

Key Market Highlights

- Brent crude oil briefly rose above USD 108 per barrel but subsequently eased on reports the United States (US) and Iran were exploring a phased deal to reopen the Strait of Hormuz. Oil prices have edged higher to start this week after US President Trump rejected Iran's seven-day proposal to reopen the key shipping lane though he expects further negotiations this week.
- Inflation concerns driven by the renewed rise in oil prices, stronger-than-expected US purchasing managers' index (PMI) data, rate hike hints by Federal Reserve (Fed) officials, and weak demand at US Treasury bond auctions pushed the US 10-year Treasury yield to a 19-year high while the 30-year yield reached its highest level since 2004.
- Global stock markets posted gains despite the surge in bond yields, underpinned by advances in semiconductor and technology names amid renewed artificial intelligence (AI) enthusiasm.

Topics of the Week:

Cash flow and selectivity matter more

- With the US 10-year Treasury yield hitting a 19-year high above 5%, the S&P 500 equity risk premium, the extra return investors expect to earn from stocks versus a safer instrument, has fallen to around -1.4%, its lowest level since the early 2000s.
- The Fed's September rate hike, alongside elevated oil prices and Treasury yields, has further tightened financial conditions, increasing the need for greater selectivity.
- Companies generating strong free cash flow today are better positioned to fund investments, reduce debt and return capital without relying heavily on external financing.
- During the 2022 tightening cycle, rising bond yields pressured long-duration growth stocks whose cash flows and earnings are expected to materialise in the future, as higher bond yields mean future profits are worth less in today's terms.
 - Companies with stronger cash-flow generation and healthier balance sheets were generally better positioned to absorb higher financing costs and sustain business investment.
- Cash-flow sustainability and valuation discipline are becoming increasingly important in today's environment, but this does not mean moving away from growth; rather, focus on companies with visible earnings and strong cash flow generation.
- With few sectors offering free cash flow yields that match or exceed 5% Treasuries, we favour:
 - Financials, healthcare and quality dividend stocks which offer defensive cash-flow characteristics, and defence stocks that benefit from visible structural demand.
 - Within technology, we favour cash-generative AI adopters that can translate productivity gains into stronger margins and free cash flow.

China's investment case beyond Trump-Xi Summit

- The Trump-Xi summit produced a positive diplomatic tone last week, but the two-month extension of



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the US-China trade truce to 10 January 2027 was the sole concrete outcome announced thus far.

- The extension reduces near-term tariff risks, but technology restrictions and rare-earth supply remain key areas of uncertainty, pointing to continued structural competition.
- AI discussions produced no breakthrough on technology restrictions, and it is apparent that technological self-sufficiency remains an important long-term priority for China.
- Beyond US-China relations, China's diverging economic growth engines calls for a diversified investment approach.
 - Quality dividend stocks: Established companies with resilient cash flows and shareholder returns can provide more defensive characteristics amid elevated uncertainty.
 - Domestic stocks (A-shares): Companies with greater exposure to the domestic economy can reduce reliance on external trade and benefit from supportive policies.
 - Innovation companies aligned with strategic priorities: Companies in areas aligned with China's strategic priorities can benefit from continued investment in technological self-reliance and advanced industries. These areas may retain policy support even if US-China technology restrictions persist.

Investment Strategy

- Higher oil prices, elevated Treasury bond yields and renewed Fed tightening warrant a neutral equity stance and greater selectivity.
- Clients should remain invested in equities as earnings growth provides support, but near-term macroeconomic risks call for greater selectivity rather than broad market exposure.
- Favour companies with sustainable free cash flow, resilient balance sheets and visible earnings, while retaining exposure to structural growth opportunities.
- Prefer financials, healthcare, defence, quality dividend stocks and cash-generative AI adopters.
- Within China, while we hold a neutral stance, diversify exposure across quality dividend stocks, domestic-focused companies and innovation companies aligned with China's strategic priorities.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7743.41	1.21	0.88	5.29	13.12
Dow Jones (USD)	51828.62	0.28	-3.06	-0.09	7.83
NASDAQ 100 (USD)	30608.13	3.25	4.73	5.12	21.22
FTSE 100 (GBP)	10695.25	0.34	-1.68	1.78	7.69
S&P/ASX 200 (AUD)	8665.013	-0.76	-5.07	-1.13	-0.57
DAX (EUR)	25408.64	0.41	-3.34	2.99	3.75
Swiss Market Index (CHF)	13945.71	1.15	-4.11	-1.60	5.11
HSCEI Index (HKD)	8165.78	-0.72	-4.31	9.45	-8.39
Hang Seng Index (HKD)	24510.09	-0.97	-4.46	8.11	-4.37
Nikkei 225 (JPY)	66364.2	2.07	0.15	-4.32	31.83
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	104.32	0.43	19.99	44.19	73.32
Gold (USD)	4284.81	-2.14	-6.67	4.80	-0.80
EURUSD	1.1391	-0.83	-2.23	0.06	-3.02
GBPUSD	1.3247	-1.10	-2.56	0.36	-1.69
USDJPY	157.28	0.26	-1.27	-2.76	0.36
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	5.160	0.164	0.514	0.792	0.993
German 10-year Bund yield	3.601	0.082	0.367	0.750	0.746
UK 10-year Gilts yield	5.366	0.071	0.335	0.635	0.887
Japan 10-year bond yield	3.083	0.094	0.179	0.462	1.017

1 week for the period 18-Sep-2026 to 25-Sep-2026

1 month for the period 26-Aug-2026 to 25-Sep-2026

3 months for the period 26-Jun-2026 to 25-Sep-2026

Year-to-date for the period 31-Dec-2025 to 25-Sep-2026

Source: Bloomberg (last update: Sat, 26 September 2026 4:31 PM SGT)



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