

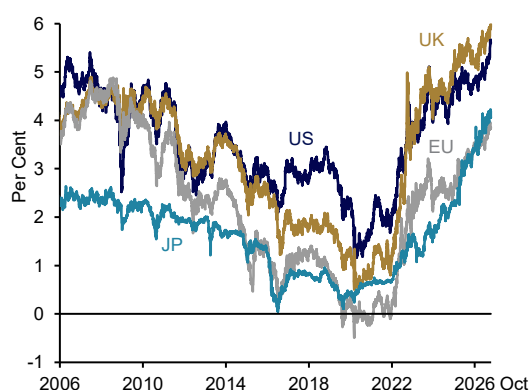
1 Financial Conditions

1.1 Global Developments

Risk sentiments continue to be positive despite rising bond yields

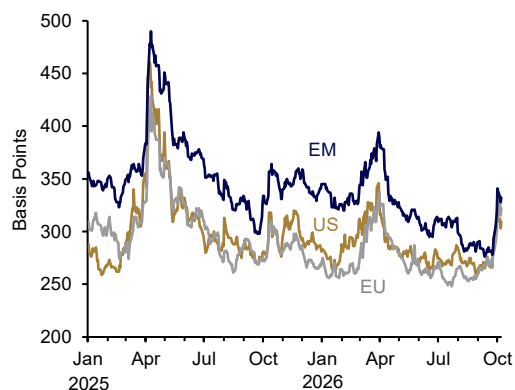
Global financial conditions have tightened marginally since the last *Review*, driven by rising sovereign bond yields. Long-term government bond yields have risen faster in several major economies more recently (**Chart 1.1**). This reflects specific factors in those economies, including higher government borrowing needs amid resilient growth, inflation risks and tighter monetary policy, and increasing debt issuance in the corporate sectors. The surge in bond yields and widening of high-yield credit spreads (**Chart 1.2**) contrasts with still-buoyant equity markets (**Chart 1.3**) and relatively tight investment-grade credit spreads. The US\$ has partially retraced its earlier weakness, although its strength has been relatively contained (**Chart 1.4**).

Chart 1.1: 30-Year Sovereign Bond Yields



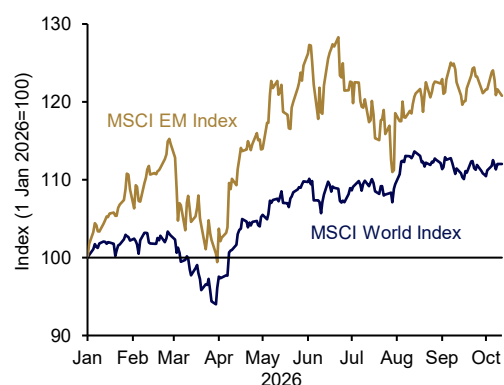
Source: Bloomberg

Chart 1.2: High-Yield Credit Spreads



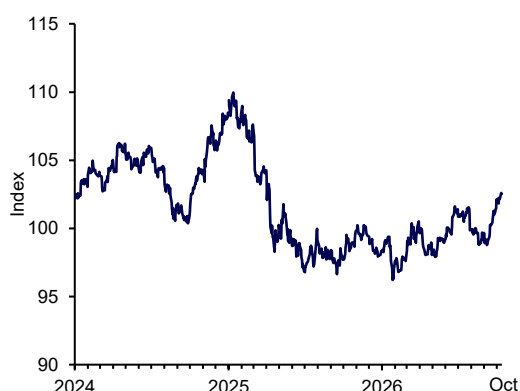
Source: ICE Data Indices, LLC, retrieved from Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis

Chart 1.3: Global Equity Indices



Source: Bloomberg

Chart 1.4: US\$ Index



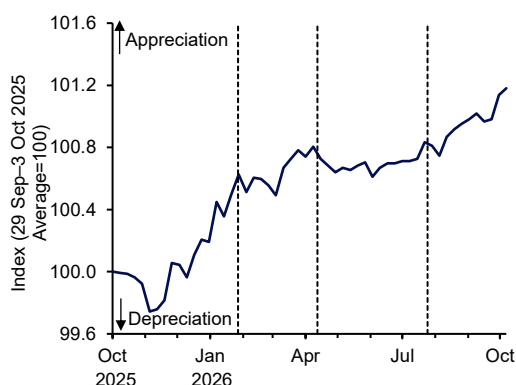
Source: Bloomberg

1.2 Domestic Developments

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

Since the July *Review*, the trade-weighted S\$ has risen broadly in line with policy's intent (Chart 1.5). The S\$ strengthened against the US\$ as well as some regional currencies such as the Philippine peso and the Malaysian ringgit (Chart 1.6). However, the domestic currency depreciated against the Japanese yen and Korean won.

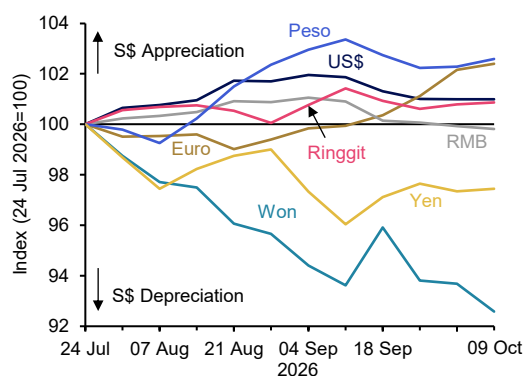
Chart 1.5: S\$NEER, Weekly Average



Source: EPG, MAS estimates

Note: Data displayed are up to 9 October. Vertical dashed lines indicate the last three releases of the MPS.

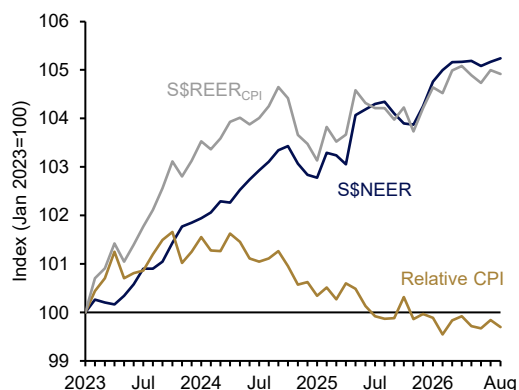
Chart 1.6: Bilateral Exchange Rates



Source: EPG, MAS estimates

The CPI-based S\$REER ticked up in July, reflecting an increase in the S\$NEER as well as the slightly quicker pace of inflation in Singapore compared to abroad. In August, the CPI-based S\$REER edged down, as a decline in the relative CPI more than offset a continued appreciation of the S\$NEER (Chart 1.7 and Chart 1.8). Over the two months, the S\$NEER had risen by 0.2%, compared with a 0.2% drop the quarter before.

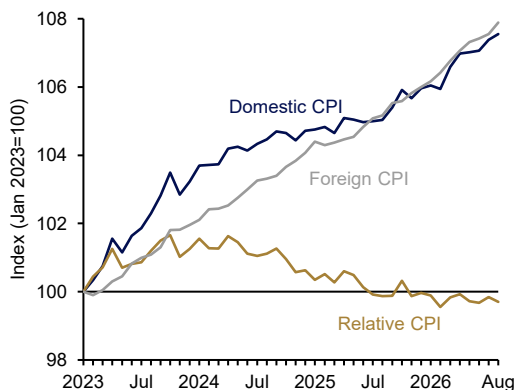
Chart 1.7: S\$ Real Effective Exchange Rate



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



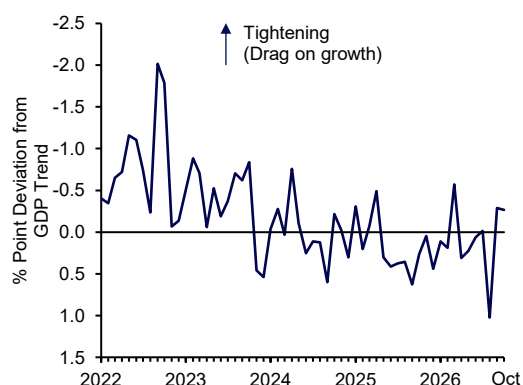
Source: Haver Analytics and EPG, MAS estimates

Domestic financial conditions tightened modestly

Singapore's financial conditions have tightened slightly, with rising global interest rates passing through to domestic rates (Chart 1.9). Singapore Government Securities yields and benchmark short rates have risen alongside global peers, though they continue to trade at a discount against US\$ rates (Chart 1.10). Meanwhile, bank lending to resident consumers and businesses continued to rise strongly on the back of robust trade-related growth, as well as firm expansions in financial and insurance activities. While credit growth has increasingly outpaced broad money growth, as measured by M2, banks continue to maintain ample liquidity buffers (Chart 1.11).¹

Looking ahead, higher global interest rates are expected to exert some tightening pressure on domestic financial conditions. Higher global rates could expose underlying vulnerabilities, particularly where elevated borrowing costs interact adversely with stretched global equity valuations and weaker earnings. Singapore's FSI reflects some of these dynamics, having edged higher alongside rising global bond yields and recent adjustments in equities (Chart 1.12). A renewed geopolitical shock or material shortfall in AI investment returns could amplify these pressures, triggering a broader reassessment of valuations and sharper corrections across financial markets.

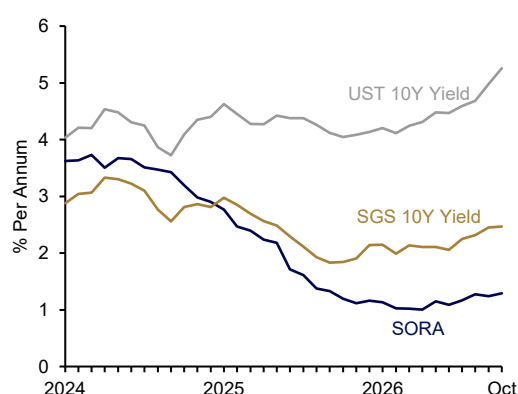
Chart 1.9: Domestic Financial Conditions Index (FCI)²



Source: EPG, MAS estimates

Note: Based on data available up to 13 October 2026.

Chart 1.10: S\$ SORA, 10-Year S\$ Government and US Treasury Bond Yields



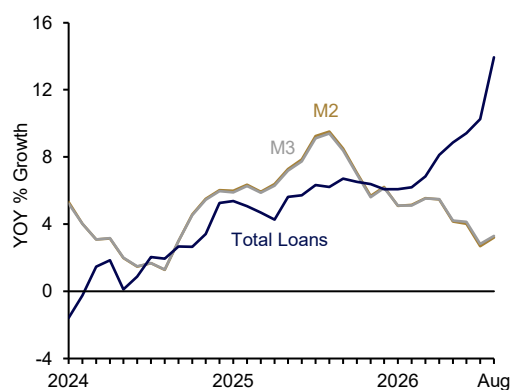
Source: Bloomberg and MAS

Note: Includes data available up to 13 October 2026.

¹ See Box A for a review of MAS Money Market Operations in FY2025/26.

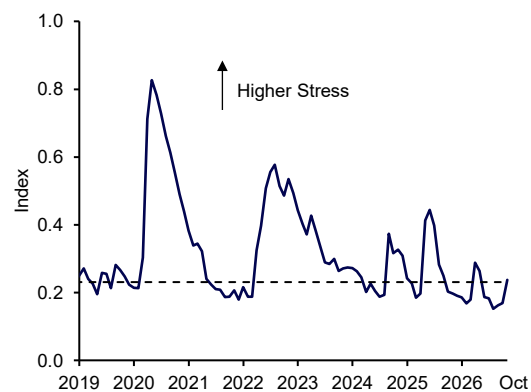
² The Financial Conditions Index (FCI) is a summary indicator which estimates the impact of financial variables on the Singapore economy. It includes a wide range of variables such as domestic asset prices (e.g., equity and property), credit and money growth, interest rates, and global indicators (e.g., equity prices, benchmark yields).

Chart 1.11: Total Loans and Monetary Aggregates



Source: MAS

Chart 1.12: Singapore Financial Stress Index (FSI)³



Source: Haver Analytics and EPG, MAS estimates

Note: Based on data available up to 13 October 2026. The FSI is normalised to [0,1], with 1 indicating historic high levels of stress. Its median level is indicated by the dotted line.

³ 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.