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Global Market Outlook

Transitioning to mid-cycle

We now favour a more balanced stance between stocks and bonds. Near-term event risks and high earnings expectations prompt us to trim equities to a Core holding. The US and Asia ex-Japan (AxJ) remain our preferred regions. We upgrade India to Overweight.

Higher bond yields are improving the outlook for future returns and offering increasingly attractive income opportunities. We are Overweight Emerging Market (EM) USD bonds and favour corporate over sovereign debt, but limit duration to 3-7 years.

We remain Overweight gold. Prices are likely to grind higher as near-term headwinds from higher bond yields are offset by EM central bank demand.



Where are the tactical opportunities?

Are central banks likely to continue hiking rates?

Are quantitative models still bullish on equities?

Important disclosures can be found in the Disclosures Appendix.

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Investment strategy and key themes

Steve Brice
Global Chief Investment Officer

Manpreet Gill
Chief Investment Officer, EMEA

Raymond Cheng, CFA, CPA
Chief Investment Officer, North Asia



12m Foundation Overweights:

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

Opportunistic Ideas – Equities:

- **Global:** High dividend
- **US:** Healthcare[^]
- **Euro area (EA):** Banks, MSCI Switzerland[^]
- **Asia:** Japan banks

Top Global Sectors:

- **US:** Technology, healthcare[^], financials, materials
- **EA:** Financials
- **Asia:** Japan financials

Opportunistic Ideas – Bonds:

- **US:** Treasury Inflation-protected Securities (TIPS), AAA-rated collateralised loan obligations (CLOs), US High-yield (HY)
- **Others:** AUD corporates

[^]New

Transitioning to mid-cycle

- **We now favour a more balanced stance between stocks and bonds.** Near-term event risks and high earnings expectations prompt us to trim equities to a Core holding. The US and Asia ex-Japan (AxJ) remain our preferred regions. Within AxJ, we upgrade India to Overweight.
- **Higher bond yields are improving the outlook for future returns and offering increasingly attractive income opportunities.** We are Overweight Emerging Market (EM) USD bonds and favour corporate over government bonds, but limit duration to 3-7 years.
- **We remain Overweight gold.** Prices are likely to grind higher as near-term headwinds from higher bond yields are offset by EM central bank demand.

Great expectations

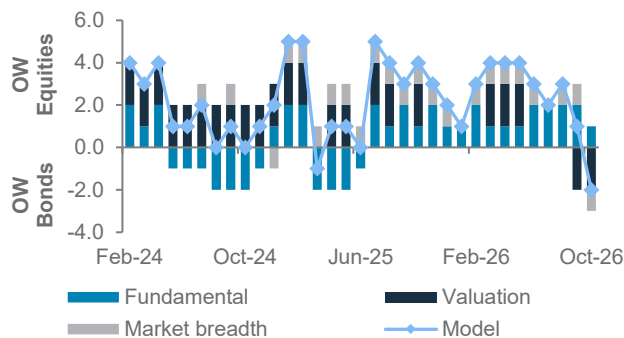
Individual risk events, high earnings expectations and a higher cost of capital point to a more moderate return environment ahead. In the very near term, financial markets must navigate key event risks, such as (i) the US mid-term elections, which have historically been associated with elevated market volatility and (ii) renewed geopolitical tensions, with several reports suggesting the US is considering renewed strikes on Iran. These concerns have pushed the Brent oil price well above USD 110/bbl despite significant ongoing crude oil flows through the Strait of Hormuz.

Higher bond yields combined with high earnings expectations raise the risk of an expectations reset. The US Q3 earnings season is attracting significant attention given high earnings expectations, particularly for the AI sector. However, higher US bond yields may start to bite as debt-financed capex takes on a greater share of total capex over the coming year. This, combined with already-high expectations, raises the risk of disappointment and a near-term repricing of expected earnings growth pace.

Despite the current challenges, healthy growth continues to underpin the economic backdrop. The US economic outlook remains well supported, and the absolute level of year-ahead earnings expectations is high. We do not expect Fed rate hikes to result in overly restrictive policy. Our caution, thus, stems from the risk of an expectations repricing rather than an outright economic slowdown.

Fig. 1 Our quant model score has fallen to levels associated with flat-to-modestly-negative equity returns

Our quantitative stock-bond model



Source: Bloomberg, Standard Chartered

A more balanced stock-bond mix

We trim global equities to a Core holding, leaving us Neutral on both equities and bonds and Overweight gold.

The concerns laid out earlier point to near-term volatility risks and a somewhat lower long-term growth trajectory for equities. Our quant model also reflects this cautious outlook, having downgraded equities to a level usually associated with flat-to-modestly-negative returns.

From a relative perspective, though, the higher yields on offer from bonds also raise the bar by presenting an increasingly compelling return outlook after several years of very low yields. We believe this argues for portfolios that are increasingly balanced between equities and bonds.

Ways to diversify equity exposure

We continue to favour global equity market diversification, with a preference for US and AxJ equities. We remain Overweight US and AxJ equities, expecting them to outperform other major regions. Earnings growth remains the main driver of this view – while growth rates could decelerate somewhat, we still expect them to remain higher than those of other major regions.

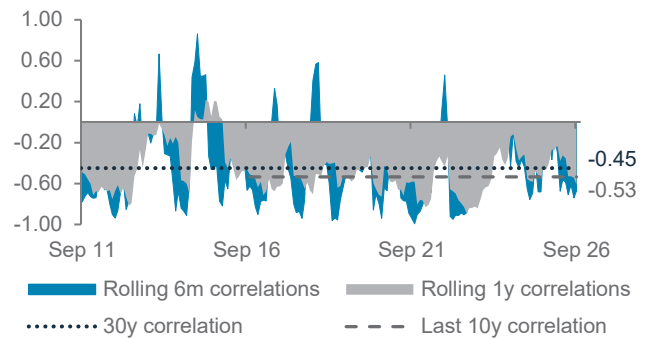
Japan and Euro area equities remain attractive as regional diversifiers. Our positive view on both markets' financial sectors supports our Core holding view on them.

Within Asia, we are Overweight Taiwan and India. Indian equities have lagged the region this year, in part due to limited listed AI-related exposure. However, we believe this is increasingly likely to become an advantage as investors seek greater diversification away from excessive concentration in the AI theme. This comes at a time when the economic and earnings growth outlook for Indian equities is starting to improve. We retain a more Neutral view on Chinese equities amid a still-challenging growth outlook.

We also favour greater sector diversification. In the US, we favour diversifying across our Overweight sectors of technology, financials, materials and healthcare. We also favour financials in Japan and the Euro area.

Fig. 2 Negative gold-USD correlation has held back gold amid USD strength. This is unlikely to persist

Gold and USD correlations over the last 15 years



Source: Bloomberg, Standard Chartered

Changes to our equity opportunistic ideas also reflect a more defensive stance. In recent weeks, we have closed our global semiconductors, MSCI Taiwan, US communication services and global power & electrification ideas and have opened new ideas on US healthcare and MSCI Switzerland.

Riding the yield train

We believe bond markets offer an attractive opportunity to lock in yields. The 10-year US government bond yield is now in a range last witnessed in 2007. While the process of rising yields results in lower bond prices – as painfully experienced in recent months – the yield level itself starts to significantly improve the outlook for future returns.

Favour corporate over government bonds, but check your duration. Still-high credit quality means that we continue to favour taking on credit risk to earn a higher yield (EM USD bonds are preferred, but we also see investment-grade (IG) and high-yield (HY) bonds as Core holdings). However, limiting duration to 3-7 years remains key to avoiding excessive exposure to any inflation surprises.

Changes to our bond opportunistic ideas also reflect a more balanced stance. We close our EU bank contingent convertible bonds (CoCos² – please refer page 29) and US utilities corporate hybrids ideas. We also close our opportunistic idea on US 10-year government bonds following the recent pullback in yields, locking in gains.

Alternatives and gold to remain relevant

Alternatives are an effective tool for portfolio risk management. Hedge funds and private markets provide a differentiated return stream, while rotating into alternatives helps reduce equity beta exposure. We examine downside capture and how beta is reduced via hedge fund sub-strategies and private markets in our asset allocation section.

Gold remains a key Overweight. We trim our three- and 12-month forecasts modestly, but see gold forming a strong base above USD 4,000/oz. Rising bond yields and the USD were recent headwinds, but we expect a softer USD and continued EM central bank demand to result in 12-month gains.

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

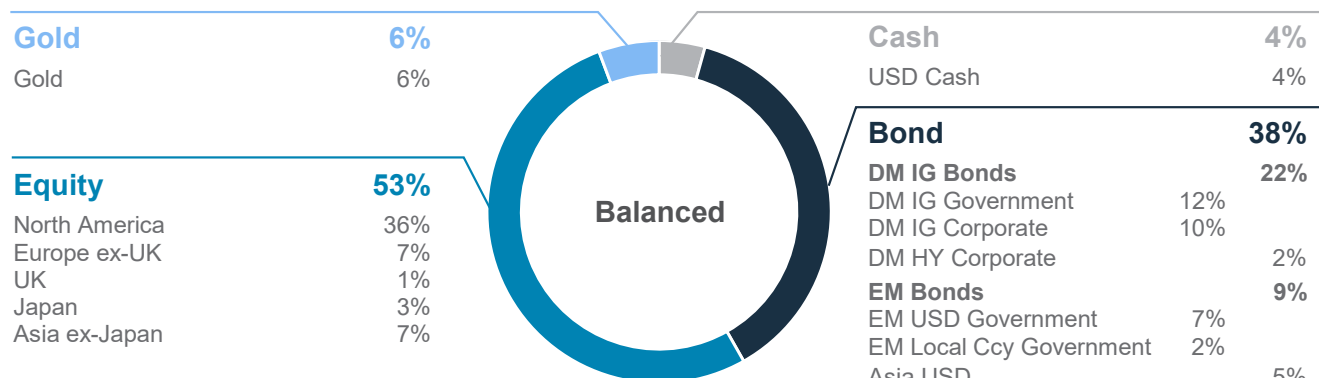


Fig. 4 Foundation+ asset allocation for a balanced risk profile

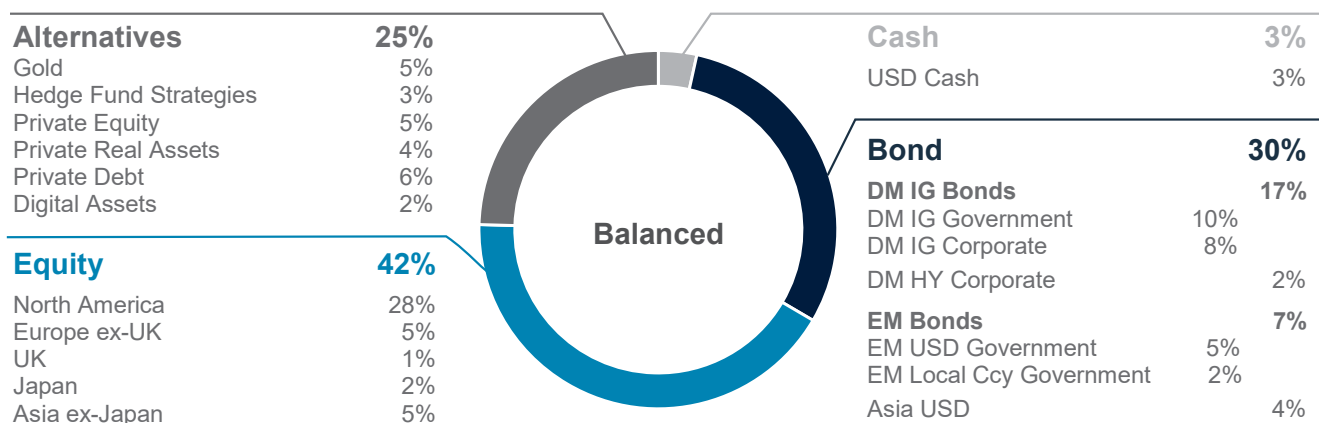
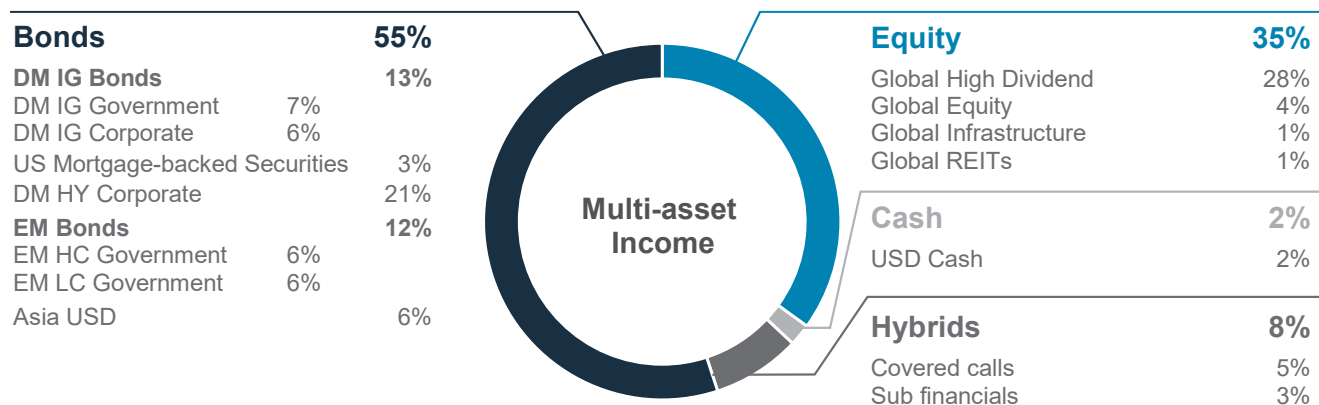


Fig. 5 Multi-asset income allocation for a moderate risk profile



Source: Standard Chartered

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

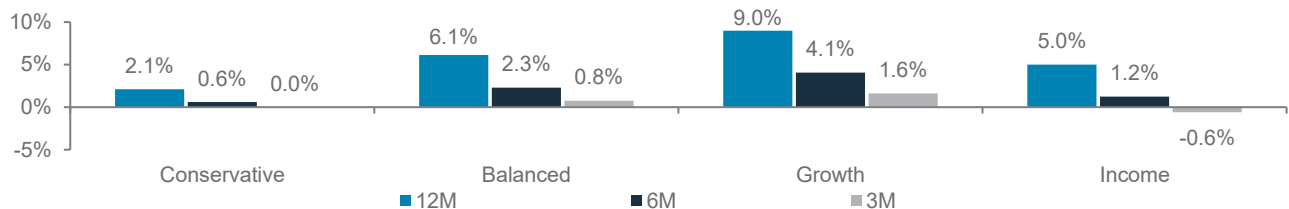
Foundation: Our tactical asset allocation

	View	Detail
USD cash	▼	+ Short-term safety - Likely to underperform vs. major asset classes
Bonds	◆	
<i>DM IG Govt</i>	▼	+ High credit quality, attractive yields - High sensitivity to inflation, monetary policy
<i>DM IG Corporate</i>	◆	+ High credit quality, improving valuations - Expected supply, especially in the US
<i>DM HY Corporate</i>	◆	+ Attractive yield, low rate sensitivity - Sensitive to growth and credit quality risks
<i>EM USD Govt</i>	▲	+ Attractive yield, sensitive to US rates - EM credit quality, US trade policy risks
<i>EM Local Ccy Govt</i>	◆	+ Attractive yield, benefit from USD weakness - US trade policy risks, inflation and FX risks
<i>Asia USD</i>	◆	+ Moderate yield, low volatility - Sensitive to China growth
Equities	◆	
<i>North America</i>	▲	+ Earnings growth, AI uptrend - US policy uncertainty, rising bond yields
<i>Europe ex-UK</i>	◆	+ Undemanding valuations, German fiscal spending - US trade policy risks, oil prices
<i>UK</i>	▼	+ Attractive valuations, dividend yield - Stagflation risks, US trade policy risks
<i>Japan</i>	◆	+ Reasonable valuations, rising dividends/share buybacks - JPY strength, US trade policy
<i>Asia ex-Japan</i>	▲	+ 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 28 October 2025 to 28 October 2026, Six-month performance from 28 April 2026 to 28 October 2026, Three-month performance from 28 July 2026 to 28 October 2026

Fig. 7 Opportunistic ideas performance

Key call	Inception/open date	Close date	Absolute return
Bond – open	1-10yr TIPS bonds	10-Apr-25	5.6%
	AAA-rated CLO	11-Dec-25	4.2%
	AUD corporate credit	19-Mar-26	2.1%
	US HY bonds	18-Jun-26	-1.5%
Bond – closed	EU bank AT1 FX-hedged	11-Dec-25	2.0%
	US Utilities Corporate Hybrids	19-Mar-26	0.5%
	US 10Y govt bonds	25-Sep-26	1.7%
Equity – open	Global High Dividend	18-Jun-26	4.8%
	Japan Banks	18-Jun-26	1.5%
	Euro area Banks	27-Aug-26	-9.7%
	US Healthcare	12-Oct-26	7.1%
	MSCI Switzerland	29-Oct-26	–
Equity – closed	US Communication Services	18-Jun-26	1.9%
	MSCI Taiwan	9-Jul-26	10.0%
	Global Power & Electrification	30-Jul-26	-6.5%
	Global Semiconductors	9-Sep-26	8.1%

Source: Bloomberg, Standard Chartered. Performance as of 29 Oct 2026

Asset Allocation insights: Assessing AI concentration risk through a Total Portfolio Approach

Sylvain Huard
Head of Asset Allocation

Hannah Chew
Portfolio Strategist

Summary



Artificial intelligence (AI) has become one of the most powerful drivers of global market performance and, increasingly, one of the largest contributors to portfolio risk. While we remain constructive on the long-term outlook for equities and continue to view AI as a transformational investment theme, our tactical positioning has recently shifted from an Overweight to a Neutral equity weight. This reflects a more balanced near-term risk-reward profile after a period of strong equity market performance and increasingly concentrated market leadership.

Against this backdrop, a deeper understanding of portfolio construction is essential. Investors should consider not only how much they allocate to equities, bonds and alternative investments, but also the underlying factors driving portfolio risk. Using a Total Portfolio Approach (TPA), we assessed the factor exposures embedded within our Foundation and Foundation+ Balanced portfolios, with a particular focus on AI concentration risk.

Our analysis suggests both portfolios are more diversified than a traditional 60/40 allocation and maintain meaningful exposure to long-term AI growth opportunities. The Foundation+ Balanced portfolio provides additional diversification through alternative investments and a broader range of return drivers, reducing reliance on public equity markets.

Key findings



Looking beyond asset classes: Understanding AI concentration risk

Investors often assess diversification through the lens of asset allocation. A portfolio containing equities, bonds, gold and alternatives may appear diversified on the surface. However, this traditional approach alone does not always reveal where portfolio risks are truly concentrated.

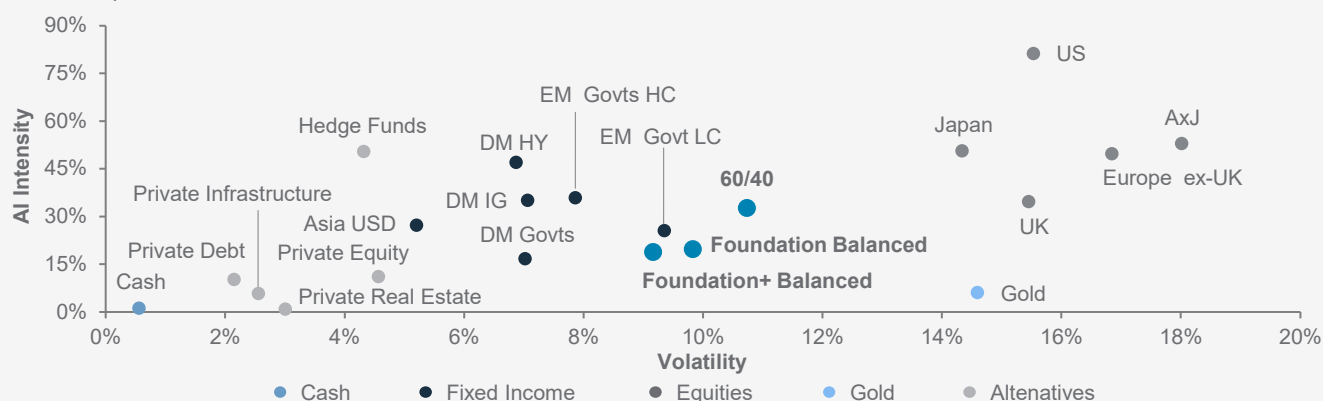
TPA starts from a different premise. Rather than focusing solely on asset classes, it seeks to identify the underlying factors that drive portfolio outcomes, including equity markets, interest

rates, credit spreads, currencies, liquidity conditions and thematic exposures such as AI.

This perspective is particularly relevant following our recent move from an Overweight to a Neutral equity allocation. While we remain constructive on equities over the long term, a growing share of market returns has been driven by a relatively narrow group of AI-related beneficiaries. For investors, the question is, therefore, not whether to maintain exposure to AI, but whether their portfolios have become overly dependent on a single theme or underlying risk factor.

Fig. 8 AI intensity and volatility across asset classes

Comparison of AI risk contribution and historical volatility across public and private asset classes, gold, hedge funds and diversified portfolios



Source: Bloomberg, Standard Chartered. AI Intensity is the combined volatility contribution of four AI value-chain factors in our proprietary model. The 60/40 benchmark is 60% MSCI World/40% DM government bonds, rebalanced monthly.

US equities exhibit some of the highest levels of AI intensity, reflecting the dominant role US companies play across the AI value chain. By contrast, fixed income, private assets and gold display significantly lower AI sensitivity and derive their returns from different economic drivers.

The objective is not to eliminate AI exposure. We continue to believe AI will remain one of the defining structural growth themes of the coming decade. Instead, the objective is to ensure portfolios participate in this opportunity without becoming excessively dependent on it.

Stronger diversification through different return drivers

One of the most common misconceptions is that greater diversification inevitably leads to lower returns. Our analysis suggests the opposite may be true when diversification is achieved through genuinely different return drivers. Both Foundation and Foundation + portfolios exhibit attractive risk-return characteristics relative to a traditional 60/40 allocation (see Fig. 9). They deliver comparable or higher return potential with lower volatility, smaller drawdowns and reduced sensitivity to global equity markets.

Fig. 9 Comparative risk-return and factor risk profile

Comparison of risk-return profiles across the 60/40, Foundation and Foundation+ Balanced portfolios

Risk-return profile	60/40	Foundation	Foundation+
Annualised return	8.8%	8.6%	10.7%
Ex-ante volatility	10.7%	9.8%	9.2%
Beta	0.71	0.65	0.59
Correlation	0.97	0.97	0.94
Upside capture	73.7%	68.8%	69.3%
Downside capture	68.3%	61.5%	49.6%
Diversification ratio	1.13x	1.21x	1.35x
Maximum drawdown	-23.4%	-21.8%	-19.4%
Equity market risk	52.1%	53.8%	35.5%
AI Ecosystem risk	32.6%	19.7%	18.8%
Hardware/semi.	7.6%	6.2%	4.5%
Hyperscaler capex	5.7%	4.4%	4.6%
Software platforms	7.6%	3.3%	3.8%
AI power & energy	5.1%	3.5%	2.9%
Rate risk	2.9%	0.6%	-0.6%
Credit risk	6.7%	15.4%	16.4%
Currency risk	3.4%	4.8%	4.1%
Inflation risk	0.0%	0.0%	-0.1%
Risk premium	–	–	-3.6%
Liquidity premium	–	–	23.5%
Systematic risk	97.8%	98.8%	94.0%
Idiosyncratic risk	2.2%	1.3%	6.0%

Source: Bloomberg, Standard Chartered. Risk contribution based on a factor-based proprietary model. Beta, correlation, upside/downside capture ratios are computed against the MSCI World Index.

Analysis for the period of June 2016 to June 2026.

The key insight is that diversification works best when risks originate from different economic drivers. Simply increasing the number of securities or asset classes is not sufficient. What matters is the breadth of return sources supporting portfolio outcomes.

AI remains a meaningful component of portfolio risk, and its exposure is spread across several parts of the ecosystem. Non-AI-related factors, including equity beta, credit, currencies and liquidity premia, also drive portfolio risk. This broader mix reduces dependence on any single investment theme and creates a more balanced portfolio structure.

The role of alternatives: Creating additional return engines

The most important distinction between our Foundation and Foundation+ portfolios is the inclusion of hedge funds and private assets in the latter. Alternatives can provide additional return engines and reduce reliance on equity market beta, but different strategies offer very different forms of diversification.

Within hedge funds, a **multi-strategy** provides a strong starting point for investors seeking lower equity sensitivity and differentiated return sources, with an equity beta of around 0.15-0.20 and a correlation slightly above 50% to global equities' performance. **Equity long/short retains greater participation in equity-led growth**, reflected in a higher 0.45 beta, and has historically captured 56% of global equity gains. However, it also maintains greater common exposure to equity and AI factors. **Relative value offers the lowest equity exposure**, with a beta of around 0.10 and participation below 5% of global equity losses, although nearly 80% of its modelled risk is attributed to credit (partly reflecting the use of convertible-arbitrage trades), highlighting that reducing equity beta can mean substituting it with another source of risk.

Within private markets, the sources of return also differ materially. **Private credit offers the most differentiated return engine**, with returns driven primarily by income and credit premia rather than equity appreciation. **Private equity, by contrast, remains more closely linked to equity and growth factors**, making it a stronger source of long-term return potential but a less effective tool for reducing portfolio beta. **Infrastructure can provide an attractive middle ground**. It retains exposure to AI-related structural themes, particularly through digital and power infrastructure, and offers lower equity beta and correlation than traditional public equities.

Ultimately, our move from an Overweight to a Core allocation in equity markets does not change our constructive long-term view on equities or AI. Rather, it reinforces the importance of understanding where portfolio risk originates. Investors do not need to choose between participating in the AI opportunity and maintaining diversification. Using a **TPA lens** combines exposure to long-term growth themes with a broader set of return drivers, including carefully selected alternatives, and reduces dependence on any single source of market performance.

Macro overview – at a glance

Rajat Bhattacharya
Senior Investment Strategist



Key themes

Core scenario (soft landing, 45% probability): An economic soft landing remains our core scenario, with the global economy overcoming this year's oil price shock thanks to a surge in AI investment in the US and Asia. Record wealth generation driven by the stock market rally is supporting US consumption. Fiscal easing in the US, Germany and Japan is supporting growth. Meanwhile, inflation has reaccelerated due to a rebound in fuel prices as the Middle East conflict drags on. Against this backdrop, the Fed, ECB and BoJ all hiked rates in the same month (in September) for the first time. Although all three subsequently paused in October, we expect the Fed to hike twice more, the ECB once more and the BoJ thrice more by June 2027. Nevertheless, we expect the energy and tariff effects on inflation to fade by H2 2027, enabling the Fed and the ECB to cut rates by Q3 2027. Meanwhile, China is likely to target credit easing and accelerate fiscal spending in H1 2027 to revive domestic growth.

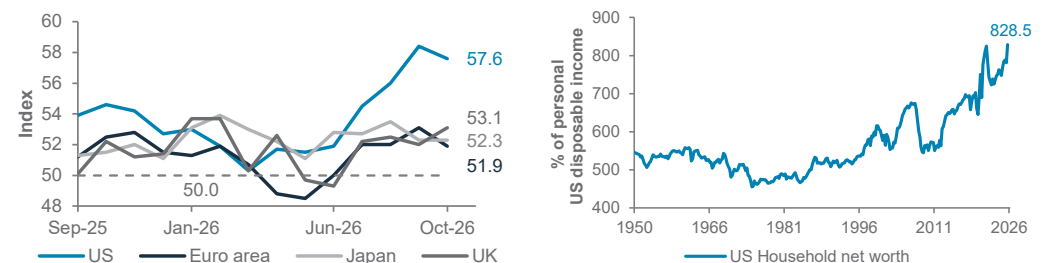
Upside risk (no landing, 30% probability): We maintain the probability at 30% as AI-driven investment growth continues. There is a reasonable chance that lower oil prices next year, the AI-fuelled wealth boom and fiscal easing in Germany and Japan will boost 'animal spirits'. A potential global defence spending boom, led by the US and Europe, could also lift global growth.

Downside risk (25% probability): We raised the risk of a recession to 15%, especially if central banks are forced to accelerate the pace of rate hikes to douse rising inflation. A stock market downturn negating the wealth effect or a bond sell-off due to fiscal concerns are other tail risks. We cut stagflation probability to 10% as we see low risk of oil prices sustaining above USD 120/bbl.

Key chart

The US-led AI-focused investment boom has lifted business confidence. The resulting equity market rally has boosted US household wealth, supporting consumption

Fig. 10 Robust business confidence amid AI boom; equity rally lifts US household net worth
Purchasing managers indices; US household net worth as percentage of personal disposable income



Source: Bloomberg, Standard Chartered

Policy rates watch

We expect the Fed to hike twice more by Q2 2027, then ease in H2 2027, as AI-led expansion continues. The US economy remains firmly in expansion. In Q3, annualised GDP growth accelerated to 3.4%, led by AI investments and consumption. In October, the composite Purchasing Managers' Index (PMI) remained strong at 57.6. Since our last monthly report, the consensus estimate for 2026 GDP growth has been nudged up to 2.3% from 2.1%, and the 2027 estimate has risen to 2.2%. That matches the Fed's upgraded growth projection of 2.3% for 2026, but remains below the Fed's 2.4% estimate for 2027. AI investment, fiscal support and household wealth are the main growth drivers, although consumer activity lags business spending. Higher bond yields and elevated oil prices are headwinds, but recession risks look contained. Our core scenario remains a 'soft landing', at 45%, with a meaningful 30% chance of a 'no-landing' upside.

Rising gasoline and diesel prices pushed US core personal consumption expenditures (PCE) inflation to 0.3% m/m and 3.1% y/y, matching estimates. Consensus sees core PCE inflation slowing from 3.2% in Q4 2026 to 2.4% by Q4 2027 as energy and tariff effects fade. Underlying price momentum is softening, and recent PCE methodology revisions have lowered core inflation. However, fuel costs passed on to wider consumers and AI-driven chip shortages remain upside risks.

In October, the Fed held rates at 4.0%, after hiking in September for the first time since 2023. We expect the Fed to hike rates by 25bps in December and 25bps more in H1 2027 due to elevated near-term energy inflation. It is likely to follow with a 25bps cut to 4.25% in Q3 2027 as disinflation returns. This aligns with the Fed's projected policy path, although it implies a more dovish trajectory than money markets, which are pricing another 56bps of hikes over the next 12 months. Political uncertainty after the mid-term election is a key risk.

ECB to hike once more in December, then pause. The Euro area recovery is firming. GDP grew 1.2% y/y in Q2 2026, up from 0.6% in Q1, and the manufacturing PMI stayed robust at 52.4 in October. Consensus 2026 growth has been raised to 1.0% from 0.9%, and 2027 is unchanged at 1.3%. The main supports are resilient exports and German infrastructure and defence spending. However, cautious consumers and soft private investment limit the recovery, and energy costs are squeezing household incomes and business margins. Recession is not the central expectation. French fiscal stress and sustained high energy costs remain the key risks.

Higher energy prices pushed Euro area headline inflation up to 3.8% y/y in September from 3.2% y/y in August, while core inflation rose to 2.5% y/y. Consensus expects headline and core inflation to ease to 2% y/y and 2.4% y/y by Q4 2027, respectively. Encouragingly, energy has had limited impact on core prices, and longer-term inflation expectations remain stable at around 2.1%. Together, these should allow inflation to moderate in 2027. The main risk is that energy, and especially gas, prices stay high for longer than expected.

The ECB held its deposit rate at 2.5% in October after raising it by 50bps this year. Inflation data continue to favour an additional hike in December. We expect an ECB rate hold in H1 2027, followed by a cut by Q3 2027 as disinflation returns. This policy path is more dovish than money markets, which are pricing more than 60bps of hikes over the next 12 months.

China to provide targeted support to defend growth floor. China's growth momentum recovered in September. Both the manufacturing PMI (50.1) and the non-manufacturing PMI (50.2) moved back into expansion. The construction PMI rose above 50 for the first time this year as infrastructure spending started to take effect. Exports grew 36.3% y/y, pushing the trade surplus to a record USD 133.5bn. We expect growth in 2026 to meet the lower end of the 4.5-5.0% target. Growth is increasingly bifurcated, though, with technology firms and exporters doing well, while household demand stays weak.

Prices are rising again, but only narrowly. Consumer inflation edged up to 0.9% y/y in September, and producer inflation surged to 5% y/y, its highest since 2022, driven by energy and metals prices and concentrated in upstream sectors. With

domestic demand weak and a high comparison base next year, the boost from energy prices is likely to fade in 2027.

Policy is in 'targeted easing' mode. We expect a modest fiscal package to defend the growth floor rather than a large stimulus. The PBoC cut a key rate by 25bps to 1.5% to fund 'Six Networks' infrastructure projects and raised its relending quotas. A new interest subsidy on first-home mortgages provides limited support to demand. We expect no policy rate cut this year. There is still room to speed up fiscal spending, including by using CNY 500bn of unused local-government debt quota. If the PBoC switches to an overnight reverse repo rate as its policy rate, that would imply a de facto rate cut as the overnight rate is lower than the 7-day official policy rate.

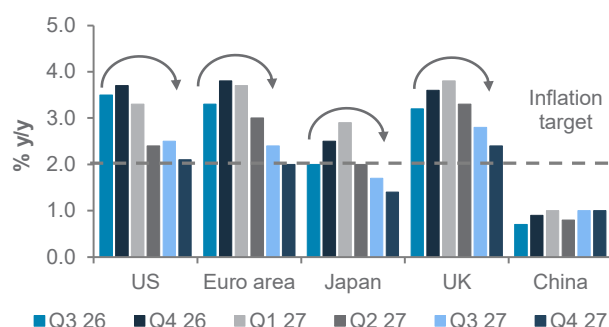
BoJ to hike at a quarterly pace until Q2 2027. Japan's economy remains solid. Wages are growing above 4%, and the labour market is tight. The main headwind is high energy prices, which is slowing growth. Fiscal spending gives some support: the FY27 draft budget includes ambitious spending plans, alongside a proposed two-year cut to the consumption tax on food and a new five-year defence programme. However, this extra spending raises questions about fiscal sustainability. The BoJ unveiled plans to triple the pace of ETF sales from January 2027, potentially funding the tax cut.

Price pressures now look firmly established. Headline and core inflation rose above 2% for the first time this year, and core-core inflation (ex-fresh food and energy) jumped to 2.4% and is expected to rise towards 3% in Q1 2027. Breakeven inflation rates have stayed above 2% most of this year. Real interest rates remain negative, hurting savers and pensioners.

The BoJ held its policy rate at 1.25% in October, after raising it in September, only three months after its previous hike. This points to an accelerated quarterly hiking pace. We expect the quarterly pace of hikes to continue, taking the rate to 2% by June 2027. Money markets have caught up with our hawkish view in recent months. The BoJ noted for the first time that underlying inflation has reached its 2% target, marking a shift from creating inflation to containing it. Politics could slow the hiking cycle in H2 2027. Two government-appointed board members voted against the September hike, and the two most hawkish members are due to leave in July 2027.

Fig. 11 Inflation is likely to ease globally by H2 2027

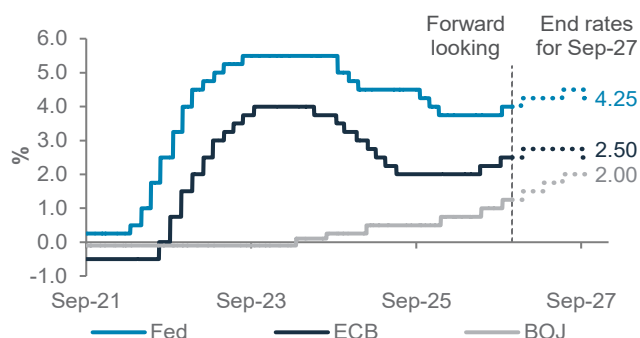
Consensus inflation estimates across major economies



Source: Bloomberg, Standard Chartered

Fig. 12 We expect limited central bank hikes over 12m

Our estimates of key central bank policy rates over 12 months



Fixed Income – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

Cedric Lam
Senior Investment Strategist

Ray Heung
Senior Investment Strategist

Anthony Naab, CFA
Investment Strategist



Our view

Foundation: Bond yields remain near multi-year highs, offering an attractive entry point. We view fixed income as a Core holding (ie, a Neutral allocation) in our multi-asset portfolios. Within the asset class, we maintain an Overweight stance on EM USD government bonds, given their attractive risk-reward. We hold an Underweight view on Developed Market (DM) government bonds due to the tail risks associated with term premia.

The Fed's decision to hold rates at 3.75-4.00% in October amid still-elevated energy prices suggests that every Fed meeting from here is 'live', with a rate change possible on incoming data. With US inflation still running hot and the labour market tight, we expect two more 25bps hikes (one by year-end and one in H1 2027), bringing the Fed's target range for the federal funds rate to 4.25-4.5%. We continue to favour the 3-7-year part of the US government bond yield curve as the best hedge against any risk-off move driven by AI-related growth fears. As inflation pressures ease in H2 2027, we see room for the Fed to consider a rate cut, which should pull nominal yields lower. Solid corporate fundamentals and supportive technicals should keep spreads tight, but there is limited room for them to tighten further. We still favour EM USD over local-currency (LCY) government bonds.

Opportunistic ideas: We are bullish on US TIPS, AAA-rated CLOs, broad US HYs and Australian dollar (AUD) corporate bonds.

Key charts



Fig. 13 Rate forecasts and our view of bond classes

Region	Horizon	2-year	10-year	30-year	Bond class	Our views
US	Q4 2026	4.50 – 4.75%	5.00 – 5.25%	5.25 – 5.50%	DM rates	▼
	Q3 2027	4.00 – 4.25%	4.75 – 5.00%	5.50 – 5.75%	DM IG corps	◆
Euro area	Q4 2026	3.00 – 3.25%	3.25 – 3.50%	3.75 – 4.00%	DM HY corps	◆
	Q3 2027	2.75 – 3.00%	3.00 – 3.25%	3.75 – 4.00%	EM USD govt	▲
Japan	Q4 2026	1.75 – 2.00%	3.00 – 3.25%	4.00 – 4.25%	EM LCY govt	◆
	Q3 2027	2.00 – 2.25%	3.25 – 3.50%	4.00 – 4.25%	Asia USD	◆

Legends: ▲ Most preferred / Overweight | ▼ Least preferred / Underweight | ◆ Core holding / Neutral allocation.

Green / Red represents an upgrade / downgrade from the prior GMO.

Source: Standard Chartered.

DM rates – Underweight

We remain Underweight DM government bonds. In the US, government bond yields have retraced meaningfully after a sharp bear steepening through September and early October. We expect real yields to stay elevated over the next six months as AI capex and productivity growth continue to drive above-trend economic growth. We expect two more 25bps rate hikes by June 2027.

Over the next few months, we expect US government bond yields to remain rangebound. The near-term path hinges on five factors: 1) the 3 November US mid-term election, where a 'Democratic sweep' would likely be bond-supportive by constraining US President Trump's fiscal spending agenda, while a 'Republican sweep' would likely weigh on bonds as markets price in further fiscal expansion and a higher term premium; 2) Fed communication at upcoming policy meetings;

3) the US Treasury's quarterly refunding announcement on 4 November, where any signal of reduced long-end issuance would likely compress long-end yields; 4) softening auction demand and repatriation by foreign investors, which add uncertainty around demand for US government bonds; and 5) the fluid geopolitical situation in the Middle East, which is keeping oil prices elevated, with a risk of further upside.

Going into H2 2027, we expect moderating oil prices and the fading inflationary impact of tariffs to give the Fed room to consider rate cuts. The US 30-year yield, however, is likely to stay elevated as fiscal deficit remains substantial next year.

We expect a final ECB hike to 2.75% by December 2026, then a pause in H1 2027, followed by a 25bps cut in Q3 2027. In Japan, we expect quarterly pace of BoJ hikes, with one hike that takes the policy rate to 1.50% by December 2026 and two more in H1 2027, reaching 2.00% before pausing at mid-year.

DM corporates – Core holding

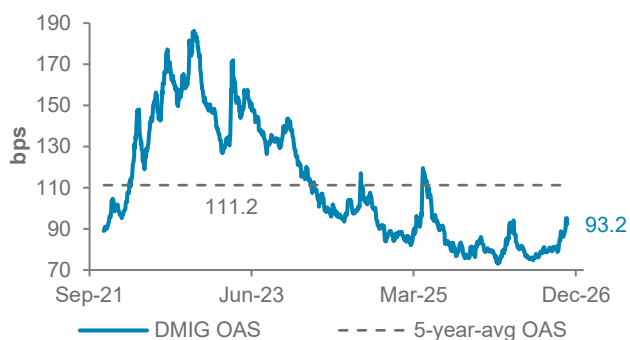
We maintain a Neutral allocation to both DM IG and DM HY corporate bonds, with a tactical bias to add exposure on episodic weakness, as carry continues to dominate total returns across DM credit. Credit spreads have widened from their lows but remain close to historical tightness, while yields are still attractive, reinforcing a carry-led stance. This tight-spread regime is anchored by robust issuer fundamentals, strong profitability and resilient balance sheets, despite a visible moderation in rating upgrades over the past quarter.

Technical supply dynamics are reshaping sector dispersion, especially in the IG space, where heavy AI-related issuance is weighing on the long end of the curve. AI-driven supply is surpassing USD 250bn in 2026 and making up a growing share of US IG gross issuance, but there are growing signs that hyperscalers are turning to private markets for funding, which should help ease public bond market supply pressures.

We remain selective at the long end of the yield curve and favour a duration of 3-7 years, where risk-adjusted carry remains most durable. Issuance-driven concessions in sectors with strong capex cycles (notably technology, capital goods and basic industries) present opportunities for investors who can stomach near-term volatility.

Fig. 14 DM IG spreads have widened from their lows, but remain near historically tight levels

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



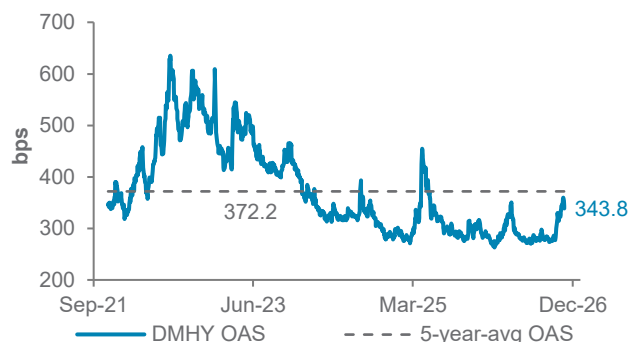
Source: Bloomberg, Standard Chartered

DM HY spreads have widened to roughly a six-month high. Persistent doubts about whether hyperscalers can generate adequate returns on massive AI capex investments triggered a broad risk asset sell-off. The CCC tier has become the focal point of genuine credit concern, with yields hovering near the high-15% range and spreads near a four-year high. Market focus has shifted to the funding pressures facing AI-related neocloud companies. We view this as idiosyncratic for now and see a limited impact on the broader HY universe. The underlying credit picture is mixed. Leverage is elevated and interest coverage is thin, but the broad market has not yet shown signs of systemic stress. The US HY default rate remains below trend in 2026.

HY offers an attractive income proposition, with all-in yields of over 8%. Its shorter-duration profile, combined with its lower sensitivity to changes in the term premium and rate volatility, make it an attractive sleeve in the current phase of the cycle. We remain attentive to evolving credit rating migration trends and sector-specific supply pressures, particularly as upgrades slow and new issuance clusters around key themes. However, healthy issuer fundamentals and stable credit metrics continue to support it as a Core holding allocation.

Fig. 15 DM HY spreads are off the tightness

Bloomberg Global HY Aggregate Corporate Index, OAS



Source: Bloomberg, Standard Chartered

EM government bonds – Overweight USD/Core holding for LCY

We are Overweight EM USD government bonds and retain EM LCY government bonds as a Core holding, reflecting a balanced perspective across both regional performance and currency dynamics. In EM USD sovereign debt, the recent spread widening offered an attractive entry point to gain exposure to areas benefiting from resilient global growth and stable external conditions. Technicals remain favourable, with supply being front-loaded and investor positioning remaining relatively light compared with historical levels.

Many EM central banks having tightened earlier and more aggressively post-pandemic, preserving credibility and maintaining positive real rates. External balances have improved, reserve buffers have increased and greater reliance on domestic funding reduces external vulnerability. Lula's surprise win in Brazil's presidential election raises political risk. The country's fiscal trajectory under the incoming administration is a key risk to monitor. Fiscal slippage could trigger a broader repricing of LATAM risk. In Asia, higher-rated issuers continue to offer a valuable buffer during bouts of global rate volatility, while select frontier exposures in EMEA remain more sensitive to liquidity shifts and changes in risk appetite. Index composition also shapes resilience: the EM USD benchmark is less exposed to oil price shocks, as countries that are not oil importers account for a larger share of the benchmark than in the LCY benchmark. We expect returns to be primarily driven by carry rather than further spread compression.

Fig. 16 EM USD government bonds offer a yield pick-up of nearly 3ppt over DM peers

Bloomberg EM USD Government Bond Index, yield to worst



Source: Bloomberg, Standard Chartered

EM LCY debt faces additional headwinds, especially as elevated US real yields and an appreciating USD dampen demand from foreign investors and reduce the comparative attractiveness of broad-based duration strategies. However, real yields remain comparatively supportive in several markets, and current valuations signal selective opportunities, especially given the restrictive monetary policy stances prevalent across many EM economies. Accordingly, EM LCY bonds retain their Core holding status, with portfolio emphasis

placed on country selection and measured duration exposure, reflecting the differentiated currency dynamics at play.

Key risks to both the USD and LCY segments include a potential escalation of the Middle East conflict, higher oil prices, renewed hawkishness from the Fed that could support further USD strength and weather-related disruptions, such as the effects of El Niño. Climate risks could prolong inflation pressures and hinder disinflation in vulnerable EM regions.

Asia USD bonds – Core holding

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

The resilience has been evident year to date (YTD). Asia USD bonds have outperformed both DM government and DM IG corporate bonds on a total-return basis. We expect this relative strength to persist. The combination of carry and credit quality (over 60% of issues are sovereign or sovereign-related) anchors our conviction in the asset class, even as we maintain a Neutral stance.



Bond opportunistic views

Bullish US HY bonds

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

Bullish US inflation-protected bonds (TIPS)

Real yields remain elevated versus historical standards, driven by rate hike expectations. Inflation concerns persist as energy prices remain subject to upside risks. We believe TIPS offer protection against near-term inflation uncertainty.

Bullish AUD corporate bonds

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

Technicals have improved slightly as higher yields slow new supply. Supply remains a tail risk, though. The AUD bond

market is much smaller than the USD market, especially at the long end of the curve, where demand for duration is thinner and the term premium is most sensitive to supply.

Bullish AAA-rated CLOs

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

Close utilities corporate hybrids

AI capex is set to keep rising, but funding it has become harder. Tighter financial conditions now coincide with growing competition for capital. Utilities' credit fundamentals remain strong. Even so, we close our utilities corporate hybrids idea to lock in a gain of 0.5% as a risk-management step.

² Contingent convertibles (CoCos) are complex financial instruments. Please refer to important disclosures on page 29.

Equity – at a glance

Sundeep Gantori, CFA, CAIA
Chief Investment Officer, Equities

Fook Hien Yap
Senior Investment Strategist

Cindy Lam, CFA
Senior Investment Strategist



Our view

We downgrade global equities from **Overweight** to a **Core** allocation as we expect higher volatility in the near term. We expect this volatility to arise as equity market leadership broadens during the transition to a mid-cycle bull market. Equity returns will likely moderate from the 15-20% annualised range of the last few years but remain positive. We remain **Overweight US and AxJ equities**, which are expected to deliver the highest earnings growth in 2027 among the major regions.

Within AxJ, we remain **Overweight Taiwan**, given structural AI-driven growth, and **upgrade India to Overweight**, for diversified non-AI growth exposure. South Korea is a **Core** holding, with attractive valuations but extreme volatility. China is also a **Core** holding, with attractive valuations but lacking a positive catalyst. We are **Underweight ASEAN**, which has a weaker growth profile.

We maintain **Japan as a Core holding** as nominal growth supports broad-based earnings revisions. We also maintain a **Core allocation to Europe ex-UK**, which is enjoying an earnings recovery. We remain **Underweight UK equities**, given the market's limited exposure to growth sectors.

Key chart

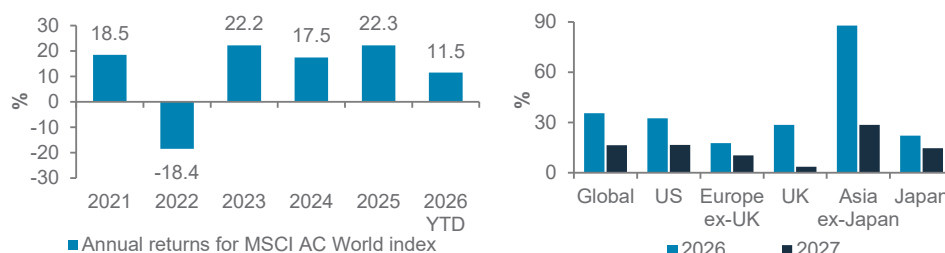
Earnings growth is driving gains in equities

Index	12m forecast	Upside to target [^]
S&P500	8,400	9%
Nasdaq 100	32,400	10%
Euro Stoxx 50	6,580	6%
FTSE 100	11,170	4%
Hang Seng	24,600	7%
Nifty 50	25,000	9%
Nikkei 225	68,500	6%

[^]Based on 29-Oct closing levels

Fig. 17 Broad-based earnings strength is supporting global equities. Our Overweight views on AxJ and US equities are supported by robust earnings growth

Annual returns for the MSCI AC World Index. 2026 and 2027 consensus earnings growth estimates for MSCI equity regional indices



Source: FactSet, Bloomberg, Standard Chartered

The bullish case		The bearish case	
Preference order ↑	US equities ▽ ◆ ▲	+ Exceptional earnings growth going into Q3 + Valuation de-rated to an attractive point + Relatively safe from global energy shocks	- Two-sided AI tail risk; AI winter/disruption - Higher yields and oil prices weigh on growth - AI capex raises profit margin bubble risk
	AxJ equities ▽ ◆ ▲	+ Strongest EPS growth from AI supercycle + PE valuation hits trough at 2008 GFC level + Corporate reforms drive long term growth	- Extreme concentration risks in index - Rising oil prices hurt Asian oil importers - Trade tensions and geopolitical risks linger
	Within AxJ	Taiwan ▲ India ▲ South Korea ◆ China ◆ ASEAN ▼	
	Japan equities ▽ ◆ ▲	+ Reflation and investment supports upside + EPS growth boosted by nominal growth + Corporate reforms still delivering value	- Hawkish BoJ pivot with more hikes expected - Long-end yields at multi-decade highs - Sensitive to energy prices as net importer
	Europe ex-UK equities ▽ ◆ ▲	+ Earnings recovery after 3 stagnant years + Fiscal expansion lifts domestic demand + Higher rates favour banks and value	- Energy shocks are inflation headwinds - French election risk yield spread may widen - Muted earnings growth trails major regions
	UK equities ▼ ◆ ▲	+ Defensive hedge amid AI fears + Takeover activity puts floor on valuation + Outperforms when oil rallies and rates rise	- Highest long-end yields in developed world - Defensive composition lags in a growth rally - Muted earnings growth with low AI exposure

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

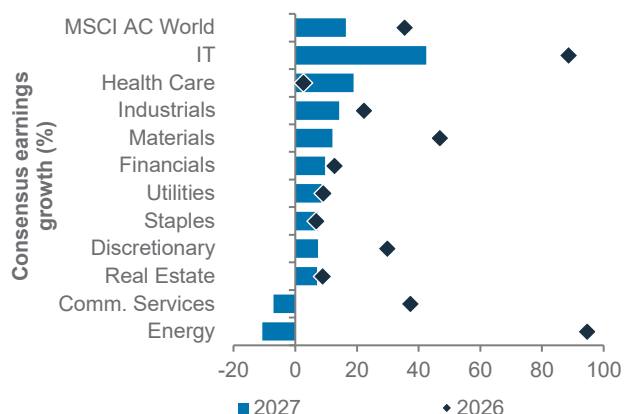
Source: Standard Chartered Global Investment Committee

Shifting to a mid-cycle bull market

The last few years have seen strong annual returns of 15-20% for global equities, consistent with the early cycle of a bull market, driven in large part by a rapid AI buildout. As the AI infrastructure buildout is increasingly debt funded – we estimate 40% of AI capex in 2027 would be debt-financed – the market is increasingly concerned about the quality of this growth and execution risks. We remain positive on the structural AI theme, but we expect investor focus to shift from rapid buildout to monetisation. During this transition, we expect **market leadership to broaden** beyond technology. We believe this shift will also be accompanied by **higher near-term volatility** and a **moderation in global equity returns**, consistent with a transition to a mid-cycle bull market.

Fig. 18 Projected 16% earnings growth for global equities in 2027 provides a strong tailwind for positive equity returns

2026 and 2027 consensus earnings growth estimates for MSCI AC World sectors



Source: FactSet, Bloomberg, Standard Chartered

US equities – Overweight

US equity valuations have declined this year, with the 12-month forward P/E falling to 19x from 22x at the start of the year. This reflects higher rates, a valuation headwind, and worries about the quality of growth, which is increasingly debt-funded. As market leadership broadens and the US mid-term election nears, we expect higher near-term volatility in the US market. Nonetheless, US equities have broad-based strength, with the ongoing Q3 earnings season pointing to a robust economy. In a world of rising geopolitical risks, the US is also relatively insulated by its domestically driven growth.

AxJ equities – Overweight

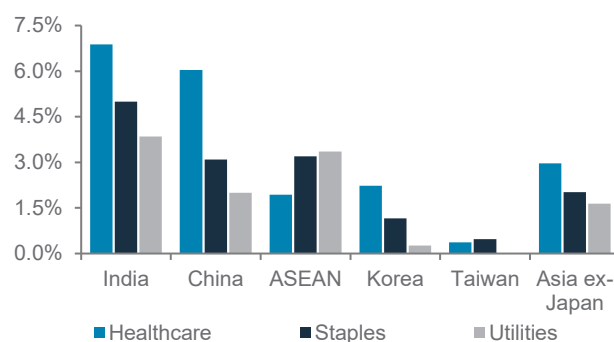
AxJ has the **strongest earnings growth** among major markets, as its technology sector remains a key beneficiary of the AI capex cycle. AxJ's P/E valuations have also dropped to attractive trough levels, the lowest among major regions. Within AxJ, we are **Overweight Taiwan**, which benefits from clear visibility on AI-driven growth and dominance in manufacturing advanced AI chips. We also **upgrade India to**

Overweight due to its resilient domestically driven earnings, providing diversification beyond AI-related growth. India offers the highest exposure to defensive sectors (healthcare, consumer staples and utilities) within AxJ. Both Taiwan and India offer attractive returns on equity.

South Korea equities remain a Core holding. We are positive on long-term agreements that improve earnings visibility for memory chipmakers. Valuations are attractive (the lowest in AxJ), with supportive corporate governance reforms. Still, extreme volatility remains the key overhang. **China remains a Core holding**, given inexpensive valuations, but re-rating potential appears delayed amid AI monetisation struggles, lingering regulatory risks and weak domestic demand. **We remain Underweight ASEAN**, as Indonesia's downgrade warning, oil shocks and a well-supported USD could weigh on the region, although Singapore offers defensive growth.

Fig. 19 India offers highest AxJ exposure to defensive sectors (healthcare, consumer staples and utilities)

Sector weights for MSCI equity indices



Source: FactSet, Bloomberg, Standard Chartered

Japan equities – Core allocation

Rising nominal growth is supporting solid broad-based earnings revisions, with rising rates supportive of bank earnings. Corporate governance reforms also continue to boost shareholder value. The fiscal support for strategic industries is pro-growth, offsetting energy shocks.

Europe ex-UK equities – Core allocation

Europe ex-UK is seeing an earnings recovery after three stagnant years, and we expect to see a continuation of this narrative with Q3 results. Rising rates are supportive of banks' earnings and fiscal expansion is benefiting domestic demand. The fiscal situation in France has no easy solution, but we do not expect a contagion widening in government bond spreads, as the ECB has tools in place to limit contagion.

UK equities – Underweight

The UK lacks exposure to growth sectors, with relatively muted earnings growth. We expect this to weigh on the UK, making it lag the performance of other markets over the next 12 months, although UK equities tend to hold up better during bouts of volatility.

Equity opportunistic views

Robin Xie, CFA
Senior Investment Strategist

Ryan Goh
Investment Strategist

Jason Wong
Senior Equity Analyst

Add MSCI Switzerland and US Healthcare, remove Global Power & Electrification, MSCI Taiwan, Global Semis and US Comm Services

We initiate an opportunistic Idea on **MSCI Switzerland** on 29 October 2026, having initiated one on **US Healthcare** on 12 October 2026. Healthcare and Consumer Staples account for over 50% of the MSCI Switzerland Index's weight, providing exposure to more resilient demand. It also has a sizeable financial sector supported by steady wealth management growth and well-capitalised insurers, which benefit from disciplined underwriting and resilient premium income.

We closed our opportunistic ideas in **Global Semiconductors** (9 September 2026 to 2 October 2026: +8.1%), **MSCI Taiwan** (9 July 2026 to 2 October 2026: +10.0%), **US Communication Services** (18 June 2026 to 12 October 2026: +1.9%), and **Global Power & Electrification** (30 July 2026 to 29 October 2026: -6.5%). This reflects a tactical reduction in exposure to tech-related sectors amid higher expected near-term volatility, rather than a deterioration in the fundamental outlook. Over the longer term, we remain constructive on these structural themes and may revisit these ideas at more attractive entry points.

Fig. 20 Opportunistic Ideas

Region	Idea
Global	Global High Dividend
US	US Healthcare*
Europe	Euro Area Banks
	MSCI Switzerland*
Asia	Japan Banks

Source: Standard Chartered. * New idea

Ongoing Opportunistic Ideas

US Healthcare: We expect US Healthcare to offer resilience amid shifting market leadership, with the sector projected to grow by 23% in 2027, the second-fastest growth rate among MSCI US sectors, underpinned by healthcare innovation.

Euro area banks: A 'higher-for-longer' rate backdrop should extend the earnings upcycle, with further ECB tightening expected. Corporate loan demand is showing recovery, while non-interest income is growing. Strong capital generation supports higher dividends and continued share buybacks.

Japan Banks: BoJ policy normalisation drives net interest margin upside, while Japan's deflation cycle supports nominal loan demand, corporate capex and household wealth activity. Governance reform is a re-rating driver independent of the

rate cycle. This includes recycling legacy holdings towards growth, buybacks and dividends.

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

Sector views: Continue to broaden & diversify

We made two changes on 12 October 2026: we **downgraded US Communication Services to Neutral** to reduce concentration in tech-related sectors and **upgraded US Healthcare to Overweight**, where its defensive exposure stands to benefit as investors diversify beyond concentrated AI exposure. **This month, we downgrade Europe ex-UK Industrials to Neutral**, as energy-cost shocks and supply-chain pressures outweigh fiscal support. Elsewhere, **US Information Technology (IT) remains Overweight**. Rising funding and execution risks warrant near-term caution, but structural AI tailwinds should continue to provide long-term growth opportunities. **US Materials also stays Overweight** on sustained demand for industrial metals and construction materials. We remain bullish on gold. The **Financial sector remains Overweight across the US, Europe ex-UK and Japan**, supported by stable earnings, elevated rates boosting net interest income and continued capital market recovery.

In China, we maintain a broad Overweight stance to preserve sector diversification. **IT and Communication Services remain Overweight**, with rapid innovation and investment in AI localisation providing tailwinds. Beyond these, we are also **Overweight Materials** on structurally elevated commodity prices, **Healthcare** on biotech innovation and a robust drug pipeline and the **Financial sector** on easing margin pressure, recovering fee income and capital market reform.

Fig. 21 Our sector views

Top preferred Global sectors	China sectors
US IT	IT
US healthcare ▲	Financials
US financials	Communication services
US materials	Materials
Europe ex-UK financials	Healthcare
Japan financials	Energy
	Industrials
	Discretionary
	Utilities
	Consumer 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



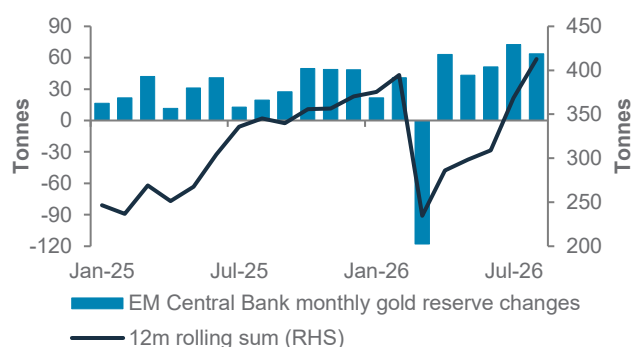
Our view

- We remain Overweight gold, but trim our three- and 12-month price targets to **USD 4,350/oz** and **4,700/oz**, respectively.
- We retain our three- and 12-month West Texas Intermediate (WTI) oil forecast at **USD 100/bbl** and **USD 80/bbl**, respectively.

Key charts



Fig. 22 EM central bank demand a key support for gold
Selected EM central bank gold reserve changes



Source: World Gold Council, Standard Chartered

Fig. 23 Gold's recent correction coincides with renewed USD strength
Gold price vs. DXY



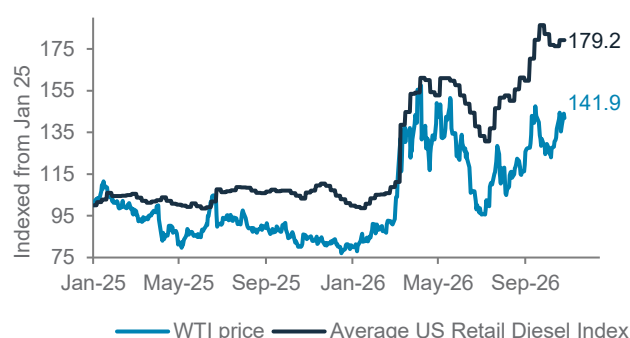
Source: Bloomberg, Standard Chartered

Fig. 24 WTI trails March-April conflict highs as tanker freight rates have more than doubled
WTI spot price vs. Baltic Dirty Tanker Index



Source: Bloomberg, Standard Chartered

Fig. 25 Diesel prices have outpaced crude oil prices as downstream pressures intensify
WTI crude oil prices vs. US retail diesel prices, (Jan-25=100)



Source: EIA, Bloomberg, Standard Chartered

Gold outlook: We remain constructive over 6-12 months, viewing the latest pullback as liquidity-driven rather than a deterioration in fundamentals. USD strength is a headwind, but gold's sensitivity to real yields has eased amid continued central bank buying, led by China, and resilient investor demand. Speculative positioning near May lows raises scope for renewed inflows. High oil prices sustain near-term volatility but may eventually lift gold if they constrain global growth.

Oil outlook: Crude prices remain elevated as shipping disruptions drive freight costs to multi-year highs, sustaining a geopolitical risk premium. While Middle East exports have proven resilient, threats to production infrastructure are mounting. Refined products, especially diesel, face the greatest supply pressure amid depleting inventories and constrained refining capacity. With limited emergency supply buffers, oil markets remain vulnerable to prolonged disruption.

FX – at a glance

Jonathan Liang, CFA
CIO, Fixed Income & FX

Vincent Tan
Senior Investment Strategist

Iris Yuen
Investment Strategist



USD view

USD consolidation with limited upside: Our three-month US Dollar Index (DXY) forecast stands at 101, revised upwards from 100.20 last month, reflecting a higher expected Fed rate path. With the October Fed rate pause and a potential December rate hike largely priced in, further tightening would offer limited additional USD support. Persistent inflation, elevated US government bond yields and resilient business activity continue to underpin the USD's interest-rate advantage. However, in September, payroll growth slowed sharply to 29,000 (from 133,000 in August), the unemployment rate rose to 4.2% from 4.1%, annual wage growth eased to 3.0% from 3.1% and housing starts fell 5.2% m/m. These signs of cooling demand temper expectations of more aggressive Fed tightening. We expect DXY to remain rangebound between 101 and 103, with our three-month forecast at 101.00.

Peaking Fed rates and narrowing rate differentials favour gradual USD weakness: We maintain our 12-month DXY forecast at 98.50. We expect a Fed rate hike in December 2026 and another in H1 2027, taking the federal funds target range to a peak of 4.25-4.50%, before easing in H2 2027. Further BoJ normalisation and the ECB's relatively restrictive policy stance should progressively narrow the USD's rate advantage. Persistent fiscal and current account deficits increase reliance on foreign capital inflows, adding to medium-term pressure on the USD. Resilient US growth, AI-related capital inflows and elevated US government bond yields remain important offsets, supporting DXY's gradual decline towards 98.50.

Key charts



Fig. 26 USD to consolidate near-term; expected Fed hike peak in H1 2027 supports a decline to 98.50 over 12 months
DXY and interest rate differentials



Source: Bloomberg, Standard Chartered

Fig. 27 France's fiscal risks weigh on the EUR in the near term, despite a medium-term recovery
EUR/USD and Germany-France 10-year bond yield spread



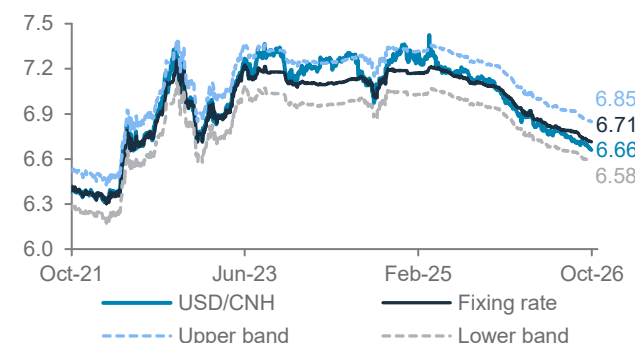
Source: Bloomberg, Standard Chartered

Fig. 28 CHF safe-haven demand limits USD/CHF upside, despite wide US-Swiss yield differentials
USD/CHF and US-Swiss 10-year bond yield differential



Source: Bloomberg, Standard Chartered

Fig. 29 USD/CNH declines alongside firmer PBoC fixing guidance
USD/CNH and the PBoC fixing rate



Source: Bloomberg, Standard Chartered

Fig. 30 Summary of major FX forecasts and drivers

Currency	Spot*	3m	12m	Rationale
EUR/USD	1.1202	1.14	1.17	Constructive: French fiscal risks and high US bond yields weigh in the near term. Germany's multi-year investment programme, resilient exports and a narrowing US rate advantage support medium-term EUR recovery.
GBP/USD	1.3374	1.33	1.35	Rangebound: Higher UK inflation and stronger October PMI support BoE tightening expectations. While Healey's plan deferred the biggest fiscal decisions rather than resolving them, any future fiscal slippage or gilt market stress would limit GBP gains.
USD/JPY	156.87	157	153	Rangebound with bearish bias: Further BoJ tightening, lower US rates and moderating oil prices support the JPY. However, negative Japanese real rates and overseas investment flows could limit the pace of JPY appreciation.
AUD/USD	0.7036	0.72	0.74	Constructive: Weak employment and a contracting October PMI temper near term AUD gains. However, the RBA's restrictive policy, resilient commodity demand and a narrowing US rate advantage support gradual AUD appreciation.
NZD/USD	0.5699	0.56	0.57	Rangebound: Q3 inflation eased to 3.7% y/y from 4.1%, reducing pressure for additional RBNZ tightening. Subdued domestic growth and elevated US yields favour NZD consolidation towards 0.56 in the near term, before a softer medium-term USD supports a recovery towards 0.57.
USD/CAD	1.4003	1.40	1.37	Rangebound with bearish bias: US-Canada trade uncertainty and softer Canadian employment limit near-term CAD gains. We expect the Fed to ease in H2 2027, narrowing the US interest rate advantage and supporting gradual CAD appreciation.
USD/CHF	0.8250	0.82	0.80	Modestly bearish: French fiscal uncertainty supports CHF safe-haven inflows, outweighing the wide US-Swiss rate differential, favouring appreciation towards 0.82 near-term. Fading US rate support from H2 2027 favours further appreciation; zero SNB rates and CHF's funding role are likely to keep CHF appreciation pace gradual.
USD/CNH	6.6690	6.62	6.52	Modestly bearish: September exports grew 36.3% y/y and the trade surplus widened to USD 133.5bn, strengthening exporter USD conversion support. Industrial production growth accelerated to 5.5%, while retail sales growth remained subdued at 1.1%. PBoC fixing guidance and strong external flows support controlled CNH appreciation towards 6.52.
USD/SGD	1.2781	1.28	1.26	Near-term rangebound; medium-term modestly bearish: The Monetary Authority of Singapore maintained its S\$NEER appreciation policy unchanged in October, following a "very slight" increase in July. Q3 GDP expanded 5.4% y/y, supported by technology-related activity. The unchanged appreciating policy band and narrowing medium-term US rate advantage favour gradual SGD appreciation towards 1.26.
USD/INR	94.94	–	96	Modestly constructive: October composite PMI strengthened to 56.7 from 55.9, while the RBI raised its repo rate by 25bps to 5.50%, supporting the INR through tighter monetary policy. However, September's USD 30.2bn trade deficit, elevated oil import costs and external funding needs sustain USD demand, favouring gradual INR depreciation towards 96.
USD/MYR	4.0857	–	4.00	Modestly bearish: September exports grew 54.5% y/y and the trade surplus widened to MYR 33.7bn, strengthening export-related FX conversion. Resilient GDP growth of 5.3% y/y and a softer medium-term USD support gradual MYR appreciation towards 4.00.
USD/KRW	1,360	–	1,450	Bullish: Strong semiconductor exports support Korea's external surplus, but concerns over AI investment returns and concentrated technology equity exposure have increased foreign portfolio selling. Overseas investment and the US-South Korea yield advantage sustain USD demand, supporting our forecast for USD/KRW to rise towards 1,450.

Source: Bloomberg, Standard Chartered

*As of 4am, 26 Oct 2026 SGT

Quant perspective: Modestly UW equity as near-term risk rose

Francis Lim
Senior Quantitative Strategist

Maggie, Au Yeung
Quantitative Analyst



Summary

Our stock-bond model (3-6 months) is at -2 (minimum: -5) in October, signalling a modest Underweight (UW) in global equities. Historically, a decline in the model score to -2 has been associated with flat to slightly negative returns. The shift was driven by stretched valuations in both global and Asian equities, weaker fundamentals and deteriorating market technicals. On fundamentals, market risk aversion has risen sharply, while PMI new orders have declined over the past three months, pointing to a slowdown in the pace of industrial expansion. On technicals, the share of equity markets trading above their 200-day moving averages, a key gauge of long-term support, has fallen below 60% for the first time since January 2025. The model rebalances in the middle of each month and has generated 11bps of alpha from the equity Underweight initiated on 15 October 2026, lifting YTD alpha vs. the 60/40 equity-bond benchmark to 4.0%.

Our 1-3-month equity market regime model indicates contained bear market risks across US and global equities. Estimated bear market probabilities are 4.2% for the S&P500 and 7.7% for the MSCI AC World, compared with 0.9% and 6.4% respectively in the September outlook. Across both models, volatility measures are the main factors keeping probabilities low, supported by momentum signals. Together, these outweigh modest upward contributions from macro and cross-market factors, leaving little evidence of a bear market regime over the next 1-3 months.

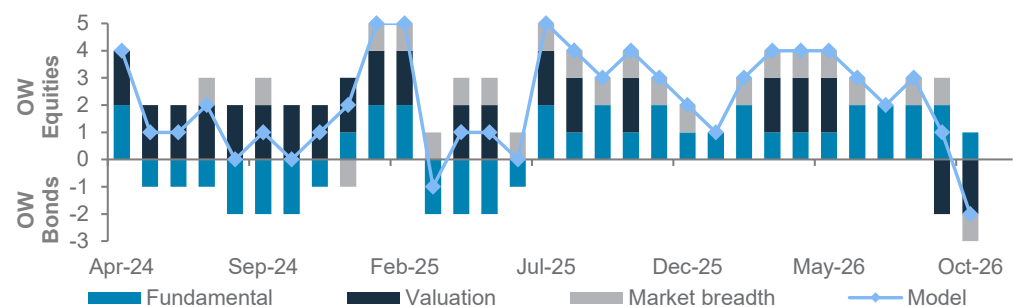
Our market diversity indicator flags reversal risk in MSCI Europe Real Estate and MSCI China Industrials, which are down over 12% and 19% respectively from their August peaks. US equity and USD positioning remain broadly neutral.

Key chart

Our stock-bond model shifted its Overweight allocation towards bonds as valuation and technical signals weakened

Fig. 31 Breakdown of our stock-bond rotation model's scores

Our model reduced equity weight to 36% from 68% as the model score fell to -2



Source: Bloomberg, Standard Chartered; 28-October-2026

Volatility and momentum signals continue to keep bear market probabilities low. The latest results remain consistent with a non-bear market regime over the next 1-3 months, rather than signalling a major downturn

Fig. 32 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; 29-October-2026

Fig. 33 Long- and short-term quantitative models remain bullish on risk assets

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

Long-term	Stock or bond	US recession model
Current view	Modest equity underweight	25% probability within the next 6 months
What factors is this view based on?	<ul style="list-style-type: none"> • Fundamental: +1. Fundamentals weakened, with macro risk indicator rising above 0.5 threshold and the negative three-month change in PMI new orders pointing to a slowdown in industrial activity expansion • Valuation: -2. Both DM and Asian equities are expensive as their valuation scores exceeded the model's 1 z-score threshold • Technical: -1. The percentage of equity markets above their 200-day moving averages has fallen steeply from above 80% since in August to current 47% 	<p>Estimated probability rose slightly from 21%</p> <ul style="list-style-type: none"> • Conference board consumer confidence worsened to -14.3% y/y • PMI new orders to inventory ratio is at 1.14x, below its historical average of 1.2x • Conference board leading indicators improved but remained negative at -0.7% y/y • Fed funds rate to natural rate ratio is still high at 1.7x, reflecting a restrictive monetary policy compared to historical average of 1.3x
Key model factors	<ul style="list-style-type: none"> • Economic activity, macro risk and surprise indices, corporate earnings, forward P/E ratio and technical factors 	<ul style="list-style-type: none"> • Conference Board leading indicator, Consumer Confidence Index, ISM New Orders and Fed funds rate
How does it work?	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • A probability model based on regression. Long-term statistical tests are conducted to identify the four key economic factors above

Short-term	Technical analysis	Investor positioning
Current views	Bullish S&P 500 & MSCI AC World	MSCI Europe Real Estate and China Industrials
What factors is this view based on?	<ul style="list-style-type: none"> • Bullish S&P500 and MSCI AC World. Bear market probabilities remain low at 4.2% and 7.7% respectively. Volatility measures are the main factors keeping these estimates low, supported by momentum signals and outweighing modest contributions from macro and cross-market factors 	<ul style="list-style-type: none"> • Market diversity indicator flags reversal risk in Europe Real Estate and China Industrials. The indices have declined by more than 12% and 19%, respectively, from their August peaks • Investor positioning remains broadly neutral across both US equities and the US dollar, indicating that investor exposure is not especially stretched in either direction
Key model factors	<ul style="list-style-type: none"> • Market factors: Momentum, volatility, interest rate differentials, relative returns, inflation swap rates, economic surprises, etc 	<ul style="list-style-type: none"> • Price action: Overbought conditions occur when prices rise sharply; oversold conditions happen when prices fall rapidly in a short time
How does it work?	<ul style="list-style-type: none"> • Scanning through 7,000+ factors, the framework uses ML to forecast market regimes or future trends based on identified market drivers 	<ul style="list-style-type: none"> • 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

		FOUNDATION					FOUNDATION
Summary	View	Moderate	Balanced	Aggressive	Summary		Conservative
Cash	▼	4	4	4	Cash		10
Fixed Income	◆	58	38	18	Fixed Income		90
Equity	◆	33	53	73			
Gold	▲	6	6	6			
Asset class					Asset class		Moderate
USD Cash	▼	4	4	4	Cash		10
DM IG Bonds		35	22	9	Floating Rate Notes		45
DM IG Government Bonds*	▼	21	12	4	DM IG Govt (Short duration)		10
DM IG Corporate Bonds*	◆	15	10	5	DM IG Corp (Short duration)		15
DM HY Corporate Bonds	◆	3	2	1	DM HY (Short duration)		5
EM Bonds		11	9	5	EM USD Govt (Short duration)		5
EM USD Government Bonds	▲	8	7	5	EM LCY Govt		5
EM Local Ccy Government Bonds	◆	3	2	0	Asia USD bonds		5
Asia USD Bonds	◆	8	5	3			100
North America Equities	▲	23	36	49			
Europe ex-UK Equities	◆	4	7	9			
UK Equities	▼	0	1	1			
Japan Equities	◆	2	3	4			
Asia ex-Japan Equities	▲	4	7	9			
Gold	▲	6	6	6			
		100	100	100			

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

Source: Standard Chartered

Notes: 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

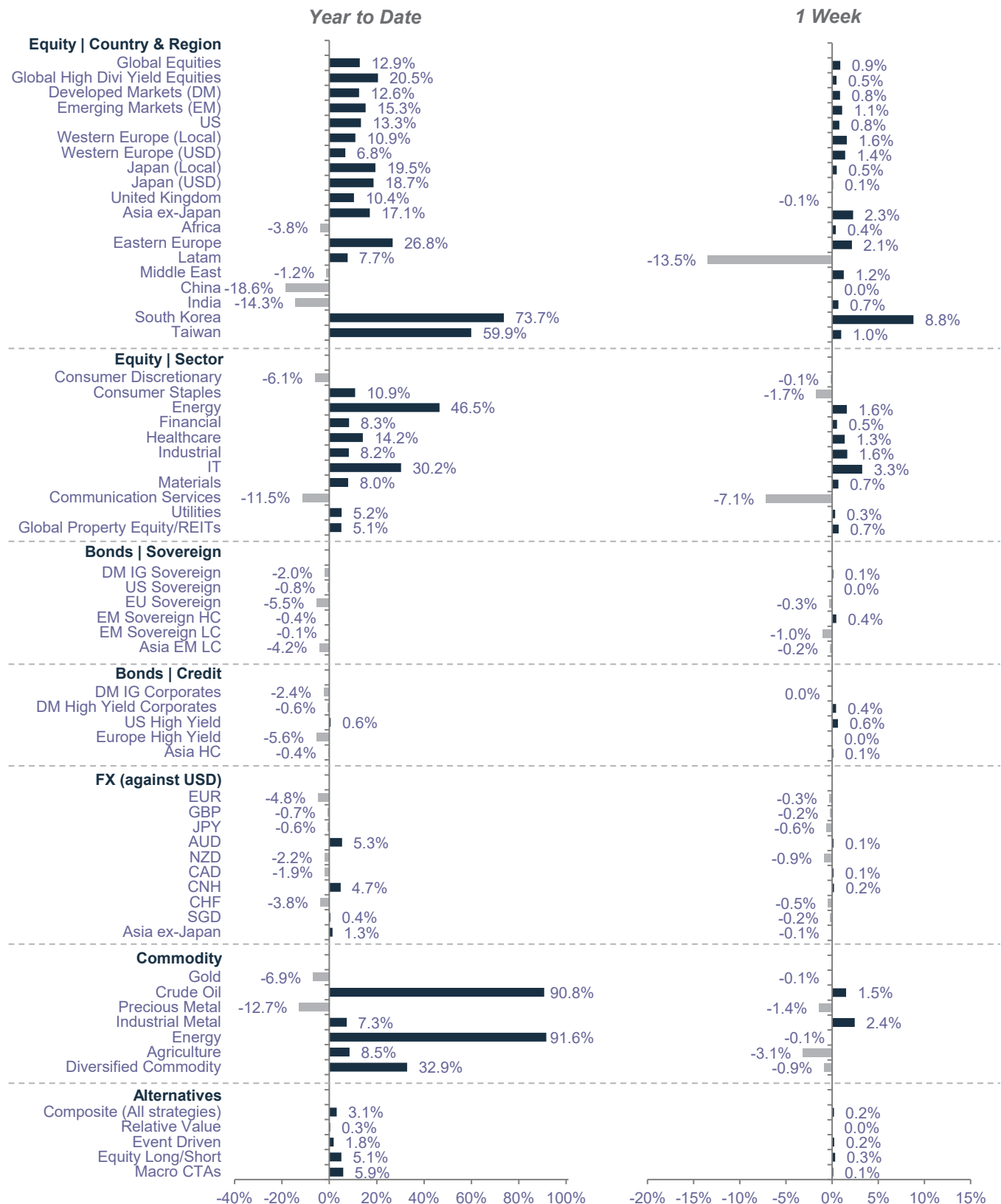
Summary	View	FOUNDATION+		
		Moderate	Balanced	Aggressive
Cash	▼	4	3	3
Fixed Income	◆	49	30	13
Equity	◆	28	42	54
Alternatives	◆	20	25	29
Asset class				
USD Cash	▼	4	3	3
DM IG Bonds		30	17	7
<i>DM IG Government Bonds*</i>	▼	18	10	3
<i>DM IG Corporate Bonds*</i>	◆	12	8	4
DM HY Corporate Bonds	◆	3	2	1
EM Bonds		9	7	4
<i>EM USD Government Bonds</i>	▲	7	5	4
<i>EM Local Ccy Government Bonds</i>	◆	3	2	0
Asia USD Bonds	◆	7	4	2
North America Equities	▲	19	28	37
Europe ex-UK Equities	◆	3	5	7
UK Equities	▼	0	1	1
Japan Equities	◆	2	2	3
Asia ex-Japan Equities	▲	3	5	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

Notes: 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

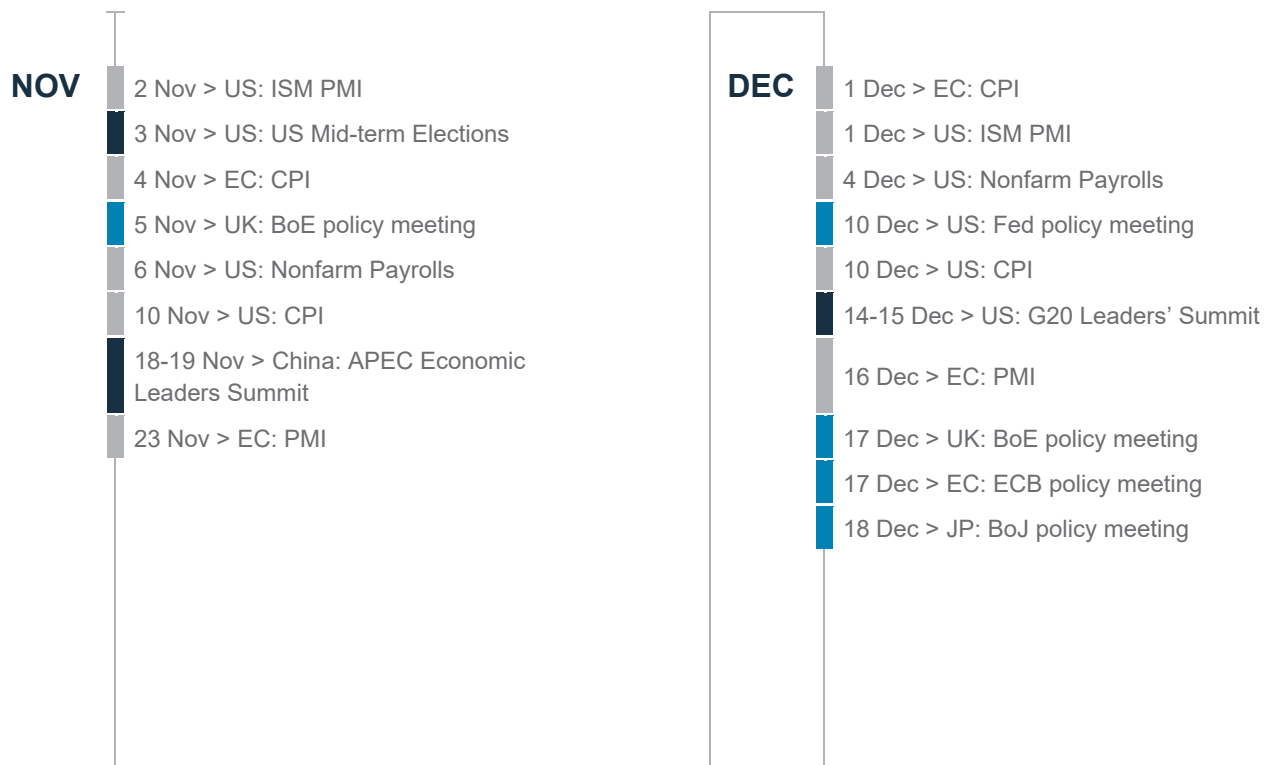
*All performance shown in USD terms, unless otherwise stated

*YTD performance data from 31 December 2025 to 29 October 2026; 1-week performance from 22 October 2026 to 29 October 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	1.14	1.33	157	0.72	0.56	1.40	6.62	0.82	100	4,350	4.25%	5.00-5.25%	2.75%
12m forecast	98.5	1.17	1.35	153	0.74	0.57	1.37	6.52	0.80	80	4,700	4.25%	4.75-5.00%	2.50%

Source: Standard Chartered



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



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

Find out more >



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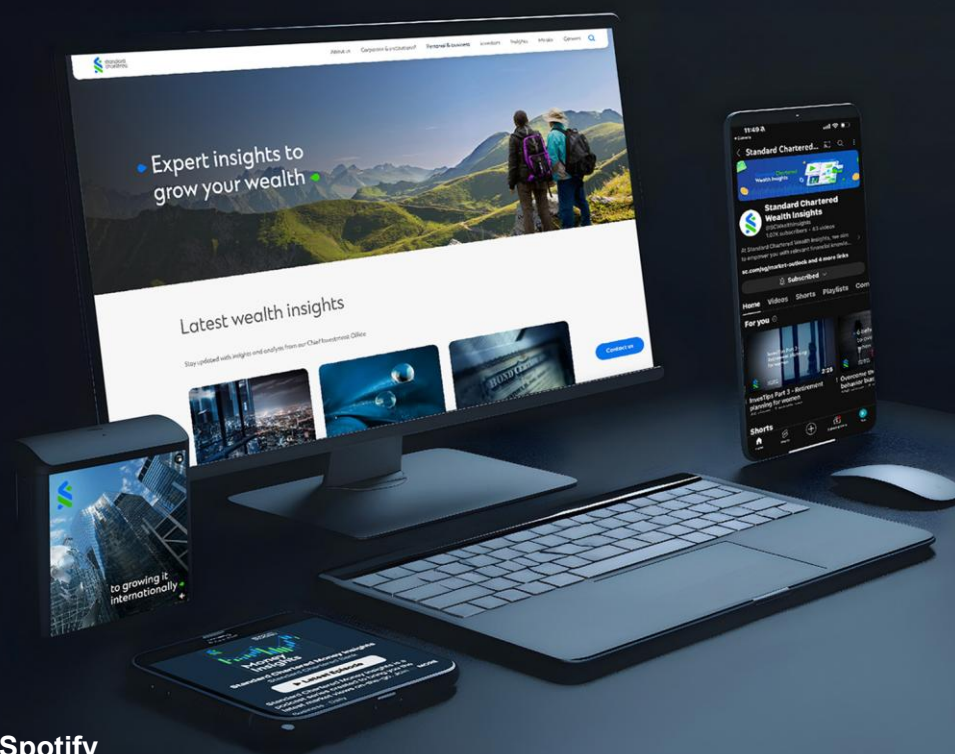
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