27 – 31 July 2026

WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights

- US equities gained 1.1%, supported by easing US-Iran tensions and lower oil prices.
- The Fed kept rates unchanged, although a more divided committee signalled ongoing concerns about inflation and the potential need for further tightening.
- Markets now assign a 66% probability of a September rate hike, with upcoming inflation data and Middle East developments expected to shape policy expectations.
- Japan and the US jointly intervened to support the yen, while the BoJ maintained rates but may consider further rate hikes if currency weakness continues.

- Asian equities gained 2.4%, although markets experienced significant volatility, particularly in South Korea, driven by swings in technology stocks.
- AI investment concerns remained a key focus, but reassuring capital expenditure plans from major US hyperscalers helped technology stocks recover.
- Market volatility was amplified by deleveraging in South Korea, while investor attention increasingly turned to OpenAI's funding sustainability.
- Asian IG bonds finished the week broadly unchanged, while Asia HY tightened slightly by 1 bp.

- The KLCI rose 1.4%, led by banking stocks, with AmBank boosting sentiment by reaffirming its plan to double DPS by FY2029.
- In addition, ViTrox delivered strong results, as revenue surged reflecting robust AI-driven demand for semiconductor equipment.
- The Negeri Sembilan election resulted in a BN-PN victory, though implications for federal policy and markets remain limited.
- The 10-year MGS closed at approximately 3.71%, while the 30-year MGS finished at around 4.11%.

GLOBAL & REGIONAL EQUITIES

U.S.

US S&P 500 Index gained 1.10% last week as investors navigated a packed week including corporate earnings, the Federal Reserve's (Fed) July policy meeting and the latest developments in the US-Iran conflict.

Geopolitical tensions showed tentative signs of easing over the weekend. US President Donald Trump said he had called off a planned strike on Iran after receiving requests from Tehran and other Middle Eastern countries.

The renewed effort to secure a ceasefire and advance peace negotiations contributed to a decline in oil prices, providing some relief to markets. A sustained de-escalation could oil prices back towards the USD70 - 80 range and help ease supply-driven inflationary pressures.

At its July FOMC meeting, the Fed voted to keep interest rates unchanged. However, the decision revealed a more divided committee, with 3 of the 12 voting members favouring a rate increase. Fed Chair Kevin Warsh explained that the sharp rise in bond yields over recent weeks had already tightened financial conditions, reducing the immediate need for an additional rate increase.

Markets initially interpreted these remarks as relatively dovish, particularly given the Fed reluctance to raise rates despite higher inflation expectations but subsequently priced a 66.00% probability to a September rate increase. The 10-year US Treasury yield rose from approximately 4.60% to 4.75% and subsequently settled around 4.70% at the start of this week.

Bond markets are now pricing-in a 66.00% probability to a September rate increase. Inflation data and developments in the Middle East will be key factors determining the Fed's policy trajectory.

Investors will closely monitor the latest US non-farm payroll report slated to be released this week. Investors will be assessing whether the temporary boost from World Cup-related hiring 2 months ago gives way to softer employment growth. Layoffs among small and medium-sized enterprises and technology companies will also be monitored for signs of a broader spillover into the labour market.

Another significant macroeconomic development was the coordinated intervention by Japan's Ministry of Finance and the US Treasury to support the Japanese yen. Japan reportedly sold approximately USD53 billion to purchase yen, marking a rare joint operation between the 2 countries aimed at limiting sharp currency movements. The intervention followed a period in which the yen had weakened to its lowest level against the US dollar in roughly 4 decades.

For context, the yen weakened to approximately 160.00 against the US dollar in May. Earlier intervention by the Bank of Japan strengthened the currency temporarily, but the exchange rate was unable to remain below 155.00. The durability of the latest coordinated action will therefore be closely watched.

The Bank of Japan also kept interest rates unchanged at its latest monetary policy meeting but highlighted the effect of the weak yen on domestic prices. Japanese inflation has remained above 2.00%, partly reflecting the higher cost of imported goods. The Bank of Japan (BoJ) may need to raise rates again in September if it is to address these price pressures and prevent further sustained weakness in the currency.

GLOBAL & REGIONAL EQUITIES

U.S. *(Cont')*

The direction of the yen also carries implications beyond Japan. Prolonged low interest rates and currency weakness have made the yen an important funding currency for global carry trades, where investors borrow cheaply in yen to invest in higher-yielding assets elsewhere. A sharp and sustained appreciation could prompt these positions to unwind, potentially creating broader volatility across global risk assets.

Asia

Asian equities advanced last week, with the MSCI Asia ex-Japan Index gaining 2.40%. However, the positive headline return masked considerable volatility beneath the surface, particularly in South Korea. The KOSPI fell by approximately 16.00% at one stage before rebounding by around 18.00% during the final trading session.

The volatility was largely driven by concerns surrounding the AI nvestment cycle. Results from major US hyperscalers—including Microsoft, Amazon and Google—were closely scrutinised for signs of weaker capital expenditure. Their spending plans ultimately came in broadly in line with expectations, easing fears that these companies were preparing to reduce investment. This helped technology markets recover on Friday.

Nevertheless, uncertainty remains elevated. The Korean market continues to be affected by leveraged investors reducing their positions, which can amplify market movements in both directions.

Beyond this near-term deleveraging, attention has increasingly shifted towards OpenAI and its ability to fund its operations sustainably as revenue continues to scale and cash expenditure remains elevated.

During the week, reports suggested that Nvidia could invest as much as USD250 billion in OpenAI, although this remained unconfirmed. Separately, Amazon confirmed plans to invest a total of USD50 billion. Of this amount, USD15 billion has reportedly been deployed, with a further USD35 billion expected to follow in exchange for a 5.00% stake.

Additional funding could help strengthen OpenAI's financial position and provide greater stability to the broader AI investment cycle. This matters because OpenAI remains an important source of demand for computing infrastructure. Persistent questions over its funding position could therefore affect investor confidence in the revenue outlook and returns on capital expenditure among hyperscalers.

On portfolio positioning, we raised cash across our funds to approximately 5 - 10% by trimming some tech position. At the same time, we selectively increased exposure to China and Hong Kong, which benefited as market leadership broadened beyond AI-related stocks. Banks performed well, supported by their steadier earnings profiles and attractive dividend yields. Previously overlooked technology companies, including Alibaba and Tencent, also attracted renewed investor interest.

UPDATES ON MALAYSIA

The KLCI index gained 1.4% last week. Financial stocks were among the key contributors, while sentiment towards the banking sector received a further lift from AMMB Holdings Berhad's (AmBank Group) Investor Day on Friday. Management reaffirmed its target of doubling dividend per share (DPS) for the financial year ending March 2029 (FY2029).

It also estimates that the implementation of the revised Basel III capital rules from January 2028 could release approximately RM2 billion, or 60 sen per share, of surplus capital. The eventual form of distribution has yet to be decided, but a full cash return would be equivalent to around 9% of the current share price, on top of AmBank Group's targeted ordinary dividend payout.

Singapore banks have demonstrated that credible capital-return programmes can be powerful valuation catalysts. We remain well positioned for this theme, with banking exposure exceeding 20% across our conventional funds.

The results season also started strongly with ViTrox Corporation Berhad (ViTrox), one of Malaysia's leading semiconductor equipment manufacturers and a bellwether for the domestic technology sector. 2Q'26 revenue more than doubled y-o-y to RM374.9 million, while profit attributable to shareholders rose more than threefold to RM85.0 million.

The performance was driven by artificial intelligence (AI) infrastructure demand, particularly for advanced packaging, AI accelerators and high-bandwidth memory applications. These results provide tangible evidence that the AI capex cycle is translating into orders and earnings for Malaysian technology companies. Technology exposure ranges from 10% to 20% across our funds.

Negeri Sembilan Election: Limited Near-Term Market Impact

On local politics, the Negeri Sembilan state election resulted in a change of government, with Barisan Nasional (BN) and Perikatan Nasional (PN) securing a combined 25 of the 36 state seats. Pakatan Harapan (PH), which had governed the state for 2 terms, won the remaining 11 seats.

The initial market reaction has been muted so far. While the result increases pressure on PH and could encourage closer cooperation between BN and PN, it does not alter the federal unity government's parliamentary majority. We therefore see limited near-term risk to government stability or policies affecting the corporate sector

Political uncertainty may cap near-term market upside, but earnings delivery, domestic liquidity and capital-return initiatives should remain more important drivers of equity performance.

Our base case is that the federal government will preserve its majority and continue advancing its policy agenda, although reform momentum could slow as parties prepare for the next general election.

In terms of portfolio positioning, we added to our position in IHH Healthcare Berhad (IHH Healthcare) following its recent share-price correction on concerns surrounding Malaysia's proposed diagnosis-related group (DRG) payment model. We believe the earnings impact should be manageable, given the planned phased implementation and continued consultation with private hospital operators. We also expect a recovery in IHH Healthcare's Singapore operations to be better than the market currently anticipates. We remain highly invested, with portfolio cash levels ranging from 5% to 10%.

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

Last week, global credit markets came under pressure as a sell-off in the technology sector weighed on investor sentiment, reflecting similar weakness across equity markets. In the US, technology credit default swaps (CDS) and cash credit spreads widened noticeably, with the softer sentiment extending into Asia, particularly among technology issuers such as Alibaba Group Holding Limited and Tencent Holdings Limited.

While credit spreads broadly widened by around 2 to 4 basis points during the week, a rebound in risk appetite on Friday helped reverse much of the earlier weakness. As a result, Asia investment-grade (IG) credit finished the week broadly unchanged at around 57 basis points, while Asia high yield (HY) tightened slightly by 1 basis point to 342 basis points, broadly mirroring developments in the US market. Against this backdrop, primary market issuance remained subdued as issuers largely stayed on the sidelines amid weaker risk sentiment.

From a portfolio perspective, we continue to adopt a cautious stance on duration while selectively increasing exposure where valuations remain attractive. During the week, we added duration in Australia after 2Q'26 inflation data came in below expectations, reinforcing the view that the Reserve Bank of Australia (RBA) is likely to keep interest rates unchanged in the coming months. The Trimmed Mean Consumer Price Index (CPI), the RBA's preferred measure of underlying inflation, rose 3.6% y-o-y, below the consensus forecast of 3.7%, prompting a rally in Australian government bonds as markets scaled back expectations of an August rate hike. We continue to like Australian credit exposures with attractive carry; we view credits maturing in 5-7Y yielding around 5-8-6.2% providing compelling income opportunities.

Domestic Fixed Income

Sentiment in the Ringgit bond market remained relatively defensive last week, reflecting month-end portfolio rebalancing and continued rotation from government bonds into primary corporate bond issuances. As investors redirected capital towards new offerings, Malaysian Government Securities (MGS) came under modest selling pressure, with yields ending the week around 1 basis point higher across the curve. The 10-year MGS closed at approximately 3.71%, while the 30-year MGS finished at around 4.11%.

Primary market activity was relatively subdued, with Maybank accounting for the week's sole corporate bond issuance. The bank successfully priced RM4.8 billion of AA1-rated Tier 2 subordinated debt, exceeding its initial indicative size of around RM3 billion. Issued at a spread of approximately 50 to 55 basis points, the transaction attracted strong investor demand, as reflected in the upsized offering.

Looking ahead, attention will turn to the reopening auction of the 5-year Government Investment Issue (GII), with the announced issuance size of approximately RM5 billion broadly in line with market expectations. Meanwhile, daily foreign holdings data showed net foreign outflows of RM6 billion from the Malaysian bond market in July as of 27 July, reducing year-to-date net inflows to RM2.6 billion. While capital flows may continue to influence near-term market sentiment, investor demand for high-quality primary issuances suggests that credit fundamentals remain supportive.

From a portfolio perspective, we participated in the Maybank Tier 2 issuance, while maintaining cash levels of between 2% and 4% across the funds. This positioning allows us to remain selective as opportunities emerge, while maintaining flexibility to deploy.

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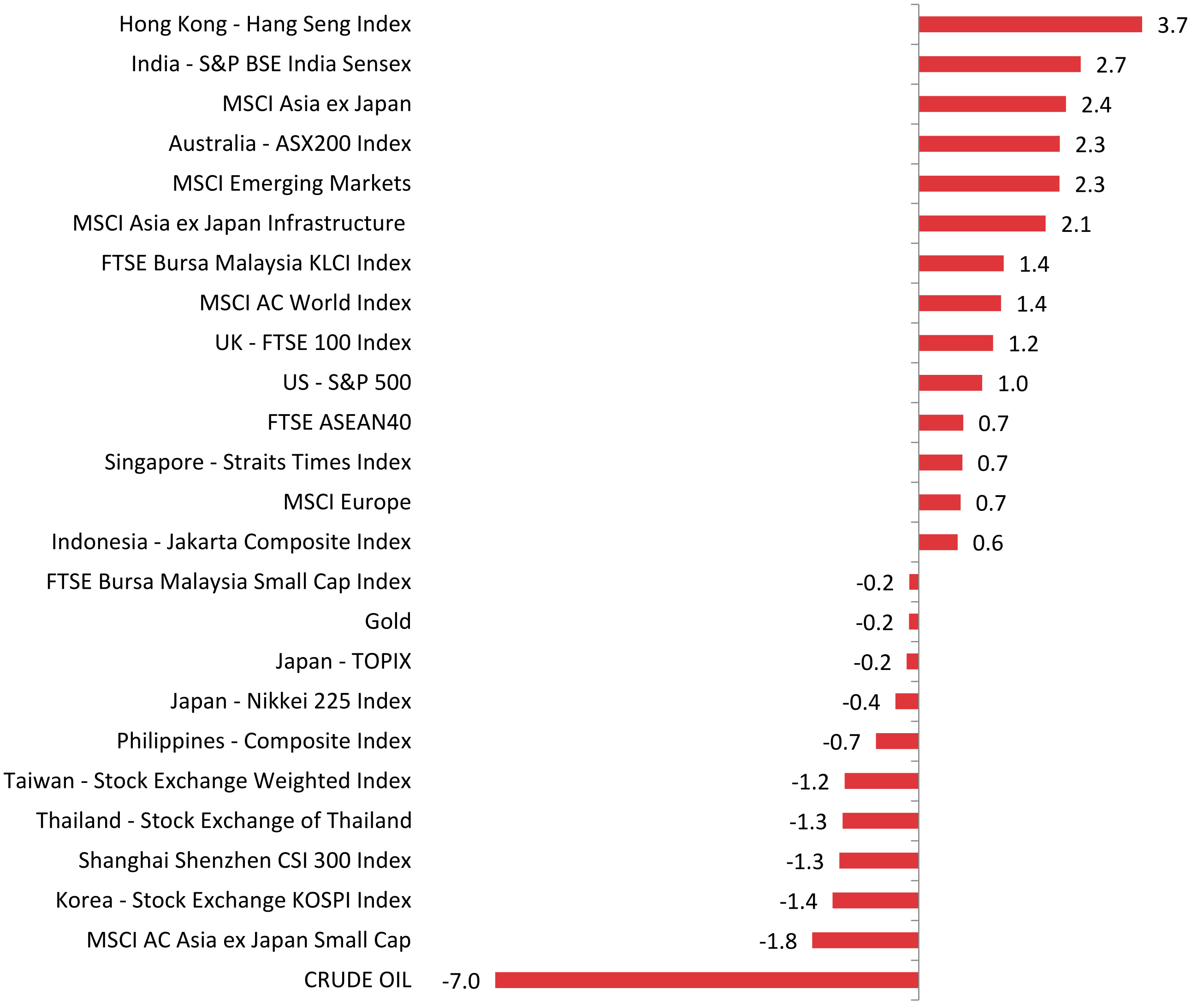
Index Performance | 27 – 31 July 2026



Index Chart: Bloomberg as at 31 July 2026. Quoted in local currency terms.