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Global Market Outlook

A fragile equilibrium

Earnings positivity remains dominant in the tussle with inflation worries. However, oil markets warrant close monitoring given the ongoing risk they reach a tipping point where inventories can no longer cushion against supply disruption.

We remain Overweight global equities, but look to broaden exposure across sectors and regions. Regionally, we took profit on top-performing Asia ex-Japan equities and rebalanced gains to Euro area equities. We stay Overweight the US.

Favour Emerging Market bonds, but limit long maturities. Long maturity bonds remain most at risk from any renewed inflation worries. We continue to see attractive risk/reward in Emerging Market bonds.

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Why gold remains a safe haven

Are global central banks overly hawkish?

Are the quant models still bullish on risk assets?

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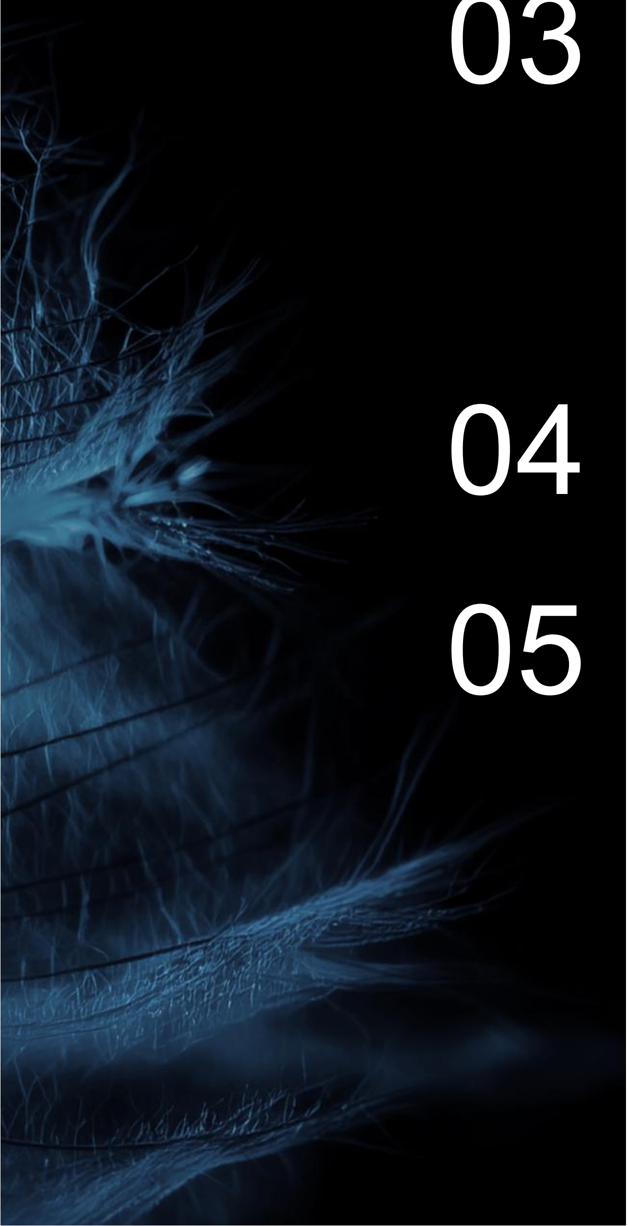

Investment strategy and key themes

Steve Brice
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12m Foundation Overweights:

- Global equities, gold
- US equities
- Emerging Market (EM) USD and local currency (LCY)

Opportunistic Ideas – Equities:

- **Global:** MSCI World equal-weight^, gold miners
- **US:** Aerospace and defence
- **China:** Hang Seng Technology Index

Top Global Sectors:

- **US:** Technology, communication services, healthcare
- **Europe ex-UK:** Financials

Opportunistic Ideas – Bonds:

- **US:** Treasury Inflation-protected Securities (TIPS), short-duration high-yield (HY) bonds, AAA CLOs, utility sector hybrids
- **EU:** Bank AT1s FX-hedged
- **Others:** AUD corporate bonds

^New

A fragile equilibrium

- **Earnings positivity remains dominant in the tussle with inflation worries**. However, oil markets warrant close monitoring given the ongoing risk they reach a tipping point where inventories can no longer cushion against supply disruptions.
- **We remain Overweight global equities, but look to broaden exposure across sectors and regions.** Regionally, we took profit on top-performing Asia ex-Japan (AxJ) equities and rebalanced gains to Euro area equities. We stay Overweight the US.
- **Favour Emerging Market (EM) bonds, but limit long maturities.** Long maturity bonds remain most at risk from any renewed inflation worries. We continue to see attractive risk-reward in EM bonds.

Oil inventories help balance inflation worries

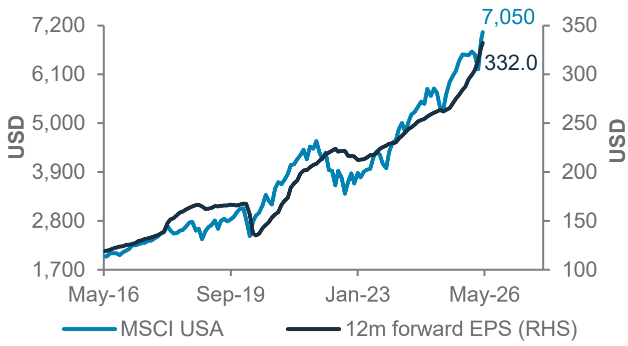
Corporate earnings and **oil prices** are two key themes dominating the narrative for financial markets. Year-to-date (YTD), positivity around the earnings growth outlook has dominated, helping drive global equities close to double-digit gains. However, renewed US threats of military action in the Middle East are starting to return the focus to oil prices and the resultant risks of inflation.

Some perspective on oil and its impact on macroeconomics may be helpful at this stage. The Strait of Hormuz closure and damage to energy facilities in the Middle East have thus far reduced global crude oil supply by approximately 20%. However, the impact on oil prices and market expectations of inflation has been more muted than feared at the start of the Middle East conflict. This is likely due to (i) oil prices holding at lower levels in inflation-adjusted terms relative to past oil price shocks, (ii) steadily improving energy efficiency in recent years and decades and (iii) tactical policymaker use of inventories to help bridge the supply gap since the start of the conflict.

We draw confidence from these three factors that a much worse energy impact (i.e., one that results in a significant impact on inflation) can be avoided as long as the Hormuz strait closure is relatively limited in length – with the length defined by how long crude oil inventories can continue to offset lost output from the Middle East.

Fig. 1 Robust earnings growth expectations are a key driver for US equity markets

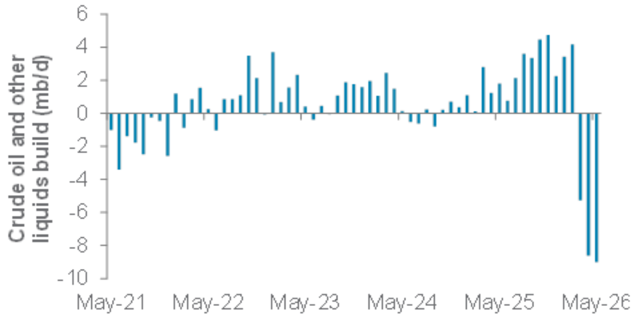
US equities (MSCI US) vs. earnings expectations



Source: Bloomberg, Standard Chartered

Fig. 2 Rapid inventory drawdown has thus far helped cushion oil prices

Global crude oil inventories change



Source: EIA, Standard Chartered

However, 'time is of the essence'. Several projections have argued that while inventories can help avoid a much larger oil price rise through early summer, a failure to resume supply shipments through the Strait of Hormuz before the end of summer will start to raise the risk of a sharp oil price rise – a scenario that would risk a bigger inflation and growth shock.

Overweight equities, but broaden exposure

AI-related earnings, particularly in the semiconductor sector, have helped drive a strong equity market rally, albeit a narrow one disproportionately focused on the semiconductor sub-sector. We remain Overweight global equities, given our constructive view on long-term earnings growth. However, in our view, it is time to broaden exposure. This is not only expected to capture returns from a catch-up rally outside of semiconductors, but also helps manage near-term volatility caused by rising bond yields.

Specifically, within equities, three strategies can help achieve a broadening of exposure. First, take some profit and rebalance towards laggards. At a regional level, this was our logic behind trimming our prior Overweight view on AxJ (which has significantly outperformed other major regions YTD) to a core holding on 5 May and balancing this by raising Euro area equities from Underweight to a Core holding. Within Asia, we retain our preference for broader exposure to China, India and Taiwan equities, in contrast to YTD gains, which have been largely led by South Korea and Taiwan equities alone.

Second, within the US technology sector, we closed our opportunistic idea on the semiconductor sub-sector and broadened it to include other sub-sectors, such as Internet, which should benefit at this stage of the technology adoption cycle. We also open a new opportunistic idea on equally weighted global equities (MSCI World), which should benefit directly from a broadening of the equity market rally.

Third, we close our Overweight on the US utilities sector. This leaves our sector preferences spread across the US technology, communication services and healthcare sectors.

Markets likely to test Warsh

Several studies have argued that markets tend to test new Fed governors early in their terms on their commitment to fighting inflation. Kevin Warsh takes over as Fed Chair at a time when inflation worries are not far from the spotlight. Having said that, we take some comfort in the fact that the most recent US inflation release showed limited spillover of high oil prices into broader inflation measures while the market's long-term inflation expectations remain capped. On balance, thus, we see room for the Fed to stay on hold for a large part of the year, even if Warsh chooses to strike a moderately more hawkish tone in his initial days.

For investors in bond markets, we believe this remains consistent with our current view to stay Overweight EM bonds and balance with an Underweight on G3 government bonds.

Between the two major drivers of returns in bonds – credit risk or duration risk – we see more value in adding credit risk. The yield premium offered over government bonds remains most attractive for EM bonds, particularly since this universe includes a significant share of commodity exporters (especially outside Asia).

Duration risk, i.e., buying longer-maturity bonds for the additional yield, is less attractive, in our view, because of the relatively small gap between long and short maturity bonds relative to history. Prices of longer maturity bonds are also more sensitive to inflation worries. Together, we believe this means investors are paid well to focus on the belly of the curve (5-7 years) and Underweight long-dated tenors.

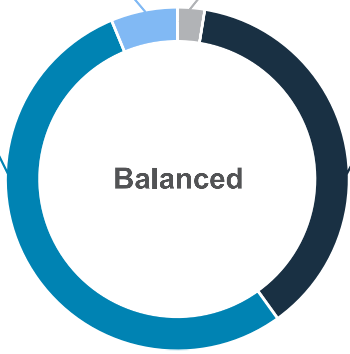
Gold remains in a long-term uptrend

In the very short term, gold has once again become sensitive to bond yields, falling when bond yields rise to reflect the opportunity cost of holding the non-yielding metal. In the long term, however, data shows EM central bank demand for gold remains intact, and history shows gold can perform well in stagflationary environments. We remain Overweight gold.

Foundation asset allocation models

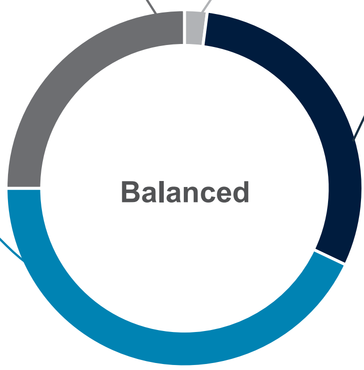
The Foundation and Foundation+ models are allocations that you can use as the starting point for building a diversified investment portfolio. The Foundation model showcases a set of allocations focusing on traditional asset classes that are accessible to most investors, while the Foundation+ model includes allocations to private assets that may be accessible to investors in some jurisdictions, but not others.

Fig. 3 **Foundation asset allocation for a balanced risk profile**



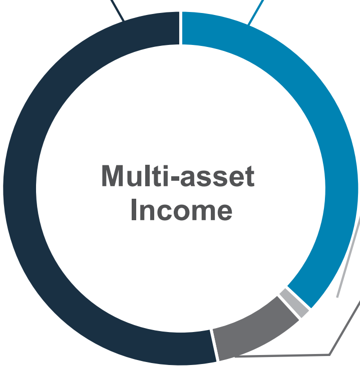
Gold	**6%**
Gold	6%
Equity	**54%**
North America	37%
Europe ex-UK	7%
UK	1%
Japan	3%
Asia ex-Japan	6%
Cash	**3%**
USD Cash	3%
Bond	**38%**
DM IG Government	10%
DM IG Corporate	10%
DM HY Corporate	2%
EM USD Government	6%
EM Local Ccy Government	5%
Asia USD	5%

Fig. 4 **Foundation+ asset allocation for a balanced risk profile**



Alternatives	**25%**
Gold	5%
Hedge Fund Strategies	3%
Private Equity	5%
Private Real Assets	4%
Private Debt	6%
Digital Assets	2%
Equity	**43%**
North America	29%
Europe ex-UK	5%
UK	1%
Japan	2%
Asia ex-Japan	5%
Cash	**2%**
USD Cash	2%
Bond	**30%**
DM IG Government	8%
DM IG Corporate	8%
DM HY Corporate	2%
EM USD Government	5%
EM Local Ccy Government	4%
Asia USD	4%

Fig. 5 **Multi-asset income allocation for a moderate risk profile**



Bonds	**53%**
DM IG Government	6%
DM IG Corporate	5%
US Mortgage-backed Securities	4%
DM HY Corporate	20%
EM HC Government	6%
EM LC Government	6%
Asia USD	6%
Equity	**37%**
Global High Dividend	24%
Global Equity	8%
Global Infrastructure	3%
Global REITs	2%
Cash	**1%**
USD Cash	1%
Hybrids	**8%**
Covered calls	5%
Sub financials	3%

Source: Standard Chartered

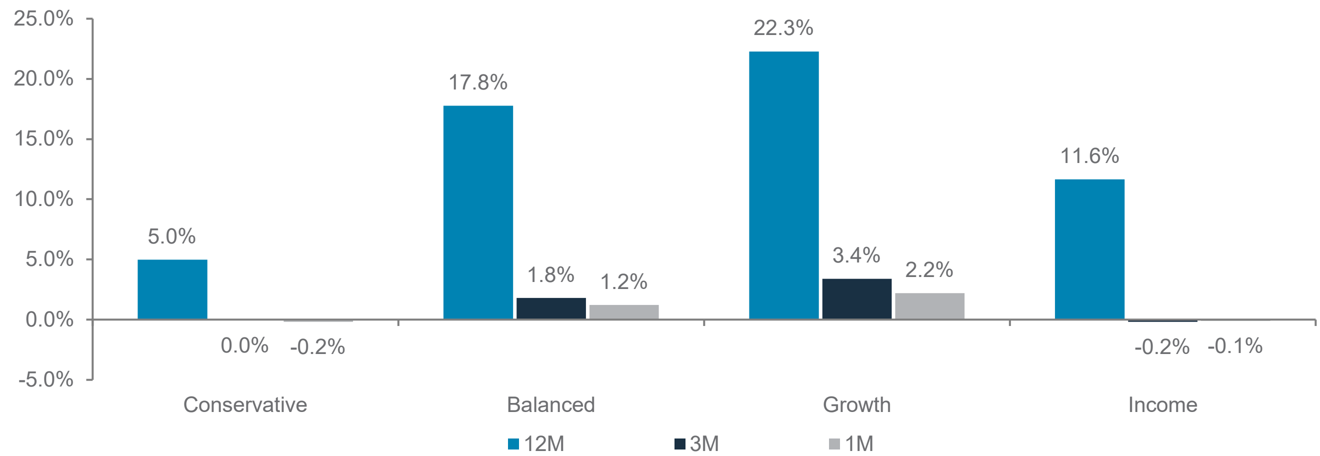
Foundation: Our tactical asset allocation

	View	Detail
USD cash	▼	+ Short-term safety || - Falling yields, likely underperform vs major asset classes
Bonds	◆	
DM IG Govt	▼	+ High credit quality, attractive yields || - High sensitivity to inflation, monetary policy
DM IG Corporate	◆	+ High credit quality, improving valuations || - Expected supply, especially in the US
DM HY Corporate	◆	+ Attractive yield, low-rate sensitivity || - Sensitive to growth and credit quality risks
EM USD Govt	▲	+ Attractive yield, sensitive to US rates || - EM credit quality, US trade policy risks
EM Local Ccy Govt	▲	+ Attractive yield, benefit from USD weakness || - US trade policy risks, inflation risks
Asia USD	◆	+ Moderate yield, low volatility || - Sensitive to China growth
Equities	▲	
North America	▲	+ Earnings growth, AI uptrend || - US policy uncertainty
Europe ex-UK	◆	+ Undemanding valuations, German fiscal spending || - US trade policy risks, oil prices
UK	▼	+ Attractive valuations, dividend yield || - Stagflation risks, US trade policy risks
Japan	◆	+ Reasonable valuations, rising dividends/share buybacks || - JPY strength, US trade policy
Asia ex-Japan	◆	+ Earnings, policy support || - China growth concerns, US trade policy, oil prices
Gold	▲	+ Portfolio hedge, central bank demand, falling real yields || - Resilient USD

Source: Standard Chartered Global Investment Committee; **Green** = Upgrade; **Red** = Downgrade

Legends: ▲ Overweight | ▼ Underweight | ◆ Core

Fig. 6 **Performance of our Foundation Allocations***



Source: Bloomberg, Standard Chartered; *12-month performance data from 20 May 2025 to 20 May 2026, three-month performance from 20 February 2026 to 20 May 2026, one-month performance from 20 April 2026 to 20 May 2026

Perspectives on key client questions

Manpreet Gill
Chief Investment Officer, AMEE

Gold market dynamics – revisiting the safe haven

Gold remains an enduring portfolio stabiliser amid geopolitical friction and macroeconomic fragmentation. The World Gold Council (WGC) estimated the global above-ground gold stock was at 220,000 tonnes as of early 2025, which came to be valued at approximately USD 33trn by March 2026-end – a 53% surge in just one year.

Historically, gold has been viewed as a currency, largely due to its role as a store of value. More notably, beyond its use in jewellery and electronics, gold's low correlation with equities and bonds cements its role as one of the key hedges against market volatility.

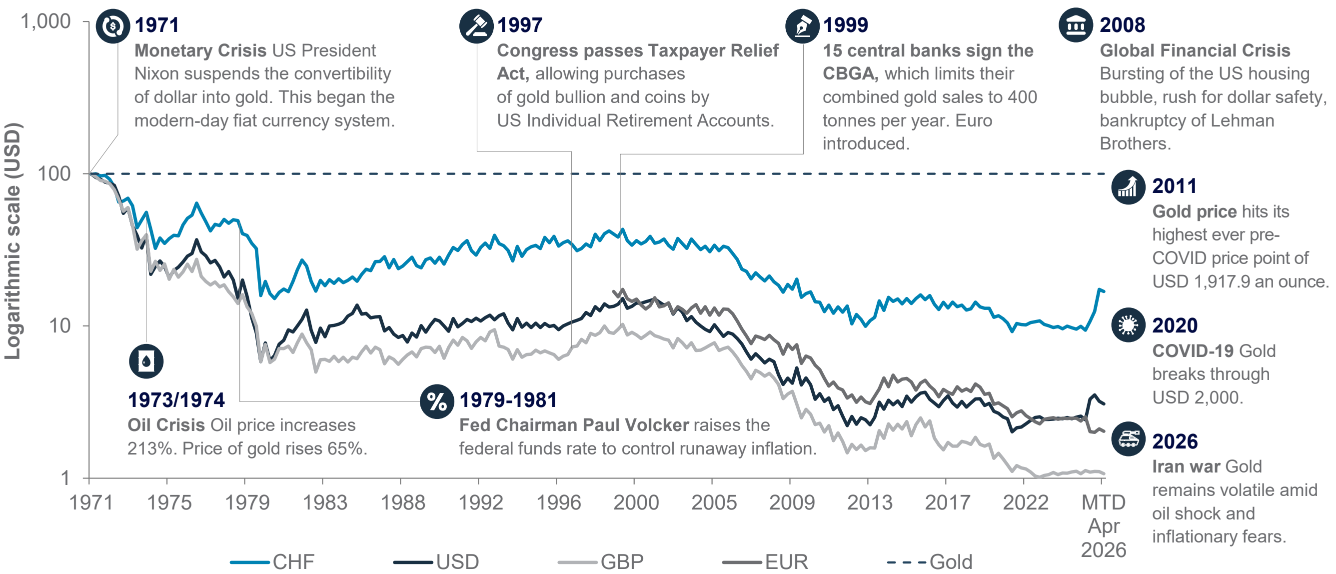
Why consider gold?

Evaluating gold's role in an investment portfolio requires a close look at how it handles macroeconomic shocks and serves as a resilient safe haven during systemic stress. To examine the strategic case for gold, we review its track record in protecting against inflation, driving portfolio diversification and protecting wealth during crises.

Inflation hedge

Gold is a time-tested defence against inflation. Over the last 40-plus years, it has consistently held or grown in value during inflationary periods. A recent WGC study showed that between 1971 and 2020, gold delivered an annual growth rate of 8-10%, significantly outpacing consumer inflation. However, it is not immune to policy shifts; aggressive Fed tightening can trigger sharp reversals, as seen in 1981 when gold fell over 30%.

Fig. 7 **Major fiat currencies vs gold**



Source: Standard Chartered

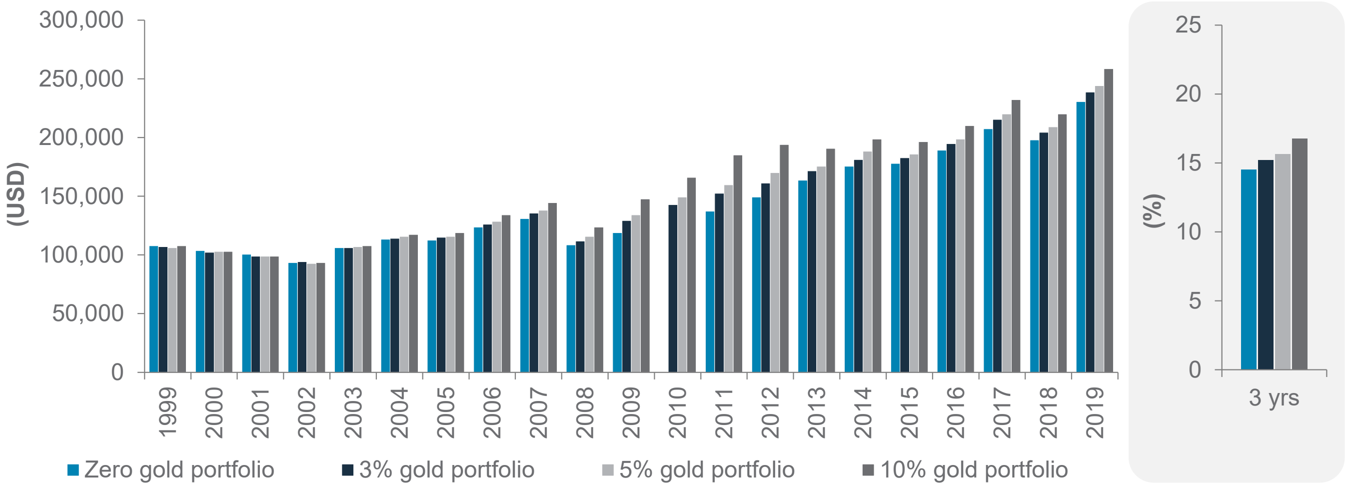
More recently, gold hit an all-time high of USD 5,589/oz in January 2026, before crashing nearly 25% by March 2026 amid the Middle East conflict to approximately USD 4,130/oz and finally rebounding to its long-term uptrend. Despite geopolitical tensions that had driven safe-haven demand, the oil shock, inflation fears and expectations of higher rates pressured gold downward.

The aforementioned instances indicate that gold may not be the 'perfect' safe haven at all times and that it too can succumb to the vagaries of economic and market cycles. However, over the past 50 years, the average annual rate of return from gold has been around 8%. Such performance suggests that while gold can face temporary headwinds, it can potentially provide inflation-beating returns in the long term.

Portfolio diversification

Gold's superpower is its largely low correlation with traditional assets. While it shares a generally negative correlation with US government bonds during inflationary spikes, its long-term relationship with bonds remains low. Data from 1999-2019 shows that a traditional 60:40 portfolio of equity and bonds consistently underperformed those with a gold allocation. As shown in Fig 8, adding even a 5-10% gold allocation can raise annual returns by 1-2% while reducing drawdowns during equity bear markets.

Fig. 8 **Portfolio performance with and without gold**



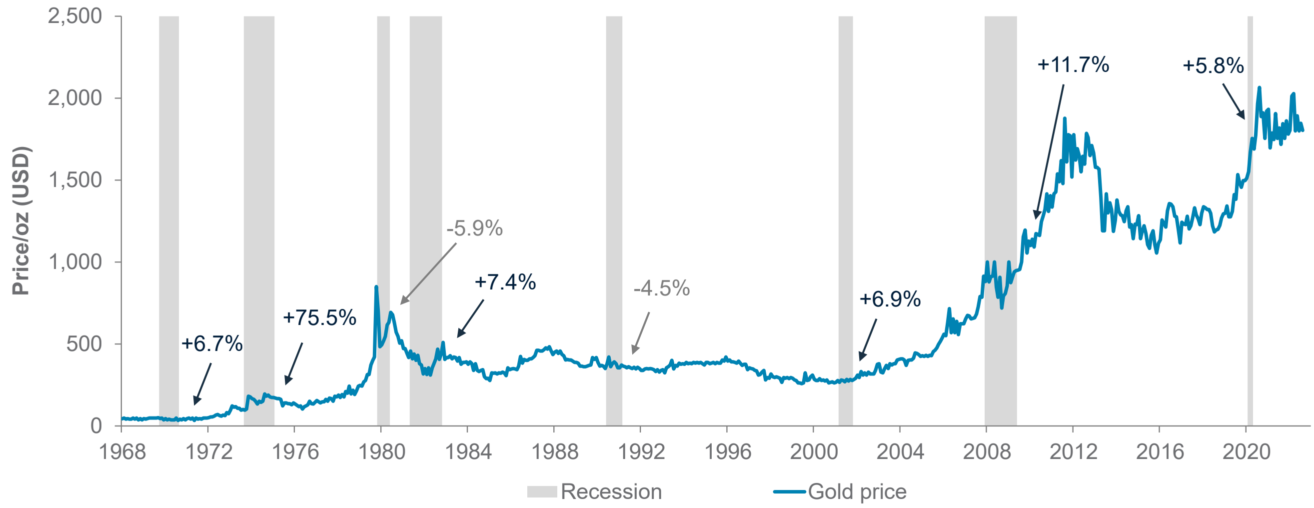
Source: GoldSilver, Standard Chartered; **RHS chart** - Investing.com (data for 31 March 2023 to 31 March 2026)

Safe haven in uncertain times

1. Gold during recession

Since 1973, gold has outperformed the S&P500 by an average of 37% during six out of eight documented US recessions. The exceptions occurred when interest rates were hiked aggressively (1981) or when central banks became net sellers (1990). The historical resilience of the metal during downturns is illustrated below:

Fig. 9 **Gold during recession**



Source: Forbes, CME Group, Standard Chartered

2. Gold during stagflation

Stagflation – stalled economic growth paired with high inflation – creates a winning environment for gold. Typically, during periods of slowing growth, monetary stimulus and fiscal intervention can bring down borrowing costs and help businesses resume economic activities, eventually translating to sustained growth and lower unemployment. However, during stagflation, policy stimulus is constrained because it can risk worsening inflation.

When traditional assets face stress due to weak investor sentiment and low real (net-of-inflation) interest rates amid a 'stagflationary' environment, investors pivot to the safety of the 'yellow metal'. In the past, the US experienced stagflation in mid-to-late 1970s as high oil prices fuelled inflation and stalled economic growth.

Fig. 10 **Gold during stagflation**

	Average real (inflation-adjusted) YoY total return since 1973 (%)					
	US equities	US govt. bonds	US T-bills	Commodities	Gold	REITs
Goldilocks	16.1	4.3	0.8	0.4	-2.5	18.1
Disinflation	8.4	8.1	1.7	-5.6	1.3	3.5
Reflation	14.6	-2.0	0.0	21.0	-1.1	14.0
Stagflation	-1.5	0.6	0.4	15.0	22.1	6.5

Source: Standard Chartered, Datastream Refinitiv and Schroders, Scottsdale Bullion & Coin. Data to 30 September 2021

Notes: Growth is proxied using US Conference Board Leading Economic Index and inflation is US core CPI. **Goldilocks** = accelerating growth and falling inflation; **Disinflation** = decelerating growth and inflation; **Reflation** = accelerating growth and inflation; **Stagflation** = decelerating growth and inflation above 10-year average

3. Gold during crises

Gold insulates portfolios against extreme tail risks. It carries no credit risk during periods of economic uncertainty – when credit-related losses are higher than usual – and maintains high liquidity without withdrawal restrictions. Historically, during events such as the Global Financial Crisis (where the S&P500 Index fell 56.8%), gold surged by 21.4%. On average, across major modern crises, gold has returned 7.0%, while the S&P500 averaged a 28.8% loss – a trend captured below.

Fig. 11 **Gold during crisis**

Crisis event	Start date	End date	S&P 500	Gold	Commodities
Black Monday	Oct-87	Oct-87	-28.5%	5.0%	0.4%
LTCM Crisis	Jul-98	Oct-98	-19.2%	2.0%	-4.6%
Dot-com bubble	Mar-00	Oct-02	-49.1%	12.4%	16.3%
September 11 Terrorist attacks	Sep-01	Sep-01	-11.6%	7.1%	-2.6%
2002 recession	Mar-02	Oct-02	-33.6%	9.0%	6.7%
Global Financial Crisis	Oct-07	Mar-09	-56.8%	21.4%	-38.1%
Sovereign debt crisis v1	Apr-10	Jul-10	-16.0%	4.6%	-8.8%
Sovereign debt crisis v2	Apr-11	Oct-11	-19.4%	6.3%	-20.0%
2018 pullback	Sep-18	Dec-18	-19.8%	5.1%	-7.4%
COVID market crash	Feb-20	Mar-20	-33.9%	-2.5%	-18.9%
Average			**-28.8%**	**7.0%**	**-7.7%**

Source: Bloomberg, Standard Chartered

As explained, gold is a strategic asset for wealth preservation and not just a commodity. Its low correlation with equities and bonds makes it an essential diversifier that thrives during periods of market stress and economic uncertainty. Whether held physically or virtually, the 'yellow metal' continues to prove its worth as the ultimate safe haven for the long haul.

Asset allocation: The next diversifier

Sylvain Huard
Head of Asset Allocation

Hannah Chew
Portfolio Strategist

Summary

The ongoing Middle East conflict and the oil surge above USD100/bbl highlight a heightened tail risk: when inflation and geopolitical shocks coincide, traditional 60/40 portfolios can fail as both stocks and bonds decline together – as witnessed in 2022 when they declined approximately 18.4% and 11.2%, respectively.

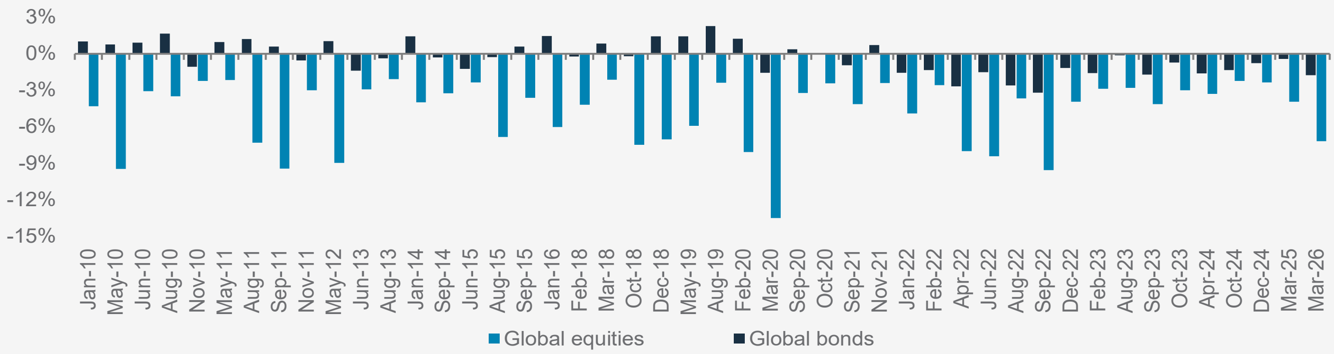
Alternative investments – both liquid and private market strategies – demonstrated their value as tail risk hedges in 2022, with global macro strategies delivering 14.8% returns and private markets showing resilience through differentiated return drivers, including inflation pass-through mechanisms and floating-rate structures.

While a repeat of 2022 is not our base case, strategic allocations to Alternatives of up to 30% (including gold) provide a hedge against tail risk scenarios while enhancing returns in more benign environments.

Key findings

Fig. 12 The effectiveness of bond diversification has declined since the onset of Covid-19

Performance of global equities and global bonds in months where equity market returns were -2% or worse



Source: Bloomberg, Standard Chartered

The diversification problem: A tail risk worth hedging

The 2022 precedent: Global equities declined 18.4% while global bonds fell 11.2% in 2022, resulting in the traditional 60/40 portfolio detracting 15.5%. This breakdown occurred because rising inflation forced the Fed to raise rates by 4.25%, creating simultaneous pressure on both equities and bonds. Stock-bond correlation turned positive precisely when diversification was needed most.

The 2026 context: The ongoing Middle East conflict has pushed oil to above USD 100/bbl, reigniting inflation concerns. US core inflation stands at 2.8%, and our base case is the avoidance of an inflation shock that results in surprise Fed rate hikes. There is a risk that markets might face a familiar dual threat of growth concerns and higher inflation expectations.

The recurrence debate: There have been discussions about whether we might see a repeat of 2022 risks. In Q1 2026, equities and bonds fell simultaneously as the Middle East conflict drove oil prices sharply higher, reigniting inflation fears and pushing central banks into a familiar bind between supporting growth and containing prices. While this is not our base case, the tail risk of simultaneous stock-bond declines during oil-driven inflation spikes remains elevated – precisely why added diversification beyond equities and bonds warrants an extra consideration in investors' portfolios.

What worked: The 2022 evidence

When traditional portfolios struggled in 2022, Alternatives demonstrated their tail risk hedging value through fundamentally different return drivers.

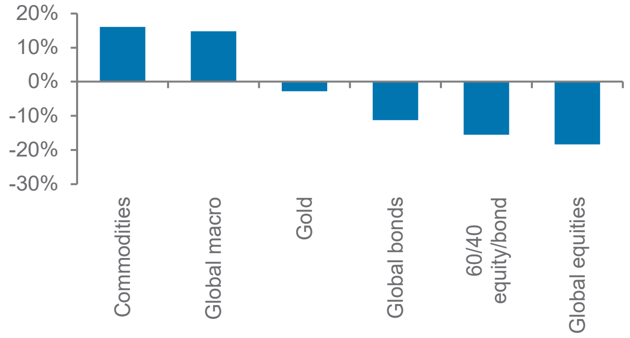
Liquid Alternatives were able to profit from market dislocations across commodities, interest rates and currencies. The Bloomberg Commodity Index rose 16.1% through direct energy and materials exposure. Within hedge funds, global macro strategies (as proxied by the HFRI 500 Macro Index) delivered positive returns of 14.8% while positioning across multiple asset classes and geographies.

Private markets, on the other hand, demonstrated structural resilience. Private credit's floating-rate structures benefited as the Fed funds rate rose from near-zero to 4.5% in 2022, with income increasing correspondingly. Private equity held up better than public equities, though some of that resilience was due to delayed valuations that were realised post 2022. Infrastructure assets with regulated revenues or long-term contracts featuring inflation escalators mechanically adjusted cash flows upward as inflation rose.

This is a stark difference from traditional portfolios, where the 60/40 equity/bond portfolio declined, while liquid Alternatives and private market strategies were more resilient. Even gold, which has traditionally been an inflation hedge, saw some decline (-2.7%).

Fig. 13 **Alternatives held up better than traditional assets and a 60/40 equity/bond portfolio in 2022**

Performance of selected assets during 2022



Source: Bloomberg, Hedge Fund Research, Standard Chartered

Institutional validation: Evidence from family offices

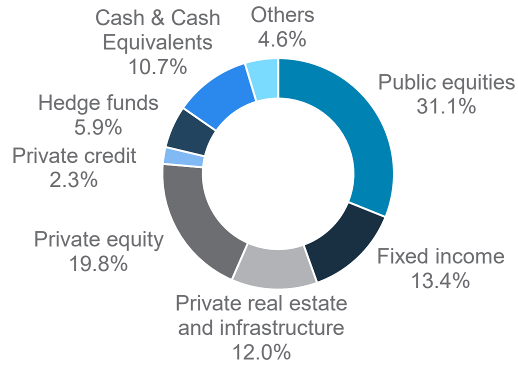
Family offices provide an additional compelling case for structural allocations to private assets and alternatives. On average, family offices allocated approximately 40% to Alternatives and private market assets. These allocations are not tactical or opportunistic, but represent strategic, core positions designed to preserve and grow wealth across generations.

The notable allocation to Alternative investments by family offices highlights their pivotal role as diversification engines, especially during periods marked by elevated tail risk. Unlike traditional assets, Alternatives employ unique return drivers that enhance portfolio resilience. By incorporating these differentiated approaches, family offices are able to respond effectively to demonstrated risks within the market environment. As a result, modern portfolios that feature substantial allocations to alternatives are not merely optional but have become essential infrastructure for preserving and growing wealth across generations.

While bond yields provide more cushion today compared to 2022, and diversification properties have improved at the margins, the tail risk of simultaneous stock-bond declines

Fig. 14 **Alternatives account for a substantial portion of global family office allocations**

Average allocations of global family offices



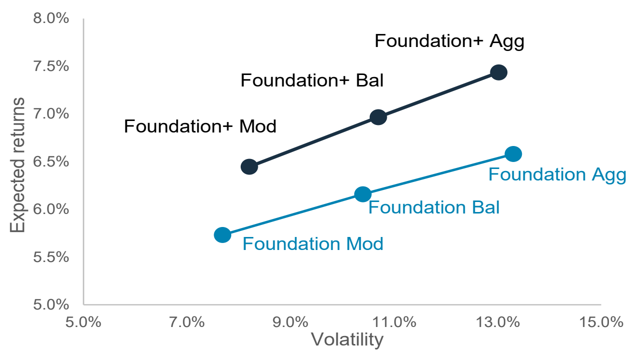
Source: Sourced from select family office reports (Citi Wealth 2025 Global Family Office Report, Goldman Sachs2025 Family Office Investment Insights Report, Schroders Wealth Management APAC Family Office Survey 2025, JPMorgan Private Bank 2026 Global Family Office Report), Standard Chartered

during oil-driven inflation shocks remains elevated and empirically validated.

Modern portfolios require multiple diversification engines responding to different economic variables. Alternatives – both liquid and private market strategies – provide protection against correlation breakdowns while enhancing returns in more benign environments. For investors navigating persistent geopolitical tensions and inflation pressures, Alternatives represent essential portfolio resilience, not exotic optional exposures. Taking a long-term structural approach, incorporating alternative investments into portfolios not only enhances risk-adjusted returns but also plays a crucial role in supporting real-world outcomes by encouraging investors to remain committed throughout varying market conditions.

Fig. 15 **Enhancing portfolio risk-adjusted returns with Alternatives**

Foundation (traditional) and Foundation+ (including Alternatives) expected returns, volatility and risk-adjusted returns using five-year Capital Market Assumptions



Risk-adjusted Return	Moderate	Balanced	Aggressive
Foundation	0.75	0.59	0.49
Foundation+	0.79	0.65	0.57

Source: Standard Chartered

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist

Key themes

Core scenario (soft landing, 60% probability): We assign a 60% probability that the Hormuz strait will reopen in the next few weeks, given the incentive on all sides to avoid an oil price shock. This should help economies achieve a soft landing this year. In this scenario, long-term inflation expectations should remain subdued. Hence, we believe rate markets are overly hawkish – policymakers are likely to largely look through the brief inflation spike and focus on the lagged growth impact of the oil shock. Hence, we expect the Fed, under new Chair Warsh, to cut rates by 25bps by year-end as focus turns to supporting growth. ECB is likely to deliver one, and BoJ two "insurance" hikes to counter inflation, while China eases to revive domestic consumption.

Downside risk (hard landing, 20% probability): We lower the risk of a hard landing from 30%, as a short-term spike in oil prices is unlikely to cause a recession, especially with soaring AI-focused investment and global defence spending supporting growth. A prolonged blockade of the Hormuz strait, or a stock/bond market downturn on inflation/debt concerns remain tail risks.

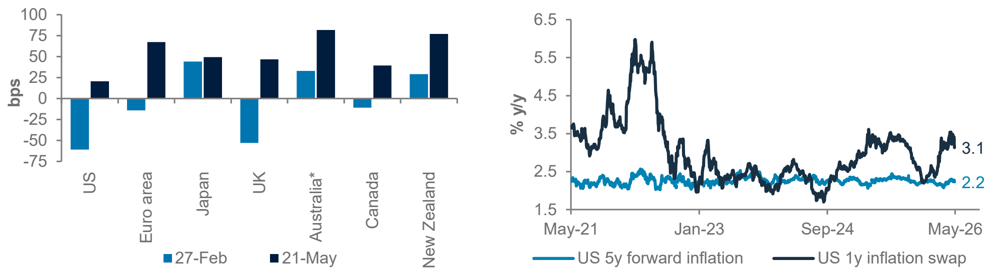
Upside risk (no landing, 20% probability): If the Hormuz strait is reopened and global trade and investment pick up following the Trump-Xi meeting, there is a chance that US tax cuts, the wealth effect from booming equities and fiscal easing in Germany, China and Japan could revive "animal spirits". A Russia-Ukraine peace deal or a defence spending boom can lift global growth.

Key chart

We expect the Fed to cut its policy rate by 25bps, the ECB to hike by 25bps and the BoJ to hike by 50bps by December 2026.

**Australia rate change estimate includes 50bps of rate hikes already delivered*

Fig. 16 **Rate markets appear overly hawkish amid subdued inflation expectations**
Expected change in policy rates by Dec 2026; US one- and five-year inflation estimates^



Source: Bloomberg, Standard Chartered; ^based on money markets, inflation-linked bonds and swaps

Policy rates watch

Fed to pause until Q3, cut rate by 25bps by December: The US economy appears resilient on the surface but fragile underneath. Q1 real GDP grew at an annualised 2%, with private domestic demand up 2.5% and AI-related capex contributing more than 1ppt to growth. However, the oil shock is delivering a c.0.5% hit to consumer disposable incomes. History shows oil shocks bite with a 4-6 quarter lag. Buffers (oil stockpiles, tax refunds, USD 400mn/day of federal military spending, wealth effect from booming equities) are masking weakness that should surface in H2 2026. Our base case remains a soft landing, with 2026 growth below 2% trend.

Headline inflation in April accelerated to 3.8% y/y, the highest since 2023, driven by gasoline (+28% over two months), food, airfares and a one-off statistical quirk for measuring shelter inflation. Stripping out the rent distortion, core inflation was just 0.26% m/m, signalling underlying disinflation is intact. Core goods inflation remains cool as Liberation Day tariff pass-through fades, average wage gains are muted at 3.6% y/y, and long-term inflation expectations remain anchored. Headline inflation is likely to peak in Q2 before easing below 3% by Q1 2027 as crude oil prices fall towards USD 75/bbl.

Against this backdrop, the Fed is likely to remain on hold for now, especially after three hawkish dissents at the April policy meeting. Our base case remains a pause through summer, then a 25bps cut by December under incoming Chair Warsh, as the lagged growth damage from the oil shock forces a pivot toward supporting the labour market, currently at a fragile equilibrium. **Risks:** a prolonged Hormuz closure could de-anchor expectations and trigger hawkish policy repricing.

ECB to hike rate by 25bps in June, before pausing: Euro area growth is softening, with Q1 2026 GDP printing just 0.1% q/q, dragged down by weak French private demand, while Spain and Germany surprised to the upside. Underlying momentum across core economies is cooling, with May PMIs, ZEW expectations and consumer confidence softening, pointing to weaker Q2 momentum. The energy shock from the Iran crisis and Strait of Hormuz closure poses the key downside risk, with pessimistic scenarios suggesting a 0.7-0.9% GDP hit. However, structural buffers, including reduced gas dependence, Germany's EUR 500bn fiscal stimulus and recovering credit demand, limit recession risk.

Euro area headline inflation jumped to 3.0% y/y in April (from 2.6%), entirely energy-driven, while core inflation eased to 2.2%, suggesting no broadening of price pressures yet. European Commission surveys point to rising selling-price expectations, keeping second-round risks alive. However, loose labour markets, the ECB's survey showing firms have no intention to raise wages and weak consumer confidence constrain a wage-price spiral. Inflation expectations remain anchored.

At the last meeting, ECB President Lagarde de facto pre-announced a hike, stating "directionally, I know where we're heading," with the ECB's baseline already embedding two 25bps hikes for this year. Our base case remains a 25bps insurance hike to 2.25% in June, followed by a pause. Market pricing of c.70bps of hikes by year-end looks excessive, given weakening growth and absent second-round inflation effects.

China to ease policies modestly to support growth. After a Q1 growth beat, China’s April data showed a notable cooling in domestic demand: retail sales growth slowed to just 0.2% y/y (from 1.7%), while fixed asset investment (FAI) swung from +1.7% YTD in Q1 to -1.6% YTD. Real estate investment remained the main drag (-13.7% y/y YTD), and infrastructure and manufacturing FAI both reversed their Q1 rebounds. Export growth remains the main offset, with industrial export value up 10.6% y/y, the fastest pace since 2022, fuelled by an AI-driven surge in semiconductors (+100% y/y) and computer (+47% y/y) shipments. The Xi-Trump summit, which could potentially lead to tariff reduction on some US imports from China, should help revitalise US exports and restore some business confidence. We expect the economy to achieve the 4.5-5.0% growth target for this year.

Reflation is continuing, but for the "wrong" reasons. April's price firmness was largely cost-driven, reflecting surging imported commodity prices on the back of the AI investment boom and Middle East conflict, rather than a genuine pickup in domestic demand. With consumption soft and housing still contracting, underlying disinflationary pressure persists.

Against this backdrop, China’s policy is set to lean moderately accommodative. The PBoC is likely to keep liquidity ample by modestly easing bank reserve requirements. Fiscally, Beijing is likely to accelerate allocated fiscal spending in the coming months to stabilise investment amid Middle East-related uncertainty. Externally, the "Constructive Strategic Stability" framework with the US, including a Board of Trade and Board of Investment, reduces tail risks and sets the stage for further engagement at upcoming summits.

BoJ to hike rate by 50bps to 1.25% by December: Japan's growth outlook is cautiously constructive. The BoJ lowered its FY26 (April 26-March 27) real GDP forecast from +1.0% to +0.5%, as the oil-driven terms-of-trade shock weighs on purchasing power. The yen’s depreciation and inflation pressures are impacting household disposable income. Still, underlying momentum remains solid: real wages are growing strongly, business confidence (especially in manufacturing) and investment are resilient, and exports and new orders remain robust. Under our base scenario of a restart in Hormuz shipping by June, we expect growth to re-accelerate in H2.

Although April inflation cooled, primarily due to base effects and subsidies, underlying price pressures remain. The BoJ significantly raised its FY26 core inflation (ex-fresh food) forecast from +1.9% to +2.8%, and core-core inflation (ex-fresh food and energy) from +2.2% to +2.6% due to higher oil and naphtha costs. Robust wage gains amid a structurally tight job market are a key transmission channel for sustained inflation, while a weak yen adds imported price pressure.

The BoJ held its policy at 0.75% in April via a hawkish 6-3 vote, setting up a June hike, contingent on a tacit approval from the government. The ongoing depreciation pressure on the JPY, which has forced the BoJ to intervene in FX markets since April-end, and government plans to lift fiscal spending have added urgency for a rate hike. After a June hike, we expect the BoJ to follow through with another rate hike to 1.25% in H2 2026 to bring its policy rate closer to inflation.

Fig. 17 **ECB to hike once to counter inflation risks**

Euro area consensus 2026 growth and inflation estimates

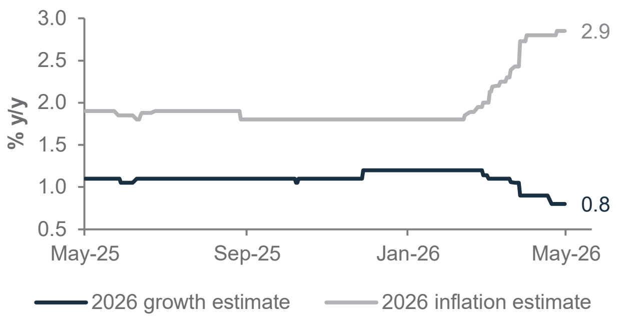
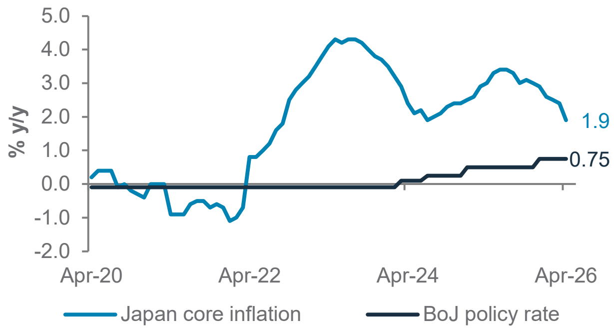


Fig. 18 **BoJ to narrow inflation gap with two rate hikes**

Japan core inflation (ex-fresh food, energy); BoJ policy rate



Source: Bloomberg, Standard Chartered

Fixed Income – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

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Ray Heung
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Anthony Naab, CFA
Investment Strategist

Our view

Foundation: We view fixed income as a Core holding. Within it, we continue to be Overweight EM USD and local currency bonds while maintaining an Underweight stance on Developed Market (DM) government bonds. With the Fed on hold since January and Middle East tensions keeping oil above USD 100/bbl, EM bonds have outperformed, supported by improving fundamentals, attractive valuations vs. DM peers and a stable USD. DM Investment-grade (IG) and High-yield (HY) are both Core holdings as corporate bonds still offer carry, though there's little room for further spread compression. Corporate fundamentals remain resilient, with leverage stable and interest coverage strong, supporting our preference for credit over rates.

Opportunistic ideas: We are bullish (i) European bank AT1 bonds (CoCos[1]; FX-hedged), (ii) US TIPS, (iii) short-duration US HY bonds, (iv) AAA-rated collateralised loan obligations (CLOs), (v) US utilities corporate hybrids and (vi) AUD corporate bonds.

Key charts

Fig. 19 **Summary of rate forecasts**

Region	Horizon	2-year	10-year	30-year
US	Q3 2026	3.75 – 4.00%	4.25 – 4.50%	4.75 – 5.00%
	Q4 2026	3.25 – 3.50%	4.00 – 4.25%	4.75 – 5.00%
Eurozone	Q3 2026	2.50 – 2.75%	3.00 – 3.25%	3.50 – 3.75%
	Q4 2026	2.25 – 2.50%	2.75 – 3.00%	3.25 – 3.50%
Japan	Q3 2026	1.25 – 1.50%	2.25 – 2.50%	3.75 – 4.00%
	Q4 2026	1.50 – 1.75%	2.25 – 2.50%	3.75 – 4.00%

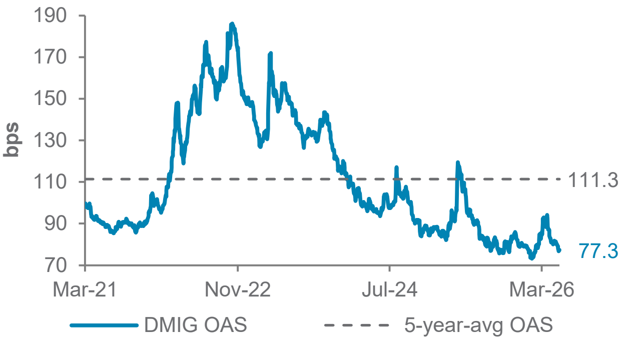
Source: Standard Chartered

DM rates – Underweight

We are Underweight DM IG government bonds. In the US, April inflation surprised to the upside, strengthening our expectation that the term premium (compensation for holding long-duration bonds) is set to remain elevated, alongside a growing fiscal burden and the uncertain cost of the Iran crisis. We hence revised the 10-year bond yield as of Q4 2026 higher to 4.00-4.25%. We still expect the Fed to cut rates once to 3.5% by year-end 2026, assuming the Strait of Hormuz reopens, and as the Fed shifts its focus towards emerging weakness in the labour market. We expect the US curve to bull-steepen as markets begin pricing in a resumption of Fed rate cuts. We continue to favour positioning in the belly of the curve (5-7 years) and remain Underweight long-dated tenors. We believe higher energy prices will have a greater impact on the Euro area and Japan. We expect both the ECB and the BoJ to raise policy rates once and twice by year-end 2026, respectively, leading their government bonds to underperform vs. the US on an FX-hedged basis.

Fig. 20 **DM IG corporate spreads tightened back towards the lows**

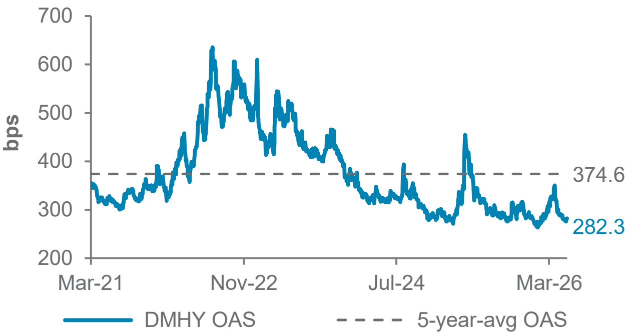
Bloomberg Global Agg Corp index, OAS



Source: Bloomberg, Standard Chartered

Fig. 21 **Similar to IG, DM HY corporate spreads are also almost close to recent tights**

Bloomberg Global HY Corp Index, OAS



Source: Bloomberg, Standard Chartered

DM corporates – Core holding

We maintain a Neutral allocation to both DM IG and DM HY corporate bonds, with a relative preference for HY over IG. While we recognise there is little room for corporate spreads to compress further, we expect dispersion to rise from here. As an income proposition, HY is supported by attractive all-in yields in the 6%+ range and benign default expectations of around 2.5–3.5%. On the IG side, spreads remain tight, in our view. In the US, AI capex-driven issuance has reached record levels but has generally been well-absorbed by still-strong demand. Recent issuances have come with fewer concessions, leading to some secondary underperformance post initial issuance. Nevertheless, fundamentals across both IG and HY corporates remain resilient, underpinned by solid profitability and stable credit metrics.

EM bonds – Overweight

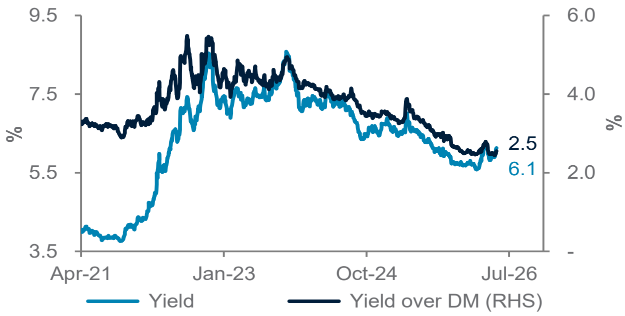
We continue to prefer EM bonds over DM bonds, supported by a more compelling carry and a broadly constructive macro backdrop. We are Overweight both EM USD sovereign and EM local currency government bonds. While geopolitical risks may still trigger bouts of volatility, a Fed on hold and stronger EM fiscal and external positions should limit broader repricing, with income remaining the dominant driver of returns.

Within EM, we favour sovereigns with resilient external accounts and supportive terms of trade, particularly non-Gulf Cooperation Council (GCC) oil exporters in Latin America and select African producers. Latin America benefits from higher carry, commodity exposure and leverage to the US growth cycle, while firmer oil prices should continue to support fiscal revenues and external balances across both regions.

We retain a Neutral allocation to Asia USD bonds, which offer attractive nominal yields, favourable supply-demand dynamics, and strong credit fundamentals – backed by healthy cashflows, low leverage and a high share of sovereign-linked issuers.

Fig. 22 **EM USD yields still offer 2%-plus pickup over DM yields**

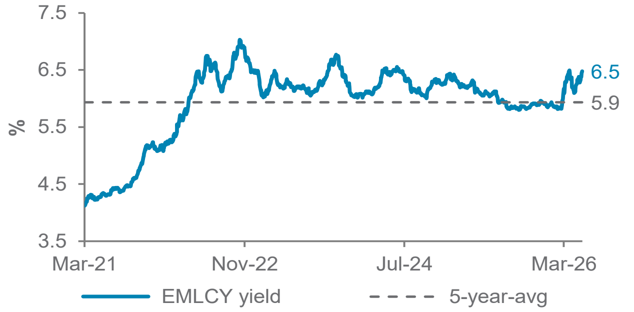
Bloomberg EM USD Quasi/Sov 10% Capped Index, yield to worst, and yield over the Bloomberg Global Treasury Index



Source: Bloomberg, Standard Chartered

Fig. 23 **EM LCY yields remain attractive**

Bloomberg EM LCY Govt Index, yield to worst



Source: Bloomberg, Standard Chartered

Bond opportunistic views

Bullish utilities corporate hybrids

AI capex and related energy demand are poised to continue in the US, benefiting US utilities. While utilities will also need to expand capex, we believe credit fundamentals will remain stable in 2026 as revenues grow. We prefer hybrids over senior bonds for yield enhancement. Hybrids' non-call risk should remain low, supported by organic cashflows and diversified financing channels.

Bullish Australian dollar (AUD) corporate bonds

Following several rate hikes, we believe the threshold for further RBA hikes has risen amid higher energy prices' negative impact on growth. We view AUD yields as attractive, with rate hikes already priced in for 2026.

Bullish US inflation-protected bonds (TIPS)

We believe TIPS offer protection against inflation resulting from energy prices and a prolonged Middle East conflict. They should benefit from lower yields if the Fed resumes rate cuts in H2 2026.

Bullish short-duration US HY bonds

We anticipate HY corporate earnings and cashflows to remain solid in a soft-landing environment. A lower-than-average default rate is also supportive.

Bullish EU bank CoCos[1] (FX-hedged)

European bank sector fundamentals remain solid, denoted by ample liquidity coverage, strong capital buffers and still-supportive asset quality. We believe contingent convertibles (CoCos) will benefit from the current late-cycle environment.

Bullish AAA-rated CLOs

Private credit spillover concerns are mounting. However, we believe high-quality CLOs backed by solid asset portfolio and gaining exposure via rigorous asset manager screening should help navigate the volatility.

[1] Contingent Convertible (CoCos) are complex financial instruments. Please refer to important disclosures on page 32.

Equity – at a glance

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Fook Hien Yap
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Jason Wong
Senior Equity Analyst

Our view

We remain **Overweight global equities**. While we expect equities to end the year higher, we see **near-term volatility** due to elevated rates and as the focus shifts to macro developments, now that the reporting season is over. With earnings growth across various market segments, we expect a broadening of the equity rally, as published in our *Market Watch* on 5 May. We took profit in key outperformers, such as Asia ex-Japan (AxJ) – downgraded from Overweight to Core allocation – and rotated into the underperforming **Europe ex-UK** region (upgraded from Underweight to Core). We remain **Overweight US equities**, where the Q1 earnings season led to upward earnings revisions. Consensus US earnings growth sits at 22%/15% for 2026/2027.

Within AxJ, we retain our diversified preference. We are **Overweight Taiwan** for structural semiconductor growth exposure, **Overweight China** for the valuation discount and **Overweight India** for domestic driven growth.

We have a **Core allocation to Japan**, where expansionary fiscal plans are a positive offset to energy import sensitivities. We remain **Underweight UK equities**, which has relatively muted earnings growth heading into 2027.

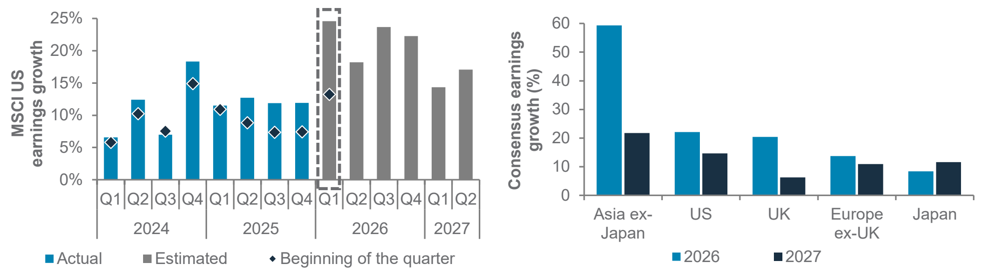
Key chart

US equities' forecasts revised higher post Q1 2026 results

Index	12m forecast*	Our views
S&P500	7,750	US ▲
Nasdaq 100	30,000	
Euro Stoxx 50	6,120	Europe ex-UK ◆
FTSE 100	10,800	UK ▼
Hang Seng	28,300	China ▲
Nifty 50	26,100	India ▲
Nikkei 225	63,300	Japan ◆

Fig. 24 **US equities saw healthy upgrades to earnings growth following the Q1 2026 earnings season; earnings growth estimates for AxJ and the US are leading other regions, but AxJ has outperformed global equities significantly YTD**

MSCI US quarterly earnings growth; consensus 12-month forward earnings growth estimates for MSCI equity indices



Source: FactSet, Bloomberg, Standard Chartered

* Target prices created as of 5 May 2026. China and India views are relative to Asia-ex Japan market.
Legends: ▲ Most preferred | ▼ Least preferred | ◆ Core holding. Green / Red represents an upgrade / downgrade from the prior GMO.

Still coping with the conflict

The Middle East conflict has led to elevated oil prices and supply chain disruptions, which have severely impacted some industries. However, the **negative impact has been manageable overall** for global equities, with upward revisions to earnings growth since the start of the year, even for oil importing regions like AxJ, Europe ex-UK and Japan. **Rising inflation along with a rise in bond yields remains a key risk** to watch, as it would impact equity valuations adversely.

In US equities, on which we are Overweight, AI capex continues to sustain strong growth in the technology sector. The Q1 earnings season was solid as all sectors delivered positive earnings surprises. As an oil exporter, the US economy is less vulnerable to energy shocks.

AxJ is expected to enjoy the strongest earnings growth in 2026 and 2027, primarily driven by the technology sector, which carries the largest weight in AxJ. However, we believe this has been reflected in its significant outperformance of global equities YTD. We see a more balanced risk-reward and prefer a Core allocation to AxJ equities now.

Within AxJ, we are Overweight Taiwan, consistent with the AI investment theme driving structural semiconductor growth. We also seek out other drivers with our Overweight on China and India. China offers an attractive valuation discount, supported by resilient growth and domestic policy support. Although India is exposed to a spike in oil prices as an energy importer, our base case for a reopening of the Hormuz strait supports attractive mid-teens earnings growth, driven by domestic factors less correlated to the AI theme. Japan and Europe ex-UK are Core holdings to us, with reasonable earnings growth supported by fiscal stimulus.

Equity opportunistic views

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Add MSCI World equal weight idea

- **We initiate an Opportunistic idea on the MSCI World Equal Weight** to ride the broadening rally beyond AI leaders and hedge against concentration risk in cap-weighted benchmarks. Equal-weighting structurally tilts the index toward cyclicals – industrials and financials – which are set to benefit from resilient macro data and a soft-landing backdrop. The index also trades at a notable valuation discount to its cap-weighted parent.
- **We recently took profit on global semiconductors,** locking in a 31.4% gain (19 March 2026 to 4 May 2026). Within technology, we switched our preference from semis to **internet names**, which lagged the semis' run and should benefit as participation broadens. The AI thesis remains intact, but with valuations re-rated, less-stretched sub-sectors offer a more attractive risk-adjusted entry.
- **We take profit on global ex-US buybacks,** locking in a 5.2% gain (19 March 2026 to 21 May 2026). The idea served as a defensive-with-upside anchor through geopolitical and stagflation concerns. It benefited from sizeable exposure to the energy sector (over 20% of the buybacks index). We prefer to take profit now, with our base scenario that the Hormuz strait will reopen in weeks.
- **We take profit on US Utilities,** tracking a 1.3% gain (30 October 2025 to 21 May 2026). This is in line with our downgrade of the sector globally from Overweight to a Core holding (see below).

Fig. 25 **Opportunistic ideas**

Region	Idea
Global	Gold miners
	MSCI World Equal Weight*
US	US aerospace and defence
Asia	Hang Seng Technology

Source: Standard Chartered. * New idea

Ongoing ideas

Gold miners: We remain constructive on gold and expect investors to look past near-term, liquidity-driven weakness. Structural central bank demand remains, and we also expect a Fed rate cut in H2 2026 to be supportive. Higher oil prices would raise cost for miners, but we expect the gold price to rise faster. Elevated spreads between all-in sustaining costs (AISC) and gold prices continue to support miners' margins. Hawkish central bank stances are risks.

US aerospace and defence: Major US aerospace names rallied into the Trump-Xi summit but pared gains after China committed to fewer US aircraft purchases than expected. Looking past this, upward revisions to the US defence budget and structural demand for air travel should support earnings growth. Weaker-than-expected defence spending is a risk.

Hang Seng Technology: Tech innovation remains a priority under China's 15th Five-year Plan, while a strong AI-related IPO pipeline and reasonable valuations support sentiment. Decades of renewable investment leave Chinese firms relatively insulated from energy shocks, enhancing resilience amid geopolitical risks. Adverse regulatory changes are risks.

Sector views: Maintain a barbell approach

We **downgrade US utilities to a core holding**. Although the sector enjoys a powerful long-term tailwind from AI-driven power demand, there is a near-term headwind from potentially higher-for-longer interest rates. We **maintain a barbell strategy with growth exposure to US technology and US communication services**, balanced by **defensive exposure to US healthcare**. Structural AI tailwinds continue to drive technology, while an improving digital advertising backdrop and AI monetisation support communication services. We also stay **Overweight Europe ex-UK financials**, underpinned by strong balance sheets and attractive shareholder returns.

In China, we keep a barbell approach – **growth via technology and communication services** – where policy stimulus could accelerate self-reliance around domestic chips and support AI monetisation across internet platforms – balanced by **defensive exposure to healthcare**, where the quality of drug innovation continues to improve.

Fig. 26 **Our sector views**

Global top preferred sectors
US Technology
US Communication
US Healthcare
Europe ex-UK Financials

China sectors
Technology
Communication
Healthcare
Financials
Discretionary
Materials
Industrials
Energy
Staples
Utilities
Real estate

Source: Standard Chartered

Legends: Overweight | Core | Underweight

Gold, crude oil – at a glance

Anthony Naab, CFA
Investment Strategist

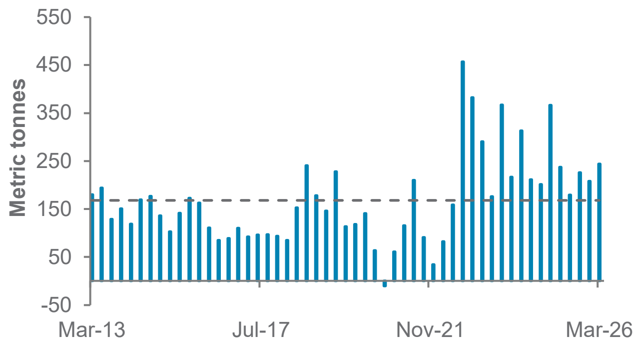
Our view

- We are Overweight gold and maintain our three- and 12-month price targets at USD 5,200/oz and USD 5,500/oz, respectively.
- We raise our **three-month WTI oil price forecast to USD 90/bbl** on expectations that full output normalisation will take time.

Key charts

Fig. 27 **Structural buying from central banks continues to support higher prices, despite a minority net selling**

Global gold demand from central bank quarterly purchases



Source: Bloomberg, Standard Chartered

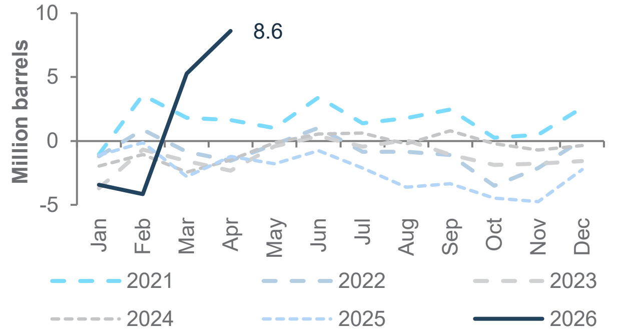
Fig. 28 **Gold-silver ratio is normalising towards its historical average**

Gold-silver ratio

Source: Bloomberg, Standard Chartered

Fig. 29 **Global inventory draws surged in April, significantly exceeding five-year averages**

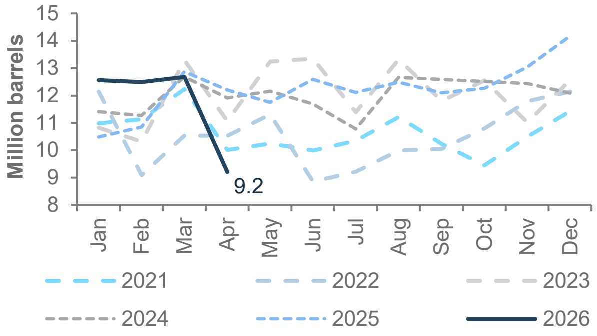
World Crude Oil and Other Liquids Net Withdrawals



Source: EIA, Standard Chartered

Fig. 30 **China's seaborne oil imports drop as domestic inventories are tapped**

China Crude Oil and Refined Petroleum Imports



Source: GACC, Standard Chartered

Gold outlook: Gold remains in a structural bull market, anchored by persistent central bank buying and long-term diversification away from US assets. While higher yields have triggered near-term liquidation, underlying fundamentals remain exceptionally strong. We expect sporadic institutional selling to be outweighed by robust official sector demand. As geopolitical hostilities stabilise, these drivers are expected to resume gold's broader rally towards new highs.

Oil outlook: Oil prices remain capped despite tensions, anchored by a 3.8mb/d US seaborne export surge and a reported sharp decline in Chinese imports in April. While our base case assumes a near-term resolution, the normalisation window is narrowing towards a late summer inventory deadline. With OECD stocks drawing rapidly towards operational minimums, markets remain vulnerable to any diplomatic impasse. We expect a return to surplus within the next 12 months, but the immediate need for inventory rebuilding should sustain prices near USD 90/bbl over the next three months.

FX – at a glance

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CIO, Fixed Income & FX

Iris Yuen
Investment Strategist

USD view

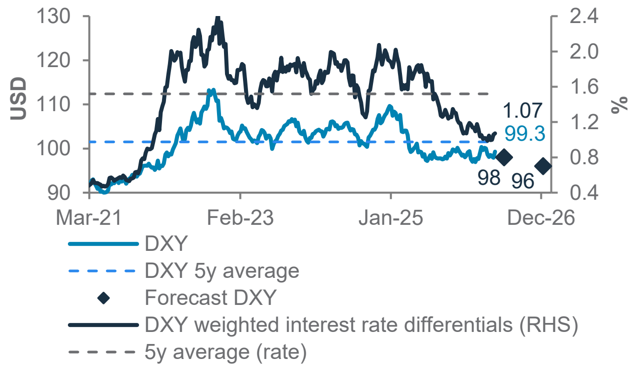
We have raised our three-month forecast for the US Dollar Index (DXY) to 98, up from 96. This upward revision is driven by the surprisingly strong US economic data and an expanding growth differential relative to the Euro area, both of which are underpinning the USD's resilience. In addition, two key factors have emerged to support the greenback in the near term: 1) persistently high energy prices and the US's position as a net energy exporter and 2) the market's recalibration of expectations for the Fed to remain on hold for this year. Finally, as the Strait of Hormuz remains closed and positive economic surprises outside the US begin to wane, these dynamics are likely to keep the USD anchored within its recent range in the coming months.

We maintain our twelve-month DXY forecast at 96. We expect that, as global inflationary pressures ease, the market's current preference for the USD will fade, paving the way for pro-cyclical currencies to rebound. The USD continues to trade at a substantial premium compared to other currencies. We expect this overvaluation to recede as the US fiscal deficit and current account imbalances widen. Should the structural twin deficits reassert themselves, we foresee the USD gradually moving towards our target as the global economic environment transitions from a defensive stance to one of more synchronised growth.

Key charts

Fig. 31 **USD is consolidating recently, but narrowing interest-rate differentials likely to drive downside risk on a 12-month-forward basis**

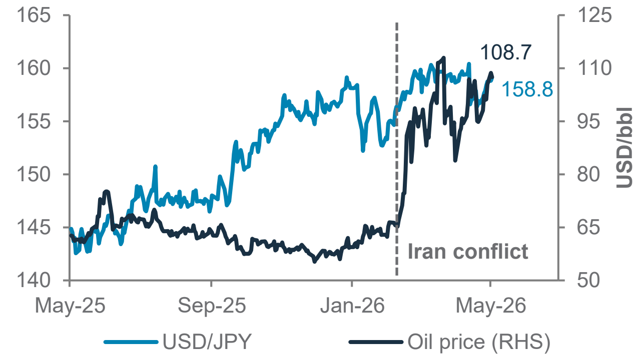
DXY, weighted interest-rate differentials and five-year average



Source: Bloomberg, Standard Chartered

Fig. 32 **Japanese Yen (JPY) gains offset by rising oil prices, which is likely to depress growth**

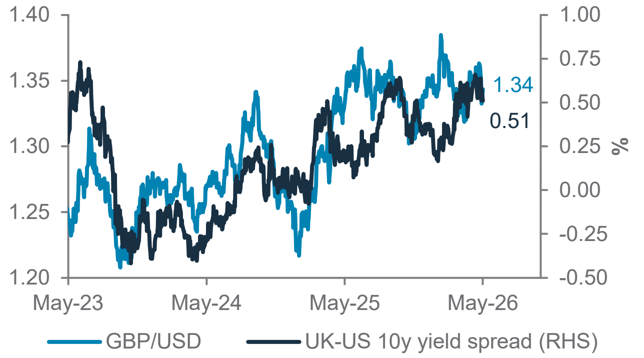
USD/JPY and oil price



Source: Bloomberg, Standard Chartered

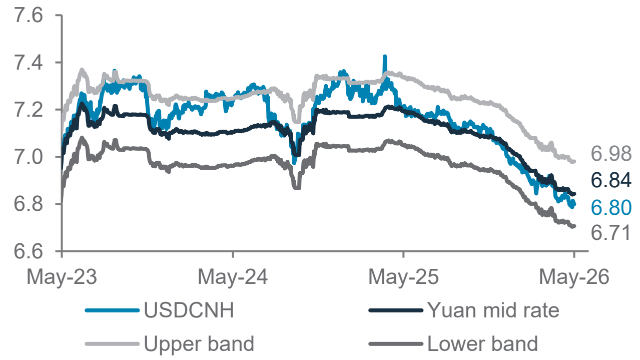
Fig. 33 **Great British Pound (GBP) faces downside risk on political risks and yield spread capped at 0.75%**

GBP/USD and yield spread



Source: Bloomberg, Standard Chartered

Fig. 34 **Offshore Chinese Yuan (CNH) is strengthening as the PBoC lowers USD/CNH fixing**



Source: Bloomberg, Standard Chartered

Fig. 35 **Summary of currency forecasts and drivers**

Currency	3m	12m	Rationale
EUR/USD	1.19	1.20	• **EUR/USD range:** A firm floor is established by the ECB's hawkish policy stance and the Euro area's persistent current account surplus, which provides a structural buffer against capital outflows. The region's shift toward fiscal consolidation bolsters the currency's long-term stability. However, the Euro area's heightened sensitivity to ongoing energy supply risks remains a headwind. We believe this structural tug-of-war will keep the pair confined to its current tactical corridor as macro crosscurrents remain balanced.
GBP/USD	1.34	1.30	• **GBP/USD rangebound with bearish bias:** The UK economy faces persistent stagflation pressures and a weakening labour market. While the BoE remains attentive to inflation, we anticipate that a deteriorating growth outlook will eventually force a more dovish pivot than currently priced. Furthermore, the UK's structural vulnerabilities, including limited fiscal flexibility and heightened political uncertainty bring further downside risk.
USD/JPY	160	152	• **USD/JPY rangebound with bearish bias:** We view the threat of official FX intervention above the 160 threshold as credible. Rising Japanese government yields are also beginning to trigger capital repatriation by domestic institutional investors. However, JPY strength will likely be tempered by Japan's deteriorating terms of trade amid elevated energy prices and the BoJ's cautious approach to policy normalisation. We believe these offsetting forces will ensure a gradual, rather than aggressive, recovery for the currency.
AUD/USD	0.74	0.75	• **AUD/USD stays resilient:** The currency remains a primary beneficiary of elevated commodity prices. The pair drew support from expectations that the RBA may hike its policy rate further to 4.6% after Australia's federal budget revealed an additional AUD 18bn in government spending for 2026/27.
NZD/USD	0.60	0.61	• **Bullish NZD/USD:** The Reserve Bank of New Zealand's (RBNZ's) hawkish policy approach continues to set it apart from other G10 central banks. Persistent inflation in the services sector, coupled with a robust labour market, indicates the RBNZ will likely resist monetary easing, thereby maintaining its yield advantage.
USD/CAD	1.37	1.35	• **USD/CAD range with bearish bias:** The Canadian dollar (CAD) is currently supported by elevated oil prices, providing a significant terms-of-trade tailwind amid global supply disruptions. Loonie's pro-cyclical characteristics are likely to drive CAD recovery.
USD/CNH	6.75	6.70	• **Bearish USD/CNH:** The PBoC is guiding the CNH stronger via daily fixings. The Trump-Xi summit made some constructive progress towards managing a thorny bilateral trade relationship. New mechanisms to address trade and investment likely to support CNH.
USD/CHF	0.76	0.74	• **Bearish USD/CHF:** The Swiss franc (CHF) retains its reputation as a leading safe-haven currency, with demand remaining robust amid ongoing geopolitical tensions and persistent energy supply disruptions. We anticipate that the CHF will continue to serve as an effective hedge against Euro area volatility, leading to a steady appreciation.
USD/SGD	1.26	1.24	• **Bearish USD/SGD:** The MAS maintains its proactive stance against persistent inflationary pressures. Singapore's status as a premier regional safe haven continues to attract structural capital inflows, providing a robust buffer against external volatility.
USD/INR	-	92	• **Bearish USD/INR:** The INR will likely face depreciation pressure from a widening current account deficit and persistent portfolio outflows in the longer term. Authorities have hiked import tariffs for gold and introduced more FX measures to manage the depreciation pace.
USD/MYR	-	3.80	• **Bearish USD/MYR:** Robust foreign direct investment in Malaysia's data centre sector, propelled by the AI boom and the country's promising growth outlook, is bolstering confidence in the ringgit and supporting a more optimistic for its performance.
USD/KRW	-	1,430	• **Bearish USD/KRW:** KRW benefits from a structural recovery in the global semiconductor cycle and record current account surpluses. The inclusion of Korean Treasury Bonds in the World Government Bond Index serves as a significant catalyst for passive capital inflows.

Source: Bloomberg, Standard Chartered

Quant perspective: Bullish equities

Francis Lim
Senior Quantitative Strategist

Maggie, Au Yeung
Quantitative Analyst

Summary

Our 3-6-month stock-bond model continues to heavily Overweight global equities, as the model score stays at +4 out of 5. This comes even as the strong rebound in global equities has seemingly hit a pause. The reasons are that (1) **valuation signals for DM and Asian equities still remain within reasonable thresholds** to stay long equities, (2) **fundamentals are still bullish for risk assets** and (3) **market technicals are supportive of equities,** with 83% of individual equity markets staying above their 200-day moving averages (DMAs), while the likelihood of an upward reversal has risen due to a net decline in stocks looking overly bearish. YTD return sits at 9.6%, outperforming the 60/40 equity-bond benchmark by 3.2%.

Our 1-3-month short-term equity technical models remain bullish on the S&P500 and MSCI AC World, as the risk indicator Volatility Index (VIX) has subsided and remains below 20%. The estimated bear market probabilities for both indices are 3.4% and 23% respectively. The higher bear market probability for the MSCI AC World is driven by clearer signs of a slowdown in the short term and a higher correlation between agricultural prices and global government bond yields, which indicate greater market sensitivity to potential inflation shocks.

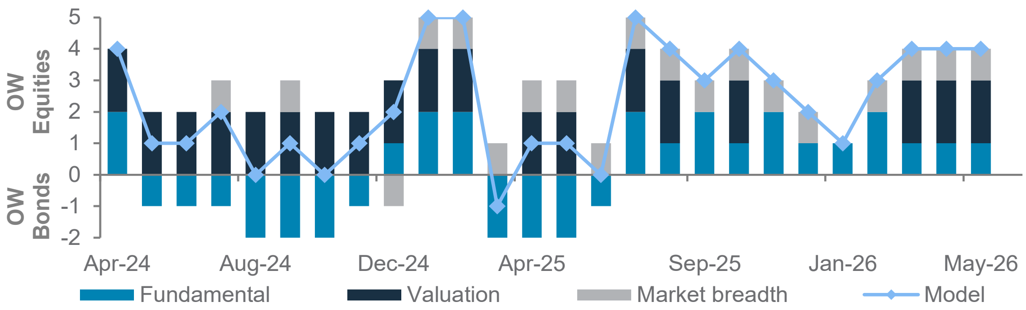
It was a quiet month for our market diversity indicator, as only MSCI Indonesia is currently being flagged as oversold. The index has been down 32% over the last 65 days, significantly underperforming its other equity markets. Our market diversity indicator for the index is currently below 1.25, a threshold where the likelihood of a short-term reversal rises significantly. The Bloomberg Commodity Index is also looking increasingly overbought based on the indicator, but it has yet to cross the threshold.

Key chart

Our stock-bond model increased its Overweight allocation to equity in March, on the back of improved equity valuation, still-supportive fundamentals and a healthy market breadth.

Fig. 36 **Breakdown of our stock-bond rotation model's scores**

Model score in May 2026 remained at +4

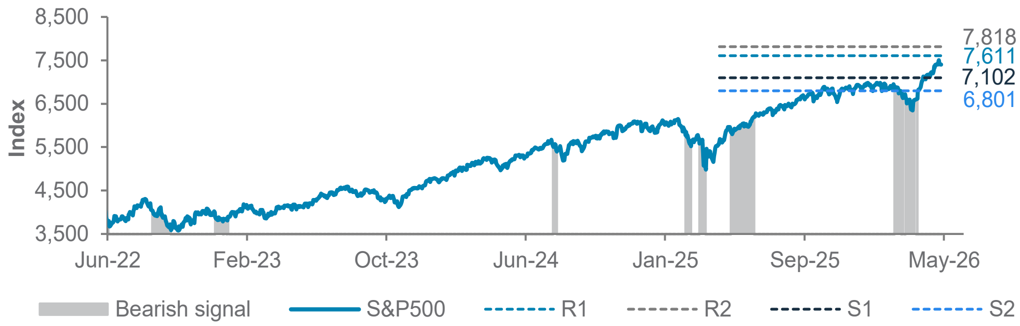


Source: Bloomberg, Standard Chartered; 15-May-2026

Our short-term models turned bullish on equities, as option-market implied volatilities tapered off sharply.

Fig. 37 **Our technical model turned bullish on S&P500**

S&P500 Index; model's bearish signal; technical support and resistance levels



Source: Bloomberg, Standard Chartered; 18-May-2026

Fig. 38 **Long- and short-term quantitative models remain bullish risk assets**

Long-term models below have a typical time horizon of 3-6 months, while short-term models have a 1-3-month horizon

Long-term	**Stock or bond**	**Global inflation-growth regime**	**US recession model**
Current view	**Bullish equities**	**Still-low stagflation risk**	**10% probability**
What factors is this view based on?	• **Fundamental:** +1. The Economic Surprise Index turned negative but was offset by improved market and earnings sentiments. • **Valuation:** +2. Valuation scores for DM and Asia equities remain within reasonable threshold. • **Market breadth:** +1. 83% of equity markets are above their 200DMAs, while net decline looks overly bearish.	• **Global inflation** rose to 2.6% y/y, above long-term 2%. Leading indicators point to 2.7% in six months, while consensus expects inflation to fall back to 2.3% y/y in 12 months. • **Global industrial production y/y** fell to 2%, in line with the long-term view. Consensus expects 2.3% y/y in 12 months. Our regression model using leading indicators is pointing to 4.5% y/y growth in six months.	• **Recession probability is declining,** but it remains above the long-term average of 4.1% because the Conference Board's leading indicator remains negative at -3.1% y/y, Fed funds rate remains restrictive at 1.6x of the natural rate, and ISM new orders/inventory is 1.1x, slightly bearish compared to the long-term 1.17x. Consumer confidence turned positive after jumping to 8.3% y/y.
Key model factors	• Economic activity, macro risk and surprise indices, corporate earnings, forward price-to-earnings ratio and technical factors.	• Tracks current and consensus estimates of inflation, industrial production and leading economic indicators for the US, Europe, the UK, China India and South Korea.	• Tracks current and consensus estimates of inflation, industrial production, and leading economic indicators for the US, Europe, the UK, China, India and South Korea.
How does it work?	• A monthly scorecard of -5 to 5 based on fundamental, valuation and market breadth factors to indicate relative preference for bonds and equities. A positive score favours equities and vice versa.	• A macro model of global economic cycle (recession, recovery, late cycle and stagflation) and implications for long-term asset class returns.	• A macro model of global economic cycle (recession, recovery, late cycle and stagflation) and implications for long-term asset class returns.

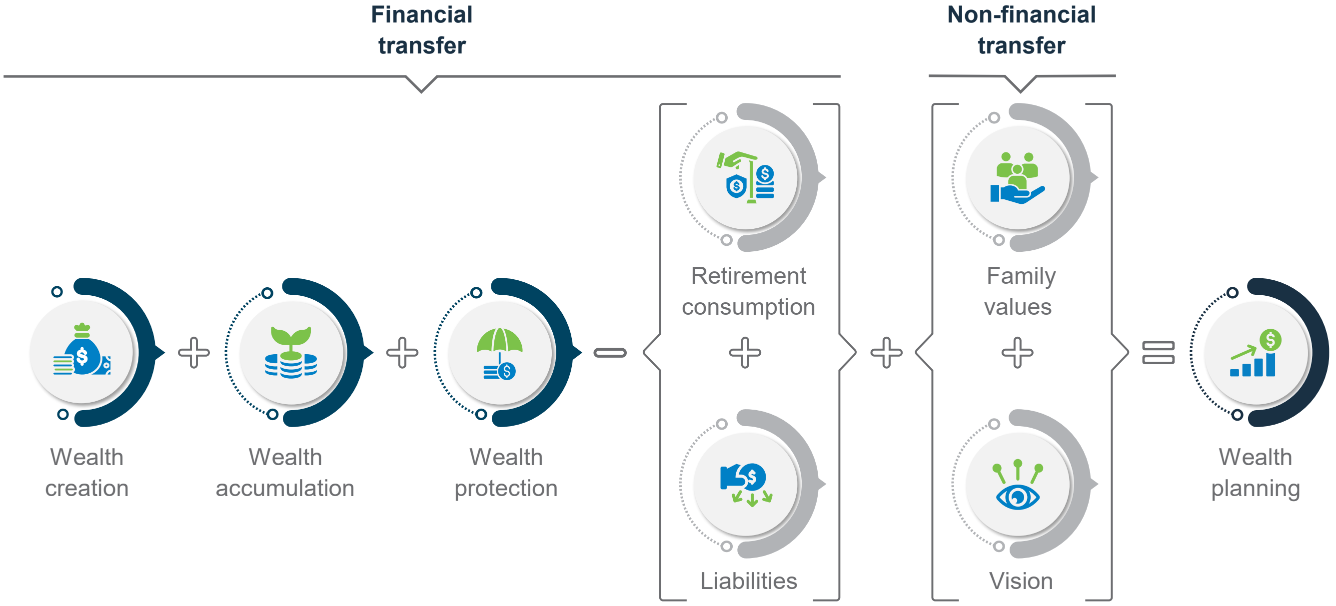
Short-term	**Technical analysis**	**Investor positioning**
Current views	**Bullish equities (1-3 months)**	**MSCI Indonesia is oversold**
What factors is this view based on?	• **Bullish S&P500.** Current estimated probability of bear market is low (3.4%), as risk indicators, such as the VIX, subsided and market momentum improved. • **Bullish MSCI AC World.** Estimated probability of bear market is higher at 23% due to clearer signs of a slowdown in the short term and rising market sensitivity to inflation shocks. • **Bullish EUR, GBP and AUD relative to USD.** Relative performance of EUR is still broadly healthy, and market sentiment is supportive. Momentum for AUD remains the biggest positive driver, while GBP is well-supported by rate differentials.	• **Oversold:** MSCI Indonesia has been down 32% over the last 65 days. Our market diversity indicator for the index fell below the 1.25 threshold, indicating overly bearish positioning. • **Watchlist:** The Bloomberg Commodity Index has had stellar performance. Investor positioning, however, looks increasingly stretched.
Key model factors	• **Market factors:** Momentum, volatility, interest rate differentials, relative returns, inflation swap rates, economic surprises, etc.	• **Price action:** Overbought conditions occur when prices rise sharply; oversold conditions happen when prices fall rapidly in a short time.
How does it work?	• Scanning through 7,000+ factors, the framework uses machine learning to forecast market regimes or future trends based on identified market drivers.	• A market indicator based on fractal analysis that provides timely indication of investor positioning based on price actions.

Source: Standard Chartered

Strategic wealth planning

Proactive wealth planning is a fundamental pillar of effective wealth management. It facilitates long-term asset preservation, strong financial governance across generations and seamless wealth transfer. Globally, an estimated USD 124trn is expected to pass to future generations by 2048. Yet, without adequate planning, roughly 70% of affluent families could lose their wealth by the second generation, and nearly 90% by the third.

Fig. 39 **What and why of wealth planning?**



Source: Standard Chartered

Why wealth planning matters

Wealth planning establishes a framework to transfer accumulated wealth to family, charitable causes or other beneficiaries. This process elevates financial management by integrating it with your personal vision, values and the legacy you wish to leave behind.

Wealth planning helps one:

1. Align with an evolving risk landscape

Families often focus on building wealth but neglect its transition process. Advance wealth planning can mitigate potential family disputes and ensure wealth strategies remain resilient against risks, such as:

- Demographic shifts: Nearly one in six seniors lives alone globally and faces vulnerabilities in financial decision-making. Without explicit directives, assets could revert to state processes.
- Digital assets: Around 75% of the global affluent community has invested in digital assets such as cryptocurrency, which carry unique risks and unclear tax rules. Succession laws for digital holdings are still evolving globally and are difficult to navigate.
- Global mobility: Nearly 80% of ultra-high-net-worth individuals have assets in multiple countries, exposing them to conflicting and complicated succession laws.

2. Pursue philanthropy and impact goals

Wealth planning goes beyond simple wealth transfer. It aligns wealth with personal values and social impact. Affluent families are increasingly using advanced philanthropic structures, such as donor-advised funds, charitable trusts and private foundations.

3. Cultivate financial stewardship across generations

Financial stewardship refers to making responsible and rational decisions about money, taxes and spending for the benefit of future wealth. Families that instil financial stewardship in heirs transform wealth planning from a tactical process into a strategic one and reduce the risk of wealth dissipation.

4. Manage liquidity across transitions

Adequate liquidity ensures families can tide over any financial strain via sustained cash flows. Thoughtfully structured wealth planning strategies create liquidity, helping cover estate taxes, legal fees and administrative costs without forcing the sale of real estate or family businesses.

Wealth planning structures

The optimal structure depends on family size and jurisdiction. Prominent options include:

Trust structures: A trust is a legal arrangement where a grantor (owner) transfers assets to a trustee (family member or third party) for the benefit of designated heirs. Trusts allow the grantor to specify when and how the assets will be distributed. A **living (inter vivos) trust** is created by the grantor during their lifetime to transfer assets. A **testamentary trust** comes into effect only after the grantor's lifetime.

Fig. 40 **Different parameters of living trusts**

Parameters	Description	Benefits
Revocable	• Can be revoked by the grantor	• Offers flexibility and privacy • Avoids probate
Irrevocable	• Cannot be revoked once created • Assets are permanently transferred	• Better asset protection and tax efficiency subject to proper planning
Discretionary	• Asset distribution to beneficiaries is decided by the trustee	• Flexibility, protects beneficiaries from creditors
Charitable	• Assets are earmarked for charitable purposes	• May enjoy potential tax benefits, supports philanthropy

Source: Standard Chartered

Family offices: Legal structures that manage the wealth of ultra-wealthy families through investment and risk management, tax strategy, estate planning, governance and philanthropy.

Foundations: Standalone legal structures that own assets and are run by a council. They separate family wealth from personal ownership, reducing conflict during succession.

Variable capital companies (VCCs): Corporate structures used in Singapore for investment management. They allow families to organise different investments under a single set-up while keeping assets and liabilities separate.

Private trust companies (PTCs): Corporate trustees established by a family to provide trustee services for themselves, offering greater control over complex assets, such as operating businesses.

Asset protection strategies

Key asset protection strategies that safeguard wealth against unsolicited claims and lawsuits include:

Gifting: Transferring wealth during one's lifetime; tax-efficient in jurisdictions like Singapore and Hong Kong, allows for controlled asset transfer and helps avoid probate.

Savings plans: A pool of liquid assets that heirs can use to settle estate taxes, legal costs or other obligations without the sale of family assets.

Insurance solutions: Tools like Participating Savings Plans, Whole Life and Indexed Universal Life (IUL) provide immediate liquidity to heirs. They help settle estate taxes and equalise inheritances without breaking up core family assets.

Cross-border considerations

Modern-day portfolios often have cross-border exposures, making it critical to understand unique tax laws, inheritance rules and legal systems. A plan that overlooks these can erode wealth. Some major cross-border factors include:

Taxes: Inheritance and gift tax regimes vary widely; holistic planning is essential as global tax transparency increases.

Succession laws: Several countries, such as Japan and South Korea, enforce "forced heirship" rules that mandate portions of an estate go to specific relatives regardless of the owner's wishes.

Currency and economic risks: Macroeconomic uncertainty can impact estate value. Currency hedging can protect wealth from exchange rate swings, ensuring heirs receive a predictable amount.

Compliance and reporting: Failing to comply with local disclosure requirements can lead to penalties, frozen assets and reputational damage.

Investors with complex portfolios should start strategic wealth planning early, engage experts and set up governance frameworks that align with family aspirations. With a strategic plan, your wealth can be a story of continuity, purpose and resilience.

Foundation: Asset allocation summary

Summary	View	FOUNDATION Moderate	FOUNDATION Balanced	FOUNDATION Aggressive
Cash	▼	3	3	2
Fixed Income	◆	58	38	18
Equity	▲	33	54	74
Gold	▲	6	6	6
Asset class				
USD Cash	▼	3	3	2
*DM IG Government Bonds**	▼	19	10	3
*DM IG Corporate Bonds**	◆	15	10	5
DM HY Corporate Bonds	◆	3	2	1
EM USD Government Bonds	▲	7	6	4
EM Local Ccy Government Bonds	▲	6	5	2
Asia USD Bonds	◆	8	5	3
North America Equities	▲	23	37	50
Europe ex-UK Equities	◆	4	7	9
UK Equities	▼	0	1	2
Japan Equities	◆	2	3	4
Asia ex-Japan Equities	◆	4	6	9
Gold	▲	6	6	6
		100	**100**	**100**

Summary	FOUNDATION Conservative
Cash	10
Fixed Income	90
Asset class	**Moderate**
Cash	10
Floating Rate Notes	45
DM IG Govt (Short duration)	10
DM IG Corp (Short duration)	15
DM HY (Short duration)	5
EM USD Govt (Short duration)	5
EM LCY Govt	5
Asia USD bonds	5
	100

Source: Standard Chartered
All figures in %
1. Allocation figures may not add up to 100 due to rounding. *FX-hedged
2. The Conservative TAA is based off the SAA and is not overlaid with any tactical views

Legends: ▲ Most preferred | ▼ Least preferred | ◆ Core holding

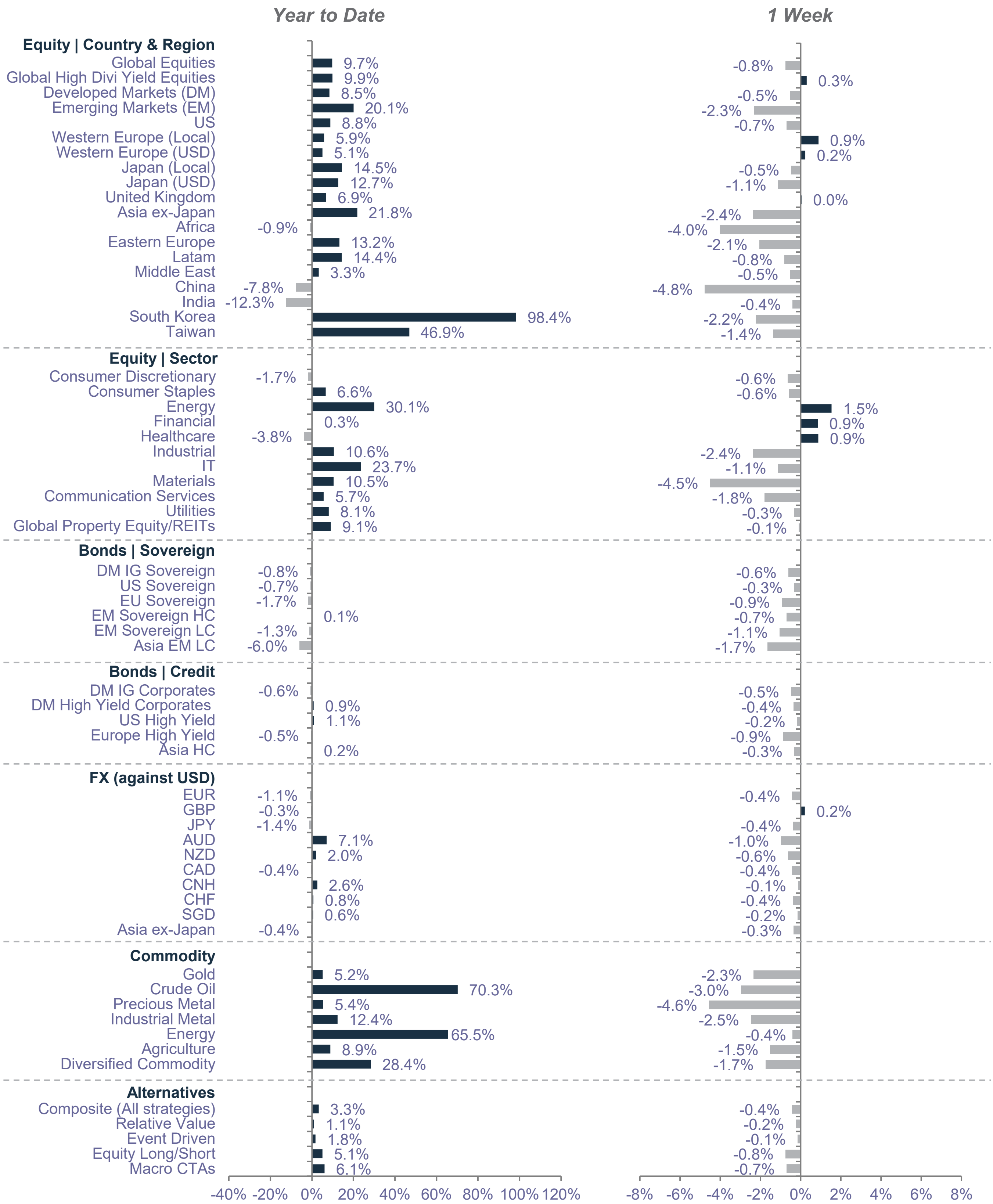
Foundation+: Asset allocation summary

Summary	View	FOUNDATION+ Moderate	Balanced	Aggressive
Cash	▼	2	2	2
Fixed Income	◆	49	30	13
Equity	▲	28	43	55
Alternatives	◆	20	25	30
Asset class				
USD Cash	▼	2	2	2
*DM IG Government Bonds**	▼	16	8	2
*DM IG Corporate Bonds**	◆	12	8	4
DM HY Corporate Bonds	▼	3	2	1
EM USD Government Bonds	▲	6	5	3
EM Local Ccy Government Bonds	▲	5	4	2
Asia USD Bonds	◆	7	4	2
North America Equities	▲	20	29	38
Europe ex-UK Equities	◆	3	5	7
UK Equities	▼	0	1	1
Japan Equities	◆	2	2	3
Asia ex-Japan Equities	◆	3	5	6
Gold	▲	5	5	5
Hedge Fund Strategies	◆	2	3	4
Private Equity	◆	2	5	8
Private Real Assets	◆	4	4	4
Private Debt	◆	5	6	7
Digital Assets	◆	2	2	2
		100	**100**	**100**

Source: Standard Chartered
All figures in %
1. Allocation figures may not add up to 100 due to rounding. *FX-hedged

Legends: ▲ Most preferred | ▼ Least preferred | ◆ Core holding

Market performance summary*



Source: MSCI, JPMorgan, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*All performance shown in USD terms, unless otherwise stated

*YTD performance data from 31 December 2025 to 21 May 2026; 1-week performance from 14 May 2026 to 21 May 2026

Our key forecasts and calendar events

Currency	USD (DXY)	EUR/ USD	GBP/ USD	USD/ JPY	AUD/ USD	NZD/ USD	USD/ CAD	USD/ CNH	USD/ CHF	Oil (WTI, USD/ bbl)	Gold (USD/ oz)	Fed policy rate (upper bound)	US Treasury 10y yield (%)	ECB policy rate
3m forecast	98	1.19	1.34	160	0.74	0.60	1.37	6.75	0.76	90	5,200	-	4.25-4.50%	-
12m forecast	96	1.20	1.30	152	0.75	0.61	1.35	6.70	0.74	75	5,500	3.50% (Dec-26)	4.00-4.25% (Dec-26)	2.25% (Dec-26)

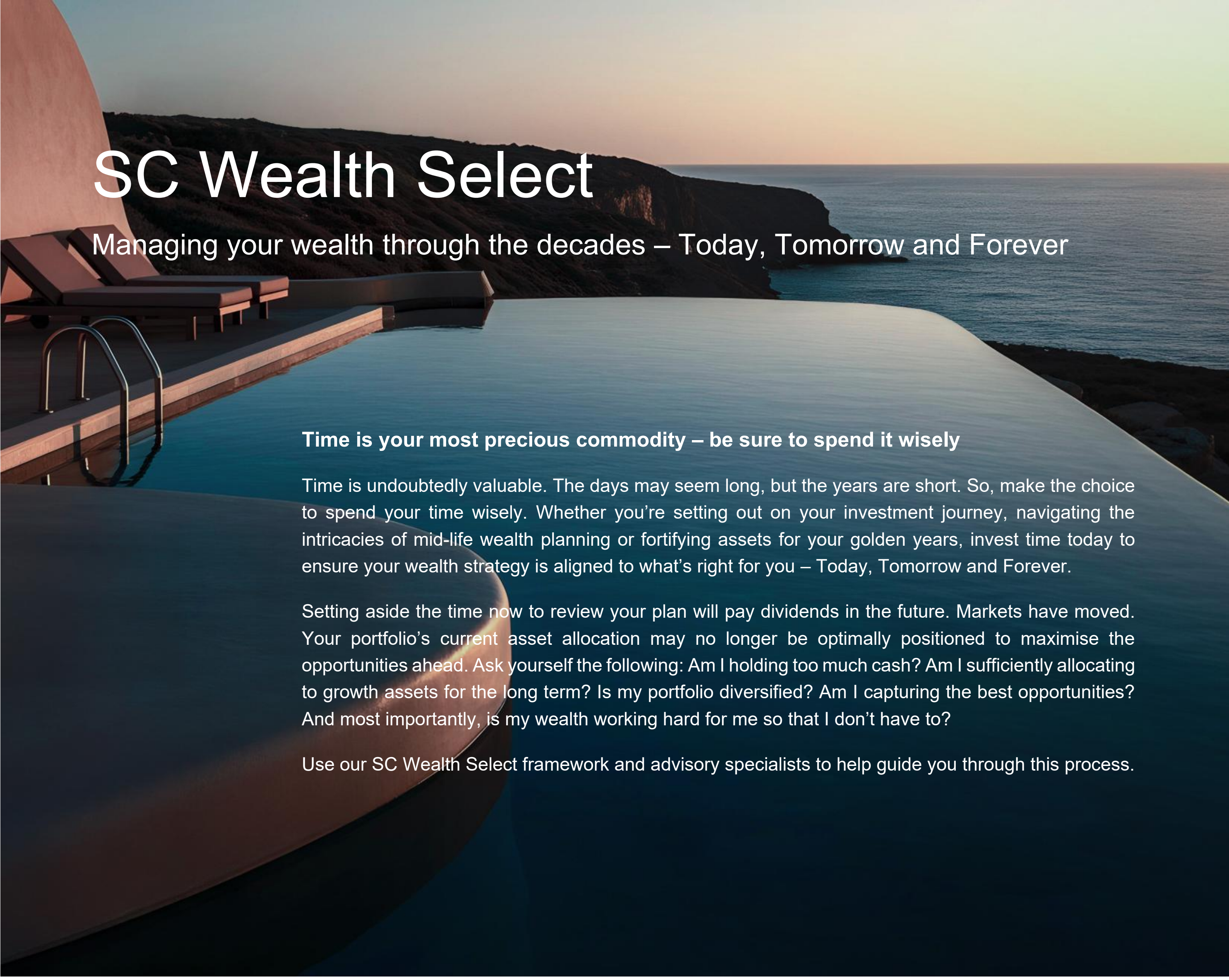
Source: Standard Chartered

JUN

- 1 Jun > US: PMI
- 2 Jun > EU: CPI
- 5 Jun > US: Nonfarm Payrolls
- 10 Jun > US: CPI
- 11 Jun > EU: ECB policy meeting
- 14-16 Jun > France: 52nd G7 Leaders' Summit
- 16 Jun > JP: BoJ policy meeting
- 18 Jun > US: Fed policy meeting
- 18 Jun > UK: BoE policy meeting
- 23 Jun > EU: PMI

Legends: Central bank policy | Geopolitics | Economic data

X – Date not confirmed | ECB – European Central Bank | FOMC – Federal Open Market Committee (US) | BoJ – Bank of Japan | BoE – Bank of England



SC Wealth Select

Managing your wealth through the decades – Today, Tomorrow and Forever

Time is your most precious commodity – be sure to spend it wisely

Time is undoubtedly valuable. The days may seem long, but the years are short. So, make the choice to spend your time wisely. Whether you're setting out on your investment journey, navigating the intricacies of mid-life wealth planning or fortifying assets for your golden years, invest time today to ensure your wealth strategy is aligned to what's right for you – Today, Tomorrow and Forever.

Setting aside the time now to review your plan will pay dividends in the future. Markets have moved. Your portfolio's current asset allocation may no longer be optimally positioned to maximise the opportunities ahead. Ask yourself the following: Am I holding too much cash? Am I sufficiently allocating to growth assets for the long term? Is my portfolio diversified? Am I capturing the best opportunities? And most importantly, is my wealth working hard for me so that I don't have to?

Use our SC Wealth Select framework and advisory specialists to help guide you through this process.

Purpose

Today, Tomorrow, Forever

Our approach to helping you grow and manage your wealth starts with you. We use a goals-aware approach to understand your vision of Today, Tomorrow and Forever for yourself, your family and beyond, and then design portfolios to meet your various needs.

Using our 'Today, Tomorrow and Forever' approach, we ensure your wealth needs for the near term (Today) are met, while ensuring your wealth needs for the decades ahead (Tomorrow and Forever) are also planned for.

Your vision of 'Today, Tomorrow and Forever' is unique to you. Our specialists partner with you to build well-diversified, long-term Foundation portfolios, aligned to your Today, Tomorrow and Forever needs. Opportunistic ideas are added to capture short-term opportunities, and sufficient protection is included to address the objectives of you and your family.

Today, Tomorrow and Forever Approach

Planning for Today

Requires ensuring liquidity and income flows take centre stage

Securing Tomorrow

Entails a well-diversified investment and protection portfolio with a focus on growth, ensuring inflation is accounted for and risks are mitigated

Building for Forever

Involves greater focus on long-term returns given the time horizon of your portfolio can be measured in decades, and might also include business interests, real estate, collectibles or charitable funds

Principles

that stand the test of time

Adhering to time-tested principles, to ensure your investment decisions remain robust and consistently applied, is paramount to your success Today, Tomorrow and Forever. We use five Wealth Principles to guide and guardrail your wealth decisions.

Discipline – ensure consistency and prudence over your emotions

- Reacting to emotions, such as optimism and fear, can lead to poor investment decisions at the worst times
- Have a plan and stick to it – this helps you to stay focused on the bigger picture

Diversification – simply put, don't put all your eggs in one basket

- Reduce risk by holding a variety of financial assets. Multi-asset diversification in your Foundation portfolio is important
- As a guide, make sure your portfolio contains a variety of asset classes and investments that have low correlation with one another

Time in the Market – a more robust strategy than timing the market

- Predicting market selloffs is challenging, and timing your exit and re-entry is difficult
- Missing out on the best performing days of a market can have a significantly detrimental impact on your portfolio
- 'Time in the market' and buying the market with a longer-term view provide more consistent returns that can ride out bumps along the way

Risk and Return – make sure the risk is worth the return

- To achieve higher investment returns, you will likely have to accept a greater level of risk in your portfolio
- Therefore, it's important to understand the risks and manage these on an ongoing basis

Protection – don't let the unexpected catch you unprepared

- Even though you may feel healthy, or financially stable now, protection offers the ability to overcome times of financial uncertainty and mitigate the long-term impact of unforeseen events on your wealth
- A good protection plan not only safeguards your wealth today, but also considers the value of your future earnings over your lifetime, in today's terms

Advisory Process

Following a holistic approach to managing your wealth

We follow a rigorous process to ensure your needs and objectives are well-understood, and your portfolio is well-aligned and manages to deliver on these objectives.

However, markets constantly evolve and your needs change. Hence, we encourage you to undertake regular portfolio reviews to ensure your portfolio remains aligned to your Today, Tomorrow and Forever objectives. This proactive approach includes strategic rebalancing based on insights from our Chief Investment Office.

Learn more

Scan the QR code below to learn more about our approach to growing, managing and protecting your wealth.

The five-step process

Showcase
Learn how our advisory framework can help you

Discover
Let us understand your needs, preferences and goals better

Propose
We'll design a Foundation portfolio with Opportunistic overlays, which is tailored for you

Implement
Allow us to implement your portfolio seamlessly and efficiently

Monitor & Review
It's important to regularly review and rebalance your portfolio

Please be sure to reach out to your Relationship Manager today to arrange a portfolio review.

Access our views 24/7 on key platforms

Market views on-the-go

MVOG >

SC Wealth Insights

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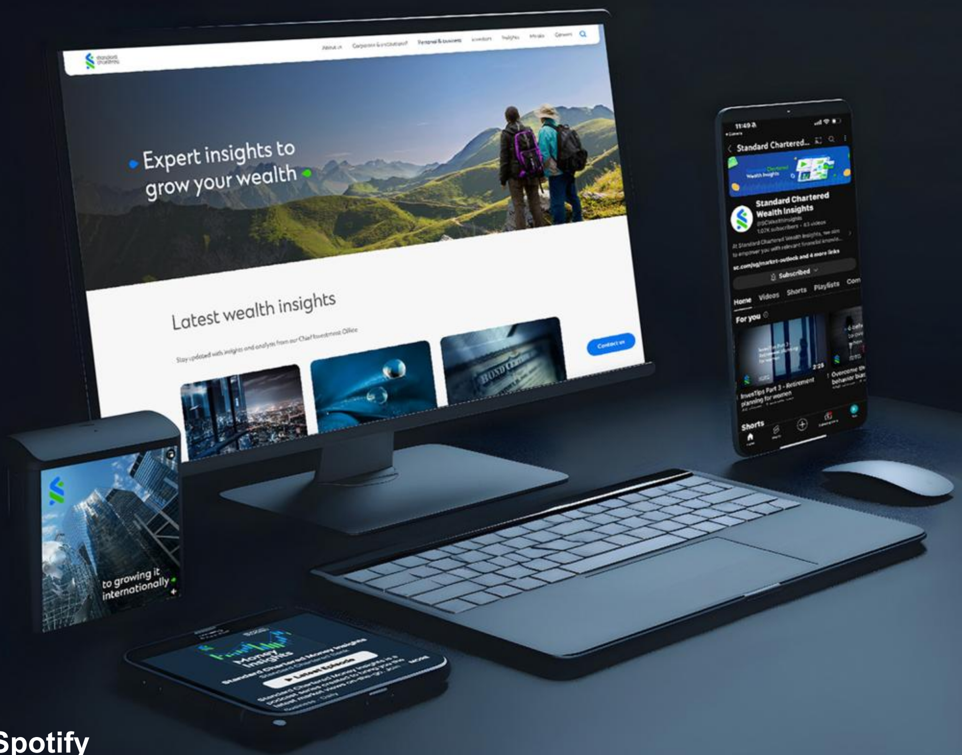

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Explanatory notes

1. The figures on page 5 show allocations for a moderately aggressive risk profile only – different risk profiles may produce significantly different asset allocation results. Page 5 is only an example, provided for general information only and they do not constitute investment advice, an offer, recommendation or solicitation. They do not take into account the specific investment objectives, needs or risk tolerances of a particular person or class of persons and they have not been prepared for any particular person or class of persons.

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