

Key Market Highlights

- Confidence in the artificial intelligence (AI) investment cycle weakened, as investors questioned whether revenue growth can justify elevated equity valuations and massive infrastructure spending, while financing pressures and growing competition added to concerns.
- Hotter-than-expected inflation data reinforced concerns over persistent United States (US) price pressures, weighing on equities and briefly lifting Treasury bond yields. That said, Treasury bonds subsequently rallied as AI-related concerns drove safe-haven demand while cautious commentary from Federal Reserve officials tempered expectations of an October rate hike.
- Brent crude oil prices briefly touched USD 110 per barrel as attacks on shipping around the Strait of Hormuz and on Russian energy infrastructure heightened supply concerns.
- Asian equities faced broad selling pressure last week amid weakening AI sentiment and elevated bond yields. South Korea's KOSPI Index posted its worst week since October 2008, while Japan's Nikkei 225 Index declined more than 5%.

Topics of the Week:

MSCI Inc. Proposes Reclassifying Indonesia as a Standalone Market

- Standalone status would represent a more severe downgrade than Frontier classification.
- MSCI Inc. cites persistent concerns over opaque stock ownership, suspected coordinated trading and insufficient enforcement despite announced reforms by Indonesia.
- The final decision is due by 30 June 2027, with consultation ending on 30 April 2027.
- The Jakarta Composite Index fell 11.57% on 16 October, recording its worst day since January 1998 during the Asian Financial Crisis.
- **Market Impact:** Removal from Emerging Market (EM) benchmarks could force passive funds to sell and prompt active investors to cut exposure, adding to foreign outflows. For the fourth quarter of 2026, we have downgraded our EM Asia equity outlook to neutral.

Monetary Authority of Singapore (MAS) Pauses, but Singapore Equity Outlook Remains Intact

- **MAS - Oct 2026 Monetary Policy Statement (MPS):**
 - Policy: MAS kept the Singapore dollar on its current appreciation path, which the central bank feels is appropriate to contain import costs and inflation.
 - Growth: GDP growth remains strong, supported by AI-driven manufacturing activity, but is expected to moderate ahead as the global AI boom slows.
 - Inflation: Core inflation has risen slightly above 2% due to higher import costs but should ease next year as oil and food supplies recover and government subsidies for healthcare and education increase.
- **House View**
 - Growth: We raised our 2026 Singapore GDP growth forecast to 5.7% from 5.0%, while holding the 2027 forecast at 3.2% as AI-related momentum moderates.
 - Policy: We now expect MAS to maintain the S\$NEER slope at an estimated 1.25% through



2027 but see a 30% probability of a 25 basis-point policy tightening in January 2027 amid upside inflation risks.

- Singapore Equities: We favour Singapore equities within ASEAN for their resilience and defensive characteristics.

- Key Takeaway: MAS' dovish tone was a bigger surprise than the policy pause itself.

Crowded Investor Positioning and Narrow Market Breadth Raise Near-Term Risks

- Asset managers' positioning remains elevated, leaving equities more sensitive to negative surprises.
- Only 55% of S&P 500 constituents trade above their 200-day moving average, signalling subdued breadth and narrow participation.
- Together, these conditions may limit near-term upside and increase the risk of profit-taking or market consolidation.

Investment Strategy

- **Neutral equity outlook** as elevated energy prices, bond yields, crowded investor positioning and subdued market breadth create near-term risks.
- **Remain selective rather than chasing broad market upside**, prioritising companies with sustainable earnings growth, strong cash flows and reasonable valuations.
- **Rebalance AI exposure** away from capital-intensive infrastructure providers towards cash-generative AI adopters, such as the cybersecurity sector.
- **Broaden sector exposure beyond AI beneficiaries** through selected financials, healthcare and defence companies to reduce concentration risk.
- **Consider long-short equity strategies as a portfolio diversifier**, helping to improve resilience by reducing sensitivity to broad market movements.
- **Continue to favour Singapore equities within ASEAN**, supported by resilient domestic growth and their defensive characteristics.

Asset Class Performance

Equities	Current	Performance (%)			
		1 Week	1 Month	3 Months	Year-To-Date
S&P 500 (USD)	7659.44	-1.95	1.43	2.71	11.89
Dow Jones (USD)	52002.41	0.67	1.05	-0.28	8.20
NASDAQ 100 (USD)	29187.55	-5.49	0.84	2.08	15.59
FTSE 100 (GBP)	10881.9	3.13	1.81	2.66	9.57
S&P/ASX 200 (AUD)	8806.725	1.03	1.27	0.11	1.06
DAX (EUR)	25622.61	2.13	0.33	3.19	4.62
Swiss Market Index (CHF)	14391.31	4.38	3.77	0.33	8.47
HSCEI Index (HKD)	8128.25	-0.24	-0.95	-0.10	-8.81
Hang Seng Index (HKD)	24186.83	-0.10	-2.13	-1.53	-5.63
Nikkei 225 (JPY)	65324.29	-5.37	2.19	1.84	29.77
Commodities & Currencies	Current	1 Week	1 Month	3 Months	Year-To-Date
Brent Crude (USD)	109.86	4.91	9.03	32.09	82.43
Gold (USD)	4165.58	-0.68	-2.30	3.69	-3.56
EURUSD	1.1239	0.35	-1.97	-1.75	-4.32
GBPUSD	1.3327	0.70	-0.40	-0.93	-1.10
USDJPY	158.02	-0.18	1.13	-2.70	0.84
Bonds	Current (%)	Basis points Change			
		1 Week	1 Month	3 Months	Year-To-Date
US 10-year Treasury yield	5.073	-0.165	0.050	0.525	0.906
German 10-year Bund yield	3.426	-0.055	-0.081	0.300	0.571
UK 10-year Gilts yield	5.373	-0.070	0.077	0.422	0.894
Japan 10-year bond yield	2.930	-0.088	-0.081	0.231	0.864

1 week for the period 09-Oct-2026 to 16-Oct-2026

1 month for the period 16-Sep-2026 to 16-Oct-2026

3 months for the period 17-Jul-2026 to 16-Oct-2026

Year-to-date for the period 31-Dec-2025 to 16-Oct-2026

Source: Bloomberg (last update: Mon, 19 October 2026 8:18 AM SGT)



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