

## Key Market Highlights

- Global stock markets extended their rally last week, with gains led by the technology, energy, and materials sectors. Upbeat sentiment surrounding corporate earnings, particularly in artificial intelligence (AI)-related and semiconductor names, was a key driver of performance.
- Some Asian markets delivered particularly strong returns, propelled by a rally in regional semiconductor stocks that led broader market gains.
- Oil prices declined around 6.4% last week, reflecting evolving Middle East peace efforts.
- Ahead this week, attention will again be on Middle East developments and Thursday's summit between United States (US) President Trump and Chinese President Xi.
- While geopolitical headlines will likely continue to cause short-term market volatility, robust AI momentum and supportive earnings trends should remain key positive drivers for markets over the medium to longer term.

## Topics of the Week:

### **Inflation concerns returned to the fore**

- Energy prices remain elevated, with broad commodity prices continuing to rise. US 10-year inflation expectations briefly rose to 2.52%, the highest level since November 2022.
- With higher energy costs already feeding into inflation expectations and labour market risks easing, the US Federal Reserve (Fed) is expected to remain on hold in the near term, even as a leadership change takes place in May, and a rate cut will likely be delayed to the fourth quarter.
- Higher oil prices and persistent inflation concerns have weighed on global government bonds. This pressure intensified after certain central banks left the door open to potential policy tightening last week. Markets are now pricing in nearly three 25-basis-point rate hikes from both the European Central Bank (ECB) and the Bank of England (BOE) over the next 12 months.
- In this environment, returns from investment grade bonds are expected to be driven primarily by income rather than price appreciation. With global investment grade bond yields averaging 4.6%, they remain attractive for investors seeking stable income.

### **Concentrated stock performance led by semiconductors**

- The semiconductor sector's outperformance is underpinned by strong demand for high-bandwidth memory and Double Data Rate (DDR) products from hyperscalers and AI infrastructure providers. The Semiconductor and Semiconductor Equipment sub-sector delivered earnings growth of 75% year-on-year (y/y), outperforming all other sub-sectors in the S&P 500.
- Approximately half of the year-to-date gains in global equity markets can be attributed to the semiconductor industry.
- Furthermore, semiconductor stock valuations have surged sharply since March, driven by strong



price gains, while the equal-weighted S&P 500 valuation remains close to its 5-year average.

- While diversification often feels less urgent during broad market rallies, its importance becomes more evident when volatility returns.
- Hence, while AI remains a long-term structural growth theme, it is timely to position for broader market participation as the rally expands, particularly given solid earnings growth across multiple sectors.

## Investment Strategy

- The fundamentals of both developed market and emerging market investment-grade bonds have improved materially, supported by strong earnings and robust balance sheets.
- Investment grade bond yields remain attractive, averaging 4.6%, making them well suited for generating stable income.
- Investors should stay invested and maintain diversification to capture opportunities as earnings growth broadens beyond AI-centric sectors.

## Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7398.93	2.33	9.08	6.73	8.08
Dow Jones (USD)	49609.16	0.22	3.55	-1.01	3.22
NASDAQ 100 (USD)	29234.99	5.50	17.39	16.59	15.78
FTSE 100 (GBP)	10233.07	-1.26	-3.54	-1.32	3.04
S&P/ASX 200 (AUD)	8744.354	0.17	-2.32	0.41	0.34
DAX (EUR)	24338.63	0.19	1.07	-1.55	-0.62
Swiss Market Index (CHF)	13100.63	-0.27	-0.10	-2.98	-1.26
HSCEI Index (HKD)	8889.07	2.39	2.44	-1.58	-0.28
Hang Seng Index (HKD)	26393.71	2.39	1.93	-0.63	2.98
Nikkei 225 (JPY)	62713.65	5.38	11.38	15.59	24.58
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	101.29	-6.36	12.22	52.09	68.20
Gold (USD)	4715.25	2.19	-0.08	-5.02	9.17
EURUSD	1.1787	0.56	1.06	-0.24	0.35
GBPUSD	1.3631	0.35	1.77	0.15	1.16
USDJPY	156.68	-0.21	-1.19	-0.34	-0.02
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	4.354	-0.016	0.063	0.148	0.187
German 10-year Bund yield	3.005	-0.032	0.061	0.163	0.150
UK 10-year Gilts yield	4.912	-0.052	0.201	0.398	0.433
Japan 10-year bond yield	2.483	-0.035	0.116	0.252	0.417

1 week for the period 01-May-2026 to 08-May-2026

1 month for the period 08-Apr-2026 to 08-May-2026

3 months for the period 06-Feb-2026 to 08-May-2026

Year-to-date for the period 31-Dec-2025 to 08-May-2026

Source: Bloomberg (last update: Mon, 11 May 2026 9:49 AM SGT)



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