



MONTHLY MARKET OUTLOOK

September 2026

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- **Fed goes silent:** In the absence of Fed forward guidance, economic data and market data to be key for markets
- Earnings growth and resilient economy still supporting equities as an asset class
- Stickier inflation, economic data and lack of Fed guidance keeps benchmark yields range bound and volatile
- Term premium have increased for long dated bonds making a case for shorter duration exposure in bonds
- Equity market volatility to increase going forward making a case for more active management of equities
- Higher real yields and range bound USD to keep Gold prices in check. But add Gold exposure if it heads below USD 4,200
- Alternative strategies to add value with equity market volatility and earnings/return dispersions

Equities		Overweight	Fixed Income		Neutral	Commodities	Neutral
Asia ex-Japan Equities		Overweight	Asia USD Bonds		Neutral	Gold	Neutral
Emerging Market Equities (Non-Asia)		Neutral	DM IG Government Bonds		Underweight	Other Commodities	Neutral
Europe ex-UK Equities		Neutral	DM HY Corporate Bonds		Neutral		
Japan Equities		Neutral	DM IG Corporate Bonds		Neutral		
North America Equities		Overweight	EM Local Ccy Government Bonds		Neutral		
UK Equities		Neutral	EM USD Government Bonds		Overweight		
Alternatives		Neutral	Cash	Underweight			
Digital Assets		Neutral	Cash	Underweight			
Hedge Fund Strategies		Overweight					
Private Debt		Neutral					
Private Equity		Neutral					
Private Real Assets		Neutral					

Notes:

- **Overweight** – Higher allocation compared to Strategic (Long-term) Asset Allocation
- **Neutral** – Same allocation as Strategic (Long-term) Asset Allocation
- **Underweight** – Lower allocation compared to Strategic (Long-term) Asset Allocation

*DM – Developed Market; IG – Investment Grade; HY – High Yield (below investment grade); EM – Emerging Markets; Local Ccy – Local Currency

Sub-Asset Class & Preferred Equity Sectors

Asset Class	Sub-Asset Class	Tactical Views	Rationale
Cash	USD Cash	Underweight	Inflation can be a drag on real returns Underperforms other asset classes over time High opportunity cost versus equities and credit given strong 2026 earnings and EM credit performance
Fixed Income	DMIG Government Bonds	Underweight	Fed on hold and hawkish and limits near-term case for duration-driven price gains Sticky above-target inflation keeps long-end yields elevated and volatile Rising fiscal deficits and heavy government bond issuance pressuring term premia higher Short-dated cash/credit currently offers competitive income with materially lower duration risk
Fixed Income	EM USD Government Bonds	Overweight	Attractive yields Improving EM fundamentals and credit ratings High starting all-in yields provide an attractive carry cushion amid strong technical support (fund inflows, falling net issuance)
Equities	North America Equities	Overweight	Earnings growth potential and Resilient economy AI growth story Strong buybacks and healthy corporate balance sheets Record Q2 2026 earnings growth with record S&P 500 ROE of 22%
Equities	Asia ex-Japan Equities	Overweight	Attractive valuations and Earnings growth Wider AI adoption Semiconductor and tech hardware upcycle Resilient export and semiconductor-cycle momentum
Alternatives	Hedge Fund Strategies	Overweight	Good portfolio diversifier and Low correlation to traditional assets Downside protection in drawdowns High dispersion and expected volatility create alpha opportunities Record investor demand for hedge fund allocations after back-to-back double-digit annual returns

Highlights:

- EM Government Bonds sector in general has higher duration.
- Prefer Investment Grade bonds with less than 10 years bond to maturity
- Bond exposures and risk can be better managed using broader and global bond funds
- Broader exposure to US equities preferred with broader adoption of AI by corporates across different sectors
- Benefits of AI Capex to benefit sectors like Industrials and Infrastructure
- Asia Ex-Japan Equities have attractive valuations compared to US equities
- Long-Short equities and Market Neutral Hedge Funds are preferred due to expected dispersion in equity market returns
- Increase in equity market and bond market volatility expected going forward

US
Technology
Financials
Communication Services
Industrials
Materials

Europe ex-UK
Technology
Financials
Industrials

Asia ex-Japan
Technology
Communication Services

Major Currency Pair Views

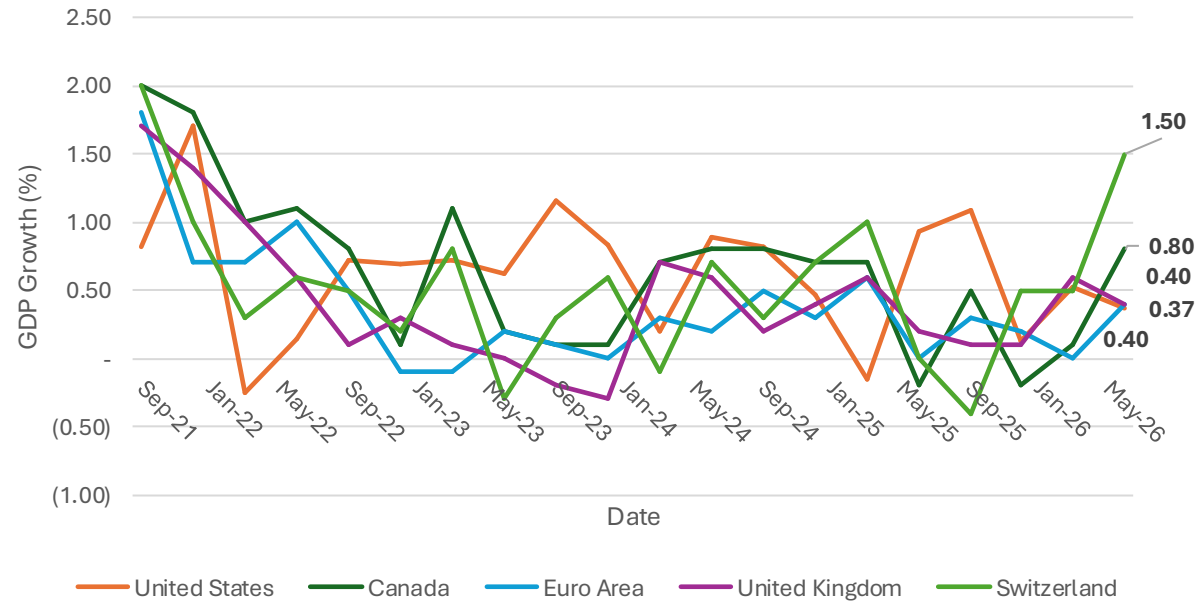
Currency	Bias	Current Levels (04-Sep-26)	3-6 months	6-12 months
DXY Index	Range bound	99.16	100.00	98.00
GBP/USD	Range bound GBP	1.35	1.34	1.36
EUR/USD	Range bound EUR	1.16	1.15	1.18
USD/JPY	Stronger JPY	156.24	154.00	150.00
AUD/USD	Stronger AUD	0.72	0.73	0.75
USD/CHF	Range bound CHF	0.81	0.82	0.78
USD/SGD	Stronger SGD	1.27	1.28	1.26
USD/CNY	Range bound CNY	6.71	6.74	6.69
USD/INR	Range bound INR	94.48	95.00	94.00
USD/CAD	Range bound CAD	1.38	1.39	1.37

Highlights:

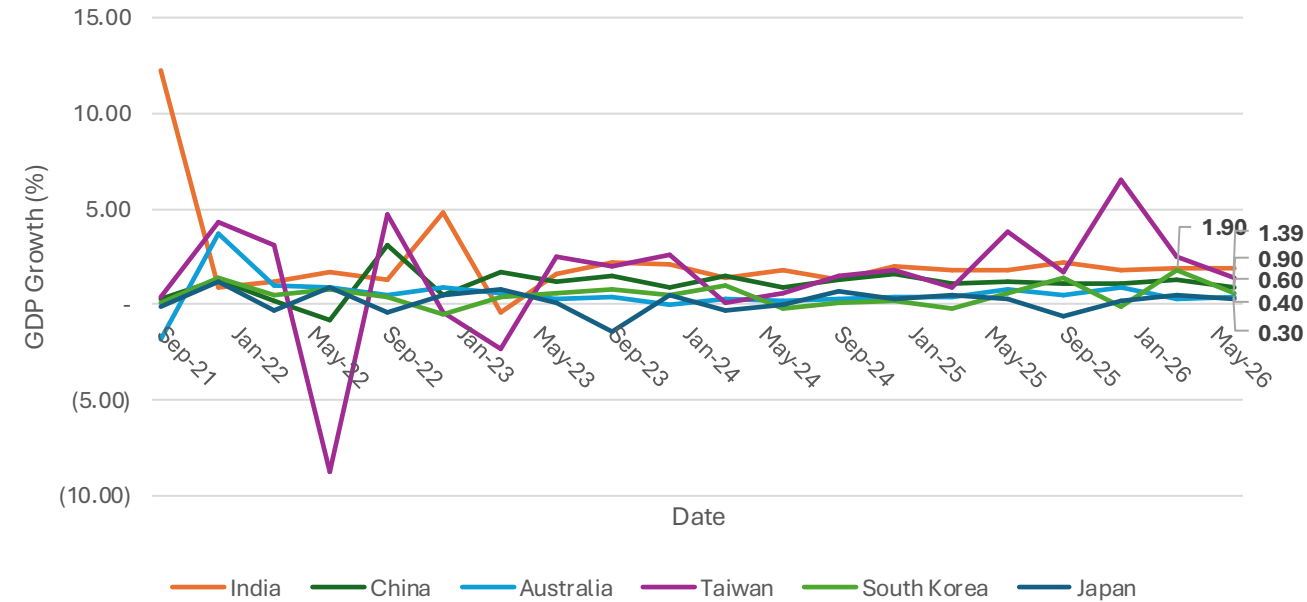
- USD to remain range bound with support due to higher benchmark yields, real yields and risk off scenario and if energy driven inflation becomes stickier
- EUR to move downwards if energy shock materializes for Europe due to Iran war & further escalation of Ukraine-Russia war
- AUD expected to appreciate in next 12 months and is a high conviction idea
- BOJ hawkishness to support JPY
- CHF to remain range bound but eventually expected to appreciate against USD
- Policy support from MAS and PBOC to keep SGD and CNY stronger against USD
- Trade deficit and higher crude import bills may put pressure on INR though RBI has enough ammunition in terms of USD reserves to defend INR
- CAD to remain range bound, but may appreciate slightly if oil prices remain higher

Tailwinds (+)	Headwinds (-)
US	
✓ July CPI inflation moderated to 3.4% YoY (core 2.5%), with core services slowing to 3.0% from 3.2%, easing some price pressure ✓ Q2 GDP growth remains resilient; S&P Global's August forecast keeps 2026 real GDP growth at 2.1% with no recession expected ✓ AI-driven Capex continues to support the broader economy and specific sectors ✓ Labour market still resilient with wage growth close to inflation ✓ US remains less exposed to the energy shock as a net energy exporter	❑ Brent crude jumped above \$91/bbl as Strait of Hormuz shipping uncertainty escalates amid the renewed Middle East conflict ❑ Fed likely to stay on hold for longer amid tariff- and energy-driven inflation risk but was hawkish in recent speech at Jackson Hole and declined to provide forward guidance ❑ Inflation still running well above the Fed's 2% target for 65 straight months
Europe & UK	
✓ Eurozone flash Composite PMI rose to a 9-month high of 52.1 in August, with manufacturing PMI at a 51-month high of 52.8, led by Germany ✓ Germany's manufacturing PMI jumped to 54.1 in August from 52.2 in July, the strongest pace in over four years ✓ Eurozone export orders turned positive for the first time since Feb 2022 on AI/data-centre and defence-related demand ✓ Hiring resumed across the eurozone for the first time in 2026, ending a 3-year streak of manufacturing job losses ✓ Eurozone GDP tracking ~0.3% QoQ growth in Q3 per PMI data ✓ Germany's fiscal stimulus and defence spending continue to support the industrial recovery	❑ Eurozone headline inflation accelerated to 2.9% in July from 2.8% in June, led by a renewed surge in energy inflation ❑ UK CPI jumped to 2.9% in July (4-month high) from 2.6% in June ❑ Bank of England held Bank Rate at 3.75% but warned inflation could rise to "a little over 3¼%" in Q4 if the Middle East energy shock intensifies ❑ IMF & OECD cut UK's 2026 growth forecast by 0.5pp, the largest downgrade among developed countries, given its high exposure to gas prices ❑ Germany's services PMI fell to a three-month low (48.5) pointing to weak domestic demand ❑ Renewed Middle East conflict keeps energy price risk elevated for the region
Asia Ex-Japan	
✓ India's RBI kept the repo rate unchanged at 5.25% and raised its FY27 GDP growth forecast to 6.7% from 6.6%, citing resilient domestic demand ✓ South Korea's exports surged, led by semiconductor exports ✓ Taiwan's exports maintained strong momentum on AI-driven chip demand; semiconductors remain exempt from the latest tariff round ✓ China's exports rose 23.9% YoY in July (beating forecasts), with chip exports and high-tech product exports growth ✓ India's manufacturing PMI remained in expansion (HSBC Mfg PMI 53.5 in July) with resilient domestic consumption	❑ India's RBI flagged CPI inflation to rise and peak at 5.9% in Q3 FY27, after June CPI crossed the 4% target for the first time in 17 months ❑ Middle East driven oil price spike raises energy import costs for oil-importing economies like India ❑ US trade-policy risk remains elevated for the region
Japan	
✓ PM Takaichi's cabinet approved a plan to cut the sales tax on food for two years from April 2027, easing cost-of-living pressure ✓ Wage growth and employment levels remain supportive of consumption ✓ Manufacturing activity continues to show underlying strength ✓ Fiscal spending continues to support the economy	❑ Japan's core CPI (ex-fresh food) rose 1.8% YoY in July, accelerating for a second straight month, keeping the BOJ on track for a rate hike as soon as September ❑ BOJ raised its policy rate to a 31-year high of 1% in June 2026 and is expected to hike further at its 17-18 Sep meeting ❑ Rising rate-hike expectations and yen dynamics could affect capital flows and global liquidity ❑ Increasing fiscal deficit and BOJ tightening faster than expected remains a concern for Japan

GDP Growth: Last 5 Years



GDP Growth: Last 5 Years

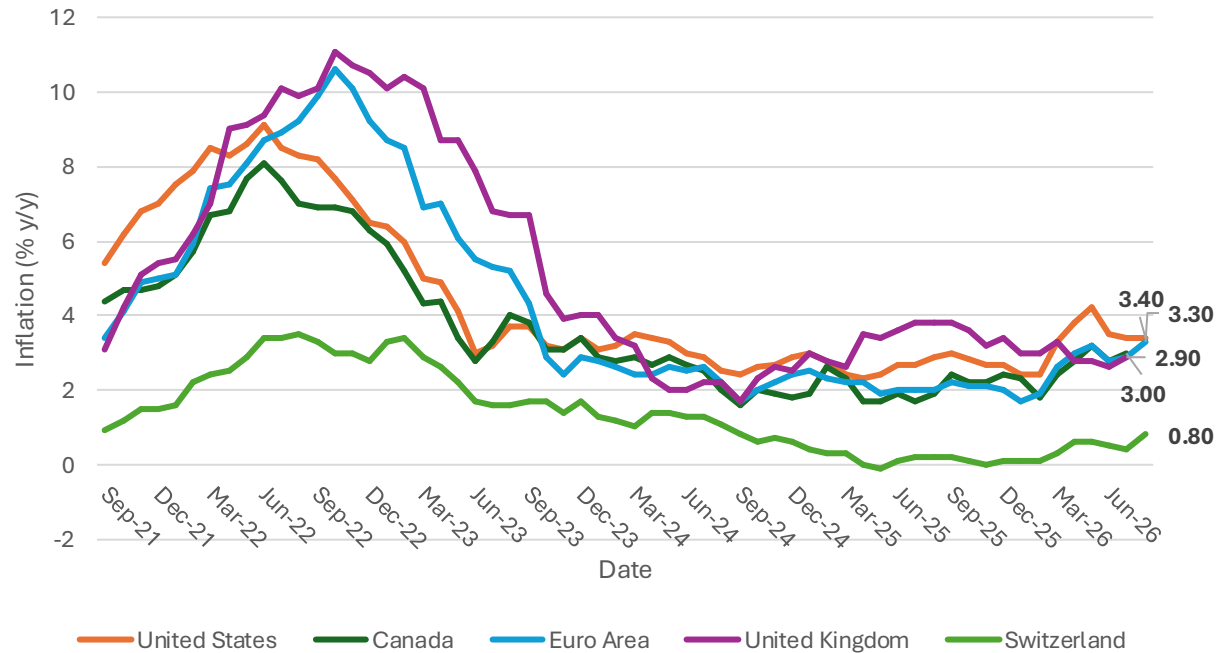


Highlights:

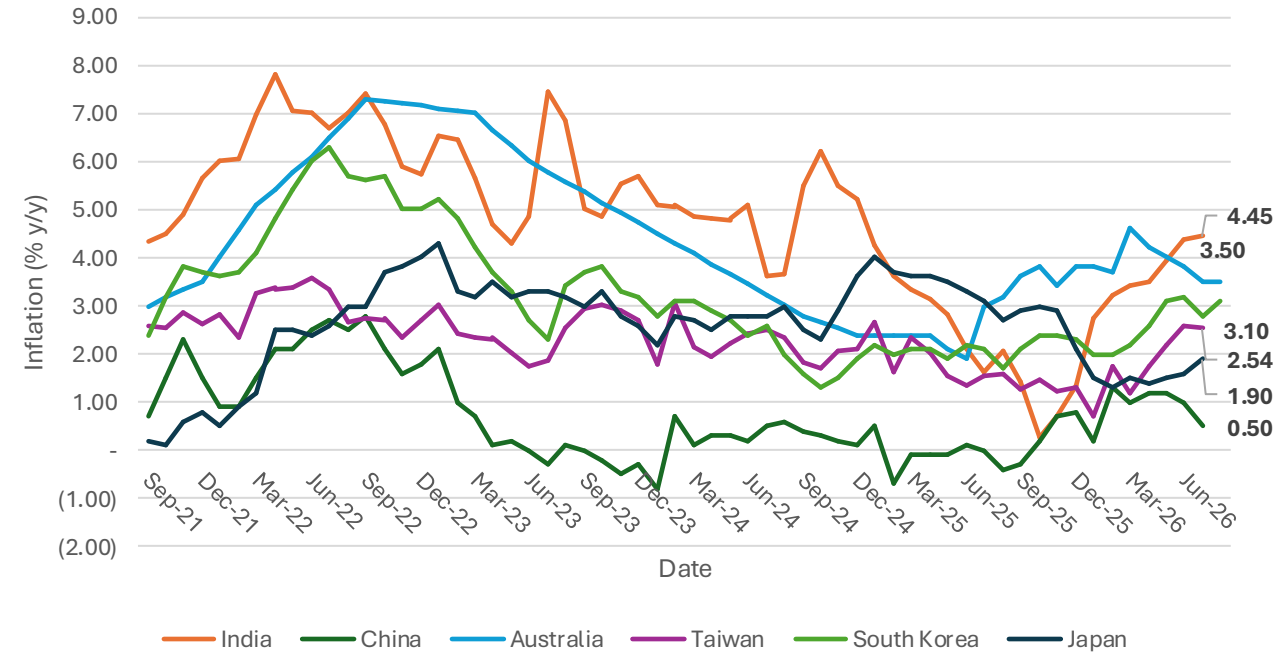
- Resilient US economy to keep recession risk low despite a higher-for-longer rate backdrop
- Switzerland was at 1.5% and Canada held at 0.8%, while Euro Area and UK growth stayed soft at 0.4%
- Across Asia, India led at 1.9% and Taiwan followed at 1.39%, while China held at 0.9% and Japan slowed to 0.3%. Latest India GDP growth for June 2026 quarter was at 7.8% YoY.

Stickier Inflation

CPI Inflation (%): Last 5 Years



CPI Inflation: Last 5 Years

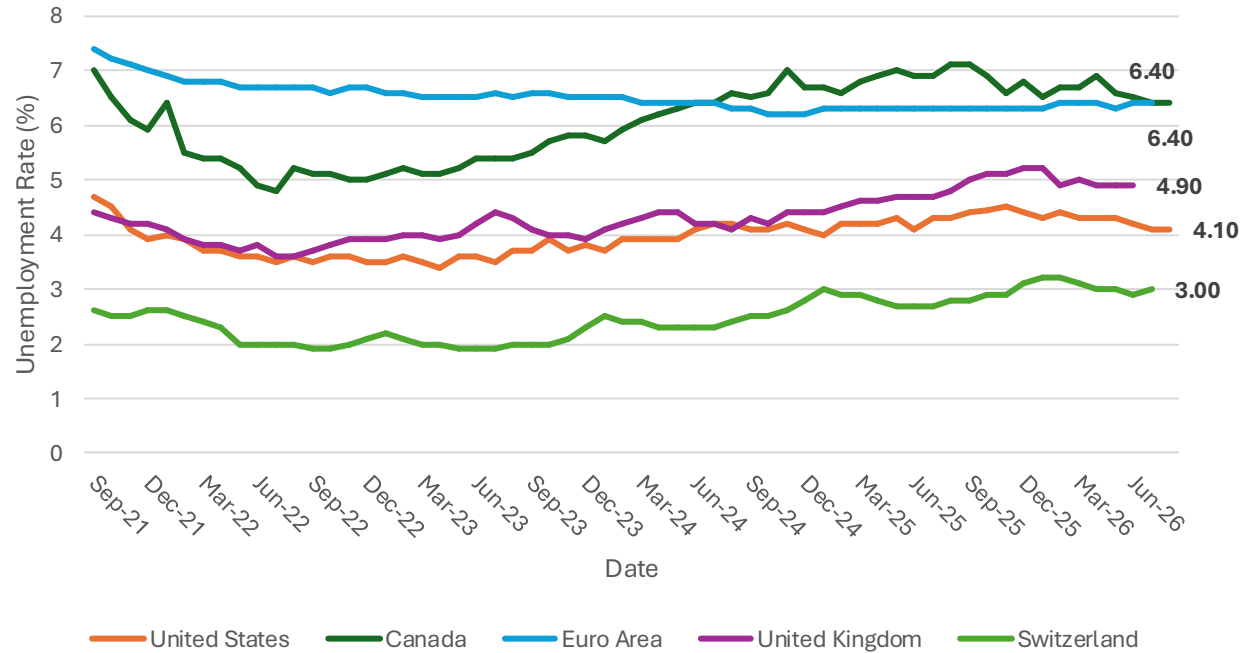


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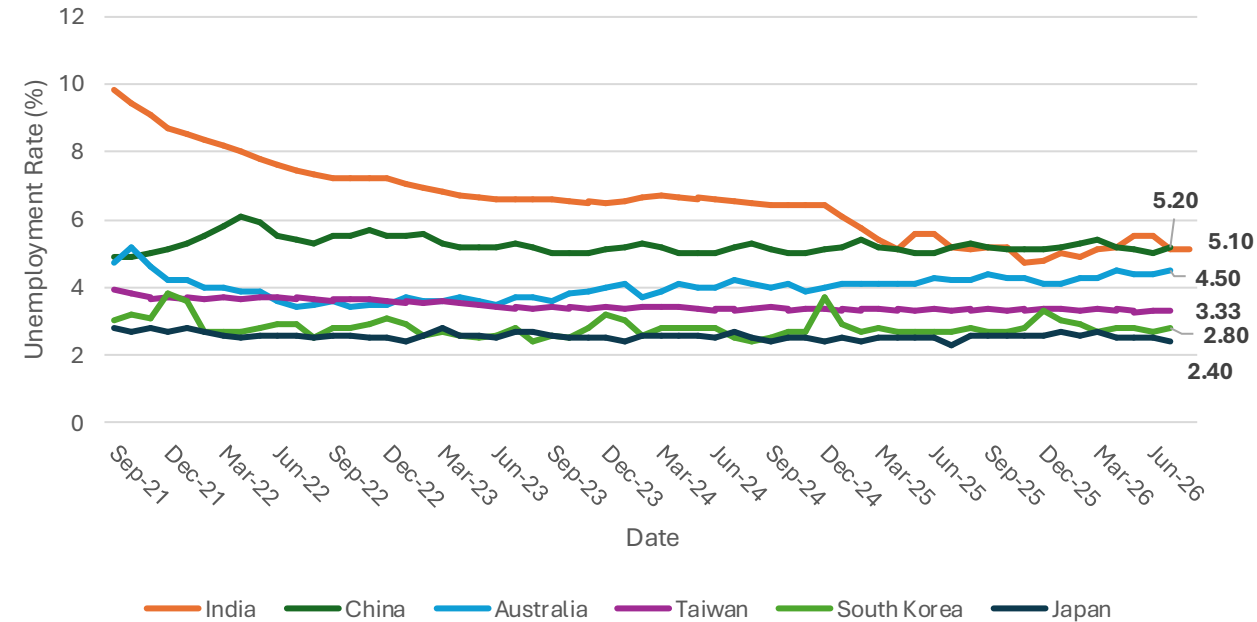
- US headline CPI held at 3.4% YoY, still above the Fed's 2% target and keeping the disinflation path bumpy. PCE at 3.7% and Core PCE still at 3.3% YoY
- India's inflation remains the highest at 4.45%, while China stayed near-flat at 0.5%
- Euro Area (3.3%) and South Korea (3.1%) inflation also proved stickier than expected, reinforcing a cautious rate-cut path

Mixed Unemployment Signals

Unemployment Rate (%): Last 5 Years



Unemployment Rate (%): Last 5 Years



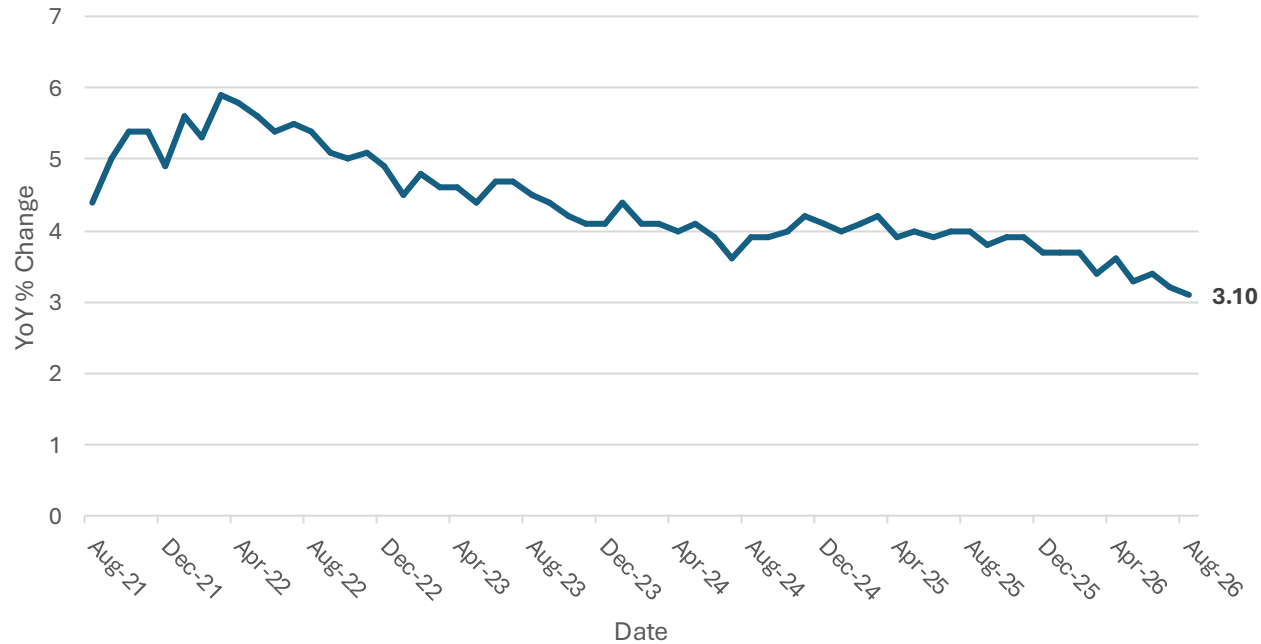
Highlights:

- US unemployment was at 4.1% and historically low and drifting off the cycle trough with jobless claims, 4-week average continuing claims, non-farm payrolls indicating US is at full employment
- Canada and the Euro Area show the highest jobless rates in the group, both at 6.4%
- Asia-Pacific labour markets stayed tighter, with Japan (2.4%) and South Korea (2.8%) unemployment well below developed-market peers

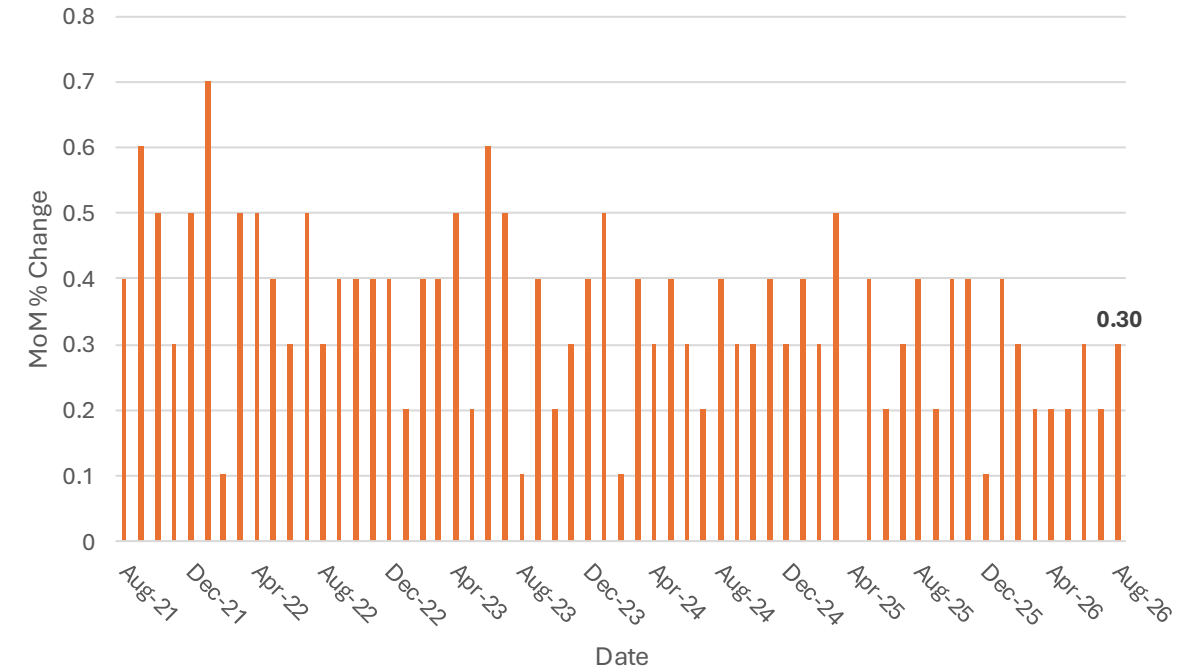
*quarterly data, interpolated for India for before Dec-24

US Employment Earnings Stable

US Average Hourly Earnings - YoY% Growth



US Average Hourly Earnings - MoM% Growth

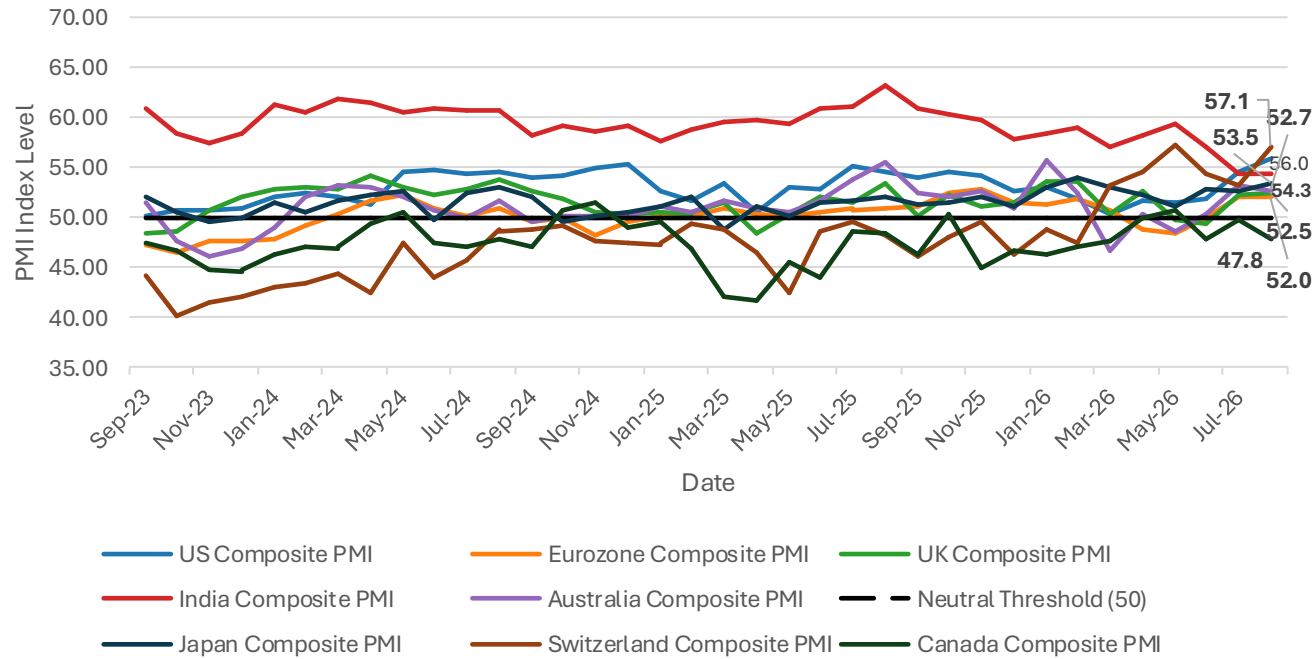


Highlights:

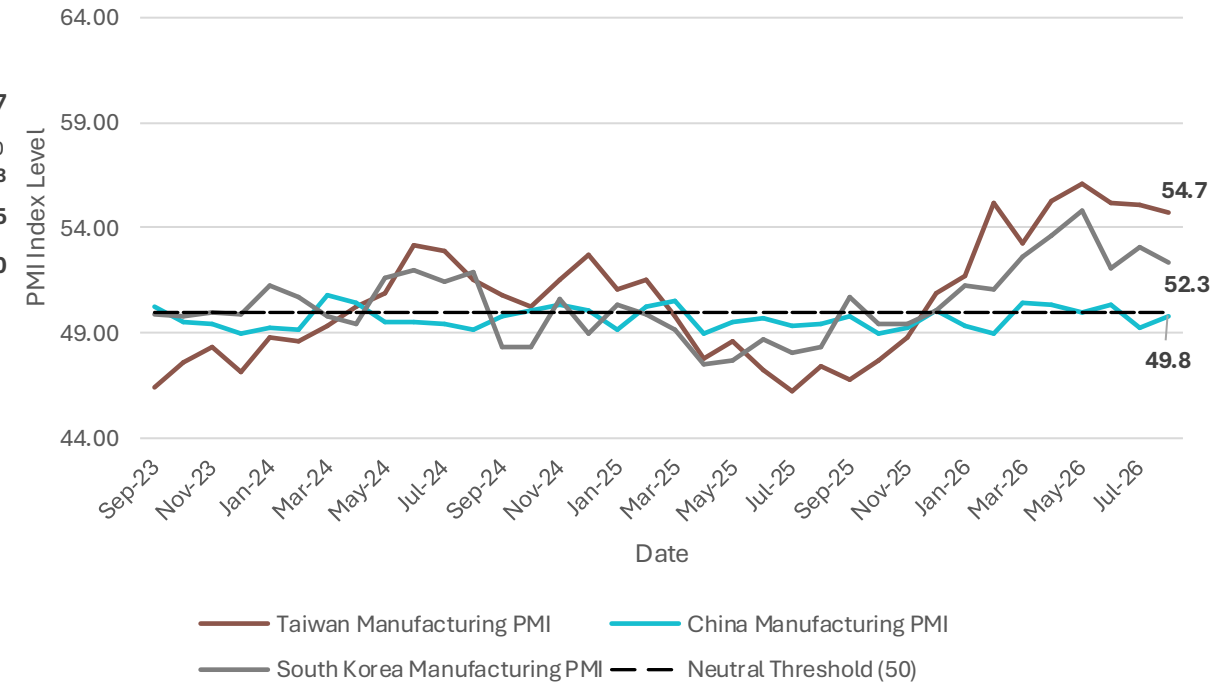
- Average hourly earnings growth fell slowly on a YoY, signalling no fresh wage-driven inflation pressures
- Wage growth remains comfortably close to pre-pandemic levels, continuing to support household consumption
- Steady earnings growth alongside a resilient labour market keeps the Fed's "higher-for-longer" stance intact

Mixed PMI Signals

Global Composite PMI Trends



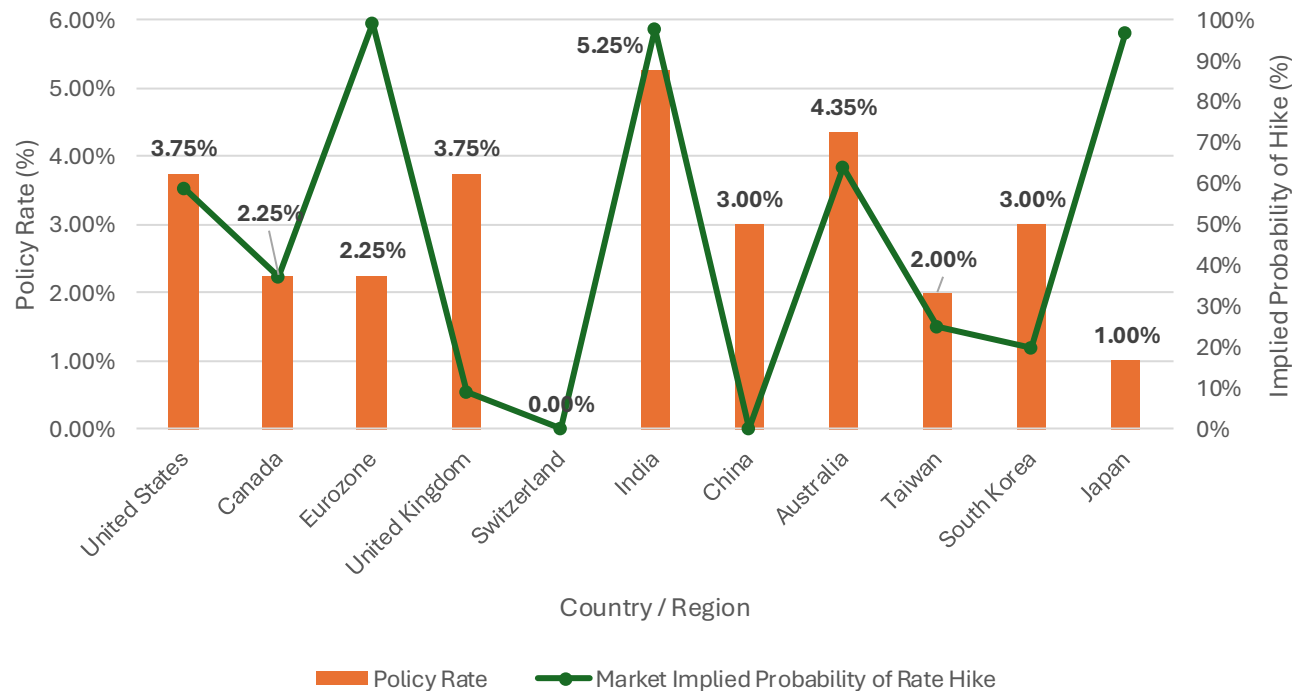
Global Manufacturing PMI Trends



Highlights:

- India's Composite PMI was amongst the strongest like Switzerland and US, signalling robust expansion across services and manufacturing
- The US and Japan held in expansionary territory, while Canada stayed in contraction
- Manufacturing PMIs across Asia were mixed - Taiwan and South Korea held above the 50 breakeven, while China rose to 49.8

Policy Rate vs. Market-Implied Probability of Rate Hike



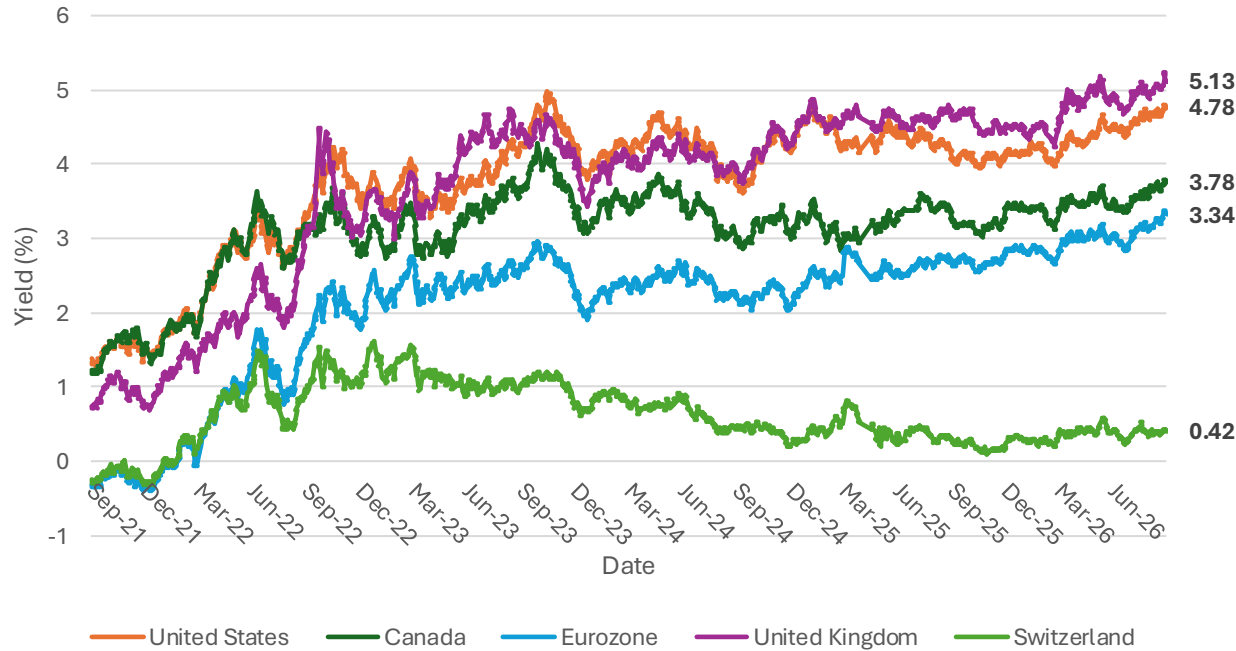
Sr. No.	Country/ Region	Next Central Bank Decision Date	Bias	Size of Rate Hike %
1	United States	16-Sep-26	Hold, Hike risk	0.25%
2	Canada	28-Oct-26	Hold, Hike risk	0.10%
3	Eurozone	10-Sep-26	Hike risk	0.25%
4	United Kingdom	17-Sep-26	Hold, Hike risk	0.03%
5	Switzerland	24-Sep-26	Hold	0.00%
6	India	07-Oct-26	Neutral	0.25%
7	China	21-Sep-26	Easing Bias, Fiscal-led	0.00%
8	Australia	29-Sep-26	Hold with tightening bias	0.16%
9	Taiwan	17-Sep-26	Hold, Hike risk	0.03%
10	South Korea	15-Oct-26	Hike risk	0.05%
11	Japan	18-Sep-26	Hike risk	0.24%

Highlights:

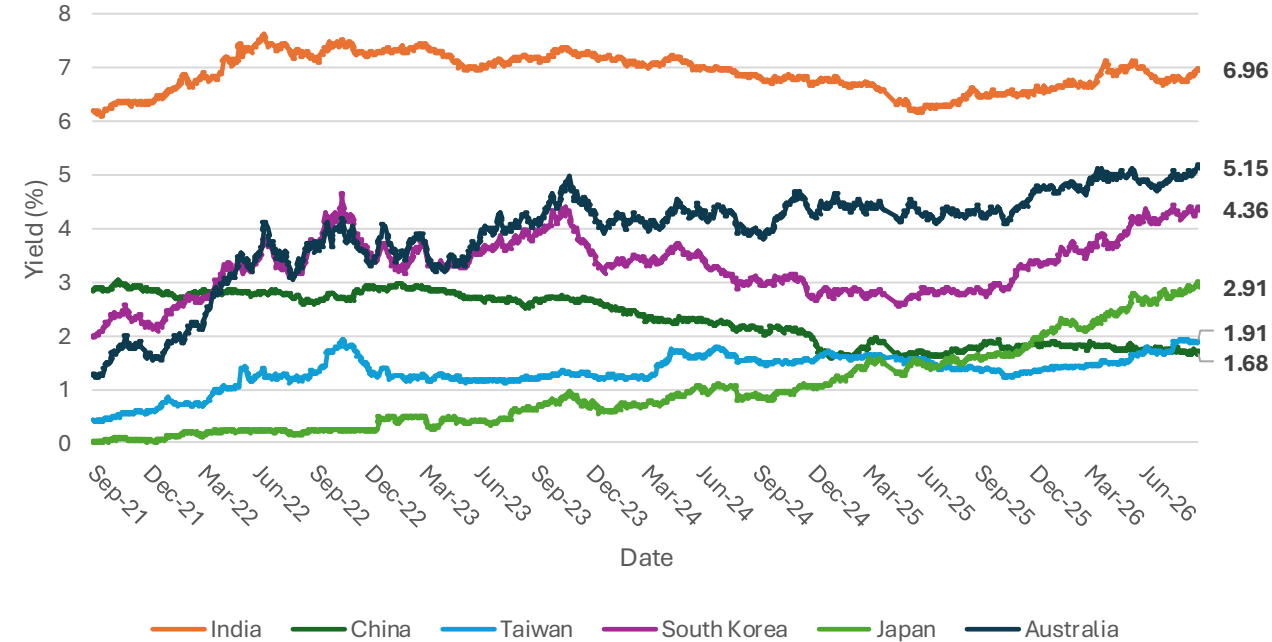
- Market-implied rate-hike probabilities are elevated across major central banks - Eurozone (~99%), India (~98%) and Japan (~97%) all priced for near-term tightening
- The Fed remains on hold for now, balancing sticky inflation against a still-resilient labour market but stickier inflation and market pricing in 59% probability of a rate hike in Sep 2026
- Divergent policy paths across regions are reinforcing FX and rate volatility into year-end

Benchmark 10Y Yields Move higher

10Y Government Bond Yields (%): Last 5 Years



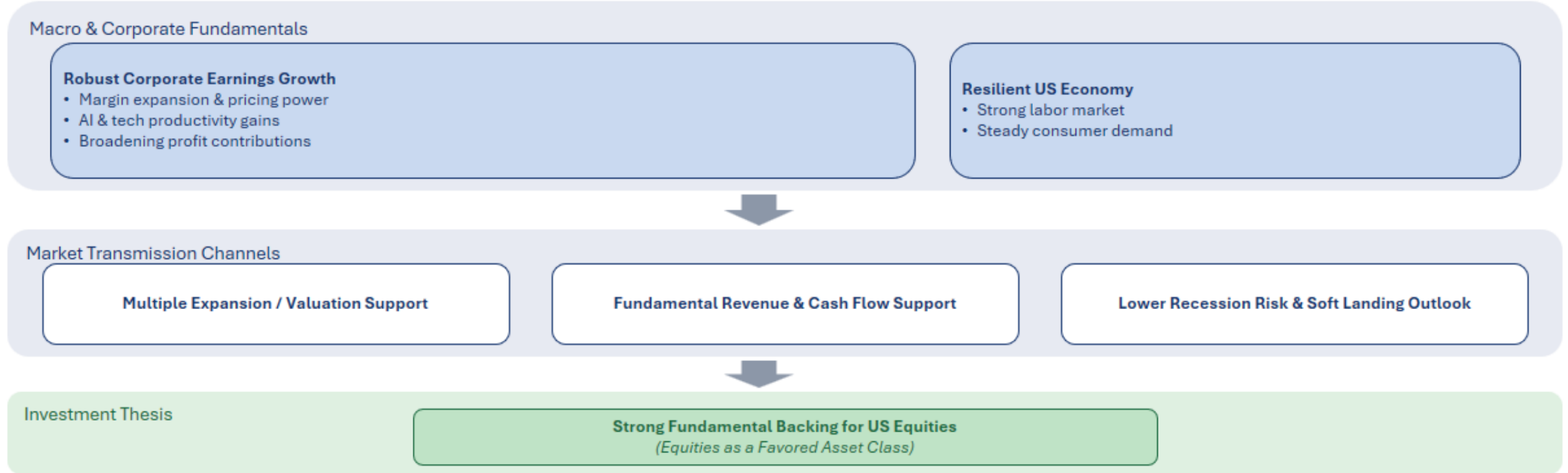
10Y Government Bond Yields (%): Last 5 Years



Highlights:

- Developed-market 10-year yields extended their climb as sticky inflation and heavy government bond issuance pressure term premia
- Rising fiscal deficits and hawkish central bank rhetoric are keeping long-end yields elevated and volatile
- Higher benchmark yields are raising the relative appeal of fixed income versus duration-sensitive equity sectors, but may also add higher volatility to bond portfolios

Equity versus Bond Dilemma



Highlights:

- US Treasury department to buy USD 4 Bn of 10Y, 20Y and 30Y US government bonds from 9th Sep to 4th Nov and this should keep the US benchmark yields capped and this may put downward pressure on US Dollar. However, the US total debt stands at USD 40 Trillion.
- Rising bond yields are increasing the opportunity cost of holding equities, narrowing the equity risk premium and with US Fed stops providing forward guidance would direct investors towards depending more on economic data and market data
- Elevated valuations alongside higher-for-longer rates keep the equity-bond allocation debate finely balanced

Equity Valuations and Earnings Growth

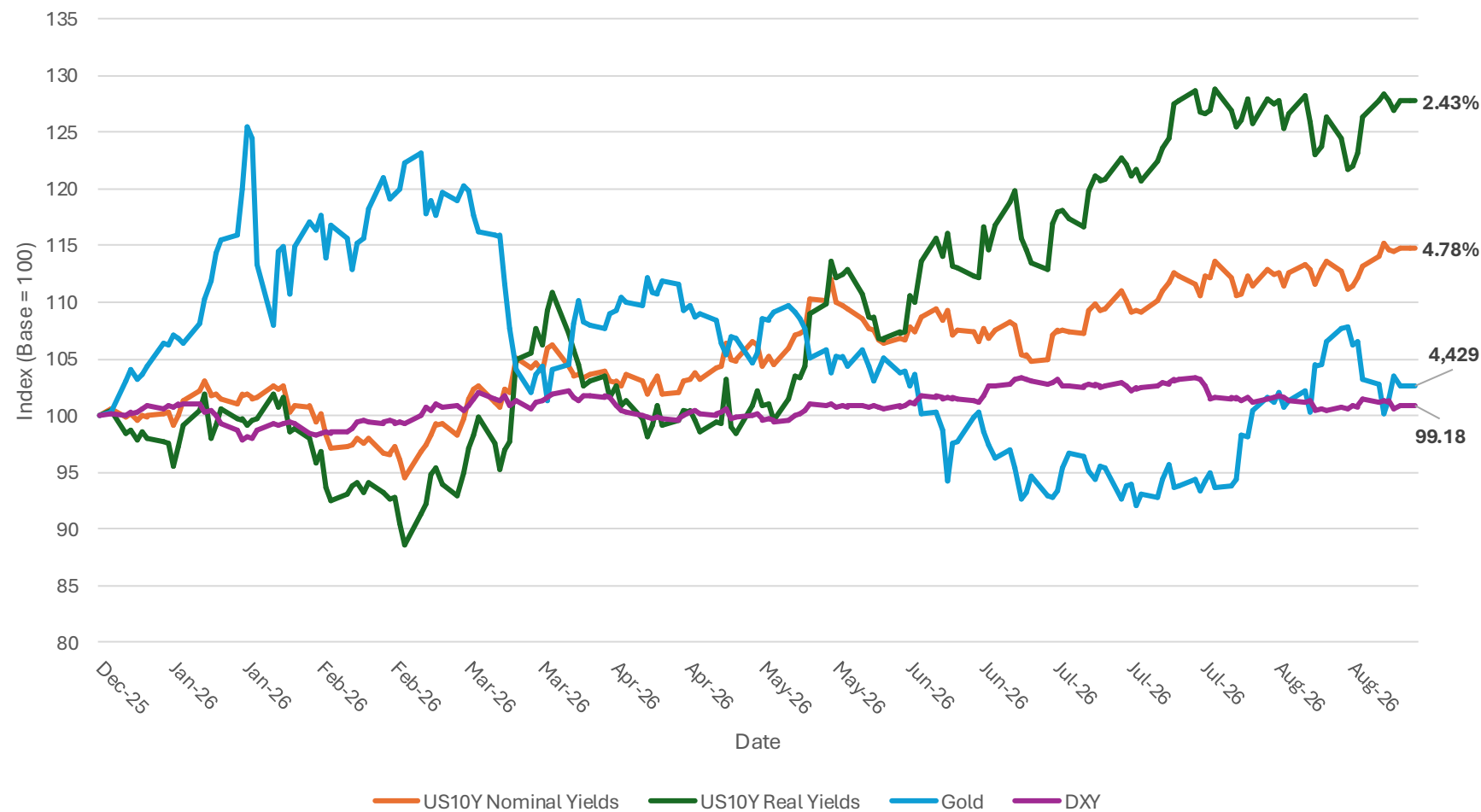
Sr. No.	Index	Country	Region	Index Levels (04-Sep-26)	30D Volatility %	Current P/E	Consensus 2026 Earnings Growth	Consensus 2027 Earnings Growth
1	S&P 500	United States	Americas	7,718.60	12.18	23.52	22.0%	14.0%
2	S&P/TSX Comp	Canada	Americas	36,513.80	11.52	18.87	12.0%	10.0%
3	Euro Stoxx 50	Euro Area	EMEA	6,392.93	9.68	17.23	11.0%	15.0%
4	FTSE 100	United Kingdom	EMEA	10,831.09	5.98	14.10	10.0%	9.0%
5	SMI Index	Switzerland	EMEA	14,571.60	9.00	24.65	11.0%	8.0%
6	NIKKEI	Japan	Asia/Pacific	65,020.94	28.44	21.61	19.0%	10.0%
7	HANG SENG	Hong Kong	Asia/Pacific	25,650.87	14.70	12.13	10.0%	11.0%
8	CSI 300	China	Asia/Pacific	4,548.05	17.65	16.92	11.0%	13.0%
9	NIFTY Index	India	Asia/Pacific	23,897.70	11.40	20.20	14.0%	15.0%
10	Kospi Index	South Korea	Asia/Pacific	6,687.00	46.00	18.28	38.0%	25.0%
11	TWSE Index	Taiwan	Asia/Pacific	45,857.66	14.80	29.15	34.0%	24.0%
12	S&P/ASX 200	Australia	Asia/Pacific	9,005.89	9.66	19.45	11.0%	9.0%

Highlights:

- South Korea and Taiwan lead consensus earnings growth, forecast at 38% and 34% for 2026 respectively, though Korea's volatility (46%) is the highest in the group
- The US trades at a premium 23.5x P/E, backed by strong 22% 2026 earnings growth expectations
- The UK remains the cheapest major market at 14.1x P/E, but growth is more modest at 10%
- Taiwan (29.2x) and Switzerland (24.7x) command the richest valuations in the group
- Japan shows elevated volatility (28.4%) alongside solid 19% 2026 earnings growth
- Growth is set to moderate into 2027 across most markets, while China, the Euro Area, Hong Kong and India are expected to accelerate

Real Yields & USD challenge Gold

Normalized Performance: US10Y Yields (%), Gold & DXY (Base = 100)



Highlights:

- Rising real yields and a firmer US dollar are weighing on gold's safe-haven appeal
- Elevated policy rates raise the opportunity cost of holding a non-yielding asset like gold
- Despite near-term headwinds, geopolitical risk and central bank buying continue to provide a floor for prices
- Gold still attractive to add to portfolios if it falls below USD 4,200

Asset Allocation Guidelines

Sr. No.	Asset Class	Sub-Asset Class	Views	Conservative	Balanced	Aggressive
1	Cash	USD Cash	Underweight	3	2	1
2	Fixed Income	DM IG Government Bonds*	Underweight	20	7	1
3	Fixed Income	DM IG Corporate Bonds*	Neutral	15	8	4
4	Fixed Income	DM HY Corporate Bonds	Neutral	4	2	1
5	Fixed Income	EM USD Government Bonds	Overweight	9	5	3
6	Fixed Income	EM Local Ccy Government Bonds	Neutral	3	2	1
7	Fixed Income	Asia USD Bonds	Neutral	9	4	2
8	Equities	Emerging Market Equities (Non-Asia)	Neutral	0	0	1
9	Equities	North America Equities	Overweight	19	30	38
10	Equities	Europe ex-UK Equities	Neutral	4	5	7
11	Equities	UK Equities	Neutral	1	2	2
12	Equities	Japan Equities	Neutral	2	2	3
13	Equities	Asia ex-Japan Equities	Overweight	6	7	8
14	Commodities	Gold	Neutral	5	5	5
15	Commodities	Other Commodities	Neutral	0	0	1
16	Alternatives	Hedge Fund Strategies	Overweight	0	4	4
17	Alternatives	Private Equity	Neutral	0	4	6
18	Alternatives	Private Real Assets	Neutral	0	5	5
19	Alternatives	Private Debt	Neutral	0	6	6
20	Alternatives	Digital Assets	Neutral	0	0	1
TOTAL				100	100	100

Sr. No.	Asset Class	Views	Conservative	Balanced	Aggressive
1	Cash	Underweight	3	2	1
2	Fixed Income	Neutral	60	28	12
3	Equities	Overweight	32	46	59
4	Commodities	Neutral	5	5	6
5	Alternatives	Neutral	0	19	22
TOTAL			100	100	100

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Key Takeaways

- Add Global Equity exposures for diversification
- Take advantage of Equity market volatility
- Take benefit of Bond market volatility and higher benchmark yields and avoid longer duration exposures in bonds
- Gold may face headwind with higher real yields and firmer USD
- Diversify allocation to outside Tech sector equities like Communication Services, Financials, Industrials and Materials
- Markets outside US are less crowded with attractive valuations and earnings growth potential
- Bond markets not agreeing with Fed narrative with long term yields to remain higher with US 10y real yields also moving higher
- Role of active investments increases due to wider dispersion across macros, asset classes, markets and sectors
- Industrials and Materials to benefit from AI spending, energy constraints and inflation linked cash flows.
- Private markets to benefit from AI Capex boom through indirect exposures like infrastructure
- AUD is a high conviction currency expected to appreciate in next 12 months



Route to Market

- Global Equity Mutual Funds and Global Equity ETFs
- Fixed Coupon Notes (FCNs), Twin-win notes, Option strategies and Accumulator notes
- Auto-callable Range Accrual Notes and Investment grade bonds with less than 10 years to Maturity
- If Gold prices move below USD 4,200, then Accumulators and Premium Currency Investments (PCIs) linked to Gold
- High conviction stock ideas from sectors like Communication Services, Financials, Materials and Industrials directly or through FCNs and Accumulators
- Private Equity, Private Credit and Infrastructure funds through large asset managers
- Long-Short and Market Neutral Hedge Fund Strategies
- Listed Infrastructure companies using Mutual Funds/ETFs
- Investment Grade AUD bonds with less than 10 years to Maturity with target exit of 18 to 24 months

- Geopolitical concerns and further escalations in Middle East war
- Energy supply concerns and higher Crude prices beyond USD 100 for a prolonged period to impact second round of inflation effects globally
- US Tariff related surprises and higher US benchmark yields with US 10Y crossing levels of 5.00% impacting valuations and increasing borrowing costs
- Tech companies not able to monetize AI Capex spending and any earnings disappointments
- Hawkish Fed and other central banks if inflationary pressure again builds up
- Tight credit market dislocation with spreads widening sharply with stress in the economy
- Build up of stress in Private credit spilling over to Public markets
- Aggressive tightening by BOJ leading to global liquidity squeeze

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