

Weekly Wealth Digest

Your Edge. Our Insights.

27 August 2026

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Weekly Focus

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The Great Liquidity Fakeout

Why “mini-QE” May Be The Market’s Favourite Wrong Answer

Your 30-Second Briefing

- **Markets mistook bond buying for QE.** Fed purchases support liquidity; Treasury buybacks support market function.
- **The backdrop remains mixed.** Growth is softening, but inflation is still sticky.
- **Investment thesis:** Stay invested. The bigger opportunity comes when growth and inflation both soften.

Everyone Saw the Money Printer. Few Checked Facts.

Markets love a familiar story. The Fed starts buying Treasuries, the US Treasury steps up bond buybacks, the balance sheet stops shrinking, and investors instinctively reach for the old playbook: QE (quantitative easing) is back, liquidity is coming, buy risk. It is understandable.

For much of the past 15 years, central-bank balance-sheet expansion and rising asset prices travelled together. But the Fed’s Reserve Management Purchases (RMP) is not QE, its mainly designed to keep sufficient reserves in the banking system.

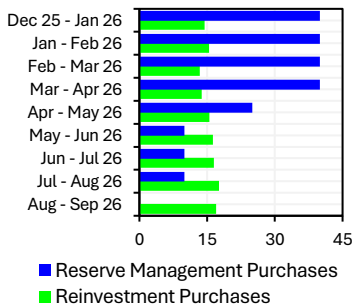
US Treasury buybacks are focused on improving liquidity in a very large bond market. Same action. Different intention.

Plumbing Is Not Policy

Traditional QE is designed to loosen financial conditions. The Fed buys longer-duration assets, compresses term premia and pushes borrowing costs lower. Reserve management is less dramatic: it keeps the system supplied with enough reserves for monetary policy to function smoothly. QE steps on the accelerator. Reserve management makes sure the engine has oil.

No Planned QE

Fed’s Monthly Purchases Split (\$’ bn)



Source: New York Fed, August 2026

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These operations can still matter. Treasury buybacks may ease pressure at the long end, while reserve purchases can reduce funding stress. But improving market function is not the same as deliberately stimulating the economy or asset prices.

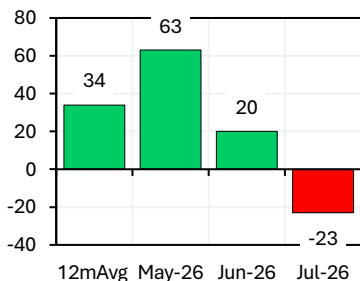
That is where the “mini-QE” narrative may have gone too far.

The Economy Hasn’t Given the Fed Permission Yet

The bigger issue is that the macro data still does not support a clean return to easy money. Growth has softened, hiring has slowed and consumers look more cautious. That gives the Fed reasons not to stay too tight for too long.

Jobs Data Signals Room To Cut

Monthly Change In US Nonfarm Payrolls, Latest Revised Estimates ('000)

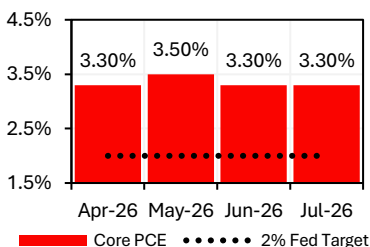


Source: US Bureau of Labor Statistics (Aug 2026)

But inflation remains above target and sticky enough to prevent policymakers from declaring victory.

Inflation Says Higher For Longer

Core PCE vs Fed Inflation Target



Source: US Bureau of Economic Analysis (Aug 2026),

Note: PCE = Personal Consumption Expenditure Index

So the Fed remains caught in the middle: growth is soft enough to watch, but not weak enough to rescue; inflation is improving, but not enough to justify a liquidity bazooka.

The market wants a pivot. The data has not delivered one yet.

The \$40 Trillion Number Needs Context

US\$40 trillion of federal debt sounds alarming, but size alone does not mean the system is under immediate stress.

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The US borrows in its own currency, operates the deepest sovereign bond market in the world and remains central to the global financial system.

A meaningful portion of that debt also sits within government accounts, making debt held by the public the more useful measure.

More importantly, high debt does not mean the Fed has lost room to manoeuvre.

Its main constraint is inflation, not the absolute size of the debt stock.

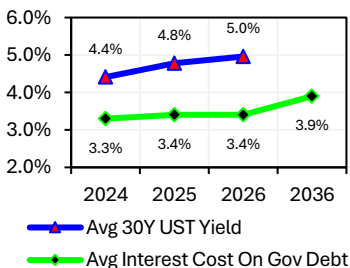
With policy rates still well above zero, the Fed retains meaningful room to cut if growth deteriorates, alongside its broader liquidity toolkit.

Treasury also does not refinance US\$40 trillion overnight. Debt rolls over gradually. If inflation cools enough to allow rate cuts, lower financing costs can feed through over time as maturing debt is refinanced.

The US has a debt problem to manage. It does not yet have a financing problem that prevents the Fed from responding if needed.

Elevated Yields, But Funding Costs Under Control

30Y UST Yields vs Average Federal Debt Interest Rate



Source: FRED, CBO (August 2026)

So What Is the Trade?

If genuine QE were returning, the traditional playbook would be straightforward: buy duration, buy growth, buy gold, buy Bitcoin and expect liquidity to support valuations. Today's setup is more nuanced.

Equities: stay invested, but favour quality companies with resilient earnings, strong cash flows and pricing power.

Bonds: be selective on the long end. Fed cuts do not automatically guarantee lower 10- and 30-year yields if inflation, Treasury supply and term premia remain elevated.

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Gold: the structural case remains supported by high sovereign debt, sticky inflation and uncertainty around the eventual policy path.

Bitcoin: the long-term fiscal and monetary-credibility thesis remains interesting, but “QE is back” is not enough on its own.

The Bigger Opportunity Comes Later

The better opportunity may come when today’s conflicting signals finally resolve.

If employment weakens further, growth slows meaningfully and inflation moves convincingly towards target, the Fed gains something it does not currently have: permission to ease.

That is when the investment regime becomes cleaner.

Duration becomes more attractive, growth assets gain genuine monetary support and liquidity-sensitive investments receive a stronger tailwind.

Until then, the strategy is not to hide from markets.

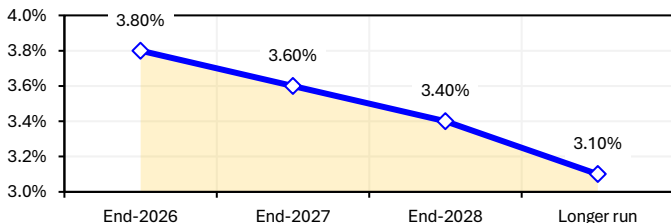
It is to avoid paying tomorrow’s prices for tomorrow’s stimulus before tomorrow’s stimulus exists.

Markets saw someone working on the pipes and assumed the taps had been opened.

The bigger trade begins when the water actually starts flowing.

The Fed Sees Rates Falling – Just Not Yet

Median FOMC Projections Of Fed Funds Rate (%)



Source: US Federal Reserve, June 2026

Source: AmBank Wealth Management (27 August 2026)

Strategy In Focus

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The Puzzle This Week

Markets have been quick to price in a return of easy money, but liquidity support is not the same as stimulus. With growth slowing and inflation still elevated, the better approach is to stay invested while focusing on assets that can generate returns regardless of the policy outcome.

Structured Investments

Autocallable: Anglo Ashanti & Kioxia Holdings



With the macro outlook still unclear, Anglo Ashanti offers exposure to hard-asset demand, while Kioxia Holdings benefits from long-term AI and data growth. These autocallables offer coupons of up to 15.0% p.a. and 35.0% p.a., allowing investors to earn income with deep downside buffers while waiting for greater clarity.

Momentum & Income Strategy

RHB Contour Technology & TA Total Return Income



RHB Contour Tech seeks opportunities through a long-short technology strategy, while TA Total Return Income focuses on generating consistent income across market conditions. Together, they provide diversified return drivers without relying on a broad market surge.

Fixed Income

Investment-Grade Bonds:

Goldman Sachs, ANZ Banking Group



If inflation delays aggressive easing, quality income should remain valuable. Goldman Sachs (6.75%) and Australia & New Zealand Banking Group Ltd (6.12%) provide attractive yields from strong financial institutions, helping anchor portfolios regardless of the policy path.

The Fundamental Take

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Inflation Keeps Markets Guessing

Markets remain cautious. Sticky inflation and Fed uncertainty keep pressure on bonds, while softer spending points to moderating growth. Investors remain data-dependent ahead of Jackson Hole.

MACRO OVERVIEW

US inflation remained sticky in July, with headline PCE rising 0.2% m/m and core PCE also accelerating, reinforcing concerns that the Fed's fight against inflation is not yet complete.

However, inflation-adjusted consumer spending was flat, adding to recent evidence from retail sales, payrolls, and labour data that the economy is gradually losing momentum. This combination of slowing demand and persistent inflation keeps the Fed in a difficult position and supports the view that rates may remain elevated for longer.

Markets are now focused on Fed Chair Warsh's Jackson Hole speech for signals on the policy outlook. Meanwhile, renewed US trade friction with Canada and China adds another source of uncertainty for both global growth and inflation expectations.

FX OVERVIEW

The US dollar strengthened modestly as hotter inflation data reduced expectations for near-term Fed easing. The DXY rose 0.3%, while the euro and pound softened as investors reassessed the interest rate outlook relative to the US. The yen proved more resilient amid expectations that the BOJ could continue gradually normalising policy, while the Australian dollar outperformed after inflation data reinforced the RBA's warning that price pressures remain elevated.

In Asia, the ringgit was the standout performer, gaining 0.4% and pushing USD/MYR below 4.03 as investors responded positively to Malaysia's improving growth and FX backdrop. However, a firmer USD and the upcoming Jackson Hole symposium are likely to keep regional currency markets cautious in the near term.

The Fundamental Take

27 August 2026

Inflation Keeps Markets Guessing

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COMMODITY OVERVIEW

Commodity markets showed signs of easing inflation pressure, though risks remain.

Oil prices extended their recent decline as hopes for a Strait of Hormuz revenue-sharing arrangement reduced fears of major supply disruptions, although geopolitical tensions continue to cap downside potential.

Gold pulled back from record highs but remained supported near USD4,600/oz on ongoing demand for inflation and geopolitical hedges. Palm oil also softened following a strong rally, reflecting some profit-taking.

Overall, commodities are no longer signalling escalating inflation risks, but they are not yet pointing to a rapid disinflation trend either.

FIXED INCOME OVERVIEW

Bond markets remained under pressure as sticky inflation reinforced the higher-for-longer rate outlook.

US Treasury yields edged higher as investors pared expectations for near-term rate cuts and looked ahead to Jackson Hole.

Malaysian bonds also weakened, especially at the belly and long end of the curve.

Sentiment was weighed down by soft demand at the MYR3.5 billion 20Y MGS auction, highlighting limited appetite for duration.

Corporate bond activity remained light as investors stayed cautious ahead of key central bank signals.

Market Shakers

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The Liquidity Mirage

Markets may have seen the Fed's reserve purchases and Treasury buybacks and quickly reached a familiar conclusion: liquidity is back, rate cuts are coming, and risk assets should rally. But the broader news flow suggests the picture is more complicated.

On the surface, there is plenty to like. U.S. corporate profits have climbed to record highs, Nvidia continues to argue that AI demand can fund the next wave of infrastructure spending, and Germany's economy has proven more resilient than expected thanks to strong exports. These are not signs of an economy that needs emergency stimulus.

Yet neither are they signs of an economy strong enough to dismiss risks. Fed officials continue to warn that inflation could remain sticky, while the gap between market expectations and central bank messaging suggests the path for rates remains uncertain. Meanwhile, trade tensions are resurfacing, with the U.S. and Canada preparing for a prolonged dispute and countries like Vietnam continuing to benefit from shifting supply chains.

This leaves markets caught between two narratives. One says slowing growth will eventually force central banks to cut rates. The other says inflation is still persistent enough to keep policymakers cautious. So far, neither side has gained a clear advantage.

That is what makes the recent excitement around Fed reserve purchases look premature. Investors may be mistaking market plumbing for monetary stimulus. Reserve management and Treasury buybacks are designed to keep markets functioning smoothly, not deliver the kind of liquidity surge that historically fuelled major rallies in equities, gold, or Bitcoin.

The headlines support this view. Profits remain strong. AI investment continues. Trade is adapting. But inflation has not been defeated, growth has not weakened enough to justify aggressive easing, and policymakers remain cautious.

Source: Bloomberg, WSJ, MarketWatch (27 August 2026)

Structured Strategy

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Structured Investments Ideas

Structured investments offer predefined, market-linked returns designed for targeted upside, protection, or yield.

AUTOCALLABLE		AUTOCALLABLE	
Yield Enhancement		Yield Enhancement	
Anglo Ashanti PLC		Kioxia Holdings Corp	
Strike 100.0%	Knock-Out Barrier 102.0%	Strike 100.0%	Knock-Out Barrier 100.0%
Knock-In Barrier 75.0%	Coupon 15.0% p.a.	Knock-In Barrier 69.3%	Coupon 35.0%
Tenure 9 months	Currency MYR	Tenure 6 months	Currency MYR
Underlying Drivers		Underlying Drivers	
Bull Case ▲ Record gold prices and strong central bank demand continue to support earnings and cash flow.		Bull Case ▲ Recovering NAND prices and rising AI-driven storage demand are supporting earnings growth.	
Bear Case ▼ Lower gold prices, higher operating costs and mining disruptions could pressure profitability.		Bear Case ▼ Memory remains cyclical, with oversupply and weaker tech demand posing key risks.	

Note: Indicative pricing. Please speak to an AmBank RM.

Source: AmBank Wealth Management (27 August 2026)

Fund Strategy

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Unit Trust Ideas

Unit trusts pool's investors funds to enter markets at more efficient average prices and benefitting from professional diversified management.

ENDURE

RHB Contour Tech
By RHB Asset Management

YTD Returns
+2.54%

Fund Size
RM 103 mil

Volatility
-

Risk Rating
5-Aggressive

MOMENTUM

TA Total Return Income
By TA Investment Management

YTD Returns
+10.1% p.a.

Fund Size
RM 1.68 bn

Volatility
12.8% p.a.

Risk Rating
5-Aggressive

Fund Pitch

Alpha From All Directions
Seeks to profit from both winning and losing technology stocks through long and short positions.

Lower Market Correlation
Designed to reduce reliance on broad technology market performance and improve portfolio diversification.

Reduced Drawdown Potential
Short positions and active hedging may help cushion portfolio volatility during market corrections.

Fund Pitch

Income Across Market Cycles
Targets consistent income through a diversified portfolio of yield-generating assets.

Defensive by Design
Focuses on preserving capital while maintaining the flexibility to capture income opportunities.

Risk-Adjusted Returns
Targets a smoother investment journey with lower volatility than pure equity funds.

Bond Strategy

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Fixed Income Ideas

Bonds generate stable income by lending to government's and corporates, earning regular interest payments.

Financial Sector		Financial Sector	
Investment Grade		Investment Grade	
Goldman Sachs Group Inc/The 6.75% 1/10/2037		Australia & New Zealand Banking Group 6.142% 25/7/2039 Tier 2 Subnotes	
Ranking Subordinated	Coupon 6.75%	Ranking Subordinated	Coupon 6.12%
Next Coupon 01 Oct 26	Maturity In 11.1 years	Next Coupon 25 Jan 27	Maturity In 12.92 years
Moodys Rating Baa2	Currency USD	Moodys Rating A3	Currency AUD
Credit Outlook		Credit Outlook	
Positive ▲ Goldman Sachs benefits from a strong global franchise across investment banking, trading and wealth management, supporting resilient earnings and capital generation.		Positive ▲ ANZ is supported by a strong investment-grade balance sheet and the stability of Australia's well-regulated banking sector.	
Negative ▼ Earnings remain more dependent on market activity and capital markets conditions than traditional commercial banks, making profitability inherently more cyclical.		Negative ▼ ANZ remains exposed to Australia's housing market and broader economic conditions, which could pressure asset quality if unemployment rises or property prices weaken.	

Note: Indicative pricing. Please speak to an AmBank RM.

Source: Global Treasury Markets, AmBank WM, Bloomberg (27 Aug 26)

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