August 2026

Global Market Outlook

Now for the hard part

Oil, elevated real bond yields and central bank policy dominate the near-term market narrative. We remain constructive on risky assets, given supportive growth and earnings fundamentals, but the ride is expected to be bumpy.

Strong earnings growth to underpin global equities; stay Overweight. Our regional preferences for the US and Asia ex-Japan markets remain in place, though we seek to broaden sector exposure by upgrading US financials.

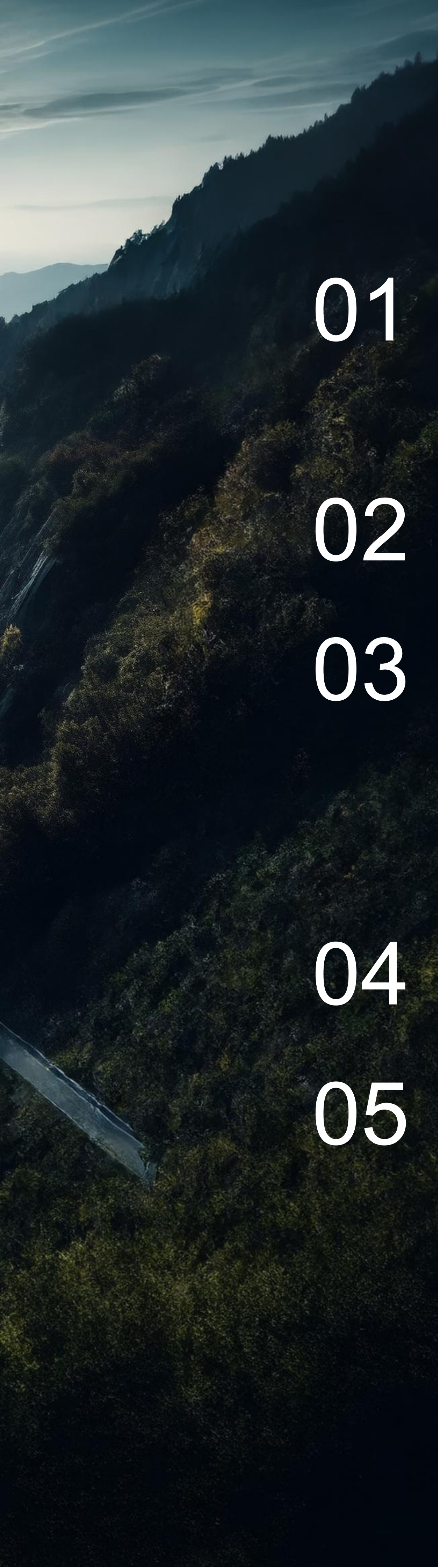
High real bond yields argue for locking in income; raise bonds to a Core holding, with a preference for Emerging Market USD bonds. Gold is reduced to a Core holding as elevated bond yields are a headwind for a speedy recovery in prices.

+

What is the policy outlook for major economies?

Where are the tactical opportunities?

Are your quant models still constructive on equities?



Contents

Investment strategy and key themes

Steve Brice
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Chief Investment Officer, AMEE

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12m Foundation Overweights:

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

Opportunistic Ideas – Equities:

- **Global:** High dividend, power & electrification^
- **US:** Communication services
- **Asia:** Hang Seng Tech, Japan banks, MSCI Taiwan^

Top Global Sectors:

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

Opportunistic Ideas – Bonds:

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

^New

Now for the hard part

- **Oil, elevated real bond yields and central bank policy dominate the near-term market narrative.** We remain constructive on risky assets, given supportive growth and earnings fundamentals, but the ride is expected to be bumpy.
- **Strong earnings growth to underpin global equities; stay Overweight.** Our regional preferences for the US and Asia ex-Japan (AxJ) markets remain in place, though we seek to broaden sector exposure by upgrading the US financial sector.
- **High real bond yields argue for locking in income; raise bonds to a Core holding, preferring Emerging Market (EM) USD bonds.** Gold is reduced to a Core holding as elevated bond yields are a headwind for a speedy price recovery.

Energy prices, yields and central banks dominate the narrative

H2 2026 has started on a muted note. Major equity markets, gold and the USD have held within a relatively tight range. AI and semiconductor equities have faced relatively greater headwinds as US bond yields and oil prices have moved higher.

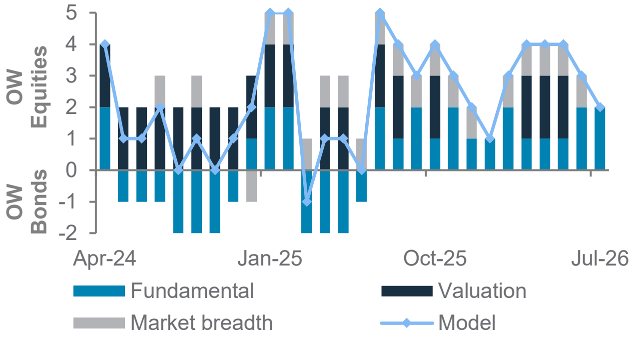
Of the pivot points we laid out in our H2 2026 Outlook – energy prices, equity supply, investor positioning and central bank policy – **energy prices** and **central bank policy** dominate the narrative. Renewed Middle East conflict escalation resulted in oil prices rising briefly above USD 90/bbl, reigniting concerns over its inflationary impact. However, we continue to hold the view that prices will remain largely rangebound within USD 70-90/bbl, with any short-lived moves above this range likely to incentivise conflict de-escalation to avoid a bigger inflation shock and a hawkish shift by the Fed.

A more notable development in recent months has been **the rise in real (net-of-inflation) bond yields**. Since mid-May, the real 10-year US bond yield has risen towards 2.5% from below 2%. An extension of this move above 2.5% (the 2023 peak) would result in the highest real yields since 2008, potentially triggering a negative reaction in equities. Growing Fed policy uncertainty under Chair Warsh and persistent concerns over Developed Market (DM) debt levels are likely behind this move.

However, we believe today's **'soft landing' environment will extend** as the Fed avoids actual rate hikes and caps real yields. Inflation remains a risk worth monitoring, but contained oil prices and inflation expectations remain encouraging.

Fig. 1 **Our proprietary model remains positive on equities, but the signal has recently softened**

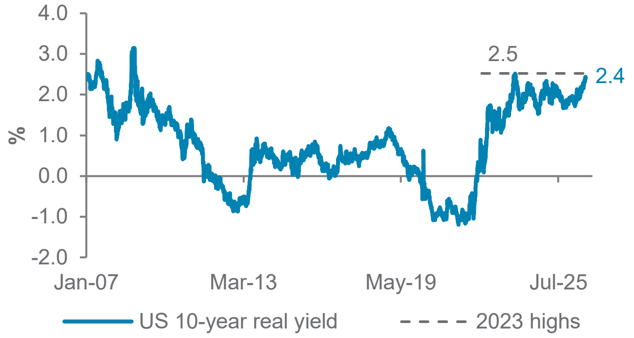
Standard Chartered stock-bond quantitative model



Source: Bloomberg, Standard Chartered; 31-Jul-2026

Fig. 2 **Real yields approaching a key pivot point; a break higher would mean a shift to multi-decade highs**

US 10-year real (net-of-inflation) bond yield



Source: Bloomberg, Standard Chartered

Navigating a bumpy equity market

We remain Overweight global equities relative to bonds and cash. However, as we laid out in our H2 outlook, the near-term path is likely to be a relatively bumpy one.

The trade-offs are best captured via our quantitative stock-bond model. While it remains Overweight equities, the magnitude of optimism has reduced. Fundamentals now remain the key support for stocks, with technicals and valuations turning less supportive. This matches the wider narrative of strong equity earnings growth fundamentals balancing against higher real yields and short-term worries focused on energy prices, central bank policy and AI.

On balance, we expect optimism to ultimately persist, given strong earnings fundamentals, albeit with a higher level of volatility. This is why we retain our regional Overweight views on the US and AxJ in Foundation portfolios and would consider adding to our preferred markets on pullbacks.

Broadening sector exposure via opportunistic allocations is also key to navigating the current environment. We upgrade US financials to Overweight, which leaves us with a preference for the sector across the US, Euro area and Japan equity markets. Higher bond yields remain a key driver of net interest margins (NIMs) across most regions. However, an active M&A and initial public offering (IPO) environment are also important, particularly in the US. Meanwhile, we retain our US communication services sector Opportunistic idea, with the strength in earnings growth expected to outweigh lingering doubts over the pace of AI capital expenditure (capex) monetisation.

Looking further into H2 2026, the November US mid-term election remains a volatility risk. Historically, since 1990, the S&P500 has faced an average drawdown of around 16% during US mid-term election years, with a range spanning 7.3-33%. The fact that the S&P500 already faced a 9.4% drawdown from late January to early March means we are reluctant to forecast another similar episode in the coming months. However, this historical view argues for ensuring portfolios are prepared for higher-than-usual volatility.

Locking in (real) yields

We take a glass-half-full approach to bonds, raising them to a Core holding. While we acknowledge that rising real bond yields are a potential risk worth monitoring, we expect the lack of follow-through on actual rate hikes by most major central banks to ultimately defuse real bond yields. This argues for using the rise in bond yields to lock in attractive (real) yields.

Within bonds, our preference for corporate and EM bonds over G3 government bonds remains unchanged. While the yield premium offered by the former remains relatively small by historical standards, we believe still-high credit quality continues to justify this elevated valuation.

Our Overweight to EM USD bonds reflects both strong (fiscal) fundamentals and more attractive relative value. US Investment-grade (IG) corporate bonds may face temporary headwinds from significant hyperscaler debt supply, but this reflects a temporary supply influx rather than any deterioration in fundamental credit quality, in our view.

Maintaining short duration in USD bond portfolios, however, is key to navigating these opportunities and risks. The rise in 10-year bond yields, both nominal and real, reinforces the risk of elevated volatility from excessively long maturity bonds. We do not believe the gap between short and long maturity bonds currently compensates investors adequately for the risk and, thus, prefer short (3-5 years) duration in USD bonds.

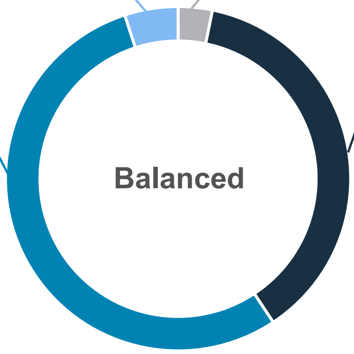
Reduce gold to a Core holding

We reduce gold to a Core holding. While prices have shown signs of stability in recent weeks, higher bond yields are setting a higher bar to beat. We remain positive on gold prices in absolute terms – now expecting USD 4,600/oz over the next 12 months – and thus see current levels as attractive to accumulate in under-allocated portfolios. However, we expect the pace of the price rebound to be relatively shallow, given elevated US bond yields.

Foundation asset allocation models

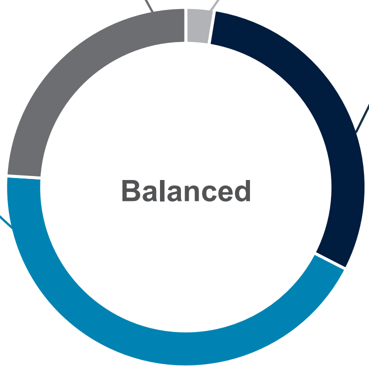
The Foundation and Foundation+ models are allocations that you can use as the starting point for building a diversified investment portfolio. The Foundation model showcases a set of allocations focusing on traditional asset classes that are accessible to most investors, while the Foundation+ model includes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



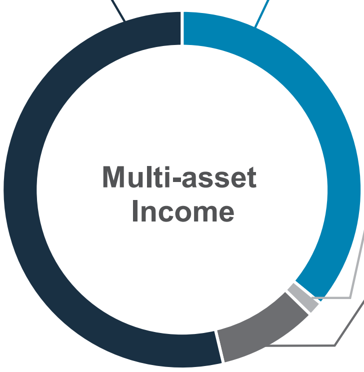
Gold		**5%**
Gold		5%
Equity		**54%**
North America		36%
Europe ex-UK		7%
UK		1%
Japan		3%
Asia ex-Japan		7%
Cash		**3%**
USD Cash		3%
Bond		**38%**
DM IG Bonds		**22%**
DM IG Government	12%	
DM IG Corporate	10%	
DM HY Corporate		2%
EM Bonds		**9%**
EM USD Government	7%	
EM Local Ccy Government	2%	
Asia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

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



Alternatives		**24%**
Gold		4%
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		**30%**
DM IG Bonds		**18%**
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	6%	
DM IG Corporate	5%	
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) 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

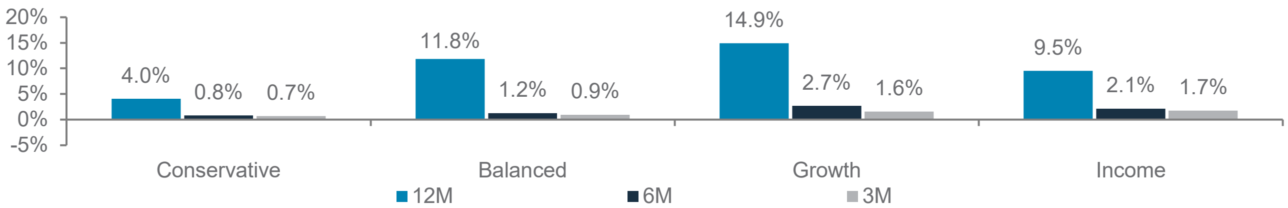
Foundation: Our tactical asset allocation

	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 29 July 2025 to 29 July 2026, Six-month performance from 29 January 2026 to 29 July 2026, Three-month performance from 29 April 2026 to 29 July 2026

Fig. 7 **Opportunistic ideas performance**

Key call		Inception/open date	Close date	Absolute return
Bond – open	1-10Y TIPS Bonds	10-Apr-25		5.9%
	EU Bank AT1 FX-hedged	11-Dec-25		3.7%
	AAA-rated CLOs	11-Dec-25		3.1%
	AUD Corporate Credit	19-Mar-26		2.1%
	US Utilities Corporate Hybrids	19-Mar-26		1.3%
	US HY Bonds	18-Jun-26		-0.5%
Equity – open	Hang Seng Tech	31-Oct-24		8.7%
	Global High Dividend	18-Jun-26		5.0%
	US Communication Services	18-Jun-26		-7.3%
	Japan Banks	18-Jun-26		0.9%
	MSCI Taiwan	9-Jul-26		-12.7%
	Global Power & Electrification	30-Jul-26		--
Equity – closed	MSCI World Equal Weight	21-May-26	9-Jul-26	2.2%

Source: Bloomberg, Standard Chartered. Performance as of 30 Jul 2026

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist

Key themes

Core scenario (soft landing, 45% probability): An economic 'soft landing' remains our base case, but we have lowered the probability from 60% in favour of a 'no landing'. The global economy has withstood this year's oil shock well. Business confidence picked up in June across major economies. The case for reflation has risen on the margin, given an acceleration in AI investments, the wealth effect from a booming stock market and fiscal easing in Germany and Japan. In this scenario, the Fed is likely to hold rates steady this year. The ECB is likely to deliver another 'insurance' hike in H2 2026, while the BoJ should hike once more this year to counter domestic inflation. China is likely to ease liquidity in H2 to revive domestic demand.

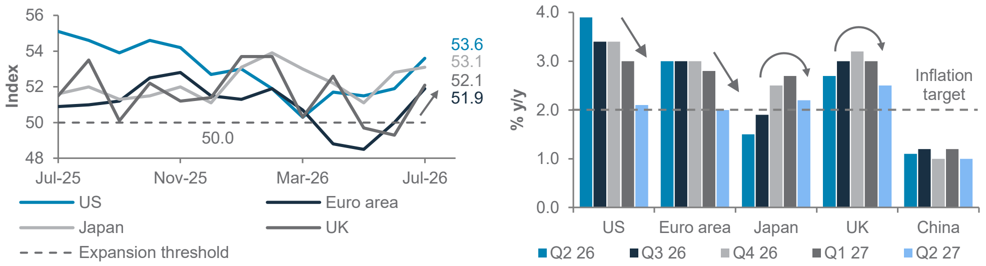
Upside risk (no landing, 30% probability): We raise the probability from 20%, expecting a de-escalation in the Middle East ahead of the US mid-term elections. If oil prices ease, US tax cuts, an AI-fuelled stock market boom and fiscal easing in Germany and Japan could boost 'animal spirits'. A Russia-Ukraine peace deal or global defence spending boom can lift global growth.

Downside risk (25% probability): This tail risk scenario incorporates 10% chance of a recession, potentially caused by delayed restart of Hormuz shipping, a stock market downturn hurting investor confidence or a bond sell-off due to inflation or debt fears. We also assign a 15% chance to a stagflation scenario if the Middle East conflict worsens and oil settles above USD 100/bbl.

Key chart

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

Fig. 8 **Economic activity picking up despite oil shock; inflation to return to target**
Composite Purchasing Managers' Indices; Consensus consumer inflation estimates



Source: Bloomberg, Standard Chartered

Policy rates watch

Fed to hold rates this year: The US economy remains resilient, with recession risk low. Full-year 2026 GDP growth estimates cluster around 2.1-2.3%, moderating towards 2.1% in 2027, supported by resilient consumer spending and strong AI investment. The dominant tailwind is AI-related capital spending, which has lifted tech investment to record shares of GDP and is broadening into non-tech sectors. The key vulnerability is concentration: growth increasingly leans on AI capex and low household savings, leaving business activity sensitive to any reversal in AI-related equity valuations.

US inflation remains above target, but is showing early signs of easing. June core Personal Consumption Expenditures (PCE) inflation slowed to 0.1% m/m and 3.3% y/y from 0.3% m/m and 3.4% y/y in May, with services inflation slowing sharply to 0.1% m/m. Core PCE inflation has run above 3%, hotter than core CPI, given tariff pass-through, tech/software prices and services. We expect inflation to settle close to 2% once the current energy shock fades. US wage growth, the primary driver of long-term inflation, remains on a downtrend, while forward indicators of shelter inflation, which accounts for one-third of US inflation, continues to cool.

The Fed held its policy rate in July at 3.75%, although segments of the market were expecting a rate hike. We expect the Fed to hold its policy rate for the rest of the year as energy-driven inflation gradually fades and the job market remains in balance. The Warsh-led Fed has sharpened its price-stability focus while cutting forward guidance, raising the prospect of bond volatility. Nevertheless, with oil likely rangebound (USD 70-90/bbl), peak Fed hawkishness is probably behind us.

We expect another ECB 'insurance' hike: The Euro area entered 2026 with weak momentum, and the Middle East conflict weighed further on sentiment. A recent bounce in surveys, including a July ZEW survey beat and stronger German IFO expectations, was largely energy-driven and unlikely to last, with current conditions still depressed and financial conditions having tightened again. Underlying activity is more resilient than headline data suggests, with growth (ex-Ireland) around 0.3% q/q, though Germany faces a possible technical recession and export weakness remains structural. Full-year 2026 GDP growth forecasts cluster in a soft 0.3-0.8% range, with a firmer recovery pencilled in for 2027 and dependent on German fiscal spending picking up.

Inflationary pressures remain muted outside energy. June inflation cooled to 2.8% y/y, with core inflation easing to 2.4%, suggesting core and services inflation have peaked. The key upside risk is a renewed energy shock – European natural gas prices have returned to March peaks. An early normalisation of Strait of Hormuz shipping (our base case) should lower inflation towards 2% by Q2 next year. Wage pressures stay contained and inflation expectations broadly anchored.

The ECB held its deposit rate at 2.25% while preserving hawkish optionality, warning the full energy-shock effects have yet to play out. We expect one more 25bps ‘insurance’ hike this year, with timing dependent on energy prices, incoming inflation, and wage data.

China to accelerate fiscal spending implementation as growth slows. China's economic activity slowed in Q2 as domestic demand weakened further following a brief Q1 recovery, with both investment and consumption losing momentum and the housing-market correction deepening. Still-buoyant exports, supported by the global AI boom, have not been sufficient to offset the drag from soft domestic activity. Weakening credit and fiscal impulse signals softer growth ahead. With the property sector remaining a drag, export growth and expected acceleration in fiscal spending are likely to be key drivers of the economy in H2.

Inflation is turning gradually higher. The reappearance of producer price pressures is likely one reason for the central bank to keep its policy rate on hold. This ‘return of inflation’ marks a shift from the deflationary concerns that had dominated, and it constrains the scope for further monetary easing.

Policymakers are unlikely to deliver broad-based stimulus, although targeted measure for priority sectors are likely. The Politburo pledged accelerated fiscal spending, including faster execution of budgeted measures, mainly infrastructure spending on AI, the green transition and livelihood projects, while retaining a contingency plan. Monetary policy is likely to play a supplementary role: a 25bps bank reserve ratio cut is likely to keep liquidity ample, but the policy rate should stay on hold, given rising inflation, shrinking bank net interest margins (NIMs), and doubts over the effectiveness of modest rate cuts when credit demand is weak.

BoJ to hike policy rate another 25bps to 1.25% by December: Japan enters H2 2026 with robust momentum, underpinned by a strong external sector. Merchandise exports have surged, rising 19.3% y/y in June, led by semiconductor manufacturing equipment, integrated circuits and automotive shipments to Asia and North America. Manufacturing activity is expanding, with manufacturing PMI at 54.7 in July, a seventh straight month of growth, while the services PMI printed 51.9, supported by foreign tourism. Corporate capex remains resilient, with the Q2 Tankan survey projecting 11.5% large-enterprise capex growth for FY26. A tight labour market (unemployment rate steady at 2.5%) plus 5.3% total wage gains from the 2026 Shunto should lift private consumption.

With the growth backdrop clearly positive, underlying price pressures are building. Although headline consumer inflation at 1.7% y/y in June remains below the BoJ's 2.0% target, core-core inflation of 1.7% points to persistent services-sector pressure. Producer inflation has surged to 7.1% y/y in June, its fastest in over three years, driven by energy, chemical and imported input costs, amplified by a weak yen. These upstream costs are increasingly passing through to consumers. Consumer inflation is likely to rise further once government energy subsidies expire. Long-dated inflation expectations sit above the BoJ’s target.

The BoJ held its policy rate at 1.00% in July, but used its quarterly outlook to signal a potential rate hike later this year. With real rates deeply negative, persistent inflation and yen weakness, the policy tilt remains hawkish, pointing to gradual normalisation. The main pushback against rate hikes is coming from the government, although yen weakness and a government plan to cut a consumption tax on food and beverage from 8% to 1% for two years could force a rate hike.

Fig. 9 **Long-term inflation expectations subdued**

US WTI crude oil, one- and five-year inflation estimates^

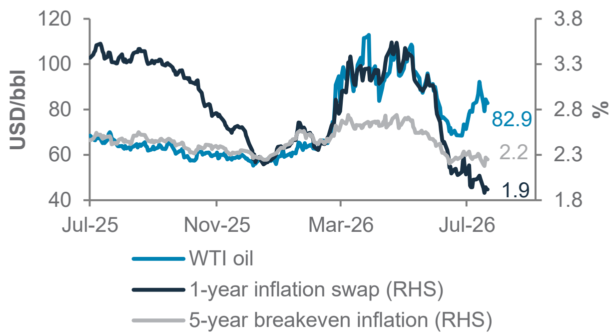
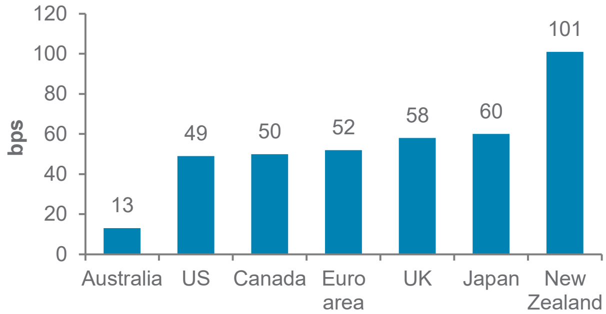


Fig. 10 **Markets are overly hawkish about policy rates**

Expected change in policy rates over the next 12 months



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

Fixed Income – at a glance

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Our view

Foundation: We raise fixed income to a Neutral allocation (Core holding) within a balanced portfolio. Within the asset class, we maintain an **Overweight allocation to EM USD government bonds** and an **Underweight allocation to DM government bonds**. We believe peak US inflation is behind us, allowing the Fed to hold rates for the rest of the year. Yields could remain elevated, particularly for longer-duration bonds, driven by a high term premium demanded by investors. DM IG and HY are both Neutral allocations, as corporate bonds continue to offer carry, though 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. In EM, we prefer exposure to USD-denominated government bonds over local-currency (LCY) bonds.

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

Key charts

Fig. 11 **Rate forecasts and our view of bond classes**

Region	Horizon	2-year	10-year	30-year
US	Q3 2026	4.00 – 4.25%	4.50 – 4.75%	5.00 – 5.25%
	Q2 2027	3.75 – 4.00%	4.25 – 4.50%	5.00 – 5.25%
Euro Area	Q3 2026	2.50 – 2.75%	2.75 – 3.00%	3.25 – 3.50%
	Q2 2027	2.50 – 2.75%	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%

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

Legends: ▲ Most preferred | ▼ Least preferred | ◆ Core holding. **Green** / **Red** represents an upgrade / downgrade from the prior GMO.

Source: Standard Chartered.

DM rates – Underweight

We are Underweight DM IG government bonds. In the US, the term premium – the compensation demanded by investors for holding long-duration bonds – is expected to remain structurally elevated. This is underpinned by a confluence of persistent macro headwinds, such as above-target inflation, a deteriorating fiscal trajectory, an ongoing uncertainty in the Middle East, and more recently, heightened monetary policy ambiguity following the Fed's removal of forward guidance and its internal restructuring across five task forces.

That said, the softer-than-expected June CPI has reinforced our conviction that peak US inflation was behind us in Q2, providing the Fed ample cover to hold rates through year-end. As disinflationary momentum consolidates, we expect the Fed to gradually shift its attention towards emerging labour market softness – a transition that culminates in our expectation for the Fed to deliver a single 25bps rate cut in H1 2027.

Against this policy backdrop, we expect the US yield curve to transition into a steepening regime (the short-end yield falling faster than the long-end yield) over a 12-month horizon, with the front-end rallying in anticipation of Fed easing and getting increasingly priced, while the long-end anchored under structural pressures. Within this context, we maintain a preference for the 3-5-year area of the curve and retain our Underweight to long-duration bonds, where the combination of an elevated term premium, fiscal deterioration and subdued demand technicals continues to present an unfavourable asymmetry. We set our three- and 12-month forecasts for the 2-year US government bond yield at 4-4.25% and 3.75-4%, respectively. For the 10-year bond yield, we target 4.50-4.75% over three months and 4.25-4.50% over 12 months.

The Euro area continues to face a more challenging inflation backdrop, driven by elevated energy prices, given its status as a large commodity importer. Economic data has been weakening, and we expect the ECB to deliver another 'insurance hike' of 25bps before year-end, following the 25bp hike in June. Should economic conditions deteriorate, the central bank could react promptly by easing monetary policy.

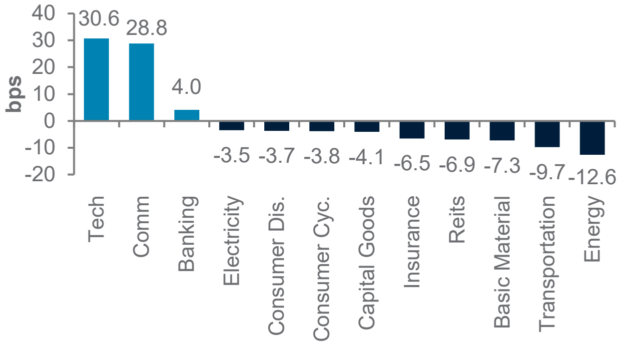
In Japan, we expect the BoJ to stick to its tightening path, but policy reactions are still deemed to be lagging economic fundamentals (behind the curve). We expect further upward pressure on Japan Government Bond (JGB) yields and expect them to underperform US government bonds on an FX-hedged basis.

DM corporates – Core holding

We maintain a Neutral allocation to both DM IG and DM HY corporate bonds. While we acknowledge there is limited room for corporate spreads to compress materially from current levels – especially with US IG index spreads around 80bps – we expect dispersion to increase from here.

Fig. 12 **Tech and communication bonds underperformed due to heavy primary pipeline**

Bloomberg US IG Corp sector indices, 12-month OAS changes

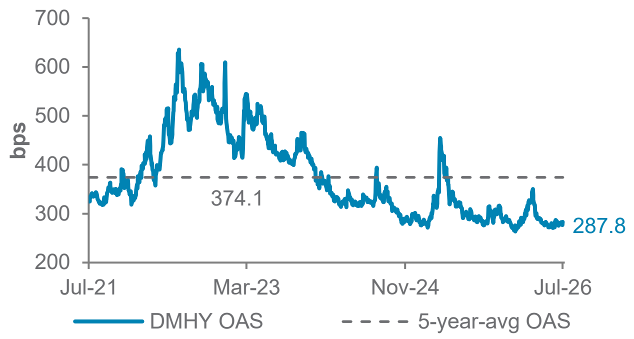


Source: Bloomberg, Standard Chartered

As an income proposition, HY remains supported by all-in yields of 7%-plus 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.

Fig. 13 **DM HY corporate spreads are also close to historical lows**

Bloomberg Global HY Corp Index, OAS



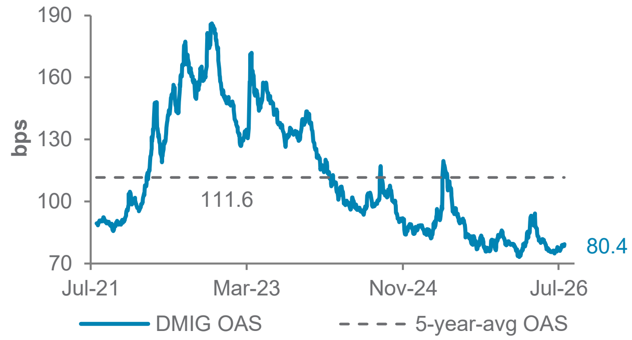
Source: Bloomberg, Standard Chartered

IG corporate spreads remain close to historical tights. AI capex-driven issuance has reached elevated levels, with US IG gross issuance year to date (YTD) in 2026 at c.USD 1.2trn.

New issues have come with more concessions, as a few new issuances have underperformed in the secondary market, 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.

Fig. 14 **DM IG corporate spreads hover at tight end**

Bloomberg Global Agg Corp index, OAS



Source: Bloomberg, Standard Chartered

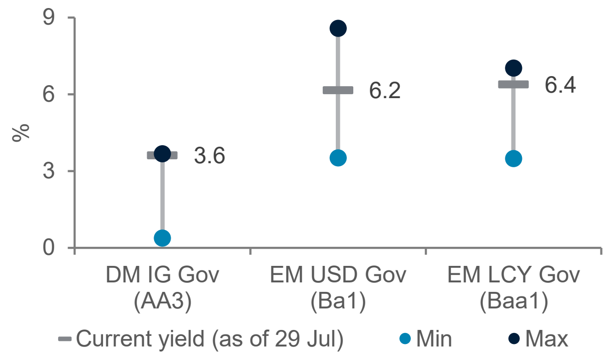
Tight valuations are also supported by corporate fundamentals across both IG and HY, which remain resilient, underpinned by solid profitability, stable credit metrics, and a positive ratings watch/outlook balance.

EM government bonds – Overweight USD / Core holding for LCY

We reaffirm our **Overweight view on EM USD government bonds** and maintain a **Neutral stance on EM LCY government bonds**. Since June, the narrative has shifted from an Iran-related risk-premium unwind to a more durable, carry-led environment in which spreads have remained resilient. Recent episodes of spread widening by EM USD sovereigns have been short-lived, suggesting investors remain willing to buy dips as long as global growth holds up.

Fig. 15 **Meaningful yield pick-up over DM peers**

Bloomberg EM USD, LCY Government Bond Index and Global Treasury Index, yield to worst, last 20 years



Source: Bloomberg, Standard Chartered

Our Overweight EM USD government bond stance is supported by a 2%-plus yield pick-up vs. DM bonds, resilient external fundamentals and favourable technicals. EM USD sovereigns also benefit from a more oil-resilient index composition, with non-oil importers representing 67% of exposure vs. 46% for EM LCY debt, providing a relative buffer against oil-price shocks. Concerns that heavy US tech-sector issuance could crowd out EM demand appear overdone, with history suggesting EM IG sovereigns have often proven resilient and could even outperform if pressure on US IG spreads persists.

On LCY, EM FX has recoupled with the USD, and volatility remains above its 10-year average. As a result, alpha is likely to come from country selection rather than broad beta exposure. The main risks to our view are a prolonged Middle East conflict escalation driving oil sharply higher, a hawkish Fed surprise and a stronger El Niño impulse into H2 2026.

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, underpinned by healthy cash flows, low leverage and a high share of sovereign-linked issuers that lend the segment a defensive quality.

This resilience has been evident YTD, with Asia USD bonds delivering positive total returns, achieving modest spread tightening relative to US government bonds, and outperforming US IG bonds. We believe this relative strength can persist, as Asia USD bonds remain structurally insulated from the currency headwinds currently weighing on currency markets across the region, which anchors our conviction in the asset class even as we maintain a Neutral stance.

Bond opportunistic views

Bullish US HY bonds

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.

Bullish US inflation-protected bonds (TIPS)

Real yields have surged to multi-decade highs, driven by elevated rate hike expectations and lower inflation expectations post the June US-Iran ceasefire. We believe valuations appear more attractive compared to the historical average and view TIPS as an inflation hedge against 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 cash flows and diversified financing channels.

Bullish Australian dollar (AUD) corporate bonds

Following three consecutive rate hikes, we believe the threshold for further RBA hikes has risen, largely due to the drag on growth from higher energy prices. Recent data reaffirms our view that inflation has likely peaked. While housing remains a key contributor to inflation, we expect its impact to wane as tighter financial conditions take hold. We view AUD yields as attractive, particularly relative to major developed markets.

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

European bank sector fundamentals remain solid, as 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 portfolios 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 27.

Equity – at a glance

Sundeep Gantori, CFA, CAIA
Chief Investment Officer, Equities

Fook Hien Yap
Senior Investment Strategist

Robin Xie, CFA
Senior Investment Strategist

Jason Wong
Senior Equity Analyst

Our view

We remain Overweight global equities. The headwinds we see include rising bond yields and uncertainty surrounding the Middle East conflict. Against this, earnings growth remains robust, driven by AI investments, the impact of which extends beyond the tech sector to the broader economy. On balance, we expect an economic soft landing to support growth and gains in global equities. We are **Overweight US equities**, where earnings growth is being revised upward as we go through the Q2 earnings season. We are also **Overweight AxJ equities**, a key beneficiary of AI capex and the potential reopening of the Strait of Hormuz.

Within AxJ, we continue to be **Overweight Taiwan,** with good visibility on AI-related semiconductor growth, **Overweight China** for its valuation re-rating potential amid rapid innovation and **Overweight India** for its non-tech-driven domestic growth.

We maintain **a Core allocation to Japan**, where fiscal stimulus and a reflating economy offset energy import vulnerability. We remain **Underweight UK equities**, given their relatively muted earnings growth and low exposure to growth sectors.

Key chart

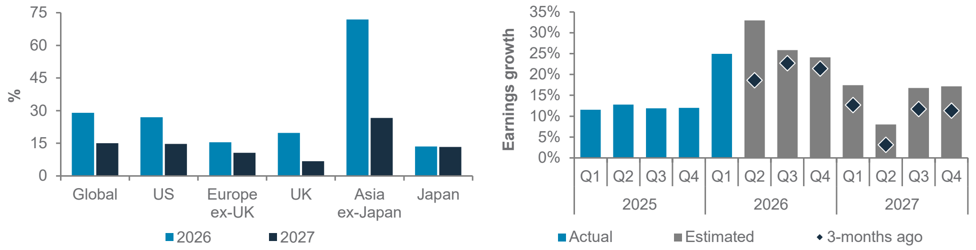
Q2 2026 US earnings are expected to grow higher.

Index	12m forecast	Upside to target^
S&P500	7,950	7%
Nasdaq 100	32,600	16%
Euro Stoxx 50	6,750	6%
FTSE 100	11,000	1%
Hang Seng	28,000	8%
Nifty 50	26,200	8%
Nikkei 225	65,700	6%

^Based on 30-Jul closing levels

Fig. 16 Overweight views on AxJ and US equities are supported by robust earnings growth. US equities' Q2 growth forecasts have been revised upward

Consensus 2026 and 2027 earnings growth estimates for MSCI equity indices; MSCI US quarterly earnings growth y/y



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 and monetisation concerns – Elevated valuations and tech concentration – Rate-hike risk if inflation reaccelerates
AxJ equities ▽ ◇ ▲	+ Strongest EPS growth vs major regions + Beneficiary of AI hardware capex + Valuation support vs global equities	– High expectations for AI-heavy markets – Sensitive to energy and geopolitical shocks – Trade- and tariff-related risks
Within AxJ	China ▲ Taiwan ▲ India ▲	South Korea ◆ ASEAN ▼
Japan equities ▽ ◆ △	+ Fiscal support for strategic investments + Reflation helps nominal earnings growth + Corp governance reforms to unlock value	– Potential JPY rebound could hurt exporters – Sharply higher JGB yields, fiscal concerns – Energy-import dependence raises cost risk
Europe ex-UK equities ▽ ◆ △	+ Fiscal stimulus supports domestic demand + M&A activity supports valuations + Corporate earnings proving resilient	– Renewed ECB tightening could hurt growth – Energy shocks could keep inflation elevated – Weaker EPS growth vs. major regions
UK equities ▼ ◇ △	+ Relatively defensive in tech sell-offs + High-dividend yield; valuation support + Commodity tilt cushions inflation shocks	– Low exposure to structural growth sectors – Fiscal uncertainty; soft domestic demand – Muted EPS outlook vs. major regions

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

Source: Standard Chartered Global Investment Committee

Staying focused on the fundamentals

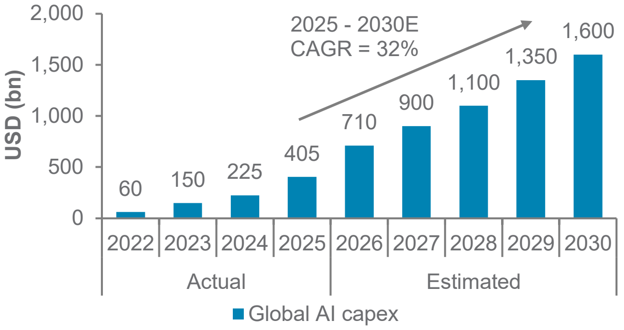
The Middle East conflict remains volatile, with similar volatility in oil prices. Meanwhile, bond yields have risen higher, driven in part by oil-linked inflationary pressures. Higher bond yields have a negative impact on equity valuations. Based on our calculations, every 25bps rise in the cost of capital or discount rate can weigh on global equities to the tune of around 3-4%. However, with earnings growth of 15-30% in 2026 and 2027, we believe there is enough cushion for global equities to absorb any yield-related shocks. This leaves us positive on equities.

The technology sector continues to lead in terms of earnings growth, driven largely by AI investments. The trend here remains positive, with the US Q2 earnings season seeing a rise in AI-related capex. This capex has a positive impact that goes beyond the tech sector to the broader economy: the financial sector benefits from a rise in financing activities, industrials from the build-out of AI infrastructure and utilities from the rise in power demand.

While sentiment towards AI has deteriorated in recent weeks, we view the fundamental outlook as intact. AI investment plans are being revised upwards as adoption continues to rise. The emergence of lower-cost AI models from China is causing some concerns, but we believe the eventual outcome will be industry expansion and innovation. The market opportunity remains sufficiently large for multiple players to benefit and co-exist, rather than creating a 'winner-takes-all' outcome. The Big Tech companies doing the heavy lifting in AI capex have seen a widening in their credit spreads, but they continue to have strong earnings power and solid balance sheets to finance the investments, which will drive multi-year revenue growth.

Fig. 17 **AI capex continues to rise, supported by monetisation trends**

Global AI capex



Source: Company reports, Standard Chartered

US equities – Overweight

We continue to see future earnings estimates being revised upward as the Q2 earnings season progresses, pointing to greater confidence in the growth outlook. Volatility is expected, though, particularly in the months leading up to the November US mid-term elections, where history teaches us to expect higher volatility.

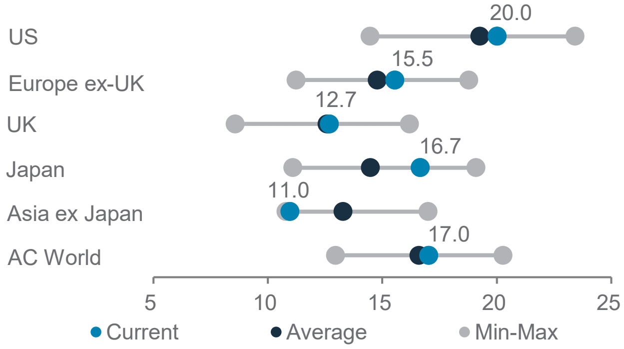
AxJ equities – Overweight

AxJ enjoys the highest earnings growth among major markets, as its technology sector remains a key beneficiary of AI capex. Within AxJ, we are Overweight Taiwan, China and India equities. While Taiwan benefits from good visibility on AI-driven growth, China is undervalued, in our view, given its innovation and growth outlook. India offers diversification from the AI narrative, with domestic-driven growth. We continue to expect the Strait of Hormuz to reopen, with the ensuing lower oil prices a positive catalyst for India.

South Korea equities remain a Core holding for us. We are positive on the long-term agreements driving growth for the memory chips industry there, but the market continues to be extremely volatile, with leveraged investor positioning. We are Underweight ASEAN, which has relatively less exposure to growth sectors and hence more muted earnings growth, compared to the tech-heavy AxJ market.

Fig. 18 **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

Fiscal support for strategic investments continues to buoy a reflating economy, supporting nominal earnings growth. Rising rates in Japan could, however, lead to a stronger currency 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. Rising M&A activity also supports equity valuations there, although it still lags the earnings growth in the US and AxJ.

UK equities – Underweight

The UK has a defensive sector composition that would do well in a weak market environment. We expect any market weakness to be temporary though, as strong earnings eventually drive the market higher, led by growth-oriented regions, such as the US and AxJ. Fiscal uncertainty is also likely to weigh on the economy and the GBP, making returns less attractive for USD-based investors.

Equity opportunistic views

Sundeep Gantori, CFA, CAIA
Chief Investment Officer, Equities

Fook Hien Yap
Senior Investment Strategist

Robin Xie, CFA
Senior Investment Strategist

Jason Wong
Senior Equity Analyst

Add global power & electrification, Taiwan

- **We initiate an Opportunistic idea on global power and electrification following upward revisions to our AI capex forecasts.** We expect a surge in AI and data centre power demand to drive a multi-year grid and electrification investment cycle. We believe electricity could become a bottleneck for the physical AI build-out, but closing the shortfall requires both capex and time, which supports strong earnings visibility for grid equipment makers.
- **We initiated an Opportunistic idea on MSCI Taiwan** in our *Long Story Short* publication on 10 July 2026. Taiwan's foundry leadership makes it an indispensable supplier to major US technology and semiconductor companies, especially for advanced nodes. Beyond foundries, and to support the increasingly complex requirements of each successive chip generation, Taiwan's AI hardware suppliers are posting some of the fastest revenue growth in the entire AI supply chain, while the valuation gap to the US supports a continued re-rating.
- **We recently took profit on MSCI World Equal Weight** for a 2.2% gain (21 May 2026-9 July 2026). While we still expect earnings growth to broaden, we now see better tactical opportunities elsewhere.

Fig. 19 **Opportunistic ideas**

Region	Idea
Global	Global power & electrification *
	Global high dividend
US	US communication services
Asia	MSCI Taiwan *
	Japan banks
	Hang Seng Technology

Source: Standard Chartered. * New idea

Ongoing ideas

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 new policy to facilitate financing for large-scale projects such as M&A and data centres gives Japanese megabanks greater flexibility to underwrite larger transactions and should support a more sustained corporate investment cycle over the medium term.

Global high-dividend equities: They tend to deliver more stable returns, and the income yield helps cushion against market volatility and downside risks.

US communication services: We remain constructive on the sector and continue to expect 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

This month, **we upgrade the US financial sector to Overweight**, supported by a capital markets and M&A recovery and NIM resilience in a higher-for-longer rate environment. We **downgrade US healthcare to a Core holding** on the back of subdued earnings growth and headwinds from potential budget constraints. **US technology and communication services remain Overweight**, driven by structural AI tailwinds and broadening monetisation opportunities. We remain **Overweight Europe ex-UK financials** on robust balance sheets and sustained shareholder returns. **Europe ex-UK Industrials and Japan financials remain Overweight**, supported by EU fiscal stimulus and BoJ policy normalisation, respectively.

In China, we maintain a pro-risk stance as a re-rating potential remains intact. We are **Overweight technology and communication services** on AI infrastructure investment and rising platform monetisation, while **real estate and consumer staples remain Underweight** amid the low visibility on the housing market's recovery and weak consumer sentiment.

Fig. 20 **Our sector views**

Global top preferred sectors	China sectors
US technology	Technology
US communication services	Communication services
US financials ▲	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

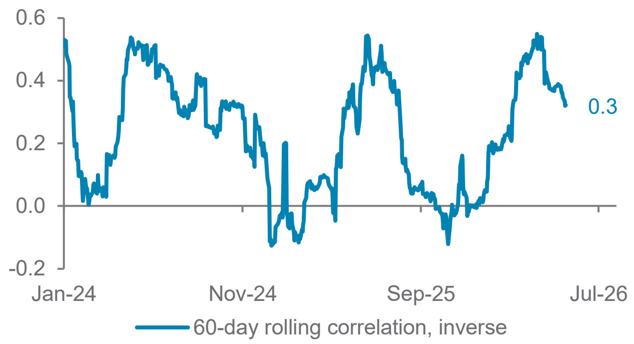
Anthony Naab, CFA
Investment Strategist

Our view

- We move gold to a **Core holding** and lower our 3- and 12-month price targets to **USD 4,300/oz** and **4,600/oz**, respectively.
- We raise our three-month West Texas Intermediate (WTI) crude oil price forecast to **USD 90/bbl** while maintaining our 12-month target at **USD 70/bbl**, reflecting intensifying geopolitical and transit route risks.

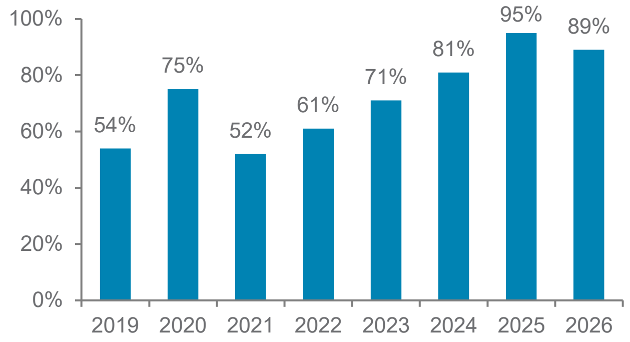
Key charts

Fig. 21 **Gold is trading closely with real yields again**
Gold returns vs. changes in 10Y US TIPS yields



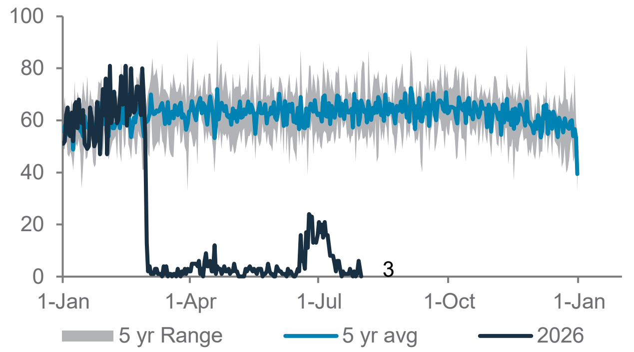
Source: Bloomberg, Standard Chartered

Fig. 22 **Central banks anchor gold's long-term case**
*Share of respondents: Expected increase in gold reserves



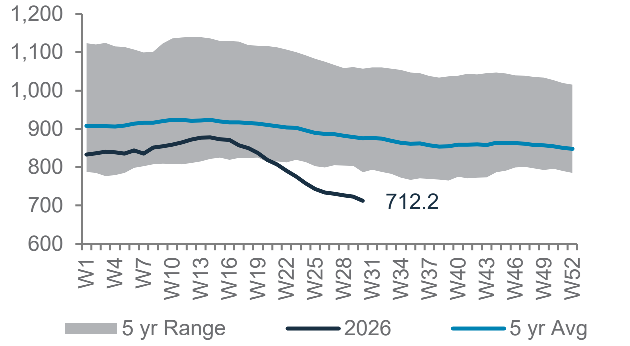
Source: World Gold Council survey, Standard Chartered

Fig. 23 **Hormuz disruption has lifted oil's risk premium**
Strait of Hormuz crude tanker crossings, 2021-26 YTD



Source: Bloomberg, Standard Chartered

Fig. 24 **Low US inventories limit the supply buffer**
Total US crude oil stocks, 2021-26 YTD, million barrels



Source: EIA, Standard Chartered

Gold outlook: We shift our stance on gold as the rally transitions into a rangebound phase following January's record highs. While resilient central bank and Asian demand provide a long-term anchor, gold's sensitivity to real yields and the USD has re-emerged, with macro factors once again driving price action. Higher bond yields reduce the scope for further gains, likely limiting the pace of any rebound. Consequently, we expect a period of consolidation as the market balances gold's enduring structural appeal against immediate macro headwinds.

Oil outlook: Renewed Middle East tensions and persistent threats to key transit routes have reintroduced a significant risk premium, overshadowing near-term supply-demand fundamentals. While these disruptions should sustain near-term upward price pressure, our base case assumes prices will retreat quickly if transit conditions improve or tensions ease. Uneven demand growth and improving supply availability should reassert themselves, shifting the market back to a fundamentals-driven range of USD 70-90/bbl.

FX – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

Iris Yuen
Investment Strategist

USD view

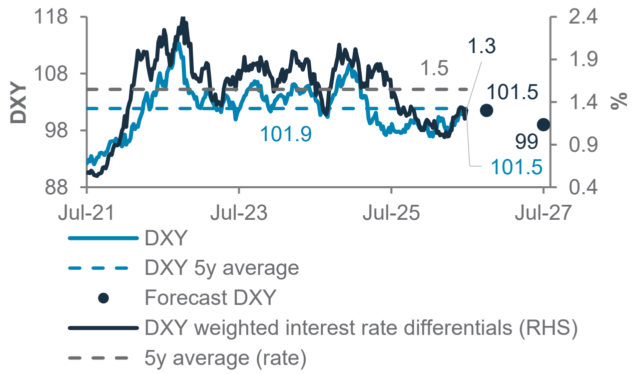
We have raised our three-month forecast for the US Dollar Index (DXY) to 101.5, up from 100. We see firm US growth, sticky core inflation and firm real yield differentials supporting the USD in the near term. Meanwhile, US corporate earnings sustain strong equity and credit portfolio inflows, while persistent Middle East conflict flare-ups provide a terms-of-trade and safe-haven floor. Even soft consumer inflation prints have failed to break the USD, validating a bullish asymmetry in the near term.

We expect the DXY to ease modestly to 99 on a 12-month horizon. We maintain our view of flat policy rates through 2026. Major central banks other than the Fed are in rate hiking cycles, which should eventually narrow interest rate differentials and cap further USD upside. Meanwhile, Fed repricing looks largely complete, leaving limited room for further hawkish surprises, while US growth outperformance mean-reverts and economic surprises roll over. Positioning has swung from short to crowded long, removing a key marginal buyer just as seasonals soften. Structurally, the USD trades roughly 16% above purchasing power parity fair value, the net international investment position has ballooned to -67% of GDP and investment income has turned negative. With the US current-account deficit financed by equity inflows, any fading of foreign appetite – potentially amid an AI trade wobble – would likely drag the USD into a cyclical, and ultimately structural, downtrend.

Key charts

Fig. 25 **USD interest rate differentials stalled around five-year average; 12m upside risk is likely limited**

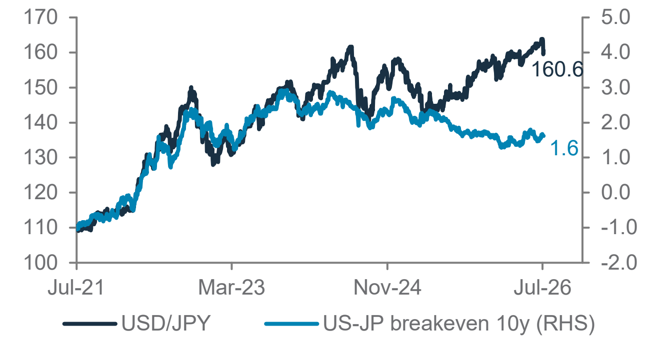
DXY, weighted interest rate differentials & five-year average



Source: Bloomberg, Standard Chartered

Fig. 26 **USD/JPY diverges with yield spread amid offset by rising oil prices; expect corrections if tensions ease**

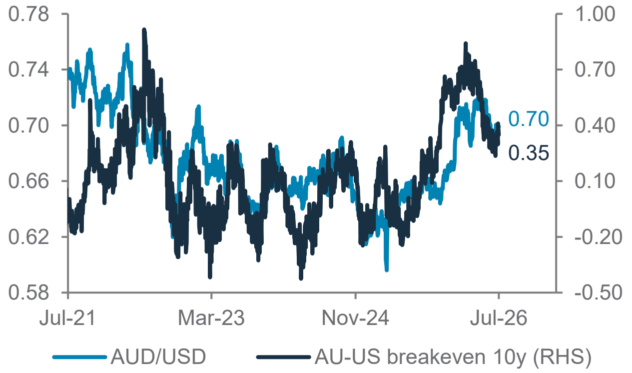
USD/JPY and yield spread



Source: Bloomberg, Standard Chartered

Fig. 27 **AUD/USD is likely to outperform, supported by rate differentials advantage**

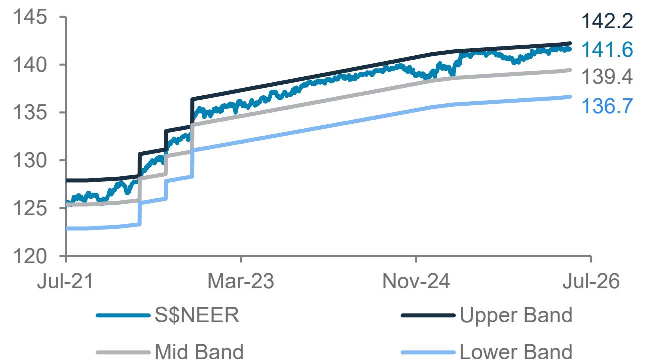
AUD/USD and yield spread



Source: Bloomberg, Standard Chartered

Fig. 28 **MAS increased the rate of appreciation of the SGD NEER policy band; we expect USD/SGD downside**

SGD NEER and estimated policy band



Source: Bloomberg, Standard Chartered

Fig. 29 **Summary of currency forecasts and drivers**

Currency	3m	12m	Rationale
EUR/USD	1.13	1.18	• **Expect recovery:** EUR/USD is supported by the ECB keeping its implicit hiking bias alive amid sticky core inflation and lingering second-round energy risks. Over the next twelve months, EUR/USD is expected to rise towards 1.18 as the ECB's tightening ends, Fed repricing completes, US growth exceptionalism fades, crowded long-dollar positions unwind and the USD's widening external deficit reasserts a structural downtrend risk.
GBP/USD	1.32	1.33	• **Consolidation:** The domestic backdrop looks broadly balanced. Fiscal risk premium has been largely priced out following UK Prime Minister Burnham's reassurances on fiscal rules and reassuring adviser appointments. This de-escalation is keeping the GBP resilient. We see upside capped by subdued growth, a slack labour market with falling payrolls and decelerating wages, easing underlying inflation and lingering autumn Budget fiscal risks.
USD/JPY	162	158	• **Near-term consolidation; medium-term bearish bias:** The BoJ held rates at 1.0% but retained its tightening bias. We expect one further hike by year-end. Suspected intervention near 164 reinforces the 162–165 resistance zone. Wide US–Japan rate differentials may support a near-term rebound, but BoJ normalisation and intervention risk should gradually strengthen the JPY.
AUD/USD	0.74	0.75	• **Upside risks remain:** A still-hawkish Reserve Bank of Australia bias persists, with sticky spot inflation, an elevated real neutral rate and above-target inflation forecasts keeping rate differentials supportive. A minimum wage increase and resilient household spending underpin AUD strength.
NZD/USD	0.60	0.60	• **Modestly bullish:** The Reserve Bank of New Zealand has signalled further tightening while warning that inflation is likely to remain sticky. A recovering PMI and upside growth surprises leave room for the NZD to recover further as data validate the hawkish outlook. Markets are now pricing in aggressive multiple hikes over the next 12 months.
USD/CAD	1.39	1.39	• **Modestly bearish:** Canadian employment has been improving, with household employment up and unemployment ticking down. The Bank of Canada's hawkish Summary of Deliberations placed greater emphasis on above-target inflation.
USD/CNH	6.75	6.70	• **Range with bearish bias:** The People's Bank of China (PBoC) keeps the daily fixing biased firmer while tolerating only gradual, managed appreciation. Robust trade surpluses and the repatriation of exporters' large, unsettled dollar earnings provide steady conversion flows, even as soft domestic demand and an accommodative PBoC cap the pace.
USD/CHF	0.78	0.78	• **Range with bearish bias:** The Swiss National Bank is reportedly expected to keep its benchmark rate at 0% until year-end 2027 before potentially raising it. Growth has been resilient led by manufacturing, demonstrating that the economy can weather a firmer currency well. We see USD/CHF as being exposed to downside risks upon USD repricing.
USD/SGD	1.29	1.28	• **Range with bearish bias:** The latest surprise tightening strengthens our conviction. Singapore GDP growth was much stronger than expected. Higher energy and imported costs are expected to lift inflation from July. We see USD/SGD responding to the Fed, US government bond yields and geopolitical demand for the USD in the longer term.
USD/INR	–	98	• **Slight bullish:** Reserve Bank of India (RBI) intervention is better at smoothing volatility than reversing the underlying depreciation trend. The RBI Governor flagged elevated consumer inflation and weak monsoon risks as key headwinds, limiting room for easing.
USD/MYR	–	4.00	• **Consolidation:** Bank Negara Malaysia (BNM) remains on hold; rate hike optionality. The BNM's measures to encourage repatriation and conversion of overseas cooperate earnings are helping cap excessive MYR weakness.
USD/KRW	–	1,540	• **Looking for upside:** Korean stocks tumbled in late July on doubts over AI capex returns, dragging on the KRW via foreign equity outflows. South Korea remains on the US currency monitoring list, limiting authorities' ability to aggressively intervene to defend the KRW.

Source: Bloomberg, Standard Chartered

Quant perspective: Trimming Overweight to equities

Francis Lim
Senior Quantitative Strategist

Maggie, Au Yeung
Quantitative Analyst

Summary

Our stock-bond model (3-6 months) has further trimmed its Overweight allocation to global equities in July to 16% from 24% due to softer market technicals. Although solid fundamentals remain the backbone of the model's Overweight allocation to equities, rising equity valuations and softer market technicals have prompted a toning down of the allocation. From a fundamental perspective, we see strong support for risk assets as earnings upgrades continue to rise, economic sentiment remains buoyant and global economic data continues to surprise to the upside. The model recorded a YTD return of 10.1%, which translates to 3.4% of outperformance relative to the 60/40 equity/bond benchmark.

Machine learning (ML) models show higher bear market risks for equities, but the probabilities of a steep correction remain low at 12% for the S&P500 Index and 18% for the MSCI AC World Index. For the S&P500, the rise in correction risk comes from a higher Volatility Index (VIX) following renewed conflict escalation in the Middle East, but other risk indicators, such as EM FX volatility, remain subdued, and market momentum has only softened mildly. For the MSCI AC World, correction risk is higher due to a relatively higher option-market implied volatility compared to historical volatility. Further, the higher correlation between agricultural prices and global government bond yields also indicates an increased risk from inflation shocks.

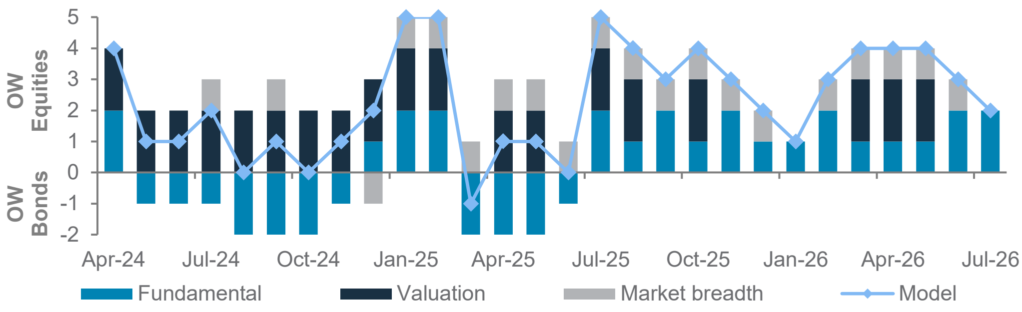
Positioning indicators signal a higher likelihood of an upward reversal in EUR/USD and AUD/USD and a downward reversal in MSCI Singapore and USD/CAD. Investor positioning in EUR/USD and AUD/USD is 2 std deviations below the historical average, while market diversity in MSCI Singapore and USD/CAD has narrowed after their recent strong gains.

Key chart

Our stock-bond model reduced its Overweight equity position further as net-advances in global stocks appear stretched, signalling a higher likelihood of near-term consolidation.

Fig. 30 **Breakdown of our stock-bond rotation model's scores**

Our model reduced equity Overweight to 16% from 24% as the model score fell to +2

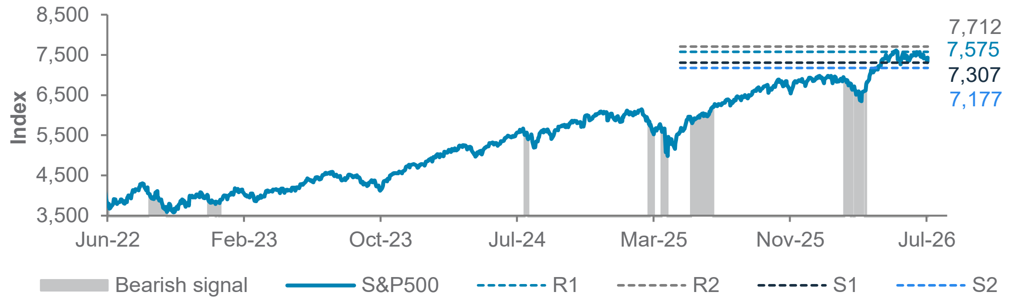


Source: Bloomberg, Standard Chartered; 31-Jul-2026

VIX has risen following renewed escalation in the Middle East, but other risk indicators remain subdued, while market momentum has only mildly softened.

Fig. 31 **Our technical model remains bullish on the S&P500**

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



Source: Bloomberg, Standard Chartered; 31-Jul-2026

Fig. 32 **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	Global inflation-growth regime	US recession model
Current view	**Reduced equity Overweight**	**Inflation slowed, growth steady**	**18% probability over the next six months**
What factors is this view based on?	• **Fundamental:** +2. Economic Surprise Index and PMI new orders are positive. Earnings upgrades have also risen in the past three months. Market risk aversion has increased, but it remains below its historical average. **Valuation:** 0. DM equities are expensive, Asian equities are within threshold. **Market breadth:** 0. Reversal risk rose as net-advance rose to 1.4 z-score. Market breadth is strong, with 85% of equity markets above the 200-day moving average.	• **Global inflation** fell for the first time since Jan-26, from 3% in June to 2.7% in July. 12m consensus points to 2.4%. Model-implied value points to 1.75%, below the 2% cut-off over the next six months. • **Global industrial production y/y** remains steady around 2%. 12m consensus expectations point to a slightly higher value of 2.4%, while the model-implied forecast is more bullish at 4.3%.	**Negative factors** • Conference Board leading indicator improved but is still negative at -1.5% y/y. • Conference Board consumer confidence at -4.2% y/y. • Fed rate-to-natural rate ratio fell at 1.6x, still relatively restrictive compared to the average 1.3x. • ISM New Orders/Inventory ratio is 1.1x, slightly below the average of 1.2x.
Key model factors	• Economic activity, macro risk and surprise indices, corporate earnings, forward P/E 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.	• 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.	• An economic cycle classification based on recession, recovery, late cycle and stagflation, and its 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 12%. VIX has risen after conflict escalation in the Middle East, but other risk indicators remain subdued, and market momentum has only softened slightly. • **Bullish MSCI AC World.** Bear market probability rose to 18% due to heightened market sensitivity to inflation shocks and a jump in short-term option market implied volatility relative to historical volatility.	• **Investor positioning:** Bearish positionings raised the likelihood of a bullish reversal in EUR/USD and AUD/USD. • **Market diversity indicator:** MSCI Singapore and USD/CAD have recorded stellar gains, but narrow market diversity signals a potential pause or reversal in gains over the near term.
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 ML 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 actions.

Source: Standard Chartered

Foundation: Asset allocation summary

Summary	View	FOUNDATION Moderate	FOUNDATION Balanced	FOUNDATION Aggressive
Cash	▼	4	3	3
Fixed Income	◆	58	38	18
Equity	▲	34	54	75
Gold	◆	5	5	5

Asset class	View	Moderate	Balanced	Aggressive
USD Cash	▼	4	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	◆	5	5	5
		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

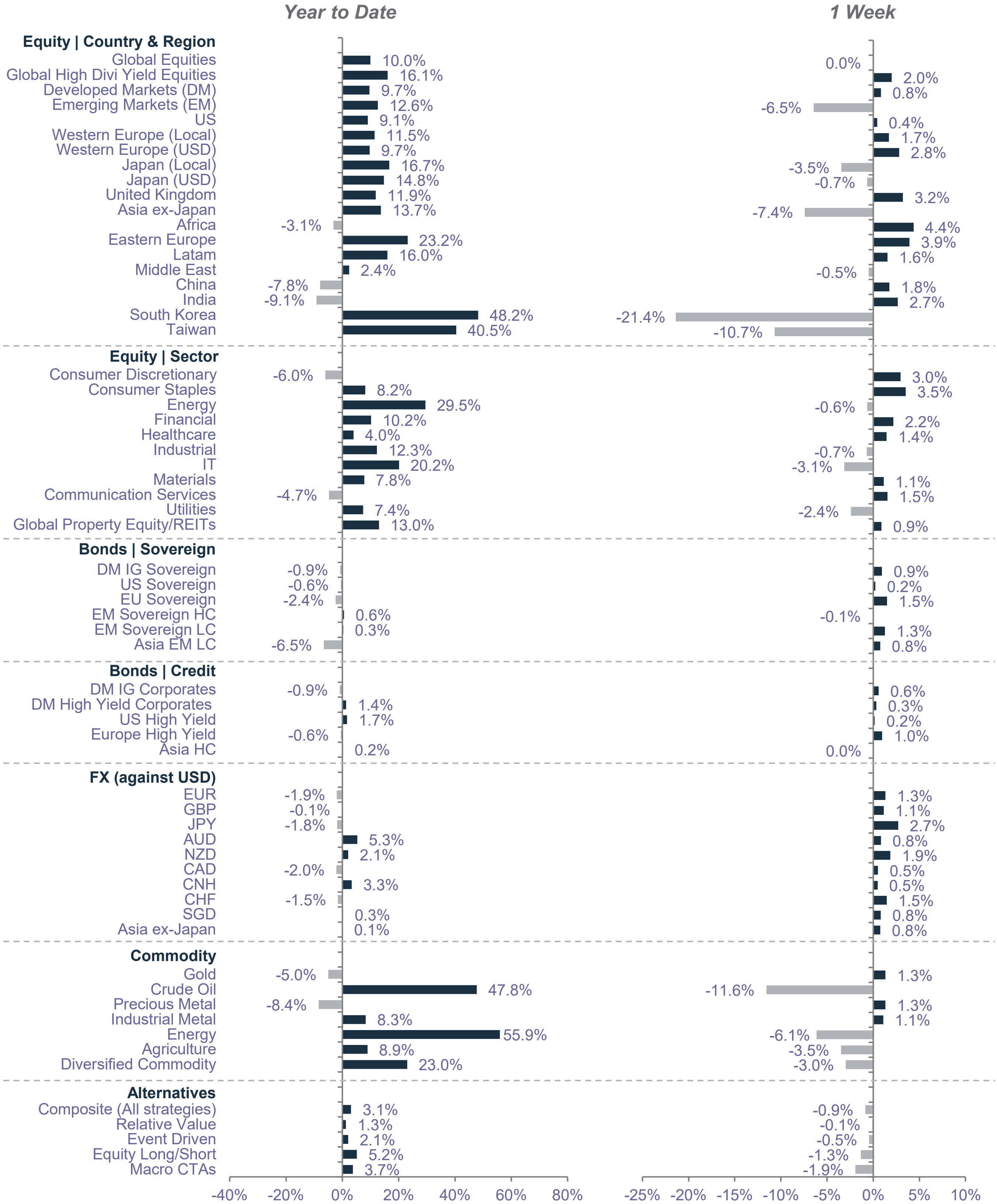
Summary	View	FOUNDATION+ Moderate	Balanced	Aggressive
Cash	▼	3	3	2
Fixed Income	◆	49	30	13
Equity	▲	29	43	56
Alternatives	◆	19	24	29
Asset class				
USD Cash	▼	3	3	2
DM IG Bonds		30	17	7
*DM IG Government Bonds**	▼	18	10	3
*DM IG Corporate Bonds**	◆	12	8	4
DM HY Corporate Bonds	◆	3	2	1
EM Bonds		9	7	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	▲	20	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	◆	4	4	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 30 July 2026; 1-week performance from 23 July 2026 to 30 July 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	101.5	1.13	1.32	162	0.74	0.60	1.39	6.75	0.78	90	4,300	3.75% (Dec-26)	4.50-4.75% (Q3 2026)	2.50% (Dec-26)
12m forecast	99	1.18	1.33	158	0.75	0.60	1.39	6.70	0.78	70	4,600	3.50% (Jun-27)	4.25-4.50% (Q2 2027)	2.25% (Jun-27)

Source: Standard Chartered

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

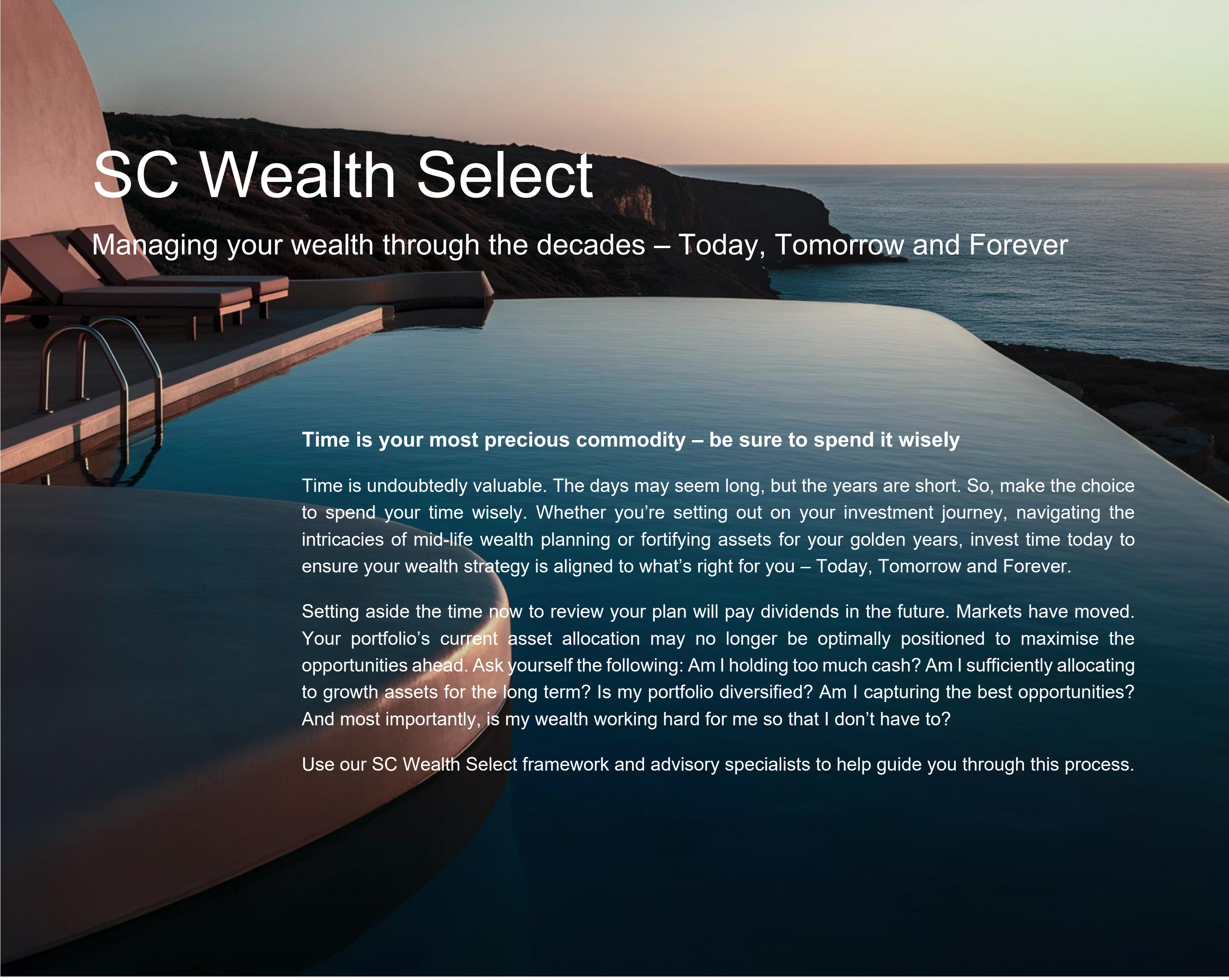
2 Nov > US: PMI
3 Nov > US: US Midterm Elections
4 Nov > EC: CPI
5 Nov > UK: BoE policy meeting
6 Nov > US: Nonfarm Payrolls
10 Nov > US: CPI
18-19 Nov > China: APEC Economic Leaders Summit
23 Nov > EC: PMI

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

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SC Wealth Insights

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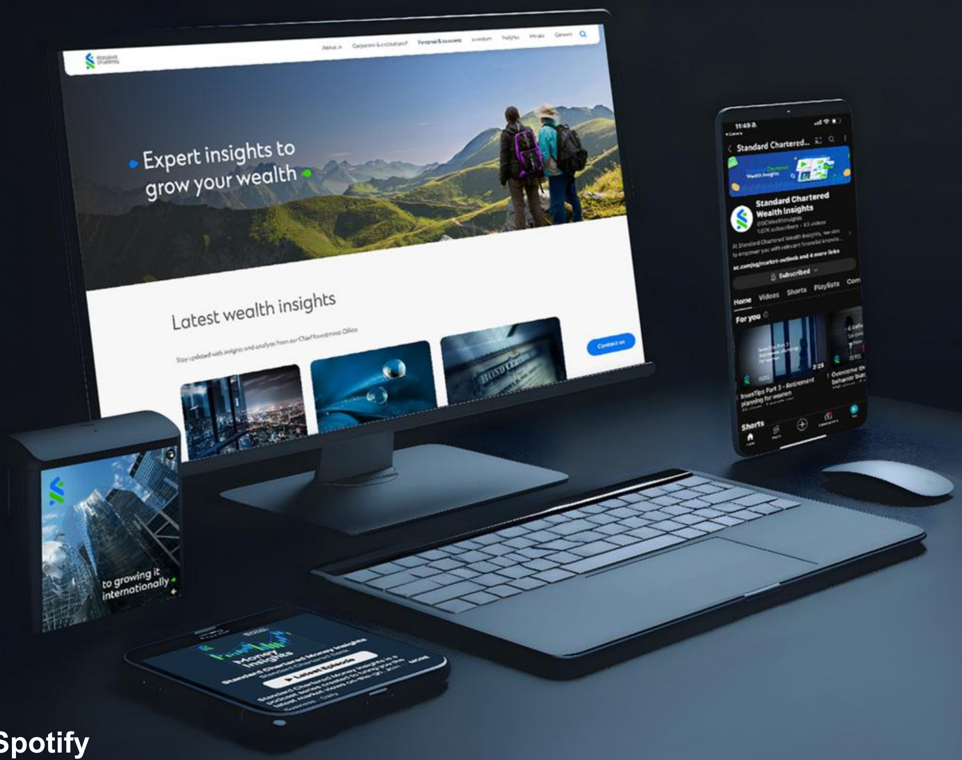

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