

Key Market Highlights

- After a volatile week, global stock markets ended mildly higher as SpaceX's strong market debut boosted sentiment and investors remained optimistic about a possible peace agreement between the United States (US) and Iran.
- Oil prices have slid to a 3-month low on the hope that the US and Iran can reach a peace agreement and end the conflict that has disrupted energy markets.
- The Federal Reserve (Fed) is expected to keep interest rates unchanged through 2026. But if inflation accelerates further, that could place upward pressure on interest rate expectations which could drive bond yields higher.

Topics of the Week:

US inflation rate rose to 4.2% as energy costs surged due to US-Iran conflict

- US inflation picked up in May, with headline Consumer Price Index (CPI) rising to 4.2% year-on-year (y/y) from 3.8% in April, marking its highest level in three years.
 - In contrast, core inflation (which excludes food and energy) increased by a more modest 0.2% month-on-month (m/m) and 2.9% y/y, suggesting that underlying, demand-driven price pressures remain contained.
 - The rise in headline inflation was primarily driven by energy prices, which surged 23.5% over the past year amid supply disruptions linked to the ongoing Middle East conflict that continues to affect global oil flows.
- US headline inflation rising toward the 4% level has historically been associated with increased market volatility, as investors reassess the outlook for interest rates and the direction of monetary policy.
- In this environment, markets may grow concerned that central banks could either tighten policy too aggressively, risking a recession, or act too slowly, allowing inflationary pressures to become more persistent and entrenched.

All eyes now on Kevin Warsh and the Fed

- Expectations for monetary easing have diminished significantly, as the US labour market remains resilient and inflation concerns linked to ongoing geopolitical tensions continue to persist.
- We expect the Fed to keep interest rates unchanged at 3.50% to 3.75% during this Wednesday's policy meeting, despite earlier views from new Fed Chair Kevin Warsh that AI-driven productivity gains could help moderate inflation and support lower rates over time.
- Market expectations reinforce this outlook, with the futures market indicating no probability of a rate cut this week and instead suggesting a possibility of modest rate hikes emerging later in 2026 into 2027.



Mega tech IPO wave may compete for capital

- A potential pipeline of mega technology IPOs could become a key driver for stock markets, reinforcing investor confidence in AI as a long-term growth theme. However, the near-term impact may be accompanied by heightened volatility.
- An early inclusion into global indices could prompt institutional investors and passive funds to rebalance portfolios by trimming positions in existing, potentially overvalued mega-cap stocks to fund allocations into these new listings.
- At the same time, retail investors may also rotate capital out of current holdings to participate in these high-profile IPOs, adding to short-term market volatility.

Investment Strategy

- Elevated interest rates can weigh on equity valuations, but this impact is less adverse when supported by improving economic fundamentals.
- As earnings growth broadens beyond the technology sector, investors may increasingly look to diversify away from concentrated positions in mega-cap tech.
- While the technology sector continues to offer strong structural growth, the focus should shift towards companies with clear earnings visibility and monetisation potential, alongside opportunities in hardware and segments constrained by supply-chain dynamics.
- Selective opportunities seen in
 - Asia ex-Japan, particularly Taiwan, South Korea, Singapore.
 - China, with a preference for onshore over offshore, China tech and high dividend stocks.
 - Technology sector, focusing on semiconductors, data centres, power infrastructure, AI-related infrastructure.
 - Developed market financials.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7431.46	0.65	-0.17	12.05	8.56
Dow Jones (USD)	51202.26	0.66	3.04	9.97	6.53
NASDAQ 100 (USD)	29635.95	2.34	0.92	21.55	17.37
FTSE 100 (GBP)	10471.72	1.00	1.42	2.05	5.44
S&P/ASX 200 (AUD)	8804.036	2.07	2.01	2.17	1.03
DAX (EUR)	24635.3	-0.50	2.07	5.07	0.59
Swiss Market Index (CHF)	13708.02	2.39	3.75	6.77	3.32
HSCEI Index (HKD)	8374.43	-0.74	-5.65	-3.43	-6.05
Hang Seng Index (HKD)	24718.1	-0.98	-6.33	-2.94	-3.56
Nikkei 225 (JPY)	66020.04	-0.85	4.34	22.67	31.15
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	87.33	-6.19	-14.05	-4.06	45.09
Gold (USD)	4219.33	-2.52	-10.01	-15.94	-2.32
EUR/USD	1.1568	0.40	-1.22	1.32	-1.52
GBP/USD	1.3406	0.48	-0.87	1.33	-0.51
USD/JPY	160.24	-0.03	1.51	0.32	2.25
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	4.479	-0.051	0.010	0.202	0.312
German 10-year Bund yield	2.995	-0.043	-0.105	0.012	0.140
UK 10-year Gilts yield	4.836	-0.067	-0.229	0.013	0.357
Japan 10-year bond yield	2.626	-0.046	0.036	0.366	0.560

1 week for the period 05-Jun-2026 to 12-Jun-2026

1 month for the period 13-May-2026 to 12-Jun-2026

3 months for the period 13-Mar-2026 to 12-Jun-2026

Year-to-date for the period 31-Dec-2025 to 12-Jun-2026

Source: Bloomberg (last update: Mon, 15 June 2026 10:05 AM SGT)



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