UOB

Weekly Investment Insights

14 September

Key Market Highlights

- Oil-driven inflation concerns pushed global sovereign bond yields higher and weighed down on global equities, while strengthening Bank of Japan (BOJ) rate hike expectations boosted the Japanese Yen ahead of key Federal Reserve (Fed) and BOJ policy decisions this week.
- Brent crude oil prices surged to a 16-week high of USD 109.97 per barrel following fresh attacks on Middle East energy and shipping assets, including the seizure of Yemen's Mokha port by Iran-aligned Houthi forces, raising further concerns over potential supply disruptions.
- The European Central Bank raised rates by 25 basis points (bps) and upgraded its inflation and growth forecasts, heightening expectations that further policy tightening may be delivered.
- US inflation remained persistent, with core consumer prices rising 0.3% month-on-month versus expectations of 0.2%, lifting market expectations for a September rate hike from 72.5% to 86%.

Topics of the Week:

ChatGPT-6 Astra Highlights Growing Use Case of AI

- The new ChatGPT-6 Astra demonstrates meaningful improvements in reasoning and task execution, enabling it to complete more complex workflows with less task-specific training.
  - Unlike traditional chatbots, newer AI systems can use tools, adapt to unfamiliar environments and execute multi-step tasks, expanding potential enterprise use cases.
- Improving performance alongside lower cost-per-task suggests AI capabilities are becoming more commercially viable for large-scale deployment.
- As AI becomes more capable and cost-effective, adoption may accelerate, supporting continued investment in AI infrastructure, including compute, memory and data centres.
- **Key Takeaway:** Recent AI model advancements reinforce confidence that improving AI capabilities and economics can sustain the long-term AI investment cycle.

Memory: Reduced Cyclicality Supports Re-Rating Potential

- Newer AI models require greater memory capacity as they store more information and handle increasingly complex workloads.
- High Bandwidth Memory (HBM) is expected to capture a growing share of AI infrastructure spending, with rising memory requirements supporting long-term demand.
- HBM demand remains supply-constrained, while the adoption of 3-5 year long-term supply agreements are improving revenue visibility for memory suppliers.
- Despite benefiting directly from AI investment, share prices of memory makers continue to trade at a discount to the broader semiconductor sector due to concerns over earnings durability.
- However, with strong demand expected to persist, this alleviates concerns over the historically

cyclical nature of memory makers' earnings.

- **Key Takeaway:** Strong AI-driven demand and reduced cyclicality could lead to potential valuation re-rating for memory stocks.

Utilities: Defensive Exposure to AI Power Demand

- Utilities offer defensive earnings supported by regulated assets, long-term contracts and essential-service demand.
- AI data centre expansion and electrification trends are expected to drive long-term growth in electricity demand.
- Despite improving growth prospects, valuations of utility stocks remain below historical averages.
- **Key Takeaway:** Utilities offer a combination of defensive characteristics, attractive valuations and exposure to the long-term growth of AI-related power demand.

Investment Strategy

- Investors will be focused on this Wednesday's Fed policy meeting and Friday's BOJ policy decision given elevated energy prices, inflation expectations, and bond yields.
- Volatility may persist as markets reassess the outlook for interest rates.
  - Nonetheless, use potential market weakness to accumulate high-quality assets, given the backdrop of resilient economic growth and healthy corporate earnings.
- We continue to hold a positive outlook on equities, with a geographical preference for the US and Asia, and see opportunities in AI-related, financials, industrials, and healthcare sectors.
- Recent advances in AI models reinforce the long-term investment case for AI infrastructure.
  - Memory remains a key bottleneck as AI model complexity increases, supporting durable earnings and potential valuation re-rating should cyclicality concerns subside.
  - Utilities provide defensive characteristics while benefiting from rising power demand driven by AI infrastructure and electrification trends. Comparatively attractive valuations relative to historical averages offer a potential entry opportunity.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7656.98	-0.80	-1.18	3.03	11.85
Dow Jones (USD)	52573.29	-1.57	-2.23	2.68	9.38
NASDAQ 100 (USD)	29368.44	-0.59	-1.26	-0.90	16.31
FTSE 100 (GBP)	10650.44	-1.67	-1.69	1.71	7.24
S&P/ASX 200 (AUD)	8741.21	-2.94	-5.08	-0.71	0.31
DAX (EUR)	25568.56	-1.83	-2.90	3.79	4.40
Swiss Market Index (CHF)	13775.27	-4.31	-4.67	0.49	3.83
HSCEI Index (HKD)	8246.33	-3.61	-2.37	-1.53	-7.49
Hang Seng Index (HKD)	24805.63	-3.30	-2.49	0.35	-3.22
Nikkei 225 (JPY)	64011.34	-1.55	-5.20	-3.04	27.16
Commodities & Currencies	**Current**	**1 Week**	**1 Month**	**3 Months**	**Year-To-Date**
Brent Crude (USD)	104.61	8.65	20.49	25.15	73.80
Gold (USD)	4349.08	-1.83	-1.34	3.08	0.69
EURUSD	1.1599	-0.13	0.63	0.27	-1.25
GBPUSD	1.3524	0.04	0.21	0.88	0.36
USDJPY	153.61	-1.70	-3.64	-4.14	-1.98
Bonds	**Current (%)**	**Basis points Change**			
		1 Week	**1 Month**	**3 Months**	**Year-To-Date**
US 10-year Treasury yield	4.967	0.185	0.274	0.488	0.800
German 10-year Bund yield	3.504	0.165	0.344	0.509	0.649
UK 10-year Gilts yield	5.343	0.210	0.373	0.507	0.864
Japan 10-year bond yield	2.987	0.069	0.130	0.361	0.921

1 week for the period 04-Sep-2026 to 11-Sep-2026
1 month for the period 12-Aug-2026 to 11-Sep-2026
3 months for the period 12-Jun-2026 to 11-Sep-2026
Year-to-date for the period 31-Dec-2025 to 11-Sep-2026
Source: Bloomberg (last update: Sat, 12 September 2026 4:51 PM SGT)

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