

2 - 6 March 2026

WEEKLY MARKET REVIEW

A brief on global markets and investment strategy

Key Highlights



- US equities declined, with the S&P 500 falling 2.0%, as geopolitical tensions continue to boil over between US-Israel and Iran.
- Oil prices surged above US\$100 per barrel amid disruptions to regional oil and gas production and concerns over shipping through the Strait of Hormuz.
- US Treasury yields rose sharply, with the 10-year yield reaching 4.17% before ending the week around 4.14%, reflecting renewed inflation concerns linked to higher energy prices.
- US labour market data surprised to the downside, with February non-farm payrolls declining by about 92,000 jobs, marking the third contraction in the past five months.
- Markets have begun to recalibrate Federal Reserve rate cut expectations, shifting from 2 cuts to now just 1 cut.



- Asian equities declined sharply, with the MSCI Asia ex-Japan index falling 6.4%, led by weakness in North Asia.
- Korea's KOSPI dropped 10.6% while Taiwan declined about 5.1%, as markets corrected after strong earlier performance.
- Asian credit markets weakened, with IG spreads widening around 3 bps while HY spreads widened roughly 20 bps amid rising oil prices and risk aversion.
- Primary bond issuance slowed significantly, with APAC supply falling to about US\$2.1 billion, down more than 70% w-o-w as issuers delayed deals.



- KLCI closed broadly flat, edging 0.08% higher, supported by gains in commodity-related stocks such as Petronas Chemicals, Press Metal and MISC.
- Broader market sentiment was weaker, with the FBM 100 declining 0.53% and the ACE Market Index falling about 7% w-o-w.
- Oil and gas stocks led sector gains, while technology, property and construction were the main laggards.
- MGS yields moved higher, with the 3-year and 10-year MGS rising to 3.10% and 3.55% respectively, while the 30-year remained at 4.02%.
- Bank Negara Malaysia maintained the OPR at 2.75% in line with market expectations.

GLOBAL & REGIONAL EQUITIES

US equities were weaker last week, with the S&P 500 falling 2.0%, as tensions in the Middle East escalated further. In Asia, the MSCI Asia ex-Japan index declined sharply by 6.4% last week. The biggest declines were seen in markets that had previously been strong performers, particularly North Asia where Taiwan's country benchmark index fell about 5.1%, while Korea's KOSPI dropped a steeper 10.6%.

US-Israel and Iran Tensions | Market Update

Oil prices surged past the US\$100 mark amid reports of widening strikes across neighbouring countries, with several Gulf states experiencing disruptions to oil and gas production.

A key concern for markets continues to centre around the Strait of Hormuz. Over 30% of global seaborne crude oil and about 20% of global LNG shipments pass through this narrow waterway. Therefore, a sharp drop in shipping volumes has immediate implications for global energy supply and logistics.

While the strait technically remains open, shipping activity has slowed dramatically as vessels grow increasingly reluctant to transit the area due to heightened security risks. Production disruptions are already beginning to emerge across the region. Saudi Arabia has reduced output, while Iraq has reportedly halted more than half of its production. Kuwait has declared force majeure on oil exports, Abu Dhabi has indicated it will trim production at offshore fields, and Qatar has declared force majeure on LNG exports.

A critical factor now is storage capacity. Some producers have buffers that allow them to continue pumping oil even if exports are temporarily disrupted. For instance, Saudi Arabia can store roughly 36 days of production, and potentially up to 65 days if crude is rerouted through pipelines.

However, other countries have less flexibility. Iraq's storage capacity is estimated at around 6 days, while Kuwait can only store about 14 days. Countries with limited storage are therefore forced to halt production sooner if export routes remain constrained.

At the same time, the ongoing conflict is exposing the structural vulnerabilities of several Gulf states, including Qatar, Kuwait, Bahrain, and the United Arab Emirates. These countries possess numerous "soft targets" that are difficult to defend comprehensively — such as desalination plants, oil infrastructure, ports, airports and tourism assets.

In latest developments, Iran has also appointed a new Supreme Leader following the death of Ali Khamenei, who was reportedly killed at the onset of the conflict. Iran's clerical leadership moved quickly to install his son, Mojtaba Khamenei, as the new Supreme Leader. Regional officials view the appointment as a clear signal that Tehran's hardline factions intend to maintain a confrontational stance.

However, several constraints may help prevent the conflict from escalating into a full ground invasion. For Washington in particular, domestic political considerations remain an important constraint. US voters have historically shown little appetite for prolonged overseas conflicts, and although Trump has mentioned the possibility of deploying ground forces, there is currently no visible military build-up along Iran's borders that would suggest an imminent ground invasion.

Similarly, Iran's conventional military capabilities have been significantly degraded. Reports indicate that its air force and naval capacity have been heavily damaged, while US officials say Iranian missile launches have fallen by roughly 90% following strikes by US bombers.

US-Israel and Iran Tensions | Market Update (cont')

The situation remains highly fluid as the cycle of retaliatory attacks continue. There are three (3) key indicators that markets are closely monitoring:



Shipping Activity in the Straits of Hormuz

Traffic through the corridor has dropped to extremely low levels, and whether shipping volumes begin to recover will be a crucial signal for global energy markets and supply chains.



Regime Instability

It remains unclear whether US-Israel will tolerate the newly installed leadership, raising the possibility of additional strikes against senior figures in Tehran.



Attacks on Oil Infrastructure

While the rate of ballistic missile launches appears to have declined, the threat from smaller, lower-cost drone strikes remains significant.

US Treasury yields moved sharply higher last week, rising about 20 bps to touch a high of 4.17% before ending the week around 4.14%. The sell-off largely reflected renewed inflation concerns following the sharp spike in oil prices.

In terms of rate expectations, markets have begun to recalibrate the outlook for US Federal Reserve policy. Earlier in the year, the consensus expectation had been for roughly 2 rate cuts in 2026. That outlook has now shifted closer to 1 cut, with the timing also pushed further out from July to now September.

On the data front, the key release was labour market data, which came in softer than expected. Non-farm payrolls for February showed a decline of about 92,000 jobs, compared with expectations for an increase of around 50,000 and below the downwardly revised January figure of 126,000. This marks the third instance in the past 5 months where the economy has recorded a net loss of jobs. The weakness was partly attributed to industry-specific disruptions, particularly strikes in parts of the healthcare sector.

Looking ahead, the coming week will again be data heavy. Markets will be closely watching upcoming inflation readings, particularly CPI and the Fed's preferred gauge, the PCE index, as these will provide further clarity on inflation.

UPDATES ON MALAYSIA

Last week, the KLCI was largely flat, closing 0.08% higher. The index was supported by select commodity gainers, notably Petronas Chemicals Group Berhad (PCHEM), which rose about 34%, while Press Metal Aluminium Holdings Berhad and MISC Berhad also reached new highs amid geopolitical developments in the Middle East.

Broader market trends were weaker. The FBM 100 declined 0.53%, with small caps particularly affected as the FBM ACE Market Index fell about 7% week on week.

By sector, oil and gas led gains, while technology, property, and construction were the main detractors. The fourth-quarter 2025 earnings season concluded last week. Overall, results were constructive, with 87% of KLCI stocks reporting in line with or above expectations, led by banks and plantation companies. KLCI earnings grew about 5% year on year, while broader market growth remained flat.

UPDATES ON MALAYSIA (cont')

In portfolio activity, funds were trimming positions in airlines and small caps while adding to plantation stocks. Cash levels remain elevated, ranging 10–20% for Shariah-compliant funds and around 10% for conventional funds.

FIXED INCOME UPDATES & POSITIONING

Regional Fixed Income

Credit spreads widened across the board last week, particularly in the high yield segment, though markets remained broadly functional. US Investment Grade (IG) spreads ended the week flat at 82 basis points (bps), while US High Yield (HY) spreads widened approximately 7 basis points w-o-w.

In Asia, IG spreads widened by around 3 bps, while Asian HY underperformed, widening roughly 20 bps. As of Monday morning, spreads are an additional 3–5 bps wider, reflecting higher oil prices over the weekend. Australia followed a similar trend, with spreads softening by about 5–10 bps amid supply pressures.

Primary issuance was disrupted last week. On Monday, Asia and US borrowers largely stood down, postponing issuance. Activity partially resumed from Tuesday, but execution remained fragile with multiple go/no-go calls by dealers. Over the week, US IG issuance totaled approximately USD 50.5 billion, below the pre-conflict consensus of USD 65 billion. Year-to-date supply stands at roughly USD 450 billion, 11% ahead of last year, with around USD 60 billion expected to return to the market next week as deferred deals are priced.

In the Asia Pacific (APAC) region, issuance was light at around USD 2.1 billion, down over 70% week on week. Year-to-date, Asia ex-Japan USD issuance totals about USD 60 billion, up 17% year on year.

On the credit front, Fitch Ratings revised Indonesia's BBB sovereign outlook to negative, citing policy uncertainty, following a similar move by Moody's. Indonesian IG spreads widened roughly 10 bps last week. Our Indonesia positions were already light, with profits largely taken prior to the announcement.

From a portfolio perspective, funds were net sellers of credit, taking profits on more volatile positions to manage fund volatility. There were no primary deals participated in, and cash levels remain around 2–5%.

Domestic Fixed Income

Last week, the local bond market saw Malaysian Government Securities (MGS) yields end higher, with most tenors rising 1–7 bps amid heightened geopolitical tensions and tracking global bond yields.

On a weekly basis, the 3-year MGS closed at 3.10% (+7 bps), the 10-year at 3.55% (+7 bps), while the 30-year remained unchanged at 4.02%. There were no auctions last week, but attention is on today's reopening of the GII 740, a 15-year benchmark Islamic government bond, with a total issuance of RM5 billion—RM3.5 billion via public auction and RM1.5 billion through prior placement.

In the corporate space, there were 2 issuances of private debt securities (PDS). Tenaga Nasional Berhad (TNB) Power Generation issued RM1.5 billion across 10-, 15-, 20-, and 25-year tranches, with spreads

Domestic Fixed Income (*cont*)

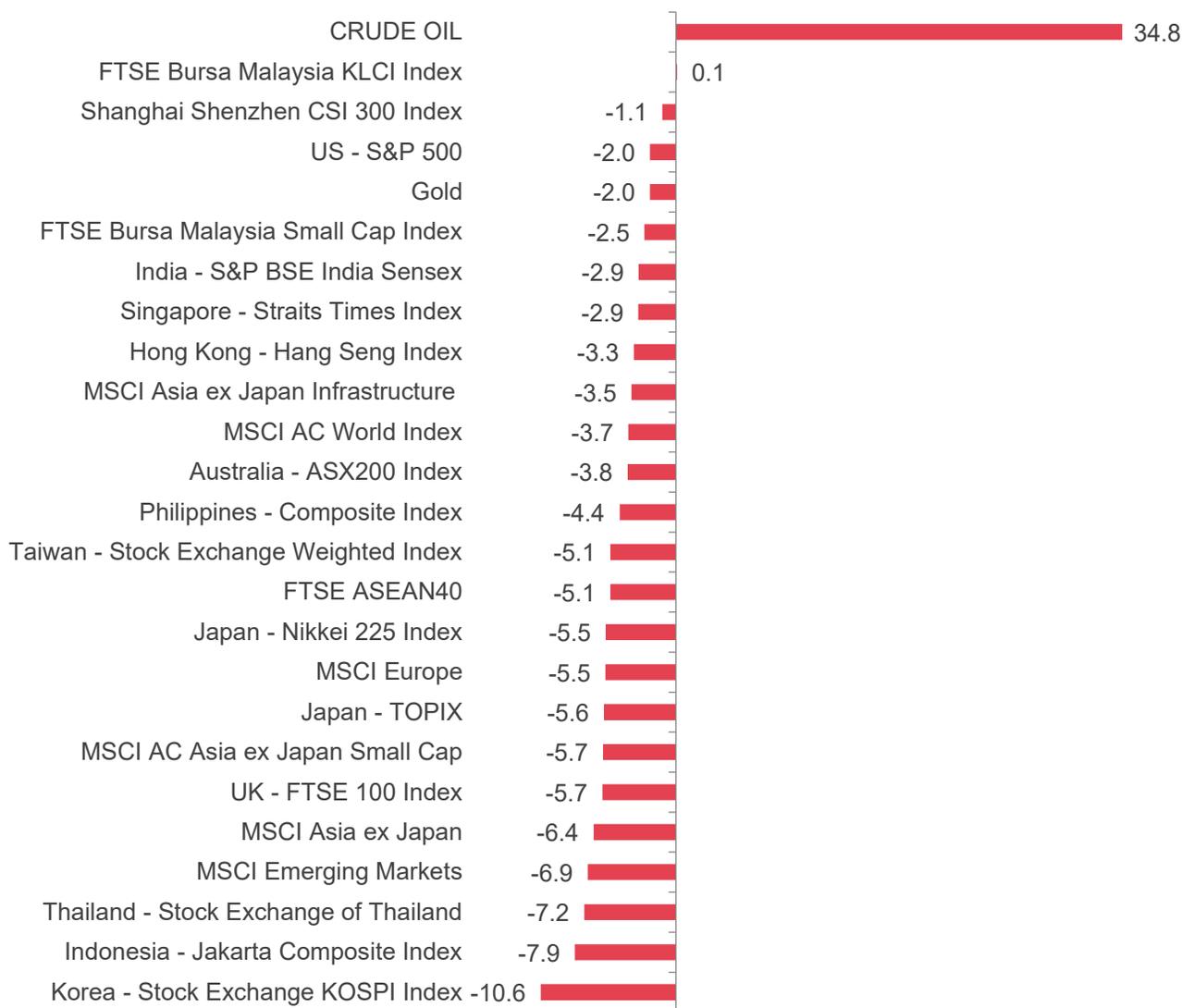
around 27–28 bps. Sunway Treasury Sukuk Berhad (Sunway Treasury Sukuk) issued RM900 million across 5- and 7-year tranches, rated AA-, with spreads of 45 bps and 40 bps respectively.

Bank Negara Malaysia (BNM) maintained the OPR at 2.75%, in line with market expectations. The statement was neutral, noting ongoing risks and uncertainties while reaffirming confidence in economic fundamentals. Headline inflation is expected to remain moderate, with core inflation stable, though market participants continue to monitor oil price movements.

From a portfolio perspective, selective rebalancing continued, taking profits to enhance portfolio carry and manage duration. Cash levels remain at approximately 3–4%, with portfolio yields ranging between 5.2% and 6.8%.

- END -

Index Performance | 2 - 6 March 2026



Index Chart: Bloomberg as at 6 March 2026. Quoted in local currency terms.

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