Monthly Investment Outlook

October 2026

Market Recap

- **Equity weakness in September.** Global equities retreated as investors grappled with higher rates, persistent inflation and intensifying debate around AI safety. European equities underperformed, while China and India also posted losses. Taiwan and South Korea proved more resilient, supported by strength in technology stocks and continued AI-related tailwinds.

- **Rising yields weighed on bonds.** Bond markets were under pressure with the 10-year (10Y) U.S. Treasury (UST) yield rising to 5.3% after the Federal Reserve (Fed) delivered its first rate hike since 2023. Credit spreads also widened and weighed on fixed income returns.

- **Oil rallied while gold consolidated.** Brent remained above USD 100 per barrel amid ongoing supply concerns and heightened geopolitical tensions. In contrast, gold pulled back as a stronger dollar and rising real yields reduced its near-term appeal.

Macro Outlook and Asset Allocation

- **Broadening AI trade with continued adoption.** Despite the increased macro uncertainty, robust corporate earnings growth should continue to drive equity upside, particularly in the U.S. and select Asian markets. While scrutiny over AI safety has increased, adoption will likely persist and create opportunities beyond technology, particularly in sectors such as financials and industrials.

- **Quality carry remains in focus.** Inflation and fiscal concerns could keep rates elevated and volatile for now. While we will avoid over-extending duration, higher yields are leading to incremental opportunities in quality credits. We also reiterate the merits of diversifying currency exposure beyond USD bonds through selected AUD and GBP-denominated credits.

- **Be prepared for periodic volatility spikes.** Market volatility may rise further ahead of key events including the October Fed meeting and U.S. mid-term election in early November. Hence, investors may consider structured solutions and hedges to enhance downside protection and portfolio resilience. Meanwhile, we continue to view gold as a strategic diversifier with the recent retreat offering an opportunity to build exposure.

Tactical Asset Allocation			
Asset Class *		**Segment***	
Equity	+	U.S.	+
		Europe	-
		Japan	+
		Asia ex-Japan	+
Fixed Income	=	U.S. Treasuries	=
		Developed Market (DM) Investment Grade (IG)	=
		Developed Market High Yield (HY)	=
		Emerging Market (EM) Asia	=
Hedge Funds	=		
Gold	+		
Cash	-		

* Overweight : +, Neutral : =, Underweight : -
Source: Maybank Group Wealth Management (GWM)

Asset Class	Changes to date (in USD currency)		
	1M	3M	YTD
MSCI AC World	-1.1%	1.7%	13.4%
MSCI U.S.	-0.4%	2.3%	12.6%
MSCI Europe	-4.5%	-1.6%	6.6%
MSCI Japan	1.6%	6.1%	23.0%
MSCI Asia ex-Japan	-0.3%	-0.2%	26.0%
China	-4.6%	3.7%	-11.7%
Hong Kong	-3.4%	6.6%	5.6%
Taiwan	4.2%	5.0%	70.7%
South Korea	3.2%	-9.4%	98.3%
India	-6.9%	-5.5%	-14.7%
Singapore	-2.6%	13.4%	23.6%
Malaysia	-3.6%	2.0%	2.7%
Indonesia	-7.5%	2.9%	-39.2%
Thailand	-3.3%	-5.0%	19.3%
Philippines	-3.6%	-5.1%	-3.3%
BBG Multiverse	-2.4%	-2.4%	-2.5%
BBG U.S. Treasury	-2.2%	-3.0%	-2.8%
BBG Global IG	-2.9%	-3.4%	-3.3%
BBG Global HY	-3.0%	-2.2%	-0.1%
BBG EM Asia	-1.9%	-2.3%	-1.2%
Gold	-8.8%	3.4%	-4.7%
Brent Crude	8.3%	34.4%	61.1%
WTI Crude	5.4%	30.1%	57.5%
Dollar Index (DXY)	2.1%	0.3%	3.2%
Bitcoin	6.3%	42.6%	-4.6%

Sources: Bloomberg (BBG), Factset | 30 September 2026

Fixed Income Outlook

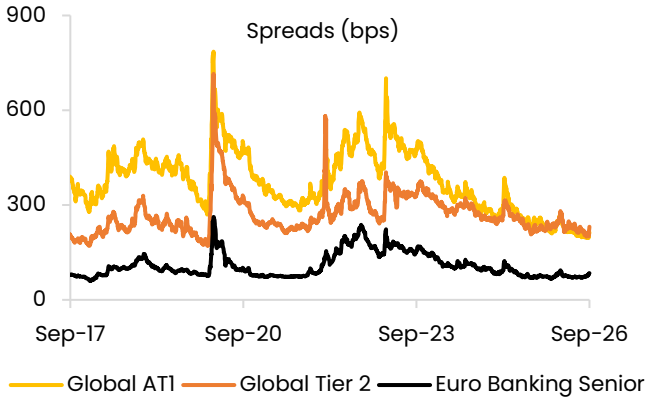
- **Further U.S. rate hikes expected amid solid growth and inflationary pressures.** The U.S. Fed hiked rates by 25 basis points (bps) on 16 September as inflation remains elevated. The U.S. economy continues to demonstrate remarkable resilience, supported by robust AI-related capital expenditure and steady underlying growth, while persistent tension in the Middle East continues to exert upward pressure on energy prices. As such, we expect the Fed to deliver an additional 25 bps hike in December 2026, followed by another 25 bps increase in 1Q 2027. The Fed may potentially hike sooner in October if upcoming data continues to show a solid U.S. economy and unabating price pressures.

- **Rates volatility justifies defensive duration positioning and quality carry.** We remain cautious on over-extending duration amid ongoing rates volatility. Although long-dated yields are looking increasingly attractive on an absolute basis, they may still have room to rise further before stabilising. Still, carry opportunities through high-quality credit can help cushion further rates and spreads volatility as economic conditions and corporate fundamentals remain broadly supportive. We also reiterate the importance of diversifying income and currency exposure. AUD and GBP bonds offer attractive yield opportunities, while SGD bonds provide a more defensive and less volatile allocation, albeit with lower yields.

- **Prefer European & Australian bank credits.** European and Australian banks remain our preferred credit segments, supported by strong fundamentals and robust regulatory frameworks. In Europe, we favour senior and Tier 2 bank debt over AT1s, given limited scope for further spread tightening in AT1s and their greater vulnerability to spread widening if risk sentiment deteriorates. Meanwhile, AUD-denominated bonds issued by Australian banks offer attractive diversification benefits and higher all-in yields than comparable USD-denominated issues.

- **Balancing resilience and yield with Asian credit.** We maintain our preference for Hong Kong utilities for resiliency given their defensive and predictable cash-flow profiles. We also like selected Asian insurers that are supported by strong franchises, sound capitalisation and diversified regional operations. Within Singapore, we favour selected non-financial perpetual securities for yield enhancement, with a preference for Singapore-REIT credits backed by strong underlying fundamentals, short first call dates and attractive reset structures.

Figure 1: Euro bank AT1 spreads have tightened against senior and Tier 2 bonds



Source: Bloomberg | 30 September 2026

Figure 2: Seek resilient income in Australia financials and select Asian credit segments

Regions	Preferred Credit Sectors
Europe & Australia	• Europe banks (senior/ tier 2) • Australia financials
Asia	• Asia insurers • Hong Kong utilities • Singapore REITs

Source: Maybank GWM | 30 September 2026

Equity Outlook

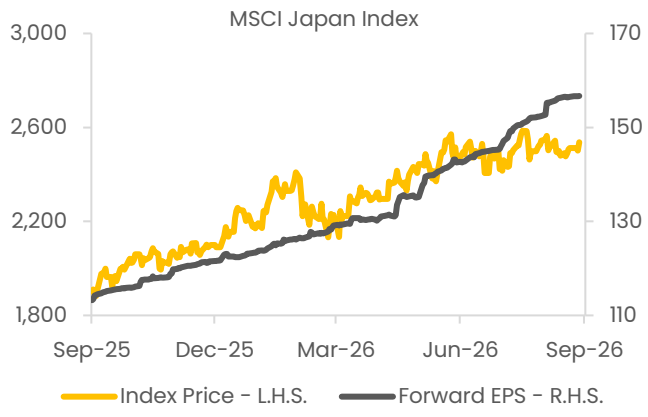
- **Favour U.S. financials and selected mega-cap tech.** Despite mounting rate and election-related risks, the Atlanta Fed GDPNow estimate for 3Q annualised growth of 5% signals continued economic resilience, while solid earnings growth should underpin U.S. equities. We favour a rotation back into mega-cap technology names as their strong balance sheets and cash reserves offer more defensive growth characteristics. We downgrade energy to neutral in favour of U.S. financials, as concerns over AI-related risks to deposit pricing appear overdone.

- **Turning less constructive on European equities.** European equities face headwinds given the region's vulnerability to energy shocks and limited technology exposure. Elevated policy uncertainty and rising rates may also limit near-term gains. Nevertheless, European financials and energy stocks may be more resilient given their still robust earnings and attractive shareholder returns. We also favour communication services as telecom operators expand into AI, cloud and digital infrastructure, creating growth opportunities beyond traditional connectivity.

- **Japan offers attractive opportunities.** Japan's economy has remained resilient despite higher oil prices and rising interest rates. Notably, Japanese corporates delivered solid fiscal 1Q earnings and provided positive guidance across sectors. Further monetary policy normalisation should provide a meaningful earnings tailwind for financials, while sustained AI spending and policy support should drive growth in technology and industrials. With ongoing corporate governance reforms, we see further scope for improved capital efficiency and higher shareholder returns.

- **China remains a wildcard; Singapore leads in ASEAN.** The recent Trump-Xi meeting has reduced near-term trade risks, but the lack of consumption stimulus suggests the economy may continue to muddle through, leaving consumer discretionary earnings under pressure as investors await clearer growth signals from the Fifth Plenum on 26-29 October. We favour technology and selected industrials on China's "six networks" infrastructure agenda, while financials remain attractive due to stronger capital buffers and resilient dividend yields. As for ASEAN, Singapore remains relatively more resilient in the region, supported by solid GDP growth and bank earnings. Malaysia is also better placed, backed by fiscal flexibility and AI investments. In contrast, Indonesia faces downside risks as higher borrowing costs weigh on demand, while limited fiscal flexibility constrains support.

Figure 3: MSCI Japan earnings are revised higher despite macro headwinds



Source: Bloomberg I 30 September 2026

Figure 4: Financials is a key preferred sector globally

Regions	Preferred Equity Sectors
U.S.	• Financials • Industrials • I.T.
Europe	• Comm. Services • Energy • Financials
Japan	• Financials • Industrials • I.T.
Asia ex-Japan	• **China**: Financials, Industrials, and I.T. • **Singapore:** Banks, Industrials, Internet • **Malaysia**: Banks, Construction, Technology

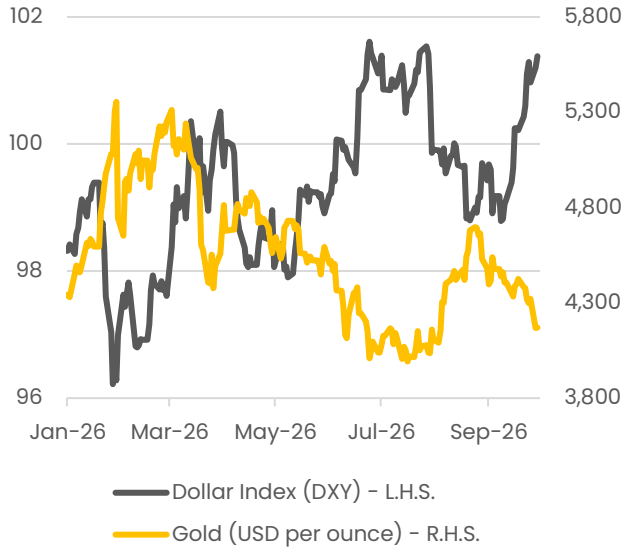
Source: Maybank GWM | 30 September 2026

Commodities Outlook

- **Strong USD 4,000 support level for gold.** Gold underperformed in September as rising UST yields across the curve and renewed expectations of tighter Fed policy increased the opportunity cost of holding the non-yielding metal. A firmer U.S. dollar and profit-taking following earlier gains added further downward pressure. Looking ahead, gold's appeal as a strategic portfolio diversifier has increased following its recent price consolidation. The next key support level at USD 4,000 per ounce is likely to attract significant investor demand, particularly from those seeking to increase their strategic allocation to gold. Moreover, persistent concerns over the U.S. fiscal deficit and the nation's rising debt burden should provide an additional tailwind to the investment case for gold as a hedge against monetary debasement.

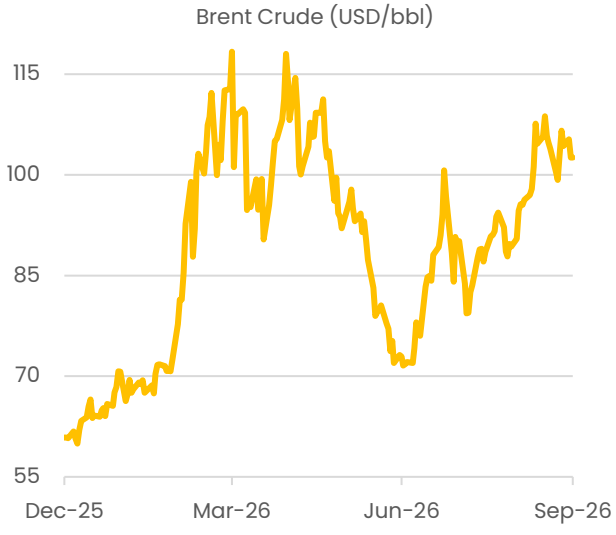
- **Upside to oil prices may be capped.** Oil prices experienced a sharp rally in September, with Brent crude rising back above USD 100 per barrel. The move was driven primarily by renewed attacks on shipping routes in the Strait of Hormuz and Bab el-Mandeb Strait, along with continued disruptions to oil production, raising further supply concerns. Notably, global oil inventories have declined sharply, with the International Energy Agency (IEA) reporting cumulative inventory draws exceeding 500 million barrels since February, leaving markets with a diminished buffer against further supply disruptions. That said, further upside in oil prices may be constrained by softer demand prospects, with the IEA recently lowering its global oil demand forecast. Markets also remain sensitive to signs of diplomatic progress between the U.S. and Iran. Any meaningful de-escalation or restoration of oil flows in the Middle East could trigger a retracement in crude prices.

Figure 5: Gold retraced lower amid renewed U.S. Dollar strength



Source: Bloomberg I 30 September 2026

Figure 6: Oil prices back above USD 100 per barrel on renewed geopolitical tensions



Source: Bloomberg I 30 September 2026

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