

Market Review & Outlook

May 2026

(as at 30 April 2026)

Overview

US Gross Domestic Product ("GDP") has rebounded strongly in initial flash estimate for the first quarter of 2026 ("1Q2026") at 2.0% quarter-on-quarter seasonally adjusted annual rate ("QoQ SAAR") from 0.5% QoQ SAAR in the fourth quarter of 2025 ("4Q2025"), confirming resilient underlying domestic growth momentum. Non-residential fixed investment was the biggest driver, contributing 1.39% QoQ SAAR to headline growth reflecting business investment in Artificial Intelligence ("AI") related equipment that jumped 17.2% quarter-on-quarter ("QoQ") from 4.3% QoQ prior. Federal Government spending returned to growth with a contribution of 0.56% QoQ after subtracting circa 1% QoQ due to the government shutdown in 4Q2025. However, the external sector was weak with trade subtracting 1.3% QoQ from the headline GDP though offset partially by increase in inventories of 0.4% QoQ.

At its meeting from 28-29 April 2026, the US Federal Reserve ("the Fed") left policy rate unchanged at 3.50-3.75%. Fed guidance suggested dovish bias but saw dissension by 4 of the 12 governors which had the market assess the decision as a hawkish hold.

Nonfarm payrolls for March 2026 increased 178k (consensus: 65k, February 2026: 133k), the most since the end of 2024. The growth was led by healthcare employment, which recovered after the resolution of the nurses strike in California and Hawaii. Similarly, construction as well as leisure and hospitality payrolls also rose following declines in February 2026, possibly reflecting a weather-related snapback. Unemployment rate in March 2026 unexpectedly fell to 4.30% (consensus: 4.40%, February 2026: 4.40%) further suggesting the labour market was stabilizing as the Iran war began.

Headline Consumer Price Index ("CPI") inflation jumped 3.3% year-on-year ("YoY") in March 2026 versus 2.4% YoY in February 2026, while core inflation rose 2.6% YoY versus 2.5% YoY in February 2026. In March 2026, aside from energy and airfares. Other CPI basket items did not see a significant price increase. However, price spikes can be expected in coming months as higher commodity prices feed through to consumer prices.

In Europe, the European Central Bank ("ECB") at its meeting on 30 April 2026, kept the key deposit rate unchanged at 2.00% for the sixth consecutive meeting. The ECB President Lagarde said the decision was unanimous but that the Governing Council had discussed various options, including a discussion "at length and in depth" about a possible rate hike. She also signaled that the 11 June 2026 meeting would be a live decision. The futures market is effectively expecting one hike of 0.25% at the 11 June 2026 meeting.

Eurozone headline inflation continued to rise sharply in April 2026 to 3.0% YoY (March 2026: 2.6% YoY, February 2026: 2.5% YoY). Meanwhile core inflation eased slightly on more consumer caution at 2.2% YoY for April 2026 (March 2026: 2.3% YoY, February 2026: 2.3% YoY). Economists' expectation is for Developed Markets ("DM") inflation to rise further including for core inflation due to indirect or second-round effects although these will happen more gradually with central banks appearing to be in no significant rush to tighten policy.

Malaysia

According to advance estimates from the Department of Statistics Malaysia ("DOSM"), Malaysia's real GDP expanded 5.3% YoY in 1Q2026. Although this is a slight moderation from the 6.3% YoY expansion recorded in the 1Q2025, the underlying momentum remains robust. This healthy trajectory suggests that domestic policies including the continued disbursement of the Sumbangan Asas Rahmah ("SARA") and recent civil servant salary revisions are successfully anchoring domestic demand even as external headwinds persist.

A closer look at the sectoral performance reveals that growth is broad-based with the Services and Manufacturing sectors doing the heavy lifting. The Services sector, the traditional bedrock of the Malaysian economy is estimated to have grown by 5.4% YoY in 1Q2026, propelled largely by sustained wholesale and retail trade activity. Concurrently, the Manufacturing sector expanded by an impressive 5.8% YoY, finding strong support from export-oriented industries, particularly electrical, electronic and optical products. While the Construction sector's growth eased to a normalized 7.8% YoY from previous double-digit highs and Mining and Quarrying experienced a slight contraction.

This economic resilience is powerfully mirrored in the Malaysian labour market, which has strengthened to levels not seen in over a decade. As of early 2026, the national unemployment rate has held steady at a remarkable 2.9%, its lowest point since November 2014. The total number of employed persons has continued to increase, pushing past 16.7 million and driving the employment-to-population ratio to nearly 69%. Job creation continues to be led by the services sector especially in accommodation, food and beverage and retail. This robust labour market foundation acts as a critical buffer, ensuring that consumer spending remains a reliable pillar of economic support.

On the price front, Malaysia continues to enjoy a relatively benign inflation environment with CPI which has remained highly contained, registering 1.6% YoY at the start of 2026. This stability reflects sound macroeconomic management and helps sustain household purchasing power. However, upstream price dynamics are shifting. The Producer Price Index ("PPI") which measures ex-factory prices, snapped a consecutive 12-month deflationary streak to rise by 1.1% YoY in March 2026. This rebound was heavily driven by a surge in mining extraction and utility costs.

Fixed Income

US Treasury Market Overview

UST yields were lower toward mid-April 2026 on expectations of a de-escalation in the Middle East as Iran and US agreed on a ceasefire and Iran agreeing to open the Strait of Hormuz. The announcement of the ceasefire saw an overnight fall in West Texas Intermediate (“WTI”) crude oil by nearly 8%. Yields were initially higher following the 0.9% month-on-month (“MoM”) rise in March 2026 CPI, the highest in almost 4 years but retreated subsequently on hopes of a resolution in the Middle East.

UST yields rose again toward the end of the month as Iran closed the Strait of Hormuz again and the US applying its own blockade. Oil prices, which surged again to above USD 100, uncertainty over Middle East tensions and Kevin Walsh's confirmation as Fed Chair resulted in raising 2Y UST by 18 bps and 10Y UST by 5.4 bps.

US Treasury Yields

US Treasury Tenor	30-Apr-26 (%)	Net Change MoM (bps)	Net Change YTD (bps)
1Y	3.71	+5.2	23.7
2Y	3.87	+7.6	39.6
5Y	4.01	+6.3	28.0
7Y	4.19	+6.2	25.1
10Y	4.37	+5.4	20.4
20Y	4.96	+4.7	16.5
30Y	4.97	+5.6	12.2

Source: Bloomberg, 1 May 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	30-Apr-26	MoM	YTD
Asian Dollar Index	150.5	0.66%	0.17%
Asian Dollar IG Index	152.0	0.59%	0.21%
Asian Dollar HY Index	143.5	1.89%	1.15%
Asian Dollar Corp Index (ex-banks)	153.3	0.54%	0.54%

Source: Bloomberg, 5 May 2026. Past performance is not indicative of future results.

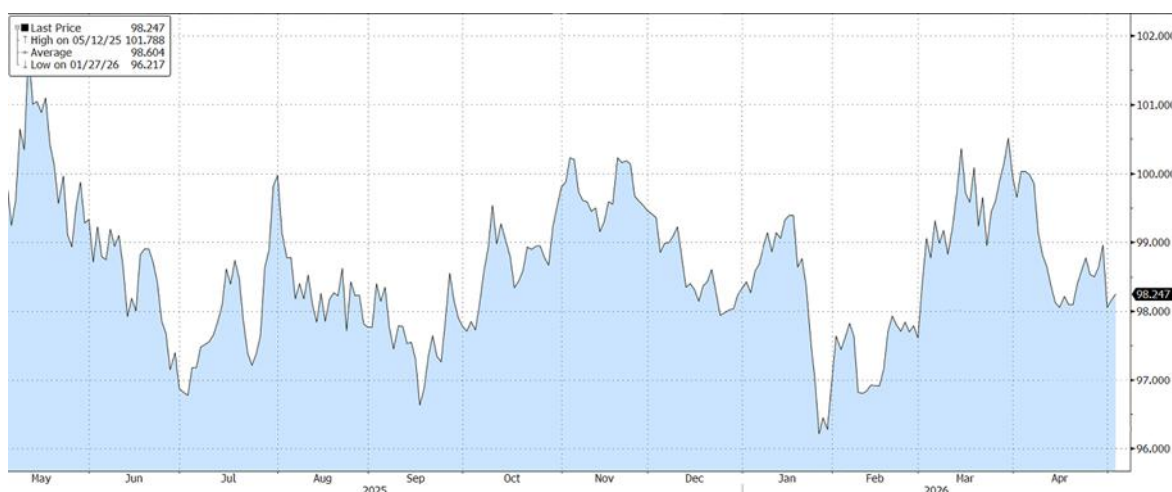
All Asian dollar bond indices rose in April 2026 as the US-Iran ceasefire on 8 April 2026 raised hopes of an ending to the conflict. There was a rebound in Emerging Market (“EM”) risk sentiment with global investors seeking EM carry.

The Asian Dollar HY Index was the best performer rebounding 1.89% MoM in April 2026 (March 2026: -2.55% MoM), while the less volatile Asian Dollar IG Index recovered 0.59% MoM (March 2026: -1.62% MoM).

The United States Dollar Index

In April 2026, the United States Dollar Index rose 1.91% in the month to 98.16 driven by reversal safe-haven trades with the US-Iran ceasefire generally in force for most of the month. The short-term safe haven bullishness for the dollar is balanced by the longer-term de-dollarisation bearishness driven by reduced trust in the US administration and alliances as well as diversification of currency used in merchandise trade settlement.

Chart 1: The United States Dollar Index



Source: Bloomberg, 5 May 2026

MALAYSIAN BOND MARKET

MGS Benchmark Tenors	30-April-26 (%)	Net Change MoM (bps)	Net Change YTD (bps)
3Y	3.21	-5.6	12.0
5Y	3.35	-7.7	4.7
7Y	3.47	-8.2	7.8
10Y	3.61	-5.0	8.0
15Y	3.85	-7.7	5.6
20Y	3.97	-3.5	11.4
30Y	4.07	-6.0	9.1

Source: Bond Pricing Agency Malaysia, 30 April 2026. Past performance is not indicative of future results.

In April 2026, the Malaysian bond market traded firmer with Malaysian Government Securities (“MGS”) yields declining by 4–8 bps across the curve compared with the previous month. The rally was underpinned by supportive fundamentals, including Bank Negara Malaysia (“BNM”) guidance to maintain the policy rate at 2.75%, subdued core inflation and a stronger-than-expected GDP outturn in 1Q2026.

Three sovereign bond and sukuk auctions were held in April 2026, comprising the re-opening of the 30-year MGS and the new issuances of the 3.5-year and 20-year MGII, each with an issuance size of RM5.0 billion. The first auction of the month attracted healthy demand, with a bid-to-cover (“BTC”) ratio of 2.029x despite the ultra-long tenure. As April 2026 progressed, market sentiment strengthened with the new 3.5-year MGII and 20-year MGII auctions recording higher BTC ratios of 2.921x and 2.881x respectively. Improved investor appetite was supported by easing geopolitical concerns amid ceasefire discussions between US and Iran.

Meantime, Malaysian government bonds recorded their strongest demand in nine months, registering a net foreign inflow of RM3.8 billion in March 2026 (February 2026: RM0.8 billion net outflow). As a result, foreign ownership of outstanding MGS and MGII edged up to 21.6% from 21.2% in the previous month. This trend reflects a renewed investor shift toward lower-risk emerging markets amid heightened Middle East volatility underpinned by Malaysia’s resilient macroeconomic fundamentals, firmer currency performance and sustained policy stability.

Corporate bond trading activity, including quasi-sovereign names, rose to a three-month high in April 2026 with trading volume increasing 28.2% MoM to RM22.3 billion (March 2026: RM16.15 billion). The uptick was in tandem with stronger demand in the government bond market supported by improving overall market sentiment.

Some notable domestic corporate issuances in April 2026 included RM1.0 billion of Gamuda Berhad (AA3), RM450 million of Malakoff Power Berhad (AA3), RM1.35 billion of Malaysia Resources Corporation Berhad (AA3), RM1.2 billion of Public Bank Berhad (AAA), RM300.0 million of RHB Islamic Bank Berhad (AA1) and RM1.0 billion of Bank Islam Malaysia Berhad (AA3). The 3-year, 5-year, 7-year and 10-year generic AAA corporate yield ended the month at 3.60% (-1bp MoM), 3.71% (+1bp MoM), 3.79% (unchanged MoM), 3.90% (+1bp MoM), respectively.

Strategy

Market Outlook

Following the UAE's announcement to withdraw from Organization of the Petroleum Exporting Countries ("OPEC"), oil prices reacted in a relatively muted manner. As long as the Strait of Hormuz remains close, oil prices may stay elevated and provide a temporary fiscal cushion for Malaysia. Over the long term, once the geopolitical premium fades, a "price war" scenario would likely drive oil prices lower. That said, Malaysia's efforts to diversify its economy years ago are finally paying off. If Putrajaya is holding firm on its 3.5% deficit target and BNM maintains the Overnight Policy Rate ("OPR"), we think the local bond market will continue to stay resilient given the ample liquidity in the market.

Investment Strategy

- We have shifted to a more constructive, risk on stance and increased portfolio duration, supported by improving geopolitical visibility around potential US–Iran peace deal. Markets appear to have largely priced in this scenario.
- Within the curve, we continue to favor the belly (5–7 years), where carry and roll down dynamics remain particularly attractive and provide a stable income.
- We maintain a preference for high quality corporate bonds and sukuk over government securities for core holdings, supported by solid fundamentals and selective scope for spread compression.

EQUITIES**Global Equities****Global Equity Index Performance**

Indices	30-Apr-26	MoM	YTD
S&P 500 Index	7,209.01	10.42%	5.31%
Nasdaq Index	24,892.31	15.29%	7.10%
MSCI Europe Index	203.71	4.63%	3.07%

Source: Bloomberg, 2 May 2026. Past performance is not indicative of future results.

The Standard & Poor's ("S&P") 500 Index rose 10.42% MoM in April 2026, closing at record highs and clinching their best month since 2020. Big Tech earnings inspired optimism that the AI boom can buoy the economy, as the rally has been underpinned by the strongest earnings growth since 4Q2021. Notably, circa 81% of reporting companies have beaten consensus EPS estimates as of 30 April 2026. Profitability has also reached new highs, net profit margins rose to circa 14.7%, the highest level since records began in 2009, underscoring strong earnings quality and meaningful operating leverage.

The Morgan Stanley Capital International ("MSCI") Europe Index rose by 4.63% MoM in April 2026, as European equities recovered from the sell-off in March 2026. Gains were concentrated early in the month following a sharp risk-on move after geopolitical tensions in the Middle East eased and energy prices fell from recent peaks. This recovery was supported by improving earnings sentiment and growing confidence among investors that inflation pressures are manageable and European growth should remain resilient. Both the European Central Bank and the Bank of England kept their key interest rates on hold which was in line with expectations.

Asia Pacific Equity Index Performance

Index	Index level	Apr-26 (Local currency)	YTD (Local currency)
MSCI AC ASIA x JAPAN	1,045.83	16.19%	14.50%
FTSE ASEAN	1,007.51	2.36%	1.72%
CSI 300 INDEX	4,807.31	8.03%	3.83%
KOSPI INDEX	6,598.87	30.61%	56.59%
HANG SENG INDEX	25,776.53	3.99%	0.57%
S&P BSE SENSEX INDEX	76,913.50	6.90%	-9.75%
TAIWAN TAIEX INDEX	38,926.63	22.71%	34.40%

Source: Bloomberg, 30 April 2026. Past performance is not indicative of future results.

Chinese onshore equities rose 8.0% MoM as the market desensitized the Middle East tensions and liquidity recovered both domestically and globally. 1Q26 real GDP rose 5.0% YoY (4Q25: 4.5%) in line with the annual target of 4.5%-5.0%. PPI deflation paused and rose 0.5% YoY, the first rise after 41 months amid imported inflation in producer goods (petrol, gas, coal, chemicals). Retail sales was up 1.7% YoY (up 2.8% YoY in January 2026 – February 2026) (December 2025 up 0.9% YoY). Hang Seng Index rose 4.0% MoM amid the US-Iran ceasefire as equities staged a strong comeback with gains accelerating sharply across AI infrastructure beneficiaries. Retail sales volume growth surprised on the upside in February 2026, rising 17.5% YoY supported by Lunar New Year seasonality and continuing visitor inflows (January 2026 – February 2026 retail sales volume rose 9.8% YoY).

South Korea’s KOSPI surged 30.6% MoM hitting a new all-time high driven by upbeat earnings and optimistic outlooks across various sectors. The Bank of Korea kept policy rate unchanged at 2.5%, citing uncertainty from the Middle East conflict and oil prices and awaiting clearer signals from global developments before shifting policy. Taiwan’s TWSE index rose 22.7% MoM amid ceasefire and negotiations on going for Middle East tensions and strong earnings from the AI supply chain supported by recent increases in capex guidance by US hyperscalers.

India equities rose 6.9% MoM amid resilience in macro indicators but risks from energy disruptions, monsoon shortfall and stretched valuations led to a downgrade in outlook. March 2026 CPI was up 3.4% YoY (February 2026: up 3.2% YoY). India’s trade deficit narrowed sharply to a nine-month low of \$20.7 billion in March 2026 from \$27.1 billion in February 2026, largely due to one-offs linked to trade disruptions from the Middle East conflict.

ASEAN Equity Index Performance

Index	Index level	Apr-26 (Local currency)	YTD (Local currency)
STRAITS TIMES INDEX STI	4,912.69	0.56%	5.74%
JAKARTA COMPOSITE INDEX	6,956.80	-1.30%	-19.55%
STOCK EXCH OF THAI INDEX	1,493.69	3.15%	18.58%
PSEi - PHILIPPINE SE IDX	5,833.64	-1.94%	-3.62%
HO CHI MINH STOCK INDEX	1,854.10	10.73%	3.90%
FTSE Bursa Malaysia KLCI	1,722.02	1.87%	2.49%

Source: Bloomberg, 30 April 2026. Past performance is not indicative of future results.

The Straits Times Index posted a marginal gain in April 2026, demonstrating defensive characteristics amid regional volatility. Performance was supported by the index's bank heavy composition, with domestic banks benefiting from resilient asset quality and stable net interest margins in a higher-for-longer rate environment. The Thai SET Index advanced in April 2026, supported by easing concerns over the Middle East conflict, improving political stability following the election, and stronger-than-expected 1Q26 corporate earnings. Global-linked sectors such as electronics, petrochemicals, packaging and energy led gains, benefiting from robust export demand and higher oil prices. While domestic consumption themes remained uneven, expectations of fiscal stimulus and upward revisions to earnings forecasts helped lift sentiment, with the market increasingly viewed as a valuation catch-up play after prolonged underperformance last year.

The Jakarta Composite Index fell in April 2026, underperforming regional markets despite a broader global equity rebound. Market sentiment was weighed down by sustained rupiah weakness, elevated oil prices, and persistent foreign equity outflows of approximately USD1 billion during the month. Bank Indonesia reverted to a defensive stance to stabilise the currency, stepping up Bank Indonesia Rupiah Securities ("SRBI") issuance and liquidity absorption. While 1Q26 earnings growth remained positive in aggregate, ongoing currency pressure, financial sector selling, and concerns over external balances continued to cap equity performance. The Philippine Stock Exchange Composite Index ("PSEi") declined in April 2026, pressured by a sharp peso depreciation and rising oil prices which heightened inflation concerns. The Philippines' Central Bank raised policy rates by 25bps and adopted a more hawkish tone, revising up inflation forecasts for 2026-27, reinforcing expectations of prolonged monetary tightness. Equity weakness was led by banks and property stocks, reflecting concerns over higher funding costs and softer consumer demand, while defensive names such as utilities and mining stocks outperformed amid currency weakness.

Malaysian Equities

The KLCI gained 1.9% MoM in April 2026, YTD 2.5%.

Malaysia's mid-cap and small-cap indices gained 7.2% and 6.6% MoM respectively. Technology and Construction were the best performing sectors, gaining 22.9% and 11.6% MoM respectively. On the other hand, Finance and Plantation were the worst performing sectors, with a loss of 0.7% and 0.5% respectively. The top three best performers in KLCI component stocks were YTL Power (+27.3%), YTL Corp (+20.7%) and Gamuda (+18.5%), while the worst performing stocks were Petronas Dagangan (-7.6%), AMMB (-6.7%) and Sunway Healthcare (-5.5%).

The Malaysian government has announced a new Malaysian Anti-Corruption Commission ("MACC") chief commissioner, pre-empting a planned rally this evening to demand the removal of the incumbent. The new MACC chief from 13 May 2026 onwards will be Datuk Seri Abdul Halim Aman.

Negeri Sembilan's Chief Minister has lost his majority in the state after all 14 assemblymen from UMNO withdrew support for him on 27 April 2026, citing his interference in an ongoing crisis where district chieftains are pushing to depose the state ruler. This leaves Datuk Seri Aminuddin Harun, a vice-president in Prime Minister Anwar Ibrahim's Parti Keadilan Rakyat ("PKR"), with the backing of just 17 members in the 36-strong state legislature. The turn of events calls into question the cooperation between the Prime Minister's Pakatan Harapan ("PH") coalition and its crucial ally UMNO at the federal level.

Foreign institutional investors were net sellers of RM0.5 billion in April 2026. Local institutional investors were net buyers of RM0.2 billion equities. Average daily trading value was at RM3.1 billion, a decline of 19% MoM.

Strategy

The Malaysian Market is no longer trading a single external or domestic narrative, but a stack of them, choosing in real time which one to prioritise in the prevailing risk on risk off mode. Malaysia should be able to weather the high energy prices better than its Asian peers being a net energy exporter, coupled with strong local institutional support and low foreign shareholding. We continue to be well invested into domestic centric and dividend yielding stocks.

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 US. 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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