

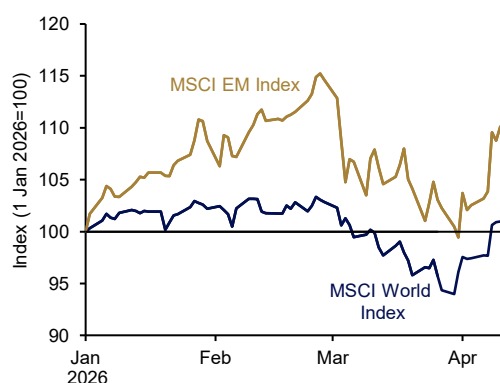
1 Financial Conditions

1.1 Global Developments

Market sentiments have weakened following the onset of the Middle East conflict

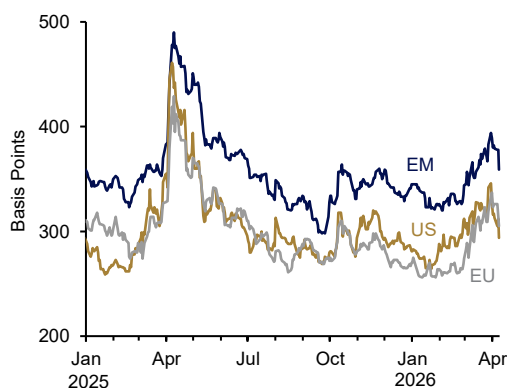
Global financial conditions have tightened since the last *Review*. The outbreak of hostilities in the Middle East in end-February has led to a surge in global energy prices. In tandem, equity markets corrected (**Chart 1.1**), the VIX increased, and corporate credit spreads widened from historical lows (**Chart 1.2**). Benchmark yields in the key advanced economies also increased, with short-term interest rates rising more sharply (**Chart 1.3**) as markets anticipate tighter monetary policy. Meanwhile, the Nominal Broad US Dollar index strengthened, exerting downward pressure on most other currencies (**Chart 1.4**).

Chart 1.1 Global Equity Indices



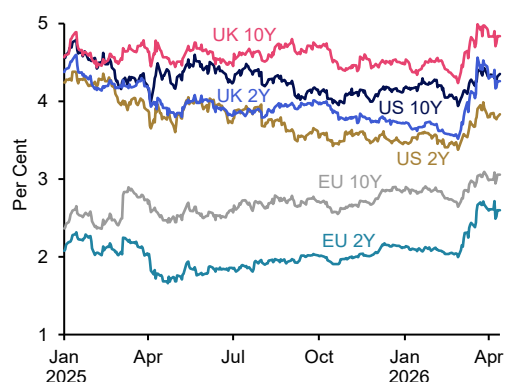
Source: Bloomberg

Chart 1.2: High-Yield Credit Spreads



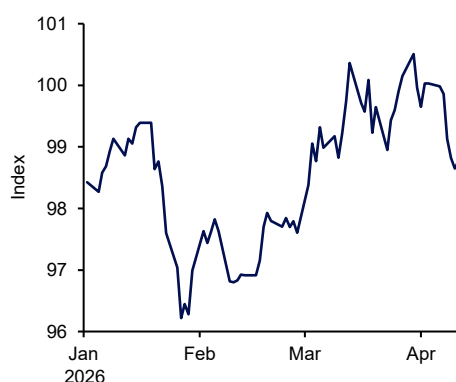
Source: ICE Data Indices, LLC, retrieved from Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis.

Chart 1.3: Key Benchmark Yields



Source: Bloomberg

Chart 1.4: Nominal Broad Dollar Index



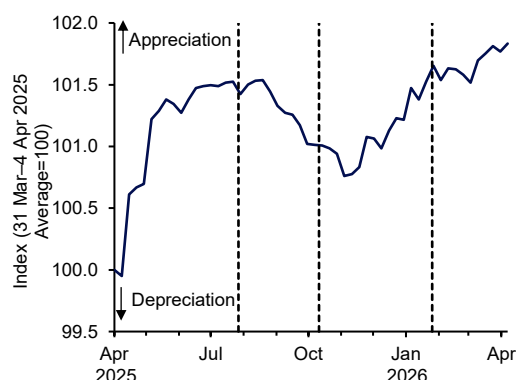
Source: Bloomberg

1.2 Domestic Developments

The S\$NEER came under appreciation pressures

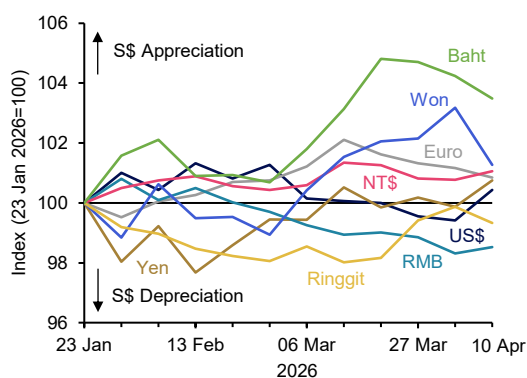
The trade-weighted S\$ appreciated in the upper half of the S\$NEER policy band from early March (Chart 1.5). Since the last *Review*, the S\$ has strengthened against the G3 currencies, as well as the Thai baht, Korean won and New Taiwan dollar (NT\$) (Chart 1.6). At the same time, it weakened slightly against the Chinese yuan (RMB) and Malaysian ringgit.

Chart 1.5: S\$NEER, Weekly Average



Source: EPG, MAS estimates

Chart 1.6: Bilateral Exchange Rates

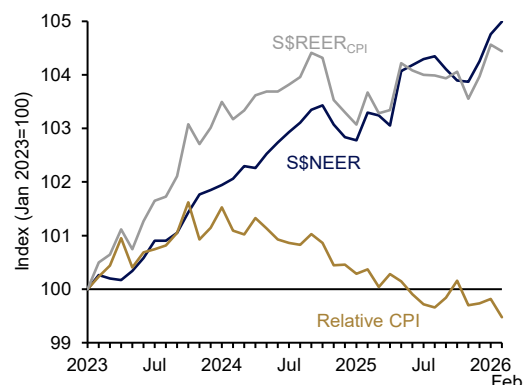


Source: EPG, MAS estimates

Note: Data displayed are up to 10 April. Vertical dashed lines indicate the last three releases of the MPS.

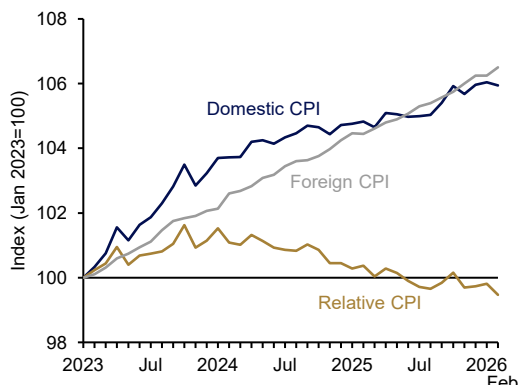
As a result of the strengthening nominal exchange rate, the S\$REER has started to increase since December 2025. The S\$REER is now close to its previous peak in September 2024, driven entirely by the increase in the S\$NEER, as the pace of domestic CPI inflation in Singapore has been low and below the pace recorded in Singapore's major trading partners (Chart 1.7 and Chart 1.8).

Chart 1.7: S\$ Real Effective Exchange Rate



Source: EPG, MAS estimates

Chart 1.8: Domestic and Foreign CPIs



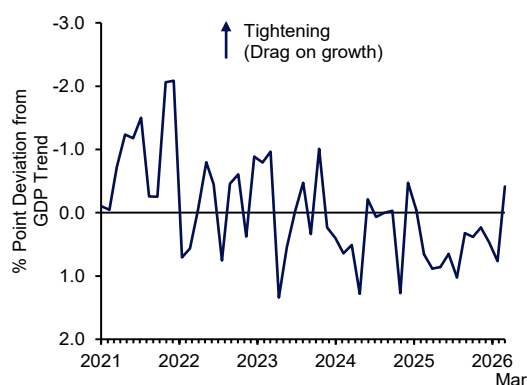
Source: Haver Analytics and EPG, MAS estimates

Note: The S\$REER is constructed from seasonally adjusted domestic CPI and foreign CPI data series.

Domestic financial conditions tightened slightly

Global risk-off sentiments spilled over into Singapore's financial conditions in Q1 2026 (Chart 1.9).¹ Falling global equity prices, a stronger US\$ and higher long-term bond yields have tightened domestic financial conditions modestly. Nonetheless, S\$ benchmark short-term interest rates have remained stable thus far (Chart 1.10), limiting the impact on lending conditions. Bank lending to resident consumers and businesses continued to expand by 6.2% y-o-y in February 2026, while broad money supply, as measured by M2, rose by 5.1% y-o-y (Chart 1.11).

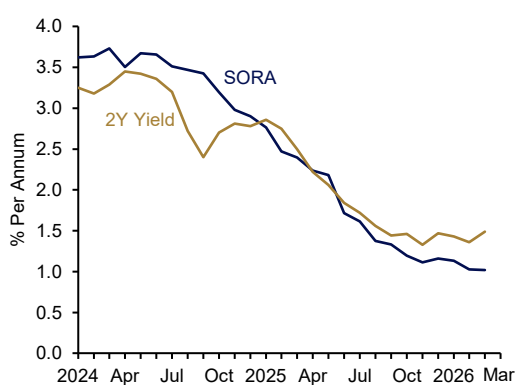
Chart 1.9: Domestic Financial Conditions Index (FCI)



Source: EPG, MAS estimates

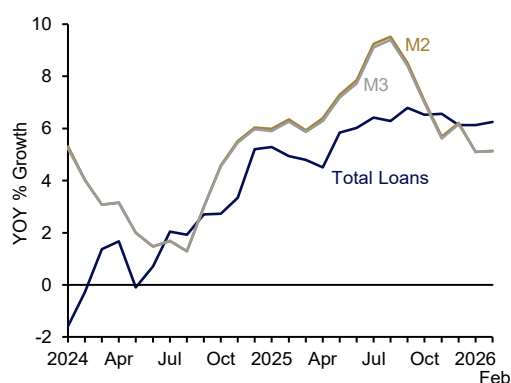
Note: The Jan–Mar 2026 FCI values are interim figures based on latest available component data.

Chart 1.10: S\$ SORA and S\$ Government Bond Yields



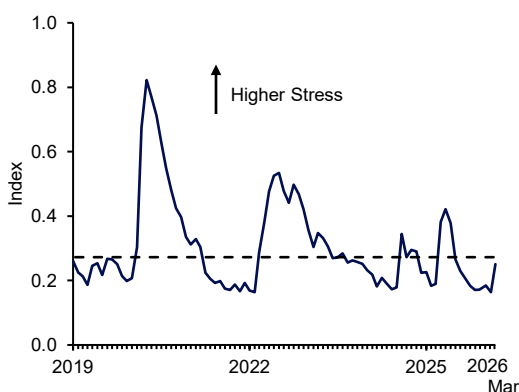
Source: MAS

Chart 1.11: Total Loans and Monetary Aggregates



Source: MAS

Chart 1.12: Singapore Financial Stress Index (FSI)



Source: Haver Analytics and EPG, MAS estimates

Note: The FSI is normalised to [0,1], with 1 indicating historic high levels of stress. Its median level is indicated by the dotted line.

¹ The Financial Conditions Index (FCI) is a summary indicator which estimates the impact of financial variables on the Singapore economy. It includes a wide range of variables such as domestic asset prices (e.g., equity and property), credit and money growth, interest rates, and global indicators (e.g., equity prices, benchmark yields).

Looking ahead, domestic financial conditions remain vulnerable to global and regional financial market stresses. Further adverse developments in the Middle East could cause risk sentiments to deteriorate significantly and amplify the shocks on real economic activity. The key channel is a tightening in lending conditions, which would lead to rising borrowing costs coinciding with surging input costs. While Singapore's FSI² has remained below its historical median as of March, financial stress would rise more sharply if external risks materialise (Chart 1.12).

² The Financial Stress Index (FSI) is a composite measure which estimates domestic financial stress across five key market segments (equity, FX, bond, short-term funding markets and the financial intermediaries sector). Besides aggregating price movements in these markets, the FSI also monitors cross-market correlations to detect potential financial contagion.