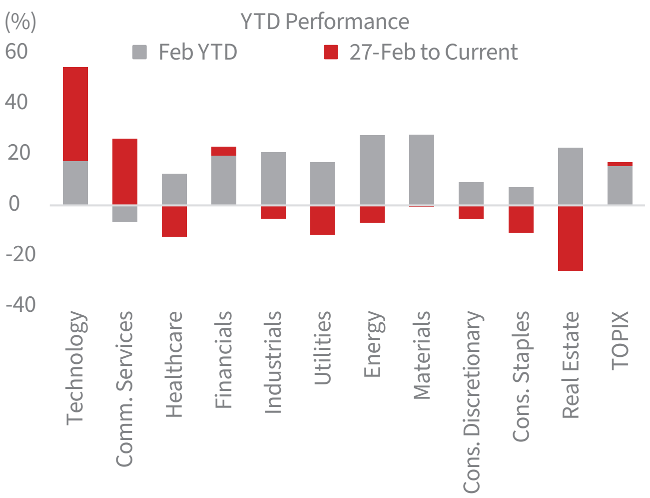
Chloe Park
Analyst

**Selectivity is key.** Japan's equity performance since March has been largely led by the technology complex – particularly AI and semiconductor – which has helped to offset weakness in sectors exposed to the Middle East conflict. Strong corporate earnings momentum and improving shareholder return policies have remained key tailwinds for Japan equities.

Looking ahead, with elevated valuations and fiscal worries pushing bond yields higher, performance divergence across sectors is likely to intensify. Structural winners supported by strategic investments and ongoing corporate reforms are expected to outperform, while sectors facing margin compression from higher input cost due to supply disruption and raw material shortages stemming from the conflict may lag. Against this backdrop, selectivity will be crucial in the coming quarter.

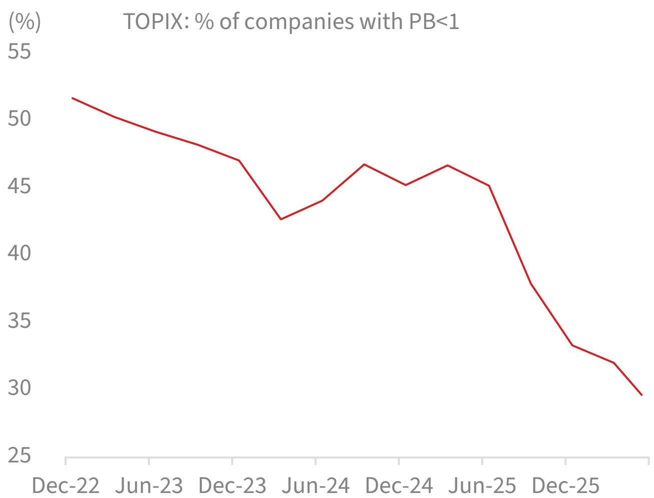
**From value to strategic.** Warren Buffett's investment in Tokio Marine Holdings reinforces a constructive stance on Japan equities by signalling a shift from broad valuation plays to high-conviction, sector-specific allocations with structural earnings power. The deal underscores confidence in Japan's improving corporate governance, balance sheet efficiency, and shareholder returns, while highlighting insurance as a compounding engine via underwriting profits and float generation. For investors, this validates a more selective positive stance to Japan, particularly in financials and globally competitive sectors, where earnings visibility is strengthening and valuations remain relatively undemanding versus developed markets. In essence, Buffett's move suggests Japan is no longer just a cyclical value trade, but an increasingly strategic, long-duration allocation within global portfolios.

Tech and financials helped to offset the losses from the crisis




Source: Bloomberg, DBS
Note: Data as at 3 Jun 2026

"Value-up" reform in Japan has been effective as number of companies trade up

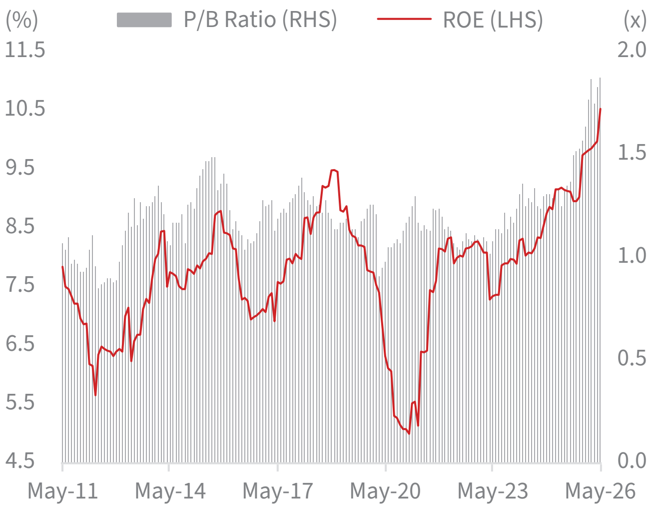



Source: LSEG, DBS

**Accelerating reform leading to earnings sustainability.** Japanese corporates under TOPIX saw 35% y/y earnings growth in 1Q26, confirming the trend we have been forecasting that earnings growth could surprise on the upside, driven by share buybacks, weak yen, divestments of non-core, and strength in the industrial sectors including semiconductor, defence, electronics, and electrical sectors.

Japan's corporate reform agenda has materially shifted the market from a stakeholder-heavy model towards a clearer shareholder value orientation, with a tangible impact on ROE and earnings durability. Crucially, these reforms have translated into more consistent earnings growth. Improved governance, tighter cost control, and the divestment of low-return or non-core assets have enhanced margin stability and reduced earnings volatility. Japanese corporates are now operating with clearer profitability benchmarks and stronger capital discipline, supporting a more predictable earnings trajectory. As a result, Japan's aggregate ROE has structurally improved over the past decade, narrowing the gap with global peers and reinforcing the case for a sustained re-rating in Japanese equities.

Improving ROE to justify higher P/B re-rating



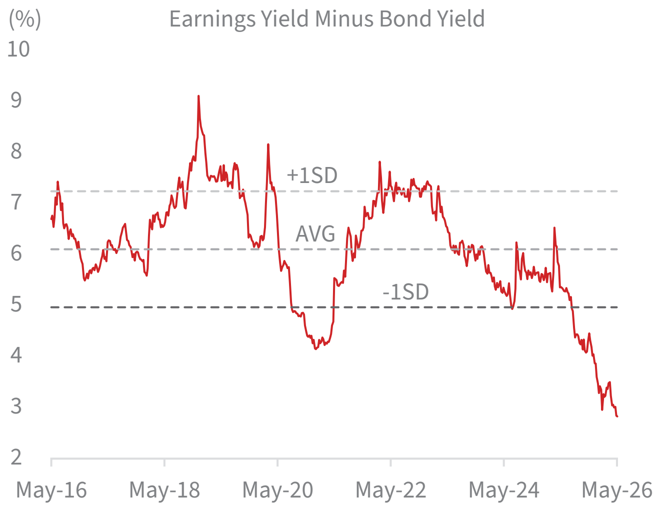

Source: LSEG, DBS

**Strategic investments powering ahead.** Japan has identified 61 priority products and technologies across Takaichi's 17 designated strategic sectors, including AI, semiconductors, quantum technology, and shipbuilding. Dedicated development roadmaps for each priority area, with spending plans and implementation timelines, are expected by this summer. We expect these nationally prioritised sectors to benefit from sustained policy support, stronger capital deployment, and improved earnings visibility. The government's recent plan to ease Japan's decades-long defence export restrictions also underscores its strong capability to execute sector-supportive policies.

Following the first USD36bn tranche announced in February under Japan's USD550bn investment commitment to the US—covering natural gas generation, crude oil export infrastructure, and industrial synthetic diamond manufacturing – a second tranche of up to USD73bn focused on SMR power plants and natural gas generation facilities was also announced in March. We remain constructive on key beneficiaries - i) semiconductors and advanced electronics, ii) automation and robotics, iii) defence and national security industries; and iv) energy security and strategic materials (metals, rare earths, LNG, and battery materials), given their long-term structural growth drivers.

**Steepening JGB yield curve.** Japan's heavy dependence on Middle Eastern energy has kept inflation elevated, even as the government deploys emergency subsidies and taps strategic reserves. With sticky inflation and fiscal stimulus through supplementary budgets, long end yields are set to rise, steepening the JGB yield curve. As such, implied risk premium for equities would rise further.

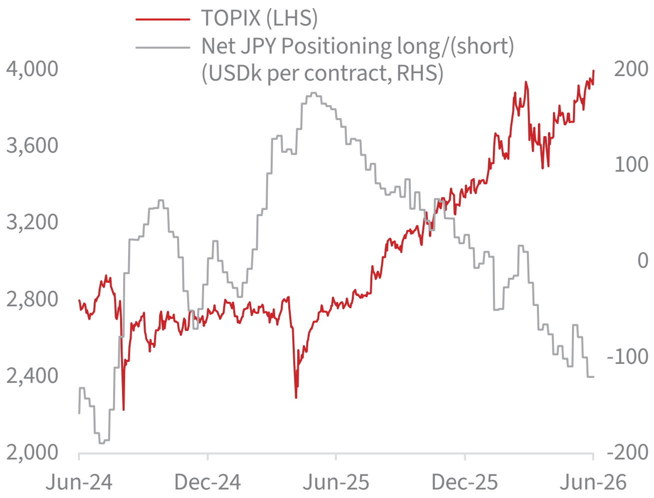
Rising bond yields render market expensive from yield perspectives




Source: LSEG, DBS

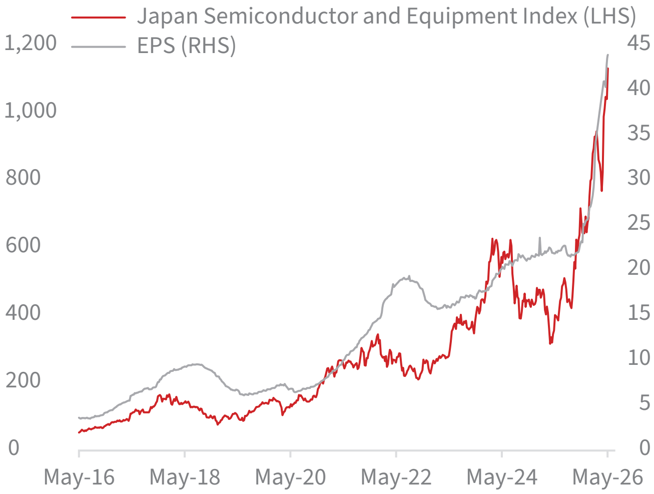
**Skepticism on yen strength.** The rise in long end yields, together with an elevated fiscal risk premium, has also weighed on the yen. USD/JPY has again risen toward the 160 level, highlighting only temporary effects from Finance Ministry intervention in late April and early May. Meanwhile, we expect BOJ to hike rates by 25 bps in June after maintaining its policy rate in April with notable dissent, suggesting growing internal pressure for tightening.

Weak yen to fuel yen carry trades




Source: LSEG, DBS

Further upside for Japan semiconductors on sustained EPS upgrade




Source: LSEG, DBS

3Q26 Japan Sector Strategy

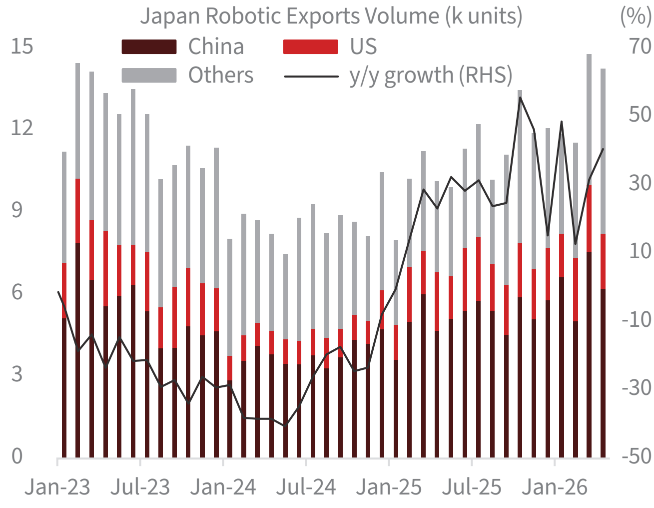
We recommend investors to seek selective exposure on Japan equities, focusing on large-cap companies with globally durable competitive advantages and strategic investments. Our preference relies on major stocks that can demonstrate effective cost management as persistent increases in input costs due to energy and materials supply chain disruptions are likely to hurt margins, particularly in sectors such as autos and airlines.

**We highlight our preferred sectors below:**

**Semiconductors:** Japanese firms within the semiconductor value chain outperformed in 1H26, driven by increased investor interest in Asia's semiconductor sector amid robust US hyperscalers capex. Despite elevated valuation, we see further potential for upside. Their crucial roles in supplying semiconductor materials and manufacturing equipment globally should continue to anchor robust earnings outlook in 2H26. For instance, Japanese semiconductor materials producers excel in front-end materials like silicon wafers and photoresists, as well as back-end materials such as packaging substrate. Meanwhile, semiconductor equipment makers hold a meaningful share in critical niche segments, including coating, developing, and testing solutions. As chipmakers focus on next-generation AI applications, Japanese semiconductor equipment manufacturers are well positioned to benefit from growing demand for advanced tools. Additionally, these players are set to benefit from sustained demand as the nation builds its own AI-driven semiconductor ecosystem such as the government's next-generation chip project Rapidus.

**Robotics:** Japan's robotics sector offers compelling investment prospects, riding on ongoing global automation revolution. Robust export orders from China and US – which accounts for two thirds of total Japan exports – underscores the country's global leadership in industrial automation. Strategic partnerships, such as Google's collaboration with Fanuc, are further strengthening Japan's position in the sector. The joint initiative aims to develop a new AI system for industrial robots, which will not only enhance the technological capabilities of Japanese robotics firms, but also broadens expectations for "physical AI"—the integration of advanced AI with robotics hardware. We prefer leading Japanese robotics companies that are driving innovation in automation technology, as they are well positioned to capitalise on the growing global demand for automation solutions.

Japan robotics capturing global automation demand

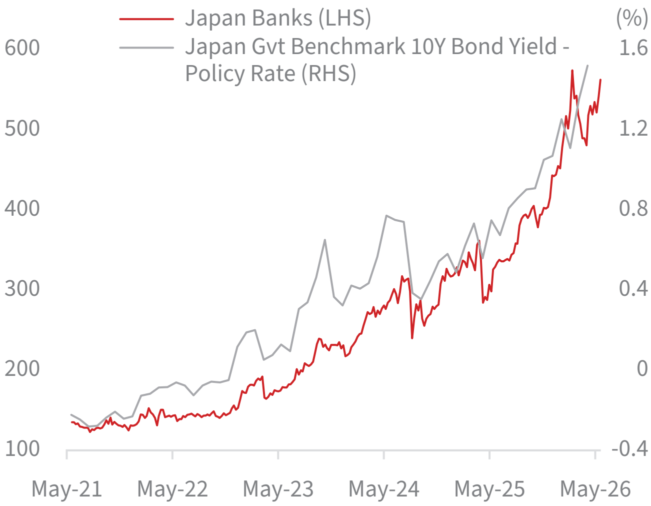



Source: Bloomberg, DBS

**Trading houses:** Japan's leading trading houses maintain globally diversified operations across energy, industrial metals, infrastructure, machinery, and consumer goods (food and healthcare). This broad scope delivers resilient earnings and enhances Japan's economic security, especially as recent Middle East conflicts highlight the strategic importance of their established positions in energy and critical commodities. With disciplined capital allocation, active portfolio optimisation towards high-growth sectors, and strong shareholder return, Japan's trading houses remain undervalued and represent compelling long-term investment opportunities.

**Financials:** Japan's banking sector remains attractive, with major banks achieving record profits due to higher BOJ policy rates, sustained loan demand, and resilient fee income. Looking ahead, earnings growth is expected in FY27 with further uptick in ROE. The June BOJ rate hike is set to bolster net interest income with robust lending growth, while fee income momentum and a steepening JGB yield curve should provide additional support to earnings. Despite these positive developments, Japanese banks still trade at a P/B discount compared to other Japan equities.

Japan banks vs Yield curve




Source: LSEG, DBS

Japan Sector Allocation – 3Q26

| | Overweight | Neutral | Underweight |
|---|---|---|---|
| Japan | Technology | Healthcare | Materials |
| | Industrials | Real Estate | Utilities |
| | Financials | Cons. Discretionary | Energy |
| | Comm. Services | Cons. Staples | |

Source: DBS

Japan Valuation Table

| | Forward P/E (x) | P/Book (x) | EV/EBITDA (x) | ROE (%) | ROA (%) | OPM (%) |
|---|---|---|---|---|---|---|
| Japan | 18.0 | 2.0 | 9.0 | 9.9 | 1.5 | 10.7 |
| Financials | 13.8 | 1.5 | - | 10.5 | 0.6 | 16.6 |
| Energy | 8.0 | 1.0 | 5.7 | 7.9 | 3.5 | 6.8 |
| Technology | 23.9 | 5.0 | 22.6 | 12.7 | 8.1 | 16.2 |
| Materials | 19.3 | 1.3 | 12.2 | 5.7 | 2.7 | 5.8 |
| Industrial | 19.3 | 2.2 | 14.2 | 10.6 | 4.6 | 7.5 |
| Cons. Staples | 20.3 | 2.2 | 9.8 | 8.3 | 3.2 | 6.6 |
| Cons. Discretionary | 19.5 | 1.6 | 8.2 | 5.6 | 2.1 | 6.2 |
| Comm. Services | 17.0 | 2.3 | 8.2 | 20.2 | 5.7 | 33.4 |
| Utilities | 12.5 | 0.9 | 8.6 | 9.7 | 4.0 | 8.3 |
| Real Estate | 13.7 | 1.3 | 13.5 | 9.7 | 3.2 | 14.0 |
| Healthcare | 18.1 | 2.1 | 11.4 | 9.3 | 5.3 | 15.4 |

Source: Bloomberg
Data as at 8 Jun 2026

# Resilience in the Crosswinds

## Asia ex-Japan Equities 3Q26

Asia ex-Japan equities hold firm amid geopolitical and energy shocks, supported by AI-led capex, benign inflation, and improving policy. Selective reacceleration is driven by North Asia technology, China's strategic industries, and income opportunities in Singapore and Hong Kong.

# Asia ex-Japan Equities

Yeang Cheng Ling
CIO, North Asia

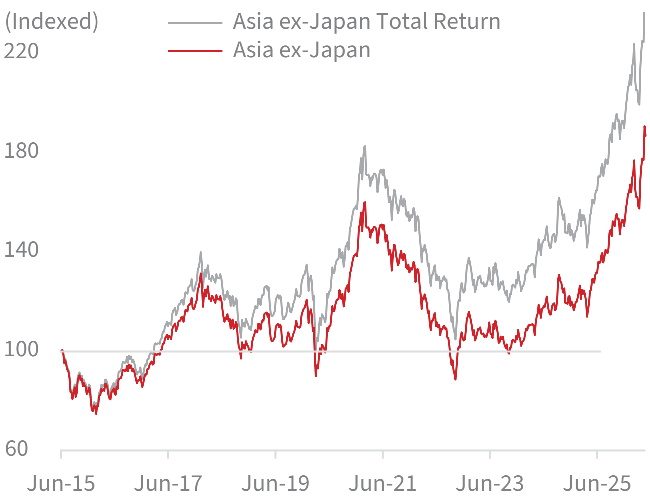
Joanne Goh
Strategist

The Asia ex-Japan (AxJ) region is navigating 2026 amid a complex global landscape characterised by geopolitical turbulence and energy supply shocks, yet it charts a course towards stabilisation and selective re-acceleration. This environment, while fraught with volatility, simultaneously presents opportunities, particularly as global capex pivots towards energy resilience, defence capabilities, and advanced technologies.

Geopolitical tension, notably that in the Middle East, heightened concerns on energy security, prompting regional policymakers to prioritise domestic energy infrastructure, grid modernisation, and diversification of energy sources. This strategic shift is expected to catalyse industrial recovery through increased capex, job creation, and consumption.

As the global economy contends with volatile energy prices, supply chain disruptions, and imbalances in trade policy frameworks, AxJ's role in diluting inflationary pressure becomes more significant, supported by its manufacturing prowess and deflationary output costs in North Asia. Its appeal is further bolstered by stable dividend distributions, offering a defensive characteristic in uncertain markets.

Asia ex-Japan as fertile ground for income




Source: Bloomberg, DBS
Note: Indices rebased to 100 (Jun 2015 – May 2026)

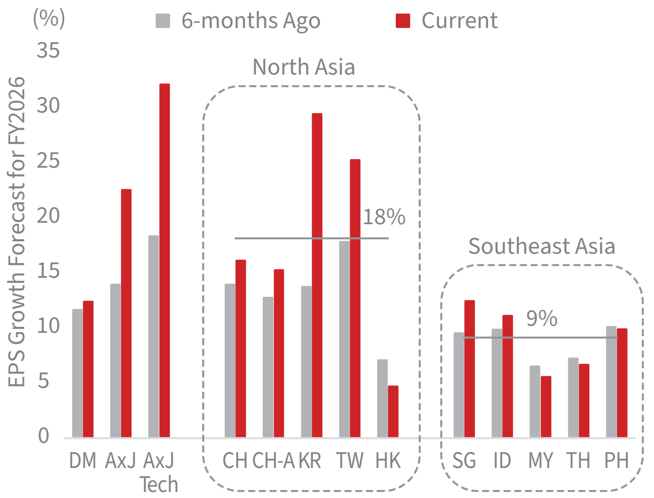
Crucially, the Middle East conflict is perceived more as a growth threat than an inflationary one for AxJ, given the region's soft prices and low inflation. This benign inflationary environment, projected to stay benign in the range of 2.0-2.6% over the next two to three years (based on recent IMF forecasts), affords policymakers considerable flexibility to introduce stimulus measures where appropriate and support growth.

A structural rise in capex across AI infrastructure, green tech, defence, and industrial upgrading provides a powerful tailwind, with North Asia and China emerging as key beneficiaries due to their manufacturing prowess and central roles in the global supply chain for capital goods and emerging technologies. Technology-focused markets, notably, will continue to ride the structural tide of AI expenditure and semiconductor migration across supply chain verticals.

Sustained corporate earnings growth and capital market reforms are expected to support valuation recovery and enhance ROE across leading markets. Investors should prioritise markets with strong fiscal support, resilient domestic demand, export leverage, and ongoing capital market reforms.

North Asia, with its tech-heavy composition, is a core beneficiary of global technology capex. The AI investment boom remains largely insulated from energy market disruptions, driving material upside in tech exports and GDP growth, underscoring the region's earnings resilience. Singapore, for instance, is anchored by its strong socio-economic foundation and policy flexibility, while Malaysia benefits from being a net oil exporter.

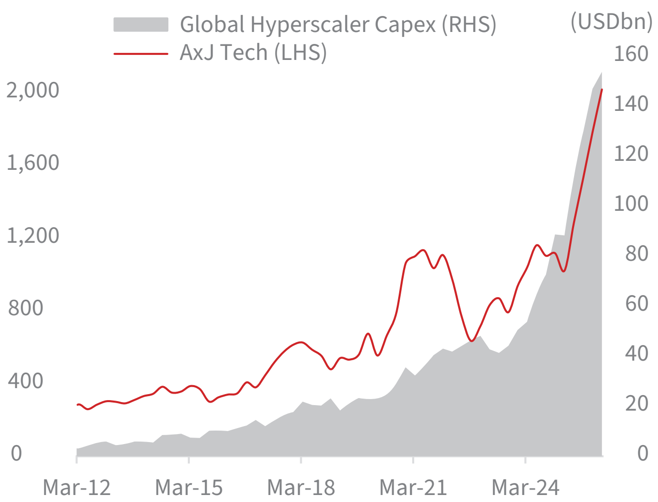
Outlook enriched and sustained




Source: Bloomberg, DBS

Global AI capex commitments remain sustainable, providing credible support to Asia's extensive technology supply chain, spanning upstream semiconductor contract manufacturing, logic ICs, servers, memory, components, and downstream device assembly. A memory super cycle underpinned by AI/server demand and supply constraints, is stabilising earnings and encouraging further investment. High margins across major Asia technology exporters provide a meaningful buffer against rising input costs, while Asia's dual role as both adopter and critical supplier of AI infrastructure, positions the region as a beneficiary of accelerating compute demand.

Global hyperscaler capex is supportive of AxJ tech performance (March 2012 – May 2026)




Source: Bloomberg, DBS

We expect corporate earnings across AxJ to demonstrate a K-shaped divergence, with innovative and strategic core industries outperforming conventional businesses facing cost escalation, excess capacity, and weak pricing power. We retain conviction in semiconductor ecosystems, AI-enabled tech platforms, automation, energy transition, consumption-related sectors like travel, and stable dividend-yielding names in large-cap financials and Singapore REITs.

Selective Southeast Asian markets face a mix of energy shocks, inflationary pressure, and limited monetary policy flexibility, which could weigh on near-term investment performance as thin fiscal buffers and weak growth drivers keep foreign capital on the sidelines.

In the face of energy disruption, India is particularly vulnerable due to its high energy intensity. Meanwhile, the Rupee tumbled to a historic low against the dollar, compounding its energy burden as crude imports account for nearly 90% of domestic demand, reinforcing our previous downgrade of India to neutral.

### China

China and North Asia are increasingly perceived as relative winners amid global disruptions, owing to two decades of policy efforts aimed at energy resilience, diversification, and strategic autonomy. Its energy strategy combining coal, renewables, and sizeable strategic reserves, has lowered dependence on Gulf imports and helped cushion near-term volatility.

As global oil shocks expose vulnerabilities elsewhere, China's leadership in clean technology and electrification capacity positions it as a long-term beneficiary, reinforced by robust goods exports and rising demand for renewable inputs.

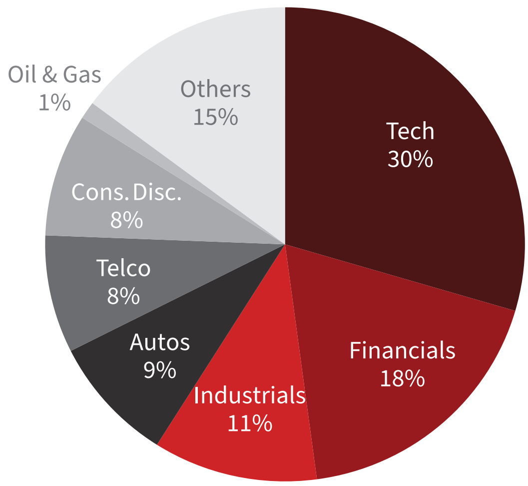
China's policy focus on technological leadership and self-reliance, coupled with established global leadership in Energy Storage System (ESS) battery production, reinforces its ascendant role in clean tech. The acceleration of electrification across transport and industry, alongside robust renewable capacity growth, highlights China's ability to align energy security with long-term growth.

China's pivotal role in the global energy transition is further cemented by its capacity to supply cost-efficient renewable energy infrastructure and clean tech manufacturing — from solar and wind to EV supply chains — strengthening trade linkages and geopolitical leverage as countries pursue energy security.

**Onshore equities stand out**

China onshore equities offer a defensive growth profile, characterised by low foreign ownership and weak correlation with global markets, providing diversification through a burgeoning domestic AI supply chain and a concerted tech self-sufficiency agenda. Sector composition remains favourable, with technology anchoring a one-third weight, followed by growth cyclicals at more than a one-quarter weight (industrials, autos, consumer discretionary) and dividend-yielding financials. This configuration is poised to benefit from ongoing investment fund repositioning. Strategic supply-side reforms in sectors like EVs, green tech, battery storage, and advancements in semiconductor production, along with AI-language models, industrial automation and humanoids, are key tailwinds supporting China's rerating momentum. Participation of domestic institutions, alongside policy initiatives, ensure a stable long-term demand base for onshore equities.

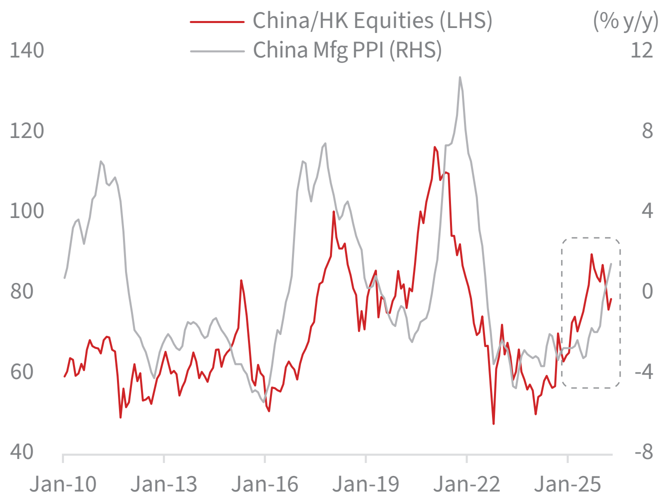
Favourable sector composition in onshore equities to drive investment fund repositioning




Source: Bloomberg, DBS

Policymakers are steering strategic industries away from price wars towards disciplined capacity management. The anti-involution measures, alongside reflationary policies, aim to restore pricing stability and support profitability. At the same time, capital market reforms and corporate governance initiatives are fostering healthier capital structures and improving shareholder returns, creating a constructive backdrop for earnings recovery and valuation rerating.

Revival in Producers Price Index to support HK/China Equity performance

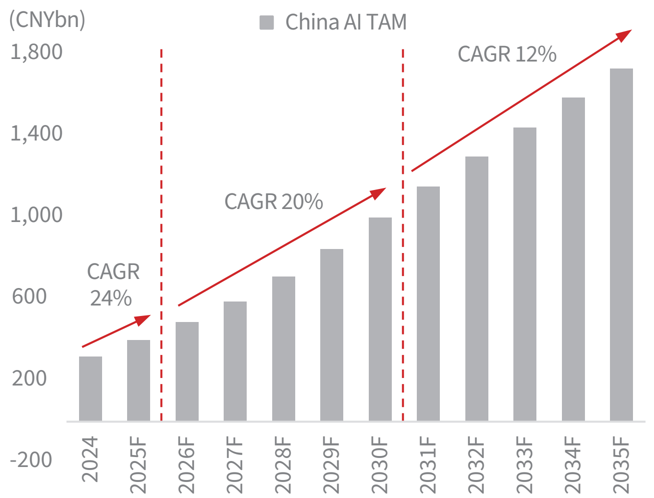



Source: Bloomberg, DBS

China has made significant advances in frontier technologies — including AI, semiconductors, humanoid robotics, and new energy — supported by coordinated policy backing, strong R&D investment, and a deep engineering talent pool. China's AI industry TAM is expected to reach CNY1tn in 2030 and surpass CNY1.7tn by 2035, firmly anchoring AI's pivotal role in shaping China's growth matrix and the path to technology ascendency.

The country's AI and robotics sector stands at an inflection point, with Chinese policymakers and firms demonstrating a strong ability to anticipate shifts in global demand — be it EVs, renewables, or now humanoids, and mobilise resources to capture first-mover advantage. This track record, combined with a deep STEM talent pipeline and rapid commercialisation from leaders like Unitree, and UBTech, positions China to accelerate innovation from concept to commercial product. The intersection of AI compute infrastructure, capital goods, and ecosystem winners creates a compelling multi-year investment narrative anchored by policy conviction and structural capability accumulation.

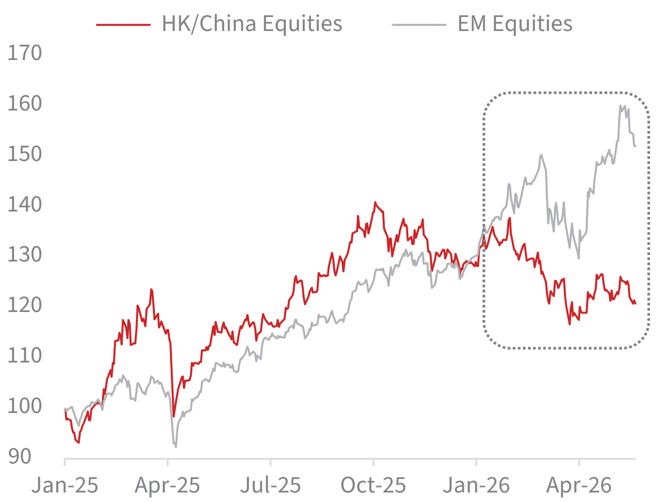
AI: Where capex, policy, and innovation align




Source: CCID Consulting, DBS

HK/China equities' underperformance versus their EM peers could start to reverse as China demonstrates more signs of fundamental turnaround, backed by its multi-year policy efforts in curbing excessive competition and pursuing high-tech self-sufficiency. Discounted valuations also offer a margin of safety and a more compelling risk-reward profile relative to both EM and global peers. For investors willing to look past the headlines, HK/China equities are quietly evolving from a tactical trade into a selective core holding.

Recent underperformance could begin to reverse upon China's fundamental turnaround




Source: Bloomberg, DBS

We maintain a thematic, long-horizon stance, emphasising fundamental quality over cyclical momentum. We favour businesses with durable earnings visibility, clear structural growth linkages, and demonstrable earnings quality. We see the most compelling risk-adjusted opportunities in advanced manufacturing and automation, bioscience, AI-enablers, energy transition, green energy, and technology industrials which are aligned with policy priorities. Within China, consumer spending remains an important element given its weightage and relevance to overall growth.

### ASEAN Alphas

As Asian equity markets increasingly bifurcate between improving corporate earnings momentum driven by technology and a weakening consumer outlook amid inflationary pressures from higher oil prices, ASEAN markets have lagged regional peers due to their relatively lower technology representation. Nevertheless, the region's macro backdrop remains more resilient than expected.

Electronics exports continue to benefit from sustained AI-related capital expenditure demand, particularly across semiconductor and hardware supply chains, while fiscal support measures across several ASEAN economies have helped cushion the impact of higher living costs on domestic consumption. In addition, ongoing market reform and "value-up" initiatives across countries such as Singapore, Thailand, and Malaysia are supportive of equity market rerating over time.

Earnings growth is likely to soften from last year's pace, but valuations remain undemanding, YTD returns have been relatively muted, and ASEAN assets historically benefit from periods of USD weakness and improving capital flows into emerging markets. Within ASEAN, we continue to favour alpha-oriented opportunities tied to global structural themes where the region acts as an upstream or midstream enabler rather than a direct end-demand beneficiary. These include:

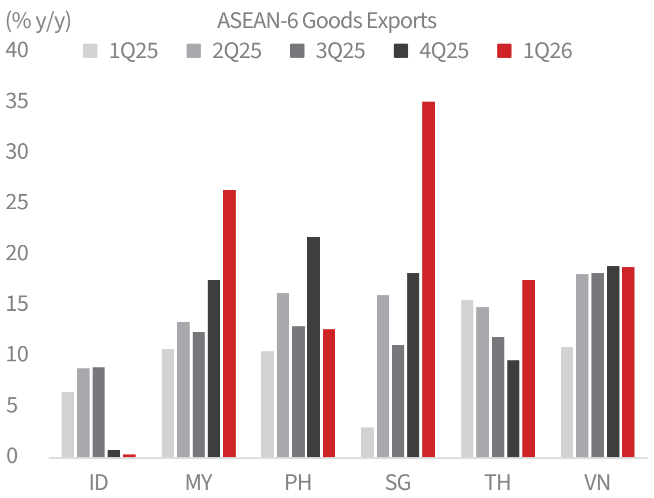
#### 1. AI-driven electronics export recovery

Singapore, Malaysia, Thailand, and Vietnam remain key beneficiaries of the recovery in electronics exports, supported by resilient AI infrastructure spending, semiconductor demand, and data centre expansion.

#### 2. Infrastructure and power build-out

ASEAN stands to benefit from rising investment into power infrastructure, grid upgrades, renewable energy, and resource

ASEAN stands firm on solid exports




Source: CEIC, DBS
Note: % y/y in USD terms

supply chains needed to support AI-related electricity demand. This includes opportunities in utilities, clean energy, industrials, and mining-related segments.

3. Value-up and market reform programmes

Corporate governance reforms, shareholder return initiatives and capital market development programmes across ASEAN are gradually improving return on equity profiles, supporting rerating potential.

4. Singapore small/mid-cap rerating and passive inflows

Singapore small- and mid-cap equities remain deeply under-owned. However, sentiment is beginning to stabilise as investors recognise attractive valuation discounts relative to large caps, catalysed by SGX reform agenda. We see increasing scope for passive inflows from EQDP liquidity support and thus rerating opportunities, particularly among companies with strong exposure to domestic or structural growth themes.

We move our stance on Indonesian equities to neutral. Recent foreign investor outflows point to a more cautious backdrop. Fiscal concerns, together with Bank Indonesia's efforts to support the weakening currency through rate hikes, have contributed to higher bond yields. Against this backdrop, we expect Indonesian equities to remain volatile in the near term. That said, we continue to see longer-term opportunities, supported by relatively attractive valuations, favourable demographic trends, and Indonesia's position as a beneficiary of the current strength in commodities. Forward P/E valuations have adjusted to the high single-digit range, while earnings growth momentum remains intact in the mid-teens.

Transition in India

Indian equities are navigating a major transition as the economy faces twin disruptions from AI and higher energy prices. While India remains one of the fastest-growing large economies globally, these forces are reshaping earnings expectations, sector leadership, and market valuations.

AI disruption is most visible in India's large IT services and outsourcing sector, historically a key driver of exports, employment, and equity market performance. Generative AI is increasingly automating coding, customer support, and back-office processes, raising concerns over the traditional labour-arbitrage business model used by major Indian IT firms. This has resulted in earnings downgrades and heightened volatility in technology stocks as investors reassess long-term growth assumptions. However, AI is also creating new opportunities in cloud infrastructure, data centres, semiconductors, cybersecurity, and digital platforms. Companies able to pivot towards AI-enabled services and productivity solutions are likely to emerge as long-term winners.

At the same time, higher energy prices pose macroeconomic challenges for India given its reliance on imported oil. Rising crude prices pressure inflation, widen the current account deficit and reduce household purchasing power, particularly affecting consumption-linked sectors. Higher fuel and logistics costs also compress margins across transport, manufacturing, aviation, and consumer industries. Persistent energy inflation could limit monetary easing flexibility and keep bond yields elevated.

Despite these headwinds, India retains several structural strengths. Government investment in infrastructure, manufacturing incentives and digitalisation continues to support domestic demand. Financials, industrials, defence, utilities and renewable energy sectors may benefit from ongoing capital expenditure and energy transition policies. Meanwhile, AI adoption is set to enhance productivity across banking, healthcare, and telecom over time.

For investors, Indian equities are likely to experience greater sector divergence. Traditional IT outsourcing models face disruption, while beneficiaries linked to AI infrastructure, domestic capex, energy transition, and productivity enhancement are set to attract capital.

**Geographical recommendations: Overweight China, Singapore, and Taiwan**

**China:** More resilient than most regional peers, supported by large domestic liquidity, low foreign fund participation, improving policy transparency, innovation drive, and a measured opening of the capital market for IPOs of innovative companies.

**Taiwan:** Backed by leading-edge semiconductor capacity, a diversified semiconductor ecosystem, and hardware offerings to capture the AI wave with earnings projected to grow in excess of 20% on mid-teens valuations and multi-year high ROE.

**Singapore:** Offering defensiveness amid external noise, supported by proactive government policy, market reforms, and sustained dividend yields.

AxJ Geographical Allocation - 3Q26

| Overweight | Neutral | Underweight |
|---|---|---|
| China# | Hong Kong | Thailand |
| Taiwan | India | Philippines |
| Singapore | South Korea | |
| | Malaysia | |
| | Indonesia | |

Source: DBS
# - Including China stocks listed in Hong Kong

AxJ Sector Allocation - 3Q26

| Overweight | Neutral | Underweight |
|---|---|---|
| Technology | Healthcare | Energy |
| Cons. Discretionary | Real Estate* | Materials |
| Financials | Utilities | Industrials |
| Comm. Services | Cons. Staples | |

Source: DBS
* Our neutral position reflects a balanced view, underpinned by a positive outlook on Singapore REITs as reliable income generators, while maintaining a cautious stance towards China real-estate developers due to prevailing market uncertainties

Asia ex-Japan Valuation Table

| | Forward P/E (x) | P/Book (x) | EV/EBITDA (x) | ROE (%) | ROA (%) | OPM (%) |
|---|---|---|---|---|---|---|
| Asia ex-Japan | 13.6 | 2.5 | 14.2 | 12.5 | 2.2 | 13.9 |
| Financials | 9.9 | 1.2 | - | 11.3 | 0.9 | 23.9 |
| Energy | 12.0 | 1.3 | 5.6 | 9.9 | 3.8 | 8.1 |
| Technology | 13.9 | 6.6 | 18.2 | 21.6 | 12.3 | 16.6 |
| Materials | 14.9 | 1.8 | 10.4 | 6.8 | 2.8 | 8.8 |
| Industrial | 15.0 | 2.2 | 11.7 | 10.4 | 3.1 | 10.9 |
| Cons. Staples | 18.2 | 3.1 | 11.1 | 13.6 | 5.7 | 9.4 |
| Cons. Discretionary | 17.0 | 2.1 | 11.3 | 10.8 | 4.9 | 4.9 |
| Comm. Services | 14.8 | 2.7 | 9.8 | 15.1 | 7.9 | 22.9 |
| Utilities | 13.4 | 1.4 | 9.2 | 11.2 | 3.6 | 14.7 |
| Real Estate | 15.3 | 0.7 | 18.8 | 1.9 | 0.9 | 12.7 |
| Healthcare | 27.4 | 3.7 | 17.9 | 10.6 | 6.1 | 12.3 |

Source: Bloomberg, DBS
Data as at 8 Jun 2026

**Asia ex-Japan investment view: Resilient momentum, selective re-acceleration**

The AxJ region enters 3Q with a firmer, more differentiated footing. Earnings momentum remains anchored in North Asia's technology complex, with the narrative evolving from pure AI exuberance to commercial adoption, and a broadening compute cycle spanning both GPU and CPU supply chain refresh. This rotation underpins a more durable earnings outlook, even as markets digest higher-for-longer global rates.

**Policy tailwinds remain supportive.** Inflation across much of AxJ remains benign, affording policymakers spanning China and parts of ASEAN the headroom to support growth through targeted easing, fiscal calibration, and subsidies. Early signs of earnings stabilisation in China, alongside incremental policy traction in addressing involution suggest downside risks are increasingly priced, with scope for measured tailwinds into 2H.

Fund flows are also becoming less adversarial with global allocators gradually re-engaging AxJ equities due to compelling valuation discounts and sustained earnings visibility. China and North Asia technology offer more asymmetry at current levels.

**Reaffirm the barbell approach.** Lean into outsized positions in quality growth pillars and defensive income as stabilisers. On the growth side, maintain conviction across innovation leaders like semiconductors, AI infrastructure, platform ecosystems, select industrial automation beneficiaries, and energy transition winners. At the going rate, the investment cycle is broadening beyond hyperscalers into enterprise and sovereign adoption, reinforcing a multi-year secular trend. On the income side, we stay with high-quality names which offers resilient yields, including large cap financials and exchanges, and Singapore REITs with strong balance sheets and visible distribution stability.

**Highly attractive risk-reward for diversified growth exposure**

AxJ equities continues to benefit from powerful structural tailwinds. Robust global technology capex will underpin the strong growth momentum across North Asia. Fund flows will also remain supported by a gradual resumption of debasement trades and the reallocation of long-term institutional capital away from the Middle East as complexities in the region endure. While short-term headwinds like geopolitical tensions and elevated energy prices will induce near-term volatility in the AxJ region, upside risks to index-level earnings remain firmly intact, backed by AI-driven earnings upgrade cycle, resilient corporate fundamentals, and supportive policy measures.

Current earnings growth forecasts of 43% and 22% for 2026 and 2027, respectively, remain significantly above DM peers. Nevertheless, the region continues to trade at a meaningful valuation discount. This combination places the region in a highly attractive risk-reward position, allowing investors to seek diversified growth exposure. We have adjusted our year-end index target to 1,321, based on adjusted EPS growth outlooks and a target P/E of 15.8x (an 18% discount to DM multiples, narrowing to 1SD below the 10-year average given above mentioned tailwinds), implying 22% upside.

# Overheating Risks


## Global Rates 3Q26

Persistent energy-driven inflation pressures are raising global yields and testing central banks' credibility. Rising breakevens and broadening price pressures heighten risks of further tightening across G3, though growth concerns may temper aggressiveness. In Asia, uneven macro conditions, FX weakness, and oil sensitivity drive divergent rate and curve dynamics across economies.

# Global Rates

Eugene Leow
Strategist

Samuel Tse
Strategist

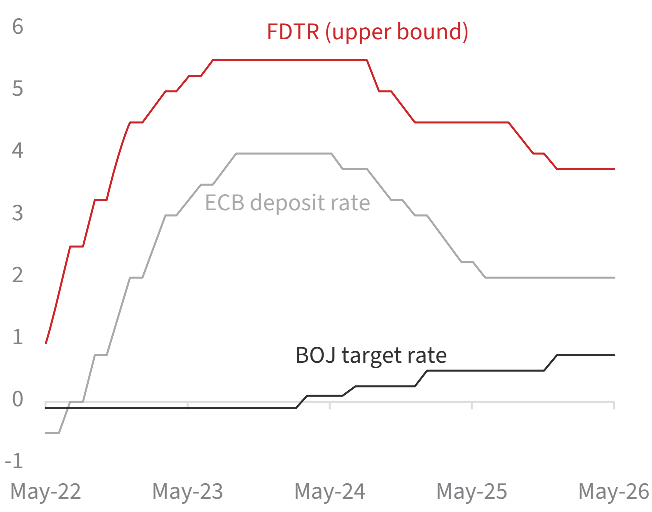
Overheating risks are top of mind across the G3 central banks as investors grapple with persistently high energy prices and still-resilient global economic activity. The ongoing rout across the DM and EM space is a warning signal that central banks may have to turn more serious in anchoring inflation expectations, and hence reassure investors in the process.

**There are a few warning signs that we are monitoring.** First, energy prices have been elevated for some time. Investors were initially expecting the US-Iran conflict to be a short-term affair and energy flows from the Gulf would have normalised by now. However, that has not been the case. Within the commodities complex, precious metals and industrials metals have already had a firm run off since 2025. With energy prices also rising (and food prices likely to follow in the coming months), the entire commodities complex may well be contributing to inflation worries, driving yields across the globe higher. Oil prices staying above USD120/bbl for an extended period would be a key warning signal.

Second, watch second round effects and inflation expectations. If price pressures broaden out (as represented by a catchup in core CPI) across the G3, central banks will likely be a lot more concerned. We also note that 10Y breakevens across the US, Germany, and Japan are rising, suggesting that investors are starting to factor in an extended period of sticky inflation.

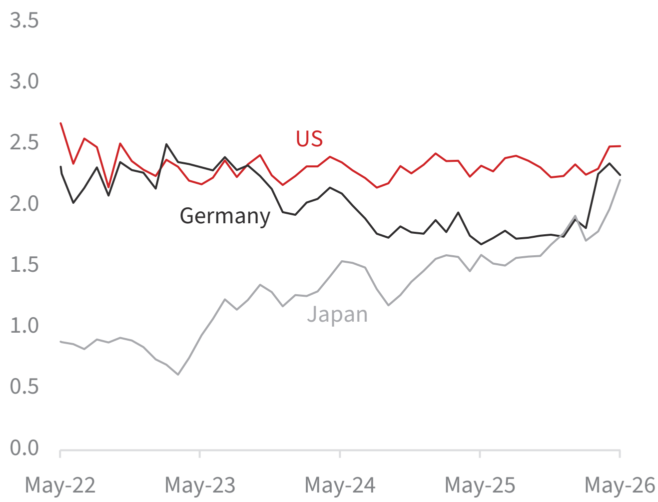
Third, investors will be pushing for rate hikes across the G3. The interplay between high inflation, growth, and reactions from policymakers will dictate curve movements. Within the G10, rate hikes are being priced across all economies for the coming year. Over the past few quarters, only the BOJ had bucked the trend. However, risks of ECB hikes are now material. Odds of Fed tightening is also non-negligible. That said, we do not think that central banks will be overly hawkish, especially given potential downside risks to growth from elevated energy prices. This could set the stage for a modest steepening bias across G3 curves over the coming few months.

Converging higher?



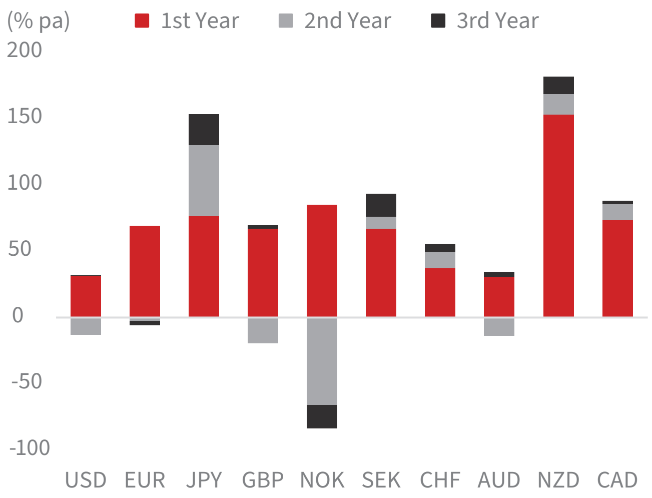

Source: Bloomberg, DBS

G3 Breakevens



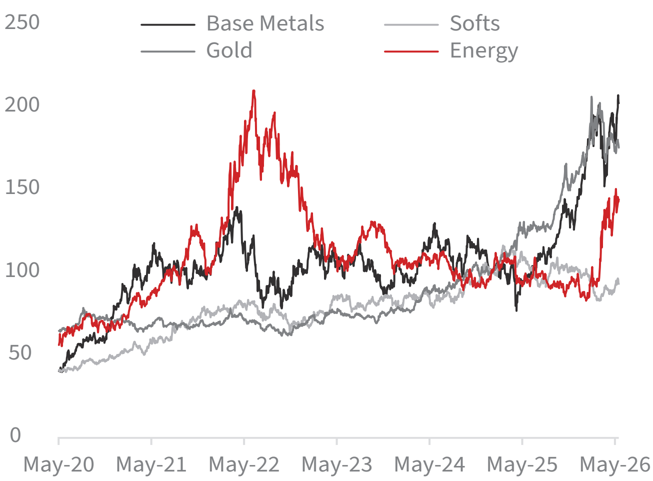

Source: Bloomberg, DBS

Tightening dominates the G10




Source: Bloomberg, DBS

Commodity prices rising




Source: Bloomberg, DBS

**Asia Rates**

**CNY rates: Easing trade tension, growth prospect, and RMB internationalisation**

**We expect CGB yields to remain anchored with a mild steepening bias.** First, the PBOC is likely to keep liquidity conditions ample. Front-end rates are being capped at bay, higher oil prices are weighing on domestic demand, and rising commodity prices are providing some support to upstream industrial profits. However, retailers are likely to face margin pressure from rising input costs. Both headline and core CPI continue to lag well behind PPI amid still-tepid domestic demand. Over time, this could spill over into slower income growth and softer labour market conditions.

Second, long end yields, in particular that of 30Y CGBs, could face upward pressure on the back of improving growth expectations. De-escalating trade tensions with the US could further support China's export momentum. Both countries are working toward a "Constructive Strategic Stability Relationship". Meanwhile, infrastructure investment is expected to accelerate, particularly in support of "AI+" initiatives, including power grid upgrades and data centre construction. This points to both higher government bond supply.

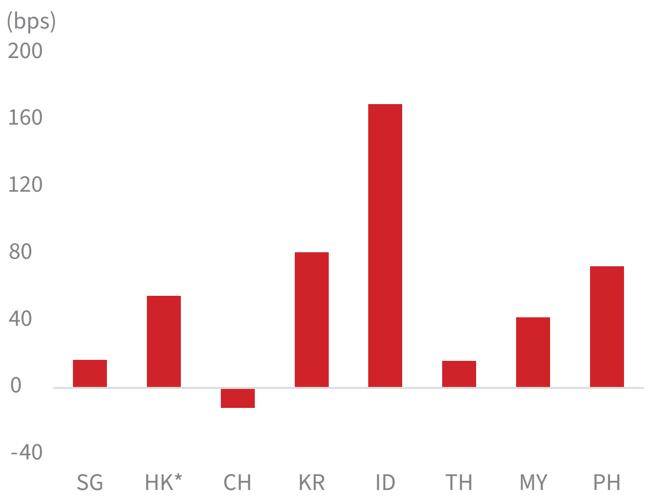
Third, RMB internationalisation could help re-channel foreign inflows into Chinese assets and lay the groundwork for further RMB appreciation. Since the onset of the US-Iran conflict, RMB settlement activity through China's Cross-Border Interbank Payment System (CIPS) has surged. The broader adoption of RMB could encourage greater foreign participation in Chinese fixed income markets.

**IDR rates: FX and equity market warrants concern**

**Indonesia's rates market is shifting into a more defensive regime as FX stability increasingly dominates the policy outlook.** BI surprised with bigger-than-anticipated rate hikes in 2Q, prompting us to build 50 bps more in 2H26 assuming prolonged geopolitical tensions and a volatile currency. Policymakers could continue guiding SRBI yields higher to defend the currency. Adding to this, liquidity is tightening amid FX intervention, moderating the reserves stock. This suggests Indonesian rates, especially the front end, could remain biased higher despite slowing domestic growth expectations.

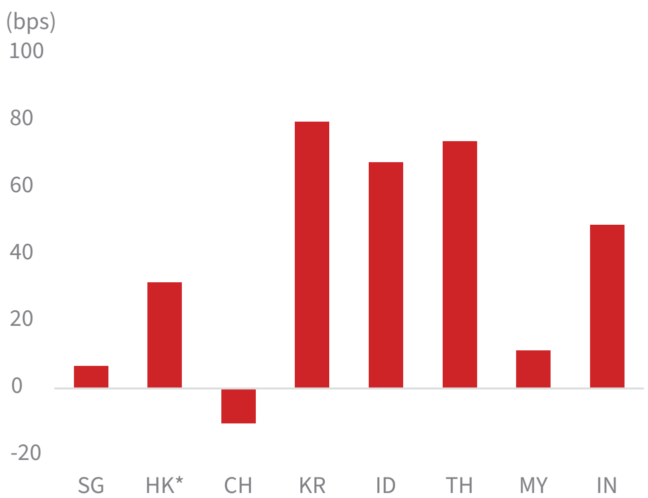
**Higher USD rates and strengthening USD are a prime concern.** Domestically, inflation could continue to pick up even if the low base effect fades. The weaker equity market sentiment adds another layer of pressure. Foreign capitals are sceptical against IDR assets following Fitch/Moody's downgrade of Indonesia's sovereign outlook, MSCI's concerns over market transparency and free float, and FTSE Russell's postponement of its equity index review. That said, investors appear to have overpriced the term premium. Fiscal deficit is unlikely to breach the statutory 3% of GDP cap, despite energy subsidies. The government is set to slow welfare spending in the coming quarters to smoothen fiscal pressure. The subsequent moderation in consumption and overall growth momentum will ease the upward pressure on long end yields. Also, the negative impact from higher oil prices is partly cushioned by Indonesia's commodity export exposure, particularly coal, LNG, and metals linked to global industrial and AI-related demand. As such, Indonesia's external balance may weaken less severely than other energy-importing economies in the region.

Change in 2Y Government Bond Yields YTD




Source: Bloomberg, DBS
*HKD swaps

Change in 10Y Government Bond Yields YTD




Source: Bloomberg, DBS
*HKD swaps

INR rates: Watchful over impact from higher oil prices

**India rates are likely to underperform other higher yielding regional peers.** The macro outlook remains subject to higher energy prices and FX weakness, which may prompt the RBI to consider tightening policy. We expect the front end to stay firm as markets factor in rate increases, while the long end stays biased higher amid elevated inflation and fiscal concerns.

**Higher oil prices remain a key macro headwind.** India remains the world's second-largest crude importer, leaving the economy highly exposed to sustained energy price shocks despite increased imports from Russia. The current account deficit could widen from 1.3% to 2.0% of GDP, and would likely intensify depreciation pressure on the INR and increase imported inflation risks. On the fiscal side, the government may choose to cushion fuel prices through cuts in central excise duties or support for oil marketing companies, implying an additional fiscal cost of around 0.4–0.5% of GDP. While such measures may temporarily soften inflation passthrough, they could also increase bond supply concerns and keep term premium elevated. For the time being, high long-end rates and FX dynamics remain central to the rates outlook. Continued INR weakness would reinforce imported inflation pressures and constrain RBI's policy flexibility. Recent RBI measures, including the mandatory daily USD100mn Net Open Position limit for authorised dealers, suggest policymakers are increasingly focused on curbing speculative FX positioning and stabilising the currency. Persistent FX intervention could slow foreign reserve accumulation and tighten domestic liquidity conditions. Liquidity has already turned tighter, driving front-end rates higher. MIBOR has consistently traded above the policy repo rate as the RBI withdraws banking system liquidity. On the external front, a higher-for-longer Fed Funds rate and rising global term premium should keep upward pressure on long end IGB yields. On a positive note, renewed foreign buying of India bonds after two consecutive months of outflows offers some near-term support. This could potentially curb the march of long end IGB yields.

KRW rates: KTB yields to be capped by potential inflow

**KRW bonds may soon offer better total returns.** From a total return perspective, KRW bonds could soon become more attractive, even as USD/KRW and KTB yields continue to grind modestly higher in the near term. Front end KTB yields remain on an upward trajectory. The BOK is likely to raise the policy rate towards 2.75% to mitigate pressures from higher energy prices, FX volatility, and still-elevated property market conditions. Likewise, long end KTB yields are biased to the upside. The growth outlook remains broadly supportive, underpinned by the AI-driven upcycle in exports and resilient KOSPI performance. Notably, Korea's exports have risen by around 40% y/y over the first five months of the year. In addition, potential supplementary fiscal spending could add to sovereign supply concerns. This aligns with a broader global backdrop of elevated term premia, while a higher-for-longer US rates environment continues to transmit into high-beta KTB yields.

**That said, several structural factors should help cap the upside in yields.** First, the market may be overpricing the four additional BOK hikes over the next 12 months if KRW stabilises. The strengthening CNY and range-bound JPY could act as regional anchors, reducing pressure for KRW depreciation to preserve export competitiveness. Second, capital inflows could provide meaningful support to both the currency and bond market. Foreign equity inflows may resume following recent profit-taking. At the same time, WGBI inclusion is expected to attract USD50–60bn of inflows into Korean fixed income, helping to absorb bond supply. Already, the Korean bond market has received USD29bn YTD. Foreign direct investment could also strengthen further, supported by rapid progress in AI-related development. Taken together, KTB–UST spreads could compress again, while a potential won stabilisation would be supportive for total returns in KRW bonds.

### MYR rates: Balanced MGS outlook, outperforming UST

**MYR resilience.** MGS continues to stand out as one of the more resilient govvies in Asia from a total return perspective, with MYR remaining firm despite higher UST yields. We expect BNM to stay on pause amid favourable growth-inflation-currency dynamics while a couple of Asian central banks begin hiking rates to defend their currencies. A key differentiator for Malaysia is its external sector resilience. Export performance has remained constructive, supported by continued demand for electronics amid global AI-related tailwinds. At the same time, Malaysia's status as a net exporter of oil and gas enables it to benefit from a term of trade shock driven by higher energy prices stemming from the Middle East conflict.

**Domestic macro conditions also remain broadly supportive.** Household consumption, tourism activity, and private investment trends continue to hold up well, while moderate inflation and a resilient MYR preserve BNM's policy flexibility. Against this backdrop, foreign flows into MYR debt securities registered two consecutive months of inflows as of Apr 2026, despite some adjustment in May. MGS are likely to be relatively insulated from higher global term-premium and outperform UST counterparts.

### PHP rates: Pre-emptive hikes

**PHP rates market has underperformed from a total return perspective.** The Philippines remains among the most exposed economies in the region to higher energy prices, and it was the first country to declare a national energy emergency in March. The PHP has continued to weaken toward its new historical lows, while government bond yields have risen sharply. Against this backdrop, the BSP already tightened policy in April to contain inflationary pressures. Similar to the previous energy shock episode in 2022, we expect the central bank to adopt a pre-emptive approach and deliver another 50 bps rate hike.

**That said, long end yields may have overshot following the recent selloff.** First, weakening growth momentum could cap further upside in 10Y government bond yields. Higher inflation is likely to weigh on consumption and delay the recovery in private capex, which is already translating into softer credit demand. Second, fiscal concerns may be overstated in our view. The authorities have continued to restrain public spending despite softer growth conditions. In fact, rating agencies such as Fitch Ratings have expressed confidence in the economy's ability to keep the national government deficit broadly stable at 5.6% of GDP, while projecting general government debt to ease to 54.3% of GDP from 55.3% last year. Moreover, steady nominal GDP growth driven by higher inflation should provide a partial offset to deteriorating fiscal dynamics by supporting fiscal ratios.

### SGD Rates: Prepping for a higher-for-longer global regime

**SGD rates in an era of higher-for-longer requires a nuanced take.** Amid persistent inflation pressure from energy prices, elevated capex expectations, and likely increased government spending across the DM, rates across the globe have traded higher over the past two months. However, the passthrough onto SGD rates have been generally muted (SGD rates outperformed from a receive perspective). This is to be expected as investors do not have concerns over Singapore's budget position, and MAS tightening via the SGDNEER in April puts relative downward pressure on SGD rates. Going forward, there are a few points to note. First, short-term SGD rates have been in a bottoming out process for the past nine months. Risks are now tilting to the upside as investors are likely to speculate on Fed tightening. Second, SGD rates are likely to continue outperforming USD rates (rising by less) even as the spread looks stretched. It would likely take a strong recessionary signal and risk off to drive USD rates outperformance, an event that does not look likely at this point.

### THB rates: Vulnerabilities from Middle East shock

**ThaiGBs are likely to stay on course with steepening.** We expect the BOT to remain on hold amid a dilemma due to stagflationary forces, anchoring the front end while longer-dated yields remain vulnerable to supply and inflation risk premium repricing. Thailand is among the most exposed economies in ASEAN to the Middle East conflict, given its high oil and gas import dependence and sizeable fertiliser imports from the region. Higher fuel prices are set to weaken household consumption. The growth outlook is also challenged by softer tourism arrivals from Europe, the Middle East, and Africa (EMEA). Against this backdrop, policymakers have authorised an emergency THB400bn borrowing to provide targeted fiscal support as cushion to the shock. Public debt is consequently projected to rise toward 68% of GDP in FY2026, close to the 70% ceiling. This adds higher term premium to the long end of the curve. However, exports and FDI momentum should partially offset headwinds from the Middle East disruption.

From a monetary perspective, a weaker THB is unlikely to trigger aggressive policy intervention and rate hike in the near term. The currency is weakening from previously strong levels near 31 against the USD. Foreign reserves have rebounded since late March, suggesting that the BOT has not actively defended the currency. The policy preference resembles the 2022–2023 period following Russia's invasion of Ukraine, when the central bank balanced growth and inflation challenges.

## Rates forecast

| | | 2026 | | | | 2027 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| US | 3M SOFR OIS | 3.68 | 3.65 | 3.65 | 3.65 | 3.65 | 3.65 | 3.65 | 3.65 |
| | 2Y | 3.79 | 3.80 | 3.85 | 3.85 | 3.90 | 3.95 | 3.95 | 3.95 |
| | 10Y | 4.32 | 4.30 | 4.40 | 4.50 | 4.55 | 4.60 | 4.65 | 4.65 |
| | 10Y-2Y | 52 | 50 | 55 | 65 | 65 | 65 | 70 | 70 |
| Japan | 3M TIBOR | 1.27 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 | 1.30 |
| | 2Y | 1.35 | 1.20 | 1.25 | 1.30 | 1.35 | 1.40 | 1.45 | 1.50 |
| | 10Y | 2.35 | 2.30 | 2.40 | 2.50 | 2.60 | 2.70 | 2.75 | 2.75 |
| | 10Y-2Y | 100 | 110 | 115 | 120 | 125 | 130 | 130 | 125 |
| Eurozone | 3M EURIBOR | 2.08 | 2.45 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 | 2.70 |
| | 2Y | 2.62 | 2.55 | 2.55 | 2.60 | 2.65 | 2.70 | 2.70 | 2.70 |
| | 10Y | 3.00 | 3.00 | 3.10 | 3.20 | 3.25 | 3.30 | 3.30 | 3.30 |
| | 10Y-2Y | 39 | 45 | 55 | 60 | 60 | 60 | 60 | 60 |
| Indonesia | IDR 3M OIS | 4.12 | 5.40 | 5.90 | 5.90 | 5.90 | 5.90 | 5.90 | 5.90 |
| | 2Y | 6.31 | 7.10 | 6.90 | 6.85 | 6.80 | 6.75 | 6.75 | 6.70 |
| | 10Y | 6.86 | 7.20 | 7.00 | 6.95 | 6.90 | 6.90 | 6.90 | 6.90 |
| | 10Y-2Y | 55 | 10 | 10 | 10 | 10 | 15 | 15 | 20 |
| Malaysia | 3M KLIBOR | 3.37 | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 |
| | 3Y | 3.26 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 |
| | 10Y | 3.63 | 3.60 | 3.65 | 3.65 | 3.65 | 3.65 | 3.70 | 3.70 |
| | 10Y-3Y | 37 | 35 | 40 | 40 | 40 | 40 | 45 | 45 |
| Philippines | 3M NDF implied yield | 6.09 | 5.05 | 5.55 | 6.05 | 6.05 | 6.05 | 6.05 | 6.05 |
| | 2Y | 5.42 | 6.00 | 6.10 | 6.20 | 6.25 | 6.30 | 6.35 | 6.35 |
| | 10Y | 6.98 | 7.50 | 7.65 | 7.75 | 7.80 | 7.85 | 7.90 | 7.95 |
| | 10Y-2Y | 156 | 150 | 155 | 155 | 155 | 155 | 155 | 160 |
| Singapore | 3M SORA OIS | 1.16 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 |
| | 2Y | 1.61 | 1.50 | 1.55 | 1.60 | 1.62 | 1.65 | 1.67 | 1.70 |
| | 10Y | 2.29 | 2.10 | 2.20 | 2.20 | 2.25 | 2.25 | 2.30 | 2.30 |
| | 10Y-2Y | 68 | 60 | 65 | 60 | 63 | 60 | 63 | 60 |

Interest rates: %, eop
Interest rates spreads (10Y-2Y / 10Y-3Y): bps, eop
*swap rates

Source: CEIC, Bloomberg, DBS
Data as at 7 Jun 2026

| | | 2026 | | | | 2027 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Thailand | 3M BIBOR | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 |
| | 2Y | 1.41 | 1.30 | 1.35 | 1.35 | 1.45 | 1.50 | 1.50 | 1.50 |
| | 10Y | 2.23 | 2.45 | 2.55 | 2.60 | 2.70 | 2.75 | 2.80 | 2.90 |
| | 10Y-2Y | 82 | 115 | 120 | 125 | 125 | 125 | 130 | 140 |
| Mainland China | 1Y LPR | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| | 2Y | 1.37 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| | 10Y | 1.86 | 1.75 | 1.75 | 1.80 | 1.80 | 1.85 | 1.85 | 1.85 |
| | 10Y-2Y | 48 | 50 | 50 | 55 | 55 | 60 | 60 | 60 |
| Hong Kong, SAR | 3M HIBOR | 2.36 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 | 2.75 |
| | 2Y* | 2.82 | 2.80 | 2.85 | 2.85 | 2.90 | 2.95 | 2.95 | 2.95 |
| | 10Y* | 3.08 | 3.30 | 3.40 | 3.50 | 3.55 | 3.60 | 3.65 | 3.65 |
| | 10Y-2Y | 26 | 50 | 55 | 65 | 65 | 65 | 70 | 70 |
| Korea | 3M CD | 2.82 | 2.82 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| | 3Y | 3.56 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 | 3.75 |
| | 10Y | 3.88 | 4.00 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 | 4.15 |
| | 10Y-3Y | 32 | 25 | 40 | 40 | 40 | 40 | 40 | 40 |
| India | 3M MIBOR | 7.25 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 | 6.75 |
| | 2Y | 6.37 | 6.25 | 6.30 | 6.30 | 6.35 | 6.35 | 6.35 | 6.35 |
| | 10Y | 7.04 | 6.95 | 6.95 | 6.90 | 6.90 | 6.90 | 6.85 | 6.85 |
| | 10Y-2Y | 67 | 70 | 65 | 60 | 55 | 55 | 50 | 50 |

Interest rates: %, eop
Interest rates spreads (10Y-2Y / 10Y-3Y): bps, eop
*swap rates

Source: CEIC, Bloomberg, DBS
Data as at 7 Jun 2026

# The Cost of Conflict

Source: Unsplash

## Global Credit 3Q26

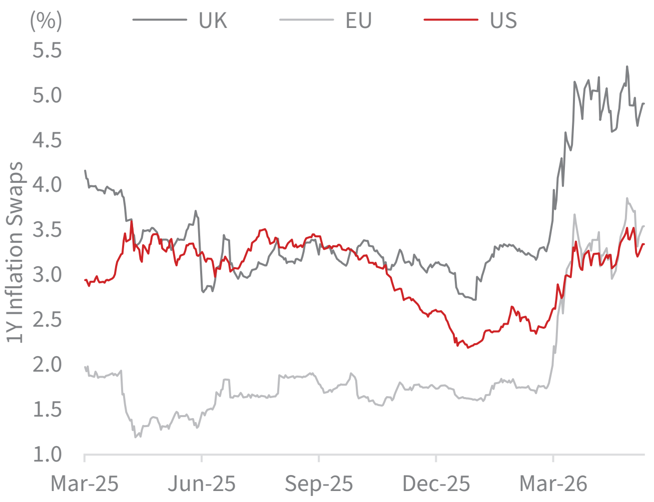
Recent US-Iran tensions could keep inflation higher, making large Fed rate cuts less likely. While AI may help lower inflation over time, its impact is unlikely to arrive soon enough. For investors, we prefer high-quality (A/BBB) credit, moderate 5-7Y duration, and selective exposure to bank AT1s and TIPS as hedges against inflation and slower growth.

# Global Credit

Daryl Ho, CFA
Strategist

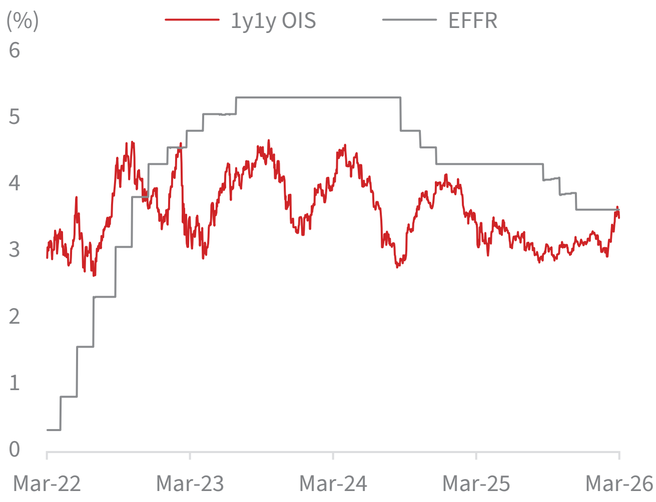
Elijah Tan, PhD
Analyst

Energy shock sent inflation expectations higher




Source: Bloomberg, DBS

Markets are pricing a bumpier path to Fed easing

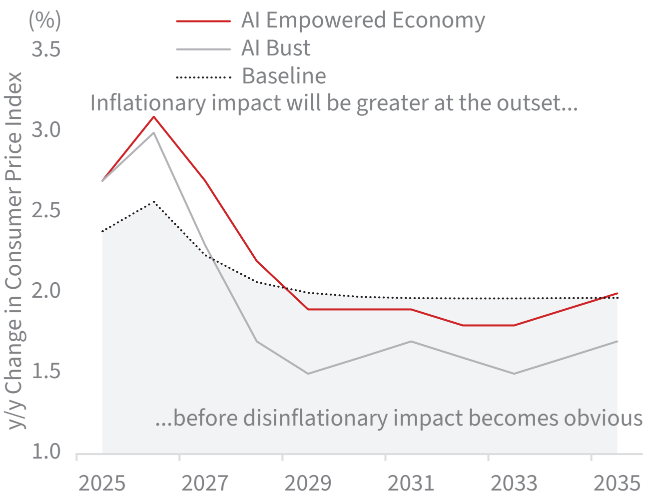



Source: Bloomberg, DBS

**The cost of conflict.** During the Vietnam War, “guns and butter” policy respected a simple trade off – more defence spending meant less handouts for the domestic economy. Today, however, trade-offs appear like a passé stance of excessive conservatism; if one possessed the world’s reserve currency, why not fund both guns and butter needs with debt? One needs to look no further than the US to see that this shift is already underway; President Trump’s passage of his landmark “One Big, Beautiful Bill Act” (butter) acted as no restraint on him starting a conflict in Iran (guns). There is however, one little snag – central bank independence. The inflationary consequence of war means that interest rates stay elevated, resulting in debt interest payments in the US now exceeding USD1tn a year and rising. This greatly reduces investors’ willingness to absorb sovereign debt since government bonds cannot be risk-free if the same government keeps adding to that risk with big, beautiful deficits.

**A crude awakening.** This makes the outcome of the US-Iran war especially consequential to the outlook on fixed income. The ongoing conflict has not only (a) pushed oil prices (and hence, inflation) higher through supply disruptions and sanctions, but also (b) increases the need for defence spending – President Trump has already unveiled an unprecedented request for a USD1.5tn defence budget for 2027 – invariably adding to federal budget vulnerabilities. Even if a resolution emerges in the near term, supply may take some time to normalise, leaving sticky inflationary pressure as higher input costs squeeze margins and increase cost pass-through to consumers. Expectations are already rising, with inflation swaps showing a sharp increase in demand for inflation protection since March. This leaves the Federal Reserve with less room to cut rates as aggressively as markets had expected earlier this year. Noteworthily, the 1y1y OIS rate, which reflects market expectations for interest rates in the future, has moved above the effective federal funds rate for the first time in four years. This suggests investors are placing less confidence in a one-directional easing cycle, and are pricing either fewer cuts, or a higher-for-longer policy path.

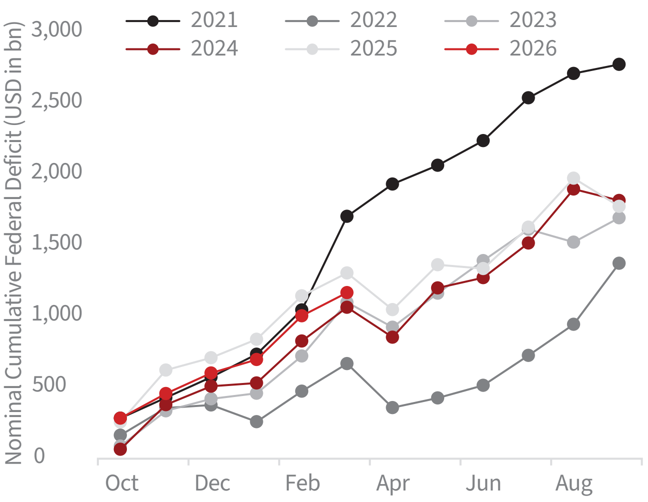
AI may help later, but not soon enough




Source: CBO, Moody's, DBS
Note: Baseline CPI was based on CBO's 10-year forecast as at Apr 2026, whereas the two AI scenarios were based on Moody's 10-year forecast as at Feb 2026

**No silver bullet.** But wait, where has the disinflationary impact of AI-driven productivity gone? Apart from the ongoing war, another pivotal force on the trajectory of inflation is the AI revolution. The view of new Fed Chair appointee, Kevin Warsh, is essentially that the productivity boom on the back of AI-enhancements would eventually provide the scope for the Fed to cut rates in the years to come. Recent estimates from the Congressional Budget Office and Moody's, however, suggest that the macroeconomic impact of AI may materialise gradually, and only become more meaningful beyond 2028. As such, AI is unlikely to counter near-term inflation pressure, leaving a hawkish monetary policy tilt a likely outcome. Moreover, Warsh's preference for a leaner Fed balance sheet and opposition to forward guidance and the "dot plot" could add to further policy uncertainty that raises yield curve term premiums.

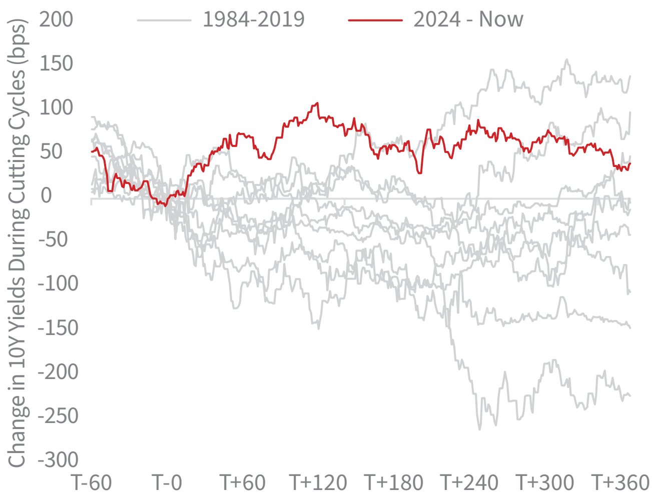
Cumulative 2026 US deficits are one of the highest in recent history




Source: Fiscaldata, DBS
Note: Analysis conducted from October to September each year to reflect US fiscal year cycles

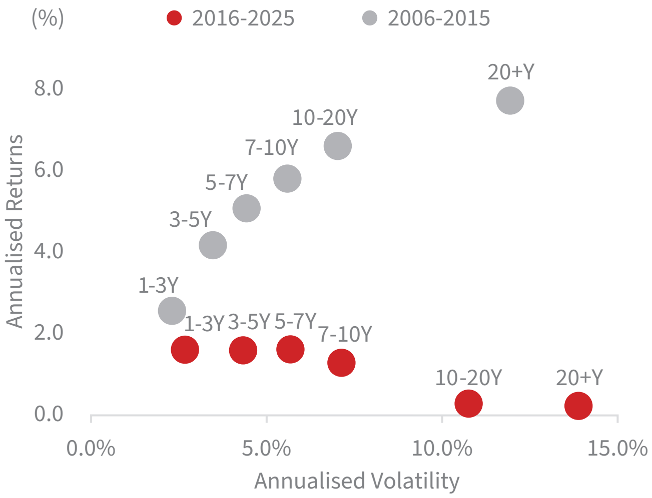
**Mind the curve.** Between (a) sticky inflation, (b) higher propensity of guns and butter spending and (c) elevated policy rates resulting in escalating interest payments, the yield curve is where all these foul risks come home to roost. We believe that this is the key reason why despite a pivot to a cutting cycle and forward guidance of lower rates from the Fed in 2025, long term yields have failed to decline meaningfully even as markets priced in rate cuts. Indeed, unlike prior easing cycles where long bonds rallied as cuts began, 10Y yields have failed to drop meaningfully in the current cycle, upending the traditional "buy long bonds and benefit from rate cuts" strategy. While the post-Global Financial Crisis period rewarded duration extension with strong risk-adjusted returns, that relationship has now become less reliable. Looking across decades, the risk-return profile has shifted, with the more recent period favouring shorter tenors, where a duration sweet spot below 5Y has offered a more optimal risk-reward outcome. Tempting as it is taking duration risks on steeper curves, we encourage investors to remain with a shorter duration bias of 5-7 years for a bond portfolio while headwinds persist.

The long end is resisting the rate-cut script




Source: Bloomberg, DBS

Duration extension offers less compensation for volatility today

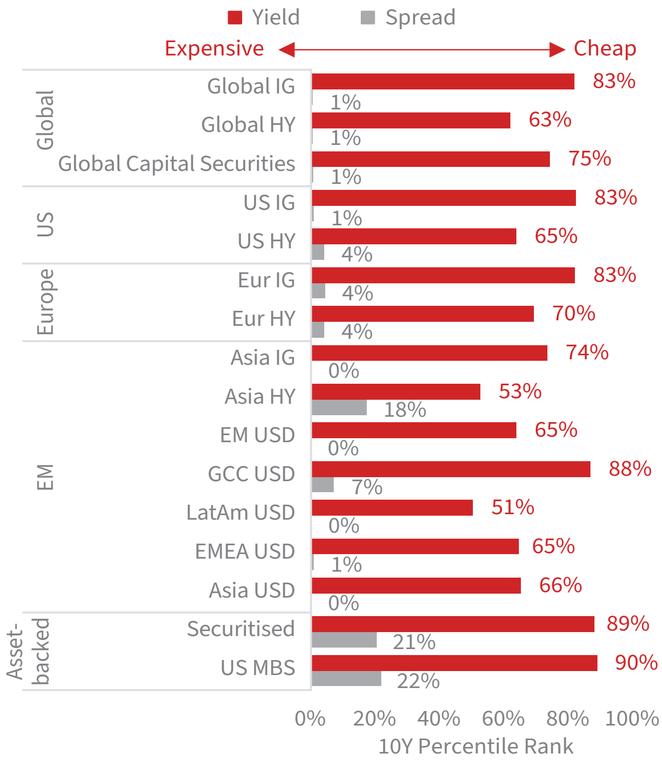



Source: Bloomberg, DBS

**Carry takes the wheel.** As such, we also concurrently recommend (as we have had for many quarters) that investors reach for additional yield not via duration extension but via corporate credit spread premium. A common pushback is that spreads are tight; higher valuations often limit the prospect of future returns. In this respect, we believe that investors are missing the forest for the trees. Say for example, IG credit spreads are currently 100 bps, and subsequently widen by 20 bps on a 5Y duration credit portfolio. This implies that there could be a near term capital loss of 1% on the portfolio (5 x 20 bps). However, holding IG credit in the portfolio over the next five years at a 100 bps spread means an additional 5% returns over government bonds, which more than makes up for that (hypothetical) capital loss. Moreover, all else equal, that minor spread widening risk represents a small drawdown relative to the overall yield of close to 5% today on the IG markets. Investors are literally paid to wait with the receipt of high coupons in todays elevated yield environment.

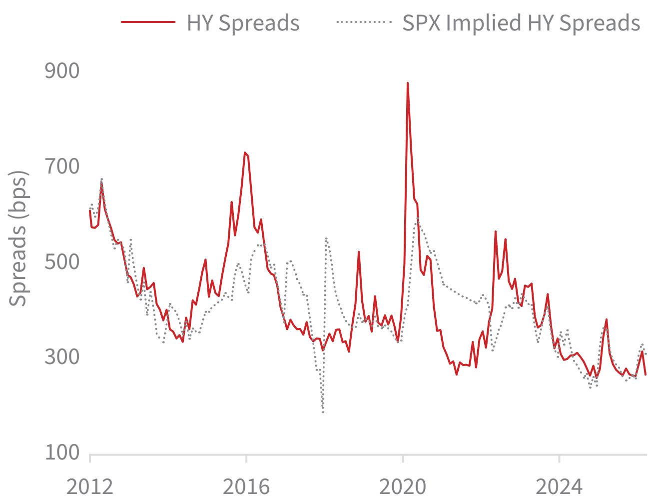
**Credit fundamentals remain sound.** If investors are paid to wait, then time in the market truly beats timing the market in this asset class. The key question is whether credit fundamentals will stand the test of time, ensuring the durability of carry. As we have observed, corporate earnings continue to show resilience, implying healthy interest coverage for debt servicing. Moreover, balance sheets have been robust, with corporates in the high-quality segment not excessively leveraged, indicating that the private sector remains on solid footing and may even be beneficiaries of the rising fiscal "butter" spending. That said, we do not expect further spread tightening to produce extraordinary gains in credit. By our analysis, current spreads are fair relative to equity valuations rather than cheap, implying that there is little room to "catch up" to the sentiment around risk assets.

Spreads are tight, but yields are high




Source: Bloomberg, DBS

Fair spreads leave coupon to do the heavy lifting



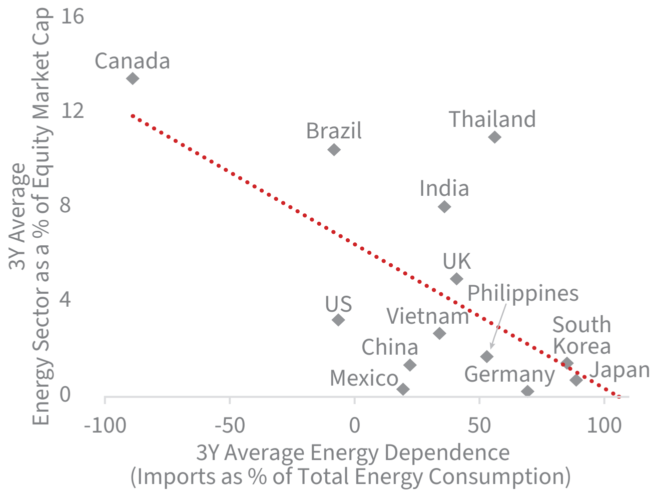

Source: Bloomberg, DBS

**How far should one extend credit risk taking?** With all the positive talk on credit risk, how far should one take exposure in riskier segments like HY and EM? Here, selectivity is key. If there was one lesson from the emerging stresses in private credit this year, it would be that investors are becoming increasingly discerning around the ability of riskier borrowers to repay their debt – in cash, not in kind. In this regard, strong bottom-up analysis would distinguish the quality issuers from the rest in the HY market segment. We also think that exposure to subordinated debt is an interesting play on riskier credit. We single out bank AT1s as a strong play on a steeper yield curve, seeing as interest margins may expand under such an environment.

The same selectivity is warranted in EM, given that the same macro forces of higher oil prices, sticky inflation, higher-for-longer policy rates and wider fiscal pressures can produce sharply different outcomes across countries. The current environment calls for a more granular distinction between countries that display energy independence, policy credibility, and adequate risk compensation, from those that do not. Generally, countries with heavy energy import dependence, especially in parts of Asia, could face greater macro fragility if geopolitical conflicts protract and oil prices stay elevated. Higher import bills can pressure trade balances, weaken currencies, and tighten domestic financial conditions. By contrast, several Latin American economies may benefit from stronger commodity revenues and relatively limited competing supply from major Gulf producers facing supply chain chokepoints with the persistence of war.

**Getting paid to wait.** In conclusion, with spreads fair and long-end yields still vulnerable to fiscal and inflation pressures, investors are not paid to overreach on duration risk. The better balance lies in high-quality credit, particularly A/BBB issuers, with duration around 5-7Y. Returns in 2026 are likely to come more from coupon than spread compression, but that income should still eclipse the return on cash in the long run. Participation in riskier HY or EM markets requires selectivity and strong bottom-up analysis to separate the sheep from the goats. Specific to this yield environment, we think that subordinated debt such as bank AT1s are beneficiaries of a steep curve, while TIPS (treasury inflation protected securities) remain a favourite pick to hedge against the stagflationary impulses of a prolonged US-Iran conflict. If the new "guns and butter" era is defined by governments financing competing priorities through larger deficits, investors should respond by staying up in quality and ensuring that carry adequately compensates them for the risks assumed.

Selectivity matters as oil shocks expose uneven risks across EM




Source: Bloomberg, DBS
Note: Data from 2021 to 2023 were sampled

# Tactical USD Resilience

## Global Currencies 3Q26

3Q26 may see moderate USD strength as the US navigates the new macroeconomic landscape better than other economic blocs. The EUR and GBP to underperform, while the NZD is our new favoured currency.

# Global Currencies

Terence Wu
Strategist

Carie Li
Strategist

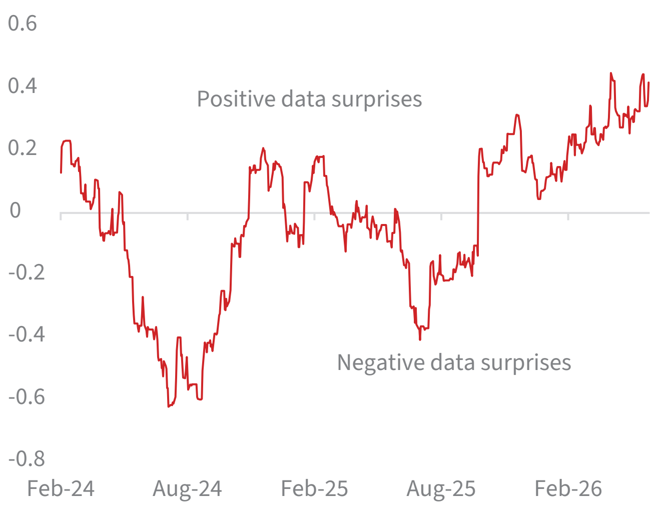
**Review of USD call in 2Q26.** Entering 2Q26, we identified that the narrative supporting USD strength in 1Q started to fray. In particular, the growth outlook in Eurozone remained sanguine in 2Q and the US equities complex was rather anaemic. The Fed's leadership transition from Jerome Powell to Kevin Warsh was also supposed to herald a new dovish paradigm. This led us to call for a moderately weaker USD in 2Q. This call delivered, especially for the first half of 2Q as the DXY Index fell to the 98.00 locus from 100.00 at the start of the quarter.

**Macroeconomic landscape turns; look for tactical USD upside into 3Q26.** However, by the end of May, we began to detect another shift in the macroeconomic landscape – one that may prove to be much more USD-supportive than before. The previous narrative, predicated on Fed easing and a relative slowdown in the US economy has now been invalidated. We now look for the USD to be more positive in 3Q26.

**The return of US macro exceptionalism.** The genesis of this shift in macroeconomic landscape is the US-Iran conflict, and the subsequent supply-side shock triggered by higher energy prices. What is often overlooked is that the US economy continues to demonstrate resilience in the face of this supply shock. Buffered by domestic shale oil production and a robust internal energy infrastructure, higher energy prices have had a comparatively light-touch impact on US industries. Fears of a "jobless recovery" – which has plagued the US economy since 2025 – are also being allayed by the strong nonfarm payroll prints YTD, pointing to the strongest hiring spree since late 2024.

**Broader macro indicators remain supportive.** Beyond the labour market, broader US macroeconomic indicators reflect an expanding economy. The US consumer, the primary engine

US data has been consistently surprising on the upside



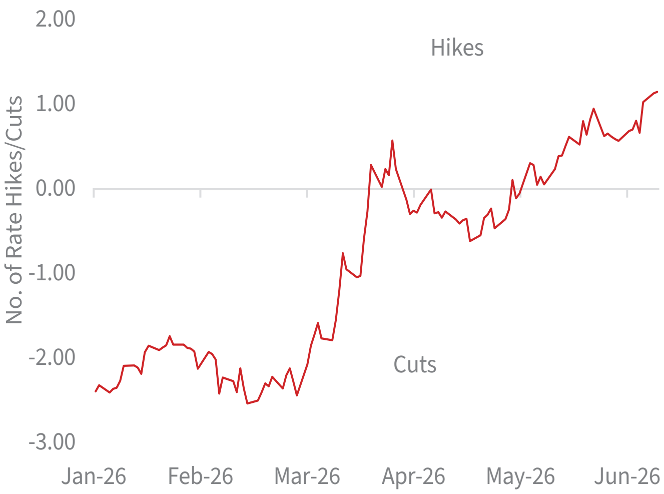

Source: Bloomberg, DBS

of the US economy, continues to exhibit resilience. Personal consumption expenditure, which accounts for over two-thirds of US economic activity, increased by 0.5% m/m in April, following surges of 0.7% and 1.0% in February and March respectively. These gains are significantly higher than the corresponding figures in 2025. The synthesis of these data prints strongly supports the thesis that the US economy is operating at a high level of capacity. It should not come as a surprise, then, that the FOMC's median forecast for 2026 growth has been upgraded to 2.4% y/y.

**Other major economic blocs are struggling.** The macro resilience in the US contrasts with the cyclical vulnerabilities in other major economic blocs, particularly in the Eurozone. These other economic blocs are much more susceptible to the ongoing stagflationary shock than the largely energy-independent US. For example, the Eurozone's longstanding reliance on imported energy, coupled with its historically low natural gas storage levels, imply that its economy remains under significant risks. Japan has similar exposure to imported energy. Although it is relatively more shielded due to larger crude oil reserves, the BOJ policymakers still trimmed the FY26 GDP growth forecast to 0.5% from 1.0%, reflecting softer domestic momentum. Overall, the economic fragility of the other major economic blocs relative to the US provides strong support for the USD.

**The Fed's pivot away from dovishness.** With labour market concerns fading and other macro indicators robust, the Fed can now focus on its price stability objective. The energy-driven supply shock catalysed by the US-Iran conflict has reversed the disinflationary trend seen in late-2025, forcing a hawkish pivot within the Fed. It was telling that there were three dissenting votes in the April FOMC decision that called for a more hawkish revision to the policy statement. As the new Fed Chair, Kevin Warsh will likely have limited room to pursue a dovish policy agenda. Indeed, Fed expectations have completely flipped. While we previously looked for 2 – 3 rate cuts in 2026, the market is now fully pricing in a rate hike by year-end.

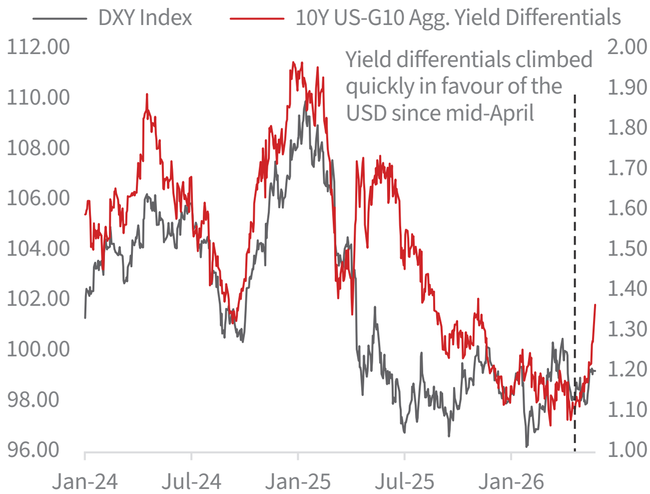
Fed rate hike expectations




Source: Bloomberg, DBS

**Yield differentials favour a stronger USD.** Taken together, this shift in the macroeconomic landscape will trigger higher UST yields across the curve. The weaker growth impetus in the other major economic blocs limits other government bond yields. Thus, the widening of both nominal and real yield differentials is in favour of the USD. Indeed, nominal yield differentials on the front and back end have widened by c.15-25 bps in favour of the USD since the trough in late April.

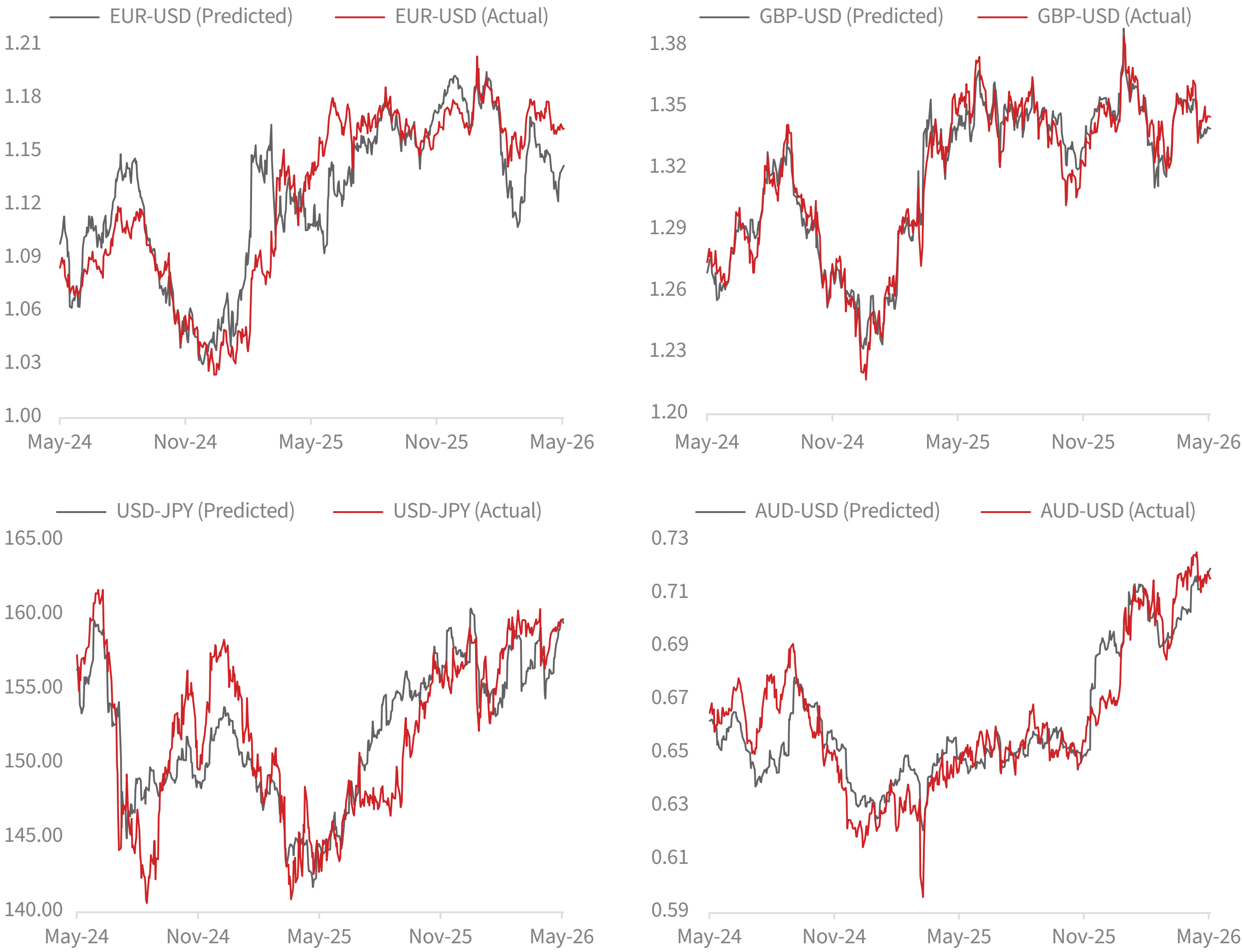
10Y yield differentials moving in favour of the USD




Source: Bloomberg, DBS

**USD screens cheap against the EUR and GBP.** From a short-term valuation perspective, the USD now screens fairly valued against the AUD and JPY, and cheap against the EUR and GBP. For now, there are limited arguments for the USD to extend its undervaluation. In fact, the ongoing shift towards a more hawkish Fed, and the climbing UST yields could act as a catalyst for the USD to close the gap on the likes of the EUR and GBP. Overall, we look for moderate USD resilience in 3Q26.

Across our short-term valuation models, the USD is most clearly overvalued against the EUR



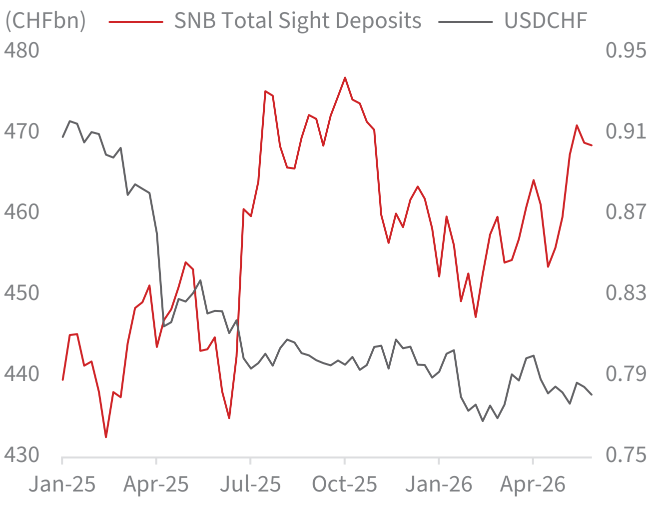

Source: Bloomberg, DBS

**EUR to underperform, especially on the crosses.** As outlined above, the fundamental backdrop for the EUR is now distinctly challenged – a sharp reversal from the previously optimistic Eurozone growth outlook which was still in play as recently as 1Q26. The convergence of an energy-driven stagflationary environment in the Eurozone and a structurally resilient US growth points to downward pressure on the EUR-USD. The ECB is also in a difficult position: it may track or even outperform the Fed's hawkishness in an effort to contain inflation. However, in this case, the risk to growth may be sizable, reinforcing the growth divergence with the US. Unsurprisingly, the ECB has revised its Eurozone growth forecast down to 0.90% y/y, in contrast to the FOMC's median US growth estimate of 2.4% y/y (up from 2.3% y/y in December). As such, ECB rate hikes will not be seen as an EUR-positive; instead, they are more likely seen as a EUR-negative, especially if the market perceives them as a policy mistake that does not solve a supply-side problem but accelerates demand destruction. Overall, there is risk of the EUR-USD slipping below the key 1.1600 support. We also look for the EUR to underperform against its G10 counterparts.

**Political instability and growth concerns cap the GBP upside.** British PM Keir Starmer's position appears increasingly vulnerable following a major defeat in local elections. Should the Labour Party's Andy Burnham win in the Makerfield by-election, he will be able to challenge PM Starmer for party leadership. Although Burnham has ruled out an early election and any changes to fiscal rules should he gain power in the summer, the market will still impute a political risk premium on the GBP. Historically, leadership contests may lead to a 1 – 2% risk premium on the GBP due to the lack of policy clarity. Amid political instability and signs of a weakening economy, the market trimmed bets on BOE rate hikes, fading the main reason behind the GBP's outperformance since the US-Iran conflict. We expect GBP-USD to continue trading sideways in the 1.3300-1.3600 range, within a wider range of 1.3000 – 1.3800.

**CHF weakness will be limited.** The SNB's active signalling in March of its increased willingness to intervene in the FX market to counter rapid, conflict-driven, CHF appreciation is the main reason why the CHF failed to respond like a safe haven to the US-Iran conflict. As risk aversion eased, the market no longer has the justification to return to a CHF-positive bias, as capital rotates back toward higher-beta assets. Taken together, these developments explain why the USD-CHF did not seriously retest the Jan 2026 lows of c.0.7600. Going forward, the CHF's role as a funding currency for carry trades will keep it under negative pressure. This could leave the USD-CHF supported above 0.7800. Yet, the CHF's reserve characteristics will limit its weakness. The 0.7900 – 0.8050 range may still cap any USD-CHF upside.

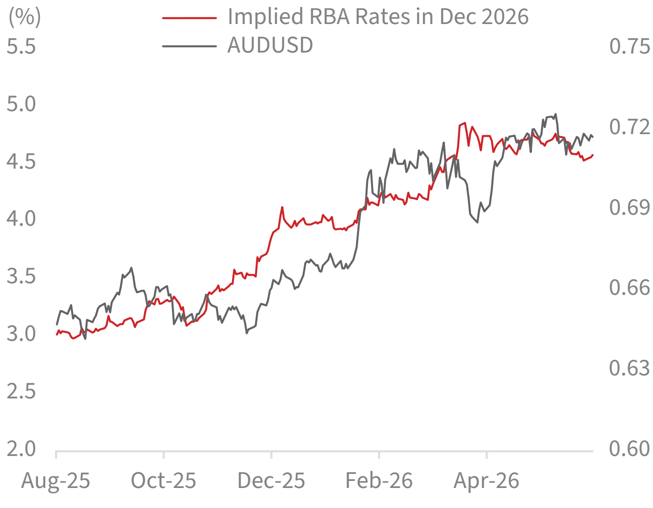
Larger total sight deposits indicate active intervention to curb CHF strength




Source: Bloomberg, DBS

**AUD outperformance likely to slow.** We have maintained our bullish AUD call since 3Q25. Since the start of 3Q25 to 29 May 2026, the AUD-USD rose by more than 9.0%, making it the best performing G10 currency over this period. However, the drivers of this outperformance – first the RBA being the hawkish leader among major central banks, followed by the firmer energy and commodity complex after the US-Iran conflict – are starting to mature. Thus, upward momentum of the AUD-USD may slow after reaching a four-year high of 0.7278 on 6 May. Following three consecutive rate hikes leading up to the May decision, the RBA is now likely to pause in the policy meetings in 3Q26. This step back in RBA hawkishness coincides with the Fed's hawkish tilt, weighing directly on the AUD-USD. The energy and commodity complex may consolidate as the US and Iran work towards de-escalation, and slowing global growth outlook leads to demand destruction on this front. Taken together, we expect the AUD-USD's upward move to be slower in the upcoming months, pending new catalysts. Nonetheless, AUD-USD downside is likely limited, given that the RBA is still likely to restart rate hikes. The AUD also enjoys a yield advantage in a carry-positive environment and a structural commodity uptrend.

AUDUSD outperformance to slow down as the rise of implied RBA rate stalls

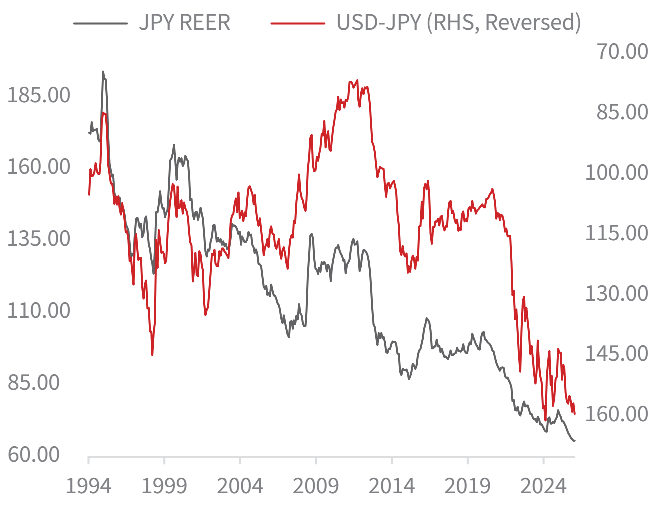



Source: Bloomberg, DBS

**NZD our new favourite.** As the AUD gains slow, the NZD may see some catch-up gains. New Zealand's jobs and inflation data beat expectations in 1Q26. Overlay the macro recovery with inflation risks stemming from the energy shock, the RBNZ is now compelled to undertake a hawkish pivot. At its latest meeting, three members voted for a hike and the new OCR projections suggested at least two hikes by year-end. Market expectations are even more hawkish, with more than three hikes priced in, the most hawkish among the major central banks. Policy divergence is set to support a catch-up gain in the NZD towards 0.6000 – 0.6100 against the USD, and further below the 1.2000 – 1.2300 peaks against the AUD.

**JPY-negative drivers are more enduring.** We see the JPY caught between divergent drivers, leaving the USD-JPY stuck in a narrow range. Arguments for a stronger JPY runs through the BOJ – the potential for more JPY-strengthening interventions and the risk of rate hikes. On the flipside, higher energy prices cause a deterioration in Japan's terms-of-trade and the growing government debt pile triggers debt sustainability fears. These factors argue for a weaker JPY. In assessing these divergent arguments, we see the JPY-positive drivers as reactive and policy-driven, and thus, regularly undermined. For example, despite a record expenditure of USD73bn in JPY-buying intervention between end April and early May, the move in USD-JPY toward 155.00 was quickly faded by the market. Given lowered headline inflation and Tokyo inflation together with a concerning economic outlook amid persistent energy shock, the market has also trimmed bets on BOJ rate hikes. In contrast, the JPY weakness arguments are much more structural and enduring. For one, PM Sanae Takaichi continues to favour fiscal largesse over austerity, with her latest policy tilt calling for extra budget in response to rising commodity prices. Taken together, we expect any intervention-driven dips in USD-JPY to be floored around 155.00. The pair could be kept within a tight range, but we expect it to grind higher and stay above 160.00 over time.

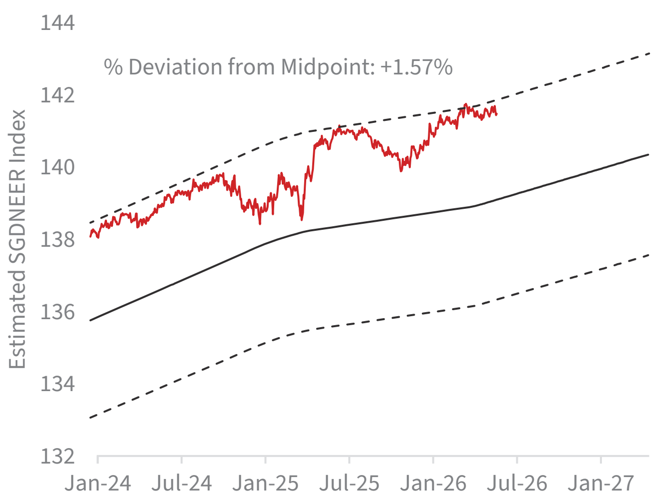
USDJPY and the JPY REER




Source: Bloomberg, DBS

**SGD safe haven premium unwinds.** During the initial "hot" phase of the US-Iran conflict, the SGD significantly outperformed both G10 currencies and its Asian peers (save the RMB). This was not surprising given Singapore's robust macroeconomic fundamentals and deep FX liquidity, reinforcing the SGD as a regional safe haven. However, this safety premium began to unwind as the conflict de-escalated and progressed into a negotiation phase. Correspondingly, SGD performance against a basket of currencies moderated, and the SGDNEER eased off the top of the policy band. For now, the USD-SGD may be tracking broad USD resilience higher. Nevertheless, the potential for further MAS tightening will keep the SGDNEER on an appreciating path and create a formidable natural headwind against excessive or sustained SGD weakness. Thus, while the USD-SGD may be supported, it faces a strong resistance at the 1.2900-1.3000 range.

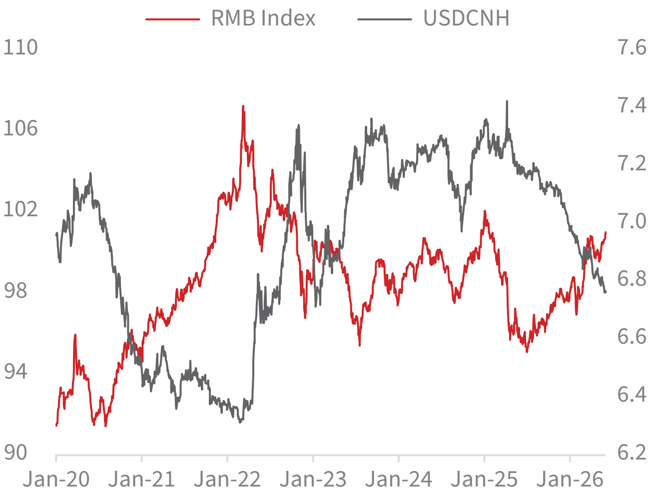
SGDNEER Index elevated within the tolerance band, but not testing upper limit




Source: Bloomberg, DBS

**Gradual outperformance of the RMB.** The RMB bas been the second-best-performing currency among G10 and EM Asia since the start of the Iran War, mainly due to 1) the PBOC's firmer fixing, 2) China's economic resilience, and 3) Chinese companies' selling of foreign currencies holdings accumulated on the back of record current account surplus. Should the PBOC show tolerance of further RMB strength, this outperformance may be sustained. That said, any further strengthening is expected to be slow and gradual. Firstly, the US-China yield differential remains wide with the Fed leaning hawkish while the PBOC is unlikely to tighten policy amid still-sluggish domestic demand and potential

USDCNH's downward move may slow down given the elevated RMB index




Source: Bloomberg, DBS

weakening of external demand amid the war. Secondly, with the RMB index revisiting a more-than-1-year high around 101, any further rapid gain could pose additional risks to China's crucial exports. Thirdly, seasonality could weigh as Hong Kong-listed Chinese firms may have to sell RMB for sizeable dividend payouts between June and August.

Forecast: Currencies

| | 1Q26 | 2Q26 | 3Q26 | 4Q26 | 1Q27 | 2Q27 | 3Q27 | 4Q27 |
|---|---|---|---|---|---|---|---|---|
| USD/CNY | 6.86 | 6.83 | 6.77 | 6.70 | 6.74 | 6.78 | 6.81 | 6.85 |
| USD/HKD | 7.81 | 7.82 | 7.81 | 7.81 | 7.81 | 7.81 | 7.80 | 7.80 |
| USD/INR | 90.5 | 96.7 | 97.1 | 97.4 | 97.8 | 98.2 | 98.6 | 98.9 |
| USD/IDR | 16,690 | 17,990 | 18,060 | 18,130 | 18,200 | 18,270 | 18,340 | 18,410 |
| USD/MYR | 3.89 | 3.91 | 3.85 | 3.80 | 3.85 | 3.90 | 3.95 | 4.00 |
| USD/PHP | 57.5 | 62.1 | 62.4 | 62.7 | 63.0 | 63.3 | 63.6 | 63.9 |
| USD/SGD | 1.26 | 1.27 | 1.26 | 1.25 | 1.26 | 1.27 | 1.27 | 1.28 |
| USD/KRW | 1,425 | 1,470 | 1,435 | 1,400 | 1,415 | 1,425 | 1,440 | 1,450 |
| USD/THB | 30.8 | 32.1 | 31.6 | 31.0 | 31.4 | 31.8 | 32.1 | 32.5 |
| USD/VND | 25,880 | 26,230 | 26,110 | 26,000 | 26,130 | 26,250 | 26,380 | 26,500 |
| AUD/USD | 0.70 | 0.71 | 0.72 | 0.73 | 0.73 | 0.72 | 0.72 | 0.71 |
| USD/CAD | 1.35 | 1.36 | 1.35 | 1.34 | 1.34 | 1.35 | 1.35 | 1.35 |
| EUR/USD | 1.19 | 1.18 | 1.19 | 1.21 | 1.20 | 1.19 | 1.18 | 1.17 |
| USD/JPY | 150 | 156 | 153 | 149 | 151 | 152 | 153 | 154 |
| NZD/USD | 0.61 | 0.59 | 0.60 | 0.61 | 0.60 | 0.60 | 0.59 | 0.58 |
| USD/CHF | 0.76 | 0.78 | 0.76 | 0.75 | 0.75 | 0.76 | 0.76 | 0.77 |
| GBP/USD | 1.37 | 1.36 | 1.39 | 1.41 | 1.40 | 1.39 | 1.38 | 1.37 |
| DXY Index | 96.0 | 98.0 | 96.6 | 95.3 | 95.7 | 96.0 | 96.4 | 96.8 |

Australia, Eurozone, New Zealand and United Kingdom are direct quotes.

Source: Bloomberg, DBS
Data as at 9 Jun 2026

# A Fragmented Bull Market

## Commodities 3Q26

We turn more constructive on commodities in 3Q26 as escalation in Iran has shifted energy markets into a regime of physical tightness. The implications for industrial metals and agricultural commodities are also positive, though more nuanced. In the long term, geopolitical fragmentation, rising resource nationalism, and AI-driven energy intensity and electrification would benefit select commodities.

# Commodities

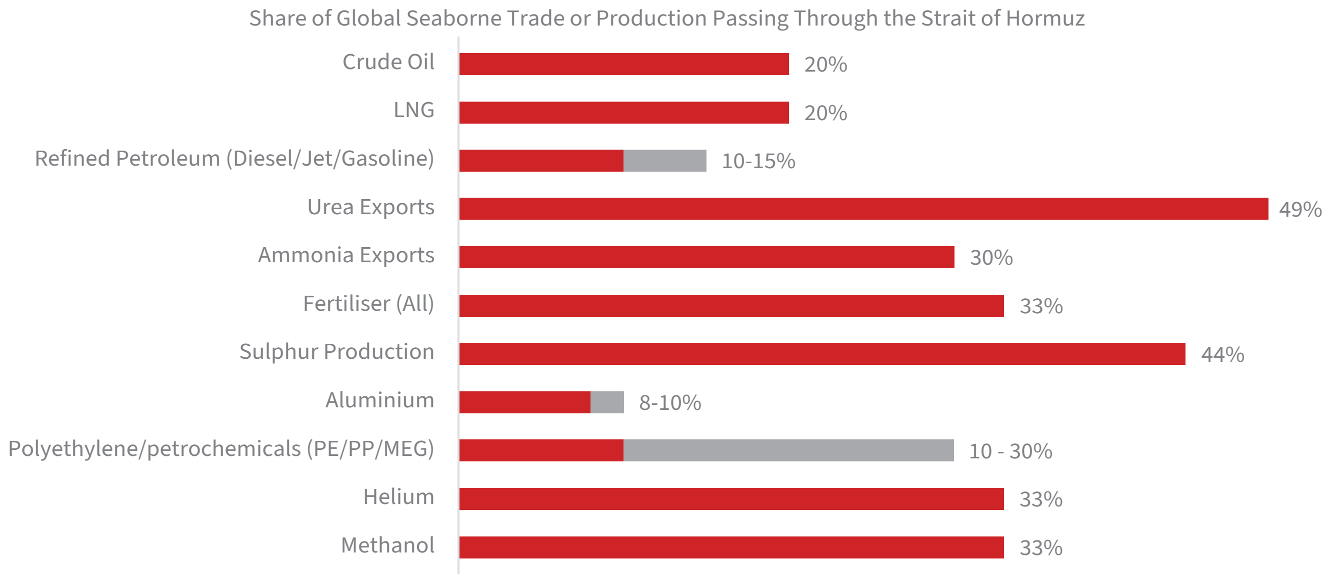
Goh Jun Yong
Strategist

**Implications of the Iran conflict.** The most significant change to the commodity outlook since our 2Q26 report is the escalation of the Iran conflict. This has clear implications on the energy complex as well as fertiliser supply chains. The closure of the Strait of Hormuz – through which c.20% of global oil and gas and a third of global fertiliser trade passes – has sharply increased prices for crude, LNG, urea, and ammonia. Rising energy prices are also lifting production costs for energy-intensive commodities such as aluminium, steel, and petrochemicals, while freight rates and shipping insurance premiums have surged amid heightened geopolitical risk. The immediate result is broad-based commodity inflation, particularly across the fuel, chemicals, fertilisers, and agricultural inputs.

**Commodities as an inflation hedge.** Against this backdrop, exposure to broad commodities can serve as an inflation hedge. However, it is also important to be mindful of what type of inflation regime we are currently facing (not all inflation regimes are equally bullish for broad commodities). Historically, the strongest broad-based commodity bull markets occurred during periods of demand reflation with the following conditions present: i) accelerating industrial activity; ii) loose monetary policy; and iii) strong Chinese demand. The current environment is different and represents more of a supply-side inflation shock. Such regimes also saw positive commodity performance, but the outperformance was more concentrated in the energy space (and to some extent precious metals) rather than being homogenous across all commodity sub-segments. Therefore, while we have turned more constructive on commodities this quarter, we believe selectiveness is still warranted – the Iran war is unequivocally bullish for the energy complex, but industrial metals and agricultural commodities face a more nuanced setup, requiring more thought in terms of commodity selection and sequencing.

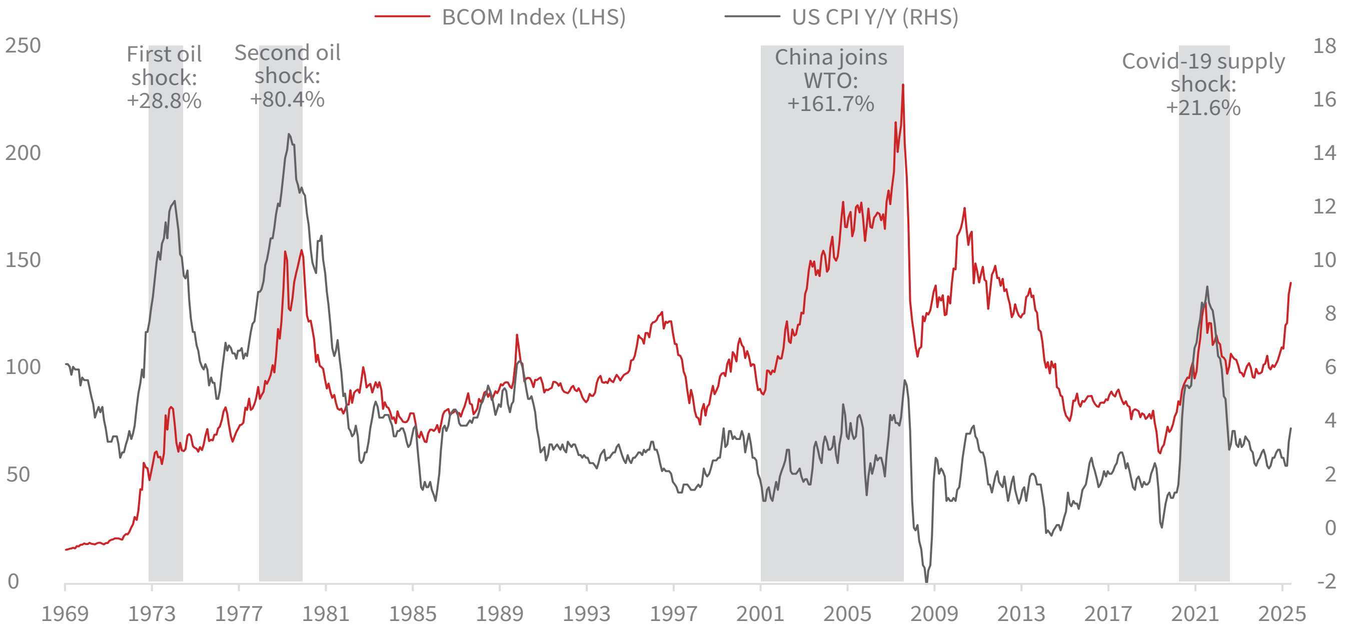
**Rate cuts to rate hikes; tariffs remain in play.** While the commodity complex is running hot due to war-driven supply disruption, it is crucial to keep a balanced view of the overall macro backdrop. Rising inflation expectations across major

The Iran War has impacted a substantial portion of the world's oil & gas and fertiliser supply




Source: Center for Strategic and International Studies (CSIS), US EIA, Carnegie Endowment, AFBF, Kpler, S&P Global Platts, Mining.com, Exiger, Credendo, HKU Asia Global, IEA, BCG, WEF, CNBC, ICIS, WTO Data Lab

Inflationary regimes have generally benefitted commodities

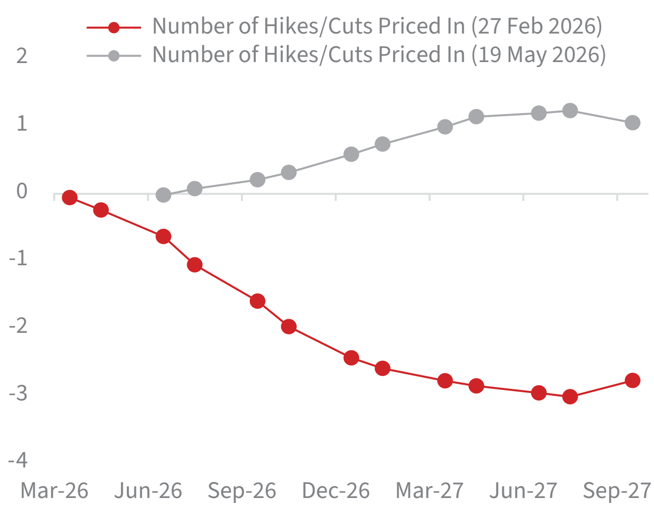



Source: CSIS, US EIA, Carnegie Endowment, AFBF, Kpler

economies are prompting a pivot in monetary policy. Where central banks were previously focused on holding rates or cutting, the prevailing impetus is now turning towards hikes. As the tailwind from the global rate cutting cycle fades, so too will global growth momentum. It is also important to remember that global tariffs remain in play and continue to weigh on global trade and manufacturing activity, further undermining growth prospects. Therefore, while the global economy appears resilient, there are undercurrents suggesting fragility behind that resilience. Against this backdrop, it is clear why the picture is not straight forward for growth-sensitive and cyclical commodities such as industrial metals and agricultural commodities.

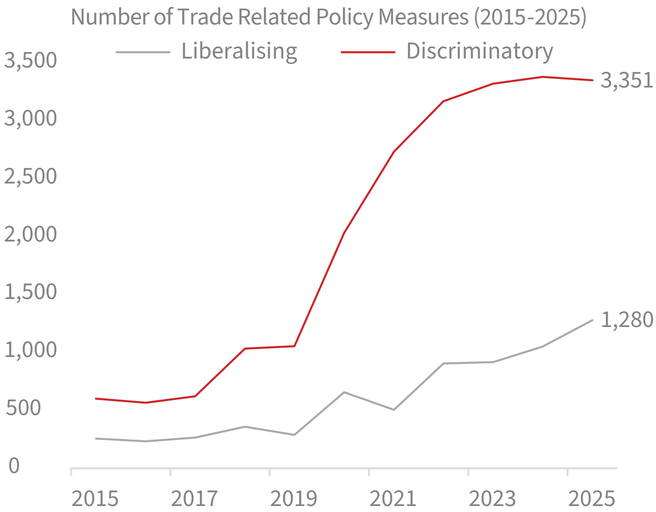
**Looking beyond immediate supply disruptions.** Beyond the immediate supply disruptions and macro fog, we believe there are ongoing secular shifts toward geopolitical fragmentation, which should support the commodity complex in the long run. The past several years have seen rising export controls, sanctions, supply-chain reshoring, industrial policy competition, and resource nationalism. Increasingly, governments are prioritising supply resilience over efficiency, and domestic security over global integration. This has important implications for commodities. Commodities that have strategic and structural use cases (e.g. AI data centres, power generation and transmission infrastructure, defence equipment etc.), including the likes of copper, aluminium, uranium, lithium, and rare earths, will benefit from this shift. These are increasingly viewed not just as industrial inputs, but as strategic assets critical to energy security, defence capability, and technological competitiveness, and they remain our structural picks within the commodities space.

Markets are increasingly pricing Fed rate hikes in 2026-2027



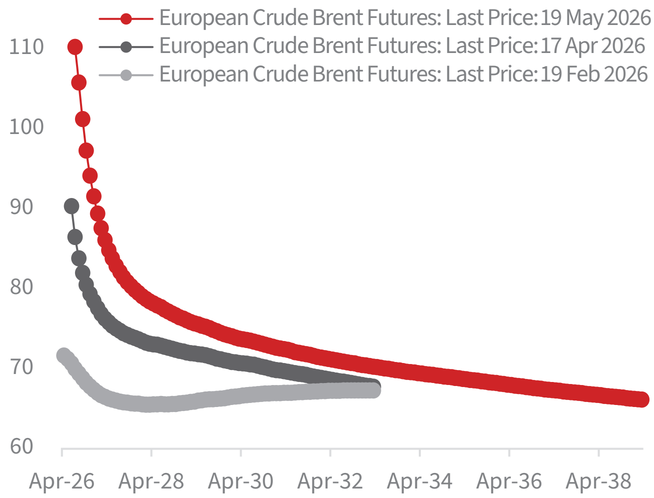

Source: Bloomberg, DBS

Rising protectionism and resource nationalism




Source: UN Trade and Development (UNCTAD) based on Global Trade Alert

Steepening backwardation for Brent suggests genuine physical scarcity




Source: Bloomberg, DBS

Energy

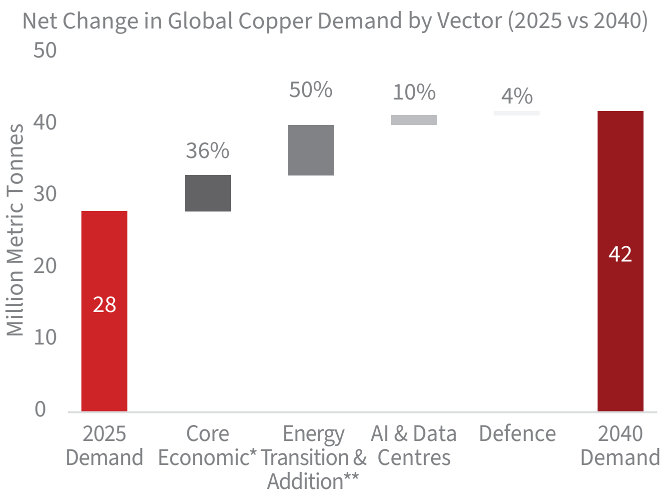
**The energy landscape has shifted structurally.** Even if the Iran War were to end tomorrow and the Strait of Hormuz were re-opened the next day, energy supply chains would not return to normal overnight. First, there has been damage done to Middle East (ME) oil and gas infrastructure that will take months or even years to rebuild. Second, clearing the Strait of Hormuz of sea-borne mines could take up to six months, pushing the normalisation of vessel traffic in the strait to end-2026 at minimum. Third, while the strait remains mined, shipping and insurance costs will accordingly remain elevated. But beyond these immediate factors, the Iran war has driven a sea change in attitudes towards energy security; the once long-held perception that OPEC spare capacity could absorb supply shocks is fading, and countries are now prioritising supply resilience over everything else. The result is structurally higher geopolitical risk premiums embedded into crude markets.

**Towards a regime of physical tightness.** This change in regime reflects genuine physical tightness in energy markets. This distinction matters as sustained commodity price increases (unlike speculative rallies) are typically associated with tightening inventories, rising convenience yields, widening prompt spreads, and stronger physical differentials. We are increasingly observing these dynamics across energy markets today. Backwardation has steepened, inventories are drawing, tanker rates have risen, and refiners continue to bid aggressively for prompt barrels – classic signals of physical scarcity. In addition to actual energy prices, such a backdrop is also constructive for players in the traditional energy value chain, for example upstream energy producers, integrated oil majors, LNG exporters, and select oilfield services companies.

Industrial metals

**Copper – tactically neutral but structurally constructive.** Short-term neutral on copper on risk of broader risk asset pullbacks, potentially higher interest rates and profit-taking (LME copper is up c.40% in the past year). However, this is balanced by near-term supply disruptions due to interrupted sulphur imports from ME due to the Strait of Hormuz closure. Sulphur is a key component in copper ore leaching. Structural demand from the energy transition and AI infrastructure buildout should continue to power long-term demand and reduce sensitivity to economic growth slowdown.

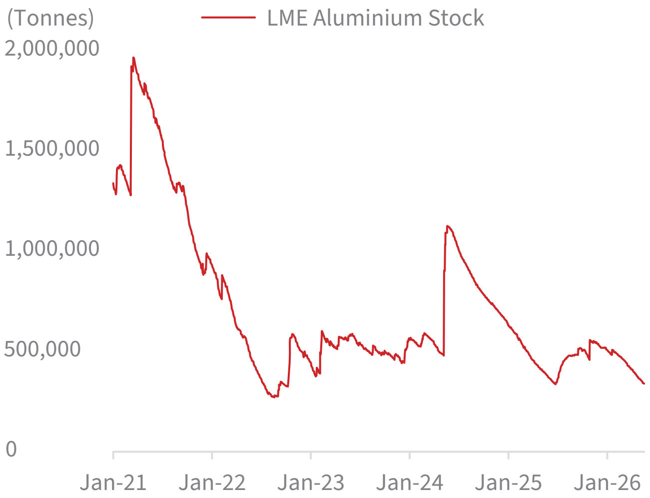
More than half of additional copper demand in the future will come from AI and clean energy transition-related uses




Source: Bloomberg, DBS
*Includes copper demand from construction, cooling, appliances, fossil power generation, machinery and ICE vehicles
** Includes copper demand from clean technologies, transmission and distribution, and EVs

**Aluminium – bullish set up from ME disruption.** The GCC countries are a major global supplier of primary aluminium (c.9% of global supply according to S&P Global estimates). The Iran War has cumulatively knocked roughly 3 – 3.5mn metric tonnes or 4 – 5% of global aluminium supply offline and is expected to put the global aluminium market in a firm deficit despite assumptions of weak demand growth. This is exacerbated by constraints in Chinese smelting capacity (45mn tonne government cap and energy supply volatility) and modest growth in other regions. Inventories were already at 50-year lows prior to the Middle East supply shock and are projected to fall to all-time lows in the next 6-12 months.

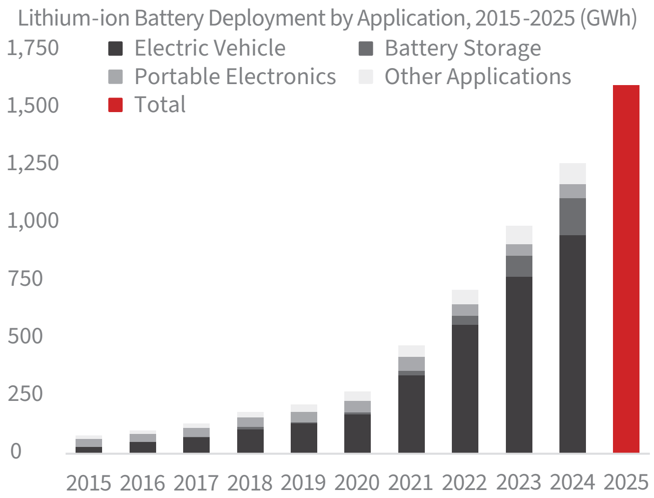
LME aluminium stocks close to Russia-Ukraine war lows




Source: WestMetall, DBS

**Lithium – structural beneficiary of growing battery and energy storage (ES) demand.** Lithium is strategically vital due to its role in battery manufacturing for electric vehicles (EVs) and increasingly for data centre energy storage. Growing electricity demand from data centres is driving lithium consumption, with global demand expected to rise substantially by 2030. Google, for example, utilises 100mn lithium-ion cells in its data centres worldwide, enabling them to occupy half the space while delivering double the power and lifespan. The EV sector's battery demand remains strong, particularly as countries seek to diversify supply chains away from China. In the US, battery gigafactory numbers have surged, with significant investments supporting robust lithium demand. Despite past supply gluts, regulatory tightening in China – such as the shutdown of the Jianxiawo lithium mine – has started to curb oversupply. A key risk for lithium would be slower than expected economic growth and EV demand.

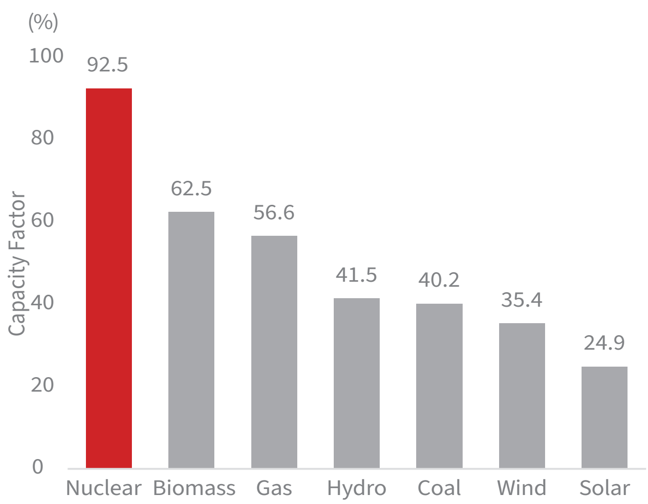
Global lithium-ion battery deployment in 2025 was six times as high as in 2020




Source: IEA, DBS

**Uranium – powering the nuclear renaissance.** We are bullish nuclear energy on the basis of: i) rising energy security and renewed policy support; ii) climate change and the need for more clean energy; iii) AI-driven, high constancy electricity consumption; and iv) technological breakthroughs with small modular reactors. On the supply side, years of underinvestment and supply disruptions have tightened uranium market balances, while geopolitical fragmentation is encouraging countries to diversify supply chains and stockpile uranium as a key strategic

Nuclear's high constancy makes it ideal for powering AI




Source: US Department of Energy, US EIA, DBS commodity. That said, uranium has historically displayed volatile pricing dynamics due to the episodic nature of utility contracting cycles, and the risk of macroeconomic weakness delaying near-term nuclear project execution.

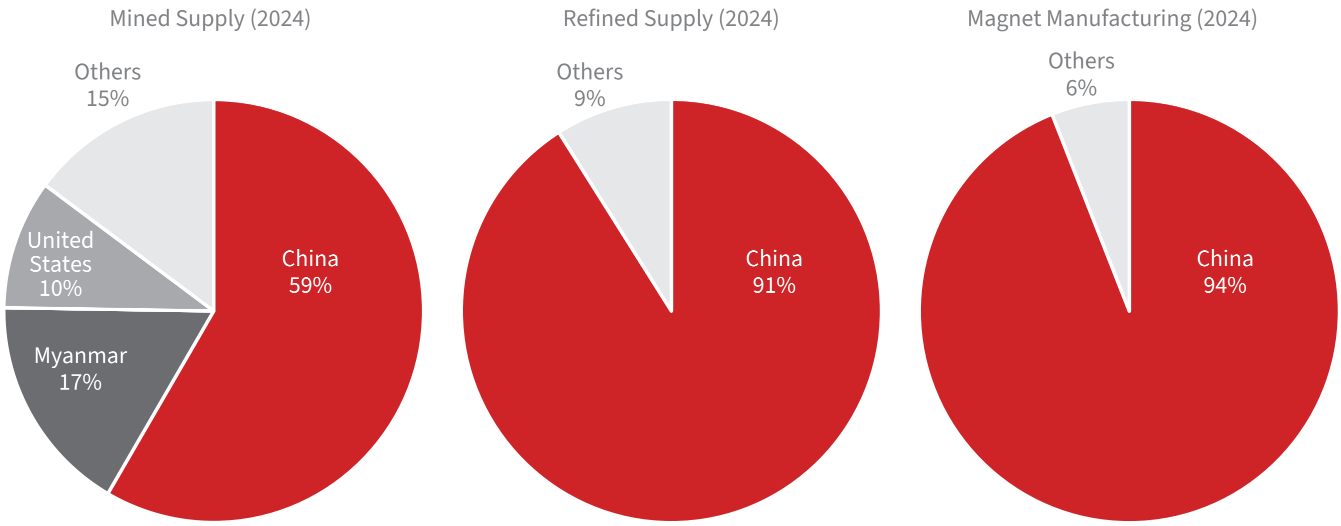
**Rare earths – dual tailwinds from strategic demand and concentrated supply chain.** Rare earth elements have similarly become a critical national security concern for many countries. Their strategic importance stems from two main factors. First, rare earths are essential in a wide range of modern technologies, including electric vehicle motors, wind turbines, defence systems, medical equipment, data centres, and consumer electronics. They are also crucial in advanced military applications, such as precision-guided missiles, radar and communication systems, and drones. Second, the global supply chain for rare earths is highly concentrated in China, which controls majority of mining, refining, and magnet manufacturing. This dominance is the result of decades of investment, technological advancement, and state-driven policies. China's use of export controls has highlighted vulnerabilities in supply, prompting other nations to urgently reduce reliance on Chinese rare earths and diversify their supply chains. This multitude of strategic demand drivers, coupled with supply chain diversification and stockpiling efforts by multiple countries positions REEs as an attractive secular investment opportunity. While REEs are not directly exchange traded due to the lack of standardisation and opaque pricing, investors can gain indirect exposure through publicly listed miners/producers, thematic ETFs and private market opportunities.

<u>Agricultural commodities</u>

The outlook for agricultural is relatively bullish, primarily driven by supply risks associated with i) a potential prolonged closure of the Strait of Hormuz; and ii) likely poor weather conditions due to El Niño. These factors are expected to lead to significant upside price risks over the next 6-12 months even though prices have been relatively muted thus far.

A prolonged Strait of Hormuz closure would increase the cost of agricultural production through higher energy prices, reduced crop yields due to lower availability of fertilisers and oil-based fungicides/pesticides. Fertiliser prices are a significant variable cost for major grains (around 50%) and sugar (20-25%), and Middle Eastern exporters using the Strait account for substantial portions of global sulphur, urea, and ammonia trade. Under-application of fertilisers due to high prices is a concern for corn, wheat, sugar, and to a lesser extent, soy yields. There is also likely to be a boost in demand for some of these agricultural commodities (e.g. corn, sugar) as biofuels due to surging crude and LNG prices.

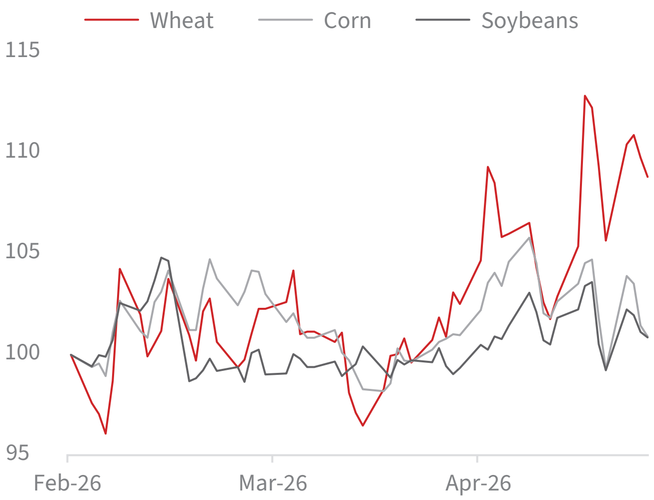
REE supply chain, % share by country




Source: IEA, DBS

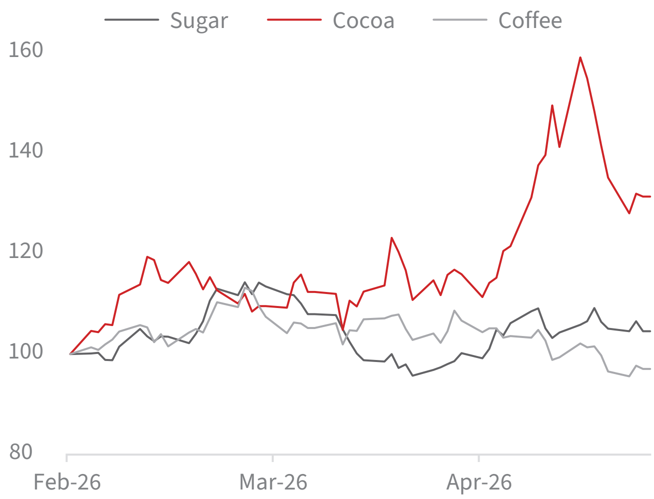
Note: The mining and refining numbers are for magnet rare earths only (neodymium, praseodymium, dysprosium, terbium). Magnet manufacturing volumes are based on neodymium-iron-boron (NdFeB) permanent magnets, both sintered and bonded

Select grain prices since the start of the Iran War




Source: Bloomberg, DBS
Note: Commodity performance based on their respective Bloomberg commodity sub-indices

Select softs prices since the start of the Iran War




Source: Bloomberg, DBS
Note: Commodity performance based on their respective Bloomberg commodity sub-indices

El Niño is also expected to significantly impact yields. The National Oceanic and Atmospheric Administration predicts a more than 60% chance of a strong El Niño forming by the end of 2026. This could cause droughts in key sugar-producing regions like India, Thailand, and Australia, tightening global sugar inventories. Warmer temperatures in Brazil could benefit arabica coffee, while dryness in Vietnam and Indonesia could trim robusta coffee yields. Strong harmattan winds and dryness in West Africa and Ecuador are also expected to impact cocoa supply.

## Conclusion

In summary, Iran War-driven supply disruptions have strengthened the case for commodities as an inflation hedge, though selectiveness is still warranted as supply-driven inflation regimes do not homogenously benefit the entire commodity complex. Energy stands out as the most likely short-term leader, while certain industrial metals, precious metals, and agricultural commodities will gain from different factors at different times. For long-term exposure, our preference remains with commodities that are supported by strategic and structural demand – such as those related to energy and resource security, artificial intelligence, defence, and electrification – as well as those facing scarcity constraints.

# Finding Shelter


## Alternatives: Gold, Private Assets & Hedge Funds 3Q26

While the Iran War and heightened inflation risk will weigh on gold in the short term, signs of stabilisation and recovery have begun to emerge. The long-term outlook remains robust on the back of intensified de-dollarisation and monetary debasement risks. As 60/40 diversification benefits weaken, diversified alternatives can add uncorrelated returns and improve overall portfolio resilience.

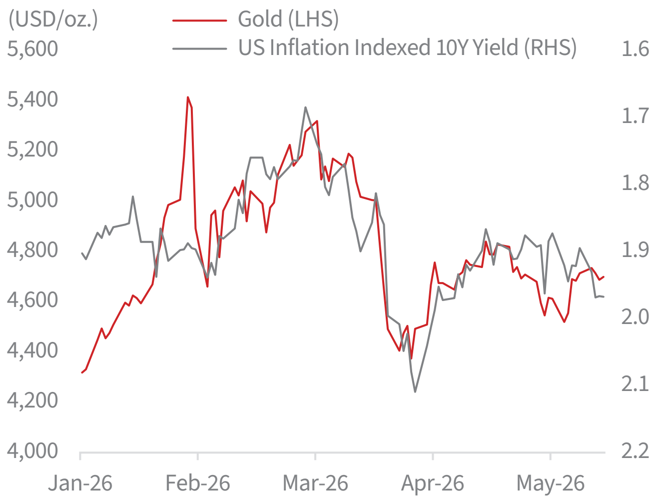
# Gold

Goh Jun Yong
Strategist

Gold continues to whipsaw in 2026


Source: Bloomberg, DBS
Data as at 14 May 2026

Real rates surged post Iran War; Re-coupling with gold price




Source: Bloomberg, DBS
Data as at 14 May 2026

**The elephant in the room: the Iran War.** The ongoing Iran War has had a significant impact on the economic landscape, most notably through rising energy prices. As energy costs increase, inflation is pushed higher, which in turn reduces the likelihood of interest rate cuts. This environment has revived the inverse relationship between gold prices and real rates, which has contributed to a temporary downward pressure on gold. Since the onset of the conflict, gold has experienced considerable volatility, with prices dropping by approximately 12% in USD terms in March alone – a decline that marks the worst monthly performance for gold in over a decade.

**Does that mean gold is no longer a safe haven?** The answer to this question largely depends on how the Iran War unfolds. If a resolution is reached soon and the Strait of Hormuz is reopened, the risk of runaway inflation would diminish, easing the downward pressure on gold prices. Conversely, if the conflict persists and the Strait remains closed, the world may face a "stagflation-lite" scenario, where both growth concerns and inflation risks rise together. At the time of writing, a quick resolution appears elusive. Under such conditions, gold may not benefit, as higher inflation coupled with elevated interest rates will dampen consumer demand for gold (especially in jewellery and fabrication) and increase the opportunity cost of holding a non-yielding asset.

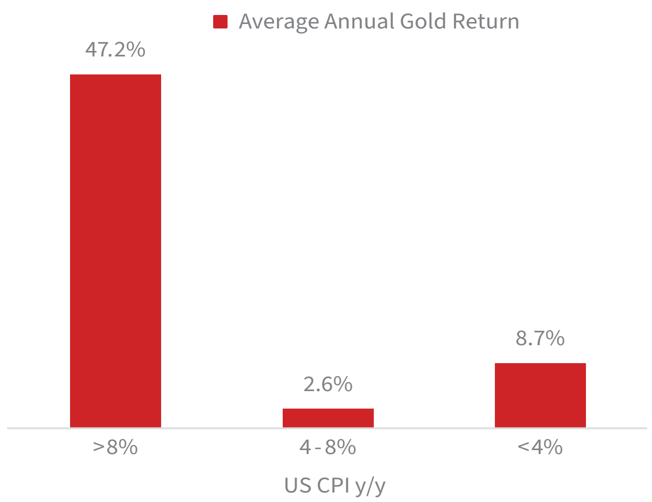
**The mixed effects of inflation on gold.** Historically, gold has performed well when inflation was very high (>8%), confidence in monetary stability was poor, and real rates trended in low/negative territory – such as in the 1970s. However, when inflation ran moderately high (between 4% and 8%) and central banks could credibly tighten monetary policy, gold often underperformed as real yields spiked (e.g. 2013 taper tantrums, 2018, and 2022). Therefore, the relationship between gold and inflation is not simply a linear relationship where rising inflation automatically translates into higher gold prices. A more accurate conclusion is that gold performs well when inflation is high and confidence in monetary stability is simultaneously low.

Cross-asset correlations slowly reverting to long-term trend

| | Correlation with gold | | | | |
|---|---|---|---|---|---|
| | 1 Jan 2024 - 28 Feb 2026 | 1 Mar 2026 - 23 Mar 2026 | Δ | 1 Mar 2026 - 4 May 2026 | Δ |
| Global Equities | 0.18 | 0.67 | ↑ | 0.59 | ↓ |
| Global Bonds | 0.23 | 0.53 | ↑ | 0.54 | - |
| US HY Bonds | 0.06 | 0.47 | ↑ | 0.48 | - |
| EM Bonds | 0.04 | 0.6 | ↑ | 0.50 | ↓ |
| Sovereign IG Bonds | 0.15 | 0.62 | ↑ | 0.54 | ↓ |
| Brent Crude Oil | 0.18 | -0.13 | ↓ | -0.29 | ↓ |
| Industrial Metals | 0.38 | 0.78 | ↑ | 0.66 | ↓ |

Source: Bloomberg, DBS
Note: Calculated using daily prices

Gold tends to underperform during periods of moderately high inflation



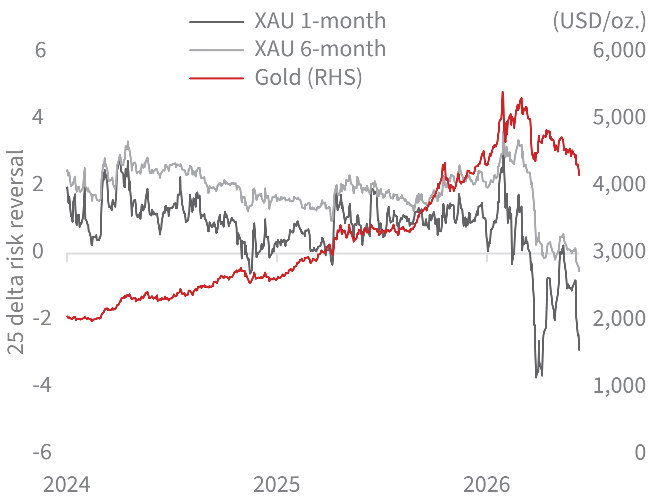

Source: Bloomberg, DBS
Note: Calculations are based on annual gold returns and US CPI y/y from 1971 - 2025

**Gold as a risk asset (for now).** In light of the aforementioned dynamics, gold's status as a safe haven has waned, and it has traded more like a risk asset of late, moving in line with bonds and equities. This shift is partly due to the changing inflation and rate outlook caused by the war, but also because gold has become a crowded trade. Over the past three years, gold delivered impressive returns (2023: +15%, 2024: +26%, 2025: +67%), but as is often the case after a surge in investor participation, profit-taking and increased volatility followed. Nonetheless, this shift is not expected to be permanent. With time, speculative capital is likely to exit, investor expectations will recalibrate, and gold should gradually return to its traditional role as a store of value. History has shown that this cycle repeats, and there is no reason to believe this time will be different.

**Looking ahead – more volatility ahead.** Since the March lows, gold rebounded by as much as 10.5% and showed some signs of stabilisation, however, further escalations on the Iran war front and rising rate hike expectations in June piled on selling pressure for the precious metal once again. Risk reversals (1M and 6M) are also now firmly back in negative territory after a brief recovery in May, indicating elevated hedging demand for gold.

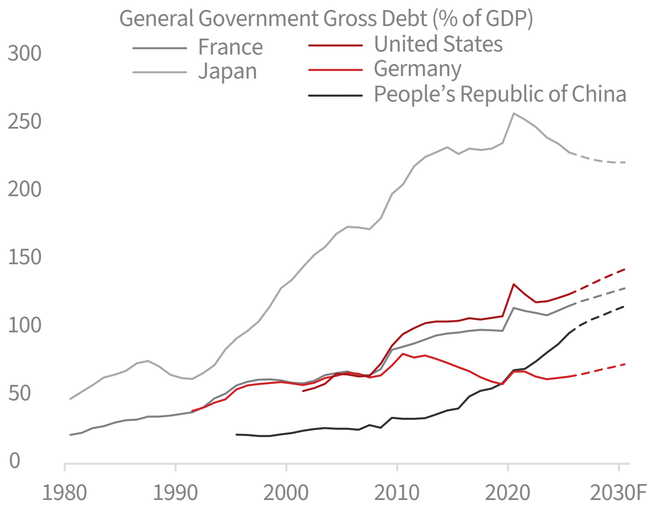
**Still the leading anti-fiat asset.** Although volatility is likely to remain elevated in the short term as markets digest the inflation and growth implications of the Iran War, the long-term outlook for gold remains strong, underpinned by its structural drivers. Two enduring themes – de-dollarisation and monetary debasement – have only been intensified by the ongoing conflict and will continue to support gold demand. For instance, in April, India began settling payments for Iranian oil in Chinese Yuan, and Iran is reportedly accepting tolls for passage through the Strait of Hormuz in Bitcoin and Tether. At the same time, the risk of global monetary debasement remains high as countries accumulate more debt to finance increased defence spending amid ongoing

Gold under renewed pressure amid Iran war escalations in June




Source: Bloomberg, DBS

De-dollarisation and monetary debasement themes are enduring themes



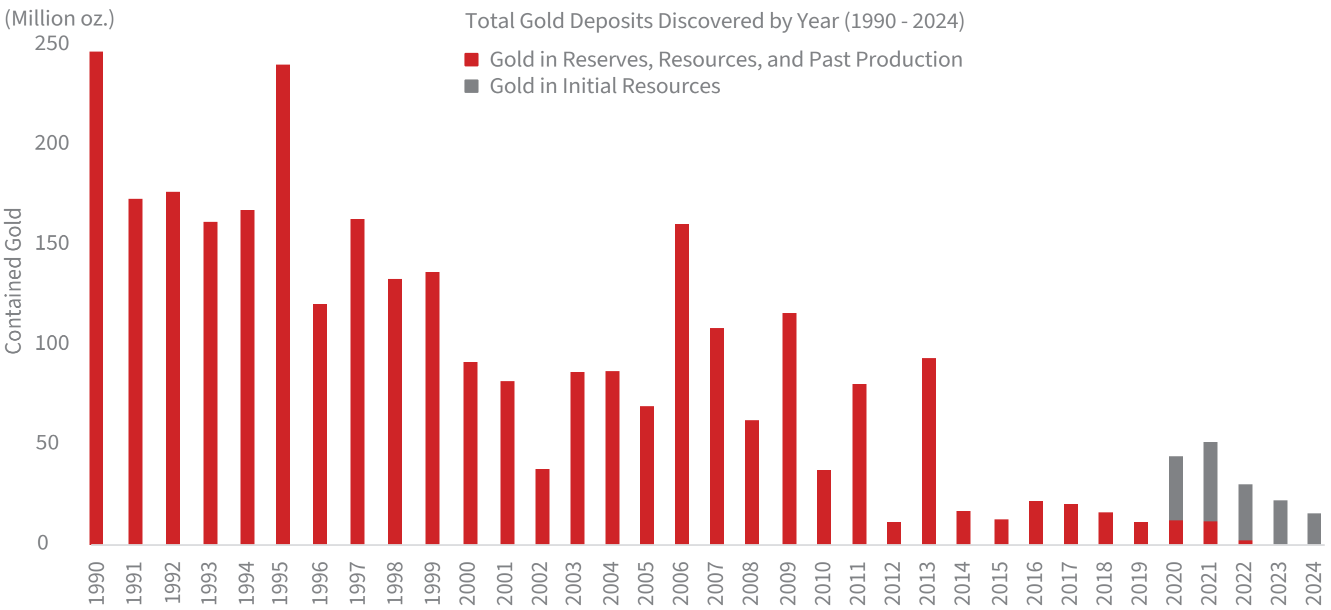

Source: IMF, DBS

geopolitical uncertainty. This debt-heavy regime also makes it difficult for central banks to hike rates sufficiently (in terms of magnitude and duration) to combat inflation without breaking growth or fiscal sustainability. This means real rates are likely capped at quite a low ceiling, keeping a major headwind for gold at bay in the long run.

**Scarcity factor remains at play.** While gold supply has gradually increased in response to high prices and healthy margins, there have been no major gold discoveries in the past two years, and rising energy costs are likely to keep mining margins in check. This combination should help maintain favourable demand-supply dynamics for gold over the foreseeable future.

**We stay constructive on gold.** In summary, despite global energy supply disruptions, rising inflation risks, and a diminished outlook for rate cuts making gold more volatile and somewhat less attractive in the short term, the overall stance remains constructive. This is supported by the continued strength of gold's structural drivers (de-dollarisation and monetary debasement). In line with this outlook, our gold price targets have been revised accordingly: USD5,000/oz for 3Q26, USD5,300/oz for 4Q26, USD5,600/oz for 1Q27, and USD5,900/oz for 2Q27. These projections rest on DXY forecasts of 96.6 for 3Q26, 95.3 for 4Q26, 95.7 for 1Q27, and 96.0 for 2Q27, as well as 10Y US Treasury yield estimates ranging from 4.4 to 4.6. Furthermore, they assume combined central bank and investment demand of 700 tonnes per quarter.

Gold to remain scarce as major discoveries dry up in recent years




Source: S&P Global

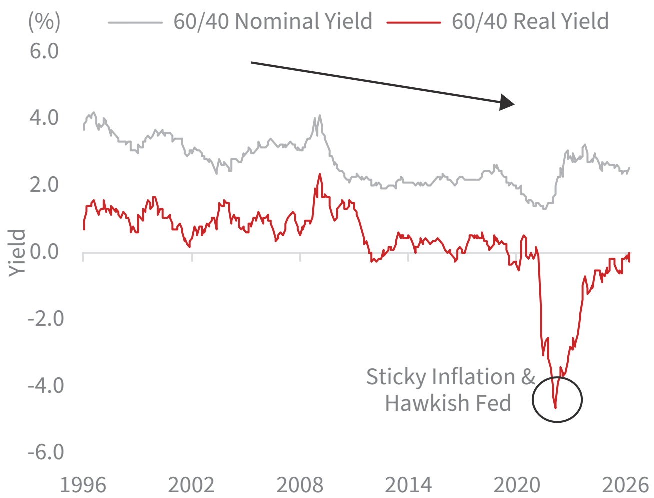
# Private Assets & Hedge Funds

Daryl Ho, CFA
Strategist

Elijah Tan, PhD
Analyst

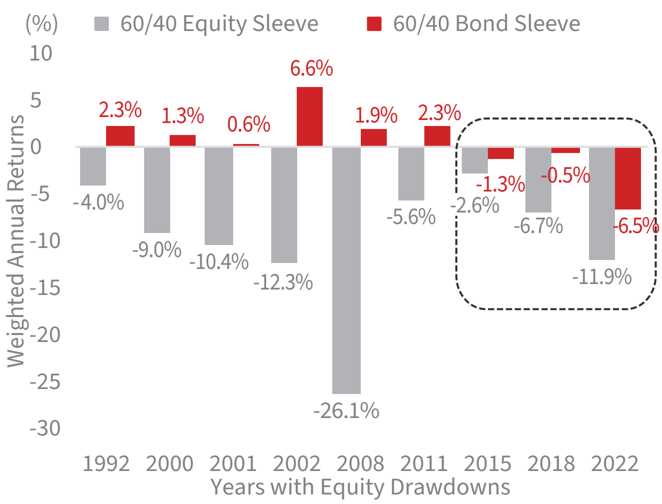
**Inflation is a quiet tax on portfolios.** It erodes real returns and wealth even when headline market performance may appear stable. Today, it is also undermining a traditional safeguard of portfolio construction, the diversification benefit of traditional 60/40 portfolios. For decades, investors assumed bonds would cushion equity losses. That relationship now appears less reliable. When inflation stays elevated, central banks can be pushed toward tighter policy, which pressure both equities and bonds concurrently. This does not mean bonds have lost their role, but investors may need a broader toolkit, especially at a time where geopolitics promise to complicate inflation outlook and intensify market volatility. A diversified allocation to alternatives, therefore, can help preserve real value, manage volatility, and keep portfolios on track over the long term.

Inflation erodes real yields of the traditional 60/40 portfolio




Source: Bloomberg, DBS

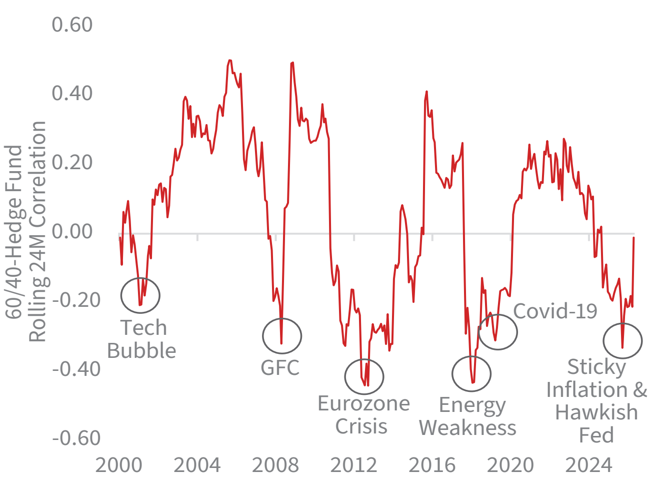
60/40 portfolios have not cushioned losses in recent market drawdowns




Source: Bloomberg, DBS

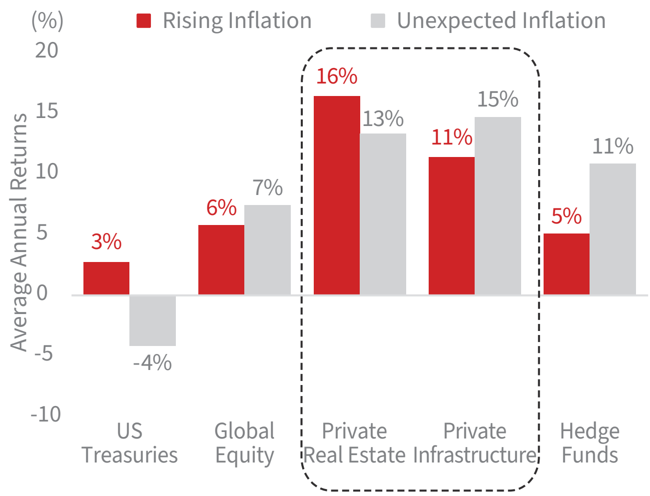
**Umbrellas for market storms.** Among alternatives, hedge funds serve as important portfolio stabilisers. Their value tends to be clearest during periods of market stress, when stock-bond diversification weakens and 60/40 faces persistent drawdowns. Across the Tech Bubble, Global Financial Crisis, Eurozone Crisis, Covid-19, and the recent period of sticky inflation and hawkish Fed policy, hedge fund correlations to 60/40 portfolios have flipped negative, cushioning drawdowns via positive returns. They have also held up better in high-volatility regimes, delivering modest but positive average monthly returns when VIX levels exceeded 35 and global equities fell sharply. This resilience comes from their flexibility to short securities, use derivatives, hold cash, rotate across asset classes, and exploit macro or arbitrage opportunities. With an absolute-return focus, they can preserve capital and generate alpha across regimes, while also offering downside insulation and crisis-period diversification.

Hedge funds delivered where 60/40 faltered



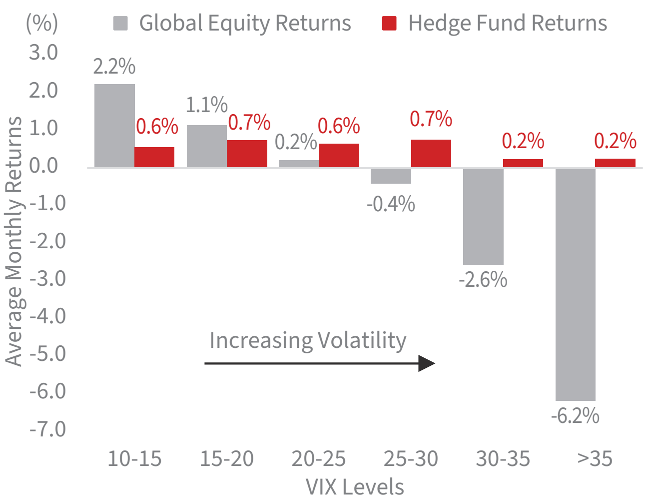

Source: Bloomberg, BarclayHedge, DBS

Real assets have outpaced public assets in inflationary regimes




Source: Bloomberg, Preqin, BarclayHedge, FRED, DBS

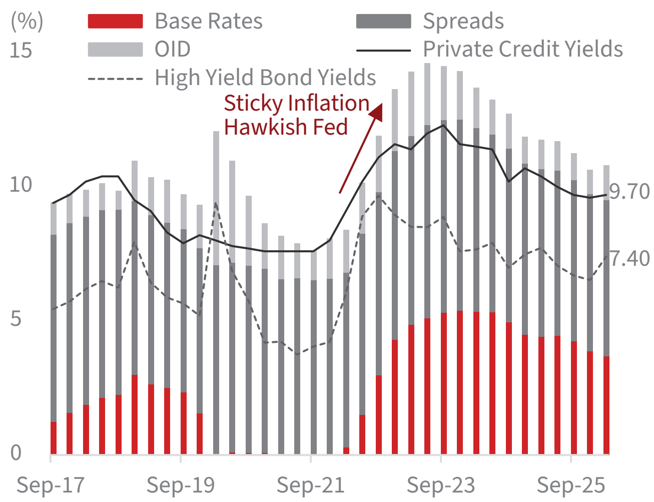
Hedge funds held up under volatility




Source: Bloomberg, BarclayHedge, DBS

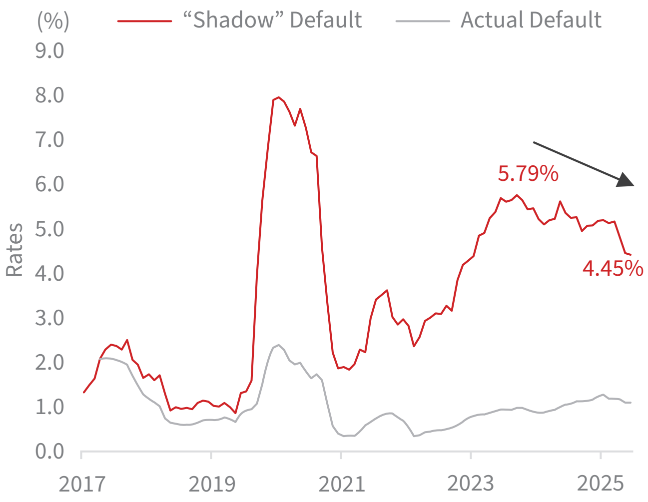
**Inflation's quieter antidote.** Alongside hedge funds, real assets improve portfolio resilience, especially in an inflationary environment. Historically, US government bonds have lost c.4% annually during unexpected inflation spikes, while global equities have often struggled to offset inflation. By contrast, private real estate and private infrastructure have returned c.16% and 15%, respectively, during high-inflation periods, supported by inflation-linked cash flows. Infrastructure assets such as toll roads, utilities, airports, and power grids often have long-term contracts or regulated pricing frameworks that allow user fees to adjust as prices rise. Real estate can offer similar protection through lease renewals, escalation clauses, and higher replacement costs that restrict new supply and support existing property values.

Floating rates helped private credit preserve its yield advantage in 2022




Source: Bloomberg, Houlihan Lokey, DBS

Private credit stress rose in 2022 but actual defaults stayed contained

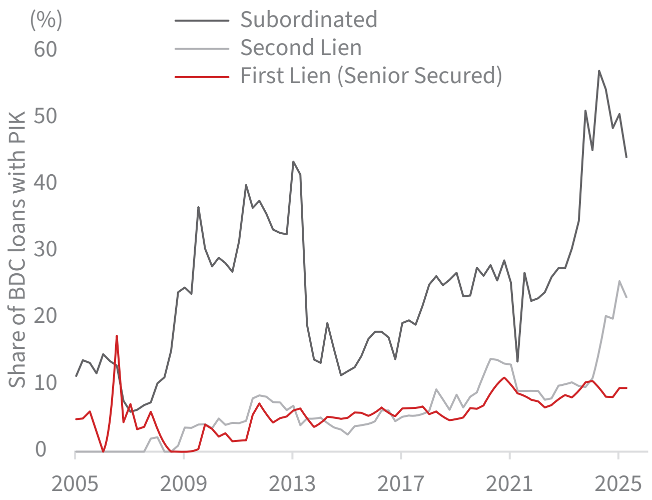



Source: Pitchbook, Bloomberg, DBS

**Private credit pays, but quality matters.** Private credit offers a different source of resilience, as its floating-rate structure allows income to adjust when policy rates rise. This has helped the asset class maintain a yield premium over public HY bonds. During the post-pandemic tightening cycle, private credit yields rose from c.7.5% in 2021 to c.12% by late 2023 as higher base rates flowed through to borrowers. Even as conditions normalised into 2026, yields stayed elevated at c.9.70%, above HY bonds at c.7.40%. This was driven mainly by higher base rates rather than broad credit deterioration, with spreads and original issue discounts broadly stable. Higher rates did create stress, especially for some middle-market borrowers, and this reflected through payment-in-kind (PIKs), amend-and-extend transactions, and covenant modifications, rather than outright bankruptcies. Importantly, PIKs are not inherently negative. If negotiated at origination, they can help companies manage cashflows, navigate difficult financing periods, avoid bankruptcy, and preserve investment value. Indeed, though such "shadow defaults" rose to c.5.79% in late 2023, they moderated toward 4.45% by late 2025, with actual defaults remaining relatively low through the crises.

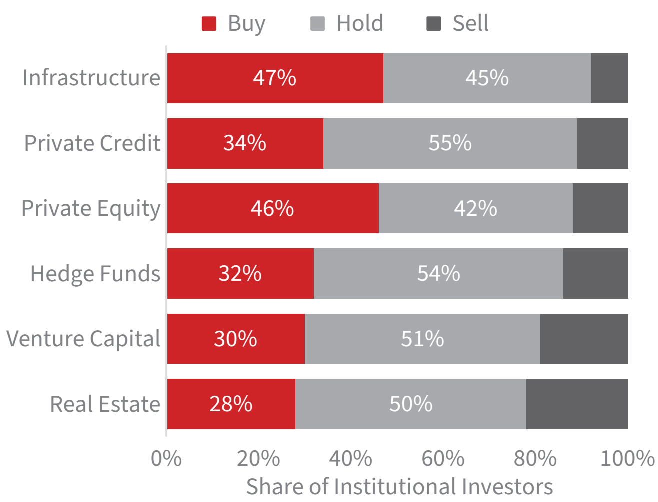
Resilience, however, was not evenly distributed across the private credit market. Stress in the last hiking cycle was concentrated in junior capital structures, where subordinated PIK usage rose from c.25% in 2022 to c.60% by late 2024. By contrast, first-lien senior secured loans remained resilient, with PIK usage anchored near 10% through 2026. In light of this, private credit exposure going into the next quarter should focus on top-tier managers and senior-secured first-lien strategies, while avoiding unitranche or subordinated risk, to preserve underwriting discipline and covenant protection. Vehicle selection also matters. Primary and evergreen private credit vehicles provide purer private credit exposure and avoid some concerns around publicly traded vehicles. Public vehicles trading at large discounts to NAV may be constrained from issuing fresh equity below NAV, limiting fundraising flexibility and increasing reliance on leverage. In a hawkish rate environment, this can add risk. Overall, private credit remains central to an alternatives allocation, but investors should prioritise quality, seniority, and structural protection.

Subordinated PIKs explode during 2022 rate hike while first lien held firm




Source: Pitchbook, DBS

Smart money refuses to follow retail out of private credit

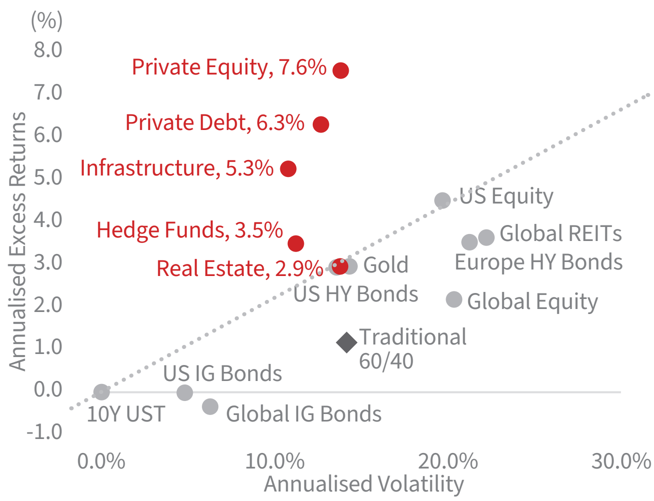



Source: Preqin, DBS

**Finding alpha.** Beyond inflation protection, drawdown mitigation, and defence against rate tightening, alternatives can also enhance long-term return potential. Historical data show alternatives outperforming traditional public assets, with private equity delivering c.7.6% annualised alpha while keeping volatility within a manageable 11% to 14% range. This compares favourably with long-only global equities, where volatility can exceed 20% despite lower excess returns. Importantly, private equity fundamentals have stabilised after the post-pandemic surge. Revenue growth peaked at c.15% in 2022, while EBITDA lagged as wage inflation, supply-chain bottlenecks, and higher input costs squeezed margins. By late 2025, revenue growth had normalised to c.7% and EBITDA growth stabilised near c.6%, suggesting private companies have moved back towards more sustainable profitability. This also shows that active managers were able to steer portfolio companies through the 2022 inflation shock and margin compression. Liquidity conditions have improved as well. After the 2022 to 2023 exit freeze, when higher rates and valuation uncertainty drove exits down from over USD840bn in 2021 to c.USD280bn in 2023, realisations recovered toward USD700bn by 2025. This was supported by stronger M&A, IPO, and sponsor-to-sponsor transactions. Future rate hikes could still disrupt the recovery, but GP-led continuation vehicles and LP-led secondaries, now worth c.USD115bn and c.USD240bn respectively, give managers more ways to unlock value beyond traditional exits.

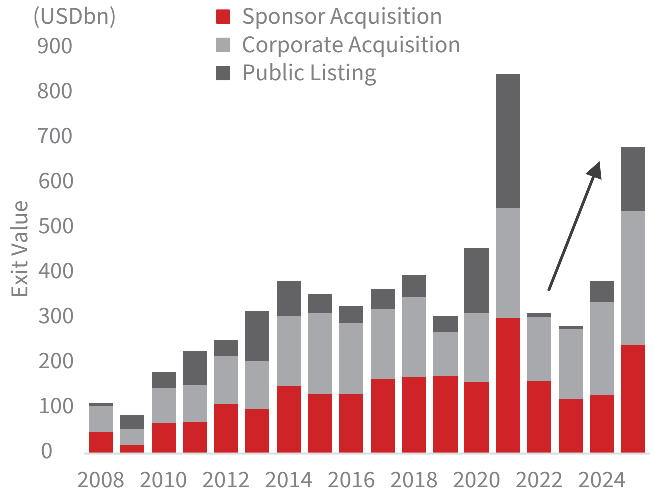
For private equity, the case is not broad exposure at any price, but access to stronger managers and selective deal participation. This is especially important in technology, where AI is widening dispersion between legacy software firms and AI-native platforms. Yet this is not a reason to avoid private equity, as many important AI opportunities remain private before reaching listed markets. Investors should focus on top-tier managers with proven sourcing, underwriting, and value-creation capabilities. Co-investments can sharpen this selectivity by providing access to high-conviction companies with stronger moats, resilient earnings, clearer value-creation paths, faster return realisation, and potentially lower fees. For newer investors, evergreen or semi-liquid funds with a high share of co-investments can offer selectivity, return uplift, earlier distributions, and liquidity management, although gates and capped liquidity windows can still apply.

Alternatives deliver stronger excess returns, led by private equity



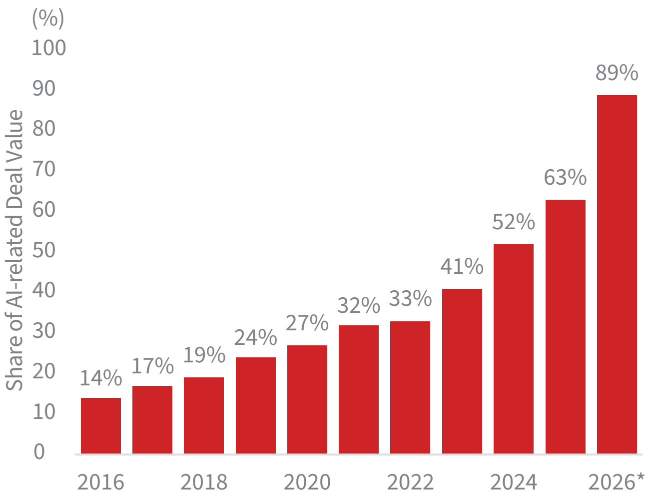

Source: Bloomberg, Preqin, DBS

Private equity exits are recovering from the 2022–23 freeze




Source: Pitchbook, DBS

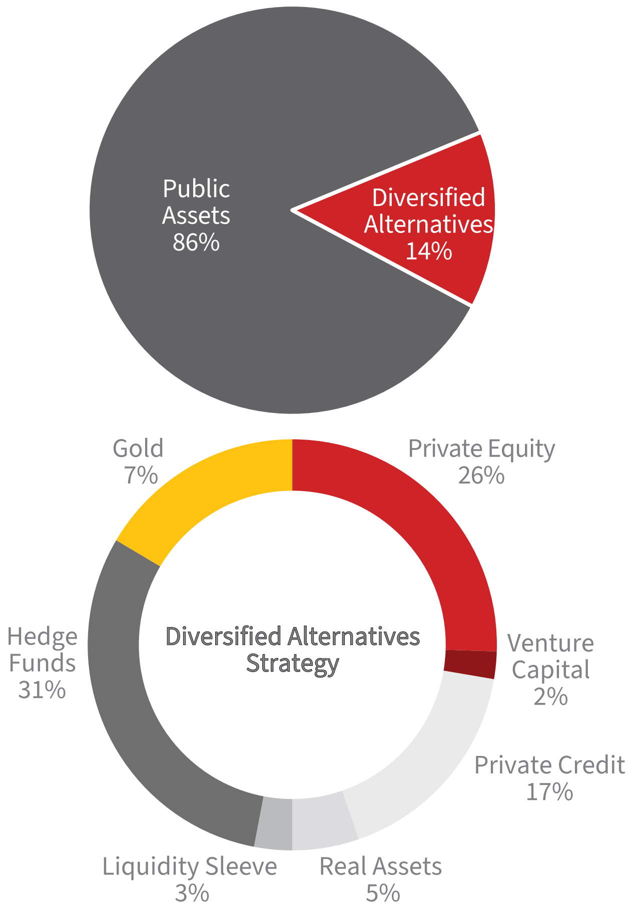
Private markets remain key to capturing early-stage AI opportunities




Source: Preqin, DBS
*Note: 2026 data are as of 1Q26

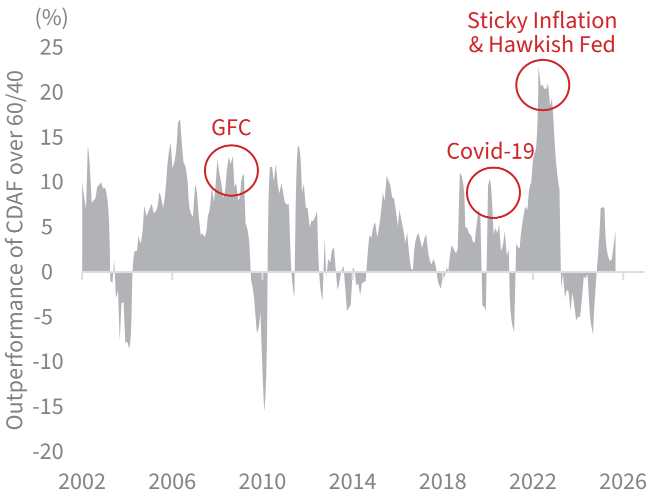
**Building beyond** 60/40. Taken together, alternatives directly address the pressure points now exposed in traditional 60/40 portfolios. Hedge funds reduce drawdowns, real assets provide inflation-linked cash flows, private credit offers floating-rate income to navigate rate-hikes, and private equity adds long-term excess return through active value creation. Our diversified alternatives strategy brings these asset classes together alongside gold, with flexibility to rebalance as macro conditions shift. Back-testing suggests an outperformance over traditional portfolios when protection matters most, particularly through inflationary, growth, and geopolitical crises. Additionally, the strategy's fund-of-funds approach improves access through single-ticket exposure to harder-to-reach managers, broader diversification, and more flexible liquidity than traditional closed-end funds. Risks remain, but in a macro environment shaped by stickier inflation, higher volatility, and less reliable stock-bond diversification, portfolio construction matters more. Diversified alternatives can help investors build resilience beyond 60/40.

Overview of the CIO diversified alternatives strategy




Source: DBS

Back-tested alternatives strategy outperformed 60/40 in key stress periods




Source: Bloomberg, Preqin, DBS

Alternatives address pressure points in traditional 60/40 portfolios

| Alternative Asset Classes | Key Features | Significance |
|---|---|---|
| Hedge Funds | Uncorrelated returns | Drawdown & volatility mitigation |
| Real Estate & Infrastructure | Inflation-linked cash flows | Inflation protection |
| Private Credit | Floating rate | Rate hiking scenarios |
| Private Equity | Active value creation | High excess returns |

Source: Bloomberg, DBS

# Rise of Energy Security


## Thematic Strategy 3Q26

Energy security is back at the centre of global strategy as geopolitical shocks, rising electricity demand, and ageing grids expose vulnerabilities in the energy system. Hydrocarbons remain essential, while infrastructure, storage, and selective low-carbon solutions such as nuclear grow in importance. The transition will be broad, costly, and contested.

# Rise of Energy Security

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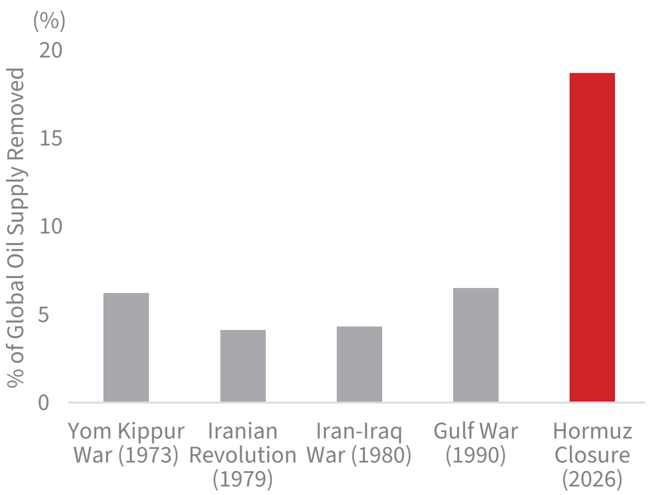
**Energy security has returned to the centre of global strategy.** The immediate trigger is geopolitical: The Iran war and disruption of the Strait of Hormuz have exposed how vulnerable the global economy remains to concentrated oil and gas chokepoints. A prolonged interruption to the strait has threatened a meaningful share of seaborne oil and LNG flows with consequences extending far beyond higher fuel prices. Inflation, industrial output, transport systems, and geopolitical alignments have all been affected. Yet, the energy story is not only about supply shocks.

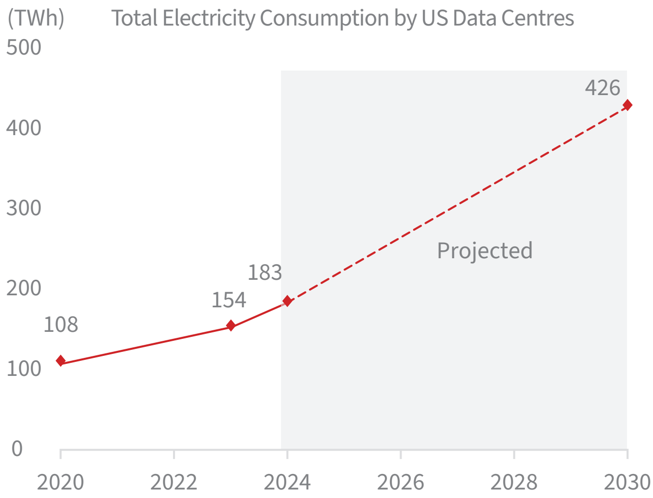
Historical oil supply shocks: Magnitude comparison




Source: IEA, Dallas Fed, EIA, RIA Advisors, DBS
Note: Strait of Hormuz disruption is calculated based on oil product export of 19.87mmbpd and a total global supply of 106.2mmbpd in 2025 based on IEA analyses

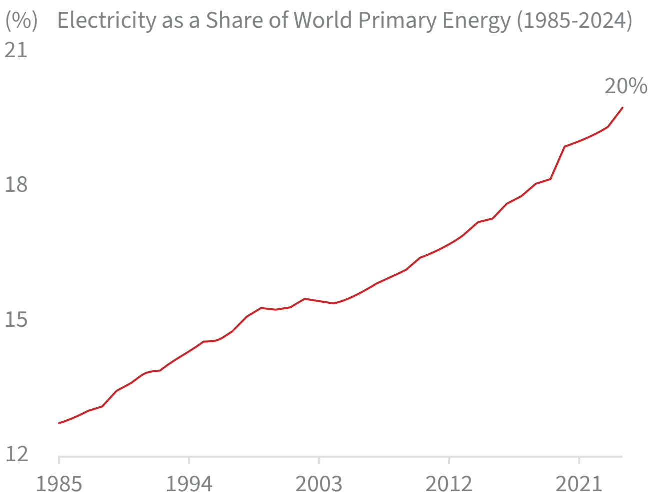
**Demand is also changing structurally.** Electricity consumption is rising because the global economy is becoming more digital, electrified, and power-intensive. AI data centres are emerging as major new sources of baseload-like demand, while electric vehicles, electric heating, and broader electrification are shifting more of the economy onto the grid. Against this backdrop, energy security must be understood in three layers. First, reliable access to hydrocarbons remains indispensable because fossil fuels continue to anchor the global energy system. Second, energy infrastructure matters as much as fuel itself because ageing grids and insufficient generation capacity are becoming binding constraints. Third, the energy transition is real but more complicated than a clean substitution of old for new. The future energy mix will be broader, more infrastructure-heavy, and more politically contested than many had earlier assumed.

US data centre electricity demand set to more than double by 2030




Source: IEA, "Energy and AI", Apr 2025
Note: 2030 projection is based on IEA's "base case" scenario which assumes current industry forecasts and regulatory conditions persist

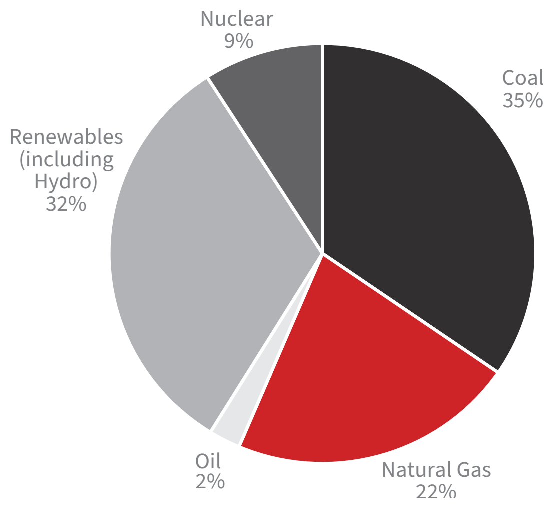
Electricity, as a share of primary energy, is growing rapidly




Source: Ember (2026); Energy Institute – Statistical Review of World Energy (2025) with major processing by Our World in Data

**Hydrocarbons are still king.** Recent events have reinforced a hard truth: Energy security is, at its core, a geopolitical problem, and hydrocarbons sit at the heart of it. Russia's invasion of Ukraine showed how dangerous it can be to build an energy system around assumptions of stable political relations. Europe, long dependent on cheap Russian gas, was forced to scramble for alternatives, reopen coal capacity, and extend the life of nuclear assets. The more recent escalation involving Iran has pushed that lesson further. Governments are now thinking less about cost minimisation alone and more about resilience, redundancy, and strategic autonomy. This shift matters because fossil fuels remain deeply embedded in the real economy. In power generation, they still account for the majority of global electricity output.

Fossil fuels make up c.60% of global electricity generation mix




Source: IEA, DBS

**Coal,** despite years of policy pressure, has regained importance in many markets because it is abundant, storable, and compatible with existing generation infrastructure. In Europe, several countries reversed or delayed coal phase-outs after the 2022 gas shock. In Asia, especially China and India, coal remains a crucial pillar of energy security because it combines affordability with dispatchability. China is particularly instructive: It has led the world in renewable deployment while continuing to expand coal capacity, effectively pursuing a dual-track strategy of green growth and conventional back-up.

**Natural gas** occupies an especially important position because it can serve as baseload, peaking, and balancing power. It is also the most credible bridge fuel for economies seeking to lower emissions without compromising reliability. Gas-fired plants can respond rapidly when wind and solar output falls, making them central to power systems with rising renewable penetration.

**Oil,** meanwhile, remains indispensable even if its role in power generation is limited. Transport still accounts for the bulk of oil use, while aviation, shipping, petrochemicals, plastics, fertilisers, and industrial feedstocks continue to depend heavily on petroleum. The transition to electric mobility is progressing, but unevenly across regions and sectors. As a result, forecasts for peak oil demand have steadily shifted later. The implication is clear: Energy transition may be underway, but hydrocarbons will remain essential for longer than many earlier forecasts had assumed.

The curious case of peak oil projections

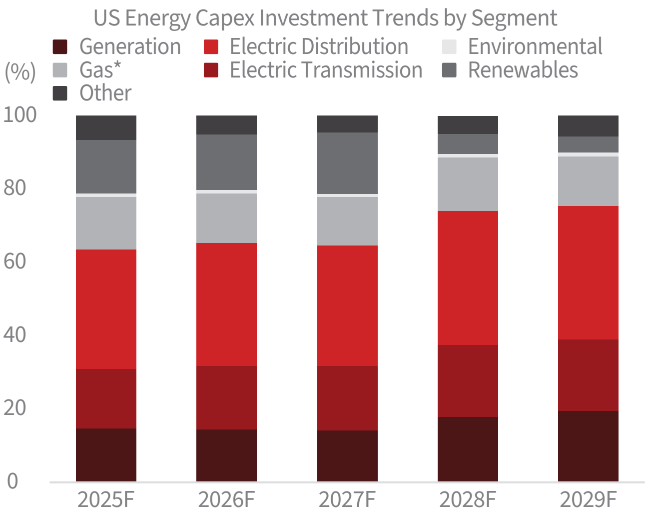
| Year of Forecast | Forecaster | Projected Peak Year |
|---|---|---|
| c.2018–2019 | IEA (SDS sce-nario) | c.2025 |
| 2021 | Shell CEO (pandemic view) | "May have already peaked" |
| 2023 | IEA (STEPS) | Late 2020s / c.2030 |
| 2024 | IEA (Oil 2024) | c.2030, plateau at c.106 mb/d |
| 2025 | IEA (Oil 2025) | Plateau c.105.5 mb/d by end of decade |
| 2025 | BP (Energy Outlook 2025) | **Mid-2030s** |
| 2025 | Equinor (En-ergy Perspec-tives 2025) | 2033 |
| 2025 | OPEC (World Oil Outlook 2050) | No peak before 2045–2050 |

Source: IEA, BP, Shell, Equinor, OPEC

**Infrastructure is key to domestic energy security.** If hydrocarbons explain the geopolitical side of energy security, infrastructure explains the domestic side. Even abundant fuel supplies cannot guarantee resilience if electricity systems are unable to generate, move, and manage power reliably. This is becoming more important because the global economy is entering a phase of structurally higher electricity demand. Electrification of transport, heating, and industry is lifting the underlying load on power systems, while AI data centres are adding large, continuous, and reliability-sensitive demand. Existing grids were not built for this environment. Much of the world's infrastructure is ageing and was designed for one-way power flows from large, centralised plants to passive end users. It is poorly suited to a system with distributed renewables, two-way flows, digital load management, and volatile demand spikes. This means energy security increasingly depends on upgrading the physical and digital architecture of the grid. Investment is required across power generation, transmission, distribution, substations, control systems, and storage.

**New generation capacity is needed** because utilities alone are unlikely to fund and deliver all incremental supply. Independent power producers, therefore, play a growing role in financing and building new capacity across technologies. Their rise reflects a broader decentralisation of the power system and a structural increase in capital expenditure.

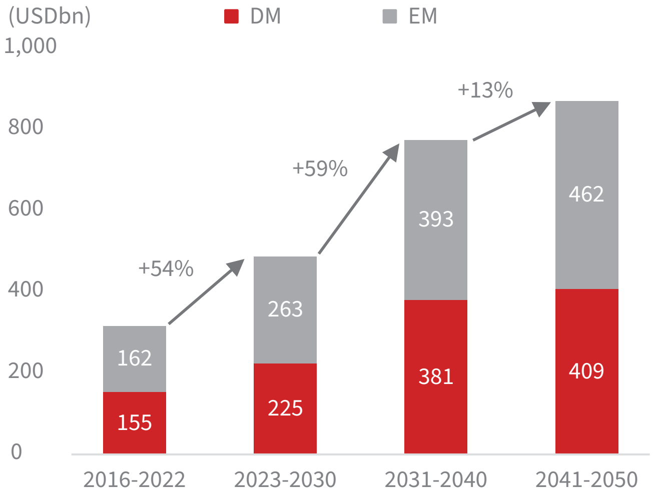
Future energy capex will focus heavily on generation, transmission, and distribution




Source: Regulatory Research Associates, a group within S&P Global Commodity Insights, S&P Global as at 24 Mar 2025
*Gas includes pipeline, storage, distribution, and other gas infrastructure

**Grid modernisation is just as important.** Smart grids equipped with digital sensors, real-time monitoring, automation, and demand-response tools are necessary to handle variable renewable generation and more complex load patterns. Yet, digitalisation alone is not enough; physical capacity must also expand. Transmission projects are slow, capital intensive, and often constrained by permitting and politics, which means bottlenecks may persist even where demand is clearly rising. Battery energy storage systems offer an important complementary solution. They can be deployed faster than major grid upgrades, respond almost instantly to changes in supply and demand, and

Annual grid investments will need to grow exponentially to meet current energy and climate goals



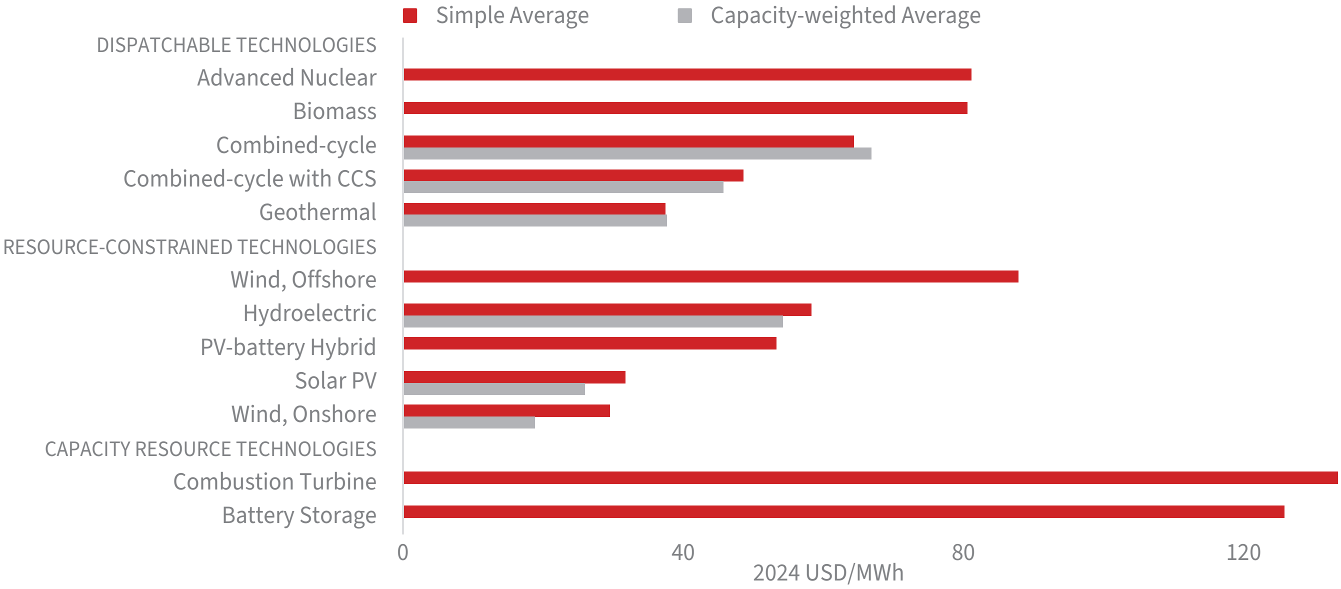

Source: IEA, DBS

help smooth renewable intermittency and demand volatility. Even so, batteries are not a complete substitute for network expansion or dispatchable generation.

The broader message is that energy security is no longer only about securing oil and gas in the ground or on ships. It is increasingly about whether countries possess the generation assets, wires, transformers, storage, and digital intelligence to keep modern economies running without interruption.

**The energy transition is real, but it is not a clean replacement story.** Wind and solar are expanding rapidly and will account for a growing share of future electricity generation, especially in developed markets. Their rise is essential to long-term decarbonisation, and their operating costs can be attractive once installed, but they are not silver bullets. Their central limitation is intermittency. Solar output peaks when the sun is at its strongest, rather than when demand is necessarily at its highest, while wind output can vary sharply over short periods. This creates a mismatch between generation and consumption that must be solved elsewhere in the system. Storage can help, but it adds cost and remains constrained by duration and scale. Backup generation, grid reinforcement, curtailment management, and land use all complicate the economics further. This is why simple comparisons based on headline levelised cost of electricity can be misleading. They do not capture the full system cost of integrating renewables into the grid, nor the value of dispatchability and reliability. Renewables should, therefore, be seen not as a complete replacement for traditional energy in the near term, but as part of a broader and more diversified system.

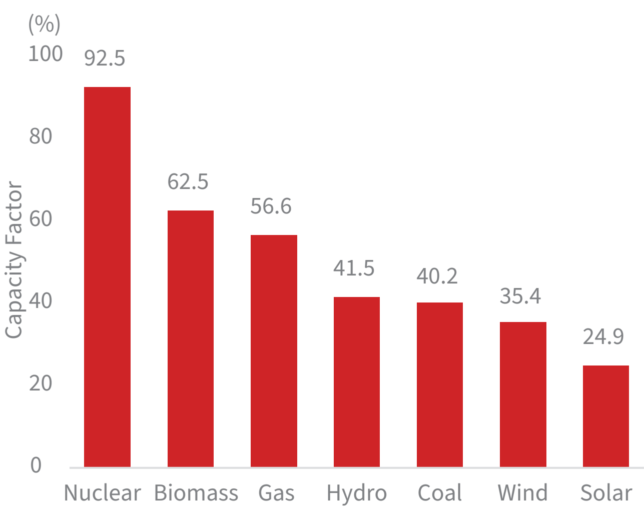
Estimated levelised cost of electricity (LCOE) and levelised cost of storage (LCOS) for new US resources in 2030




Source: US Energy Information Administration, Annual Energy Outlook 2025

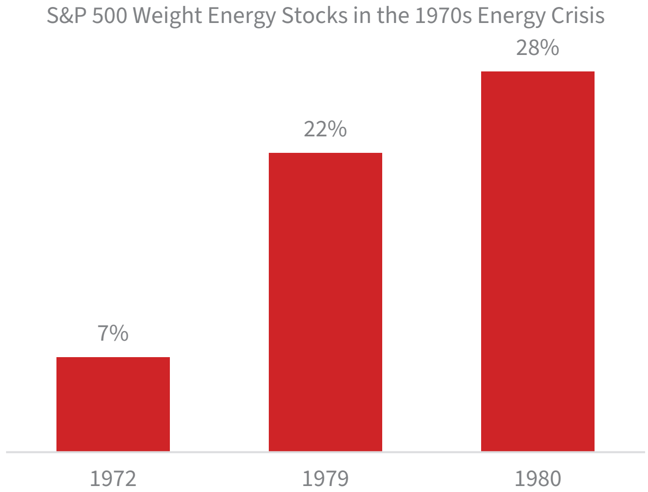
**Within that broader system, nuclear is returning to strategic relevance.** As power demand rises and the cost of outages increases, the value of dependable low-carbon baseload generation becomes clearer. Nuclear offers high-capacity factors, low lifecycle emissions, and insulation from some of the volatility associated with hydrocarbon trade routes. It is not an easy answer; nuclear remains expensive, politically sensitive, and slow to build at scale. However, as policymakers place greater weight on resilience, security of supply, and decarbonisation, nuclear becomes harder to ignore. Small modular reactors and other technological improvements may broaden the opportunity over time, although deployment will still depend on regulation, financing, and industrial capability. The important point is that the energy transition is likely to be additive rather than purely substitutive. The world is not moving from one dominant energy source to another in a straight line. It is building a more complex system in which renewables, hydrocarbons, storage, grid infrastructure, and in some cases, nuclear, play different but complementary roles.

Nuclear boasts the highest constancy in power generation




Source: US Department of Energy, US EIA, DBS

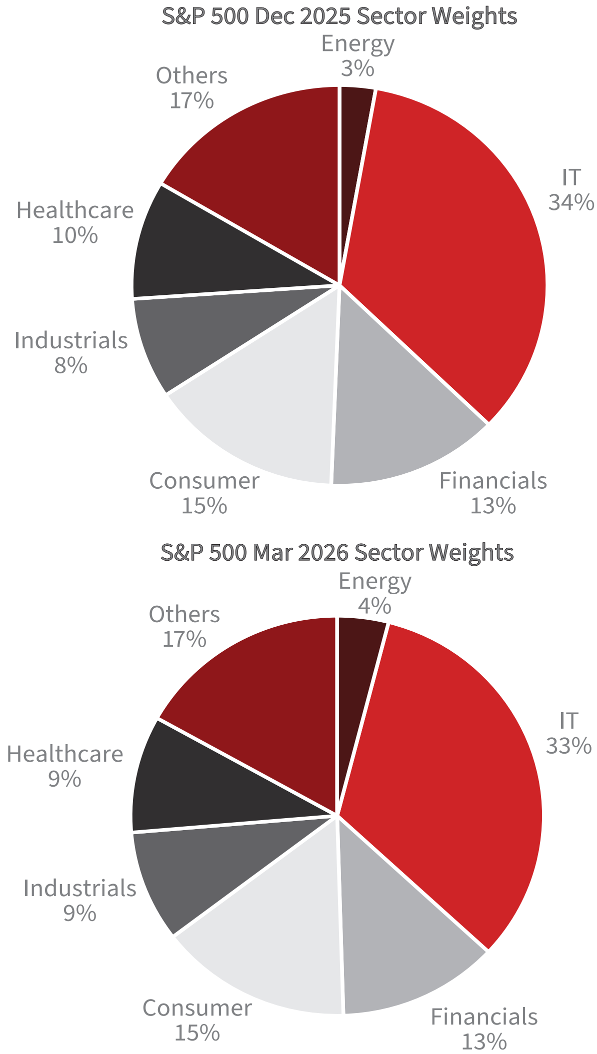
Energy's weight in the S&P 500 surged to 28% during the 1970s energy crisis




Source: Forbes

**Investment implications.** For investors, the key lesson is that energy security is not simply a short-term oil price trade. It is a long-duration structural theme spanning the entire energy ecosystem. Periods of geopolitical disruption can support commodity prices and near-term earnings for traditional energy companies, but the more durable opportunity lies in the assets and businesses that make modern energy systems function. That includes integrated oil majors with scale, balance-sheet strength, and diversified cash flows; refiners that occupy critical bottlenecks in the value chain; and energy service providers leveraged to renewed upstream and infrastructure capital expenditure. It also includes utilities, grid operators, transmission businesses, storage providers, and selective nuclear or uranium exposure where investors want to capture the strategic revival of dependable low-carbon power. One reason this theme matters is that equity markets may still underappreciate the structural importance of energy. In many major indices, the sector remains far smaller than during earlier energy crises despite the fact that energy security, electrification, and infrastructure renewal are now back at the centre of policy and capital allocation. Meanwhile, underinvestment in both traditional energy and supporting infrastructure has increased vulnerability to shocks. The most sensible framing is, therefore, a layered investment approach. Near-term resilience may come from traditional hydrocarbons, especially where supply remains tight and geopolitical risk premia are elevated. Medium- to long-term opportunity lies in infrastructure build-out, grid modernisation, storage, and diversified generation. In other words, the investment case is no longer confined to a view on oil prices. It rests on the emergence of a more energy-intensive, more infrastructure-dependent, and more politically fragmented world.

Scarce assets cushioned portfolio drawdowns




Source: MacroMicro.me

In conclusion, the return of energy security marks a shift away from idealised transition narratives and back towards physical and strategic realities. Hydrocarbons remain indispensable because they are still foundational to transport, industry, and much of global power generation. Infrastructure is becoming just as important as fuel because electrification, AI-driven demand, and ageing grids are exposing the fragility of existing systems. Renewables will continue to grow rapidly, but their success depends on complementary investments in storage, networks, flexible generation, and in some markets, nuclear power. The future energy order will be more diversified, capital intensive, and contested than the one many policymakers once envisioned. For governments, that means resilience, redundancy, and domestic system strength must take priority. For investors, it means opportunity lies not only in energy commodities, but in the broader architecture that delivers reliability, security, and flexibility in an increasingly demanding world.

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# Glossary

| Acronym | Definition |
|---|---|
| AI | artificial intelligence |
| ASEAN | Association of Southeast Asian Nations |
| AT1 | additional tier 1 |
| AxJ | Asia ex-Japan |
| bbl | barrel |
| BDC | Business Development Companies |
| BESS | Battery Energy Storge System |
| bn | billion |
| BNM | Bank Negara Malaysia |
| BOJ | Bank of Japan |
| BOK | Bank of Korea |
| BOT | Bank of Thailand |
| BSP | Bangko Sentral Ng Pilipinas |
| bps | basis points |
| CAA | CIO Asset Allocation |
| CAGR | compound annual growth rate |
| CCS | carbon capture and storage |
| CGB | China Government Bonds |
| CPI | Consumer Price Index |
| CPU | central processing unit |
| DDM | dividend discount model |
| DM | Developed Markets |
| DXY | US Dollar Index |
| EBITDA | earnings before interest, tax, depreciation, and amortisation |
| ECB | European Central Bank |
| EIA | Environmental Impact Assessment |
| EIA (US) | Energy Information Administration |
| EM | Emerging Markets |
| EMEA | Europe, the Middle East, and Africa |
| eop | end of period |
| EPFR | Emerging Portfolio Fund Research |
| EPS | earnings per share |
| EQDP | Equity Market Development Programme |
| ERP | equity risk premium |
| ES | energy storage |

| Acronym | Definition |
|---|---|
| ETF | exchange-traded fund |
| EU | European Union |
| EV | electric vehicle |
| FCAS | Future Combat Air System |
| FDTR | Federal Funds Target Rate |
| FOMC | Federal Open Market Committee |
| FRED | Federal Reserve Economic Data |
| FX | foreign exchange |
| G3 | Group of Three |
| G10 | Group of Ten |
| GDP | gross domestic product |
| GFC | Global Financial Crisis |
| GPU | graphics processing unit |
| GWh | gigawatt-hour |
| HBM | high-bandwidth memory |
| HIBOR | Hong Kong Interbank Offered Rate |
| HICP | Harmonised Index of Consumer Prices |
| HY | high yield |
| ICE | Intercontinental Exchange |
| IEA | International Energy Agency |
| IG | investment-grade |
| IGB | India Government Bonds |
| IMF | International Monetary Fund |
| IPO | Initial Public Offering |
| IT | Information Technology |
| IRGC | Islamic Revolutionary Guard Corps |
| JGB | Japanese Government Bond |
| KLIBOR | Kuala Lumpur Interbank Offered Rate |
| KTB | Korea Treasury Bonds |
| LCOE | levelised cost of electricity |
| LCOS | levelised cost of storage |
| LHS | left hand side |
| LLM | large language model |
| LNG | liquefied natural gas |
| LPR | loan prime rate |
| M&A | mergers and acquisitions |

| Acronym | Definition |
|---|---|
| MAS | Monetary Authority of Singapore |
| ME | Middle East |
| MGS | Malaysia Government Securities |
| MIBOR | Mumbai Interbank Outright Rate |
| mmbpd | million barrels per day |
| mn | million |
| MOU | memorandum of understanding |
| MSCI | Morgan Stanley Capital International |
| MWh | megawatt-hour |
| NAV | net asset value |
| NATO | North Atlantic Treaty Organisation |
| NEER | nominal effective exchange rate |
| OECD | Organisation for Economic Co-operation and Development |
| OIS | overnight indexed swap |
| OPEC | Organisation of the Petroleum Exporting Countries |
| OPM | operating profit margin |
| P/B | price-to-book |
| P/E | price-to-earnings |
| PBOC | People's Bank of China |
| PCE | personal consumption expenditure |
| PE | Private Equity |
| PIK | Payment-in-Kind |
| PMI | Purchasing Managers' Index |
| PPI | Producer Price Index |
| PV | photovoltaic |

| Acronym | Definition |
|---|---|
| R&D | research and development |
| RBA | Reserve Bank of Australia |
| RBI | Reserve Bank of India |
| REE | rare earth element |
| REER | real effective exchange rate |
| REIT | real estate investment trust |
| RHS | right hand side |
| ROA | return on asset |
| ROE | return on equity |
| SAA | Strategic Asset Allocation |
| SaaS | Software-as-a-Service |
| SGDNEER | Singapore Dollar Nominal Effective Exchange Rate |
| SME | small and medium-sized enterprises |
| SMR | small modular reactors |
| SNB | Swiss National Bank |
| SOFR | Secured Overnight Financing Rate |
| SORA | Singapore Overnight Rate Average |
| TIPS | treasury inflation protected securities |
| tn | trillion |
| TOPIX | Tokyo Stock Price Index |
| TWh | terawatt-hour |
| UAE | United Arab Emirates |
| UST | US Treasury |
| WTI | West Texas Intermediate |
| YTD | year-to-date |

# CIO Collection


**2Q26 CIO INSIGHTS**
Resilience in Chaos
March 2026


**1Q26 CIO INSIGHTS**
The Long Game
December 2025


**4Q25 CIO INSIGHTS**
Ride The Trend
September 2025


**3Q25 CIO INSIGHTS**
The Global Pivot
June 2025


**2Q25 CIO INSIGHTS**
Build Resilience Amid Tariffs
March 2025


**1Q25 CIO INSIGHTS**
Game Changers
December 2024


**4Q24 CIO INSIGHTS**
In A Sweet Spot
September 2024


**3Q24 CIO INSIGHTS**
Risk Assets In Play
June 2024


**2Q24 CIO INSIGHTS**
A Broadening Rally
March 2024


**1Q24 CIO INSIGHTS**
Shifting Currents
December 2023


**4Q23 CIO INSIGHTS**
The Next Yield Play
September 2023


**3Q23 CIO INSIGHTS**
King, Queen & Castle
June 2023

# CIO Collection


**2Q23 CIO INSIGHTS**
Break in the Clouds
March 2023


**1Q23 CIO INSIGHTS**
The Return of 60/40
December 2022


**4Q22 CIO INSIGHTS**
Fed in Focus
September 2022


**3Q22 CIO INSIGHTS**
Rising Above Inflation
June 2022

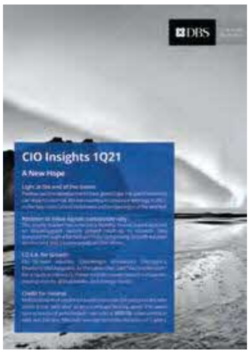

**2Q22 CIO INSIGHTS**
Anchor in the Storm
March 2022


**1Q22 CIO INSIGHTS**
A Divergent World
December 2021


**4Q21 CIO INSIGHTS**
Stay the Course
September 2021


**3Q21 CIO INSIGHTS**
Hope Into Reality
June 2021


**2Q21 CIO INSIGHTS**
Back on Track
March 2021



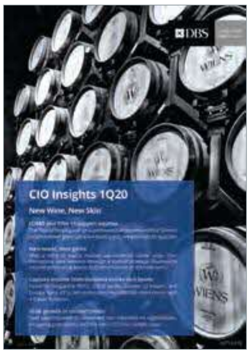

**1Q21 CIO INSIGHTS**
A New Hope
December 2020


**4Q20 CIO INSIGHTS**
On the Mend
September 2020


**3Q20 CIO INSIGHTS**
Resilient in the Storm
June 2020

# CIO Collection


**2Q20 CIO INSIGHTS**
Build to Last
March 2020




**1Q20 CIO INSIGHTS**
New Wine, New Skin
December 2019


**4Q19 CIO INSIGHTS**
Ride the Wave
September 2019


**3Q19 CIO INSIGHTS**
A Changing World
June 2019


**2Q19 CIO INSIGHTS**
Lift to Win
March 2019


**1Q19 CIO INSIGHTS**
Tug of War
December 2018


**4Q18 CIO INSIGHTS**
Window of Opportunity
September 2018


**3Q18 CIO INSIGHTS**
Steer Through Rough Seas
June 2018


**2Q18 CIO INSIGHTS**
Mind the Bends
March 2018


**1Q18 CIO INSIGHTS**
The Bull Ain't Done
December 2017

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