In collaboration with:
J.P.Morgan ASSET MANAGEMENT

Monthly Investment Insights

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TOPIC 1:

US 2Q Earnings Season - Broadening Earnings Strength

United States (US) companies continue to post strong profits, but leadership is expanding beyond hyperscalers, so investors should balance artificial intelligence (AI) opportunities with stable, defensive investments.

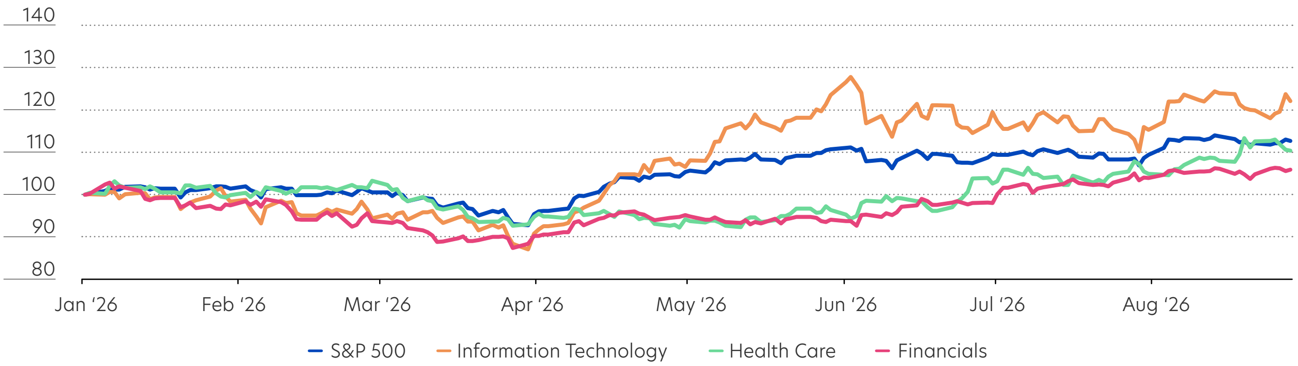
What you can do

Broaden portfolio exposure without sacrificing quality growth opportunities. Take advantage of market pullbacks to selectively add quality assets while diversifying across AI beneficiaries, financials and healthcare.

- The 2Q 2026 US earnings season was one of the strongest on record, with 88% of S&P 500 companies beating profit expectations, above the long-term average of 73%. Based on current trajectory, earnings are on track to grow 41% year-on-year (y/y), putting 2026 on course to be one of the strongest profit growth years in decades. Profit margins also remain near record highs, reflecting strong business fundamentals and efficient cost management.
- The composition of earnings growth are however beginning to shift. Technology companies are still leading in earnings growth, but AI hyperscalers are contributing less to overall earnings growth, falling from 41% in 2024 to 21% in 2025 and just 8% in 2Q 2026.
- This is because hyperscalers are investing heavily in AI infrastructure, which is reducing short-term profit growth. Instead, more of the benefits are flowing to semiconductor companies that supply the chips needed for AI development, which are emerging as some of the biggest beneficiaries of the AI investment cycle.
- While AI and semiconductor stocks saw a sharp correction in July, the pullback appears to have been driven more by investor positioning and profit-taking rather than weakening fundamentals. The long-term outlook remains constructive, with the AI accelerator market expected to grow rapidly, potentially reaching USD1.4 trillion by 2030.
- For investors, the key takeaway is to broaden exposure without abandoning quality growth. While AI remains a powerful long-term theme, earnings momentum is broadening into sectors such as financials and healthcare. This could help the two sectors narrow their year-to-date underperformance (Figure 1).
- Adopt a barbell approach by using market pullbacks to gradually accumulate high-quality AI beneficiaries at more attractive valuations, while gaining exposure to financials for their structural tailwinds and healthcare for their defensive characteristics.

Figure 1:

Year-to-date price performance for select sectors



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

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TOPIC 2:

Align Chinese Exposure to Beijing's Priorities

China's onshore equity market may offer selective opportunities following its recent underperformance, with growth leaders tied to China's strategic priorities.

What you can do

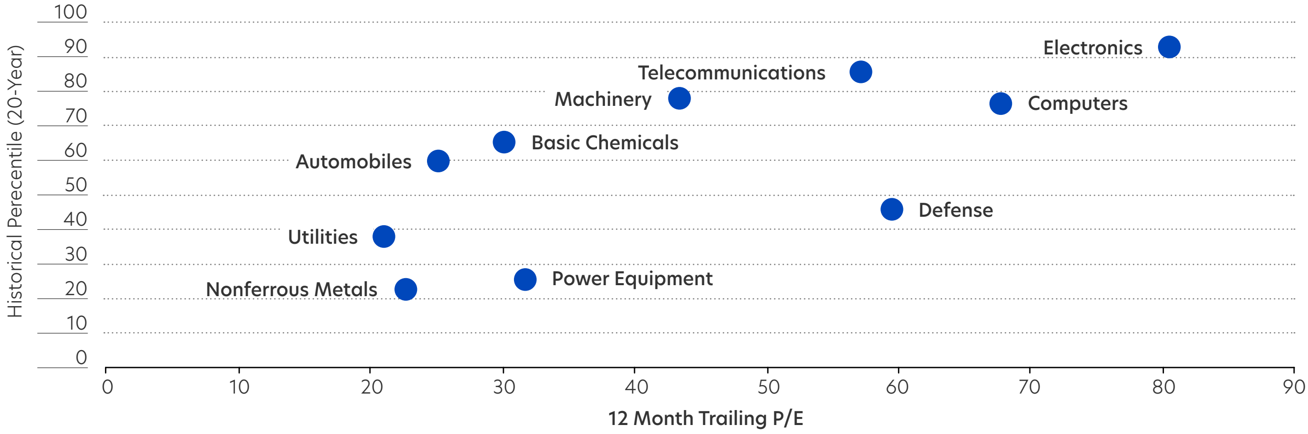
Despite recent underperformance, comparatively attractive valuations and resilient earnings create selective opportunities in quality growth companies aligned with China's strategic priorities and quality dividend-paying stocks.

- Despite near-term uncertainty, the structural tailwinds supporting China's onshore equity market remain intact. The July Politburo meeting reinforced Beijing's focus on industrial upgrading, technological self-reliance and advanced manufacturing, with policy support tilted towards AI infrastructure, high-tech manufacturing, energy security and broader self-reliance initiatives. This suggests that some of China's most important long-term growth themes may be better captured through the domestic onshore market, where policy priorities are more directly reflected in listed companies tied to automation, Electric Vehicle (EV) supply chains, power equipment, semiconductors and AI-related infrastructure.
- Additionally, recent market underperformance has made onshore stock valuations look more attractive. Investors have recently shifted away from some of the market's best-performing and popular growth stocks to companies that offer better value, higher quality, and more stable returns. This has lowered valuations in some areas of the market, creating opportunities to invest in strong quality companies at more reasonable prices, especially in the domestic market. Notably, valuations of several sectors in the onshore market are now trading below their long-term historical averages (Figure 2).
- Importantly, while corporate earnings remain resilient, balance sheets are strong and shareholder returns remain supportive, market expectations have moderated, leaving more room for positive surprises. In areas like financials and insurance, there may be scope for bigger-than-expected dividend payouts or share buybacks if fundamentals continue to hold up.
- For investors, the key is not to chase the entire market, but to be selective. The balanced approach is to accumulate high-quality growth companies aligned with China's strategic priorities, particularly in areas such as AI and semiconductor capabilities, advanced manufacturing, technological self-sufficiency, and energy security. At the same time, having exposure to quality companies with high dividend payouts can help provide income.

Figure 2:

China A-share sector valuations

Shenwan Index Level 1 sector valuations and historical percentiles



Source: Wind, J.P. Morgan Asset Management. Historical percentiles are calculated based on closing data over the past 20 years

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TOPIC 3:

Revisiting Singapore - Fundamentals That Demand Attention

Singapore's resilient manufacturing sector, attractive dividend income, and proactive equity market reforms make the country a multi-dimensional investment opportunity.

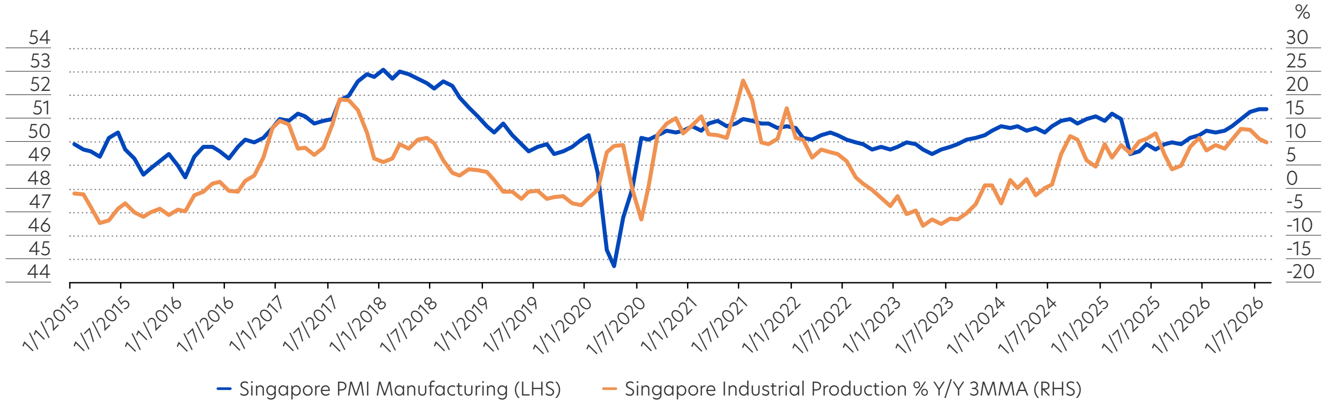
What you can do

Singapore equities offer a source of portfolio diversification via a combination of growth and income. Its strong financial sector, consistent capital inflows, and expanding role in digital and infrastructure investment provides stability while still offering exposure to ASEAN growth opportunities.

- Singapore's export sector remains a key driver of its strong performance. The nation's electronics and AI-related component exports have surged to multi-year highs, cementing its position as a critical component in the global AI supply chain, deeply interconnected with Taiwan and South Korea. The continued momentum in new export orders further reinforces Singapore's standing as an indispensable hub in global trade.
- Underpinning this export strength is a manufacturing sector that has demonstrated remarkable resilience. Singapore's manufacturing purchasing managers' index (PMI) has remained firmly in expansion, while industrial production growth has been robust despite US tariffs and geopolitical tensions (Figure 3). This synchronized recovery signals that Singapore's industrial engine is not merely recovering but accelerating, underpinned by structural demand from the global technology and AI investment cycle.
- Beyond exports, Singapore offers a compelling income story. Dividend yields across key Singapore-listed sectors, including banks, utilities, and construction, remain attractive relative to global peers. Singapore's strong current account surplus and high foreign exchange reserves further underpin investment stability, reducing vulnerability to capital outflows and supporting a more predictable income environment for investors.
- The investment case is further reinforced by Singapore's Equity Market Development Programme (EQDP). The Monetary Authority of Singapore's initiative, alongside targeted tax incentives, is designed to deepen market liquidity, attract quality listings, and broaden the investable universe. As these reforms take hold, they are expected to increase investment opportunities across different sectors and companies of various market capitalisation.
- Singapore's stock market appeal is one of convergence. The combination of a diversified manufacturing sector, attractive income opportunities and ongoing market reforms through the EQDP strengthens the case for Singapore equity exposure to capture both growth and income within a diversified portfolio.

Figure 3:

Enduring strength of Singapore's manufacturing base



Source: Department of Statistics Singapore, FactSet, Institute of Purchasing and Material Management Singapore, J.P. Morgan Asset Management.

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