



Monthly Investment Updates

March 2026



Macro Overview



Growth

- US non-farm payrolls fell by 92,000 in February, falling short of expectations and a reversal from the gains in January. As a result, the unemployment rate went back up to 4.4%. The manufacturing output rose marginally by 0.2%, weighed by weakness in machinery sector while the services activity grew at its fastest pace since mid-2022 boosted by robust orders growth and business activity. While artificial intelligence (AI) infrastructure investments will remain a key growth driver, US' 2026 growth forecasts may come under pressure amid war-related headwinds and higher energy prices.
- The US Supreme Court's ruling against President Trump's tariffs leaves Asia better off even after considering the new temporary 10% across-the-board levy which is much lower than earlier country-specific ones. That said rising energy prices hurts domestic incomes in Asia's oil-importing countries, but most economies have current account surpluses that help cushion the impact except India, Indonesia and the Philippines which run deficits.
- China set its 2026 growth forecast to 4.5-5%, the lowest in decades. The country's latest 15th Five Year Plan (2026-2030) reaffirmed the policy priorities around advanced manufacturing, technology self-reliance, digital infrastructure and innovation. Meanwhile, India's Union Budget 2026-27 reinforced fiscal discipline alongside a capital expenditure (capex)-led growth strategy with priorities focused on infrastructure, manufacturing, technology and the energy transition.

Inflation & Monetary policy

- US inflation held at 2.4% year-on-year in February, still above the US Federal (Fed) Reserve's 2% target. Given the sticky inflation, the Fed was already adopting a cautious policy stance before the war. The latest decision to hold rates for the second time this year thus comes as no surprise against the backdrop of elevated global uncertainties. Future rate decisions will depend on incoming economic data. For now, the projections from Fed board members suggest one rate cut this year.
- Across Asia, prior to the start of the war, inflation was mostly contained. That scenario has now changed with the onset of the war. The escalation in the Middle East and disruption risks around the Strait of Hormuz have pushed oil prices above US\$100/bbl at points, raising concerns that energy-driven inflation could re-emerge in coming months. As such, Asian central banks are shifting from an easing mindset. A sustained oil shock could in some cases force a tightening bias.

Asset class views

- We remain constructive on global equities over the tactical, short-term (i.e., 3-month time horizon), but will continue to closely monitor our market signals and further geopolitical developments, especially given Trump's unpredictable shifts. Our tactical outlook on US equities has improved due to their relative insulation from energy price spikes (given the US' energy trade surplus trade balance), while we have downgraded Europe equities to a neutral stance, owing to converged earnings momentum and increased vulnerability to energy shocks. In this environment, we are committed to adding risk prudently, balancing exposure with expectations of ongoing uncertainties and acknowledging potential persistence of market volatility.
- Iran war risk continues to dominate market headlines, with the primary US Treasury market impact being a hawkish shift in near-term Fed rate pricing and a flattening of the yield curve driven by rising short-end yields (i.e., bear-flattening). While the full impact of the recent oil supply shock is still under assessment, near-term inflation risks skew to the upside for the moment. At present, our position on US duration remains neutral.

 Top 3 Risks (to Monitor)	Likelihood	Magnitude of market impact
Growth: In the US, delinquency data, which track the percentage of loans or financial obligations that are past due, inform that many US households were likely already experiencing some financial stress before the recent oil price shock, on the back of the Iran-related geopolitical tensions. Additionally, US employment, orders, and retail data also softened in the first two months of the year. And while the full extent of the oil supply shock is still being played out, the near-term risks to inflation bias to the upside for now, which may slow real income growth and weigh on consumer spending, a key engine of US economic growth. In Asia, the potential hit to incomes from energy price spikes is likely to be larger over time. However, some governments have capped fuel prices for now or have mechanisms that delay the impact of increased energy prices. In sum, the duration of the closure of the Strait of Hormuz will be critical to how the growth outlook evolves.	Medium	Medium
Inflation: Although the February 2026 US CPI data largely met forecast expectations, the data is likely dated due to rising energy prices on the back of the Iran war. While goods inflation and inflation in some other services remain high, rent inflation is moderating. Recent higher fuel prices may 'bloat' the headline CPI data and inflation expectations in March; hence, upside surprises in the coming months may be likely. Though over the longer-term, we believe the impact of tariff costs should subside. In Asia, higher energy prices also imply higher near-term inflation across the region. Central bank policy expectations may potentially shift; whereas there was previously some opportunity for easing in Indonesia, the Philippines, and Thailand, there is now an emerging risk of interest rate hikes should high energy prices persist. India faces a comparable scenario.	Medium	Medium
Persistence of Geopolitical Tensions/Instability: Potential geopolitical stresses/uncertainties emanating from the Iran-related Middle East conflict may persist longer than previously expected (now in its third week in mid-March), especially if the war protracts and the Strait of Hormuz remains fully shut. While the persistence of the geopolitical tensions (and market volatility) remains for the time being, ultimately, we expect the US and Iran to eventually come to at least a temporary truce and negotiations, as Iran's military weakens further.	Medium	High

Market Recap and Update



Global Equity Markets

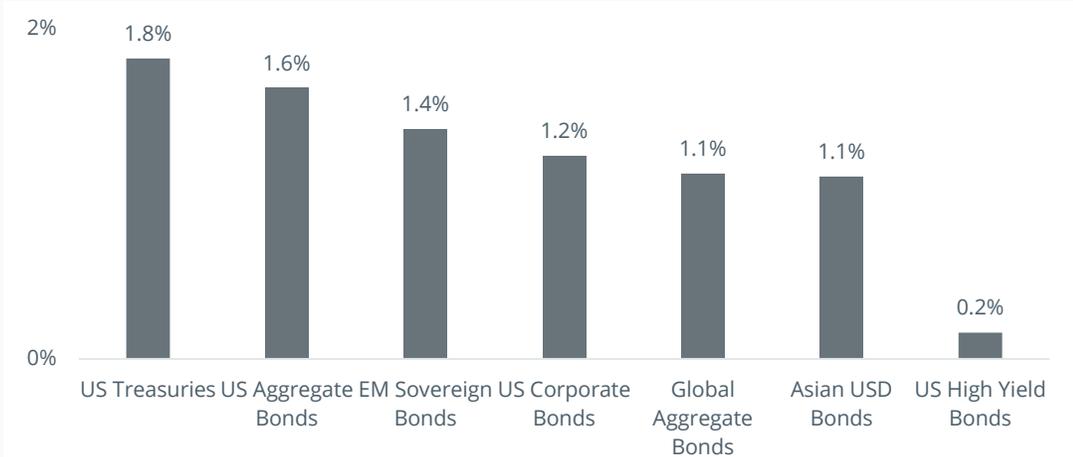
(Monthly gross returns as of 27 February 2026, in USD)



- Global equity markets gained 1.3% in February, driven by robust corporate earnings and strong AI hardware performance, notably semiconductors, in addition to market leadership broadening beyond US mega-cap tech stocks. Developed markets returned 0.8%, as US equities declined by -0.9%, lagging its developed markets (DM) counterparts: Japan (+8.6%), the UK (+5.1%), and Europe (+3.3%). US markets were volatile, as investors shifted to asset-heavy sectors like materials, utilities, and energy in anticipation of sustained AI infrastructure investment; Japan led the DM countries, buoyed by robust corporate earnings alongside heightened fiscal stimulus optimism following the snap election victory of Prime Minister Sanae Takaichi. Notably, most equity markets posted gains during the month, even as geopolitical tensions remained elevated, culminating with the conflict in Iran that began on the last day of the February (after financial markets had closed).
- By contrast, Emerging Markets (EM) and Asia Pacific ex-Japan (APxJ) equities outperformed DM markets, returning 5.5% and 6.1%, respectively (both measured in USD terms). The ongoing global buildout of AI infrastructure fueled a value upswing in semiconductor chips while also bolstering optimism in export and growth-linked sectors. Korea, Thailand, and Taiwan were notable outperformers. Korea equities rallied by 22.1%, powered by AI driven global demand for semiconductors, stabilising monetary policy, and renewed investor confidence. Thai equities rose by 20.6%, benefiting from improved post-election political stability, strong foreign investment flows, and optimism over US tariff developments. Taiwan equities rose by 12.8%, supported by the US-Taiwan tariff agreement and strong AI-driven demand for semiconductor and technology supply chain stocks, accompanied by solid domestic fundamentals and foreign investment flows. On the other hand, Chinese equities fell -5.8%, pressured by softer risk appetite amid lower earnings expectations, concerns over AI-driven disruption, alongside seasonal liquidity tightness around the Lunar New Year.

Global Bond Markets

(Monthly gross returns as of 27 February 2026, in USD)



- In February, global fixed income markets gained as investors sought safety of higher quality assets amid renewed tariff tensions and geopolitical uncertainty. The Fed signaled more rate cuts would require further inflation declines after U.S. annual inflation slowed to 2.4% in January, while US economic sentiment remained stable throughout the month, with only minor fluctuations. U.S. Treasury yields moved lower as the curve bull-flattened, with the 10-year yield falling 30 basis points to 3.94% and the 2-year yield declining 15 basis points to 3.37%. The yield spread narrowed over the month. At the same time, the USD rose against the EUR and JPY as the flight towards safe-haven assets helped to partially offset the negative impact of persistent uncertainty over US tariff policy.
- Amid falling US yields, US aggregate bonds and US Treasuries rallied, with the Bloomberg U.S. Treasury Index and Bloomberg US Aggregate Bond Index returning 1.8% and 1.6%, respectively, while the Bloomberg Global Aggregate Bond Index returned 1.1%.
- US high yield bonds, as represented by the ICE BofA U.S. High Yield Constrained Index, returned 0.2%, its 10th consecutive monthly gain as a solid earnings season, continued bond upgrades, and competitive U.S. primary credit markets (e.g., strong foreign demand), all helped to offset AI disruption. Emerging markets USD bonds edged higher, with the JP Morgan Emerging Markets Bond Index Global Diversified Index rising by 1.4%, with gains from both investment grade and high yield issuers. Asian USD-denominated bonds, as measured by the JP Morgan Asia Credit Index (JACI), returned 1.1%, mainly due to lower U.S. rates, despite experiencing wider credit spreads.

Data source: Eastspring Investments, LSEG Datastream and MSCI. **Equity Markets** - "Global" : MSCI ACWI, "DM" : MSCI World Index, "APxJ" : MSCI AC Asia Pacific ex Japan Index, "EM" : MSCI Emerging Markets Index, "Value" and "Growth" : MSCI World Value Index and MSCI World Growth Index, respectively, and "China" : MSCI China Index. **Bond Markets** - "U.S. Corporate Bonds": ICE BofA U.S. Corporate Index, "EM Sovereign Bonds": J.P. Morgan EMBI Global Diversified Index, "U.S. Treasuries" : Bloomberg U.S. Treasury Index, "Asian USD Bonds": J.P. Morgan Asia Credit Index, "Global Aggregate Bonds": Bloomberg Global Aggregate Index, "U.S. Aggregate Bonds": Bloomberg U.S. Aggregate Index, and "U.S. High Yield Bonds": ICE BofA U.S. High Yield Constrained Index. Past performance of the indices is not indicative of future performance of the indices.



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