

eastspring investments

A Prudential plc company

Monthly Investment Updates

October 2026

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Macro Overview

Growth

- Asian Gross Domestic Product (GDP) growth should moderate over the next several quarters from the above trend pace seen in the first three quarters of 2026. The pace of Artificial Intelligence (AI) capital expenditure (capex) growth is expected to moderate, monetary tightening should continue through Q1 2027, and cuts in energy subsidies are likely to constrain fiscal support. China is the exception as it is expected to reverse its fiscal underspending of 2026.
- Slower growth does not mean weak growth. Policy support should sustain China's 2027 GDP growth at 4.5%, while Japan's profit and capex cycle should support GDP growth around 0.9%. India's GDP growth is expected to slow from 7.6% to 6.8%, still near or above potential. Semiconductor exports should keep South Korea and Taiwan above potential GDP growth at 3.0% and 6.5%, respectively. Malaysia and Singapore should also benefit from continued AI infrastructure spending.
- Two risks could challenge this outlook: a negative shock to AI spending would weaken regional growth, while El Nino could damage agriculture and household consumption in India, Indonesia and the Philippines.

Inflation & Monetary policy

- Higher energy prices and strong technology exports have pushed inflation above target across much of Asia, though overshoots remain modest outside the Philippines. With no clear path to a Middle East truce, Brent price should range between USD100–115 per barrel into Q1 2027. Fuel and chemical costs are also feeding into broader inflation, while El Nino threatens food prices in H1 2027.
- Above trend growth and persistently high energy costs suggest further monetary tightening in Asia. We expect rate hikes in India, Indonesia, Japan, Malaysia and Taiwan over the coming quarters. Policy is also expected to respond to renewed currency pressure, particularly if the US dollar strengthens more than expected. China remains an exception: falling property prices and excess industrial capacity should sustain pressure for rate cuts and subsidised credit facilities over the next two quarters.
- In the US, we expect the Federal Reserve to hike another 25 basis points (bps) by end-2026 and see a good chance of a 25bps hike in Q1 2027.

Source: Eastspring Investments. 20 October 2026.

Asset class views

- We remain tactically constructive on global equities over a three-month horizon although policy uncertainty and geopolitics may generate bouts of volatility. Over the longer term, elevated valuations in some markets and policy uncertainty warrant a more selective approach.
- Within equities, we continue to favour the US, Emerging Markets (EM) and Asia over Europe. The US remains supported by resilient economic activity, healthy earnings and sustained investment in AI-related infrastructure. Selected EM and Asian markets continue to benefit from attractive valuations and favourable earnings prospects, particularly within technology-related sectors.
- We have turned more positive on US Treasuries, given elevated starting yields and potential diversification benefits. We expect EM hard currency debt to be supported by attractive carry and resilient fundamentals despite potential near-term volatility.

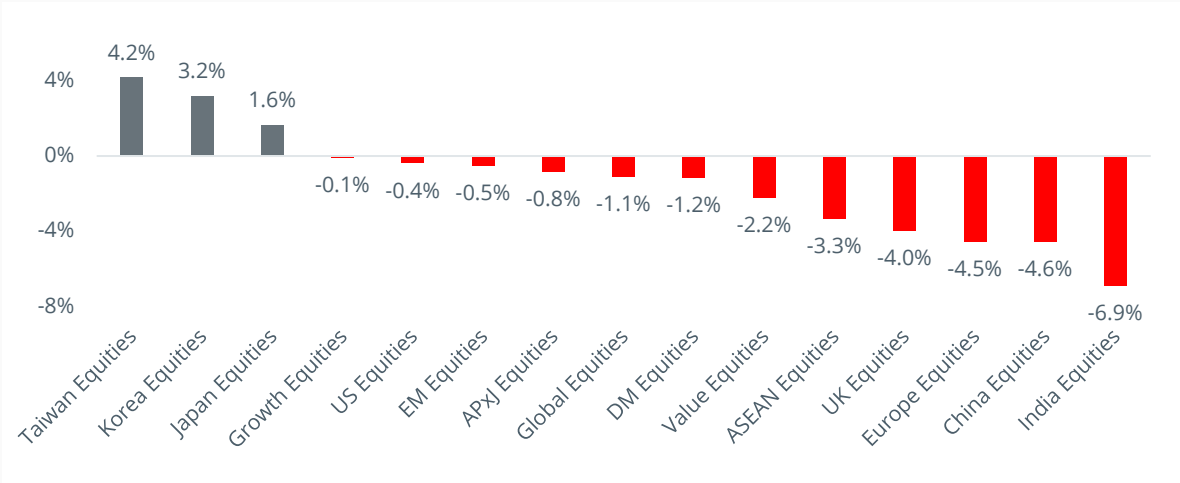
Top key risks to monitor	Likelihood	Magnitude of Market Impact
AI spending and energy prices are the key risks. Any downward shock to AI spending would weaken US and Asian economic/earnings growth with negative feedback into consumption. Higher energy prices could increase interest rates and make financing AI infrastructure prohibitive. El Nino poses significant risk to agricultural output, rural incomes, and food inflation in H1 2027, although the broadened impact on economic growth and corporate earnings is confined mainly to India, Indonesia, and the Philippines.	Medium	High
Lower energy prices could provide a key positive catalyst. Sooner than expected truce in the Middle East that allows a rapid resumption of shipments of oil, gas, and distillates would depress global energy prices rapidly. This would reduce the extent to which central banks raise policy rates. Lower bond yields would be supportive of further AI financing.	Medium	Medium
Geopolitical instability. No progress toward a truce in the two main hostilities in the Middle East yet exist. If this continues, it risks pushing energy prices higher. Against this backdrop, any new aggression by Russia that expands its conflict beyond Ukraine to a North Atlantic Treaty Organisation (NATO) state in Europe would be a major shock to markets.	Low	High

Views provided herein are subject to change without prior notice.

Market Recap and Update

Global Equity Markets

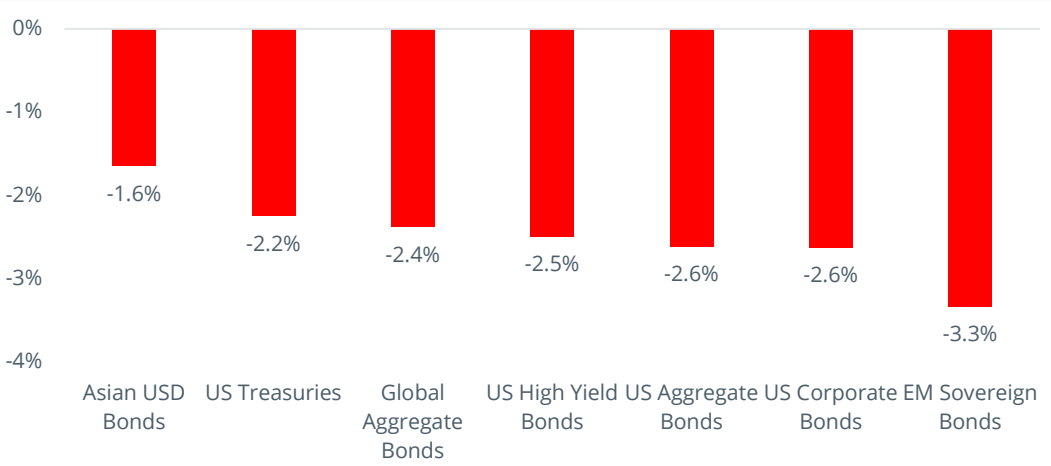
(Monthly gross returns as of 30 September 2026, in USD)



- Global equities reversed course in September, with the MSCI All Country World Index declining 1.1% as risk appetite weakened amid persistent inflation pressures, rising sovereign yields, and renewed geopolitical uncertainty.
- US equities proved more resilient than global peers, with the MSCI USA Index and S&P 500 declining 0.4% in September. Despite broad-based weakness across most other sectors, the tech-heavy Nasdaq Composite gained 1.9%, reflecting the strength in AI-related technology names. European equities underperformed sharply, with the MSCI Europe Index declining 4.5% as renewed energy-price volatility, persistent price pressures and fiscal strains weighed on sentiment.
- The MSCI Emerging Markets (EM) Index declined 0.5%. Technology shares supported South Korea (+3.2%) and Taiwan (+4.2%), while Indian equities (-6.9%) faced foreign investor outflows amid higher crude prices and rising global yields. Chinese equities extended their losses, with the MSCI China Index retreating 4.6% on the month as the policy stance remained cautious and domestic demand remained tepid.

Global Bond Markets

(Monthly gross returns as of 30 September 2026, in USD)



- In the fixed income markets, investors became increasingly cautious amid rising long-term yields and shifting policy expectations of global central banks. The Federal Reserve (Fed) raised the federal funds target rate to a range of 3.75% to 4.00%, in line with market expectations, while the latest Summary of Economic Projections signaled a higher-for-longer stance.
- Sovereign yields climbed across major markets, with longer-dated yields reaching multi-decade highs. U.S. Treasury yields rose across the curve in September, increasing by 17–60 bps. The largest moves occurred in the 3- and 5-year tenors, both up 60 bps, while the 10-, 20- and 30-year yields rose 54, 44 and 39 bps, respectively.
- The sell-off in the fixed income market was broad-based: US Treasuries (Bloomberg US Treasury Index) fell 2.2%, while US Aggregate bonds (Bloomberg US Aggregate Index) and Global Aggregate bonds (Bloomberg Global Aggregate Index) declined 2.6% and 2.4%, respectively. Credit offered little shelter, with US high yield (ICE BofA US High Yield Constrained Index) down 2.5% and investment-grade corporates (ICE BofA US Corporate Index) losing 2.6%. EM sovereign bonds (J.P. Morgan EMBI Global Diversified Index) bore the brunt of the weakness, falling 3.3%.

Data sources: Eastspring Investments (Singapore) Limited, 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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