Source: Bloomberg, RHBAM, 30 June 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.

Global Equity Market Review and Outlook

Global equities rebounded in the second quarter ("2Q") of 2026, as Artificial Intelligence ("AI") capital expenditure and historic public offerings and a de-escalating crisis between United States ("US") and Iran boosted investor sentiments. The Morgan Stanley Capital International ("MSCI") All Country ("AC") World Index improved by 15.24% over the quarter to date. Korea (+87.42%), Taiwan (+48.51%), Japan (+14.06%) and the US (+14.95%) all gained in 2Q 2026, but more notably, China once again underperformed (-7.59%).

Markets were particularly buoyed in April and May 2026 as the US-Iran crisis, which has loomed over the global economy for the first quarter ("1Q") of 2026, showed clear signs of de-escalation. Leaders and representatives from both countries have met repeatedly over the quarter and the outlines of a ceasefire deal has been somewhat confirmed. In light of this, oil prices fell sharply, and negotiations are underway to have the Straits of Hormuz reopened as soon as possible.

On the macroeconomic front, recent US economic data showed signs of resiliency. The Bureau of Economic Analysis ("BEA") reported that the personal consumption expenditures price index rose by 0.4% in May 2026, matching the increase in April 2026. Core Personal Consumption Expenditures ("PCE") price index, which excludes food and energy, also increased by 0.3%, unchanged from the previous month. On a year-over-year basis ("YOY"), headline PCE inflation climbed by 0.3 percentage points to 4.1%, marking its highest level since April 2023, while core PCE inflation edged up to 3.4%, the highest since October 2023. Standard & Poor's ("S&P") Global Flash Purchasing Managers' Index ("PMI") data indicated that US business activity expanded for a third consecutive month in June 2026, though the pace of growth was somewhat slower compared to earlier in the year. The flash composite output index increased to 52.2 from 51.5 in May 2026, marking its highest level in five months. The services PMI edged up to 51.3 from 50.7, while the manufacturing PMI rose by 0.6 points to 55.7, its strongest reading since May 2022.

Separately, the BEA revised first-quarter real Gross Domestic Product ("GDP") growth upward to 2.1% from the initial estimate of 1.6%. The revision was primarily driven by a downward adjustment in imports, which are deducted from GDP, partly offset by a weaker revision in consumer spending. For comparison, US real GDP expanded by 0.5% in fourth quarter ("Q4") of 2025.

As expected, the Federal Reserve (the "Fed") left its fund rate target range unchanged at 3.50% - 3.75% in its June 2026 meeting, but the central bank's summary and new Fed Chair Kevin Warsh's first post-meeting press conference comments were largely interpreted as hawkish. Updated predictions now showed that policymakers are expecting modest tightening by year end, a shift from previous projections that pointed to rate cuts.

European equities edged higher in early trading on the last day of the 2Q of 2026. Despite this, European markets generally lagged behind their US and Asian counterparts over the quarter, mainly due to their relatively smaller exposure

to major technology stocks. As widely expected, the European Central Bank ("ECB") raised three of its key interest rates in June 2026, marking the first hike since September 2023. They noted that the outlook remained uncertain and that the upside risks to inflation and downside risks to economic growth remained. The central bank also adjusted its inflation forecasts to average 3.0% in 2026, 2.3% in 2207 and 2.0% in 2028. GDP forecasts were revised downwards, as 2026 GDP growth is now scheduled at 0.8% in 2026 and 1.2% in 2027.

Separately, a survey conducted by the ECB revealed that consumer inflation expectations for the next 12 months decreased to 3.5% in May 2026, the lowest in 3 months. Consumers are also expecting negative growth for the remainder of 2026, though the 1.7% is an improvement from the 2.2% recording last month. S&P Global Flash Eurozone Composite PMI increased to 49.5 in June 2026, the highest since March 2026. On the political front, United Kingdom ("UK") Prime Minister Keir Starmer announced his resignation. The Labour Party will now have to select a new leader, with Andy Burnham currently expected to be his replacement.

Over in Japan, stock markets surged over the quarter, with the Nikkei extending all-time highs due to strong performances from semiconductor and technology stocks, and the signed agreement between US and Iran. The Bank of Japan ("BOJ"), as expected, raised its short-term policy rate by 25 basis points ("bps") to 1%, taking the cost of borrowing to the highest levels since 1995. The move is to address inflation risks and the persistent weakness in the yen ("JPY"). Deputy BOJ Governor, Shinichi Uchida, who has standing in for the hospitalized Kazuo Ueda, delivered a hawkish remark. The yen has further weakened towards the high end of JPY161 to the US dollar. Core Consumer Price Index ("CPI") for Tokyo, a nationwide indicator, rose by 1.6% YOY, matching estimates and was higher than the 1.3% in May 2026, driven by higher water service fees and expiration of subsidies. This first pick up in 8 months reinforced expectations that the BOJ will continue raising interest rates, a view echoed by Deputy Governor Ryozo Himino, who stated that the central bank sees upside risks to inflation relative to its 2% target and expects to see continued adjusting policy in response. On the fiscal front, Prime Minister Sanae Takaichi announced a major fiscal expansion that would strengthen Japan's long-term growth, with an investment road map of JPY370 trillion invested in 17 strategic sectors through to 2040.

China's economy began 2026 on a solid footing, with real GDP expanding 5.0% YOY in Q1 2026, supported by early policy easing and steady external demand. Growth reached the upper end of the government's target range, reflecting improving domestic supply-demand dynamics and a faster shift toward new economic drivers such as high-tech industries. However, things slowed for the second quarter, as various key indicators, such as fixed asset investment, retail sales and bank lending, all fell.

Exports in China rose 19.4% YOY, which exceeded market expectations and was substantially higher than the 14.1% in April 2026 and imports improved 27.4% YOY. Strong overseas demand for semiconductors, Electric Vehicles ("EVs"), Technology ("tech") components and other AI related products drove exports, which is largely in line with the global AI investment cycle. However, on a more downcast note, inflation data does suggest that China's recovery remains uneven. Producer Price Index ("PPI") rose 3.9% YOY in May 2026, higher than the 2.8% in April 2026 and was the highest since July 2022. Consumer inflation meanwhile remained weaker, just rising by 1.2% YOY for the month. The widening gap between producer and consumer inflation suggests that export-oriented industries are benefitting, but household demand remains weak. Other mixed signals include a steady Industrial output, growing 4.5% YOY, supported by manufacturing strength and exports, but weakened consumer activity, with retail sales declining 0.6%, the first drop since late 2022. Investment activity also deteriorated, as fixed asset investment fell 4.1% over the first five months of the year, widening from earlier declines. Labor conditions showed slight improvement, with urban unemployment edging down to 5.1%. To add to woes, the property sector continued to weigh on activity, with property investment falling by 16.2% YOY for the first five months of 2026.

On the policy front in China, The People's Bank of China ("BOC") announced that it will conduct overnight reverse repo operations in June 2026 using a new liquidity management instrument. This follows Governor Pan Gongsheng's announcements that outlined changes to the central bank's operating framework. Separately, the central bank left its 1-year and 5-year loan prime rates unchanged at 3% and 3.5% respectively. On the political front, Premier Li Qiang, speaking at a World Economic Forum meeting, defended the country's technological and industrial competitiveness, and highlighted the government's commitment to innovation and advanced manufacturing.

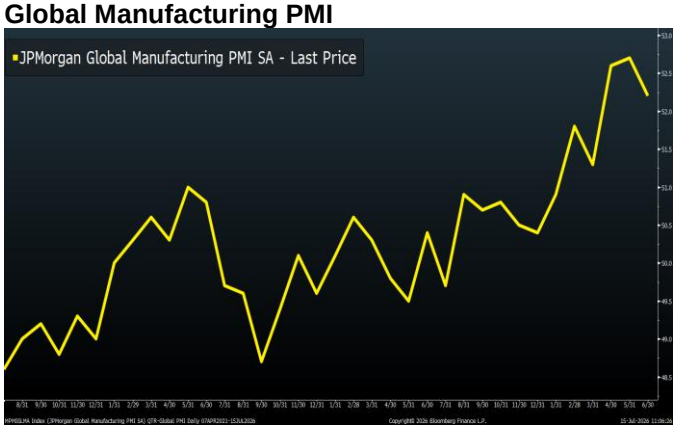
The first half ("1H") of 2026 rudely reminded investors that markets are driven not only by earnings and interest rates, but also by geopolitics. Although the immediate shock from the US-Iran conflict has eased at this point in time, its longer-lasting effects are still unfolding through energy prices, inflation and global supply chains. At the same time, US mega-cap technology stocks continue to dominate portfolios despite increasingly demanding valuations. We believe investors should look beyond today's consensus trades and focus on areas where the market may still be underestimating future opportunities. Our preferred themes remain energy security, AI enablers, strategic assets such as gold, and attractively valued technology stocks outside the US.

Asia continues to offer attractive long-term opportunities, although selectivity will be more important than ever. We remain positive on China, where rapid progress in AI, continued policy support and relatively attractive valuations provide a favorable backdrop for stocks related to AI, technology, internet, semiconductors and robotics. Japan should continue to benefit from improving corporate governance and a gradual shift away from decades of deflation. Korea and Taiwan continue to remain central to the global AI supply chain through their leadership in advanced chips and memory. Within ASEAN, investors should remain selective given the region's greater sensitivity to higher energy costs and global trade. Overall, Asia provides a valuable source of diversification at a time when many portfolios remain heavily concentrated in US assets.

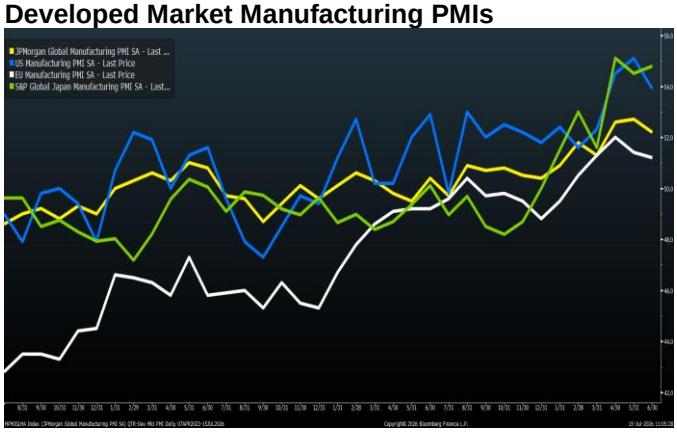
Economic Highlights

Global Purchasing Managers Index ("PMI")

Global Manufacturing PMI



Developed Market Manufacturing PMIs

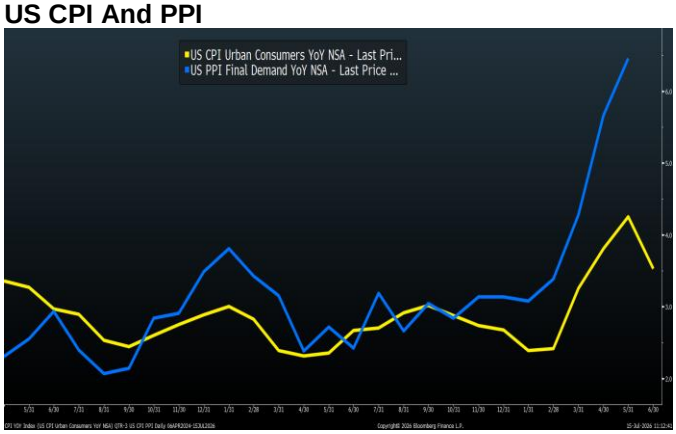


Source: Bloomberg, RHBAM, 30 June 2026

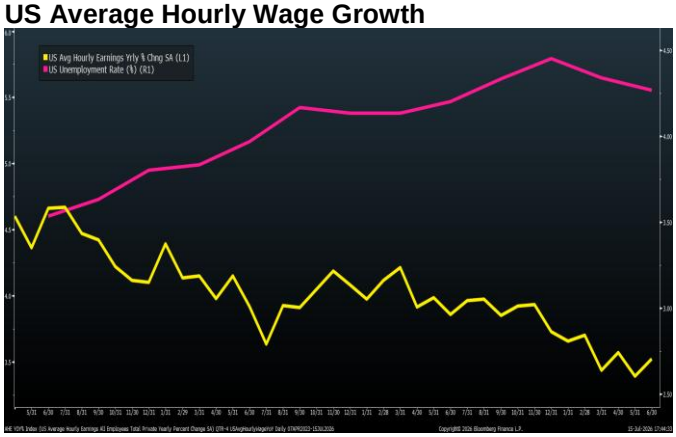
- Global manufacturing PMI improved to 52.2 in June 2026 from 51.3 in March 2026.
- The US S&P manufacturing PMI improve to 53.9 in June 2026 from 52.3 in March 2026. Japan manufacturing PMI improved to 54.7 in June 2026 from 51.6 in March 2026. The European Union ("EU") manufacturing PMI held steady at 51.3 in June 2026, same levels as 51.3 in March 2026.

United States ("US")

US CPI And PPI



US Average Hourly Wage Growth

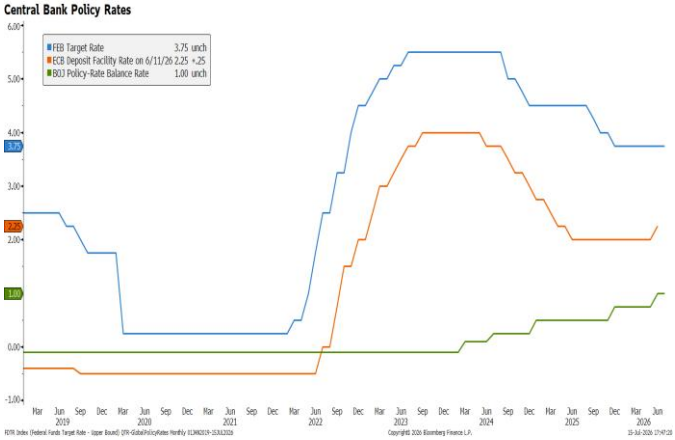


Source: Bloomberg, RHBAM, 30 June 2026

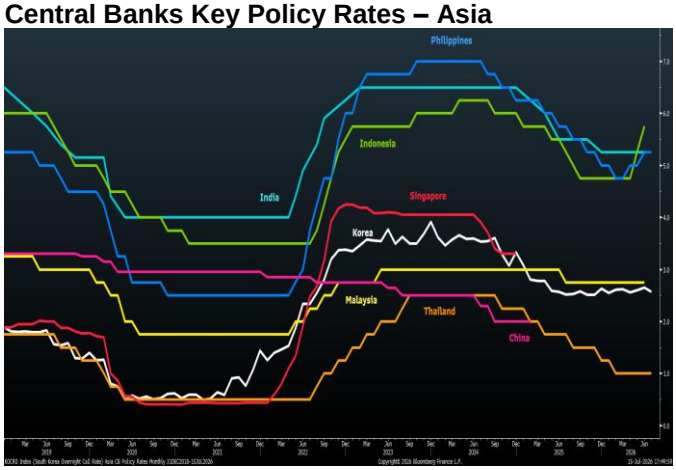
- US inflation rose by 6.5% in June 2026, mainly due to high energy prices.
- Unemployment rate edged down to 4.3% in June 2026 vs 4.4% in December 2025 but averaged at 4.0% in 2024 and 4.1% in 2025. US hourly wage growth steadily trended down to 2.7% in June 2026.

Global

Central Banks Key Policy Rates – Developed Markets



Central Banks Key Policy Rates – Asia



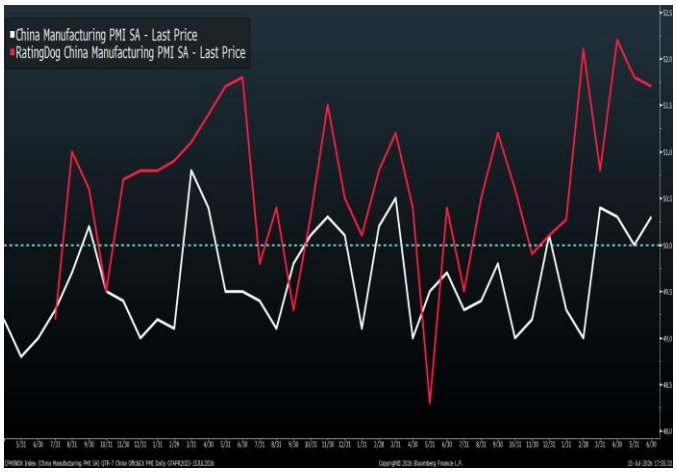
Source: Bloomberg, RHBAM, 30 June 2026

- 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 1-2 rate hikes in 2026.

- In line with the expected US Fed rate hikes in 2026, several Asian central banks have also started to hike rate in 2026.

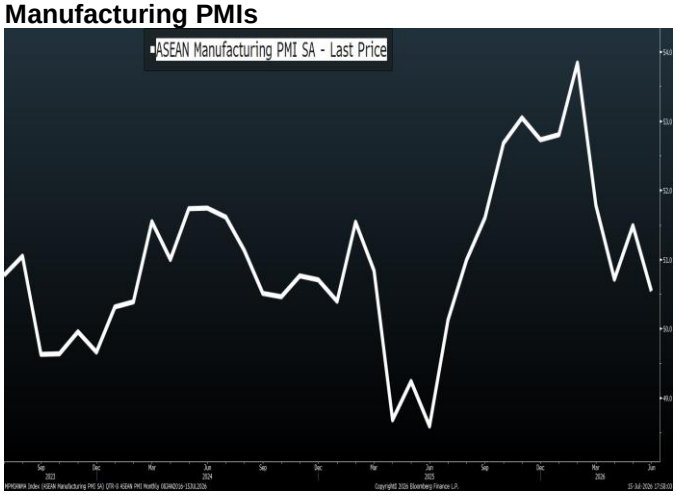
China

China PMIs (Caixin)



ASEAN

Association of Southeast Asian Nations ("ASEAN") Manufacturing PMIs



Source: Bloomberg, RHBAM, 30 June 2026

- The RatingDog PMI improved to 51.7 in June 2026 from 50.8 in March 2026 and official manufacturing PMI edged up to 50.3 in June 2026, from 50.1 in December 2025.

- ASEAN's manufacturing PMI dipped to 50.5 in June 2026 from 52.7 in December 2025.

China/Hong Kong

Chinese equity market saw volatile swings and declined during the quarter. Macro risks in April 2026 due to the 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 per 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. As a result, market leadership rotated toward energy (oil, coal and oil tanker shipping) and the broader new energy ecosystem (New EVs, battery & battery materials, inverters, and renewable Independent Power Producers ("IPPs")). Concerns around heavyweight internet names deepened, as heavy investment in new initiatives (quick commerce, AI) continued to cloud the cash flow and profitability outlook.

Following the US-Iran ceasefire in May 2026, equities staged a strong comeback, with gains accelerating sharply across AI infra beneficiaries. DeepSeek-V4 further validates domestic compute for large-scale AI models and reinforces the trajectory of domestic substitution. Despite leadership from semis and tech hardware, heavyweight internet names lagged amid soft earnings outlooks, contributing to offshore underperformance versus onshore. Beyond tech, cyclicals saw a meaningful recovery – most notably Real Estate on signs of housing stabilization, Energy/Materials on tighter supply-demand dynamics, and Industrials on the new energy ecosystem build-out. In contrast, defensives – including Utilities, Staples, and Communication Services – were the clear laggards.

Market leadership narrowed China in June 2026, with Information Technology ("IT") the only sector posting a positive return. Three factors reinforced the widening divergence such as China's domestic activity weakened further month on month ("MOM"), leaving the non-AI trade with a fading fundamental anchor, the liquidity backdrop became less supportive after Warsh's hawkish tilt at the June 2026 Federal Open Market Committee ("FOMC"), with consensus now projecting at least one rate hike by year-end; and the step-up in cross-border capital controls added another headwind to offshore sentiment. Against this backdrop, AI infra remained the dominant source of alpha, with momentum moving further up the value chain into upstream materials (Multilayer Ceramic Capacitors ("MLCC"), glass fiber, gases, etc) and equipment, as well as memory, power semis, and optics.

China's May 2026 activity data improved in certain areas but overall remained soft which caused the market to fall. Industrial Production improved to 4.5% YOY, rebounding from a sharp monthly contraction in April 2026. Retail sales softened further, falling 0.6%. Auto retail sales plunged a further 16.4%. Fixed Asset Investment ("FAI") contracted sharply by 10.7% (vs -8.0% April 2026), dragging year-to-date ("YTD"). FAI further into contraction at -4.1%. By sector, real estate FAI (-24.3%) fell the most.

Exports continued to outperform domestic demand, but gains have been concentrated in high-end value-added manufacturing. US-China tensions persisted as China imposed restrictions on 10 US firms on 22 June 2026 in response to US blacklist actions.

ASEAN

The MSCI ASEAN Index recovered 2.77% in United States Dollar ("USD") terms in 2Q 2026, on the back of easing Middle East conflicts. Singapore led the outperformance (+9.37%), followed by Philippines (+5.82%), Thailand (+4.78%) and Malaysia (-2.73%). Indonesia fell by -21.61%, as investors sold off due to ongoing policy uncertainty and governance issues, as well as Rupiah weakness.

Singapore's economy started 2026 strongly, with 1Q GDP growing 6.0% YOY and 1.0% quarter-on-quarter ("QOQ"), exceeding expectations due to an AI-driven technology and semiconductor upcycle. However, the Ministry of Trade and Industry cautioned that the full-year outlook has weakened, citing the US-Iran conflict's impact on energy supplies and global growth. In April 2026, the Monetary Authority of Singapore ("MAS") tightened its exchange-rate policy band slope to counter rising inflation from higher oil prices, becoming the first Asian central bank to respond to the shock. MAS also proposed faster retail fund approvals and streamlined wealth account openings. On the fiscal side, the government introduced about S$1 billion in support measures, including a higher corporate tax rebate and cash payouts to households. Despite strong growth, May 2026 industrial output disappointed, rising 13% YOY but falling MOM, indicating moderating manufacturing momentum.

Indonesia's 1Q26 GDP grew 5.61% YOY, supported by robust government spending and resilient household consumption. As the rupiah weakened toward 18,000 against the US dollar, Bank Indonesia launched an aggressive tightening cycle, raising rates by a cumulative 75bps within a month to 5.75% in an effort to stabilise the currency. On fiscal policy, authorities initially introduced measures to retain export proceeds onshore and centralise commodity exports, later clarifying that the government would assume a supervisory rather than direct operational role. Policy uncertainty increased under President Prabowo, driven by plans for greater state involvement in key commodity sectors and controversial institutional reforms. The president's flagship free meals programme is likely to be paused, given concerns that it could push the 2026 fiscal deficit beyond the target ceiling. Meanwhile, sovereign and banking outlooks were revised to Negative, reflecting rising concerns over fiscal sustainability, policy direction, and external vulnerabilities. Although Indonesia retained its status in the MSCI Emerging Markets Index following the recent review, the overhang remains through November 2026 as MSCI continues to monitor the progress of market reforms.

Thailand's macroeconomic conditions were shaped by the oil shock from the Middle East conflicts, which drove a sharp rise in inflation despite weak domestic demand. CPI fell slightly in March 2026 but rebounded to 2.89% in April 2026, exceeding the Bank of Thailand's 1–3% target, with further increases expected in the coming months. Despite rising inflation, the Bank of Thailand kept its policy rate unchanged at 1.00%, while modestly upgrading its 2026 GDP forecast to 2.1%, supported by a THB400 billion fiscal stimulus. However, the Finance Ministry maintained a more cautious outlook, and the central bank warned against excessive consumption stimulus due to fiscal constraints. Externally, Thailand recorded a record $10 billion trade deficit in April 2026, driven by surging energy imports, before narrowing in May 2026. The government responded with a THB175 billion cost-of-living package, though legal challenges to emergency borrowing added uncertainty. New Prime Minister Anutin prioritised measures to address the energy shock, including potential fuel price reforms and adjustments to oil export policies.

Philippines' 1Q 2026 economic growth decelerated to 2.8% YOY, marking the weakest growth since the pandemic, amid soft consumption, declining investment, and weaker net exports. On the other hand, CPI surged to 6.8% in May 2026 from 2.4% in February 2026, as the country was severely impacted by the Middle East conflicts and mounting prices. In response, the Bangko Sentral ng Pilipinas pivoted from easing to tightening, signalling a series of rate hikes to counter persistent supply-driven inflation. Fiscal pressures also intensified, with the deficit widening due to falling revenues and rising expenditures. Despite this, the government plans to accelerate spending to support recovery. Consumer sentiment deteriorated sharply, reflecting concerns over rising prices, unemployment, and currency weakness. The peso depreciated significantly, while inflation forecasts for 2026 were revised higher.

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 economic outlook for 2026 is projected to remain stable and resilient, with domestic demand expected to be the primary driver of growth, supported by robust investment flows and improving external trade momentum. The economy is expected to grow between 4.0% and 4.8% in 2026, with private consumption identified as the main driver, supported by stable employment, rising wages, moderate inflation, and targeted government support.

The clearest first round impact from the US-Iran conflict is expected to be on discretionary consumption among upper-middle and affluent households as they lose subsidized fuel access. Urban Malaysian commuters are highly car-dependent and higher petrol bills directly result in lower residual income for non-essential purchases. Within the listed companies' space, sectors such as consumer discretionary retailers, shopping mall owners / operators such as the Real Estate Investment Trusts ("REITs"), travel / leisure companies and consumer electronics are seen as the most exposed to weakening consumer spending.

As a second order of impact, higher petrol prices result in higher fuel costs for transport intensive sectors. These higher transportation costs will eventually be passed through to consumers through an increase in prices. The market sentiment would improve if the government can successfully execute targeted fuel and subsidy rollouts without causing a major spike in domestic inflation or severely affecting private consumer spending and the economy whilst at the same time achieving the fiscal consolidation target.

Malaysia is a defensive market and would be able to sustain the sell off from foreign investors due to low foreign shareholdings and ample local liquidity. Institutional foreign ownership sits near historical lows. Hence, the FTSE Bursa Malaysia KLCI ("FBMKLCI") Index might be shielded if foreign funds exiting Asia market significantly.

The market needs strong and sustained corporate earnings for the Index to break out from its current consolidation phase. A broad-based upgrade across large-cap stocks must happen which would lift the overall earnings and market. The market also needs more positive catalysts such as the awards of high value infrastructure project. The market also needs a sustained foreign inflow which would only happen if corporate can deliver strong and sustained earnings growth. We believe, Malaysia has stronger fundamentals which is reflected by the stable currency. This would provide some comfort to the foreign investors which could attract sustain inflows. Sustain net foreign buying would signal a rerating for Malaysia equities

In our view, at time of writing, the negotiation between US-Iran is still fluid due to the complex negotiation over Iran's nuclear program. It will be market positive if agreement reached as geopolitical risk subsided. Global risk appetite would improve which may encourage foreign monies to flow back to Malaysia. Cyclical sectors would benefit due to lower operating costs and improved disposable income. The investors would also be looking into growth stocks as the decline in the oil price would contain inflation from going higher. However, current volatility will persist until the war end, but we expect limited downside to the FBMKLCI Index.

Global Fixed Income Market Review and Outlook

US Treasuries ("UST") and G10 Bonds

The 2Q 2026 was a volatile quarter for global fixed income, dominated by 3 intertwined themes; the Oil price shock (oil above $110 bbl) stoking inflation fears which say yields spike in April and May 2026, a late quarter reversal as oil prices fell back to below $100 bbl and finally a repricing of central bank policy paths toward a more hawkish stance.

Across other G10 markets, German bunds outperformed G10 peers on safe haven flows while UK gilts experienced significant volatility, with 10-year yields reaching 5.19% in May 2026, the highest since 2008 driven by higher oil prices and political uncertainty following Prime Minister Keir Starmer's resignation. The ECB rate hike expectations were elevated mid quarter with the markets pricing in nearly 3 times 25 bps hikes by year end.

In terms of key data releases; the May 2026 Non-Farm Payrolls ("NFP") recorded +172,000 jobs created, more than double expectations (alongside the release, March and April 2026 numbers were also revised upwardly higher). Taken together, the 3-month moving average for NFP stands at +157,000 jobs per month. Economists expect the war to have more of an impact on future jobs reports if the hostilities continue, as companies respond to higher energy prices and potentially diminished demand by delaying hiring or laying off staff. Unemployment rate was slightly higher at 4.34% (vs 4.26% prior) for April 2026, as labour participation rate also fell further to 61.8% in April 2026. Taken on average, NFP was +48,000 per month on a 3-month moving average basis. In terms of inflation, April 2026 headline CPI crept higher, but below consensus expectations of 4.2% YOY to 3.8% YOY (+0.6% MOM) but Core CPI jumped 2.8% YOY (0.40% MOM) due to rent and information technology goods. Energy prices remain high as the Iranian war drags on while we expected core inflation risk as higher oil prices passes through to manufacturing and transport costs.

The US PCE data release for April 2026 was 3.8% YOY (0.4% MOM), while the Core PCE printed at 3.3% YOY (0.2% MOM), slightly lower than expected. US 1Q 2026 GDP second estimates were lowered to 1.6% YOY vs advanced reading of 2.0% due to weaker consumer spending and weaker investment. The US Institute for Supply Management ("ISM") Manufacturing PMI saw an expansion in May 2026 with the measure of overall factory activity rising to 54.0; nearly all manufacturing industries reported growth in May but sustained inflationary pressures and higher input costs (driven by the war and disruptions to supply chains) may lead to higher prices for consumer goods.

The June 2026 FOMC meeting, chaired by newly appointed Fed Chair Kevin Warsh, conveyed a relatively hawkish stance resulting in the market pricing in 1-2 hikes for 2026. The Committee unanimously voted to keep the policy rate unchanged at 3.50%–3.75%. The UST curve continued to aggressively bear flatten in the 2Q 2026 on inflation fears and a hawkish Fed; The benchmark 2-year, 5-year, 10-year, 20-year and 30-year UST last traded as of 30 June 2026 at 4.17% (March 2026: 3.79%; +38 bps), 4.23% (3.94%; +29 bps), 4.465% (4.32%; +14.5 bps), 4.96% (4.91%; +5 bps) and 4.95% (4.91%; +4 bps) respectively.

Outlook and Strategy

The broader view overall is that global growth in 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. If there is a continued de-escalation in the Middle East, inflationary pressures from the initial Energy shock experienced in the 2Q 2026 should fade. Global fixed income yields still offer attractive entry levels and we continue to be constructive on fixed income as both an income (carry) generator and a portfolio stabiliser.

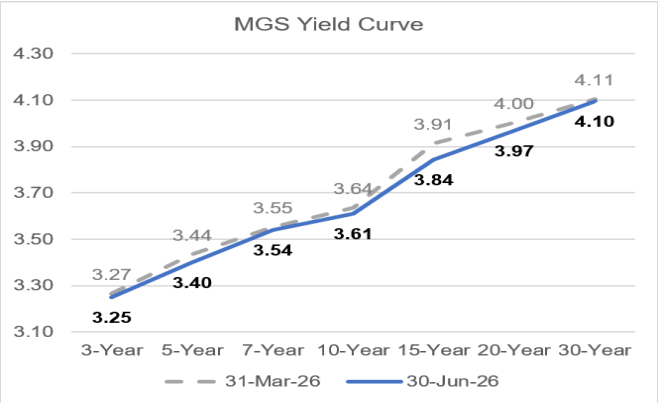
Fixed Income markets are currently pricing in 36 bps of tightening over the year following the hawkish June 2026 FOMC. We are closely monitoring subsequent data releases to paint a clearer picture of the macro environment, which will inform the Fed's likely rate path in pursuit of their dual mandate of maximum employment and price stability. There remains a possibility that rate hikes could be priced out or further pushed back if labour data were to soften and inflationary pressures ease amid a near-term resolution to the US-Iran conflict.

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")

Benchmark	MGS yield (%)		
	31 March 2026	30 June 2026	Change
3-Year	3.27	3.25	-2 bps
5-Year	3.44	3.40	-4 bps
7-Year	3.55	3.54	-1 bp
10-Year	3.64	3.61	-3 bps
15-Year	3.91	3.84	-7 bps
20-Year	4.00	3.97	-3 bps
30-Year	4.11	4.10	-1 bp



Source: FAST BNM and Bond Pricing Agency Malaysia. Data as of 30 June 2026

MGS market rebounded in 2Q 2026, with yields falling by 1 to 7 bps across the curve, driven by the interim peace deal between US and Iran, and the reopening of the Strait of Hormuz allowing the resumption of oil exports from the Middle East. As a result, oil prices fell sharply with the benchmark Brent crude dropping to circa USD73 bbl – a steep decline from USD118 bbl recorded at the end of 1Q 2026. This provided relief both by easing inflationary pressures and curbing the government's fiscal deficit, which had been rising due to the RON95 petrol subsidies. The benchmark Financial Times Stock Exchange ("FTSE") Bond Pricing Agency Malaysia ("BPAM") Ringgit All Bond Index delivered a return of +1.00% in 2Q 2026, bringing the YTD total return to +1.04% after the first quarter return was mostly flat.

Despite the stronger bond market, foreign holdings of MGS and Malaysian Government Investment Issue ("MGII") had seen a net outflow in the first 5 months of the year, with a net outflow of -RM1.74 billion, in contrast with the net inflow of +RM27.48 billion recorded during the same period last year. This brings the total foreign holdings of MGS + MGII to drop to a 6-month low of RM276.2 billion or 20.8% of the total government bond outstanding. The outflow is likely to be driven by the rising developed market bond yields and fear of higher inflation in the region which may result in interest rate hikes by central banks in the region.

In terms of economic releases, Malaysia's 1Q 2026 GDP was resilient, with growth numbers revised up to +5.4% YOY from the advance estimate of +5.3%, supported by strong household spending and continued strength related to electrical and electronic ("E&E") exports and data centre construction. Despite the strong headline numbers, the underlying trend points to weakening growth, as Bank Negara Malaysia ("BNM")'s monthly GDP data showed a marked slowdown from 7.1% in December 2025 to 6.8% in January 2026, 5.2% in February 2026 and 4.1% in March 2026 suggesting a broad-based slowdown. This occurred despite two major festive seasons of Chinese New Year in February 2026 and Hari Raya Aidilfitri in March 2026 – which typically provide a seasonal boost to consumption and retail spending.

Meanwhile, inflation has continued to rise, with Malaysia's CPI rising to +2.0% YOY in May 2026 marking a third-consecutive month of acceleration and the fastest pace of increase since August 2023. The increase was primarily driven by the higher prices in food and beverages (May 2026: 1.4%, April 2026: 1.2%), communication (May 2026: 2.1%; April 2026: 2.0%), housing and utilities as well as fuel (May 2026: 1.2%; April 2026: 1.1%). Broadening price pressures warrant closer monitoring, as the share of the CPI basket recording price increases of more than 0.05% per month increased to 48%, above the average level of about 43% during the period of 2011-2019 suggesting higher inflation pervasiveness.

Ringgit Corporate Bond

The corporate bond market similarly tracked the strong overall bond market performance. The FTSE BPAM Corporates All Bond Index delivered a return of +0.75% in 2Q 2026, bringing its YTD return to +1.47% outperforming the general bond market. On a YTD basis, the corporate bond segment continues to lead the overall bond market guided by the higher income accrual from corporate bonds which provides an offsetting impact to the volatility in the overall bond market.

Credit conditions in the local bond market had remained positive with some positive rating actions amongst the financial names in 2Q 2026. Notable upgrades were (1) RHB Bank Berhad and its subsidiaries' rating of AA1 were placed on positive outlook by RAM to reflect the banking group's consistently strong operating performance and continued strengthening of its key credit matrix and (2) MNRB Holdings Berhad and its subsidiary Malaysian Reinsurance Berhad were placed on positive outlook by RAM, reflecting MNRB Group's sustained underwriting performance and leading market share in the domestic general reinsurance sector of 60-70% of the market.

Outlook and Strategy

As we transition into second half ("2H") of 2026, the focus of the bond market is expected to shift away from the Middle East tensions and back to the fundamentals of the Malaysian economy. From a growth perspective, the Malaysian economy remains on a firm footing, as evidenced by the resilient GDP growth even during the height of the US-Iran war. This momentum would likely have strengthened in recent months, as Malaysia's exports reportedly surged to a 5-year high of Electrical and Electronics ("E&E") and Liquefied natural gas ("LNG") shipments. Indeed, Malaysia's Deputy Investment, Trade & Investment ("MITI") Minister Sim Tze Tzin remarked that the positive trade trajectory to persist "for a few more months", with Malaysia "riding the AI super cycle".

Meanwhile, inflation is expected to remain contained as we expect Malaysia's CPI to remain within BNM's comfortable range of below 2.5%. This is mainly driven by the sharp fall in oil prices and reopening of the Strait of Hormuz, which reversed prior inflationary pressures. RON97 and diesel prices are already falling quickly and the falling crude oil prices in our opinion further reduce the pressure on the Government to reduce subsidies – especially with various state level elections happening over the next couple of months. With lower pump prices, we expect some spillover to the other services sector as well, especially in direct ticket items such as air transport.

On the fiscal front, preliminary data is showing that Government's fiscal deficit target of -3.5% of GDP remains intact. While there were increase in deficits in recent months due to higher global oil price, government's fiscal deficit had since fallen sharply with deficit falling from RM7.5 billion recorded in April 2026 to RM3.5 billion in May 2026. Considering that oil prices have fallen further since then, it is highly likely that the deficit per month would have narrowed further, not to mention the government may also receive higher Petronas dividends to offset this higher subsidy bill.

In terms of monetary policy, we expect BNM to stay on an extended pause by maintaining the Overnight Policy Rate ("OPR") unchanged at 2.75%. With inflation projected to be within the tolerable threshold of below 2.5%, our view is that BNM will look past the recent uptick in inflation, especially as most of this rise in prices were supply side driven. In fact, the labour market is beginning to show some slack with the first uptick in unemployment to 3% in April 2026 (March 2026: 2.9%) – the first monthly increase since mid-2021 -and slowing employment growth, suggesting that there is relative absence of demand pull or second round inflationary pressure.

Taking all these factors together, we consider this backdrop of stable OPR by BNM and a relatively secure Government's fiscal position to be mildly supportive of Malaysian fixed income assets to perform positively in 2H of 2026. Indeed, we expect the MGS yield curve to be largely rangebound with some potential for rallying in third quarter ("3Q") of 2026 due to technical factors of net redemption in government bond supplies. Foreign flows could also potentially reverse after months of outflows and potential period of stabilization in the global bond market.

We are tweaking our strategy slightly by extending portfolio duration to be mildly long, prioritizing higher entry yield level and positive roll-down to lock in income for the portfolios. By prioritizing higher entry yield level, we aim to provide sufficient defensive buffer to ride out against any unexpected turn of events (e.g. resumption of US-Iran conflict) and prepare the portfolios to generate consistent income.

In summary, we hold a positive view on the Malaysian fixed income market and advocate for the portfolios to buy on any market weakness the domestic fundamentals remain strong while global conditions have turned more supportive of fixed income assets.

Commodity Market Review and Outlook

Oil (Brent)

Source: Bloomberg, RHBAM, 25 June 2026.

The reopening of the Straits of Hormuz and major progress of US-Iran negotiations remove the overhang on limited oil supply from the Gulf. We believe that a rapid recovery is underway which should pressure near term oil price. The US treasury also issued a 60-day waiver authorizing sales of Iranian oil which may unlock 60 million barrels of Iranian oil on water. Furthermore, global oil in transit has also increased with fully loaded oil tankers leaving the Gulf. During the Iran war, the Organisation for Economic Co-operation and Development ("OECD") commercial inventory draws were lower than expectations and demand losses especially from China has been larger than expected, limiting the upside pressure on oil price. Countries preferred to draw down their strategic petroleum reserve which is less price sensitive to keep refinery gates open.

Gold

Source: Bloomberg, RHBAM, 25 June 2026

Gold price has corrected since the 1Q 2026. With inflation concerns starting to rise since the beginning of the Iran war, there has been changing expectations from a Fed rate cut to Fed rate hikes. This was further supported with a hawkish FOMC meeting in June 2026 and if hikes do materialize this year, the demand for gold as a macro policy hedge could unwind more persistently. Simultaneously, dollar strength was evident in the second quarter of the year. The Fed's independence with incoming Chair Warsh is likely to limit market concerns in coming quarters which reduces gold's appeal. In the medium term, there are still concerns weighing on the perception of Western fiscal sustainability and gold as a diversification asset. Continued central bank diversification remains the main structural growth for the constructive view of gold.

Copper

Source: Bloomberg, RHBAM, 25 June 2026.

Copper prices have been largely ranged bound YTD. With tight mine supply and structurally supported demand, the medium-term environment for copper price remains supportive. Ongoing weak production from Codelco, slower ramp up schedules at two of the largest, higher-grade and most important copper-gold mines in Democratic Republic of Congo couple with structurally demand from electrification buoys demand for copper. However, we have to monitor the policy especially US review of Section 232 copper tariffs in the 2H of the year. China and US are playing tug of war for copper and US import of copper since early 2025 has forced China to tolerate higher copper prices. US wants to keep excess inventory onshore and as a critical reserve. This leaves limited ex-US supply and removes copper's main customer China as the ultimate price setter.

Key Takeaways

Source: Bloomberg, RHBAM, June 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	Over the 2Q 2026, US Treasury curve has bear flattened and entry levels remain attractive to lock in higher yields. High Grade Credit in the intermediate space could start to provide some carry buffer as opposed to a pure rates positioning. Elsewhere like Australia where the Reserve Bank of Australia ("RBA") has already hiked 75bps this year, yields have climbed and provides an opportunity for entry with higher yields and overall shorter duration profile.
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	Liberal Democratic Party's ("LDP's") landslide victory gives rise to political stability leading the way for a responsible proactive fiscal policy. Takaichi's

Countries	Outlook	Rationale
		administration growth strategy of consumption tax cuts and capital investment tax reductions also excite 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	Slight Underweight	We have reduced the underweight for India. Energy prices have come off which provides relief for India. Despite India's energy strategy is becoming broader, fiscal deficit could be stretched by giving out subsidies and price controls to share the inflation burden. A slow monsoon is a key risk.
Australia	Underweight	Stagflationary signs coming from the domestic economy combined with the broad-based earnings downgrades are expected to put Australia in a relatively unattractive position. RBA is expected to hike one more time this year. The government has also shown no signs of backing down from its taxation policy changes which will scrap the property capital gains tax discount from July 2027. 70% of wealth is linked to the value of homes which is expected to fall to 10% as a result of this regulation change.
Singapore	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

Countries	Outlook	Rationale
		liquidity. 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.
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. Rising Foreign Direct Investment ("FDI") and faster investment regulatory approvals would be a strong catalyst for 2H 2026.
Indonesia	Underweight	Indonesian regulators continue to drive market reforms, resolving liquidity and ownership issues requires time and execution risks persists, MSCI overhang partially lifted but foreign investors remain skeptical. A cyclical market that is affected by inflation and higher energy prices, making it challenging for Government budget on fuel subsidies and spending on key projects. Rising regulatory risks such as governance and government populist interventions in the private sector further adds to market volatility.
Philippines	Underweight	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. Inflation surged above Bangko Sentral ng Pilipinas ("BSP") target range, BSP reiterated its commitment to tame inflation, signaling a possible rate hikes ahead.
Malaysia	Neutral	Malaysia's economic outlook for 2026 is projected to remain stable and resilient, with domestic demand expected to be the primary driver of growth, supported by robust investment flows and improving external trade momentum. The economy is expected to grow between 4.0% and 4.8% in 2026, with private consumption identified as the main driver, supported by stable employment, rising wages, moderate inflation, and targeted government support.
Malaysia Small Cap	Neutral	Small cap stocks performance would be supported by the recovery in the corporate earnings after weak performance in 2025.

Fixed Income

Asset Class	Outlook	Rationale
Global Bonds (Rates)	Neutral	We maintain a neutral to modestly long duration stance, given that the volatility is likely to remain elevated, we favour 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. Avoid longer duration names, and position more in the front end which has benefitted overall from the US Treasury bear flattening.
Asian Investment Grade Credit	Overweight	Investment Grade ("IG") bonds are benchmarked as a spread against UST yields. Credit spreads have begun to stabilise in the 2Q 2026, 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. US High Grade names are also an option with wider credit spreads than Asian peers largely owing to upcoming AI related supply.
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

Asset Class	Outlook	Rationale
		onshore as Chinese Yuan ("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	Against this backdrop of stable OPR by BNM and a relatively secure fiscal position, we expect Malaysian fixed income assets to continue to perform positively in 2H of 2026. Indeed, we expect the MGS yield curve to be largely rangebound with some potential for rallying in 3Q 2026 due to technical factors of net redemption in government bond supplies. Foreign flows could also potentially reverse after months of outflows and potential period of stabilization in the global bond market

Commodities

Asset Class	Outlook	Rationale
Gold	Underweight	Cautious in the near term. A hawkish FOMC meeting in June and if hikes do materialize this year, the demand for gold as a macro policy hedge could unwind more persistently. Furthermore, the Fed's independence with incoming Chair Warsh is likely to limit market concerns in coming quarters which reduces gold's appeal. In the medium term, there are still concerns weighing on the perception of Western fiscal sustainability and gold as a diversification asset.
Crude Oil	Underweight	The reopening of the Straits of Hormuz and major progress of US-Iran negotiations remove the overhang on limited oil supply from the Gulf. We believe that a rapid recovery is underway which should pressure near term oil price. The US treasury issued a 60-day waiver authorizing sales of Iranian oil which may unlock 60mb of Iranian oil on water. Furthermore, global oil in transit has also increased with fully loaded oil tankers leaving the Gulf.

Foreign Exchange

Asset Class	Outlook	Rationale
USD	Mild Positive	USD strength is likely to persist into 3Q 2026 but remain range-bound and episodic rather than trending. Growth divergence (US resilience vs softer Developed Markets ("DM")/Asia momentum) and still-restrictive real rates should support USD carry attractiveness. However, fading geopolitical risk premium and a gradual Fed easing bias later in the quarter could cap upside. Overall, US Dollar Index ("DXY") likely grinds higher on relative growth and yield support, but rallies should be sold into as global risk stabilises.
EUR	Neutral to Mild Negative	Euro ("EUR")/USD should remain softly biased lower, as Eurozone growth continues to lag amid weaker industrial momentum and lingering energy sensitivity. While ECB easing expectations are largely priced, the policy gap vs the Fed remains insufficient to sustainably lift EUR. Any upside in EUR is likely driven by USD pullbacks rather than domestic strength. Net: range trading with downside skew, especially during risk-off phases.
GBP	Neutral	Great British Pound ("GBP") faces two-way risks, balancing relatively firmer UK services activity against ongoing fiscal and external vulnerabilities. The Bank of England's ("BoE's") easing trajectory is likely gradual, limiting sharp downside. However, weak productivity and external imbalances cap GBP upside. Relative to EUR, GBP may hold better, but vs USD it should remain largely range-bound, reacting more to USD cycles than domestic drivers.
JPY	Mild Negative	USD/JPY is likely to retain an upward bias, driven by persistent yield differentials, although volatility will remain elevated. The Bank of Japan ("BOJ")'s slow and cautious normalization means real rate gaps remain wide, sustaining JPY weakness structurally. However, rising risks of policy intervention or verbal jawboning should cap sharp upside moves. Expect grinding higher trend with intermittent pullbacks.

Asset Class	Outlook	Rationale
CNH	Mild Negative	CNH should stay gradually weaker vs USD, reflecting modest China growth recovery, ongoing property sector drag, and accommodative People's Bank of China ("PBOC") policy stance. Authorities will likely manage depreciation pace to avoid disorderly outflows, keeping moves controlled. External balance remains supportive, but not strong enough to offset rate differentials. Net: orderly USD/CNH drift higher within a managed band.
AUD	Neutral to Mild Positive	Australian Dollar ("AUD") could stabilise with a mild upside bias, supported by improving China policy support signals and resilient commodity prices. However, upside is capped by weak domestic consumption and a nearing RBA easing cycle. AUD remains highly cyclical; thus performance depends on global risk sentiment. Expect range-bound trade with upside in risk-on environments.
SGD	Neutral	Singapore Dollar ("SGD") should remain relatively stable, supported by MAS exchange rate-based policy framework. Modest SGD Nominal Effective Exchange Rate ("NEER") appreciation bias helps anchor USD/SGD within a narrow range. External demand softness may limit SGD strength, but strong policy credibility prevents sharp depreciation. Expect low volatility, sideways movement relative to regional peers.
MYR	Mild Negative	Malaysian Ringgit ("MYR") is likely to remain under moderate depreciation pressure due to external factors, including USD strength and cautious global capital flows. While domestic fundamentals (carry, fiscal consolidation) provide some support, sensitivity to commodity prices and China demand remains a headwind. Episodes of USD strength should push USD/MYR higher, though downside risks are contained by improving policy credibility

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