UOB

Weekly Investment Insights

27 July 2026

Key Market Highlights

- Global markets were mixed as investors balanced softer inflation data and resilient corporate earnings against renewed geopolitical risks and uncertainty over the interest rate outlook.
- Middle East tensions escalated after Iran-allied Houthi attacks on tankers in the Red Sea compounded existing shipping disruptions through the Strait of Hormuz and raised concerns over global energy supplies, but the weekend pause in United States (US) - Iran military strikes is providing some relief.
- The European Central Bank (ECB) kept its policy rates unchanged and reiterated a data-dependent approach but left the door open for a rate hike in September due to inflation risks.
- Mixed US technology earnings highlighted a widening divide between Artificial Intelligence (AI) infrastructure spenders and beneficiaries, with investors rewarding companies seeing stronger AI-driven demand while remaining cautious on rising capital expenditure commitments.

Topics of the Week:

Federal Reserve (Fed) Outlook: Extended Pause, Uncertain Path

- Inflationary pressures have eased since the peak of the Middle East energy-price shock, although inflation remains above the Fed's 2% target and policymakers are cautious about the recent resurgence of energy prices.
- The Fed is widely expected to keep interest rates unchanged at the 29 July Federal Open Market Committee (FOMC) meeting, extending the current pause as the central bank balances resilient growth against still-elevated inflation.
- Since the last policy meeting, Fed officials have given mixed messages, but a soft US consumer price inflation (CPI) report alleviates the need for an immediate rate hike.
- Nonetheless, resilient economic growth and the recent resurgence of oil prices amid re-escalating US-Iran tensions pose inflationary risks, and the market is pricing in Fed policy tightening over the coming months.
- House View: We expect the Fed to keep interest rates on hold through 2026 before resuming easing in the second quarter and fourth quarter of 2027.

AI Reshapes the Software Investment Landscape

- The software industry is moving beyond AI experimentation toward practical deployment, with enterprises increasingly focused on measurable productivity gains, workflow automation and return on investment (ROI).
- Software companies are increasingly embedding AI capabilities into existing offerings, creating opportunities for higher customer engagement, premium pricing and new revenue streams.
- The software sector is entering a new phase where AI is evolving from a feature into a competitive differentiator, creating opportunities for firms that can successfully translate AI investments into

commercial outcomes.

- AI is likely to create both winners and losers within the software industry. While it can disrupt existing markets by lowering barriers to entry and making previously differentiated features easier to replicate, it can also expand addressable markets through new use cases, higher productivity and additional revenue opportunities.
- Not all software companies will benefit equally from AI. Investors should focus on companies that can translate AI investment and developments into stronger sales and profits, such as cybersecurity.
- Key Takeaway:
    - Software valuations remain attractive, but selectivity is critical. We favour companies that can leverage AI to drive productivity gains, workflow automation, and new AI-enabled products and services, alongside cybersecurity leaders that benefit from the growing need for secure AI deployment and governance.

Investment Strategy

- Near-term market volatility may persist amid geopolitical risks and uncertainty surrounding the Fed's policy outlook. Seek quality and diversification to help enhance portfolio resilience while preserving flexibility to capture emerging opportunities.
- Favor high-quality Developed Market and Emerging Market Investment Grade bonds with an average duration of four to five years- to lock in attractive income. We expect US policy rates to remain on hold in the near term before gradually declining, providing a supportive backdrop for quality fixed income.
- With expectations for AI beneficiaries remaining elevated, upcoming technology earnings will be important in assessing whether AI-related demand and spending trends remain supportive of current valuations.
- Software valuations remain attractive, but selectivity is critical. We favour companies that can monetise AI through workflow automation, productivity gains, and new AI-enabled products, as well as software providers exposed to the critical layers needed for enterprise AI adoption, including cybersecurity, identity and access management, monitoring, and AI governance.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7408.3	-0.61	0.73	3.45	8.28
Dow Jones (USD)	51711.65	-0.38	0.19	5.52	8.08
NASDAQ 100 (USD)	28454.81	-1.62	-3.74	3.02	11.40
FTSE 100 (GBP)	10736.23	1.28	2.62	3.44	8.10
S&P/ASX 200 (AUD)	8772.31	-0.28	-0.41	-0.16	0.67
DAX (EUR)	25099	1.08	1.45	4.02	2.49
Swiss Market Index (CHF)	14327.2	-0.12	1.48	8.79	7.99
HSCEI Index (HKD)	8271.06	1.65	6.52	-5.75	-7.21
Hang Seng Index (HKD)	24963.23	1.63	6.62	-3.91	-2.60
Nikkei 225 (JPY)	64611.15	0.73	-6.60	8.20	28.35
Commodities & Currencies	**Current**	**1 Week**	**1 Month**	**3 Months**	**Year-To-Date**
Brent Crude (USD)	96.78	9.85	31.01	6.41	60.84
Gold (USD)	4052.79	0.88	1.33	-13.94	-6.17
EURUSD	1.137	-0.60	0.11	-3.00	-3.20
GBPUSD	1.3325	-0.94	1.19	-1.53	-1.11
USDJPY	163.83	0.88	1.27	2.79	4.54
Bonds	**Current (%)**	**Basis points Change**			
		1 Week	**1 Month**	**3 Months**	**Year-To-Date**
US 10-year Treasury yield	4.677	0.130	0.285	0.376	0.510
German 10-year Bund yield	3.172	0.046	0.307	0.178	0.317
UK 10-year Gilts yield	5.032	0.081	0.348	0.120	0.553
Japan 10-year bond yield	2.816	0.117	0.140	0.377	0.750

1 week for the period 17-Jul-2026 to 24-Jul-2026
1 month for the period 24-Jun-2026 to 24-Jul-2026
3 months for the period 24-Apr-2026 to 24-Jul-2026
Year-to-date for the period 31-Dec-2025 to 24-Jul-2026
Source: Bloomberg (last update: Mon, 27 July 2026 9:55 AM SGT)

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