UOB

Weekly Investment Insights

6 July 2026

Key Market Highlights

- Global equity markets were broadly higher despite continued weakness in semiconductor stocks, as concerns over potential artificial intelligence (AI) infrastructure overcapacity persisted following reports that a US mega-cap company may sell part of its AI computing capacity.
- The Japanese Yen fell to a 40 year low against the US dollar before recovering, as speculation of official intervention grew on reports that Japan may abandon its usual pre-intervention warnings.
- Speaking at the European Central Bank (ECB) Forum, Federal Reserve (Fed) Chair Kevin Warsh refrained from providing policy guidance but noted that inflation risks have eased in recent weeks while reaffirming the Fed's commitment to returning inflation to its 2% target.
- Easing inflationary pressures due to lower oil prices and a softer labour market have reduced the urgency for Fed rate hikes, providing a supportive backdrop for broader equity markets.

Topics of the Week:

Corporate earnings back in focus

- As macro uncertainty eases, market attention is likely to shift back to corporate fundamentals as the second quarter earnings season starts to ramp up.
- Consensus expects S&P 500 earnings to grow by more than 20% year-on-year, marking another strong earnings season.
  - The energy sector is expected to lead earnings growth, supported by higher oil prices.
  - Excluding energy, earnings are still projected to grow by a robust 18.7%, led by continued strength in the technology sector amid ongoing AI investment.
- While revenue growth is expected to moderate from double-digit to high single-digit growth in the coming quarters, it is expected to remain healthy overall.
  - Continued expansion in operating margins is expected to support earnings growth, driven by AI-related productivity gains and improved cost discipline.
  - Margin expansion is also becoming broad-based, extending beyond the technology sector.
- The key question is whether companies can sustain these elevated profit margins.
  - Margin resilience will depend on lower input cost pressures, moderating labour cost inflation, continued productivity gains from AI adoption and sustained pricing power.
- With market expectations already elevated, signs of margin pressure or weaker guidance could potentially trigger earnings downgrades and near-term market volatility.

A broader earnings story is emerging

- The US remains the world's largest and most liquid equity market, supported by structural AI leadership and resilient corporate earnings.
- However, the US' share of global market capitalisation has only partially recovered from its decline in

2025.

  - o This is because global equity performance has been boosted by other stock markets which are seeing improving earnings growth.

- Earnings leadership is becoming increasingly global, as AI-driven growth expands beyond US mega-cap technology companies.
  - o Asia ex-Japan is expected to deliver the strongest earnings growth, led by South Korea and Taiwan, which continue to benefit from AI and semiconductor supply chain investment.
  - o Other regions are also seeing improving earnings momentum, albeit at a more moderate pace.
- The broadening of earnings growth reinforces the case for diversifying beyond traditional US AI leaders, with attractive opportunities emerging across regions and sectors, particularly in Asia.

Investment Strategy

- Stay constructive on equities as another strong earnings season should continue to support market performance in the second half of 2026.
- Focus on companies with sustainable margin expansion, as profit margins are expected to become a more important driver of earnings growth.
- Broaden exposure beyond US mega-cap technology, as earnings leadership is expanding across regions, particularly in Asia's AI ecosystem.
  - o South Korea and Taiwan: Favour technology and semiconductor leaders, supported by sustained AI demand and improving earnings.
  - o China: Prefer onshore (A-shares), adopting a barbell strategy by combining AI and advanced manufacturing leaders with high-quality dividend stocks.
  - o Singapore: Maintain exposure to a high-quality, defensive market and a gateway to ASEAN growth.
- Use periods of market volatility to accumulate high quality companies with strong long-term earnings potential.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7483.24	1.76	-0.93	13.68	9.32
Dow Jones (USD)	52900.07	1.97	4.37	13.75	10.06
NASDAQ 100 (USD)	29329.21	0.72	-4.06	21.97	16.16
FTSE 100 (GBP)	10679.03	1.63	3.36	2.33	7.53
S&P/ASX 200 (AUD)	8844.412	0.92	0.67	3.09	1.49
DAX (EUR)	25779.31	4.49	3.97	11.27	5.26
Swiss Market Index (CHF)	14424.24	1.77	9.12	11.11	8.72
HSCEI Index (HKD)	7699.76	3.20	-10.43	-8.95	-13.62
Hang Seng Index (HKD)	23350.03	2.99	-8.91	-7.03	-8.90
Nikkei 225 (JPY)	69744.07	0.55	1.96	31.29	38.55
Commodities & Currencies	**Current**	**1 Week**	**1 Month**	**3 Months**	**Year-To-Date**
Brent Crude (USD)	72.12	-0.66	-24.20	-16.09	19.86
Gold (USD)	4176.94	2.16	-5.81	-10.69	-3.30
EURUSD	1.1437	0.47	-1.38	-0.71	-2.63
GBPUSD	1.335	1.14	-0.51	1.12	-0.93
USDJPY	161.34	-0.25	0.79	1.05	2.95
Bonds	**Current (%)**	**Basis points Change**			
		1 Week	**1 Month**	**3 Months**	**Year-To-Date**
US 10-year Treasury yield	4.483	0.115	-0.011	0.143	0.316
German 10-year Bund yield	2.935	0.084	-0.100	-0.057	0.080
UK 10-year Gilts yield	4.782	0.051	-0.149	-0.051	0.303
Japan 10-year bond yield	2.786	0.165	0.147	0.400	0.720

1 week for the period 26-Jun-2026 to 03-Jul-2026
1 month for the period 03-Jun-2026 to 03-Jul-2026
3 months for the period 03-Apr-2026 to 03-Jul-2026
Year-to-date for the period 31-Dec-2025 to 03-Jul-2026
Source: Bloomberg (last update: Sat, 04 July 2026 7:55 AM SGT)

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