

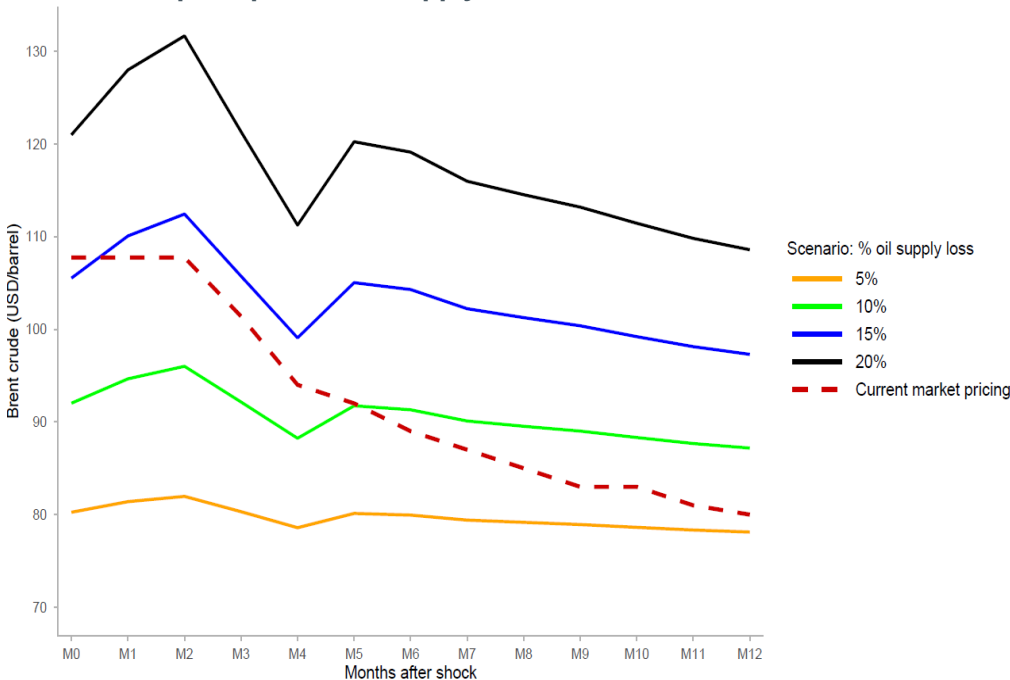
Finding opportunities in an energy shock environment

We are changing forecasts to account for higher energy costs

We judge it prudent to incorporate the higher for longer energy price shock scenario we have discussed over the past few weeks into our forecasts. Negotiations between the US and Iran via intermediaries such as Pakistan appear to be happening, but the press reports meaningful disagreements between the US and Iran, so resolution appears at least a week or more away. The Strait of Hormuz will remain essentially closed in the interim.

This duration of reduction of energy supply to markets implies a large, prolonged period of higher prices according to our models. As the full impact of shortages are felt over the coming months, we expect energy prices in the second half of this year – the dashed red line in the chart below – to rise into the USD95bbl - USD105bbl range bounded by the green and blue lines in the chart. If negotiations break down and the US deploys troops into Iran, i.e. “boots on the ground”, energy prices could rise even further.

Modelled oil price path from supply shock



Note: Estimates by Brent crude spot and futures prices as of 20 March 2026. Source: Eastspring Investments; Bloomberg

Our outlook for higher for longer energy prices leads us to increase our inflation forecasts across the region (chart below). Current government policy to control retail energy prices means that the pace at which inflation rises will vary significantly across the region. India, Indonesia, and Malaysia have so far prevented almost any pass through of higher oil and gas prices into retail prices



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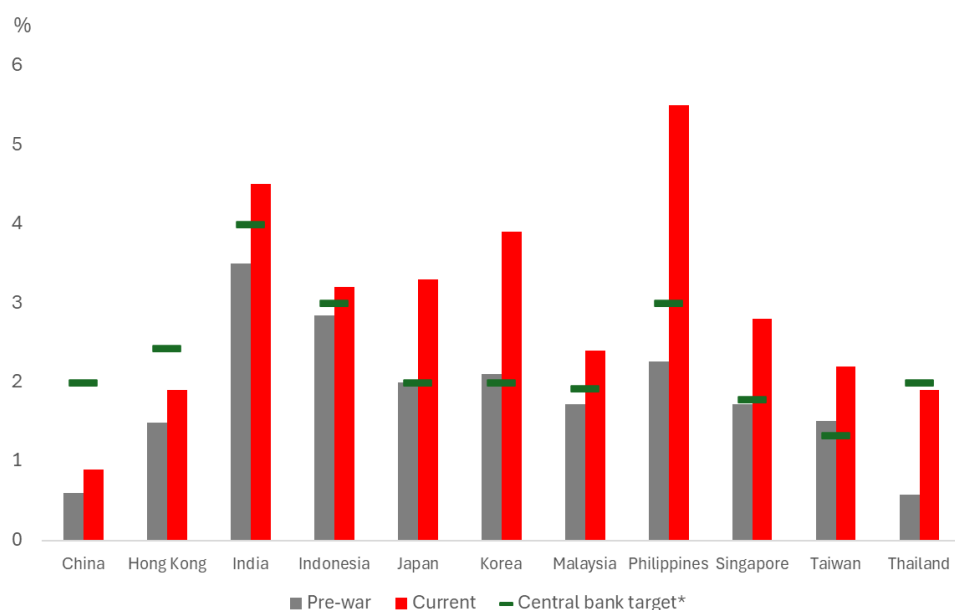
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while Taiwan, Korea, Japan, Thailand, and China have restricted or delayed pass through. However, the fiscal cost of this is huge and will likely force governments to allow retail energy prices to rise in the coming months as they come to accept that oil prices will remain higher for longer.

Eastspring - 2026 inflation forecasts

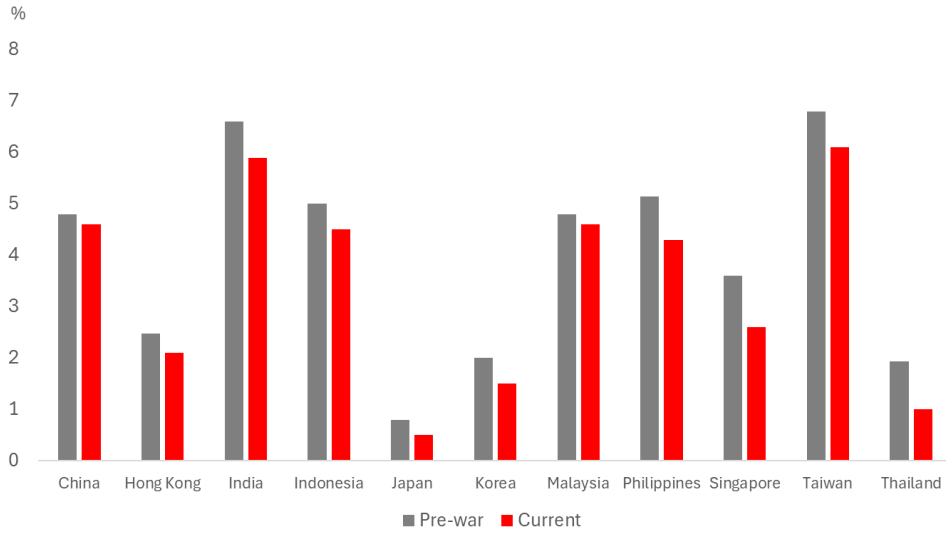


Source: CEIC, Eastspring Investments. For economies that do not have an official inflation target we show average inflation since 2012. 30 March 2026.

Nonetheless, our now higher inflation forecasts lead us to expect some central banks to have to hike interest rates. Japan and the Philippines are likely to hike rates by 25bps and 50bps by the third quarter. We now see a chance that Korea and India will raise rates in the second half of the year. If we are right that inflation in the region rises, managing currency weakness will increasingly motivate monetary policy. Central banks will need to raise rates to defend currencies to prevent increased import prices adding to energy inflation.

Higher energy inflation and tighter financial conditions imply slower economic growth. As such, our modelling leads us to trim GDP growth forecasts across the region. The hit is greatest in the large energy importers – Thailand, Korea, Taiwan, India, and the Philippines – and least in China, Malaysia, and Indonesia.

Eastspring - 2026 GDP forecasts

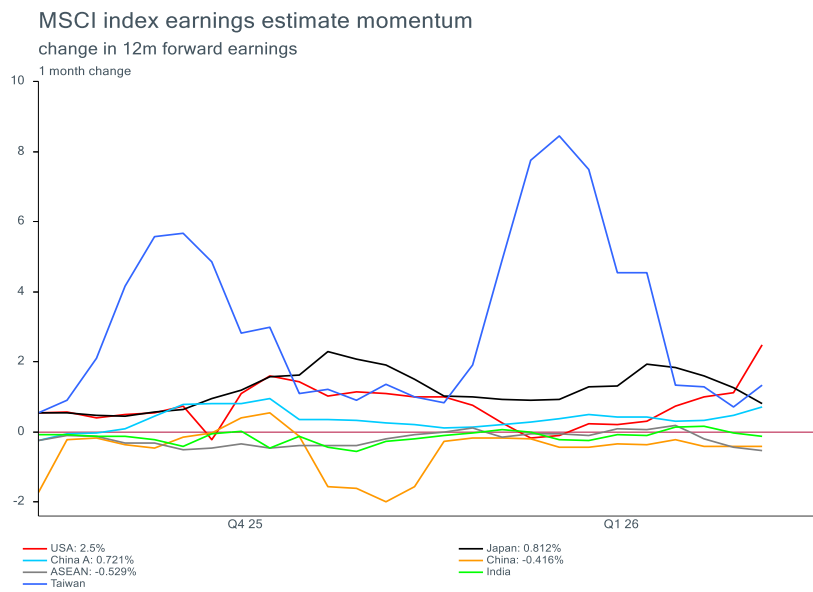


Source: CEIC, Eastspring Investments. 30 March 2026.

The economic outlook we discuss above is certainly more challenging than before the Iran War began. However, as frequently happens in markets, the unexpected shock of the war is creating longer term investment opportunities in both equities and fixed income.

The chart below shows that earnings estimates continue to be revised up in China A-shares, Japan, and Taiwan. Korean earnings estimates are also rising.

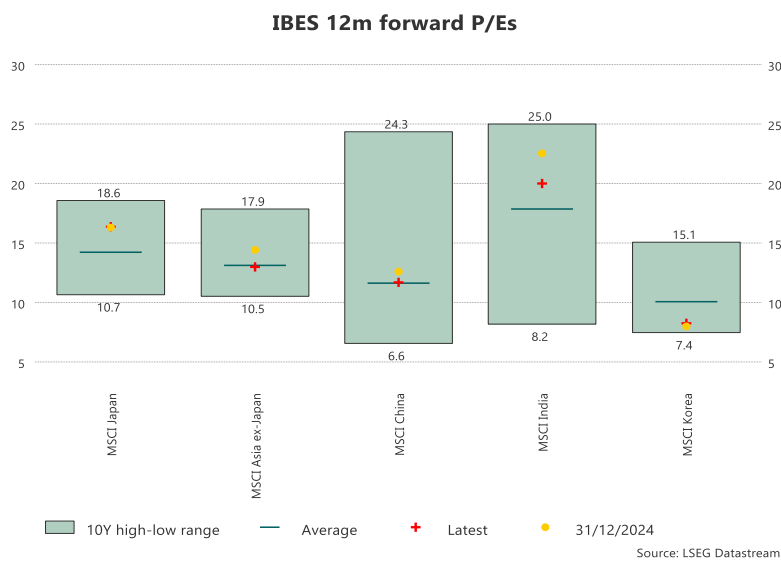
Earnings estimates continue to be revised up in parts of Asia



Source: LSEG, Eastspring Investments.

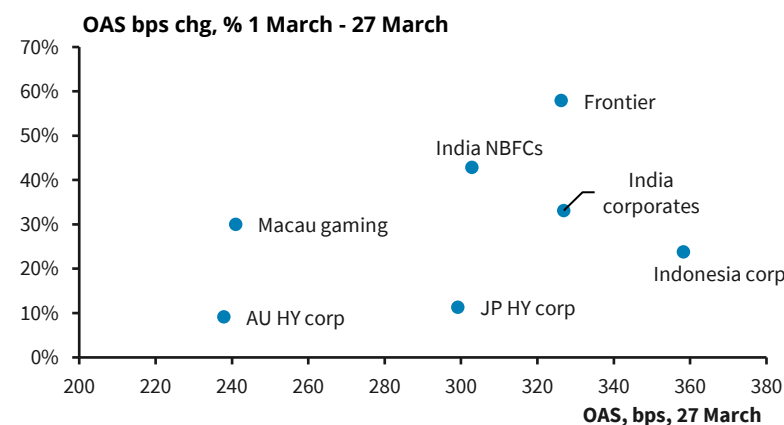
China's earnings are benefiting from government policy support for strategic sectors and the significant insulation to the energy shock that comes from its large oil reserves and increasing share of renewables in its energy generation. Earnings estimates in Korea and Taiwan are benefiting from the ongoing boom in global AI infrastructure spending, which currently looks insulated from the energy price shock. Japanese earnings also benefit from exposure to AI hardware, support from government spending on defence and strategic sectors, and on-going corporate reform that are lifting return on equity. As a result, valuations for some of these markets are becoming more attractive as prices fall despite rising earnings growth, creating selective opportunities across the region.

Asian equity valuations have improved



In fixed income, Asian credit spreads have widened in sympathy with higher US spreads. This is producing increasing opportunity in short dated high yield credits with stronger cash flow fundamentals. However, investing in this sector requires careful, detailed analysis and security selection that favours good active management.

Opportunities emerging in Asian High Yield



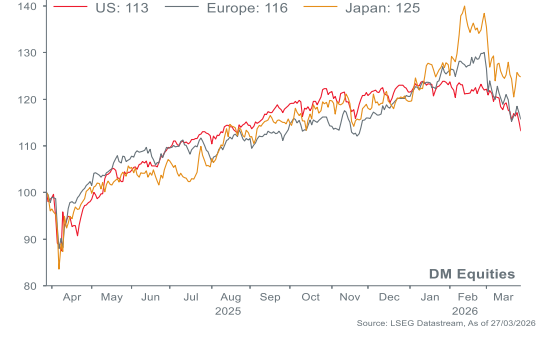
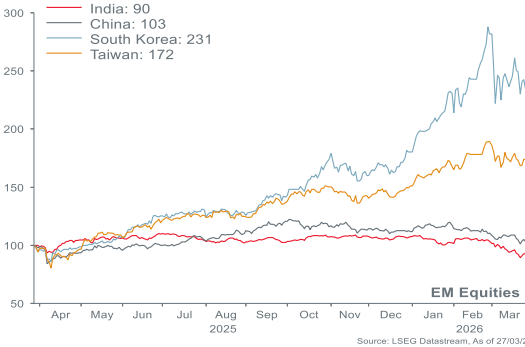
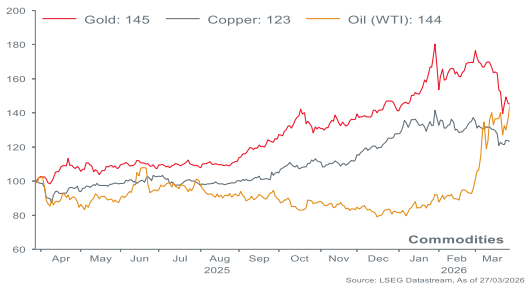
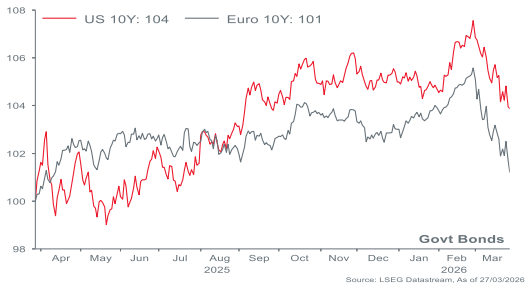
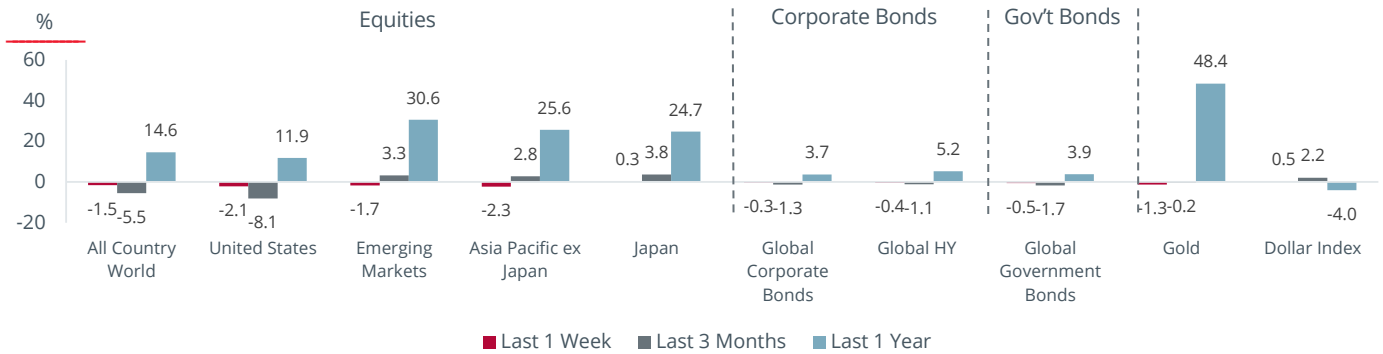
Source: Barclays. As of 27 March.

Market Review

Global markets saw continued weakness this week, with selling pressure evident across most major equity indices. The MSCI AC World Index fell 1.5% over the week. The US markets underperformed with S&P 500 and Nasdaq declining 2.1% and 3.2% respectively, reflecting concerns around the growth and policy outlook. European equities showed relative resilience posting a modest gain of 0.1%, while Asia Pacific markets were mixed. Japan remains largely flat, while Korea stood out on the downside, falling sharply by 5.9%. Overall, Asia ex-Japan declined 2.3% and emerging markets fell 1.7% over the week.

US Treasury yields moved higher, with the 10-year yield increasing 1.1% over the week, while global government bonds fell 0.5%. Gold witnessed a correction, falling 1.3% whereas the US Dollar Index strengthened by 0.5% during the week.

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	4.44	1.09	12.06	7.40	1.63	6.91	4.60	3.95
10 Year Bond Yield (%)								
Japan	2.38	4.90	12.24	16.42	49.56	14.73	2.38	1.12
China	1.82	-0.66	-0.49	-0.49	-3.60	-2.26	1.93	1.63
Australia	5.11	1.73	9.71	7.61	13.04	7.27	5.11	4.10
Singapore	2.40	13.66	23.85	4.02	-11.68	8.14	2.74	1.75
Malaysia	3.64	2.05	4.03	2.97	-3.86	4.06	3.78	3.36
Indonesia	6.85	0.01	6.82	11.90	-1.89	11.91	7.14	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	93.14	-0.31	-2.66	-1.61	-0.46	-1.60	95.69	93.14
Bloomberg U.S. Aggregate USD	92.58	-0.19	-2.76	-1.65	1.07	-1.58	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)	966.35	-1.53	-8.56	-5.52	14.60	-4.76	1,061.41	742.96
North America								
US S&P 500 Index	6,368.85	-2.12	-7.41	-8.10	11.87	-6.96	7,002.28	4,835.04
US Nasdaq Composite Index	20,948.36	-3.23	-7.59	-11.21	17.66	-9.87	24,019.99	14,784.03
Europe								
MSCI Europe	2,519.12	0.12	-11.48	-4.42	11.98	-4.68	2,845.88	1,976.06
Asia Pacific								
MSCI Asia Pacific ex Japan	739.45	-2.30	-10.50	2.76	25.61	2.39	829.20	513.60
Japan Nikkei 225	53,373.07	0.00	-9.31	5.17	41.20	6.03	59,332.43	30,792.74
Shanghai Stock Exchange Composite	3,913.72	-1.10	-5.99	-1.26	16.01	-1.39	4,197.23	3,040.69
Hong Kong Hang Seng	24,951.88	-1.29	-6.30	-3.36	5.82	-2.65	28,056.10	19,260.21
Taiwan TAIEX	33,112.59	-1.29	-6.50	15.96	50.84	14.32	35,579.34	17,306.97
Korea KOSPI	5,438.87	-5.92	-12.90	31.70	108.61	29.06	6,347.41	2,284.72
India NIFTY 50	22,819.60	-1.28	-9.37	-12.37	-3.27	-12.67	26,373.20	21,743.65
Australia Stock Exchange 200	8,516.30	1.04	-7.42	-2.81	6.87	-2.27	9,202.90	7,169.20
Indonesia Jakarta Composite	7,097.06	-0.14	-13.82	-16.88	9.01	-17.92	9,174.47	5,882.61
Thailand SET	1,447.05	0.98	-5.31	14.91	21.82	14.88	1,545.31	1,053.79
Malaysia FTSE Bursa KLSE	1,712.65	-0.47	-0.23	2.12	11.52	1.94	1,771.25	1,386.63
Philippines Stock Exchange PSE	5,972.83	-0.76	-9.66	-1.53	-2.72	-1.32	6,673.61	5,584.35
Singapore FTSE Straits Times Index	4,898.18	-1.02	-1.94	5.65	23.02	5.42	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	-0.16	-0.54	-2.58	-2.23	6.55	-2.02	1.20	1.08
GBP	-0.55	-0.62	-1.69	-1.77	2.40	-1.61	1.38	1.27
CHF	0.39	1.35	3.88	1.19	-9.40	0.78	0.88	0.76
JPY	0.32	0.68	2.73	2.41	6.13	2.34	160.31	140.85
Asia								
CNY	0.01	0.38	0.78	-1.35	-4.86	-1.17	7.35	6.84
HKD	0.10	0.02	0.13	0.80	0.74	0.65	7.85	7.75
INR	0.54	1.18	4.10	5.58	10.67	5.48	94.78	84.27
MYR	0.50	1.93	3.19	-0.82	-9.42	-1.08	4.49	3.88
KRW	0.06	0.19	4.79	4.59	2.97	4.70	1,508.15	1,352.45
SGD	0.27	0.53	1.90	0.40	-3.79	0.23	1.35	1.26
TWD	0.19	0.02	2.06	2.04	-3.21	2.20	33.25	28.90
IDR	0.38	-0.09	1.19	1.25	2.45	1.74	16,985.00	16,106.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as at 27 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 27 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.



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