

Market Review and Outlook

January 2026

Market Review

Global equity markets maintained their 2025 momentum through January 2026, with the MSCI World Index climbing +2.19% mom. The Dow Jones and NASDAQ Composite indices too climbed +1.73% and +0.95% mom respectively, despite experiencing some volatility in the middle of January. This volatility was primarily triggered by President Trump's narrative regarding the acquisition of Greenland, which culminated in a threat to impose 10% tariffs on the NATO allies to pressure acquiescence, which was fortunately then de-escalated during the World Economic Forum in Davos. The U.S. Core Consumer Price Index (CPI) for December remained stable at +2.6% yoy, slightly better than the consensus expectation of +2.7% yoy, but had yet to achieve the Fed's target inflation of +2.0% yoy.

In Europe, the Stoxx 50 Index rose by +2.70% mom, as the Eurozone concluded 2025 with a steady GDP growth of +0.3% qoq in Q4, surpassing the consensus forecast of +0.2%. Additionally, the preliminary estimate for December's CPI was +2.3% yoy, slightly down from +2.4% yoy in November, marking its four - month low. However, the HCOB Composite PMI reading decreased by 0.2 points to 51.3 in January compared to December 2025, but it still represented 13 consecutive months of expansion since December 2024.

In China, the Shanghai Composite Index rose +3.76% mom in January 2026 as robust enthusiasm for artificial intelligence (AI) and advanced manufacturing effectively decoupled market performance from a mixed macroeconomic landscape where its official January 2026 Composite PMI of 49.8 indicated economic contraction whilst China RatingDog Composite PMI of 51.6 hit a three - month high. Apart from that, the People's Bank of China kept its 1 - year and 5 - year Loan Prime Rate (LPR) unchanged at 3.00% and 3.50% respectively, signifying the central bank's steady stance on monetary policy.

On the commodity front, Brent crude oil experienced a volatile but strong performance in January 2026, surging by +16.2% mom to close the month at USD70.69 per barrel. This marked the largest monthly gain for the benchmark since January 2022, largely driven by escalating geopolitical risks in Iran and tightening sanctions on Venezuela's oil sector. Similarly, crude palm oil (CPO) price also increased +4.1% mom to RM4,160/ MT driven by a combination of tight supply, surging export demand due to Indonesia's B45 biodiesel mandate and the spillover effect from rising Brent crude prices, which increased palm oil's appeal as a biofuel feedstock. Ringgit Malaysia too appreciated to RM3.9453: USD1.00 as at end January 2026 from RM4.0603: USD1.00 a month ago.

In ASEAN, Malaysia's FBMKLCI started 2026 on strong footing, rising for four consecutive weeks to close January at 1,741 points (+3.62% mom), supported by policy optimism and improving macro signals. It was noteworthy that January 2026 net foreign equity inflows amounted to RM1.05bn vs the CY25 net foreign equity outflow of RM22.3bn.

Singapore's Straits Times Index soared +5.57% mom, driven by robust banking sector performance and a significant boost from government-led liquidity initiatives under the Equity Market Development Programme. Its December 2025 NODX grew +6.1% yoy (Nov 25: +11.5% yoy), coming below consensus estimate of +10.1% yoy mainly due to the contraction in the pharmaceutical sector and plunge in exports to the US which outweighed the double-digit gains seen in the electronics sector.

The Indonesian Jakarta Composite Index plunged -3.67% mom. This was triggered by a warning from MSCI regarding transparency and concentrated ownership, which sparked a two - day rout on January 28 - 29 causing the index to plummet nearly 8% over two days, which triggered an emergency trading halt. However, the dropped recovered slightly after the government implemented aggressive reforms, specifically doubling the minimum free - float requirement to 15% and launching an automated ownership tracking system to satisfy MSCI's transparency standards. On its monetary policy, Bank Indonesia decided to keep its policy rate at 4.75% for its fourth consecutive meeting in January 2026 to support the struggling Rupiah.

Lastly, the Stock Exchange of Thailand edged up +5.24% driven by strong foreign inflows. Foreign investors were net buyers of THB4.3bn (US\$136m) during the month. However, the Bank of Thailand (BoT) recently downgraded its 2026 GDP growth forecast to +1.5% yoy from +1.6% yoy, citing a slowdown in private consumption and potential impacts from U.S. trade tariffs

on exports. Thailand's core CPI rose by +0.59% yoy, lower than the +0.66% yoy recorded in November and consensus forecast of +0.69% yoy. The slight deceleration was driven by weakening domestic demand influenced by a slowdown in price growth for housing and apparel.

In January 2026, U.S. Treasury (UST) yields climbed by 2 – 7 bps mom across the tenors amidst volatility in the Japanese Government Bond (JGB) markets due to Japanese Prime Minister, Sanae Takaichi's expansionary fiscal plans following the announcement of a snap election scheduled in February 2026. Although U.S. jobs growth in December 2025 was weaker – than – expected at +50k mom (Survey: +70k mom, November 2025 revised: +56k mom), an unexpected decline in the unemployment rate to 4.4% (Survey and November 2025 revised: 4.5%) supported the Federal Reserve (Fed)'s decision to maintain the federal funds rate at 3.50% – 3.75% in its January 2026 Federal Open Market Committee (FOMC) meeting as widely expected. Fed Chair Powell struck a tone of cautious optimism, highlighting a 'clear improvement' in the U.S. economic outlook while noting that the labour market has begun showing signs of stabilization. Fed fund futures as of end – January 2026 now indicate total implied rate cuts of 53 bps by end of 2026 compared to 59 bps as of end – December 2025.

Locally, the Malaysian Government Securities (MGS) yields were also higher by 1 – 10 bps mom, except for the 3 years MGS which reduced by 1 bps mom. 2 out of 3 bond auctions in January 2026 drew lukewarm demand as the new benchmark 15 years MGS 1/41 recorded a bid-to-cover (BTC) ratio of just 1.944x, while the new 30 years Malaysian Government Investment Issues (MGII) 1/56 barely cleared the 2.0x mark at 2.071x, signalling a lack of appetite for long-duration exposure. Malaysia's CPI in December 2025 grew +1.6% yoy (Survey and November 2025: +1.4% yoy) primarily due to greater prices for personal care products, education, and certain household – related expenses. As broadly anticipated, Bank Negara Malaysia (BNM) maintained the Overnight Policy Rate (OPR) at 2.75% in the January 2026 Monetary Policy Committee (MPC) meeting. BNM reaffirmed that the current policy stance to be appropriate and supportive of the economy amid price stability.

Foreign funds net bought Ringgit bond holdings in January 2026 with net inflows of RM1.0b (December 2025: net inflows of RM3.0b). The foreign share of MGS grew to 34.1% (December 2025: 33.7%) while the foreign share of MGS+MGII lowered marginally to 21.5% (December 2025: 21.6%). Malaysia's foreign reserves expanded by USD1.4b to USD126.9b as of end – January 2026 (December 2025: USD125.5b).

Market Outlook

The 2026 market outlook for Malaysia's FBM KLCI positive momentum is underpinned by a resilient domestic economy growth, alongside healthy corporate earnings. Major thematic catalysts include Visit Malaysia 2026 campaign, which is set to bolster the consumer, tourism, and aviation sectors, and the initiation of the 13th Malaysia Plan, which will drive infrastructure and energy transition investments. Furthermore, the index is expected to benefit from the return of foreign fund inflows—currently near historic lows at 19% ownership which is supported by a strengthening Ringgit and anticipated monetary easing by the US Federal Reserve.

Despite the current volatility permeating markets, we remain cautiously upbeat on our market's prospects and would continue investing in fundamentally good long – term investments. As always, we will seek opportunities to engage in trading activities to capitalize on any prevailing market volatility. Nevertheless, we will keep constant watch over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever-volatile market conditions.

Based on the FOMC statement, indicators suggested that U.S. economic activity has been expanding at a solid pace. Job gains have remained low and the unemployment rate has shown signs of stabilisation. Additionally, even though the upside risk to inflation has diminished but it still exist, hence could introduce caution into the Fed's monetary policy where potential rate cuts would be used to weight against stubborn inflation. In any case, the FOMC remains attentive to the risks to both sides of its dual mandate and committed to supporting maximum employment and returning inflation to its 2% objective. Currently, markets expect the FOMC to maintain rates at the March meeting as policymakers weigh incoming data. Despite the new Fed leadership after Powell steps down in May 15, institutional guardrails are expected to preserve the Fed's independence and neutral policy stance.

BNM at the policy meeting on 22 January 2026 stated that Malaysia's growth for 2025 is expected to be around the upper end of the forecast range. This growth momentum is expected to continue in 2026, supported by resilient domestic demand while the external sector will benefit from continued strength in electrical and electronics (E&E) exports and higher tourist spending. The central bank also cautioned that the growth outlook is subject to uncertainties, in particular surrounding global developments with downside risks from slower global trade and lower – than – expected commodity production. While core inflation in 2026 is expected to remain stable and close to its long – term average, BNM would continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

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