

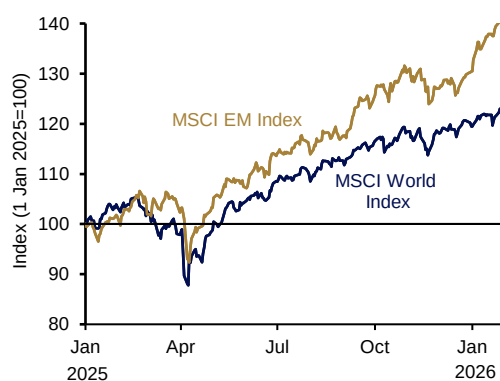
# 1 Financial Conditions

## 1.1 Global Developments

### Market sentiments have remained buoyant

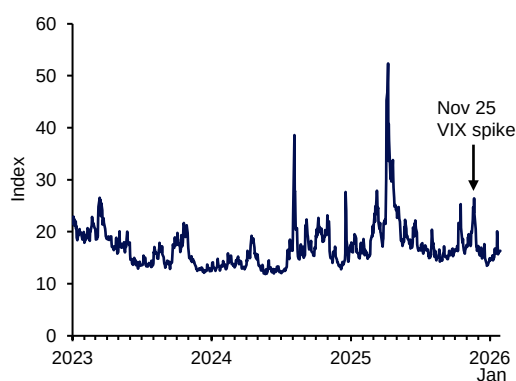
**Global financial conditions have generally remained accommodative since the last *Review*.** Equity markets have continued their advance, with the MSCI World and MSCI Emerging Markets indices gaining 3.9% and 9.1% respectively since end-October 2025 (**Chart 1.1**). The VIX spiked briefly in November (**Chart 1.2**) on concerns that valuations of mega-cap technology firms were stretched, but has recovered since then to a level below that at the last *Review*. Corporate credit spreads against government bonds remain compressed (**Chart 1.3**). Interest rate movements have become more varied across tenors and regions. In the US, the government bond yield curve has steepened slightly, while 10-year Japan government bond yields have risen by more than 50bps, coinciding with the Bank of Japan's decision to tighten policy rates (**Chart 1.4**). The Nominal Broad US Dollar index fell by 3.7%, bringing its decline since the start of 2025 to 11.5%.

**Chart 1.1 Global Equity Indices**



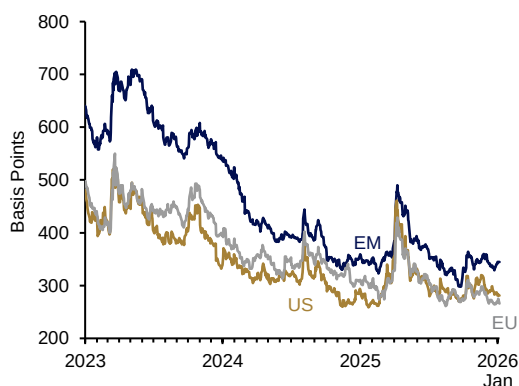
Source: Bloomberg

**Chart 1.2: VIX Index**



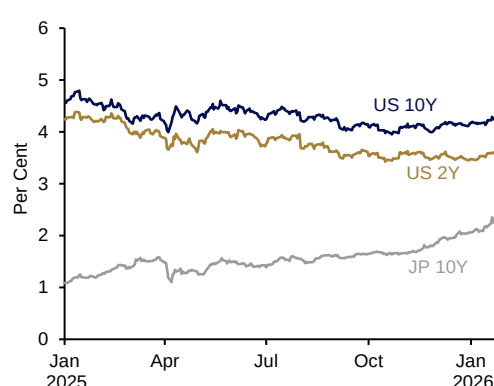
Source: Bloomberg

**Chart 1.3: High-Yield Credit Spreads**



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

**Chart 1.4: Selected Key Interest Rates**



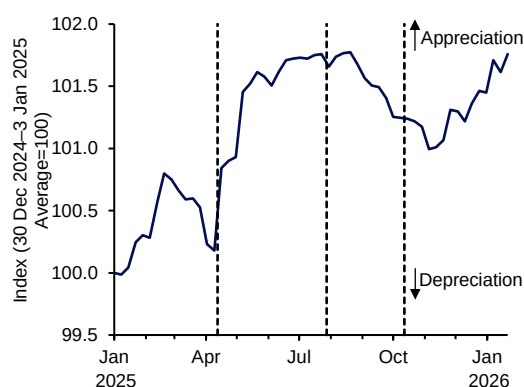
Source: Haver Analytics

## 1.2 Domestic Developments

### The S\$NEER has appreciated within the policy band since late November

The trade-weighted S\$ depreciated modestly in the weeks following the October MPS but subsequently appreciated in the upper half of the S\$NEER policy band from late November (Chart 1.5). Since the last *Review*, the S\$ has strengthened against the G3 currencies, as well as the Korean won and New Taiwan dollar (NT\$) (Chart 1.6). At the same time, it has weakened against the Chinese yuan (RMB) and Malaysian ringgit.

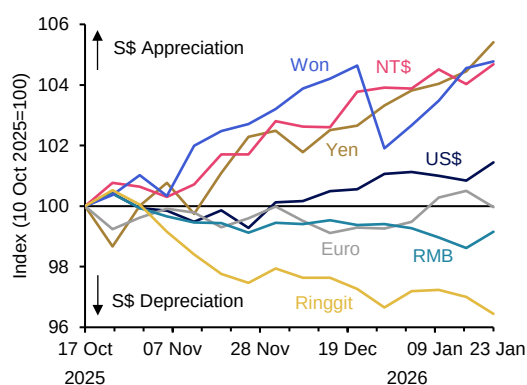
Chart 1.5: S\$NEER, Weekly Average



Source: EPG, MAS estimates

Note: Data displayed are up to 23 January. Vertical dashed lines indicate the last three releases of the MPS.

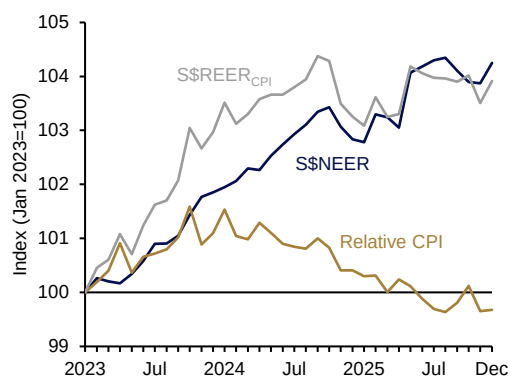
Chart 1.6: Bilateral Exchange Rates



Source: EPG, MAS estimates

The S\$REER had moderated between May to November 2025, reflecting both the decline in the S\$NEER and relatively lower pace of CPI inflation in Singapore compared to abroad (Chart 1.7 and Chart 1.8). However, the subsequent appreciation in the S\$NEER contributed to an increase in the S\$REER in December.

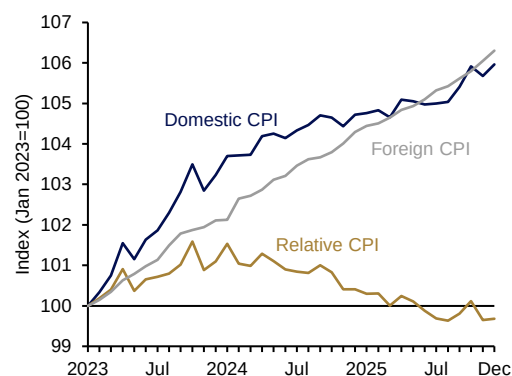
Chart 1.7: S\$ Real Effective Exchange Rate



Source: EPG, MAS estimates

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

Chart 1.8: Domestic and Foreign CPIs

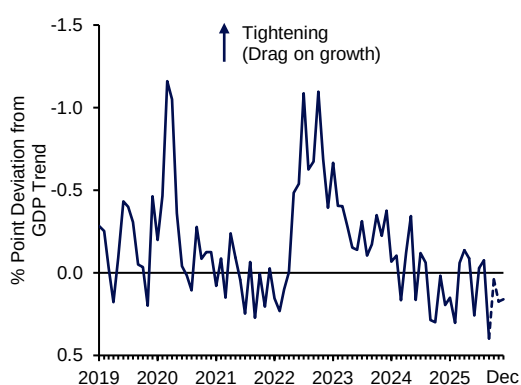


Source: Haver Analytics and EPG, MAS estimates

## Domestic financial conditions remained accommodative

Singapore's financial conditions reflected that of global markets in Q4 2025 (Chart 1.9). The local equity market extended its positive momentum, climbing 7.5% from October to December. Bank lending to consumers and businesses expanded by 6.6% y-o-y in November, while money supply, as measured by M2, rose by 5.7% y-o-y (Chart 1.10). Domestic short-term interest rates and short-term yields stabilised in Q4, after having declined since Q2 2024 (Chart 1.11).

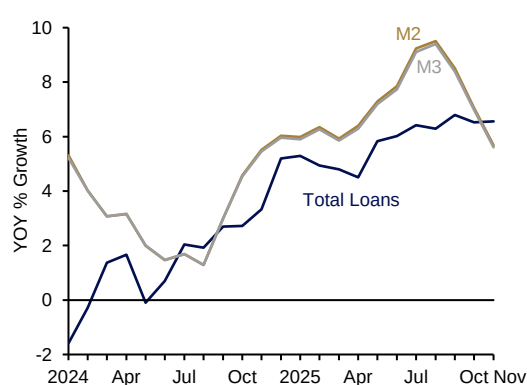
**Chart 1.9: Domestic Financial Conditions Index (FCI)**



Source: EPG, MAS estimates

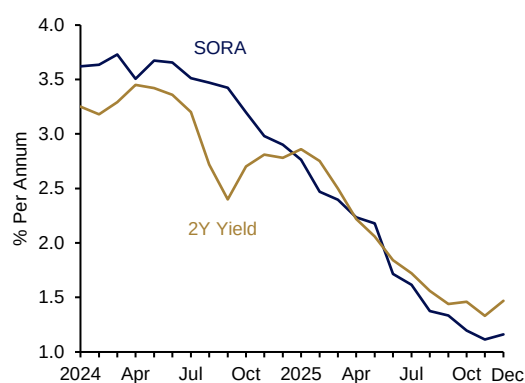
Note: The Oct–Dec 2025 FCI values are interim figures based on latest available component data.

**Chart 1.10: Total Loans and Monetary Aggregates**



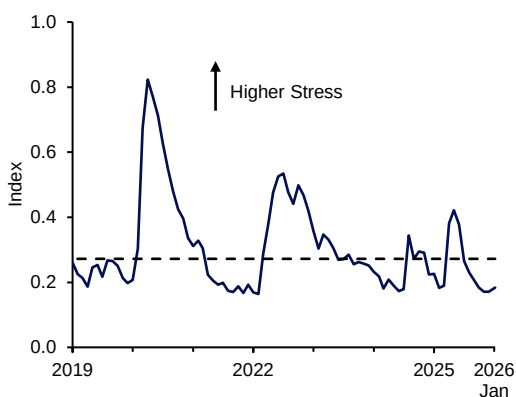
Source: MAS

**Chart 1.11: S\$ SORA and S\$ Government Bond Yields**



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.

**Looking ahead, the build-up of global financial vulnerabilities could pose risks to domestic financial conditions.** While Singapore's FSI remains subdued due to low volatility in global financial markets (Chart 1.12), geopolitical instability, fiscal sustainability concerns and increased uncertainty surrounding the commercial viability of AI investments could trigger revisions in investor risk sentiments. This could lead to potentially sharp corrections in financial markets, especially amid rich valuations and compressed risk premia.