

Market Watch

As of September 2026



What's Been Happening

Global

Renewed Middle East tensions have pushed oil prices higher, with Brent crude rising above USD100/bbl as concerns over potential supply disruptions persist. Brent reached around USD107/bbl on 29 September 2026, despite some recovery in Middle Eastern crude exports, as shipping through key routes such as the Strait of Hormuz remains more costly and inefficient. The sustained rise in energy prices has renewed concerns over global inflation, as higher oil prices feed through to transportation costs, production costs and consumer prices. Market participants therefore continue to monitor developments in the US-Iran conflict closely, as any further disruption to regional energy flows could place additional upward pressure on oil prices and inflation expectations.

Against this backdrop, renewed inflationary pressure is complicating the outlook for monetary policy, with central banks facing less room to ease interest rates. The US Federal Reserve raised its policy rate range by 25bps to 3.75%-4.00% in September, its first rate increase in three years, while signalling that further tightening could be required if inflation remains elevated. This shift in rate expectations has contributed to a sharp rise in US Treasury yields, with the 10-year yield climbing to around 5.25%, its highest level since 2007. The resulting higher global borrowing costs are adding pressure to fixed-income valuations, including sukuk, while higher discount rates may also weigh on equity valuations.

US

The US economy remained relatively resilient in August, with business activity continuing to expand and the labour market showing signs of stability. The ISM Manufacturing PMI registered 54.6, marking the eighth consecutive month of expansion, while non-farm payrolls increased by 162,000 and the unemployment rate remained at 4.1%. However, inflation remained elevated, with headline CPI rising 3.4% Y-o-Y. The combination of resilient economic activity and persistent price pressures continued to constrain the Federal Reserve's room to ease monetary policy, reinforcing expectations for a cautious approach to interest rates and keeping upward pressure on US Treasury yields.

UK

The UK economy remained resilient, although domestic demand and labour-market conditions showed signs of softening. Unemployment remained at 4.9%, while payroll employment continued to decline. At the same time, inflation remained elevated, with headline CPI rising to 3.1% Y-o-Y in August from 2.9% in July, driven largely by higher transport and motor fuel prices. With price pressures still elevated and labour-market conditions showing signs of weakening, the Bank of England (BOE) is likely to take a measured approach to monetary policy, with future rate decisions guided closely by incoming economic data.

Singapore

Singapore's economy continued to benefit from strong external demand in August, particularly from the ongoing global AI and electronics cycle, with non-oil domestic exports surging 46.2% Y-o-Y. Meanwhile, inflationary pressures strengthened, with headline CPI rising to 2.3% Y-o-Y in August from 2.2% in July. The labour market remained resilient, with unemployment at 1.9% in June, although higher retrenchments and slower resident employment growth indicated some softening in labour-market conditions.



Global Benchmark Rates

	As of 30 September 2026	As of 31 August 2026
US (The Federal Reserve)	4.000%	3.750%
UK (Bank of England)	3.750%	3.750%
MAS 3 month	1.846%	1.483%

FX Rates

	As of 30 September 2026	1 WK (%)	1 MTH (%)	YTD (%)
USD/SGD	1.2772	-0.23%	0.50%	-0.61%
EUR/SGD	1.4470	-0.69%	-1.95%	-4.12%
GBP/SGD	1.6949	0.01%	-1.58%	-2.16%
AUD/SGD	0.8875	-1.50%	-2.58%	3.53%
NZD/SGD	0.7198	-0.89%	-4.28%	-2.74%
CAD/SGD	0.8977	-1.10%	-2.14%	-4.31%
JPY/SGD	0.8118	0.42%	2.02%	-0.96%
CHF/SGD	1.5289	-1.44%	-2.75%	-5.66%
HKD/SGD	0.1629	-0.18%	0.49%	-1.33%
SAR/SGD	0.3402	-0.18%	0.50%	-0.70%
MYR/SGD	0.3130	-0.19%	-1.01%	-1.14%
AED/SGD	0.3479	-0.20%	0.55%	-0.57%

FX News

The U.S. dollar remained buoyant, reaching recent highs against several major currencies. Its primary catalyst was the Federal Reserve's decision to raise rates by 25 basis points, the first hike since 2023. Rising oil prices and elevated geopolitical uncertainty further supported the dollar, alongside a surge in long-term Treasury yields. The dollar retreated modestly from its peak toward month-end as the probability of an October Fed hike declined.

The Singapore dollar initially strengthened, supported by the Monetary Authority of Singapore's tighter policy stance and Singapore's relative resilience against regional currencies. However, the currency weakened later in the month as the U.S. dollar gained strength globally amid higher U.S. Treasury yields and changing expectations around U.S. monetary policy.

The British pound experienced a weak and volatile month, particularly against the U.S. dollar, as a stronger dollar and tighter U.S. monetary policy expectations weighed on sterling. The pound approached a three-month low in late September before recovering slightly, supported by stronger U.K. growth and expectations that the Bank of England would eventually tighten policy to address elevated inflation risks, even though the BOE held its policy rate unchanged.

The euro came under pressure, falling to a three-month low in late September. The currency was weighed down by a stronger dollar and rising U.S. Treasury yields, while higher European energy costs clouded the economic outlook. The European Central Bank raised interest rates by 25 basis points, but the move provided only limited support for the euro amid concerns over weaker European growth.

The yen strengthened earlier in the month, reaching its strongest level in seven months, supported by expectations of further Bank of Japan monetary tightening and growing concerns over possible government intervention to curb yen weakness. The BOJ raised its policy rate by 25 basis points to its highest level since 1995. However, the yen subsequently weakened despite the rate hike.

FX Outlook

The USD outlook remains constructive heading into Q4 2026, supported by elevated Treasury yields and expectations that the Federal Reserve may maintain a restrictive policy stance for longer. While recent softer economic indicators have reduced immediate rate hike expectations, the dollar continues to benefit from its yield advantage and safe-haven appeal. Overall, further USD strength remains possible, particularly if inflation and labour-market data continue to surprise to the upside.

The SGD is expected to remain one of the region's strongest currencies in Q4 2026. Singapore's growth forecast has been revised higher to 4.5%-5.5%, supported by AI-related investments and resilient domestic activity. At the same time, MAS is expected to maintain an appreciating SGDNEER policy stance, with some market participants anticipating further tightening at the October policy review. Even during periods of broad USD strength, the SGD has remained relatively resilient, suggesting sustained demand for Singapore assets. As such, the SGD is likely to continue outperforming regional peers, particularly currencies with weaker external balances and more accommodative monetary policies.

The outlook for the British pound has improved following stronger economic growth and expectations that UK interest rates will remain high. While a strong USD may continue to limit gains, sterling is expected to stay relatively supported and could gradually strengthen if the UK economy continues to outperform expectations.

The euro's performance continues to be constrained by the stronger momentum of the US economy. While economic conditions across Europe have gradually improved, investors remain more attracted to US assets, supporting demand for the dollar and limiting gains in the euro. Unless growth prospects in Europe improve further or the US economy begins to lose momentum, the euro is likely to remain range-bound.

The outlook for the Japanese yen has improved as economic growth remains positive, inflation is holding near 2%, and wages are rising. Financial markets are increasingly expecting further policy tightening in Japan, which has helped improve confidence in the yen after a prolonged period of weakness.





Outlook

US

Looking ahead, the US economy is expected to remain relatively resilient, supported by continued business investment, particularly in AI-related infrastructure, and stable consumer spending. However, persistent inflation is likely to keep the Federal Reserve cautious, with monetary policy remaining restrictive and the path of interest rates highly dependent on incoming inflation and labour-market data. This could keep US Treasury yields relatively high, maintaining pressure on global fixed-income valuations while creating a more challenging environment for interest-rate-sensitive assets.

UK

The UK economy is expected to experience modest growth, although the outlook remains vulnerable to elevated energy prices and renewed inflationary pressures. The BOE expects inflation to rise further in the coming months, potentially exceeding 4% in early 2027 if energy prices remain elevated. At the same time, weaker labour-market conditions and subdued demand could limit the extent to which higher energy costs translate into broader and more persistent inflation. Against this backdrop, monetary policy is likely to remain restrictive, with the future direction of interest rates dependent on the duration of the energy shock and evidence of broader inflationary pressures.

Singapore

Looking ahead, Singapore's economic outlook remains relatively firm, supported by continued strength in the global electronics cycle and AI-related investment, which should sustain activity in the manufacturing and trade-related sectors. However, higher energy and import costs are expected to keep inflationary pressures elevated, with MAS Core Inflation forecast to remain above recent levels into early 2027 before easing as global energy prices moderate. Against this backdrop, Singapore's growth momentum is expected to remain supported, although external uncertainties and the risk of weaker global demand could weigh on the outlook.

Source: Bloomberg and Reuters

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