

# Market Review and Outlook

## March 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

MSCI World Index reversed its upward momentum in March 2026, having declined -6.55% mom. In the U.S., the Dow Jones Index declined -5.38% mom while the broader S&P 500 declined -5.09% mom. The weakness in March was largely due to a risk-off episode, as the U.S. – Israeli conflict with Iran continued to escalate and pushed oil prices sharply higher, raising fears of renewed inflationary pressure as well as a broader slowdown in global growth. Meanwhile, technology stocks remained under pressure as investors continued to reassess lofty Artificial Intelligence (AI) related valuations and the payback from heavy AI capex. However, economic data released during the month remained relatively benign. U.S. core CPI for February was in line with expectations at +2.5% yoy, unchanged from January, suggesting underlying inflation remained contained. However, that data point would have reflected conditions prior to the onset of the Iranian conflict which could lead to a degree of energy disruption and consequently, an inflationary patch. Meanwhile, the S&P Global U.S. Composite PMI slowed to 50.3 in March 2026, below the preliminary reading of 51.4 and February's 51.9.

Europe's Stoxx 50 Index declined 9.26% mom, underperforming the U.S. in March 2026. This could be on the back of concerns that Europe imports a significant portion of its energy requirement via the Strait of Hormuz, which has been effectively closed since the eruption of the conflict. Economic data, however, was relatively mixed. The S&P Global Eurozone Manufacturing PMI rose to 51.6 in March from 50.8 in February. In contrast, the Eurozone unemployment rate inched up to 6.2% in February from 6.1% in January, while core CPI accelerated to +2.4% yoy from +2.2% in January.

In China, Shanghai Composite Index fell 6.51% mom in March due to global risk-off sentiment triggered by the widening Middle East conflict. China's RatingDog China Composite PMI eased to 51.5 in March 2026 from 55.4 in February, indicating that overall business activity remained in expansionary territory, albeit at a slower pace. Meanwhile, the People's Bank of China kept its 1 – year and 5 – year Loan Prime Rates unchanged at 3.00% and 3.50%, respectively, reflecting a broadly steady monetary policy stance. On the other hand, China's official manufacturing PMI rose to 50.4 in March from 49.0 in February, signaling a return to expansion and pointing to some improvement in industrial activity.

During the month under review, Brent crude oil surged +62.4% mom to USD118.35/bbl as the escalating Middle East conflict heightened fears of severe supply disruptions, due in no small part to the closure of the Strait of Hormuz. Crude palm oil (CPO) price also rallied +18.6% mom to RM4,729/MT, supported by higher crude oil prices and stronger demand for vegetable oils as biodiesel feedstock.

Focusing on the ASEAN markets, Thailand's SET Index declined 5.24% mom in March, weighed down by a sharp risk – off reaction to the intensifying Middle East conflict and concerns over the impact of higher energy prices. Indonesia's Jakarta Composite Index was the worst performer in the region, falling 14.42% mom, as broader global weakness was compounded by continued unease over domestic policy direction, governance concerns and persistent foreign selling. Meanwhile,

Malaysia's FBMKLCI retraced a milder 1.53% mom, as the rise in oil prices and geopolitical tensions hurt risk appetite, although its downside was cushioned by the country's position as a net energy exporter. Singapore's Straits Times Index also declined 2.19% mom, broadly tracking the regional sell-off, while February non – oil domestic exports (NODX) growth of +4.0% yoy came in below market expectations of +5.3% yoy.

U.S. Treasury (UST) yields rose by 30 – 44 bps mom in March 2026, primarily driven by heightened geopolitical tensions following the U.S. military action against Iran in late February 2026 and subsequent retaliation by Iran, which included closure of the Strait of Hormuz, raised concerns over higher energy prices and inflationary pressures. Meanwhile, U.S. labour market data weakened, with February 2026 job growth contracting by 92k mom (Survey: +55k mom, January 2026 revised: +126k mom) while the unemployment rate increased to 4.4% (Survey and January: 4.3%). The decline in employment was largely driven by job losses in the healthcare and leisure and hospitality sectors. At the March Federal Open Market Committee (FOMC) meeting, the Federal Reserve voted 11–1 to maintain the federal funds rate at 3.50% – 3.75%, with Governor Stephen Miran dissenting in favour of a 25 bps rate cut. Policymakers highlighted elevated uncertainty stemming from the Middle East conflict, noting that it remains premature to assess the economic impact of the conflict. In its updated projections, the FOMC continues to anticipate one 25 bps rate cut in each of 2026 and 2027.

Similarly, the Malaysian Government Securities (MGS) also increased by 8 – 23 bps mom in a curve flattening manner, reflecting inflation concerns linked to the escalation of the Middle East conflict. 3-year MGS rose the most by 23 bps mom. In the March Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) maintained the overnight policy rate (OPR) at 2.75% as widely expected. In its statement, the MPC acknowledged the uncertainty arising from the ongoing conflict in the Middle East; however, it remains of the view that the current OPR level is appropriate and continues to be supportive of economic growth while maintaining price stability. Malaysia's January 2026 Industrial Production Index (IPI) exceeded market expectations, expanding by 5.9% yoy (Survey: +5.0% yoy, December 2025: +4.8% yoy), contributed by a stronger manufacturing sector. Meanwhile, Malaysia's CPI eased to +1.4% yoy in February (Survey and January: +1.6% yoy), mainly due to slower growth in insurance and financial services segment.

Foreign funds turned net buyers in March with net inflows of RM6.1bn (February: net outflows of RM2.5bn). The foreign share of both MGS and MGS+MGII rose to 34.1% (February: 33.6%) and 21.6% (February: 21.2%) respectively. Malaysia's foreign reserves lowered by USD1.7bn to USD126.6bn as of end – March (February: USD128.3bn) despite the inflows..

## Market Outlook

Looking ahead, markets are likely to remain volatile amid heightened geopolitical and macroeconomic uncertainty. The escalating conflict involving Iran would be a key area of focus, given its implications for global supply chains, energy prices and overall market sentiment. At the same time, investors would continue to monitor global monetary policy developments, shifts in trade dynamics and broader geopolitical risks. Domestically, attention would center on the execution of key national priorities, including Budget measures, the National Energy Transition Roadmap (NETR) and the 13th Malaysia Plan (13MP), as well as the trajectory of exports, tourism and investment activities.

At this juncture, we are adopting a constructive yet cautious stance on our outlook amid persistent market volatility and will continue to focus on fundamentally sound long-term investments. As always, we will also look to capitalise on market dislocations through selective trading opportunities. At the same time, we will remain vigilant on geopolitical developments and other emerging risks, while retaining flexibility to adjust our strategy as market conditions evolve.

According to the recent FOMC statement, U.S. economic activity is expanding at a solid pace, though inflation remains somewhat elevated. Job gains have slowed, and the unemployment rate has shown little change in recent months. While the implications of Middle East developments for the U.S. economy are uncertain, the FOMC remains attentive to dual-mandate risks and committed to returning inflation to 2%. Consequently, markets anticipate a pause at the next meeting to digest energy-related upside inflation risks and potential tariff – induced pressures. While some easing was initially expected to come later in 2026, the anticipated pace and quantum of rate cuts have diminished since the conflict began.

Following a better – than – expected growth performance of 5.2% in 2025, BNM expects Malaysia’s growth momentum to continue in 2026, supported by resilient domestic demand. BNM projects Malaysia’s economic growth in 2026 to range between 4.0% – 5.0%, supported by strong household consumption, robust investment activity and sustained growth in technology – related exports. This forecast range is marginally wider than the Ministry of Finance’s projection of 4.0% – 4.5%. The central bank cautioned that the 2026 outlook is subject to uncertainties surrounding global developments, including trade disruptions and the prolonged Middle East conflict. Headline inflation in 2026 is expected to remain moderate, projected to average between 1.5% and 2.5%, largely contained by targeted subsidies and a steady Ringgit. BNM remains vigilant, with the 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.

### Disclaimer:

This document is prepared by Allianz Life Insurance Malaysia Berhad (“Allianz”) for information only. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Allianz assumes no obligation to update any information contained herein. Its content is of a general nature and does not in any way constitute professional advice or the provision of professional services, and shall not be relied on as such. While Allianz endeavours to keep the content and information contained herein accurate, Allianz does not warrant or guarantee the completeness, adequacy or currency of information contained herein. Allianz reserves the right to modify the content and information herein at any time.