



INVESTMENT OUTLOOK

OCTOBER 2026



At a Glance

- **Base case:** Growth remains resilient, but higher rates and elevated oil prices leave less room for error.
- **Why:** Firm profits and AI investment sustain activity; tentative US cooling gives the Fed room to remain patient.
- **Key risk:** A sustained oil shock could broaden inflation and force a renewed hiking cycle.

Key Themes

1 Higher rates should slow, not derail, growth

- AI investment and firm corporate earnings continue to support activity, with little evidence of a broad downturn.
- Softer US labour data and moderating core inflation reduce the urgency for further tightening, allowing the Fed to remain patient.
- Housing, smaller businesses and credit-dependent consumption are more exposed; long-dated corporate debt and continued AI investment slow the transmission of higher rates.

2 Oil remains the key policy risk

- Oil remains near US\$100/bbl despite recovering Middle East flows; depleted inventories and refining constraints limit the supply cushion.
- Physical recovery alone may not lower prices sustainably: markets need confidence that transit remains open and escalation risks have receded.
- A prolonged energy shock could spread into core prices, inflation expectations and wages, forcing renewed tightening and increasing the eventual cost to growth.

3 Higher-for-longer extends beyond the Fed

- Resilient demand, elevated energy prices and supply pressures have lifted policy-rate expectations globally, pushing prospective easing further out.
- Heavy government borrowing and financing for AI, defence and infrastructure increase competition for capital, keeping long-end yields under pressure.
- Higher starting yields improve bond value, but inflation, fiscal issuance and term-premium risks leave long-duration government bonds vulnerable.

Key Signposts

- **Oil and inflation:** Whether supply normalises sustainably and energy costs spread into underlying inflation.
- **Policy and growth:** Whether tentative US cooling allows patience or persistent inflation forces repeated hikes.
- **Earnings and breadth:** Whether profits continue to offset higher yields as market leadership narrows.
- **US fiscal policy:** Whether continued Republican control enables further fiscal expansion, lifting inflation, Treasury supply and yields.



INVESTMENT STRATEGY

OCTOBER 2026



At a Glance

- **Most likely outcome:** Earnings and bond income support staying invested, but higher yields and narrow equity leadership demand greater selectivity.
- **Implementation bias:** Neutral equities and bonds; a modest Asia tilt, investment-grade credit, short duration and strategic real assets.

Key Themes

4

Back earnings, not higher valuations

- Since early September, the 10-year US Treasury yield has risen to around 5.3%, yet earnings growth has offset valuation pressure and kept major equity markets modestly higher.
- Leadership is increasingly concentrated in technology and AI, while rate-sensitive and consumer-facing companies face greater pressure.
- Remain neutral overall; favour visible earnings, strong balance sheets and reasonable valuations, using volatility to add selectively.

5

Prefer Asia, but remain selective

- AI-related exports, recovering manufacturing and attractive valuations support a modest Asia overweight funded from the US.
- Country selection matters: inflation, currency vulnerability, external balances and policy flexibility differ across the region.
- China's targeted stimulus favours infrastructure, computing and grid investment, but is too limited to drive a broad property or consumption recovery.

6

Keep the income; reassess duration as yields rise

- Healthy corporate fundamentals and higher all-in yields support investment-grade income, although tight credit spreads leave less room for disappointment.
- Maintain neutral fixed income, short duration and an underweight in developed-market government bonds; become progressively less negative on duration as yields rise.
- A 5.5% to 5.75% 10-year US Treasury yield is a range to reassess moving government bonds and duration towards neutral, not an automatic switch.
- At those yields, more cyclical, fiscal and term-premium risks should be priced in, improving prospective returns and government bonds' ability to hedge conventional growth shocks.

7

Gold and resources complement bonds

- Retain strategic gold and selective natural resources to diversify inflationary, fiscal, geopolitical and supply-side risks that can pressure equities and bonds together.
- Gold remains sensitive to real yields and the dollar, but structural demand and persistent fiscal, geopolitical and currency uncertainty provide support.



INVESTMENT STRATEGY

OCTOBER 2026



Global Tactical Asset Allocation

Sub-Asset Classes	UW	N	OW	Comments
Equities				
US/Canada				• Neutral overall, with a modest Asia tilt funded from the US. • Favour visible earnings, strong balance sheets and reasonable valuations; use volatility to add selectively.
Europe				
Japan				
Asia & EM				
Global Thematic Equities				
Fixed Income				
Developed Sovereign				• Neutral overall; favour investment-grade credit and short duration, with developed-market government bonds underweight. • Become less negative on duration as yields rise; reassess at a 5.5% to 5.75% 10-year US Treasury yield.
Developed Corp IG				
Developed Corp High Yield				
Emerging Markets Bonds				
Alternatives				
Precious Metals				• Retain strategic gold and selective natural resources to diversify risks that can pressure equities and bonds together. • Gold remains sensitive to real yields and the dollar, with structural demand and fiscal, geopolitical and currency uncertainty providing support.
Hedge / Alternative Funds				

Disclaimer

This document was produced by HP Wealth Management Singapore Pte Ltd ("HPWM") for general information purposes only. Unless otherwise stated, the views, predictions, statements, figures, graphs and other information included in this material are subject to change without notice.

This document is not intended as a solicitation, recommendation or investment advice with respect to any securities or financial products. Any prediction, projection, forecasts or past performance is not indicative of future performance or results.

Whilst the contents of the material are believed to be correct and not misleading, no representation is made to that effect. To the maximum extent permitted by law, HPWM, its officers, employees, agents and advisors does not make any warranty, express or implied, as to the currency, accuracy, reliability or completeness of the information in this presentation or that the information is suitable for your intended use and disclaim all responsibility and liability for the information (including, without limitation, liability for negligence). This material may not be copied, re-distributed or reproduced in whole or in part without the prior written permission of HPWM.

By accessing this material, you represent to HPWM that you are an institutional investor or accredited investor (as defined by the Securities and Futures Act 2001) (the "SFA"), or representative of one and that neither you nor the entity you represent will directly or indirectly disseminate the information in this presentation to other category of investors. HPWM is exempt from complying with certain requirements under the Financial Advisers Act 2001 of Singapore (the "FAA") and the relevant FAA regulations, notices and guidelines issued by the Monetary Authority of Singapore ("MAS") in respect of the financial advisory services which we may provide to you, as you are classified as a certain class of investor under the laws and regulations in Singapore. If you are an accredited investor, please be informed that in our dealings with you, we are relying on certain exemptions to the FAA - (1) the exemption in Regulation 33 of the Financial Advisers Regulations ("FAR"), which exempt us from complying with Section 34 of the FAA on obligation to disclose product information to clients; (2) the exemption in Regulation 34 of the FAR, which exempts us from complying with Section 36 of the FAA on recommendations by financial advisors; and (3) the exemption set out in Regulation 35 of the FAR, which exempts us from complying with Section 45 of the FAA on disclosure of certain interests in securities.