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CIO Views – Weekly Bulletin

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Depositioning looks over, but energy price risk is rising

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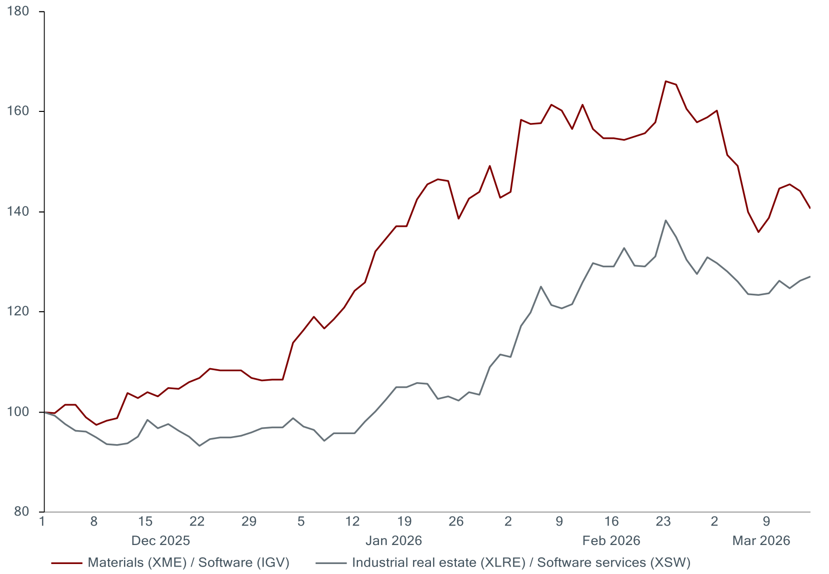
The outlook for the likely increase in energy and industrial commodities is rapidly proving worse than we had expected. The Trump Administration has given no credible indication of when its attacks on Iran will stop, and Iran has made clear that it will continue attacking most ships that attempt to transit the Strait of Hormuz. As a result, Brent crude prices have risen to USD104.8/bbl today in Asian trading. We continue to assess that the US domestic political calculus argues for Trump to find a way to exit hostilities soon.

Nonetheless, the sharp moves in equity prices driven by position reduction and rebalancing may be largely over. The chart below shows that in US markets two proxies of popular trades - buying sectors with durable assets that were perceived to be less vulnerable to disruption from generative-AI such as materials versus selling sectors more at risk of disruption such as software – the "HALO" trade – appear to have bottomed.

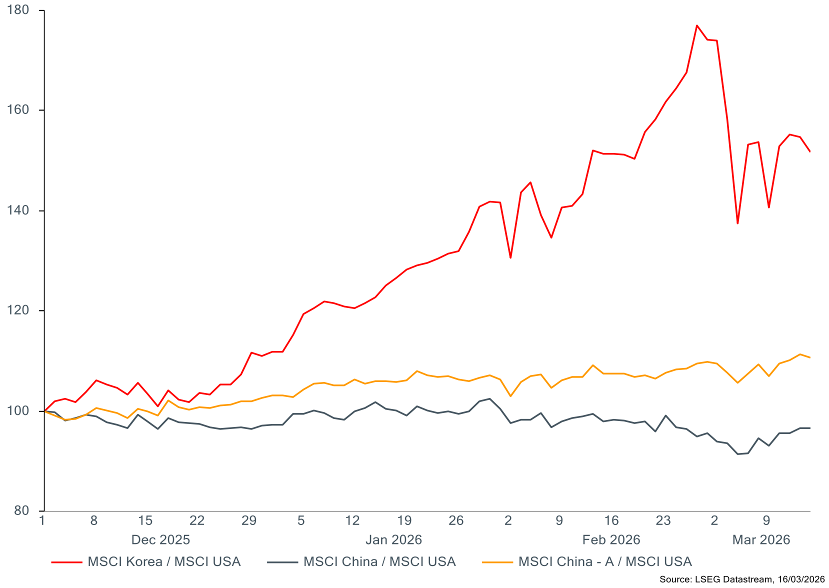
HALO trade unwind may be over



Source: LSEG Datastream, 16/03/2026

Similarly, the retracement of China and Korea vs the US also appears to be played out for now. Markets have quickly begun looking for opportunities in stocks whose valuations have been depressed by the volatility of the past two weeks.

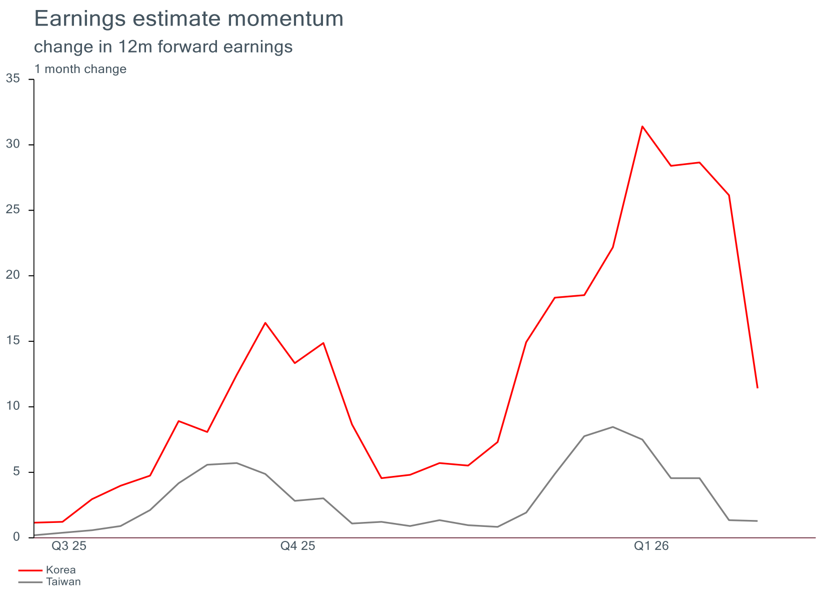
Depositioning of North Asia vs. the US has abated



As we noted last week, we think this represents robust underlying fundamentals in North Asia. China has large oil reserves of over 1.2bn barrels, access to Russian oil, and Iran appears to be allowing Chinese flagged ships transit the Strait. Korea and Taiwan are more energy exposed than China, but have large current account surpluses and are the near monopoly suppliers of leading-edge chips for the US AI boom.

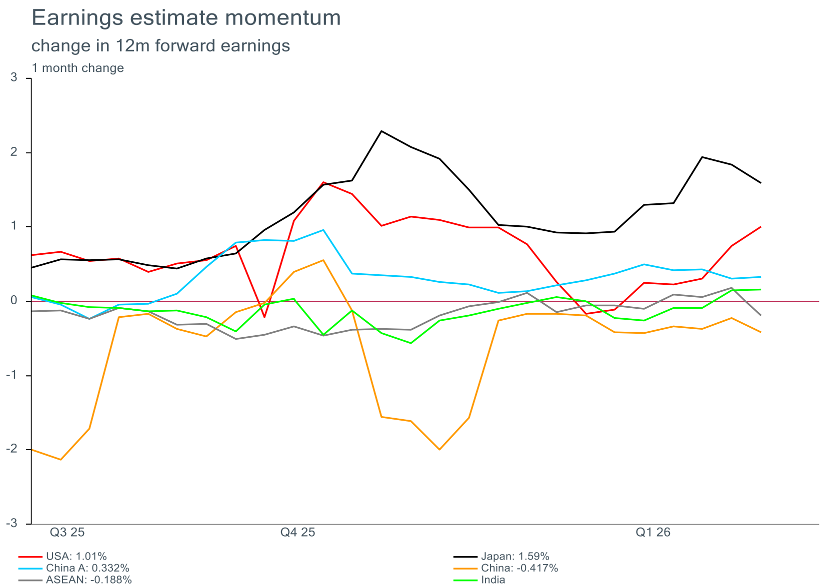
Earnings revisions momentum In Korea and Taiwan has slowed, but remains strongly positive. Similarly, earnings revisions in most of the rest of Asia remain positive.

Earnings revision momentum in Korea and Taiwan remains positive



Source: LSEG Datastream. 16/03/2026.

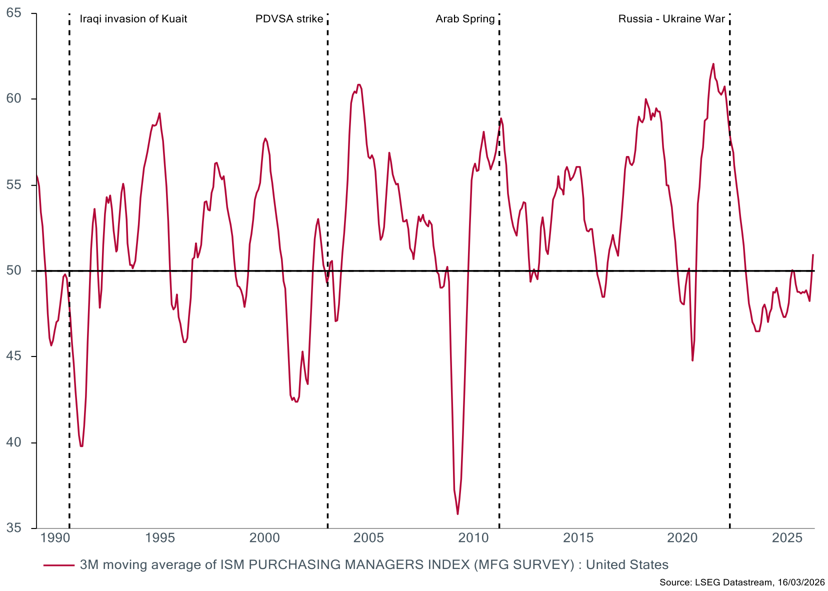
Earnings revision in rest of Asia remains positive



Source: LSEG Datastream. 16/03/2026.

This reflects, in part, the fact that the global economy entered this oil supply shock with rising momentum, particularly for the capital goods that comprise much of Asia's export basket. In contrast, most past oil shocks came after the global economy had already begun decelerating in response to other, previous shocks.

The global economy entered this shock in a growth upturn



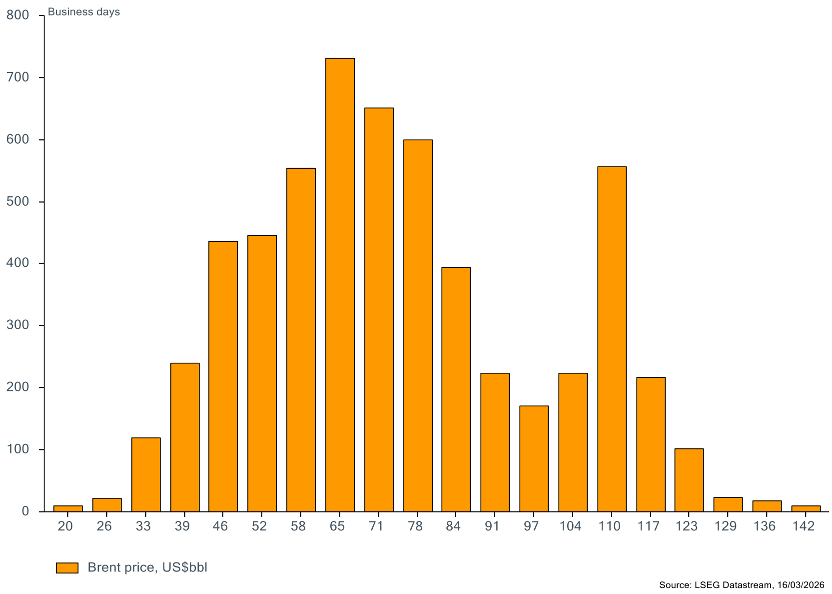
Asia's still positive earnings trends also reflect measures by some governments to suppress higher imported energy feeding into industrial and household energy prices so far. China's regulatory regime limits the pace of adjustment of energy prices, and the government has suspended fuel exports to secure domestic supply. Korea's government has imposed a temporary fuel price cap, export limits, and anti-hoarding measures. Taiwan's government has activated emergency smoothing of domestic energy prices as well as some tax relief.

Governments in Indonesia, India, Singapore, and Thailand have taken a range of similar measures. India has even entered direct negotiations with Iran for oil.

However, the risk that earnings will need to be revised down because of higher energy and industrial commodities prices will increase sharply if the Strait of Hormuz remains closed for more than about a week or so. The more Middle Eastern wells that are shut in and the longer LNG and refinery production remain idled, the longer it will take to restore production in the future.

Our modelling suggests that oil prices can rise sharply from current levels if the current supply constraint of about 14mbp continues for another couple of weeks. Yet, history suggests this would lead to a rapid process of demand destruction for energy products via weaker global growth. The chart below of the distribution of oil prices over the past two decades shows that prices do not sustain above USD123/bbl - USD125/bbl for long. Prices above this have historically curtailed growth quickly.

Brent crude price distribution, 2004 - present



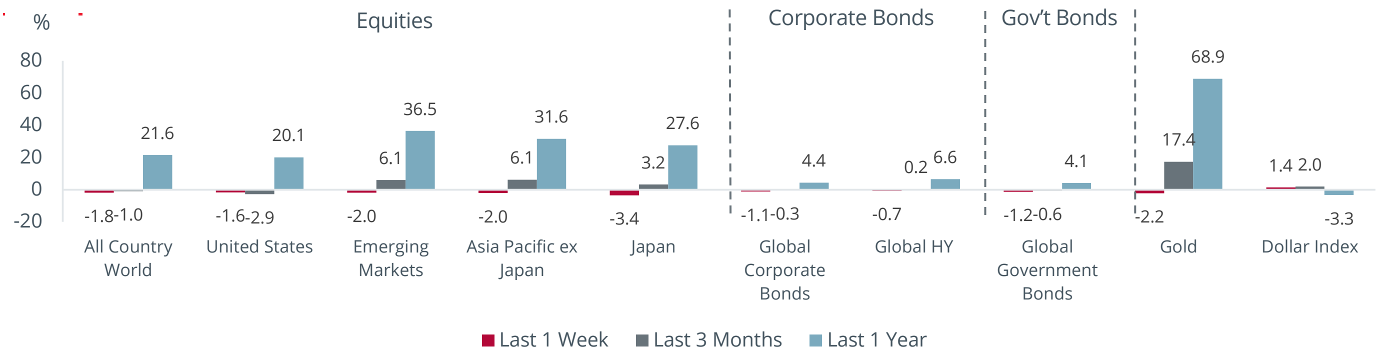
Note: distribution is of daily Brent crude prices since 2004 because oil prices experienced a structural break to a higher price regime in 2004.

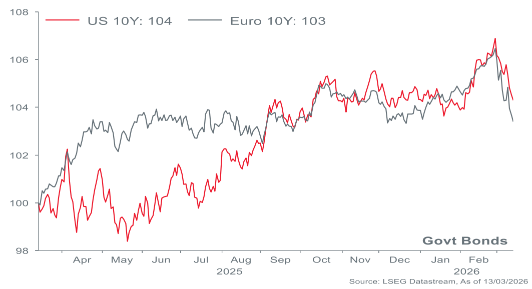
Market Review

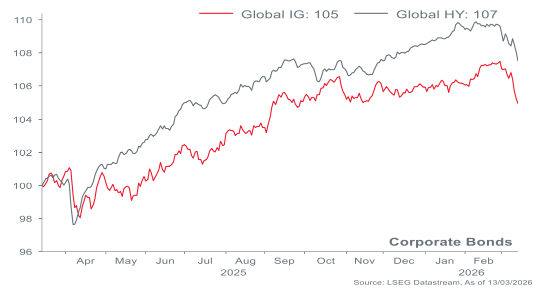
Global equities declined over the week, with the MSCI AC World Index falling 1.8% as sentiment weakened amid escalating geopolitical tensions. The US market also closed lower with the S&P 500 falling 1.6% and the NASDAQ sliding 1.3%. Europe also softened, with the MSCI Europe Index down 1.6% over the week. Asian markets were largely negative as well, with declines in Korea (-1.7%), Taiwan (-0.6%) and Japan (-3.2%), contributing to a 2.0% drop in Asia Pacific ex-Japan equities. Emerging Markets were similarly weaker, falling 2.0% over the week.

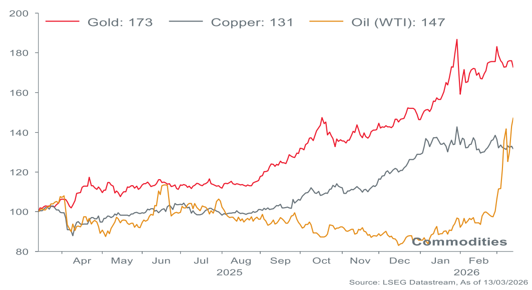
US Treasury yields rose slightly, with the 10-year yield increasing 3.7% over the week, while global government bonds fell 1.2%. Gold declined -2.2% over the week and the US Dollar Index was broadly stable, ticking up 1.4%,

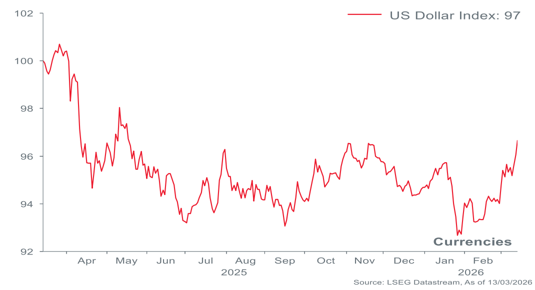
Asset Performance

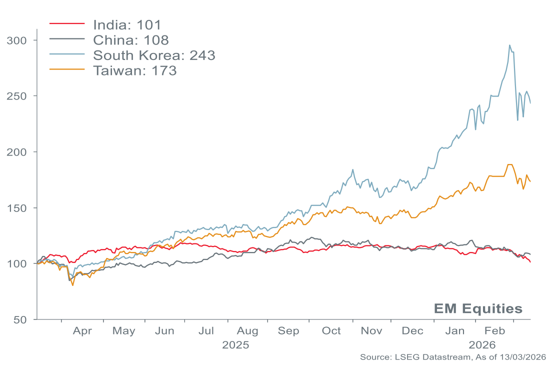


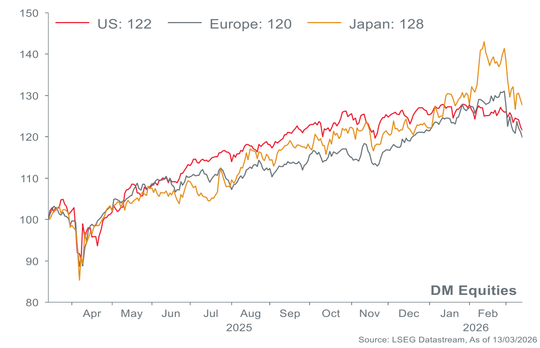












Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	4.29	3.70	5.65	2.12	0.21	3.18	4.60	3.95
10 Year Bond Yield (%)								
Japan	2.24	3.51	1.17	14.75	44.98	8.21	2.34	1.12
China	1.84	2.62	1.77	-0.27	-4.06	-0.97	1.96	1.63
Australia	4.95	2.19	4.21	4.45	11.94	4.01	4.96	4.10
Singapore	2.10	5.27	8.64	-9.72	-20.01	-5.58	2.77	1.75
Malaysia	3.57	0.37	0.90	-0.28	-5.08	2.20	3.78	3.36
Indonesia	6.82	3.49	6.38	10.16	-1.97	11.42	7.21	5.92

	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	93.87	-0.79	-1.46	-0.62	0.22	-0.82	95.69	93.25
Bloomberg U.S. Aggregate USD	93.28	-0.98	-1.71	-0.47	1.42	-0.84	95.21	90.43

Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	999.21	-1.79	-4.18	-0.96	21.62	-1.52	1,061.41	742.96
North America								
US S&P 500 Index	6,632.19	-1.60	-2.98	-2.86	20.12	-3.12	7,002.28	4,835.04
US Nasdaq Composite Index	22,105.36	-1.26	-1.96	-4.70	27.75	-4.89	24,019.99	14,784.03
Europe								
MSCI Europe	2,595.31	-1.58	-6.64	0.52	15.93	-1.80	2,845.88	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	758.44	-2.04	-4.46	6.15	31.61	5.02	829.20	513.60
Japan Nikkei 225	53,819.61	-3.24	-5.48	5.87	46.29	6.91	59,332.43	30,792.74
Shanghai Stock Exchange Composite	4,095.45	-0.70	0.33	5.30	21.93	3.19	4,197.23	3,040.69
Hong Kong Hang Seng	25,465.60	-1.13	-4.15	-1.97	8.54	-0.64	28,056.10	19,260.21
Taiwan TAIEX	33,400.32	-0.59	-0.61	18.45	52.08	15.32	35,579.34	17,306.97
Korea KOSPI	5,487.24	-1.75	-0.36	31.68	113.21	30.21	6,347.41	2,284.72
India NIFTY 50	23,151.10	-5.31	-9.11	-11.12	3.37	-11.40	26,373.20	21,743.65
Australia Stock Exchange 200	8,617.10	-2.64	-3.37	-0.92	11.20	-1.12	9,202.90	7,169.20
Indonesia Jakarta Composite	7,137.21	-5.91	-13.09	-17.59	7.37	-17.46	9,174.47	5,882.61
Thailand SET	1,409.35	-0.07	-1.47	12.38	21.53	11.88	1,545.31	1,053.79
Malaysia FTSE Bursa KLSE	1,698.85	-1.12	-2.34	3.73	12.50	1.12	1,771.25	1,386.63
Philippines Stock Exchange PSE	6,058.94	-4.14	-5.10	0.37	-2.93	0.10	6,673.61	5,584.35
Singapore FTSE Straits Times Index	4,842.27	-0.12	-1.93	5.58	26.18	4.22	5,041.33	3,372.38

Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	-0.82	-1.74	-3.80	-2.76	5.20	-2.80	1.20	1.08
GBP	-0.89	-1.41	-3.12	-1.09	2.13	-1.86	1.38	1.27
CHF	0.69	2.00	3.10	-0.59	-10.28	-0.14	0.89	0.76
JPY	0.24	1.22	4.60	2.50	8.05	1.95	159.71	140.85
Asia								
CNY	0.40	-0.01	-0.17	-2.25	-4.80	-1.39	7.35	6.84
HKD	0.01	0.06	0.15	0.55	0.71	0.57	7.85	7.75
INR	0.15	0.63	2.19	2.15	6.46	2.96	92.51	84.27
MYR	0.31	-0.15	0.79	-3.84	-11.25	-2.96	4.49	3.88
KRW	0.56	1.36	4.22	1.79	3.30	4.22	1,501.24	1,352.45
SGD	0.35	0.35	1.74	-0.63	-3.92	-0.18	1.35	1.26
TWD	0.58	0.84	2.13	2.37	-2.71	2.38	33.25	28.90
IDR	0.30	0.21	0.65	1.80	3.14	1.59	16,945.00	16,106.00

Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 13 March 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts)** Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

Market data: Eastspring Investments, Refinitiv, as at 13 March 2026. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated. Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.