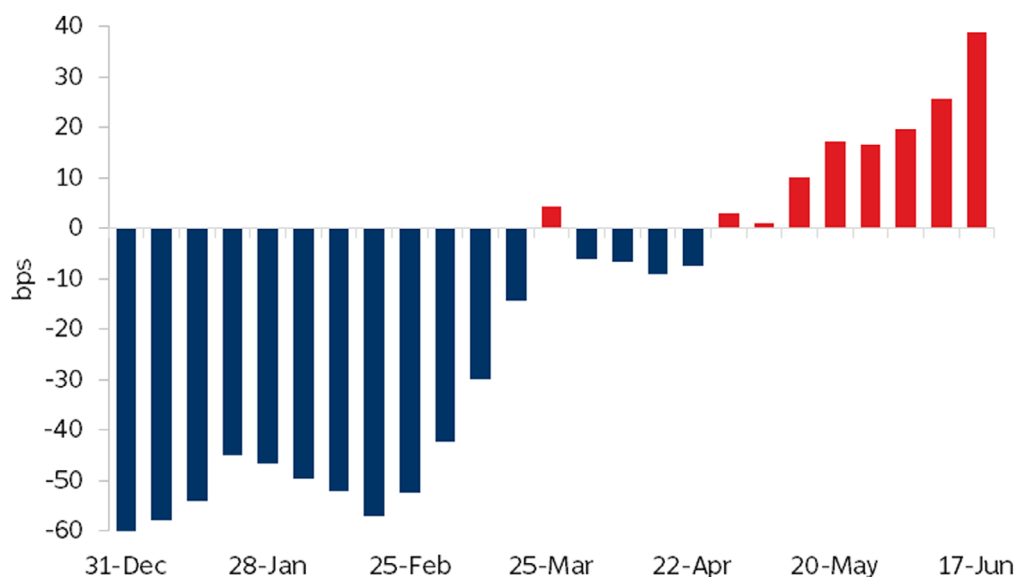


Let's go hiking

Isaac Savage

OIS Implied Interest Rate Change (end 2026)



Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 17 June 2026.

What do the charts show?

The chart illustrates how market expectations for future US Federal Reserve policy rates have evolved so far this year, based on the overnight index swap (OIS) curve.

Since the onset of the Iran conflict, markets have adopted a steadily more hawkish stance on rates. Expectations have shifted to the point where investors are now even pricing in potential rate hikes – despite the appointment of a new Fed Chair, Kevin Warsh, who Trump appointed after criticising the previous chair for not cutting rates aggressively.

This shift was reinforced by Wednesday's Federal Reserve meeting. Somewhat unexpectedly, half of the 18 officials submitting projections indicated that they anticipate rate hikes by year-end, prompting a further increase in market-implied policy rates.

Stronger-than-expected US labour market data for May has also contributed to this shift, reducing the urgency for rate cuts. With greater resilience in employment, the Fed has more room to prioritise its inflation mandate.

At the same time, the effects of the closure of the Strait of Hormuz has started to feed through into global supply chains, raising the likelihood of sustained inflationary pressures. In this context, tighter monetary policy may be required to contain price increases.

Overall, markets are now pricing in nearly 40 basis points of rate hikes, a sharp reversal from the roughly 60 basis points of cuts expected at the start of the year.

Why this is important

Higher interest rates have a direct impact on corporate behaviour – discouraging borrowing, slowing investment and potentially weighing on earnings growth. For investors, this shifts the focus from expansion-driven returns toward profitability and resilience, which could prove problematic for a country dominated by mega-cap growth stocks with nerve-testing valuations.

At the same time, higher yields on fixed income instruments offer better alternatives. Bonds and other income-generating assets begin to offer more attractive risk-adjusted returns, creating genuine competition for equities. This can lead to a repricing across asset classes, as investors no longer feel compelled to chase risk in search of yield.

Currency dynamics add another layer. A relatively hawkish US rate outlook can support the dollar by attracting global capital seeking higher returns. While this strengthens purchasing power domestically, it can create headwinds for multinational companies and reduce the value of overseas earnings when translated back into dollars.

Ultimately, rising rate expectations force investors to think more carefully about balancing allocations across asset classes and regions. It's clear that the path ahead is getting steeper and investors may need to brace for a tougher climb.



Global Matters Weekly

22 June 2026

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk

Important notes

This communication is issued by Belvest Investment Services Limited and/or Belvest related companies (collectively, and individually Belvest) solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of Belvest. Opinions or views of any Belvest company expressed in this communication may differ from those of other departments or companies within Belvest, including any opinions or views expressed in any research issued by Belvest. Belvest may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. Belvest has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advise to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by Belvest.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or return (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by Belvest are not the only ones that might reasonably have been selected and therefore Belvest does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of Belvest, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. Belvest therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communication carried within the Belvest system may be monitored.