OCBC PREMIER BANKING

OCBC

Seeking Stability in Uncertainty

US Economy Remains Resilient

Monthly Outlook

by OCBC Wealth Panel

2/2026 ISSUE

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

IN THIS ISSUE

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.

If you have any queries on investment products, please call our Customer Services Hotline on 2815 9919 or visit our website at ocbc.com.hk.

Seeking Stability in Uncertainty

January kicked off 2026 with dramatic effect, setting the tone for a year likely defined by persistent volatility as markets grapple with the familiar mix of macro and geopolitical crosscurrents: resilient but uneven global growth, global monetary policy at a critical inflection point, and a geopolitical backdrop that remains fragmented and challenged. We are watching the risks surrounding long-end rates volatility following the recent sell-off in Japanese and US long-end bonds, and the vulnerabilities associated with elevated valuations and a resilient but undoubtedly late-stage economic cycle.

Despite near-term volatility risk, we continue to hold an overall risk-on stance in our tactical asset allocation (TAA) given our view that the long-term outlook remains relatively constructive. We maintain a constructive stance on equities primarily through an Overweight position in Asia ex-Japan given the region's more favourable risk-reward relative to regional peers. In fixed income, we prefer Investment Grade (IG) over High Yield (HY) within Developed Markets (DM). Within Emerging Markets (EM), we prefer Latin America (Latam) on relatively attractive valuations and the potential election of more market-friendly leaders in certain countries facing elections ahead. We continue to favour gold as a hedge against fiscal sustainability concerns globally and as a beneficiary of safe haven flows.

GLOBAL OUTLOOK

SELENA LING
Chief Economist & Head, OCBC Group Research

US Economy Remains Resilient

"January 2026 reminded financial markets that the global macro regime is still fragile despite resilient US economic data. The return of US tariff threats and geopolitical concerns in Venezuela, Iran and Greenland, have rekindled fears of policy-driven market volatility."

- January 2026 reminded financial markets that the global macro regime is still fragile. However, resilient US economic data releases have contributed to delayed market expectations of Fed rate cuts this year. Meanwhile equities swung between AI-led optimism and valuation anxiety. The return of US tariff threats and geopolitical concerns in Venezuela, Iran and Greenland also rekindled fears of policy-driven volatility, especially for globally exposed sectors. The silver lining is that ASEAN economies saw a turbo charge in the second half of 2025 due to the AI-related boom, instead of the expected payback from earlier front-loading efforts ahead of US tariffs. For as long as the AI overdrive is sustained, the growth momentum in the first half of 2026 should be positive. For Asia, the spillovers were felt through three channels: capital flows, trade sentiment and currency gyrations.
- Looking ahead to February 2026, markets will focus on whether disinflation resumes decisively in the US, which would reopen the door to the next Fed easing, or whether rates stay on pause mode. There is currently no clarity on the US Supreme Court ruling on Trump's IEEPA tariffs. Geopolitically, we are watching for concrete trade actions rather than rhetoric from Washington, and for any escalation risks in the Middle East or elsewhere that could reprice energy, shipping and insurance costs. For ASEAN, the key test is resilience - whether domestic demand, tourism and investments can offset external uncertainty in a world that remains more fragmented, politicised and volatile than markets would like.

United States

- The US entered January 2026 with a resilient economic backdrop but elevated policy uncertainty. Nevertheless, we believe Trump's TACO ("Trump Always Chickens Out") trade is still alive. The US government shutdown could delay key publications and distort incoming indicators, adding complexity to the Fed's deliberations on the trajectory of policy. Equity markets have so far extended gains amid these crosscurrents, with sentiment supported by the TACO trade. However, the US dollar has weakened marginally so far this year on rising concerns about fiscal credibility, while Treasury yields have increased, influenced by both the spillover from rising Japanese government bond yields and domestic fiscal stress.
- The Atlanta Fed's GDPNow forecasting model estimates that real US GDP growth (seasonally adjusted annual rate) in 4Q2025 is

still strong at 4.2% as of 29 January 2026, although this is down from 5.4% on 26 January. Fiscal policy dynamics, however, have emerged as a key risk. Political tensions over the Department of Homeland Security's (DHS) funding package have intensified significantly after the fatal shootings by federal immigration agents in Minneapolis. The heightened risk of a partial government shutdown introduces uncertainty around the release and quality of critical economic data - empirical inputs that the Fed typically relies upon for policy decisions.

- The January FOMC statement sounded more upbeat on economic activity and the labour market, but Powell's speech was more balanced. We maintain our expectation for one 25bp Fed funds rate cut this year. We have penciled in this cut for March, while some of Powell's comments were interpreted as pointing to an extended pause. There are still two rounds of inflation and labour market data before the March FOMC meeting. We will review the expected timing of the next Fed funds rate cut based on the incoming data.

Euro-Area

- We continue to see a slower, albeit still resilient, growth trajectory for the region in 2026 at a 1.1% expansion, down from the expected 1.4% in 2025. Meanwhile, on the inflation front, headline inflation eased to 2.0% YoY in December from 2.1% in November, broadly in line with the ECB's price stability target of 2% over the medium term. Similarly, core CPI eased to 2.3% YoY in December, versus expectations for a steady reading of 2.4%. In terms of monetary policy, our base case is that no additional rate cuts are required based on the economic outlook. Tariff-related uncertainty has faded slightly while domestically, the labour market remains resilient.
- Economic growth showed signs of stabilisation in January 2026, supported by firmer confidence and resilient business activity. Surveys from S&P Global showed that eurozone activity remained in expansionary territory, with the HCOB Flash Eurozone Composite PMI Output Index unchanged at 51.5 in January, supported by an increase in new orders. Business optimism reached a 20-month high, pointing to improving near-term sentiment despite still-mixed external demand. Tensions between the EU and the US were heightened as President Trump threatened tariffs on several EU members regarding concerns about Greenland. Tensions were tempered following talks with Mark Rutte, Secretary General of NATO. Elsewhere, the EU and India officially concluded negotiations on free trade agreements on 27 January 2026, which are expected to eliminate tariffs on over 90% of bilateral trade.

Japan

- We expect GDP growth of 0.8% in 2026 as business fixed investment plans have become more proactive, with uncertainty regarding tariff policy reduced to some extent. Private consumption is likely to stay resilient. The BOJ kept its policy rate unchanged at 0.75% at its January meeting, as expected. There is room for further, gradual policy normalisation. To that end, we have pencilled in two 25bp rate hikes, bringing the BOJ target rate to 1.25% by end-2026, with the first hike expected at the upcoming March meeting and the second one in 4Q2026.

- Tokyo CPI eased more-than-expected to 1.5% YoY in January from 2.0% in December 2025 while core inflation also eased in tandem. The labour market indicators pointed to continued tightness, with the December jobless rate unchanged at 2.6% and the job-to-applicant ratio broadly stable at 1.19.

China

- China's GDP growth moderated to 4.5% YoY in 4Q2025, easing from 4.8% YoY in 3Q2025, broadly in line with market expectations. For full-year 2025, the economy expanded by 5.0% YoY, meeting the government's target of "around 5%" growth. We expect China to set its growth target at "around 5%" again in 2026. Overall, the three surprises in 2025 - resilient external demand, but weaker investments and entrenched disinflation - are likely to extend into 2026. Supported by still-robust exports, we expect growth to reaccelerate modestly to around 4.7% YoY in 1Q2026. However, on a full-year basis, China's GDP growth is likely to slow from 5.0% in 2025 to around 4.7–4.8% in 2026, constrained by sluggish investments and lingering balance-sheet adjustment.
- While the headline growth numbers were largely unsurprising, a closer look at the composition of growth reveals three notable surprises in 2025 - one positive and two negatives. On the upside, net exports contributed around 1.6 percentage points to overall GDP growth in 2025, accounting for roughly one-third of total expansion, and once again emerged as a key stabilising force for the economy. On the downside, growth deceleration was primarily driven by weaker investment activity. This reflects the ongoing correction in property investments, alongside a simultaneous softening in infrastructure and manufacturing investments. A second negative surprise lies in persistent disinflationary pressures. The GDP deflator has remained in negative territory for 11 consecutive quarters, with no clear signs of bottoming out - marking the longest disinflationary streak in China's modern history.

GDP Growth Rates

% Change YoY	2024	2025F	2026F	2027F
United States	2.8	2.0	2.0	2.0
Euro Area	0.9	1.4	1.1	1.1
Japan	-0.2	0.8	0.8	1.0
United Kingdom	1.1	1.4	1.4	1.7
Australia	1.0	2.0	2.0	2.0
New Zealand	-0.6	0.8	2.2	2.4
China	5.0	5.0*	4.7	4.5
Hong Kong	2.5	3.4	2.6	2.5
Macau	8.8	5.0	3.0	3.0
Taiwan	5.3	7.3	3.2	2.4
South Korea	2.0	1.0**	1.8	2.0
India	9.2	6.5	7.5	6.4
Indonesia	5.0	5.0	4.8	5.0
Malaysia	5.1	4.9	3.8	4.2
Philippines	5.7	4.4*	5.5	5.5
Singapore	4.4	5.0	2.0	2.5
Thailand	2.5	2.0	2.0	2.0
Vietnam	7.1	8.0*	7.5	8.0

Source: OCBC Group Research

Inflation Rates

% Change YoY	2024	2025F	2026F	2027F
United States	3.0	2.7	2.9	2.4
Euro Area	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
Australia	3.2	2.8	3.2	2.6
New Zealand	2.9	2.8	2.1	2.0
China	0.2	0.1	1.8	2.0
Hong Kong	1.7	1.4	1.6	1.9
Macau	0.7	0.3	0.6	0.9
Taiwan	2.2	1.7	1.7	1.9
South Korea	2.3	2.1	2.0	2.0
India	5.4	4.6	1.7	3.5
Indonesia	2.3	1.9	2.7	2.5
Malaysia	1.8	1.4	1.5	2.0
Philippines	3.2	1.7	2.5	3.0
Singapore	2.4	0.9	1.3	1.6
Thailand	0.4	-0.1	0.6	1.0
Vietnam	3.6	3.3	3.7	4.0

Source: OCBC Group Research

US interest rate forecasts

	1Q2026	2Q2026	3Q2026	4Q2026	1Q2027
Federal Funds Rate*	3.50	3.50	3.50	3.50	3.50
2Y US Treasury Yield	3.55	3.50	3.50	3.50	3.50
5Y US Treasury Yield	3.65	3.65	3.65	3.65	3.65
10Y US Treasury Yield	4.05	4.00	3.95	3.95	3.95
30Y US Treasury Yield	4.80	4.75	4.75	4.70	4.70

* Upper Limit of Target Range

Source: OCBC Group Research

EQUITIES

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

Remain Positive on Equities

"Asia ex-Japan equities remain as our favoured region, given the undemanding valuations, positive secular growth drivers, USD weakness, and supportive monetary and fiscal policies which contributed to a more favourable risk-reward versus its peers."

- For global equities, we expect an increase in near-term volatility and continue to advocate that investors with concentrated or leveraged positions consider hedging for risk management purposes.
- Despite near-term volatility risk, we continue to hold an overall risk-on stance in our tactical asset allocation given our view that the long-term outlook remains relatively constructive.
- First, the Fed under Kevin Warsh (nominated by Trump replace Jerome Powell as the Fed Chair when his term ends in May this year) is relatively more likely to protect its institutional independence and project a picture of coherent policymaking, which are long-term positives for global markets and businesses.
- Second, we believe that the outlook for equities will be driven by broadly positive earnings fundamentals due to resilient growth and the positive effects of rising productivity catalysed by artificial intelligence (AI).
- Third, the recession risk in the US and globally is relatively low, and inflation risk appears to be well contained thus far.
- In equities, we maintain an Overweight position in Asia ex-Japan, expressed via our constructive stance on HK/ China, Malaysia and Singapore equities. We have a Neutral position in Japan – a stronger mandate for Prime Minister (PM) Takaichi can lead to a more expansionary fiscal policy, but any disorderliness in Japanese government bonds (JGB) and the JPY could hurt an equity rally.

US –Expect modest upside

- US equities have been off to a rocky start. While a rally in cyclicals demonstrated a broadening beyond tech, geopolitical concerns in Greenland led to increased volatility while developments in Iran and potential tariffs on Canada remain cause for concern.
- In 2026, we expect the S&P 500 Index to register a modest upside, given the resilient AI theme, deregulation efforts, lower oil prices, and recent initiatives by the administration such as its announcement of a US$200bn mortgage buying program. However, we believe that valuations are not compelling at this juncture. Also, in an environment of a weaker US Dollar, continued fiscal concerns and policy unpredictability, ex-US opportunities (particularly in Asia ex-Japan) could prove to be more attractive to global equity investors.

Europe – Buoyed by expectations of greater fiscal spending

- European equities have been buoyed by the benign global growth environment, as well as expectations of greater fiscal spending in Europe. However, sentiment was dented when trade war threats by US President Trump resurfaced due to developments relating to Greenland. Although tensions were lowered with the announcement of a “framework deal” (details not yet published and subject to further discussions) involving Greenland and tariff threats were removed, the volatility experienced during the turbulent week in January is unlikely to fade quickly in people’s minds. Meanwhile, France’s Prime Minister Lecornu managed to push some of the 2026 budget through the National Assembly without a vote, easing near-term political risk in France.

- Over the longer term, fiscal expansion and infrastructure spending in Europe favours sectors exposed to domestic demand, construction and capital goods. We also see opportunities relating to renewables and healthcare equipment. Exporters in the meantime could face headwinds from trade frictions and increasing competition.

Japan – Selective opportunities

- Japanese equities have performed well so far this year, following speculation that PM Takaichi would call for snap elections – which she eventually did. Investors believe that a stronger mandate will allow her to push through “Sanaenomics”, which potentially entails a more expansionary fiscal policy, thereby translating into a growth/ inflation uplift which will be helpful for corporate earnings.
- However, we see several risks that investors will need to consider.
- First, tensions between China and Japan remain high. While it is unclear how long this current episode will last, sectors such as AI/ semiconductors, autos and transportation could come under pressure in the near term.
- Second, a disorderly sell off in Japanese Yen (JPY) and Japanese Government Bonds (JGBs) could also pose risks to the equity rally. This is also compounded by the possibility of rate hikes by the Bank of Japan (BOJ).
- Thus, despite the positives from the potential fiscal boost, we would prefer to be selective in Japanese equities given valuations are now at an all-time high since 2021. While we are Neutral on Japanese equities, we prefer specific areas such as: (i) AI; (ii) Technology hardware (especially semiconductors); (iii) Defence; (iv) Energy; and (v) beneficiaries of domestic demand, which are less susceptible to tariff threats and could benefit from inbound travel due to the weak JPY.

Asia ex-Japan – Riding growth currents and creating new horizons

- Despite the stellar performance of Asia ex-Japan equities last year and good year-to-date performance, we continue to hold an Over-weight stance on the region’s equities.
- As transformative mega trends reshape economies and financial markets, Asia is poised to play a key role in this evolution, presenting clear investment opportunities in sectors such as (i) AI and robotics, (ii) advanced manufacturing, and (iii) metals and mining – an area gaining momentum amid the shift toward green energy, electrification, and infrastructure expansion.
- Accommodative policies by the US Federal Reserve (Fed) could ease financial and liquidity conditions and weaken the US Dollar, factors that have historically benefited Asia ex-Japan equities. This comes at a time when several Asian and major Developed Markets (DM) central banks (excluding the Bank of Japan) still have room to further ease monetary policy. Additionally,

a more proactive fiscal policy approach across Asia is expected to bolster growth prospects.

- However, investors should remain cautious of specific risks that may cause short-term volatility, including geopolitical tensions. Within Asia ex-Japan, our preferences are for China, Hong Kong, Singapore and Malaysia, while we view the risk-reward balance for Thai equities as less attractive.

Global Sectors - Global Materials outperform while Financials lag

- 2026 started with a focus on geopolitical tensions and the overt grab of resources. As such, it may not be surprising that the Global Materials sector has been the top performing sector YTD, followed by the Industrials sector which houses the sub-sector of Aerospace & Defence. A search for safe havens, have supported the stock prices of precious metals miners, while the spotlight on critical minerals has also supported the share prices of their producers in the Materials sector.
- On the other hand, the Financials sector has lagged. A mixed earnings season for US banks as well as a proposal by US President Trump to impose a 10% cap on credit card interest rates as well as other potential changes took the industry by surprise. This has implications for not just US banks but consumer finance firms as well.

AI infrastructure remains the frontrunner in tech

- Meanwhile, growth from the AI infrastructure buildout remains intact as a read-across from the leading foundry player's earnings beat and guidance for high double digit revenue growth in 2026. The view was also reiterated by various tech company leaders during the annual Consumer Electronics Show (CES). Amid breakneck growth in AI infrastructure demand, supply constraints are broadening beyond AI chips into memory and wafer capacity. We thus favour AI infrastructure plays i.e. the internet and semiconductor companies. In particular, the wafer fabrication equipment (WFE) segment would benefit as foundries increase CAPEX to keep up with demand. We are, however, cautious of the software segment that is at risk of disintermediation by AI natives.

Signs of equity market broadening

- After the dominance of growth stocks in the US in 2025 as AI-powered mega-caps marched to fresh highs, there are some signs of a broadening beyond in the first month of 2026. The S&P 500 Index has risen by about 1% YTD as of 25 January 2026, but international equity markets and small and mid-caps have outperformed. Within large-caps, the equal-weight S&P 500 Index has returned 4%, mirroring an improvement in other measures of S&P 500's market breadth. There are three potential paths to an equity market broadening: (i) a "catch down" collapse in the valuations of the largest stocks, (ii) a broad-based "catch-up" in valuations across markets, or (iii) a market broadening driven by earnings broadening.
- We believe the ultimate degree of equity market broadening will depend on the degree of earnings broadening. Looking back at history, for 13 of the last 15 years, comparing the S&P 500 vs the equal-weight SPW shows that the index with the stronger growth in forward earnings per share (EPS) estimates posted the superior share price performance.

HONG KONG / CHINA MARKET OUTLOOK

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

Constructive Outlook

"Hong Kong (HK) and China equities market posted strong year-to-date performances with Materials being the outperforming sector while Financials has been a laggard. We stay constructive on HK and China equities and prefer the offshore China equities market."

- Hong Kong (HK) and China equities market posted strong year-to-date performances with Materials being the outperforming sector while Financials has been a laggard. We stay constructive on HK and China equities and prefer the offshore China equities market.
- Amidst buoyant market sentiment in the onshore A-share market, regulators and exchanges announced "a counter-cyclical measure" by raising margin financing ratio from 80% to 100% for new margin contracts which has effectively reversed the easing measures introduced in August 2023.
- China's recently released GDP data indicated that 2025 growth was resilient at 5.0% despite last year's uncertainties around trade. However, we believe further stimulus is needed as momentum continues to slow, deflation risks persist, and growth remains somewhat uneven.
- Several stimulus measures have been rolled out in recent weeks. These include the first batch of consumption subsidies for the year, 25bps interest rate reduction by the People's Bank of China (PBoC) and reports suggesting new guidance from policymakers allowing "white-listed" real estate projects to apply for longer loan rollovers than previously allowed. Beijing has also pledged, on 20 January, to increase the fiscal spending amount in 2026 and announced a modest increase in interest subsidies on consumer, and small and medium enterprise loans.
- With 2026 being the first year in the 15th Five Year Plan, we believe policy delivery and implementation are key to monitor. Several policy implementation details have been announced, including details of the consumer goods trade-in and equipment upgrade program, the 2026 list of major and key construction projects, and new supportive monetary policies, including targeted rate cuts and subsidies aimed at supporting consumption, technology and small- and medium-enterprises.
- We believe a timely policy delivery would support the rotation from Value to Growth in 1Q26. We reiterate a barbell strategy with quality yield plays to cushion market volatility and upside optionality in other investment themes: (i) AI proxies; (ii) policy beneficiaries in technology innovation, domestic consumption and ant involution; and (iii) a better outlook.
- All considered, we remain constructive on HK and China equities. Apart from expectations of further gradual stimulus measures, we believe that the revival of the IPO market could help unlock animal spirits, while the expected step-up in earnings growth this year should help sentiment as well. Household excess savings also remain ample, and further deployment into equity markets could be possible given the moribund housing market.

BONDS

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

Prefer To Stay with High Quality Issuers

"We expect the fixed income asset class to continue to be supported by carry in 2026. With credit spreads at or near all-time tights, we see the global macro backdrop and fed funds rate trajectory as key drivers of credit markets."

- Amidst heightened geopolitical tensions, credit markets have generally remained stable, with spreads narrowing in further from end-2025 levels. Total returns year-to-date were positive across most segments in the asset class despite higher US Treasury (UST) yields.
- 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. Within Developed Markets (DM), we hold Neutral and Underweight positions in IG and HY bonds respectively, and within Emerging Markets (EM), we are Neutral on Corporates and Underweight on Sovereigns.
- We see EMs as diversifiers within global bond portfolios. Although EM spread pick-up over US has tightened significantly over the past year, selective exposure to EM bonds offers diversification opportunities for global investors, especially on the back of rising concerns over weaker USD and fiscal dynamics in major developed economies.

US Treasuries

- US Treasuries (USTs) started 2026 on a weaker note, with yields generally higher across the curve year-to-date. The 2Y10Y yield curve steepened by 3bps to 73bps while the 10Y30Y flattened marginally by 4bps to about 63bps during the month.
- As widely expected, after reducing interest rates at its three prior meetings, the Federal Open Market Committee (FOMC) kept rates on hold at 3.50%-3.75% in January, though two governors dissented in favour of a 25bps cut. The statement sounded more upbeat on economic activity and the labour market. While the Fed retained its easing bias, some of Powell's comments were interpreted as pointing to an extended pause.
- OCBC Group Research maintains its base case for one 25bps fed funds rate cut in 2026 and has pencilled in this expected cut for 1Q26. Thereafter, any additional fed funds rate cuts will probably require inflation to move nearer to Fed's 2% target.
- Looking ahead, USTs will remain sensitive to shifting macro signals. Key drivers include the trajectory of inflation, labour market and fiscal deficits.

- We remain Neutral on portfolio duration. A weighted average portfolio duration of between three to seven years can provide flexibility during varying market conditions. Any downside surprises in macro data or inflation could support duration extension, while stickier inflation, renewed fiscal concerns and a smaller Fed balance sheet may steepen the curve.

Developed Markets

- Late credit cycle dynamics and unattractive relative valuation favours DM IG over DM HY. We maintain a Neutral position on DM IG bonds and an Underweight on DM HY bonds. However, heavy bond issuances from hyperscalers to fund rising CAPEX needs, could have a negative spillover impact on DM IG, potentially leading to wider spreads and/or longer duration at the index level. Focus on quality and thorough analysis of issuer fundamentals are critical to protect portfolios while laying the groundwork for opportunity.

Emerging Markets Corporates

- EM corporates have outperformed its DM peers year-to-date. In 2026, we expect total returns to slow but remain supported by good carry and market technicals. A softer outlook for the US Dollar against a still-benign macro backdrop should continue to support EM assets. In the near term, we will watch the impact of Kevin Warsh's Fed chair nomination and volatility in commodity prices.

Asia

- Asian credits posted total returns of 0.59% YTD as of 29 January 2026.
- Despite comparatively lower yields, Asia's role as a relatively more defensive play within EMs and strong technicals keep us Neutral in Asia. Carry will be a key support for total returns in 2026. We would look to go down the capital structure of high-quality financials and corporates to pick up yield in Asian credits. We also like select idiosyncratic opportunities in the region.
- Indonesia's sovereign and quasi-sovereign bonds underperformed EM peers YTD, driven by fiscal pressures and macro uncertainties. The risk of a more aggressive fiscal policy has increased, with the 2025 deficit at 2.92% of GDP, above the 2.78% target and close to the 3% cap. Market concerns over Bank Indonesia's (BI) independence resurfaced after the Deputy Governor nomination, but BI held rates this month and reaffirmed its independence. In 2026, we expect a modest rise in state-owned enterprise (SOE) bond issuance and some fiscal easing, potentially leading to a gradual increase in risk premium.

Emerging Markets Sovereigns

- EM sovereigns appear reasonably well positioned for 2026. Real yields remain attractive relative to DM peers, while improving external balances across several large EM economies provide additional buffers. Nonetheless, geopolitical uncertainties – including lingering tensions in Eastern Europe and periodic flare ups in the Middle East – could introduce episodic volatility. Credit differentiation remains essential, as IG spreads appear relatively anchored while distressed and restructuring stories continue to drive index-level moves. We maintain a balanced stance, favouring reform-oriented IG issuers and fundamentally resilient "BB"-rated credits with improving fiscal dynamics.

FX & COMMODITIES

SELENA LING
Chief Economist & Head, OCBC Group Research

Still Medium-Term Positive on Gold

"Despite recent volatility, the structural factors for holding gold in portfolios is unchanged. The metal should be a strategic component to diversify and hedge portfolios against rising geopolitical risks, unpredictable policy making and swelling government debt."

Oil

- The global crude oil market remains exposed to shifting geopolitical risks. Geopolitical risks, including unrests in Iran, US strikes on Venezuela, and the Russia-Ukraine conflict are adding volatility to oil markets and temporarily supporting prices. Supply risks in Iran are unlikely to ease quickly. Increased tensions between the US and Iran - with the US having dispatched naval assets to the Middle East - has heightened disruption risks of Iran's 1.9 million barrel per day of oil exports. The US' proposed peace plan for Russia and Ukraine could significantly impact oil supply, with potential outcomes ranging from supply disruptions to additional Russian crude entering the market.
- Venezuela's political situation remains uncertain following the US capture of President Maduro. Threats of near-term disruptions to Venezuela are receding as the US appears focused on keeping oil flowing post-Maduro. Venezuela is a small oil producer but has the largest oil reserves globally. However, it is too early to assume upside to longer-term production in Venezuela given uncertainty over whether political transition will deliver long-term policy stability – which is critical for attracting private investments to rehabilitate Venezuela's dilapidated infrastructure.
- Oil prices have rallied on geopolitical headlines although spikes are likely to stay contained as crude oil production looks set to outpace demand in 2026. We maintain our forecast for Brent to bottom near USD59/barrel by year-end, pending clarity on Venezuela's new government and its resource policy. OPEC's pause in quota hikes, supports a soft floor for Brent in the high-US$50s. China's ongoing strategic oil stockpiling could continue to keep stockpile outside of China relatively low.

Precious metals

Gold

- Gold rose to a fresh all-time high of USD5,595/oz on 29 January. Earlier remarks from President Trump signalling tolerance for USD weakness, alongside renewed concerns over a potential US government shutdown and geopolitical risks in Venezuela, Greenland and Iran reinforced demand for safe-haven assets. Demand has also broadened beyond central banks. Reports indicated that Tether added around 27 tonnes of gold in 4Q25, bringing total holdings to approximately 140 tonnes, with purchases reportedly continuing at a steady pace. This highlight growing institutional and retail participation in gold alongside official-sector demand.
- Price action, however, has been volatile. Following a sharp and rapid rally, gold corrected significantly into month-end. The pullback coincided with the US averting a government shutdown,

reports of potential geopolitical de-escalation involving Iran, and market speculation around a less-dovish Fed leadership scenario, which triggered a broader cross-asset pullback and a rebound in the USD.

- The pullback in gold towards end-January is broadly consistent with our recent near-term assessment that elevated price levels increase the precious metal's near-term sensitivity to macro repricing, particularly around the US Dollar and yield dynamics. As such, greater two-way volatility should not be unexpected.
- We see the recent pullback as a normalisation phase rather than a shift in the underlying trend. In the coming weeks, prices are likely to trade with higher volatility as markets digest recent gains and reassess positioning and sentiments. Rising government debt burdens, geopolitical concerns and policy unpredictability remain some of the drivers underpinning the constructive outlook in the medium term but 2-way swings may weigh on sentiments in the near term.

Silver

- Silver prices experienced an exceptionally volatile month in January, surging to an intraday high of above USD120/oz (29 January) before undergoing a sharp and rapid correction into end-month. The magnitude and speed of the pullback underscore silver's inherently higher beta profile relative to gold, particularly when prices move into overextended territory.
- The recent correction appears to have been driven by position-adjustment dynamics. As prices accelerated higher, the market became increasingly vulnerable to sharp, liquidity-driven reversals, especially as profit-taking and margin-related selling were triggered. Importantly, the pullback should be viewed as a healthy correction. Industrial demand themes, particularly from Solar PV (Photovoltaic), grid modernisation, and AI-related infrastructure continue to provide a strong structural underpinning.
- That said, the recent episode highlights an important signpost for investors - as prices move higher rapidly, volatility and drawdown risks increase non-linearly. Silver's rallies tend to overshoot, and corrections can be sharp even within a broader uptrend. This argues for disciplined position sizing and a more tactical approach to entry points, rather than chasing momentum at extremes.
- In the interim, the speed of the recent unwind and its inherently higher two-way volatility may temporarily weigh on near-term sentiment, despite supportive fundamentals.

Currency

US Dollar (USD)

- Renewed USD weakness has caught many investors off guard, prompting fresh debate about how much further the USD can fall. President Trump's brief on-off threats over Greenland have amplified concerns over erratic policymaking and revived the 2025 de-dollarisation narrative. Speculation around possible US-Japan joint intervention to weaken the USD versus the Japanese Yen (JPY) has also raised questions about whether US policymakers are becoming more tolerant of a softer USD. Several USD downside risks we had previously highlighted – volatile US policy signals and concerns over Fed independence – have now materialised, contributing to the latest bout of USD softness. The decline could extend if investors remain unconvinced that "maximum US policy uncertainty" has passed. In response, we have raised our exchange rate between the Euro (EUR) and US Dollar - EURUSD forecast to 1.23 from 1.20 to reflect the risk of a deeper USD slide. That said, any further weakness is likely to be more contained than in 2025, when tariff-induced recession fears triggered a sharper selloff. Today's backdrop is different - US data remains resilient, contrasting with dovish Fed pricing, and should help limit the depth of additional USD downside. more contained than in 2025, when tariff-induced recession fears triggered a sharper selloff. Today's backdrop is different - US data remains resilient, contrasting with dovish Fed pricing, and should help limit the depth of additional USD downside.

Japanese Yen (JPY)

- The JPY has strengthened recently against the USD on reports that the New York Fed conducted rate checks for the US Treasury Department, fuelling speculation of possible coordinated JPY-buying by Japan and the US. Despite the intervention chatter, we do not have strong conviction that USDJPY can sustainably trade much below 150. We maintain our end-2026 USDJPY forecast at 149. A more constructive JPY outlook would require a meaningfully more hawkish BOJ stance and clearer evidence that rising long-end JGB (Japanese Government Bond) yields are triggering capital repatriation. For now, fiscal pledges toward further budget loosening could continue weighing on the JPY.

Australian dollar (AUD)

- Stronger jobs and sticky inflation have revived early RBA rate hike expectations, lifting sentiment towards the AUD. The global pro-cyclical backdrop - reflected in firmer industrial-metal prices - remains supportive, while a potential increase in the FX hedge ratios of superannuation funds could further favour AUD strength. Considering these drivers, we upgrade our end-2026 AUDUSD forecast to 0.73.

Chinese Yuan (CNY)

- USDCNY continued to trade with a heavy downward bias for the month of January. Even the daily USDCNY fix by the PBOC has been set lower, breaking below the psychological 7.00 for the first time on 23rd January. The fix was subsequently set lower at 6.9755 (on 28 January). This was the strongest CNY fix (versus the USD) in over 32 months, reinforcing a deliberate move to steer the Chinese currency on a gradual appreciation path. While the intensity of the fix may have picked up, it remains modest, and we believe policymakers are likely to continue to maintain an orderly and measured pace of RMB appreciation. This approach aims to prevent markets from rushing to offload the USD in a disorderly manner, thereby avoiding any abrupt price fluctuations and ensuring orderly market dynamics.

Singapore Dollar (SGD)

- USDSGD has continued to trade lower, breaching multi-year lows. Spillover gains from moves in the JPY and Renminbi and a softer USD backdrop have been some of the key drivers weighing on USDSGD. In the recent MAS policy decision (on 29 January), the central bank kept its monetary policy settings unchanged for the third consecutive meeting and delivered a hawkish tilt. It upgraded the 2026 headline and core inflation forecasts from 0.5-1.5% to 1-2%. Market expectations for the MAS to tighten at some point down the road may continue to anchor relative strength in SGD against its trading partners. In light of recent market development, including shifts in the USD and expectations about MAS' policy stance, we have revised our USDSGD forecasts lower.

Forecast table for Precious Metals Prices

USD/ounce	Mar 2026	Jun 2026	Sep 2026	Dec 2026	Mar 2027
Gold	5250	5367	5425	5600	5626
Silver	116.7	119.3	120.6	133.3	134.0

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

Forecast table for Oil Prices

USD/barrel	Mar 2026	Jun 2026	Sep 2026	Dec 2026	Mar 2027
Brent	68.00	66.00	62.50	59.00	59.00
WTI	64.00	63.00	59.50	56.00	56.00

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