A Prudential plc company

Monthly Investment Updates

# September 2026

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# Macro Overview

## Growth

- The artificial intelligence (AI) theme as well as energy costs continue to dominate the macroeconomic backdrop. Growth momentum in the US economy is expected to remain robust with economists raising their forecast for the third quarter based on higher consumer spending and the AI capital expenditure (capex) cycle. Likewise, growth momentum in Europe has improved, with recent business activity indicators pointing to a firmer economic backdrop despite tighter financial conditions.
- Recent indicators suggest growth in Japan remains strong. The labour market remained resilient, with unemployment staying near multi-decade lows, while stronger retail sales pointed to healthy consumer demand.
- Economic growth across Asia remains uneven but generally resilient. China remains an outlier; August data pointed to a divergence between production and consumption. Industrial production improved to 5.2% year-on-year, while retail sales growth slowed to 0.4%[1], suggesting that domestic demand remains a key drag on the recovery.

## Inflation & Monetary policy

- Inflation risks have increased over the past month as oil prices surged following renewed Middle East disruptions and supply constraints. There is an increasing risk that the market transitions from a temporary oil shock narrative to one of persistent energy constraints. Higher energy costs are beginning to feed through into transportation and production costs globally.
- Monetary policy has shifted towards renewed tightening across major economies. The US Federal Reserve (Fed) has raised rates by 25 basis points (bps) for the first time in 3 years. Markets increasingly expect further rate increases as policymakers focus on preventing inflation from becoming entrenched. The European Central Bank has already lifted rates, while the Bank of Japan is expected to continue tightening.
- Several Asian central banks are also expected to raise rates through the remainder of 2026. In line with consensus, we continue to expect policy rate hikes in India, Indonesia and the Philippines in the remainder of 2026.

Source: Eastspring Investments. 18 September 2026 | [1]Reuters, 15 September 2026

## Asset class views

- The near-term outlook for global equities remains constructive, supported by steady US growth, a still resilient consumer spending (despite higher interest rates and higher costs), a still tight labour market, alongside ongoing investment in AI infrastructure. Nominal US gross domestic product (GDP) growth remains sufficient to support earnings momentum, while the absence of meaningful recessionary signals across labour markets, credit spreads, and leading indicators, reinforces a favourable tactical risk-on environment for now.
- Within equities, we favour markets outside Europe and see continued earnings support in the US and selected emerging markets. In fixed income, currently higher starting yields have improved carry and the risk-reward for US duration, supporting our marginally positive tactical view.

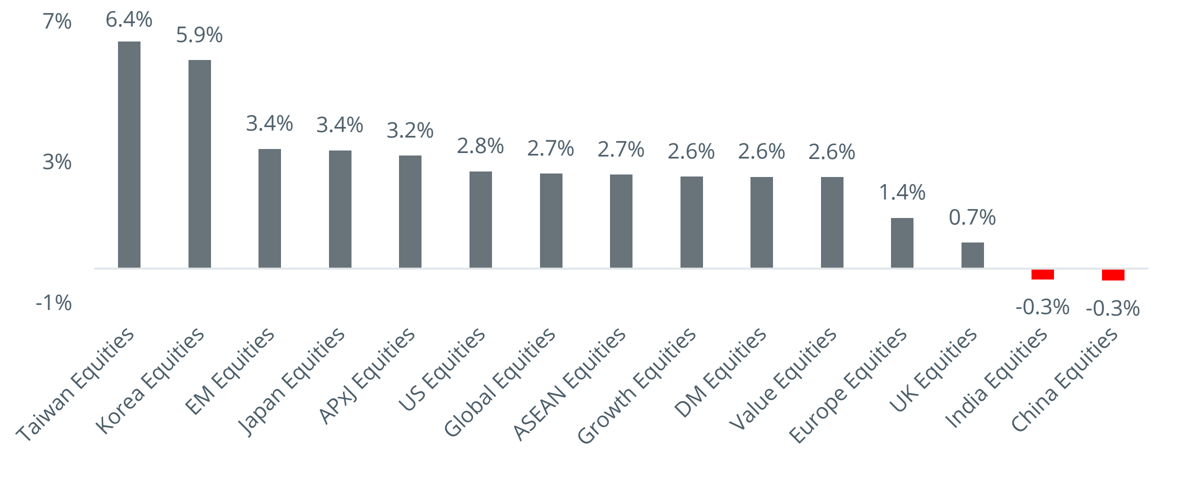
| Top key risks to monitor | Likelihood | Magnitude of Market Impact |
| --- | --- | --- |
| **Two main downside US risks stand out.** US inflation and wage growth remain risk factors for the second half of 2026. Purchasing Manager Index Prices Paid subcomponents have risen to multi-year highs pointing to inflationary pressure in goods. US employment has also been stronger than expected and Fed surveys suggest employment may remain robust. This could lead to a reacceleration in wage growth. If these risks materialize, they would imply larger than expected Fed rate hikes and tighter global liquidity conditions. A second key risk is the sustainability of the AI infrastructure spending which has become a major driver of Asian exports. Any slowdown could weigh on exports and growth across the region. | Medium | High |
| **Key upside risks** include a recovery in US job creation that pushes US growth above 2.5% without increasing wage growth significantly. This could come from the combination of AI capex and adoption increasing demand for labour while also boosting productivity sufficiently to restrain unit labour cost increases. | Medium | Medium |
| **Geopolitical instability.** A lasting settlement to the Iran-US conflict remains elusive. Ceasefires are likely to remain fragile for the foreseeable future. We also continue to monitor the potential for stress emerging from China-Taiwan cross-strait relations as well as disputes between China and the Philippines about territorial water boundaries. | Low | High |

Views provided herein are subject to change without prior notice.

# Market Recap and Update

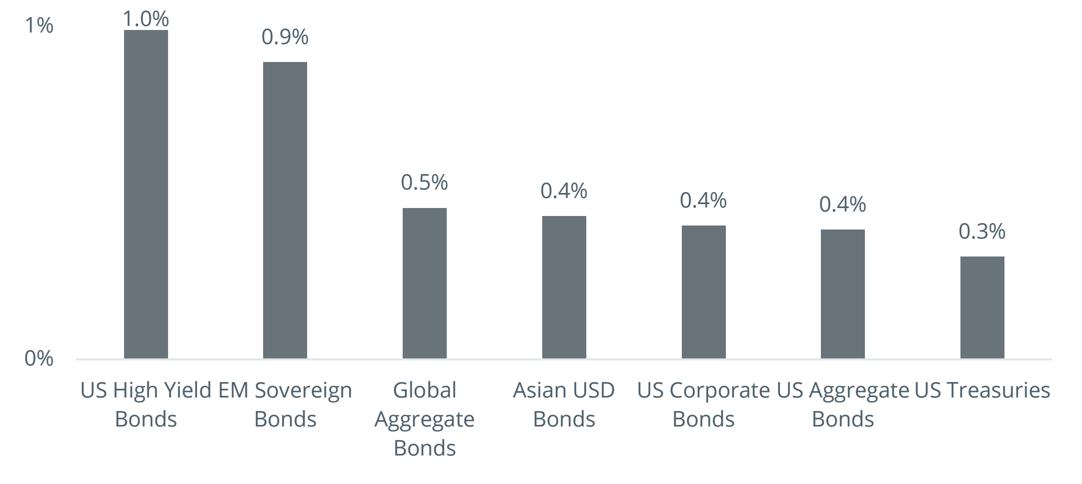
## Global Equity Markets

(Monthly gross returns as of 31 August 2026, in USD)




## Global Bond Markets

(Monthly gross returns as of 31 August 2026, in USD)




- Global equities rose 2.7% in August as risk appetite strengthened amid resilient corporate earnings, moderating price pressures, and persistent geopolitical tensions. The market backdrop was shaped by renewed diplomatic deadlock in the Gulf and continued disruptions across key shipping routes, including the Red Sea and the Strait of Hormuz, which kept oil prices elevated for much of the month despite a late pullback (Brent crude declined to USD 88.37 per barrel). At the same time, investors weighed the impact of ongoing US tariff actions and trade-policy uncertainty, as tariffs remained in force across a broad set of trading partners, complicating the inflation outlook and reinforcing volatility in global commodity markets.
- US equities outperformed global peers, with the MSCI USA Index rising 2.8%, aided by a positive earnings season. European equities were also positive, with the MSCI Europe Index rising 1.4% as improved energy supply conditions and moderating price pressures offset lingering fiscal strains and heightened policy sensitivity.
- The MSCI Emerging Markets (EM) Index gained 3.4%, as risk appetite improved amid a rebound in technology shares and easing geopolitical tensions. Taiwan (MSCI Taiwan +6.4%) and South Korea (MSCI Korea +5.9%) in particular, were standout performers. Chinese equities were marginally lower, with the MSCI China Index declining 0.3% in August as the policy stance remained steady and domestic demand signals showed only tentative improvement.

- The US Treasury yield curve bear-flattened during the month, led by rising short-end yields, driven in part by a hawkish speech from Federal Reserve Chair Kevin Warsh. The shorter end of the curve moved higher, with the 3-month yield rising 8 bps and the 2-year yield up 6 bps, while the 10-year yield was relatively unchanged and the 30-year yield declined 2 bps. Following the U.S. Department of the Treasury's surprise announcement of increased buyback support for long-end Treasuries, yields at the long end temporarily stabilised.
- The Bloomberg Global Aggregate Index (+0.45%) and the Bloomberg US Aggregate Index (+0.39%) posted positive returns. US credit markets also rose higher as the ICE BofA U.S. Corporate Index rose 0.4%, while high yield performed better, with the ICE BofA U.S. High Yield Index up by 1.0%. Supportive fundamentals and a robust earnings season contributed to the positive performance of the high yield market in August. Emerging market sovereign debt, as represented by the J.P. Morgan EMBI Global Diversified Index, posted a 0.9% gain, as both investment grade and high yield issuers outperformed.

Data sources: Eastspring Investments (Singapore) Limited, LSEG Datastream, MSCI, and U.S Department of Treasury, 31 August 2026. **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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