

Market Review and Outlook

September 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 lost momentum in September 2026, with the MSCI World Index and Dow Jones Industrial Average declining 1.3% and 4.3% MoM, respectively. Sentiment weakened after the US Federal Reserve raised its federal funds target range by 25bps to 3.75% – 4.00%, marking its first increase since July 2023 as part of its efforts to bring inflation back to the 2.0% target. Higher borrowing costs and rising bond yields placed pressure on equity valuations, particularly for companies dependent on external financing. Nevertheless, continued investment in artificial intelligence (AI) supported technology earnings expectations, helping the Nasdaq Composite gain 1.9% over the month. Its outperformance was concentrated in large-cap technology companies, whose strong balance sheets and robust free cash flow provided greater resilience to tighter financial conditions.

In Europe, the Euro Stoxx 50 declined 2.4% MoM as monetary tightening extended beyond the US. The European Central Bank raised its deposit facility rate by 25bps to 2.50%, effective 10th September 2026, adding pressure to financing costs and equity valuations. Eurozone industrial producer prices rose 5.8% YoY in July, exceeding the consensus estimate of 5.5%. The increase was largely driven by energy costs, while price pressures across other industrial categories remained relatively contained.

In China, the Shanghai Composite Index declined 3.6% MoM as investors took profits following August's strong gains and remained cautious over weak domestic demand. Continued optimism surrounding AI investment supported selected semiconductor and technology hardware stocks, but the broader recovery remained uneven. Besides that, August industrial production growth accelerated to 5.2% YoY from 4.5% in July, while September's Manufacturing Purchasing Managers' Index (PMI) improved to 50.1 from 49.8, signalling a return to modest expansion. However, retail sales growth slowed to 0.4% YoY in August from 0.6% previously, missing expectations of 0.8%. CPI inflation increased to 0.8% YoY from 0.5% in July but remained subdued, underscoring limited pricing pressure and fragile household demand. Against this backdrop, policymakers signalled new measures to support growth and stabilise the property market, with People's Bank of China (PBOC) expanding targeted relending facilities and unveiling mortgage subsidies to ease household debt burdens.

Brent crude rose 14.4% MoM to USD103.53 per barrel on 30 September as escalating Middle East tensions and continued shipping disruptions through the Strait of Hormuz heightened concerns over global oil supply. Conversely, crude palm oil prices declined 4.4% MoM to RM4,424 per metric tonne as peak harvesting season lifted supply and inventories amid softer demand expectations. Competition from cheaper Indonesian supplies and weaker soybean oil prices, supported by expectations of a bumper US harvest, further weighed on CPO prices.

Within ASEAN, equity markets generally declined, although the balance of external and domestic pressures differed across countries. Indonesia's Jakarta Composite Index fell 7.0% MoM, reversing part of the previous month's gains as persistent rupiah weakness raised concerns over foreign capital outflows. Higher US yields reduced the relative appeal of emerging-market

assets, while elevated oil prices added to imported inflation risks. Bank Indonesia maintained its benchmark policy rate at 5.75%, prioritising currency stability while continuing to support domestic growth. This policy balance left investors attentive to exchange rate volatility, funding costs and companies' foreign-currency exposure.

Singapore's Straits Times Index declined 1.4% MoM as investors following a higher global bond yields challenged the relative attractiveness of dividend-paying equities and raised refinancing concerns for leveraged businesses. Despite the market pullback, economic fundamentals remained supportive. The Ministry of Trade and Industry's (MTI) full-year GDP growth forecast stood at 4.5%–5.5%, reflecting strong first-half momentum and an improved outlook for AI-related investment. August non-oil domestic exports surged 46.2% YoY, accelerating from July's 24.1% growth as robust demand for electronics continued to support trade.

Thailand's SET Index declined 2.3% MoM, with domestic disruption adding to persistent foreign fund outflows. Widespread flooding across key provinces affected economic activity and raised concerns over agricultural output, tourism and household spending.

Domestically, the FBM KLCI declined 4.3% MoM as foreign selling and tighter global financial conditions weighed on sentiment. Nevertheless, Malaysia's economic fundamentals remained resilient, supported by strong external trade. Exports surged 45.5% YoY in August, driven by demand for electrical and electronic products, petroleum products and liquefied natural gas. The strong trade performance provided support for export-oriented industries, although earnings outcomes continued to depend on margins, input costs and currency exposure.

U.S. Treasury (UST) yields rose 39 – 59bps MoM across the curve, driven by surging oil prices that reignited inflation concerns and stronger – than – expected economic data. Notably, the 10 – year UST yield closed at 5.28%, approaching levels not seen since 2007, while the 30 – year UST yield ended at 5.63%, a level last seen in 2002. Weak demand at the 5 – year Treasury auction further weighed on sentiment, pushing the yield above 5.00% for the first time since 2007 before ending the month at 5.09%. Job growth in August was strong, with the revised figure showing an increase of 133k MoM (Survey: +55k MoM, July revised: -10k MoM) while the unemployment rate remained at 4.1% (Survey and August: 4.1%). Driven by strong demand in both manufacturing and services, the flash S&P Global U.S. Composite PMI surged to 58.4 (Survey: 55.3, August: 56.0) in September, its highest since July 2021. Following the 25bps rate hike at the September Federal Open Market Committee (FOMC) meeting, forward – looking projections show 16 of 18 officials anticipate at least 1 more hike this year, with 4 officials forecasting 2 additional hikes before year – end.

In line with the rise in global bond yields, the Malaysian Government Securities (MGS) yield curve shifted higher by 11 – 18bps mom, with the 10 – year MGS yield rising by 14 bps mom to finish the month at 4.00%. In the September Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) left the Overnight Policy Rate (OPR) unchanged at 2.75%, with some market participants interpreting the accompanying statement as slightly hawkish after removing the description of the prevailing OPR level as "appropriate". Meanwhile, August's headline inflation rose slightly to +1.9% YoY (Survey and July: +1.8% YoY), mainly due to higher transport costs.

Foreign funds turned net sellers in September with net outflows of RM1.8b as the strong net inflows of RM15.9b in August were likely concentrated in shorter – tenor bonds, which tend to be less sticky. Consequently, year – to – date inflows stood at RM17.5b as of end – September. The foreign share of both MGS and MGS+MGII declined marginally to 32.9% (August: 33.3%) and 20.5% (August: 20.6%) respectively. Meanwhile, Malaysia's foreign reserves were slightly lower at USD131.8b as of end – September (August: USD132.0b).

Market Outlook

Following a brief period of easing geopolitical concerns, recent developments in the Middle East have once again heightened tensions and renewed uncertainty surrounding shipping routes through the Strait of Hormuz. At the same time, investors remain increasingly focused on the trajectory of global interest rates following the more hawkish rhetoric delivered by Federal Reserve Chair Kevin Warsh at the Jackson Hole Symposium. He reiterated the central bank's firm commitment to delivering price stability.

Closer to home, market attention is expected to shift towards Malaysia's Budget 2027, scheduled to be tabled in Parliament on 9 October 2026. The budget is expected to play a pivotal role in shaping the country's economic growth trajectory in 2027, with anticipated areas of focus including semiconductor ecosystem development, AI, digitalisation initiatives, and the energy transition agenda. While we remain encouraged by Malaysia's resilient domestic economy, evidenced by 1H2026 GDP growth of 5.7% YoY, we remain mindful of escalating geopolitical risks and uncertainties surrounding the global monetary policy outlook.

Accordingly, we maintain a constructive yet measured stance on financial markets. Our investment approach continues to focus on fundamentally strong, high – quality companies capable of delivering sustainable earnings growth over the long term, while remaining alert to tactical opportunities arising from market volatility and dislocations.

September proved particularly challenging for global bonds, with yields ending the month at levels not seen for many years. Strong nominal growth, persistent inflation pressures, elevated fiscal borrowing needs and energy – related supply concerns have continued to support higher long – term rates. Investors demanded greater compensation for inflation uncertainty, fiscal risks, and a growing supply of government debt, with markets already pricing in an additional rate hike for the December FOMC meeting.

In Malaysia, latest developments point towards stronger-than-expected export performance amid sustained domestic demand. According to BNM, the solid growth momentum is expected to bring 2026 growth to around 5%, and the economy's sound fundamentals are expected to keep growth resilient in 2027. Stable labour market conditions and ongoing investment activity will remain supportive of domestic demand but this growth outlook remains subject to downside risks from a prolonged conflict in the Middle East as elevated global commodity prices will continue to exert upward pressure on cost conditions. As these developments remain fluid, the MPC will remain vigilant to ongoing developments and 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.

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