WS Global CIO Office
19 June 2026

Outlook H2 2026

Navigating shifting sands

Investors will have to navigate shifting sands across energy prices, equity supply, investor positioning and central bank policy in H2 2026. We expect risky assets to remain supported amid a soft-landing macro environment.

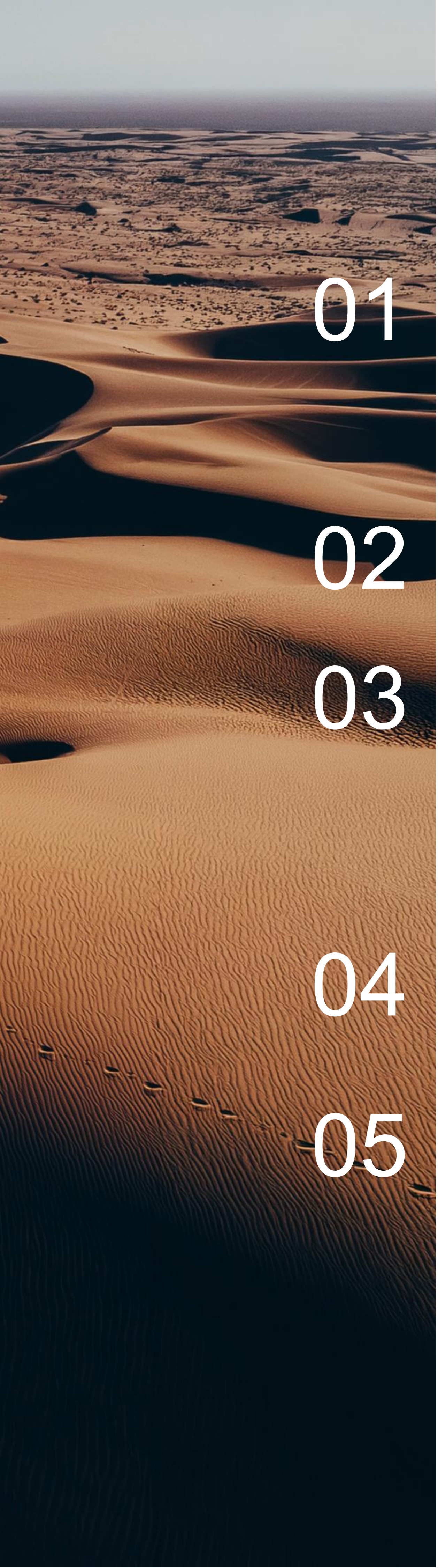
We remain Overweight global equities, with a preference for the US and Asia ex-Japan. US equities remain supported by earnings and lower oil prices following the US-Iran interim deal, which should also catalyse Asia ex-Japan equities.

Bond yields are attractive for locking in income; we are Overweight Emerging Market USD bonds. We are also Overweight Gold, our preferred diversifier, alongside core holdings in other major alternative strategies.

What does US-Iran interim deal mean for oil markets?

Are global central banks overly hawkish?

How are our quant models positioned?



Contents

01 Strategy

02 Macro overview – at a glance

03 Asset classes

04 Additional perspectives

05 Performance review

Investment strategy and key themes

Steve Brice
Global Chief Investment Officer

Manpreet Gill
Chief Investment Officer, AMEE

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Chief Investment Officer, North Asia

12m Foundation Overweights:

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

Opportunistic Ideas – Equities:

- **Global:** MSCI World equal-weight, high dividend^
- **US:** Communication services^
- **Asia:** Hang Seng Technology Index, Japan banks^

Top Global Sectors:

- **US:** Technology, communication services, healthcare
- **Europe ex-UK:** Financials, industrials^
- **Japan:** Financials^
- **China:** Technology, communication services

Opportunistic Ideas – Bonds:

- **US:** Treasury Inflation-protected Securities (TIPS), AAA CLOs, utility sector hybrids, US High-yield (HY)^
- **EU:** Bank AT1s FX-hedged
- **Others:** AUD corporates

^New

Navigating shifting sands

- **Investors will have to navigate shifting sands across energy prices, equity supply, investor positioning and central bank policy in H2 2026**. We expect risky assets to remain supported amid a soft-landing macro environment.
- **We remain Overweight global equities, with a preference for the US and Asia ex-Japan (AxJ).** US equities remain supported by earnings and lower oil prices following the US-Iran interim peace deal, which should also catalyse AxJ equities.
- **Bond yields are attractive for locking in income; we are Overweight Emerging Market (EM) USD bonds.** We are also Overweight gold, our preferred diversifier, alongside core holdings in other major alternative strategies.

The shifting sands to navigate

Global equities have gained over 12% year to date (YTD). Equities pushed higher as AI optimism and strong earnings growth outweighed the Middle East conflict, higher oil prices and bond yields, and a stronger US dollar (USD). We see room for this optimism to extend in H2 2026. However, we believe investors will need to be nimbler in H2 and be prepared to navigate market volatility centred on four key pivot points:

1. Energy prices

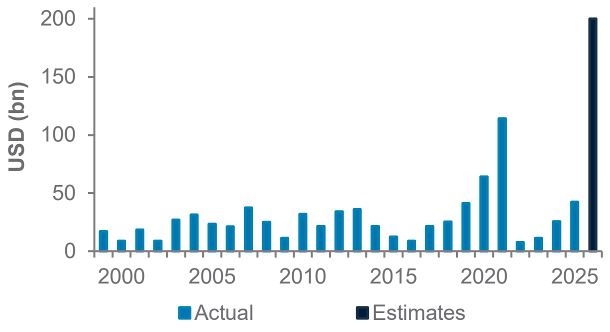
The US-Iran interim deal offers room for optimism, as an early reopening of the Strait of Hormuz will unlock oil and gas supply. However, we are mindful that (i) the agreement remains an interim one, rather than permanent, and (ii) the actual supply will take weeks, or even months, to fully resume, with some damaged facilities taking potentially years to fully resume output. Meanwhile, many countries will be keen to look for opportunities to rebuild reserves, thereby supporting demand. This is why we expect oil prices to soften, but not return to pre-crisis levels.

2. Equity supply

A significant US equity initial public offering (IPO) pipeline raises the risk of both short-term over-supply and a long-term reversal of the trend of shrinking outstanding equity floats supporting prices. Having said that, the completion of one large IPO without market disruption is encouraging, and strong IPO pipelines have not held back the performance of major non-US markets in recent years.

Fig. 1 **A significant US equity IPO pipeline raises the risk of short-term over-supply**

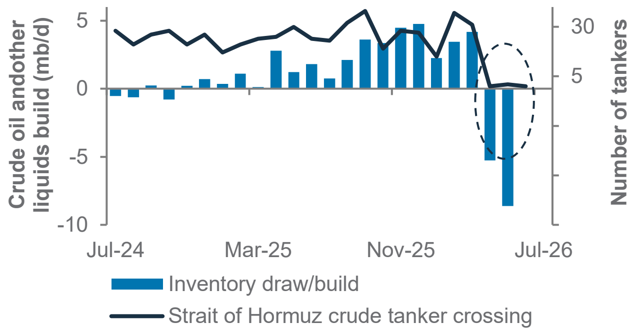
US IPO proceeds raised by year



Source: Bloomberg, Standard Chartered

Fig. 2 **A resumption of Hormuz strait transit would stem global oil inventory drawdown**

Global crude oil inventory changes and Hormuz strait transit



Source: EIA, Bloomberg, Standard Chartered

3. Investor positioning

We enter H2 with relatively optimistic investor positioning. While this has started to ease, the risk of a modest pullback in the coming weeks remains elevated. However, our 1-3-month equity models and reversal indicators remain positive, encouraging us to buy any temporary dips.

4. Central bank policy

An easing of oil and gas prices should help alleviate pressure on central banks to tighten policy. However, further strength in the US job market risks limiting the room for Fed rate cuts. We expect the US Fed to stay on hold through year-end 2026. The ECB and EM central banks should face less pressure to tighten policy as oil prices ease, but the BoJ is expected to continue hiking slowly.

Overall, we continue to expect our soft-landing macro scenario to persist, with a small chance of a strong growth re-acceleration. Recession and stagflation scenarios remain risks, but softer energy prices following the US-Iran interim deal reduce the risk of these scenarios playing out.

Extending equities optimism

We remain Overweight **global equities** relative to bonds and cash. Within this, we stay Overweight the US and raise AxJ to Overweight.

Earnings remain central to our positive view, particularly for US equities. Strong earnings growth helped support markets through H1 2026, despite many challenges. We expect this to ultimately be the case in H2 as well. However, (i) we expect the path to be more volatile, with still-optimistic investor positioning and the IPO supply pipeline being short-term challenges, and (ii) further broadening of the rally beyond semiconductors likely needed for gains to be sustainable.

Our approach to US equities remains unchanged – we remain Overweight, and we look for routes to broaden exposure within technology (from semiconductors to internet and software sub-sectors) and beyond technology (we are Overweight US communication services and healthcare).

We also raise **AxJ** back to Overweight. The US-Iran interim deal is one key catalyst behind our upgrade, given regional markets remain highly sensitive to oil prices. Within the region, we are Overweight on (i) **India**, which should benefit the most from reduced oil price risks, (ii) **China**, which is sensitive to energy prices but should also benefit from the equities broadening trade – we like the China technology and communication services sectors – and (iii) **Taiwan**.

EM bonds lead yield opportunities

The current level of bond yields offers several opportunities to lock in attractive yields. An interim US-Iran deal means we expect US bond yields to ease modestly from current levels, with the benchmark 10-year yield expected to stay in the 4.25-4.50% range over the next 3-12 months. This should also help the USD Index (DXY) move lower from recent range highs.

We remain Overweight EM USD government bonds. This is our preferred opportunity, given its attractive yields, low sensitivity to big shifts in commodity prices relative to major EM assets and the lack of direct FX risk, unlike local-currency (LCY) bonds. However, we hold a preference for corporate and EM bonds over government bonds, with Investment-grade (IG) and US High-yield (HY) corporate bonds as core holdings.

Alternatives stay valuable diversifiers

We remain Overweight gold. The US-Iran interim deal will likely remove near-term clouds stemming from concerns about gold sales from individual EM central banks and the return of correlation with US bond yields and the USD. In our view, long-term diversification demand from EM central banks remains intact as a long-term positive driver of gold prices. Gold also remains an attractive hedge against some downside scenarios such as stagflation.

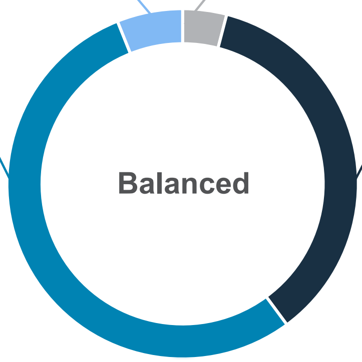
More broadly, we continue to see a core holding to liquid and private alternative strategies as attractive in the context of building portfolio diversifiers, both in our more adverse macro scenarios and amid any short-lived market volatility in H2.

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**

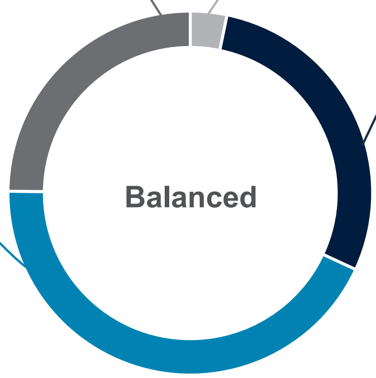
Gold	**6%**
Gold	6%
Equity	**54%**
North America	36%
Europe ex-UK	7%
UK	1%
Japan	3%
Asia ex-Japan	7%



Cash	**4%**
USD Cash	4%
Bond	**36%**
DM IG Government	11%
DM IG Corporate	10%
DM HY Corporate	2%
EM USD Government	6%
EM Local Ccy Government	2%
Asia USD	5%

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

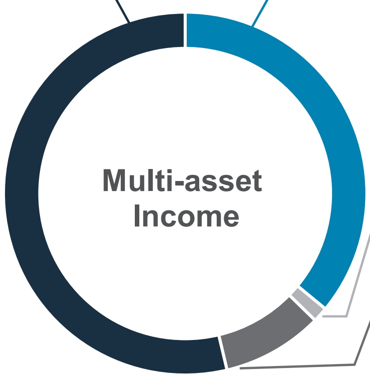
Alternatives	**25%**
Gold	5%
Hedge Fund Strategies	3%
Private Equity	5%
Private Real Assets	4%
Private Debt	6%
Digital Assets	2%
Equity	**43%**
North America	29%
Europe ex-UK	5%
UK	1%
Japan	2%
Asia ex-Japan	6%



Cash	**3%**
USD Cash	3%
Bond	**29%**
DM IG Government	9%
DM IG Corporate	8%
DM HY Corporate	2%
EM USD Government	5%
EM Local Ccy Government	2%
Asia USD	4%

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

Bonds	**54%**
DM IG Government	7%
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	**36%**
Global High Dividend	24%
Global Equity	7%
Global Infrastructure	3%
Global REITs	2%
Cash	**1%**
USD Cash	1%
Hybrids	**9%**
Covered calls	5%
Sub financials	4%

Source: Standard Chartered

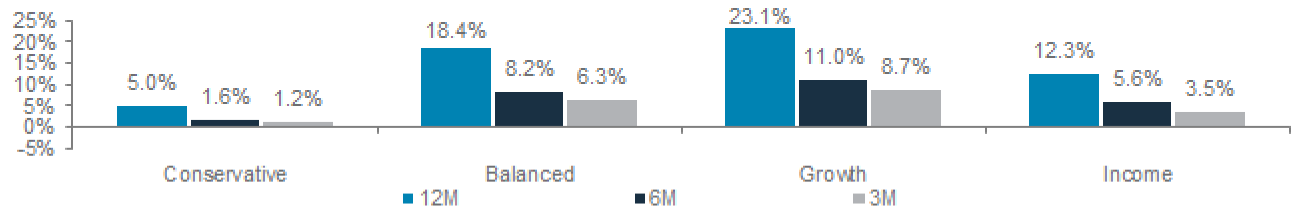
Foundation: Our tactical asset allocation

	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, falling real yields || - Resilient USD

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 17 June 2025 to 17 June 2026, 6-month performance from 17 December 2025 to 17 June 2026, 3-month performance from 17 March 2026 to 17 June 2026

Fig. 7 **Opportunistic ideas performance**

Key call		Inception/open date	Close date	Absolute return
Bond – open	1-10yr TIPS bonds	10-Apr-25		5.9%
	EU bank AT1 FX-hedged	11-Dec-25		3.3%
	AAA-rated CLO	11-Dec-25		2.6%
	AUD corporate credit	19-Mar-26		2.1%
	US Utilities Corporate Hybrids	19-Mar-26		1.8%
	US HY bonds	18-Jun-26		–
Bond – closed	US short duration (0-5yr) HY bonds	24-Jul-25	18-Jun-26	4.9%
Equity – open	Hang Seng Tech	31-Oct-24		4.1%
	MSCI World Equal Weight	21-May-26		1.4%
	Global High Dividend	18-Jun-26		–
	US Communication Services	18-Jun-26		–
	Japan Banks	18-Jun-26		–
Equity – closed	China non-financial high Div SOE - H Share	27-Mar-24	23-Apr-26	56.3%
	US Utilities	30-Oct-25	21-May-26	1.3%
	Europe Banks	11-Dec-25	23-Apr-26	6.8%
	US aerospace and defence	12-Feb-26	18-Jun-26	3.1%
	International buyback	19-Mar-26	21-May-26	5.2%
	Global Semiconductors	19-Mar-26	4-May-26	31.4%
	Gold miners	23-Apr-26	18-Jun-26	-10.4%

Source: Bloomberg, Standard Chartered. Performance as of 18 Jun 2026

Perspectives on key client questions

Anthony Naab, CFA
Investment Strategist

Oil markets: US-Iran interim deal relief, recovery still ahead

The recent US-Iran interim deal and oil price retreat have reduced the acute geopolitical risk premium and created a more **supportive backdrop for risk assets**. This will help investors refocus on growth opportunities, especially in markets and sectors that benefit from lower energy costs, easing inflation pressure and resilient earnings momentum.

However, it is worth noting that a ceasefire is not the same as full normalisation. The key question has shifted from whether a de-escalation headline can lower oil prices to whether physical oil flows, inventories and refined product markets can normalise quickly enough to sustain the relief. The **positive case** is a fast recovery in flows; the **risk case** is a ceasefire that holds politically but disappoints physically.

Fig. 8 **Scenario implications for oil markets and portfolios**

Scenario	What happens	Market implication	Portfolio implication
Positive case: Fast normalisation	Ceasefire holds, shipping lanes are restored, insurers return and Gulf exports recover steadily	Oil risk premium fades; lower energy prices support disinflation	Supports risk assets, especially oil importers and energy-intensive sectors
Base case: Uneven recovery	Flows improve, but mine clearance, insurance, tanker repositioning and field restarts take weeks to months	Oil prices remain volatile; inventories need rebuilding; refined products remain a risk	Stay invested, but maintain diversification and hedges
Negative case: Ceasefire disappoints	Ceasefire extension fails to become a durable settlement, or shipping confidence remains weak	Risk premium returns; inventories remain under pressure; crude and product prices could rise non-linearly	Avoid excessive duration risk; retain inflation and geopolitical hedges

Source: Standard Chartered

Why has the oil shock been more contained than anticipated?

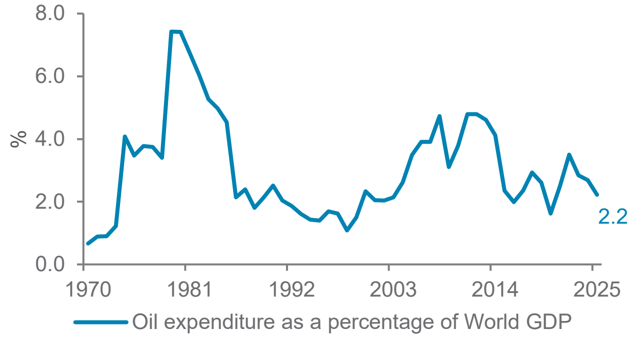
The muted oil price response to the Middle East conflict and oil supply disruptions should not be mistaken for evidence that the supply shock was small; rather, it reflects a combination of macro and market buffers that softened the initial impact.

First, the **economic impact of an oil shock** is less extreme in real terms. Even before the recent oil price retreat, Brent near USD 100/bbl was not the same shock as USD 100/bbl in earlier cycles. Adjusted for inflation, today's oil price rise is less extreme, and energy costs absorb a smaller share of income than in previous cycles.

Second, the **global economy is less oil-intensive.** Economies now use less oil to produce each unit of output, reflecting decades of efficiency gains and changes in global growth's structure. The world is still exposed to oil, especially through petrochemicals and logistics, but the transmission from oil prices to inflation and growth is weaker than in past energy crises.

Fig. 9 **Oil remains less burdensome than in past shocks**

Estimated oil expenditure as a share of global GDP

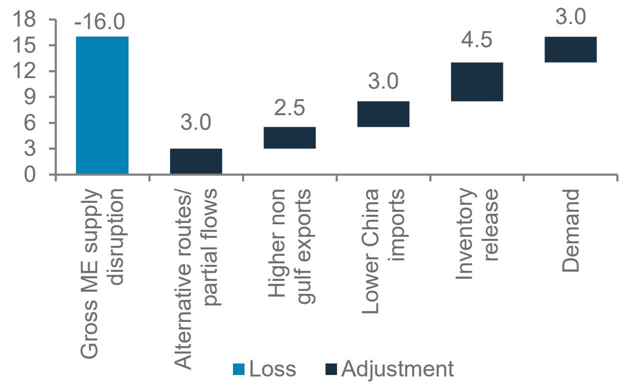


Source: World Bank, Energy Institute, Bloomberg, Standard Chartered

Third, **markets had buffers – and used them**. The oil market entered the Middle East conflict with a more comfortable demand-supply balance, including a modest pre-conflict surplus, elevated inventories and high oil-on-water. Strategic and commercial stock draws helped bridge the supply gap, while lower Chinese imports reduced competition for available seaborne barrels. Market psychology also helped; repeated signs of diplomatic progress reinforced the belief that the disruption would prove temporary, allowing the geopolitical risk premium to fall after the US-Iran interim deal.

Fig. 10 **Temporary buffers helped contain the shock**

Our assessment of offsets to the oil supply disruption, mb/d



Source: Standard Chartered

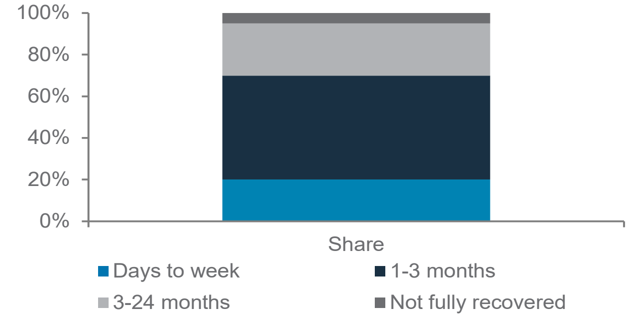
Would the US-Iran interim deal immediately normalise oil markets?

The interim deal has moved the oil market from a disruption phase to a recovery phase, but physical normalisation still matters. Inventories have bought time, but not immunity: observed global crude and product inventories have fallen since early March. Those barrels may need to be rebuilt once flows resume, which could keep prices supported even after the geopolitical risk premium fades.

Reopening the Strait of Hormuz is a process, not a switch. Shipping lanes need to be assessed, mines need to be cleared, insurers need confidence to provide cover, tankers need to be repositioned, and some shut-in fields may require workovers before output fully recovers. A fast recovery would support further price easing, but a slow recovery could leave prices higher than the ceasefire headline alone suggests.

Fig. 11 **Oil market normalisation: Post-US-Iran interim deal timeline**

Our assessment of market estimates for the restoration of global supply



Source: Standard Chartered

What does this mean for portfolios?

The US-Iran interim deal lowers the risk of a severe, oil-driven inflation shock, which is positive for risk assets. However, investors should avoid treating the oil retreat as the end of the story. The key portfolio risk has shifted from acute geopolitical escalation to the pace of physical normalisation and inventory rebuilding.

For equities, this supports selectivity rather than broad de-risking. Oil-importing regions and energy-intensive sectors may benefit from lower prices, but a slow recovery in physical flows or renewed product-market tightness could still pressure margins and consumption.

For bonds, the immediate inflation scare has eased, but duration risk has not disappeared. If oil or refined-product prices remain sticky, long-maturity bonds could remain vulnerable to renewed inflation concerns.

Gold and selected alternatives remain useful hedges if geopolitical stress re-emerges or normalisation disappoints.

Bottom line: The US-Iran interim deal lowers the tail risk, but it does not remove the need for balance. Investors should stay diversified across regions and sectors, avoid excessive duration risk and retain hedges against a more persistent inflation shock.

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist

Key themes

Core scenario (soft landing, 60% probability): The US-Iran interim deal to restart shipping through the Strait of Hormuz within weeks should help global economies achieve a soft landing and keep long-term inflation expectations subdued, reducing the need for central banks to tighten policy as much as markets are pricing. We now expect the Fed, under Chair Warsh, to cut rates by 25bps by H1 2027, instead of this year, as focus turns to supporting growth. The ECB is likely to hold rates after delivering an 'insurance' hike in June, while China eases policy to revive domestic demand. The BoJ is likely to hike once more this year.

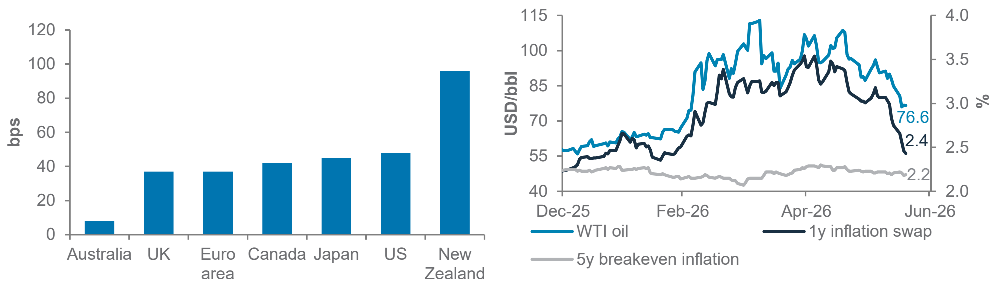
Downside risk (20% probability): This tail risk scenario incorporates a 10% chance of a recession, potentially caused by a delayed restart of Hormuz shipping, a stock market downturn hurting investor confidence or a bond sell-off due to inflation or debt concerns. We also assign a 10% probability to a stagflation scenario if the Middle East crisis resumes and oil prices rebound.

Upside risk (no landing, 20% probability): If the Hormuz strait is reopened in a few weeks, there is a chance that US tax cuts, AI investments, the wealth effect from a booming stock market, fiscal easing in Germany and Japan, and a potential rollback of US tariffs could revive 'animal spirits'. A Russia-Ukraine peace deal or a global defence spending boom would lift global growth.

Key chart

We now expect the Fed to cut its policy rate by 25bps in H1 2027, instead of this year, as near-term inflation gradually eases towards target by mid-2027; ECB likely to hold rates and BoJ to hike by 25bps by Q4 2026.

Fig. 12 **Markets appear overly hawkish on policy rates as inflation concerns peak**
Expected change in policy rates by June 2027; 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 hold rates this year, cut by 25bps in H1 2027: The US economy is holding up better than feared, with consensus Q2 2026 growth tracking at ~2.2% q/q SAAR. Full-year 2026 growth is broadly expected to average ~2.1%, supported by robust AI-related capital expenditure (capex) and a recovering labour market. Payrolls in May beat consensus for the third straight month, with unemployment steady at 4.3%. A restart of shipping through the Hormuz strait should ease gasoline prices, relieving pressure on consumers, while AI-related investments and defence spending lift manufacturing.

Inflation remains the dominant macro concern. April core PCE inflation rose to 3.3% y/y, its highest since late 2023, driven by energy prices, tariff pass-through and an emerging 'tech-flation' impulse from AI-related software costs. We believe the US-Iran interim deal should lead to a peak in headline inflation in Q2, along with oil prices. Core PCE inflation is likely to ease towards 2% by end-2027 as tariff and energy effects fade.

Against this backdrop, the Fed is likely to remain on hold through 2026-end, with the June meeting removing its easing bias. We have pushed back our expectations for the next rate cut to H1 2027. This contrasts with market pricing of almost 48bps of hikes by June 2027. New Fed Chair Warsh faces an increasingly hawkish committee, with nine out of 18 policymakers expecting rate hikes this year. However, we expect Warsh to point to subdued long-term inflation expectations to argue for holding rates for now. A reversal of energy-driven inflation in the coming months should bolster the case for rate cuts by the middle of next year.

ECB to hold rates after June's 'insurance' hike: The Euro area is navigating a stagflationary headwind. Consensus 2026 real GDP growth estimates have fallen 50bps to just 0.7%, since the start of the year, while inflation estimates have risen, reflecting elevated energy prices stemming from the Strait of Hormuz disruption. Q1 GDP growth contracted 0.2% q/q, and consensus estimate for Q2 growth remains weak at 0.1% q/q.

The base case remains of weak-but-positive growth, with recession risks concentrated in France and Germany rather than the broader Euro area. Nevertheless, Germany's fiscal impulse provides a partial offset.

The consensus headline inflation estimate for 2026 has surged 110bps to 2.9%, driven overwhelmingly by the energy shock. With the latest US-Iran interim deal, we expect inflation to peak in H2 2026 before a gradual moderation. Second-round effects remain a key risk, though we view them as limited, given looser labour markets and moderating wage trackers.

The weak growth outlook and lack of wage pressures lead us to believe that the ECB is likely to hold is policy rate for the rest of the year after hiking once to 2.25% in June. The risk of another rate hike this year will rise if wage data picks up or if there is a delay in the normalisation of shipping through the Hormuz strait. However, the ECB will be conscious of its ill-timed 2011 tightening ahead of the European financial crisis.

China to provide targeted policy support as growth slows. China's growth trajectory remains a tale of two halves. After a stronger-than-expected Q1 2026, momentum has visibly softened. Consensus growth estimates for H2 2026 have been revised down. The drag is concentrated in domestic demand, with retail sales, fixed asset investment and the property sector all contracting in May. Exports and industrial production remain the brightest spots, growing 19.4% y/y and 4.5% y/y, respectively, in May, supported by the global AI investment cycle and green transition demand. However, forward-looking PMI data signals that export momentum may fade, with export orders slipping below 50.

China's inflation picture is bifurcated. Producer inflation has surged from -1.9% in December 2025 to +3.9% in May 2026, driven by global commodity prices – particularly oil – and AI-related supply dynamics. However, the pass-through to consumer prices remains weak. Consumer inflation is likely to remain subdued as domestic demand stays soft.

Policy settings had turned more cautious following strong Q1 growth. Fiscal spending growth turned sharply negative in April (-7% y/y), though a rebound in H2 is expected as the government accelerates bond issuance and project approvals to support investment and revive growth momentum. The aggregate fiscal deficit is likely to reach close to 9% of GDP, with longer-term risks flagged around local government debt sustainability. On monetary policy, the PBoC is expected to hold its 7-day Reverse Repo rate at 1.4% through year-end 2026. Instead, the central bank is likely to further cut bank reserve requirements and rely on targeted liquidity tools in H2 to support priority sectors, while managing ample system liquidity generated by China's large trade surplus.

BoJ to hike policy rate another 25bps to 1.25% by December: Japan's economy has strengthened sufficiently to support continued policy normalisation. Real GDP expanded at an annualised 1.8% in Q1 2026, marking a second straight quarter of growth. The recovery is underpinned by resilient business investment — machine tool orders surged 37% y/y in May, driven by automation and AI infrastructure spending. While private consumption remains a positive contributor, household spending patterns suggest the transmission from wage gains to broader demand remains gradual.

Inflation dynamics are increasingly resembling a self-sustaining wage-price cycle. **Japan's 2026 Shunto wage negotiations** delivered an average wage settlement of 5.3%, a third consecutive year above 5%, with small and medium enterprises joining in. Although headline inflation has moderated to 1.5% y/y in May due to government utility subsidies, the BoJ's preferred measure – CPI ex-fresh food and institutional factors – firmed to 2.8% y/y, the highest in six months. Elevated oil prices are being passed on to consumer prices, raising the risk of core inflation staying above target.

The BoJ raised its policy rate in June by 25bps to 1.00%, the highest since 1995, in a 7-1 vote, with Deputy Governor Uchida reaffirming commitment to further hikes. We expect another 25bps hike in H2 2026, with rising risk of a follow-up hike in H1 2027. Meanwhile, the BoJ decided to stop tapering government bond purchases from April 2027, stabilising monthly government bond buying at ~JPY 2trn. However, fiscal risks loom as the government mulls a food sales tax cut in FY27, which could lift the 10-year government bond yield above the government's 3% budgetary assumption, complicating the BoJ's policy normalisation path.

Fig. 13 **US economic growth likely to outperform peers'**

Consensus GDP growth estimates for Q2 2027

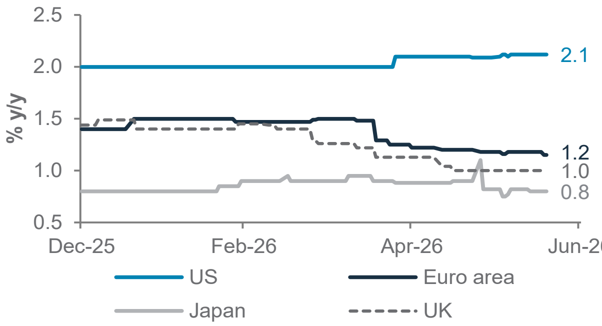
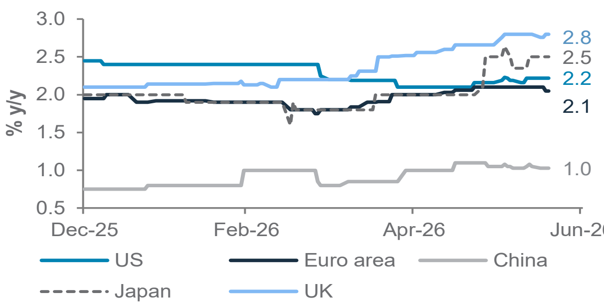


Fig. 14 **US inflation likely to return near target by 2027**

Consensus inflation estimates for Q2 2027



Source: Bloomberg, Standard Chartered

Fixed Income – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

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Our view

Foundation: We are **Underweight fixed income**. Within the asset class, we maintain an **Overweight stance on EM USD bonds** and an **Underweight stance on DM government bonds**. We expect the Fed to keep rates higher for longer before eventually easing as labour market weakness takes centre stage, despite easing Middle East tensions amid a US-Iran interim peace deal announcement. Further work is needed to fully reopen the Strait of Hormuz, and the truce could still change, given past experience. Against this backdrop, we expect USD strength to persist in the near term, with EM foreign exchange becoming a headwind to returns. This leads us to downgrade EM LCY government bonds to Neutral (Core holding) from Overweight. DM IG and HY are both Core holdings, as corporate bonds continue to offer carry, although there is limited room for further spread compression. Corporate fundamentals remain resilient, with stable leverage and strong interest coverage, supporting our preference for credit over rates.

Opportunistic ideas: We are bullish European bank additional tier-1 (AT1) bonds (contingent convertibles [CoCos[1]]; FX-hedged), US TIPS, AAA-rated collateralised loan obligations (CLOs), US utilities corporate hybrids and AUD corporate bonds. We have closed the short-duration US HY bonds idea and replaced it with a new bullish idea on broader US HY bonds.

Key charts

Fig. 15 **Summary of rate forecasts**

Region	Horizon	2-year	10-year	30-year
US	Q3 2026	4.00 – 4.25%	4.25 – 4.50%	4.75 – 5.00%
	Q2 2027	3.75 – 4.00%	4.25 – 4.50%	5.00 – 5.25%
Eurozone	Q3 2026	2.25 – 2.50%	2.75 – 3.00%	3.25 – 3.50%
	Q2 2027	2.00 – 2.25%	2.50 – 2.75%	3.00 – 3.25%
Japan	Q3 2026	1.25 – 1.50%	2.50 – 2.75%	3.75 – 4.00%
	Q2 2027	1.50 – 1.75%	2.75 – 3.00%	4.00 – 4.25%

Source: Standard Chartered

DM rates – Underweight

We are Underweight DM IG government bonds. In the US, persistent above-target inflation continues to reinforce our view that the term premium is set to remain structurally elevated, compounded by a growing fiscal burden and a still fluid situation in the Middle East. The share of price-sensitive investors in the free float of government debt has been rising, and if this momentum continues, supply-demand dynamics will exert further upward pressure on term premia. Against this backdrop, we set our three- and 12-month view for the 10-year US government bond yield at 4.25-4.50%. For the 2-year yield, we target 4.00-4.25% over three months and 3.75-4.00% over 12 months, as we push expectations for a Fed interest rate cut into H1 2027, with the Fed likely to gradually shift its focus towards emerging labour market weakness, which should affect the shorter end of the US yield curve.

This eventual policy pivot means we expect the US yield curve to transition to a steepening dynamic over the 12-month horizon, as the front end rallies in anticipation of Fed cuts while the longer end remains under pressure amid fiscal supply concerns. Within this context, and as the shorter end of the US government bond yield curve has already bear-flattened, we are **moving our bond positioning to the 3-5-year tenor** from the previous 5-7-year tenor. We remain Underweight long-dated maturities, where the combination of fiscal risk, a higher term premium and limited duration demand continues to weigh.

The Euro area and Japan face a more challenging inflation backdrop driven by elevated energy prices, given their status as large commodity importers. Euro-area economic data has been weakening, and we now expect the ECB to hold rates after its 'insurance hike' in June before eventually cutting policy rates in H1 2027 as economic conditions deteriorate further.

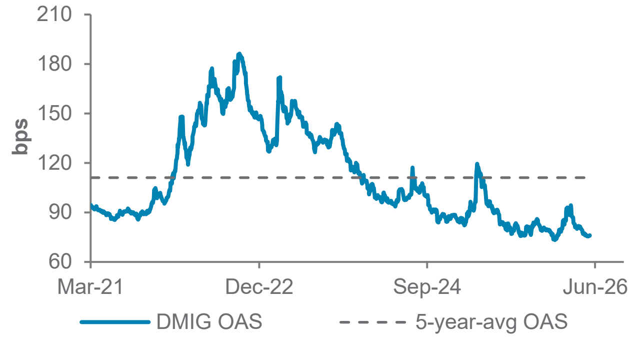
The BoJ is expected to continue its tightening path, but it is still deemed to be behind the curve. We expect further upward pressure on Japan government bond yields and expect Japanese government bonds to underperform US government bonds on an FX-hedged basis.

DM corporates – Core holding

We maintain a Neutral allocation to both DM IG and DM HY corporate bonds, with a slight relative preference for HY over IG. We are expressing this slight preference with a new Opportunistic bullish idea on broad US HY bonds, while closing the short-duration US HY bonds. While we acknowledge there is limited room for spreads to compress materially from current levels – especially with US IG index spreads around 75bps – we expect dispersion to increase from here.

Fig. 16 DM IG corporate spreads tightened back towards the lows

Bloomberg Global Agg Corp index, OAS



Source: Bloomberg, Standard Chartered

Fig. 17 DM HY corporate spreads retraced back to the lows since the Middle East conflict

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

Source: Bloomberg, Standard Chartered

As an income proposition, HY remains supported by all-in yields in the 6%+ range and broadly benign default expectations. The HY index has also seen an increasing share of BB-rated credits, suggesting that credit quality within the index continues to improve. HY fund flows have also rebounded meaningfully since April, providing a constructive technical backdrop.

On the IG side, spreads remain tight. AI capex-driven issuance has reached elevated levels, with 2026 US IG gross issuance tracking towards ~USD 1.8trn. Recent new issues have come with fewer concessions, leading to some secondary underperformance post-issuance, particularly in the tech sector. However, the bonds have generally been well-absorbed by resilient demand, including strong foreign inflows and retail exchange-traded fund (ETF) buying, supported by the attractiveness of still-elevated overall yields.

Tight valuation is also supported by corporate fundamentals across both IG and HY, which remain resilient, underpinned by solid profitability, stable credit metrics, and a positive ratings watch/outlook balance. Bonds on a positive watch are now at their highest level since October 2025.

Fig. 18 Both HY and IG corporate leverage ratios have remained relatively stable

Gross debt to EBITDA, Bloomberg US Corporate Investment Grade and High Yield Bond Index

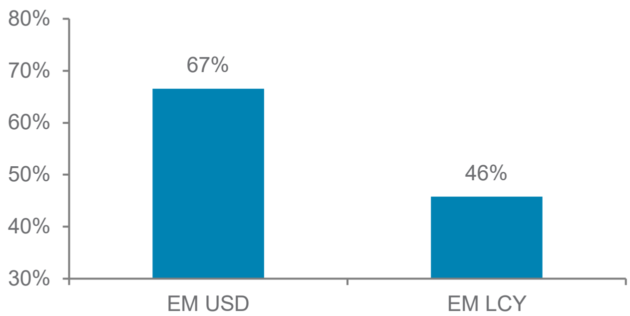
Source: Bloomberg, Standard Chartered

EM government bonds – Overweight USD/Core holding for LCY

We retain a constructive but more selective view on EM fixed income relative to DM, supported by compelling carry and a broadly supportive macro backdrop. The asset class continues to benefit from resilient external positions and improving fiscal dynamics in select markets. However, we have made an allocation shift: we retain a small Overweight in EM USD government bonds, where income remains the dominant driver of returns, while downgrading EM LCY government bonds to Neutral (Core holding) from Overweight. The EM USD Government Bond Index has a higher proportion of oil exporters compared with the EM LCY government bond index, which is more dominated by energy importers. With energy risks subsiding but still lingering, we expect the less exposed EM USD government bonds in the EM space to outperform.

Fig. 19 EM USD Index has a higher proportion of non-oil importing countries than EM LCY

Weight of non-oil importing countries in Bloomberg EM USD and LCY government bond indices

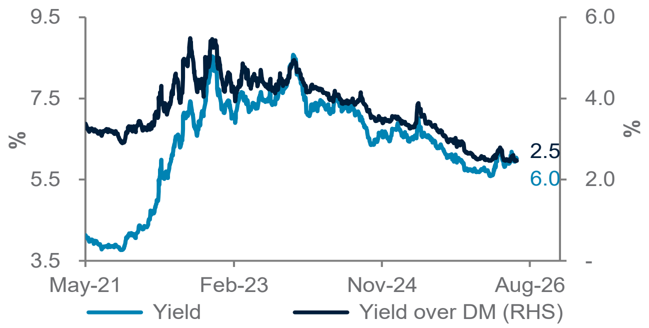


Source: Bloomberg, Standard Chartered

The key pillars supporting our EM USD view include a Fed on hold through 2026 before cutting in H1 2027 (not yet priced by markets), stronger EM fiscal and external balances and attractive carry. We continue to favour sovereigns with resilient external accounts and supportive terms of trade, particularly oil exporters in Latin America and select African producers.

Fig. 20 EM USD yields still offer 2%-plus pick-up over DM yields

Bloomberg EM USD Government Bond Index, yield to worst, and yield over the Bloomberg Global Treasury Index



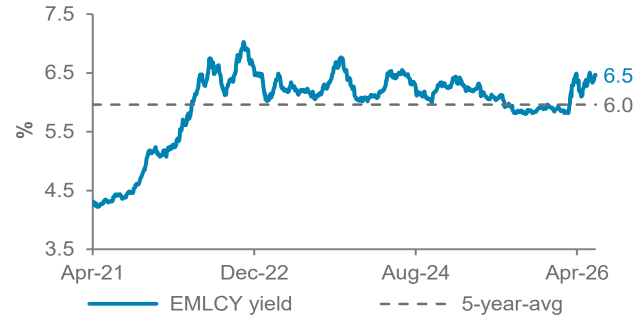
Source: Bloomberg, Standard Chartered

EM LCY government bonds now have a Neutral allocation in our portfolios, reflecting our view that US policy rates will stay higher for longer, supporting a relatively stronger USD in the near term and potentially negatively affecting the asset class returns through EM FX.

Within EM local currency, while high real yields and improving central bank credibility remain supportive in select markets, near-term headwinds from oil-driven inflation, rate-hike cycles in certain EM countries and currency volatility across commodity-importing countries – together with these countries' higher weight in the index – warrant a less bullish stance. We prefer higher-carry markets and remain more selective on lower-yielding segments in Asia.

Fig. 21 EM LCY headline yields remain attractive, but headwinds from EM FX have returned

Bloomberg EM LCY Government Bond Index, yield to worst



Source: Bloomberg, Standard Chartered

We retain a Neutral allocation to Asia USD bonds, which continue to 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. Asia USD credit has demonstrated notable resilience YTD, delivering positive total returns and modest spread tightening vs. US government bonds, and outperforming both US IG and Asia local currency bonds. We believe this relative resilience can persist, as Asia USD debt does not face the same currency headwinds that are weighing on local currency markets across the region.

Bond opportunistic views

Bullish US HY bonds

We are moving our bullish idea from short-duration US HY to broader US HY. We expect HY corporate earnings and cash flows to remain solid and leverage to remain stable in a soft-landing environment. The overall default rate has been below trend and remains supportive of stable carry. Active refinancing has pushed the maturity wall into 2028-29. We, therefore, believe moving to a broader group of HY bonds, which will increase the number of issuers by one-third, will be beneficial from a portfolio standpoint, despite slightly higher bond duration, increasing from 2.03 years to 2.90 years.

We have closed the bullish short-duration US HY idea, with a gain of 4.9% since initiation.

Bullish US inflation-protected bonds (TIPS)

We believe TIPS offer protection against inflation resulting from energy prices and fiscal concerns. They should benefit from lower yields if the Fed resumes rate cuts in H2 2026.

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

Equity – at a glance

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Jason Wong
Equity Analyst

Our view

We remain **Overweight global equities.** Our core scenario for a restart of shipping through the Strait of Hormuz within weeks is positive for risk sentiment and the earnings outlook. Earnings growth has remained robust through the Middle East conflict, and we expect this to continue supporting global equities. We are **Overweight US equities,** where we see earnings growth revised up for future quarters in 2026-27**. We upgrade AxJ** equities to Overweight as a reopening of the Hormuz strait would ease energy supply into the region. We expect AxJ to continue to benefit from strong AI capex.

Within AxJ, we retain our diversified preference. We are **Overweight Taiwan** for AI-related semiconductor growth, **Overweight China** for the valuation re-rating potential and **Overweight India** for domestically driven growth, amid reduced oil concerns.

We have a **Core allocation to Japan and Europe ex-UK**, where fiscal expansion plans support the growth outlook. We remain **Underweight UK equities**, which have relatively muted earnings growth with low exposure to growth sectors.

Key chart

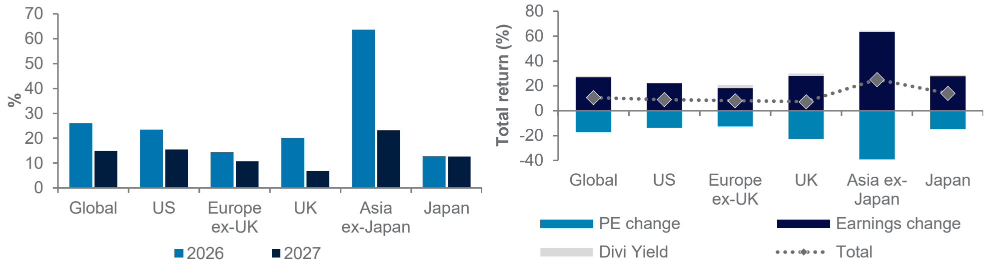
US and AxJ equities are buoyed by AI-driven earnings.

Index	12m forecast	Upside to target^
S&P500	7,950	6%
Nasdaq 100	32,600	7%
Euro Stoxx 50	6,620	5%
FTSE 100	10,750	3%
Hang Seng	25,600	7%
Nifty 50	25,900	7%
Nikkei 225	74,500	5%

^Based on 18-Jun closing levels

Fig. 22 **AxJ and US equities are leading in terms of earnings growth; positive returns YTD 2026 are driven by earnings, while valuations have fallen**

Consensus 2026 and 2027 earnings growth estimates for MSCI equity indices; composition of returns YTD 2026 for MSCI equity indices



Source: FactSet, Bloomberg, Standard Chartered

Preference order		The bullish case	The bearish case
	US equities ▽ ◇ ▲	+ Strong earnings growth with AI tailwinds + EPS growth broadening beyond tech + Relatively less vulnerable to oil shocks	– AI capex slowdown, given tech concentration – Concerns about AI investment returns – Interest rate hikes, given persistent inflation
	AxJ equities ▽ ◇ ▲	+ Strongest EPS growth vs major regions + Beneficiary of AI hardware capex + Attractive valuation vs global equities	– Strong YTD gains may limit upside surprise – Sensitive to energy and geopolitical shocks – AI trade is crowded
	Within AxJ	China ▲ Taiwan ▲ India ▲	South Korea ◆ ASEAN ▼
	Japan equities ▽ ◆ △	+ Fiscal support for strategic investments + Reflation cycle supports earnings growth + Corp governance reforms to unlock value	– Potentially stronger JPY would hurt exports – Sensitive to energy and gas price spikes – Vulnerable to cyclical global slowdown
	Europe ex-UK equities ▽ ◆ △	+ Supportive fiscal stimulus plans + M&A activity supports higher valuation + Broadening of corporate EPS expected	– Further ECB rate hikes could hurt growth – Sensitive to energy and gas price spikes – Weaker EPS growth vs major regions
	UK equities ▼ ◇ △	+ Relatively defensive in growth sell-offs + High-dividend yield; cheap valuations + Commodity tilt offers inflation protection	– Low exposure to growth sectors – Fiscal uncertainty; low consumer confidence – Muted EPS outlook vs major regions

Green = Upgrade; **Red** = Downgrade

Legends: ▲ Overweight | ▼ Underweight | ◆ Core

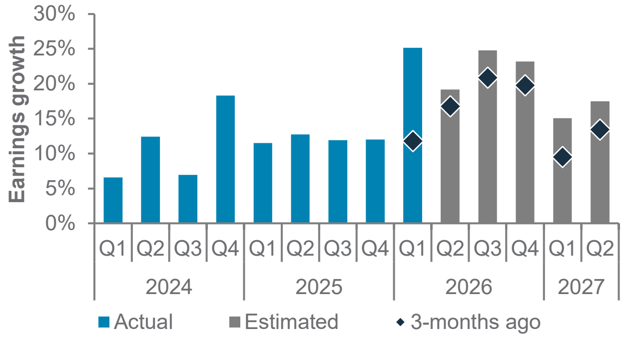
Source: Standard Chartered Global Investment Committee

US equities – Overweight

We remain Overweight US equities, where earnings have been robust through the Middle East crisis. Companies are running lean and adopting AI, with the technology sector leading in earnings growth. Although the rise of "other income" – driven by the revaluation of equity stakes – is causing a deterioration in earnings quality, we remain comfortable with further upside in US equities from broadening earnings growth and reasonable valuations. We also expect a wave of large IPOs in the US to drive near-term volatility as index inclusion and liquidity reallocations take place around the IPOs. Over the longer term, however, fundamentals remain the key driver.

Fig. 23 **US equities have seen earnings growth revised higher for future quarters in 2026-27**

MSCI US actual and consensus earnings growth (y/y)



Source: FactSet, Bloomberg, Standard Chartered

AxJ equities – Overweight

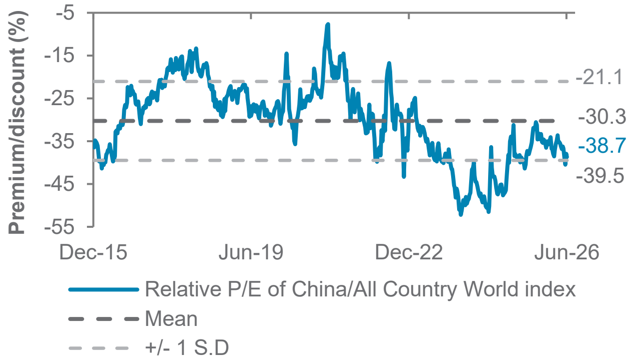
Our core scenario for a reopening of the Hormuz strait within a few weeks is a positive driver for our upgrade of AxJ, which relies heavily on energy supply from the Middle East. AxJ has seen the highest earnings growth in 2026-27 among the major equity markets, as it benefits from strong AI capex and a strong presence in semiconductor manufacturing. An easing of energy and other supply chain bottlenecks would enable the continuation of growth in AxJ.

Within AxJ, our Overweight markets of Taiwan, China and India reflect a diversified preference. **Taiwan** benefits from its strong capabilities in semiconductor manufacturing, with structural volume growth underpinning earnings growth. **China** continues to be attractively valued, as tech innovation there keeps up with AI developments – China's 15th Five-year Plan explicitly targets AI integration. China's successful shift towards renewable energy in recent years with ample energy capacity gives it an advantage in the AI race, where data centres tend to be power hungry. **India** offers attractive mid-teens earnings growth, which is less correlated to the AI theme and driven by domestic factors. A reopening of the Hormuz strait would improve the growth outlook for India.

South Korea equities remain a core holding for us. Although we are positive on earnings growth driven by the memory chips industry there, we view the pricing-driven earnings growth as less desirable than volume-driven growth.

Fig. 24 **China equities remain attractively valued amid tech innovation and AI developments**

Relative 12-month forward P/E ratio of MSCI China vs. MSCI All Country World index



Source: FactSet, Bloomberg, Standard Chartered

We are Underweight **ASEAN**, which has relatively muted earnings growth. The region lacks exposure to the technology sector, which we believe would cause it to lag the tech-heavy AxJ market.

Japan equities – Core holding

As an oil importer, Japan would also benefit from a reopening of the Hormuz strait. Fiscal support for strategic investments is also positive for the growth outlook and the resumption of nominal growth after decades of disinflation supports cost pass through and higher profits. Rising rates in Japan could, however, lead to a stronger Japanese yen (JPY) over the next 12 months, a headwind for exporters.

Europe ex-UK equities – Core holding

Europe ex-UK benefits from fiscal stimulus plans, particularly in Germany. Easing regulations have also led to a rise of M&A activity, which is supportive of equity valuations. We see a broadening of earnings growth, although it still lags the growth in the US and AxJ.

UK equities – Underweight

The UK has a defensive composition that is likely to underperform the more growth-oriented regions, such as the US and AxJ. Fiscal uncertainty and weak consumer sentiment is also likely to weigh on the economy and the GBP, making returns less attractive for USD-based investors.

Equity opportunistic views

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Add global high-dividend, US communication services and Japan banks ideas

- **We initiate an Opportunistic idea on global high-dividend stocks.** This strategy delivers reliable income to navigate volatility. With equity risk premiums remaining compressed, income yield provides a critical return cushion. Furthermore, a heavy weighting in cyclical and defensive sectors, such as financials and utilities, ensures downside protection.
- **We initiate an Opportunistic idea on US communication services**, with the recent correction providing an attractive entry point. A fundamental recovery in digital ad spending and increasing AI monetisation are driving momentum. These catalysts justify accelerating capex and offer valuation re-rating potential, as current valuations remain reasonable vs. their five-year average.
- **We initiate an Opportunistic idea on Japan banks.** Potential BoJ rate hikes should drive net interest margin expansion, while Japan's reflation cycle boosts loan demand. Furthermore, ongoing corporate governance reforms – driving buybacks and dividends – support higher ROEs and continued valuation re-rating. The theme also helps broaden equity exposure beyond tech, with Japanese banks offering a distinct set of return drivers.
- **We take profit on US aerospace and defence,** locking in a gain of 3.1% (12 February 2026-18 June 2026). Aerospace demand has slowed amid geopolitical tensions, while growth in defence spending has been largely priced into current valuations. We also **close our gold miners idea** to cut our losses (a loss of 10.4% from 23 April 2026 to 18 June 2026). Although gold remains an Overweight from an asset allocation perspective, we see short-term gold price risks, and gold miners tend to be more volatile than the gold price itself.

Fig. 25 **Opportunistic ideas**

Region	Idea
Global	Global high-dividend*
	MSCI World Equal Weight
US	US communication services*
Asia	Japan banks*
	Hang Seng Technology

Source: Standard Chartered. * New idea

Ongoing ideas

MSCI World Equal Weight: The theme rides on a broadening rally beyond AI leaders and hedges 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. An economic downturn weighing on cyclical stocks is a risk.

Hang Seng Technology: Tech innovation remains a key priority under China's 15th Five-year Plan. Potential IPO activity should support investor sentiment, while deeply discounted valuations also offer an attractive entry point. Adverse regulatory changes are risks.

Sector views: Broadening out

We upgrade **Europe ex-UK industrials** to Overweight, driven by EU fiscal stimulus and AI investment and electrification supporting capital goods demand. **Japan financials** are also upgraded to Overweight amid the BoJ normalisation cycle and corporate governance reforms. We maintain a barbell strategy across **US technology** and **communication services**, where structural AI tailwinds and broadening monetisation opportunities remain compelling, balanced by defensive exposure to healthcare. **Europe ex-UK financials** remain Overweight, supported by strong balance sheets and attractive shareholder returns.

In China, we shift to a more pro-risk stance, given the broader market re-rating potential. Technology and communication services remain Overweight, driven by domestic chip self-reliance and AI monetisation. **Healthcare** is downgraded to Neutral and **consumer staples** to Underweight on limited earnings visibility, while **utilities** is upgraded to Neutral on improving power demand dynamics and policy support.

Fig. 26 **Our sector views**

Global top preferred sectors	China sectors
US technology	Technology
US communication	Communication
US healthcare	Healthcare ▼
Europe ex-UK financials	Financials
Europe ex-UK industrials ▲	Discretionary
Japan financials ▲	Materials
	Industrials
	Energy
	Utilities ▲
	Staples ▼
	Real estate

Legends: Overweight | Core | Underweight
▲ Upgrade from last month | ▼ Downgrade from last month

Source: Standard Chartered

Gold, crude oil – at a glance

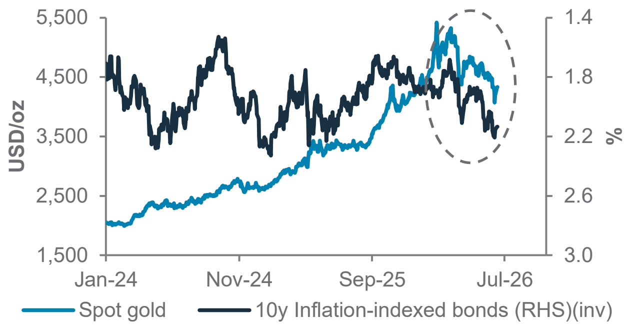
Anthony Naab, CFA
Investment Strategist

Our view

- We remain Overweight gold but lower our three- and 12-month price targets to USD 4,750/oz and 5,100/oz, respectively.
- **We lower our three- and 12-month West Texas Intermediate (WTI) oil price forecasts to USD 80/bbl and USD 70/bbl, respectively,** as reduced geopolitical risk premiums shift the focus back to fundamentals.

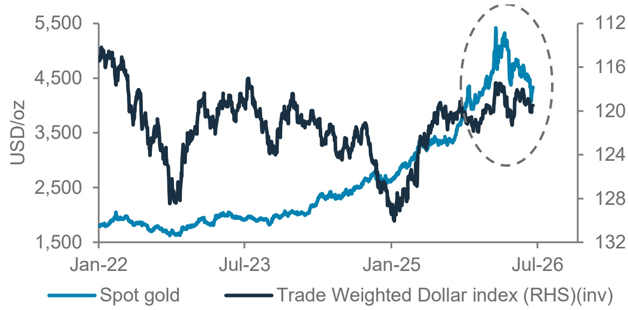
Key charts

Fig. 27 **Gold's sensitivity to real yields has re-emerged**
Spot gold vs. US 10-year inflation-indexed bonds



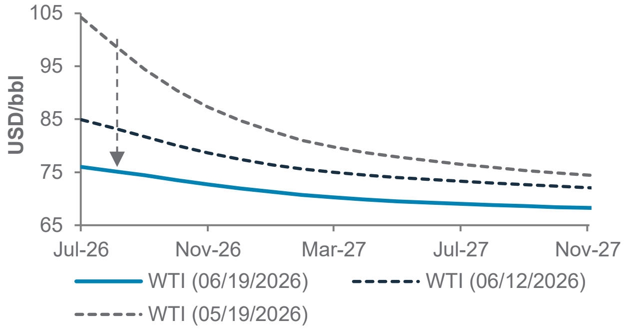
Source: Bloomberg, Standard Chartered

Fig. 28 **Modest USD weakness may offer only limited support to gold**
Spot gold vs. Trade Weighted Dollar Index



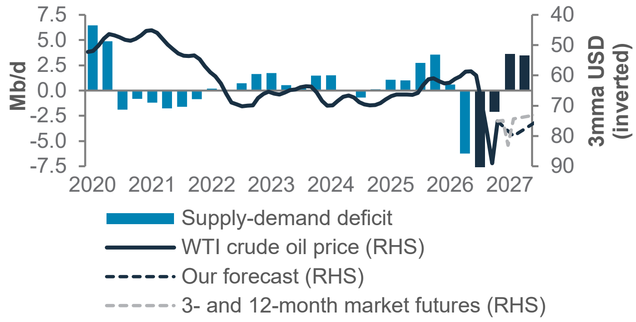
Source: Bloomberg, Standard Chartered

Fig. 29 **Oil price expectations have shifted lower on the US-Iran interim deal**
Market-implied WTI prices across future delivery months



Source: Bloomberg, Standard Chartered

Fig. 30 **Low oil inventories should support near-term prices, but forecasts point to a recovery ahead**
Oil supply forecasts, price estimates



Source: EIA, Bloomberg, Standard Chartered

Gold outlook: The long-term case for gold remains intact, but the rally's drivers are becoming more balanced. Gold's sensitivity to traditional macro factors, particularly real yields and the USD, has re-emerged after weakening earlier in the cycle. With both likely to remain elevated, higher carrying costs should limit pace of gains near term and raise the risk of intermittent profit taking. Nevertheless, sustained central bank demand, ongoing diversification and residual geopolitical risks should continue to provide underlying support.

Oil outlook: The US-Iran interim deal has reduced geopolitical risks in oil markets, shifting the focus to supply-demand fundamentals. Trade flow uncertainties remain, and inventories are still relatively low, which could sustain some precautionary stockpiling and leave the market exposed to renewed shocks. However, the risk of a severe supply disruption has diminished. Stronger supply availability and uneven demand growth point to a more balanced market ahead, although inventories should support near-term prices.

FX – at a glance

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CIO, Fixed Income & FX

Iris Yuen
Investment Strategist

USD view

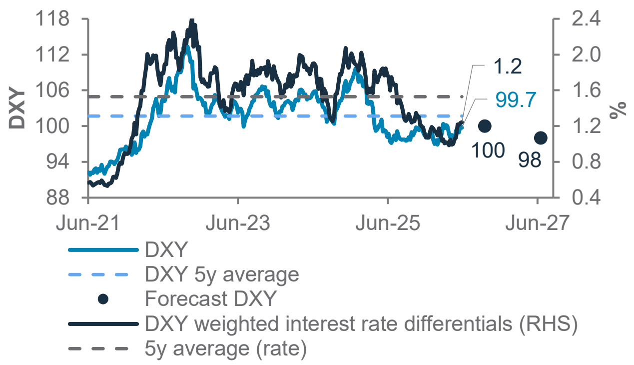
We have raised our three-month forecast for the DXY to 100, up from 98. We believe that the short-term focus is likely to shift away from geopolitical factors and return to US fundamentals. Recent robust US labour market data has attracted significant attention within the FX market, pushing US real interest rates to five-year highs. This has made hedging US assets increasingly costly, while market participants are now anticipating a less dovish stance from the Fed. The ongoing growth differential continues to provide structural support for the USD. Should forthcoming data releases continue to deliver upside surprises in inflation and employment, the DXY could easily breach 100.

We expect the DXY to ease modestly to 98 on a 12-month horizon. We maintain our view of flat policy rates through 2026 and a rate cut in 2027, which should eventually narrow interest-rate differentials and cap further USD upside. In our longer-term base-case scenario, as the initial commodity shock subsides and productivity-led growth stabilises the global economy, the extreme safe-haven demand for the greenback will likely wane. While commodity exporters should remain structurally supported, currencies with strong policy buffers and safe-haven characteristics, such as the Singapore dollar (SGD) and offshore Chinese yuan (CNH), are well-positioned to remain resilient and recover steadily against the modestly softening USD.

Key charts

Fig. 31 **USD interest-rate differentials rebounded but remain below their five-year average. Upside risk is likely limited on a 12-month-forward basis**

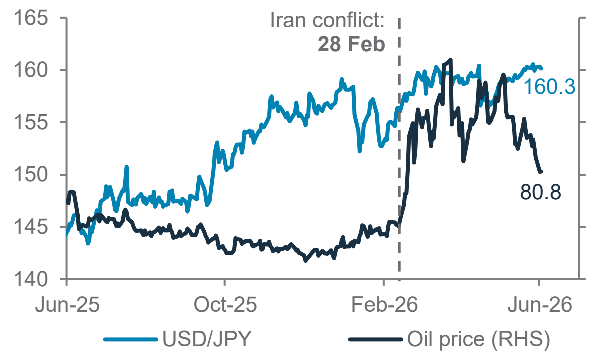
DXY, weighted interest rate differentials & five-year average



Source: Bloomberg, Standard Chartered

Fig. 32 **JPY strength was offset by rising oil prices since the Middle East conflict began; conditions are anticipated to improve on the back of a peace deal**

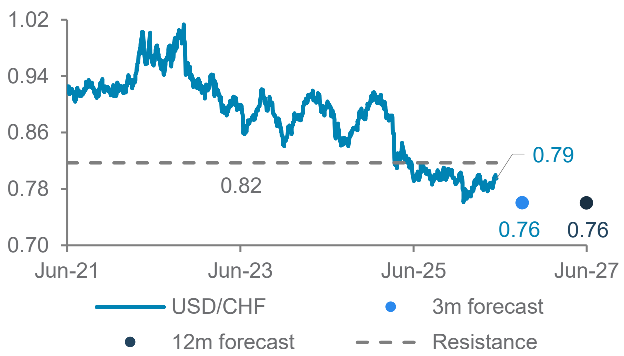
USD/JPY and oil price



Source: Bloomberg, Standard Chartered

Fig. 33 **USD/CHF was unable to decisively surpass 0.81, so it will likely remain near its five-year lows**

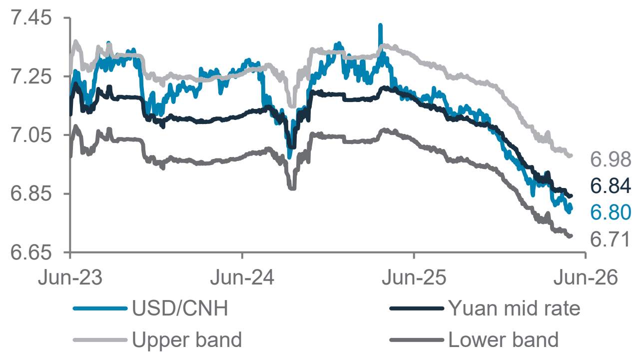
USD/CHF and technicals



Source: Bloomberg, Standard Chartered

Fig. 34 **The Chinese yuan is strengthening as the PBoC lowers USD/CNH fixing**

USD/CNH and Yuan mid-rate



Source: Bloomberg, Standard Chartered

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

Currency	3m	12m	Rationale
EUR/USD	1.15	1.19	• **EUR/USD range:** Near-term Euro softness stems from acute domestic vulnerabilities. The Euro area faces a shallow recovery, given a fragile labour market losing momentum, particularly in Germany and France. The region's severe exposure to the energy shock worsens its terms of trade. In the longer term, as i) the energy crisis subsides and ii) the ECB normalises policy, narrowing rate differentials will drive the Euro's recovery modestly.
GBP/USD	1.34	1.30	• **GBP/USD range with bearish bias:** The low implied volatility and balanced UK macro data anchor the pair near current levels. However, BoE Monetary Policy Committee members have signalled rates are quite restrictive and do not need to go higher, pointing to further cuts ahead that would compress the UK-US rate differential and weigh on the GBP. UK political uncertainty, including a potential Burnham leadership challenge raising fiscal loosening fears and compressing gilt yields, exposes potential downside risk.
USD/JPY	161	155	• **USD/JPY range with bearish bias:** We view the threat of the official intervention zone in the 160-161 range as credible. Rising Japanese Government Bond 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.
AUD/USD	0.73	0.74	• **Bullish AUD/USD:** The currency remains a primary beneficiary among major currencies. The RBA's hawkish hold at 4.35%, retaining an explicit willingness to tighten further "if required", keeps Australia's rate differential attractive. RBA Governor Bullock signalled inflation remains too high to turn dovish, limiting near-term AUD downside.
NZD/USD	0.59	0.60	• **Bullish NZD/USD:** The market expects inflation to breach 4%, keeping the RBNZ under pressure to tighten. Meanwhile, the government unexpectedly lowered its five-year debt issuance target to NZD 159bn, easing fiscal credibility concerns. The New Zealand Treasury estimates Q1 GDP grew ~1%, suggesting a domestic recovery.
USD/CAD	1.38	1.38	• **Bearish USD/CAD:** The BoC has held rates for five consecutive meetings, retaining an explicit tightening bias. Labour market data improves, Q2 growth rebounds. Canada's fiscal position was ranked as the strongest in the G7, providing a sovereign credibility premium.
USD/CNH	6.75	6.70	• **Bearish USD/CNH:** The PBoC is guiding the CNH stronger via daily fixings. Chinese banks purchased a net CNY 285bn of FX from clients in May, reflecting domestic corporate demand to convert USD holdings. China's Ministry of Finance sold CNY 15bn of offshore sovereign bonds in Hong Kong lately, tightening offshore CNH liquidity.
USD/CHF	0.76	0.76	• **USD/CHF range with bearish bias:** Inflation remains firmly within the SNB's 1-3% price stability range. We anticipate that the Swiss franc (CHF) will continue to serve as an effective hedge against Euro-area volatility, leading to a steady appreciation.
USD/SGD	1.28	1.26	• **Bearish USD/SGD:** The MAS's exchange-rate-based tightening framework is the primary domestic anchor for SGD strength. Core inflation has been revised up to 1.5-2.5% for 2026, reinforcing the case for the MAS to keep the appreciation path intact. Singapore is also expanding its role as a global financial hub, deepening structural capital inflows.
USD/INR	–	95	• **Rangebound USD/INR:** Authorities have hiked import tariffs for gold and applied more FX measures to manage the pace of depreciation and stabilisation. The RBI also introduced concessional swap facilities for state-run firms to attract long-term overseas borrowing.
USD/MYR	–	4.00	• **Bearish USD/MYR:** As a net energy exporter, Malaysia is structurally cushioned from the Middle East conflict oil shock. Foreign central banks now hold 36% of all overseas Malaysian sovereign bond holdings, the highest in Bank Negara Malaysia (BNM) data going back to 2015, reflecting growing reserve asset demand for MYR assets.
USD/KRW	–	1,530	• **Range with bullish bias:** Foreign investors' portfolio holdings of South Korean equities have risen, which heightens risks for the KRW due to potential rebalancing outflows, profit-taking outflows and increased USD/KRW buying to hedge underlying positions.

Source: Bloomberg, Standard Chartered

Quant perspective: Reduce equity Overweight due to frothy valuation

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Senior Quantitative Strategist

Maggie, Au Yeung
Quantitative Analyst

Summary

Our stock-bond model (3-6 months) has reduced its Overweight stance on global equities from 32% to 24%, due to frothy valuations in DM equities. The reduction came after three consecutive months of a large Overweight in equities between March and May, which helped deliver most of this year's alpha. Meanwhile, more fundamental factors are bullish for equities, as the ISM new orders rose over the past three months and the economic surprise index for major economies showed that more economic data has surprised to the upside in June. Market breadth also continues to show strong participation in the current global equity uptrend, with 83% of individual equity markets remaining above their 200-day moving average (DMA). The YTD return stands at 1178%, which translates to 3.6% of outperformance relative to the 60/40 equity-bond benchmark.

Our equity technical models (1-3 months) remain bullish on the S&P500 and MSCI AC World, but with greater conviction after the US-Iran interim deal. After indicating rising risks earlier in the month, the models revised the probability of bear market lower to 4.3% for S&P500 and 22.4% for MSCI AC World, largely driven by a fall in the Volatility Index (VIX), which currently sits below the 20% threshold. Higher market sensitivity to inflation shocks and weakening momentum are risks for MSCI AC World.

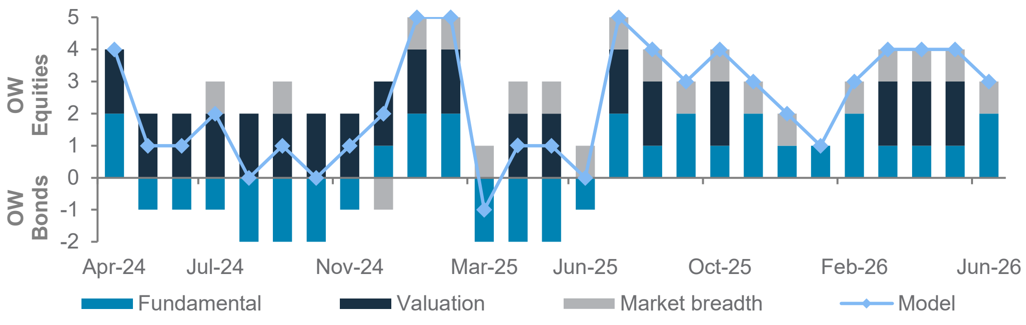
Our market diversity indicator no longer flags an MSCI Indonesia rebound after a 20+% rally from June's low. MSCI Taiwan and MSCI Korea look quite stretched based on our market diversity indicators, but are yet to cross the critical thresholds.

Key chart

Our stock-bond model reduced its equity Overweight as DM equities' valuations look frothy. Fundamental and technical factors remain supportive of equities.

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

Model score in June 2026 fell to +3 out of a maximum score of +5

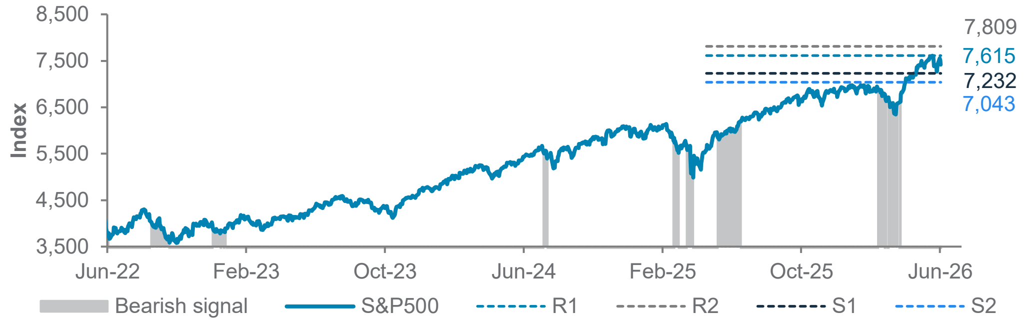


Source: Bloomberg, Standard Chartered; 15-Jun-2026

VIX fell steeply below 20% after the US-Iran interim deal. Probability of bear market is revised lower to merely 4.3% for the S&P500 and 22.4% for MSCI AC World.

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

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



Source: Bloomberg, Standard Chartered; 17-Jun-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	**Reduced equity Overweight**	**Inflation rose, growth slowed**	**16% probability within the next 6 months**
What factors is this view based on?	• **Fundamental:** +2. ISM new orders rose over the past three months, and more economic data surprised to the upside. **Valuation:** 0. DM equity valuations look frothy. Asian equity still looks cheap. • **Market breadth:** +1. 83% of equity markets are above their 200DMAs, showing strong participation in global equity uptrend.	• **Global inflation** rose to 2.8% y/y, above the long-term avg. of 2%. Leading indicators and consensus expectations are pointing towards 2.3-2.4% over the next 6-12 months. • Global industrial production y/y fell to 1.6%, below the long-term 2% avg. Consensus expects recovery to 2.2% over next 12 months. Leading indicators are quite bullish, pointing to 4.8% y/y in six months.	**Negative factors** • Conference Board leading indicator is negative at -3.1% y/y • Fed-rate-to-natural-rate ratio fell to 1.6x, which is still too restrictive. • ISM new orders/inventory ratio is at 1.1x, slightly bearish vs. long-term average of 1.17x. • Conference Board Consumer Confidence Index at -5.4% 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 classification of economic cycle based on recession, recovery, late cycle and stagflation and implications for long-term asset class returns.	• 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 equities (1-3 months)**	**No new signals**
What factors is this view based on?	• **Bullish S&P500.** Bear market probability sits at 4.3%. Risk indicators, such as the VIX and EM FX volatility, remain subdued, while momentum signals have yet to turn negative. • **Bullish MSCI AC World.** Bear market prob. dropped to 22%. Elevated market sensitivity to inflation shocks and weaker momentum remain key risk factors. • **Bullish EUR, GBP and AUD relative to USD.** Risk sentiment is supportive of EUR/USD. Momentum factors for AUD/USD weakened but are still broadly supported. Interest differentials also continue to favour GBP/USD.	• MSCI Indonesia was no longer flagged as oversold after the index rebounded by more than 20% from June's low. • Investor positioning in US equities has improved from an eight-year high at +2 std deviations above historical average to +1 std deviation now.
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

Foundation: Asset allocation summary

Summary	View	FOUNDATION Moderate	FOUNDATION Balanced	FOUNDATION Aggressive
Cash	▼	4	4	4
Fixed Income	▼	56	36	16
Equity	▲	34	54	74
Gold	▲	6	6	6
Asset class				
USD Cash	▼	4	4	4
*DM IG Government Bonds**	▼	20	11	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	◆	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

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

Foundation+: Asset allocation summary

Summary	View	FOUNDATION+ Moderate	Balanced	Aggressive
Cash	▼	4	3	3
Fixed Income	▼	48	29	12
Equity	▲	29	43	56
Alternatives	◆	20	25	29
Asset class				
USD Cash	▼	4	3	3
*DM IG Government Bonds**	▼	17	9	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	◆	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**

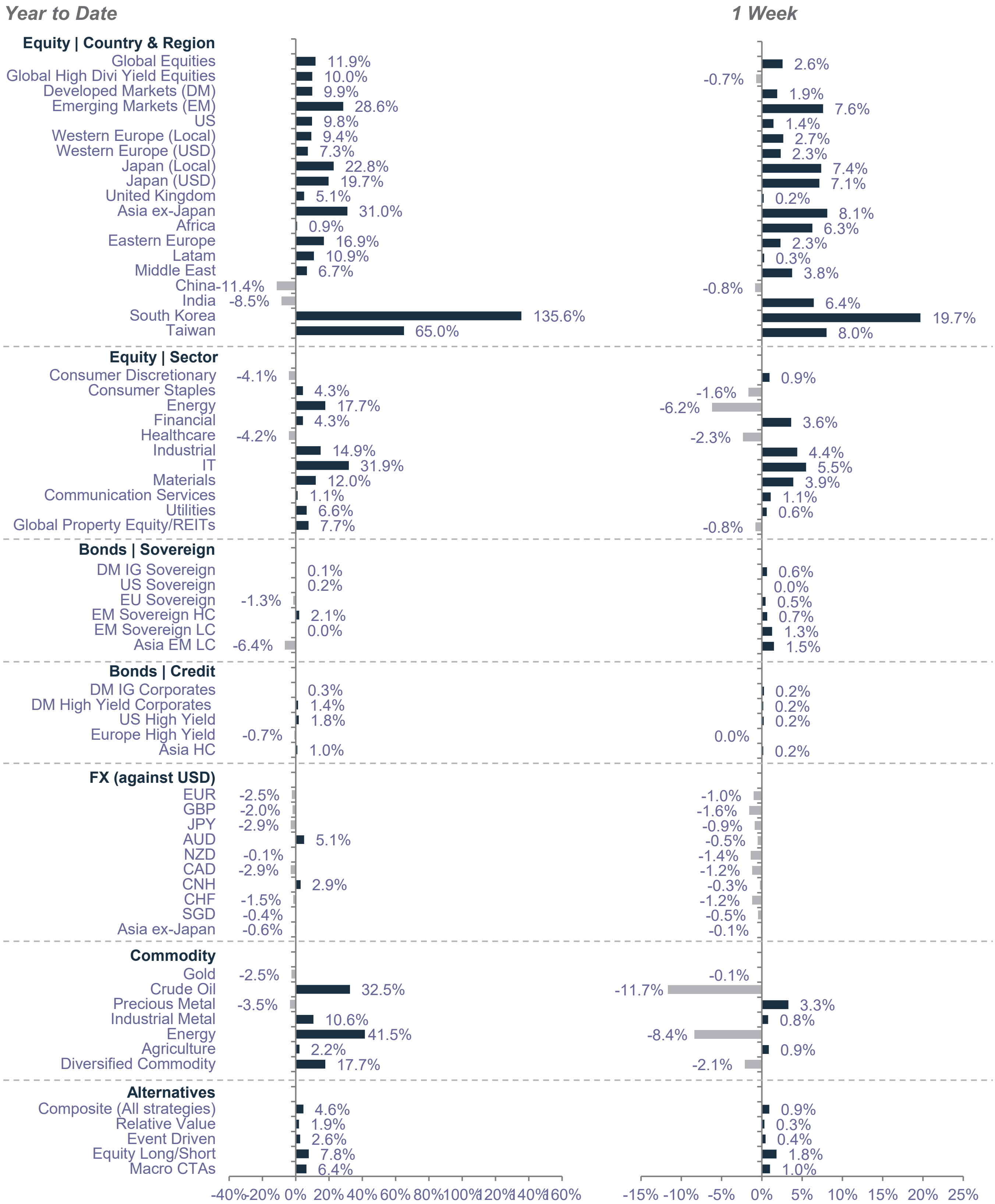
Legends: ▲ Most preferred | ▼ Least preferred | ◆ Core holding

Source: Standard Chartered

All figures in %

1. Allocation figures may not add up to 100 due to rounding. *FX-hedged

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 18 June 2026; 1-week performance from 11 June 2026 to 18 June 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	100	1.15	1.34	161	0.73	0.59	1.38	6.75	0.76	80	4,750	3.75%	4.25-4.50%	2.25%
12m forecast	98	1.19	1.30	155	0.74	0.60	1.38	6.70	0.76	70	5,100	3.50% (Jun-27)	4.25-4.50% (Jun-27)	2.0% (Jun-27)

Source: Standard Chartered

JUL

- 1 Jul > EC: CPI
- 1 Jul > US: PMI
- 2 Jul > US: Nonfarm Payrolls
- 7-8 Jul > Turkiye: NATO Summit
- 14 Jul > US: CPI
- 23 Jul > EC: ECB policy meeting
- 24 Jul > EC: PMI
- 30 Jul > US: Fed policy meeting
- 30 Jul > UK: BoE policy meeting
- 31 Jul > JP: BoJ policy meeting
- 31 Jul > EC: CPI

AUG

- 3 Aug > US: PMI
- 7 Aug > US: Nonfarm Payrolls
- 12 Aug > US: CPI
- 21 Aug > EC: PMI

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

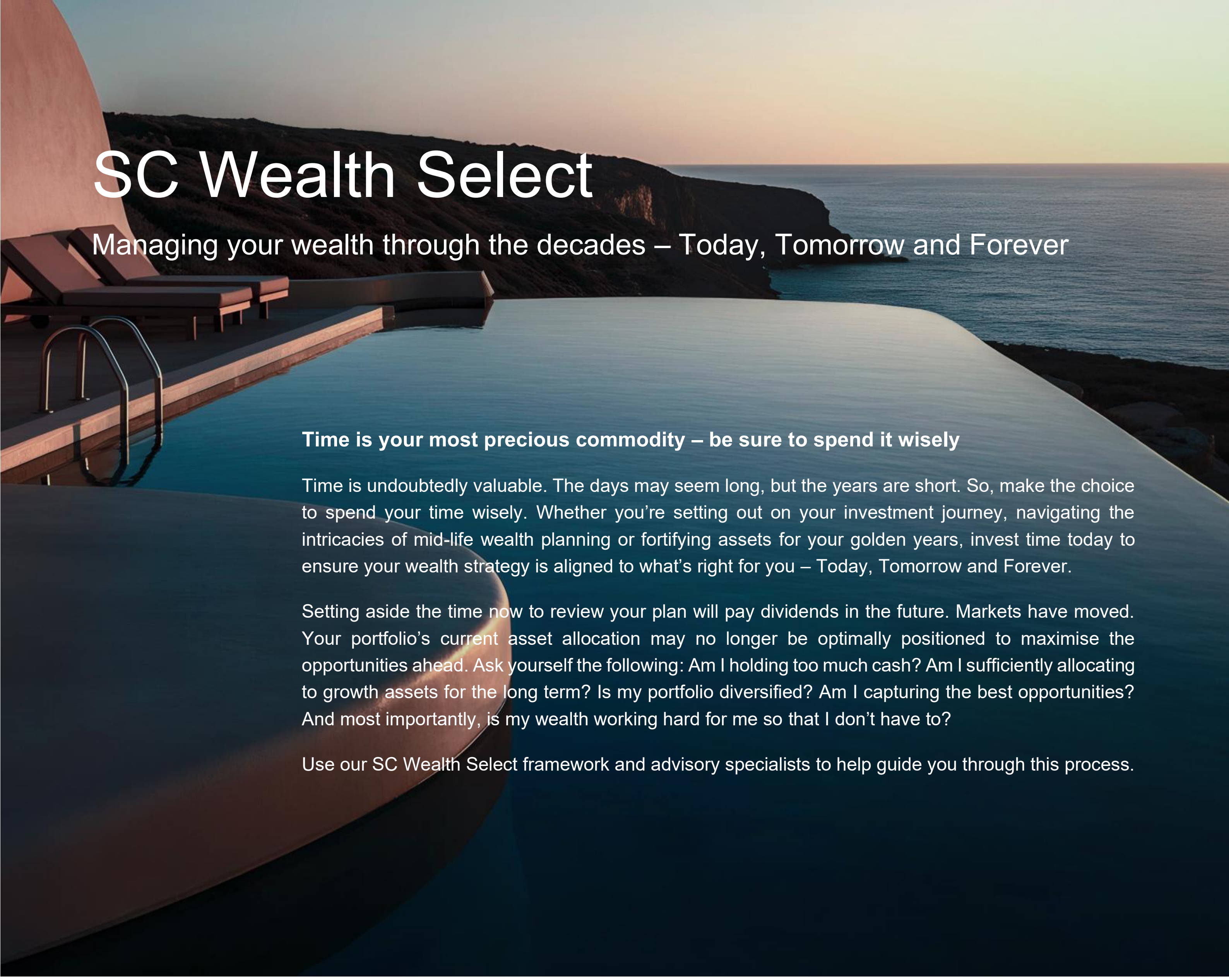
- 2 Nov > US: PMI
- 3 Nov > US: US Midterm Elections
- 4 Nov > EC: CPI
- 5 Nov > UK: BoE policy meeting
- 6 Nov > US: Nonfarm Payrolls
- 10 Nov > US: CPI
- 18-19 Nov > China: APEC Economic Leaders Summit
- 23 Nov > EC: PMI

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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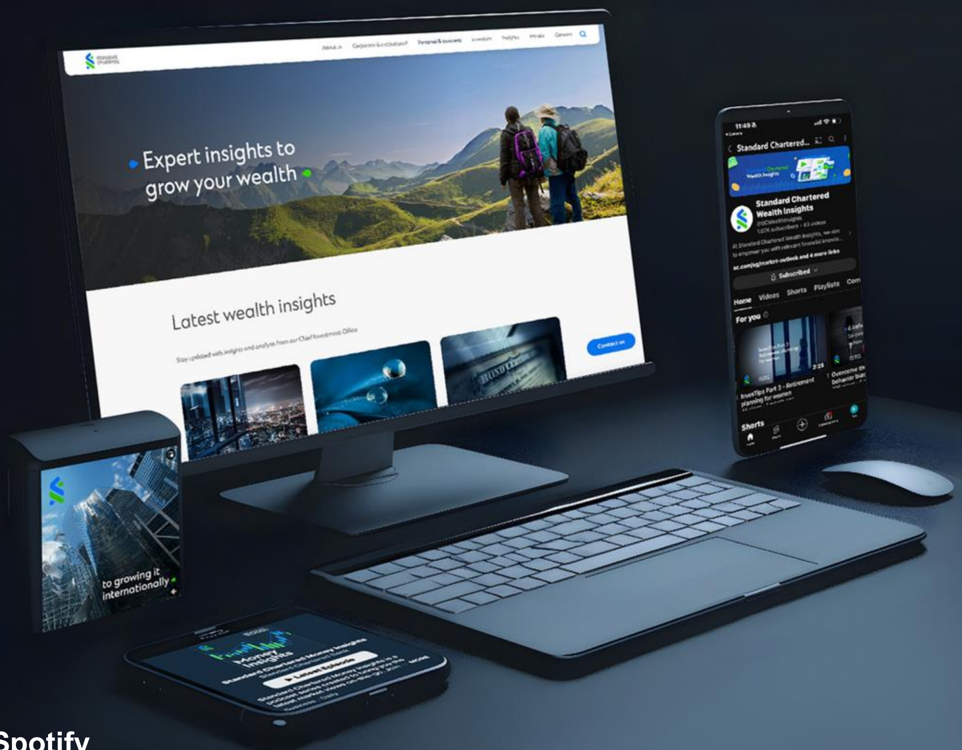

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