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Group Wealth Management

Market Review & Outlook
April 2026
(as at 31 March 2026)

Overview

US fourth quarter 2025 ("4Q25") Gross Domestic Product ("GDP") was revised lower to 0.7% year-on-year ("YoY") Seasonally Adjusted Annual Rate ("SAAR") in the second estimate versus advance estimate of 1.4% quarter-on-quarter ("QoQ") SAAR, reflecting broadbased downward revisions across exports, consumer spending, government outlays and investments. The sharp slowdown versus 4.4% YoY SAAR in 3Q2025 remains largely due to the impact of the government shutdown. Federal spending has been a significant drag, subtracting 1.16% from GDP growth in 4Q2025. Even so, full year 2025 growth remained respectable at 2.1%. Bloomberg consensus survey puts 2026 growth in a range of 1.8% - 2.7%. However, war with Iran introduces downside risks to growth and at the same time upside risks to inflation.

As widely anticipated, the US Fed left policy rate unchanged at 3.50-3.75% at its meeting on 19 March 2026. Fed guidance turned somewhat hawkish raising the Neutral interest rate to 3.1% versus 3.0% prior, with a suggestion that Articial Intelligence ("AI") will boost productivity growth. The consensus view has shifted to 1 rate cut in 2026 from previous expectation of 2 cuts.

Latest non-farm payrolls surprised to the downside at -92k jobs in February 2026 disappointing consensus expectation of 55k (January 2026: 126k). February 2026's drop is not linked to the Federal government shutdown but is still due to a combination of temporary factors, including labour strike at Kaiser Permanente, payback from good weather in early January 2026, drag from storms in early February 2026.

In February 2026, inflation remained unseasonally soft, unchanged from January 2026 with the headline number at 2.4% YoY and core at 2.5% YoY, as disinflationary impulse from heavily weighted items like rent and cars offset inflationary effects in other consumer items in the economy.

In Europe, the European Central Bank ("ECB") at its meeting on 19 March 2026, kept the key deposit rate at 2.00% for the fifth consecutive meeting. However, it acknowledged that the US-Israel versus Iran conflict "has made the outlook significantly more uncertain, creating upside risks for inflation and downside risks for economic growth". The ECB President Christine Legarde guided that a persistence of high commodity prices could usher in a hike in June 2026 with another hike in September 2026.

In terms of energy policy reaction, some countries have asked the European Union ("EU") to intervene by putting forward comprehensive measures to reform energy markets in Europe, and to avoid excessive competition among countries in sourcing gas to re-stock their depleted storage facilities during the summer.

Malaysia

March 2026 opened with Bank Negara Malaysia's ("BNM") Monetary Policy Committee ("MPC") maintaining the Overnight Policy Rate ("OPR") at 2.75% at its 5 March 2026 meeting. In its statement, BNM noted that global growth would continue to be supported by "sustained domestic demand, moderating inflation, robust tech investments, and supportive fiscal and monetary policies" though it flagged that "the recent conflict in the Middle East has raised uncertainty in the global economy", with the impact depending on the length and severity of the conflict. Downside risks cited included further escalation in geopolitical tensions, heightened volatility in global financial markets, concerns over potentially higher tariffs, and elevated asset valuations. On the upside, BNM pointed to stronger tech spending, a milder tariff impact on economic activity, and pro-growth policy measures in key economies. On the domestic front, BNM noted that the economy grew by 5.2% in 2025, driven by strong domestic demand, higher Electrical and Electronics ("E&E") exports, and robust inbound tourism, and that "this growth momentum is expected to continue in 2026, anchored by resilient domestic demand". Employment, wage growth, and policy measures were cited as key support for household spending, alongside multi-year investment projects and the ongoing implementation of national master plans. BNM concluded that "the Malaysian economy is facing these challenges from a position of strength, with robust domestic growth, moderate inflation, sound financial sector and resilient external position", and that the current OPR level remains "appropriate and supportive of the economy amid price stability."

On the inflation front, the picture remained benign at the current juncture. BNM's forward guidance forecasts overall headline inflation in 2026 was expected to remain moderate, with the impact of global commodity price volatility on domestic inflation "expected to be contained", while core inflation was projected to remain "stable and close to its long-term average, reflecting continued expansion in economic activity and the absence of excessive demand pressures." A key buffer is the government's RON95 fuel subsidy programme - albeit at a reduced rate from 300 liters to 200 liters per person - now running at RM4 billion per month, which has effectively insulated domestic pump prices from global oil price swings. A firmer ringgit has also helped suppress imported cost pressures across food, intermediate goods, and raw materials. However, the on-going developments from the conflict in the Middle East could revise these projections.

The more significant macro development came on 31 March 2026, when BNM released its Annual Report and Economic and Monetary Review 2025, upgrading its 2026 GDP growth forecast to 4.0%–5.0% — wider and more optimistic than the Ministry of Finance's 4.0%–4.5% projection set in the October 2025 Budget. The revision was underpinned by several factors, namely the stronger base from last year's GDP print, strong domestic demand, upcycle in investment activity, and a meaningful contribution from tourism. BNM's revised range notably incorporates more recent geopolitical developments, including the Iran conflict, as a downside scenario within the 4.0%–5.0% band rather than as a reason to lower the ceiling.

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Fixed Income

US Treasury Market Overview

The US Treasuries ("UST") sold off in March 2026 as bond yields rose throughout the month on inflationary fears as oil price spiked to the high of USD 119 (Brent) in the month from around USD 72 before the Iran war. The market has now priced out any chance of a Fed rate cut in 2026 and has seen increased bets of the Fed raising rate by December 2026.

Towards end of the month, doubts by traders on the Fed rate hike saw some recovery on the shorter end of the curve, while remarks by Fed Chair Powell on well-anchored inflation expectations beyond the short term even with the oil spike helped to bring down UST yields.

Overall, in March 2026, the UST jumped with the 2Y yield up 41.8bps and 10Y yield up by 37.9bps.

US Treasury Yields

US Treasury Tenor	31-Mar-26 (%)	Net Change month-on-month ("MoM") (bps)	Net Change Year to Date ("YTD") (bps)
1Y	3.65	+18	18.5
2Y	3.79	+41.8	32.0
5Y	3.94	+44.1	21.8
7Y	4.13	+43.2	18.9
10Y	4.32	+37.9	15.0
20Y	4.91	+36.1	11.8
30Y	4.91	+30	6.6

Source: Bloomberg, 1 April 2026. Past performance is not indicative of future results.

Looking ahead, we expect volatility to continue in the UST market should the war remain protracted, and we do not expect any rate Fed rate cut in 2026.

Asian Bond Indices Performance

Markit Asian USD Index	31-Mar-26	MoM	YTD
Asian Dollar Index	149.5	-1.72%	-0.48%
Asian Dollar IG Index	151.1	-1.62%	-0.38%
Asian Dollar HY Index	140.9	-2.55%	-0.72%
Asian Dollar Corp Index (ex-banks)	152.5	-1.43%	0.00%

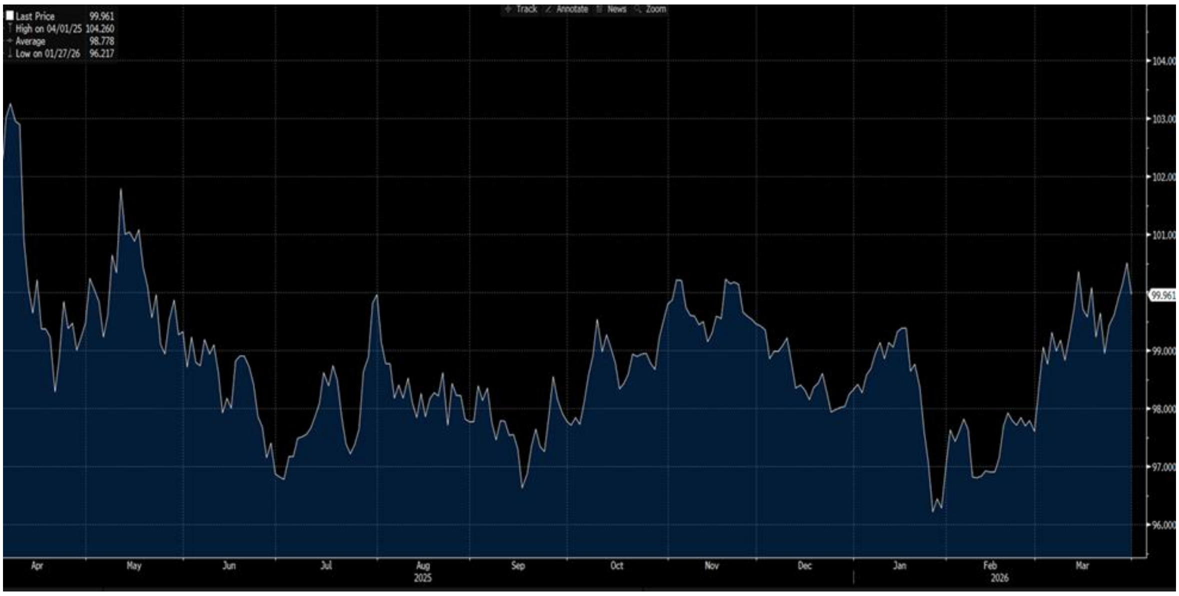
Source: Bloomberg, 1 April 2026. Past performance is not indicative of future results.

All Asian dollar bond indices fell in March 2026, in a month dominated by inflation worries flamed by energy price jumps. The Asian Dollar HY Index was the worst performed at 2.55% slide while the Asian Dollar IG Index saw a 1.62% fall.

The United States Dollar Index

In March 2026, the United States Dollar Index ("DXY") rose 2.41% in the month to 99.96 driven by safe-haven trade and stagflation risk amid energy price shock and geopolitical risk driven by the Iran war. Delay or U-turn expectations in the Fed rate cut are also supportive of a stronger USD.

Chart 1: The United States Dollar Index



Source: Bloomberg, 1 April 2026

MALAYSIAN BOND MARKET

Malaysian Government Securities ("MGS") Benchmark Tenors	31-March-26 (%)	Net Change MoM (bps)	Net Change YTD (bps)
3Y	3.27	15.1	17.6
5Y	3.42	13.6	12.4
7Y	3.55	13.9	16.0
10Y	3.66	14.4	13.0
15Y	3.93	15.1	13.3
20Y	4.00	7.2	14.9
30Y	4.13	10.9	15.1

Source: Bond Pricing Agency Malaysia, 31 March 2026. Past performance is not indicative of future results.

Following the outbreak of the US–Israel conflict with Iran on 28 February 2026, the Malaysian bond market weakened in tandem with the sell-off in U.S. Treasuries in March 2026, amid a broadly bearish global environment for government bonds. This was driven by concerns that the escalating conflict in the Middle East, and its potential impact on energy prices, could lead to a resurgence of inflation.
There were three sovereign bond and sukuk auctions in March 2026, comprising the reopening of the 15-year Malaysian Government Investment Issue ("MGII"), the new issuance of the 3.5-year Malaysian Government Securities ("MGS"), and the new issuance of the 20-year MGII, each with an issuance size of RM5.0 billion. The first two auctions of the month registered robust demand, with bid-to-cover ("BTC") ratios ranging between 2.20x and 2.30x. However, market demand softened significantly towards the end of the month, with the final auction recording a BTC ratio of 1.69x, as investors remained sidelined amid the sell-off in developed market ("DM") rates and lingering uncertainties surrounding the prolonged conflict in the Middle East.

Corporate bond trading activity (including quasi-sovereign names) picked up slightly in March 2026, with trading volume rising by 5.6% month-on-month to RM16.15 billion (February 2026: RM15.30 billion), despite a shorter trading month due to the Hari Raya festive period.

Meanwhile, Malaysia recorded its first net foreign outflow in five months, amounting to RM2.3 billion (January 2026: +RM2.0 billion). This reflected a reduction in foreign investors' holdings of Malaysian debt securities in February 2026 (-RM2.5 billion; January 2026: +RM1.0 billion), alongside a moderation in their net purchases of Malaysian equities (+RM0.2 billion; January 2026: +RM1.0 billion).

Some notable domestic corporate issuances in March 2026 included RM2.14 billion of Cagamas Berhad (AAA), RM1.5 billion of TNB Power Generation Sdn Bhd (AAA), RM1.0 billion of Maybank Islamic Berhad (AA1), RM900.0 million of CelcomDigi Telecommunications Sdn Bhd (AAA), RM800.0 million of Pengerang LNG (Two) Sdn Bhd (AAA) and RM500.0 million of OSK Rated Bond Sdn Bhd (AA). The 3-year, 5-year, 7-year and 10-year generic AAA corporate yield ended the month at 3.61% (+5bps MoM), 3.70% (+6bps MoM), 3.79% (+6bps MoM), 3.89% (+5bps MoM), respectively.

Strategy

Market Outlook

Geopolitical risks have intensified following the escalation of the US–Israel vs Iran conflict, driving oil prices higher and reviving global inflation concerns. This has led to a broad rise in global bond yields, reduced expectations for monetary easing, and heightened risk aversion toward emerging-market assets, including Asian currencies and fixed income.

Local bond market has seen yields move higher in line with global trends, while investors remain cautious amid increased volatility and expectations of heavier corporate bond issuances in near term. The combination of elevated supply and external uncertainty is likely to keep near-term sentiment defensive, particularly toward longer-duration and lower-rated credits.

That said, Malaysia’s bond market remains underpinned by resilient fundamentals. Higher oil-related revenues, manageable inflation and Bank Negara Malaysia’s stable policy stance continue to support market stability. As yields adjust upward, valuations are becoming more attractive, creating potential entry opportunities for medium- to long-term investors, especially in high-quality ringgit-denominated bonds and sukuk.

Investment Strategy

- We prefer to stay neutral on portfolio duration now and focus on the belly of the curve (5 to 7 years) for carry and roll-down yield.
- Prefer high quality corporate bond/sukuk over government bonds and maintain short term liquidity for trading purpose.

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EQUITIES

Global Equities

Global Equity Index Performance

Indices	31-Mar-26	MoM	YTD
S&P 500 Index	6,528.52	-5.09%	-4.63%
Nasdaq Index	21,590.63	-4.75%	-7.11%
MSCI Europe Index	194.69	-8.03%	-1.49%

Source: Bloomberg, 1 April 2026. Past performance is not indicative of future results.

The Standard & Poor's ("S&P") 500 Index fell by -5.09% MoM in March 2026, with the outbreak of the Iran war and surging oil prices reigniting fears of stagflation. That, in turn, pushed markets to rethink the Fed's path toward fewer rate cuts and tighter policy, raising borrowing costs and weighing on stocks. 10 of the S&P 500's 11 sectors were down in March 2026, with losses averaging circa 8.3%. Energy is the exception as the sector was up circa 39% this year, on track for its best quarter on record. The war has triggered one of the biggest supply shocks in history. Crude prices are up over 50% since the start of the conflict, driven by the closure of the Strait of Hormuz (a key chokepoint for circa 20% of global oil and Liquefied Natural Gas ("LNG") flows) as well as strikes on major production facilities across the Middle East.

The Morgan Stanley Capital International ("MSCI") Europe Index fell by -8.03% MoM in March 2026. The sell-off was triggered by the escalating U.S.- Iran conflict, which disrupted oil supplies, intensifying fears of a regional recession. With energy costs surging, Eurozone inflation accelerated to 2.5% in March 2026, fueling concerns that the European Central Bank might raise interest rates, further dampening investor sentiment. Despite the sharp decline, there was a slight rebound in the final days of March 2026 on hopes of a Middle East ceasefire, driven by reports that President Trump was willing to end military action against Iran.

Asia Pacific Equity Index Performance

Index	Index level	Mar-26 (Local currency)	YTD (Local currency)
MSCI AC ASIA x JAPAN	900.14	-13.87%	-1.45%
FTSE ASEAN	984.31	-8.36%	-0.62%
CSI 300 INDEX	4,450.05	-5.53%	-3.89%
KOSPI INDEX	5,052.46	-19.08%	19.89%
HANG SENG INDEX	24,788.14	-6.92%	-3.29%
S&P BSE SENSEX INDEX	71,947.55	-11.49%	-15.57%
TAIWAN TAIEX INDEX	31,722.99	-10.42%	9.53%

Source: Bloomberg, 31 March 2026. Past performance is not indicative of future results.

Chinese onshore equities declined 5.5% MoM amid escalating geopolitical tensions triggered sharp volatility in energy prices, reignited inflation concerns and delayed market expectations for US monetary easing, which collectively weighed on risk appetite. February 2026 Purchasing Managers' Index ("PMI") increased to 52.1 from 50.3 in January 2026. February Consumer Price Index ("CPI") up 1.3% YoY, strongest increase in over 3 years (January 2026 up 0.2% YoY), due to Lunar New Year effect. Retail sales up 2.8% YoY in January 2026-February 2026 (December 2025 up 0.9% YoY). Hang Seng Index declined 6.9% MoM amid risk-off on protracted Middle East tensions together with the unprecedented de-facto closure of the Strait of Hormuz triggered severe energy supply shortages and pushed Brent crude oil to $104/bbl, the highest since 2008. Southbound recorded HKD61 billion net inflows in March 2026 (vs. HKD91b net inflows in February). South Korea's KOSPI slumped 19.1% MoM amid profit taking and risk management on anticipated supply chain and oil price shocks from the Middle East as Korea is a substantial energy importer. Taiwan's TWSE index dropped 10.4% MoM amid concerns the major disruptions to Middle East energy supplies are impacting Asia's semiconductor manufacturing hubs due to their reliance on LNG and oil for power generation. Overall, the conflict introduces a significant but manageable energy risk, with rising power tariffs and inflationary costs expected to affect semiconductor profitability, especially during Taiwan's August 2025-September 2025 peak demand.

India equities declined 11.5% MoM, dragged by a global risk-off move from Middle East tensions and the oil shock, which worsened India's macro backdrop. This is compounded by INR weakness, record foreign institutional investors outflows and expectation of inflation led corporate margin compression. Trade deficit narrowed to $27.1 billion in February 2026 from the outsized $34.7 billion in January 2026. February 2026 CPI came in slightly above expectations at 3.2% YoY vs. consensus at 3.1% YoY. February 2026 IP at 5.2% YoY which is higher than consensus of 4.1% YoY.

ASEAN Equity Index Performance

Index	Index level	Mar-26 (Local currency)	YTD (Local currency)
STRAITS TIMES INDEX STI	4,885.45	-2.19%	5.15%
JAKARTA COMPOSITE INDEX	7,048.22	-14.42%	-18.49%
STOCK EXCH OF THAI INDEX	1,448.14	-5.24%	14.96%
PSEi - PHILIPPINE SE IDX	5,948.94	-10.02%	-1.72%
HO CHI MINH STOCK INDEX	1,674.49	-10.95%	-6.16%
FTSE Bursa Malaysia KLCI	1,690.36	-1.53%	0.61%

Source: Bloomberg, 31 March 2026. Past performance is not indicative of future results.

The Straits Times Index ("STI") fell in March 2026 due to the ongoing Midlle East conflict but was one of the more resilient markets in ASEAN, supported by the STI's bank-heavy composition. Steady capital returns and the prospect of higher-for-longer policy rates continue to lend resilience to domestic banks, helping provide stability in a more risk-averse environment. The Thai SET Index fell in March 2026 as the Iran war poses downside risks to Thailand's tourism recovery due to disruptions to flights that could weigh on arrivals from the Middle East and Europe, which together account for around 27% of total tourists. Amid heightened uncertainty from the Middle East conflict and its potential drag on economic activity and tourism, the incoming government may be inclined to roll out consumption stimulus measures and infrastructure investment to support growth.

The Jakarta Composite Index dropped sharply in March 2026 amid rising oil prices and a weakening rupiah, as the risk of a twin-deficit scenario is re-emerging. Higher crude oil prices are likely to widen the current account deficit by increasing the country's energy import bill, while also exerting pressure on fiscal balances through higher fuel subsidy requirements. At the same time, rupiah depreciation raises imported inflation risks and increases the cost of servicing foreign-denominated debt, further straining macro stability. The Philippines Composite Index fell sharply in March 2026 as inflation concerns and peso weakness weighed on sentiment. The Philippines Central Bank (“BSP”) held rates at an off-cycle meeting but sharply raised its 2026 inflation forecast to 5.1%, citing the inflationary impact of the conflict. The Vietnam stock market dropped sharply in March 2026 as global risk-off sentiment and foreign outflows overshadowed Vietnam’s strong economic fundamentals. The implementation of the “global brokerage” rule (Circular 08/2026) in February 2026 had limited immediate impact but keeps alive optimism around a potential FTSE upgrade to emerging market status at the upcoming review.

Malaysian Equities

The KLCI lost 1.5% MoM in March 2026, YTD 0.6%. The Dow and Nasdaq lost 5.4% and loss 4.8% MoM respectively.

Malaysia’s mid-cap and small-cap indices lost 3.9% and 7.1% MoM respectively. Plantation and Industrial Products were the best performing sectors, gaining 8.6% and 7.1% MoM respectively. On the other hand, Construction and Technology were the worst performing sectors, with a loss of 11.2% and 9.6% respectively. The top three best performers in KLCI component stocks were Petronas Chemicals (+102.3%), Sunway Healthcare (+37.9%) and Kuala Lumpur Kepong (+13.2%), while the worst performing stocks were Sunway (−16.6%), MR DIY (−14.5%) and Gamuda (−11.0%).

Brent crude oil prices surged 63% MoM in March 2026 to USD 108 per barrel, driven by the ongoing U.S.–Iran war and the de-facto closure of the Strait of Hormuz. The war drove DXY Index higher by 2.4% MoM to 100 as safe-haven demand for dollar intensified. US 10Y Treasury yield gained 38bps to 4.37% as inflation expectation rose and pare down expectations of near-term Fed easing.

In Malaysia, Plantation Index gained 11.2% MoM as Crude Palm Oil (“CPO”) price rose 18.8% MoM to RM4,700/mt.

Foreign institutional investors were net sellers of RM0.1 billion in March 2026. Local institutional investors were net buyers of RM0.1 billion equities. Average daily trading value was at RM3.8 billion, gained 23% MoM.

Strategy

The ongoing conflict in Iran which has stretched over a month coupled with constant mixed signals from President Trump has overturned the earlier risk on mode at the start of the year into a risk off with investors generally monitoring President Trump's narrative on a daily basis. Malaysia being a net energy exporter, coupled with strong local institutional support and low foreign shareholding, should be able to weather the high energy prices relatively better. Any correction on fundamentally-sound stocks presents a good opportunity to accumulate for long-term positioning.

The regional markets will remain volatile as the Middle East conflict prolongs, and inflationary pressure grows. While we adopt a short-term defensive stance, we remain cautiously optimistic on risk assets and view drawdowns as opportunities to gradually accumulate. The current US-Israel vs Iran war will have investors and capital allocators reassess investment destinations, especially by geography, which should have Asia and ASEAN benefitting as monies are diverted from the Middle-east and even away from the USA. We favour Asia especially North Asia - Taiwan, Korea and China driven by Technology especially AI and its adoption. Specifically for China, we are positive on their new 5-year plan. Within ASEAN, besides Malaysia we also prefer Singapore due to its solid fundamentals with strong fiscal buffers, a stable government with consistent policies and strong rule of law. US equity exposure especially in AI and AI adopters is also favoured as the US remains one of the most innovative countries in the world.

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