

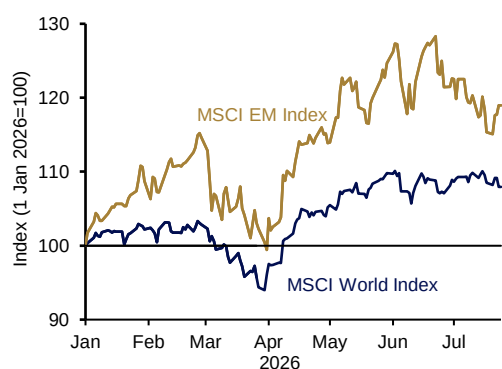
1 Financial Conditions

1.1 Global Developments

Market sentiment has improved from April

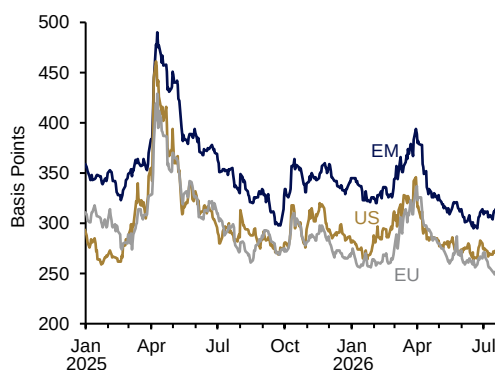
Global financial conditions have eased since the April *Review*. Improved optimism surrounding the broader AI ecosystem contributed to a rebound in equity markets (**Chart 1.1**), while the retreat of energy prices from their peak in April also supported risk sentiment. In turn, corporate credit spreads narrowed (**Chart 1.2**). While benchmark yields in most advanced economies declined initially given expectations of lower energy-driven inflationary pressures, they have since picked up amid renewed Middle East tensions (**Chart 1.3**). In the US, higher government bond yields and expectations of tighter monetary policy supported a stronger US Dollar (**Chart 1.4**).

Chart 1.1 Global Equity Indices



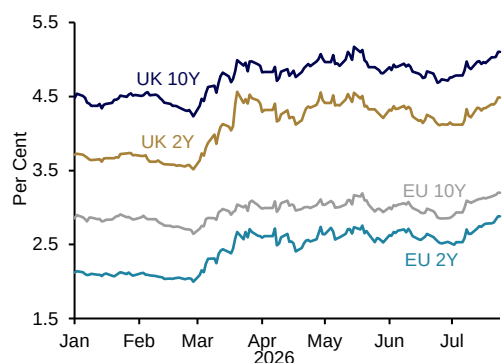
Source: Bloomberg

Chart 1.2: High-Yield Credit Spreads



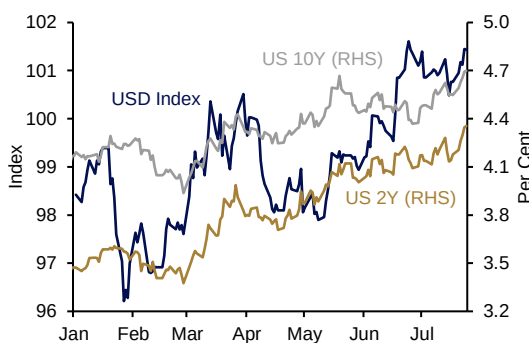
Source: ICE Data Indices, LLC, retrieved from Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis.

Chart 1.3: EU and UK Bond Yields



Source: Bloomberg

Chart 1.4: Nominal Broad Dollar Index and US Bond Yields



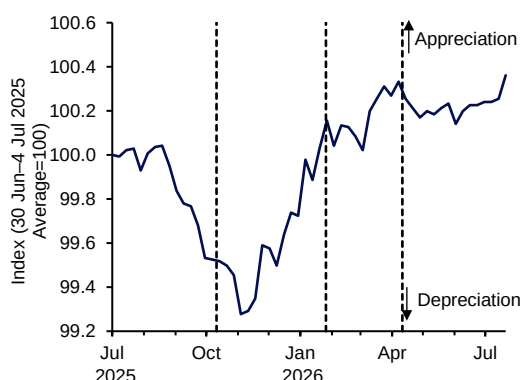
Source: Bloomberg

1.2 Domestic Developments

The S\$NEER has averaged slightly higher within the policy band

Since the April *Review*, the trade-weighted S\$ has risen modestly on average (Chart 1.5). The S\$ strengthened against the Euro as well as some regional currencies such as the Thai baht and the Malaysian ringgit (Chart 1.6). These movements were offset to an extent by the S\$ depreciating against the US dollar, Chinese yuan (RMB) and Korean won.

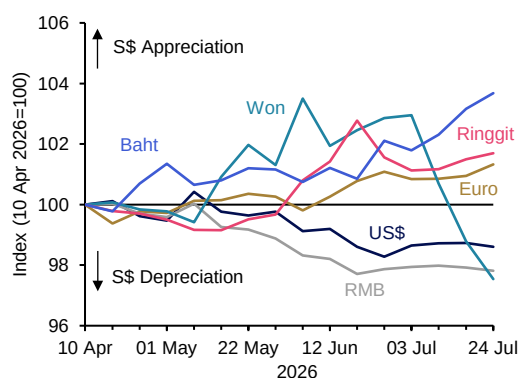
Chart 1.5: S\$NEER, Weekly Average



Source: EPG, MAS estimates

Note: Data displayed are up to 24 Jul. Vertical dashed lines indicate the last three releases of the MPS.

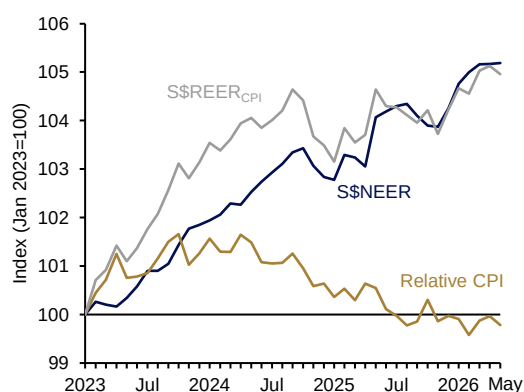
Chart 1.6: Bilateral Exchange Rates



Source: EPG, MAS estimates

The CPI-weighted S\$REER depreciated slightly in recent months. While the nominal trade-weighted S\$ picked up, the CPI in Singapore rose by less than that abroad. Nonetheless, the S\$REER is still about 0.9% higher than its 2025 average (Chart 1.7 and Chart 1.8).

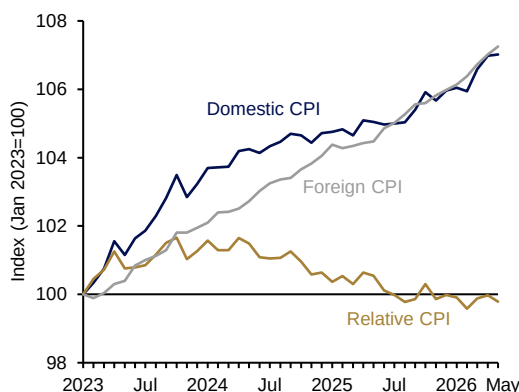
Chart 1.7: S\$ Real Effective Exchange Rate



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

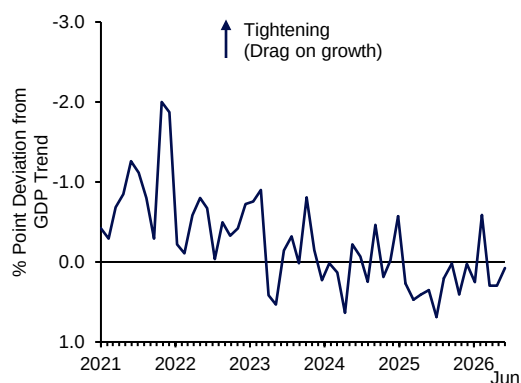


Source: Haver Analytics and EPG, MAS estimates

Domestic financial conditions turned less tight

The improvement in global risk sentiment was reflected in an easing of Singapore's financial conditions (Chart 1.9). Bank lending to resident consumers and businesses continued to expand, with loan growth broad-based across most sectors and borrowers. Meanwhile, S\$ benchmark short-term interest rates remained low (Chart 1.10). Broad money supply, as measured by M2, continued to increase on a y-o-y basis (Chart 1.11).

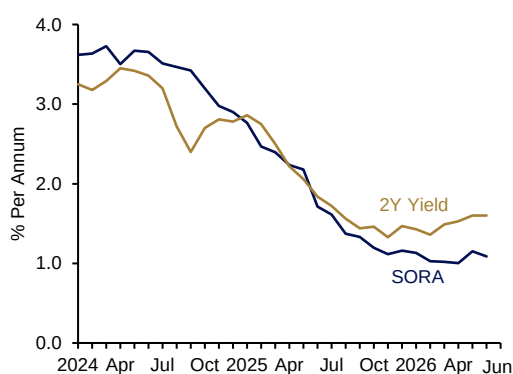
Chart 1.9: Domestic Financial Conditions Index (FCI)¹



Source: EPG, MAS estimates

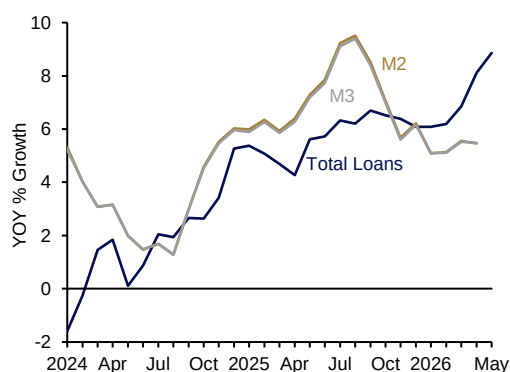
Note: The Jan–Mar 2026 FCI values are interim figures based on latest available component data.

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



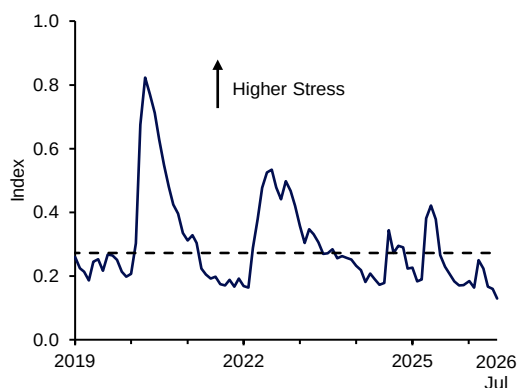
Source: MAS

Chart 1.11: Total Loans and Monetary Aggregates



Source: MAS

Chart 1.12: Singapore Financial Stress Index (FSI)²



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).

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.

Looking ahead, domestic financial conditions are susceptible to renewed stresses in global and regional financial markets. The global financial sector's exposure to AI is becoming increasingly concentrated and interconnected, spanning a growing range of public and private debt and equity markets. Leverage is rising globally and exposures are increasingly centred on a relatively small number of firms and investment themes. Against this backdrop, a reassessment of the commercial prospects of AI investments could trigger potentially sharp and disorderly corrections in financial markets. An intensification of hostilities in the Middle East could also cause global energy prices to rise towards earlier peaks, while a renewed escalation in trade tariff uncertainties could dampen business confidence and weaken investor sentiment. Singapore's FSI has thus far remained below its median as of July, but financial stress could increase more sharply if these external risks materialise (**Chart 1.12**).