Monthly Wealth Digest

Your Edge. Our Insights. **August 2026**

AmWealth

Group Wealth Management


CONTENTS

China's Second Mover Advantage

America paid to discover what AI costs. China may profit from learning how to make it cheaper.

Your 30-Second Briefing

- The first phase of AI rewarded those with the biggest models and spending budgets. The next will reward companies that turn AI into earnings without consuming all their cash.
- US Big Tech is redirecting capital from buybacks towards chips, data centres and power. Returns increasingly depend on earnings, free cash flow and guidance, not ever-higher expectations.
- China does not need to win every benchmark. Its advantage may lie in distributing cheaper AI through platforms already used by hundreds of millions of consumers and businesses.

The First Move Pays the Tuition

America built the AI frontier by combining the best chips, talent and capital. But leadership came with an enormous bill. Hyperscaler investment could absorb 94% of operating cash flow over the next two years, compared with around 40% in 2023.

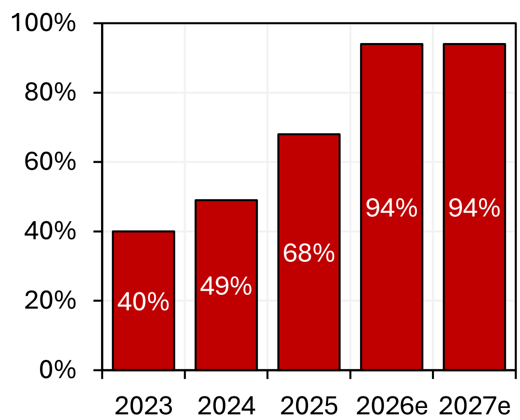
Cash once available for buybacks is increasingly being spent on processors, data centres and electricity. The old Big Tech model was simple: Generate cash. Invest selectively. Return the surplus.

The new version is longer: Generate cash. Build infra. Secure power. Pay creditors. Then reward shareholders.

The shareholder has not disappeared. The shareholder has moved further back in the queue

AI Is Consuming Cash Flow

CAPEX / Operating Cash Flow



Source: PIMCO (15 May 2026).
Note: "e" denotes estimate/forecast.

The Monetisation Test

The first AI rally rewarded ambition: larger models, bigger budgets and grander promises.

The next phase will ask harder questions.

Is AI revenue growing faster than AI spending? Is free cash flow recovering after investment? Are buybacks genuinely reducing the share count? Is management raising earnings guidance, or merely its capital-expenditure budget?

AI can transform the economy while still disappointing investors. Chipmakers, utilities and creditors may all benefit before enough value reaches the companies financing the infrastructure. The technology can succeed but the investment may still disappoint.

China's Constraint Dividend

China entered the race with less access to advanced chips and less abundant capital. Those constraints may have forced its developers to prioritise efficiency rather than simply purchasing more computing power. DeepSeek reported that its V3 model was trained using 2.788 million Nvidia H800 GPU hours, while producing results competitive with leading models in its own testing.

China Does Not Need The Most Expensive Intelligence

Model	$ Per 1m Token
DeepSeek v4 Flash	$0.28
DeepSeek V4 Pro	$0.87
OpenAI GPT-5.6 Luna	$6.00
OpenAI GPT-5.6 Terra	$15.00
OpenAI GPT-5.6 Sol	$30.00

Source: OpenAI, DeepSeek (31 July 2026)

The comparisons remain debated, but the economic message is important: better intelligence may not require proportionately more capital. America's advantage is abundance. China's potential advantage is learning how to operate without it. That may become more valuable as AI shifts from frontier research towards affordable, everyday applications.

Distribution May Beat Model

The next winner may not own the most powerful model. It may own the cheapest route to the customer. Tencent, Alibaba and Baidu already operate across messaging, payments, e-commerce, advertising, search and cloud services.

They do not need to build entirely new markets for AI. They can insert it into businesses people already use. Tencent's first-quarter free cash flow rose 20%, faster than its 16% increase in capital expenditure. Baidu's AI businesses grew 48% in 2025, while the company introduced a dividend and authorised a US$5 billion repurchase programme.

That is the equation investors may increasingly reward: Invest in AI. Grow earnings. Preserve cash. Keep rewarding shareholders. The advantage is not automatic. Alibaba's cloud growth accelerated, but heavy investment pushed quarterly free cash flow into a RMB17.3 billion outflow. China's second-mover advantage only matters when it appears in the accounts.

Lower Expectations, More Room to Surprise

Investment returns depend not only on what companies deliver, but on what investors already expect. The MSCI China Index traded at roughly 10 times forward earnings at the end of June 2026, compared with around 18 times for global equities.

That discount reflects economic, regulatory and geopolitical risks.

It also means less success is already priced in. US technology increasingly requires excellent earnings and excellent guidance to justify ambitious valuations. Selected Chinese companies may need something simpler: improving profits, controlled spending and evidence that AI is becoming commercially useful. One requires continued excellence. The other requires positive surprise.

Why corrections feel sharp

America will probably remain the leader in frontier AI. But the technological winner and the investment winner need not be the same. The first phase rewarded those willing to spend the most. The next may reward those that learn from the first mover, avoid its costliest mistakes and monetise AI through businesses they already own.

The market is moving from discovery to application, from capital expenditure to productivity, and from expectations to evidence. America may continue winning the benchmarks. But with lower expectations and greater scope for earnings upgrades, China may be better placed to win the investment race.

Weekly Wealth Solutions Highlight

Do scan the QR Code to access the AmBank Wealth Digest to receive our weekly wealth solutions highlight.

AmBank Wealth Digest

The Second Draft of the AI Trade

Markets may be telling us that the first phase of the AI trade is ending, and the second phase is beginning.

The recent selloff in global technology stocks reflects growing investor unease over the cost of the AI race. After two years of rewarding companies with the biggest models, largest budgets and most ambitious spending plans, investors are beginning to ask a different question: where are the profits?

That question matters because the economics of AI are changing. The first phase rewarded those building the infrastructure. Semiconductor makers, cloud providers and data-centre operators benefited as spending surged. But as AI investment rises, so too does the pressure on cash flow. Some of the largest technology companies are now directing unprecedented amounts of capital into chips, computing power and electricity, leaving investors increasingly focused on returns rather than promises.

At the same time, the competitive landscape is shifting. While the US remains the innovation leader, China is increasingly positioning itself as the commercialisation leader. President Xi has made AI leadership a national priority, while companies such as Moonshot and DeepSeek are challenging the assumption that the most expensive model necessarily wins. China's advantage may lie less in building the most powerful AI and more in integrating AI into platforms already used by hundreds of millions of consumers and businesses.

This highlights an important change in market thinking. Investors are beginning to distinguish between creating AI and making money from AI. The winners of the next phase may not be the firms spending the most, but those generating the highest returns on every dollar invested. Even the labour market headlines point in the same direction. AI is not simply replacing jobs; it is changing workflows and productivity. The debate is moving away from technological capability and towards practical application.

The Federal Reserve ("Fed") left the policy rate unchanged at 3.75% at its July 2026 FOMC meeting, marking the fifth consecutive meeting on hold and the second chaired by Kevin Warsh. The decision was fully anticipated by markets and aligned with consensus expectations. The accompanying statement was largely unchanged, reiterating that inflation remains above the Fed's 2% objective, with supply-side pressures, particularly in energy-related sectors, continuing to contribute to price persistence.

Looking ahead, market pricing remains divided on the policy path. Bloomberg consensus expects the next move to be a 25bp rate hike in December 2026, while Fed funds futures imply a higher probability of tightening as early as September 2026. In our view, the divergence reflects increasing uncertainty around the balance between resilient economic activity and lingering inflation pressures.

The labour market is showing signs of moderation, although the signal remains mixed. June 2026 nonfarm payrolls rose by just 57,000, well below consensus expectations of 112,500, representing one of the weakest employment prints in recent months. The slowdown appears partly attributable to a reversal of temporary hiring associated with the World Cup. Meanwhile, the unemployment rate unexpectedly edged lower to 4.2% from 4.3%, although this improvement was accompanied by a decline in labour force participation to 61.5%, suggesting some underlying softening in labour market conditions.

The US-Iran Memorandum of Understanding ("MoU"), signed in June 2026, briefly eased market tensions after weeks of military tension in West Asia, but relief was short-lived as tensions resurfaced. In addition, producer price inflation continued to outpace consumer price inflation, indicating persistent pipeline cost pressures.

Inflation dynamics have improved at the headline level but remain inconsistent with the Fed's objective. June 2026 CPI declined 0.4% MoM, the first monthly contraction since 2020, primarily driven by a sharp fall in gasoline prices. Headline CPI moderated to 3.5% YoY, down substantially from 4.2% previously. Core inflation also softened, with core CPI flat on the month and slowing to 2.6% YoY.

However, broader inflation measures continue to signal persistent underlying pressure. Headline PCE inflation eased only modestly to 3.67% YoY in June 2026 from 4.08% in May 2026, while core PCE remained elevated at 3.3% YoY. Importantly, the reacceleration in PCE inflation relative to the 2.0%-2.6% range recorded during 2H2025 suggests that inflationary pressures are becoming more broad-based rather than solely energy driven. This reinforces the Fed's cautious stance and reduces the scope for policy easing in the foreseeable future.

Economic activity, meanwhile, remains resilient. ISM Services PMI held at an expansionary 54.0, with the employment component improving meaningfully to 51.2 from 47.9. More notably, the ISM Manufacturing PMI rose sharply to 55.6 in July 2026, its strongest reading since May 2022 and the seventh consecutive month of expansion. Strength was broad-based across sub-components, with production and employment indices both returning to solid expansion territory. Taken together, the data suggest that while labour-market momentum is moderating, underlying economic activity remains sufficiently robust to prevent a meaningful shift toward a more accommodative policy stance.

The European Central Bank (“ECB”) kept all three key policy rates unchanged at its 23 July 2026 meeting, with the deposit facility rate remaining at 2.25%. While no policy action was delivered, the tone of communication was incrementally more hawkish and reinforced expectations of a potential rate increase at the September meeting.

The ECB's policy statement highlighted continued concerns over inflation, particularly the risk that higher commodity prices could generate indirect inflationary effects. At the same time, policymakers continued to acknowledge the presence of downside risks to growth, reflecting an increasingly delicate balancing act between preserving price stability and supporting economic activity.

President Christine Lagarde's post-meeting comments further strengthened the market's conviction that a September hike remains under active consideration. She noted that some Governing Council members had already advocated for a rate increase at the July 2026 meeting, while also emphasizing that the ECB has yet to observe meaningful second-round inflation effects in wages and services. This suggests that while another rate hike remains likely, the threshold for a prolonged tightening cycle remains relatively high.

Across the English Channel, the Bank of England (“BOE”) saw its voting split shift from 7-2 to 6-3, with three policymakers voting in favour of a rate hike. Fed Chair Kevin Warsh reiterated that policymakers would not hesitate to act at upcoming meetings if price pressures fail to ease. Accordingly, markets have become increasingly inclined toward a September rate hike, with a roughly two-thirds probability priced in at the time of writing.

Meanwhile, 2Q2026 GDP data from major economies painted a mixed picture. GDP growth in both the US and China came in below expectations, while the Eurozone surprised on the upside. US growth moderated, mainly due to a wider trade deficit driven by a surge in imports, while domestic demand remained resilient, supported by consumer spending and AI-related investment. In China, growth slowed to its weakest pace in more than three years as sluggish household consumption offset robust manufacturing and export growth, strengthening expectations of additional policy stimulus. In contrast, Eurozone growth accelerated as strong AI-related investment and government spending helped cushion the adverse effects of the West Asia conflict and elevated energy prices.

Malaysia

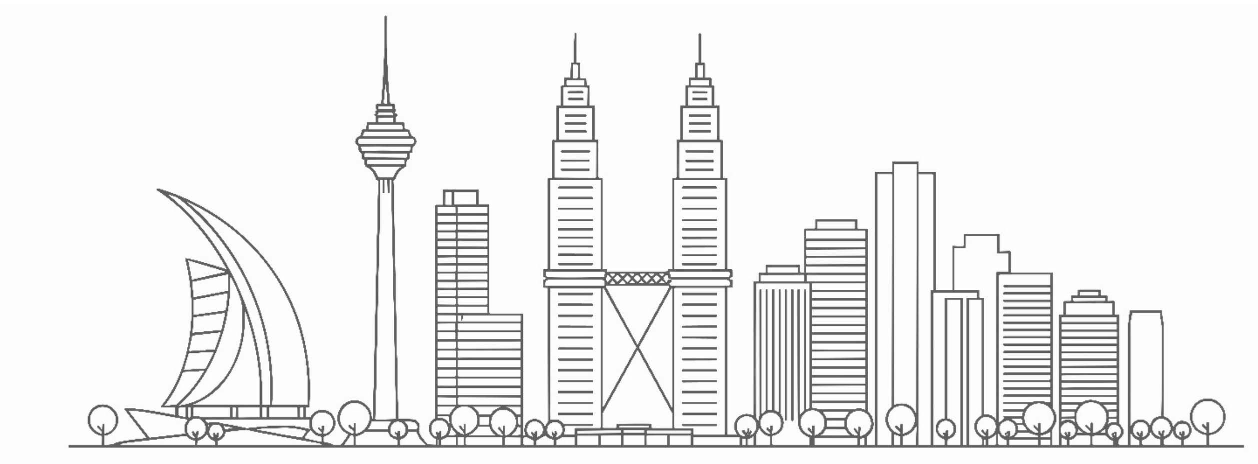
Malaysia's advance 2Q 2026 GDP estimate surprised firmly to the upside at 5.8% YoY, beating the 5.2% consensus and accelerating from 5.4% in the first quarter, bringing first-half growth to 5.6% (1H 2025: 4.5%). Growth was broad-based: the manufacturing sector strengthened to 7.5% (1Q: 5.9%) on electrical, electronic and optical products and petroleum, chemical, rubber and plastic products, while mining and quarrying rebounded sharply to 10.2% (1Q: -2.1%) on stronger natural gas output. Construction eased to 6.6% and services moderated to 5.4%, while the agriculture sector contracted 3.7% on weaker oil palm and fishing output.

Malaysia's manufacturing Purchasing Managers' Index ("PMI") recovered to 50.7 in June 2026 (May 2026: 49.9), returning above the neutral 50.0 mark and signalling a modest improvement in the sector. The two largest sub-components, new orders and output, returned to expansion after slight moderations in May 2026, though firms kept purchasing and hiring broadly unchanged in a wait-and-see stance.

On the labour front, the unemployment rate held steady at 3.0% in May 2026, with 513,400 persons unemployed, while the labour force participation rate was unchanged at 70.9% and employment edged up 0.1% to 16.82 million against a labour force of 17.34 million. The services sector remained the largest contributor to employment. DOSM expects the labour market to remain resilient, supported by favourable domestic conditions and sustained investment, though youth unemployment (aged 15–24) remained elevated at 10.2%

Malaysia's trade performance set a fresh record in June 2026, with total trade reaching RM340.9 billion, up 44.7% year-on-year, as exports surged 45.4% to RM177.9 billion and imports rose 43.9% to RM163 billion. This produced a trade surplus of RM14.9 billion — the 74th consecutive monthly surplus since May 2020 — 64.9% higher than a year earlier, though narrower than May 2026's larger surplus. For the first half of 2026, total trade grew 22.4% to RM1.8 trillion, with exports up 27.5% and the January–June 2026 surplus widening 159.8% to RM147.1 billion.

On inflation, Malaysia's Consumer Price Index ("CPI") eased to 1.9% YoY in June 2026 (May 2026: 2.0%), mainly on a slower transport increase of 2.8% (May 2026: 3.8%), keeping second-quarter inflation at 1.9% (1Q 2026: 1.6%) and well within BNM's 1.5% to 2.5% forecast range. In contrast, the Producer Price Index ("PPI") accelerated to 9.2% YoY in June 2026 (May 2026: 7.8%), the highest reading this year and the strongest annual increase in 48 months. The gains were led by the mining sector (+29.0%, on a 40.7% rise in crude petroleum extraction) and manufacturing (+7.2%, more than doubling from 3.5% in May 2026 on a 30.1% rise in coke and refined petroleum products), with second-quarter PPI rebounding 7.4% after a 1.7% contraction in the first quarter.



Bond Market Overview

US Treasury Yields

US Treasury Tenor	31-July-26 (%)	Net Change MoM (bps)	Net Change YTD (bps)
1Y	4.03	+5.8	56.3
2Y	4.29	+11.9	81.8
5Y	4.45	+22.2	72.4
7Y	4.59	+25.4	65.1
10Y	4.73	+27	56.8
20Y	5.29	+32.8	49.5
30Y	5.27	+32.1	42.9

Source: Bloomberg, 3 August 2026. Past performance is not indicative of future results.

US Treasury ("UST") yields bear steepened in July 2026, a month that was driven by a re-escalation of the Middle East conflict and the market's doubts over the Fed's credibility after holding rates at 3.50%-3.75%.

July 2026 began with a rally in the front-end of the curve with a softer-than-expected Non-Farm Payroll ("NFP") print for June 2026 by 57,000 (Consensus: 110,000, May 2026: 129,000). Yields rose in the subsequent week, but the market recovered its losses after lower CPI and PPI numbers in June 2026 caused the market to pare down rate hike bets. Headline inflation fell for the first time since 2020, easing to 3.5% YoY (Consensus: 3.8%, May 2026: 4.2%) and core inflation of 2.6% YoY (Consensus: 2.8%, May 2026 2.9%).

Toward the end of the month, the UST market plummeted as oil price surged past USD 100 on the Middle East conflict and lower-than-expected jobless claims added pressure to the market which is increasingly pricing in a rate hike.

While the Fed kept rates on hold as expected, the UST yield twist-steepened following the meeting as the market remained doubtful over the credibility of the Fed, as Chair Kevin Warsh offered little clarity of the policy framework. Post-FOMC meeting the 2-year yield went down 5bps while the 30-year yield surged over 10bps. The month ended with 2Y UST yield up 5.8bps to 4.03% and the 10Y UST yield rose 27bps to 4.73%.

Looking ahead, we expect volatility to continue in the UST market amid geopolitical uncertainty in the Middle East and we expect the Fed to hike once in 2026.

Asian Bond Indices Performance

Markit Asian USD Index	31-July-26	MoM	YTD
Asian Dollar Index	150.2	-1.05%	-0.01%
Asian Dollar IG Index	150.9	-1.16%	-0.49%
Asian Dollar HY Index	146.3	0.04%	3.13%
Asian Dollar Corp Index (ex-banks)	153.1	-0.72%	0.39%

Source: Bloomberg, 3 August 2026. Past performance is not indicative of future results.

All Asian dollar bond indices fell in July 2026 except for the Asian Dollar HY Index due to higher treasury yields overwhelming spread compression. The Asian Dollar HY index outperformed as most high-yield bonds are shorter in duration and are able to take fuller advantage of the spread compression as it is less impacted by the jump in US yields.

Malaysian Bond Market

MGS Benchmark Tenors	31-July-26 (%)	Net Change MoM (bps)	Net Change YTD (bps)
3Y	3.35	7.4	26.1
5Y	3.51	10.9	20.6
7Y	3.66	11.0	26.7
10Y	3.75	11.2	22.2
15Y	3.95	11.4	16.1
20Y	3.99	2.2	13.8
30Y	4.13	0.7	14.7

Source: Bond Pricing Agency Malaysia, 31 July 2026. Past performance is not indicative of future results.

In July 2026, the Malaysian Government Securities ("MGS") saw yields increase across the board led by the short-end of the curve and the belly of the curve while the longer-end of the curve saw yield increase at a lower magnitude. This tracked the movement of core rates in the US as sentiment remained pessimistic as the uncertainty over the July 2026 FOMC decision was high which saw market participants lighten up positions to minimise risk. The addition of the Negeri Sembilan elections added uncertainty to the local government bond market. There were three sovereign bond and sukuk auctions totalling RM13.5 billion in July 2026. comprising the reopening of a 10-year MGS (RM5.0 billion), followed by a 3-year Malaysian Government Investment Issue ("MGII") (RM5 billion), and a 15-year MGS (RM3.5 billion). The bid-to-cover ("BTC") ratio ranged from 1.87x to 2.26x, reflecting the subdued demand in Malaysia Government bonds.

Meantime, foreign holdings of Ringgit bonds increased by RM4.9 billion in June 2026, reversing the outflow of RM 4.3 billion experienced in May 2026. This was following the easing of US-Iran tension in June 2026. This brought total foreign holdings to RM309.8 billion, surpassing the previous record high of RM309.2 billion.

Some notable domestic corporate issuances in July 2026 included RM280.0 million of Malaysian Resources Corporation Berhad (AA3), RM 1.45 billion of CIMB Bank Berhad (AAA), RM 1 billion of YTL Power International Berhad (AAA), and RM 6 billion of Infracap Resources Sdn Bhd (AAA). The 3-year, 5-year, 7-year and 10-year generic AAA corporate yield ended the month at 3.68% (+3bp MoM), 3.77% (+1bp MoM), 3.87% (+4bp MoM), 3.99% (+4bp MoM), respectively.

Market Outlook

Malaysia's macroeconomic backdrop remains broadly supportive heading into August 2026, although conditions in the local bond market have become more challenging following the sharp sell-off observed in July 2026. Domestic growth continues to be underpinned by resilient private consumption, sustained investment activity and ongoing implementation of government development initiatives. Recent communications from Bank Negara Malaysia ("BNM") suggest that economic growth may track towards the upper end of the official 4%-5% forecast range, while inflation is expected to remain manageable within the 1.5%-2.5% range. Against this backdrop, BNM maintained the Overnight Policy Rate ("OPR") at 2.75% in July 2026 for a sixth consecutive meeting, although policymakers have acknowledged that future policy decisions will remain data dependent.

Inflation remains largely contained amid moderate cost pressures and stable domestic demand conditions. However, the strength of domestic activity, together with tighter money market conditions, warrants close monitoring. Notably, the 3-month KLIBOR has risen to approximately 3.46%, its highest level in a year and around 70bps above the OPR, suggesting that money markets are increasingly pricing in the possibility of tighter monetary conditions ahead. While BNM has not explicitly shifted to a hawkish stance, the balance of risks has become less accommodative than earlier in the year.

Investment Strategy

Looking ahead, the near-term risk to MGS and GII yields remains skewed modestly to the upside. A combination of resilient economic growth, elevated money-market rates, ongoing sovereign issuance requirements and fiscal uncertainties associated with a potentially higher-than-budgeted fuel subsidy bill could continue to exert upward pressure on yields. While supportive domestic liquidity and stable macroeconomic fundamentals should help prevent a disorderly sell-off, further rallies in duration may be difficult to sustain without a clearer shift towards monetary easing, either domestically or globally.

Consequently, we maintain a cautious duration stance. Preference remains for the front-end and intermediate tenors, particularly in the 3-year to 5-year segment, where carry and roll-down opportunities remain relatively attractive and less exposed to supply-induced volatility. Longer-duration exposures should remain selective until there is greater clarity on BNM's policy trajectory, primary supply conditions, and the direction of global rates.

Global Equities

Global Equity Index Performance

Indices	31-Jul-26	MoM	YTD
S&P 500 Index	7,489.72	-0.13%	9.41%
Nasdaq Index	25373.85	-6.61%	11.98%
MSCI Europe Index	216.97	0.90%	9.78%

Source: Bloomberg, 31 July 2026. Past performance is not indicative of future results.

US equities were volatile in July 2026, with the Standard & Poor's ("S&P") 500 ending the month broadly flat while the Nasdaq Index fell 6.6%, driven by a sharp selloff in technology stocks. The semiconductor sector was particularly weak, with the PHLX Semiconductor Index ("SOX") plunging 21.6% and entering bear market territory, marking the worst month for tech stocks since 2008. However, sentiment improved sharply in the final days of the month as strong earnings from major technology companies, particularly Amazon and Microsoft, eased concerns over the sector. Their results highlighted continued robust demand for AI-related infrastructure, reinforcing investor confidence that spending on chips and related equipment will remain strong despite the recent market correction.

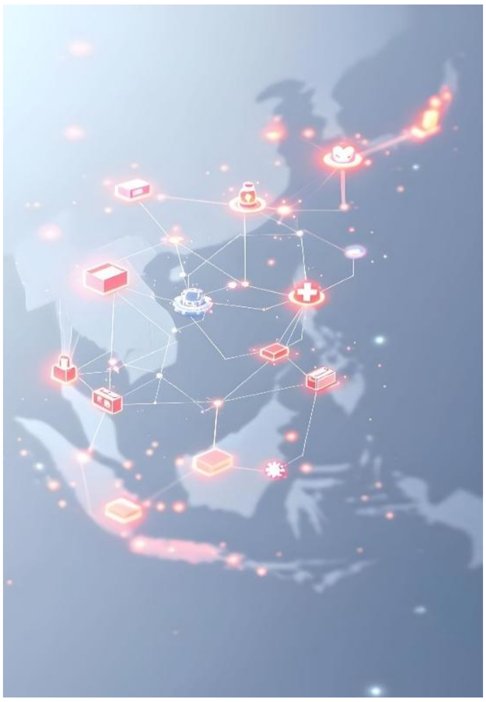
The Morgan Stanley Capital International ("MSCI") Europe Index rose by 0.90% MoM in July 2026, supported by resilient corporate earnings. Market sentiment remained volatile during the month amid heightened Middle East tensions, concerns over potential Chinese competition to ASML's dominance in deep ultraviolet ("DUV") lithography, and fears of potential energy supply disruptions. Meanwhile, the European Central Bank ("ECB") kept interest rates unchanged in July 2026.

Asia Pacific Equity Index Performance

Index	Index level	Jul-26 (Local currency)	YTD (Local currency)
MSCI AC ASIA x JAPAN	1,103.67	-3.47%	20.83%
FTSE ASEAN	1,039.22	4.84%	4.92%
CSI 300 INDEX	4,588.20	-7.86%	-0.90%
KOSPI INDEX	6,595.45	-22.19%	56.51%
HANG SENG INDEX	25,884.43	13.13%	0.99%
S&P BSE SENSEX INDEX	78,094.64	2.11%	-8.36%
TAIWAN TAIEX INDEX	43,119.75	-6.52%	48.88%

Source: Bloomberg, 31 July 2026. Past performance is not indicative of future results.

Chinese onshore equities declined as it marked a sharp style rotation in China's equity market where there was an unwinding of crowded AI trades, while offshore-listed internet names benefited from short cover and policy optimism which caused the Hang Seng Index to outperform the China A shares. The July 2026 Politburo Meeting focused on fiscal execution and selective, incremental policy support, with policymakers pledging greater counter-cyclical measures amid growth headwinds. By industry, the emphasis remained on AI, advanced manufacturing and national-security-related investment over broad-based demand stimulus. Hang Seng Index rose MoM due to sharp narrowing in the AI vs. non-AI performance gap as crowded AI positions unwound and capital rotated into laggards.



South Korea's KOSPI plunged in July 2026 (the worst month since October 2008) as AI stock wobbles that were triggered by routine fundamental concerns (around monetization and competition) and rotational flows. The crash in Korea was amplified by leveraged exchange traded funds ("ETFs"), and some intense hedge fund positioning unwind. The Bank of Korea started the growth-led tightening cycle with 25bp hike at the July 2026 Monetary Policy Committee meeting. Regulators tightened rules around leveraged ETFs, including: 1) stopping new listings of single-stock leveraged ETFs; and 2) raising the minimum cash deposit requirement to KRW30M from KRW10M, effective 31 July 2026. Further restrictions are under discussion, including investment caps limiting individuals from investing more than 20% of their total assets in single-stock leveraged ETFs. Taiwan's TWSE index corrected MoM amid an unwinding of the AI trade as some profit taking started to emerge despite the still resilient sentiment. Taiwan's June 2026 industrial production rose 4.6% MoM with broad-based gains across both tech and non-tech sectors.

India equities gained MoM driven by a rotation into India due to the global AI de-risking phase, pockets of better-than-feared earnings delivery and upbeat economic indicators. Headline CPI surprised to the upside, at 4.4% YoY in June 2026 up from 4.0% YoY in May 2026. Industrial production in June 2026 surprised on the upside, rising 7.3% YoY from May 2026 increase of 5.1% YoY.

ASEAN Equity Index Performance

Index	Index level	Jul-26 (Local currency)	YTD (Local currency)
STRAITS TIMES INDEX STI	5,628.50	8.85%	21.14%
JAKARTA COMPOSITE INDEX	6,236.13	10.51%	-27.88%
STOCK EXCH OF THAI INDEX	1,623.64	2.04%	28.89%
PSEi - PHILIPPINE SE IDX	6,236.44	3.30%	3.03%
HO CHI MINH STOCK INDEX	1,735.78	-6.68%	-2.73%
FTSE Bursa Malaysia KLCI	1,724.90	3.66%	2.67%

Source: Bloomberg, 31 July 2026. Past performance is not indicative of future results.

The Straits Times Index was one of the best-performing indexes within the ASEAN markets, rising 8.9% in July 2026 and extending its year-to-date gain to 21.1%. The market continued to attract investors seeking defensive and quality exposures, supported by resilient earnings from the banking sector, strong capital positions and stable dividend outlooks. Singapore remained one of the region's preferred safe-haven equity markets amid heightened volatility elsewhere in Asia. Thailand's SET Index advanced in July 2026, bringing year-to-date gains to 28.9%, making it the strongest-performing ASEAN equity markets. Investor sentiment remained supported by improving earnings expectations, a recovery in tourism-related activities and resilient domestic consumption trends, although currency weakness continued to partially offset gains from a USD-based investor perspective.

Indonesia's Jakarta Composite Index rebounded strongly in July 2026 after being the weakest ASEAN market in June 2026. The recovery was driven by bargain hunting and improving risk sentiment following heavy earlier-year declines. Nevertheless, the market remained deeply negative year-to-date, reflecting lingering concerns over economic growth, foreign fund outflows and currency weakness. The Philippines' PSEi gained in July 2026, extending its recovery and turning year-to-date performance to positive territory. Improved investor sentiment, easing inflation concerns and expectations of a more accommodative policy environment continued to support financial and consumer-related sectors.

Vietnam's VN Index declined in July 2026, reversing the stable performance recorded in June 2026 and pushing year-to-date returns to -2.73%. While underlying economic activity and manufacturing exports remained resilient, investors took profits following earlier gains, leading to weaker market performance during the month.

Malaysian Equities

The KLCI gained 3.7% MoM in July 2026, bringing its year-to-date gain to 2.7%.

Malaysia's mid-cap and small-cap indices gained 1.2% and 2.0% MoM respectively. Plantation and Industrial Products were the best performing sectors, gaining 4.9% and 4.5% MoM respectively. On the other hand, Utilities and Property were the worst performing sectors, with a loss of 1.9% and 1.4% respectively. The top three best performers in the KLCI component stocks were Petronas Chemicals (+18.0%), CelcomDigi (+11.6%) and SD Guthrie (+9.8%), while the worst performing stocks were Axiata (−5.7%), YTL Corp (−4.9%) and IOI Properties (−3.8%).

On the political front, the 1 Aug 2026 Negeri Sembilan state election saw the informal Barisan Nasional (BN)-Perikatan Nasional (PN) electoral pact secure a two-thirds majority by winning 25 of the 36 state seats. DAP secretary general Anthony Loke Siew Fook has announced his resignation as the party's Negeri Sembilan chief, taking responsibility for the party's poor performance in the recently concluded state election.

Foreign institutional investors turned net buyers of RM0.3b in July 2026, bringing year-to-date foreign outflows to RM2.86b. Local institutional investors were net sellers of RM0.3b equities. Average daily trading value was RM2.4b, declining 42% MoM.

Malaysia's Development:

- Vitrox reported strong FY26 2Q core earnings which grew 40% QoQ, >100% YoY, reflecting strong demand for semiconductors. FY26 1H core earnings came in at 62% of consensus full-year estimates, above expectation.
- Stratus Global Holding Bhd debuted on Bursa and closed at RM2.11 for a 164% gain against its initial public offering price of RM0.80. This signalled the market's strong appetite for semiconductor and AI-related themes.
- Sunway Construction Group has secured an engineering contract worth RM1.02 billion for a data centre project in Johor. The client was only identified as a US-headquartered multinational technology company. The job is expected to be completed by the fourth quarter of 2027

Investment Strategy

We maintain our positive outlook on global equities due to the resilient corporate earnings growth. While periods of volatility are likely following the strong year-to-date rally and the latest US-Iran skirmishes, the technology sector remains underpinned by robust and sustained global demand for AI hardware due to the rapid advancement of AI technologies and increasing adoption of AI solutions across industries. We continue to favour exposure in AI/technology, China as a value/rotational play and Singapore due to its stability.

For August 2026, investor focus on Bursa Malaysia is likely to shift away from sectors and stocks that benefited from "war premiums" as 2Q26 results are expected to capture the peak impact of the Middle East conflict that began in March 2026. Looking ahead to 2H26, market attention could broaden with the anticipated expansion of the FBM KLCI from 30 to 50 constituents, potentially driving greater interest in a wider range of sectors and stocks. Investors will also be monitoring developments under the MY Value Up initiative, with additional details expected in 4Q26.

On the political front, Barisan Nasional's strong performance in the recent two state elections raises questions over the timing of Malaysia's 16th General Election, which could become an increasingly important consideration for market participants in the months ahead.

AmInvestment Bank Equity Research: We entered our latest marketing rounds expecting investors to turn more cautious on technology after its recent rally. Instead, buying interest remained resilient. While valuations are no longer cheap, investors continue to view technology as one of the few sectors capable of delivering sustained earnings growth. At the same time, the recent pullback in banks has created a more compelling entry point, despite little change in fundamentals.

Technology continues to dominate investor attention as the lack of alternative growth stories keeps capital anchored to AI beneficiaries. Valuation concerns have become more frequent, but they have yet to trigger meaningful profit-taking. We prefer companies with room for earnings upgrades.

Domestic liquidity also remains supportive. EPF contributions continue to provide a steady source of inflows, while local institutional investors still have cash available for deployment. Although cash levels are not excessive, they should remain sufficient to underpin equities through 2H26, particularly with Government-Linked Investment Companies (“GLICs”) expected to stay supportive.

Banks, meanwhile, are becoming increasingly difficult to overlook. The sector has borne the brunt of portfolio rotation into technology, leaving valuations more attractive even as fundamentals remain intact. With resilient asset quality, attractive dividend yields and undemanding valuations, we believe banks are well positioned to benefit from any rotation back into value.

AmInvestment Bank Equity Research Top Picks

Company	Call	TP	Price
CIMB Group Holdings Bhd	Buy	10.30	7.89
Hong Leong Bank Bhd	Buy	28.00	22.04
SD Guthrie	Buy	7.34	6.57
Maxis Bhd	Buy	4.45	3.70
Hong Leong Financial Group Bhd	Buy	33.00	18.52
Greatech Technology Bhd	Buy	3.30	2.38
Keyfield International	Buy	1.80	1.45
VS Industry Bhd	Buy	0.70	0.23
Karex	Buy	0.60	0.50
Jati Tinggi	Buy	1.00	0.74

Source: AmInvestment Bank Equity Research, 31 July 2026.

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The United States Dollar Index

AmBank Economics: The DXY index weakened 1.5% MoM, with the greenback seen weaker vs all G10 currencies in July 2026. Volatility continues as the USD reversed earlier gains vs peers in June 2026, despite the sharp rise in UST yields during the month, even as tensions in the US-Iran conflict reignited. Key developments during the month include the Fed's July 2026 FOMC meeting, which left policy rates unchanged as expected. Though the USD weakened post-meeting as markets reversed a one-third-probability bet on an immediate hike, long-dated UST yields spiked sharply, given investors' concern about Warsh's inaction amid upside inflation risks. Ahead, we think a Fed rate hike will come as soon as the next FOMC meeting on 16 September, given the latest 3 dissenting FOMC votes (in favour of a hike), upside inflation risks ahead from elevated energy prices, and overall data indicating a solid pace of economic activity, strong productivity growth and capital investments, as well as steady job gains and unemployment rate

Foreign Exchange - Ringgit

AmBank Economics: The MYR strengthened 0.2% MoM in July 2026, maintaining within a tight 4.05-4.10 trading range through the month, despite several notable local developments. Malaysia posted an unexpectedly strong 2Q2026 advance estimate of GDP growth at 5.8% YoY (consensus: 5.2%; AmBank estimate: 5.6%; 1Q2026: 5.4%), driven by a rebound in mining activity and export-led E&E manufacturing growth. These fuelled some traders' hawkish bets of room for an OPR hike, given persistently tight Ringgit liquidity conditions amid sticky KLIBOR fixings. However, we opine that demand-pull conditions are not strong enough to warrant a hike at this time, maintaining our outlook for the OPR to be kept unchanged at 2.75% for the remaining year, and in line with the prior week's BNM MPC statement that its policy stance remains supportive of the growth and inflation outlook. On political developments, PM Anwar's Pakatan Harapan (PH) coalition saw a substantial decline in support in the two recent state elections in Negri Sembilan and Johor, driven in part by the collaboration between Barisan Nasional (BN) and Perikatan Nasional (PN). BN chief Zahid indicated that this political coordination will continue in the upcoming Melaka state election (due by January 2027).

We view the political arrangement as a test of the current PH-BN cooperation at the federal level. While a BN-PN victory at the state level would not necessarily have a material impact on the unity/federal government, it could increase the likelihood of coalition reconfiguration ahead of or following GE16, slated for February 2028 at the latest.

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- AmBank Wealth Management & Bancassurance
- AmFunds Management Berhad
- AmIslamic Funds Management Sdn. Bhd.
- AmPrivate Banking

In collaboration with:

- AmBank Economics
- AmInvestment Bank Equity Research

Monthly Product Strategy

August 2026

AmWealth

Group Wealth Management

Fund Ideas

Your Wealth, Our Best Personal Wealth Solutions

AmChina Enterprise High Income

The AmChina Enterprise High Income Fund provides exposure to Chinese equities while generating regular income through a covered call strategy. By combining stock ownership with option premiums, the fund seeks to deliver a smoother investment experience, making it suitable for investors seeking participation in China's recovery without relying solely on capital gains.

- **Potential to earn consistent income** from option premiums, even during range-bound markets.
- **Exposure to leading Chinese companies** across sectors that stand to benefit from economic recovery and policy support.
- **Reduced volatility compared to traditional equity funds,** as option income helps cushion market fluctuations.

Bottom line: Get paid while you wait for China's turnaround.

Note: Intended for sophisticated investors only, as defined under applicable Malaysian laws and guidelines. It is not intended for retail investors. Please refer to the Information Memorandum for AmChina Enterprises High Income Fund, dated 9 June 2026, available at www.aminvest.com, and the latest supplemental document, if any, before investing.

RHB Contour Technology

The RHB Contour Technology Fund provides access to global technology leaders benefiting from long-term structural trends such as artificial intelligence, cloud computing, cybersecurity and digital transformation. Rather than focusing on a single theme, the fund invests across multiple areas of technology innovation shaping the future economy.

- **Potential to generate returns in different market environments** through both long and short positions.
- **Access to global technology innovators** driving AI, cloud, cybersecurity and digital transformation.
- **Reduced dependence on overall market direction,** as stock selection can contribute to performance even during volatile periods.

Bottom line: Invest in the winners and potentially profit from the losers too.

Note: Intended only for sophisticated investors only, as defined under applicable Malaysian laws and guidelines. It is not intended for retail investors. Please refer to the Information Memorandum for RHB Contour Technology Fund, dated 9 June 2026, available at www.rhbgroup.com, and the latest supplemental document, if any, before investing.

Bond Ideas

Blackrock Inc 4.75% 2033

We favour BlackRock for its dominant position in global asset management, supported by diversified revenue streams across ETFs, active strategies and technology solutions. As the manager behind the iShares franchise, BlackRock continues to benefit from long-term growth in global investment assets and increasing demand for low-cost investment solutions.

While the bond is callable, investors are compensated with an attractive yield of approximately 4.7% from an Aa3-rated issuer with a stable outlook. Overall, it offers quality income exposure to a resilient global financial franchise.

Macquarie Bank 6.1456 % Tier 2 2040

We favour Macquarie Bank for its diversified earnings exposure across infrastructure, asset management, commodities and investment banking, supported by strong capital and funding positions. While the Tier 2 structure ranks below senior debt and carries a longer tenor, investors are compensated with an attractive yield of around 6.2% from an A3-rated issuer with a stable outlook. Overall, it offers compelling income from a resilient and globally diversified financial franchise.

Note: Indicative prices and yields may change without notice. Bonds are not deposits and are subject to credit, interest-rate, market-price, liquidity and foreign-exchange risks. Callable bonds may be redeemed early. Tier 2 instruments are subordinated and may be subject to loss-absorption or regulatory action. Investors may lose some or all of their invested capital. Credit ratings may change and should not be solely relied upon.

Structured Ideas

The first phase of the AI rally rewarded those building AI. The next phase may reward those making AI more efficient, affordable and commercially useful.

While the US remains the leader in AI innovation, China may benefit from a second-mover advantage by learning from early mistakes and focusing on cost-efficient growth and commercial adoption. The opportunity may not be choosing between the US and China but recognising that both play important roles in the AI value chain.

Structured Investments: Hua Hong Grace Semiconductor & Dell Technologies Inc

Hua Hong Grace offers exposure to China's efficiency advantage in semiconductor manufacturing, while Dell Technologies provides exposure to continued AI infrastructure deployment in the US. Together, they represent two complementary ways to participate in the next phase of the AI story: innovation and optimisation.

KIKO Autocallable | Monthly Coupon Payout | Underlying: Hua Hong Grace Semiconductor

Ticker	Currency	Tenure	Strike	Knock Out	Knock In	Coupon
1347 HK	MYR	9M	100.0	100.0	55.0	20.3% p.a.

Note: Historical Pricing (28 July 2026) Please check with your respective RM's for refreshed pricing.

Hua Hong stands to benefit as the AI industry shifts from building the most powerful chips to producing computing power more efficiently and at lower cost. The company provides exposure to China's second-mover advantage through cost-effective semiconductor manufacturing.

Bullet Autocallable | Absolute Upfront Payout | Underlying: Dell Technologies Inc

Ticker	Currency	Tenure	Strike	Knock Out	Knock In	Coupon
DELL US	MYR	3M	100.0	103.0	75.0	8.00%

Note: Historical Pricing (28 July 2026) Please check with your respective RM's for refreshed pricing.

As AI moves from experimentation to real-world deployment, businesses will continue investing in the servers, storage and infrastructure needed to commercialise AI. Dell is well positioned to benefit from this trend as a leading provider of enterprise AI infrastructure.

Note: This structured investment is not principal protected. The stated coupon or payout is subject to the product terms and conditions and is not a guaranteed investment return. If a knock-in event occurs, investors may suffer substantial loss of principal based on the performance of the underlying share. Investors are also exposed to issuer credit risk, market risk, foreign-exchange risk and limited liquidity. Early redemption may limit the total coupon received. Please read the applicable term sheet and disclosure document before investing.

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