

Key Market Highlights

- Investor expectations of an October Federal Reserve (Fed) rate hike fell to around 17%, as softer inflation and labour market data reduced the urgency for further near-term policy tightening.
- The global bond sell-off accelerated last week due to persistent concerns over inflation, fiscal sustainability and elevated bond supply. That said, the rise in 10-year United States (US) Treasury bond yields was contained at a 24 year high of 5.34% amid safe haven demand, while 2-year Treasury yields fell due to the decline in Fed rate hike expectations.
- Crude oil prices fluctuated as recovering Middle East supply was offset by geopolitical tensions.
- China's economic activity returned to expansion in September, while Beijing announced targeted fiscal and monetary stimulus aimed at achieving its 4.5-5.0% growth target. Nevertheless, the CSI 300 fell 1.84% in a holiday-shortened week amid weakness in the technology sector.

Topics of the Week:

Near-Term Risks Are Building for Equities

- Ongoing Middle East tensions have kept crude oil prices elevated, although prices remain below the peaks reached during the initial supply disruption.
- In contrast, prices of diesel and other refined fuel have risen well above their initial peaks, as refinery disruptions, export restrictions and limited spare capacity further tightened global supply.
 - Higher fuel prices could raise transport, food production, and business costs, adding to broader inflationary pressures.
 - While the Group of Seven (G7) nations' plan to release as much as 100 million barrels of strategic reserves in oil and diesel helped diesel prices retreat from recent highs, it remains to be seen if this will durably alleviate the supply constraint.
- US Treasury bond yields remain elevated amid concerns over fiscal sustainability, further Fed tightening and persistent inflation.
- Higher bond yields raise financing costs, potentially weighing on economic activity and corporate earnings while placing pressure on equity valuations.
- Bond market volatility has risen sharply while equity market volatility remains comparatively low, suggesting equity investors may not be fully appreciating the risks signalled by the bond market.
- **Key Takeaway:** Investors should adopt a more cautious and selective approach, as elevated energy prices could sustain inflationary pressures and keep bond yields elevated, posing headwinds to economic activity, corporate earnings and equity valuations.

Cybersecurity Companies Provides a Capital-Light Path to AI Exposure

- An environment of rising financing costs may favour capital-light companies with strong free cash flow and limited funding needs, such as the cybersecurity sector.
- Cybersecurity companies may benefit from artificial intelligence (AI)-enabled coding and



automation, which could improve threat detection, response time, and strengthen defences, and lead to accelerated product development and increased revenue.

- Cybersecurity spending is also relatively resilient, as protecting critical data and systems remains essential even when companies moderate broader technology spending. Many cybersecurity companies also benefit from subscription-based models that support recurring revenue and cash-flow visibility.
- Furthermore, breakneck advances in AI and wider AI adoption creates new security risks across models, data, applications and autonomous agents, expanding demand for cybersecurity solutions.
- However, with several cybersecurity stocks trading at elevated valuations, investors should consider accumulating on market dips to gradually build exposure.
- **Key Takeaway:** Cybersecurity offers a capital-light way to gain AI exposure, supported by resilient demand, recurring revenue and new security requirements arising from broader AI adoption. That said, investors should remain selective and build exposure gradually.

Investment Strategy

- Remain invested in equities given resilient corporate earnings, but maintain a neutral view amid higher energy prices, elevated US Treasury bond yields and the possibility of further Fed tightening.
- Favour selectivity over broad market exposure.
 - Focus on companies with sustainable free cash flow, resilient balance sheets and visible earnings growth.
 - Rebalance AI exposure from capital-intensive infrastructure providers toward cash-generative AI adopters like cybersecurity companies.
 - Broaden sector exposure beyond AI beneficiaries into financials, healthcare and defence companies to diversify sources of returns and reduce concentration risk.
 - Consider market-neutral strategies to improve portfolio resilience and reduce sensitivity to broad market movements.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7722.72	-0.27	0.73	3.20	12.81
Dow Jones (USD)	51176.96	-1.26	-3.55	-3.26	6.48
NASDAQ 100 (USD)	30807.93	0.65	5.71	5.04	22.01
FTSE 100 (GBP)	10461.95	-2.18	-2.74	-2.03	5.34
S&P/ASX 200 (AUD)	8682.1	0.20	-3.30	-1.84	-0.37
DAX (EUR)	25231.2	-0.70	-2.35	-2.13	3.02
Swiss Market Index (CHF)	13660.92	-2.04	-4.89	-5.29	2.97
HSCEI Index (HKD)	8030.54	-1.66	-4.97	4.30	-9.91
Hang Seng Index (HKD)	23972.29	-2.19	-5.29	2.66	-6.47
Nikkei 225 (JPY)	68309.46	2.93	6.19	-2.06	35.70
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	102.25	4.94	11.03	41.29	69.79
Gold (USD)	4141.19	-3.35	-5.49	-0.86	-4.13
EURUSD	1.1255	-1.19	-2.87	-1.59	-4.18
GBPUSD	1.3241	-0.05	-1.82	-0.82	-1.74
USDJPY	157.85	0.36	-0.54	-2.16	0.73
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	5.271	0.110	0.493	0.787	1.104
German 10-year Bund yield	3.462	-0.139	0.086	0.527	0.607
UK 10-year Gilts yield	5.366	0.000	0.136	0.584	0.887
Japan 10-year bond yield	3.093	0.010	0.066	0.307	1.027

1 week for the period 25-Sep-2026 to 02-Oct-2026

1 month for the period 02-Sep-2026 to 02-Oct-2026

3 months for the period 03-Jul-2026 to 02-Oct-2026

Year-to-date for the period 31-Dec-2025 to 02-Oct-2026

Source: Bloomberg (last update: Sat, 03 October 2026 5:43 PM SGT)



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