

Key Market Highlights

- Global stocks paused their recent rally after disappointing artificial intelligence (AI) chip guidance from United States (US) chipmaker triggered a selloff in global technology stocks.
- Meanwhile, stronger-than-expected US economic data pushed Treasury yields higher, as investors fully priced in the possibility of a 25 basis points (bps) rate hike by year-end.
- Sentiment remained cautious as US-Iran negotiations stayed stalled amid renewed clashes in the Middle East, raising concerns over energy prices and inflation.
- Despite the recent pullback, the weakness is likely to be healthy correction rather than a shift in the broader AI investment theme.
- Looking ahead, with corporate earnings expected to remain resilient and the Federal Reserve (Fed) likely to keep interest rates unchanged for the remainder of 2026, the overall backdrop for equities remains supportive.

Topics of the Week:

Macro back in focus

- Recent economic data and high-frequency indicators suggest the US economy remains resilient.
 - Both ISM manufacturing and services purchasing managers' indices (PMI) remained in expansionary territory in May, though part of the strength may have been driven by inventory rebuilding and front-loaded purchases ahead of potential price increases.
 - US nonfarm payrolls in May continued to show strength in the labour market, with the three-month average rising to its strongest pace in more than two years.
 - The Atlanta Fed GDPNow estimate, a real-time tracker of economic growth based on incoming data, points to US growth of around 3%, suggesting the economy is not heading into a recession.
- Nonetheless, inflation remains the key risk, with the latest ISM Prices Paid indices indicating elevated input cost pressures that near levels last seen in 2022.
 - This week's Consumer Price Index (CPI) release will be closely watched, with headline inflation expected to rise to 4.2% in May. Historically, the S&P 500 has tended to retrace 3-6% following the first inflation print above 4%.
- Despite rising inflation concerns, corporate earnings remain the primary driver of equity performance.
 - S&P 500 earnings estimates for 2026 and 2027 continue to trend higher, supporting a constructive outlook for equities.
 - While valuations are elevated, they remain below previous peaks and can be sustained if earnings revisions continue to improve.
 - Our base case remains for the Fed to keep interest rates unchanged through year-end, allowing equities to absorb higher valuations even if rate cuts are delayed.



European Central Bank (ECB) meeting preview

- The ECB is widely expected to deliver a 25 bps rate hike at its 11 June meeting, which would be its first increase since September 2023.
 - Inflation in the euro area has accelerated further, with services inflation increasingly replacing energy as the main driver, suggesting higher costs are being passed through more broadly into the economy.
- Beyond the rate decision, investors will focus on the ECB's updated inflation and growth projections, as well as guidance on future policy moves.
- House View: We expect the ECB to raise rates by 25 bps in June, with risks tilted towards further policy tightening.

Investment Strategy

- While inflation risks may drive periods of near-term volatility, stock markets are expected to remain supported by corporate earnings and continued hyperscaler AI-related capital expenditure.
- Stay invested through diversified portfolios to reduce concentration risk while maintaining exposure to long-term growth opportunities.
- Remain selective and use market pullbacks as opportunities to accumulate quality companies and resilient dividend-paying stocks.
- Selective opportunities seen in
 - Asia ex-Japan, particularly Taiwan, South Korea, Singapore.
 - China, with a preference 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)	7383.74	-2.59	0.25	9.55	7.86
Dow Jones (USD)	50866.78	-0.32	1.92	7.08	5.83
NASDAQ 100 (USD)	28957.6	-4.53	1.25	17.51	14.68
FTSE 100 (GBP)	10368.05	-0.40	-0.68	0.81	4.40
S&P/ASX 200 (AUD)	8625.124	-1.22	-1.92	-2.55	-1.02
DAX (EUR)	24759.05	-1.38	-0.64	4.95	1.10
Swiss Market Index (CHF)	13388.23	-1.14	0.79	2.23	0.91
HSCEI Index (HKD)	8436.63	0.13	-4.14	-2.22	-5.35
Hang Seng Index (HKD)	24961.95	-0.88	-4.78	-3.09	-2.61
Nikkei 225 (JPY)	66588.12	0.39	11.89	19.72	32.28
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	93.09	2.16	-4.11	16.57	54.66
Gold (USD)	4328.45	-4.67	-7.74	-16.31	0.21
EURUSD	1.1522	-1.18	-1.92	-0.83	-1.91
GBPUSD	1.3342	-0.85	-1.85	-0.53	-0.99
USDJPY	160.29	0.64	2.49	1.59	2.28
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	4.530	0.095	0.181	0.392	0.363
German 10-year Bund yield	3.038	0.100	0.039	0.178	0.183
UK 10-year Gilts yield	4.903	0.091	-0.036	0.276	0.424
Japan 10-year bond yield	2.672	0.005	0.154	0.498	0.606

1 week for the period 29-May-2026 to 05-Jun-2026

1 month for the period 06-May-2026 to 05-Jun-2026

3 months for the period 06-Mar-2026 to 05-Jun-2026

Year-to-date for the period 31-Dec-2025 to 05-Jun-2026

Source: Bloomberg (last update: Sat, 06 June 2026 10:25 AM SGT)



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