Market Watch

As of July 2026

What's Been Happening

Global

Tensions between the U.S. and Iran remain high, with continued military tensions and efforts to prevent a wider conflict. Recent exchanges have involved attacks on U.S. interests in the region and retaliatory strikes against Iran-aligned groups, increasing concerns about further escalation. At the same time, diplomatic efforts, including mediation through Oman, are ongoing to reduce tensions, particularly regarding security in the Strait of Hormuz, a vital route for global energy supplies. The situation continues to pose risks to regional stability, international shipping, and global oil markets.

US

The U.S. labor market showed signs of slowing in June, despite a decline in the unemployment rate, tempering some of the recent momentum in job growth. The slowdown was largely driven by a significant drop in leisure and hospitality employment, marking the sector's largest payroll decline since 2020. Inflation eased in June as headline inflation slowed to 3.5% from 4.2% in May, while core inflation (excluding food and energy) remained unchanged month-on-month and eased to 2.6% year-on-year. The decline was mainly driven by lower energy prices, particularly gasoline, which helped reduce overall price pressures. The U.S. Federal Reserve also kept interest rates unchanged at 3.5% - 3.75% for the fifth straight policy meeting on the 29 July 2026 matching expectations.

UK

The UK economy grew by 0.1% month-on-month in May 2026, recovering from a 0.1% contraction in April. Growth was driven by the services sector up by 0.3%, particularly scientific research and development (+5.1%), while production (-0.5%) and construction (-0.8%) declined. Over the three months to May, GDP expanded by 0.7%, reflecting continued but modest economic resilience amid ongoing geopolitical and cost pressures.

Singapore

Singapore's economy remained resilient in Q2 2026, supported by strong manufacturing and technology-related activity. Advance estimates showed that GDP grew 5.7% year-on-year in Q2 2026, following revised growth of 6.3% in Q1 2026, with quarter-on-quarter seasonally adjusted growth of 1.1%. Growth was primarily driven by the manufacturing sector, which expanded 12.2% year-on-year, supported by strong demand for semiconductors and semiconductor manufacturing equipment linked to AI-related activity, while services industries continued to provide support. However, risks remained from geopolitical uncertainty, including the Middle East conflict, which contributed to supply-chain disruptions and potential inflationary pressures.

Global Benchmark Rates

	As of 31 July 2026	As of 30 June 2026
US (The Federal Reserve)	3.750%	3.750%
UK (Bank of England)	3.750%	3.750%
MAS 3 month	1.505%	1.426%

FX Rates

	As of 31 July 2026	1 WK (%)	1 MTH (%)	YTD (%)
USD/SGD	1.2828	-0.60%	-0.99%	-0.17%
EUR/SGD	1.4775	0.66%	0.26%	-2.09%
GBP/SGD	1.7286	0.53%	0.52%	-0.21%
AUD/SGD	0.9005	-0.09%	0.83%	5.05%
NZD/SGD	0.7538	0.87%	2.57%	1.85%
CAD/SGD	0.9145	-0.13%	0.34%	-2.52%
JPY/SGD	0.8137	3.31%	2.12%	-0.73%
CHF/SGD	1.5870	0.59%	-0.83%	-2.08%
HKD/SGD	0.1635	-0.67%	-1.03%	-0.97%
SAR/SGD	0.3417	-0.64%	-0.96%	-0.26%
MYR/SGD	0.3142	-0.44%	-0.79%	-0.76%
AED/SGD	0.3492	-0.63%	-0.99%	-0.20%

FX News

The U.S. dollar strengthened to a one-month high, supported by renewed tensions in the Middle East that boosted safe-haven demand. However, towards the end of the month, the dollar retreated following the Federal Reserve's decision to leave interest rates unchanged.

The Singapore dollar strengthened after the Monetary Authority of Singapore (MAS) unexpectedly tightened its monetary policy stance by allowing the currency to appreciate at a faster pace amid persistent inflation pressures. The move further supported the currency, with markets viewing the adjustment as a continued commitment by MAS to contain inflation.

The pound sterling started the month strongly, particularly against the euro, reaching its highest level in about a year. Sterling benefited from weaker eurozone inflation and expectations that the Bank of England would keep interest rates higher for longer than the European Central Bank. However, gains were limited by concerns over slowing U.K. economic activity.

The Japanese yen remained under pressure, with USD/JPY reaching elevated levels as investors sought the safety of the U.S. dollar amid renewed Middle East tensions. However, expectations of a more hawkish stance from the Bank of Japan provided some support for the yen, as markets assessed the possibility of further rate hikes amid persistent inflationary pressures.

The New Zealand dollar was among the stronger-performing G10 currencies after the Reserve Bank of New Zealand raised its Official Cash Rate by 25 basis points and signaled that further policy tightening may be required to return inflation to target. The hawkish stance supported the currency, with NZD/USD recovering.

FX Outlook

The US dollar is expected to face some downward pressure in the coming months as investors increasingly believe that US interest rates may be near their peak. Federal Reserve pauses further rate increases, demand for the dollar could moderate. However, the dollar is still likely to remain relatively strong because it continues to be viewed as a safe-haven currency during periods of global uncertainty. Overall, a gradual weakening rather than a sharp decline is the most likely scenario.

The Singapore dollar is expected to remain stable and resilient. Singapore's central bank recently tightened monetary policy to manage inflation, which supports the currency. Combined with Singapore's strong economic fundamentals and robust policymaking, the SGD is likely to remain one of the more stable currencies in Asia, although significant appreciation is not expected.

The British pound may face some challenges despite recent gains. While the UK economy has shown some resilience, concerns remain about the country's fiscal position, inflation and broader economic outlook. Much of sterling's recent strength appears to have driven by market sentiments rather than fundamental improvements. As a result, the pound could give back some of its recent gains in the months ahead.

The euro outlook remains mixed. Inflation remains above the European Central Bank's target, which could keep interest rates relatively high and provide some support for the currency. However, weak economic growth and the Eurozone's exposure to higher energy prices may limit further gains. The euro could strengthen modestly if the U.S. dollar weakens, although geopolitical and economic uncertainty will remain key risks.

The Japanese yen is expected to strengthen gradually over the medium term as rising inflation in Japan increases the likelihood of further interest rate hikes by the Bank of Japan. As Japan continues to move away from its long-standing low interest rate environment, the yen could become more attractive to investors. In addition, a more stable or softer US dollar may provide further support to the currency. However, short-term volatility may persist if US interest rates remain elevated or global market uncertainty increases.

Outlook

US

The US economy is expected to continue growing at a moderate pace around 2% to 2.5% annually, supported by consumer spending, business investment, and technology growth. Inflation is expected to gradually decline toward the Fed's 2% target, while unemployment remains near 4%. However, risks remain from high interest rates, government debt, global uncertainty, and potential weakness in consumer spending, which could slow growth further.

UK

Most major institutions, including the IMF, OECD, and the UK Office for Budget Responsibility (OBR), project UK GDP growth of around 1% in 2026, reflecting a modest but positive outlook. Growth is expected to be supported by easing inflation and a gradual recovery in consumer and business confidence, though it will likely remain below historical averages due to weak productivity, high public debt, and relatively elevated interest rates. While sectors such as financial services, technology, and private credit remain resilient, the overall outlook is for steady but subdued economic growth rather than a strong expansion.

Singapore

GDP growth is expected to be supported by a recovery in manufacturing, strong demand for semiconductors and AI-related technology, continued strength in financial and professional services, and sustained foreign investment. The economy is projected to grow at a moderate pace of around 2%-4%, although growth will depend heavily on global conditions given Singapore's open, trade-dependent economy. Inflation is expected to remain manageable but could face pressure from energy prices, supply-chain disruptions, and geopolitical tensions.

Source: Bloomberg and Reuters