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WS Global CIO Office
2 October 2026

Weekly Market View

Opportunities from the bond sell-off



➔ The global bond sell-off is creating tactical and medium-term opportunities. In the US, September's yield surge has improved the risk-reward in 10-year government bonds, presenting an attractive entry point for investors with a 6-12-month horizon.

➔ We believe bond and money markets are overly hawkish about the Fed outlook, given disinflation is likely to return as the impact of oil prices and tariffs ease next year.

➔ In equities, we stick to quality, especially sectors riding the AI-led earnings boom. The upcoming Q3 earnings season is likely to show AI-investments are powering sectors beyond the technology and communications services. We remain constructive on the semiconductor and memory segments.

➔ We also expect the US Dollar to peak in the next few weeks along with short-to-medium-term US bond yields. This creates opportunities for AUD corporate bonds, Emerging Market USD bonds and gold.

Can equities withstand higher bond yields?

How do US mid-term election outcome scenarios affect the outlook for equities?

What is the outlook for AUD and AUD bonds after the latest RBA policy meeting?

Important disclosures can be found in the Disclosures Appendix.

Charts of the week: Compelling yields

The risk-reward in US 10-year government bonds looks compelling; in equities, we stick to quality large-cap segments

Expected total returns on government bonds from shifts in yields*

Expected yield in 12 months	US	Germany	Japan	UK
7.0%	-7.4	-17.9	-20.3	-5.3
6.5%	-4.1	-15.1	-18.6	-2.0
6.0%	-0.6	-12.0	-16.7	1.5
5.5%	3.0	-8.8	-14.4	5.2
5.0%	6.9	-5.3	-11.9	9.0
4.5%	10.9	-1.7	-9.1	13.1
4.0%	15.1	2.2	-6.1	17.3
3.5%	19.5	6.3	-2.7	21.6
3.0%	24.1	10.6	0.9	26.2
2.5%	28.9	15.1	4.8	30.9
2.0%	33.8	19.8	9.0	35.8
1.5%	38.9	24.7	13.4	40.9
1.0%	44.2	29.9	18.2	46.2
0.5%	49.7	35.2	23.2	51.6
0.0%	55.4	40.8	28.5	57.3

Relative 12-month performance of S&500, S&P400 & S&P600^



Source: Bloomberg, Standard Chartered; *annualised total returns, with dotted lines showing current yield levels; ^Index: 100 = 1 October, 2025

Editorial

Opportunities from the bond sell-off

Strategy summary: The global bond sell-off is creating tactical and medium-term opportunities. In the US, September's yield surge has improved the risk-reward in 10-year government bonds, presenting an attractive entry point for investors with a 6-12-month horizon. We believe bond and money markets are overly hawkish about the Fed outlook, given disinflation is likely to return as impact of oil prices and tariffs ease next year.

In equities, we stick to quality, especially sectors riding the AI-led earnings boom. The upcoming Q3 earnings season is likely to show AI-investments are powering sectors beyond the technology and communications services, such as financials, materials and power and electrification. We remain constructive on the semiconductor and memory segments. We also expect the US Dollar to peak in the next few weeks along with short-to-medium-term US bond yields. This creates opportunities for AUD corporate bonds, Emerging Market USD bonds and gold.

Attractive risk-reward in US 10-year government bonds. The US 10-year bond yield rose more than 50bps in September (biggest monthly rise since 2022) and 115bps this year, amid expectations of economic resilience, higher Fed rates, fuel-driven inflation, AI-related capital demand and fiscal concerns. Valuations appear close to fair value, improving the 6-12-month risk-reward. Bond arithmetic suggests losses of less than 1% if the yield rises to 6%, vs. more than 10% gains if it falls to 4.5%.

Resilient US economic activity, but softer-than-expected inflation. September data showed robust US employment (jobless claims, ADP) and core capital-goods orders. However, consumer confidence remains depressed, real disposable income is flat and households are drawing on savings to sustain spending. Against this divided backdrop, core PCE inflation - the Fed's preferred gauge - was softer than expected at 0.2% m/m and 3.0% y/y. A revised method to measure PCE inflation also indicate that annual core PCE inflation was 35bps lower than previously reported, narrowing the gap with CPI inflation.

Markets appear overly hawkish on the Fed. Money markets price about 85bps of tightening over the next 12 months. A strong labour market (September's non-farm payrolls data is due tonight) may justify one or two further hikes, but aggressive tightening after the sharp rise in bond yields – which has already tightened financial conditions - could threaten financial stability. US small- and mid-cap equities have already fallen 8–9% from recent peaks over the past couple of months, materially underperforming large caps, as energy and borrowing-cost concerns intensify. While some Fed speakers remain hawkish, we agree with New York Fed President Williams' that there is no urgency to tighten. We see little chance of an October Fed rate hike and expect inflation data for Sep-Nov determining whether the Fed moves in December.

Stay with quality equities and AI beneficiaries. US large caps have absorbed the rise in bond yields relatively well, supported by expectations of robust earnings growth led by AI-related investment. We continue to favour quality companies and sectors benefiting from this AI cycle. Semiconductors and memory remain preferred exposures: structural AI demand should extend the memory upcycle, while long-term supply agreements provide better revenue visibility. The opportunity is also broadening beyond technology and communication services into financials, materials, power and electrification.

Opportunities in AUD corporate bonds and gold. The USD rebound alongside higher US yields offers a tactical opportunity to add higher-yielding Emerging Market USD and non-USD bonds. We remain positive on AUD corporate bonds, which offer a yield premium over comparable US credit. Our constructive medium-term AUD/USD view could add returns for USD-based investors over the next 6–12 months. We would also use gold's recent pullback to add exposure, supported by sustained Emerging Market central bank demand. We continue to view USD 4,000/oz as important technical support for gold.

— ***Rajat Bhattacharya***

The weekly macro balance sheet

Our weekly net assessment: On balance, we see the past week's data and policy as neutral for risk assets in the near-term

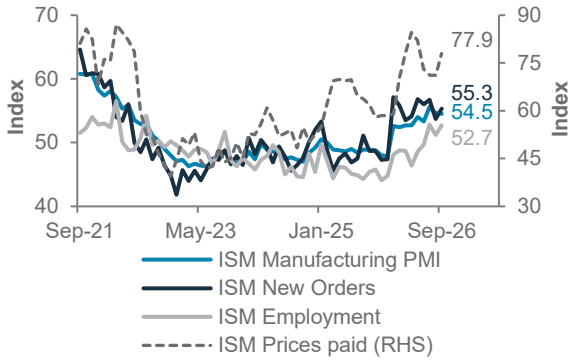
(+) factors: Soft US inflation, China stimulus, easing US-China tensions

(-) factors: Weak US and Euro area sentiment; geopolitical tensions

	Positive for risk assets	Negative for risk assets
Macro data	• US core PCE inflation at 0.2% m/m and 3.0 y/y was softer than expected • China PMI non-manufacturing PMI beat estimates at 50.2 in September, with manufacturing PMI rising to 50.1 as expected • US private sector employment (ADP) beat expectations in September • US ISM manufacturing new orders PMI rose more than expected to 55.3	• US ISM manufacturing PMI dropped unexpectedly to 54.5 in September • US JOLTS job openings fell to 7.08mn in August, missing consensus • US Conference Board consumer confidence index fell unexpectedly to 81.9 in September • Euro area economic confidence fell more than expected in September • China's industrial profit growth slowed to 4.2% y/y in August
	Our assessment: Neutral – Softer US core PCE inflation, robust jobs vs. weak sentiment in the US and Euro area	
Policy developments	• China unveiled targeted policy easing, including a rate cut for policy banks, higher technology relending quotas, and mortgage subsidies • Fed's Williams said there was no urgency for the next Fed rate hike • RBA's guidance was less hawkish than feared	• Fed's Barr, Musalem, Cook, Goolsbee and Kashkari said further rate hikes will be needed amid a robust economy and still-elevated inflation • BoE Governor Bailey warned elevated energy prices could make it harder to keep rates on hold
	Our assessment: Neutral – China stimulus; mixed Fed views	
Other developments	• US-China agreed limited tariff relief covering roughly USD30bn of trade in each direction, extending the recent trade truce	• US-Iran negotiations remain unresolved, with disagreements over sanctions relief and Hormuz reopening
	Our assessment: Neutral – Easing US-China trade tensions vs. ongoing geopolitical tensions	

US ISM manufacturing PMI fell unexpectedly in September, while prices paid for inputs jumped to 77.9; however, new orders PMI beat expectations

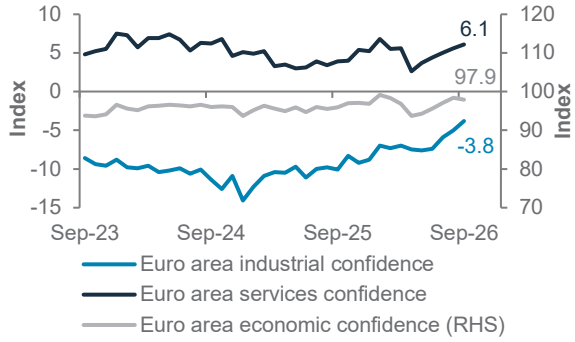
US manufacturing PMI and its components



Source: Bloomberg, Standard Chartered

Euro area economic confidence fell more than expected in September, although industrial sector confidence continued to improve from weak levels

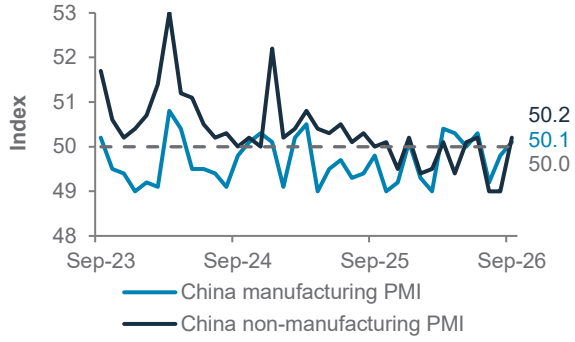
Euro area economic, services and industrial confidence



Source: Bloomberg, Standard Chartered

China's manufacturing and non-manufacturing sector business confidence both rose to expansion territory in September

China manufacturing and non-manufacturing PMIs



Source: Bloomberg, Standard Chartered

Top client questions

Do you expect more RBA rate hikes after its less hawkish guidance? What is your view on the AUD and AUD bonds?

Our view: We expect the RBA to leave rates unchanged, but retain the option to hike again should inflation intensify. We maintain our medium-term constructive AUD view and maintain our opportunistically bullish AUD corporate bonds idea.

Rationale: The RBA's forward guidance remains data dependent, explicitly allowing further tightening if needed as inflation remains too high. At 4.60%, Australia's cash rate is currently 60–85bp above the Fed's 3.75–4.00% range. Thus, even with our two additional 25bps Fed hikes expectation, Australian rates would hold a modest positive rate differential. We expect the AUD to strengthen once the Fed signals that US rates are near their peak, which should allow resilient Australian fundamentals to reassert themselves. Key risks are persistently high US yields, weaker China growth or a sharper deterioration in global risk sentiment.

We believe risk-reward has become more attractive for AUD bonds following the bear-flattening of the AUD yield curve. Markets are already pricing in one more RBA hike through end-2027, presenting an attractive opportunity to earn a yield even as increasingly restrictive financial conditions reinforce disinflation over time. Meanwhile, the positive interest rate differential with the US supports the currency outlook, supporting the case for AUD bonds.

— **Vincent Tan,** *Senior Investment Strategist*
— **Cedric Lam,** *Senior Investment Strategist*
— **Iris Yuen,** *Investment Strategist*

What does the incoming US data tell us about the path for US 10-year bond yields from here?

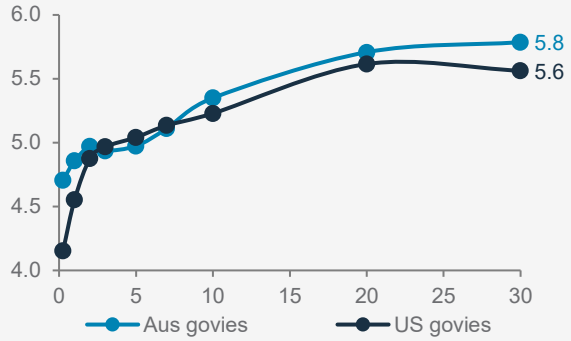
Our view: The risk-reward in US 10-year yields has turned attractive following their move higher amid incoming US data.

Rationale: Recent US data has indeed started to show softer-than-expected inflation. However, market technicals are likely temporarily delaying a move lower in bond yields, with reports suggesting the rise in yields is creating forced selling amongst hedge funds and real estate investment trusts. Nevertheless, we do not expect this to be an extended selloff. We have initiated an opportunistic bullish idea on US 10-year government bonds this week and continue to believe this idea offers an attractive risk/reward on a 6-12-month horizon as yields become attractive enough to entice buyer flow to return. On a broader allocation basis, we retain our structural preference for 3-7-year maturities in bonds.

— **Cedric Lam,** *Senior Investment Strategist*

We remain positive on AUD corporate bonds amid Australia-US interest rate differentials and positive outlook for the AUD

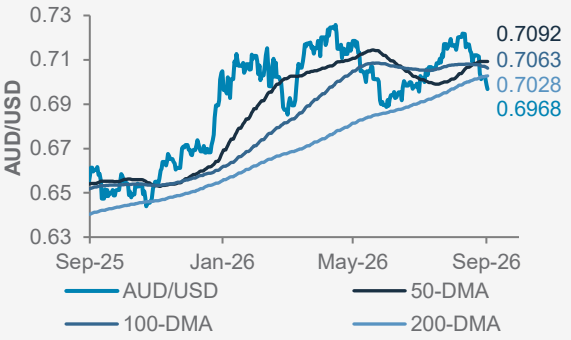
Australian and US government bond yield curves



Source: Bloomberg, Standard Chartered

Australia-US rate differentials expected to support AUD/USD recovery over medium term

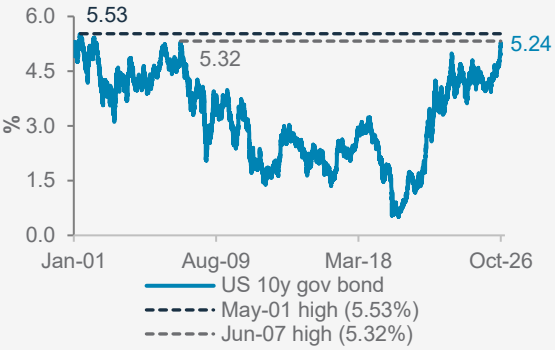
AUD/USD and technicals



Source: Bloomberg, Standard Chartered

The nominal US 10-year bond yield has surged to its highest closing high since 2007

US 10-year yields and historical highs



Source: Bloomberg, Standard Chartered

Top client questions (cont'd)

How should investors position in the GBP ahead of the UK budget announcement next month?

Our view: We maintain a medium-term constructive GBP view, but keep near-term exposure measured ahead of the 28 October Budget. We would view any pre-Budget weakness as an opportunity to gradually build GBP exposure.

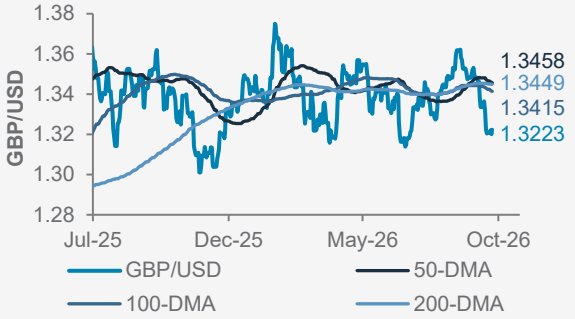
Rationale: The government's decision to adjust the pension triple lock from 2030 is an early indication of greater willingness to tackle longer-term spending pressures, reinforcing Chancellor Healey's commitment to fiscal discipline and meeting the fiscal rules. Markets are likely to scrutinise the Budget closely for evidence that this discipline extends to near-term tax and spending decisions. A credible Budget should help contain pressure on UK government bond yields and support GBP. Any fiscal slippage remains a key risk.

Near term, we prefer measured GBP exposure as elevated US yields and repricing towards further Fed tightening could continue to support the USD. Over the medium term, we expect GBP to rebound as the Fed eventually signals the peak of its tightening cycle.

— **Vincent Tan**, *Senior Investment Strategist*
— **Iris Yuen**, *Investment Strategist*

GBP/USD's pre-Budget weakness sets an opportunity to gradually build GBP exposure over the medium-term

GBP/USD and technicals



Source: Bloomberg, Standard Chartered

How would different US mid-term election outcome scenarios affect the outlook for US equities?

Our view: We believe election outcomes will have a limited impact over the next 12 months. We remain positive on US equities driven by fundamental earnings growth.

Rationale: Over the past 50 years, the ruling US President's party has retained control of both chambers of Congress on only two occasions (1978 and 2002). All other elections resulted in an opposition sweep or a divided government.

Based on the latest prediction markets, it appears that an opposition sweep (both the House and Senate flips from Republican to Democrats) is more likely than a divided government (in which the House flips to Democrats, while the Senate remains under Republican control). A scenario where Republicans retain a majority is least likely per prediction markets.

While mid-term elections may introduce near-term volatility, we caution against overreaction. Historically, the average return for the S&P 500 following an opposition sweep is 17% over the next 12 months, but the average return following a divided government is not significantly worse, at 15%. We prefer to base our investment views on fundamental earnings growth, where investor attention should focus on the upcoming Q3 earnings season.

— **Jason Wong,** *Senior Equity Analyst*

An opposition sweep in the US mid-term elections has historically led to a 17% average increase in the S&P 500 index over the next 12 months

S&P 500 returns over the next 12 months following US mid-term elections

Year	After midterm election	S&P 500 – 12m returns (%)
1978	Retained a majority	12.4
1982	Divided government	25.4
1986	Opposition sweep	4.3
1990	Opposition sweep	29.3
1994	Opposition sweep	30.4
1998	Opposition sweep	23.6
2002	Retained a majority	17.0
2006	Opposition sweep	8.7
2010	Divided government	5.8
2014	Opposition sweep	6.7
2018	Divided government	14.0
2022	Divided government	16.4
Total Average		**16.2**
Retained a majority		14.7
Divided government		**15.4**
Opposition sweep		**17.2**

Source: Bloomberg, Standard Chartered

Top client questions (cont'd)

What is the outlook for the memory chip and broader semiconductors industry?

Our view: We remain positive on semiconductors and memory chips. Structural AI demand should prolong the memory upcycle while long-term agreements improve revenue visibility.

Rationale: Recent industry commentary points to tighter memory supply-demand conditions through 2028, reinforcing our view that AI demand is likely to extend the memory upcycle. Furthermore, adoption of long-term agreements improves revenue and earnings visibility.

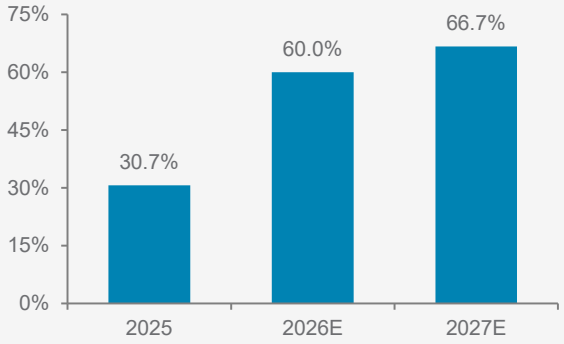
Despite debates around "Pacing the Frontier", we have seen a flurry of new model releases, along with the introduction of new consumer AI agents capable of comparing prices online and making purchases. These are early days, but the path is open for a business-to-agent (B2A) economy where businesses increasingly interact with AI assistants acting on customers' behalf. As these applications are increasingly inference intensive, wider adoption should support demand for memory, with its share of global semiconductor revenues projected to rise from 30.7% in 2025 to 66.7% in 2027.

Against this backdrop, we maintain our Opportunistic idea on Global Semiconductors. Given memory chips' cyclical nature, investors should avoid overconcentration in memory names and maintain a diversified exposure across Big Tech and semiconductors.

— **Ryan Goh**, *Investment Strategist*

The memory segment is projected to account for two-thirds of global semiconductor revenues by 2027

Memory as a % of global semiconductor revenues



Source: Company reports, Bloomberg Intelligence, Standard Chartered

Does a US bond yield stress test raise the risk to your constructive view on US equities?

Our view: We have a target for the S&P 500 index of 8400 over the next 12 months. A scenario of a sustained rise in the US 10-year government bond yield to 5.6% could lead to negative returns from the current S&P500 level (7,666).

Rationale: Our base case 12-month target for the S&P 500 is 8,400, which assumes 2027 S&P 500 EPS of USD 420 and a 20x forward P/E multiple. A rise in bond yields would have an impact on equity valuations, as a higher discount rate reduces the present value of future earnings. We stress-test our target under different 10-year yield and earnings scenarios.

A rise in bond yields would arguably be associated with a stronger growth environment and hence, even higher earnings. However, assuming unchanged EPS at our base case of USD 420, a (sustained) rise in the 10-year bond yield to 5.6% would lead to negative returns from the current level if not offset by a further improvement in earnings growth. However, in our base case we expect the 10-year yield is more likely to fall from here.

— **Fook Hien Yap**, *Senior Investment Strategist*

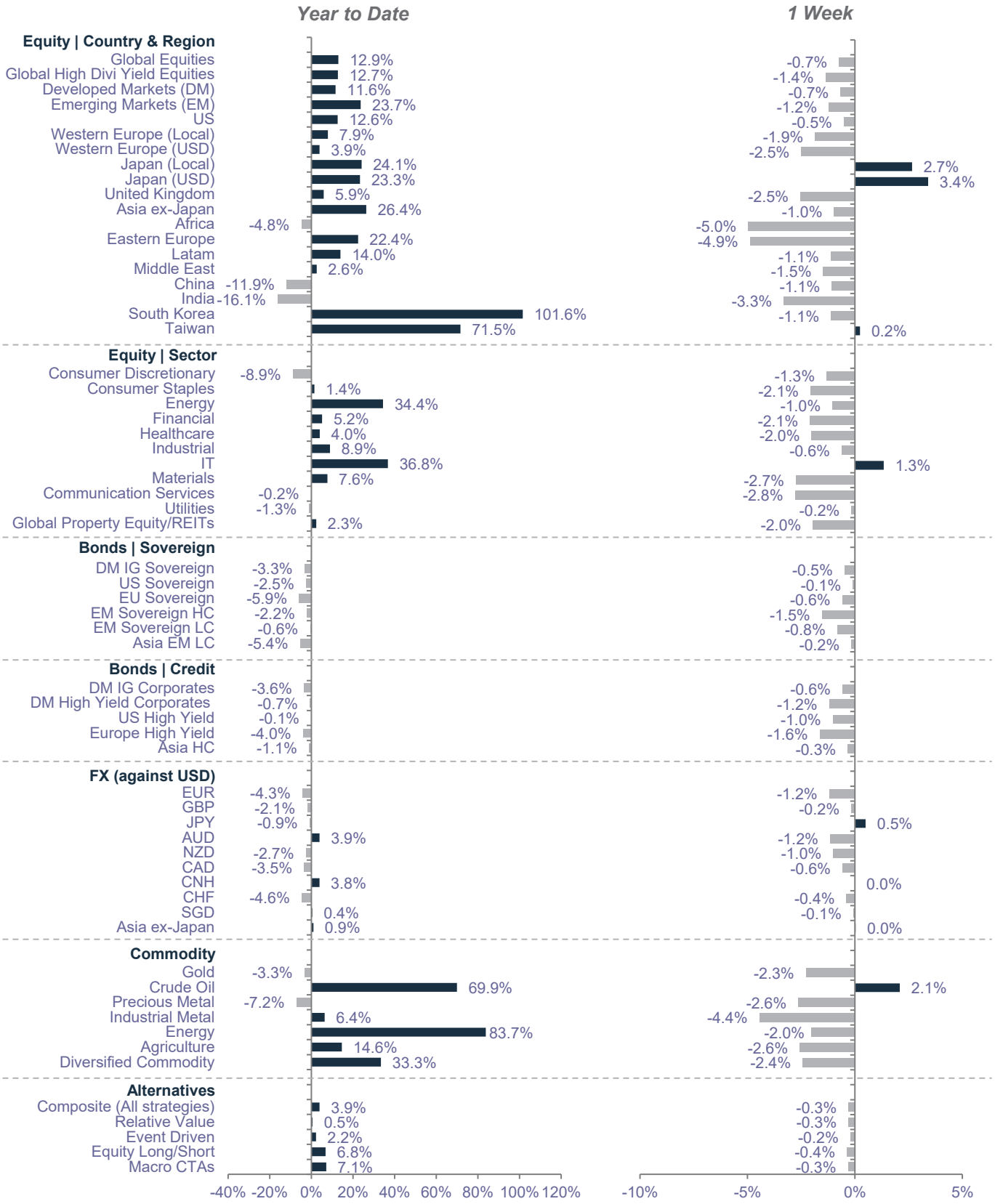
A sustained rise in the US 10-year bond yield to 5.6%, with no change to the earnings view, would raise downside risk to our S&P 500 target

Sensitivity analysis of our 12-month S&P 500 index target

10-year rates	2027E EPS				
	400	410	420	430	440
6.6%	6,080	6,232	6,384	6,536	6,688
6.4%	6,320	6,478	6,636	6,794	6,952
6.2%	6,560	6,724	6,888	7,052	7,216
6.0%	6,800	6,970	7,140	7,310	7,480
5.8%	7,040	7,216	7,392	7,568	7,744
5.6%	7,280	7,462	7,644	7,826	8,008
5.4%	7,520	7,708	7,896	8,084	8,272
5.2%	7,760	7,954	8,148	8,342	8,536
5.0%	8,000	8,200	8,400	8,600	8,800
4.8%	8,240	8,446	8,652	8,858	9,064

Source: Bloomberg, Standard Chartered

Market performance summary*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

*Performance in USD terms unless otherwise stated, 2026 YTD performance from 31 December 2025 to 1 October 2026; 1-week period: 24 September 2026 to 1 October 2026

Our 12-month asset class views at a glance

Asset class		Preferred Sectors	
Equities	▲		
US	▲	US Technology	▲
Europe ex-UK	◆	US Communication	▲
UK	▼	US Financials	▲
Asia ex-Japan	▲	US Materials	▲
Japan	◆	Europe ex-UK Financials	▲
Other EM	◆	Europe ex-UK Industrials	▲
		Japan Financials	▲
Bonds	◆	China Technology	▲
Credit		China Financials	▲
Asia USD	◆	China Communication	▲
Corp DM HY	◆	China Materials	▲
Govt EM USD	▲	China Healthcare	▲
Corp DM IG	◆		
Govt		**Alternatives**	◆
Govt EM Local	◆		
Govt DM IG	▼	**Gold**	▲

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

Economic and market calendar

	Market	Event	Period	Expected	Prior
MON	EUR	Sentix Investor Confidence	Oct	–	5.1
	EUR	PPI y/y	Aug	–	5.8%
	USD	ISM Services Index	Sep	55.2	55.4
TUE	EUR	Retail Sales y/y	Aug	–	0.6%
	USD	Trade Balance	Aug	-$83.8b	-$88.6b
WED	JPY	Labor Cash Earnings y/y	Aug	–	4.7%
	JPY	Real Cash Earnings y/y	Aug	–	2.4%
	INR	RBI Repurchase Rate	7-Oct	5.5%	5.3%
	CNH	Foreign Reserves	Sep	–	$3438.3b
THU	USD	FOMC Meeting Minutes	16-Sep	–	–
	USD	Initial Jobless Claims	3-Oct	–	–
	USD	Continuing Claims	26-Sep	–	–
FRI/SAT	USD	U. of Mich. Sentiment	Oct P	48.0	48.1
	USD	U. of Mich. 1yr Inflation	Oct P	–	4.6%

Source: Bloomberg, Standard Chartered
Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated
P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

The S&P500 has next interim resistance at 7,797

Technical indicators for key markets as of 1 Oct close

Index	Spot	1st support	1st resistance	12m forward P/E (x)	12m forward dividend yield (%)
S&P 500	7,666	7,522	7,797	18.9	1.2
STOXX 50	6,175	6,088	6,344	14.5	3.3
FTSE 100	10,428	10,257	10,734	12.0	3.7
TOPIX	4,132	4,000	4,230	16.2	2.3
Shanghai Comp	3,842	3,768	3,956	12.6	3.1
Hang Seng	24,613	23,995	25,511	10.2	3.5
Nifty 50	22,422	21,712	23,638	16.9	1.9
MSCI Asia ex-Japan	1,137	1,104	1,172	9.9	2.5
MSCI EM	1,709	1,667	1,761	9.7	2.9
Crude oil (WTI)	92.9	83.8	104.4	na	na
Gold	4,178	4,022	4,422	na	na
UST 10Y Yield	5.24	4.87	5.48	na	na

Source: Bloomberg, Standard Chartered
Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 1 Oct close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	◐	↓	1.40
Global Equities	●	↑	1.80
Gold	●	↓	1.95
Equity			
MSCI US	●	→	1.65
MSCI Europe	◐	→	1.40
MSCI AC AXJ	●	↓	1.85
Fixed Income			
DM Corp Bond	◐	↓	1.41
DM High Yield	◐	→	1.44
EM USD	◐	↓	1.36
EM Local	●	↑	1.90
Asia USD	◐	↓	1.47
Currencies			
EUR/USD	◐	↓	1.43

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

Legend: ● High | ◐ Low to mid | ○ Critically low

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MVOG >

SC Wealth Insights

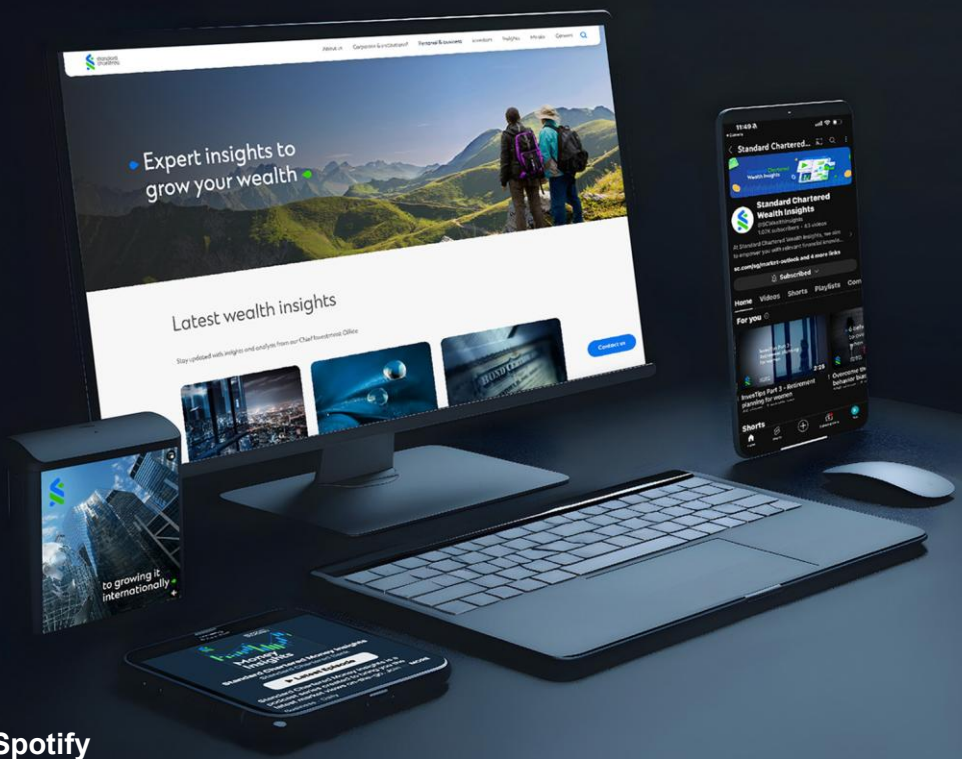
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