# Weekly Investment Insights

3 August 2026

## Key Market Highlights

- The selloff in semiconductor stocks eased late last week after strong earnings from mega-cap technology companies alleviated concerns over returns from artificial intelligence (AI) investments.
- Recent volatility in AI-related stocks highlight a shift in investor focus from the scale of AI spending to companies' ability to monetise those investments and generate sustainable returns, reinforcing the importance of focusing on quality AI beneficiaries.
- The 30-year United States (US) Treasury yield surged to its highest level since 2007 as the Federal Reserve's (Fed) wait-and-see approach triggered concerns the central bank may fail to rein in inflation that has been above the 2% target for several years.
- Last week, the Japanese Yen ended 3.9% stronger against the US dollar following joint intervention with the US. While the Yen briefly weakened after the Bank of Japan (BOJ) kept interest rates unchanged, it has since rallied to a 13-week high amid speculation of further intervention.

## Topics of the Week:

### The Fed kept rates on hold but with three dissents

- The Fed kept interest rates unchanged at 3.50%-3.75% for a fifth consecutive meeting, but with three policymakers favouring an immediate rate hike due to ongoing inflation concerns.
- The Fed reaffirmed its commitment to restoring price stability, with Fed Chair Warsh emphasising there is "no soft inflation target" and that inflation must return to the 2% target.
- Warsh acknowledged the rise in long-term Treasury yields, which is seen as tightening financial conditions and doing some of the Fed's work by reducing the need for immediate rate hikes.
- House View: We expect the Fed to remain on hold through 2026 before resuming easing in 2027, although the risk of rate hikes has increased.

### The AI investment cycle is evolving

- AI-related hardware stocks have retreated after a strong rally as investors reassessed earnings expectations and valuations.
- The pullback reflects concerns over three key areas:
  - Advances in AI models could reduce demand for high-end chips and computing infrastructure.
  - Rising AI capex and weaker free cash flow have raised questions about investment returns.
  - Export restrictions, financing concerns and China's semiconductor ambitions have increased uncertainty over long-term hardware demand.
- While AI capex is expected to remain elevated in the near term, investors are placing greater scrutiny on funding requirements, investment returns and capital discipline.
- If companies adopt a leaner capital expenditure approach, balance sheet optimization, including asset divestments, could become increasingly important.

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- As the AI cycle evolves, focus on quality companies with clearer AI monetisation and stronger earnings visibility.

### Singapore equities stand out amid market uncertainty

- Singapore equities have outperformed major markets amid AI-related volatility and geopolitical uncertainty, supported by resilient earnings, attractive dividend yields and Singapore dollar (SGD) strength.
- Recent monetary policy tightening by Singapore's central bank (MAS) should further support the SGD and reinforce Singapore's defensive appeal amid global uncertainty.
- Rising non-resident deposits highlight Singapore's role as a regional financial hub and provide a supportive backdrop for financial stocks.
- A resilient economy, supported by AI-related investment, steady domestic growth and ongoing market reforms, should continue to underpin corporate earnings.

## Investment Strategy

- Maintain a diversified portfolio as AI-related volatility may remain elevated.
- However, the structural long-term AI theme remains intact, so periods of market weakness should be seen as an opportunity to gradually accumulate quality AI infrastructure beneficiaries.
- The diversification strategy is to broaden equity exposure beyond AI leaders by increasing allocations to quality companies and selected opportunities in Asia, where valuations remain more attractive and structural growth continues to improve.
    - Favour sectors with resilient earnings visibility, including financials, healthcare and industrials.
    - Maintain exposure to Singapore equities as resilient fundamentals continue to support its appeal and underpin long-term returns.
- Within fixed income, favour investment grade bonds with an average duration of four to five years as portfolio stabilisers while managing interest rate risk amid uncertainty over the Fed's policy path.

## Asset Class Performance

| Equities | Current | Performance (%) | | | |
|---|---|---|---|---|---|
| | | 1 Week | 1 Month | 3 Months | Year-To-Date |
| S&P 500 (USD) | 7489.72 | 1.05 | 0.09 | 3.59 | 9.41 |
| Dow Jones (USD) | 52485.03 | 1.04 | 0.34 | 6.03 | 9.20 |
| NASDAQ 100 (USD) | 28274.2 | 0.52 | -5.15 | 2.03 | 11.98 |
| FTSE 100 (GBP) | 10868.05 | 1.23 | 3.72 | 4.86 | 9.43 |
| S&P/ASX 200 (AUD) | 8976.799 | 2.33 | 2.91 | 2.83 | 3.01 |
| DAX (EUR) | 25629.24 | 2.11 | 2.35 | 5.50 | 4.65 |
| Swiss Market Index (CHF) | 14346.14 | 0.13 | 1.64 | 9.21 | 8.13 |
| HSCEI Index (HKD) | 8612.15 | 4.12 | 13.94 | -0.80 | -3.38 |
| Hang Seng Index (HKD) | 25884.43 | 3.69 | 13.13 | 0.42 | 0.99 |
| Nikkei 225 (JPY) | 64362.02 | -0.39 | -8.67 | 8.15 | 27.86 |
| **Commodities & Currencies** | **Current** | **1 Week** | **1 Month** | **3 Months** | **Year-To-Date** |
| Brent Crude (USD) | 87.93 | -4.09 | 22.13 | -5.28 | 46.14 |
| Gold (USD) | 4046.15 | -0.16 | 0.38 | -12.31 | -6.33 |
| EURUSD | 1.1527 | 1.38 | 1.32 | -1.66 | -1.86 |
| GBPUSD | 1.3483 | 1.19 | 1.57 | -0.74 | 0.06 |
| USDJPY | 157.4 | -3.92 | -3.19 | 0.25 | 0.44 |
| **Bonds** | **Current (%)** | **Basis points Change** | | | |
| | | **1 Week** | **1 Month** | **3 Months** | **Year-To-Date** |
| US 10-year Treasury yield | 4.735 | 0.058 | 0.256 | 0.365 | 0.568 |
| German 10-year Bund yield | 3.206 | 0.034 | 0.328 | 0.169 | 0.351 |
| UK 10-year Gilts yield | 5.050 | 0.018 | 0.294 | 0.086 | 0.571 |
| Japan 10-year bond yield | 2.805 | -0.011 | 0.094 | 0.287 | 0.739 |

1 week for the period 24-Jul-2026 to 31-Jul-2026
1 month for the period 01-Jul-2026 to 31-Jul-2026
3 months for the period 01-May-2026 to 31-Jul-2026
Year-to-date for the period 31-Dec-2025 to 31-Jul-2026
*Source: Bloomberg (last update: Sat, 01 August 2026 11:21 AM SGT)*

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