Market Review and Outlook

July 2026

The content of this document is supplementary to the Monthly Fund Factsheets.

For the following funds:

Allianz Life Master Bond Fund (“MBF”)
Allianz Life Master Equity Fund (“MEF”)
Allianz Life Master Dividend Fund (“MDF”)
Allianz Life Master Dana Ekuiti (“MDE”)
Allianz Life Master ASEAN Plus Fund (“AMAF”)
Allianz Life Managed Fund (“MF”)
Allianz Life Equity Fund (“EF”)
Allianz Life Dynamic Growth Fund (“DGF”)
Allianz Life Equity Income Fund (“EIF”)
Allianz Life Bond Fund (“BF”)
Allianz Life Dana Padu (“DP”)
Allianz Life ASEAN Plus Fund (“AAF”)

Market Review

Global equities inched up slightly in July, with the MSCI World Index gaining +0.46% mom following a minor decline in the previous month. Within the U.S. market, the Dow Jones Index continued its positive momentum, advancing +0.32% mom. However, the S&P 500 slipped -0.13% mom, while the Nasdaq Composite fell -3.20% mom, as technology and growth stocks declined amid concerns over rising AI capex spending and its potential returns. Economic data remained broadly supportive of the U.S. economy, with growth momentum improving as the S&P Global U.S. Composite Purchasing Managers' Index (PMI) rose to 54.5 in July from 51.9 in June, indicating a solid expansion in private-sector activity.

Europe’s Stoxx 50 Index rose +0.47% mom, broadly in line with global returns. The economic backdrop was also relatively benign during the month, with the S&P Global Eurozone Composite PMI improving to 52.0 in July from 51.9 in June, slightly above consensus expectations of 51.9. Meanwhile, the Eurozone unemployment rate rose slightly to 6.3% in June 2026 from 6.2% in the previous month, while Eurozone CPI came in better than expectations at +2.8% yoy in June 2026, down from +3.2% yoy in May.

In China, the Shanghai Composite Index fell -6.40% mom in July, amid profit-taking following renewed concerns over China’s growth outlook and weakness in technology and property stocks. China’s RatingDog Composite PMI also weakened to 50.8 in July 2026 from 53.6 in June. Meanwhile, June CPI came in at +1.0% yoy, below the survey expectation of +1.1% yoy and down from +1.2% yoy in May. The People’s Bank of China kept its 1-year and 5-year LPR unchanged at 3.00% and 3.50%, respectively, reflecting a steady monetary policy stance. China’s 2Q26 GDP also came in weaker than expected at 4.3% yoy, versus the survey estimate of 4.5% and 1Q26 growth of 5.0%.

On the commodities front, Brent crude oil rallied +23.6% mom to USD90.12/bbl as renewed US-Iran tensions and disruptions around the Strait of Hormuz raised concerns over global energy supply. Meanwhile, crude palm oil prices edged up just 1.3% to RM4,531/tonne, as stronger energy prices and Indonesia’s B50 biodiesel mandate provided support, while softer demand and elevated vegetable oil inventories capped further gains.

Focusing on the ASEAN front, Thailand’s SET Index extended its rally with a +2.04% mom gain in July, supported by continued foreign buying, particularly in banking stocks, while energy stocks benefited from higher global oil prices amid renewed Middle East tensions.

Indonesia’s Jakarta Composite Index reversed its downtrend, gaining +10.51% mom in July, supported by improving investor sentiment, foreign buying and rotation into previously beaten-down stocks, alongside easing concerns over sovereign risk. The rupiah also stabilized following continued Bank Indonesia intervention in the FX market and measures to attract foreign portfolio inflows. Indonesia’s economy remained resilient in 2Q26, with GDP growth coming in at +5.29% yoy, above the consensus estimate of +5.14% yoy, although moderating from +5.61% yoy in the previous quarter. Growth was supported by resilient household consumption, stronger investment and higher government spending.

Singapore's Straits Times Index gained +8.85% mom, led primarily by continued gains in the banking sector amid strong investor sentiment, institutional inflows and optimism over banks' earnings outlook. June's Non-Oil Domestic Exports (NODX) rose +20.7% yoy, below consensus expectations of +28.7% and moderating from +38.4% yoy in May, as the strong growth in electronics was partly offset by a decline in non-electronics exports. Meanwhile, Singapore's 2Q26 GDP grew +5.7% yoy, above consensus expectations of +5.5% yoy, albeit moderating from +6.0% yoy in 1Q26.

Lastly for Malaysia, the FBMKLCI gained +3.66% mom in July, supported by improving investor sentiment, renewed foreign buying and rotation into traditional sectors, particularly banking and plantation stocks. Foreign investors turned positive on Malaysian equities during the month, with net buying of RM261.9mn, although cumulative YTD – July net outflows remained at RM2.92bn. Based on advance estimates, Malaysia's economy grew by +5.8% yoy in 2Q2026 (1Q2026: +5.4% yoy), surpassing market expectations of +5.2% yoy, driven by broad – based growth across most economic sectors, except the agriculture sector, which recorded a contraction. Meanwhile, Malaysia's headline inflation eased to +1.9% yoy in June (Survey and May: +2.0% yoy), mainly due to lower retail fuel prices.

In July, U.S. Treasury yields increased by 11 – 33 bps across the curve amid persistent geopolitical uncertainties in the Middle East and expectations that the Federal Reserve (Fed) may need to keep monetary policy restrictive for longer, with markets increasingly pricing in the possibility of an additional rate hike later in the year. Notably, the 30-year Treasury yield ended the month at 5.27%, which was the highest level since June 2007. The Federal Open Market Committee (FOMC) voted 9 – 3 to keep the policy rate unchanged at 3.50% – 3.75%, with 3 policymakers dissenting in favour of a 25 bps hike, underscoring growing concerns among some officials over persistent inflationary pressures. Meanwhile, June's nonfarm payrolls increased by +57k mom (Survey: +113k mom; May revised: +129k mom) while the unemployment rate edged lower to 4.2% (Survey and May: 4.3%). Job gains in June were primarily driven by the professional and business services, social assistance, and healthcare sectors.

On the domestic front, Malaysian Government Securities (MGS) yields also rose by 1 – 13 bps mom in a flattening manner, in tandem with UST yield movements. At its July Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 2.75%, in line with market expectations. BNM also reaffirmed its 2026 GDP growth forecast of 4% – 5%, consistent with BNM Governor's remarks at the Sasana Symposium 2026 that Malaysia's economy remains on track to expand within the forecast range, likely towards the upper end, supported by manageable inflation despite the energy supply shock.

Foreign funds turned net sellers in July with net outflows of RM5.6bn (June: net inflows of RM4.9bn), marking the largest monthly outflow since September 2025. The outflows were largely attributable to the maturity of MGS during the month. YTD flows remained positive but narrowed to RM3.4bn. The foreign share of both MGS and MGS+MGII lowered to 33.0% (June: 33.6%) and 20.1% (June: 20.6%) respectively. Malaysia's foreign reserves declined by USD0.5bn to USD132.1bn as of end – July (June: USD132.6bn).

Market Outlook

Geopolitical risks have eased from their June peak, although uncertainties surrounding the U.S.–Iran interim agreement and the reopening of the Strait of Hormuz remain key risks for global markets. Meanwhile, investor focus has increasingly shifted towards the sustainability and returns of elevated AI-related capex, with concerns over a potential slowdown in AI spending contributing to volatility in global technology stocks. Domestically, the recent Johor and Negeri Sembilan state elections have removed near-term electoral uncertainty, while market sentiment will likely be driven by the implementation of key national initiatives, including Budget 2027, the 13th Malaysia Plan (13MP) and the National Energy Transition Roadmap (NETR), as well as the trajectory of exports, tourism and investment activity. Malaysia's resilient domestic economy, supported by stronger-than-expected 2Q26 advance GDP estimates, provides a constructive backdrop, although external trade, geopolitical and technology-related risks remain. Against this backdrop, we maintain a constructive yet cautious stance on the market outlook amid ongoing macro and geopolitical uncertainties. Our portfolio strategy remains focused on fundamentally strong, long-term investment opportunities, while retaining the flexibility to tactically capitalize on market dislocations through selective trading opportunities.

The July FOMC statement maintained a hawkish tone, noting that inflation remains above the Fed's 2.0% target and that supply shocks, particularly in the energy sector amid heightened Middle East tensions, have contributed to ongoing price pressures. Nevertheless, U.S. economic activity has expanded at a solid pace, with strong productivity growth and capital investment, while job gains have kept pace with the workforce. The central bank reiterated its commitment to deliver price stability. Looking ahead, the next policy decision in September provides the Fed room to assess the upcoming macro-economic data, which may reflect the impact of persistent energy – related inflation risks should geopolitical tensions remain elevated.

For Malaysia, latest developments point towards resilient growth, supported by sustained domestic demand and stronger – than – expected exports, while strong global tech expansion and improving supply conditions continue to provide a favourable external backdrop. The growth outlook remains subject to downside risks stemming from continued uncertainties surrounding the conflict, tighter global financial conditions and concerns over valuations in financial markets. The impact on 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. At the current OPR level, the MPC considers the monetary policy stance to be appropriate. BNM remains vigilant to ongoing developments and will assess the balance of risks surrounding the outlook for domestic inflation and growth. We would continue to selectively accumulate bonds at reasonable valuations while prioritizing good quality names.