

Key Market Highlights

- Initial optimism around artificial intelligence (AI) was tempered by Middle East uncertainty and concerns about whether heavy AI-related investments will generate sufficient returns. Nonetheless, the S&P 500 and MSCI ACWI Index eked out minor gains for the week.
- US Treasury yields ended the week slightly lower across the curve on solid auction demand, although long-term yields remain near multi-decade highs, limiting equity market momentum.
- Singapore's Straits Times Index (STI) recorded its largest weekly decline since April 2025, as bank stocks came under pressure amid concerns that elevated long-term bond yields could weigh on third quarter earnings.
- Nonetheless, we think that Singapore banks remain supported by resilient earnings, wealth-management income and capital returns but a strong two-year rally suggests more modest upside and a greater need for earnings delivery.

Topics of the Week:

Third quarter US corporate earnings face a higher bar

- The third quarter US corporate earnings season swings into focus this week, bringing a fresh test of corporate earnings and the outlook for markets.
- Earnings growth for the quarter is expected to remain robust, although it will likely moderate from the exceptional pace seen in the second quarter.
- Positive company guidance remains well above historical averages, supporting the potential for another beat-and-raise quarter.
- However, strong earnings expectations and crowded investor positioning leave less room for positive surprises to drive further market gains.
- Earnings revisions have weakened since late July, suggesting expectations for a further acceleration in earnings growth may become harder to sustain.
- Higher bond yields have raised the hurdle for earnings upgrades, as companies need to deliver stronger results to offset higher financing costs and discount rates.
- As such, we prefer companies with positive earnings momentum rather than chasing broad market upside from elevated expectations.

US banks offer an early test of earnings expectations

- Major US banks are among the first to report, making the sector an early test of whether strong earnings fundamentals remain intact.
- US bank shares have fallen sharply from their August peaks, underperforming the broader market as higher oil prices and renewed rate-hike concerns weighed on sentiment.
- The sharp pullback raises the question of whether bank fundamentals have deteriorated as much as



share prices suggest.

- Financials saw slightly more earnings downgrades than upgrades ahead of the third quarter results, pointing to softer but not sharply deteriorating expectations.
- Analyst price targets have moved only marginally lower, suggesting the recent share-price correction has been larger than the change in fundamental expectations.
- Loan growth and net interest income should remain supportive, particularly if higher rates persist and the economy avoids recession.
- As sector fundamentals remain resilient, we view financials as a form of portfolio diversification.

Investment Strategy

- Remain Neutral on equities and favour a selective approach, as strong earnings expectation set a higher bar for further price gains after the strong year-to-date rally.
- Prioritise companies with sustainable earnings growth, strong cash flow and reasonable valuations rather than chasing broad market upside.
- Financials remain a preferred sector, supported by resilient loan growth and net interest income, while improving investment banking activity, trading revenues and financing related to the AI investment cycle should provide additional support to earnings.
 - Watch the upcoming third quarter results for the outlook on loan growth and net interest income.
- Keep excess capital available to gradually accumulate quality companies if oil prices ease, bond yields stabilise or if markets undergo a meaningful reset.
- Maintain exposure to high-quality, income-generating assets, such as investment grade bonds and quality dividend stocks, to strengthen portfolio resilience amid elevated market uncertainty..

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7811.54	1.15	2.29	3.12	14.11
Dow Jones (USD)	51654.95	0.93	-1.39	-1.87	7.47
NASDAQ 100 (USD)	30883.15	0.24	4.97	3.55	22.31
FTSE 100 (GBP)	10552.05	0.86	-1.11	0.52	6.25
S&P/ASX 200 (AUD)	8716.636	0.40	-2.19	-1.02	0.03
DAX (EUR)	25087.27	-0.57	-1.91	0.08	2.44
Swiss Market Index (CHF)	13787.4	0.93	-0.13	-3.14	3.92
HSCEI Index (HKD)	8147.87	1.46	-2.64	1.35	-8.59
Hang Seng Index (HKD)	24211.35	1.00	-4.21	0.15	-5.54
Nikkei 225 (JPY)	69030.92	1.06	5.97	0.69	37.13
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	104.72	2.42	7.85	38.70	73.90
Gold (USD)	4194.24	1.28	-4.65	1.80	-2.90
EURUSD	1.12	-0.49	-3.72	-1.89	-4.65
GBPUSD	1.3234	-0.05	-2.31	-1.27	-1.79
USDJPY	158.31	0.29	3.09	-2.08	1.02
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	5.238	-0.033	0.397	0.677	1.071
German 10-year Bund yield	3.481	0.019	0.037	0.416	0.626
UK 10-year Gilts yield	5.443	0.077	0.182	0.571	0.964
Japan 10-year bond yield	3.018	-0.075	0.132	0.275	0.952

1 week for the period 02-Oct-2026 to 09-Oct-2026

1 month for the period 09-Sep-2026 to 09-Oct-2026

3 months for the period 10-Jul-2026 to 09-Oct-2026

Year-to-date for the period 31-Dec-2025 to 09-Oct-2026

Source: Bloomberg (last update: Sat, 10 October 2026 8:50 AM SGT)



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