Is it too late to invest in the Straits Times Index today?

Description

In this article, I examine the opportunities driving the momentum, assess key risks that investors should look out for, and share how Singapore investments play a role in my own portfolio.

Whatâ??s driving the STIâ??s growth?

If youâ??re like most Singaporeans, chances are that an exchange-traded fund (ETF) tracking the Straits Times Index (STI) was likely your first investment foray into the markets.

It is local, familiar to us, and often seen as a safe, slow-and-steady option to build our long-term wealth.

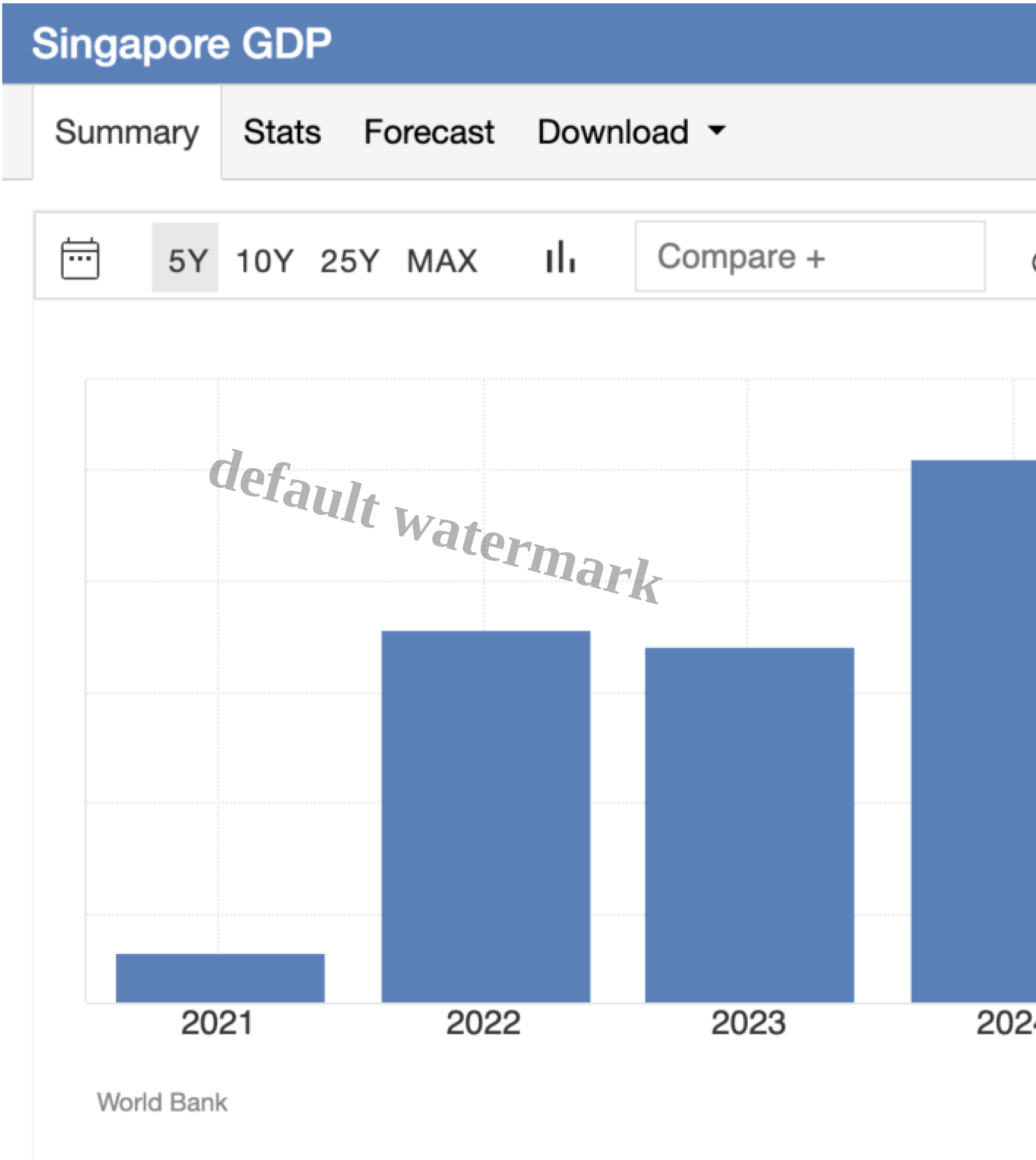
But with the STI recently hitting a multi-year high, I know many people are wondering: â??Should I still buy in now? Or have I missed the boat?â?•

To figure this out, we need to first understand whatâ??s driving the STI â??s growth in recent years.

Strong economic growth

A stock market can often be seen as a barometer for the countryâ??s economy. In 2023, I wrote that investors wanting to ride on Singaporeâ??s economic growth can check out STI ETFs for their portfolio.

That thesis has played out perfectly. Singaporeâ??s GDP surged over 50% in the past 4 years since COVID hit, and our political stability and diversified economy continue to make Singapore a safe haven for businesses and investors.



Source: World Bank data. Screenshot from Trading Economics (20 January 2026).

A robust financial sector

Thanks to the rising interest rate environment, net interest margins (NIMs) have expanded for our local banks, translating into record profits and generous dividends. In fact, if youâ??ve held onto Singapore bank stocks in the last 2 years like I have, youâ??ve probably smiled at your dividend payouts.

As the STI is weighted by market capitalisation, the growth in Singaporeâ??s 3 biggest banks has pushed the index higher, and DBS, OCBC and UOB combined now accounts for slightly over 50% of the index today.

Although that might sound overly concentrated, the STIâ??s tech-lite nature can make it a good diversification tool for tech-heavy portfolios.

Support from the Monetary Authority of Singapore (MAS)

To revitalise the Singapore market, MAS is pouring $5 billion into efforts to improve market liquidity, attract listings, and revitalise the SGX. MAS also announced last month that its efforts will include helping companies improve their investor communications, fostering greater investor confidence and better share price performance.

With strong government support, this is a long-term catalyst that bodes well for anyone investing in the STI today. In my opinion, barring an economic crisis, I believe that the general long-term trend is up.

Strong, defensive plays

The STI has plenty of blue-chip stocks that are relatively resilient in times of global uncertainty. From REITs to transport to telcos, the STI is filled with companies providing essential services.

During volatile global periods, investors tend to rotate into these â??defensiveâ?• plays â?? further strengthening the STIâ??s appeal.

High dividend yields

If you didnâ??t already know, based on the average dividend yield across the last 10 years, the STI offers one of the highest dividend yields when compared with other global market indices.

At the time of writing, the STI ETF (such as ES3 or G3B) still offers a trailing^ dividend yield of around 4%[1] with the potential for capital gains. This is above the dividend yield of other major indices, such as the Hang Seng Index and the S&P 500 Index. And in the US, dividends have historically contributed to roughly a third of total market returns.

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^Note:  Trailing dividend yield is the annual dividends paid over the past 12
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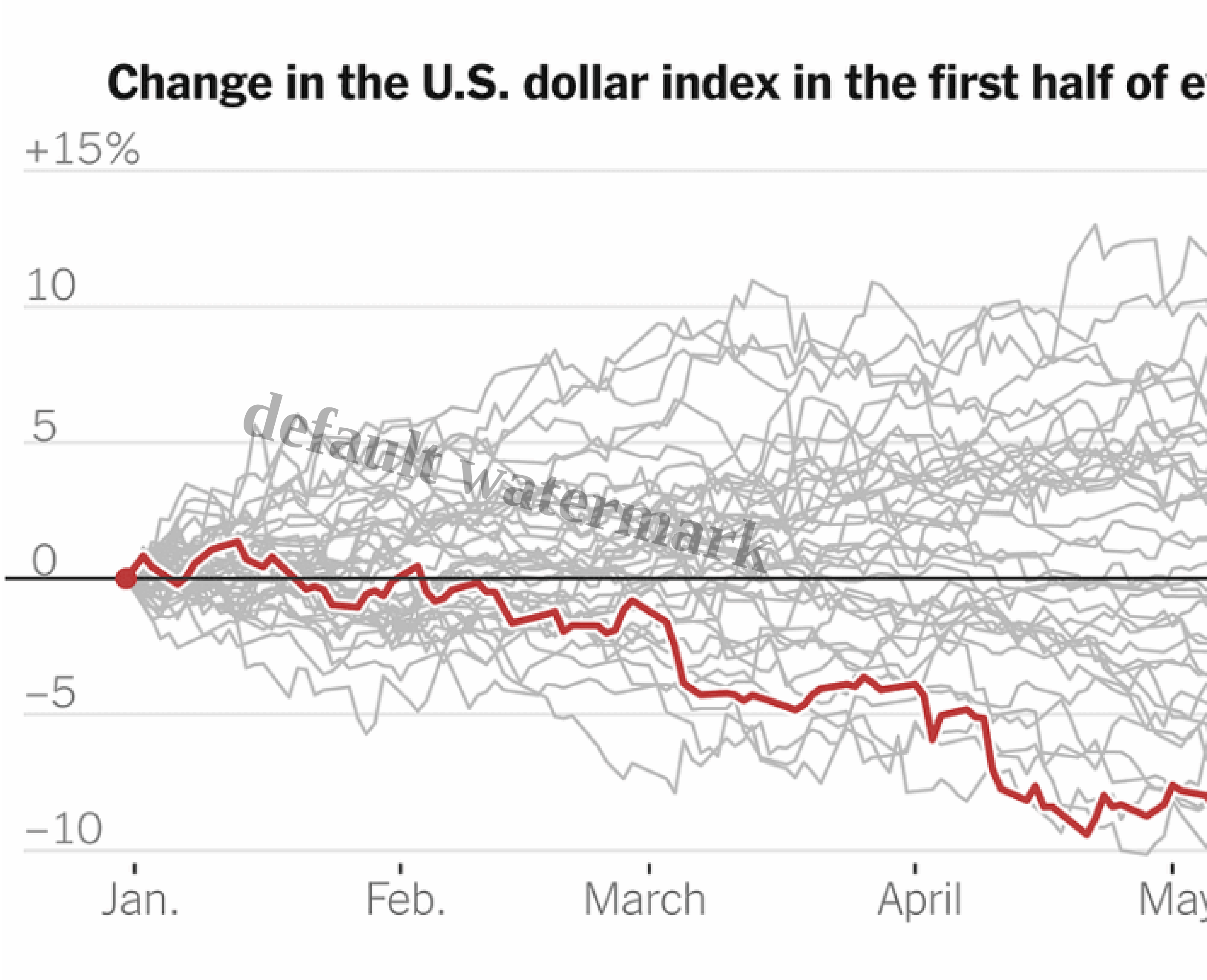
Another thing to note is that Singapore dividends are tax-free, while US dividends are subject to a 30% withholding tax for foreign investors. When youâ??re investing for the long run, that difference adds up significantly over time.

A weakening US dollar

The US dollar has fallen more than 10% in the past year on the back of ongoing tariff disputes and rising US debt levels. If youâ??re a Singapore-based investor, this matters because when you invest heavily in US assets, your returns will be affected by currency changes.



To put things into perspective, the S&P 500 may have gained 16% in 2025, but the weaker currency meant that Singapore investors only received single-digit returns2 after converting back to Singapore dollars. In contrast, Singapore investors who went for the STI instead received a 22% return without suffering any currency exchange losses.

If you agree with the experts who [believe that the Singapore dollar could reach parity with the US dollar by 2040](), then this makes a strong case for investing in our local markets.

Butâ?¦what are the risks?

Of course, no investment is without risk, and even the STI is no exception.

Limited growth potential

Compared to high-growth markets like the US or China, the STI may seem relatively conservative. Thereâ??s no Apple, NVIDIA or Alibaba equivalent in our local index, so if youâ??re gunning for double-digit annual returns, then you may be disappointed.

However, **DBS believes that the STI could still rise to nearly 10,000 points by 2040 if historical return patterns hold**, as indicated in their Singapore 2040 report here.

Concentration risks

At time of writing, half of the STI is made up of just 3 banks. This means that if the financial sector takes a hit â?? such as due to global interest rate cuts or credit risks â?? investors may find their STI portfolio take a heavy hit.

Global economic slowdown

Singaporeâ??s economy is tightly linked to global trade. As such, a slowdown in China, disruptions in global supply chains, or weaker global demand could negatively impact Singaporeâ??s export-oriented companies.

We may feel the ripple effects, and so may the STI.

So is the STI still worth investing in?

I learned this recently from Amova Asset Managementâ??s Head of Asian Equity, Lai Yeu Huan, who pointed out that â??anyone under the age of 40 in Singapore has not really seen a Singapore markets boom. But the older investors will remember the mid-2000s and mid-1990s.â?•

Indeed, in the 1990s, the STI jumped by 59% in 1993 and 78% in 1999. Between 2003 to 2007, the STI grew by more than 10% every single year. Investors can check out the historical performance of the STI here:

Year	% change in STI
2003	31.58%
2004	17.09%
2005	13.61%
2006	27.20%
2007	16.63%

Source: Yahoo Finance.

The STI was up by 22% last year, and has been steadily climbing so far in 2026 while the S&P 500 has remained flat. With the recent catalysts covered above, I believe thereâ??s still more potential upside for the Singapore equities market to grow further.

As investors, we strive to build a portfolio that will not only grow for us, but allow us to sleep peacefully at night.

In my opinion, thatâ??s why many people invest regularly in a strong foundation of market index ETFs, including that of their own country, which they may perceive as an anchor. Investing in a basket of diversified stocks can help soften the blow when one particular stock takes a hit.

If you value stability and youâ??re looking for exposure to Singaporeâ??s blue-chip companies while getting a reliable stream of passive income from dividends, then the STI will still make sense today. This is especially so if youâ??re still building your core portfolio and investing via your CPF/SRS. But if youâ??re young and chasing aggressive growth, then the STI might appear less attractive than its foreign market counterparts or other growth-oriented investments.

Also, donâ??t forget the SGD advantage â?? **investing in the STI means youâ??re not exposed to foreign exchange risk**. Thatâ??s another layer of stability thatâ??s easy to overlook.

Personally, investing in the Singapore markets have been a stable source of growth and reassurance for me, and allows me to have peace of mind while I pursue higher growth opportunities in the more volatile US and China markets.

How to invest in the STI today

You can ride on the growth of the STI by buying an ETF or a unit trust that tracks it. One popular option is the Amova Singapore STI ETF, which currently manages over $1 billion AUM of investorsâ?? money. It is easily accessible, as you can find it available through your brokerage accounts and even use it for investing with your CPF or SRS funds.

It also has a low total expense ratio (TER), capped at 0.25% p.a.. This means that for every $100 dollars you invest, your costs are no more than $0.25. **This makes the Amova Singapore STI ETF a great way to get exposure while keeping your costs minimal.**

Conclusion

The Amova Singapore STI ETF offers investors an opportunity to build a diversified portfolio of Singapore stocks in a simple and low-cost way.

Whatâ??s even better is that theyâ??re now launching a new accumulation share class, which makes it perfect for investors who want their dividends3 to be automatically reinvested for them. This will also be eligible for investing with your CPF funds.

[Click here to find out more!]

Disclosure: This post is brought to you in collaboration with Amova Asset Mana
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) may be different from the net asset value per unit of the ETF. The ETF may also be suspended or delisted from th

The Central Provident Fund (â??CPFâ?•) Ordinary Account (â??OAâ?•
) interest rate is the legislated minimum 2.5% per annum, or the 3-month average of major local banks' interest ra
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) is currently 4% per annum or the 12-month average yield of 10-year Singapore Government Securities plus 1%, whic
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). Please refer to the website of the CPF Board for further information. Investors should note that the applicable

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