AIA Investments

April 2026

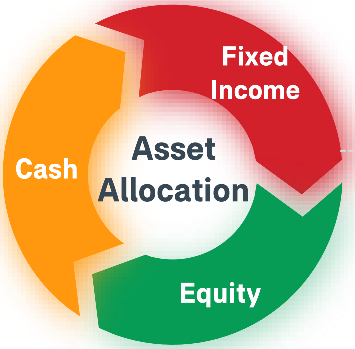
Monthly Investment Insights

Macro Commentary

- The ongoing Middle East conflict escalated into a direct confrontation involving Iran, the U.S and Israel, raising global concerns as oil prices remain elevated. Although a 2-week ceasefire has emerged, risks remain high as Iran retains influence over the Straits of Hormuz – a key route that supplies around 20-25% of global oil. Meanwhile, U.S. President Donald Trump continues to send mixed signals – pushing forth military pressure while pursuing negotiations.
- Elevated oil prices reignited inflation concerns, contributing to rising consumer price index (CPI). For central banks, supply-driven inflation poses a challenge - as Fed Chair Powell acknowledged, the central bank's tools have limited effect in combating supply shocks. Rate cuts expectation have been priced out for 2026 by the market as compared to the expectation of 1-2 cuts prior to the Middle East tensions.
- The U.S. economy continues to defy pessimists. Non-farm payrolls came in at +178k in March, better than expected, with the services sector contributing 135k jobs. Together with resurfacing inflation risks, the market has shifted towards a "higher for longer" rate path forward, increasing uncertainty around the timing of any policy easing.
- China's recovery story remains a work in progress. Beijing set its gross domestic product (GDP) growth target at 4.5–5% for 2026 - the lowest on record since the early 1990s, reflecting the structural slowdown in growth momentum. Real estate investment continued to decline, falling 11% in January and February, while retail sales rose just 4.5% year-on-year. Policy stimulus has provided a floor, but a strong consumer-led rebound has yet to materialize. Patience is still required.

AIA Asset Allocation View

Underweight | Neutral | Overweight



Cash: Increase to N

Building cash tactically provides a defensive buffer against rising stagflation risks and positive stock-bond correlations, while preserving dry power to deploy into market weakness and emerging thematic opportunities.

Fixed Income: Maintain UW

- Oil-driven stagflation risks have pushed back Fed rate cut expectations, keeping monetary policy less dovish.
- Heavy bond issuance tied to AI capex and refinancing needs may limit further spread tightening in Investment Grade and High Yield.

Global Equities: Reduce to Slight OW

- Growth remains resilient despite moderating momentum, with elevated inflation risks from oil price shocks. While Middle East tensions may sustain volatility longer than typical geopolitical episodes, sell-offs have historically been short-lived. The range of possible outcomes has widened, creating tactical opportunities for active investors.
- Meanwhile, artificial intelligence (AI) continues to drive productivity and earnings growth.

Asia Ex-Japan Equities: Reduce to Slight OW

- After a healthy rally, Asian Equities are due for some profit-taking, even as the region remains attractively valued versus developed markets.
- Rising oil prices pose a headwind for many Asian economies as net importers. On the bright side, Asia's strategic position in AI supply chains, semiconductor production and manufacturing continues to draw capital and bolster long-term prospects.

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