

Key Market Highlights

- United States (US) 2-year Treasury yields saw the biggest one-day surge in more than two months last Friday after Federal Reserve (Fed) Chair Kevin Warsh reinforced the Fed's commitment to its 2% inflation target and indicated that financial conditions may not be restrictive enough.
- Although Warsh refrained from signalling the timing of future rate moves, investors raised expectations for renewed tightening, with September hike odds rising to around 64% from 35%.
- The reaction of longer-maturity Treasury yields was far milder, suggesting the stronger commitment to price stability helped anchor inflation expectations and the long end of the curve even as short-term rate expectations shifted higher.
- Meanwhile, concerns over artificial intelligence (AI) investment returns eased after the world's leading AI chipmaker issued a bullish revenue outlook for fiscal year (FY) 2028.

Topics of the Week:

Financial markets could face a sentiment test in September

- The triggers of market volatility have broadened in recent months.
 - While AI-related concerns remain a source of volatility, it has expanded to broader macro concerns in August, including higher long-term bond yields, fiscal sustainability concerns, Fed policy uncertainty and geopolitical developments.
- With Fed Chair Warsh re-affirming inflation and Fed credibility as clear policy priorities while not providing guidance on the timing of future moves, markets could become more sensitive to macro and economic surprises and their implications for Fed policy as September begins.
- September has historically been the weakest month for global and US equities and has tended to see higher volatility.
 - With equity valuations remaining elevated, the historically weaker seasonal backdrop could leave markets more vulnerable if economic or policy developments disappoint.
- However, seasonal weakness should not be a reason to turn bearish as it merely reflects a historical trend, especially since the broader backdrop remains positive with resilient corporate earnings.
- Instead, investors should stay focused on long-term investment goals and use market weaknesses to accumulate high-conviction opportunities.

Five key risks to watch

- While our positive outlook on risk assets remains unchanged, the following risks could increase market volatility and influence the short-term direction of financial markets.
 - **Uncontrolled yield spike:** Higher borrowing costs and rising long-term interest rates could tighten financial conditions and reduce the value investors place on future corporate earnings, pressuring equity valuations.



- **Re-escalation in Iran:** A renewed energy shock could push inflation higher, complicate the Fed's policy outlook and pressure consumer spending.
- **Fed rate hikes:** Persistent inflation could force the Fed to resume policy tightening, potentially pressuring both bonds and equities.
- **Faster-than-expected AI disruption:** A faster AI transition could create uncertainty around employment, corporate earnings and economic growth.
- **Super El Niño:** Higher food and commodity prices could slow consumer demand while keeping inflation elevated.

Investment Strategy

- While mindful of potential seasonal volatility, stay invested as resilient economic growth and corporate earnings continue to support risk assets.
- Use market weakness to accumulate high-conviction opportunities.
- Prioritise high-quality companies with resilient earnings that can withstand a more uncertain macro environment.
- Avoid excessive portfolio concentration and broaden exposure across sectors and regions to manage potential macro-driven volatility.
 - Maintain selective exposure to long-term AI structural growth themes, and complement growth exposure with quality Financials, Healthcare and Industrials.
 - Geographically, we favour opportunities across the US and Emerging Asia.
- Consider low-volatility strategies to help manage downside risks during periods of higher market volatility.
- Lock in attractive yields through high-quality investment grade bonds for stable income and portfolio diversification, with a preference for an average duration of four to five years.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7711.76	0.49	5.41	1.74	12.65
Dow Jones (USD)	53559.99	0.53	3.81	4.95	11.44
NASDAQ 100 (USD)	29433.43	0.43	8.24	-2.97	16.57
FTSE 100 (GBP)	10824.26	0.07	-0.77	3.99	8.99
S&P/ASX 200 (AUD)	9092.288	0.37	0.59	4.13	4.34
DAX (EUR)	26569.99	1.66	4.36	5.84	8.49
Swiss Market Index (CHF)	14399.77	-0.40	-0.60	6.33	8.53
HSCEI Index (HKD)	8490.39	-1.67	-1.54	0.77	-4.75
Hang Seng Index (HKD)	25584.79	-1.63	-0.86	1.60	-0.18
Nikkei 225 (JPY)	66405.56	0.59	8.09	0.11	31.92
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	88.1	-4.93	3.14	2.92	46.37
Gold (USD)	4455.11	-3.21	9.53	-1.88	3.14
EURUSD	1.1585	-0.80	1.03	-0.63	-1.37
GBPUSD	1.3538	-0.78	1.26	0.61	0.47
USDJPY	160.09	0.72	-2.03	0.51	2.16
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	4.718	-0.016	0.041	0.283	0.551
German 10-year Bund yield	3.279	0.021	0.119	0.341	0.424
UK 10-year Gilts yield	5.063	0.003	0.027	0.251	0.584
Japan 10-year bond yield	2.931	0.043	0.163	0.264	0.865

1 week for the period 21-Aug-2026 to 28-Aug-2026

1 month for the period 29-Jul-2026 to 28-Aug-2026

3 months for the period 29-May-2026 to 28-Aug-2026

Year-to-date for the period 31-Dec-2025 to 28-Aug-2026

Source: Bloomberg (last update: Sat, 29 August 2026 8:39 AM SGT)



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