

## Staying In the Game

Stable Economic Outlook For 2026



## Monthly Outlook

by OCBC Wealth Panel

12/2025 to 1/2026 ISSUE

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

# IN THIS ISSUE

P 03-07	<b>Global Outlook</b> Stable Economic Outlook For 2026
P 08-09	<b>Equities</b> Positive On Equities In 2026
P 10	<b>Hong Kong / China Market Outlook</b> Favourable Tailwinds Still in Place
P 11-12	<b>Bonds</b> Favour A Quality Bias In 2026
P 13-16	<b>FX &amp; Commodities</b> Still Medium-Term Positive on Gold

## ABOUT THE OCBC WEALTH PANEL



The OCBC Wealth Panel draws on the collective expertise and experience of wealth management experts from the OCBC Group, namely OCBC Bank, OCBC Investment Research, Lion Global Investors and Bank of Singapore. With over 200 years of collective investment experience, the OCBC Wealth Panel is dedicated to provide timely advisory services to grow, manage and protect your wealth.



---

## Staying In the Game

---

The path through 2025 has been far from smooth, defined mainly by renewed global trade conflict and policy under the Trump 2.0 administration. While global trade, US policy orthodoxy and geopolitics weighed on sentiments at various points, risk assets ultimately delivered a robust set of performance – broadly in line with our expectations that resilient growth fundamentals, policy push in spending and focus on medium-to-long term trends such as artificial intelligence (AI) will ultimately prevail over short-term volatility and headline noise. Gold and US equities have reached fresh all-time highs in 2025 while equities outside the US made significant gains as well. Valuations across all markets have hence moved to a higher starting point for 2026.

We maintain a constructive stance on risk assets for the year ahead. Our base case is anchored on supportive growth outlooks across the major economies. The US economy has continued to demonstrate extended resilience, and we are watching the weakening trends in labour market closely. Europe and parts of Asia are expected to demonstrate cyclical improvements in 2026. Corporate balance sheets remain broadly healthy, although late-stage credit cycle dynamics would create higher risks in select pockets of the market. Continued strength in private sector investments in response to technological transformation and stable-to-easing financing conditions are expected to support economic expansion. One source of uncertainty is monetary policy, particularly in the US. Markets remain highly sensitive to the trajectory of policy easing in 2026, particularly given the unsettled interplay between inflation trends, tariffs and the employment outlook. This creates the potential for episodic volatility, but not a challenge for investors with well-positioned portfolios.

We maintain an overall risk-on stance, primarily expressed via our overall Overweight stance in equities. In fixed income, we hold an Underweight position in Developed Markets (DM) High Yield (HY) and Emerging Markets (EM) Sovereign bonds and remain Neutral on duration as we expect long-end US Treasuries (UST) yields to remain elevated against the risks of sticky inflation and US fiscal position. We prefer higher quality credits like Investment Grade (IG) and select high quality HY in this late stage of the credit cycle. We continue to favour gold as a hedge against fiscal sustainability concerns globally, and a beneficiary of safe haven flows.



## GLOBAL OUTLOOK

**SELENA LING**

Head, Global Markets Research & Strategy, OCBC

### Stable Economic Outlook For 2026

“We expect the US economy to maintain a steady growth pace of around 2% YoY growth in both 2025 and 2026, outperforming most of its developed market peers.”

- The United States and China reached a trade truce following the Trump–Xi meeting in South Korea on 30 October. Under the agreement, the “fentanyl-related tariff” on Chinese goods will be halved to 10% from the original 20%, while the 24% reciprocal tariff on Chinese products will remain suspended for another year. That said, the existing 10% base tariff will continue to apply, keeping the overall additional tariff rate on Chinese goods at around 20% in 2025 - broadly in line with most Asian peers. The US will also suspend for one year the implementation of the 50% ownership “penetration rule” under export controls, as well as the Section 301 investigations into China’s maritime, logistics, and shipbuilding sectors. In response, China will make corresponding adjustments or temporarily suspend its related countermeasures.
- Overall, we see this as a constructive truce that helps reduce uncertainty and stabilise

the global economic outlook.

- Looking ahead, the outlook for 2026 hinges on three variables: the depth of the US Federal Reserve’s (Fed’s) rate-cut cycle, the trajectory of US-China trade tensions and tariffs, and whether global politics (especially US mid-term elections and whether leadership changes in Europe) catalyse stabilisation or further fragmentation.
- The world enters 2026 not in crisis, nor at the start of a new boom, but in a phase of economic regime transition – one that is slower, fragmented but stable.
- We see a potentially slower but more stable US growth, a structurally decelerating China, a Europe grappling with competitiveness, and an ASEAN increasingly integrated into global value chains.
- The policy environment will be more predictable (with central banks entering a gentle easing cycle), but geopolitics will not. Trade tensions, political elections,

and fiscal sustainability issues will continue to cast shadows over markets. Ultimately, 2026 will test whether the global economy can navigate this new equilibrium - one in which growth is modest, inflation manageable, and risks increasingly political rather than macroeconomic. The balance of probabilities favours stability with pockets of volatility. But the blind spots are significant enough to demand humility and vigilance from markets.

#### United States

- Consumer spending remains the key growth pillar. Yet, the combination of K-shaped growth (an economic trend where different parts of the economy experience divergent paths) and the AI boom will likely widen income inequality and complicate policy calibration. Nevertheless, the AI-driven productivity upswing, coupled with fiscal support from the One Big Beautiful Bill Act which is set to kick in from 2026,

should underpin the medium-term growth trajectory. Given that the US is less exposed to trade compared to other G10 economies, it is better positioned to weather renewed trade frictions. We expect the US economy to maintain a steady growth pace of around 2% YoY growth in both 2025 and 2026, outperforming most of its developed market peers. We expect headline CPI inflation to hover around 3% YoY in 2026, reflecting persistent price pressures in services and a slow normalisation in core goods inflation.

- The Fed lowered the target range for the Fed funds rate by 25bps to 3.75-4.00% at its October meeting, in line with expectation. Our base-case remains for a 25 basis points [bps] cut in the Fed funds rate in December and a 25bps cut in 1Q2026. The risk to our base-case is a delay to the expected December rate cut to 2026. Thereafter, any additional cut will probably require inflation moves near the Fed's 2% target. Market expectations for more than one Fed rate cut in 2026 still looks dovish to us at this juncture.
- US Treasury yields have gyrated in recent weeks given uncertainty

about Fed rate policy. We think it is reasonable to expect the 10-Year yield to be in a range of 4% to 4.2% going forward [see table below for our US rates forecasts] considering the range for the breakeven inflation rate of 2.3% to 2.4% and the range for the real yield of 1.7% to 1.8%.

- US Treasury yields are essentially composed of two parts: the real yield and the breakeven inflation rate. The nominal yield is the sum of the real yield and the breakeven inflation rate [a market-based measure of future inflation expectations].

### Euro-Area

- The economy grew by 0.2% QoQ SA (Seasonally Adjusted) in 3Q2025, supported by domestic demand while net exports of goods and services was a drag. The divergence between domestic and external demand may persist for some time. Consumer spending is expected to stay supported as real income rises. Given firmer than expected growth outcomes in 2Q2025 and 3Q2025, we have revised upward our 2025 GDP growth forecast to 1.2% from 0.9% previously. Headline CPI inflation printed 2.1%YoY in October, versus

2.2% in September. Core CPI inflation stayed at 2.4% YoY in October, the same as in September. We maintain our headline CPI forecast at 2.1% for 2025.

- The European Central Bank (ECB) kept the three key ECB interest rates unchanged, with the deposit facility rate at 2.00%, main refinancing rate at 2.15% and marginal lending facility rate at 2.40%, at its October policy meeting in line with expectation. The central bank said inflation remains close to the 2% medium-term target and the Governing Council's assessment of the inflation outlook is broadly unchanged. Lagarde maintains her stance that the central bank is "in a good place". She highlighted that the policy statement's paragraph on risk assessment indicated "some of the downside risks to growth have abated". Christine Lagarde said she would not "complain too much about growth", referring to the 0.2% QoQ growth for Q3 which was a tad higher than expected based on consensus. While the bias for monetary policy remains mildly on the easing side, the ECB is likely to keep rates unchanged again at the December meeting

with growth remaining resilient.

### Japan

- The economy contracted by a milder than expected 0.4% QoQ in Q3 2025. Recent monthly indicators and surveys point to some recovery in economic activities. September's industrial production expanded by 3.4% YoY, after two months of YoY contraction. The October Tokyo CPI inflation printed firmer than expected. Prospects remain for the virtuous cycle between wage growth and inflation continues to play out, and as such, further monetary policy normalisation is likely to proceed in a gradual manner.
- The Bank of Japan (BOJ) decided to keep its Target Rate unchanged at 0.5% at its October meeting. The voting stood at 7-2 vote with two policy makers voting for a 25bps rate hike. The assessment on the economy and prices has remained pretty much the same; "risks to economic activity are skewed to the downside for fiscal 2026. Risks to

prices are generally balanced". The prospect remains for wage growth to be partially passed onto price levels, in our view. Rengo (the largest trade union in Japan) said it plans to ask for a wage increase of around 5% or more in the "shunto" annual spring wage negotiations for the third straight year in 2026. Meanwhile, enterprises' short-term (1-year), medium-term (3-year) and long-term (5-year) inflation expectations have stayed firmly above the 2% level, as per the Tankan survey, reflecting a proactive attitude in price-setting. We continue to see the likelihood of a 25bps hike in the BOJ Target Rate before end-2025, and another 25bps hike in 1Q2026 which will then bring the BOJ Target Rate to 1.00%.

### China

- China's economy grew by 5.2% YoY in the first three quarters of 2025. We have revised up our annual growth forecast to 4.9% from 4.8% previously.
- China outlined seven key social

and economic development goals for the 15th Five-Year Plan (2026–2030). The statement from China's 15th Five-Year Plan suggests that while China will continue to deepen structural reforms, it has not shifted away from its growth ambitions. Nevertheless, five-year plan, prioritising scientific and technological self-reliance, spurring demand and boosting China's soft power in addition to economic strength, does not detract from the anticipated slowing medium-term growth trajectory. The reference to attaining "moderately developed country" status implies that China's per capita GDP could rise from the current US\$13,500 to roughly US\$20,000 to US\$30,000 within a decade. This, in turn, points to an implied annual growth target of around 5% during the 15th Five-Year Plan period. We expect China to set its annual growth target to around 5% again for 2026.

**GDP Growth Rates**

<b>% Change YoY</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>	<b>2027F</b>
US	2.8	2.0	2.0	2.0
Eurozone	0.9	1.2	1.1	1.1
Japan	0.1	0.8	0.8	1.0
United Kingdom	1.1	1.4	1.4	1.7
New Zealand	-0.6	0.8	2.2	2.4
Australia	1.1	2.0	2.0	2.0
China	5.0	4.9	4.7	4.5
Hong Kong	2.5	3.4	2.6	2.2
Taiwan	4.3	6.6	2.3	1.9
India	9.2	6.5	6.7	6.4
Indonesia	5.0	5.0	4.8	5.0
Malaysia	5.1	4.6	3.8	4.2
Philippines	5.7	4.8	5.5	5.5
Singapore	4.4	3.3	2.0	2.5
South Korea	2.0	1.1	1.8	2.0
Thailand	2.5	2.0	2.0	2.0
Vietnam	7.1	7.5	6.0	7.0

Note: India forecasts are based on the fiscal year. FY26 is April 2025 until March 2026.

Source OCBC Global Markets Research

### Inflation Rates

% Change YoY	2024	2025F	2026F	2027F
US	3.0	2.8	2.9	2.4
Eurozone	2.4	2.1	1.8	2.0
Japan	0.1	3.2	2.5	2.2
United Kingdom	1.1	3.4	2.5	2.0
New Zealand	2.9	2.7	2.1	2.0
Australia	3.2	3.3	3.2	2.6
China	0.2	0.1	1.8	2.0
Hong Kong	1.7	1.4	1.6	1.9
Taiwan	2.2	1.9	2.4	1.6
India	5.4	4.6	2.9	4.7
Indonesia	2.3	2.0	2.7	2.5
Malaysia	1.8	1.5	1.5	2.0
Philippines	3.2	1.6	2.5	3.0
Singapore	2.4	0.7	1.3	1.6
South Korea	2.3	2.0	2.0	2.0
Thailand	0.4	-0.1	0.6	1.0
Vietnam	3.6	3.4	3.7	4.0

Note: India forecasts are based on the fiscal year. FY26 is April 2025 until March 2026.

Source OCBC Global Markets Research

### US interest rate forecasts

	4Q2025	1Q2026	2Q2026	3Q2026
Federal Funds Rate*	3.75	3.50	3.50	3.50
2Y US Treasury Yield	3.60	3.60	3.60	3.60
5Y US Treasury Yield	3.75	3.70	3.70	3.70
10Y US Treasury Yield	4.10	4.05	4.05	4.05
30Y US Treasury Yield	4.80	4.75	4.70	4.70

\* Upper Limit of Target Range

Source: OCBC Global Markets Research



## EQUITIES

**ELI LEE**

Chief Investment Strategist, Bank of Singapore

# Positive On Equities In 2026

"We maintain a constructive stance on equities in 2026 with an Overweight position in Asia ex-Japan given the region's more favourable risk-reward relative to global peers, but caution that downside risks remain."

- 2025 was a good year for equities. Heading into 2026, earnings expectations and valuations are at the higher end of historical ranges especially for the US. That said, the backdrop for equities remains relatively benign with a broad-based easing cycle by major central banks except for a few such as the Bank of Japan (BOJ).
- This reflects a broader shift towards supporting growth and should contribute to improved sentiment. Market concentration is likely to remain elevated in Quality Growth, but if AI expectations disappoint, it could spark a reversal in concentration, favouring a rotation into Low Volatility instead.
- Overall, we maintain our Overweight position for equities, led by Asia ex- Japan given the region's more favourable risk-reward profile, but downside risks remain amid ongoing geopolitical tensions and uncertainties relating to earnings growth due to the impact from tariffs. Meanwhile,

potential Federal Reserve (Fed) rate cuts could result in easing of financial and liquidity conditions as well as a weakening of the US Dollar, benefitting Asia ex-Japan equities.

- Within the region, we prefer China/Hong Kong, Singapore and Malaysia equities. In terms of global sector preferences, we favour the IT, Communication Services, Materials and Utilities sectors going into 2026.

China to seek a resolution to trade tensions.

- While the structural tailwinds bode well for US equities, we think the high consensus earnings growth of about 14% in 2026 and 2027 sets a high bar to beat. Moreover, there are headwinds that could dampen sentiments ahead.
- The sustainability of the AI CAPEX boom is also being questioned, with AI companies becoming increasingly entangled in a circular financing web and debt increasingly being used to fund data centre buildouts. Third, a K-shaped economy is arguably developing with the middle- and lower-income segments lagging.
- Given the above, we maintain an overall Neutral positioning on US equities.

### US – High bar set for 2026 earnings

- The S&P 500 Index delivered a stellar set of earnings in the first nine months of 2025, continuing its streak of beating consensus estimates since 2023. Although its price-to-earnings (P/E) ratio is trading at more than 2 standard deviations above its historical average, this is supported by the resumption of rate cuts in a non-recessionary environment, a seemingly insatiable AI boom, and the willingness of the US and

### Europe – Building capabilities amid shifting tides

- European equities are entering a new era in 2026, underpinned by greater fiscal spending and

improving domestic growth. At the same time, risks of weaker global demand and the full impact of US tariffs mean that consensus earnings per share (EPS) growth forecast of 12.8% for 2026 (compared to -0.6% in 2025) could be overly aggressive. Political and fiscal uncertainties in certain parts of Europe persist, but all eyes will be on the delivery of its investment promises of re-militarisation and re-industrialisation especially in Germany in which much of the government support embeds a “local sourcing” requirement. Such constraints may lead to timing issues and capacity constraints as the domestic supply chain grows.

- Over the longer term, fiscal expansion and infrastructure spending favour sectors exposed to domestic demand, construction and capital goods. Exporters in the meantime could face headwinds from weaker external demand and trade frictions. Given the balanced risk-reward profile, we maintain our Neutral position for European equities in 2026.

#### Japan – Balancing between favourable fundamentals and near-term risks

- Going into 2026, favourable

fundamentals are in place, including: (i) the expectation of the Takaichi administration implementing supportive policies, such as proactive fiscal measures in 17 strategic growth areas; (ii) latest quarterly results reinforcing earnings normalisation with consensus estimates forecasting about 8% earnings growth; and (iii) ongoing corporate reforms supporting return-on-equity (ROE) expansion.

- However, we caution there could be potential near-term market consolidation with the MSCI Japan Index trading at 17.5x forward P/E, [or close to +1.5 standard deviations above the historical average] and a Nikkei-TOPIX (NT) ratio hovering at a historical high level of 15.5x.
- We believe any pullback would offer accumulation opportunities. We prefer investment themes focusing on: (i) AI, technology hardware [especially semiconductors]; (ii) defence and energy [such as nuclear]; and (iii) domestic demand.

#### Asia ex-Japan – Riding the wave of growth and forging the future

- Although MSCI Asia ex-Japan equities outperformed other key regions in the first eleven months of 2025, we maintain our
- Overweight position on the region’s equities going into 2026.
- As mega forces reshape economies and financial markets, we see Asia contributing significantly to this transformation and offering opportunities for equity investors, such as in the areas of: (i) AI and robotics; (ii) advanced manufacturing; and (iii) metals and mining, which is experiencing a resurgence with the transition to green energy, electrification and infrastructure development.
- Potential Fed rate cuts would also result in easing of financial and liquidity conditions as well as a weakening of the US Dollar. These have historically benefitted Asia ex-Japan equities and also come at a time when a number of Asian and major Developed Markets central banks (with the exception of the BOJ) find themselves with room to ease further ahead. A more aggressive fiscal policy stance across Asia is also likely to support growth ahead. That said, there are idiosyncratic factors that we need to be mindful of which could result in near-term volatility, such as geopolitical uncertainties and social unrests.
- Within Asia ex-Japan, we favour China/Hong Kong, Singapore and Malaysia, but see the risk-reward

profile as less favourable for Thai equities.

### **Global Sectors - Favour sectors poised to benefit from greater investment vs consumer-dependent ones**

- The set up for 2026 suggests that investment spending is likely to outpace a relatively soft consumer backdrop. While productivity gains and policy incentives are supportive – particularly those stemming from the “One Big Beautiful Bill Act (OBBBA)” – labour market softness continues to weigh on consumer sentiment. This supports a regime where more capital-intensive sectors remain favoured over consumer-driven ones. As such, in terms of sector preferences, we favour the IT, Communication Services, Materials and Utilities sectors going into 2026. Consumer Staples may outperform during times of volatility, but we are cautious on the deteriorating

health of the lower-income consumer, while we see the risk-reward for Consumer Discretionary being even less favourable due to the dim outlook and margin pressures in certain sub-segment exposure to names with structural growth drivers while maintaining resilience with stable, cash-generative businesses.

### **Tech prospects remain sound**

- Going into 2026, we continue to remain overweight Tech [Communication Services and IT], driven by AI, cloud growth, a resilient consumer, and tailwinds from a Fed that is likely to cut rates in a non-recessionary environment. Tech companies will need to demonstrate a path towards AI monetisation and reduce client concentration risks. We continue to see hyperscalers as beneficiaries of elevated demand for AI compute but we would be watching the manner in which their CAPEX is being financed. Software is likely

to remain a battleground with seat-based business models coming under pressure, but selected software names that can incorporate AI into their offerings present reasonable value at this juncture.

### ***Much depends on AI after a year of rotation and style factor crowding***

- Investors started 2025 crowded into Quality Growth, followed by Low Volatility in March, and then aggressively rotated into the AI theme, preferring: (i) Quality Growth – largely first order AI beneficiaries; and (ii) High Beta/Speculative Growth, such as emerging growth opportunities with inferior cashflow generation. In 2026, market concentration is likely to remain elevated in Quality Growth, but if AI expectations disappoint, it could spark a reversal in concentration, favouring a rotation into Low Volatility.

# HONG KONG / CHINA MARKET OUTLOOK

**ELI LEE**

Chief Investment Strategist, Bank of Singapore

## Favourable Tailwinds Still in Place

“As we move into 2026, we stay constructive on Hong Kong and China equities and prefer the offshore China equities market.”

- Hong Kong and China equities market posted strong performance and are up 23-38% YTD, largely driven by valuation re-rating. As we move into 2026, we stay constructive on Hong Kong and China equities and prefer the offshore China equities market.
- Following the US-China Presidential Summit, US-China trade relations have entered a new truce period, which should help lower equity risk premium and focus back on fundamentals. Several positive tailwinds should stay intact going into next year, including: [i] the US rate cut cycle which should be supportive for Hong Kong and offshore China equities; [ii] improving earnings growth outlook with earnings growth of MSCI China forecasted to improve from +2% year-on-year (YoY) this year to about +13% YoY next year; and [iii] bottoming of ROE, which is supported by a rebalancing of growth as highlighted in the 15th Five-Year Plan.
- Positioning remains favourable with global equity funds still underweighting China. Policymakers' initiatives in encouraging long-term capital to equity market as well as Chinese household asset reallocation should continue to support incremental fund flows.
- With valuation normalised, we expect earnings will play a larger role in driving market performance. We prefer investment themes focusing on: [i] quality yields; [ii] AI proxy; [iii] policy beneficiaries; and [iv] better outlook.

# BONDS

## ELI LEE

Chief Investment Strategist, Bank of Singapore

## Favour A Quality Bias In 2026

“We favour retaining a quality bias in fixed income into 2026 and remain Neutral on overall portfolio duration. In Developed Markets, we prefer Investment Grade over High Yield bonds.”

- We expect the fixed income asset class to continue to be supported by carry in 2026. With credit spreads near all-time tights, we see the global macro backdrop and fed funds rates trajectory as key drivers of the credit markets. We do not rule out greater dispersion in the year ahead and prefer to stay with high quality issuers. As the Federal Reserve [Fed] eases, Investment Grade [IG] and selected better quality High Yield [HY] bonds should benefit from still stable fundamentals and lower funding cost. We continue to be Neutral on duration.

### US Treasuries

- Looking ahead, US Treasuries will remain sensitive to shifting macro signals. Key drivers include the trajectory of US inflation (still above the US Federal Reserve's target) – alongside a cooling labour market and uneven consumer strength. Fiscal dynamics

- and elevated issuance needs remain factors that can also affect long-end yields.
- We think yields on the 10Y US Treasuries may stay range-bound and we remain Neutral on duration.

### Developed Markets

- The global economy is likely to continue to face a complex landscape in 2026. The interplay between inflation, labour market, consumption, global capital flows and geoeconomic developments will be key.
- As tariff concerns recede, new themes such as rising debt-funded artificial intelligence [AI] CAPEX, greater interconnectedness of public and private credit markets and emerging concerns on spillover risks to the broader financial system from higher bank lending to non-depository financial institutions and increased allocation to private assets by
- insurers could have an impact on overall credit markets. We believe late credit cycle dynamics warrant avoidance of riskier segments such as subprime, leveraged credits, smaller regional banks, and complex financing structures.
- Against this backdrop, we see scope for periodic macro headwinds and credit headlines to create volatility and widen credit spreads. These risks are partially mitigated by corporate fundamentals remaining largely healthy as of now.
- Recent credit events in both Emerging Markets [EM] and Developed Markets [DM] serve as reminder of the importance of credit risk as the cycle matures. With DM HY and DM IG yield differential at the lowest tenth percentile of the historical range, we currently do not see DM HY providing adequate compensation for investors to move down the

credit curve.

- For 2026, we recommend a Neutral positioning on DM IG bonds and an Underweight on DM HY bonds. Focus on quality and thorough analysis of issuer fundamentals should help protect portfolios while laying the groundwork for opportunity.

#### **Emerging Markets Corporates**

- In 2026, we expect total returns to slow but remain supported by good carry and market technicals. External and domestic developments could bring periods of volatility and/or spread widening but should still present opportunities for selected high quality credits.

#### **Asia**

- For 2026, we remain Neutral on Asia. Default rates should remain manageable and technicals are likely to stay supportive for Asia in 2026. However, with credit spreads near historical tights, we expect carry rather than compression to remain the key return driver in 2026.
- Net bond supply could turn positive in 2026 with lower rates, growing funding needs and potential changes in the Reserve Bank of India's (RBI) External Commercial Borrowings framework, but demand could stay anchored after years of negative net supply.
- Fundamentals for most Asian

corporates remain stable and the relatively lower volatility characteristics of Asia IG should still provide investors stable returns over the next 12 months. Within Asia, we reiterate a focus on quality and favour corporates with more resilient balance sheets and diversified cash flow generation.

#### **Emerging Markets Sovereigns**

- EM Sovereigns remain well-positioned amid a supportive global backdrop. Attractive real yields, loosening financial conditions, and easing inflation trends underpin demand for the asset class, although geopolitical risks warrant continued monitoring.

# FX & COMMODITIES

## SELENA LING

Head, Global Markets Research & Strategy, OCBC

## Still Medium-Term Positive on Gold

“We remain constructive over the medium-term outlook for gold, underpinned by expectations that the Fed will continue easing its policy into 2026, rates should trend lower overall, and central bank and institutional diversification demand should stay strong.”

### Oil

- Looking ahead, we believe the volatility in oil price movements has stabilised, driven by a delicate balance between increasing OPEC+ production [OPEC+ announced another production hike for December] and concerns over supply disruption from US sanctions against key Russian oil companies. For 2026, we expect oil prices to ease further, with WTI and Brent averaging US\$59/barrel and US\$62/barrel, due to a favourable supply outlook.

### Precious metals

#### Gold

- After a remarkable rally, gold prices experienced a correction. The pullback largely reflected the unwinding of momentum-driven positions and a reset of macro-optimism as short-term supports faded. Renewed trade diplomacy between the US and major partners such as China, Brazil,

and Japan reduced geopolitical risk premium and safe-haven demand. Meanwhile, US Treasury yields climbed ahead of the October Federal Reserve [Fed] policy meeting and Fed Chairman Jerome Powell said that a December rate cut was “not a foregone conclusion”. The Fed’s stance supported both Treasury yields and the US Dollar. Higher nominal yields and a firmer US Dollar dampens the appeal of non-yielding assets like gold.

- Although the correction in gold prices was sharp, it is not a complete surprise as it comes after a surge in prices and it helps to restore healthier positioning and valuations. We remain constructive over the medium-term outlook for gold, underpinned by expectations that the Fed will continue easing its policy into 2026, rates should trend lower overall, and central bank and institutional diversification

demand should stay strong. Gold’s role as a portfolio hedge against fiscal and policy uncertainty remains intact, even if short-term exuberance gives way to some consolidation.

#### Silver

- Silver rallied sharply before a correction set in. The surge reflected severe market tightness, strong macro tailwinds, and spillover strength from gold. Lease rates had spiked, spot-futures spreads flipped into backwardation, and London inventories fell — all of which pointed to a squeeze in physical supply. ETF inflows and rising speculative longs further amplified the rally.
- A correction set in, as the squeeze eased and sentiment normalised. Lease rates fell while cross-border shipments from China and the US replenished London inventories, bringing down borrowing costs.

- The correction was healthy, and the medium-term picture remains constructive. Silver benefits from its dual role as a precious and industrial metal. It's safe-haven appeal mirrors gold's drivers, while strong industrial demand from the solar, EV, and electronics sectors underpins real consumption. With global growth still resilient and Fed easing expectations intact, silver remains in a sweet spot within the commodities complex, supported by tight supply, firm industrial demand, and steady macro tailwinds.

## Currency

- Looking into 2026, we expect the US dollar [USD] to trade moderately softer. Fading US exceptionalism and the Fed's easing cycle is expected to gradually erode the greenback's carry advantage. Recent private sector data reinforce the view of a softening US labour market with job creation slowing, layoffs on the rise, and key indicators such as job postings and wage growth trackers declining.
- Our base case projects one additional Fed rate cut in December 2025, followed by a further 25 basis point reduction in the first

quarter of 2026. Additional easing will likely hinge on inflation moving closer to the Fed's 2% target. Under these conditions, the USD has room to depreciate, provided that risk-on sentiment remains intact, global growth outside the US remains supported, and the Fed maintains its easing trajectory.

- However, near-term risks warrant some caution. First, a divided Fed, where hawkish rhetoric emerges in response to upside surprises in US economic data, could unsettle markets. Second, a larger-than-expected passthrough of tariffs to US inflation could complicate the Fed's easing path. Either scenario could strengthen the USD and weigh on high-beta currencies. More broadly, ongoing policy unpredictability in the US, coupled with medium-term concerns over rising debt and fiscal deficits, is likely to sustain a broad, albeit potentially volatile, downward trend in the USD.
- The Euro was weighed down by political uncertainties in the Euro-area and the rebound in the USD since mid-September. Nevertheless, political uncertainties in France have temporarily receded after the French parliament voted

to suspend pension reform giving PM Lecornu a lifeline. But beyond this, the compromise on budget remains challenging. While near-term political noise may keep the Euro capped, the broader outlook remains constructive. The ECB's rate-cut cycle appears close to its end, while the Fed still has room to ease further - a dynamic that should narrow yield differentials in favour of the Euro. In addition, Germany's EUR 400 billion growth and investment plan, rising European defence spending, tentative signs of stabilisation in China's economy (and a steadier Renminbi; RMB), as well as continued portfolio and reserve diversification flows into alternative reserve currencies, still support a buy-on-dips bias for the Euro over the medium term.

- The Japanese yen [JPY] was negatively affected by both a stronger USD, owing to a hawkish Fed rate cut in October and market disappointment with the BOJ's decision to keep policy rate on hold. Delayed BOJ policy normalisation, the risk of a heavier fiscal burden amid a rise in the debt servicing cost, an increase in social and defence spending and the chance of early snap elections

are some factors that may pose downward pressure on the JPY in the interim. However, given the JPY's weakness, Finance Minister Katayama said the government will be monitoring currency movements, including those driven by speculative flows, with a high sense of urgency. Verbal intervention may slow the JPY's decline at times but cannot change the broader market momentum. We will watch to assess if verbal interventions increase in intensity or progresses towards actual intervention, which may lead to JPY bears exercising greater caution. Ultimately, for the USDJPY to turn

are some factors that may pose downward pressure on the JPY in the interim. However, given the JPY's weakness, Finance Minister Katayama said the government will be monitoring currency movements, including those driven by speculative flows, with a high sense of urgency. Verbal intervention may slow the JPY's decline at times but cannot change the broader market momentum. We will watch to assess if verbal interventions increase in intensity or progresses towards actual intervention, which may lead to JPY bears exercising greater caution. Ultimately, for the USDJPY to turn

lower would require a softer USD and greater commitment from the BOJ to hike rates.

- The Singapore dollar (SGD) has been resilient largely due to a softer USD, the SGD's appeal as a safe haven and given the Singapore economy's solid fundamentals. At its October policy review, the Monetary Authority of Singapore (MAS) kept monetary settings unchanged - maintaining the current rate of appreciation of the SSNEER (Singapore Dollar Nominal Effective Exchange Rate) policy band, as well as its width and centre. The MAS noted that core inflation is likely to bottom out soon before rising gradually through 2026 as temporary disinflationary factors fade. For now, the policy stance seems appropriate, with room to ease only if growth and inflation weaken more meaningfully. While MAS policy guidance helps anchor medium-term expectations, the USDSGD will continue to be driven largely by external factors - notably the broader USD trend, Fed policy signals, movements in the RMB, and shifts in global risk sentiment. In the near term, the pair may still

### Forecast table for Precious Metals Prices

USD/ounce	Dec 2025	Mar 2026	Jun 2026	Sep 2026	Dec 2026
Gold	4060	4110	4300	4400	4500
Silver	50.12	51.22	52.44	53.66	54.88

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

### Forecast table for Oil Prices

USD/barrel	Dec 2025	Mar 2026	Jun 2026	Sep 2026	Dec 2026
Brent	63.5	64.0	62.5	61.1	58.5
WTI	60.5	61.0	59.7	58.3	55.7

Source: OCBC Global Markets Research; the figures are average prices

## **Disclaimer**

The information stated and/or opinion(s) expressed in the sections of "Hong Kong / China Market Outlook", "Equities" and "Bonds" are prepared and provided by Bank of Singapore ("Information Provider") based on sources believed to be reliable. The information stated and/or opinion(s) expressed in the sections of "Global Outlook" and "FX & Commodities" are prepared and provided by OCBC Global Markets Research ("Information Provider") based on sources believed to be reliable. OCBC Bank (Hong Kong) Limited has not been involved in the preparation of such information and/or opinion. OCBC Bank (Hong Kong) Limited and the concerned Information Provider(s) make no representation and accept no responsibility as to its accuracy or completeness and shall not be held liable (whether in tort or contract or otherwise) for damages or losses arising out of any person's reliance upon this information and/or opinion(s).

Any opinions or views of third parties expressed in this material are those of the third parties identified, and not those of OCBC Bank (Hong Kong) Limited. The information provided herein is intended for information purposes only. It does not take into account the specific investment objectives, financial situation or particular needs of any particular person.

The content of this material does not constitute, nor is it intended to be, nor should it be construed as any professional or investment advice, or recommendation, offer, solicitation, invitation or inducement to buy or sell or subscribe or deal in any security or financial instrument or to enter into any transaction or legal relations or to participate in any particular trading or investment strategy. It does not have regard to your specific investment objectives, financial situation and the particular needs. You are advised to exercise caution in relation to any investment. You should independently evaluate each investment product and consider the suitability of such financial product, taking into account your own specific investment objectives, investment experience, financial situation and/or particular needs. If you are in doubt about the contents of this material and/or the suitability of any investment products mentioned in this material, you are strongly advised to obtain independent financial, legal and/or tax advice from professional advisers as appropriate, before you make any investment decision.

The information and opinions contained in this material have been obtained from sources believed to be reliable but OCBC Bank (Hong Kong) Limited has not verified all the information and opinions provided herein. No representation or warranty whatsoever (including without limitation any representation or warranty as to accuracy, usefulness, adequacy, reliability, timeliness or completeness) in respect of any information (including without limitation any statement, figures, opinion, view, estimate or forecast) provided herein is given by OCBC Bank (Hong Kong) Limited and/or the relevant Information Provider and it should not be relied upon as such. OCBC Bank (Hong Kong) Limited and/or the relevant Information Provider may have issued other reports, analyses, or other documents expressing views different from the contents hereof. OCBC Bank (Hong Kong) Limited and the relevant Information Provider will not and have no obligation to update the information or to correct any inaccuracy that may subsequently become apparent and shall not in any event be liable therefor. All information provided herein is subject to change without notice.

OCBC Bank (Hong Kong) Limited and the relevant Information Provider, their respective directors, officers, employees and agents shall not be responsible or liable for any loss or damage whatsoever arising directly or indirectly howsoever in connection with or as a result of any person acting on any information provided herein.

Investment involves risk. You should note that value of investments can go down as well as up. The information provided herein may contain projections or other forward-looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance. Any reference to any specific company, financial product or asset class in whatever way is used for illustrative purposes only and does not constitute a recommendation on the same. This material does not purport to identify all the risks that may be involved in the securities or investments referred in this material. Customers who are interested in investing in any investment product should read the risk disclosures and governing terms and conditions that are set out in the relevant offering documents.

The information herein is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation, and in any event this material is not intended for anyone other than the recipient. No discrete fee is charged for the provision of this material by OCBC Bank (Hong Kong) Limited. The contents of this material may not be reproduced and must not be distributed or transmitted to any other person or incorporated into another document or other material by whatever way unless with OCBC Bank (Hong Kong) Limited's prior written consent.

OCBC Bank (Hong Kong) Limited and its affiliates may trade for their own account in, may have underwritten, or may have a position in, all or any of the securities or investments mentioned in this document. Brokerage or fees may be earned by OCBC Bank (Hong Kong) Limited or its affiliates in respect of any business transacted by them in all or any of the securities or investments referred to in this document.

OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

The terms and conditions of this Disclaimer shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

This document has not been reviewed by the Securities and Futures Commission of Hong Kong.

If you are in doubt of the information or opinions contained in this material, you should obtain professional advice.

If this material has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability (to the extent permitted by law) for any errors or omissions in the contents of this material, which may arise as a result of electronic transmission. If verification is required, please request for a hard-copy version.