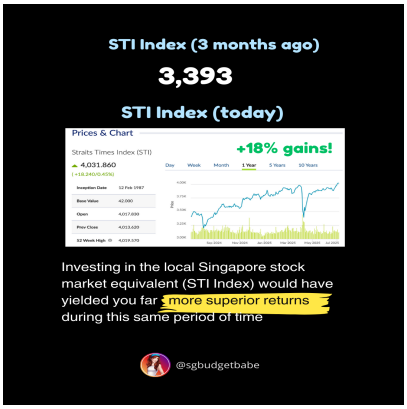


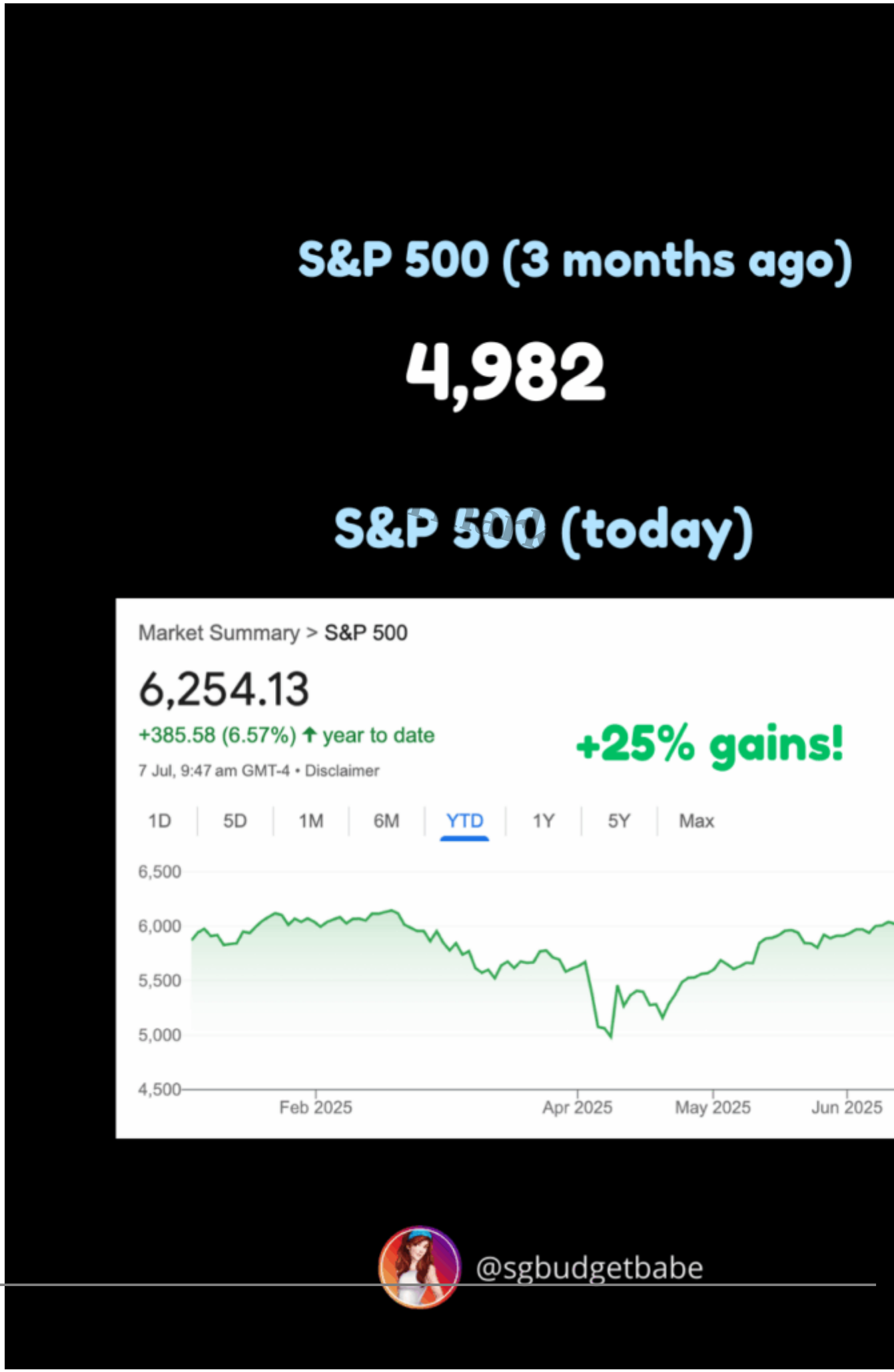
Could investing in Singapore beat the S&P 500 in the next decade?

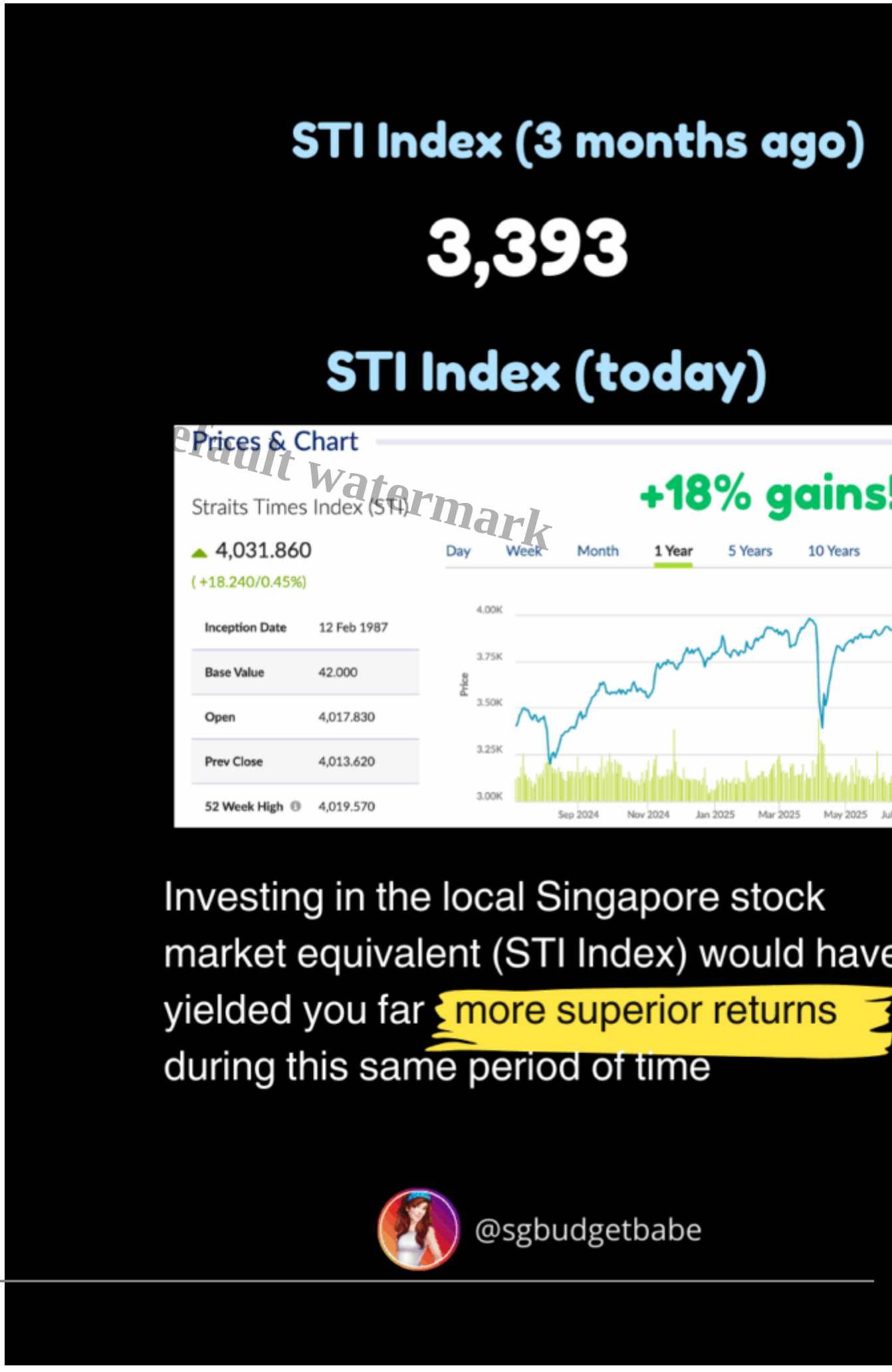
Description

You might be wondering, how is that possible? Werenâ??t the STI Index gains of 18% dwarfed by the S&P 500â??s 25% rise?

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S&P 500 (3 months ago)
4,982
S&P 500 (today)
Market Summary > S&P 500
6,254.13
+385.58 (6.57%) year to date
+25% gains!
7 Jul, 9:47 am GMT-4 • Disclaimer
1D
5D
1M
6M
YTD
1Y
5Y
Max
6,500
6,000
5,500
5,000
4,500
Feb 2025
Apr 2025
May 2025
Jun 2025
@sgbudgetbabe


STI Index (3 months ago)
3,393
STI Index (today)
Prices & Chart
default watermark
+18% gains!
Straits Times Index (STI)
4,031.860
(+18.240/0.45%)
Day
Week
Month
1 Year
5 Years
10 Years
Inception Date 12 Feb 1987
Base Value 42.000
Open 4,017.830
Prev Close 4,013.620
52 Week High 4,019.570
4.00K
3.75K
3.50K
3.25K
3.00K
Price
Sep 2024
Nov 2024
Jan 2025
Mar 2025
May 2025
Investing in the local Singapore stock market equivalent (STI Index) would have yielded you far more superior returns during this same period of time
@sgbudgetbabe

But itâ??s true, especially if youâ??re a Singaporean investor. Thatâ??s because we earn in USD but spend in SGD for our living costs here. And that means forex differences matter.

Hereâ??s the math:

Investor 1: Buys into Singapore

Imagine Investor 1, a Singaporean who decides to buy the NikkoAM STI ETF (G3B) during Aprilâ??s ultimate low.

- He buys 2,891 s**hares of NikkoAM STI ETF at $3.46 each on 9 April, with a total capital of SGD 10,002.86.**
- He then sells his shares at $4.12 on 8 July, after having collected $0.0917 in dividends per share in July.
- The total cash back in his pocket? $11,910.92 + $265.10 in dividends = $12,176.
- Result = $2,173.16 or **21.7% profit**.

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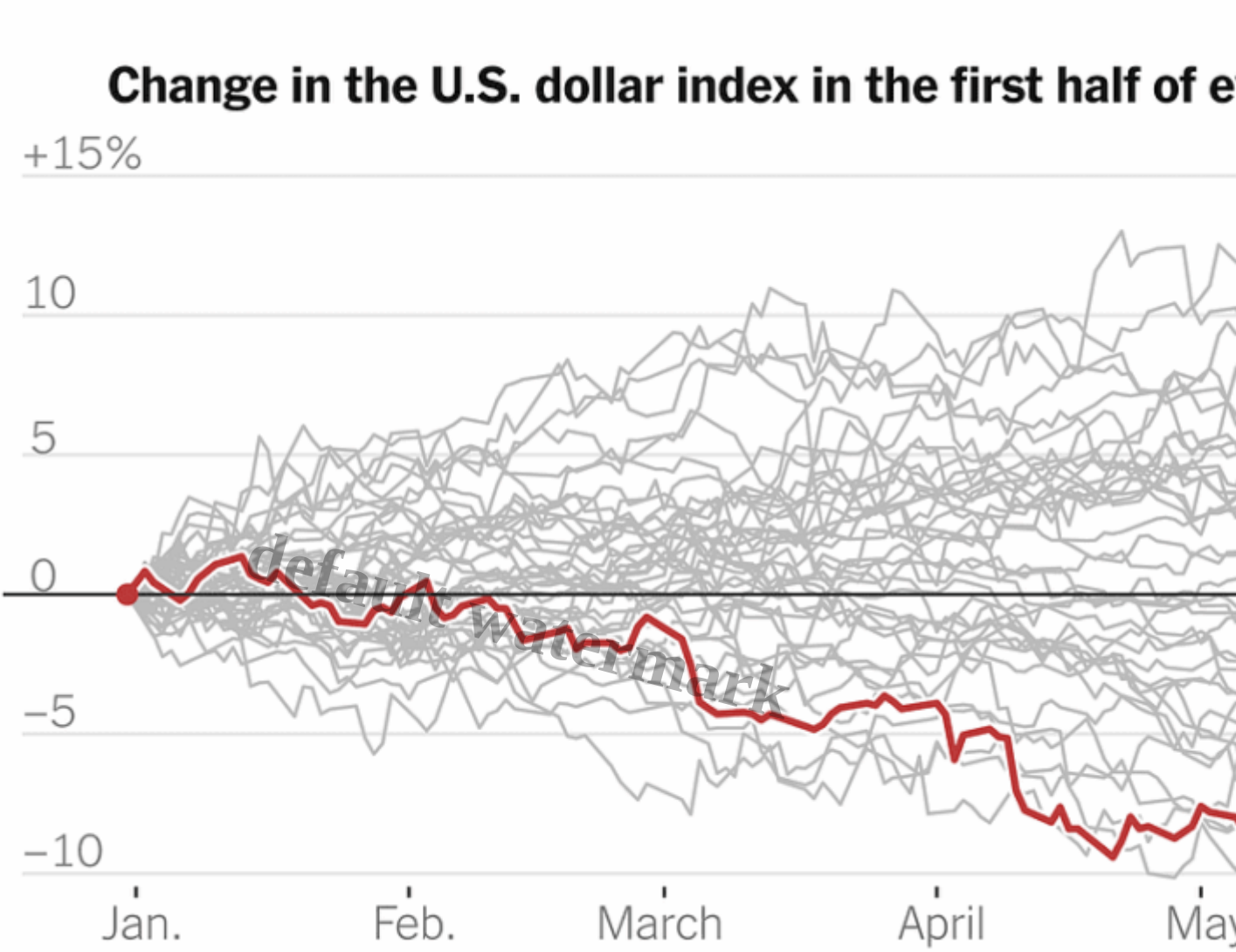
Investor 2: Chooses the S&P 500

Now imagine Investor 2, who is a Singaporean but who decides to buy the Vanguard S&P 500 ETF (VOO) during the same crash.

- He buys 17 shares of VOO at $457 each on 8 April, spending SGD 10,550.30 after converting SGD into USD at an exchange rate of 1.358.
- He collects dividends of $1.744 per share in June, and after paying for a 30% withholding tax, this puts USD 20.75 back into his brokerage account.
- He sells on 8 July at $570 = USD 9,690.
- He converts USD 9,690 + USD 20.75 back into SGD at an exchange rate of 1.288 and gets SGD 12,507.45 back.
- Result = $1,975.15, which translates into **18.6% profit**.

As you can see, any non-US investor who is simply buying the S&P 500 without thinking about forex differences is in for a rude shock when they finally collect their money at the end. When you have to buy in USD but spend in SGD, this difference matters.

And the fact is, the USD has just seen its worst decline in almost 40 years.


Change in the U.S. dollar index in the first half of e
+15%
10
5
0
−5
−10
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Jan.
Feb.
March
April
May

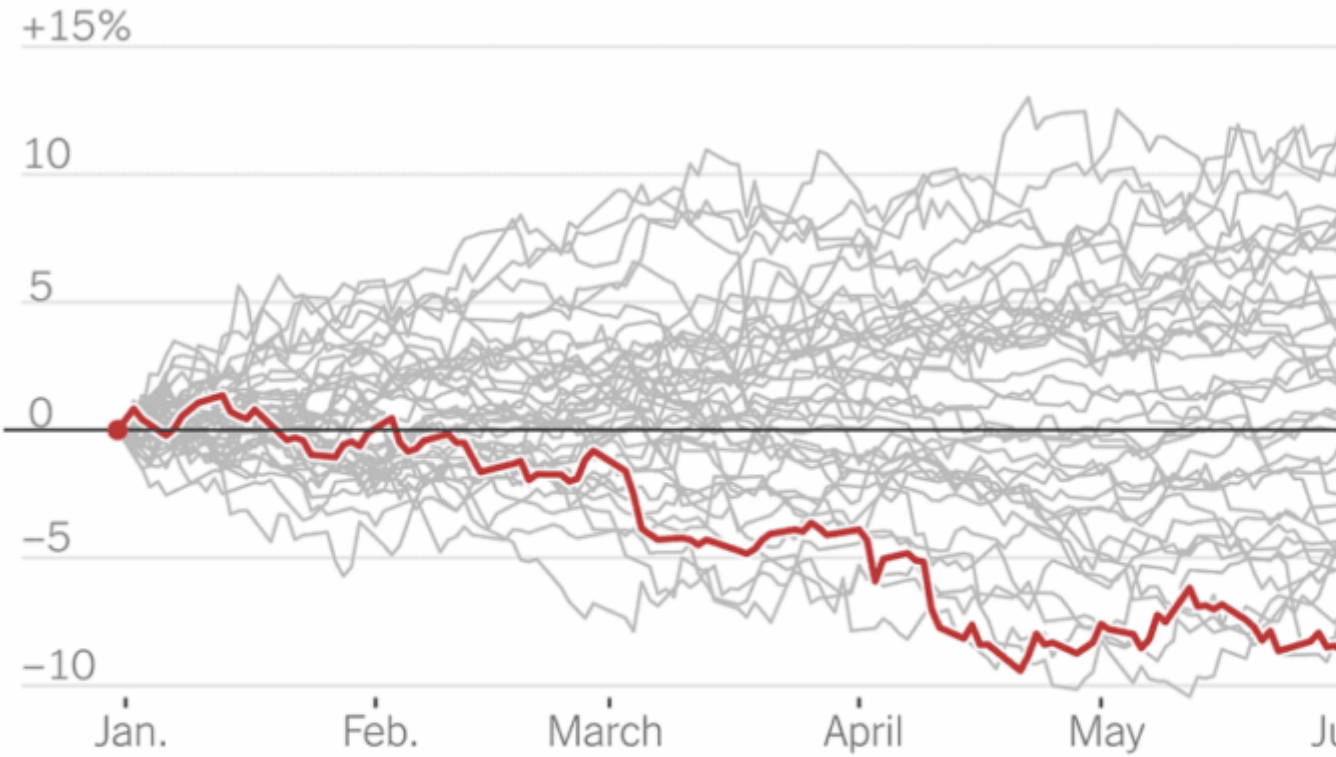
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For non-US investors:

"Buy the S&P 500 every mor

If that is your only investing strategy, think again.

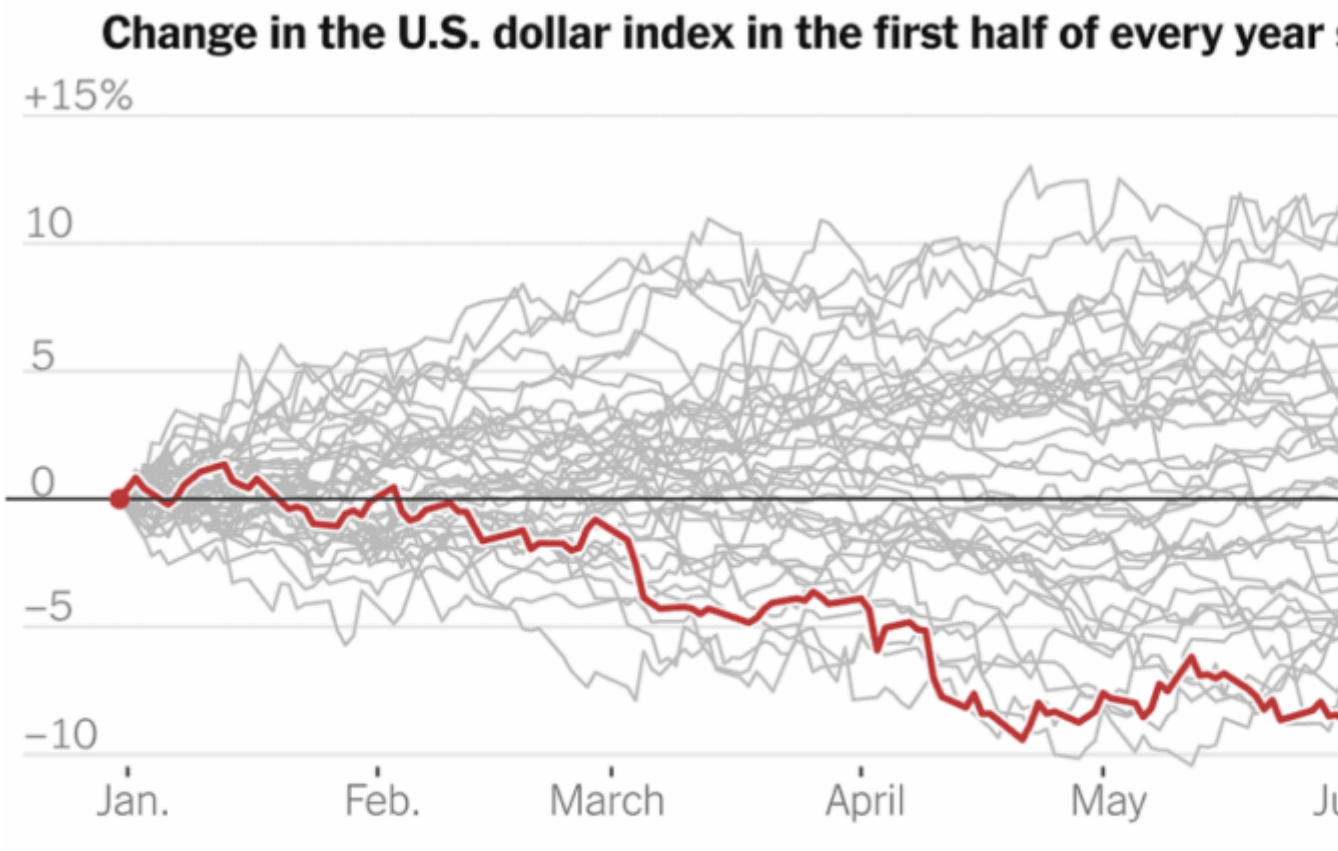
Change in the U.S. dollar index in the first half of every year



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For non-US investors:

With a declining US dollar, w
will that mean for you when
cash out on your earnings



@sgbudgetbabe

For decades, investors have believed the stock market delivers ~10% returns like clockwork. But fewer people realise that **in the last 50 years, US investors experienced a â??lost decadeâ?•** *i.e. a period of roughly 10 years when the US stock market went nowhere* not once, but twice.

This happened in 1970 â?? 1979 and then again in 2000 â?? 2009. **An index that had averaged more than 10% annualized returns before 2000 instead delivered** less-than-average returns from the start of the decade to the end, with **annualized returns at -0.95%**. **The USD similarly weakened against the SGD from 1.7 to 1.4 this same period.**

These two periods resulted in disappointing returns for many who were invested in the S&P 500. and many were left worse off.

So yes, while online posts are full of charts and graphs showing you how the S&P 500 has indeed done extremely well in the last 40 years, remember that historical averages donâ??t guarantee the futureâ?¦

â?¦especially when the market is this expensive.

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How expensive are the US markets right now?

Vanguard estimates U.S. equities are now trading 44% above their fair value, which means investors are overpaying relative to long-term earnings and the economic reality.

Setting realistic expectations

Vanguard Capital Markets Model® forecasts

default watermark

June 25, 2025

Following are highlights of the changes in our 10-year annualized retur
forecasts, relative to our previous set of forecasts. We now expect:

- **U.S. equities to return 3.8%–5.8%**, down 0.5 percentage points. T
  experienced gains in May as U.S.-China tariff strife abated somew
- **Emerging equity markets to return 3.3%–5.3%**, down 0.4 percent
  as wider profit margins pushed valuations higher.
- **U.S. Treasuries to return 4%–5%**, up from **3.6%–4.6%** a month ag

We estimate that the U.S. equity market is trading 44% above the top
fair-value range. Our estimate reflects our proprietary fair-value meas
considers current prices in relation to average, inflation-adjusted corpo
earnings over the past 10 years, as well as prevailing interest rates and
levels.

If Vanguard is correct and US equities give 5.5% in the next 10 years of annualised returns, together with the USD falling 1% against the SGD and inflation coming in at 3%, that will mean youâ??ll only make 1.5% in real returns.

Thatâ??s what matters for your purchasing power!

A key reason for these revised expectations is due to stock prices today having surged far beyond their fundamentals. And when stock prices rise faster than earnings, valuations inflate. Since valuation is how much we pay for each $1 of company earnings, the higher it is, the harder it is to earn strong future returnsâ?¦unless earnings grow *rapidly* or prices fall.

Add inflation and a falling US dollar to the mixâ?¦and investors could be looking at subpar returns again once more.

Could investing in Singapore beat the S&P 500 in the next decade?

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Iâ??ve mentioned here on the blog since 2023 that it is worth allocating part of your portfolio to the Singapore markets to ride on Singaporeâ??s economic growth. You can also read my article in 2024 where I said that I continue to invest in Singapore as it has given me pretty decent double-digit returns. However, for the longest time, most investors continued to be bearish on the Singapore markets after watching the spectacular rise of the US markets in the last few years.

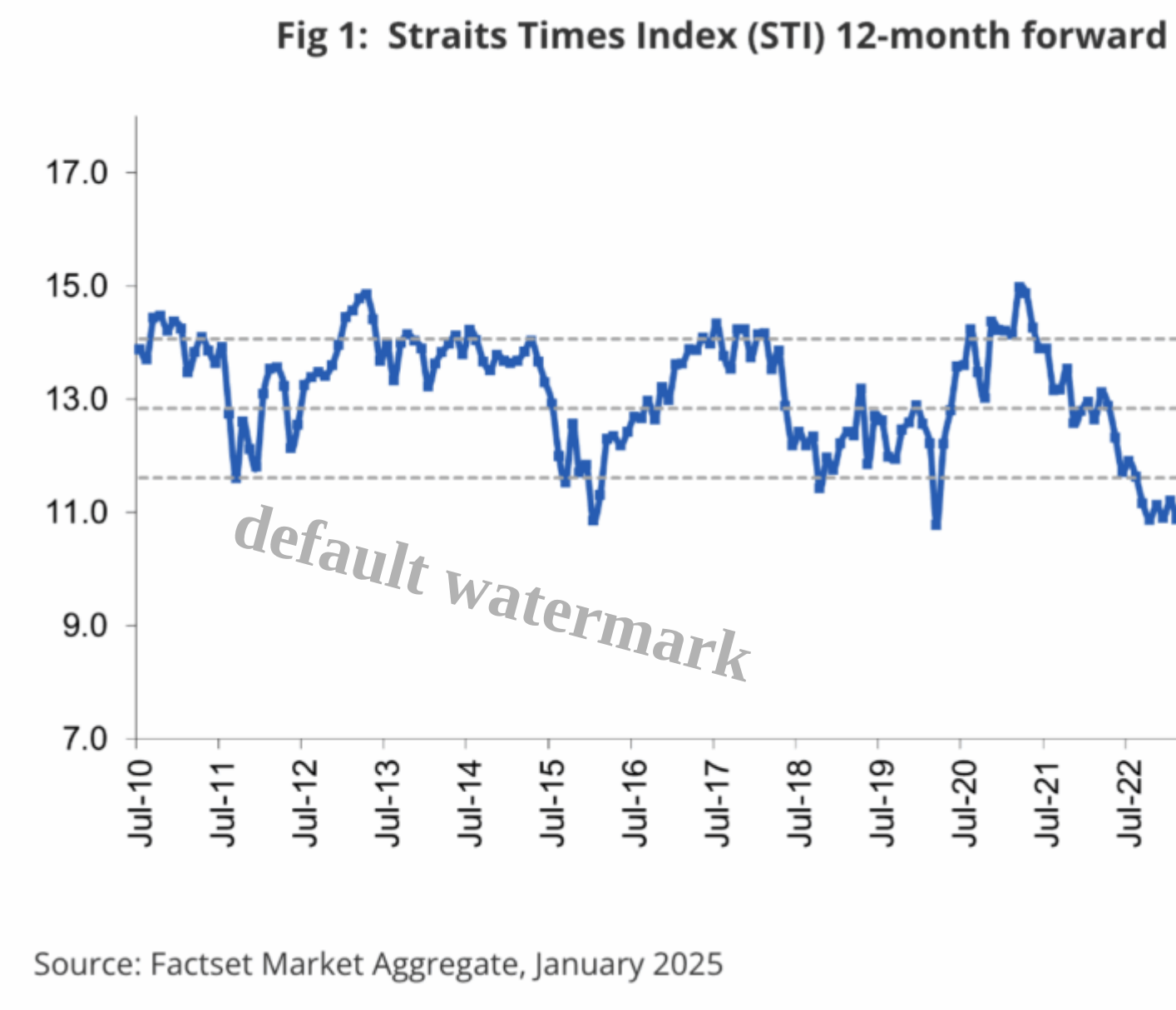
But the S&P 500 index, currently trading at a 22 forward P/E ratio, can be considered expensive right now by almost any measure. And historically, long-term returns following periods of high valuations havenâ??t been very good for the major indices.

This is an observation Iâ??ve repeatedly expressed on my social media channels. The recent market movements are anything but normal. Iâ??m not smart enough to know all the answers, but Howard Marks offers a clue by looking back into history:

â??Thereâ??s a strong relationship between starting valuations and subsequent annualized ten-year returns. ***Higher starting valuations consistently lead to lower returns, and vice versa.***

Todayâ??s P/E ratio is clearly well into the top decile of observations. In that 27-year period, when people bought the S&P at P/E ratios in line with todayâ??s multiple of 22, they always earned ten-year returns between plus 2% and minus 2%.â?•

In contrast, the STI Index still remains cheap even after the recent rally:



Credits: UOB Asset Management

So yes, while the S&P500 may have historically returned 10 â?? 11% over the last 40 years, but we should remember that past performance is not a guarantee for future performance and thereâ??s no telling how the future will look like.

And just because the STI Index has underperformed in the last few years, doesnâ??t mean this will go on forever either. Stocks like ST Engineering (+80%), Sembcorp (+55%) and Singtel (+35%) have rallied recently and there could be more like them in time to come.

No one knows what the next 10 years will bring. But I do know that my decisions today will shape my financial outcomes tomorrow in the markets and I wonâ??t be able to turn time back to do it any differently. So Iâ??m not taking my chances, especially since I donâ??t live in the US!

This is why my exposure to Singapore stocks and bonds continue to form a strong foundation in my investment portfolio. While many younger investors are flocking to US stocks and cryptocurrencies for quick capital gains, I maintain a balanced approach in the way I invest â?? which includes being vested in my home country (Singapore) for undervalued stocks and passive income through dividends.

Happy SG60, Singapore!

With love,
Budget Babe

Disclaimer: None of the stocks mentioned here should be taken as a buy/sell recommendation. The calculations in this post are done based on the time period of 8/9 April â?? 8 July. Past investment returns are not a guarantee of future returns. This article should not be taken as financial advice.

Category

1. Investing

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