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Global Market Outlook

It's all about the yield

US bond yields are expected to be increasingly capped. Inflation concerns have room to recede, with shorter-maturity bonds most likely to benefit.

The bond yield outlook and renewed momentum in the AI theme are supportive of our Overweight view on US and Asia ex-Japan equities. The global financial sector is supported by a steeper yield curve.

We reinstate our Overweight stance on gold as USD weakness resumes. Emerging Market central bank demand provides long-term support for gold, while expected USD weakness adds a tailwind.

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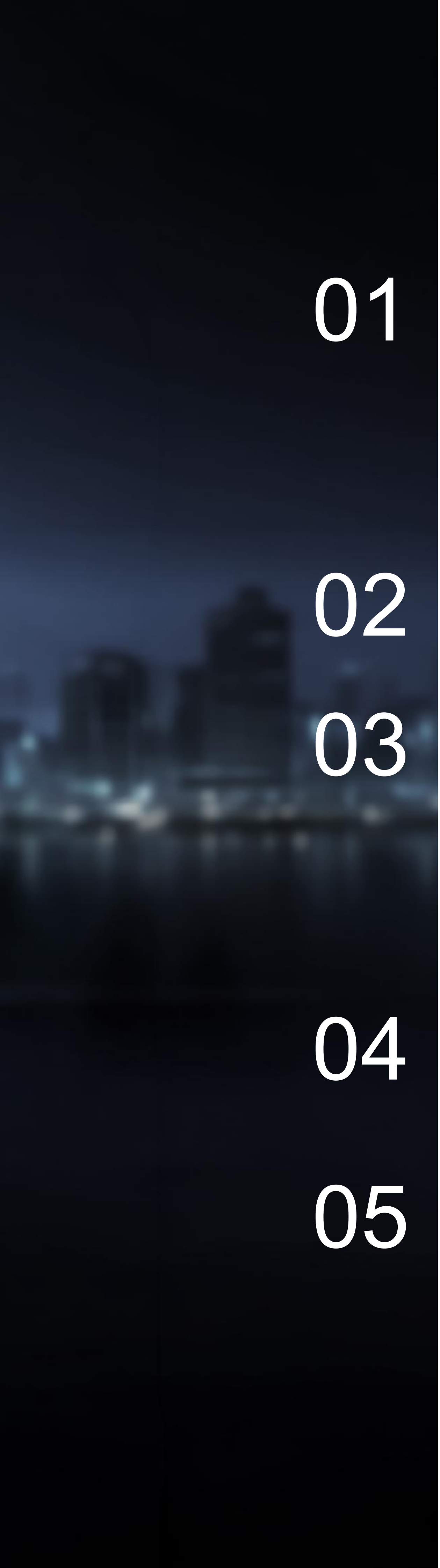
Do both the direction and level of real yields matter?

Is the macro outlook still supportive of higher rates?

Are quantitative models still bullish on equities?



Contents

Investment strategy and key themes

Steve Brice
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Chief Investment Officer, EMEA

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12m Foundation Overweights:

- Global equities, gold^
- US, Asia ex-Japan equities
- Emerging Market USD bonds

Opportunistic Ideas – Equities:

- **Global:** High dividend, power & electrification
- **US:** Communication services
- **Euro area (EA):** Banks^
- **Asia:** Hang Seng Tech, Japan banks, MSCI Taiwan

Top Global Sectors:

- **US:** Technology, communication services, financials
- **EA:** Financials, industrials
- **Asia:** Japan financials

Opportunistic Ideas – Bonds:

- **US:** Treasury Inflation-protected Securities (TIPS), AAA-rated collateralised loan obligations (CLOs), utilities sector hybrids, US High-yield (HY)
- **EA:** Bank AT1s FX-hedged
- **Others:** AUD corporates

^New

It's all about the yield

- **US bond yields are expected to be increasingly capped**. Inflation concerns have room to recede, with shorter-maturity bonds most likely to benefit.
- **The bond yield outlook and renewed momentum in the AI theme are supportive of our Overweight view on US and Asia ex-Japan (AxJ) equities.** The global financial sector is supported by a steeper yield curve, while the AI theme's momentum is resuming on positive monetisation signals.
- **We reinstate our Overweight stance on gold as USD weakness resumes.** Emerging Market (EM) central bank demand provides long-term support for gold, while expected USD weakness adds a further tailwind.

Inflation worries have room to recede

Risky assets have staged a rebound despite ongoing US bond yield worries. Global equities have risen, though gains were front-loaded in the very early part of August. The rise in longer-dated US yields paused, gold rebounded and the USD fell.

Inflation, debt levels and bond supply in the spotlight as long-term bond yields rise. The US 30-year government bond yield has risen by around 40-50bps this year, triggering a response from the US Treasury as it seeks to signal its desire to contain the rise. Inflation concerns remain commonly cited as a key driver behind the rise in yields. However, with the rise being disproportionately concentrated in longer-maturity yields, at least some of the concerns are likely to be related to the continued expansion of US national debt levels. Finally, several technical factors have also contributed to the rise – including the relative absence of some key sovereign buyers and significant hyperscaler bond issuance in the investment-grade (IG) corporate bond market.

We are less concerned about inflation and believe there is room for market worries to recede. The recent cooling in the US inflation data and a lacklustre job market point to less, rather than more, inflation risk ahead. Oil prices are a risk, of course, but we expect them to remain in a range around USD 90/bbl for now, provided there is no significant new escalation in the Middle East conflict. All of this suggests inflation – and thus bond yields – are more likely to move lower rather than higher from here, consistent with our expectation of a soft landing for the US economy.

Fig. 1 **A widening gap between long- and short-maturity bond yields supports financial sector equities**

Global financial sector equities & US 10-2 yield curve

Source: Bloomberg, Standard Chartered

Fig. 2 **Further USD weakness likely to support the next leg of gains in gold**

Gold and USD Index (DXY)

Source: Bloomberg, Standard Chartered

Keep bond duration contained

Favour 3-5-year bonds as yields soften and term premium widens. We expect the softening in bond yields to be most pronounced in relatively shorter-duration bonds, as the lack of renewed inflation fears helps ease concerns about Fed rate hikes. However, this impact is likely to be increasingly dampened on longer maturities (particularly beyond 10 years), as easing Fed rate hike concerns balance against concerns about US debt levels. We continue to see the 3-5-year duration as offering the most attractive risk/reward, though we would consider selectively adding to longer maturities should the 10-year yield spike (temporarily) above 4.75%.

Continue to favour corporate and EM bonds over G3 government bonds. While credit spread valuations remain elevated, we believe credit quality fundamentals continue to justify these levels. We remain Overweight EM USD government bonds due to fiscal fundamentals, but see most corporate and EM bonds as attractive sources of yield. US IG bonds, though, are expected to face excess supply pressures in the very short term from elevated hyperscaler debt supply.

Softening yield concerns positive for equities

A pricing out of Fed rate hike expectations would be supportive for equities; we stay Overweight. An easing of shorter-maturity US bond yields should prove supportive for equities if long-term yields remain capped. This would allow markets to continue focusing on what should continue to be strong earnings growth.

Financial sector an attractive route to broadening exposure. Financials remain a preferred sector across the US, Euro area and Japan markets. They are a direct beneficiary of a steeper yield curve (a widening gap between long- and short-maturity bonds) via expanding net interest margins (NIMs). We also like financials for the diversification they offer from an excessive concentration in the AI theme. This month, we have also opened a new opportunistic trade in Euro area financial sector equities.

Positive momentum in the AI theme to continue. Notwithstanding our preference for broadening exposure, positive momentum in the technology and AI sectors is expected to resume after around two months of underperformance relative to value-style sectors. While concerns over the magnitude of capex are likely to resurface from time to time, we believe improving AI monetisation indicators point towards continued sector outperformance.

Capped yields and earnings support our US and AxJ regional market Overweights. The combination of our bond yield and sector views supports our Overweight views on US and AxJ equities, as well as Core holding views on Japan and the Euro area. While the AI theme benefits US and AxJ equities, the financial sector should help drive performance across Japan and the Euro area, particularly if their central banks raise rates further, as we expect.

Trim India to a Core holding within AxJ. While we remain optimistic about the market's potential to ultimately catch up with regional benchmarks, performance vs. the broader AxJ region remains challenged for now by continued flows towards AI-focused North Asian equity markets. Our Overweight view on China equities remains in place, given increasingly undemanding valuations.

Reinstating gold Overweight as USD weakens

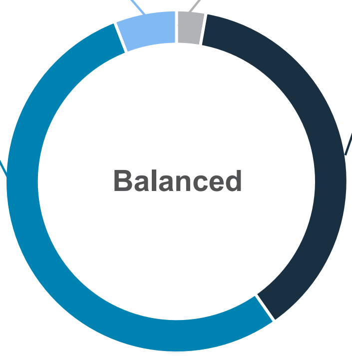
We reinstate our Overweight stance on gold. The gold price outlook has notably improved alongside a sharp pullback in the USD and a technical break higher. We continue to see EM central bank demand as a long-term support for gold. In the near term, the still-high inverse correlation with the USD is proving to be a positive catalyst. Together, this argues for reinstating our Overweight gold view.

US policy intervention signals USD weakness ahead. Falling short-duration bond yields imply a gradual erosion of support for the USD. In addition, the signalling effect of the US Treasury's limited intervention to help cap the rise in long bond yields is likely to result in an extension of USD weakness. Gold is expected to be one beneficiary of this, and most major currencies are expected to strengthen as a result.

Foundation asset allocation models

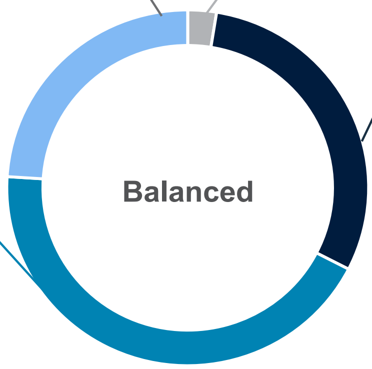
The **Foundation** and **Foundation+** models are allocations that you can use as the starting point for building a diversified investment portfolio. The Foundation model showcases a set of allocations focusing on traditional asset classes that are accessible to most investors, while the Foundation+ 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**



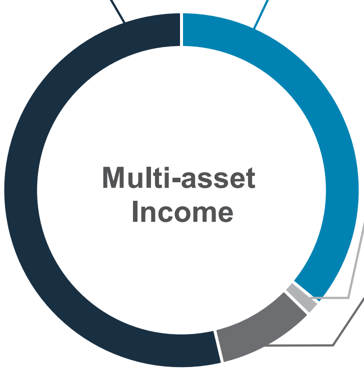
Gold		**6%**
Gold		6%
Equity		**54%**
North America		36%
Europe ex-UK		7%
UK		1%
Japan		3%
Asia ex-Japan		7%
Cash		**3%**
USD Cash		3%
Bond		**38%**
DM IG Bonds		**22%**
DM IG Government	12%	
DM IG Corporate	10%	
DM HY Corporate		2%
EM Bonds		**9%**
EM USD Government	7%	
EM Local Ccy Government	2%	
Asia 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		6%
Cash		**2%**
USD Cash		2%
Bond		**30%**
DM IG Bonds		**17%**
DM IG Government	10%	
DM IG Corporate	8%	
DM HY Corporate		2%
EM Bonds		**7%**
EM USD Government	5%	
EM Local Ccy Government	2%	
Asia USD		4%

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



Bonds		**53%**
DM IG Bonds		**11%**
DM IG Government	7%	
DM IG Corporate	4%	
US Mortgage-backed Securities		4%
DM HY Corporate		20%
EM Bonds		**12%**
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		**9%**
Covered calls		5%
Sub financials		4%

Source: Standard Chartered

Note: (i) Developed Market (DM) IG Bonds is an aggregate of DM IG Government and DM IG Corporate Bonds; (ii) EM Bonds is an aggregate of EM USD and EM Local Ccy Government Bonds

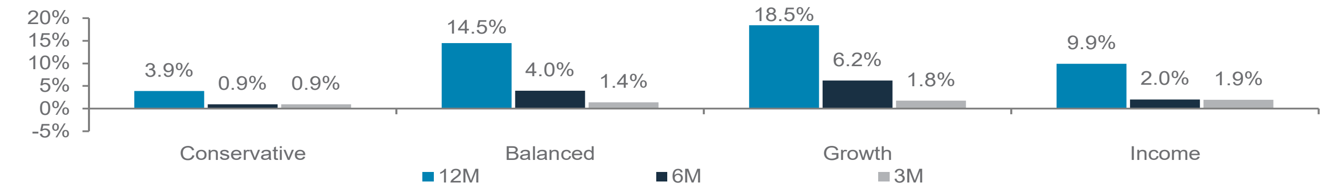
Foundation: Our tactical asset allocation

	View	Detail
USD cash	▼	+ Short-term safety || - 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, FX risk
Asia USD	◆	+ Moderate yield, low volatility || - Sensitive to China growth
Equities	▲	
North America	▲	+ Earnings growth, AI uptrend || - US policy uncertainty, investor positioning
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, Easing oil prices || - China growth concerns, US trade policy
Gold	▲	+ Portfolio hedge, central bank demand || - Resilient USD, elevated real yields

Legends: ▲ Overweight | ▼ Underweight | ◆ Core

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

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



Source: Bloomberg, Standard Chartered; *12-month performance data from 26 August 2025 to 26 August 2026, Six-month performance from 26 February 2026 to 26 August 2026, Three-month performance from 26 May 2026 to 26 August 2026

Fig. 7 **Opportunistic ideas performance**

Key call		Inception/open date	Close date	Absolute return
Bond – open	1-10Y TIPS Bonds	10-Apr-25		6.3%
	EU Bank AT1 FX-hedged	11-Dec-25		4.5%
	AAA-rated CLOs	11-Dec-25		3.5%
	AUD Corporate Credit	19-Mar-26		4.2%
	US Utilities Corporate Hybrids	19-Mar-26		1.7%
	US HY Bonds	18-Jun-26		0.7%
Equity – open	Hang Seng Tech	31-Oct-24		4.7%
	Global High Dividend	18-Jun-26		7.2%
	US Communication Services	18-Jun-26		-4.0%
	Japan Banks	18-Jun-26		6.1%
	MSCI Taiwan	9-Jul-26		3.5%
	Global Power & Electrification	30-Jul-26		4.9%
	Euro area Banks	27-Aug-26		–
Equity – closed	MSCI World Equal Weight	21-May-26	9-Jul-26	2.2%

Source: Bloomberg, Standard Chartered. Performance as of 27 Aug 2026

Asset allocation: Why both the direction and level of real yields matter

Sylvain Huard
Head of Asset Allocation

Hannah Chew
Portfolio Strategist

Summary

Stay invested in equities as real yields rise. Rising real yields pressure assets that compete directly with them: fixed-coupon bonds and non-income-producing gold. Equities have historically proven more resilient because the nominal forces lifting yields can also support earnings, leaving equity returns broadly intact during rising-yield periods.

At real yields above 2% – the high range in our analysis – risk shifts from bonds to equities. Bonds and gold detract as yields climb; once yields are already high, the yield becomes compensation instead of a headwind. Equities, however, face a higher discount rate. A portfolio positioned only for rising yields may therefore be poorly positioned for high yields.

We view the equity-bond correlation as the key signal for portfolio positioning. Bonds diversify when their correlation with equities is negative; when positive, their hedging properties diminish, regardless of real-yield levels. In the current positive-correlation regime, equities have outperformed bonds as real yields have risen. With real yields now more likely to decline, both equities and gold stand to benefit, reinforcing our constructive stance and overweight allocation to both.

Key findings

Moves vs. levels: Two different questions

Using monthly data since the early 2000s, we examined two questions: What happens when the US 10-year government real (net-of-inflation) yield rises, and what happens when it is already high? Given it currently stands at 2.40%, the yield falls within the high range defined in our analysis, making the second question more relevant today.

The move: Bonds and gold do the repricing

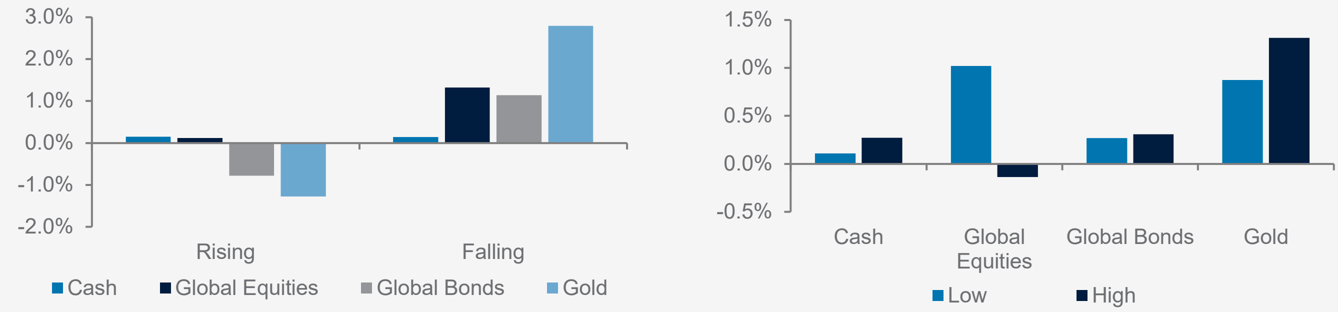
Rising real yields damage the assets whose value is set directly against them and leave the rest largely alone. Bond coupons are contractually fixed, so a higher discount rate has nowhere to be absorbed and falls onto price. Gold pays nothing at all, which makes the real yield its full opportunity cost. Equities are different in kind: the nominal growth that lifts yields also lifts earnings, so the discount rate and cash flows move together. Across periods when the real yield rose on a month-on-month (m/m) basis, global bonds averaged around -0.8% and gold -1.3%, while global equities were broadly flat.

Rising real yields are often viewed as a warning for risk assets, prompting investors to reduce equity exposure. Our analysis does not support this response: the greater strain falls on the defensive side of the portfolio, where many investors are least prepared.

Within bonds, what mattered was duration rather than credit quality. HY bonds lost barely more than -0.1% on average, while higher-quality assets such as Developed Market (DM) IG sovereigns lost around -0.9%. Shorter maturities and spread income absorbed the move with a much smaller impact on returns. Asset classes that were positioned with higher credit quality without shortening duration were the most impacted by rising real yields.

Fig. 8 **The move and the level hit the opposite ends of the portfolio**

Average monthly returns by direction* of the US 10-year real yield and by level**, from Jan 2002 to Jul 2026



Source: Bloomberg, Standard Chartered

* Rising and falling yield regimes are defined by the m/m change in the US 10-year real yield.

** High-yield periods are defined by a US 10-year real yield above 2%; low-yield periods are defined by a real yield below 2%.

The level: Equities pay the discount rate

When real yields are high (above 2% in our analysis), the cost shifts from bonds to equities. By then, bonds and gold have largely absorbed the initial repricing, so higher yields provide compensation rather than remaining a headwind. Equities face the opposite effect, where a higher discount rate reduces the present value of future earnings, lowering global equity returns by over 1ppt compared with low real yield periods.

That risk fell unevenly – and where it fell is instructive. US and Japan equities gave up close to 1.5% relative to low real yield periods, while Europe ex-UK gave up around 0.7% and AxJ was barely affected. The cost of a high discount rate lands hardest where the most value sits in distant earnings, which is a valuation characteristic rather than a regional one. At a high real yield, the choice of equity region matters more than whether the portfolio owns them.

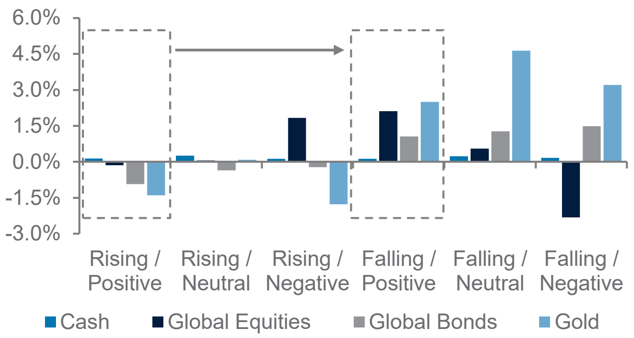
Credit and EM local-currency (LCY) debt behaved like equities, rather than bonds. Both fell sharply in the high real yield regime after having performed respectably in the low regime. Where a bond's return depends on spread or currency rather than duration, it takes the equity outcome. That matters for portfolio construction: these assets were carrying equity risk under a fixed-income label, not providing fixed-income behaviour in precisely the environment where it was required.

Correlation decides whether the hedge works

The direction of real yields matters, but so does the prevailing correlation regime. When real yields rise in a negative equity-bond correlation, the move is typically growth-driven, with equities delivering an average return of 1.8%. In contrast, when real yields rise alongside positive correlation, as is the case today, diversification breaks down. Cash is most resilient, followed by equities, while fixed income and gold suffer the most. The same rise in real yields can therefore lead to different portfolio outcomes, making correlation a key regime indicator rather than a portfolio statistic.

Fig. 9 **Correlation, not the level of yields, determines whether bonds diversify**

Average monthly returns by direction of the US 10-year real yield and correlation state*, from Jan 2002 to Jul 2026



Source: Bloomberg, Standard Chartered

*Positive correlation is defined as above +0.1, while negative correlation is defined as below -0.1; all else neutral

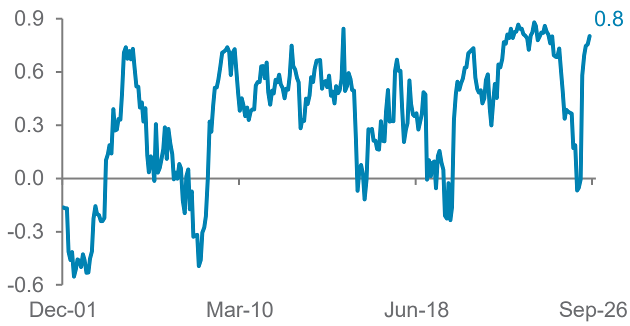
Note: Dotted grey boxes represent the regime which we are in today and where we expect it to go towards to

The same distinction holds inside the high band, and this is the more useful finding today. With the real yield above our analysis band, bonds averaged -0.1% per month when correlation was positive and 0.9% when it was negative – the same failure and the same rescue as at any other yield level. A high real yield improves what bonds pay; it does not make them a better hedge. Those are separate questions, and conflating them is how a better-yielding portfolio ends up less diversified than its history suggests.

By that measure, the hedge is absent today. The correlation turned positive in 2020 and now stands at +0.8. The regime in which bonds most clearly earn their keep – falling yields with negative correlation – appeared in fewer than one month in ten across our sample but delivered strong bond returns when equities were down by a quarter. The insurance is real, but much rarer than most strategic allocations assume.

Fig. 10 **Bonds have not diversified equities for the most part since 2020**

Rolling 12-month correlation, MSCI All Country World Index (ACWI) vs. Bloomberg Global Aggregate Index



Source: Bloomberg, Standard Chartered

Positioning for the next move in real yields:

Bonds and gold were the main casualties of the rise in yields in recent months, while equities displayed the opposite behaviour, delivering stronger returns and reinforcing our positive stance on global equities.

Within fixed income, short-duration exposure and spread income cushioned the impact of higher yields. By contrast, high-quality sovereign duration remained resilient, generating average returns of around 0.2-0.3% in both high and low real yield regimes. Holding both exposures is therefore not indecision, but recognition that different market regimes reward different parts of the fixed-income universe.

Looking ahead, yields remain elevated, while the equity-bond correlation remains positive. From here, the balance of risks appears more supportive, as we see real yields now more likely to decline (see Investment Strategy for details). Should the positive correlation regime persist, the analysis points to equities and gold, our two preferred risk assets, as the most attractive beneficiaries. Conversely, a return to a negative equity-bond correlation environment would broaden diversification benefits and create a more supportive backdrop for duration exposure.

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist

Key themes

Core scenario (soft landing, 50% probability): We have slightly revised upward the probability of a soft landing from 45% by reducing the odds of a 'no landing'. The global economy remains resilient despite this year's oil shock. Business confidence picked up further in July. The US remains at the forefront of growth, driven by an acceleration in AI investment and wealth effect from a booming stock market. Fiscal easing in Germany and Japan is supporting growth. Meanwhile, inflation has likely peaked in the US in Q2, although it remains elevated in the Euro area and is likely to rise further in Japan. In this scenario, the Fed is likely to hold rates this year, the ECB is likely to deliver another 'insurance' hike in H2, while the BoJ should hike twice more this year. China, facing slowing growth, is likely to ease liquidity and accelerate fiscal spending in H2 to revive domestic demand.

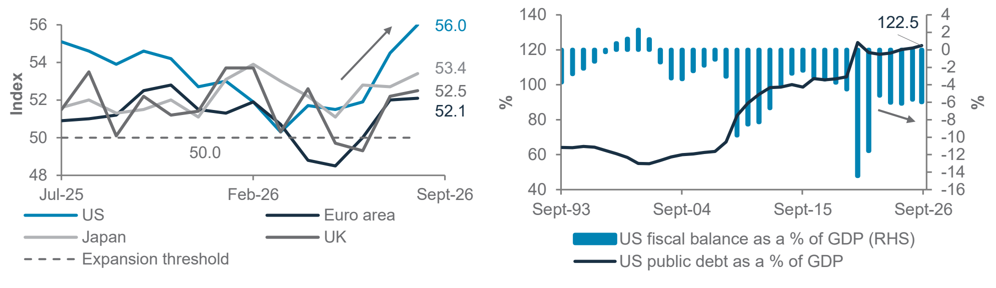
Upside risk (no landing, 25% probability): We reduce the probability from 30% amid continued Middle East and Russia-Ukraine uncertainty ahead of the US mid-term elections. If oil prices ease, US tax cuts, an AI-fuelled stock market boom and fiscal easing in Germany and Japan could boost 'animal spirits'. A global defence spending boom could also spur global growth.

Downside risk (25% probability): This tail risk scenario includes a 15% chance of recession, potentially caused by a prolonged blockade of the Hormuz strait, a stock market downturn negating the wealth effect or a bond sell-off due to inflation or debt concerns. We also assign a 10% chance to a stagflation scenario if the US-Iran conflict worsens and oil stays above USD 90/bbl.

Key chart

We expect the Fed to hold its policy rate for the rest of the year amid resilient growth and still elevated, but declining, inflation. The ECB is likely to deliver another insurance hike, while the BoJ is expected to hike twice more this year to counter rising inflation.

Fig. 11 Economic activity still resilient; rising US fiscal deficit is a medium-term risk
Composite Purchasing Managers' Indices (PMIs); US total public debt, yearly fiscal balance*



Source: Bloomberg, Standard Chartered; *Oct-Sep fiscal years; latest fiscal data: 10 months to July 2026

Policy rates watch

Fed to keep rates on hold this year: The US economy is expanding at a healthy pace, driven by steady consumption and a continued AI-led investment boom, despite the oil shock caused by the Middle East conflict. Growth momentum is set to firm from Q2's brief slowdown to 1.5% annualised growth, with Q3 consensus growth estimates at 2.4% and full-year 2026 growth around the economy's 2% trend growth. The soft spot is the labour market – non-farm payrolls contracted 23,000 in July and the three-month trend has slipped to roughly 20,000 – leaving consumer spending increasingly dependent on wealth effects and a savings rate of just 3%.

Disinflation remains intact, with core CPI inflation easing for the second straight month to 2.5%. Unit labour costs at 1.4% confirm wages are contained. Statistical revisions to the way some professional services and computer software inflation is measured, due end-September, should retroactively lower the Fed's preferred core PCE inflation for the past five years, reinforcing the path towards 2% by 2027. Energy prices and further tariff pass-through remain the key upside risks.

Economic resilience without overheating vindicates the Fed's July rates hold and argues for continued patience. A September hike now looks unlikely, unless Fed Chair Warsh succumbs to recent bond market pressure (his Jackson Hole speech will be closely watched). The Fed debate has shifted from 'cut vs. hold' to 'hike vs. hold', with three dissenters favouring tightening, citing prolonged above-target inflation.

The clearest risk sits in the bond market. The US 30-year bond yield touched 5.34%, its highest since 2007, driven by a USD 1.8trn fiscal deficit, national debt above USD 40trn, heavy AI-related bond issuance and a Fed refusing forward guidance. The Treasury's doubled buyback programme is a drop in the bucket, which is unlikely to lower yields significantly until the structural issues are tackled.

ECB to deliver one more 'insurance' hike. The Euro area continues to defy bearish estimates. Q2 GDP expanded an above-trend 0.4% q/q, confirming that the bloc has weathered a Middle East energy shock better than feared. Growth was broad-based – Germany, France and Italy each grew 0.2-0.3%, Spain a robust 0.7% – and supported by domestic demand. Momentum has carried into Q3: the August composite PMI rose to 52.1 and private-sector lending is growing 3.9% y/y. 2026 forecasts nonetheless remain modest at 0.8%, amid softening employment in Germany and France.

Disinflation has stalled. July inflation remained elevated at 2.9% y/y and core at 2.5%. Headline inflation is likely to accelerate above 3% and peak in Q4, driven by oil around USD 90/bbl, gas above EUR 60/MWh and depleted energy storage. Pipeline pressures are building, with producer price pass-through incomplete. Yet, negotiated wages slowed in Q2 to 2.4%, consumer inflation expectations fell for the third month in July and second-round effects remain absent.

The ECB thus faces a near-term inflationary supply shock with rates near neutral. With ECB President Lagarde keeping a September rate hike on the table and officials arguing for pre-emptive action, we expect one more 25bps 'insurance' hike to 2.5% this year, then a pause as energy price pressures fade and inflation eases towards the ECB's 2% target in 2027.

China to accelerate fiscal spending as growth slows. China's economy remains bifurcated. Exports are booming – up 24% y/y in July, with computers and integrated circuits surging 67% and 117%, respectively, on AI-related demand – while domestic demand grinds lower. However, July data confirmed the softness in the economy the domestic economy first visible in Q2: manufacturing PMI fell to a five-month low of 49.2, services PMI hit a three-and-half-year low of 49.0 and local government special bond issuance slowed sharply. The property developer sentiment index fell to a six-year low. Investment is likely to contract further in H2. 2026 growth forecasts are near 4.6%, contingent on faster fiscal execution.

Price pressures remain subdued and imported rather than home-grown. Headline inflation eased to 0.5% y/y in July from 1.0%, core to 0.9% and PPI to 3.5% from 4.1% as oil prices fell. Recent inflation has been driven by global commodity prices, with pass-through concentrated upstream. Overcapacity industries such as solar, EVs and cement remain in distress. A persistent supply-demand imbalance, aggravated by rapid AI adoption outpacing labour-market adjustment, should keep inflation structurally low.

China's July Politburo signalled fine-tuning, not a pivot. Local governments lack revenue, and there is little appetite for a mega stimulus. Instead, we expect Beijing to deploy the CNY 2trn of already-authorised impulse, accelerate bond issuance and ease liquidity via a 25bps bank reserve ratio cut in H2.

BoJ to hike another 50bps to 1.5% by December: Japan's expansion remains lopsided, but the risk of a sharp slowdown has faded. Q2 GDP grew 1.1% annualised, well below the 2.0% consensus and Q1's 1.9%, with private consumption broadly flat, business investment down 1.2% and net exports contributing 0.5ppt largely on a temporary drop in energy imports. The external and corporate side, however, is strong. August manufacturing PMI rose to 55.1, while exports in July jumped 23% y/y, machine tool orders surged 50% and the Tankan pointed to a 11.5% rise in FY26 capex plans, all underpinned by AI-related demand. Consumption remains a weak link, though nominal wage growth at 3.4% and real wage growth at 1.6% keep income conditions supportive.

Underlying price pressures are building. Core inflation (ex-fresh food) accelerated to 1.8% y/y in July and 'core core' inflation (ex-fresh food and energy) to 1.9%. Government energy subsidies are flattering the headline, but firms are likely to pass higher wages, energy costs and yen weakness to consumers in the coming months. The BoJ itself projects FY26 'core core' inflation at 2.5%, with risks skewed upward.

Hence, BoJ communication has turned decisively hawkish. Governor Ueda warned that FX now influences prices more than in the past and that delaying normalisation would force sharper action later. With USD/JPY near 160 despite the first joint US intervention since 1998, and Prime Minister Takaichi seemingly accepting the BoJ is behind the curve, **we are raising our outlook to two hikes this year**, from one, amid intensifying domestic inflation exacerbated by yen weakness.

Fig. 12 **Inflation expected to return to 2% target by 2027**

Consensus inflation estimates across major economies

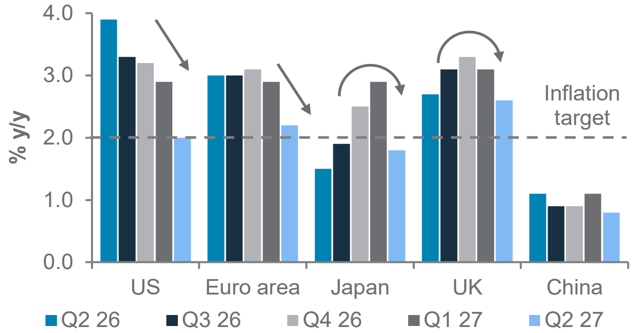
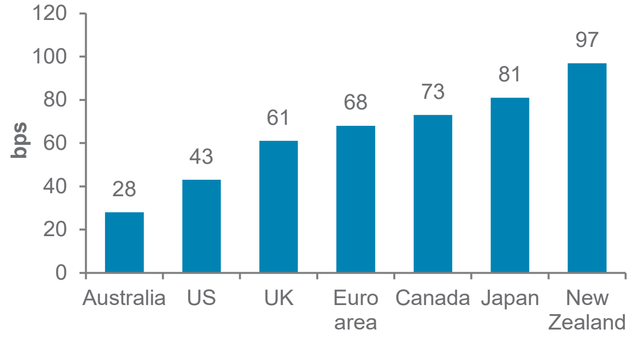


Fig. 13 **Markets are overly hawkish on US policy rates**

Expected change in policy rates over the next 12 months^



Source: Bloomberg, Standard Chartered; ^based on money markets

Fixed Income – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

Cedric Lam
Senior Investment Strategist

Ray Heung
Senior Investment Strategist

Anthony Naab, CFA
Investment Strategist

Our view

Foundation: Fixed income remains a Core holding (Neutral) in our portfolios. Within the asset class, we maintain an **Overweight stance on EM USD government bonds** and an **Underweight stance on DM government bonds**.

Our base case is US inflation likely peaked in Q2, allowing the Fed to keep rates on hold for the rest of 2026. We expect volatility to stay high as investors try to decipher Fed messages in the absence of forward guidance and as the Fed declines to take potential rate hikes off the table. The expanded US Treasury bond buyback programme has added to the uncertainty around the US fiscal policy outlook. Against this backdrop, we expect bond yields to remain elevated, with upside risk concentrated in the long end of the curve (10+ years) as investors demand a higher term premium. We, therefore, favour the 3-5-year part of the curve and credit over duration. Solid corporate fundamentals and supportive technicals should keep spreads tight, even if the scope for further compression is limited. In EM, we continue to favour EM USD over LCY government bonds.

Opportunistic ideas: We are bullish on European bank additional tier-1 (AT1) bonds (contingent convertibles [CoCos[1]]; FX-hedged), US TIPS, AAA-rated CLOs, US utilities corporate hybrids, broad US HY and AUD corporate bonds.

Key charts

Fig. 14 **Rate forecasts and our view of bond classes**

Region	Horizon	2-year	10-year	30-year
US	Q4 2026	4.00 – 4.25%	4.50 – 4.75%	5.00 – 5.25%
	Q3 2027	3.75 – 4.00%	4.25 – 4.50%	5.25 – 5.50%
Euro area	Q4 2026	2.75 – 3.00%	3.25 – 3.50%	3.75 – 4.00%
	Q3 2027	2.50 – 2.75%	3.00 – 3.25%	3.75 – 4.00%
Japan	Q4 2026	1.75 – 2.00%	3.00 – 3.25%	4.00 – 4.25%
	Q3 2027	2.00 – 2.25%	3.25 – 3.50%	4.00 – 4.25%

Bond class	Our views
DM rates	▼
DM IG corps	◆
DM HY corps	◆
EM USD govt	▲
EM LCY govt	◆
Asia USD	◆

Legends: ▲ Most preferred/Overweight | ▼ Least preferred / Underweight | ◆ Core holding/Neutral allocation.
Green / **Red** represents an upgrade / downgrade from the prior GMO.
Source: Standard Chartered.

DM rates – Underweight

We are Underweight DM government bonds. In the US, the term premium – the compensation demanded for holding long duration bonds – has risen over the past month. The move builds on two pressures: a deteriorating US fiscal policy outlook and Fed policy uncertainty in the absence of clear forward guidance.

This month adds the so-called 'Bessent put' to the mix. The US Treasury has signalled its intention to dampen volatility at the long end by expanding purchases of long-dated bonds while skewing new issuance towards shorter maturities – an echo of the Fed's 'Operation Twist' in 2011. We believe the initiative is an attempt by the US to limit bond yield increases at the long end of the curve, but it does not address fundamental drivers – namely, the fiscal burden and the shift away from forward guidance from the Fed. To see a more lasting move down in long-end yields, we would likely need to see a meaningful slowdown in US economic growth.

In the Euro area, growth and activity data have held up better than expected, but inflation remains sticky. Domestic bond yields have repriced to multi-year highs, driven by a global reassessment of the interest rate outlook. European natural gas prices continued to move higher over the past month as natural gas shipping through the Hormuz strait remains disrupted. The ECB left rates unchanged in July but now faces near-term pressure to deliver a second hike this year. We now expect one further hike to 2.5% by year-end, revised from our previous call of no additional tightening.

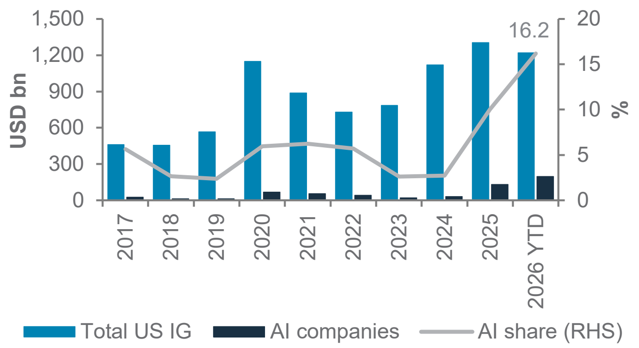
In Japan, the BoJ held rates in July, but left the door open to a near-term hike. Firming wage growth and broadening inflation both argue for tightening. Government bond yields have surged on rising rate hike expectations, amplified by the global escalation in term premia, with the long end bearing the brunt. With much now priced in, we expect yields to consolidate around current levels, though we have revised our policy rate forecast up from one to two hikes for the rest of the year.

DM corporates – Core holding

We maintain **a Neutral allocation to both DM IG and DM HY corporate bonds**, with **an opportunistic bullish view on DM HY bonds** to ride on the still-strong US growth dynamic. Credit spreads remain close to historical tights, supported by solid fundamentals across both IG and HY. Corporate balance sheets remain resilient, underpinned by healthy profitability, stable credit metrics and a still-positive credit ratings outlook. Given stretched valuations, however, we see limited room for spreads to compress, making buy-and-hold carry our preferred way to own the asset class, with returns increasingly driven by coupons, given still-elevated all-in yields.

Fig. 15 **AI issuance challenges IG technical backdrop**

AI issuance, US IG gross issuance



Source: Bloomberg, Standard Chartered

In the IG space, we continue to expect spreads to diverge across sectors, as heavy AI hyperscaler issuance challenges the technical backdrop. In the US, AI-related supply is nearing the USD 220bn mark and represents a growing share of US IG gross issuance. Supply risk appears to be crowding out the long end of the curve, where we would be selective rather than seeking broad exposure, as AI capex continues to weigh on technicals. We prefer to use issuance-driven concessions as an entry point rather than to extend duration indiscriminately.

Fig. 16 **DM IG spreads hover near historical tight**

Bloomberg Global Aggregate Corp Index, option-adjusted spread (OAS)

Source: Bloomberg, Standard Chartered

As an income proposition, HY remains well supported, with all-in yields of around 7% and default expectations broadly benign. Its shorter duration profile offers lower sensitivity to rate volatility, which is an attractive characteristic in an environment of elevated term premium. Primary market underlines the strength of demand. US HY issuance continues to be driven by refinancing rather than new leverage, effectively pushing the maturity wall firmly into 2028-29 and relieving near-term refinancing pressure. We would opportunistically stay invested in this asset class for income, while remaining selective on the lower-rated cohort where covenants are weakening and idiosyncratic risks are building.

Fig. 17 **DM HY spreads are near historical tights as well**

Bloomberg Global HY Aggregate Corporate Index, OAS

Source: Bloomberg, Standard Chartered

EM government bonds – Overweight USD/Core holding for LCY

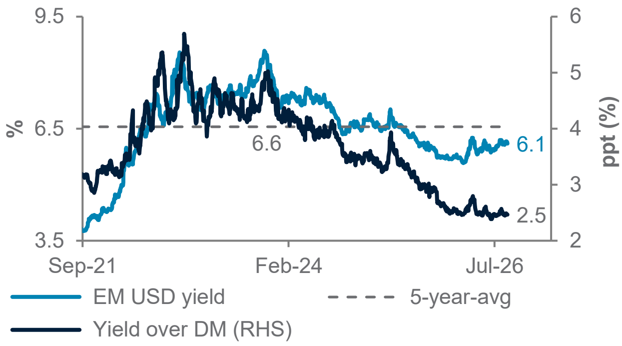
We remain Overweight EM USD government bonds and retain EM LCY government bonds as a Core holding. The case for EM USD sovereign debt remains supportive. Periodic bouts of widening have been shallow and short-lived, with attractive all-in yields drawing buyers on weakness while global growth remains resilient.

The asset class offers an average yield of 6.1%, slightly above its 10-year average of 6%. Resilient external balance fundamentals and supportive technicals reinforce the case: issuance has been heavily front-loaded, while relatively light investor positioning should limit the risk of a crowded unwind and help contain the market impact of moderate outflows.

EM USD sovereigns also have a more oil-resilient index composition, with non-oil importers accounting for 67% of exposure, compared with 46% for EM LCY debt. Although spreads are historically tight and leave little room for error, the 2006-07 experience shows that such valuations can persist when real rates are high and growth remains stable. We, therefore, expect returns to be driven primarily by carry rather than further spread compression. Long-dated EM IG sovereigns have underperformed as heavy issuance by US AI hyperscalers has competed for demand and eroded their scarcity premium. Their relative performance should improve if AI-related issuance stabilises.

Fig. 18 **EM government bonds offer a pick-up of 2.5% in yields over DM peers**

Bloomberg EM USD Government Bond Index, yield to worst



Source: Bloomberg, Standard Chartered

In EM LCY debt, headwinds extend beyond FX, as elevated US real yields and term premium have reduced the asset class's relative appeal to foreign flows. Nevertheless, EM LCY debt appears relatively attractive on real-yield and historical valuation measures, while monetary policy remains restrictive in many markets. We therefore retain it as a Core holding while maintaining a Neutral stance on broad-duration beta and seeking alpha through country selection. Key risks include a Middle East conflict escalation and an associated rise in oil prices, a more hawkish Fed along with a stronger USD, and El Niño delaying disinflation.

Asia USD bonds – Core holding

We retain a Neutral allocation to Asia USD bonds, an asset class that continues to reward investors with attractive nominal yields, favourable supply-demand technicals and robust credit fundamentals. Healthy corporate cash flows, low leverage and a high share of sovereign-linked issuers lend the segment a defensive quality relative to broader credit.

The resilience has been evident year to date (YTD). Asia USD bonds have delivered positive total returns, achieved modest spread tightening and outperformed US IG bonds. We expect this relative strength to persist. The combination of carry, credit quality and low FX sensitivity anchors our conviction in the asset class even as we maintain a Neutral stance.

Bond opportunistic views

Bullish US HY bonds

We are opportunistically bullish on US HY bonds. We expect HY corporate earnings and cash flows to remain solid and leverage to remain stable. Its shorter-duration profile offers lower sensitivity to rate volatility, which is an attractive characteristic in an environment of elevated term premium.

Bullish US inflation-protected bonds (TIPS)

Real yields have surged to multi-decade highs, driven by elevated rate hike expectations. Inflation concerns remain as oil prices rebounded over the last month. We believe TIPS offer protection against near-term inflation uncertainties.

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 and low non-call risk.

Bullish Australian dollar (AUD) corporate bonds

The threshold for further RBA hikes has risen, as higher energy prices weigh on the growth outlook and complicate the policy trade-off. The transmission channel matters too, where higher long-end yields would feed through to the property market, tightening financial conditions without the RBA having to act, casting further doubt on the case for additional hikes.

Technicals still look balanced. The market absorbed the recent hyperscaler supply comfortably, with solid bid-to-cover ratios pointing to genuine underlying demand. Supply nevertheless remains a tail risk as the AUD bond market is comparably smaller than its USD peer, particularly at the long end of the curve, where duration appetite is much thinner and the term premium is most sensitive.

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

Europe bank fundamentals remain solid, underpinned by ample liquidity coverage, strong capital buffers and still-supportive asset quality. We expect this asset class to remain supported from still-strong demand for carry.

Bullish AAA-rated CLOs

Private credit spillover concerns are mounting amid deteriorating covenant protections in parts of the leveraged credit market. However, we believe high-quality CLOs backed by solid asset portfolios and substantial credit enhancements underneath senior tranches should help dampen credit risk and volatility. We see a compelling case for floating-rate and shorter-duration alternatives as portfolio diversifiers amid elevated term premia.

[1] Contingent convertibles (CoCos) are complex financial instruments. Please refer to important disclosures on page 29.

Equity – at a glance

Sundeep Gantori, CFA, CAIA
Chief Investment Officer, Equities

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Senior Investment Strategist

Cindy Lam, CFA
Senior Investment Strategist

Our view

We remain Overweight global equities, with our view underpinned by robust earnings growth. The US Q2 earnings season has delivered a strong beat to consensus expectations, resulting in 2026 and 2027 earnings estimates being revised higher. We acknowledge headwinds from high bond yields, which weigh on equity valuations, but we see enough cushion from earnings growth. We are Overweight US equities, with fundamental earnings strength and reasonable valuations. We remain Overweight AxJ equities – a key beneficiary of AI capex, which shows no signs of slowing down.

Within AxJ, we continue to remain Overweight Taiwan, with good visibility on AI-driven growth, and Overweight China for its valuation re-rating potential. We lower India to a Core holding, given stretched valuations and rangebound oil prices.

We maintain Japan as a Core allocation, as fiscal stimulus and a reflating economy offset energy import vulnerability. We remain Underweight UK equities, given their relatively muted earnings growth and headwinds from rising bond yields.

Key chart

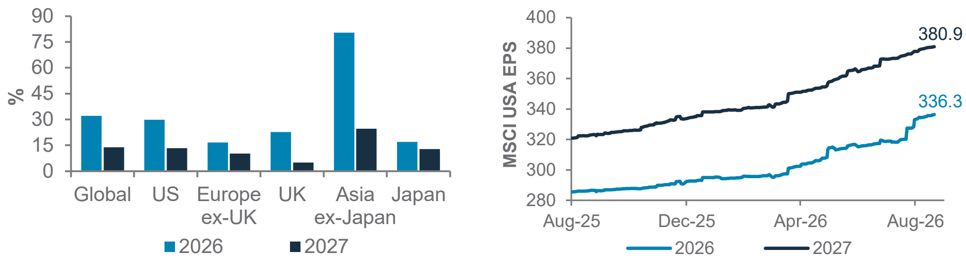
US Q2 earnings season has been excellent.

Index	12m forecast	Upside to target^
S&P500	8,400	9%
Nasdaq 100	33,100	12%
Euro Stoxx 50	6,900	7%
FTSE 100	11,300	5%
Hang Seng	28,000	10%
Nifty 50	26,000	8%
Nikkei 225	71,000	7%

^Based on 27-Aug closing levels

Fig. 19 **Overweight views on AxJ and US equities are supported by robust earnings growth. US equities' 2026 and 2027 earnings estimates are being revised higher**

Consensus 2026 and 2027 earnings growth estimates for MSCI equity indices; MSCI US consensus 2026 and 2027 EPS estimates



Source: FactSet, Bloomberg, Standard Chartered

Preference order	The bullish case	The bearish case
US equities ▽ ◇ ▲	+ Earnings revisions remain strong post Q2 + AI capex benefits extend beyond tech + Relatively less vulnerable to oil shocks	– AI capex slowdown or weak monetisation – Elevated valuations and tech concentration – Higher long-term yields pressure valuations
AxJ equities ▽ ◇ ▲	+ Strongest EPS growth vs major regions + AI hardware and China policy tailwinds + Valuation support vs global equities	– High AI expectations and index concentration – Hawkish Fed and stronger USD – Trade tensions and geopolitical risks
Within AxJ	China ▲ Taiwan ▲ South Korea ◆	India ◆ ASEAN ▼
Japan equities ▽ ◆ △	+ Fiscal support for strategic investments + Reflation helps nominal earnings growth + Corp governance reforms to unlock value	– Rising JGB yields; persistent JPY weakness – Exporters exposed to weaker global growth – Energy-import dependence raises cost risk
Europe ex-UK equities ▽ ◆ △	+ Earnings inflection after 3 stagnant years + Fiscal stimulus supports domestic demand + Higher rates favour banks and value	– Further ECB tightening could hurt growth – Energy shocks could keep inflation elevated – EPS growth still trails major regions
UK equities ▼ ◇ △	+ Relatively defensive in tech sell-offs + High-dividend yield; valuation support + Financials benefit from higher rates	– Low AI exposure limits earnings growth – Elevated gilt yields and Budget uncertainty – Defensive composition may lag a growth rally

Legends: ▲ Overweight | ▼ Underweight | ◆ Core **Green** = Upgrade; **Red** = Downgrade

Source: Standard Chartered Global Investment Committee

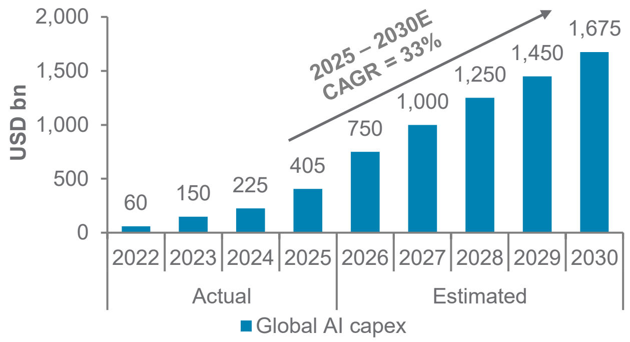
Earnings cushion holds

The Q2 US earnings season has been excellent, supporting solid earnings growth for global equities in 2026 (32%) and 2027 (14%). This provides enough cushion, in our view, to absorb the impact of high bond yields on equity valuations. We estimate that every 25bps rise in the discount rate can weigh on global equities by around 3-4%. To illustrate simply, US 10-year yields have risen by about 50bps this year (a potential 6-8% headwind), while global equities have returned c.14%. 2026's projected earnings growth of over 30% more than covers the yield headwinds, leaving room for equities to rise further beyond YTD gains. If bond yields move lower as we expect, this would provide a boost for equities.

The technology sector continues to lead in terms of earnings growth, driven by AI investments. The AI capex cycle is not fading, as we estimate 33% annual growth in 2025-30, with strong demand from rising AI adoption. Robust cloud growth seen in major hyperscalers points to strong returns on capex. While some concerns about circular financing remain, we recognise the capital-intensive nature of the AI-startup ecosystem. Crucially, AI companies are not building idle capacity but are racing to meet booming demand, which should translate into strong cash flows in the future.

Fig. 20 **AI capex continues to rise, supported by strong demand from rising AI adoption**

Global AI capex



Source: Company reports, Standard Chartered

US equities – Overweight

US earnings estimates have been moving higher following an excellent Q2 reporting season. Compared to the start of the Q2 season, 2026 EPS estimates have moved 6% higher, while 2027 EPS estimates have moved 2% higher. In growth terms, US earnings are expected to grow by 30% in 2026 and 13% in 2027. This gives us the confidence to be Overweight US equities. However, in the run-up to the November US mid-term elections, we would not be surprised to see higher volatility, consistent with historical experience.

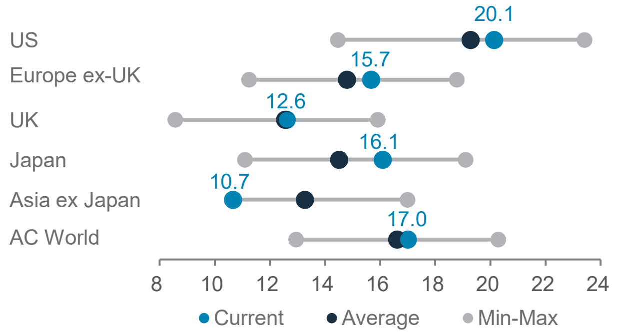
AxJ equities – Overweight

AxJ enjoys the strongest earnings growth among major markets, as its technology sector remains a key beneficiary of AI capex. At the same time, AxJ also has the lowest P/E valuation amongst major markets, as its earnings surge has not yet been reflected in the market. Within AxJ, we are Overweight Taiwan and China equities. Taiwan benefits from clear visibility on AI-driven growth and dominance in manufacturing advanced AI chips. China offers valuation re-rating potential driven by technological innovation, policy support and AI-localisation tailwinds.

South Korea equities remain a Core holding. We are positive on the long-term agreements driving the memory chip industry, giving greater visibility to future earnings growth. However, the market continues to be extremely volatile with leveraged investor positioning. **We lower India to a Core holding**, given stretched valuations relative to its peers, while rangebound and elevated oil prices continue to create uncertainty. India still offers diversification from the AI trade, positive earnings revisions and strong domestic liquidity, which warrants a Neutral allocation. Along with India's downgrade, **we are also less Underweight ASEAN**, as we recognise the defensive growth in Singapore and Thailand. However, the region's relatively lacklustre earnings growth leaves us Underweight.

Fig. 21 **US equity valuations are high but not at extreme levels, while AxJ valuations are attractive**

12-month forward P/E ratio of regional MSCI indices



Source: FactSet, Standard Chartered. Min-Max over last 10 years.

Japan equities – Core holding

An expansionary fiscal stance continues to buoy a reflating economy, with solid broad-based earnings revisions. Japan remains vulnerable to energy shocks, and rising local interest rates could lead to a stronger currency over the next 12 months, a headwind for exporters.

Europe ex-UK equities – Core holding

Europe ex-UK is seeing an earnings inflection after three stagnant years. 2026 earnings estimates are rising, alongside a strong Q2 earnings season. Fiscal expansion is lifting domestic demand and benefiting the industrial sector, while higher-for-longer rates favour the banking sector. However, earnings growth in the region still lags that of the US and AxJ.

UK equities – Underweight

The UK has the highest long-end bond yields in the developed world, and renewed policy uncertainty ahead of the Autumn Budget is likely to reignite volatility. Earnings growth is also expected to be relatively muted, particularly in 2027.

Equity opportunistic views

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Add Euro area banks

We initiate an Opportunistic idea on Euro area banks. A 'higher-for-longer' rate backdrop should extend the current earnings upcycle, with markets expecting further ECB tightening, while we expect one more hike this year. The latest ECB lending survey points to a modest corporate loan demand recovery, while earnings growth is broadening beyond net interest income. Strong capital generation supports higher dividends and continued share buybacks.

Fig. 22 **Opportunistic ideas**

Region	Idea
Global	Global Power & Electrification
	Global High Dividend
US	US Communication Services
Europe	Euro area Banks *
Asia	Japan Banks
	MSCI Taiwan
	Hang Seng Technology

Source: Standard Chartered. * New idea

Ongoing ideas

Global Power & Electrification: Rising AI and data centre power demand should drive a multi-year grid and electrification investment cycle. Power availability and grid capacity are emerging as bottlenecks to the AI infra buildout. Addressing these constraints requires capex and time, which supports strong earnings visibility for grid equipment makers.

Japan Banks: BoJ policy normalisation drives NIM upside, while Japan's reflation cycle should support nominal loan demand, corporate capex and wealth activity. Governance reform is a rate-cycle-independent re-rating driver, including recycling legacy holdings towards growth, buybacks and dividends. Japan's plans to ease large-scale exposure limits for projects such as M&A and AI data centres should broaden financing opportunities for the megabanks.

MSCI Taiwan: Taiwan's foundry leadership makes it a critical supplier to global technology and semiconductor companies, especially for advanced nodes. Taiwan's AI hardware suppliers are also posting strong revenue growth across servers, advanced packaging and other key components.

Global High Dividend: Provides a higher-income equity allocation with historically lower volatility than the MSCI ACWI and modest downside cushioning on balance.

US Communication Services: We remain constructive and expect further upward earnings revisions, driven by improving digital-ad spending and AI monetisation.

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.

Sector views: Continue to broaden & diversify

We are Overweight US technology and communication services, which are expected to be the primary drivers of US earnings growth, supported by structural AI tailwinds and broadening AI monetisation. Beyond tech, we retain a broad Overweight in financials across the US, Europe ex-UK and Japan, whose stable earnings growth profiles underpin our view amid buoyant markets, elevated rates and reasonable valuations. US financials are supported by a capital markets and M&A recovery and resilient net NIMs. Europe ex-UK financials benefit from robust balance sheets and sustained shareholder returns, while Japan financials gain from BoJ policy normalisation. In addition, we remain Overweight Europe ex-UK industrials, given EU fiscal stimulus, bolstered by Germany's new infrastructure acceleration legislation.

In China, we retain a pro-risk stance, being Overweight technology and communication services on AI infrastructure investment. The July Politburo Meeting directed authorities to accelerate the deployment of remaining fiscal resources, prioritising high-tech infrastructure and the 'Six Networks' initiative, providing a near-term catalyst. We remain Underweight real estate and consumer staples amid weak sentiment and low visibility on the housing recovery.

Fig. 23 **Our sector views**

Top preferred global sectors	China sectors
US technology	Technology
	Communication services
US communication services	Healthcare
	Financials
US financials	Discretionary
	Materials
Europe ex-UK financials	Industrials
	Energy
Europe ex-UK industrials	Utilities
Japan financials	Staples
	Real estate

Legends: Overweight | Core | Underweight

▲ Upgrade from last month | ▼ Downgrade from last month

Source: Standard Chartered

Gold, crude oil – at a glance

Anthony Naab, CFA
Investment Strategist

Our view

- We reinstate our Overweight on gold and raise our 3 - and 12-month price targets to **USD 4,750/oz** and **5,000/oz**, respectively.
- We maintain our 3-month West Texas Intermediate (WTI) oil forecast at **USD 90/bbl** and our 12-month target at **USD 70/bbl**.

Key charts

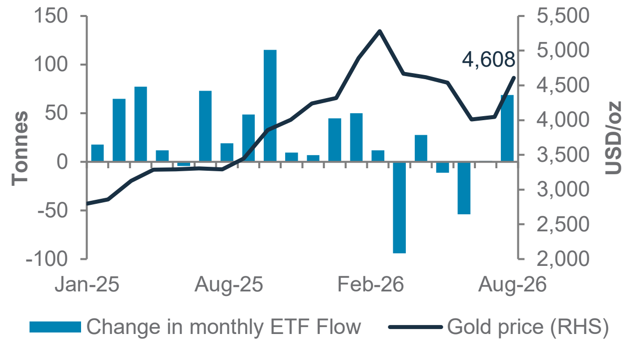
Fig. 24 **Gold has strengthened alongside a steeper US yield curve**

Gold price vs. US 10-2 yield curve

Source: Bloomberg, Standard Chartered

Fig. 25 **Gold ETF demand has revived**

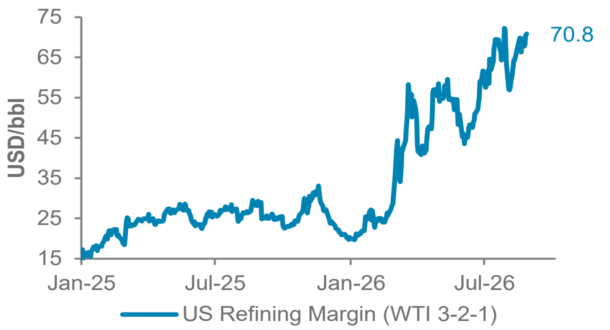
Monthly changes in global gold ETF holdings, 2025-26



Source: Bloomberg, Standard Chartered

Fig. 26 **Refined products, not crude, have absorbed the supply shock**

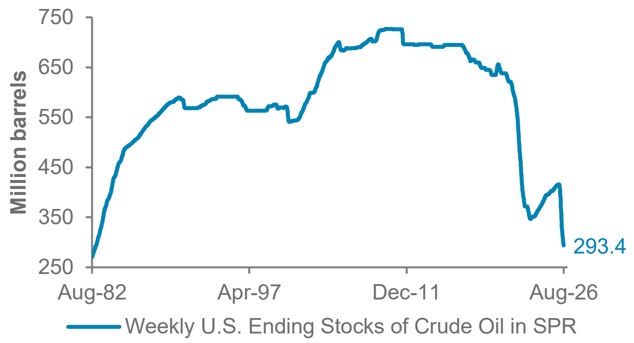
US refining margin, 2025-26 YTD



Source: Bloomberg, Standard Chartered

Fig. 27 **Emergency reserves have drained back to 1983 levels**

US Strategic Petroleum Reserve, million barrels



Source: EIA, Standard Chartered

Gold outlook: Gold has rebounded faster than expected, as a weaker USD and reduced expectations of further Fed tightening have revived ETF demand. Stronger central bank buying, led by China and Poland, provides structural support, while gold's resilience suggests fiscal concerns are outweighing the relative appeal of elevated yields. We remain constructive over the longer term, although scope for further short-covering and sensitivity to US inflation data and Fed communications point to a more volatile path higher.

Oil outlook: Middle East tensions remain unresolved, sustaining a sizeable risk premium in oil prices and leaving the market prone to outsized moves. Refining constraints have pushed much of the strain into fuel prices rather than crude, while emergency reserves sit at their lowest levels in decades. We expect WTI to remain near USD 90/bbl over the next three months, before easing towards USD 70/bbl over 12 months as transit conditions normalise, with the IEA and EIA both flagging returning Gulf barrels and a sizeable surplus in 2027.

FX – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

Iris Yuen
Investment Strategist

USD view

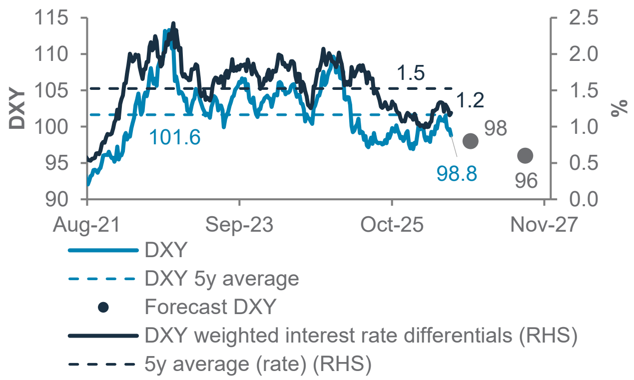
We are lowering our three-month DXY forecast to 98 from 101.5. This reflects a new near-term USD headwind after the US Treasury's surprise decision to "at least double" liquidity-support buybacks of 10-30-year government debt from USD 2bn to USD 4bn per operation through 4 November. The initial declines in long-end yields and the USD suggest that higher US bond yields provide less reliable USD support when driven by fiscal concerns and the term premium rather than stronger growth or core real yields. July US non-farm payrolls falling by 23,000, wage growth slowing to 3.2% y/y and headline consumer inflation easing to 3.4% y/y all point to a less one-sided US growth story. However, August business activity remains resilient. We see bond buybacks, softer labour and consumption data as near-term USD headwinds rather than signs of an abrupt US downturn.

We expect the USD to decline gradually towards 96 over the next 12 months. Narrowing global rate divergence and persistent US fiscal and external imbalances weigh on the medium-term USD outlook. Softer US labour and inflation momentum support our view that the Fed can remain on hold, while further BoJ normalisation and relatively hawkish RBA and ECB policy biases should reduce the USD's relative rate advantage. Fiscal and external imbalances leave the currency more dependent on sustained foreign capital inflows. Resilient US activity, AI-related capex and associated equity inflows remain significant offsets.

Key charts

Fig. 28 **USD interest rate differentials have stalled around the five-year average; 12m downside risk ahead**

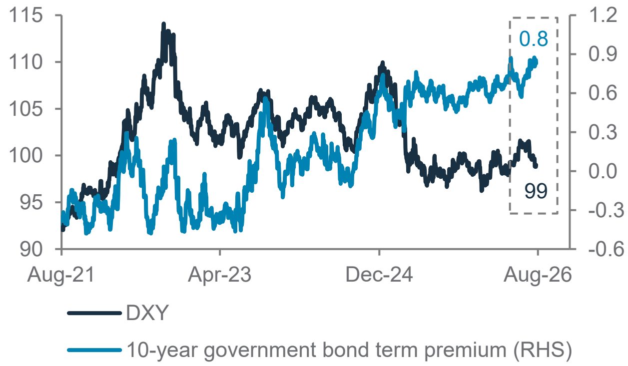
DXY, weighted interest rate differentials & five-year average



Source: Bloomberg, Standard Chartered

Fig. 29 **Rising term premium driven by US fiscal concerns and credit risk; downside risk to the USD**

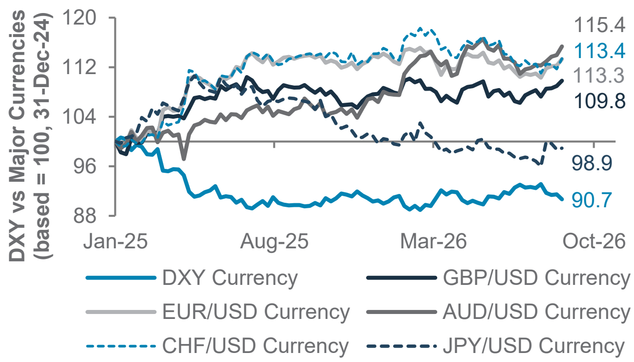
DXY and US 10-year government bond term premium



Source: Bloomberg, Standard Chartered

Fig. 30 **CHF and AUD benefit most from USD decline**

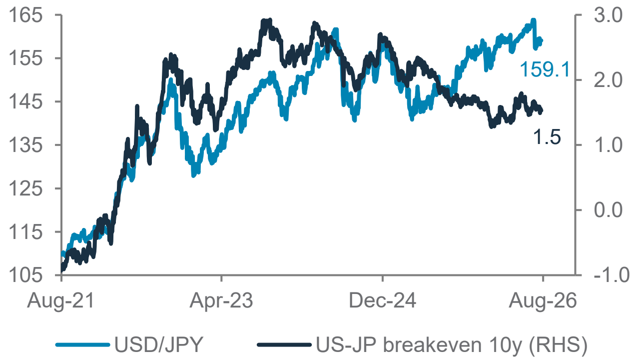
USD vs. major currencies' performance in the latest downtrend



Source: Bloomberg, Standard Chartered

Fig. 31 **USD/JPY diverges from yield spread; expect correction if oil prices reprice gradually**

USD/JPY and yield spread



Source: Bloomberg, Standard Chartered

Fig. 32 **Summary of currency forecasts and drivers**

Currency	Spot*	3m	12m	Rationale
EUR/USD	1.1656	1.18	1.20	• **Constructive:** Euro area August composite PMI rose to 52.1 and manufacturing PMI to 52.8, reinforcing signs of improving activity. The ECB's relatively hawkish bias and narrowing US-Euro area rate differentials support the EUR, while a softer medium-term USD provides an additional tailwind.
GBP/USD	1.3597	1.35	1.36	• **Modestly constructive:** We are raising both of our GBP/USD forecasts, mainly on a softer USD outlook. Resilient UK activity and a relatively cautious BoE provide support for the GBP. However, UK unemployment at 4.9%, softer wage momentum and a 0.5% m/m fall in July retail sales should limit the pace of GBP gains.
USD/JPY	159.23	160	155	• **Medium-term bearish:** July headline consumer inflation firmed to 1.9% y/y and core inflation to 1.8%, while exports rose 23.2%, keeping further BoJ policy normalisation in play. Higher domestic yields are also likely to encourage repatriation flows, although modest Q2 growth and the still-wide US-Japan rate differential argue for a gradual rather than rapid JPY recovery.
AUD/USD	0.7182	0.74	0.75	• **Constructive:** The RBA's hawkish bias and 4.35% policy rate preserve the AUD's yield support, while the August composite PMI remained expansionary at 52.5. Commodity price resilience and a softer USD provide additional tailwinds, but July employment fell by 15,800 and unemployment rose to 4.5%, suggesting Australia's cooling labour market should limit the pace of appreciation.
NZD/USD	0.5948	0.60	0.60	• **Rangebound:** Q2 unemployment rose to 5.6%, August business PMI eased to 50.6 and Q2 retail sales fell 0.5% q/q, highlighting weak domestic momentum. RBNZ policy provides a floor, while broader USD weakness could still lift the NZD, leaving the overall balance broadly neutral.
USD/CAD	1.3875	1.38	1.36	• **Modestly bearish:** July employment surged 75,100, unemployment eased to 6.4% and June retail sales rose 0.6% m/m, strengthening the domestic case for the CAD. US-Canada trade and tariff risks may cap CAD gains.
USD/CHF	0.8049	0.79	0.78	• **Modestly bearish:** A softer USD and persistent geopolitical risks support safe-haven demand for the CHF. July inflation remained subdued at 0.4% y/y, limiting SNB policy support, but Q2 industrial production rebounded 5.5% y/y and defensive inflows should outweigh weak rate differentials.
USD/CNH	6.7211	6.71	6.69	• **Modestly bearish:** The PBoC is keeping the daily fixing biased firmer while tolerating only gradual, managed appreciation. Robust trade surpluses and the repatriation of exporters' large, unsettled USD earnings provide steady conversion flows, even as soft domestic demand and an accommodative PBoC cap the pace.
USD/SGD	1.2714	1.28	1.26	• **Modestly bearish:** The latest surprise tightening strengthens our conviction. Singapore's GDP growth was stronger than expected. Higher energy and imported costs are expected to lift inflation from July. We see the pair responding to the Fed, US government bond yields and geopolitical demand for the USD in the longer term.
USD/INR	95.41	–	98	• **Cautiously bearish on the INR:** July's trade deficit widened to USD 32bn, while elevated oil prices added to India's import burden. This pressure should outweigh a softer USD over time, although capital inflows and RBI intervention should contain volatility, supporting gradual depreciation towards 98.
USD/MYR	4.0265	–	3.98	• **Modestly bearish:** Strong exports, resilient domestic demand and the conversion of overseas corporate earnings provide underlying support for the MYR. A softer medium-term USD adds a tailwind, although external trade uncertainty argues for a measured rather than aggressive appreciation path.
USD/KRW	1,385	–	1,420	• **Modest upside:** Strong semiconductor exports (+179% y/y) and the BoK's July rate hike led us to lower our 12-month USD/KRW forecast to 1,420 from 1,540. However, the US-Korea rate differential still favours the USD, while volatile foreign equity flows pose another headwind for the KRW.

Source: Bloomberg, Standard Chartered
*As of 7:24 am 27 August 2026 SGT

Quant perspective: Raising equity Overweight as positioning improves

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Senior Quantitative Strategist

Maggie, Au Yeung
Quantitative Analyst

Summary

Our stock-bond model (3-6 months) increased its Overweight allocation to global equities to +3 from +2 (maximum +5) in August. The move reflected a normalisation in global stock net advances. This follows July's reduction in the equity Overweight when net advances rose to more than 1 std deviation above their historical average. Fundamentals remain supportive of equities, with improvements across economic surprises, earnings upgrades, PMI new orders and the macro risk index. Valuations remain a concern, with DM equities still expensive and Asian equities nearing the model's threshold. A further rise in Asian equity valuations would reduce the overall valuation score from 0 to -2, lowering the overall model score from +3 to +1. YTD the model has returned 13.8%, outperforming the 60/40 equity-bond benchmark by 4.2%.

Our equity market regime models (1-3 months) continued to point to low bear-market risks for both the S&P500 and MSCI ACW indices. Estimated bear market probabilities stand at just 0.9% and 6.4%, respectively. The primary driver is the Volatility Index (VIX), which remains benign at 15.8%, comfortably below the model threshold of 20%. Other market-risk indicators, including EM FX volatility, also remain supportive. While momentum factors have softened, they remain within the neutral range and do not point to meaningful market stress.

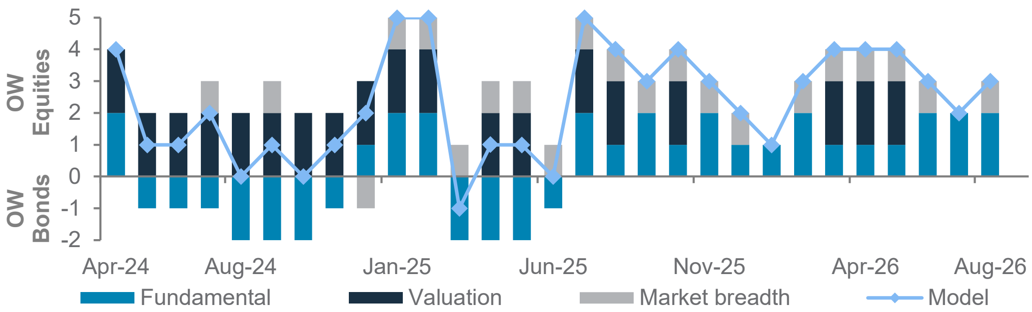
Our indicators suggest downside pressure on the DXY is likely to ease, as investor positioning in the USD has normalised following the unwinding of previously crowded long USD positions. Investor positioning in the USD peaked in June at 2 std deviations above the historical average and currently sits at 0.2 std deviation.

Key chart

Our stock-bond model increased its Overweight equity position as net advances in global stocks (a contrarian signal) normalised.

Fig. 33 **Breakdown of our stock-bond rotation model's scores**

Our model increased equity Overweight to 24% from 16% as the model score rose to +3

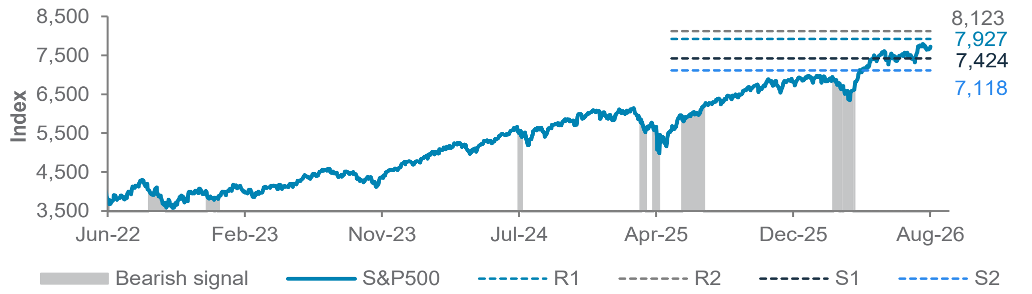


Source: Bloomberg, Standard Chartered; 24-August-2026

VIX has risen slightly, but remains comfortably below the model threshold of 20%. Market momentum has softened, but is within the neutral range.

Fig. 34 **Our technical model remains bullish on the S&P500 Index**

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



Source: Bloomberg, Standard Chartered; 27 August 2026

Fig. 35 **Long- and short-term quantitative models remain bullish on 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**	**US recession model**
Current view	**Slightly raising equity Overweight**	**20% probability over the next six months**
What factors is this view based on?	• **Fundamental:** +2. All five fundamental factors remain positive and improved in August. They include economic surprises, net earnings upgrades, PMI new orders and the macro risk sentiment index. • **Valuation:** 0. DM equities remain expensive and the valuation of Asian equities has also risen but remains slightly below the threshold. • **Technical:** +1. Net advances in global stocks (a contrarian indicator) have normalised to below a 1 z-score. Market breadth remains strong, standing at rose to 87%, far exceeding the required 60% threshold.	**Estimated probability rose slightly from 18% in July to 20% in August.** • Conference Board's consumer confidence index worsened to -8.0% y/y. • PMI new orders-to-inventory ratio worsened to 1.1x, below its historical average of 1.2x. • Conference Board's leading indicators improved but remained negative at -1.4% y/y. • Fed funds rate to natural rate ratio is at 1.6x, reflecting restrictive monetary policy relative to the historical average of 1.3x.
Key model factors	• Economic activity, macro risk and surprise indices, corporate earnings, forward P/E ratio and technical factors.	• Conference Board leading indicator, Consumer Confidence Index, ISM New Orders and Fed funds rate.
How does it work?	• A monthly scorecard of -5 to 5 based on fundamentals, valuations and market-breadth factors to indicate the relative preference for bonds and equities. A positive score favours equities and vice versa.	• A probability model based on regression. Long-term statistical tests are conducted to identify the four key economic factors above.

Short-term	**Technical analysis**	**Investor positioning**
Current views	**Bullish S&P500 and MSCI ACW**	**Downside pressure on the DXY likely to ease**
What factors is this view based on?	• **Bullish S&P500:** The probability of a bear market is at 0.9%. VIX and EM FX volatility remained subdued. While market momentum has softened, it is within the neutral range and does not point to meaningful market stress. • **Bullish MSCI ACWI:** Probability of a bear market is at 6.4%. Like the S&P500, most risk indicators are benign. The one-month implied volatility (weighted) is at 15.7%. Inflation shocks remain a risk factor, as the higher correlation between agriculture prices and global government bond yields suggests they could have a greater impact on equity markets.	• **Investor positioning:** The unwinding of long USD positions has largely run its course, bringing investor positioning in the USD back to neutral levels after it peaked in June at 2 std deviations above the historical average. • **Market diversity indicator for MSCI Singapore** has normalised to above the model threshold of 1.26 after the index fell by 2.6% from its peak in August.
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 occur 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 a timely indication of investor positioning based on price action.

Source: Standard Chartered

Foundation: Asset allocation summary

Summary	View	FOUNDATION Moderate	FOUNDATION Balanced	FOUNDATION Aggressive
Cash	▼	3	3	3
Fixed Income	◆	58	38	18
Equity	▲	34	54	74
Gold	▲	6	6	6
Asset class				
USD Cash	▼	3	3	3
DM IG Bonds		35	22	9
*DM IG Government Bonds**	▼	*21*	*12*	*4*
*DM IG Corporate Bonds**	◆	*15*	*10*	*5*
DM HY Corporate Bonds	◆	3	2	1
EM Bonds		11	9	5
EM USD Government Bonds	▲	*8*	*7*	*5*
EM Local Ccy Government Bonds	◆	*3*	*2*	*0*
Asia USD Bonds	◆	8	5	3
North America Equities	▲	23	36	50
Europe ex-UK Equities	◆	4	7	9
UK Equities	▼	0	1	2
Japan Equities	◆	2	3	4
Asia ex-Japan Equities	▲	4	7	10
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

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

Source: Standard Chartered

Note: All figures in %; (i) For small allocation we recommend investors to implement through global equity/global bond product; (ii) Allocation figures may not add up to 100 due to rounding. *FX-hedged; (iii) DM IG Bonds is an aggregate of DM IG Government and DM IG Corporate Bonds; (iv) EM Bonds is an aggregate of EM USD and EM Local Ccy Government Bonds

Foundation+: Asset allocation summary

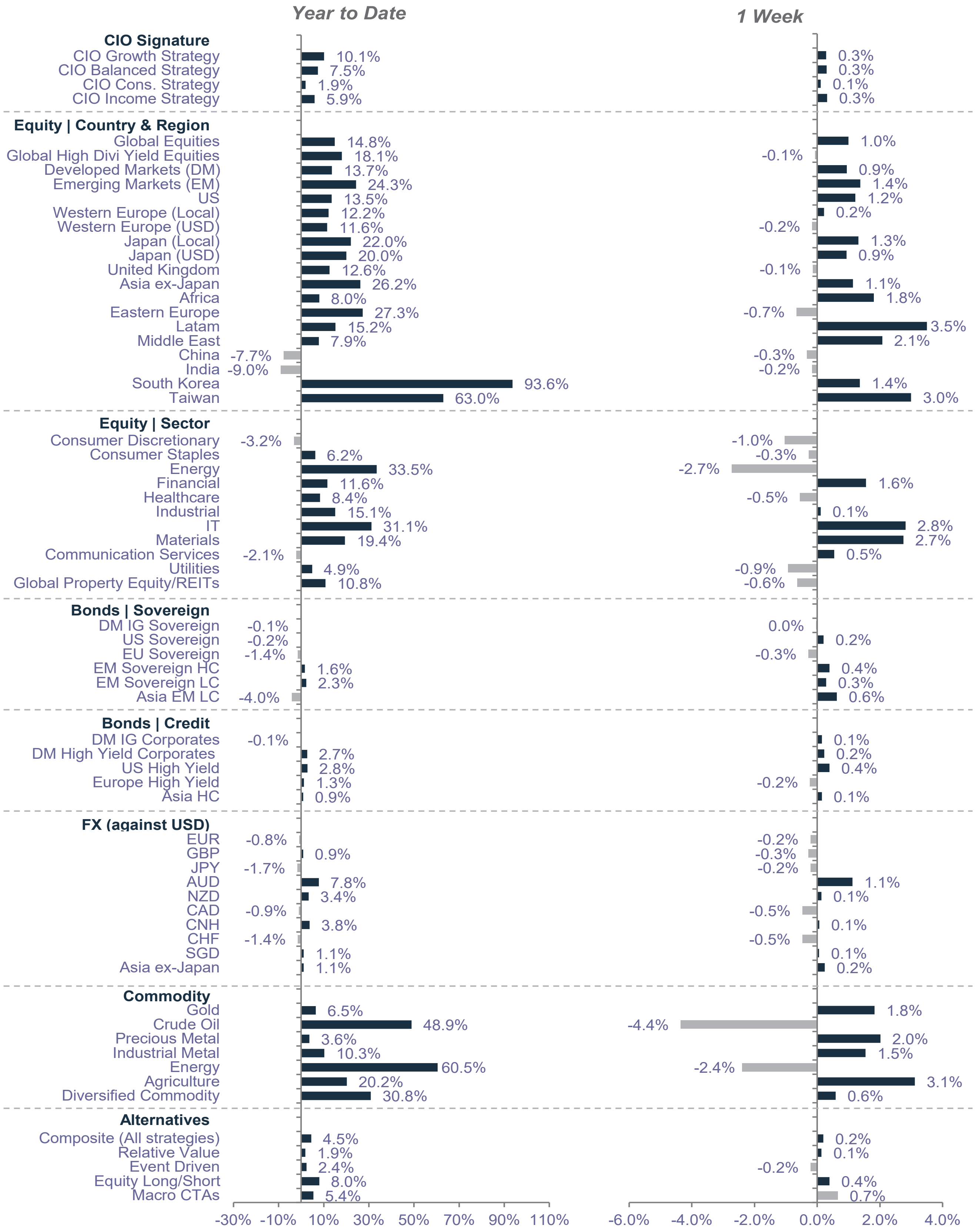
		FOUNDATION+		
Summary	**View**	**Moderate**	**Balanced**	**Aggressive**
Cash	▼	3	2	2
Fixed Income	◆	49	30	13
Equity	▲	28	43	56
Alternatives	◆	20	25	29
Asset class				
USD Cash	▼	3	2	2
DM IG Bonds		30	17	7
*DM IG Government Bonds**	▼	*18*	*10*	*3*
*DM IG Corporate Bonds**	◆	*12*	*8*	*4*
DM HY Corporate Bonds	◆	3	2	1
EM Bonds		9	7	4
EM USD Government Bonds	▲	*7*	*5*	*4*
EM Local Ccy Government Bonds	◆	*3*	*2*	*0*
Asia USD Bonds	◆	7	4	2
North America Equities	▲	19	29	37
Europe ex-UK Equities	◆	3	5	7
UK Equities	▼	0	1	1
Japan Equities	◆	2	2	3
Asia ex-Japan Equities	▲	4	6	7
Gold	▲	5	5	4
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**

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

Source: Standard Chartered

Note: All figures in %; (i) For small allocation we recommend investors to implement through global equity/global bond product; (ii) Allocation figures may not add up to 100 due to rounding. *FX-hedged; (iii) DM IG Bonds is an aggregate of DM IG Government and DM IG Corporate Bonds; (iv) EM Bonds is an aggregate of EM USD and EM Local Ccy Government Bonds

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 27 August 2026; 1-week performance from 20 August 2026 to 27 August 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	1.18	1.35	160	0.74	0.60	1.38	6.71	0.79	90	4,750	3.75% (Dec-26)	4.50-4.75% (Q4 2026)	2.50% (Dec-26)
12m forecast	96	1.20	1.36	155	0.75	0.60	1.36	6.69	0.78	70	5,000	3.50% (Jun-27)	4.25-4.50% (Q3 2027)	2.25% (Jun-27)

Source: Standard Chartered

SEP

- 1 Sep > EC: CPI
- 1 Sep > US: PMI
- 4 Sep > US: Nonfarm Payrolls
- 10 Sep > EC: ECB policy meeting
- 11 Sep > US: CPI
- 12-13 Sep > India: BRICS+ Summit
- 17 Sep > US: Fed policy meeting
- 17 Sep > UK: BoE policy meeting
- 18 Sep > JP: BoJ policy meeting
- 22-29 Sep > US: UN General Assembly
- 23 Sep > EC: PMI

OCT

- Oct > China: CCP Plenum
- 1 Oct > US: PMI
- 2 Oct > EC: CPI
- 2 Oct > US: Nonfarm Payrolls
- 12-18 Oct > Thailand: IMF and World Bank Annual Meetings
- 14 Oct > US: CPI
- 23 Oct > EC: PMI
- 29 Oct > US: Fed policy meeting
- 29 Oct > EC: ECB policy meeting
- 30 Oct > JP: BoJ policy meeting

NOV

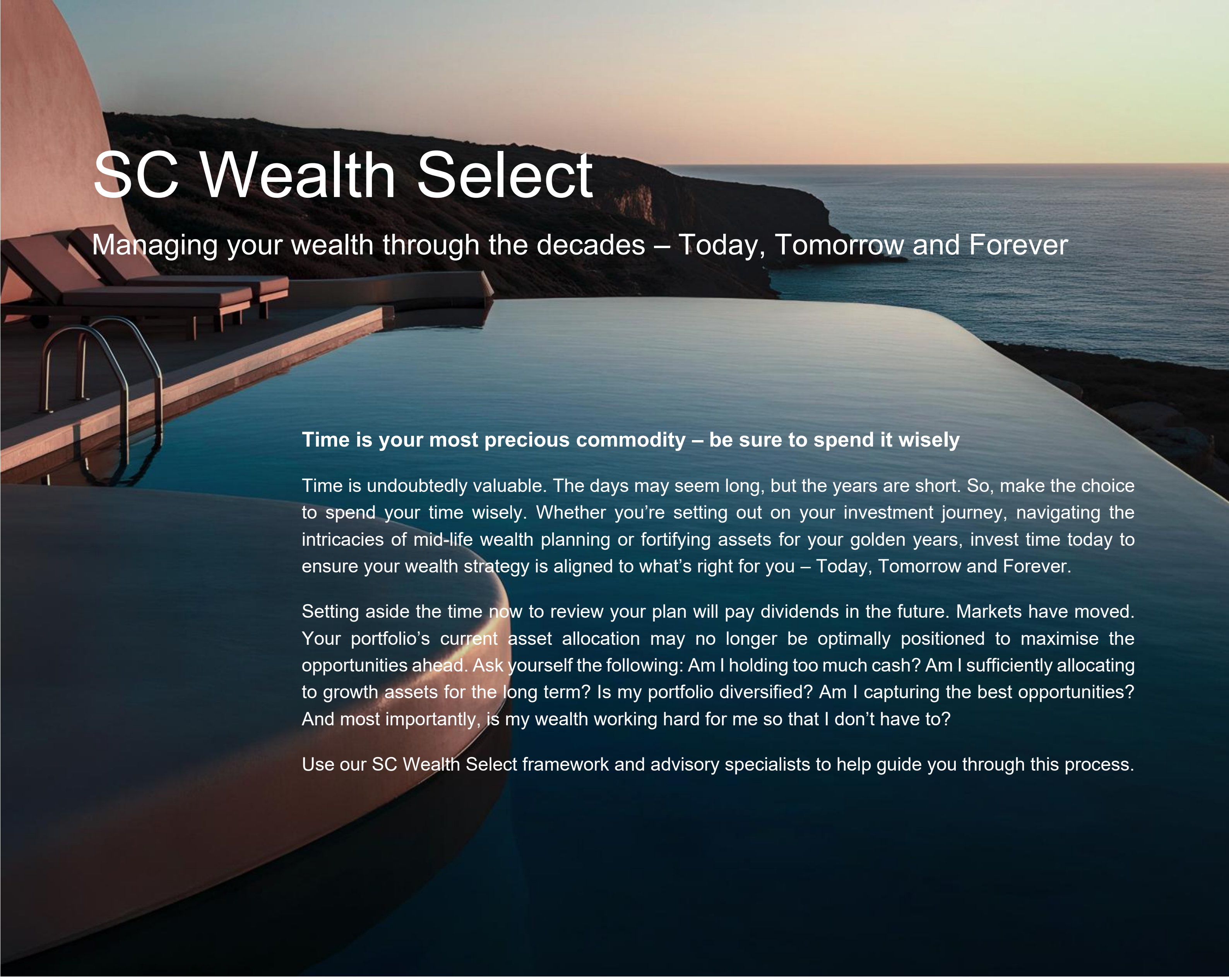
- 2 Nov > US: PMI
- 3 Nov > US: US Midterm Elections
- 4 Nov > EC: CPI
- 5 Nov > UK: BoE policy meeting
- 6 Nov > US: Nonfarm Payrolls
- 10 Nov > US: CPI
- 18-19 Nov > China: APEC Economic Leaders Summit
- 23 Nov > EC: PMI

DEC

- 1 Dec > EC: CPI
- 1 Dec > US: PMI
- 4 Dec > US: Nonfarm Payrolls
- 10 Dec > US: Fed policy meeting
- 10 Dec > US: CPI
- 14-15 Dec > US: G20 Leaders Summit
- 16 Dec > EC: PMI
- 17 Dec > UK: BoE policy meeting
- 17 Dec > EC: ECB policy meeting
- 18 Dec > JP: BoJ policy meeting

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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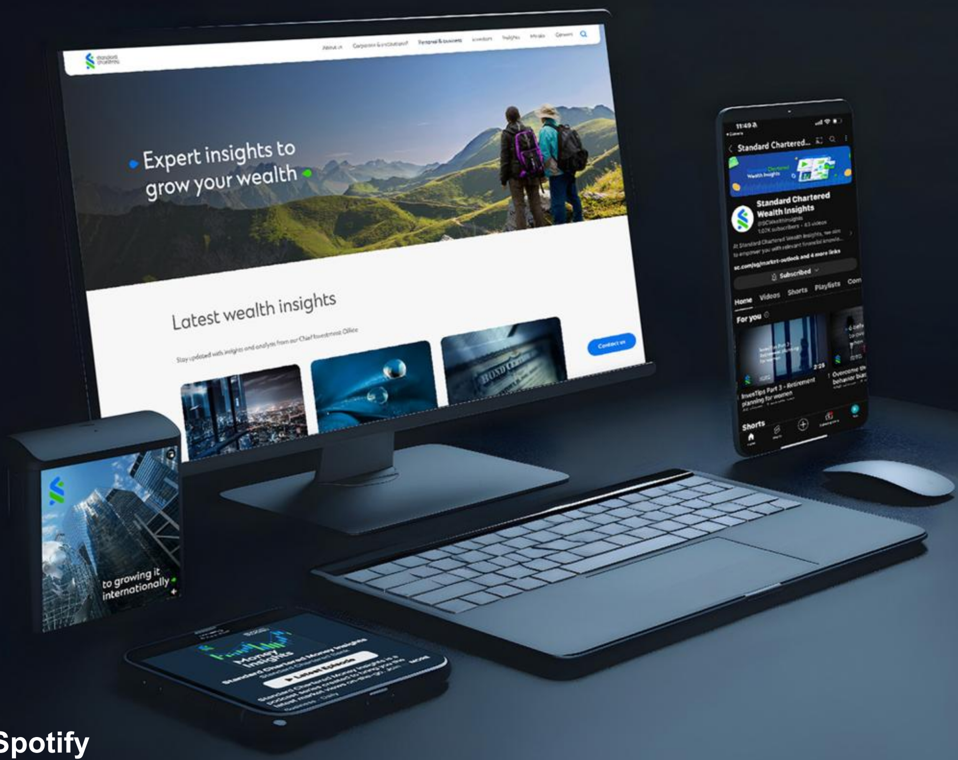

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1. The figures on page 5 show allocations for a moderately aggressive risk profile only – different risk profiles may produce significantly different asset allocation results. Page 5 is only an example, provided for general information only and they 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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