

The background of the slide is a nighttime photograph of a city skyline. Several prominent skyscrapers are visible, with their windows illuminated. The buildings are set against a dark sky, and the city lights create a bokeh effect in the background. The overall scene is a dense urban environment.

# Quarterly Market Outlook 2Q2026

Global Markets

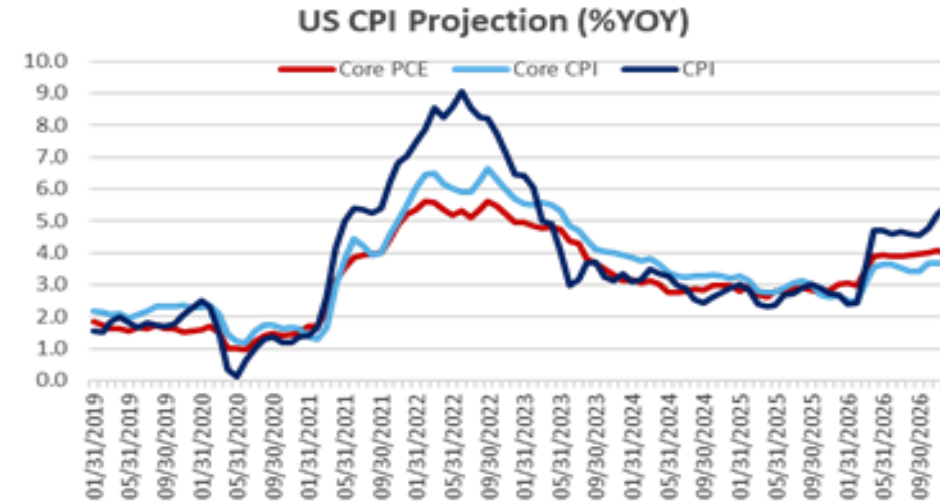
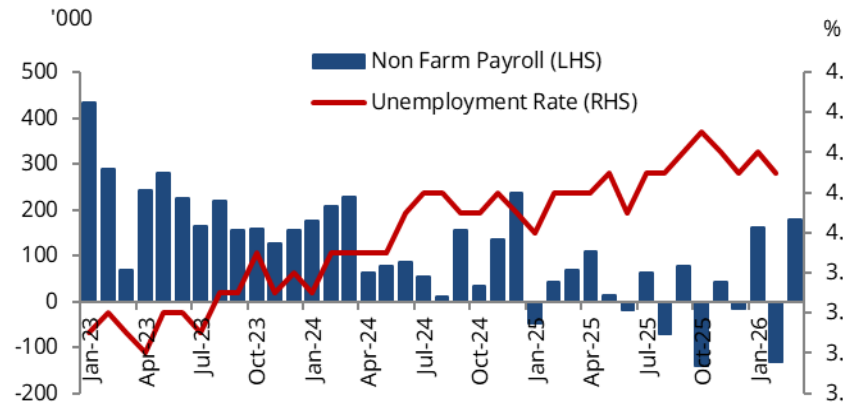
April 2026

## Global Central Banks Policy Rates Outlook

	Current	2Q26	3Q26	4Q26	1Q27	Remarks (2Q-4Q)
<b>United States</b> Federal Reserve <i>Fed Funds Rate</i>	3.50-3.75	3.50-3.75	3.50-3.75	3.25-3.50 (-25bps)	3.25-3.50	-25bps
<b>Eurozone</b> European Central Bank <i>Deposit Rate</i>	2.00	2.00	2.00	2.00	2.00	No change
<b>United Kingdom</b> Bank of England <i>Bank Rate</i>	3.75	3.75	3.75	3.75	3.75	No change
<b>Japan</b> Bank of Japan <i>Policy Balance Rate</i>	0.75	0.75	1.00 (+25bps)	1.00	1.00	+25bps
<b>Australia</b> Reserve Bank of Australia <i>Cash Rate</i>	4.10	4.35 (+25bps)	4.35	4.35	4.35	+25bps
<b>New Zealand</b> Reserve Bank of New Zealand <i>Official Cash Rate</i>	2.25	2.25	2.25	2.25	2.25	No change
<b>Malaysia</b> Bank Negara Malaysia <i>Overnight Policy Rate</i>	2.75	2.75	2.75	2.75	2.75	No change
<b>Thailand</b> The Bank of Thailand <i>1-Day Repurchase Rate</i>	1.00	1.00	1.00	1.00	1.00	No change
<b>Indonesia</b> Bank Indonesia <i>7-day Reverse Repo Rate</i>	4.75	4.50 (-25bps)	4.50	4.50	4.50	-25bps

Source: Bloomberg, HLBB Global Markets Research

# US – FOMC to hold in 2Q amid elevated price risks and still solid growth

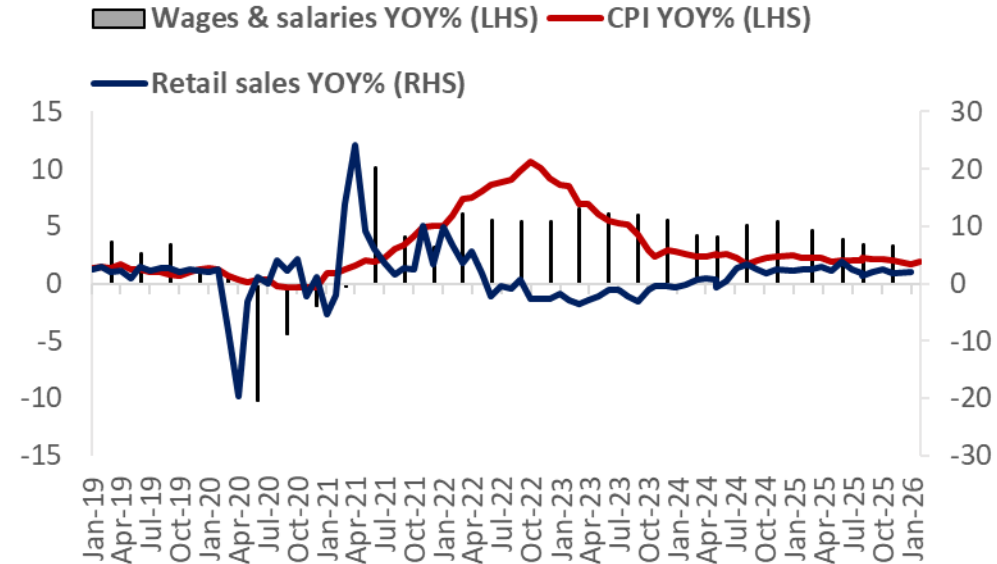
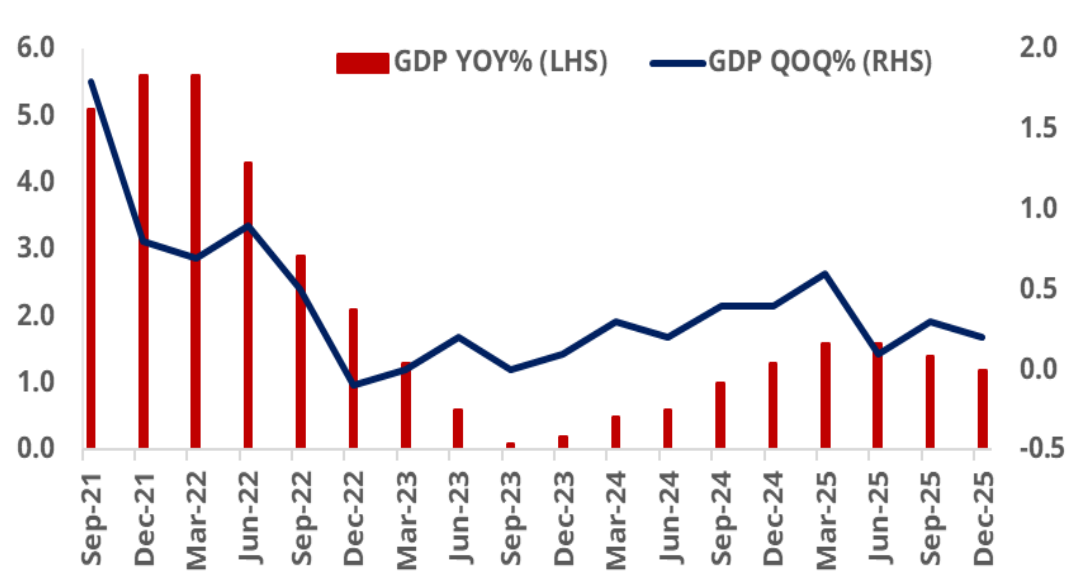


	2024	2025	2026F
GDP (%)	2.8	2.2	2.4
Core PCE Inflation (%)	2.9	2.8	2.7
Fed Funds Rate (%)	4.25-4.50	3.50-3.75	3.25-3.50
Dollar Index (End of period)	108.48	98.32	97.96

Source: Fed, Bloomberg, HLBB Global Markets Research

- Expect no change in the Fed Funds Rate in 2Q amid a **resilient state of the economy and labour market** for now and amid upside risks to inflation
- **Impact of surging oil prices on inflation likely transitory** and central banks do not react unless this is followed by a pick-up in inflation expectations; As such, no rate hike is anticipated unless this is wider spillover
- **FOMC remains on an easing bias and is expected to cut in 4Q** with economic activities, consumer spending, corporate profitability and the labour market likely disrupted by the energy shock

## Eurozone – Extended pause for now

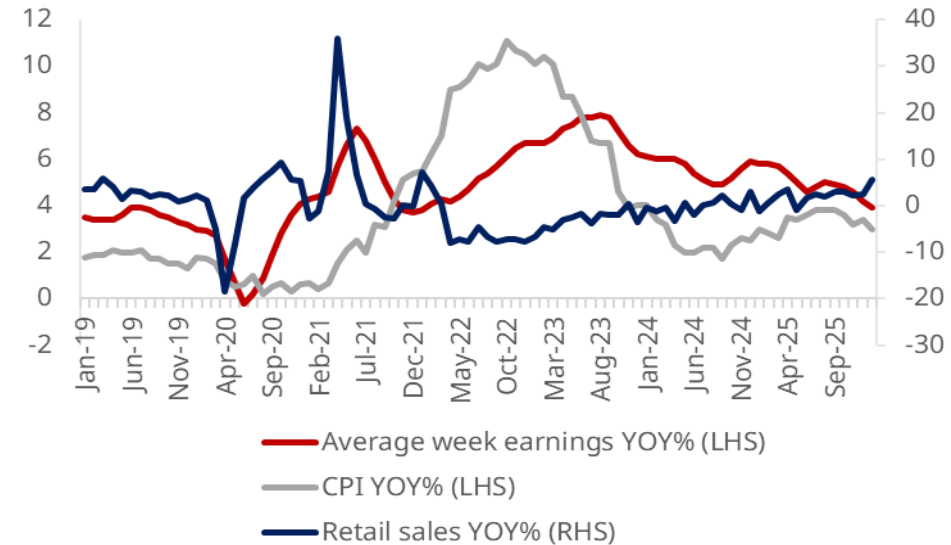
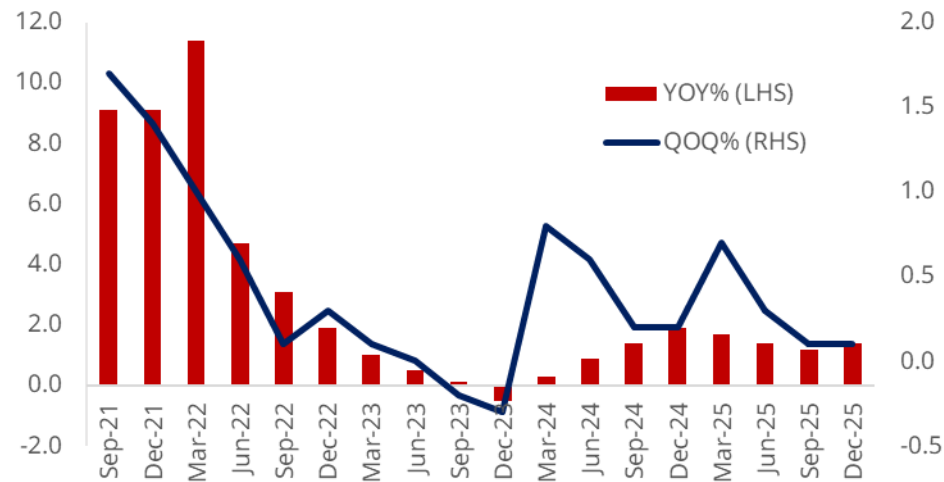


	2024	2025	2026F
GDP (%)	0.9	1.4	0.9
Inflation (%)	2.4	2.1	2.6
Deposit Facility Rate (%)	3.00	2.00	2.00
EUR/USD (End of period)	1.0354	1.1746	1.17

- **Upward revisions to ECB growth and inflation projections for 2026** - GDP largely due to domestic demand; inflation due to services inflation
- **ECB projection showed that the transitory inflation overshoot in 2026 likely to ease by 2027**, and the risk from the prolonged disruption in the supply of oil and gas balanced. Thus, we expect ECB to extend its policy pause for now, while noting that rate hikes cannot be totally disregarded
- Forward-looking indicators, such as the ECB's wage tracker and surveys on wage expectations, suggest that **wage growth will ease in the coming quarters**, before stabilising somewhat below 3% towards the end of 2026. This further reaffirms our rate pause view

Source: ECB, Bloomberg, HLBB Global Markets Research

## UK – On watch for wage-push and inflationary expectations

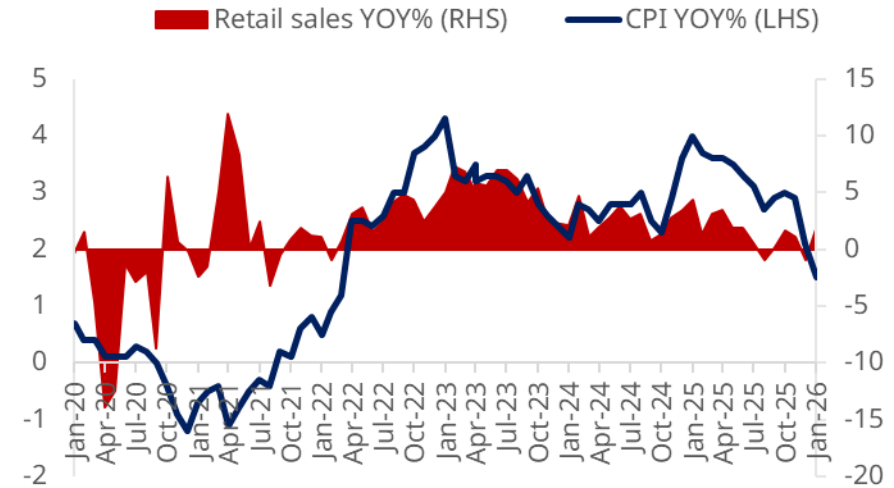
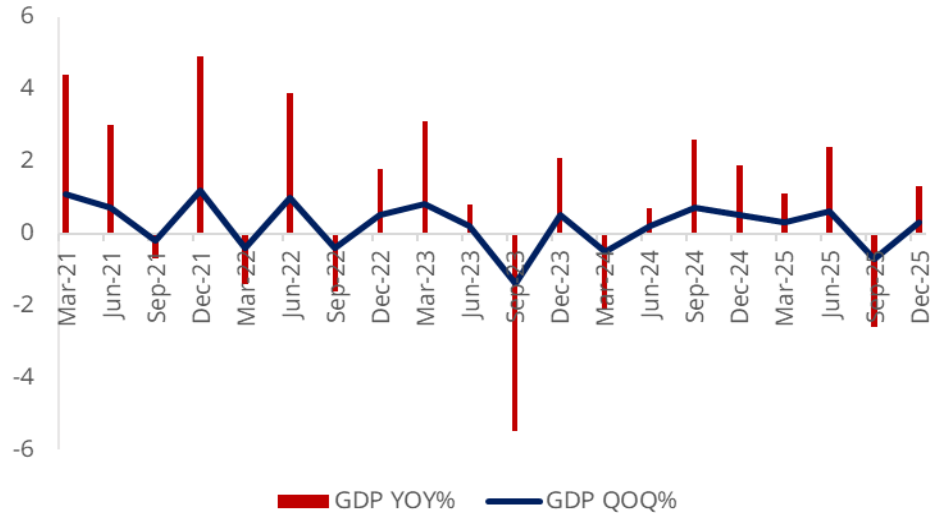


	2024	2025	2026F
GDP (%)	1.1	1.4	0.9
Inflation (%)	2.5	3.4	2.0
Bank Rate (%)	4.75	3.75	3.75
GBP/USD (End of Period)	1.2516	1.3475	1.34

Source: BOE, Bloomberg, HLBB Global Markets Research

- **Underlying growth momentum is soft but steady in 1Q** (forecast: 0.1-0.2% vs 0.1% in 4Q) - labour demand still weak (unemployment rate at 5.2% in the 3-months ended Jan); hence, **premature to pencil in rate hikes for 2026**
- **Near-term outlook for inflation has risen** due to the energy shock, now likely to be between **3.0-3.5% over the next couple of quarters**, a sharp reversal from Feb forecast (to ease to around the 2% target from April)
- **Keeping a close watch on risks of second-round effects from the new energy price shock through wage and price-setting.** Unlike EU, basic private sector pay settlements have been revised up 0.2ppts to average 3.6% over 2026 following the Middle East tension

## Japan - Leeway in 2Q for BOJ to assess the war

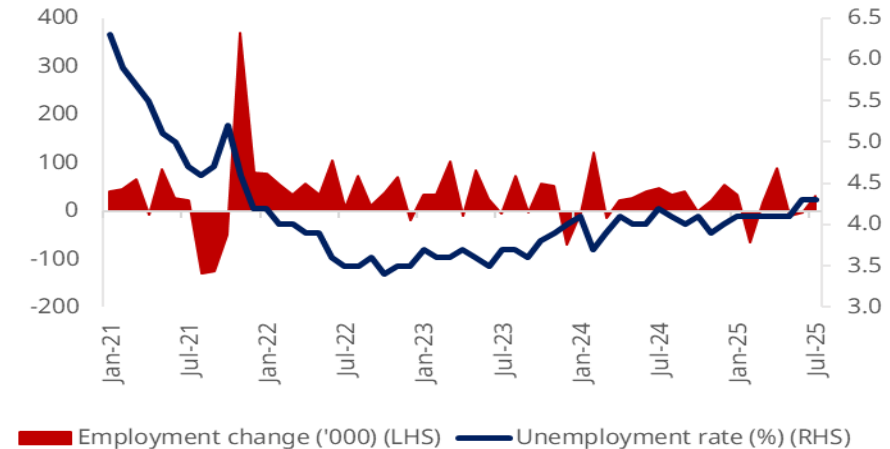
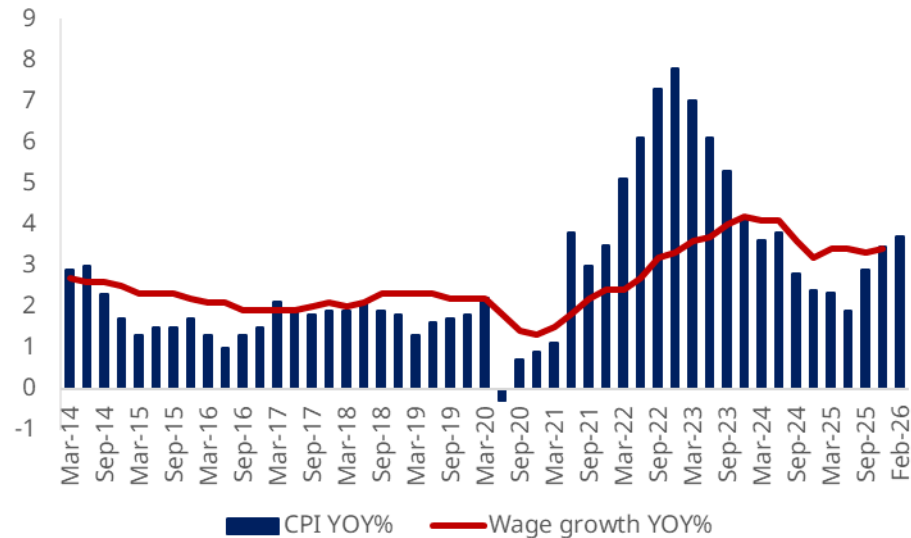


	2024	2025	2026F
GDP (%)	-0.2	1.2	1.0
Core Inflation (%)	2.7	2.7	1.9
Policy Balance Rate	0.25	0.75	1.00
USD/JPY	157.20	156.71	152

Source: BOJ, Bloomberg, HLBB Global Markets Research

- **Mildly hawkish BOJ policy statement** - BOJ reiterated its stance that the real interest rates are at significantly low levels, and expects upward pressure due to the recent rise in oil prices, inflation expectations and labour shortage
- **Recent dip below 2% target for CPI not a game changer** - the dip was within expectation and likely temporary on waning effects from recent food price increases and government measures to address rising prices
- **Economy expected to grow moderately**, with domestic demand supported by virtuous cycle from income to spending and government's 21.3tn yen package to address cost of living pressure for consumers

# Australia – Expect at least one rate hike in 2Q

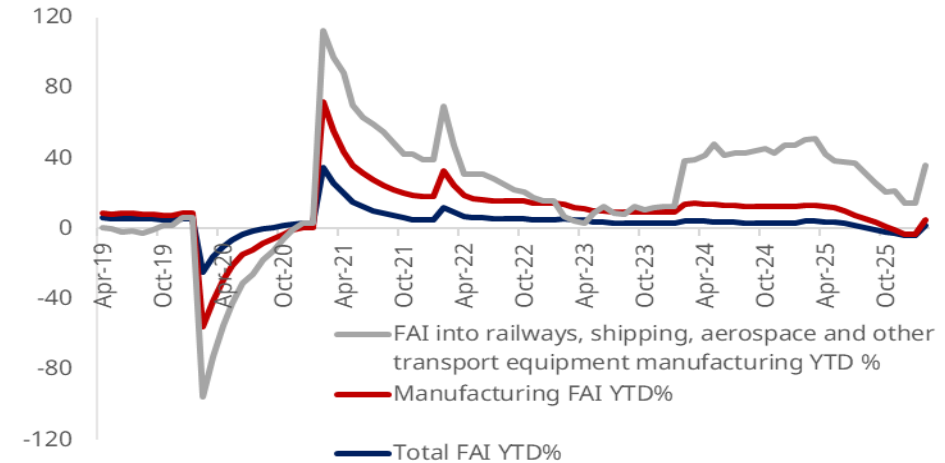


- March RBA policy meeting marks the first back-to-back rate hike since 2023; **a third hike is on the cards** underpinned by expectations of a still tight labour market, capacity pressures and trimmed means CPI remaining above RBA’s forecast
- **Further (4<sup>th</sup>) hike is debatable** due to macro risk but not discounted given: 1) Recent upward spiral in commodity prices. **Direct effect (via petrol prices) of oil prices remaining around \$100/barrel will lift headline CPI to around 5%.** 2) Current cash and inflation rates at similar levels versus 2Q-3Q 2024, but growth was stronger now (2Q-3Q 2024: 0.2-0.4% vs 4Q 2025: 0.8%).
- **Share of borrowers at greatest risk of falling behind their loan is low at around 0.3%.** Vast majority of borrowers continue to have sufficient income to cover their mortgage repayments and essential expenses – no material change with the recent 50bps hike and increases in oil & gas prices

	2024	2025	2026F
GDP (%)	1.0	2.0	2.1
Inflation (%)	3.2	2.8	3.6
Cash Rate (%)	4.35	3.60	4.35
AUD/USD	0.6188	0.6673	0.70

Source: RBA, Bloomberg, HLBB Global Markets Research

# China - Shift to quality growth

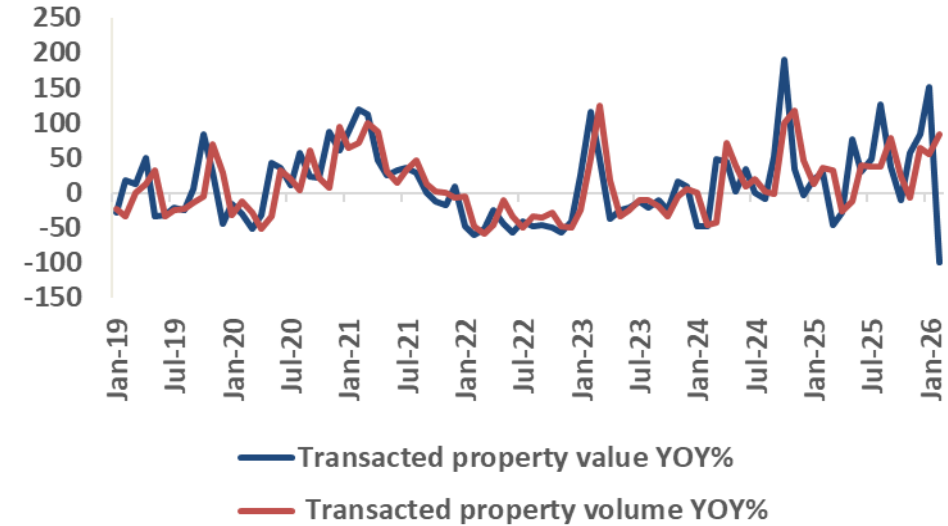


	2024	2025	2026F
GDP (%)	5.0	5.0	4.5-5.0
Inflation (%)	0.2	0.1	0.8
1Y LPR (%)	3.10	3.00	2.80
USD/CNY	7.2993	6.9757	6.84

Source: National People's Congress, Bloomberg, HLBB Global Markets Research

- **Slower targeted growth of 4.5-5.0%** reflects more pronounced impact from the external environment, tolerance for slower but quality growth, imbalance between domestic supply vs demand, external vs domestic sector, private vs public investment
- **Average targeted GDP growth of at least 4.0% until 2030**, likely achieved with the Beijing's focus on expanding domestic demand specifically in: 1) advancements in high-quality development and scientific technological self-reliance/strength. 2) deepened and comprehensive reforms. 3) improvements in quality of life for the people. 4) strengthening the national security shield.
- **Pared rate cut bets by the FOMC vs easing by the PBoC will weigh on yuan; rendering more cautiousness by the PBoC when, and if lowering rates.**

# Hong Kong – Services sector likely to take the baton from goods

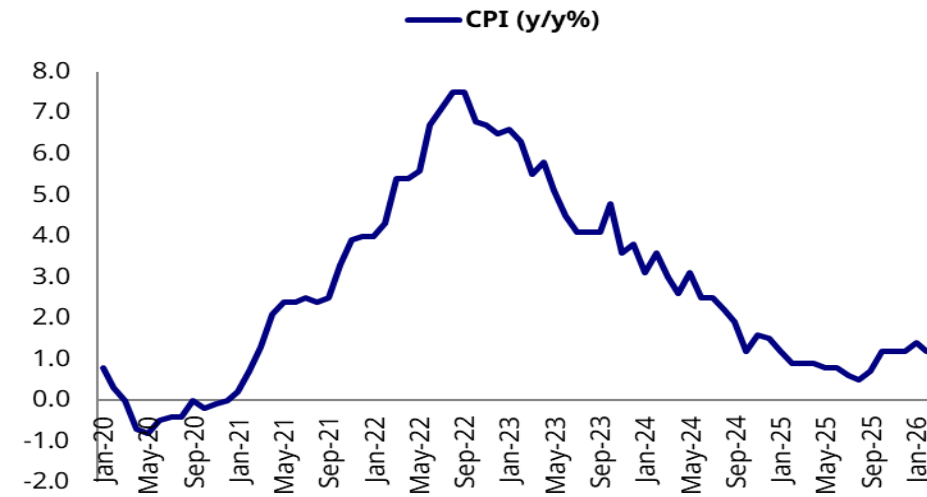
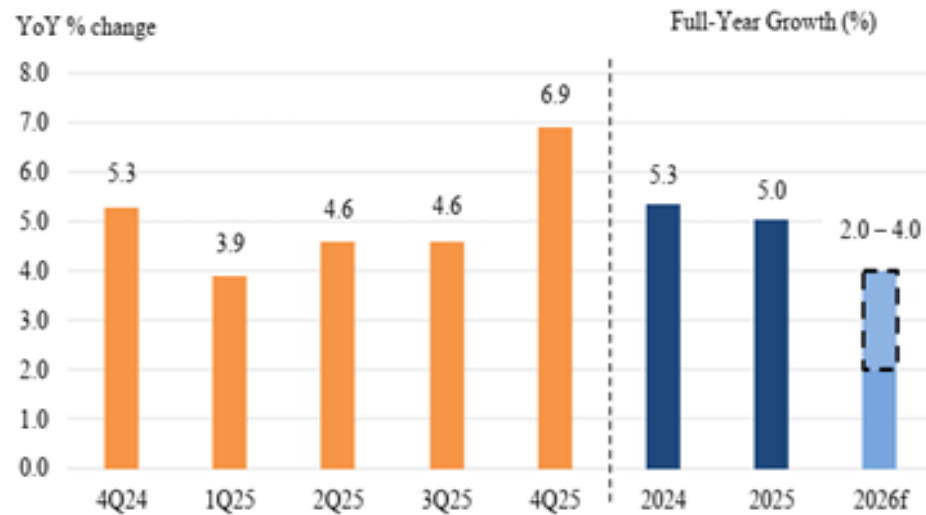


	2024	2025	2026F
GDP (%)	2.6	3.5	2.5-3.5
Inflation (%)	1.8	1.4	1.8
3-month Hibor	4.37	2.93	2.57
USD/HKD	7.7686	7.78	7.78

Source: HK Economy, Bloomberg, HLBB Global Markets Research

- **Growth target achievable** despite downside risks from trade policy & geopolitical uncertainties, realistic check from the high base effect
- Robust demand & investments in AI/new technologies has and should underpin growth for trade of goods; exports of services and private consumption will benefit from visitor arrivals (4.8m in Jan vs average of 4.4m in 2H of 2025), stabilisation of property market (average volume/month: 7.7k in Jan-Feb vs 7.3k in 2H of 2025) and demand for financial services given the strong pipeline of upcoming IPOs.
- **Proactive macro policies under Budget 2026 in line with Beijing, focused on expanding domestic and high-quality development**

## Singapore – House view in line with official forecast for now



	2024	2025	2026F
GDP (%)	5.3	5.0	2.0-4.0
Inflation (%)	2.4	0.9	1.0-2.0
SORA (%)	2.11	1.19	0.90
USD/SGD	1.3657	1.2854	1.27

Source: MTI, Bloomberg, HLBB Global Markets Research

- Impact from the strain in global fuel supply largely transient, has started but yet to fully kick in via: 1) Higher petrol charges 2) Electricity & gas tariff which will increase by 2.1% q/q in 2Q (63% of households use prevailing tariff rate, 36% via plans with electricity retailers).
- Energy prices account for 8-10% of CPI basket and a study by the MAS indicates that **a 1ppt y/y increase in oil prices raises Singapore's y/y inflation by 0.02ppts on average over the next 12 months.**
- **Neutral on USD/SGD** in 2Q given delayed/pared Fed rate cut bets and anticipation of the steepening of S\$NEER slope on war- and domestic-led cost pressure

## Vietnam – Government’s 10% growth target is a challenge



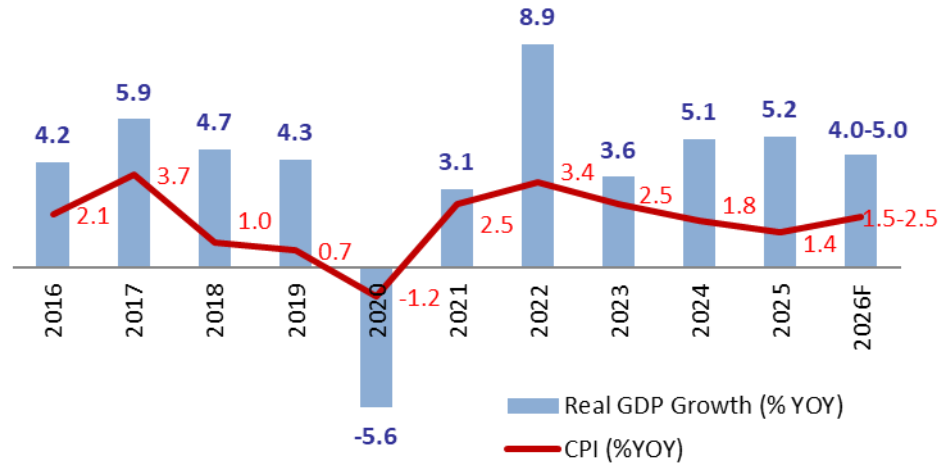
	2024	2025	2026F
GDP (%)	7.1	8.0	10.0
Inflation (%)	3.6	3.3	3.5
SBV Refinancing Rate (%)	4.50	4.50	4.50
USD/VND	25,485	26,298	26,425

Source: Bloomberg, HLBB Global Markets Research

- **Ambitious official growth target of 10% a challenge** - economy would have to grow by more than 10% in each of the three succeeding quarters; **Maintaining our view for around 7% real GDP growth** for now pending more clarity on the war
- Impact from conflict visible in March via, rising transportation and construction costs sent CPI up above government’s target; **rising domestic fuel likely to put upward pressure to CPI by 1-2ppts.**
- **Expect the SBV to maintain its monetary policy stance to support credit and economic growth;** on watch for any delay in major infrastructure projects and public investment

# Malaysia – Resilient growth outlook & contained inflation to support OPR pause

Malaysia Real GDP Growth & Inflation Rate (%YOY)



Malaysia OPR (%) vs CPI (%YOY) Projection



	2024	2025	2026F
GDP (%)	5.1	5.2	4.6
Inflation (%)	1.8	1.4	1.9
OPR (%)	3.00	2.75	2.75
USD/MYR	4.4722	4.0603	3.93

Source: Bloomberg, BNM, DOS, HLBB Global Markets Research

- **Resilient growth outlook supported by domestic demand**
- **Impact from the surge in energy prices is expected to be contained** given Malaysia’s position as a net energy exporter – 0.1-0.2ppt impact on full year GDP growth and 0.2-0.4ppt impact on CPI
- Exports to benefit from tourism, higher commodity prices, AI upcycle, lower tariffs following Supreme Court’s ruling against the reciprocal tariffs (as long as semiconductors remains excluded) and operationalization of data centers
- Balanced risks from the external front; **neutral stance from the BNM** with enough policy space suggests a status quo for the OPR

## Markets Outlook - FX

**FX – USD likely to remain supported in 2Q before stabilizing and resuming its decline further out; MYR to gradually appreciate**

### 12-month Outlook



**EUR:** Growth and inflation projections recently revised higher by the ECB. Expect a continued rate pause but the risks of monetary tightening are rising the longer the conflict persists.  
**GBP:** Economic conditions remain soft and near-term outlook for inflation has risen due to the surge in energy prices. BoE seen continuing to adopt a wait-and-see approach.  
**JPY:** Economy to benefit as the expansionary fiscal measures by the government start to impact the economy. Bank of Japan to continue to normalize monetary policy in a gradual manner.  
**CNY:** Continued uneven growth profile, with government recently lowering growth targets. Property sector likely to continue to weigh on growth, but Beijing’s focus on expanding domestic demand likely to lend support.  
**MYR:** Growth likely to hold up supported by domestic demand, with BNM likely to continue to be on hold for the remainder of the year.  
**SGD:** Moderation in growth expected amidst a high base effect and rising price pressures; as the risks of MAS tightening continues to build.  
**AUD:** Inflation continues to remain high resulting in back-to-back hikes from the RBA with more to come, underpinned by continued tight labour market and the energy price shock from the Iran conflict.



**USD:** Likely to continue to remain firm in 2Q as the elevated geopolitical situation continues to play out. Expected to resume depreciating in 2H2026 as the economic fallout from the geopolitical conflict begins to be felt

### FX Forecasts

	31-Mar	Q2-26F	Q3-26F	Q4-26F	Q1-27F
DXY	99.96	100.63	99.80	97.96	96.48
USD/CAD	1.39	1.39	1.38	1.37	1.35
EUR/USD	1.16	1.14	1.15	1.17	1.19
GBP/USD	1.32	1.31	1.32	1.34	1.35
USD/CHF	0.80	0.79	0.78	0.76	0.75
AUD/USD	0.69	0.68	0.69	0.70	0.71
NZD/USD	0.57	0.57	0.58	0.58	0.59
USD/JPY	159	159	155	152	152
USD/MYR	4.04	3.98	3.96	3.93	3.90
USD/SGD	1.29	1.29	1.28	1.27	1.25
USD/CNY	6.87	6.93	6.88	6.84	6.77

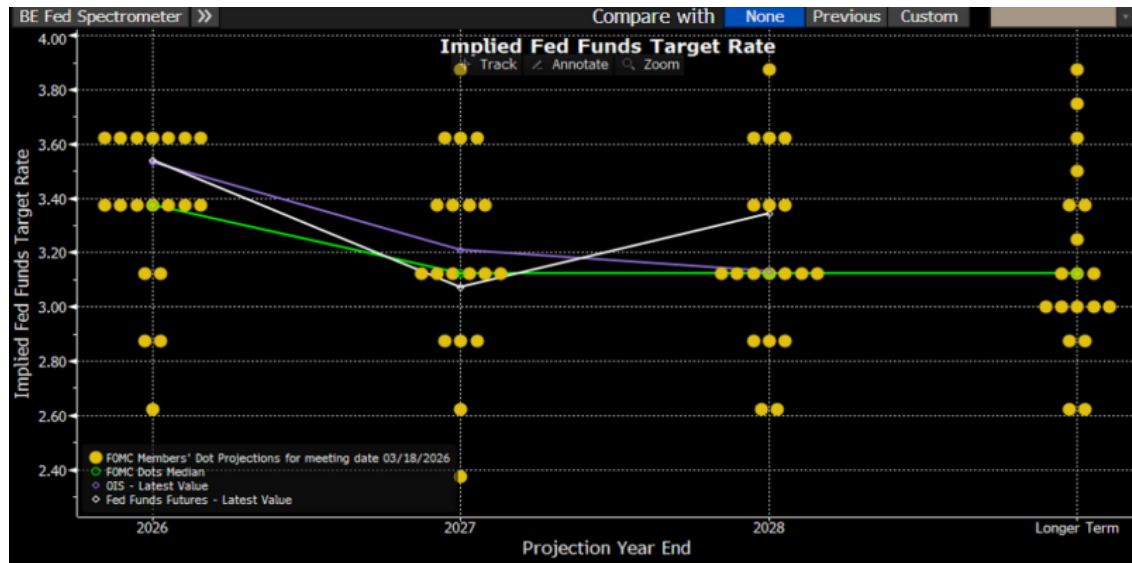
## Markets Outlook – Fixed Income

	CURRENT	2Q2026	3Q2026	4Q2026	1Q2027
UST 10Y	4.34%	4.15%	4.00%	3.95%	3.90%
MGS 10Y	3.63%	3.55%	3.50%	3.45%	3.40%
SGS 10Y	2.23%	2.15%	2.05%	2.00%	2.00%

### Sovereigns – Bullish bias for bonds for the 2Q2026 with worries about price pressures from the increased geopolitical temperature likely to give way to economic concerns

<b>UST</b>	<p>Bond yields likely to resume heading lower in 2Q26, with a shift from inflationary concerns to the economic impact of a prolonged Middle East conflict.</p> <p>The FOMC is likely to continue to adopt a wait and see approach and hold policy steady in 2Q26, with the change in Fed chair possibly held up by the ongoing Department of Justice action against the Fed.</p> <p>Next Fed cut likely to happen only in 4Q26.</p>
<b>MGS</b>	<p>Slightly constructive on MGS/GII in 2Q26 and for the remainder of the horizon period</p> <p>BNM continued to espouse a neutral tone during the most recent MPC on Mar 05, and continues to see growth hold up this year supported by domestic demand, in spite of the blowup in the geopolitical temperature in the Middle East</p> <p>Inflation expected to head higher but remain well-contained</p>
<b>SGS</b>	<p>SGS yields likely to inch lower with growth likely to moderate in 2026 after a strong 2025.</p> <p>Risks for tighter policy by the MAS have increased, with a likely continued rise in inflation as the surge in energy prices makes its way through the broader economy.</p>

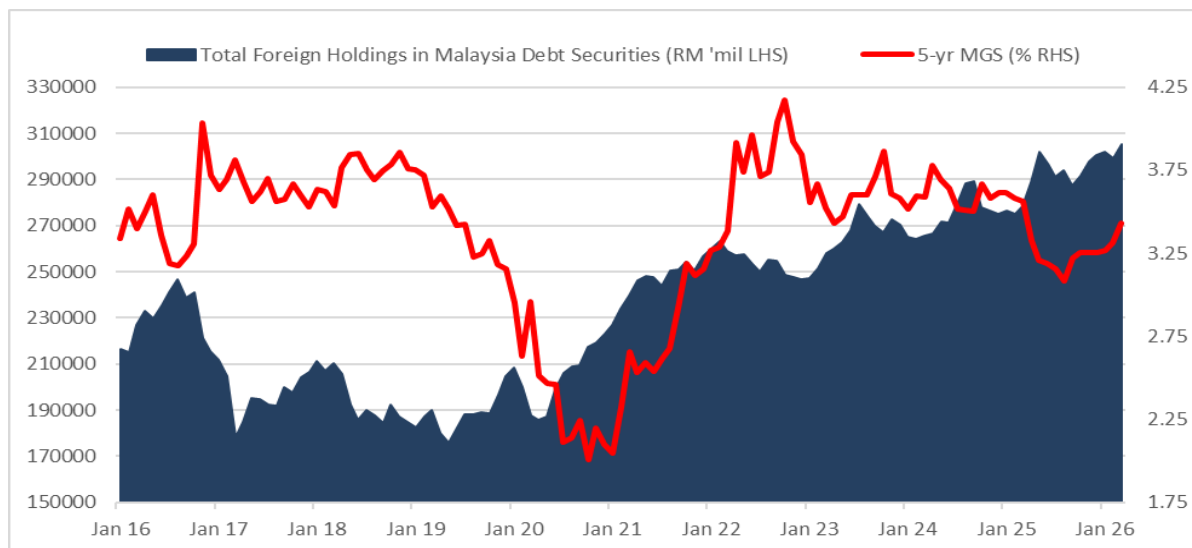
# US Fixed Income – Bullish bias on USTs in 2Q26 with likely shift from price concerns to growth



Source: Bloomberg, HLBB Global Markets Research

- **UST** -- USTs were softer in 1Q26 amidst inflationary concerns coming to the fore with the Iran conflict resulting in the closure of the Strait of Hormuz and a surge in oil prices.
- Benchmark yields were higher by between 7 to 32bps for the quarter (4Q25: -13 to +11bps) as the market expectation of future cuts for the year were dialed back, with Fed Fund Futures pointing to 29bps of cuts for 2026 as at the end of 1Q26 (End 4Q25: 59bps).
- The yield curve bear-flattened during the quarter with shorter dated maturities underperforming, leaving the UST 2s10s curve ending 1Q26 at +52bps (4Q25: +69bps).
- The Fed left the Funds Rate unchanged at the two FOMC meetings for the quarter on Jan 29 and Mar 19 after three consecutive 25bps reductions, with the updated dot plot pointing to further 25bps reduction in the Fed Funds Rate for 2026, but with a continued large dispersion of views amongst Fed members.
- Former Fed Governor Kevin Warsh was nominated to be the new Fed Chair to replace Powell when his term ends in May, but the confirmation process faced potential hurdles in the Senate Banking Committee.
- **We expect the FOMC to continue to hold the Fed Funds Rate steady in 2Q26, and to resume easing towards the end of the year.**
- The pace of growth in 4Q25 slowed to 0.7% q/q annualized (3Q25: 4.4%), and the unemployment rate inched lower for the quarter to 4.3% in March (December: 4.4%), with the latest monthly jobs report unexpectedly showing a strong pace of job growth.
- Inflation readings were mixed during the quarter, with core CPI for February inching lower to 2.5% (Dec: 2.6%) while the latest core CPE for January printed at 3.1% (Dec: 3.0%)
- **Going forward, we are slightly bullish USTs in 2Q26, and expect the 10Y UST yield to decline to around 4.15% by the end of the quarter** from the current level of 4.32%, with a likely shift in focus from worries over price pressures to concerns over the economic impact of a prolonged conflict.
- **Corporates** –Corporate bonds were also softer for the quarter, taking cue from the bearish backdrop for government bond markets, with the Bloomberg US Corporate Bond Index registering a decline of 0.5% in 1Q26 (4Q25: +0.8%)

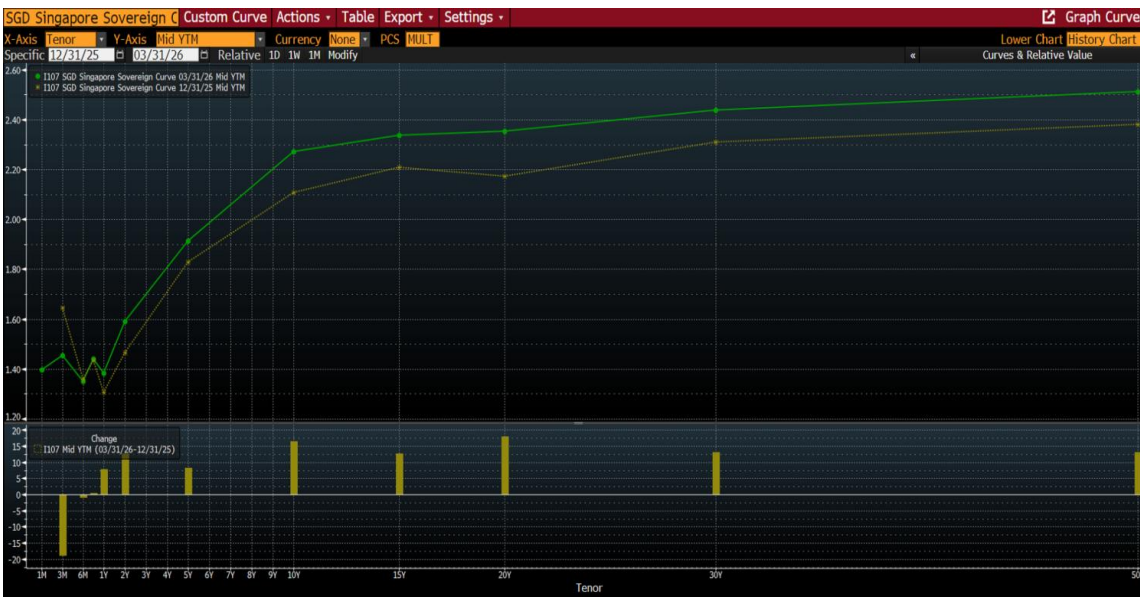
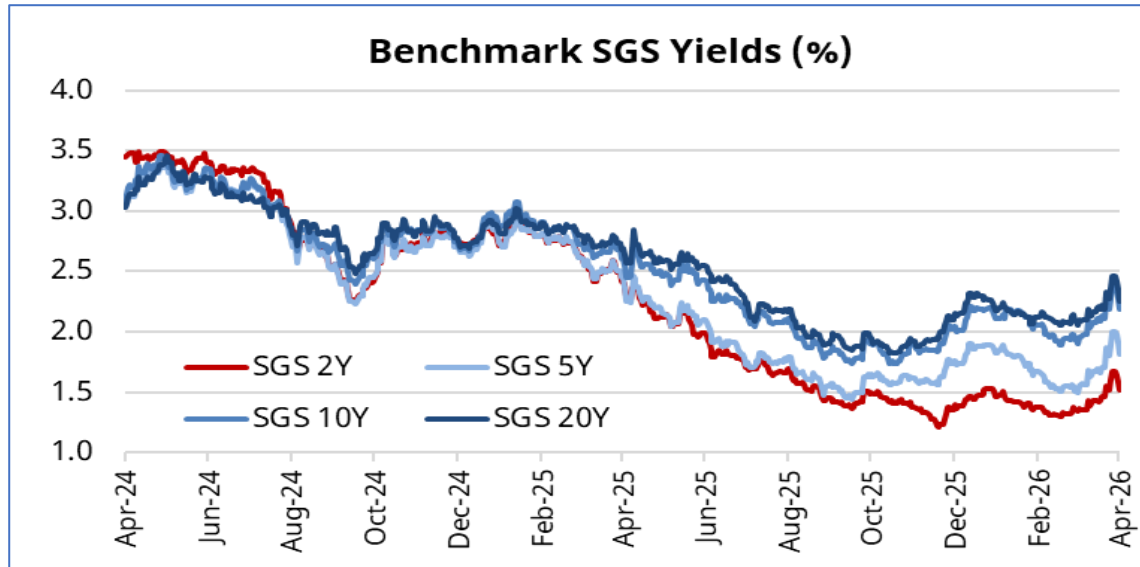
# Malaysia Fixed Income – Constructive on government bonds; yields to decline slightly in 2Q26



- **Government Bonds** – MGS and GII were weaker in 1Q26 as overall benchmark yields closed between 9 and 30bps higher q/q (4Q25: -10 to +4bps) amidst a bearish backdrop for global government bond markets on inflationary fears resulting from surging energy prices after the start of the Iran conflict.
- Foreign holdings of MYR bonds advanced by RM4.6bn during the quarter to RM305.4bn as at end 1Q26, from the RM300.8bn seen at the end of 4Q25.
- Government bond auctions in 1Q26 saw slightly better bidding metrics on gross issuance of RM45.0bn during the quarter, with the average BTC inching higher to 2.19x across 9 auctions (4Q25: 7 auctions; average BTC 2.18x; gross issuance of RM29.5bn)
- BNM kept policy on hold during the two scheduled MPC meetings in 1Q26 on Jan 22 and Mar 05, and continued to eschew a neutral bias.
- **We expect BNM to continue to hold rates steady during the solitary scheduled MPC meeting for the quarter on May 07.**
- Economic growth in 4Q25 unexpectedly accelerated further to 6.3% y/y (3Q25: 5.2%) driven by strong domestic demand. Inflation remained well-contained and eased during the quarter, with the latest CPI coming in at 1.4% y/y in February from the 1.6% y/y seen in December.
- Bonds are expected to trade with a constructive tone in 2Q26 as the geopolitical situation in the Middle East continues to play out, **We expect the 10Y MGS yield to decline in 2Q26 to 3.55%.**
- **Corporate Bonds/Sukuk** – Corporate spreads narrowed in 1Q26, with AAA and AA2 spreads in the 10Y space closing at 18 and 42bps respectively (4Q25: 28 and 44bps), amidst a reduction in corporate/sukuk issuance of RM40.3bn in 1Q26 (4Q25: RM53.3bn). **We expect issuance to pick up slightly in 2Q26, and for corporate spreads to widen slightly from present levels.**

Source: Bloomberg, BNM, HLBB Global Markets Research

# Singapore Fixed Income – SGS yields expected to edge lower in 2Q26



Source: Bloomberg, HLBB Global Markets Research

- **SGS** – Singapore Government Securities were softer for the quarter amidst a sell-off in global government bond markets triggered by renewed inflationary fears, as overall benchmark yields closed higher by between 8 to 18bps (4Q25: -3 to +22bps).
- The SGS yield curve was slightly steeper for the quarter, with SGS 2s10s slope ending the quarter at +68bps (4Q25: +64bps)
- Reflecting the move lower in bonds for the quarter, the Bloomberg Global Singapore Bond Total Return Index recorded a return of -0.5% for 1Q26 (4Q25: -1.4%)
- There were SGD8.6bn of SGS issuance in 1Q26 stood at SGD3.9bn, a marked increase from issuance in the previous quarter (4Q25: SGD3.9bn)
- After holding policy steady in January, the **risks are rising that the Monetary Authority of Singapore (MAS) tweaks policy tighter** at its upcoming quarterly decision later this month. The final 2025 annual GDP figures showed a strong 5.0% growth for the year with core inflation already edging up to 1.4% y/y in Feb (Dec: 1.2% y/y) prior to the breakout of the Middle East conflict, which has pushed energy prices sharply higher in March.
- **We expect SGS yields to finish slightly lower in 2Q26, with the 10Y SGS expected to end 2Q26 around the 2.15% level.**

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