eastspring investments

A Prudential plc company

Monthly Investment Updates

May 2026

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Macro Overview

Growth

- The prolonged lack of resolution to the US–Iran conflict is deteriorating the global economic outlook. In its April 2026 report, the International Monetary Fund has revised 2026 global growth down by 0.2 percentage points to 3.1% from its January 2026 forecast. Should the conflict drag on and energy prices rise further, global growth could slow further to 2.5% in 2026.
- China's economic momentum slowed broadly in April, underscoring persistent areas of weakness as risks from the Iran war mount. In contrast Japan's economy grew by 2.1% in the first quarter of 2026, exceeding expectations due to better consumption and strong exports. Global trade has remained resilient, as robust expansion in tech exports, especially semiconductors and artificial intelligence (AI)-related equipment, offset weakness in other sectors. This has particularly benefitted Asian economies who are key suppliers of tech goods.
- In the US, April retail sales beat expectations; households are funding consumption by reducing savings rates given that income growth is slowing. US initial job claims data suggest the labour market remains solid and this provides a cushion for households for now.

Inflation & Monetary Policy

- The protracted standoff between the US and Iran implies intensifying cost-push. US inflation rose more than forecasts in April from stronger than expected rent, air fare and hotels. Further out, rising inflationary pressure in Asia's supply chain may ultimately feed into US goods inflation. Given this outlook it is hard to see the US Federal Reserve cutting rates anytime soon. Across Asia, inflation forecasts have been revised higher over the past month. While some policy measures such as subsidies have kept April inflation prints relatively subdued, greater pass-through will likely be allowed over time, pointing to further upward revisions ahead.
- Asian central banks are turning more cautious as energy-driven inflation risks rise. Policy flexibility is shrinking as inflation returns. Crucially, pressure on current account balances from higher energy costs is translating into accelerated currency depreciation. India and Indonesia appear particularly exposed. Both Indian Rupees (INR) and Indonesian Rupiah (IDR) have depreciated sharply since the start of the conflict, and we expect both the Reserve Bank of India and Bank Indonesia to tighten policy, with the latter likely to hike at its upcoming meeting this week..

Asset class views

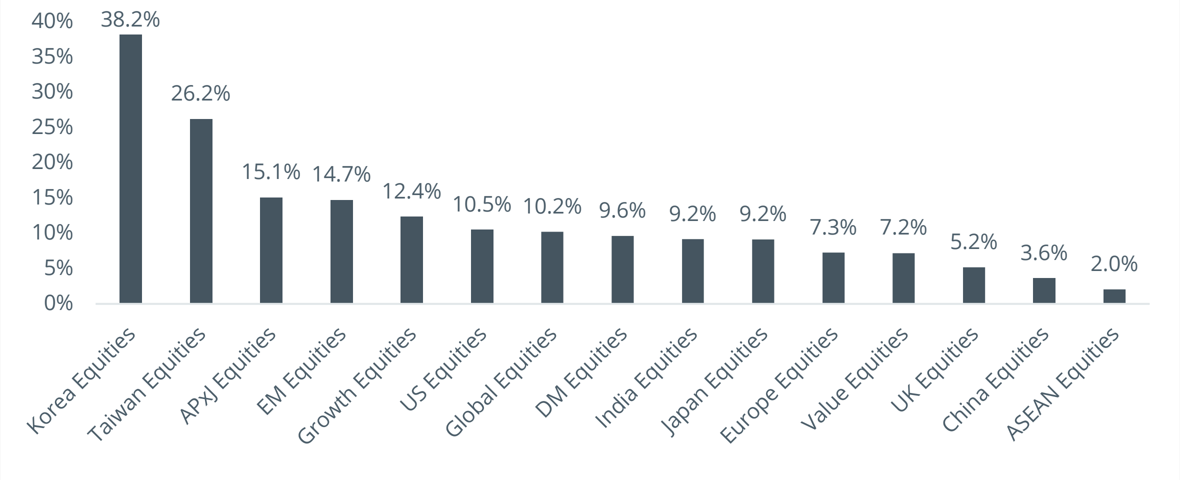
- Iran war risk continues to dominate market headlines and geopolitical tensions are likely to persist. While investors should remain prudent, being purely defensive could mean missing out on valuable opportunities. By being agile and increasing exposure selectively, diversified portfolios can potentially benefit should geopolitical uncertainties subside. At the same time, strong risk management remains important.
- We maintain a positive outlook on global equities over a 3-month horizon, but with increased caution due to ongoing geopolitical uncertainties; we also remain cognisant of the recently stretched technicals on the back of a sharp rally in April. We continue to favour US over European equities given Europe's greater vulnerability to an extended energy disruption. We are remain positive on Emerging Markets and Asian equities over the short term (3 month), favouring select markets with attractive valuations.
- We maintain a neutral stance on US duration given the upside risks to inflation. The re-opening of the Strait of Hormuz will be key in shaping our asset class views.

Top key risks to monitor	Likelihood	Magnitude of Market Impact
Two risks stand out. So far, no solution to the "closure" of the Strait of Hormuz exists. The longer this war drags, the greater the loss of oil supply and the more willing the market is to price in higher energy costs into the future which would weaken global growth. Asia's heavy reliance on AI-related export demand leaves it vulnerable if US AI infrastructure spending slows.	Medium	High
Key upside risks A rebound in US job creation could lift growth above 2.5% but risk reigniting inflation, delaying Fed rate cuts. This could support a higher-for-longer rate backdrop and a stronger US Dollar (USD), which could potentially weaken financial flows to emerging markets.	Medium	Medium
Geopolitical instability. We continue to monitor the potential for stress emerging from China-Taiwan cross-strait relations.	Low	High

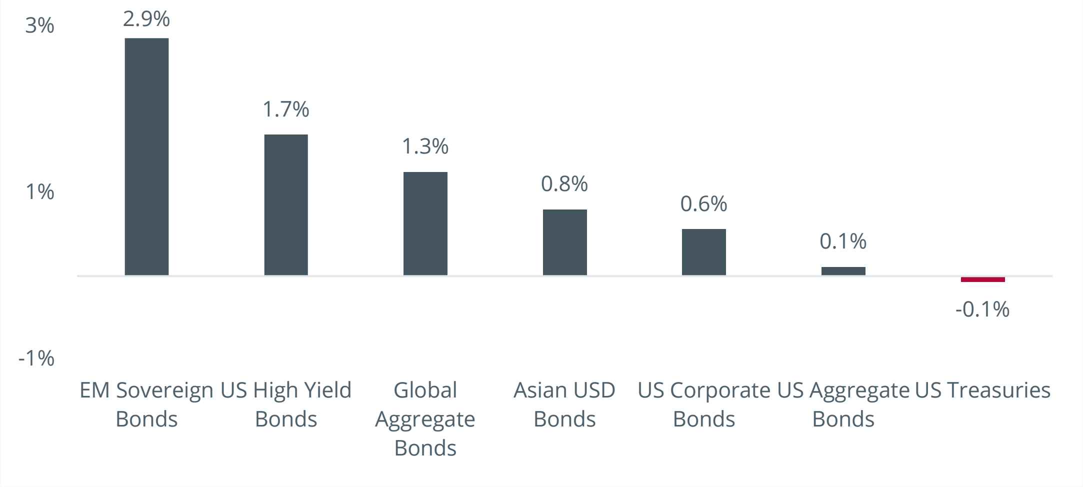
Please note that the information provided here is subject to change at Eastspring's discretion without prior notice.

Market Recap and Update

Global Equity Markets
(Monthly gross returns as of 30 April 2026, in USD)



Global Bond Markets
(Monthly gross returns as of 30 April 2026, in USD)



- After experiencing a turbulent March, global equities rebounded in April, with the MSCI ACWI Index up 10.2%, as investors looked past geopolitical uncertainty and re-entered risk assets, led by renewed confidence in earnings durability and capex demand due to artificial intelligence (AI). The backdrop remained noisy as the tensions between the US and Iran continued to disrupt shipping in the Strait of Hormuz, a global maritime energy chokepoint, and lifted the energy risk premia, with Brent briefly touching USD $126 during the month. Equity leadership narrowed toward mega-cap technology and semiconductor-linked exposures. Overall, the market seemingly treated the energy shock as episodic rather than structural, with risk appetite repeatedly recovering after each bout of headline volatility.
- US equities led the gains in the developed markets, with the MSCI USA Index gaining 10.5%, as strong earnings delivery and renewed enthusiasm for AI beneficiaries supported multiple expansion, despite inflation remaining above the target. Europe also posted solid gains, with the MSCI Europe Index rising 7.3%, supported by relief rallies when oil prices eased and there was rotation back into cyclicals and financials as immediate escalation fears eased intermittently.
- The Asia Pacific ex-Japan region and emerging markets also delivered robust returns, advancing 15.1% and 14.7%, respectively, outperforming developed markets. Korea and Taiwan were among the top performers, fueled by a rotation back into cyclical and technology-heavy markets, and improving confidence in earnings visibility.

- The US Federal Reserve (Fed) held the federal funds rate steady at the 3.50%-3.75% target range, but the policy backdrop remained cautious as inflation stayed elevated. This kept markets sensitive to any renewed rise in energy-driven price pressures and long-end yields.
- US Treasury yields moved modestly higher in April; the 2-year yield rose 9 bps to 3.88%, the 10-year yield increased 10 basis points (bps) to 4.40% and the 30-year yield rose 10 bps to 4.98%. The US Treasury yield curve has flattened year-to-date as investors have priced out additional Fed rate cuts. US Treasuries, as tracked by the Bloomberg US Treasury Index, delivered a marginally negative return of 0.1%.
- Global aggregate bonds, as proxied by the Bloomberg Global Aggregate Index, were higher by 1.3%, while US aggregate bonds, as proxied by the Bloomberg US Aggregate Index, were marginally positive at 0.1%. US high yield bonds, as proxied by the ICE BofA U.S. High Yield Constrained Index, rebounded with a 1.7% return, supported by steady US growth and resilient corporate earnings. Emerging markets (USD) sovereign bonds, as proxied by the JP Morgan EMBI Global Diversified Index, were amongst the leading performers, returning 2.9% in USD terms.

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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