

Key Market Highlights

- The 10-year United States (US) Treasury bond yield briefly rose above 5% before retreating after the Federal Reserve's (Fed) unanimous interest rate hike reinforced policy credibility. That said, yields resumed their climb on Friday as the focus turns to this week's heavy bond issuance.
- The Japanese Yen weakened after the Bank of Japan (BOJ) raised its policy rate, as a non-unanimous decision and a cautious policy outlook tempered expectations for aggressive policy tightening. The Yen, however, pared losses following reports the BOJ enquired with market participants about exchange rate levels, a move that sometimes leads to official intervention.
- Despite heightened conflict between Houthi rebels and Saudi Arabia, Brent crude oil prices declined due to Saudi Arabia re-routing their supply chain while oil shipments through the Strait of Hormuz reached their highest level in six months over the past two weeks.

Topics of the Week:

The Fed Remains Cautious on Inflation Risks

- The Fed voted unanimously to raise interest rates by 25 basis points (bps) to 3.75% - 4.00%.
 - The Fed remains firmly focused on inflation which has remained "too high too long".
 - The rate increase was intended to bring inflation down toward the Fed's 2% target in a timelier manner.
- The Fed expects one further rate hike by year-end and no change through 2027, reinforcing market expectations that interest rates will stay higher for longer.
- The unanimous rate increase, inflation focus, and signal of another rate hike by year end reinforced confidence in the Fed's commitment to price stability, helping the 10-year US Treasury bond yield retreat after briefly rising above 5%.
- House View: We now expect two additional rate hikes, one in December 2026 and another in 1Q 2027, followed by rates remaining on hold for the rest of 2027.

Above-Target Inflation Supports Further BOJ Normalisation

- The BOJ raised rates by 25 bps to 1.25%, the highest level in 31 years, to manage rising inflation.
- The Bank of Japan signalled that further interest-rate increases remain possible, although the 7-2 vote tempered expectations over the near-term pace of tightening.
- The Japanese Yen weakened due to the non-unanimous decision, but pared losses as a report that the BOJ enquired about exchange rate levels stoked concerns of official currency intervention.
- House View: We expect the BOJ to hike again in 2Q 2027, before keeping rates on hold at 1.5%.



CIO Strategic Asset Allocation (SAA) - Turning More Cautious

- We downgraded our equity outlook from overweight to neutral due to uncertainty over:
 - Oil prices, inflation concerns, interest rate policy, and elevated investor expectations.
 - However, solid economic fundamentals and earnings growth, favourable historical trends following US mid-term elections, and the potential reversal of the oil shock support our positive medium-term outlook.
- We are now neutral across all equity regions with an emphasis on quality and selectivity.
- Within sectors, we favour financials, defence, healthcare and quality dividend stocks, while preferring artificial intelligence (AI) adopters over hardware suppliers.
- Key Takeaway: Remain tactically cautious in the near term while maintaining a positive medium-term outlook and selectively accumulate quality assets on market dips.

Investment Strategy

- While medium-term tailwinds remain intact, elevated oil prices and inflation, Fed tightening and crowded investor positioning have weakened the near-term risk-reward balance.
 - Investors should stay invested while adopting a more cautious and selective approach to managing near-term risks.
 - Use periods of market weakness to selectively accumulate quality assets.
- Investors should review their holdings and consider opportunities to build greater portfolio resilience amid potential near-term volatility.
 - We favour profitable companies with visible near-term earnings over businesses whose expected returns lie further in the future.
 - Investors with significant AI exposure should consider rebalancing towards financials, defence, and healthcare companies.
 - Within AI, we now favour companies that benefit from adopting the technology over hardware suppliers.
 - Near-term weakness in quality dividend stocks, driven by higher bond yields, may present attractive entry opportunities for long-term income-oriented investors.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7650.5	-0.08	-0.75	2.00	11.76
Dow Jones (USD)	51682.64	-1.69	-3.33	0.23	7.53
NASDAQ 100 (USD)	29644.17	0.94	0.74	-2.51	17.40
FTSE 100 (GBP)	10659.13	0.08	-0.78	2.85	7.33
S&P/ASX 200 (AUD)	8731.173	-0.11	-3.56	-1.10	0.19
DAX (EUR)	25304.06	-1.03	-3.02	1.27	3.32
Swiss Market Index (CHF)	13786.72	0.08	-4.17	0.09	3.91
HSCEI Index (HKD)	8225.4	-0.25	-2.90	3.13	-7.72
Hang Seng Index (HKD)	24750.78	-0.22	-2.92	3.45	-3.43
Nikkei 225 (JPY)	65018.95	1.57	-0.47	-8.75	29.16
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	103.87	-0.71	15.68	32.28	72.57
Gold (USD)	4378.63	0.68	-3.03	5.36	1.37
EURUSD	1.1486	-0.97	-1.64	0.13	-2.21
GBPUSD	1.3395	-0.95	-1.55	1.23	-0.59
USDJPY	156.88	2.13	-0.82	-2.74	0.11
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	4.996	0.029	0.350	0.543	0.829
German 10-year Bund yield	3.519	0.015	0.257	0.534	0.664
UK 10-year Gilts yield	5.295	-0.048	0.251	0.453	0.816
Japan 10-year bond yield	2.989	0.002	0.087	0.333	0.923

1 week for the period 11-Sep-2026 to 18-Sep-2026

1 month for the period 19-Aug-2026 to 18-Sep-2026

3 months for the period 19-Jun-2026 to 18-Sep-2026

Year-to-date for the period 31-Dec-2025 to 18-Sep-2026

Source: Bloomberg (last update: Sat, 19 September 2026 7:14 AM SGT)



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