

Weekly Market View

Deciphering Kevin Warsh

→ Through his first post-meeting briefing, Fed Chair Warsh has tightened financial conditions by focussing on lowering inflation. His comments have fuelled rate hike expectations, bolstered the dollar, and dragged down gold and equities.

→ We believe that's part of the plan. Warsh is talking tough on inflation precisely to tighten near-term financial conditions, so he does not have to eventually deliver the rate hike markets are expecting.

→ President Trump's interim deal with Iran should help. The 35% plunge in the US crude oil price from its April peak to almost pre-conflict levels should ease inflation in the coming months, allowing Warsh to hold rates this year. The US 10-year government yield has already dropped 30bps since May's peak as oil prices plunged.

→ A rate pause should cap the USD and support gold prices, while solid earnings support risk assets. Meanwhile, we continue to diversify equity exposure across regions and sectors.



Opportunities in US communications services: AI monetisation, attractive value

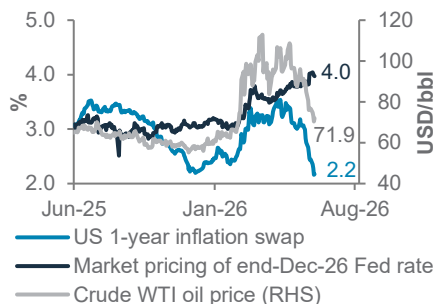
Bullish AUD bonds: Tactically bullish on AUD, attractive absolute yields

Limited USD/JPY upside: intervention risk

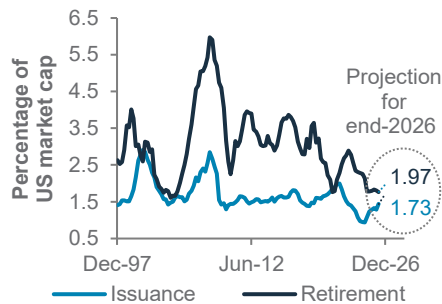
Charts of the week: Cooling inflation drivers and earnings upgrades

Oil price drop to cool inflation, allowing the Fed to hold rates; IPOs remain benign vs. history; earnings upgrades persist

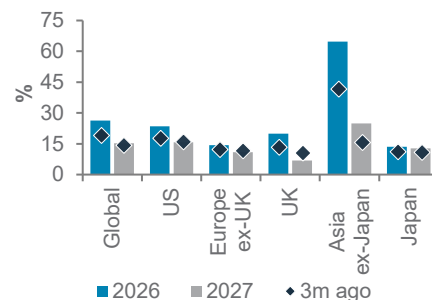
US crude oil, 1-year inflation swap, market estimate of end-December Fed rate



US equity issuance and retirement as percentage of market capitalisation



Consensus earnings estimates for key equity markets vs. three months ago



Source: Bloomberg, FactSet, Standard Chartered

Editorial

Deciphering Kevin Warsh

Strategy summary: In his first briefing as Fed Chair, Warsh has tightened financial conditions by focussing on lowering inflation. His comments have fuelled rate hike expectations, bolstered the dollar, and dragged down gold and equities.

We believe that's part of the plan. Warsh is talking tough on inflation precisely to tighten near-term financial conditions, so he does not have to eventually deliver the rate hike markets are expecting. President Trump's interim deal with Iran should help. The 35% plunge in the US crude oil price from its April peak to almost pre-conflict levels should ease inflation in the coming months, allowing Warsh to hold rates this year. A rate pause should cap the USD and support gold prices, while solid earnings support risk assets. We continue to diversify equity exposure across regions and sectors.

Sounding hawkish: Kevin Warsh has publicly spoken only twice since President Trump appointed him as Fed Chair on 22 May. On the day of his appointment, Warsh's comments were largely ceremonial. This was in line with his avowed plan to limit Fed communications so that markets anticipate Fed policy by reading the tea leaves from data, instead of the Fed spoon-feeding markets. However, on his first outing after the Fed's policy meeting last week, he came across as an inflation buster.

Of course, he strenuously avoided giving 'forward guidance' that markets have come to expect from Fed Chairs over the past two decades. However, Warsh's singular focus on bringing down inflation back to the Fed's 2% target – something that, he reminded us, had eluded Fed policymakers for the past five years - has tightened financial conditions. US short-term bond yields have risen as Warsh's comments cemented expectations of a rate hike this year. This has jolted equity markets from a record high, while USD has broken out into a 13-month high.

Delivering less? We believe the Fed will be constrained in hiking rates this year due to the following: **a)** The sharp pullback in oil prices should help cool inflation (see chart). The latest surge in US headline inflation to a three-year high of 4.1% in May (based on the Fed's preferred personal consumption

expenditure deflator) is backward looking. US headline inflation likely peaked in May and should fall in the coming quarters. The US 10-year bond yield has already dropped 30bps from May's peak as inflation expectations slumped with lower oil prices; **b)** the US job market is showing signs of softening again, with both initial and continuing jobless claims rebounding; **c)** Warsh believes AI will boost productivity, dampening wage growth, the primary driver of services inflation; and **d)** the November mid-term elections sets a high bar for a rate hike, especially with President Trump publicly calling for rate cuts at least twice since Warsh's appointment. Given the constraints against a rate hike, we see limited USD upside (especially with extremely stretched bullish USD positioning) and limited gold downside from here.

The risk scenario: As Warsh has signalled, incoming data is likely to guide Fed policy. The main risk to our core scenario of a Fed rate pause is an acceleration in US growth beyond the temporary summertime and World Cup-fuelled demand boost. This week's purchasing managers' indices showed US business sentiment continued to improve and outstrip those in Europe and Japan. A widening gap could continue to support the USD. Meanwhile, any signs of US growth and job creation accelerating – despite the negative impact of AI already seen on finance and IT sector jobs – would set the stage for a rate hike. Such a hike, while not our base case, alongside solid corporate earnings, should continue to support risk assets.

Broadening risk exposure: Near-term challenges remain, including a hawkish Fed, still-elevated investor positioning, and flood of IPOs. However, corporate earnings continue to be upgraded in our two preferred equity markets – the US and Asia ex-Japan (see chart). Meanwhile, the supply of IPOs relative to US market cap remains historically low despite the large dollar amounts being raised (see chart). We continue to diversify regional exposure beyond the US and into Asia ex-Japan. Within the tech sector, we go beyond semiconductors and into communications services in both the US and China. Apart from the tech sector, we go into healthcare in the US, financials and industrials in the Euro area, and financials in Japan.

— Rajat Bhattacharya

The weekly macro balance sheet

Our weekly net assessment: On balance, we see the past week's data and policy as positive for risk assets in the near-term

(+) factors: Robust US activity; easing geopolitical uncertainty

(-) factors: Softening US new home sales; hawkish BoJ

	Positive for risk assets	Negative for risk assets
Macro data	<ul style="list-style-type: none"> US manufacturing and services PMI rose more than expected to 55.7 and 51.3 respectively US durable goods orders fell less than expected by 4.5% m/m in May US PCE inflation missed estimates m/m, but rose to a 3-year high in y/y terms Euro area services PMI rose more than expected to 48.9 in June Germany Ifo Business Climate index and current assessment beat expectations in June 	<ul style="list-style-type: none"> US new home sales fell more than expected in May Euro area manufacturing PMI fell unexpectedly in June to 51.3
	Our assessment: Positive – Stronger-than-expected US activity vs. softening US new home sales	
Policy developments	<ul style="list-style-type: none"> People's Bank of China committee member hinted at potential rate cut in 2026 RBI Governor said a rate hike is premature, emphasizing the central bank's cautious, data-dependent approach 	<ul style="list-style-type: none"> BOJ Governor Ueda said Japan risks inflation above 2% and affirmed that further rate hike is needed
	Our assessment: Neutral – Potential PBoC rate cut vs. hawkish BoJ	
Other developments	<ul style="list-style-type: none"> US and Iran agreed on a roadmap toward a final deal within 60 days 	<ul style="list-style-type: none"> US launched tariff probe into Germany over pharma pricing The European Union and three of its member states joined a US-led coalition to reduce reliance on Chinese AI supply chains
	Our assessment: Positive – Easing US-Iran tensions	

US manufacturing PMI increased in June to its highest level since May 2022, while services PMI beat expectations and remained expansionary

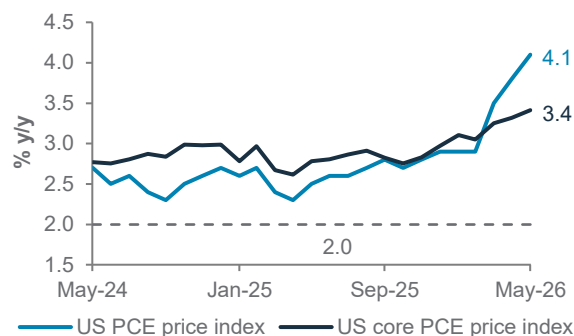
US manufacturing and services PMI



Source: Bloomberg, Standard Chartered

US PCE inflation rose to 4.1% in May as expected, marking the highest level since April 2023; we believe inflation peaked in May as oil prices fall

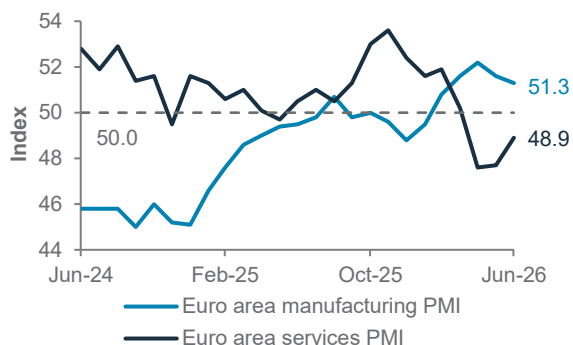
US headline and core PCE inflation



Source: Bloomberg, Standard Chartered

Euro area manufacturing PMI fell to a four-month low, but remained expansionary, while services PMI improved but remained in contraction

Euro area manufacturing and services PMI



Source: Bloomberg, Standard Chartered

Top client questions

Q Does the recent wave of large-scale debt financing by mega tech companies to fund AI capital expenditure (capex) challenge your positive stance on US equities?

Our view: We maintain our constructive stance on technology and see select buying opportunities in US communication services.

Rationale: Debt-financed AI capex has weighed on risk sentiment recently. Major cloud and AI platform companies' **free cash flow (FCF) fell by 20%** in 2025 and is expected to fall further in 2026 due to the significant rise in AI capex. However, large-cap technology companies' core fundamentals, including their balance sheets, remain healthy. Across big names, **debt-to-equity ratios** remain relatively modest at around 0.43x, as of the latest reported quarter. This explains why **markets remain receptive to hyperscalers' debt issuance** despite ongoing FCF pressures.

As AI monetisation scales, cash generation should recover. The direction of travel is encouraging; hyperscalers' projections show the gap between revenue and capex narrowing significantly over the next few years. We recently initiated an **Opportunistic idea in US communication services** – a sector dominated by internet platforms poised to benefit from rising AI monetisation. Meanwhile, valuations have become more attractive after the recent correction, providing an attractive entry point.

— Jason Wong, Senior Equity Analyst

Q How much of the earnings strength within Asia ex-Japan (AxJ) is driven by the technology sector or specific markets?

Our view: We estimate that around 80% of AxJ's 2026 earnings growth is driven by the technology sector. We are Overweight AxJ equities as we remain constructive on its technology-driven growth and see it broadening in 2027.

Rationale: FactSet consensus points to MSCI AxJ earnings growing around 65% in 2026, the highest among major regions globally. The technology sector drives an estimated 80% of this growth. Looking through a regional lens, **South Korea** and **Taiwan** are projected to contribute around 65% and 15%, respectively, to AxJ's earnings growth. This concentration of growth reflects the **semiconductor cycle's strength**, supported by robust demand for memory chips, AI-related components and supply-chain beneficiaries.

We remain **constructive on AxJ**, although the pace of incremental earnings upgrades could moderate due to higher-base effects. Further upside depends on factors such as AI capex cycle resilience, memory pricing and AI adoption rates. We expect **earnings growth to broaden beyond technology** as a reopening of the Strait of Hormuz in our core scenarios improves the growth outlook for oil-importing nations within the AxJ region.

— Fook Hien Yap, Senior Investment Strategist

US communication services valuations have become more attractive after the recent correction, providing an attractive entry point

12-month forward P/E of the MSCI US Communication Services Index



Source: FactSet, Standard Chartered

AxJ earnings estimates have been revised sharply higher since the start of 2026, driven by the technology sector and the South Korea/Taiwan markets

Evolution of 2026 and 2027 EPS for MSCI AxJ Index since Dec-2024



Source: FactSet, Standard Chartered

Top client questions (cont'd)

Q Are there any re-rating and/or earnings growth catalysts for China equities, especially the Hang Seng Tech Index (HSTECH)?

Our view: We are Overweight China within AxJ on policy support, earnings recovery and potential valuation re-rating, with HSTECH offering opportunistic upside from these catalysts.

Rationale: China equities, particularly HSTECH, faced pressure in H1 2026 due to regulation headwinds and excess supply. With valuations now near oversold levels, **a near-term rebound is likely**, supported by three key H2 re-rating catalysts:

1. **AI demand:** China remains a critical backbone of the global AI hardware and digital infrastructure supply chain. The country's leadership in segments such as optical modules helps it benefit from rising global AI capex, driving earnings growth. Meanwhile, the recent inclusion of AI-native companies has further enhanced HSTECH's growth profile and thematic appeal.

2. **Policy support:** Fiscal spending rose to CNY 11.39trn in the first five months of 2026 (+0.8% y/y); further easing in H2 should stimulate domestic growth and support earnings momentum. This, alongside Beijing's target to raise the digital economy's core industry share to 12.5% of GDP by 2030 under the 15th Five-year Plan, underpins a sustained, policy-driven AI growth cycle.

3. **Macro backdrop:** Easing overcapacity should improve pricing power, while a moderation in expectations of Fed tightening, alongside geopolitical easing and market structure improvements, provide scope for a valuation re-rating.

— Michelle Kam, CFA, Investment Strategist

Q Why does the Japanese yen (JPY) remain weak even after the Bank of Japan (BoJ) rate hike?

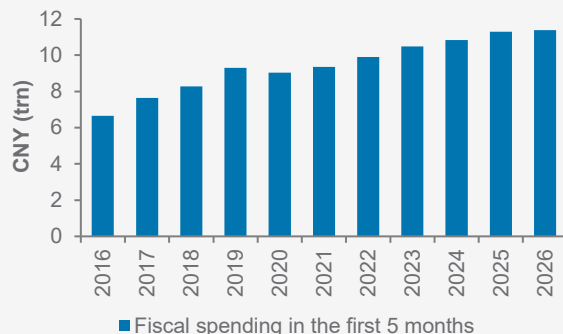
Our view: A still-wide US-Japan yield gap is putting upward pressure on USD/JPY. However, we expect limited upside from here amid intervention risk; immediate resistance at 162.

Rationale: Despite the BoJ raising its policy rate to 1.0% – its highest level since 1995 – the JPY remains soft because underlying structural forces outweigh this incremental tightening. The **US-Japan interest-rate differential remains wide**, sustaining the carry trade and keeping institutional demand for JPY-funded positions intact. Furthermore, **markets view the BoJ's 25bps pace as too gradual to close that gap meaningfully**. However, the pair is deeply overbought. We see a growing intervention risk in the very near term, with resistance at 162. Any technical correction is likely to drag the pair back towards 156 (the 200-day moving average).

— Iris Yuen, Investment Strategist

Expected fiscal easing in H2 2026 likely to support China earnings momentum

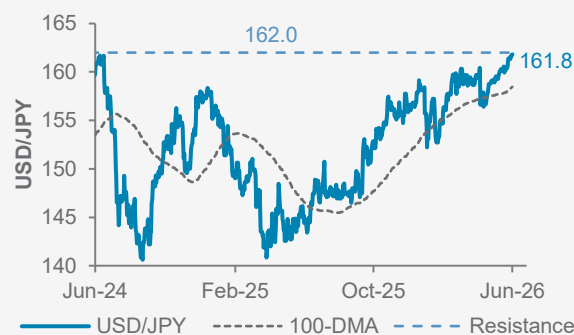
China's fiscal spending trends in the first five months of each year



Source: Bloomberg, Standard Chartered

USD/JPY upside risk is likely limited

USD/JPY and technicals



Source: Bloomberg, Standard Chartered

Top client questions (cont'd)

Q Do you still prefer AUD bonds following the latest currency weakness? How about Gilts after the latest GBP pullback?

Our view: We remain constructively bullish on the Australian dollar (AUD) over the medium term while maintaining a modestly bearish view on the Pound Sterling (GBP).

Rationale: Australia's May consumer price index (CPI) data was mixed. **Headline inflation eased**, falling 0.7% m/m after the government cut automotive excise taxes by 50%. However, **core inflation picked up** 0.4% m/m, reinforcing a relatively **hawkish RBA** stance. We believe the AUD should be supported by resilient domestic growth, firmer core inflation and stabilising China demand, which should underpin the currency over the medium term. For AUD bonds, we retain our **tactically bullish view** with FX unhedged despite falling bond yields over the last few weeks. While the room for AUD yields to fall further has narrowed, we believe **absolute yields remain attractive** to hold at current levels.

In contrast, the **GBP is expected to face headwinds** from softer UK growth, political uncertainty and a gradual BoE easing cycle, leaving the currency biased towards modest depreciation. We are **cautious about a near-term rebound in Gilt yields**. While disinflationary relief and a potential dovish pivot by the Bank of England (BoE) are positive factors (driving lower yields), we believe political instability and fiscal uncertainties are headwinds.

— Iris Yuen, Investment Strategist
 — Cedric Lam, Senior Investment Strategist

Q What are the implications of lower oil prices for the monetary policy outlook of Asian central banks?

Our view: Lower oil prices offer disinflationary relief for monetary policies, but unevenly across Asia. Regional risk assets and local-currency (LCY) bonds are supported.

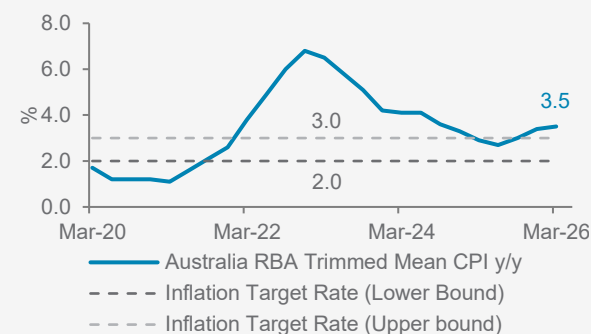
Rationale: Lower oil prices offer **disinflationary relief** for Asian central banks because most of these economies are net energy importers. However, the **relief will be uneven** across Asia, and we expect **regional monetary policies to remain divergent**. In heavy energy import-reliant economies, such as India, Thailand and the Philippines, easing energy inflation reduces balance-of-payments pressures, allowing their central banks to focus on growth. Conversely, South Korea and Singapore face demand-side inflation fuelled by the **AI boom**, suggesting a longer rate hold. We view lower energy prices as supportive of Asian risk assets and LCY bonds.

A growing reflation tail risk for Asia is the potential formation of a 'Super El Niño,' which has an estimated 63% chance of occurring in Q4. Extreme heat and droughts could disrupt agricultural output, while heavier use of air-cooling systems could elevate energy prices.

— Cedric Lam, Senior Investment Strategist

Australia inflation remains higher than the RBA's inflation target range

Australia inflation and RBA inflation target range



Source: Standard Chartered

UK growth losing momentum

UK GDP y/y (%)



Source: Standard Chartered

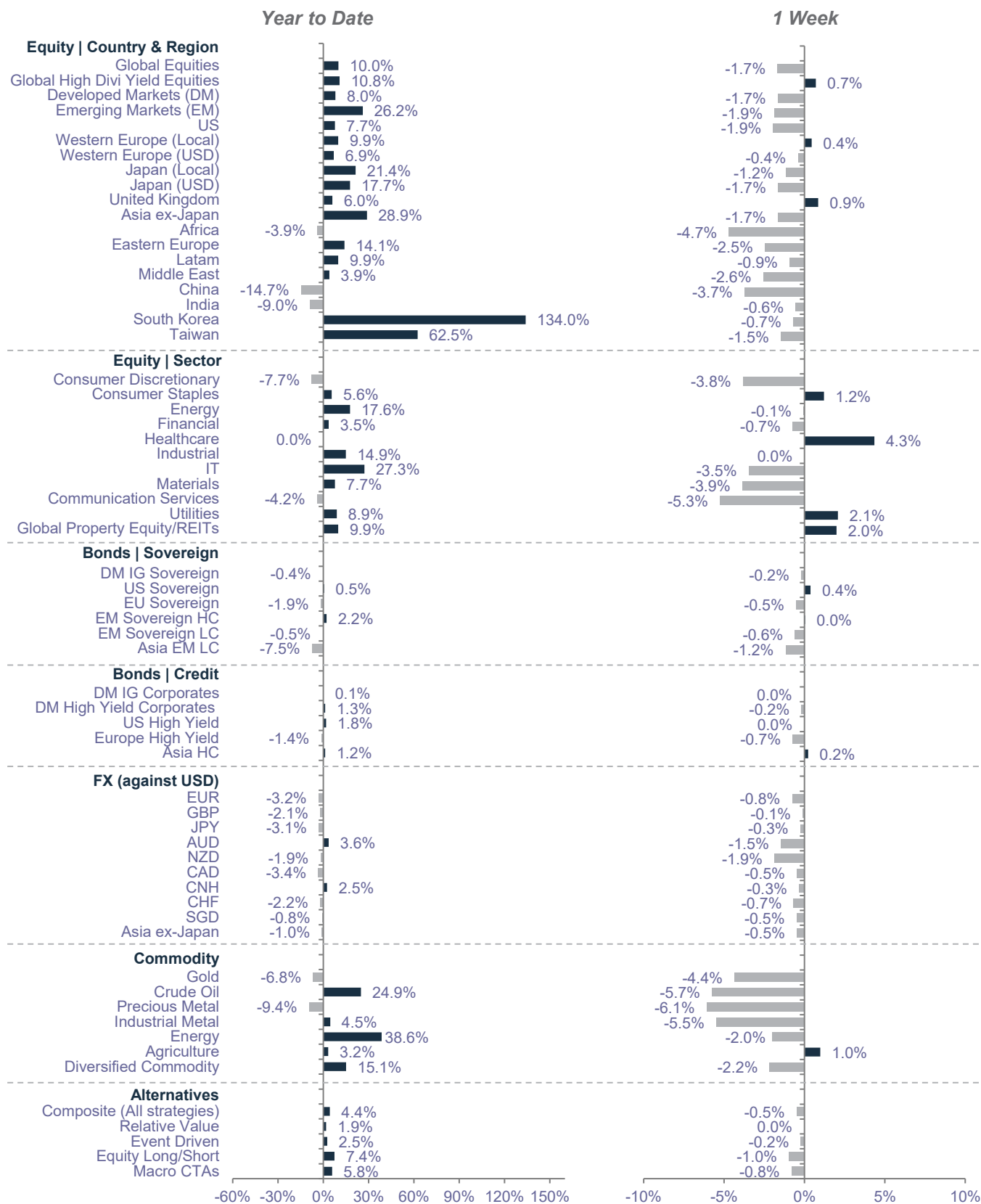
Asia currencies and bonds are expected to be supported by lower oil prices

Bloomberg EM Asia local currency bond index and Asian currencies index



Source: Bloomberg, Standard Chartered

Market performance summary*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*Performance in USD terms unless otherwise stated, 2026 YTD performance from 31 December 2025 to 25 June 2026; 1-week period: 18 June 2026 to 25 June 2026

Our 12-month asset class views at a glance

Asset class	
Equities ▲	Preferred Sectors
US ▲	US Technology ▲
Europe ex-UK ◆	US Communication ▲
UK ▼	US Healthcare ▲
Asia ex-Japan ▲	Europe ex-UK Financials ▲
Japan ◆	Europe ex-UK Industrials ▲
Other EM ◆	Japan Financials ▲
	China Communication ▲
	China Technology ▲
Bonds ▼	
Credit	Govt
Asia USD ◆	Govt EM Local ◆
Corp DM HY ◆	Govt DM IG ▼
Govt EM USD ▲	
Corp DM IG ◆	Alternatives ◆
	Gold ▲

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

The S&P500 has next interim resistance at 7,573

Technical indicators for key markets as of 25 Jun close

Index	Spot	1st support	1st resis- tance	12m forward P/E (x)	12m forward dividend yield (%)
S&P 500	7,357	7,190	7,573	20.0	1.2
STOXX 50	6,268	6,047	6,412	15.3	3.1
FTSE 100	10,530	10,247	10,694	12.7	3.5
TOPIX	4,016	3,820	4,158	17.0	2.3
Shanghai Comp	4,120	3,974	4,221	13.9	3.0
Hang Seng	23,077	22,022	25,088	9.9	3.7
Nifty 50	24,056	23,330	24,522	18.4	1.8
MSCI Asia ex-Japan	1,168	1,100	1,220	12.1	2.1
MSCI EM	1,756	1,661	1,830	11.5	2.4
Crude oil (WTI)	71.9	61.5	89.6	na	na
Gold	4,027	3,792	4,428	na	na
UST 10Y Yield	4.39	4.31	4.53	na	na

Source: Bloomberg, Standard Chartered

Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

Economic and market calendar

	Market	Event	Period	Expected	Prior
MON	EUR	Economic Confidence	Jun	-	93.5
	EUR	Industrial Confidence	Jun	-	-8.0
	EUR	Services Confidence	Jun	-	2.2
TUE	CNH	Manufacturing PMI	Jun	50.1	50.0
	CNH	Non-manufacturing PMI	Jun	50.0	50.1
	AUD	RBA Minutes of June Policy Meeting	-	-	-
	USD	Conf. Board Consumer Confidence	Jun	94.2	93.1
	USD	JOLTS Job Openings	May	7360k	7618k
WED	EUR	CPI y/y	Jun P	-	3.2%
	EUR	CPI Core y/y	Jun P	-	2.6%
	USD	ADP Employment Change	Jun	110k	122k
	USD	ISM Manufacturing	Jun	53.8	54.0
	USD	ISM New Orders	Jun	-	56.8
THU	EUR	Unemployment Rate	May	-	6.3%
	USD	Change in Nonfarm Payrolls	Jun	130k	172k
	USD	Average Hourly Earnings y/y	Jun	3.5%	3.4%
	USD	Unemployment Rate	Jun	4.3%	4.3%
FRI/SAT					

Source: Bloomberg, Standard Chartered

Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated

P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 25 Jun close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	○	↓	1.47
Global Equities	○	↓	1.31
Gold	●	↓	1.53
Equity			
MSCI US	○	→	1.31
MSCI Europe	○	↓	1.40
MSCI AC AXJ	○	↓	1.34
Fixed Income			
DM Corp Bond	○	↓	1.46
DM High Yield	○	↓	1.38
EM USD	○	↓	1.42
EM Local	●	→	1.64
Asia USD	●	↓	1.51
Currencies			
EUR/USD	●	→	1.54

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

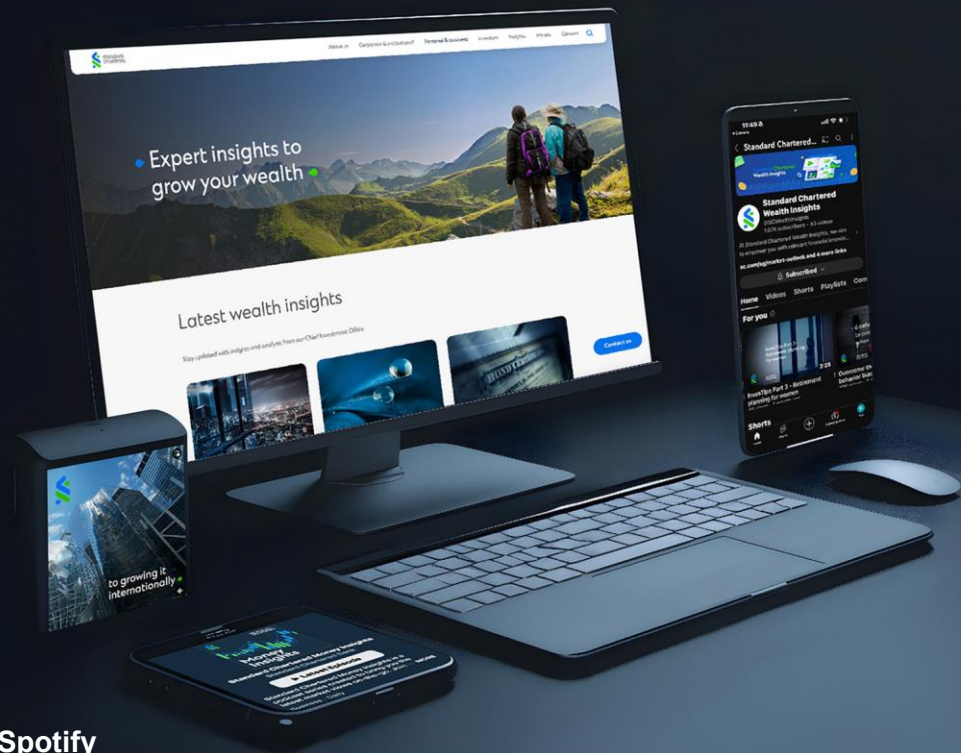
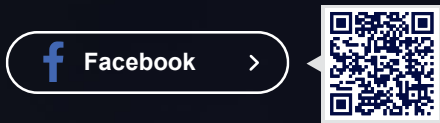
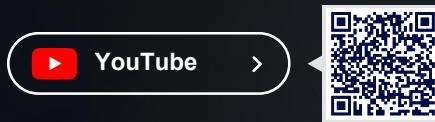
Legend: ● High | ○ Low to mid | ○ Critically low

Access our views 24/7 on key platforms

Market views on-the-go



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