

Market Review and Outlook

April 2026

Market Review

As a result of the Middle East conflicts that lasted throughout March 2026, there were in the month of April, continued significant geopolitical tensions. While the markets welcomed a U.S. – Iran ceasefire starting 8 April 2026, the ensuing sabre rattling and tit – for – tat posturing over the Strait of Hormuz disruption had led to renewed fears which resulted in oil price peaking at a 4 – year intraday peak of USD126.41/ bbl late during the month. However, in spite of these persistent Middle East conflicts, equity markets had instead rebounded from their downward slide in the previous month on a resurgence of market confidence spurred by artificial intelligence (AI).

The MSCI World Index rallied +9.45% mom during the month under review, recovering the loss it incurred in the previous month. U.S.' Dow Jones Index rose by +7.14% mom but the main focus was clearly in the AI space as evinced by the Nasdaq Composite Index and Philadelphia Semiconductor Index surging +15.29% mom and +38.42% mom respectively. The American economy also showed signs of considerable resilience, expanding at an annual rate of +2.0% in 1Q26 versus the previous quarter's +0.5%, albeit slightly below consensus' expectations. In Europe, the Stoxx50 index also enjoyed a +5.60% mom jump, as it too benefited from hopes of a Middle East conflict de – escalation and AI – related advancements. The European Central Bank (ECB) too congregated late in the month and decided to hold interest rates pat, like its U.S. counterpart, continuing its data – dependent approach amidst geopolitical uncertainty and inflation risks. Over in the East, it was the markets with heavily entrenched exposure to global AI chain that saw prodigious gains. The Taiwan Stock Exchange Weighted Index (Taiwan Semiconductor Manufacturing Company, the world's largest wafer fab, makes up > 40% of that index) soared +22.71% mom whilst the Korea Stock Exchange Index rocketed +30.61% mom.

In April 2026, Brent crude oil ended the month down 3.67% mom at USD114.01/ bbl, chiefly on hopes that U.S. and Iran were closing in on a diplomatic breakthrough which would hopefully usher in a lasting ceasefire deal. A proper cessation to the conflicts and a full reopening of the Strait of Hormuz would reestablish global energy supply lines and keep energy prices in check. Crude palm oil (CPO) also eased 4.76% mom, dragged by sluggish demand from key import nations and the anticipation of a seasonal recovery in production output.

Closer to home, the ASEAN markets exhibited mixed performances in April 2026. The Stock Exchange of Thailand plowed ahead with a +3.15% mom gain, as the market took a positive cue from the Middle East conflict de – escalation. It also rebounded on the back of the new Prime Minister's decisive victory in March 2026 which then led to the formation of a new and more stable government. Malaysia's FBMKLCI increased +1.87% mom also on account of the abating geopolitical tensions. On the macroeconomic front, our advance 1Q26 GDP growth came in at +5.3% yoy which was slightly below consensus' expectations whilst March 2026 S&P Global Malaysia Purchasing Managers' Index chalked an expansionary reading of 50.7 versus its prior reading of 49.3. In terms of initiatives, the Securities Commission and Bursa Malaysia rolled out the MY Value Up programme, "a collaborative initiative to support Malaysian public – listed companies (PLCs) in elevating their long – term value creation and transforming into globally attractive investment propositions". In terms of foreign equity market participation, the Malaysian equity market experienced a net foreign inflow of RM529.1m, bringing the YTD net total to RM3259.1m. The Straits Times Index of Singapore rose +0.56% mom, seemingly undeterred by the turmoil in the Middle East. In March 2026, its Non – Oil Domestic Exports (NODX) went up +15.3% yoy, which was ahead of consensus' expectations, whilst electronic exports grew +74.0% yoy as compared to the previous month's +43.1% yoy. On the other hand, Indonesia's Jakarta Composite Index fell by 1.30% mom as it was weighted down by geopolitical and fiscal vulnerabilities. Furthermore, MSCI announced that it was extending its market status review on Indonesian equities to June 2026 to gauge the efficacy of its regulatory reforms and also raised the possibility of removing stocks with tightly – held ownerships from indices.

During the month, U.S. Treasury (UST) yields extended their upward trajectory, rising across most tenors by 5 – 8 bps mom as persistent geopolitical risks and robust labour data led markets to price out near – term rate cuts. The 10 – year UST yield closed the month 5 bps higher mom at 4.37%, reflecting heightened inflation concerns as the war with Iran kept energy prices elevated. U.S. consumer prices for March 2026 surged to +3.3% yoy (Survey: +3.4% yoy, February 2026: +2.4% yoy), the highest in nearly two years, driven largely by a spike in fuel and transport costs. Meanwhile, the U.S. labor market showed surprising resilience with revised March 2026 nonfarm payrolls jumping by 185k mom (Survey: +65k mom, February 2026 revised: -156k mom), far exceeding expectations while the unemployment rate ticked down to 4.3% (Survey: 4.4%, February 2026: 4.4%). At the April 2026 Federal Open Market Committee (FOMC) meeting, the Federal Reserve maintained the federal funds rate at

3.50% – 3.75% with a record four dissents, signaling a shift toward a more neutral bias. One dissented in favor of a quarter percentage point cut while another three “did not support the inclusion of an easing bias in the statement at this time”. The last time four members dissented was in 1992. Fed fund futures as of end – April 2026 indicated a minimal probability of rate cuts for the remainder of 2026, compared to earlier expectations of at least two cuts.

Locally, the Malaysian Government Securities (MGS) yields declined by 2 – 10 bps mom across the curve, supported by resilient domestic liquidity and a steady interest rate outlook. Malaysia’s headline inflation accelerated to +1.7% yoy in March 2026 (Survey: +1.7% yoy, February 2026: +1.4% yoy) primarily due to a rebound in transport costs and higher prices for personal care and miscellaneous services. February 2026 Industrial Production Index (IPI) growth slowed to +3.1% yoy (Survey: +5.0% yoy, January 2026: +5.9% yoy), the slowest growth since June 2025, primarily driven by declines in both the electricity and manufacturing sectors. Demand for government papers remained robust with the last auction for the month for the new 20 – year MGS drawing a strong 2.88x bid – to – cover ratio despite the larger – than – expected issuance size.

Foreign funds net bought Ringgit bond holdings in April 2026 with net inflows of RM3.8bn (March 2026: net inflows of RM6.1bn), largely driven by private debt securities (PDS). The foreign share of MGS was flat at 34.1% (March 2026: 34.1%) while the foreign share of MGS+MGII declined marginally to 21.5% (March 2026: 21.6%). Malaysia’s foreign reserves rose by USD3.1bn to USD129.7bn as of end – April 2026 (March 2026: USD126.6bn).

Market Outlook

In the near term, markets could remain volatile amidst acute geopolitical stress in the Middle East. Nevertheless, there was a glimmer of optimism that a diplomatic resolution could be achieved amongst U.S., Iran and Israel which would indubitably lead to the long – awaited reopening of the Strait of Hormuz. Its opportune reopening could herald the resumption of energy exports from that region, leading to an easing of energy costs and thus lowering inflationary pressures. The converse would apply should the strait be blockaded for an extended period. Locally, investors would be keeping watch over the possibility that the Middle East crisis could lead to a degree of austerity should the economic buffers in place begin to ebb. Apart from that, they would also be monitoring the execution and potential realignment of national priorities such as Budget measures, the National Energy Transition Roadmap (NETR), the 13th Malaysia Plan (13MP) and investment activities.

For now, we would be maintaining our constructive yet cautious stance on our outlook amid persistent market volatility and would continue to invest in fundamentally good long – term investments. We would also tactically and opportunistically take advantage of market volatility via a measure of trading activity. Lastly, we would remain heedful of any geopolitical developments and other emerging risks, to adapt to evolving market conditions.

According to the recent FOMC statement, U.S. economic activity would continue to expand at a solid pace, though inflation could remain somewhat elevated. Job gains remained low, and the unemployment rate has shown little change in recent months. While the implications of Middle East developments for the U.S. economy would remain uncertain, the FOMC would continue to be attentive to dual-mandate risks and committed to returning inflation to 2% over the longer run. Markets had reacted by pricing in a more hawkish path, with some participants anticipating that rate cuts initially expected in 2026 might be delayed or reduced in frequency due to persistent energy – related upside risks.

Following a better – than – expected growth performance of 5.2% in 2025, Bank Negara Malaysia (BNM) has expected the Malaysia’s growth momentum to continue in 2026. Despite the situation in the Middle East, both BNM and International Monetary Fund (IMF) has recently raised their Malaysian 2026 GDP growth forecast to 4% – 5% and 4.7% respectively. These affirmations provide a degree of comfort that Malaysia is better positioned to weather external uncertainties. Both headline and core inflation in 2026 is expected to remain contained, reflecting domestic policy measures and stable demand conditions, which will mitigate the pass-through of external cost pressures to domestic prices. BNM remains vigilant, with the Monetary Policy Committee (MPC) ready to manage excessive volatility and support sustainable growth with price stability. We would continue to selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

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