

QUARTERLY MARKET INSIGHTS

Quarter 2, 2026

RHB

Source: Bloomberg, RHBAM, 31 March 2026

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Global Equity Market Review and Outlook

Global equities endured a volatile first quarter (“1Q”) of 2026, as the initial optimism that followed after US Supreme Court ruling against President Donald Trump’s planned tariffs was quickly offset by concerns over the US-Iran military conflict and subsequent surge in energy prices. The Morgan Stanley Capital International (“MSCI”) All Country World Index declined by 3.10% over the quarter to date. Korea (+17.06%), Taiwan (+9.28%), Thailand (+16.79%), Hong Kong (+4.50%) and Japan (+1.74%) all gained in 1Q 2026, but more notably, both the United States (“US”) (-6.22%) and China (-7.34%) underperformed for the quarter.

The already-delicate situation in the Middle East deteriorated further on 28 February 2026 as the militaries of both the US and Israel launched strikes on Iran, killing Iranian Supreme Leader Ali Khamenei and several other senior officials. In turn, Iran has responded with missile and drone strikes against Israel, US military bases and US-allied countries in the Middle East, and more notably from a global economic perspective, has closed off the Strait of Hormuz, a vital choke point where 20% of the globe’s liquified natural gas and 25% of seaborne oil supplies pass through annually. Due to the disruptions to supplies, energy prices soared as Brent crude oil momentarily rose to over United States Dollar (“USD”) 113/barrel. At the point of writing, there remains no clear conclusion in sight to the conflict, as Trump’s calls for US allies to assist him in liberating the Strait was met with muted response and talks between US and Iran has stalled, with the US President threatening to hit Iran ever harder. The initial peace proposal, which covers 15 points, allegedly calls for removing Iran’s stocks of highly enriched uranium, halting enrichment, curbing its ballistic missile program and cutting off funding for regional allies, was rejected by the Iranian delegation. A prolonged disruption in global energy supplies, especially one that lasts for months or longer, would pose significant risks to the global economy and, until a ceasefire is reached or an outcome is in sight, will continue to weigh on investor sentiments.

On the macroeconomic front, recent US economic data showed mixed signals on inflation and growth. The Bureau of Labor Statistics reported that February’s core Consumer Price Index (“CPI”), which excludes food and energy, rose 0.2% month over month, matching expectations and easing from January’s 0.3% increase. Year over year, core CPI remained at 2.5%, while headline CPI increased 0.3% on the month and 2.4% annually. Separately, the Bureau of Economic Analysis said the Federal Reserve’s preferred inflation measure, core Personal Consumption Expenditures (“PCE”), climbed 0.4% in January, broadly in line with forecasts. However, the annual rate unexpectedly rose to 3.1%, the highest since early 2024. The Bureau of Economic Analysis (“BEA”) also revised down fourth-quarter economic growth, with Gross Domestic Product (“GDP”) expanding at a 0.7% annual rate, half the initial 1.4% estimate, reflecting weaker exports, consumer and government spending, and investment.

The Federal Reserve (the “Fed”) wrapped up its March policy meeting by announcing that it would maintain its federal funds rate target range at 3.50% to 3.75%. This marked the second straight meeting in which interest rates were left unchanged. The decision passed with an 11–1 vote, as one policymaker dissented in favor of a rate reduction. Updated

RHB

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economic projections from Fed officials continued to indicate a median expectation of one rate cut later this year, unchanged from previous forecasts. However, officials revised their outlooks for both inflation and economic growth higher for the year. In his press conference, Fed Chair Jerome Powell highlighted increased economic uncertainty, driven in part by geopolitical tensions in the Middle East. He warned that potential energy-related disruptions could pose risks to inflation expectations. Meanwhile, inflationary pressures showed signs of intensifying. Data released by the Bureau of Labor Statistics revealed that producer prices rose 0.7% in February, accelerating from January's 0.5% increase and marking the strongest monthly gain since July 2025. On a year-over-year basis, producer prices climbed 3.4%, exceeding forecasts and the prior month's reading.

European stock markets were trending up in terms of performance for Q1 2026 until the Iranian conflict occurred. Seasonally adjusted GDP increased by 0.3% in both the euro area and the European Union ("EU") for fourth quarter ("4Q") of 2025, compared with the previous quarter, according to a flash estimate published by Eurostat. In the third quarter of 2025, GDP had increased by 0.3% in the euro area and by 0.4% in the EU. However, the war in the Middle East has resulted in a downwards revision in short-term outlook for growth, as volatile energy prices and uncertainties will lead to subdued consumption and investment. Concurrently, the European Central Bank ("ECB") raised its inflation forecasts for 2026 to 2.6%, up from 1.9% in December and annual inflation in the Eurozone rose to 1.9% in February.

Following the crisis in the Middle East, ECB President Christine Lagarde has said that the central bank stands ready to increase interest rates as early as April if inflation becomes untamable, but stressed that it was too early to take any decision as policymakers needed more time to assess "the nature, size and persistence" of an expected inflation surge.

Over in Japan, Prime Minister Sanae Takaichi's Liberal Democratic Party ("LDP") earned a landslide victory in the country's Lower House elections held in February, as widely expected. The LDP's victory is the largest in its post-war modern history with 316 seats out of 465. Together with its coalition partner, Ishin No Kai, the LDP will now have 352 seats, surpassing the super majority threshold. This win allows the LDP to pass legislation even if it is voted down in the Upper House, and in addition, the LDP will be in full control of parliamentary operations and process. Takaichi and the LDP's massive victory buoyed investors and Japanese stock indexes soared after the result. The Bank of Japan ("BoJ") held its benchmark interest rate steady at 0.75% for Q1 2026, the highest levels since 1995, citing the increasing likelihood of the central bank's economic outlook being realized. While the yen did strengthen slightly following a period of significant weakness, the levels, as at 20 March 2026, of Japanese Yen ("JPY")159.2 against the Dollar is still considered weak by historical standards.

The Chinese economy expanded by 4.5% year-on-year in the fourth quarter, bringing full-year growth in 2025 to 5%, according to data released Monday, 19 January 2026 by the national statistics bureau. The fourth-quarter figure was the slowest pace since the country emerged from its late-2022 pandemic lockdowns. Despite the slowdown, 2025 became the third consecutive year in which China achieved its official growth goal of around 5%. Nominal GDP growth, which does not account for inflation, rose just 4% in 2025—its weakest rate since 1976, excluding 2020 when the pandemic first struck. Retail sales in December grew just 0.9%, below forecasts and the slowest pace since China's post-pandemic reopening. However, activity data for January and February beat expectations, suggesting early-year stabilization and tempering large scale stimulus expectations. Industrial production rose 6.3% year on year and retail sales increased by 2.8%. The property sector also showed signs of stabilization, as new home prices across 70 cities declined by 0.28%, while resale home values declined by 0.43%, the smallest decline in 10 months. Travel and spending data over the Lunar New Year, a key consumption period for China, provided support to China's consumer sentiment. Tourism spending rose to 803.5 billion yuan, 126.5 billion yuan higher than in 2025. In total, domestic tourists made 596 million trips nationwide over the nine-day period, 95 million more than a year ago. On the policy front, the People's Bank of China reaffirmed plans for a "moderately loose" monetary stance for 2026.

Looking ahead, global markets will enter second quarter ("Q2") of 2026 in a "higher-for-longer" regime, with more persistent inflation limiting rate cuts and raising the risk of further tightening. Energy prices remain the key swing factor in our view. While any resolution in Iran and the Strait of Hormuz may reduce near-term volatility, structural supply constraints will likely keep oil prices elevated longer, resulting in sustained inflationary pressure, especially across Association of Southeast Asian Nations ("ASEAN") economies with high energy import dependence, which will subsequently weigh on economic growth and consumption. We expect the equity markets to bifurcate. Energy and renewables sectors will benefit from sustained capex, supply constraints, and wider policy support. Technology and AI-driven sectors will continue to outperform on structural demand, productivity gains, and capital allocation momentum. In contrast, consumer discretionary and rate-sensitive sectors may face headwinds from weaker real incomes and tighter financial conditions.



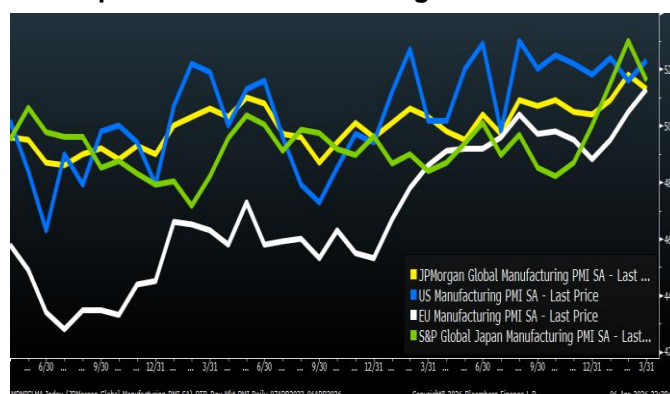
Economic Highlights

Global Purchasing Managers Index (“PMI”)

Global Manufacturing PMI



Developed Market Manufacturing PMIs



Source: Bloomberg, RHBAM, 31 March 2026

- Global Manufacturing PMI improved to 51.3 in March 2026 from 50.4 in December 2025.
- The US Standard & Poor's (“S&P”) manufacturing PMI improve to 52.3 in March 2026 from 51.8 in December 2025. Japan manufacturing PMI improved to 51.6 in March 2026 from 50.0 in December 2025. The European Union (“EU”) manufacturing PMI improved to 51.3 in March 2026, from 48.8 in December 2025.

United States (“US”)

US Consumer Price Index (“CPI”) Producer Price Index (“PPI”)



US Average Hourly Wage Growth



Source: Bloomberg, RHBAM, 31 March 2026

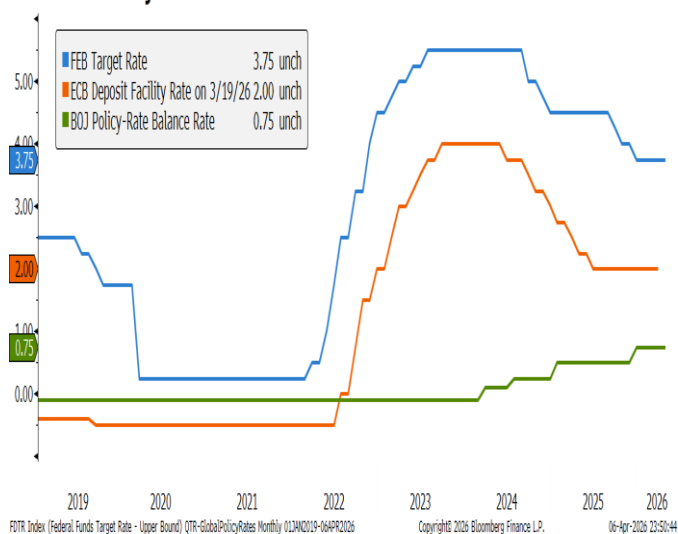
- US inflation rose by 2.4% in February 2026, but remains lower than the average of 3.0% in 2024 and 2.7% in 2025.
- Unemployment rate edged down to 4.3% in March 2026 vs 4.4% in December 2025 but it averaged at 4.0% in 2024 and 4.1% in 2025. US hourly wage growth steadily trended down to 3.5% in February 2026.



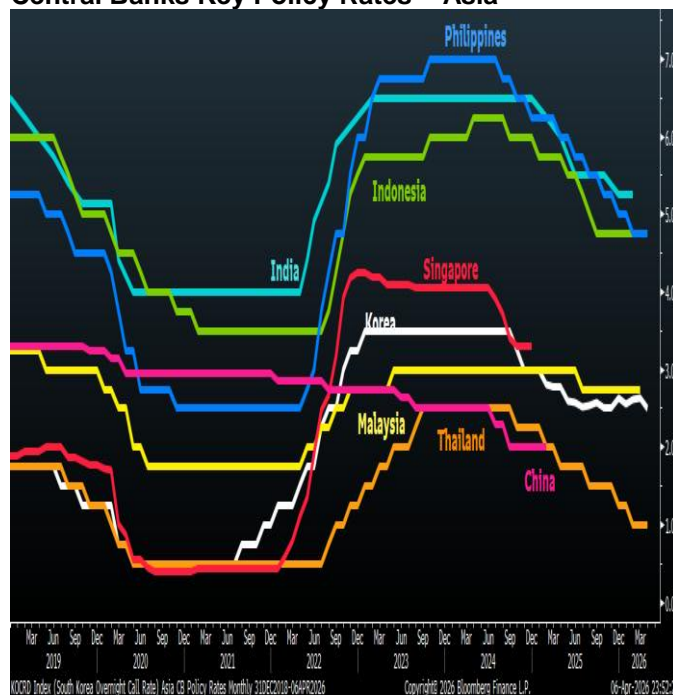
Global

Central Banks Key Policy Rates – Developed Markets

Central Bank Policy Rates



Central Banks Key Policy Rates – Asia



Source: Bloomberg, RHBAM, 31 March 2026

- US Federal Reserve cut its funds rate 3 times in 2025 to 3.75% by December 2025. In late 2025 the consensus expected additional 1-2 rate cuts in 2026. However with the war in Iran affecting oil prices and inflation, the market is currently expected 1 rate hike in 2026.
- In line with the US Fed rate cuts, the Asian Central Banks have also started to cut rate aggressively in 2025.

China

China PMIs (Caixin)



Source: Bloomberg, RHBAM, 31 March 2026

ASEAN

Association of Southeast Asian Nations (“ASEAN”) Manufacturing PMIs



- The RatingDog PMI improved to 50.8 in March 2026, from 49.5 in July 2025 and official manufacturing PMI edged up to 50.4 in March 2026, from 49.3 in July 2025.
- ASEAN’s manufacturing PMI dipped to 51.8 in March 2026 from 52.7 in December 2025.



China/Hong Kong

Chinese equity market rallied in January, but declined for the rest of the quarter, thereby underperforming against the region. In January, the rally was spurred by a stronger CNY vs. USD, positive spillover from global markets, robust fund inflows, and was concentrated in select cyclical assets - metals, petrochemicals and building materials surged on de-dollarization trends, geopolitical tensions, and supply-demand tightness. The Artificial Intelligence (“AI”)-driven memory super cycle favored domestic memory makers, semi equipment suppliers and foundries, while weighing on downstream consumer electronics on input cost hikes and slowing sales for smartphones and autos. The liquidity-charged bull market also triggered speculation in Small and Mid-caps (“SMids”) and themes such as commercial aerospace, Brain-Computer Interface and AI applications. In response, Chinese authorities took measures to curb exuberance, including raising the minimum margin requirement to 100% from 80%, and record outflows from Exchange-Traded Funds (“ETFs”) held by the national teams.

However, markets made a U-turn in February, triggered by anxieties on internet players early in the month over a mis-reported Value Added Tax (“VAT”) hike for online gaming, followed by reports of US Department of Defense (“DoD”)’s Chinese Military Companies list inclusion, which added to general investor concerns that the privately held and highly competitive ByteDance is eating everyone’s lunch in the internet space.

In March, the Iran war and subsequent regional conflict has triggered further sell offs, as 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\$/barrel (“bbl”) - the highest since 2008. Risk appetite weakened as markets began pricing in a more stagflationary mix, tighter financial conditions, and the risk of negative transmission into demand. Geopolitics added another layer of uncertainty, as the Trump-Xi meeting was pushed back to May 14-15. In response to the new US Section 301 investigation, China launched two trade barrier probes into US practices.

Accelerated AI infrastructure demand following DeepSeek is also expected to lower training and inference costs and boost adoption of AI in the wider technology sector. Nonetheless, we still favour the theme of aligning of State-Owned Enterprise (“SOE”)’s operational and development with China’s strategic goals, notably on self-sufficiency in technology, energy and food supply with additional focus on return on equity and operating cash flows as Key Performance Indicators (“KPIs”).

ASEAN

The MSCI ASEAN Index pulled back -0.35% in United States Dollar (“USD”) terms in 1Q 2026, as escalating conflicts in Middle East erased gains in January and February. Thailand was the standout performer, rising 15.7%, followed by Malaysia (+4.88%), Philippines (-0.58%), Singapore (-1.06%) and Indonesia (-18.39%).

Singapore’s 4Q 2025 GDP accelerated by 5.7% Year-on-Year (“YoY”), according to advance estimates released by the Ministry of Trade and Industry, supported by strong AI capex spending and easing monetary conditions. The government projected a fiscal 2026 budget surplus of S\$8.5 billion (1% of GDP), lower than the revised S\$15.1 billion surplus in fiscal 2025. On February 12, Prime Minister Lawrence Wong unveiled Budget 2026, which included an extension of S\$500 cash handouts to all Singaporean households, as well as the expansion of the Equity Market Development Programme from S\$5.0 billion to S\$6.5 billion. February 2026 core CPI print came in at 1.4% YoY which was higher than estimates of 1.3%. Monetary Authority of Singapore (“MAS”) is expected to raise its full-year inflation forecasts and tighten monetary policy in April, after authorities noted that inflation is likely to rise, particularly in the wake of the Middle East conflicts.

The Indonesia market posted its largest one-day decline on 28 January 2025, due to MSCI’s announcement to delay its index assessment amid concerns over free-float ownership transparency. Further headwinds such as Moody’s downgrade of Indonesia outlook from stable to negative and Financial Times Stock Exchange (“FTSE”) Russell postponed its March index review, added to the negative sentiment. Bank Indonesia kept its policy rate unchanged at 4.75% in March, as the central bank continues to monitoring the ripple effects of war in the Middle East on the economy and the rupiah. There is heightened concerns on Indonesia’s macroeconomic and fiscal outlook, as the government tries to absorb the impact of the global oil price surge with mounting energy subsidy spending while keeping fiscal discipline.

The Bhumjaithai Party secured a decisive victory in the 8 February elections, reinforcing expectations of policy continuity and political stability. This ignited a market rally, supported by sustained foreign capital inflows, improving domestic policy visibility and accommodative financial conditions. The Cabinet approved an additional Thai Baht (“THB”) 52 billion in fiscal 2026 net borrowing, bringing the total to THB 1.26 trillion, to fund debt repayments and development projects. On 25 February, the Bank of Thailand unexpectedly cut its policy rate by 25 bps to 1.00%, with 2026–27 GDP growth projected at around 2%. The Bank of Thailand is monitoring short-term supply shocks to the economy coming from the Middle East conflict, with the Monetary Policy Committee assessing the impact at its April meeting. Thailand’s tourism outlook remains a bright spot, driven by a strong recovery in Chinese tourists’ arrivals in February 2026.

The Philippines markets staged a modest equity rally in January and February, buoyed by a firm peso and resilient domestic flows. 4Q 2025 GDP of 3.0% YoY came in below expectations, mainly due to a sharp decline in government spending as well as cyclical headwinds. Private consumption eased to 3.8% YoY, while gross capital formation fell 10.9% YoY. The government lowered its medium-term GDP target to 5–6% for 2026, reinforcing expectations of continued policy support. Bangko Sentral ng Pilipinas (“BSP”) cut its policy rate by 25 bps to 4.25% in February but maintained policy rates unchanged in the March meeting. Although February inflation print of 2.4% YoY is within BSP’s target range, rising oil prices could materially lift inflation and potentially reverse BSP’s policy decisions.

We remain constructive on ASEAN, which is poised to deliver relatively stronger growth versus global peers. ASEAN’s favourable demographics and strategic positioning will allow it to play a complementary role to both the US and China. Combined with sustained government commitments to infrastructure expansion, the region is expected to feature prominently as an attractive destination for long term equity investment.



Malaysia Equity Market Review and Outlook

Malaysia's positive economic momentum expected to continue in 2026, supported by domestic demand, tourism, and investment whilst headline inflation remains moderate, with controlled core inflation. The outlook for Foreign Direct Investment ("FDI") remains bullish, supported by Malaysia's strategic location, robust infrastructure, and government initiatives. The FDI's momentum remains resilient despite global volatility, supported by a strong pipeline of higher-value investments in data centres, Electrical & Electronic and digital services that continue to lift productivity and technology adoption. We maintain a constructive view on Malaysia's FDI sustainability, with data centres, construction and utilities positioned as key downstream beneficiaries. In addition, the economy supported by robust domestic demand, wage growth, improving labour market conditions, and stable consumption and higher tourists that would benefit retail and hospitality sectors.

The US–Malaysia trade deal agreement reduces tariff uncertainty, helping sustain the investment up-cycle while maintaining Malaysia's export competitiveness, especially in high-value Electrical and Electronics ("E&E") and digital-driven sectors. Meanwhile, Trump's 15% global tariff announced late February will provide a short term boost although US administration mentioned that the level return to levels prior to the Supreme Court's decision to strike down the president's tariff policy.

However, in the short-term uncertainty over US-Iran war and US trade policy would raise the prospect of heightened volatility across global markets due to the concerns over the impact on the global economy. At time of writing, President Trump extended the deadline for US to strike on Iranian energy infrastructure sites signals on the prospect of a halt to the nearly month long war. The war has led to surging fuel and fertilizer prices, and sparked fears of rising inflation and a slow-down in global economy.

The index has retreated and valuation is no longer expensive. However, the market sentiment would remain weak due to the ongoing war in the Middle East. The concerns are if the war prolongs, as this would affect global supply chain. Hence, global inflation may go up and global economy would slow down significantly.

There are still downside for the market but we are of the opinion that the local market would not be as bad as the regional market due to ample local liquidity and lower foreign shareholdings. We maintain positive on Malaysia in the long term, supported by accelerating earnings growth, attractive dividend yields, and a firmer macro backdrop that anchors the Kuala Lumpur Composite Index ("KLCI")'s upward trajectory into 2026. Fourth quarter 2025 corporate earnings has shown more improvement, which is positive for the market.

The short-term uncertainty over the outcome of the "negotiations" between US and Iran will keep the market volatile in the short term. The effective opening of Straits of Hormuz is crucial. The external environment remained highly fluid amidst on-going Middle East conflict, which has yet to show signs of near-term resolution. Markets need more certainty on the outcome of the "negotiations". Cautious trading is expected to prevail, with upside likely capped until more concrete details emerge from the potential US Iran negotiations.

Global Fixed Income Market Review and Outlook

US Treasuries (“UST”) and G10 Bonds

The Middle East conflict and surge in energy costs above USD \$100 per barrel led traders to position for central bank interest rate hikes, pricing earlier rate-cut expectations. Global bonds surrendered most of the year-to-date gains by mid-March 2026 as elevated oil prices stoked inflation fears. The Bloomberg Global Aggregate Index fell -1.37% after being up as much as 2.1% earlier in the year. US Treasuries returns are flat for the 1Q 2026 as measured by the Bloomberg US Treasury Total Return Index, 10y yields climbed from around 4.17% in early January to a peak of 4.43% on 27 March 2026 driven by Middle East conflict concerns and inflation fears before retreating to 4.32% by 31 March 2026. The progress on inflation would likely be derailed, the magnitude of which depends on the resolution of the ongoing Middle East conflict. Treasury yields sold off across the curve, led by the front end, as the market has completely priced out the 2 rate cuts for 2026. On the flip side, absolute yields are now relatively attractive, and the USD corporate bond market continues to draw demand from global investors.

Across other G10 markets, bond performance was broadly on the same path as USTs, with German 10y Bund yields rising from 2.86% in early January to 3.09% by late March 2026, United Kingdom (“UK”) Gilt 2y yields surged over 35 basis points (“bps”) on March 19th to 4.46% after the Bank of England (“BoE”) said it “stands ready to act” to tackle any inflation surge triggered by the war in the Middle East, with the markets pricing in 3x 25bp hikes by year end. Japanese government bond yields also steepened with 2y yields up 20bps Year- to-Date (“YTD”) and 10y yields 32 bps higher as the Bank of Japan (“BoJ”) continued its cautious policy normalisation.

In terms of monetary policy actions, the Federal Open Market Committee (“FOMC”) meeting for March 18th 2026 saw the Fed hold the Fed Fund Target Rate unchanged at 3.50%-3.75% Range, by an 11-1 majority with the sole dissenter Miran, voting for a 25bp cut. The March FOMC came with updates to the Summary of Economic Projections whereby on the Dot Plots, The Fed continues to project one more 25bp rate cut for 2026 and 2027, however the longer-term Target rate was revised slightly higher from 3% to 3.125%. Upward revisions were made to real GDP from 2.3% to 2.4% and core inflation (2.7% by end-2026, up from 2.5%). Unemployment projections remain unchanged at 4.4% for 2026 but 2027 unemployment forecast were raised from 4.2% to 4.3%. In the press conference which followed, Powell mentioned that the uncertainty with regard to the current escalated Iran conflict was so elevated that they are unable to ascertain with certainty what the base case should be. In terms of the labor market mandate, Powell highlighted a “difficult situation” where the Fed must balance rising inflation against a weakening labor market, citing very low job creation and a “zero-growth equilibrium”. With regard to the inflation from the Iran conflict, Powell noted that while economists often “look through” energy shocks as transitory, the Fed cannot do so until it sees more progress on underlying inflation, specifically goods prices impacted by tariffs. However, he acknowledged that near-term inflation expectations have risen due to supply disruptions in the Strait of Hormuz, but stressed that longer-term expectations remain anchored near 2%

The US Treasury (“UST”) curve bear flattened in the first quarter 2026 on inflation fears; The benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST last traded as of 31 March 2026 at 3.79% (December 2025: 3.47%; +32bps), 3.94% (3.73%; +21bps), 4.32% (4.17%; +15bps), 4.91% (4.79%; +12bps) and 4.91% (4.84%; +7bps) respectively.

Outlook and Strategy

The broader view overall is that global growth in FY 2026 is expected to remain firm, albeit weakened slightly by the impact of the Middle East conflict, supported by fiscal impulses in advanced economies and a sustained AI-capex boom, with business investment broadening beyond technology. Inflationary pressures are now higher, which we should see reflected from 2Q 2026 due to higher energy and commodity prices. The environment for global bonds remains constructive overall despite the heightened market volatility amidst the Iran conflict. With Oil rallying above \$100/barrel, inflation expectations have already been priced into the global fixed income yield curves resulting in more attractive entry levels and we continue to build the case for fixed income as both an income (carry) generator and a portfolio stabiliser.

Following the initial market pricing of close to 2 more rate cuts in 2026, the impact from the US/Israel Iran conflict is likely to disrupt the recent cooling trend of inflation we have been seeing over the past year. This could pivot the current macro picture away from a gradual easing path, as the uncertainty toward the timing of the end of the war would limit



the Fed's ability to cut interest rates aggressively. There is still a possibility of cuts if growth were to be materially impacted.

We maintain a neutral to modestly long duration stance, favouring the intermediate part of the curve where the carry and roll-down remains attractive. While fiscal risks and potential bond supply may limit long-end rallies, duration should continue to provide diversification benefits in the event of growth slowdowns or risk-off episodes. We retain a strong focus on high-quality issuers and remain cautious on potential over-leveraged issuers.



Malaysia Fixed Income Market Review and Outlook

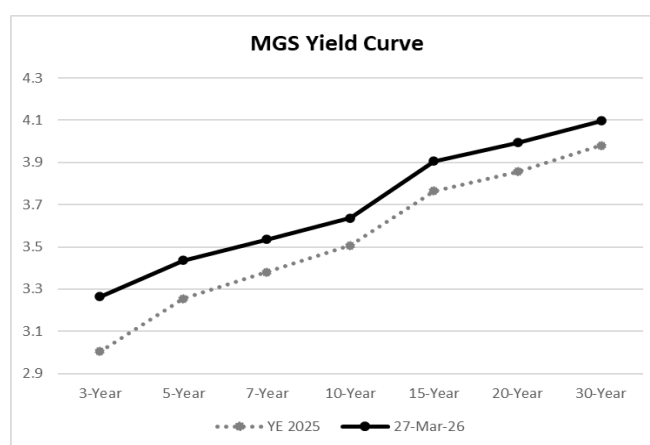
Malaysian Government Securities (“MGS”)

MGS market experienced a challenging start to 2026, reversing much of the bullish momentum seen in the previous year. Yields across the government bond curve shifted higher during the first quarter, driven by a combination of: (1) a resilient domestic growth profile that exceeded expectations, and (2) the eruption of US-Iran War, which triggered heightened global inflationary pressures and a sharp pivot towards risk-off sentiment. Consequently, the MGS yield curve shifted higher by 12 basis points (“bps”) to 26bps in a bear-flattening manner (i.e. short end experienced a bigger rise in yields). The 3-year MGS suffering the most significant increase as the market fully priced out any lingering expectations for further rate cuts by Bank Negara Malaysia (“BNM”).

To recap, the MGS market had already been trading on a relatively heavy tone in the first two months of the year as stronger GDP growth reading and higher core inflation domestically diminishes the prospect of BNM interest rate cuts. The sell-off intensified in March, as the onset of the US-Iran War and subsequent closure of the Strait of Hormuz triggered a global energy supply shock, sending the Brent Crude Oil prices surging past USD110 per barrel. As the conflict dragged to its fifth week as of writing, investors braced for a spike in global inflation and increase in US government deficit to finance the war sparking a deep rout in global fixed income markets.

For Malaysia, while the government is a net beneficiary of higher energy prices (due to Malaysia’s net exports of Liquefied Natural Gas (“LNG”)), this was overshadowed by broad based global risk aversion. MGS market saw persistent foreign selling as “flight-to-quality” trades favoured the US Dollar over emerging market (“EM”) exposures. Meanwhile, local investors remained largely sidelined, wary of secondary impact of the conflict such as the potential supply chain disruptions that could exert sustained upward pressure on Malaysia’s inflation as well. A summary of the change in the MGS yield curve is as follows:

Benchmark	MGS yield (%)		
	YE2025	27-Mar-26	Change
3-Year	3.004	3.264	26 bps
5-Year	3.254	3.436	18 bps
7-Year	3.380	3.536	16 bps
10-Year	3.506	3.636	13 bps
15-Year	3.764	3.906	14 bps
20-Year	3.856	3.994	14 bps
30-Year	3.981	4.096	12 bps



Source: FAST BNM and Bond Pricing Agency Malaysia. Data as of 27 March 2026

Ringgit Corporate Bond

The corporate bond market performed well in 1Q 2026 with the Financial Times Stock Exchange (“FTSE”) Bond Pricing Agency Malaysia (“BPAM”) Corporate Bond Index delivering a YTD return of 0.65% as of 27 March 2026, outperforming the government equivalent index which saw a negative return of -0.20% over the same period. The reason for the outperformance was mainly due to the higher carry in corporate bonds providing the buffer against sell-off and some credit spreads compression as corporate bond experienced a smaller sell-off than the MGS market.

Credit conditions in the local bond market was broadly balanced with mixed rating actions across various names. Notable upgrades were (1) YTL Corporation Berhad and YTL Power International Berhad which saw their rating upgraded to AAA, from AA1 previously led by its sustained improvement in fundamental operating and financial profile and the group’s sturdy track record in long-term regulated concession business and (2) Positive Outlook on Sunway



Group Berhad in anticipation of the group's listing of its healthcare entity which would significantly reduce its leverage profile. Meanwhile, the notable negative rating action this year includes (1) the downgrade of MCIS Insurance Berhad's rating by Rating Agency Malaysia ("RAM") to A2 from A1 previously reflecting its material weakening profitability in 2024 and 2025 with underwriting and pre-tax losses in both periods and (2) rating watch negative of Telekomang Hydro One due to the plant's force majeure notice to Sabah Electricity Sdn. Bhd. due to the flood in the Tenom region.

Outlook and Strategy

As we transition into 2Q 2026, the trajectory of the MGS market will be heavily dependent on the duration and intensity of the US-Iran War. While Malaysia's economic fundamentals remain robust, supported by the ongoing investment pipelines in the technology sectors – the geopolitical risk premium in the local bond market is likely to see further pressure on local bonds until a clear de-escalation is in sight. Notably, in the March Monetary Policy Statement, BNM had noted the potential impact from the war but was largely maintaining a neutral signal as domestic inflation is likely to be dampened by existing subsidies. We expect the central bank to adopt a wait-and-see approach and maintain the Overnight Policy Rate ("OPR") at current level as the higher inflation backdrop is counterbalanced by weaker global growth and consumer sentiments.

On the fiscal front, sensitivity tests developed by various economists point to a position of strength for the Government's fiscal position even if the high oil price environment persists. This is as the Government is likely to receive higher oil-related revenues (e.g. oil royalties and tax) and potential upside in Petronas dividend payout. Furthermore, the structural reforms of previous years such as the discontinuation of blanket diesel subsidy and BUDI95 mechanism to subsidise RON95 prices have fortified the government's fiscal runway, providing a resilient foundation against the global energy shocks.

Against this backdrop of stable OPR by BNM and a relatively secure Government's fiscal position, we expect Malaysian fixed income assets to outperform its global peers. Nevertheless, we anticipate periods of intermittent volatility as shocks in the global market, particularly the US Treasury ("UST") market will inevitably spill over into the local market. Our strategy to navigate the volatile market condition is by anchoring our portfolio duration strategy to be short-to-neutral, while increasing our overweight in high quality corporate bonds with minimal exposure to global trade disruptions. By prioritizing high carry assets to generate consistent medium-term income, we aim to provide a sufficient defensive buffer for the portfolio to ride out this period of heightened global uncertainty



Commodity Market Review and Outlook

Oil (Brent)



Source: Bloomberg, RHBAM, 26 March 2026.

The Iran War caused Crude Oil (Brent) to spike as high as US\$119 since the start of March 2026. Iran has a firm control of the Straits of Hormuz (“SOH”), a chokepoint for 20% of the world oil supply. Only a handful of vessels have been allowed passage through SOH since the start of the war. We expect a net hit to commercial oil stocks in early April given partial offsets from pipeline redirection, releases of Strategic Petroleum Reserve (“SPR”) and sanction oil. End demand has start to erode driven by bought outright scarcity and weight of sharply higher prices. The SOH concentrates the shock in naptha, Liquefied petroleum gas (“LPG”) and jet fuel. Plastics which are exposed to naptha and LPG as core feedstocks are seeing 5% of global ethylene capacity shutting in Japan, South Korea and China. Aviation is also facing a lot of pressure with jet fuel exceeding 20% of operating costs have seen routes reduction. The biggest uncertainty is the conflict’s duration and this war’s supply losses persistence.

Gold



Source: Bloomberg, RHBAM, 26 March 2026

Gold prices have corrected about 20% from its peak. Gold tends to suffer alongside risky assets in the early stage of a major correction but eventually will outperform as a haven asset supported by heightened geographical uncertainty and stagflation risks. Gold investment demand was running at higher rates as seen as a share of household wealth. Gold



demand in 2025 was driven by retail, ETF and Ultra High Net Worth individuals hence it will be susceptible to liquidity risk. Central bank gold is also now 30% of reserve holdings, highest in 30 years.

Copper



Source: Bloomberg, RHBAM, 26 March 2026.

Copper prices has also declined 12% from its peak, discounting a possible macroeconomic pullback on concerns of a prolong Iran war. Under a higher oil price, there are demand destruction risks. The physical market is looking at best balanced (with a light surplus) for 2026/2027. Ramp ups of previously disrupted mines should boost mine output in second half ("2H") of 2026 through 2027. On the other hand, the acceleration in datacenter build-outs over the next two years can drive strong growth in 2026 and 2027 should buoy demand and about 15% share of copper demand from decarbonization and datacenters drove close to 100% of growth in the last three years. Also a stronger recovery in global manufacturing activity in 2026/2027 from the traditional cyclical demand segments should mitigate the slight surplus.



Key Takeaways

Source: Bloomberg, RHBAM, March 2026.

Note: The opinions expressed are as of date and are subject to change at any time due to changes in market or economic conditions. Any performance information shown refers to the past and should not be seen as an indication of future returns. This is not intended to be relied upon as a forecast, research or investment advice and is not a recommendation, offer or solicitation to buy or sell any investments or to adopt any investment strategy.

Broad Asset Class

Asset Class	Outlook	Rationale
Global Equity	Underweight	Investors have adopted a general risk off positioning as the duration of the US-Iran conflict remains unclear, particularly in view of the closure of the Strait of Hormuz. Valuations remain elevated in the US, though other major markets look more reasonable. Earnings momentum is trending upward across key global markets, while tariff headline risks have eased significantly., especially with the Supreme Court striking down Trump's tariff actions. A stable US-China trade relationship reduces global recession risks and provides scope for equities to rebound. Continued AI capex will be supportive to key AI and Technology stocks, although there will be concerns over concentration risk and high valuations. Worries of disruption from AI will continue to haunt the vulnerable sectors. As such, we expect greater volatility as only a few positive thematic forces dominate the markets as of now.
Fixed Income	Overweight	The US-Iran war has resulted in a flight to safe haven assets, although short duration instruments remain favored due to inflation fears and fiscal concerns. After a well-telegraphed and expected 3 rate cuts in 2025, the market is expecting another 1-2 rate cuts in 2026. Fears of inflation (and possibly stagflation) from oil price shocks dominate investors' concerns.
Cash	Underweight	Maintain a nimble cash allocation to capitalize on tactical opportunities amid elevated short term volatility.

Equity

Countries	Outlook	Rationale
United States	Slight Underweight	US equity market in 2026 remains well-supported with decent earnings growth, continued robust AI investments and boost from fiscal stimulus. Due to valuations and consensus positioning, there is a need to broaden AI and Technology exposures beyond the well-held mega-cap AI stocks. Labor market softness and a bifurcated economy (with booming AI versus lagging traditional economic sectors) add complexity to the equity markets in 2026. Worries of impact from AI disruption will weigh on investors' sentiments. With the backdrop of the Middle East conflict and possibly higher for longer interest rates, investors will be less forgiving of profitless technology stocks, even those with hopeful AI ambitions. Investors will continue to turn more cautious if the Middle East conflict continues beyond a few weeks, thereby resulting in further inflation shocks to the economy.
Europe	Underweight	Europe is structurally vulnerable to energy imports from the Middle East. Europe was still adjusting to the Russia gas shock. Europe faces a combination of sub-trend growth and earnings sensitivity to global trade tensions, energy price volatility, political fragmentation and geopolitics. Lagging innovation and lack of clear participation in the AI structural growth theme will hamper further upside. ECB easing may help but could further rate cuts may risk signaling potential economic fragility in the Eurozone. Fortunately, the "Make Europe Grow Again" ("MEGA") initiative, driven by German fiscal expansion and increased EU defense spending, marks a historic shift that should support equities over the longer run.
Japan	Neutral	LDP's landslide victory gives rise to political stability leading the way for a responsible proactive fiscal policy. Takaichi's administration growth strategy of consumption tax cuts and capital investment tax reductions also excite

Countries	Outlook	Rationale
		investors. The market is hopeful that Takaichi could be a transformative leader for Japan. Continued progress in the corporate reforms including shareholder returns, business restructuring and growth investments. Global expansion of AI-related investment will drive earnings. Japan remains vulnerable to global energy price fluctuations which could impact inflation and growth. There are concerns over weakness in the bond and currency markets.
Asia ex Japan	Neutral	The longer term weakness in USD provides support for Asian markets in general when investors are seeking geographical diversification. Most regional central banks are easing from relatively high policy levels, while fiscal policy is broadly supportive of growth. North Asia benefits significantly from the AI infrastructure buildout across the semiconductor supply chains. China will be more insulated from the Middle East geopolitical tensions. However, Asia will be hampered in the near term due to short term USD strength as investors seek safe havens and due to its dependence on Middle Eastern energy sources.
ASEAN	Underweight	Coming out of tariff uncertainties in 2025, there are expectations for ASEAN to deliver stable growth in 2026 on the back of further monetary easing and recovery in domestic demand. In the medium term, rising AI capex should drive data center investments and energy demand selectively within the region, while ASEAN continues to build on the China plus one theme. However, several ASEAN economies faced fiscal constraints and political uncertainty. Uncertainty surrounding the path of further Fed rate cuts and US dollar strength will weigh negatively on ASEAN markets. In addition, growth in ASEAN remains cyclically and externally sensitive. Higher energy prices will negatively impact ASEAN relatively more.
China	Slight Overweight	The Chinese economy has shown resilience but still faces structural challenges, with retail sales, industrial output, and fixed-asset investment all below expectations. Equity performance remains supported by ample liquidity, high household savings, stable US-China relations, and domestic policies. The government's push towards domestic AI supply chain, humanoids and anti-involution plays are key themes. Weaker USD dollar narrative will be supportive of China equities.
Hong Kong	Neutral	Robust financial market and stabilizing residential property market. Retail sales have also been steady. Northern Metropolis gaining momentum as it will help Hong Kong attract more inbound businesses from the rest of the Greater Bay Area.
Taiwan	Neutral	Valuations are lofty despite longer visibility. Over-dependence on the AI theme.
South Korea	Neutral	Corporate governance reforms are ongoing with further measures expected. Ongoing policy support to rerate the equity market. Memory crunch is the worst in history boosted by strong AI demand. Negatively impacted by high oil dependency and energy prices.
India	Underweight	Easing US-India tensions and the lowering of US tariffs on India imports from 25% to 18%, brought brief relief to the Indian market. The Financial Year ("FY") 2027 budget was delivered to maintain fiscal prudence and capex continuity. Ongoing AI fears continue to weigh on India's Information Technology ("IT") sector, while escalating oil price is a potential headwind to GDP growth, current accounts risks and inflationary risks.
Australia	Slight Underweight	The Reserve Bank of Australia has hiked 25-basis-point rate hike to 4.1% with a possibility to hike in May. Rising oil prices present a challenge to Australia given dependence on offshore supply and limits to domestic refining capacity despite a strong net export position in natural gas.
Singapore	Slight Overweight	Singapore should continue to be a safe-haven, buoyed by ASEAN and Global growth. Singapore equity market will remain resilient, underpinned by the Singapore Government's very own "Value-up" program - Equity Market Development Programme ("EQDP") which lifted investor sentiment and market liquidity. Monetary Authority of Singapore ("MAS") announced the awarding of the second tranche of EQDP funds (SGD ~2.85billion), which should sustain positive momentum for Singapore equities. Safe haven status.

Countries	Outlook	Rationale
Thailand	Neutral	A resounding election win for Bhumjaithai Party (“BJT”) and strong coalition enhances political stability and paves way for fast execution of fiscal policies. Weaker tourism flows and negative impact from higher energy prices.
Indonesia	Underweight	MSCI overhang to weigh negatively on sentiments. Although Indonesian regulators have pledged to drive market reforms, resolving liquidity and ownership issues requires time and execution risks persists. A cyclical market that is affected by inflation and higher energy prices.
Philippines	Underweight	Government spending likely to remain subdued amid ongoing corruption investigations, which had also indirectly impacted private consumption. Benighted inflation and stable Philippine Peso (“PHP”), meant Bangko Sentral ng Pilipinas (“BSP”) will be able to drive monetary easing to boost GDP growth and revive domestic consumption. Equity valuations remain attractive, but there is lack of clear catalysts entice investors. A cyclical market that is affected by inflation, higher energy prices and Overseas Filipino Worker (“OFW”) flows from the Middle East.
Malaysia	Neutral	Malaysia’s positive economic momentum expected to continue in 2026, supported by domestic demand, tourism, and investment whilst headline inflation remains moderate, with controlled core inflation. The outlook for FDI remains bullish, supported by Malaysia’s strategic location, robust infrastructure, and government initiatives. The index has retreated and valuation is no longer expensive. However, the market sentiment would remain weak due to the ongoing war in the Middle East.
Malaysia Small Cap	Neutral	Small cap stocks are likely to perform in 2026 after weak performance in 2025 as earnings growth improve.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Overweight	We maintain a neutral to modestly long duration stance, favouring the intermediate part of the curve where the carry and roll-down remains attractive. While fiscal risks and potential bond supply may limit long-end rallies, duration should continue to provide diversification benefits in the event of growth slowdowns or risk-off episodes.
Asian High Yield Credit	Neutral	Credit Selection is the key consideration here, as an overall asset class, these would be more sensitive toward recessionary risk, but on the upside we are still positive on select names that have been undervalued that may see significant upside if the regulatory, fiscal and monetary landscape is supportive.
Asian Investment Grade Credit	Overweight	Investment Grade (“IG”) bonds are benchmarked as a spread against UST yields. Credit spreads have begun to widen out slightly post the Middle East conflict but still broadly stable, and we are advocating the overweight on a total yield /carry basis. The focus remains on credit quality, relative value against peers, and coupon income. We are overweight on Asian High-Grade bonds given the resilience against other Emerging Markets peers but are positioned more defensively in the higher quality credit. We are more cautious in terms of duration in the view that the curve could steepen more on inflationary and fiscal concerns.
China Fixed Income	Neutral	China growth has been largely underwhelming as Property sector revival concerns remain an overhang, the 2026 Growth target is among the lowest in decades at 4.5-5% YoY for 2025. China’s economy still faces some structural challenges. China Fixed Income performance would likely be supported by ample onshore liquidity, supportive domestic policies and attractive defensive characteristics; however currency is a factor to consider when investing onshore as CNY has rallied ~7% over the past year. High-quality SOEs, policy bank bonds, and financials should benefit from funding support and regulatory stability
Malaysia Fixed Income	Neutral	Prolonged US-Iran war is expected to hit bond market sentiment as higher inflationary pressure typically results in weaker bond market. Nevertheless, we retain a neutral view on Malaysian fixed income market due to the strong

Asset Class	Outlook	Rationale
		fundamentals of the domestic economy and the more modest inflation impact due to government's subsidies. In addition, the government's fiscal position is also relatively secure due to higher oil-related revenues and subsidy rationalization efforts in recent years.

Commodities

Asset Class	Outlook	Rationale
Gold	Overweight	Gold prices have corrected about 20% from its peak. Gold tends to suffer alongside risky assets in the early stage of a major correction but eventually will outperform as a haven asset supported by heightened geographical uncertainty and stagflation risks. Gold investment demand was running at higher rates as seen as a share of household wealth. Gold demand in 2025 was driven by retail, ETF and Ultra High Net Worth individuals hence it will be susceptible to liquidity risk. Central bank gold is also now 30% of reserve holdings, highest in 30 years.
Crude Oil	Overweight	The Iran War caused Crude Oil (Brent) to spike as high as US\$119 since the start of March 2026. Iran has a firm control of the Straits of Hormuz (SOH) which is a chokepoint for 20% of the world oil supply. Only a handful of vessels have been allowed passage through SOH since the start of the war. We expect a net hit to commercial oil stocks in early April given partial offsets from pipeline redirection, releases of SPR and sanction oil. This largest oil supply shock ever will also lead policymakers and markets to recognize the structural risks from the high concentration of production and spare capacity in the Middle East and its vulnerability.

Foreign Exchange

Asset Class	Outlook	Rationale
USD	Neutral to Mild Positive	US–Iran conflict would initially support USD safe-haven demand, especially if oil supply risks push volatility higher and global risk appetite deteriorates. Capital flight into Treasuries and USD liquidity would partially offset expectations of US slow growth. However, sustained conflict that lifts energy prices and worsens US inflation–growth trade-offs may limit upside. Over 2Q2026, USD strength is likely episodic rather than trend-driven, peaking during escalation phases and retracing as markets price containment.
EUR	Mild Negative	The Euro (“EUR”) would likely underperform in a US–Iran war scenario, given Europe’s renewed sensitivity to energy shocks and Middle East supply disruptions. Higher oil and LNG prices would worsen terms of trade and rekindle inflation-growth tensions, constraining ECB flexibility. Risk-off flows also tend to favour USD over EUR during geopolitical stress. While fiscal buffers are stronger than past cycles, the euro would struggle to attract safe-haven flows, keeping EUR/USD biased lower during 2Q2026.
GBP	Negative	The Great British Pound (“GBP”) would face cross-currents. Elevated energy prices linked to Middle East tensions could re-entrench UK inflation, delaying BoE easing and providing short-term yield support. However, geopolitical risk typically drives capital toward USD rather than GBP, while the UK’s external financing needs increase vulnerability during risk-off periods. As a result, sterling may hold against EUR but soften versus USD, trading defensively through 2Q 2026 amid conflict-driven volatility.
JPY	Positive	JPY would likely be outperform if US–Iran hostilities escalate. Heightened geopolitical risk, oil-driven volatility, and equity drawdowns historically trigger rapid unwinding of carry trades funded in JPY. Coupled with Japan’s ongoing policy normalisation and massive net foreign asset position, repatriation flows should intensify. Even though Japan is an energy importer, safe-haven

Asset Class	Outlook	Rationale
		dynamics dominate in conflict scenarios, positioning JPY as one of the strongest currencies in 2Q 2026.
CNH	Neutral to Mild Negative	The offshore yuan (“CNH”) would be negatively affected by a US–Iran conflict through weaker global trade sentiment and heightened EM risk aversion. Elevated oil prices would also raise input costs for Chinese manufacturers, pressuring margins and growth. With the People’s Bank of China (“PBoC”) likely maintaining accommodative policy to cushion demand, yield differentials remain a drag. While authorities will manage downside tightly, CNH is likely to gradually weaken or stay capped, underperforming regional peers with safer balance sheets.
AUD	Mild Negative	The Australian Dollar (“AUD”)’s performance under a US–Iran conflict would turn more defensive than cyclical. While higher commodity prices may support Australia’s terms of trade, broader risk-off sentiment and weaker Chinese demand would dominate. AUD typically suffers during geopolitical shocks due to its high-beta, risk-proxy characteristics. As a result, AUD may experience sharp drawdowns during escalation periods, with only partial rebounds, leaving it net weaker versus USD in 2Q2026.
SGD	Neutral	The Singapore Dollar (“SGD”) should remain notably resilient amid a US–Iran conflict. MAS’s managed regime, strong external balances, and Singapore’s role as a regional safe financial hub should attract defensive inflows. While higher energy prices raise imported inflation risks, policy credibility supports stability. SGD may not rally aggressively, but it should outperform most Asian currencies on a drawdown-adjusted basis, holding relatively steady versus USD during 2Q2026 turbulence.
MYR	Mild Negative	The Malaysian Ringgit (“MYR”) would face mixed effects from US–Iran hostilities. Higher oil prices support Malaysia’s fiscal and trade balances, but global risk aversion typically weighs on EM portfolio flows. Sensitivity to China’s growth and US rates further limits upside. While depreciation pressures should be contained by improving domestic fundamentals, MYR is likely to underperform SGD and JPY, trading defensively versus USD during periods of heightened conflict risk.

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