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Navigating The Turns

Policy Uncertainty Takes Centre Stage

Monthly Outlook

by OCBC Wealth Panel

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For **now**, and **beyond**

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Navigating The Turns

July had been a timely reminder that markets rarely move in a straight line and market assumptions are in constant motion. The month opened with a re-escalation of tensions in the Middle East, casting doubts over the fall in energy prices and resurfacing the inflation risks that could generate downward pressures for risk assets. In addition, the potential changes in policy reaction function and reduction in forward guidance under the new Federal Reserve (Fed) Chairman had also generated much volatility in long-end rates. The yields on 30Y US Treasuries (UST) jumped to their highest levels in the past five years after the July Federal Open Market Committee (FOMC) meeting where the long held 2% inflation target came under doubt and the dissents by FOMC members were viewed by the market to be a hawkish pause.

Equities experienced a broad sell-off led by tech stocks, most prominently in South Korea, China, Japan and Europe, while the US IT indices also ended July in the red. This was most visible in semiconductor and artificial intelligence (AI) infrastructure stocks after the significant rally to-date. The release of Kimi K3, an open weight model by Moonshot, a Chinese AI company, raised concerns amongst investors. The potential revenues of AI companies and continued AI investments that have been essential in powering both the equity markets, as well as the strong corporate CAPEX spending for the economy at-large. We continue to expect the robust demand for IT equipment and hardware spend to persist, as the adoption of agentic AI and broadening of AI adoption and monetisation are still in their early stages. The reversal in momentum and sharp market swings witnessed, however, are clear signals for investors to focus on reduction in concentration and monitor leverage/duration positions at this point in the market cycle, while we continue to expect resilient labour market and corporate earnings to hold for the remainder of 2026.

In our tactical asset allocation strategy, we are maintaining a moderately constructive overall stance in equities with an Overweight position in US, Neutral position in Asia ex-Japan and an Underweight position in Europe. In fixed income, we are maintaining a modest overall Underweight position and remain Neutral on portfolio duration amidst market volatility. In Developed Markets (DM), we prefer Investment Grade (IG) over High Yield (HY) while in Emerging Markets (EM), we are Neutral on corporates and Underweight on sovereigns.

GLOBAL OUTLOOK

SELENA LING
Selena Ling, Chief Economist & Head, OCBC Group Research

Policy Uncertainty Takes Centre Stage

"Markets remain resilient in the face of higher-for-longer interest rates, tariffs and geopolitical risks, which are testing the durability of the global growth outlook."

- July highlighted a shift in market drivers from growth optimism towards policy uncertainty and geopolitics, even as risk assets remained resilient.
- Renewed Middle East tensions pushed energy prices higher, and new US tariffs added to inflation concerns. At the same time, the recent correction in AI-related equities highlighted a growing distinction between companies that are successfully monetising AI and those facing questions over capital expenditure and valuations.
- Against this challenging backdrop, investors looked beyond momentum and towards diversification, income generation and valuation support. Recent market performance reflects this rotation, with financials, consumer staples and defensive markets such as Singapore and Hong Kong outperforming many technology-heavy indices.
- Bond markets painted a more cautious picture. Government bond yields rose across major developed markets as investors reassessed the prospect of interest rates remaining higher for longer. The Federal Reserve left rates unchanged in July, although three policymakers dissented in favour of a 25bp hike, underscoring persistent inflation concerns. Fed Chair Kevin Warsh maintained a data-dependent stance, keeping the possibility of further tightening on the table.
- Looking ahead, August will be an important test for risk assets. Investors will closely monitor US employment, inflation and retail sales data, alongside China's activity and credit indicators. Attention will also be on the Jackson Hole symposium that takes place from 27-29 August 2026, tariff developments, corporate earnings momentum and geopolitical risks.

United States

- The US economy continues to show resilience despite signs of moderation. Gross Domestic Product growth slowed to 1.5% on a seasonally adjusted basis in 2Q26, but underlying domestic demand remained firm, supported by consumer spending and business investment. We maintain our 2026 GDP growth forecast at 2.2% and inflation forecast at 3.5%. The July Federal Open Market Committee delivered a hawkish hold, with rates unchanged at 3.50-3.75% with a 9-3 voting split.
- Our base-case remains for the FOMC to keep the target range for the fed funds rate unchanged at 3.50-3.75% for the rest of the year. There is a risk of a hike. With two inflation releases and two employment reports due before the September FOMC meeting, incoming data will be critical. In the near term, we continue to monitor wage growth and inflation expectations in case of a more hawkish reaction from the US central bank. Energy, tariff and supply-chain pressures will feed into the broad inflation scenario being monitored.

Euro-Area

- We maintain our 2026 GDP growth forecast at 0.9%, although second-quarter growth suggests the economy entered the second half of the year on a firmer footing than expected. GDP grew 0.4% quarter-on-quarter and 1.0% year-on-year in 2Q2026, after being flat in the first quarter. While growth was broad-based, the recovery remains fragile. Higher energy costs, geopolitical uncertainty and weak investment are likely to weigh on growth in coming months.
- We maintain our 2026 inflation forecast at 3.1%. Inflation rose slightly to 2.9% in July, while core inflation increased to 2.5%, supporting the case for further policy tightening. Following its June rate hike and July pause, we continue to expect the European Central Bank to deliver one final 25 basis point rate hike in September, taking the deposit rate to 2.50%.

Japan

- Japan's economy will remain supported by firm wage gains, accommodative financial conditions and strong global demand for AI related products. Thus, we maintain our 2026 GDP growth forecast at 0.7% and inflation forecast at 2.1%. However, higher import and energy costs may weigh on household spending. The Bank of Japan kept interest rates unchanged at 1.0% in July but signalled a hawkish stance, supporting our expectation of another 0.25% rate hike by the end of the year, particularly if Yen weakness and wage-price pass-through persist.

China

- China's economy slowed to 4.3% year on year in 2Q2026, prompting a modest downgrade to our 2026 growth forecast to 4.6%. However, growth remains within the government's target range, as 2Q2026 may mark the cyclical trough. The July Politburo meeting signalled policy continuity rather than large-scale stimulus, with greater emphasis on the "Six Networks" infrastructure strategy covering power grids, computing capacity, communications networks and urban resilience. We expect policy support to focus on accelerating existing programmes, with the October Fifth Plenum likely to be the more significant policy event.

Rates

- We continue to expect the Fed to keep rates unchanged at 3.50-3.75% for the remainder of 2026, while monitoring risks from wage growth and inflation expectations.
- The European Central Bank is expected to deliver one final 25bp hike in September, while the Bank of England is likely to remain on hold. The BoJ's increasingly hawkish tone supports expectations of another rate hike later this year.
- In Singapore, Monetary Authority of Singapore tightened monetary policy for a second consecutive meeting by slightly steepening the S$NEER slope, though unchanged inflation forecasts suggest the bar for a further tightening remains relatively high.

GDP Growth Rates Forecast

% Change YoY	2025	2026F	2027F
United States	2.1	2.2	2.0
Euro Area	1.4	0.9	1.1
Japan	1.1	0.7	1.0
United Kingdom	1.4	1.0	1.1
Australia	2.0	2.0	1.9
New Zealand	0.2	1.2	2.0
China	5.0	4.6	4.5
Hong Kong	3.6	3.8	2.8
Macau	4.7	4.0	3.3
Taiwan	8.8	12.1	7.5
South Korea	1.1	2.8	2.6
India	7.1	7.7	6.5
Indonesia	5.1	5.0	5.0
Malaysia	5.2	5.2	4.8
Philippines	4.4	3.8	4.8
Singapore	5.0	4.3	2.9
Thailand	2.4	1.5	2.0
Vietnam	8.0	7.3	8.0

Source: Bloomberg, OCBC Group Research (3 August 2026)

Inflation Rates Forecast

% Change YoY	2025	2026F	2027F
United States	2.7	3.5	2.2
Euro Area	2.1	3.1	2.5
Japan	3.2	2.1	2.0
United Kingdom	3.4	3.1	2.3
Australia	2.8	4.4	2.9
New Zealand	2.8	4.0	2.0
China	0.1	1.5	2.0
Hong Kong	1.4	1.9	2.2
Macau	0.3	1.1	1.1
Taiwan	1.7	2.1	1.9
South Korea	2.1	2.7	2.3
India	4.6	2.0	5.0
Indonesia	1.9	3.0	2.5
Malaysia	1.4	2.0	2.1
Philippines	1.7	5.8	4.5
Singapore	0.9	2.2	2.1
Thailand	-0.1	3.8	2.0
Vietnam	3.3	4.5	4.5

Source: Bloomberg, OCBC Group Research (3 August 2026)

US Interest Rate Forecasts

	3Q2026	4Q2026	1Q2027	2Q2027	3Q2027
Federal Funds Rate*	3.75	3.75	3.75	3.75	3.75
2Y US Treasury Yield	4.15	4.05	4.00	4.00	3.95
5Y US Treasury Yield	4.25	4.20	4.15	4.15	4.15
10Y US Treasury Yield	4.55	4.45	4.45	4.45	4.40
30Y US Treasury Yield	5.10	5.10	5.15	5.15	5.15

*Upper limit of target range.
Source: OCBC Group Research (3 August 2026).

EQUITIES

ELI LEE
Managing Director, Chief Investment Strategist,
Bank of Singapore

Navigating Technological Shifts And Secular Growth

"We maintain our constructive stance on global equities with an Overweight position in the US, offset by our cautious view on Europe. Recent weakness in technology stocks has weighed on Asia's tech-focused markets, but long-term fundamentals support the AI investment cycle."

- July was a reminder that markets can move quickly as technology, geopolitics and policy developments continue to reshape the investment landscape. China demonstrated further progress in technology and innovation, while performance within the global technology sector became more uneven. At the same time, geopolitical tensions highlighted vulnerabilities in critical supply chains and energy transportation routes.
- In this environment, maintaining a balanced and diversified portfolio remains important. While short-term market swings can create uncertainty, long-term investment opportunities continue to emerge across regions and sectors.
- We remain moderately positive on equities overall. We continue to favour US equities, remain cautious on Europe, and hold a neutral view on most other regions. Within Asia excluding Japan, however, we have upgraded Taiwan from Neutral to Overweight, joining China, Hong Kong and Singapore as our preferred markets.
- At the sector level, Healthcare has become more attractive after a prolonged period of underperformance. We therefore upgrade Healthcare from Neutral to Overweight. Meanwhile, following a period of strong gains, we downgrade Utilities from Overweight to Neutral. Our preferred sectors are now Information Technology, Communication Services, Healthcare and Materials.
- To navigate current market conditions, we continue to favour a barbell strategy that combines Quality Growth and Low Volatility stocks. Quality Growth companies typically offer strong earnings growth, healthy balance sheets and attractive returns to shareholders. Low Volatility stocks can help reduce portfolio risk and provide diversification during periods of uncertainty.

United States: Resilient earnings

- Investors continue to face several concerns, including the sustainability of AI-related spending, uncertainty surrounding Federal Reserve policy, and geopolitical developments that could disrupt energy markets.
- While these issues deserve attention, the recent second quarter earnings season has shown that Corporate America remains resilient. A large majority of S&P 500 companies have delivered earnings that exceeded expectations, indicating that

businesses continue to adapt well despite a challenging environment.

- The technology sector remains a key area of focus. Recent guidance from major technology companies suggests that investment in artificial intelligence infrastructure remains strong. Large technology firms continue to increase capital spending as demand for AI-related products and services grows.
- The banking sector has also produced encouraging results. Consumer spending has remained relatively healthy, loan delinquencies have been lower than expected, and capital markets activity has supported earnings.
- Looking ahead, investors will begin focusing on the US midterm elections. Historically, equity markets have often traded within a range in the months leading up to elections before performing more strongly afterwards.
- Overall, we remain constructive on US equities. Strong corporate earnings, continued innovation and resilient economic activity continue to support our positive outlook over the next 12 months.

Europe: Balancing growth and inflation risks

- Europe faces a more delicate balance between supporting economic growth and controlling inflation.
- Following its recent interest rate increase, the European Central Bank continues to monitor inflation pressures closely. Energy prices remain a key concern, particularly given ongoing geopolitical tensions in the Middle East. Natural gas prices have risen, driven partly by summer heatwaves and concerns over energy supplies ahead of winter.
- Corporate earnings have generally been supported by the Energy and Financials sectors. Investors have also shown renewed interest in value stocks, which may benefit from a higher interest rate environment and improving earnings momentum.
- Germany's planned fiscal support measures could provide a boost to economic growth over time. However, it may be premature to expect Germany to outperform the broader Eurozone in the near future.
- Given these factors, we continue to maintain a cautious stance on European equities. We prefer companies with strong competitive positions, pricing power and resilient business models that can better withstand economic uncertainty.

Japan: Structural themes and market volatility

- Japanese equities experienced some weakness during July as volatility in global technology stocks weighed on sentiment.
- The Nikkei index, which has significant exposure to technology and semiconductor companies, was affected more than the broader market due to declines in chip-related shares. As a result, equity valuations have become more reasonable after previously reaching elevated levels.
- The Bank of Japan kept interest rates unchanged while modestly improving its economic outlook. Policymakers also highlighted that inflation may remain above the central bank's target.
- Despite near-term uncertainty, we believe investors should focus on Japan's longer-term structural reforms. The government has reaffirmed its commitment to

supporting economic growth through public and private sector investment, infrastructure spending and productivity improvements.

- These reforms could help strengthen Japan's growth prospects over time, even if short-term market volatility remains elevated.

Asia ex-Japan: Prefer China, Hong Kong, Taiwan and Singapore markets

- Technology-related weakness affected Asian markets during July, particularly those with higher exposure to semiconductor and technology companies. However, we continue to see strong long-term fundamentals supporting the global AI investment cycle.
- As a result, we have upgraded Taiwan equities from Neutral to Overweight.
- Taiwan's stock market is heavily influenced by Taiwan Semiconductor Manufacturing Company (TSMC), the world's leading advanced semiconductor manufacturer. The company recently increased its revenue growth and capital expenditure guidance, reflecting strong demand for AI-related chips. Supply chain expansion plans also suggest that major production bottlenecks are unlikely in the near term.
- Consequently, our preferred markets within Asia excluding Japan are China, Hong Kong, Taiwan and Singapore.

Singapore: Safe-haven status

- Singapore remains attractive due to its stability, strong governance standards and safe-haven characteristics.
- Since the introduction of initiatives aimed at strengthening the local equity market, trading activity has improved and investor participation has increased. Small and mid-cap companies have benefited from stronger market interest and a healthier pipeline of new listings.
- Singapore's banking sector continues to benefit from strong capital positions and attractive dividend yields. Real estate and REITs remain supported by the country's stable economic environment.
- In addition, ongoing infrastructure projects provide opportunities for construction-related companies. Singapore's ageing population is also expected to increase demand for healthcare services and products, creating long-term growth opportunities within the healthcare sector.

Global Sectors: Energy leads, Healthcare improves, AI rules

- The Energy sector regained leadership during July as geopolitical tensions and energy supply concerns supported oil and gas prices.
- At the same time, we are making two important sector allocation changes.
- We downgraded Utilities to Neutral, as the sector has delivered strong returns and now appears less attractive from a risk-reward perspective.
- Dividend yields in the sector are below yields available from longer-dated US government bonds, reducing their relative appeal. In addition, there are growing concerns around electricity pricing, resistance to new data centre developments in some regions, and softer demand related to electric vehicles.
- In Europe, rapid growth in renewable power generation has also exposed limitations in electricity grid infrastructure, creating additional challenges.
- Healthcare now offers a more compelling opportunity after a

prolonged period of underperformance.

- Some of the major policy risks affecting the sector are already well understood by investors and appear reflected in valuations. At the same time, advances in artificial intelligence are creating significant opportunities across healthcare and life sciences.
- AI is helping researchers accelerate drug discovery, improve clinical development processes and reduce research costs. These developments could support stronger earnings growth over the long term.
- For these reasons, we have upgraded Healthcare from Neutral to Overweight.
- Although technology and semiconductor stocks experienced a pullback during July, we believe this largely reflects profit-taking following a strong rally.
- The broader investment case for artificial intelligence remains intact. Major technology companies continue to increase spending on AI infrastructure, while demand for AI services continues to grow rapidly.
- Leading technology firms have announced plans for significant expansion of computing capacity over the coming years. Semiconductor manufacturers are also increasing investment to meet future demand.
- We therefore remain positive on the technology sector, particularly companies exposed to semiconductors, data centres, networking infrastructure, storage and AI-related applications.
- Recent market weakness may provide investors with opportunities to gradually build exposure at more attractive valuations.

HONG KONG / CHINA MARKET OUTLOOK

ELI LEE
Managing Director, Chief Investment Strategist,
Bank of Singapore

Key Catalysts To Monitor

"We continue to favour China's onshore A-share market due to its exposure to industrial, technology and service sectors that offer stronger earnings growth potential. Several developments are worth monitoring."

- We continue to favour China's onshore A-share market due to its exposure to industrial, technology and service sectors that offer stronger earnings growth potential.
- Several developments are worth monitoring.
- First, the earnings season may reveal whether growth among large internet and platform companies is stabilising after a period of moderation. Stronger earnings results could support broader market sentiment.

- Second, policymakers have reiterated their commitment to supporting economic activity and accelerating the implementation of existing stimulus measures. Continued policy support should help strengthen confidence among businesses and investors.
- Third, state-backed investment activity has resumed in China's domestic equity market, providing additional support for valuations. However, investors should expect some volatility in Hong Kong equities as large volumes of previously restricted shares become eligible for trading over the coming months.
- Despite these uncertainties, we continue to see opportunities in quality companies that offer attractive dividend yields and resilient earnings.

BONDS

ELI LEE
Managing Director, Chief Investment Strategist,
Bank of Singapore

Continue To Favour High-Quality Credits

"Credit markets in July reflected the impact of rising US Treasury yields, moderately wider spreads and greater dispersion. While fundamentals remain broadly stable and higher bond yields support return potential, ongoing rate volatility and bond issuance warrant neutral duration stance and selective focus on high-quality credits."

- Bond markets faced a challenging environment in July as rising government bond yields, heavy bond issuance and geopolitical uncertainty weighed on performance. Credit spreads widened modestly, while interest rate volatility remained elevated. Although these conditions may continue to create short-term pressure, they also reinforce the importance of maintaining a balanced and selective approach within fixed income portfolios.
- We continue to favour high-quality bonds and maintain a Neutral stance on overall portfolio duration. A weighted average portfolio duration of three to seven years remains appropriate, offering investors flexibility while limiting exposure to significant interest rate movements.
- Within developed markets, we prefer Investment Grade (IG) bonds over High Yield (HY) bonds. The current stage of the credit cycle and HY valuations support this positioning. At the same time, large volumes of bond issuance linked to artificial intelligence (AI) investment and merger and acquisition activity may increase performance differences across sectors and issuers, making security selection increasingly important.
- Within emerging markets, we remain Neutral on Asian corporate bonds.

Rates and US Treasuries

- US Treasury yields moved higher during July, particularly at the longer end of the yield curve, following the Federal Reserve's July policy meeting.
- Markets continue to focus on the path of US inflation and the timing of future interest rate decisions. While policymakers remain committed to bringing inflation back towards the Fed's 2% target, uncertainty around the pace of progress has contributed to higher market volatility.
- Looking ahead, long-term Treasury yields are likely to remain volatile. Several factors may contribute to this, including reduced policy guidance from the Federal Reserve, a higher term premium demanded by investors and increased issuance of longer-dated corporate bonds. Geopolitical developments and fluctuations in oil prices could also influence inflation expectations and interest rate movements in the coming months. · Against this backdrop, we believe investors should avoid making aggressive duration calls and instead focus on maintaining balanced exposure across different parts of the bond market.

Developed Markets

- Developed market corporate bonds came under pressure in July as government bond yields rose and investors became slightly more cautious, resulting in wider credit spreads and lower bond prices.
- Key concerns remain largely unchanged. Investors continue to monitor inflation trends, central bank policy, geopolitical developments and the sustainability of AI-related investment spending.
- Within the US investment grade market, spreads widened slightly during the month while yields moved higher. Primary market activity remained very strong, with companies continuing to issue large volumes of new debt. This combination of heavy supply and rising rates may continue to create short-term pressure on performance.
- The high yield market also experienced spread widening, although returns were relatively resilient compared with investment grade bonds. Importantly, market performance varied significantly across sectors.
- Technology and communications bonds faced pressure due to concerns about AI-related spending and increased bond issuance from companies funding investment plans. In contrast, Energy and Financials performed better and experienced tighter spreads during the month.
- Another important trend is the growing difference between higher-quality and lower-quality issuers. Lower-rated bonds underperformed significantly. This highlights investors' preference for quality as market conditions become more challenging.
- Given these dynamics, we continue to prefer investment grade bonds over high yield bonds.

Emerging Market Corporates

- Emerging market corporate bonds outperformed both developed market corporate bonds and emerging market sovereign bonds during July, largely due to their shorter duration profile.
- Because many emerging market corporate bonds have lower sensitivity to interest rate movements, they have been better protected from the rise in US Treasury yields. This does not mean risks have disappeared, but it does provide some support during periods of rising rates.

Asia

- Asian corporate bonds were among the better-performing segments of the emerging market universe. The region benefited from its relatively defensive characteristics and strong domestic investor base.
- We maintain a Neutral view on Asian corporate bonds. Shorter duration, stable credit fundamentals and supportive market conditions should continue to support returns through carry income.
- We continue to favour higher-quality rated issuers and selected subordinated bonds issued by strong investment grade companies where investors can earn additional yield without taking excessive risk.
- Importantly, we have not seen broad deterioration in the underlying fundamentals of Asian technology companies despite the recent sell-off in technology shares. Current weakness appears to be driven more by market sentiment than by a meaningful

deterioration in earnings or business performance.

- Should the technology correction continue, however, the impact is likely to vary across sectors. Memory chip producers and AI-related investment vehicles may face greater pressure, while hardware manufacturers could benefit from lower component costs if end-user demand remains healthy.

Emerging Market Sovereigns

- Emerging market sovereign bonds faced a difficult month as higher US Treasury yields, renewed Middle East tensions and concerns over global trade weighed on sentiment.
- The key challenge for the asset class remains interest rate risk rather than credit risk. In fact, the month's performance reinforced a broader theme across fixed income markets: duration matters more than credit quality in the current environment.
- Investment grade sovereign bonds were more heavily affected because of their longer duration profiles. In contrast, high yield sovereign bonds proved more resilient, supported by higher income levels and lower sensitivity to rising rates.
- We retain a cautiously constructive but still defensive view on EM sovereign bonds.

FX & COMMODITIES

CHRISTOPHER WONG
Executive Director, OCBC Group Research

Gold's Long-Term Appeal Intact

"Gold may face choppy recovery in the near-term but continued central bank buying, reserve diversification and global fiscal risks should provide longer term support. We remain constructive on its outlook."

Oil

- Renewed US-Iran tensions reignited the oil market risk premium, pushing prices sharply higher in July, after Brent briefly retreated towards US$70/bbl in June. As supply risks threaten regional energy flows, the market is becoming increasingly reliant on commercial inventories and strategic reserves. Concerns are also spreading beyond the Strait of Hormuz to Saudi Arabia's Red Sea export corridor, raising questions about the resilience of alternative routes. Brent futures curve is now trading above our forecasts of USD75/bbl for 4Q26 and USD71/bbl by mid-2027. Strong crude time spreads, healthy refining margins and firmer outright prices leave the market vulnerable to further upside should disruptions intensify.
- While risks remain two-sided, the balance is skewed higher. The surge in oil exports following the US-Iran memorandum of understanding highlighted how quickly prices can unwind when shipping conditions improve. Conversely, renewed attacks on tankers or energy infrastructure could push Brent back above US$100/bbl, near levels reached during the peak of the conflict in March-April. Refined products, particularly gasoline and diesel, have outperformed crude, amplifying inflation risks.
- Looking ahead, Gulf Cooperation Council producers are likely to accelerate investment in export routes that bypass Hormuz. However, while Saudi Arabia and the UAE have alternative pipeline infrastructure, Kuwait, Qatar and Bahrain remain highly exposed to any prolonged disruption in the strait.

Precious metals

Gold

- Gold's near-term recovery may remain uneven as elevated real yields, firmer US Dollar (USD) and lingering Federal Reserve tightening risks continue to constrain demand.
- That said, we are cautious about extrapolating the decline from the January high. A meaningful degree of Fed tightening risk is already reflected in markets, while investor positioning in gold has become less extended. The hurdle for another large and sustained decline is therefore higher, unless the Fed tightens more aggressively than expected, oil prices rise significantly further or gold ETF liquidation deepens. Conversely, a stabilisation in real yields, renewed USD weakness or a recovery in ETF demand could allow gold to regain momentum, particularly as the de-dollarisation and currency-debasement narratives reassert themselves.
- Over the medium term, the core

support for gold remains in place. Central-bank accumulation is likely to continue as reserve managers seek diversification, liquidity and protection against sanctions and geopolitical risks. Persistent fiscal deficits, high government debt and uncertainty over the long-term role of traditional reserve currencies should also sustain demand for gold as a strategic reserve asset. These forces may not prevent shorter-term corrections but should reinforce underlying support for gold prices over time. The outlook is therefore cautious near term, but not structurally bearish.

Silver

- Silver's struggle largely reflected the same forces weighing on gold: higher real yields, a firmer USD and persistent expectations that the Fed may still tighten policy. Oil-driven inflation concern does not help the macro backdrop while silver's higher-beta characteristics amplified gold's swings.
- The near-term path is likely to remain two-way. A moderation in US inflation, fading Fed hike expectations and renewed investment flows would allow silver to recover more forcefully. Downside risks include persistent rise in real yields and the USD, further investor liquidation, weaker global industrial activity and faster-than-expected substitution away from silver in solar applications.
- The structural deficit should help cushion weakness, but as recent price action has shown, it cannot deter valuation resets when the macro backdrop turns against precious metals. We calibrated silver forecasts lower to reflect the interim challenging environment.

Currency

- We continue to expect a divided USD environment. On one side, policy support should allow gradual CNY appreciation to continue. On the other, the USD is likely to remain well supported against low-yielding G10 currencies such as the EUR. We remain cautious on the EUR despite a recent improvement in eurozone economic surprises, which may reflect a lower starting bar for expectations rather than a meaningful shift in fundamentals.
- Meanwhile, another round of currency intervention is unlikely to deliver sustained JPY strength unless Bank of Japan signals a more aggressive rate hike path and if there are policies encouraging capital repatriation into domestic assets.

US Dollar (USD)

- The renewed escalation of the Iran conflict has once again seen energy importers underperform and exporters outperform, although the divergence has been less pronounced than during the March-April period. Amidst continued volatility in energy prices, the USD struggled to benefit from improved terms of trade. Instead, markets have focused on the Federal Reserve's (Fed) July decision to keep rates unchanged, which was perceived as dovish. While Fed Chair Kevin Warsh reiterated the importance of restoring the Fed's inflation-fighting credibility after a prolonged period of missing its target, he stopped short of providing a clear policy framework or reaction function.
- This pared back some of the credibility gains the Fed earned following the June meeting. That

said, a still-resilient labour market or evidence of stalling disinflation could increase pressure on the Fed to reinforce its anti-inflation credentials. Incoming inflation, employment reports will be critical ahead of the September FOMC meeting. In the near term, limited policy guidance ahead of September may keep the USD on the back foot and continue to support carry trades. However, we expect underlying US economic resilience to eventually bring Fed tightening risks back into focus, supporting a return to our moderately bullish USD view.

Asia ex-Japan currencies

- Asian currencies are likely to trade mixed in the near term rather than move in the same direction. Elevated oil prices and still-high US interest rates remain headwinds for parts of the region, particularly for economies that rely heavily on energy imports. At the same time, differences in domestic policy, capital flows and economic resilience should continue to drive uneven performance across currencies. We expect selected USDAXJ currency pairs to remain supported through 3Q2026, before turning gradually lower from around 4Q2026 into 2027, premise on expectation for oil prices to moderate, US tightening risks to recede and market sentiment to stabilise.

Renminbi (RMB)

- RMB forecasts were revised firmer to reflect recent gains. However, we continue to expect appreciation to be gradual and measured, as policymakers are likely to favour orderly currency moves rather than a rapid adjustment. That said, if China's growth momentum continues to soften, markets may eventually question whether RMB's relative outperformance remains fundamentally justified.

Singapore Dollar (SGD)

- A small upward adjustment was made to our SGD forecasts following Monetary Authority of Singapore' earlier policy tightening. This should provide modest support over time, although the scope for sharp gains may remain limited unless the US Dollar weakens more materially.

Forecast table for Oil Prices

USD/barrel	Sep 2026	Dec 2026	Mar 2027	Jun 2027	Sep 2027
Brent	80	75	73	71	69
WTI	76	71	69	67	65

Source: OCBC Group Research; the figures are end-period prices

Forecast table for Precious Metals Prices

USD/ounce	Sep 2026	Dec 2026	Mar 2027	Jun 2027	Sep 2027
Gold	4,180	4,360	4,520	4,680	4,820
Silver	60	62	65	67	69

Source: OCBC Group Research; the figures are end-period prices

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