



FINANCE | WEEKLY INSIGHTS

Falling Yields Accelerate Global Rotation Amid Fiscal Repricing

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Falling US earnings projections, rising sovereign yields, and a softening dollar are driving a major global asset rotation, as investors reduce exposure to overvalued US tech and reallocate into service-led equities in Europe and Japan, EM local currency bonds yielding over 5.9%, and defensive assets like gold, amid elevated inflation, fiscal expansion, and geopolitical risks.

Executive Summary

Equities

Capital is rotating out of overvalued US tech stocks into international and service-led markets, as Europe and Japan equities outperform US large caps amid falling US earnings projections, tech volatility from rising rates and input costs, emerging market growth constraints due to weak infrastructure, and investor reallocation toward undervalued regions like China, Korea, and Asia ex-Japan to diversify and reduce USD exposure.

Fixed Income

Rising US and German sovereign yields, driven by fiscal expansion and short-term debt issuance, are supporting demand for investment-grade and EM local currency bonds despite bond market volatility from 2.7 percent US core PCE inflation, fiscal deficits, and geopolitical risks, as investors rotate into short-duration, floating-rate, and sovereign instruments—particularly EM bonds yielding over 5.9 percent in Asia—while SGD-based portfolios hedge reinvestment and currency risks using swaps and overlays.

Currencies

The US dollar's decline to a three-year low amid rising deficits and expected Fed rate cuts is driving FX positioning into EUR, GBP, and JPY due to yield differentials and risk aversion, while diverging central bank policies, inflation volatility, and capital outflows pressure EMFX despite 5.9 percent real yields, prompting SGD-based investors to hedge USD risk and rotate into Asia FX and EM local assets.

Commodities

Gold is projected to rise to 3,920 US dollars on safe-haven demand while oil falls to 56 due to oversupply, with geopolitical risk, tariffs, and EM constraints curbing commodity investment and driving investors toward gold and EM local bonds for inflation protection and yield, supported by a weaker USD and hedging strategies in SGD portfolios.



Strategic Overview

	Foundational Assumptions	Key Challenges	Strategic Action
Equities	<p>Capital Rotation into Undervalued, Service-Led Tech Markets</p> <p>Capital is shifting from overvalued US tech stocks into international and service-led tech markets, with Europe and Japan equities up 23.0 percent and 24.0 percent year-to-date versus 11.2 percent in US large caps, amid falling US forward earnings projections and fiscal reforms in both the US and Asia.</p>	<p>Rising Volatility from Rates, Shocks, and Constraints</p> <p>Tech equities are facing elevated volatility from rising rates, input costs, and geopolitical disruptions, while overvaluation and weak infrastructure limit EM growth, particularly as US software earnings projections fall and Southeast Asia struggles with scaling constraints.</p>	<p>Diversification Toward Thematic and Regional Equity Strategies</p> <p>Investors are reducing exposure to US equities, now over 70 percent of the MSCI World index, and reallocating to undervalued regions like China, Europe, and Japan, with additional interest in Korea, global small caps, and Asia ex-Japan equities to diversify and mitigate USD volatility.</p>
Fixed Income	<p>Rising Yields Drive Demand for Short-Duration Bonds</p> <p>US and German sovereign yields are expected to rise to 4.5 percent and 3.0 percent, respectively, as governments issue more short-term debt amid fiscal expansion, while demand for investment-grade and EM local currency bonds remains supported by elevated yields and USD weakness.</p>	<p>Inflation and Geopolitical Risks Elevate Bond Market Volatility</p> <p>Bond markets are volatile due to US core PCE inflation at 2.7 percent, fiscal deficits, and geopolitical risks, while EMs face credit fragility from capital outflows, weak fiscal positions, and elevated currency risk despite high real yields in local bonds.</p>	<p>Rotation Into EM Debt and Hedging Strategies</p> <p>Investors are rotating into short-duration, floating-rate, and sovereign bonds, with EM local bonds yielding over 5.9 percent gaining favor in Asia, while SGD-based investors use swaps and overlays to manage reinvestment and currency risks amid tight spreads in developed markets.</p>
Currencies	<p>USD Weakness Drives Rotation into Appreciating Currencies</p> <p>The US dollar has fallen to a three-year low as rising deficits and expected Fed</p>	<p>Yield Shifts and EM Fragility Heighten FX Volatility</p> <p>Diverging central bank policies and inflation volatility are driving FX</p>	<p>Long EUR, GBP, JPY Trades with SGD Hedging Strategy</p> <p>Positioning has turned bearish on the USD, with long trades in EUR, GBP, and</p>



	Foundational Assumptions	Key Challenges	Strategic Action
	rate cuts erode its appeal, driving flows into appreciating currencies like the euro, pound, and yen, while EMFX faces headwinds from outflows and limited resilience under inflation and trade shocks.	instability, with sovereign yields rising and EM currencies under pressure from capital outflows and debt exposure, despite attractive 5.9 percent real yields in EM local bonds.	JPY supported by yield differentials and risk aversion, while Asia FX and SGD benefit from trade shifts; SGD-based portfolios are advised to hedge USD risk and diversify into EM Asia assets.
Commodities	<p>Gold Rises, Oil Falls on Macro Divergence</p> <p>Gold is forecast to rise to 3,920 US dollars amid safe-haven demand, while oil is pressured by oversupply and expected to fall to 56 US dollars per barrel; tariffs, rising defense budgets, and trade disruptions are reshaping long-term commodity dynamics.</p>	<p>Inflation and EM Constraints Drive Commodity Volatility</p> <p>A 12 dollar oil premium highlights geopolitical risk, while tariffs and inflation volatility drive uncertainty; EM constraints such as China's housing weakness and limited fiscal space are curbing commodity investment, though new trade deals are stabilizing expectations.</p>	<p>Hedging and Rotation into Gold, EM Assets</p> <p>Investors are rotating into gold and EM local bonds for inflation protection and yield, as oil remains rangebound; a weaker USD supports gold and commodity demand, while SGD portfolios are advised to hedge currency risks and adopt liquid, futures-based alternatives.</p>



FINANCE | EQUITIES

Global Equity Rotation Accelerates Amid Policy Shifts and Valuation Gaps

Capital Rotation into Undervalued, Service-Led Tech Markets

Global tech equity flows are shifting toward undervalued international markets and service-led models, driven by valuation gaps, dividend strength, and supportive policy in Europe, Japan, Korea, and China.

Valuation Gaps Drive International Outperformance	Global tech equity performance is being driven by valuation gaps, with international markets like Europe and Japan outperforming the US due to lower P/E ratios, stronger dividend yields, and a shift in investor preference away from overstretched US valuations.
Fiscal and Regulatory Shifts Shape Profitability	Digital regulation, tariffs, and fiscal policy—such as US tax cuts and EU defense spending—are shaping tech sector profitability, with public support in markets like Germany, South Korea, and China reinforcing investment into R&D and consumer tech.
Rotation Into Dividend and Service Models	Capital is rotating from hardware and overvalued growth segments into service-heavy, dividend-yielding tech models, while global investors reallocate toward underowned markets like Korea and China with policy-driven tailwinds.

Rising Volatility from Rates, Shocks, and Constraints

Volatility in tech and EM equities is rising due to rate sensitivity, geopolitical shocks, infrastructure shortfalls, and capital constraints in sectors like hardware, semiconductors, and real estate-linked tech.

Rates and Trade Shocks Fuel Volatility	Tech sector volatility is rising due to interest rate sensitivity, elevated valuations, trade policy shocks, and rising capex burdens in hardware and semiconductors, with earnings downgrades and geopolitical instability weighing on sentiment.
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Funding and Infrastructure Constrain EM Growth	EM equity growth is limited by funding gaps, weak infrastructure, and local currency mismatches, particularly in China’s real estate-linked tech sectors and Southeast Asia’s supply chains, despite some improvements in fiscal positions.
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Diversification Toward Thematic and Regional Equity Strategies

Investors are reallocating away from concentrated US exposure into diversified themes such as AI, healthcare, and dividend strategies, while SGD portfolios are advised to favor Asia ex-Japan equities and avoid thin EM markets.

Reallocation Toward Undervalued Global Equities	Investors are reducing concentrated US equity exposure and reallocating toward undervalued regions like Europe, Japan, and Korea, with dividend-paying and defense-linked equities gaining favor due to their stability and earnings visibility.
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Thematic and Cyclical Equity Opportunities	Long-term investment themes include AI, healthcare, high-dividend stocks, and natural resources, while tactical plays such as autos and global small caps benefit from fiscal support, re-rating potential, and diversification gains.
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Asia-Focused Diversification for SGD Portfolios	SGD investors are advised to diversify into Asia ex-Japan equities and high-income strategies to hedge USD exposure, manage volatility, and improve returns, while being cautious in thin EM markets with low liquidity and concentrated risks.
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FINANCE | FIXED INCOME

Global Bond Repricing Accelerates on Fiscal Risk and Inflation Shocks

Rising Yields Drive Demand for Short-Duration Bonds

Global bond yields are rising due to fiscal pressures and inflation, with US and German 10-year yields expected at 4.5% and 3.0%, while investment-grade corporate bonds and EM local currency bonds attract inflows amid USD weakness and rising market volatility.

<p>Rising Yields Amid Fiscal Pressure</p>	<p>Bond yields are rising globally due to fiscal pressures and inflation concerns, with US and German 10-year yields expected to reach 4.5 percent and 3.0 percent respectively; investment-grade corporate bonds remain attractive for their strong fundamentals and high yields, while EM local currency bonds are drawing inflows amid USD weakness.</p>
<p>Policy Shifts Steepen Yield Curves</p>	<p>Fiscal expansion, tariff-driven inflation, and monetary policy shifts are steepening yield curves and increasing bond market volatility, prompting investors to manage duration risk more actively as rate cut expectations and conflicting central bank signals shape market movements.</p>
<p>Rotation Into Defensive Credit</p>	<p>Investors are favoring short-duration, floating-rate, and high-quality investment-grade bonds for stability and income, while reallocating away from tight-spread developed market credit into sovereigns, EM debt, and liquid alternatives to manage volatility.</p>

Inflation and Geopolitical Risks Elevate Bond Market Volatility

Core inflation, fiscal deficits, and geopolitical risks are increasing bond yield volatility, with EM bond stability challenged by structural credit risks, currency depreciation, and weak investor diversity, exacerbated by China’s property sector stress and limited fiscal space.



Inflation and Geopolitics Drive Volatility	<p>Rising core inflation, expanding fiscal deficits, and geopolitical risks such as tariffs and energy shocks are driving bond yield volatility, with markets pricing in 52 basis points of US rate cuts by year-end amid uncertainty around future inflation dynamics.</p>
Structural Risks Weaken EM Bonds	<p>Structural credit risks, currency depreciation, and weak investor diversity are undermining EM bond stability, with China’s property sector stress, limited fiscal space, and thin market liquidity heightening volatility and deterring sustained capital inflows.</p>

Rotation Into EM Debt and Hedging Strategies

Investors are favoring short-duration and floating-rate bonds, reallocating from developed market investment-grade credit toward EM local currency debt, green bonds, and alternatives, while SGD investors are advised to diversify into Asia-focused assets and use hedging tools to manage volatility and enhance portfolio resilience.

Reallocation Toward Sovereigns and Alternatives	<p>Investors are increasing exposure to short-duration and floating-rate bonds while selectively extending into government debt during risk-off periods, reallocating away from developed market IG credit toward EM local currency debt and alternatives for yield and diversification.</p>
Value in EM and Green Bonds	<p>Long-term value is emerging in intermediate bonds, green bonds, and EM debt, while US short-duration and euro sovereigns offer near-term entry points; strong fundamentals support IG corporates, and rate normalization improves prospects for inflation-linked bonds.</p>
FX Hedging for SGD Portfolios	<p>SGD investors are advised to diversify from USD assets into Asia-focused bonds and EM currencies, use FX hedging and interest rate swaps to manage volatility, and incorporate liquid alternatives and regional credit exposure to enhance portfolio resilience.</p>



FINANCE | CURRENCIES

Global FX Realignment Driven by USD Repricing and Policy Divergence

USD Weakness Drives Rotation into Appreciating Currencies

The US dollar is under sustained depreciation pressure due to fiscal deficits and expected Fed rate cuts, driving capital outflows into appreciating currencies like the euro, pound, yen, and Asia FX, with rate differentials, inflation risk, and diverging policy paths amplifying volatility.

<p>USD Depreciation Fuels FX Reallocation</p>	<p>The USD index has fallen to a three-year low due to fiscal deficits and expected Fed rate cuts, prompting capital outflows into non-USD assets. EUR/USD is forecast to rise from 1.17 to 1.25, GBP/USD from 1.37 to 1.44, and USD/JPY to fall from 145 to 138. Regional currencies tied to China are also gaining as global capital reallocates toward appreciating FX.</p>
<p>Rate Cuts and Fiscal Stimulus Drive Volatility</p>	<p>Markets expect 52bps of US rate cuts by year-end and a 3.1 percent terminal rate by 2026, weakening the USD. Bund and JGB yields are rising to 3.0 percent and 1.8 percent respectively, boosting EUR and JPY. Fiscal stimulus in Europe and US tariff hikes are adding inflation risk, while diverging Fed signals and trade progress drive FX volatility and positioning shifts.</p>
<p>Geopolitical Risk Lifts JPY, Pressures EM FX</p>	<p>JPY strengthens in risk-off conditions driven by geopolitical or energy shocks, while EM currencies weaken from capital flight. Risk-on regimes benefit EUR and Asia FX from inflows and USD softness, though excessive euro gains raise ECB concerns. Inflation-sensitive FX like GBP and AUD react strongly to CPI surprises, and policy divergence intensifies currency dispersion.</p>

Yield Shifts and EM Fragility Heighten FX Volatility

Rising sovereign yields, inflation surprises, and geopolitical risks are contributing to heightened FX instability, while structural vulnerabilities in emerging markets such as China’s housing stress and limited fiscal capacity increase currency depreciation risk despite high real yield inflows.



<p>Rising Yields and Inflation Boost FX Instability</p>	<p>US, German, and Japanese yields are forecast to rise, supporting EUR and JPY versus USD. US inflation at 2.7 percent and tariff-induced shocks heighten FX volatility. Geopolitical tensions like US-Japan trade threats and diverging central bank responses further complicate USD stability and drive directional shifts in major pairs.</p>
<p>EM FX Pressured by Structural Weaknesses</p>	<p>China’s housing sector stress and limited fiscal space in EMs increase depreciation risks and outflow pressure. Weak EM monetary support, external debt exposure, and low bond market diversity raise FX fragility. High real yields (e.g., 5.9 percent in LCY bonds) attract inflows, but these are vulnerable to reversals on inflation or rate shifts.</p>

Long EUR, GBP, JPY Trades with SGD Hedging Strategy

Preferred positioning includes long EUR/USD, GBP/USD, and short USD/JPY, supported by monetary divergence and fiscal stimulus, while SGD-based investors are advised to hedge USD risk and diversify into Asia FX, EM bonds, and liquid alternatives to manage volatility and enhance returns.

<p>Short USD and Long Asia FX Bias</p>	<p>The base case favors short-USD trades, including long EUR/USD and GBP/USD and short USD/JPY. European fiscal expansion and Japanese monetary divergence support these trades. Asia FX is favored via long KRW, SGD, and local currency bonds. Near-term consolidation in EUR/USD is likely, while regional exporters benefit from trade diversification away from China.</p>
<p>Rate Differentials Support EUR, GBP, JPY Trades</p>	<p>Long EUR/USD, GBP/USD, and short USD/JPY remain attractive due to rate differentials and safe-haven flows. JPY and CHF may appreciate in risk-off scenarios, while policy divergence supports MXN and INR. Trade resolution lifts GBP, CNY, and VND, though trade threats targeting Japan introduce short-term JPY downside.</p>
<p>SGD Portfolios Urged to Hedge USD Risk</p>	<p>SGD-based investors should hedge USD risk using forwards or swaps, especially amid weakening USD. Diversification into Asia FX and EM bonds enhances returns and reduces correlation with developed markets. Liquid alternatives and currency overlays provide additional protection, while interest rate swaps help manage duration risk in short-term USD or EUR exposures.</p>



FINANCE | COMMODITIES

Geopolitics and Inflation Reshape Global Commodity Investment Strategies

Gold Rises, Oil Falls on Macro Divergence

Oil is projected to decline while gold rises due to divergent macro roles, as geopolitical risks and inflation hedging drive gold demand, while tariffs and fiscal shifts disrupt commodity flows but boost long-term investment in industrial and energy-linked sectors.

<p>Oil Weakens, Gold Gains Momentum</p>	<p>Brent crude is projected to fall from USD 67.8 to USD 56 due to weakening demand and oversupply, while gold is expected to rise from USD 3,273 to USD 3,920 amid safe-haven demand and inflation hedging. Crude oil remains rangebound with geopolitical risk premiums driving short-term spikes, whereas gold’s narrow trading band reflects cautious positioning in response to macro uncertainty.</p>
<p>Tariffs and Fiscal Policy Disrupt Commodities</p>	<p>US tariff hikes and fiscal spending are inflating input costs and disrupting commodity supply chains, particularly in raw materials and strategic sectors. While subsidy cuts may reduce renewable investment, defense-related fiscal expansion in Germany and new trade deals are driving long-term capital flows into industrial and energy-linked commodities.</p>
<p>Gold Steady, Industrial Metals Cyclical</p>	<p>Gold is set to rise by 19.8 percent as a defensive hedge, while oil is expected to decline by 17.4 percent due to cyclical growth exposure and supply imbalances. Strong manufacturing activity benefits industrial metals like copper, but gold maintains more consistent demand as an inflation and volatility buffer.</p>

Inflation and EM Constraints Drive Commodity Volatility

A USD 12 oil risk premium, rising US inflation, and shifting rate expectations are increasing volatility, while China’s housing crisis and EM fiscal limits are curbing commodity infrastructure and trade, partially offset by new trade agreements.



Inflation and Geopolitics Drive Volatility	<p>Oil prices reflect a USD 12 geopolitical premium, while rising tariffs and supply shocks add inflationary volatility across commodities. Core US inflation has reached 2.7 percent, and shifting interest rate expectations are increasing uncertainty in rate-sensitive assets like gold and oil, amplified by USD weakness and EUR strength.</p>
EM Constraints Limit Commodity Output	<p>China’s real estate crisis and limited fiscal flexibility across EMs are reducing demand and infrastructure funding for commodity production and exports. Tariffs, capital flow risks, and supply chain shifts are complicating EM trade logistics, though finalized trade deals with key partners offer some stabilization for export-driven investment.</p>

Hedging and Rotation into Gold, EM Assets

Investors are reallocating toward gold and liquid alternatives, underweighting oil, and using hedging strategies like currency overlays and short-term contracts to manage volatility, with EM-linked assets and USD weakness supporting selective commodity exposures.

Investor Rotation Into Defensive Commodities	<p>Investors are rotating into gold and liquid alternatives while underweighting oil due to oversupply, with tactical long-short strategies exploiting macro-driven price ranges. A 4.3 percent YTD drop in broad commodities, down from an 11.4 percent gain last year, reflects shifting positioning toward cyclical assets and EM-linked exposures.</p>
Gold and Metals Favoured by Policy	<p>Gold is forecast to rise to USD 3,920, while infrastructure and defense spending in Europe supports demand for industrial metals. Oil remains sensitive to geopolitical premiums, and a weak USD is bolstering global demand for dollar-denominated commodities like gold and energy.</p>
Hedging Strategies for SGD Exposure	<p>SGD-based investors are encouraged to hedge USD commodity exposures through currency overlays and diversify into EM Asia bonds. Liquid alternatives and short-term contracts help manage stagflation risk and rate uncertainty, while futures and options offer protection against illiquidity and price volatility in EM-linked commodity assets.</p>

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