

Singapore Equities

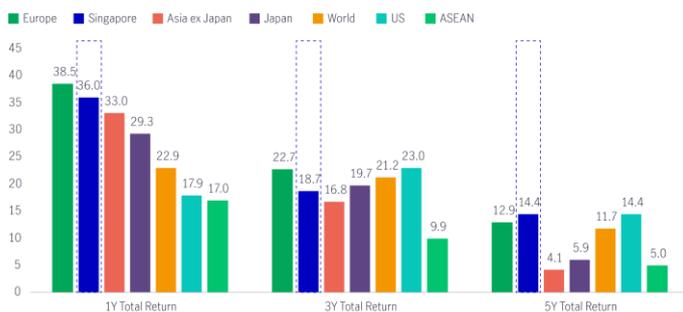
Singapore equities have posted impressive recent performance on the back of several positive catalysts. Robust economic growth, coupled with the city-state’s unique position as a safe-haven market and innovative government initiatives, have fuelled expectations for the future. In this investment note, the Singapore Equities team outlines the structural reasons for the market’s rise and the attractive opportunities at hand for investors, potentially making this a ‘New Era’ for Singapore equities.

A New Era for Singapore Equities: Growth, Opportunity, and Innovative Market Initiatives

Singapore’s stock market gained 36% in 2025, with the Straits Times Index hitting numerous record highs amid a complex global macroeconomic backdrop.

While this recent performance placed it roughly on par with or even above other global markets, it is certainly not an outlier: Singapore ranks as one of the top equity markets over the past five years on a total-return basis.

Chart 1: Singapore’s equity market performance proves resilient among regional and global peers (percent return)¹



The stock market’s steady rise has been driven by positive structural factors that we believe will persist despite the likelihood of continued volatility.

Overall, three drivers are key to propelling future returns:

- Robust economic growth;
- Unique structural market strengths provide opportunities with potential cyclical upside;
- Innovative government initiatives to deepen market liquidity and promote stronger corporate governance.

Robust economic growth

In 2025, Singapore’s gross domestic product (GDP) growth expanded by 5.0% (year on year), a notable accomplishment in a highly complex global environment and an acceleration from 2024 levels. Recently, Singapore’s government upgraded its 2026 GDP forecast from the initial 1 to 3 percent to 2 to 4 percent.

The traditional growth engines of the economy have performed well, such as pharmaceuticals (biomedical) and electronic exports. In particular, exports of semiconductor and artificial intelligence (AI)-related equipment have surged along with increased global demand.

Singapore is also becoming a regional hub for the digital economy and infrastructure. According to the Infocomm Media Development Authority, the digital economy accounted for almost 20% of GDP growth in 2024 and is accelerating with the expansion of new data centres and digital infrastructure.

Finally, the country boasts one of the most stable macroeconomic governance structures in the region.

¹ Source: Bloomberg, as of December 31, 2025. Performance in US dollars. Europe = Euro Stoxx 50 Index, Singapore = FTSE ST All Share Index, Asia ex Japan = MSCI AC Asia ex Japan Index, Japan = Nikkei

225 Index, World = MSCI AC World Index, US = S&P 500 Index, ASEAN = MSCI AC ASEAN Index.

Underpinned by the Monetary Authority of Singapore (MAS), inflation has broadly come under control, while the Singapore dollar notably appreciated against the greenback in 2025, supported by a sizable foreign exchange position.

This macroeconomic stability has served as a key pillar of the city-state's equity market strength and attractiveness for investors, as we will see in the next section.

Unique structural market strengths provide opportunities with potential cyclical upside

Singapore's unique regional equity market position is driven by its status as a safe-haven market and provides diversification from the tech-heavy Asia equities market.

A few factors contribute to this:

- **Banks and real estate investment trusts (REITs)** comprise a significant portion of the index and offer relatively high dividend payouts. The robust income element attracts long-term investors (both local and global), which may dampen short-term trading and excessive volatility.

Chart 2: Relatively high dividend yields in Singapore attract long-term investors²



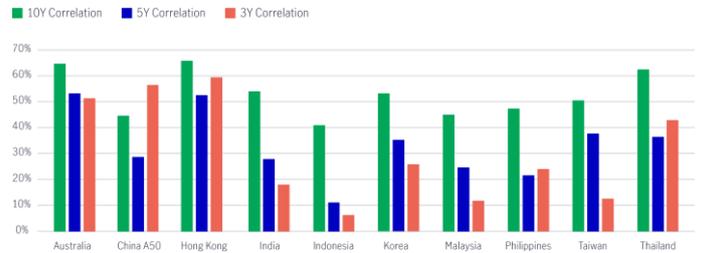
- **Singapore has emerged** as a key global wealth centre. As the number of millionaires and family wealth centres has increased, total assets under management have grown as a key pillar of support for the local equity market.

² Source: Bloomberg, as of March 2, 2026. All geographies are represented by the FTSE Index except for Europe = Euro Stoxx 50 Index, Japan = Nikkei 225 Index, US = S&P 500 Index.

³ Source: Manulife Investment Management, Bloomberg, as of December 31, 2025. Singapore Equity – FTSE ST All Share Index, All geographies are represented by the FTSE Index.

These structural strengths have led to a lower correlation between the Singapore market and other global equity markets over time, providing diversification benefits.

Chart 3: Lower correlation of the Singapore equity market with other major equity markets provide diversification benefits³

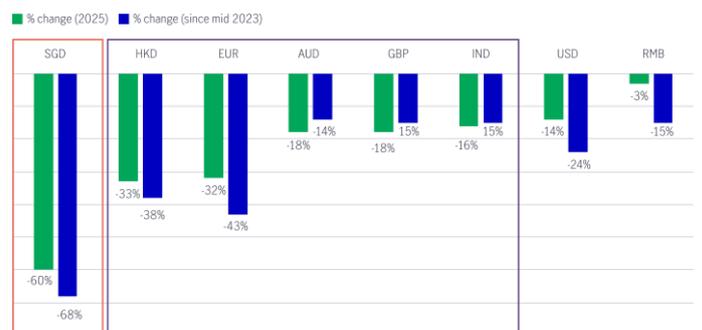


Additionally, near-term cyclical factors also may bolster equities:

- **Falling interest rate environment**

Given its strong economy and a supportive MAS monetary policy trajectory, Singapore's rates posted one of the sharpest declines among global markets in 2025. An accommodative rates environment provides support for the property sector, which should benefit from reduced interest costs, increased demand, and a pick-up in capital recycling.

Chart 4: Lower benchmark rates boosting rate-sensitive sectors⁴



⁴ Source: Bloomberg, as of December 31, 2025. Note: Reference rates are: SORA (Singapore), EURIBOR (Eurozone), HIBOR (Hong Kong), BBSW (Australia), MIBOR (India), SONIA (UK), SOFR (USA), LPR (China).

Innovative government initiatives to deepen market liquidity and promote stronger corporate governance

MAS introduced the Equity Market Development Programme in February 2025 to bring vibrancy to the equity market with a focus on small- and mid-cap (SMID) names.

MAS initially allocated \$5 billion to asset managers to catalyse greater participation in the equity market, with a further \$1.5 billion top-up announced in the 2026 Singapore Budget.

Most importantly, the programme serves as an important first step to augment the domestic fund management industry and increase critical institutional investor participation in the market. The program is not a pure cash injection into the capital market, but rather the construction of a long-term ecosystem to drive investor interests toward fundamentally sound yet underappreciated investment opportunities.

Other innovative government initiatives focus on improving corporate governance, such as the 'Value Unlock' programme, which MAS and the Singapore Exchange (SGX) announced in November 2025.

The unique program offers grants to SMID firms to increase investor communication, improve capital optimisation, and enhance transparency. Although recently announced, the response has been positive: approximately 30-listed SGX firms had submitted inquiries as of January 2026.

Corporate governance will remain a key focus of government efforts moving forward. Besides building capacity in the SMID space, it also aims to reduce the current valuation gap in the segment.

Conclusion

Despite recent performance, strong structural catalysts remain in place for Singapore equities.

Economic growth is expected to continue, while still leveraging its unique safe-haven status. With the addition of robust government initiatives to improve market liquidity and corporate governance, this collectively may herald a new era for Singapore equities.

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