27/7/2026

Special Coverage: MAS delivers a surprise tightening

Key takeaways

- The Monetary Authority of Singapore (MAS) surprised the markets by delivering an unexpected tightening of monetary policy at its meeting on 27 July 2026. This comes on the back of a policy tightening in April. The MAS raised the slope of the SGD NEER (Singapore dollar nominal effective exchange rate) band "very slightly" by 0.25% to 1.25%.

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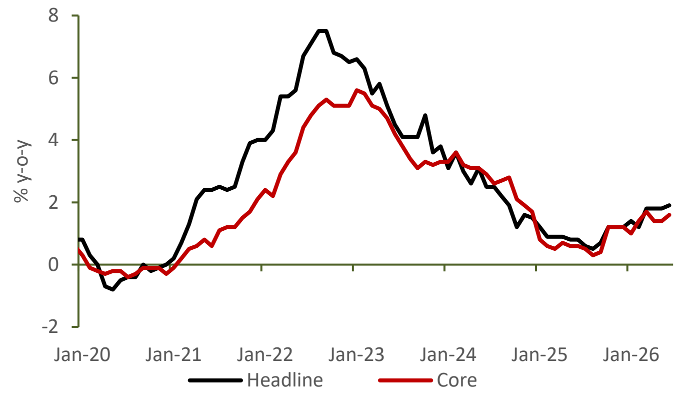
- Singapore's robust growth trajectory also gives the central bank greater confidence to focus on tackling inflation. The tailwind from the artificial intelligence boom, along with the resilience of the construction and services sectors, leads us to upgrade our 2026 GDP growth forecast to 4.6% (from 3.3% previously).
- We expect the MAS to tighten the monetary policy again in October, bringing the SGD NEER slope to 1.50%. Solid fundamentals and an attractive dividend yield support our overweight stance on Singapore equities, which continue to offer high-quality and defensive exposure.

What happened?

- The Monetary Authority of Singapore, Singapore's central bank, delivered an unexpected tightening of monetary policy at its meeting on 27 July 2026. Heading into the meeting, a Bloomberg survey of economists showed that 13 out of 18 economists had predicted no change to the monetary policy settings.
- The MAS, which uses the exchange rate rather than interest rates as its main policy tool, increased the slope of the SGD NEER band "very slightly", which likely implies an increase of 0.25% to 1.25%. It kept the centre and the width of the band unchanged.
- While headline inflation has edged higher to 1.9% in June, core inflation was 1.6%, well within the 1.5%-2.5% range guided by the MAS. However, the renewed spike in oil prices over the past few weeks and the impending increase in electricity prices are likely to exert an upward pressure on inflation in the near term, leading the MAS to adopt a more proactive stance. The MAS expects inflation to moderate from mid-2027.

Singapore's inflation is expected to tick higher following the electricity price hikes in July



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 27 July 2026.

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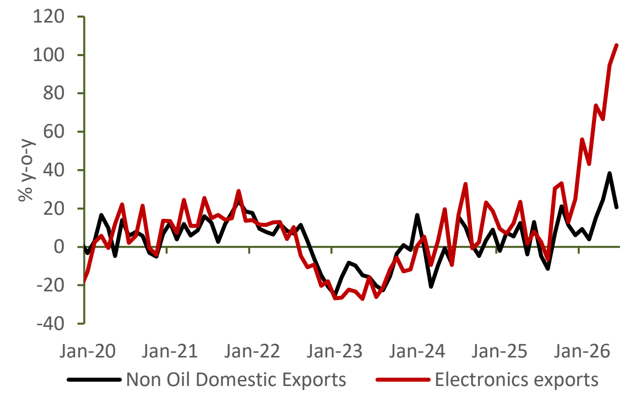
- Singapore's robust growth trajectory also gives the central bank greater confidence to focus on tackling inflation. Singapore recorded GDP growth of 6.3% and 5.7% in the first two quarters of 2026, respectively, aided by robust exports, led by the electronics sector. On a 3-month moving average basis, electronics exports have accelerated close to 90% in June.
- The tailwind from the artificial intelligence boom, along with the resilience of the construction and services sectors, leads us to upgrade our 2026 GDP growth forecast to 4.6% (from 3.3% previously).
- Given robust growth expectations and rising inflationary pressures, we expect the MAS to tighten the monetary policy again in October, bringing the SGD NEER slope to 1.50%.

Electronics sector is driving robust export growth



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 27 July 2026.

Investment implications

- On the FX front, we note that the SGD NEER has been largely flat for the past few months, despite the policy tightening in April. The MAS noted that the slope change should "sustain an appropriate appreciation path".
- The MAS now expects the positive output gap to "widen", whereas it expected it to "narrow" at the April meeting, underscoring its growing confidence in Singapore's resilient GDP growth trajectory.
- The banking sector remains supported by resilient credit quality and strong wealth-driven earnings. The recent policy tightening should reduce pressure on net interest margins (NIMs) modestly. The property sector remains buoyant as well, aided by strong momentum in private home sales.
- The "Value Unlock" corporate governance reform measures and the Equity Market Development Programme (EQDP) initiative also continue to support the market.
- The recent data and comments from the MAS, together with all the positive factors, including solid fundamentals and an attractive dividend yield, reinforce our overweight stance on Singapore equities, which continue to offer high-quality and defensive exposure.

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