

## FINANCE

# AI Momentum, Gold Resilience, and Yield Curve Shifts

05/06/2025

Capitalize on steepening global yield curves, surging AI-led U.S. equities, and a forecasted gold rally to USD 3,700/oz as investors shift toward defensive, macro-resilient assets. Amid sticky inflation, fiscal risks, and Asia FX volatility, reallocate into U.S. tech, Japanese equities, short-duration bonds, and gold ETFs to hedge macro risk and secure resilient long-term returns.

## Key Points

<b>Equities</b>	U.S. equities rose nearly 2% led by Nvidia, with the S&P 500 up ~22% from April lows and ~20% YTD, as steepening yield curves, U.S. fiscal risks, Japan's record-high 30Y yields, and China's weak CFETS RMB index strain global equity flows, supporting investment in U.S. AI tech, Japanese and Indian equities, gold ETFs (USD 3,700/oz forecast), and Singapore defensives backed by a ~6% YTD SGD gain and strong S\$NEER.
<b>Fixed Income</b>	U.S. 10Y and 30Y yields rose to 4.5% and ~5% with spreads steepening to 50–100 bps, Japan's 30Y yield reached 3.0%, UK gilts climbed to 5.5%, and SGS traded at a ~2% discount to USTs amid inflows, as sticky U.S. inflation, Trump's USD 3.8T tax plan, delayed Fed cuts, and Japan's 3.5% core inflation elevate credit and duration risk, supporting preference for short-term inflation-linked bonds, short-duration IG credit, and euro corporates, while SGS remains resilient with 10Y yields forecast to fall from 2.40% to 2.25% and SORA just above 2.0%.
<b>Currencies</b>	SGD gained nearly 6% YTD and reached 1.2802 vs. USD, outperforming MYR and THB but lagging TWD and KRW, as the S\$NEER trades 1.8% above midpoint and SORA stays 2% below SOFR, amid risks from sticky U.S. deficits, ECB rate cuts, and ~13% Asia FX volatility, with THB pressured by BOT easing, MYR facing consolidation, CNY weak near a two-year low CFETS index, and investment opportunities favoring JPY (USD/JPY 138), USD (2% UST premium), GBP/SGD (1.79), AUD/SGD (0.86), and gold (USD 3,700/oz).
<b>Commodities</b>	Gold, up ~6–7% YTD and forecast to reach USD 3,700/oz by 2Q26, is supported by declining SGS yields, a weaker USD (DXY under 98), post-pandemic inflation, geopolitical risk, strong central bank and Chinese demand, and is favored by SGD investors through SPDR Gold Shares and iShares Gold Trust, while Brent and copper face downside to USD 55/bbl and USD 8,500.

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	Foundational Assumptions	Key Challenges	Strategic Action
Equities	<p><b>Equity Trend Insights</b></p> <p>U.S. equities gained nearly 2% last week, led by Nvidia, with the S&amp;P 500 up ~22% from April lows and YTD returns near 20%, outpacing Europe (~5%) and EM (~3%); yield curve steepening to 50–100 bps signals rising risk premiums for rate-sensitive sectors.</p>	<p><b>Equity Pressure Analysis</b></p> <p>U.S. fiscal risks, including projected debt rising from USD 30T to over USD 50T by 2035, and Japan’s record-high 30Y yields are straining equity flows, while China and EM equities face growth and currency pressures as the CFETS RMB index nears a two-year low.</p>	<p><b>Equity Investment Guidance</b></p> <p>Invest in U.S. AI-linked tech, Japanese equities with reform tailwinds, Indian growth plays, gold-linked ETFs (forecast USD 3,700/oz), and Singapore defensives, supported by SGD’s ~6% YTD gain and strong S\$NEER positioning.</p>
Fixed Income	<p><b>Bond Market Trends</b></p> <p>10Y and 30Y U.S. yields rose to 4.5% and ~5%, steepening spreads to 50–100 bps and increasing duration risk; Japan’s 30Y yield hit 3.0% and UK gilts climbed to 5.5%, while SGS trades at a ~2% discount to USTs amid capital inflows.</p>	<p><b>Bond Pressure Drivers</b></p> <p>Sticky U.S. inflation and Trump’s USD 3.8T tax plan heighten credit risk, Japan’s core inflation rose to 3.5% y/y, and Fed cuts delayed to late 2025, while Singapore yields remain low with SORA just above 2.0%, reflecting strong SGD flows.</p>	<p><b>Bond Investment Strategy</b></p> <p>Prefer short-term inflation-linked bonds, short-duration IG credit, and euro corporate bonds; SGS remains resilient with 10Y yields forecast to fall from 2.40% to 2.25%, while long-term U.S. Treasuries are pressured by term premiums above 80 bps.</p>
Currencies	<p><b>Currency Movement Trends</b></p> <p>SGD gained nearly 6% YTD and touched 1.2802 vs. USD, outperforming MYR and THB but trailing TWD and KRW, while the S\$NEER trades 1.8% above midpoint and SORA remains 2% below SOFR, capping further SGD strength.</p>	<p><b>Currency Risk Analysis</b></p> <p>Sticky U.S. deficits, ECB rate cuts, and Asia FX volatility at ~13% raise risks for USD, EUR, and regional currencies; THB faces BOT easing, MYR may consolidate, and CNY remains weak with the CFETS index near a two-year low.</p>	<p><b>SGD Currency Picks</b></p> <p>JPY offers upside with USD/JPY forecast at 138, USD is supported by &gt;2% UST yield premium, GBP/SGD may rise to 1.79, AUD/SGD to 0.86, and gold at USD 3,700/oz offers a strong alternative hedge.</p>
Commodities	<p><b>Gold &amp; Commodity Trends</b></p> <p>Gold returned ~6–7% YTD and is forecast to hit USD 3,700/oz by 2Q26; declining SGS yields and weak copper/oil outlooks support gold’s resilience and relative strength in SGD portfolios.</p>	<p><b>Commodity Pressure Factors</b></p> <p>Gold benefits from post-pandemic inflation, a weaker USD (DXY under 98), and geopolitical risk; strong central bank demand and China’s ongoing gold purchases reinforce structural support.</p>	<p><b>Gold Investment Picks</b></p> <p>Gold is top-ranked for SGD investors due to macro resilience, rising to USD 3,700/oz by 2Q26; SPDR Gold Shares and iShares Gold Trust are preferred vehicles, while Brent and copper face downside to USD 55/bbl and USD 8,500, respectively.</p>

Reference: United Overseas Bank Limited. (2025). Quarterly Global Outlook 3Q 2025.  
 BlackRock Investment Institute. (2025). Weekly commentary June 2, 2025.

# U.S. tech leadership, Japanese reform, and Indian growth sustain equity momentum despite rising yield curve pressure and global fiscal risk

## U.S. Tech and AI Gains Drive Strong Equity Performance

U.S. equities gained nearly 2% last week, led by Nvidia's earnings surprise, pushing the S&P 500 up ~22% from April lows.

Year-to-date, U.S. equities returned approximately 20%, compared to ~5% for European equities and ~3% for emerging market equities.

Japanese equities remain overweight as shareholder reforms and inflation tailwinds support valuations.

India continues to gain attention as a structural growth story underpinned by digital infrastructure and favourable demographics.

The 10s2s and 30s2s U.S. yield spreads steepened to 50 and 100 basis points respectively, highlighting rising risk premiums and challenging duration-sensitive equity segments.

Despite firm U.S. yield differentials, equity sentiment is decoupling from USD safe-haven demand, as the DXY weakens.

## Long-Term Fiscal and Yield Risks Weigh on Equities Globally

Persistent U.S. deficits and sticky inflation have pushed the 10Y Treasury term premium above 80 basis points.

This dynamic exerts pressure on long-duration equity sectors such as REITs and industrials.

Fiscal headwinds are building, with projections that U.S. debt will rise from USD 30 trillion to over USD 50 trillion by 2035 due to unfunded tax cuts.

In Japan, 30Y bond yields hit a record high, and the latest auction saw the weakest demand in a decade, pointing to tightening liquidity.

Eurozone equities face downgrades from fiscal uncertainty and trade disruptions, while Chinese and EM equities remain constrained by weak growth, trade tensions, and currency pressure, with the CFETS RMB index near a two-year low.

Oil and copper-linked equities face earnings risk, as Brent is forecast to fall from USD 65 to 55/bbl, while COMEX copper inventory buildup drags prices toward USD 8,500.

## Focus on Tech, Infrastructure, and Safe-Haven Plays for Equity Allocation

U.S. AI and tech names, particularly Nvidia and the semiconductor sector, benefit from strong earnings momentum and long-term productivity gains.

Japanese equities remain attractive amid shareholder-friendly reforms and potential JPY strength driven by capital repatriation.

Indian equities are supported by long-term structural themes such as digital finance, green energy, and infrastructure development.

European credit-linked equities in utilities and telecoms offer yield and stability, benefiting from ECB rate cuts.

Infrastructure-focused equities like Brookfield and NextEra benefit from capital rotation and global capex cycles.

Gold-linked ETFs and equities are favoured given their hedge value and upside potential, with gold forecast at USD 3,700/oz.

Singapore equities benefit from local currency strength (+6% YTD) and a strong S\$NEER, reinforcing defensive sectors.

# Steepening global yield curves, sticky inflation, and fiscal deterioration are pressuring long-duration bonds while supporting rotation into short-term credit and eurozone debt

## Global Bond Yields Rise Amid Steepening Curves and Liquidity Risks

U.S. 10Y Treasury yields climbed from 4.0% to 4.5%, while 30Y yields rose from 4.4% to nearly 5.0%, steepening spreads and raising duration risk. The 10s2s and 30s2s yield spreads widened to 50–100 bps, confirming higher term premiums and inflation expectations. U.S. 10Y Treasuries posted a slightly negative YTD return as of May 29, 2025.

Japan's 30Y bond yields surged to 3.0%, with a weak 20Y JGB auction and lowest investor demand in a decade, reflecting liquidity pressure and rising refinancing risk. The recent spike in Japan's 30Y yields from 2.4% signals tightening liquidity and investor caution amid persistent core inflation.

UK gilt yields rose from 5.1% to 5.5%, nearing highs last seen during the 2022 budget crisis, highlighting deteriorating demand and fiscal strain.

Singapore's 10Y SGS trades at a ~2% discount to U.S. Treasuries, supported by risk-averse capital inflows and SGD appreciation.

## Inflation and Fiscal Risks Sustain Elevated Bond Yields Globally

Sticky U.S. inflation and Trump's proposed USD 3.8 trillion tax plan prompted a Moody's downgrade, intensifying fiscal and credit risks. U.S. inflationary pressure from post-pandemic disruptions is sustaining term premiums and driving yields higher.

U.S. 10Y yields are forecast to remain sticky at 4.40% in 3Q25 before easing to 4.10% by 2Q26, while 3M compounded SOFR is expected to drop from 4.20% to 3.41% over the same period. Fed rate cuts are now delayed to September, October, and December 2025, tightening short-term positioning across maturities.

Japan's core inflation rose to a two-year high of 3.5% y/y, with food inflation at 6.5% y/y, driving JGB yields higher and weakening long-duration demand. BOJ tightening may drive capital repatriation, adding volatility.

In the euro area, expected ECB rate cuts are cushioning yields amid fiscal expansion for defense and infrastructure. Eurozone bonds benefit from less inflation pressure compared to the U.S., reducing volatility.

Singapore's yield pressures remain muted, with Overnight SORA drifting just above 2.0%, and MAS expected to ease policy in July. The S\$NEER's strength supports demand for SGS.

# Emphasize Short-Term Credit and Eurozone Bonds Over Long-Duration U.S. Debt

Short-term inflation-linked bonds are preferred over nominal developed market government bonds due to inflation risk and policy uncertainty. Persistent U.S. tariffs may further elevate inflation expectations.

Investment-grade short-duration credit is overweighted for its resilience and better rate-risk compensation, offering protection in volatile rate environments.

European corporate bonds—both IG and HY—are favoured over U.S. equivalents due to wider spreads, rate-cut potential, and supportive fiscal trends. European bonds also offer diversification due to lower correlation with U.S. Treasuries.

Singapore Government Securities (SGS) remain a stronghold for capital preservation, with 10Y SGS yields forecast to decline from 2.40% in 3Q25 to 2.25% in 2Q26. SGD strength and capital inflows enhance SGS resilience.

Elevated term premiums above 80 bps on U.S. long-term Treasuries favour rotation into short-duration IG credit, euro credit, and agency MBS products, reducing exposure to rate and refinancing risks.

UK long-duration gilts remain high risk; short-dated gilts or inflation-linked bonds are better positioned amid fiscal uncertainty and weak demand.

# SGD leads ASEAN currencies amid global volatility, with defensive currency allocation favouring JPY and USD, and EM FX facing downside risk

## SGD Emerges as ASEAN's Top Performer Despite Broad USD Strength

The SGD appreciated nearly 6% YTD, reaching 1.2802 against USD and becoming the best-performing ASEAN currency. It posted a 3.9% YTD gain, behind TWD (+9.2%) and KRW (+7.0%), but ahead of MYR (+5.1%) and THB (+5.9%), reinforcing its regional strength.

The USD Index (DXY) rose ~4% YTD as of May 29, 2025, reflecting broad USD strength and supporting carry trade flows into USD/SGD. Despite this, USD/SGD dipped below 1.30 and touched an eight-month low of 1.2802, underpinned by confidence in Singapore's macro stability.

The S\$NEER currently trades 1.8% above its policy midpoint—near the upper bound—indicating technical resistance to further SGD appreciation. The Overnight SORA trades at a 2% discount to SOFR, prompting yield-seeking inflows while keeping upward pressure on SGD contained.

## Global Fiscal Divergence and Rate Risks Fuel Currency Volatility

Sticky U.S. deficits and inflation have sustained U.S. 10Y yields at 4.40%, still 50 bps above April lows, maintaining a yield premium and short-term USD/SGD support. U.S. fiscal risks, including the USD 3.8T Trump tax plan, elevate credit risk and long-term volatility.

ECB rate cuts create downside risk to EUR/SGD, with potential for deeper cuts amid weak euro area growth and defense-related fiscal pressures. Rate divergence with MAS favors SGD strength relative to the EUR.

Asia FX volatility has climbed back to ~13%, a level last seen during pandemic stress periods, increasing downside risk for regional currencies. THB is pressured by persistent equity outflows and 50 bps of expected BOT rate cuts in 2H25, while MYR may consolidate following a sharp rally.

The CFETS RMB Index remains at a two-year low, reflecting broad CNY weakness due to Chinese policy uncertainty. Trade friction and geopolitical fragmentation further increase risk for EM currencies relative to SGD.

## Focus on JPY and USD for Defensive Currency Allocation

JPY offers long-term appreciation potential with USD/JPY forecast to fall to 138 by 2Q26, supported by BOJ normalization and its traditional safe-haven role during market stress. SGD/JPY may decline in risk-off environments.

The USD remains supported by a >2% 10Y UST yield premium and delayed Fed rate cuts, sustaining interest in USD/SGD despite MAS's stable stance. SGD 10Y yields trade at a 2% discount to USTs, supporting tactical USD positions.

GBP/SGD is projected to rise to 1.79, aided by persistent UK inflation and a UK-US trade deal. AUD/SGD may climb to 0.86 by 2Q26, reflecting cautious optimism on trade normalization and AUD/USD recovery.

EUR/SGD may weaken in the near term due to dovish ECB policies, though stabilization is expected by 2Q26. Avoid EM Asia FX like IDR, MYR, and THB near-term due to their higher sensitivity to global risk and capital flows.

Gold remains a strong reserve alternative for SGD holders, forecast to rise to USD 3,700/oz by 2Q26. Its role as an inflation and volatility hedge makes it a key allocation amid macro and FX uncertainty.

## Gold remains the preferred commodity for SGD investors due to macro resilience, with ETFs and strategic diversification outperforming amid weak outlooks for oil and industrial metals

### Gold Retains Safe-Haven Appeal with Steady Gains and Bullish Forecast

Gold returned approximately 6–7% YTD as of May 29, 2025, maintaining steady performance amid broader market volatility. It is forecast to rise to USD 3,400/oz by 3Q25 and USD 3,700/oz by 2Q26, driven by robust demand from China, central bank allocations, and firm net long positioning in the futures market.

Post-pandemic inflationary pressures, a weakening USD (DXY near a 3-year low just under 98), and geopolitical fragmentation, including U.S. tariffs and defense spending in Europe, continue to support gold's strength as a safe-haven asset. Persistent inflation in Japan (core inflation at 3.5% y/y; food inflation at 6.5% y/y) and rising global bond yields are also contributing to strong safe-haven flows.

Gold benefits from lower opportunity costs in Singapore portfolios as SGS 10Y yields are projected to decline from 2.40% in 3Q25 to 2.25% by 2Q26, and the Overnight SORA remains near 2.0%. SGD strength (close to +6% YTD) and S\$NEER near its 2% upper limit further reinforce the attractiveness of gold as a diversification hedge in SGD-denominated strategies.

### Commodities Face Mixed Outlook as Infrastructure Demand Collides with Oversupply

Gold remains the top-ranked commodity for SGD investors due to macro resilience, lower local yield environment, and supportive demand dynamics. It benefits from capital rotation out of long-duration DM government bonds, with institutional investors preferring shorter-term bonds and euro area credit.

Infrastructure-linked commodities such as copper and lithium may offer upside amid global capex cycles, although copper is forecast to decline from USD 9,500 in 3Q25 to USD 8,500 by 2Q26 due to inventory overhang. Brent crude is expected to drop from USD 65/bbl to USD 55/bbl in the same period, weighed down by oversupply and shifting OPEC+ strategies.

Regions most exposed to volatility include the U.S. (interest rate shifts and inflation), Eurozone (fiscal uncertainty), and Japan (bond market stress). Top producers to monitor include Australia (gold, lithium), Canada (gold, silver, base metals), and South Africa (precious metals, supply risks).

### Gold ETFs and Strategic Diversification Remain Favoured for SGD Investors

Gold remains a strategic core allocation for SGD-based investors seeking stable, appreciating assets insulated from fiat currency risks. The upward trajectory to USD 3,700/oz is supported by consistent demand from China, central bank accumulation, and inflation hedging needs.

Recommended investment vehicles include SPDR Gold Shares and iShares Gold Trust, which provide cost-efficient and liquid access to gold exposure.

Investors may consider balancing gold with selective positions in energy commodities and EM exporters with strong current accounts, but should avoid industrial commodities like copper and oil due to their weaker outlook and high volatility relative to gold.