Weekly Investment Insights

20 July 2026

Key Market Highlights

- A broad selloff in semiconductor stocks weighed on global equities last week as investors raised concerns over rising competition, potential overcapacity, and the sustainability of artificial intelligence (AI) infrastructure spending, despite resilient earnings from leading chipmakers.
- Short-maturity United States (US) Treasury bond yields retreated lower as expectations of near-term Federal Reserve (Fed) rate hikes eased after softer inflation data.
- Brent crude oil has surged above USD 90 per barrel after the US-Iran interim peace deal collapsed with daily military conflict while the US reinstated a blockade on Iranian shipping through the Strait of Hormuz, reviving concerns over energy supply disruptions and inflation.
- While AI-related stocks may see further near-term volatility as elevated expectations are reset, the pullback remains sentiment-driven rather than fundamental, with AI-led earnings growth continuing to support the longer-term investment theme.

Topics of the Week:

Inflation eased but risks remain

- The latest US consumer price index (CPI) and producer price index (PPI) eased more than expected, with lower energy prices being the primary driver.
- Importantly, beyond lower energy prices, the moderation in price pressures was in fact broad-based, suggesting the inflation re-acceleration seen between March and May has likely peaked.
- Softer inflation has prompted investors to scale back expectations of near-term Fed rate hikes, although markets still price in one hike later this year.
- That said, despite the encouraging inflation data, renewed Middle East tensions have pushed oil prices higher again, keeping inflation risks elevated.
- The implication is that monetary policy will likely stay restrictive, which is reflected by long-term real yields remaining near their highest levels since late 2023.
- For context, Fed Chair Kevin Warsh has cautioned that one softer inflation reading does not signal victory over inflation and reaffirmed the Fed's commitment to restoring price stability.
- **House View:** We expect the Fed to keep interest rates unchanged for the rest of 2026 before resuming easing in 2027, although higher oil prices remain the key upside risk to inflation.

Positioning for a high bond yield environment

- Higher oil prices and lingering inflation concerns are likely to keep bond yields elevated in the near term, potentially weighing on certain growth stocks, while benefiting sectors with stronger earnings visibility.
- Since the US 10-year Treasury yield moved above 4.5% in mid-May, sectors such as Financials and Healthcare have outperformed semiconductors as investors broaden exposure beyond AI leaders.

    - Financials continue to benefit from higher net interest margins, resilient credit quality and solid bank earnings, with the recent earnings from major US banks staying robust.
    - Healthcare offers resilient earnings, attractive valuations and lower interest-rate sensitivity.
- We view this as a broadening of market leadership rather than a replacement of the long-term artificial intelligence (AI) theme.
- Meanwhile, low-volatility strategies can help reduce drawdowns while maintaining equity exposure.
    - These strategies typically favour Healthcare, Consumer Staples, Utilities and quality Financials, making them a useful complement to growth-oriented portfolios.

Investment Strategy

- Near-term market volatility is likely to persist amid geopolitical-driven inflation risks, while crowded AI positioning could lead to further consolidation.
- Maintain a balanced portfolio by combining long-term AI growth opportunities with sectors that are better positioned in a higher bond yield environment.
- Use periods of volatility to accumulate high-conviction AI beneficiaries at more attractive valuations, as we remain constructive on the long-term AI investment theme.
    - Preferred areas within the AI ecosystem include semiconductors, memory, optical networking, electrification, power infrastructure and cooling solutions.
- Increase selective exposure to quality Financials, Healthcare and low-volatility strategies to improve portfolio resilience as market leadership continues to broaden.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7533.77	-1.55	0.51	4.65	8.94
Dow Jones (USD)	52552.97	-0.93	1.27	5.46	8.50
NASDAQ 100 (USD)	29025.77	-4.13	-3.63	7.20	13.24
FTSE 100 (GBP)	10600.37	0.98	0.87	-0.63	6.74
S&P/ASX 200 (AUD)	8796.75	-0.11	-1.89	-1.68	0.95
DAX (EUR)	24830.98	-0.94	-0.42	0.52	1.39
Swiss Market Index (CHF)	14343.7	0.76	3.83	6.83	8.11
HSCEI Index (HKD)	8136.73	1.21	-0.09	-8.01	-8.72
Hang Seng Index (HKD)	24562.24	1.60	1.03	-6.11	-4.17
Nikkei 225 (JPY)	64141.12	-6.44	-8.24	9.69	27.42
Commodities & Currencies	**Current**	**1 Week**	**1 Month**	**3 Months**	**Year-To-Date**
Brent Crude (USD)	88.1	15.91	11.20	7.43	46.42
Gold (USD)	4017.39	-2.49	-5.63	-16.83	-6.99
EURUSD	1.1439	0.20	-0.54	-2.77	-2.61
GBPUSD	1.3452	0.36	1.20	-0.47	-0.17
USDJPY	162.4	0.45	1.09	2.37	3.63
Bonds	**Current (%)**	**Basis points Change**			
		1 Week	**1 Month**	**3 Months**	**Year-To-Date**
US 10-year Treasury yield	4.547	-0.014	0.060	0.299	0.380
German 10-year Bund yield	3.126	0.061	0.199	0.166	0.271
UK 10-year Gilts yield	4.951	0.079	0.200	0.189	0.472
Japan 10-year bond yield	2.699	-0.044	0.096	0.275	0.633

1 week for the period 10-Jul-2026 to 17-Jul-2026
1 month for the period 17-Jun-2026 to 17-Jul-2026
3 months for the period 17-Apr-2026 to 17-Jul-2026
Year-to-date for the period 31-Dec-2025 to 17-Jul-2026
Source: Bloomberg (last update: Sat, 18 July 2026 3:25 PM SGT)

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