

A nighttime photograph of a city skyline with several prominent skyscrapers. The buildings are illuminated with blue and white lights, and the city lights are visible in the background. The text is overlaid on the image.

Quarterly Market Outlook 3Q2026

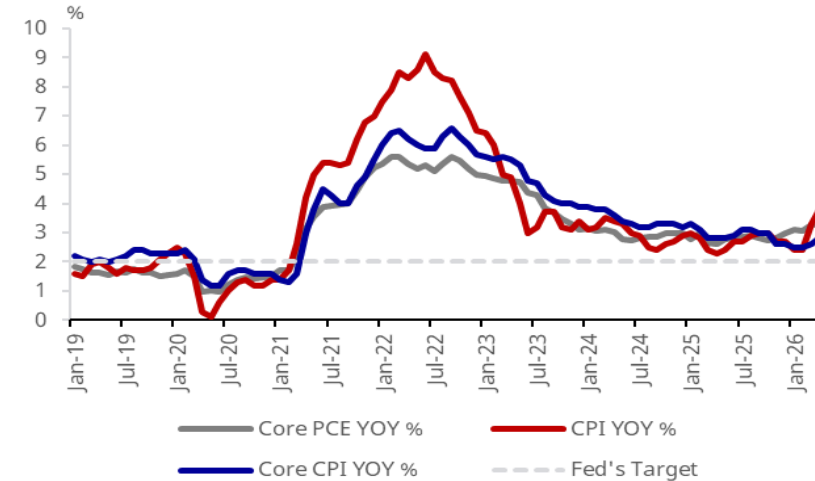
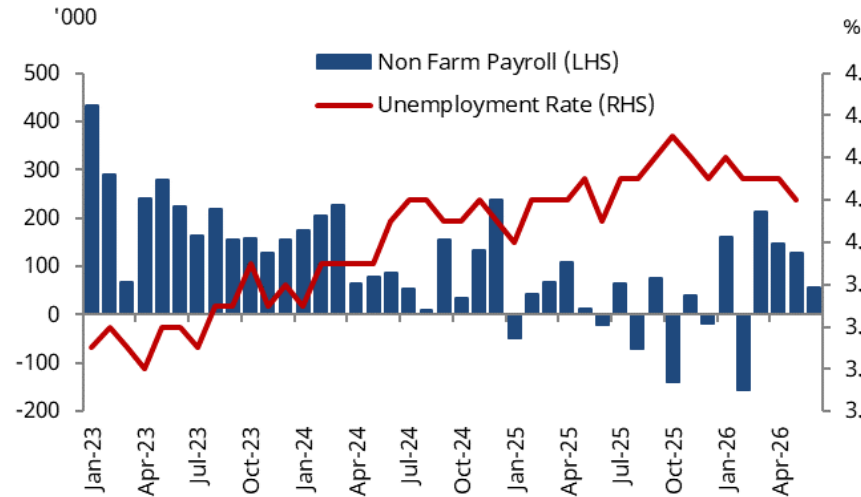
Global Markets
July 2026

Global Central Banks Policy Rates Outlook

	Current	3Q26	4Q26	1Q27	2Q27	Remarks (3Q-4Q26)	Remarks (1Q-2Q27)
United States Federal Reserve <i>Fed Funds Rate</i>	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	No change	No change
Eurozone European Central Bank <i>Deposit Rate</i>	2.25	2.50	2.50	2.50	2.50	+25bps	No change
United Kingdom Bank of England <i>Bank Rate</i>	3.75	3.75	3.75	3.75	3.75	No change	No change
Japan Bank of Japan <i>Policy Balance Rate</i>	1.00	1.00	1.25	1.25	1.25	+25bps	No change
Australia Reserve Bank of Australia <i>Cash Rate</i>	4.35	4.35	4.35	4.35	4.35	No change	No change
New Zealand Reserve Bank of New Zealand <i>Official Cash Rate</i>	2.25	2.50	2.50	2.50	2.50	+25bps	No change
Malaysia Bank Negara Malaysia <i>Overnight Policy Rate</i>	2.75	2.75	2.75	2.75	2.75	No change	No change
China People Bank of China <i>1-year Best Lending Rate</i>	3.00	3.00	3.00	3.00	3.00	No change	No change
Singapore Monetary Authority of Singapore <i>S\$NEER</i>	Slight appreciation	Hold	Hold	Hold	Hold	No change	No change

Source: Bloomberg, HLBB Global Markets Research

US – Brief bump from FIFA; greater uncertainty and reforms under Fed Warsh

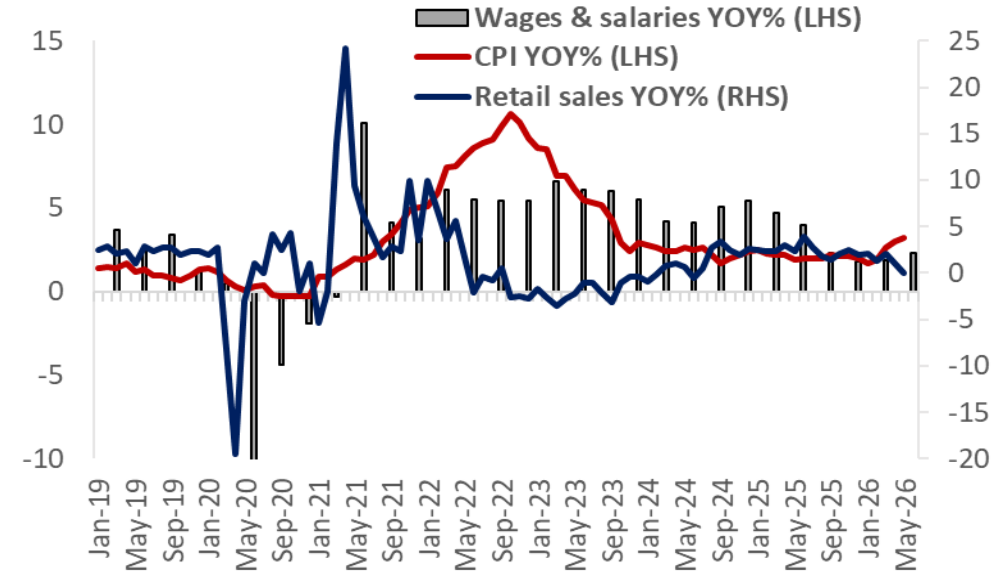
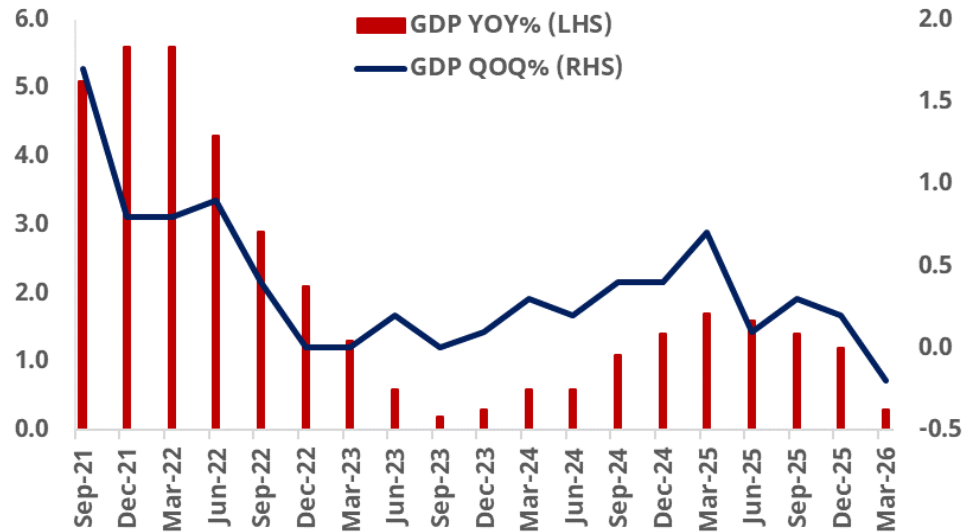


	2024	2025	2026F
GDP (%)	2.8	2.2	2.2
Core PCE Inflation (%)	2.9	2.8	3.3
Fed Funds Rate (%)	4.25-4.50	3.50-3.75	3.50-3.75
Dollar Index (End of period)	108.48	98.32	100.86

Source: Fed, Bloomberg, HLBB Global Markets Research

- **June-July bump from FIFA but expect normalization thereafter;** expected to generate \$17.2bn to GDP (less than 0.1% GDP), 185k full time equivalent jobs in the accommodation, air transport, wholesales & retail industries, and \$9.4bn in government revenue
- **Base case remains on a hawkish hold.** Upside risks from: 1) A divided Fed; 2) Higher than expected inflation; 3) Solid growth, with strong productivity growth & capex
- **Reduced FOMC forward guidance** as the Warsh era begins - **greater uncertainty** for the financial markets going forward
- Focus will be on reforms on Fed's approach to communication, balance sheet management, real-time economic data usage, productivity & jobs, as well as inflation framework, under the new Fed Chair

Eurozone – Expect one more ECB rate hike in summer or fall

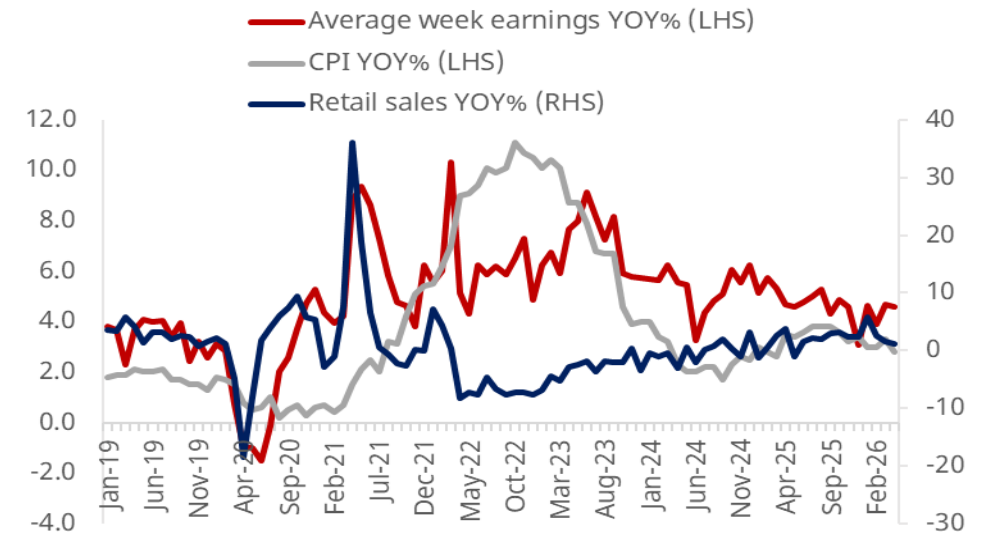
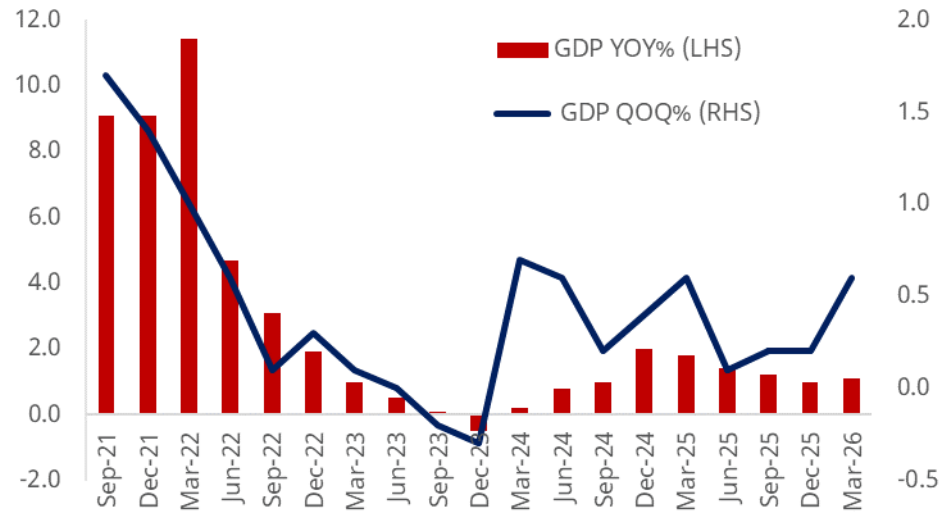


	2024	2025	2026F
GDP (%)	0.9	1.4	0.8
Inflation (%)	2.4	2.1	3.0
Deposit Facility Rate (%)	3.00	2.00	2.50
EUR/USD (End of period)	1.0354	1.1746	1.14

- June rate hike not an “insurance” - signs of **broadening inflationary pressures** and spillover from energy; consequent upward revisions to ECB’s CPI projections
- **Expect one more hike** in summer or fall. More aggressive hikes beyond that unlikely amid well behaved inflation trajectory, as reflected in the CPI projection 2.5% for 2026 and 2027 suggesting well-behaved inflation trajectory.
- More positive narrative for growth amid ongoing fiscal stimulus for infrastructure and defence. Additional boost from the 34-measure reform package focused on tax, labour and pension in Germany

Source: ECB, Bloomberg, HLBB Global Markets Research

UK – Passing of the baton to Burnham?



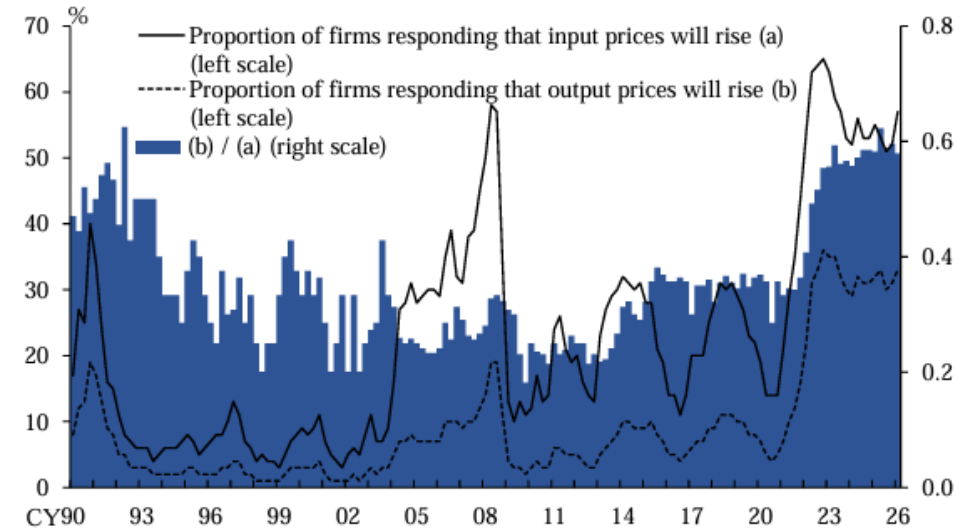
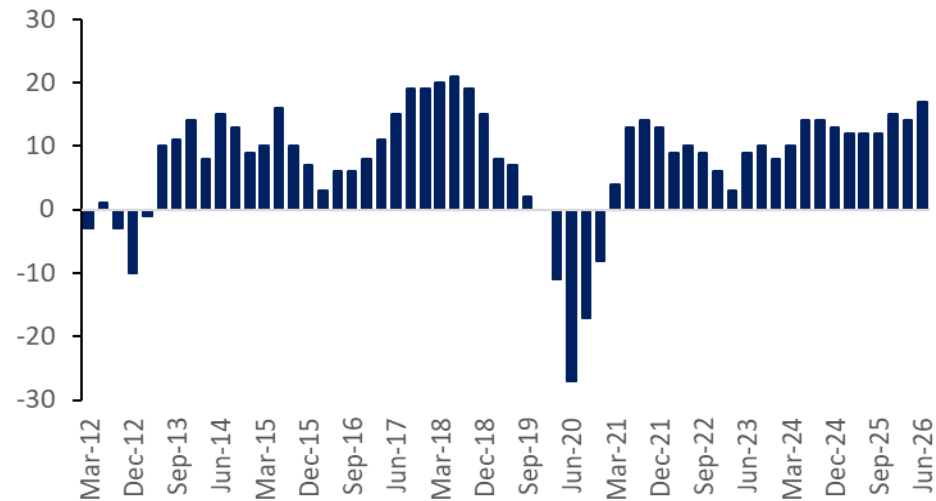
	2024	2025	2026F
GDP (%)	1.1	1.4	0.9
Inflation (%)	2.5	3.4	3.2
Bank Rate (%)	4.75	3.75	3.75
GBP/USD (End of Period)	1.2516	1.3475	1.30

Source: BOE, Bloomberg, HLBB Global Markets Research

- **Weakness in demand and the labour market will likely soften the blow of second-round price effects** from higher global energy prices; BOE is expecting CPI to stay under 3.0% in 3Q, and picking up just a little over to 3.2% in 4Q
- Barring any severe spike in energy prices again and with underlying growth outlook subdued, we see more than an even chance of an **extended pause from the BOE**
- Possible policies under the new Prime Minister: 1) nationalization of key utilities, which could mean more borrowing for the government. 2) Review of the National Insurance paid by employers and tax rates a boon for small businesses

Japan – Lower risk of a significant economic slowdown; BOJ hike still on the cards

Tankan Manufacturing Outlook

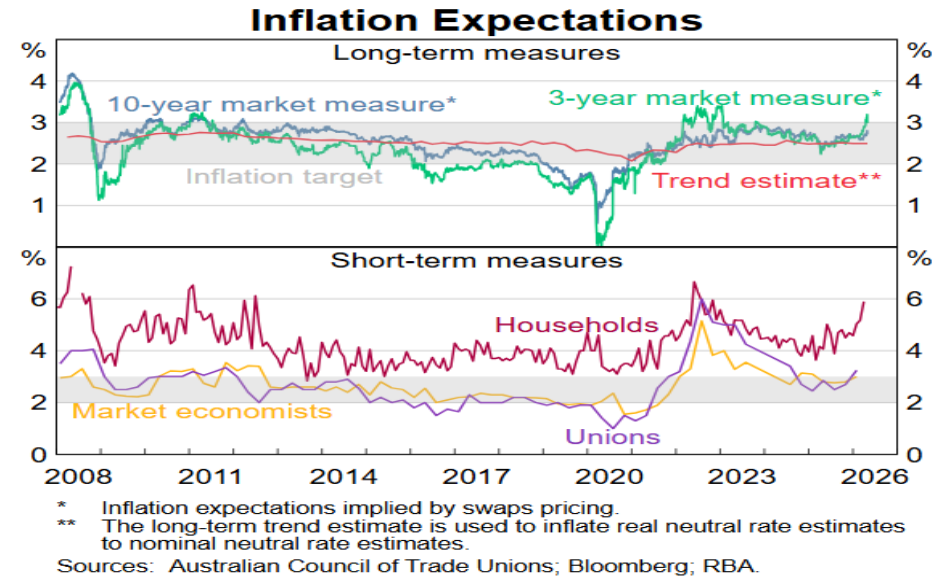
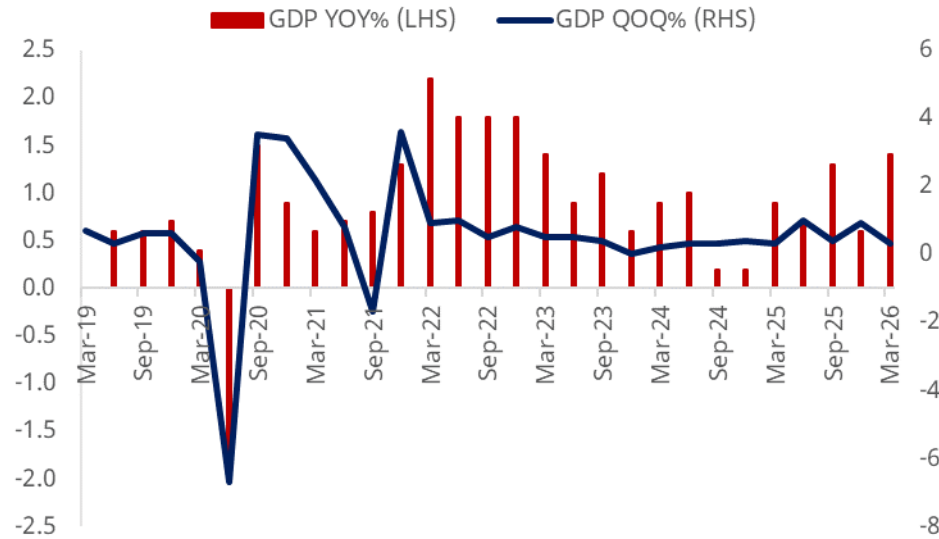


	2024	2025	2026F
GDP (%)	-0.2	1.2	1.0
Core Inflation (%)	2.7	2.7	2.8
Policy Balance Rate	0.25	0.75	1.25
USD/JPY	157.20	156.71	159

- **Moderate economic expansion:** 1) Business sentiment still favourable and benefitted from the AI boom. 2) Retreat in crude oil prices will help support corporate profits and household income. 3) Energy subsidies and solid wage growth will support consumer spending
- **Price risks skewed to the upside:** 1) Wage-price spiral from solid wage increase of more than 5% for the third year (shunto). 2) Price setting behaviour has become more active with firms more willing to pass on costs
- Demand for funds still increasing and neutral interest rate at around 2% suggest **more rate hikes**, likely at a 6-month interval

Source: BOJ, Bloomberg, HLBB Global Markets Research

Australia – Tighter financial condition and slowing economy

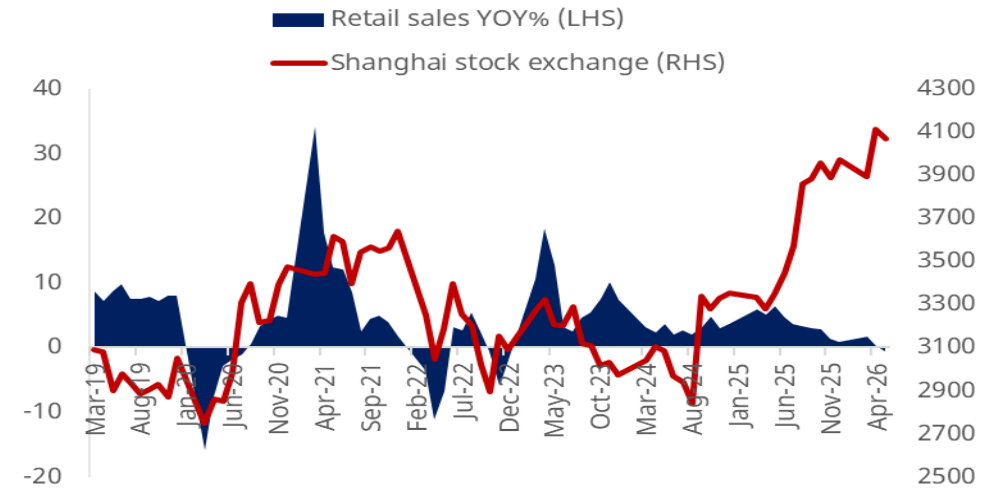
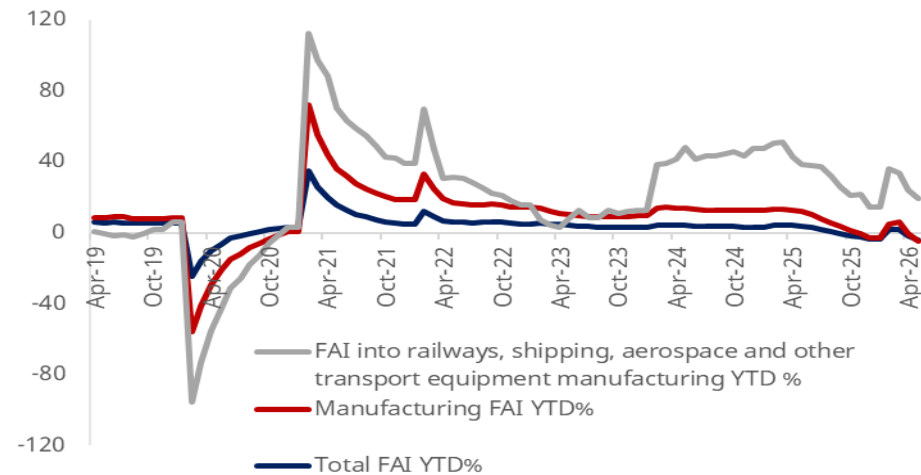


	2024	2025	2026F
GDP (%)	1.0	2.0	1.9
Inflation (%)	3.2	2.8	4.0
Cash Rate (%)	4.35	3.60	4.35
AUD/USD	0.6188	0.6673	0.70

Source: RBA, Bloomberg, HLBB Global Markets Research

- **Signs of weaker growth:** Consumer spending is slowing and home prices are falling in some capital cities; labour market remained resilient but unemployment rate is higher than what RBA had expected; Capex is expected to stay strong on data centre boom
- **CPI to remain above target** for some time, with underlying inflation not expected to ease back into target until 2027
- Slower growth is needed to reduce capacity pressure and help bring inflation back to target; **Strong policy action is only required when risk of long-term inflation expectations becomes unanchored**

China - Easing growth momentum but 4.5-5.0% growth target remains intact

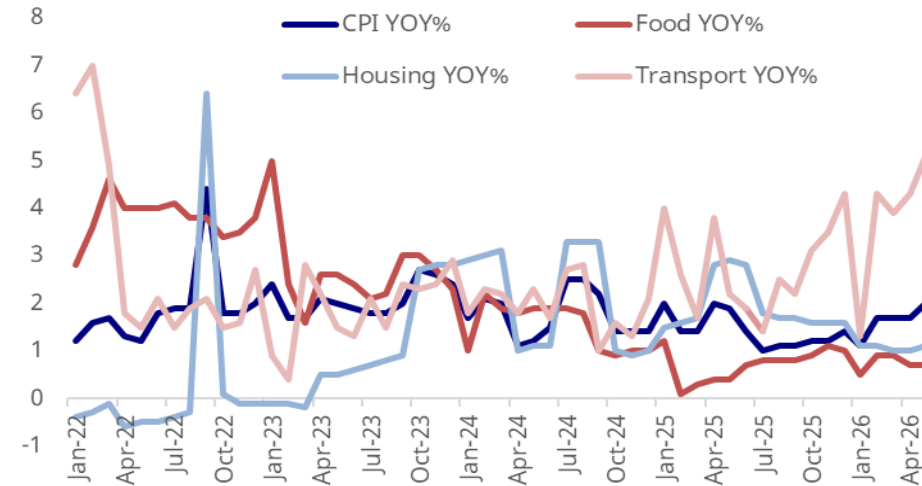
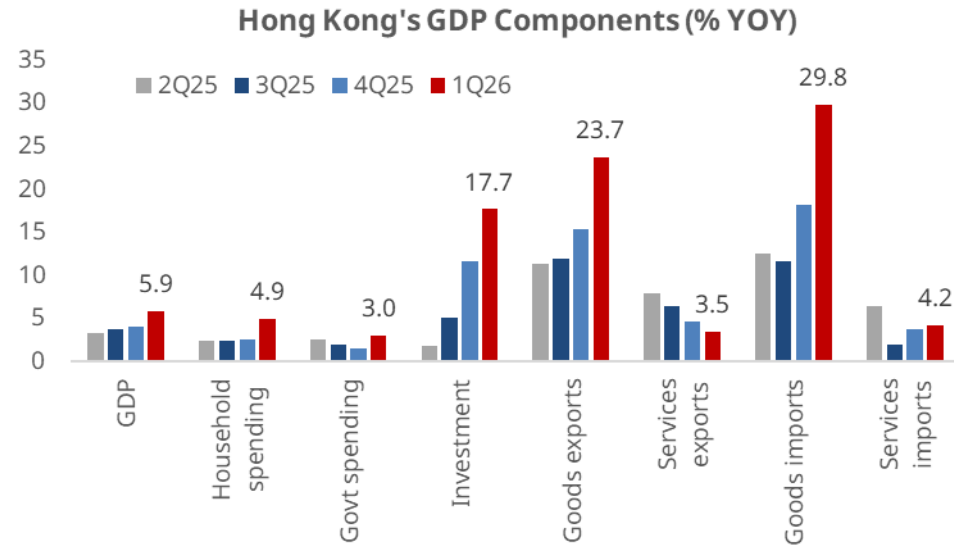


	2024	2025	2026F
GDP (%)	5.0	5.0	4.5-5.0
Inflation (%)	0.2	0.1	1.1
1Y LPR (%)	3.10	3.00	3.00
USD/CNY	7.2993	6.9757	6.78

Source: National People's Congress, Bloomberg, HLBB Global Markets Research

- Growth target achievable, with momentum likely to ease towards the 4.5% levels from 2Q-4Q. K-shaped economy with domestic demand likely to stay subdued, while external demand stays robust
- First Politburo meeting since the Middle East conflict, hopefully with more clarity on future direction of policies and any pivot. Rumbles of:
 - Targeted domestic demand stimulus measures with focus on services consumption, “investment in people,” infrastructure investment in high-tech sectors
 - Support for the financial sector with focus on: 1) Capital markets, to generate wealth effects. 2) Direct financing for the tech sector. 3) Financial law that will strengthen financial regulation, risk prevention and control.
 - Measures to address regional debt risk and restoring local government’s ability to take the lead in fiscal stimulus.
- Policy makers will likely focus on steering its short-term borrowing costs to better match its liquidity needs with the introduction of the overnight tenor

Hong Kong – Slower growth expected in 2H

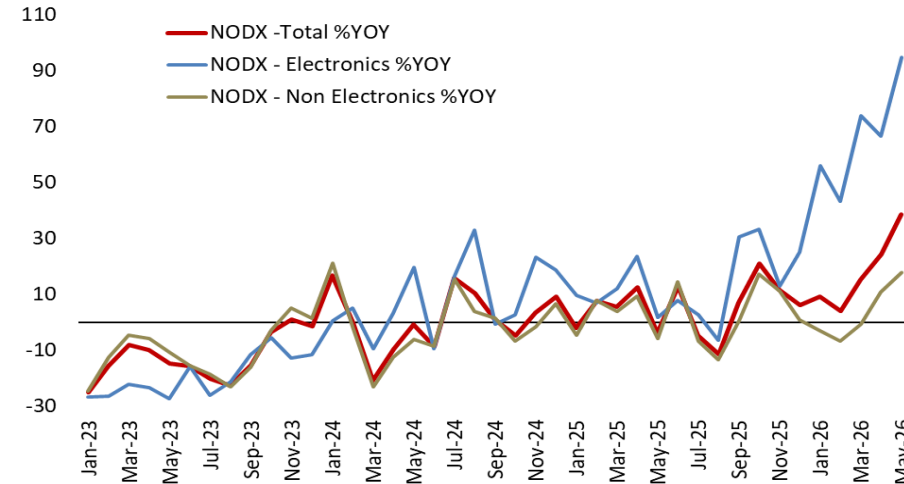


	2024	2025	2026F
GDP (%)	2.6	3.5	2.5-3.5
Inflation (%)	1.8	1.4	2.6
3-month Hibor	4.37	2.93	2.78
USD/HKD	7.7686	7.78	7.80

Source: HK Economy, Bloomberg, HLBB Global Markets Research

- **Lingering uncertainty likely weigh on growth drivers** that had underpinned 1Q performance. Downside risks from:
 - Any sharp reversal in risk appetite, tighter financial condition that could derail the recovery in property prices, weigh on household spending through negative wealth effect, constrain borrowing for capex for corporates and negative on capital market activities
 - Tightener financial conditions to curtail the AI capex boom
- Feed-through to fuel-related components for CPI to continue; **overall limited inflation impact** given the city’s low energy intensity as a predominantly service-oriented economy and amid stable energy supplies from Mainland China

Singapore - On track to achieve 2-4% growth



- **Maintaining in-house real GDP growth projection of around 3.5% with upside risk** amid stronger than expected 1Q GDP, steady pipeline of public construction projects.
- **No signs of the AI-boom fading yet.** SIA recently revised its 2026's global semiconductor sales projections to \$1.5tn from its initial estimate of \$1.0tn
- **Growth momentum will however moderate:** 1) Elevated cost-of-living pressure, cushioned by government's decision to bring forward cash voucher disbursements forward from January 2027 to June 2026. 2) Elevated global interest rates could weigh on investment decisions
- **No urgency for MAS to tighten** amid softer than expected consumer spending, signs of inflation trajectory easing

	2024	2025	2026F
GDP (%)	5.3	5.0	3.5
Inflation (%)	2.4	0.9	1.8-2.2
SORA (%)	2.11	1.19	1.25
USD/SGD	1.3657	1.2854	1.30

Source: MTI, Bloomberg, HLBB Global Markets Research

Vietnam – Resilient but official growth target of 10% remains ambitious

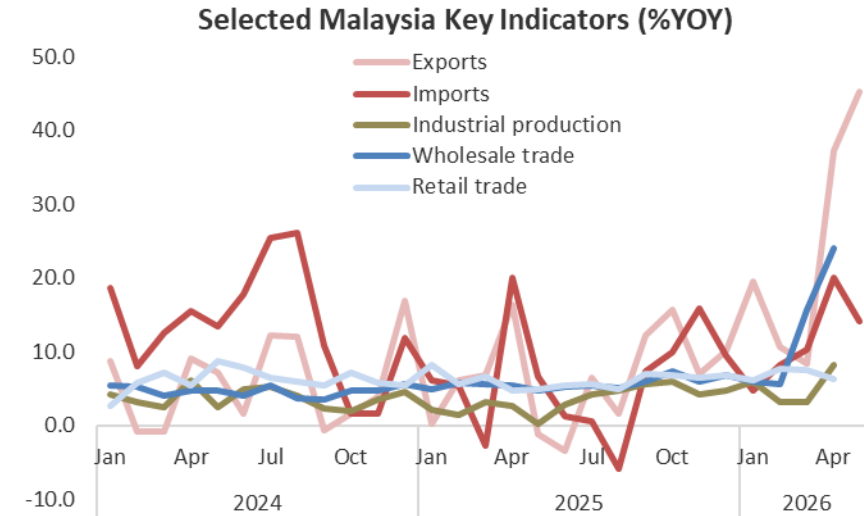
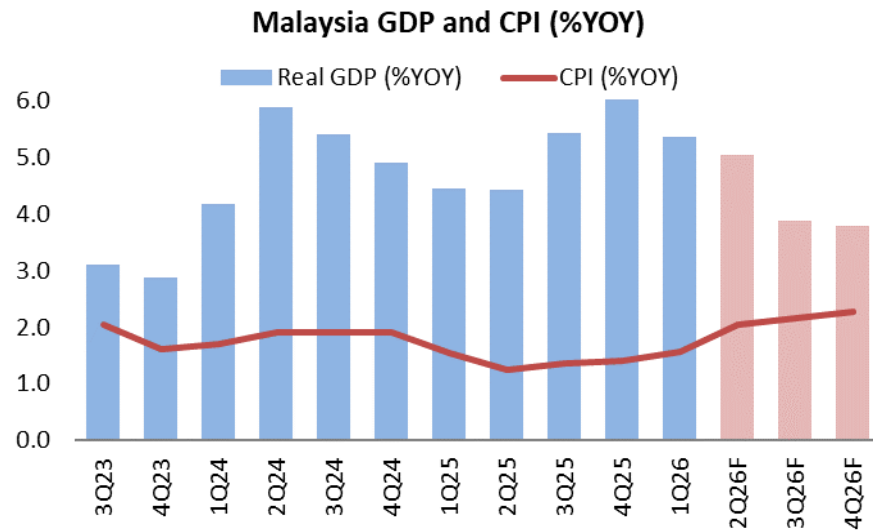


	2024	2025	2026F
GDP (%)	7.1	8.0	7.5-8.0
Inflation (%)	3.6	3.3	4.4-4.9
SBV Refinancing Rate (%)	4.50	4.50	4.50
USD/VND	25,485	26,298	26,500

Source: Bloomberg, HLBB Global Markets Research

- **Better than expected growth of 8.2% y/y in 1H of 2026** – driven by manufacturing amid sturdy exports and positive spillover from public investment.
- **Upgraded house view for full year growth to 7.5-8.0%** (prior: 7.0-7.5%), given the better than expected growth in 1H, and supported by recent hikes in minimum wages and planned fiscal deficit @ 4.2% for 2026 (2025: -3.8% of GDP)
- **Official full year growth target of 10% appears ambitious** (implies 11.9% growth in 2H) given its higher base effect in 2H of last year, effects of higher inflationary pressures, and trade sensitiveness
- Rising gasoline and construction materials costs have pushed CPI above target (June: 4.7% vs target: 4.5%). **SBV will likely maintain rates** to support the government’s growth target, maintain currency stability, contain inflation, manage rapid credit growth without fuelling bad loans

Malaysia – Resilient domestic demand helps weather uncertain external risks



	2024	2025	2026F
GDP (%)	5.1	5.2	4.6
Inflation (%)	1.8	1.4	1.9
OPR (%)	3.00	2.75	2.75
USD/MYR	4.4722	4.0603	4.11

Source: Bloomberg, BNM, DOS, HLBB Global Markets Research

- **Resilient domestic demand**, with household spending driven by positive labour market conditions; investment activities continued to remain forthcoming
- **Export growth to be supported** by resilient E&E/ AI-related and commodity exports and diversity in services (tourism, data-center services)
- **CPI has and will remain moderate**, contained by BUDI95 subsidized fuel prices and limited pass through to core inflation. Expectations of resilient growth and well-contained inflation will support the case for an extended pause in the OPR
- Heightened election risks in the near term. Polls will not have a direct impact on Prime Minister Anwar Ibrahim’s parliamentary majority, but could act as a test for sentiments and the FX market

Markets Outlook - FX

FX – USD likely to remain supported in 3Q before declining in subsequent quarters; MYR could be impacted by election and fiscal noises

12-month Outlook



EUR: ECB likely to deliver another rate hike to quell broadening inflationary pressures, but unlikely to be a series of hikes as growth picture softens from aftermath of Gulf conflict.

GBP: BoE seen continuing to adopt a wait-and-see approach. Political uncertainty over Labour party leadership transition likely to result in currency underperformance.

JPY: Wage-price spiral from another round of solid wage increases likely to see price risks skewed to the upside which should result in continued normalization of monetary policy by the Bank of Japan.

CNY: Continued uneven growth profile with domestic demand likely to remain subdued, with authorities likely to announce further targeted stimulus measures.

MYR: Election and fiscal noises likely to weigh on the currency in the near-term, with BNM likely to continue to hold monetary policy steady.

SGD: MAS likely to hold policy stance steady in July amidst an unexpected recent decline in core inflation, but surging export sector is likely to see them maintain a tightening bias.

AUD: Rate hike cycle by the RBA is likely to have already ended, with signs of weaker growth and a slightly less tight labour market with the unemployment rate inching up

USD: Likely to continue to be on a firm footing in 3Q as the markets continue to adjust to a possible Fed rate hike scenario, with a healthy labour market likely to underpin consumer spending in the near term. Further out, currency is likely to come under some pressure as we approach the mid-term elections.



FX Forecasts

	30-Jun	Q3-26F	Q4-26F	Q1-27F	Q2-27F
DXY	101.39	102.28	100.86	99.42	98.07
USD/CAD	1.42	1.43	1.41	1.40	1.38
EUR/USD	1.14	1.13	1.14	1.16	1.18
GBP/USD	1.33	1.29	1.30	1.32	1.33
USD/CHF	0.81	0.81	0.81	0.80	0.79
AUD/USD	0.69	0.68	0.70	0.71	0.72
NZD/USD	0.57	0.56	0.56	0.57	0.57
USD/JPY	163	162	159	155	153
USD/MYR	4.08	4.15	4.11	4.07	4.03
USD/SGD	1.29	1.31	1.30	1.28	1.27
USD/CNY	6.79	6.85	6.78	6.72	6.65

Markets Outlook – Fixed Income

	CURRENT	3Q2026	4Q2026	1Q2027	2Q2027
UST 10Y	4.49%	4.50%	4.35%	4.20%	4.15%
MGS 10Y	3.63%	3.60%	3.50%	3.45%	3.40%
SGS 10Y	2.12%	2.15%	2.10%	2.05%	2.00%

Sovereigns – Neutral on government bonds for 3Q 2026 with inflationary concerns likely to persist amidst continuing negotiations over Middle East peace deal

UST

Bond yields likely to remain elevated, with inflationary concerns continuing to persist. The labour market is likely to continue to remain tight and provide ongoing support to consumer spending. After the hawkish twist in the FOMC meeting in June, we expect the FOMC under new Fed Chair Kevin Warsh to continue to take a wait and see approach and hold policy steady in 3Q26.

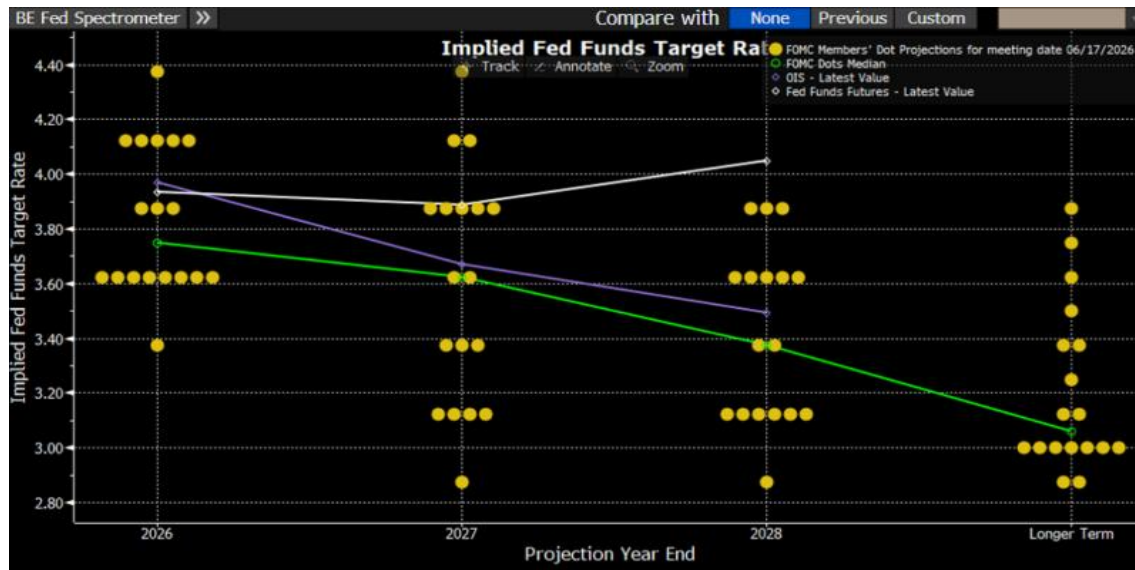
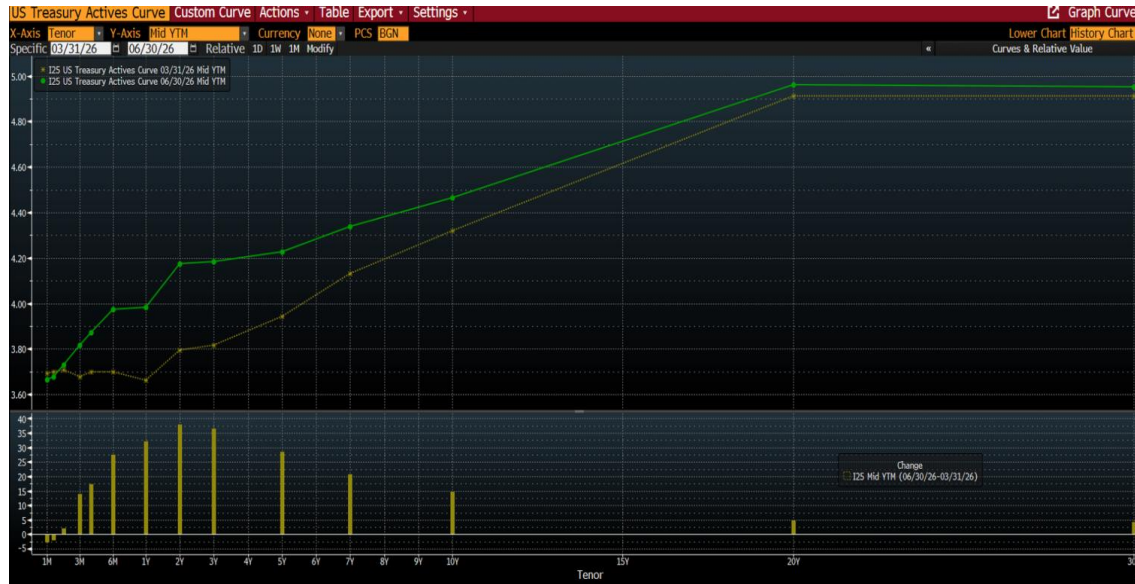
MGS

Expect MGS/GII to trade in a range in 3Q26, as fiscal concerns and heightened political risks domestically offset better government bond supply dynamics for the quarter. BNM continued to maintain a neutral tone during the most recent MPC on May 07, and looks set to remain on hold in 3Q26. Inflation is expected to continue moving higher but still remain well-contained.

SGS

Neutral on SGS yields, with growth likely to moderate in 2H 2026. The unexpected decline in MAS core inflation for 2Q26 will likely see MAS hold policy at its upcoming quarterly monetary policy decision, but the strength of exports is likely to keep them on a tightening bias.

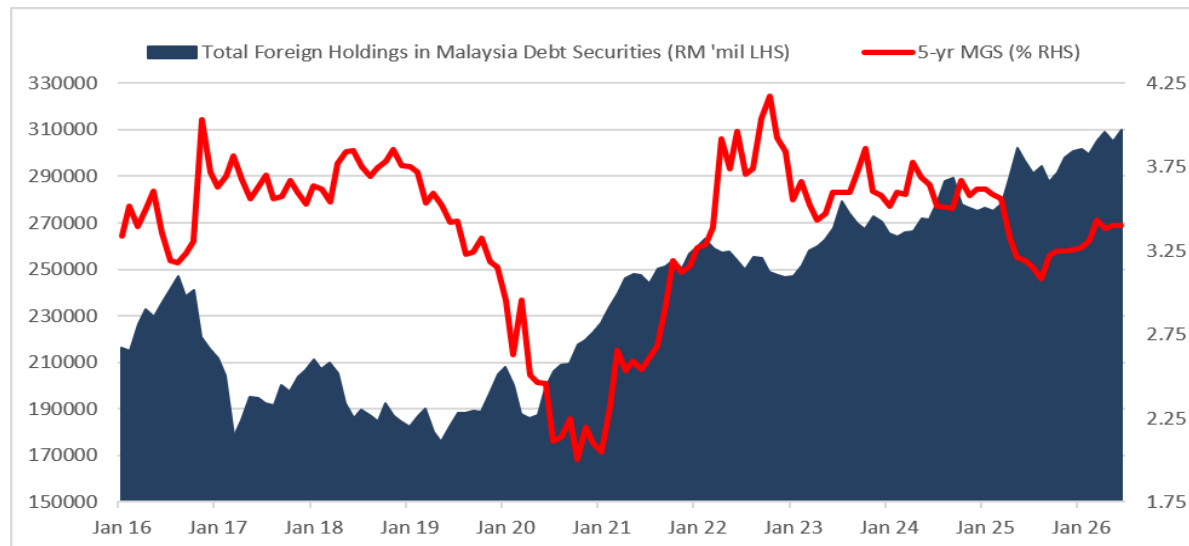
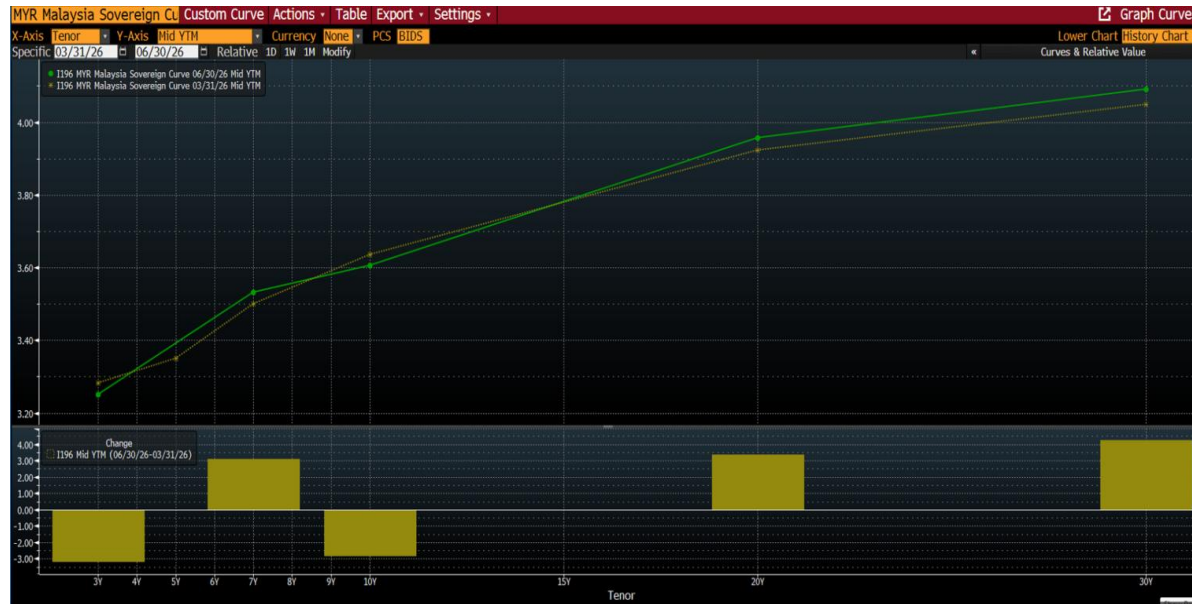
US Fixed Income – Neutral on USTs in 3Q26 with inflationary concerns likely to persist



Source: Bloomberg, HLBB Global Markets Research

- **UST** -- USTs were weaker in 2Q26 amidst inflationary concerns triggered by a prolonged conflict in the Gulf that persisted for most of the quarter and resulted in a sharp spike in energy prices that has since receded amidst a fragile truce while both sides are working towards a more permanent deal.
- Benchmark yields were higher by between 4 to 38bps for the quarter (1Q26: 7 to 32bps higher) as the market expectation of Fed cuts for the year were erased, with Fed Fund Futures pointing to 38bps of hikes for 2026 at the end of 2Q26 (End 1Q26: 29bps of cuts).
- The yield curve bear-flattened during the quarter with the short end underperforming, resulting in the 2s10s curve ending 2Q26 at +29bps (1Q26: +52bps).
- The Fed again left the Funds Rate unchanged at the two FOMC meetings for the quarter on Apr 29 and Jun 17, but switched from a dovish stance to a slightly hawkish one at the latter meeting, which was the first under new Fed Chair Kevin Warsh.
- **We expect the FOMC to continue to hold the Fed Funds Rate steady in 3Q26, and for the remainder of the horizon period.**
- The pace of growth in 1Q26 picked up to 2.1% q/q annualized (4Q25: 0.5%) and the labour market continued to remain tight, with the unemployment rate inching lower for the quarter to 4.2% in June (Mar: 4.3%), with a solid pace of job growth seen for the first two months of the quarter before easing in June.
- Inflation readings rose during the quarter albeit not by as much as expected, with core CPI for May rising to 2.9% (Mar: 2.6%) while the latest core CPE for May showed a slight rise to 3.4% (Mar: 3.2%)
- **We are neutral on USTs in 3Q26, and expect the 10Y UST yield to continue to remain elevated and close around 4.50% by the end of 3Q26** from the current level of 4.49%, with price concerns likely to continue to persist as the earlier spike in energy prices continues to feed through to consumer prices and triggers fear of hikes from the Fed.
- **Corporates** –Corporate bonds performed decently for the quarter with spreads tightening, resulting in the Bloomberg US Corporate Bond Index registering an advance of 1.4% in 2Q26 (1Q26: -0.5%)

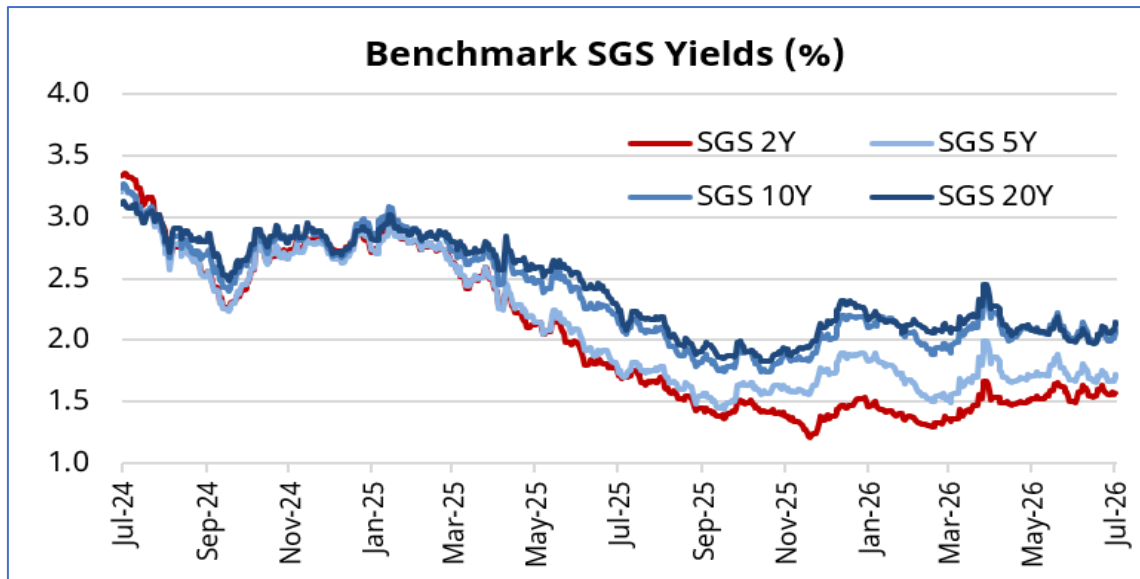
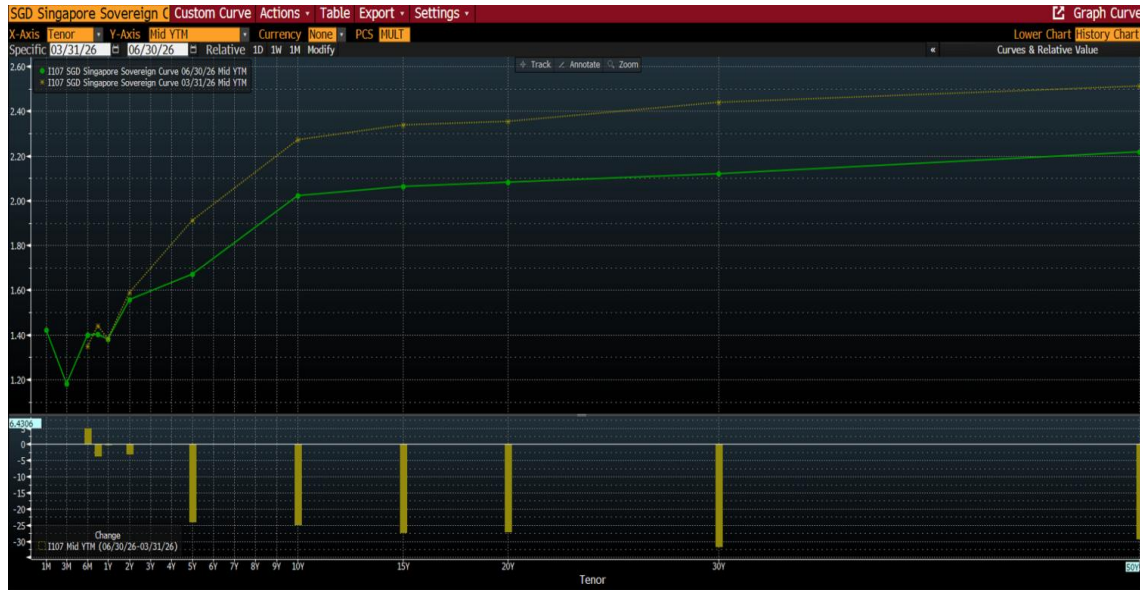
Malaysia Fixed Income – Yields likely to trade in a range in 3Q26 as fiscal concerns weigh



- **Government Bonds** – MGS and GII were a touch firmer in 2Q26 as overall benchmark yields closed between -9 and +2bps q/q (1Q26: 9 to 30bps higher) amidst a deterioration in government finances due to a rise in subsidies of fuel, and increased political risk domestically with early election called for two states.
- Foreign holdings of MYR bonds advanced by RM4.4bn during the quarter to a record RM309.8bn as at end 2Q26, from the RM305.4bn seen at the end of 1Q26 (inflow of RM4.6bn in 1Q).
- Government bond auctions in 2Q26 saw an improvement in bidding metrics on gross issuance of RM50.0bn during the quarter, with the average BTC rising to 2.62x across 10 auctions (1Q26: 9 auctions; average BTC 2.19x; gross issuance of RM45.0bn)
- BNM kept policy on hold during the solitary MPC meeting in 2Q26 on May 07, and continued to sound out a neutral tone in the monetary policy statement.
- **We expect BNM to continue to hold rates steady during the two scheduled MPC meetings for 3Q26 on Jul 09 and Sep 03.**
- Economic growth in 1Q26 moderated to 5.4% y/y (4Q25: 6.2%), driven by a contraction in mining and quarrying and slower momentum in the construction and agricultural sectors. Inflation rose during the quarter but remained relatively tame, and was attributed to an increase of costs associated with the Gulf conflict, with the latest CPI coming in at 2.0% y/y in May from the 1.7% y/y in March.
- Bonds are expected to trade within a range in 3Q26 as the deterioration in public finances and riskier political climate offset the better supply dynamics for the quarter with two large government bond maturities due in July and September, and **we expect the 10Y MGS yield to close 3Q26 at around 3.60%.**
- **Corporate Bonds/Sukuk** – Corporate spreads were mixed in 2Q26, with AAA and AA2 spreads in the 10Y space closing at 24 and 38bps respectively (1Q26: 18 and 42bps), amidst a rise in corporate/sukuk issuance to RM54.8bn in 2Q26 (1Q26: RM40.3bn). **We expect issuance to ease slightly in 3Q26, and for corporate spreads to remain steady around present levels.**

Source: Bloomberg, BNM, HLBB Global Markets Research

Singapore Fixed Income – expect SGS to stay neutral in 3Q26



Source: Bloomberg, HLBB Global Markets Research

- **SGS** – Singapore Government Securities rallied for the quarter, outperforming major government bond markets, as overall benchmark yields closed lower by between 3 to 32bps (1Q26: 8 to 18bps higher).
- The SGS yield curve bull-flattened for the quarter, with SGS 2s10s slope ending 2Q26 at +46bps (1Q26: +68bps)
- Reflecting the move higher in bonds for the quarter, the Bloomberg Global Singapore Bond Total Return Index recorded a return of 3.0% for 2Q26 (1Q26: -0.5%)
- There were SGD7.8bn of SGS issuance in 2Q26, a slight increase from issuance in the previous quarter (1Q26: SGD7.1bn)
- The Monetary Authority of Singapore (MAS) tightened policy during its quarterly decision in April by increasing the slope of the S\$NEER curve due to rising inflationary pressures caused by the global energy shocks.
- 1Q26 GDP was firmer than expected at 6.0% y/y, while core inflation surprisingly eased to 1.4% y/y in May (Mar: 1.7% y/y) which will likely keep the MAS on hold at its upcoming July decision. However, the strength of the external sector, with exports continuing to surge, will likely see them continue to maintain a tightening bias.
- **We are neutral on SGS yields in 3Q26, with the 10Y SGS expected to end the quarter around the 2.15% level.**

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