

Three Waves of Selling Hit Singapore Stocks

REITs weakened, banks plunged, then technology stocks sold off — all within a few months

Wave 1 — REITs

Sector under pressure

More than 10% down by mid-Sep 2026

Wave 2 — Banks

Sharp early-Oct plunge

DBS, OCBC and UOB sold off heavily

Wave 3 — Technology

AI-linked names hit

AEM, UMS, Frencken and others fell sharply

Mid-Sep

REIT weakness already clear

Early Oct

Banks correct sharply

Mid-Oct

Tech joins the sell-off

Three different sectors. Three waves of selling. One broader market question.

What makes this interesting?

- These were three different parts of the market
- The selling happened in quick succession
- Investors are beginning to ask whether this is a broader repricing

The question this video explores

If REITs, banks and tech have already sold off, what could be next?

And are these separate corrections — or signs of a wider reset in how investors value income, earnings and growth?

Three waves of declines have already hit Singapore stocks — now the key question is whether the market is repricing risk more broadly.

Wave 1 — Why Singapore REITs Came Under Pressure

Yield and financing reset

Mid-Jun 2026

REITs already underperforming STI

End-Aug 2026

~ -6.9% YTD

price-return basis

14 Sep 2026

~ -10.5% YTD

price decline widened before Fed hike

May 2026

sector **-1.6%**
vs STI **+2.5%**

End-Aug 2026

~ -6.9% YTD

14 Sep 2026

~ -10.5% YTD

17 Sep 2026

Fed raised rates 25 bps

REIT weakness started before the September Fed hike

Driver 1 — Financing Costs

- Property ownership is capital-intensive
- Elevated rates can raise refinancing costs
- Higher interest expense can pressure DPU

Driver 2 — Required Yield Reset

- Investors may demand higher yields when bonds become more attractive
- Example: if required yield rises from 5.5% to 6.0–6.5%, price must fall if distributions are unchanged
- Share prices can correct even without immediate rental weakness

Important Distinction

Singapore REITs are not one uniform asset class. Asset quality, geography, balance-sheet strength and rental outlook still matter.

Key takeaway: Wave 1 was an extended repricing of REIT valuations — not simply a reaction to the September Fed hike.

Wave 2 — Why the Banks Suddenly Plunged

Earnings expectations reset

7 Oct 2026

OCBC -5.9%

7 Oct 2026

DBS -1.4% | UOB -2.9%

8 Oct 2026

**DBS -4.7% | OCBC -4.3%
UOB -5.2%**

8 Oct 2026

STI -3.5%
closed at 5,413

7 Oct

OCBC -5.9%, DBS -1.4%, UOB -2.9%

8 Oct

DBS -4.7%, OCBC -4.3%, UOB -5.2%

2-day impact

OCBC almost -10%

Sharp correction after a strong rally

Why Higher Rates Didn't Help

- Higher rates are not automatically good for banks
- What matters is net interest margin
- Deposit costs can rise faster than loan yields

Why Shares Fell

- Bank shares had already rallied strongly
- Investors were pricing in strong profitability and dividends
- Even modest earnings disappointment can trigger selling

Core Issue

The sell-off was not proof that bank fundamentals had collapsed. The bigger question is whether future earnings and dividends can still justify prior valuations.

Key takeaway: Wave 2 was an expectations reset — investors began questioning whether elevated bank profitability could continue.

Wave 3 — Singapore Technology Stocks Join the Sell-Off

Growth expectations reset

15 Oct 2026

AEM -9.9%

to S\$8.80

15 Oct 2026

UMS -10.0%

partly ex-dividend

15 Oct 2026

Frencken -6.4%

15 Oct 2026

CSE Global -9.8%

AI capex boom
lifted sentiment



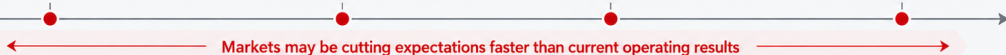
Higher financing costs
raise the hurdle for large
infrastructure spending



Investors question
future returns on AI
spending



Valuations of suppliers and
component makers come
under pressure



What Drove the Sell-Off

- AI-related investment expectations had become very high
- Large-scale computing and data-centre expansion is capital-intensive
- Future growth assumptions came under pressure

Important Counterpoint

- Strong demand has not disappeared overnight
- ASML and TSMC still reported substantial demand
- Share-price weakness does not automatically mean a structural downturn

Core Distinction

For technology stocks, the main issue is often valuation of future earnings rather than immediate deterioration in current operations.

Key takeaway: Wave 3 was a growth-expectations reset — the market became less willing to pay high prices for earnings expected years into the future.

What Connects the Three Waves?

The common thread: valuation reset as required returns change

REITs

Returns required from rental income

Borrowing costs matter, but valuation of income matters too

Banks

Can elevated profitability and dividends continue?

Investors began reassessing earnings sustainability

Technology

How much future growth belongs in today's price?

Investors questioned long-dated AI growth expectations

Common Theme

Investors are reassessing what they are willing to pay when the cost of capital and required returns change.

Higher global yields



Higher required returns



Pressure on equity valuations

Singapore-Specific Point

- Singapore rates have not followed US rates nearly as closely as many assume
- Fed target range: 3.75%–4.00% (17 Sep 2026)
- 3M compounded SORA: ~1.24% by mid-Oct 2026
- SORA was ~1.03% in Apr 2026 and far below ~3.5% seen in 2024
- MAS manages policy mainly through the Singapore dollar exchange rate
- Singapore 10-year government bond yield: ~2.3% in mid-Oct

Why Global Rates Still Matter

- Singapore is an open financial market
- Investors compare expected returns across countries and asset classes
- Higher US bond yields can make riskier equities less attractive
- Local companies may still enjoy relatively favourable financing conditions
- But share prices can fall if investors demand a higher return

Important Distinction

The cost of financing a business and the return investors demand from owning that business are related — but they are not the same thing. A Singapore REIT may benefit from relatively low SORA, yet its unit price can still decline if investors demand a higher distribution yield.

Key takeaway: The three waves were different in appearance, but all reflected a broader repricing of what investors were willing to pay for income, earnings and future growth.

Could Bond-Like Income Stocks Be the Next to Fall?

Required-yield reset for stable-income equities

NetLink NBN Trust

Clearest example

Regulated fibre network
Recurring connectivity demand

Distribution record

5.13¢ FY2022 → 5.42¢ FY2026

Core issue

Stable cash flow ≠ stable unit price

Illustrative Yield Sensitivity

Assume annual distribution stays at **5.42¢**



Required yield **5.5%**
implied price **~98.5¢**



Required yield **6.0%**
implied price **~90.3¢**



Required yield **7.0%**
implied price **~77.4¢**

Higher required yield can lower valuation even if distributions are unchanged.

Why This Category Could Be Vulnerable

- Investors may demand higher yields when bonds look more attractive
- These stocks are often bought for dependable income
- Repricing can happen without immediate deterioration in operations

Why Differentiation Still Matters

- NetLink is the cleanest bond-like example
- QAF is a consumer business with greater earnings variability
- Keppel Infrastructure Trust also carries capex and leverage considerations
- Not every stable dividend stock is a true bond-equivalent

Important Qualification

Singapore government bond yields remain well below US yields. So the case for an automatic sell-off in Singapore bond-like stocks has not been established. Vulnerability depends on current yield, income reliability and whether required returns rise further.

Key takeaway: Bond-like income stocks are worth monitoring — but a fourth wave here is not inevitable.

Another Potential Candidate — Highly Valued Industrial & Infrastructure Stocks

Re-rating risk after strong share-price gains

ST Engineering

Forward P/E ~19x → ~31x

end-2024 to Sep 2026

Keppel

Forward P/E ~13x → ~22x

end-2024 to Sep 2026

Why These Stocks Re-rated

ST Engineering

- 1H2026 revenue +11% to S\$6.57b
- Net profit +27% to S\$512m
- Order book S\$35.7b

Keppel

- Transformed core profit +25% to S\$530m
- Recurring income +13%
- Funds under management S\$106b

Why Shares Could Still Fall

- Strong companies can still correct if expectations get too high
- Valuation multiples may compress even if operations remain solid
- A modest earnings disappointment can trigger a derating

Important Distinction

- This is not a call that all industrials are overvalued
- ST Engineering and Keppel show clearer re-rating risk

Core Question

The issue is whether investors are already paying for several more years of strong earnings growth. If future growth fails to justify the premium, share prices can reset even without a collapse in business quality.

Key takeaway: Some industrial and infrastructure names have re-rated materially — and that creates scope for valuation compression if expectations become too demanding.

Could AI-Related Data-Centre Investments Be Next?

Tenant quality and financing sustainability risk

Why this is different

Not just REIT yield risk

Focus here is the financial sustainability of AI-driven demand

CoreWeave

~US\$35.6b debt

~US\$15b investing in 1H2026
Some bond yields approached 16%

Core Scientific

~77% of 1H2026 revenue from CoreWeave

Illustrates tenant concentration risk

How the Risk Can Travel

AI expansion requires heavy capex



Operators borrow heavily to fund growth



Tenant financial stress becomes a risk



Landlords may face weaker tenant quality, delayed expansion or lease risk

A long lease is only as dependable as the tenant's ability to pay

What It Could Mean for Singapore

- Relevant names include Keppel DC REIT, Digital Core REIT and NTT DC REIT
- This does not mean they have the same exposure as CoreWeave
- Many data-centre tenants are large, financially strong companies
- Keppel DC REIT still reported 1H2026 DPU growth of 11.3%

Why Investor Caution Has Increased

- AirTrunk reportedly postponed its planned Singapore REIT listing
- Technology sell-off and financing conditions made markets more demanding
- Investors are scrutinising how AI infrastructure growth is financed

Important Distinction

Wave 1 focused on REIT valuation and financing costs.

This category focuses more on tenant credit quality, financing sustainability and the durability of AI-driven demand.

Key takeaway: The next risk in data-centre investments may come less from generic REIT repricing and more from the quality and financial strength of the businesses driving AI demand.

The Dividend Uncle's Take

The more useful question: valuation reset or fundamental deterioration?

Wrong question

Which sector falls next?

Better question

Why are prices falling?

Why it matters

Lower prices can mean better value — or weaker businesses

Two Different Situations

Valuation adjustment

- Market becomes more demanding about valuations
- Share prices fall, but business quality may still be intact
- Some companies may become more attractive for long-term investors

Fundamental deterioration

- Higher financing costs, slower growth or weaker conditions hurt earnings
- Distributions and cash flows come under pressure
- Lower prices may reflect less attractive businesses

Falling share price



Reassess the reason



**Valuation reset?
Fundamental weakness?**

The same share-price decline can mean very different things for investors.

Key analytical shift

I'm less interested in predicting a fourth wave of selling than in understanding whether the market is repricing sound businesses or recognising genuine weakening in fundamentals.

Key takeaway: The core issue is not simply what might fall next, but whether lower prices reflect changing valuations or deteriorating earnings and distributions.

The Dividend Uncle's Take

My current read on the Singapore market

Current stance

Leaning more toward valuation adjustment than broad fundamental deterioration

Why I'm not overly pessimistic

Singapore rates remain below US rates

What I'm doing

Actively looking for opportunities as valuations reset

Why I still see support

Macro / rate backdrop

- Singapore rates have risen only relatively modestly in recent months
- Domestic borrowing conditions remain more favourable than in the US
- Singapore market is not facing the same degree of rate pressure as the US
- This reduces the case for becoming indiscriminately bearish

Company / REIT considerations

- Many REITs have protected part of their borrowings
- Longer debt maturities help moderate near-term refinancing pressure
- Interest-rate hedging provides some protection
- Extent of protection still varies by company

What would make me more concerned?

US interest rates
continue rising



Singapore borrowing costs
follow more meaningfully



Corporate earnings and
distributions weaken



My assessment would
become more cautious

What matters most is whether valuation pressure turns into real deterioration in earnings and income.

Personal view

For now, I don't see sufficient evidence of a broad deterioration in fundamentals. I see more reason to stay selective and watch for opportunities than to assume a fourth wave of selling is inevitable.

Key takeaway: My current view is constructive but watchful — I'm looking for opportunities, while monitoring whether higher rates begin to damage earnings and distributions.