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MARKET **Singapore** REPORT DATE **04 August 2026** RO/RO REGIME **NEUTRAL**

EQUITIES - CORE	FIXED INCOME - CORE	CASH - SGD
-0.28	-0.10	0.20

Quantum score per asset class · All scores range from −2 to 2

See TAA table on page 2 for full breakdown

MARKET NEWS DEVELOPMENT

Singapore's economy expanded 5.7% in Q2, a moderation from prior pace but still robust. The Straits Times Index (STI) set a new record at 5,713.19 — a gain of 8.9% in July and 21.1% year-to-date — with exceptional financial-sector performance alongside equity derivatives and foreign exchange (FX) trading volumes at multi-year highs. Bank earnings surged on strong deposit pricing power and capital markets activity, reinforcing Singapore's role as a regional trade and financial hub.

Transport and food inflation persist at the margin. As a regional refining hub, Singapore faces energy-disruption exposure through input costs and trade-partner demand — but it carries no fuel-subsidy fiscal vulnerability, a structural distinction that insulates the sovereign balance sheet from the commodity shock threatening regional importers.

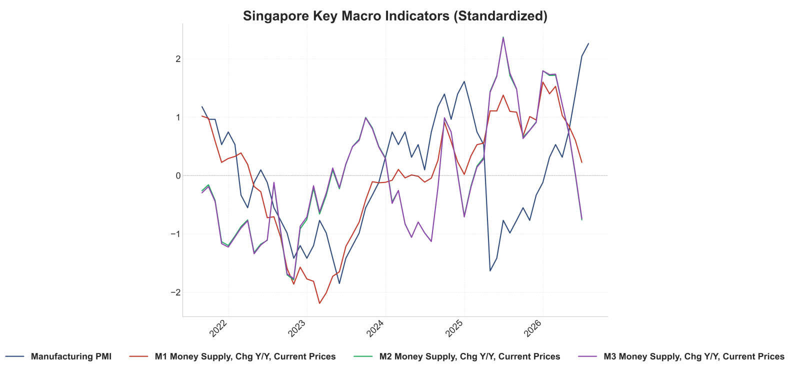
The record STI and bank leadership are real; the constraint is what they cost. Valuations rank among the most expensive in the universe, and the record high reflects financial-sector cyclical strength already priced, not a fundamental re-rating that justifies adding exposure. The economic story is genuinely good. The investment story is blocked by price.

KEY MACRO INDICATORS

The STI's record 5,713 and 5.7% Q2 GDP growth sit alongside domestic indicators that tell a more constrained story. Retail sales contracted 2.6 percentage points month-on-month. M2 and M3 money supply growth each fell 3.1 percentage points, dropping to +2.2% and +2.3% year-on-year respectively — a sharp deceleration indicating the Monetary Authority of Singapore (MAS) is tightening liquidity conditions in response to imported inflation. Core CPI accelerated to 1.6% year-on-year, compressing real incomes at the margin.

Manufacturing purchasing managers' index (PMI) at 51.4 remains barely expansionary with no acceleration, consistent with monetary contraction beginning to bite real activity. The central government's fiscal position swung from a SGD 10.7 billion surplus to a SGD 1.7 billion deficit month-on-month — a single-month figure that is volatile but signals cyclical stress beneath the headline.

The picture is an economy where external financial-sector strength is the sole growth engine, domestic demand is softening, and liquidity is being actively withdrawn — conditions that reinforce the valuation-driven underweight.



Source: Refinitiv

Key Market Statistics	
RO/RO Regime	Neutral
RO/RO Components	
RO/RO Score	0.08
Liquidity	-0.26
Momentum	1.00
Breadth	-0.49
Equity Factor Effectiveness	
Momentum	1.40
Quality	1.33
Value	1.30
Low Volatility	0.76

RO/RO components: z-scores (0 = avg)
Factor effectiveness: 0.5 to 1.5

LIQUIDITY SENTIMENT

Singapore's composite sentiment score of 0.08 sits just above the 0.05 historical average, placing the market in a nominally neutral regime — but the internal composition argues for caution. Momentum is elevated at +1.00 standard deviations, a direct reflection of the STI's 8.9% July gain and financial-services leadership. Liquidity metrics are compressed at -0.26 standard deviations and breadth is notably weak at -0.49 standard deviations.

The divergence is diagnostic: the rally is concentrated in large-cap financials, not broad-based, and retail and secondary-stock participation is visibly absent. This is a classic concentration warning — momentum elevated, breadth deteriorating, liquidity thin. The neutral composite headline masks a fragile internal structure.

The momentum-breadth divergence signals vulnerability to mean reversion if financial-services earnings disappoint or valuation compression accelerates. The compressed liquidity environment also increases execution risk on larger trades. Breadth deteriorating below -0.50 standard deviations would signal potential capitulation and warrants close monitoring. The SGD constructive view (+0.142) and positive local cash score (+0.20) remain intact as currency anchors, but the sentiment setup reinforces the underweight.

TACTICAL ASSET ALLOCATION

Singapore equities remain underweight at -0.284. The equity core scores -0.3, valuation scores -1.1, and even the positive econometrics score of +0.4 cannot offset multiples that rank among the most expensive in the universe. The record STI and bank earnings strength are not in dispute — they are simply priced. The primary re-rating catalyst would be either earnings acceleration materially beyond consensus or multiple compression; neither appears imminent given 5.7% GDP growth is already reflected in current prices and the bottom-up composite remains soft.

Capital should rotate into short-dated SGD cash and short-end fixed income, where the SGD cash score of +0.20 offers superior risk-adjusted returns without duration or valuation exposure. Avoid extending duration on government bonds after the approximately 32 basis point (bp) bear-steepening repricing — that move has already materialized, leaving limited upside in the long end.

The primary risk to this positioning is a sustained financial-sector earnings surprise that justifies current multiples and triggers a re-rating. The binding valuation constraint and absence of margin of safety argue against chasing July's momentum.

TACTICAL ASSET ALLOCATION TABLE

Asset Class	Sub-Asset	Score	View	Econ	Value	Tech	Psych	Parallax
Equities	Equities - Core	-0.28	-	0.4	-1.1	-0.1	0.0	-0.5
Fixed Income	Fixed Income - Core	-0.10	=	-0.2	-0.2	0.2	0.3	N/A
Fixed Income	Cash - SGD	0.20	+	N/A	N/A	N/A	N/A	N/A

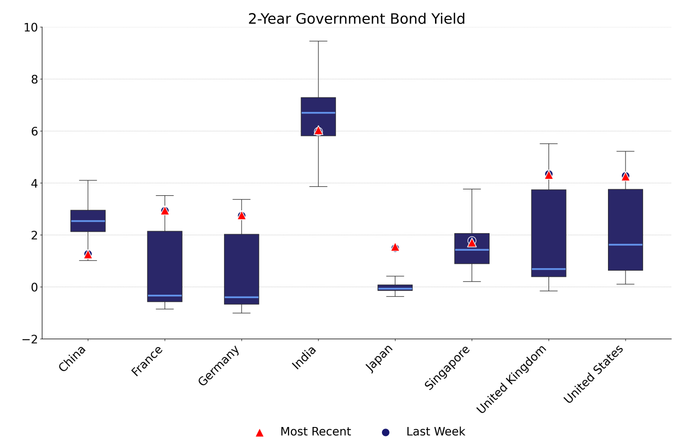
__Score:__ composite model signal · __View:__ directional call (+/−/=, may differ from Score) · All scores range from −2 to 2 *Source: Chicago Global Capital*
__Econ:__ macro cycle phase · __Value:__ valuation state · __Tech:__ market entropy & technicals
__Psych:__ psychological wavelength · __Parallax:__ Parallax factor score

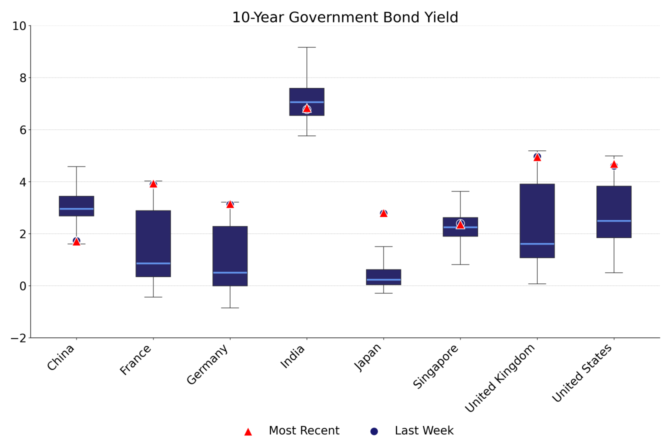
FIXED INCOME

Monetary aggregates are contracting sharply: M1 fell to +7.0% year-on-year from +10.3%, M2 to +2.2% from +5.3%, and M3 to +2.3% from +5.4% — a broad-based deceleration indicating active Monetary Authority of Singapore (MAS) tightening in response to imported inflation.

Core CPI at 1.6% year-on-year provides no domestic inflation justification for the 22.6 basis point (bp) repricing of the 10-year yield over one month; the move instead reflects global bear-steepening and a reassessment of Singapore's forward growth trajectory. The yield curve has steepened to 64.7 bps, with the 10-year outpacing the 2-year by approximately 10 bps, creating duration-loss risk for foreign investors if global yields stabilize or reverse.

The fiscal swing from a SGD 10.7 billion surplus to a SGD 1.7 billion deficit in a single month is volatile but may influence government bond issuance timing and foreign investor demand near term. The directive is clear: avoid duration. Short-dated SGD instruments offer constructive currency exposure without the duration risk embedded in a curve pricing slower growth, not inflation normalization.





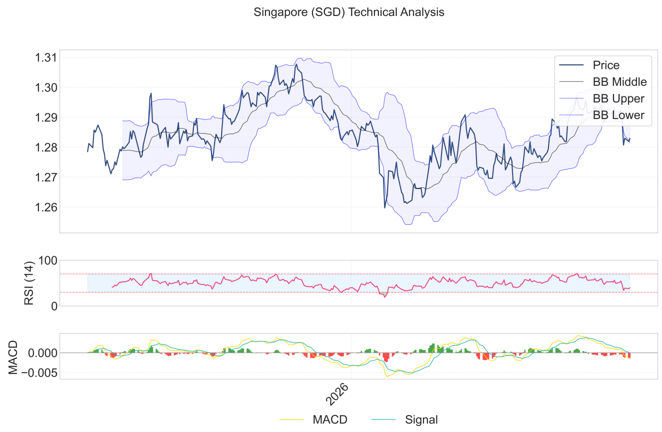
Source: Refinitiv

CURRENCY

The Singapore Dollar (SGD) consolidates near midrange at 1.28 USD/SGD — 51% of its 52-week range, Z-score 0.11 — having appreciated sharply from April's bilateral overvaluation. The three-month trend shows +1.3% USD/SGD depreciation, reflecting global yield repricing outpacing the MAS's implicit tightening signal; the 2-year yield rose only 11.8 basis points (bps) over one month versus 22.6 bps at the 10-year, creating a carry environment that tactically favors USD.

Near-term SGD support is anchored by the record equity market and a positive local cash score of +0.20. The strategic view is constructive at +0.142, with tactical bias at +0.200. Entry near 1.29–1.30, targeting 1.27–1.28, is justified on near-term technicals; exits above 1.30 are prudent given the depreciation backdrop and absence of policy-rate support.

The constructive SGD view captures the currency opportunity through cash and short-duration instruments — explicitly not an equity-constructive view and should not be read as one.



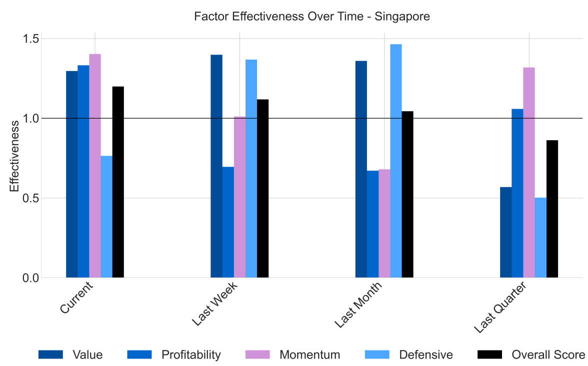
Source: Refinitiv

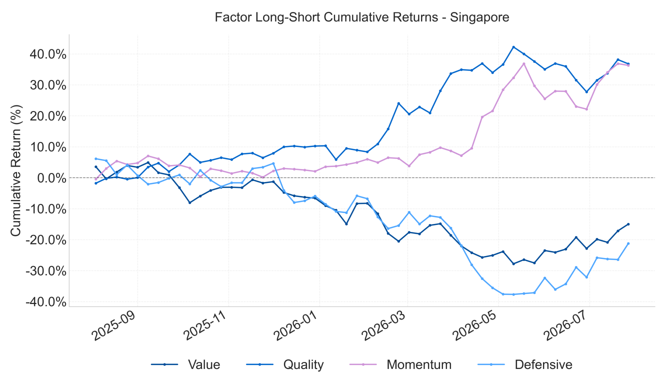
FACTOR POSITIONING

Momentum and quality factors more than doubled in predictive effectiveness this week, consistent with markets repositioning into risk-on aligned with Singapore's upgraded 2.0%–4.0% growth forecast and sustained AI investment momentum. Quality's improvement has been particularly pronounced, rising by more than half over the month while maintaining 52-week realized returns averaging +0.6%. Value declined modestly this week despite exceptional quarter-to-date performance, consistent with mean reversion after sustained outperformance.

The most striking development is the collapse of low-volatility factor effectiveness — halving over the past week, deteriorating 48% month-on-month, with 52-week realized returns consistently negative at -0.4%. Defensive strategies are actively failing in this growth-driven environment. The momentum-quality surge versus defensive-factor collapse reflects market recognition of broad-based growth acceleration, not a narrow, localized move.

The tension with the house underweight is real: factor signals are risk-on, but factor effectiveness operates beneath the strategic valuation overlay. Singapore's expensive equity multiples remain the binding constraint at the portfolio level regardless of what factor rotation indicates tactically. The factor evidence is noted; it does not override the strategic stance.





Source: Chicago Global Capital

SECTOR ANALYSIS

Consumer Staples holds rank 1 with stable positioning, demonstrating sustained momentum that provides valuation defensibility within an expensive market. Information Technology holds rank 2 with uninterrupted strength, capturing direct exposure to the AI export boom underpinning upgraded manufacturing forecasts. Industrials maintains rank 3, positioned to benefit from AI-related capital expenditure and trade-hub momentum.

The most significant shift is Financials advancing four ranks to rank 4 — the strongest sector momentum move this month, reflecting genuine resilience in banking and wealth management earnings as regional liquidity normalizes. Materials holds rank 5 with modest improvement, tied to semiconductor and electronics demand under sustained AI investment. Real Estate slips two ranks to rank 6, signaling property momentum fatigue despite headline STI strength. Consumer Discretionary deteriorates three ranks to rank 8, consistent with retail sales contracting 2.6 percentage points month-on-month. Energy declines three ranks to rank 10 as post-July oil-spike normalization reduces input-cost pressure for refining.

The pattern is bifurcated: financial services and technology concentrate at the top while cyclicals and discretionary demand soften at the base — a structure consistent with a narrow, concentration-driven rally, not broad-based recovery.

SECTOR POSITIONING

Consumer Staples and Information Technology warrant overweight or maintained positioning at ranks 1 and 2, offering direct alignment with growth forecasts and relative valuation defensibility within an expensive market. Financials should be maintained at rank 4 — the four-rank improvement and genuine bank earnings resilience are acknowledged, but that resilience is already embedded in stretched multiples; the earnings story is real, the entry point is not.

Consumer Discretionary warrants underweight after its three-rank drop to rank 8, consistent with retail sales contracting 2.6 percentage points month-on-month — the sector confirms the domestic demand weakness that headline STI strength obscures. Energy is a de-risk candidate at rank 10 following its three-rank deterioration; input-cost normalization post-July oil spike removes the near-term catalyst, and Singapore's absence of fuel-subsidy fiscal exposure does not insulate refining margins from persistent disruption at the sector level.

Materials merits selective exposure for AI capital expenditure upside via semiconductor and electronics demand. SGD strength at +0.142 favors domestic-currency asset accumulation for foreign investors, but this currency advantage does not override the equity valuation constraint that remains binding across all sectors.

Sector Performance Rankings - Singapore

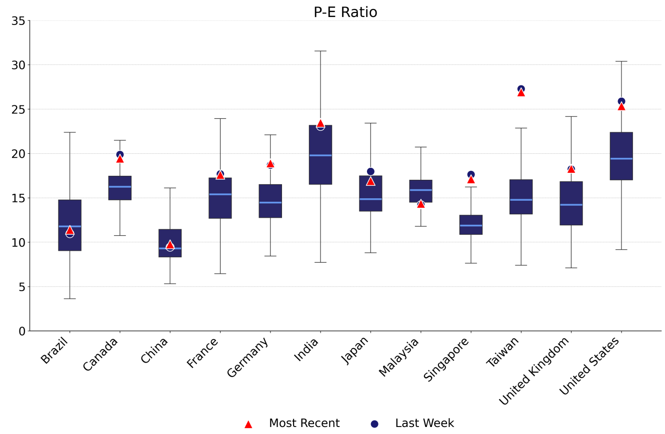
RANK	SECTOR	CURRENT	SCORE	VS 1 MONTH
1	Consumer Staples		25.48	—
2	Information Technology		24.63	—
3	Industrials		23.43	—
4	Financials		22.90	▲ 4
5	Materials		22.63	▲ 1
6	Real Estate		22.37	▼ 2
7	Health Care		22.29	▲ 2
8	Consumer Discretionary		21.81	▼ 3
9	Utilities		19.57	▲ 1
10	Energy		19.49	▼ 3
11	Communication Services		14.37	—

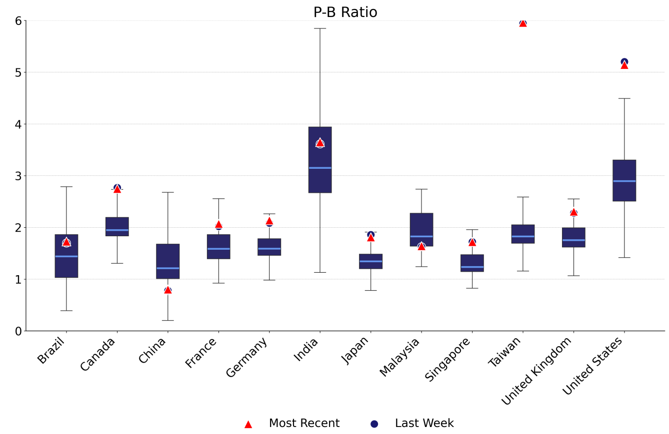
Median sector score: 22.37

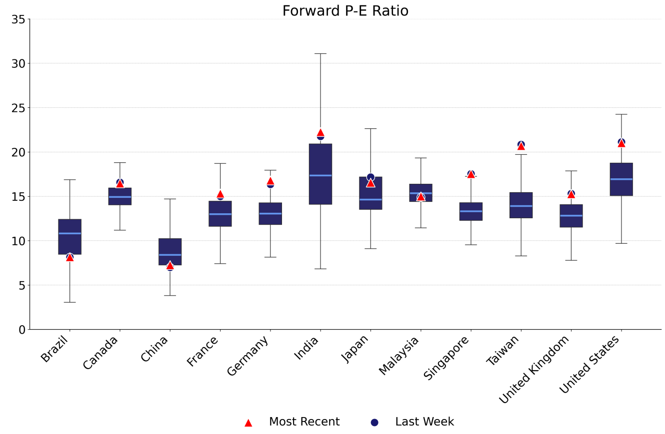
GICS classification; may differ from local exchange sectors.

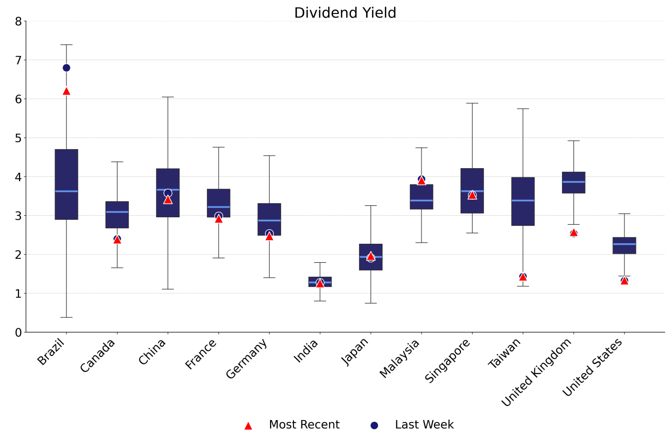
Source: Chicago Global Capital

EQUITY VALUATION









Source: Refinitiv

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