

### Key Market Highlights

- The signing of an interim United States (US) - Iran peace agreement led to lower oil prices and easing inflation expectations, and supported market sentiment.
- While concerns flared up over the weekend when Iran declared the Strait of Hormuz closed due to supposed violation of the ceasefire, high-level US-Iran talks went ahead and “encouraging progress” was apparently made with further discussions scheduled this week.
- Meanwhile, the 2-year US Treasury bond yield remains elevated as the Federal Reserve (Fed) signalled increased support for policy tightening.
- Near-term market volatility may persist amid evolving geopolitical developments and uncertainty over the interest rate outlook. Nevertheless, the broader environment of resilient corporate earnings and economic growth remains supportive for risk assets.

### Topics of the Week:

#### China's two-speed economy

- China's May activity data highlighted a widening two-speed economy, where strong artificial intelligence (AI) - related exports and high-tech manufacturing, supported by robust global AI investment demand, continue to anchor growth, while domestic consumption and property-related activity remain weak.
- This divergence reflects China's ongoing structural transition away from a property- and infrastructure-led model towards one driven by “new productive forces”, including advanced manufacturing, technology, and green industries.
- While structurally positive for long-term productivity and growth quality, this shift is creating near-term demand gaps, as households remain cautious amid weak confidence and subdued income expectations.
- In the near term, easing geopolitical tensions in the Middle East and normalisation of global supply chains could provide modest support to business and consumer sentiment.
- **House View:**
  - Fiscal policy is expected to become more supportive in the second half of 2026.
  - China's central bank (PBOC) is likely to keep policy rates unchanged, although a 25 - 50 basis points (bps) reserve requirement ratio cut remains possible.
  - Earnings should remain supported by China's structural transition, with higher-quality sectors offering a more resilient foundation for long-term growth.

#### Federal Open Market Committee (FOMC) meeting review

- The Fed kept interest rates unchanged at 3.50%-3.75% for a fourth consecutive meeting.
- The meeting marked early signs of a potential policy shift under Chair Kevin Warsh, indicating



movement towards a new operating framework.

- The Fed signalled a clear shift away from forward guidance, with a significantly shorter policy statement and removal of most forward-looking language.
  - Chair Warsh also withheld his own dot-plot projection, reinforcing a reduced reliance on rate forecasts as a communication tool.
- In addition, the Fed launched five strategic policy reviews covering communications, balance sheet strategy, data reliability, productivity and labour dynamics, and the inflation-targeting framework, which could potentially reshape Fed policy operations meaningfully from next year.
- Meanwhile, the latest dot plot showed a more hawkish policy split, with nine officials expecting at least one rate hike in 2026, eight expecting no change, and one projecting rate cuts.
- This divergence underscores that inflation remains a key policy concern, keeping the risk of policy tightening on the table.
- **House View:** We expect the Fed to keep interest rates unchanged for the remainder of 2026 before delivering two rate cuts in the second quarter and fourth quarter of 2027 once inflation pressures ease.

## Investment Strategy

- Stay invested, as resilient corporate earnings and AI-led investment continue to provide a constructive backdrop for equities.
- Use market pullbacks to accumulate quality names and maintain a diversified portfolio, as the prospect of elevated inflation and higher-for-longer interest rates is still a key risk that could drive near-term volatility.
- Position China exposure using a barbell approach, as the two-speed economy is likely to persist in the near term.
  - Prefer onshore (A-shares) aligned with policy and innovation, while exposure to high-quality companies with stable dividend profiles can help provide income and mitigate volatility.
- Focus on structural winners in the US, Asia ex-Japan and AI-related sectors.

## Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7500.58	0.93	0.91	15.28	9.57
Dow Jones (USD)	51564.7	0.71	3.11	13.14	7.28
NASDAQ 100 (USD)	30406.19	2.60	3.78	27.23	20.42
FTSE 100 (GBP)	10363.27	-1.04	-0.66	4.49	4.35
S&P/ASX 200 (AUD)	8828.671	0.28	3.91	4.75	1.31
DAX (EUR)	24985.82	1.42	1.00	11.64	2.02
Swiss Market Index (CHF)	13774.02	0.48	2.80	11.79	3.82
HSCEI Index (HKD)	7976.04	-4.76	-7.31	-6.97	-10.52
Hang Seng Index (HKD)	23924.81	-3.21	-6.73	-5.35	-6.66
Nikkei 225 (JPY)	71250.06	7.92	19.14	33.50	41.54
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	80.57	-7.74	-20.26	-15.52	33.86
Gold (USD)	4155.71	-1.51	-8.55	-7.50	-3.79
EURUSD	1.1471	-0.84	-1.32	-0.87	-2.34
GBPUSD	1.3232	-1.30	-1.51	-0.82	-1.80
USDJPY	161.3	0.66	1.50	1.30	2.93
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	4.453	-0.026	-0.132	0.074	0.286
German 10-year Bund yield	2.985	-0.010	-0.111	-0.058	0.130
UK 10-year Gilts yield	4.842	0.006	-0.146	-0.152	0.363
Japan 10-year bond yield	2.656	0.030	-0.127	0.379	0.590

1 week for the period 12-Jun-2026 to 19-Jun-2026

1 month for the period 20-May-2026 to 19-Jun-2026

3 months for the period 20-Mar-2026 to 19-Jun-2026

Year-to-date for the period 31-Dec-2025 to 19-Jun-2026

Source: Bloomberg (last update: Sat, 20 June 2026 10:16 AM SGT)



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