Regional Market Focus

2026 Outlook

Refer to important disclosures at the end of this report

DBS Group Research . Equity

12 January 2026

Tariffs resilience, policy support and valuation define 2026 performance

- 2026 driver's scorecard: Indonesia > Hong Kong > Singapore=Philippines > Thailand
- DMs: Prefer Hong Kong over Singapore
- ASEAN EMs: Prefer Indonesia > Philippines > Thailand

2026 equity market drivers. We see tariff resilience, monetary and fiscal support, stock market support measures, and valuation as the key differentiators shaping regional equity market performance this year. Key risks include an uncertain US inflation outlook, tariff-related impacts, and the risk of a US stock market correction weighing on global equities. We apply a 6-point checklist comprising: (1) export dependence on the US, (2) monetary policy, (3) stock market support measures, (4) forward PE valuation relative to 10-yr history, (5) PE/Growth (PEG) ratio, (6) dividend yield. The scorecard ranks Indonesia > Hong Kong > Singapore = Philippines > Thailand. Indonesia tops the aggregate score followed by Hong Kong, supported by their low dependence on US exports and attractive valuations. Singapore stands out for strong stock market support measures. Philippines' bombed out PE valuation suggests negatives are priced in. Thailand scores the lowest, affected by higher US tariff risk, limited stock market support, and an unattractive PEG profile.

DMs: Prefer Hong Kong over Singapore. Hong Kong screens more attractively than Singapore on both PE and PEG, supported by our positive outlook. Key drivers include FY26F 11.7% EPS growth, tech development, favourable liquidity and still-attractive valuation. Picks: Alibaba, Tencent, CATL, Ping An Ins., China Construction Bank. We are Neutral on Singapore, given a more moderate upside to our higher YE target of 5,000 (prev. 4,880). Positives from MAS reforms that underpin small-mid caps and open value unlocking opportunities, safe-haven appeal, and attractive yields are offset by rising macro uncertainties and moderating GDP growth. Picks: SingTel, Seatrium, MLT, iFAST, UMS.

ASEAN EMs: Prefer Indonesia > Philippines > Thailand. We are positive on Indonesia, supported by a stronger macro backdrop, an accommodative monetary stance, limited tariff exposure, and attractive PEG valuations. We see scope for further re-rating alongside an earnings recovery. Picks: Bank Central Asia, Cimory, Astra International, Indosat, Aneka Tambang. We are Neutral on the Philippines. While downside risk is cushioned by low valuations, the market remains in a "muddle-through" phase pending reforms, clearer macro improvement, and sustained fund flows. Picks: Universal Robina, Puregold, SM Prime, Ayala Land, Jollibee Foods. Thailand remains our least preferred market. Slower GDP growth, political uncertainty, and US tariff pressures on exports are likely to keep foreign fund flows volatile and the SET rangebound, despite undemanding valuations. Picks: BDMS, CP ALL, CPN, Krung Thai Bank, SCB.

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Regional Markets Outlook Summary

Index	Level (31 Dec)	End-26 Target	% from target	Outlook
HSI	25,630	30,000	17.1%	Positive
STI	4,646	5,000	7.6%	Neutral
JCI	8,647	9,500	9.9%	Positive
PSE	6,053	6,500	7.4%	Neutral
SET	1,260	1,380	9.5%	Neutral

Source: DBS, DBSVI, DBSVTH, Bloomberg

STOCKS

Source: DBS, Bloomberg.

	Price LCY	Mkt Cap USDmn	12-mth Target LCY	Performance (%) 3 mth	12 mth	Rating
Alibaba Group	143	349,245	213	(17.7)	29.6	BUY
Tencent	616	720,814	800	(8.8)	50.9	BUY
Contemporary Amperex Technology	504	243,171	635	(13.9)	N.A	BUY
Ping An Insurance	70.20	174,538	85.00	31.2	52.1	BUY
China Construction Bank	7.61	262,315	9.10	4.4	26.6	BUY
Bank Central Asia	8,050	59,034	11,700	6.6	(15.5)	BUY
PT Cisarua Mountain Dairy	5,375	2,537	7,300	12.7	N.A	BUY
Astra International	7,000	16,858	8,100	18.1	42.3	BUY
PT Indosat Ooredoo Hutchison	2,170	4,163	2,900	14.5	(7.3)	BUY
Aneka Tambang	3,490	4,989	3,600	8.4	143.2	BUY
Seatrium Limited	2.20	5,767	2.96	(9.8)	(2.2)	BUY
Mapletree Logistics Trust	1.34	5,277	1.55	5.5	3.9	BUY
iFAST Corporation	9.61	2,239	12.00	(0.1)	30.2	BUY
UMS Integration	1.14	821	1.85	(2.7)	36.2	BUY
Universal Robina Corp	71.00	2,566	95.00	(6.4)	(11.3)	BUY
Puregold Price Club	40.00	1,947	49.00	0.1	33.6	BUY
Jollibee Foods Corp.	206.00	3,902	300.00	(7.2)	(22.0)	BUY
Bangkok Dusit Medical Services	19.40	9,794	28.00	(3.5)	(20.2)	BUY
Central Pattana	56.00	7,984	70.00	1.8	(1.3)	BUY
SCB X PCL	141.00	15,028	158.00	8.9	17.1	BUY

Closing price as of 8 January 2025

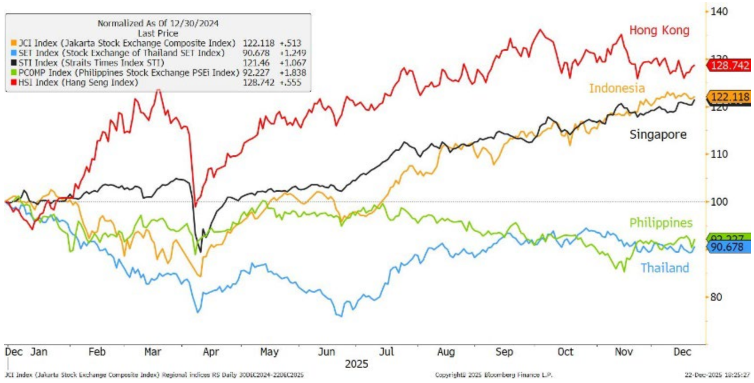
ed: JS, BH / sa: AS, PY, CS

Tariffs resilience, support measures and valuation define 2026 performance

Regional Outlook & Strategy

Policy support, resilience and innovation drove performance in 2025

Regional Indices relative performance (100 on 2 Jan 2025)



Source: DBS

Developed markets **Hong Kong** and **Singapore** largely outperformed ASEAN emerging markets last year. Hong Kong's **Hang Seng Index** (HSI) was the top performer across our regional coverage, supported by China's unexpected AI breakthrough, a stable macro and policy backdrop, and ample liquidity. **Singapore**'s **Straits Times Index** (STI) also delivered a solid performance, boosted by strong liquidity inflows from government support measures to revive the equity market, alongside attractive dividend yields and safe-haven appeal. Among ASEAN emerging markets, **Indonesia** was the top performer under our coverage. The **Jakarta Composite Index** (JCI) rebounded from an early 2025 sell-off to end the year strongly, supported by renewed investor confidence amid improving domestic fundamentals and inflows.

In contrast, ASEAN emerging markets **Thailand** and **Philippines** underperformed. Thailand's equity market was weighed down by US-tariff related uncertainties and weaker-than-expected Chinese tourist arrivals, before paring losses in 2H25 on improving political stability and valuations. Philippines equities were hit by confidence shocks stemming from a series of calamities and ongoing corruption probes, which disrupted both public/private sector activities and exerted pressure on the Peso.

Thailand and Singapore relatively more susceptible to US tariffs

US tariffs are expected to continue to weigh on global trade and regional exports in 2026. Among our coverage, **Thailand,** followed by **Singapore,** are relatively more susceptible, with US exports accounting for 10.4% and 7.9% of GDP, respectively. US semiconductor tariffs remain another source of uncertainty for ASEAN markets, particularly **Thailand**, **Singapore** and **Philippines**

Regional growth outlook and US tariffs

Country	GDP (%) 2025f	GDP (%) 2026f	US tariffs (%)	*Exports to US as %age of GDP	Comments
China	5	4.5 ↓	c.47	2.8	China and the US remain engaged in negotiations, delivering quid-pro-quo benefits, including lower curbs on rare earth metals, selected chip exports to China etc.
Singapore	4	1.8 ↓	10	7.9	Key swing factor for 2026: sector-specific tariffs (pharma/semiconductors) - Singapore has been seeking clarity/exemptions, with pharma tariff implementation postponed previously. The other swing factor in 2026 is demand for AI-related electronics exports.
Indonesia	5	5.2 ↑	19	1.9	Specifics on the US-Indonesia trade deal could be signed by end-Jan 2026, potentially granting tariff exemptions for select key exports (palm oil/tea/coffee) in exchange for improved US access to Indonesia's critical minerals and reduced barriers to US goods.
Thailand	2.1	1.6 ↓	19	10.4	Buoyant electronics exports face downside risks from lingering US semiconductor tariff threats.
Philippines	4.7	5 ↑	19	2.6	Vulnerable sectors are typically electronics / semiconductors components, consumer goods, and other manufactured exports where pricing power is limited.

**2024*
Source: DBS

Watchful of a potential US equity market correction

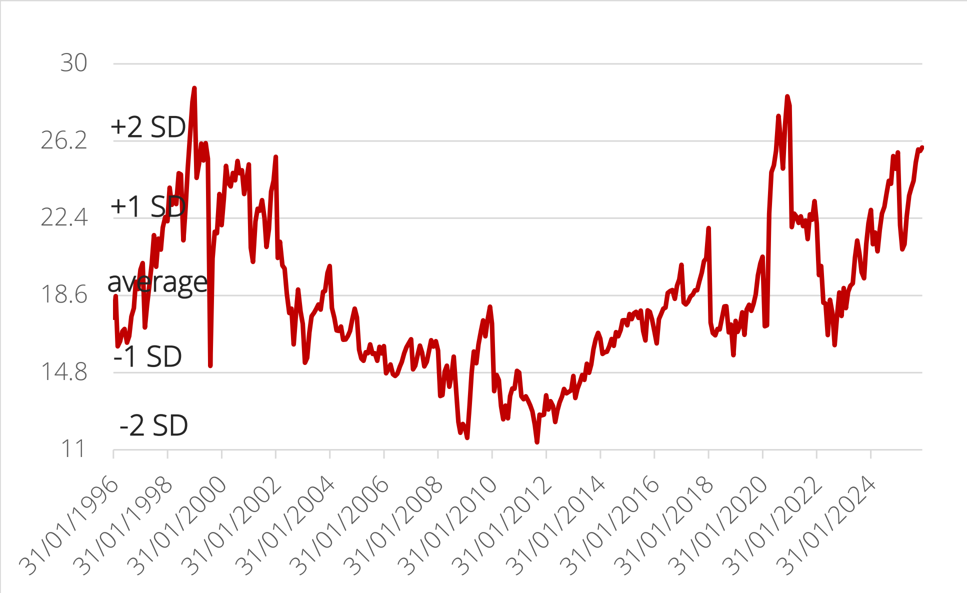
An uneven US economy, an uncertain interest rate outlook and the risk of a US stock market correction could have negative spillover effects on regional equities.

DBS economists highlight an uneven K-shaped US economy, led by AI/tech-related sectors, while other parts of the economy appear more subdued. A key concern is that the US economy (and stock market) may have become overly reliant on the AI/tech sector. Despite the strong stock market performance, this has not translated into broad-based job creation. Keeping mid-term elections in mind, Trump may resort to fiscal stimulus (cash handouts) measures to bolster support. Meanwhile, UST yields are caught between upward pressure from the buoyant stock market or downward pressure on signs of labour market weakness.

We identify 3 potential indicators within the S&P500 Index that raise the risk of a more uneven stock market performance over the year ahead:

1. Elevated Valuations – The forward PE of 25.9X is near +2SD above the 30-year average (1996 to 2025), leaving US equities more vulnerable to negative news.

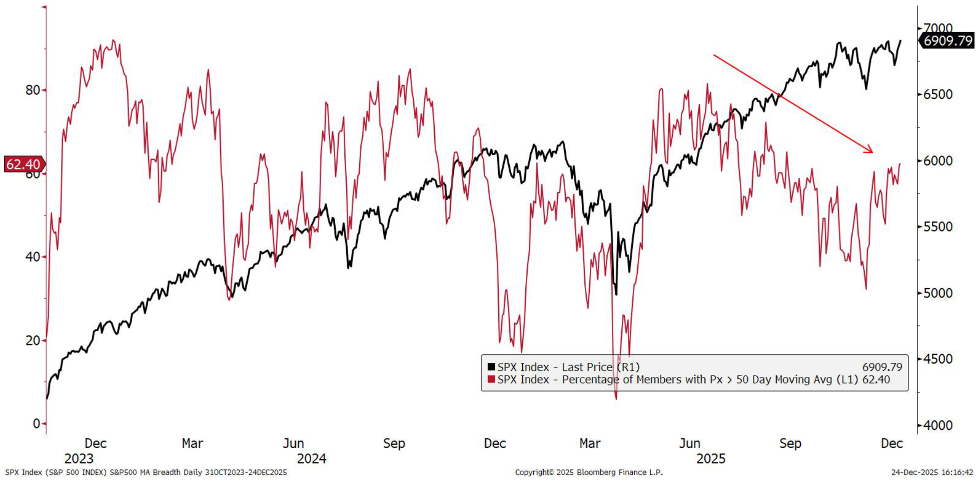
S&P500 fwd PE estimates (X)



Source: Bloomberg

2. Weakening breadth – The 17.5% YTD rally has been mainly AI-powered, lifting infotech, communication services and utilities, while the broader market has lagged. The has resulted in a negative divergence between the S&P Index and the percentage of members trading above their 50-day simple moving average (SMA). The sustained divergence since early July suggests that market internals are weakening, which can serve as a leading indicator of a potential stock market correction.

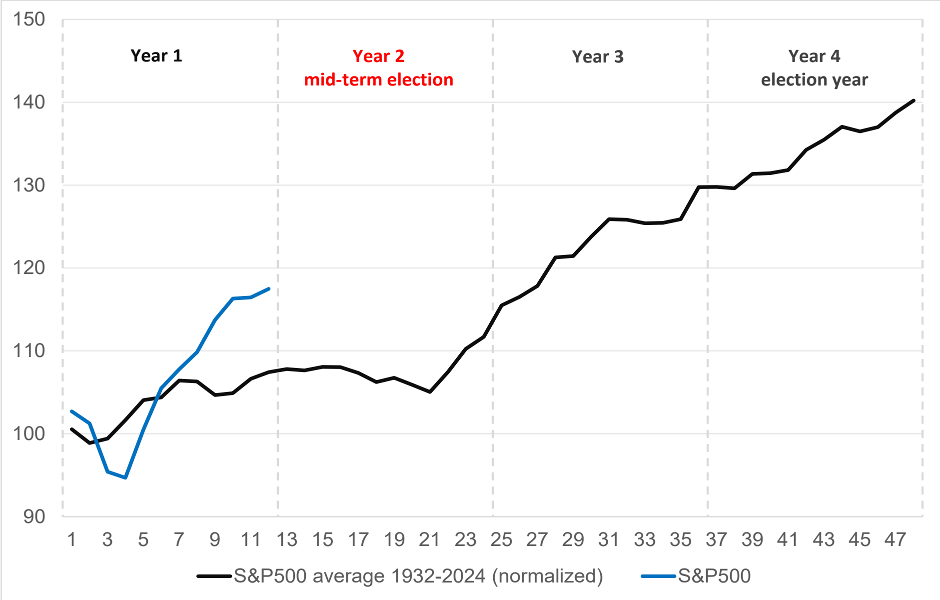
S&P500 and % of members trading > 50-day SMA



Source: DBS

3. Seasonal weakness – 2026 is a US mid-term election year, which has historically been the weakest year in the 4-year US presidential cycle. This reflects policy uncertainty as the new administration pushes through tough policies in the first year and the risk of political gridlock.

4-year US presidential cycle seasonal trend vs. S&P500



Source: DBS

2026 is likely no exception, as the US economy faces the tangible impact of US tariffs, resulting in a slower growth and an uncertain inflation picture. 2026 will see one-third of Senate seats and all House seats up for election. The lead-up to the November 2026 mid-term elections could introduce policy uncertainty that may unsettle equity markets.

Senate and House seats – current vs. up for election in 2026

	Republicans		Democrats	
	Current	Up for election in 2026	Current	Up for election in 2026
Senate	53	20	47	13
House	220	220	215	215

Source: various web sources

Lean towards support measures and equity market valuation

Against an uncertain macro backdrop, we expect monetary, fiscal and stock market policy support to remain important drivers of regional equity market performance. As regional markets displayed diverse performances last year, we will also be paying attention to market valuations.

Among our regional coverage, Indonesia and Philippines equities benefit from a relatively favourable monetary policy support, with DBS economists expecting policy rates to be cut by 50bps in 2026. At the other end of the spectrum, Singapore's 3-mth SORA OIS is expected to remain relatively stable.

Regional interest rate outlook

	Policy Rates (%)		
	End-2025	End-2026F	Change (bps)
China	2.9	2.65	-25
Singapore*	1.33	1.3	-3
Indonesia	4.5	4	-50
Thailand	1.25	1	-25
Philippines	4.5	4	-50

** 3-mth SORA OIS*
Source: DBS

Equity market support measures for **Singapore** and **China** look the most comprehensive. Singapore equities benefit from various schemes such as the SGD5bn Equity Market Development Programme (EQDP) seed fund and programmes to encourage value unlocking. Chinese equities are supported by state-backed ETF purchases and stabilization measures, alongside policy efforts to attract more long-term institutional funds into the equity market

Fiscal and stock market support measures in 2026

	Fiscal support	Stock market support
China/Hong Kong	More proactive policies to boost domestic demand, technological innovation, strengthen social safety net (healthcare and education) and promote a greener economy	• State-backed market stabilisation actions have included sovereign fund (Central Huijin) ETF buying during periods of market stress • Liquidity support by encouraging long-term funds (e.g., insurers) to increase equity allocations
Singapore	Budget 2026 on 12 February is likely to focus on 3 themes: (1) advancing the economy (2) secure good jobs (3) help Singaporeans progress together.	Unfolding mMeasures to strengthen the equity market, including through (1) SGD5bn EQDP seed fund (2) adjustments to GIP programme (3) SGD30mn 'value unlock' package (4) SGD50mn enhanced GEMS scheme (5) SGX-Nasdaq dual listing bridge
Indonesia	• Parliament-approved 2026 budget (growth target ~5.4%, deficit ~2.68% of GDP) with large flagship social programmes (e.g., free meals) in the plan. Demand support included includes cash handouts and VAT airfare subsidy (late-2025 into early-2026 window).	-
Thailand	• Co-payment Plus scheme to boost domestic consumption and support small businesses • BOI approved "Fastpass System" to help >70 approved projects worth over THB300bn progress with their investments.	-
Philippines	• FY 2026 National Budget of PHP6.493tn or c.USD115bn (+~7.4% vs FY2025) with focus on education, health and agriculture	Stock Transaction Tax reduced to 0.1% (from 0.6%) since July 25

Source: DBS, various web sources

Hong Kong has room for valuation expansion, while uncertainties largely priced in for Thailand and the Philippines

Between the 2 developed markets under our coverage, Hong Kong's HSI offers more headroom for PE expansion this year with its low double-digit FY26F EPS growth and valuations trading close to its 10-yr average, compared with Singapore's STI, which is expected to deliver mid-to-upper single digit FY26F EPS growth and is trading at +1SD of its 10yr average.

Across ASEAN emerging markets under our coverage, 12-mth forward PE multiples trade below their 10-yr averages. Notably, the Philippines SE Index is trading at below 10X FY26F PE (-2 SD of 10-yr historical average), suggesting that uncertainties over corruption probes, which disrupted both public/private sector activities, are mostly priced in.

Regional indices forward PE valuation

	Level 31 Dec25	FY26F		FY27F	
		PE (X)	SD*	PE (X)	SD*
Hang Seng Index	25,630	11.3	0	10.1	-0.8
Straits Times Index	4,646	14.6	1	13.9	0.5
Jakarta Composite Index	8,647	13.3	-1	11.8	-1.9
SET Index	1,260	14.4	-1	13.5	-1.4
Philippines SE Index	6,053	9.5	-2	9.1	-2

**standard deviation, 10-yr history*

Source: DBS

Valuation and Outlook

Regional markets valuation table

Country	Index	EPS Growth (%)		PE Ratio (X)		PEG Ratio (X)		Div. Yield (%)	
		26F	27F	26F	27F	26F	27F	26F	27F
Singapore	STI	8.8	4.9	14.6	13.9	1.7	2.8	4.5	4.5
Hong Kong	HSI	11.7	11.8	11.3	10.1	1.0	0.9	3.0*	3.2*
Thailand	SET	7.3	6.4	14.4	13.5	2.0	2.1	4.1	4.2
Philippines	PCOMP	5.0	5.0	9.5	9.1	1.9	1.8	4.0*	3.7*
Indonesia	DBS Uni^	8.9	8.6	10.8	10.0	1.2	1.2	7.1	5.9
	*JCI**	*16.8*	*13.4*	*13.3*	*11.8*	*0.8*	*0.9*	*5.1*	*5.5*

Source: DBS, Bloomberg. Based on DBS forecasts as of Dec-25
**Based on Bloomberg consensus*
^ Based on DBS universe; Indonesia's market PEG is still attractive even with more conservative forecasts than consensus

We apply a six-point checklist comprising: (1) export dependence on the US; (2) monetary policy; (3) stock market support; (4) forward PE valuation relative to its 10-year history; (5) PE/Growth; and (6) dividend yield.

Regional markets 6-point checklist

	Exports to US as %age of GDP	Monetary Policy	Stock market support	fwd PE valuation relative to 10Y history	PEG	Dividend yield
Hong Kong/China	√√√	√√	√√	√√	√√√	√
Singapore	√√	√	√√√	√	√√	√√√
Indonesia	√√√	√√√	√	√√√	√√√	√√√
Thailand	√	√√	√	√√√	√	√√
Philippines	√√	√√√	√	√√√	√	√√

Source: DBS

Developed markets – Prefer Hong Kong over Singapore

For the two developed markets under our coverage, **Hong Kong**'s aggregate score surpasses **Singapore**'s due to its lower dependence on US exports (exports to US as a percentage of GDP: Singapore 7.9% versus China 2.8%), a more attractive forward PE (FY26F: HSI 11.3x, 10-year average versus STI 14.6x, +1SD 10-year history), and PEG (FY26F: HSI 0.97x versus STI 1.7x) valuation.

ASEAN EMs – Prefer Indonesia > Philippines > Thailand
Among the three ASEAN developing economies, **Indonesia** tops the aggregate score for being least affected by US tariffs, having supportive monetary policy, attractive PE and PEG valuations, as well as yield. This is followed by the **Philippines** due to its supportive monetary policy and a 'bombed out' FY26F PE valuation of 9.5x (-2SD, 10-year history). **Thailand** scores the lowest, being affected by US tariff risks, lacking stock market support, and trading at an unattractive PEG of 2x. Still, with the SET Index trading at a relatively attractive FY26F PE of 14.4x (-1SD, 10-year history), we anticipate limited downside, with the stock market likely to remain range-bound ahead.

Regional Outlook Summary

Index	Level 31 Dec	Change (y/y)	End-26 Target	% from target	Outlook
HSI	25,630	27.77%	30,000	17.1%	Positive
STI	4,646	22.65%	5,000	7.6%	Neutral
JCI	8,647	22.13%	9,500	9.9%	Positive
PSE	6,053	-7.29%	6,500	7.4%	Neutral
SET	1,260	-10.00%	1,380	9.5%	Neutral

Source: DBS

Hong Kong – Bull run to extend

The bull run should continue, driven by an anticipated strong 11.7% FY26F EPS growth for the Hang Seng Index. We are bullish on the internet and IT sectors, powered by AI adoption and Apple supply chain players. In contrast, we are cautious on the property sector. We expect continued inflows from both domestic and foreign investors, driven by a low-yield environment in China, competitive opportunities within the global AI theme, an active IPO pipeline, policy support, further rate cuts, and a potentially weaker USD. Our end-2026 target for the HSI is 30,000 pegged to 13x forward PE. Key themes include: (1) Technology: Alibaba (9988 HK), Tencent Holdings (700 HK); (2) anti-involution beneficiary: Contemporary Amperex Technology (3750 HK); and (3) financials: Ping An Insurance (2318 HK), China Construction Bank (939 HK).

Singapore – More moderate gains ahead

The 7.6% upside to our STI's revised end-2026 target of 5,000 (prev. 4,880), pegged to 15.2x (+1.25SD) FY27F PE, suggests more modest gains ahead, following a strong showing in 2025. The positives stemming from MAS reforms, Singapore's safe-haven appeal, attractive dividend yield, and 8.8% earnings growth are balanced against rising macro uncertainties and moderating GDP growth to 1.8% due to potential tariff and tech headwinds. Investors should leverage secular large-caps (e.g., Seatrium, Singtel, UOL, ST Eng) that benefit from Singapore's transformation toward SG2040, while remaining selective on small-mid-caps (e.g., GuocoLand, IFAST, UMSH, CAREIT) with value unlocking, earnings growth/recovery, and resilient yield narratives.

Indonesia – Stronger macro underpins a stronger JCI

We are constructive on the outlook for Indonesia markets, underpinned by firmer macro fundamentals, steady GDP growth of 5.2%, stable currency, and broad earnings recovery of 8.9% amongst stocks under our coverage. We raise our JCI target to 9,500 by end-2026 (pegged to 15.0x FY26F PE) with scope for valuation re-rating on the back of rising government spending, improving domestic consumption, and sustained loan growth and investment momentum. We like stocks that offer the most compelling earnings growth in their respective sectors (e.g., BBCA, CMRY, ISAT, ASII), while remaining selective on commodity names such as ANTM for gold exposure.

Philippines – Low valuations limit downside risk

The Philippines enters 2026 at a crossroads, with our base-case PSEi target of 6,500 reflecting a cautious "muddle-through" trajectory. The limited downside risk on already-depressed valuations is balanced against potential catalysts such as governance reforms, a stable macro environment, and renewed foreign inflows. While political and confidence headwinds keep equity risk premia elevated, we observe early signs of foreign flows turning positive and anticipate passive inflows to drive returns as EM allocations recover. Investors should position along a barbell strategy across: 1) dividend-paying defensives (e.g., URC, PGOLD); 2) large-cap cyclicals poised for economic recovery, such as ALI, JFC, SMPH; and 3) emerging AI diffusion beneficiaries (CNVRG).

Thailand – Awaiting more political clarity

We are least positive on the Thailand equity market, as it navigates a confluence of slower GDP growth at 1.6%, political uncertainty stemming from the February general elections, and external headwinds from US tariffs that weigh on exports. The ongoing political uncertainty is likely to keep fund flows volatile and prompt foreign investors to adopt defensive positioning in 1H26. We maintain our SET Index target of 1,380, based on 14.8x forward PE, which is in line with its historical average. Key themes include: 1) rate cut beneficiaries: MTC; 2) investment recovery: AMATA; 3) sustainable high-yield plays, such as KTB, SCB; and 4) stocks with strong cash flow generation, including BDMS, CPALL, CPN.

Sector valuations and growth

Singapore

- STI earnings growth is set to accelerate to 8.8% in 2026F, as the earnings of index heavyweight **banks** transition from being a drag in FY25F to delivering 5.4% y/y earnings growth in FY26F
- Double-digit earnings growth from STI component stocks should also uplift benchmark earnings, including **Singtel** (communications services), **SGX** (financials), **UOL**, **CLI** (real estate), **ST Eng**, **Seatrium**, **SATS** (industrials)
- Small-to-mid-cap (SMC) stocks with double-digit y/y earnings growth in FY26F are predominantly found in the **tech** and **industrials** sectors

Sector valuation & growth

Sector	Earnings Growth (%)		PE Ratio (X)		Dividend yield (%)	
	26F	27F	26F	27F	26F	27F
Banks	5.4	2.6	12.5	12.1	4.5	4.5
Comm Svcs	10.3	8.2	24.4	22.6	4.6	4.9
Cons Disc	9.7	3.6	12.2	11.7	5.5	6.1
Cons Stap	9.0	10.6	12.6	11.4	3.8	4.2
Energy	11.0	6.3	10.2	9.6	6.4	7.3
Financial	12.5	10.3	27.1	24.6	2.4	2.7
Health Care	17.6	10.5	28.8	26.1	1.6	5.2
Industrials	19.9	12.1	15.3	13.6	3.7	4.1
Info Tech	18.6	7.2	17.2	16.0	4.7	4.8
Real Estate	45.5	10.6	22.4	20.2	5.1	3.3
REITs	4.2	3.1	17.4	16.9	5.5	5.7
DBS Coverage	9.8	5.6	15.3	14.5	4.4	4.6
STI DBS forecast	8.8	4.9	14.6	13.9	4.5	4.5

Source: DBS, Bloomberg. Data as of 31 Dec 2025

Hong Kong

- Consensus expects consumer discretionary and materials sectors to deliver the strongest earnings growth in FY26. Our bottom-up HSI EPS growth forecast for FY26 is 11.7%

Sector valuation & growth

Sector	Earnings Growth (%)		PE Ratio (X)		Dividend yield (%)	
	26F	27F	26F	27F	26F	27F
Cons Disc	34.5	29.1	15.5	12.0	1.7	1.8
Comm Stap	14.7	8.9	12.4	11.4	4.8	4.9
Energy	1.6	5.0	8.4	8.0	6.8	6.3
Financial	3.5	6.0	8.0	7.6	4.0	4.9
Health Care	15.2	23.3	26.3	21.4	0.8	1.1
Industrials	11.8	12.8	11.5	10.2	3.3	3.6
Info Tech	17.8	16.5	19.5	16.7	0.7	1.0
Materials	24.1	10.6	12.9	11.7	1.5	3.1
Real Estate & Const	17.6	18.2	12.8	10.9	4.6	5.1
Telecom	7.8	5.1	11.4	10.9	6.0	7.2
Utilities	6.2	5.9	11.0	10.4	4.9	5.4
DBS Coverage*	7.2	8.7	12.1	11.1	3.7	4.2
HSI DBS forecast	11.7	11.8	11.3	10.1	-	-

Source: DBS, Bloomberg

** Earnings growth is based on aggregate Bloomberg consensus estimates for DBS-covered stocks; P/E ratio and dividend yield are based on average consensus estimates for the same universe*
^ FY27 forecast is based on Bloomberg consensus estimates

Thailand

- We expect sustained earnings growth for the Thai market, albeit at a more moderate pace, with growth of 7.3% in 2026F and 6.4% in 2027F, a decrease from an estimated 15.0% in 2025. This reflects slower export growth, softer domestic demand, and a modest GDP growth outlook of 1.6% in 2026
- Politics are likely to weigh on near-term sentiment but are not expected to derail earnings growth. The market's attractive valuations (14.4x 2026F P/E, -1SD of historical average) should provide downside support

Sector valuation & growth

YE Dec (Btm)	Net profit Growth (%)			PE(x)			Dividend Yield (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Banking	4.2%	-0.9%	-0.8%	8.9	8.9	9.0	6.4	6.4	6.4
Finance	7.6%	13.5%	11.5%	8.8	7.8	7.0	4.1	3.8	4.0
Con. Mat.	181.6%	-22.3%	24.2%	11.9	15.3	12.3	4.5	3.6	4.4
Chemicals	nm	nm	167.8%	mn	-20.6	12.9	0.4	0.7	3.2
Contractors	nm	8.5%	5.9%	11.3	10.4	9.9	3.7	4.1	4.3
Property	-5.5%	3.2%	5.2%	9.0	8.9	8.4	5.1	5.2	5.6
- Commercial	14.5%	-0.2%	6.0%	13.1	13.1	12.4	4.2	4.1	4.4
- Residential	-19.9%	7.5%	4.5%	5.6	5.4	5.2	5.7	6.5	6.4
- Industrial	10.7%	-5.3%	5.1%	6.4	6.8	6.4	6.2	5.9	6.2
Property Fund	-0.9%	5.0%	3.9%	11.4	11.0	10.5	7.9	7.9	5.7
Energy	5.2%	1.2%	0.0%	9.0	8.9	8.9	5.3	5.3	5.4
Commerce	7.1%	11.6%	7.1%	13.5	12.1	11.3	4.9	5.3	5.1
Transport	-3.7%	16.8%	22.2%	26.9	24.1	19.9	-0.4	0.8	1.4
Tourism	5.8%	12.9%	20.5%	16.7	14.8	12.3	2.7	3.1	3.7
Telecom	49.4%	4.2%	6.0%	18.1	17.4	16.4	5.0	5.2	5.6
Electronics	25.3%	23.6%	18.4%	77.2	62.5	52.8	0.5	0.6	0.6
Food	40.5%	-14.2%	1.8%	7.7	9.0	8.8	6.3	5.5	5.6
Health Care Services	-0.8%	5.1%	4.5%	18.4	17.5	16.8	3.7	3.9	4.1
Other	-5.3%	16.3%	6.3%	20.5	17.6	16.6	2.1	2.4	2.5
DBS Coverage	**15.0%**	**7.3%**	**6.4%**	**15.5**	**14.5**	**13.6**	**3.9**	**4.1**	**4.2**

Source: DBSV TH

Indonesia

- The DBS universe is set to achieve 8.9% y/y earnings growth in FY26F (vs. previous forecast of 7.8%), mainly due to the initiation of coverage on BRI Syariah; a strong macro backdrop should underpin earnings rebound
- Government spending and targeted subsidies are expected to lift consumer confidence among lower and middle-income groups, which account for a large portion of Indonesia's population. This bodes well for consumer and TMT stocks
- Despite the strong performance of the JCI, index gains have been driven by a handful of conglomerate stocks, leaving quality names with improving earnings prospects trading at undemanding valuations

Sector valuation & growth (as of 30 Dec 2025)

Sector	EPS Growth		PER		Div Yield	
	26F	27F	26F	27F	26F	27F
Automotive	6.8%	1.1%	7.7	7.6	7.3	7.8
Property & REIT	-1.5%	-0.1%	6.5	6.1	0.9	3.0
Healthcare	9.6%	12.8%	19.2	17.1	2.0	0.7
Consumer	4.9%	3.5%	9.2	8.9	4.4	4.0
E-Commerce	NM	NM	21.4	14.9	-	-
Bank & Multifinance	5.5%	9.4%	11.4	10.4	6.3	5.4
Plantation	-2.7%	-6.8%	7.3	7.9	4.8	5.7
Animal Protein	7.4%	5.5%	13.0	12.3	2.8	3.2
Oil, Gas, And Energy	49.9%	4.6%	6.3	6.0	1.3	2.4
Metal and Mining	12.1%	16.2%	10.7	9.2	2.9	3.0
Telecommunication	15.7%	10.6%	16.0	14.5	4.0	4.3
DBS Universe	8.9%	8.6%	10.8	10.0	7.1	5.9

Source: DBS

Philippines

- We see corporate earnings growing steadily at ~5% p.a. in FY26F/27F, supported by a 5% GDP outlook
- While near-term demand may reflect muted confidence and a softer macro backdrop, profitability should hold firm in a stable "muddle-through" environment, with clear upside potential if sentiment and spending rebound

Sector valuation & growth (as of 30 Dec 2025)

	EPS Growth (%)		PER (x)		Div Yield (%)	
GICS Sector	26F	27F	26F	27F	26F	27F
Communication Svcs	7.2%	9.1%	9.1	8.5	7.1%	6.8%
Consumer Disc.	22.4%	20.1%	10.4	9.4	4.3%	3.3%
Consumer Staples	47.0%	67.7%	13.3	12.2	3.8%	3.6%
Energy	-6.8%	117.0%	7.7	8.3	5.5%	9.1%
Financials	7.7%	9.6%	7.6	7.0	4.5%	4.2%
Industrials	10.4%	18.1%	9.3	8.4	3.2%	2.9%
Materials	51.5%	12.2%	15.1	10.0	5.2%	5.2%
Real Estate	6.6%	6.7%	10.5	9.9	4.0%	3.7%
Utilities	-2.0%	9.6%	11.5	11.5	4.6%	4.2%
PSE Index (consensus)	8.4%	9.3%	9.0	8.3	4.0%	3.7%
PSE Index (forecast)	5.0%	5.0%	9.5	9.1	-	-

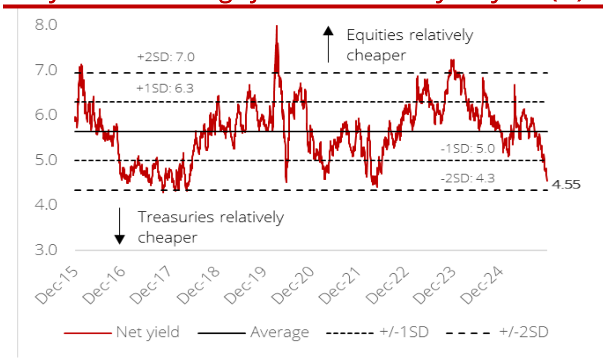
Source: DBS, Bloomberg

Equities vs. bond yield

Singapore

- Net yield has declined close to -2SD levels, as the fall in STI's earnings yield – on strong re-rating of the STI – outpaces that of the MAS 10-year yields in 2025

Net yield STI earnings yield vs. MAS 10-year yield (%)



Source: DBS, Bloomberg

Hong Kong

- HSI risk premium has further compressed to 4.6% as Hong Kong stocks extended their bull run in 2025

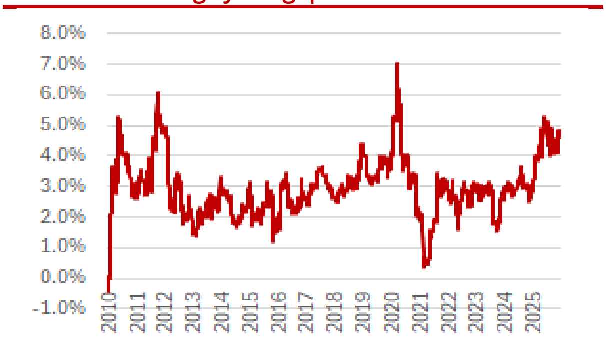
HSI earnings yield vs. 10-year US treasury yield (%)

Source: DBS, Bloomberg

Thailand

- Thailand's earnings yield gap has widened to around 4.7%, the highest level in more than a decade outside of crisis periods, on the back of depressed equity valuations and structurally lower bond yields

Thailand's earnings yield gap

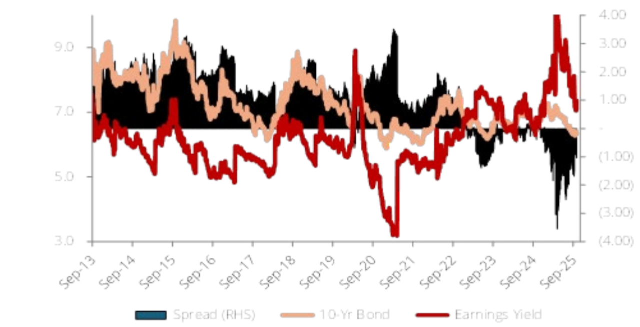


Source: DBS, Bloomberg

Indonesia

- The gap between the 10-year government bond yield and the JCI earnings yield has narrowed, as the earnings yield declined following the JCI's strong 2H25 performance. Downside risk for the JCI should be minimal as foreign outflows slow

JCI's earnings yield vs. 10-year govt bond yield (%)

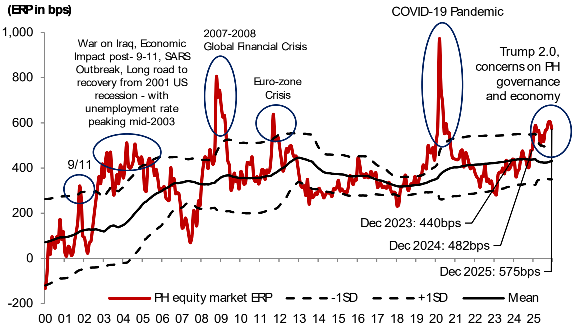


Source: DBS, Bloomberg

Philippines

▪ Market equity risk premium, at 575bps, reflects crisis-like levels. Near-term risks are skewed to the downside, but low valuations are expected to limit further underperformance

Equity risk premia already pricing in tail risks



Source: DBS

Country Outlook

Singapore

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- Raise STI end-2026 target at 5,000 (prev. 4,880
- Large caps – Ride with secular winners towards SG2040
- SMCs – Stick to value unlocking, earnings growth, and resilient high yields

GDP growth to slows to 1.8% amid "2Ts" headwinds in 2026

Singapore's strong 4.0% GDP growth in 2025 creates payback risks for 2026, as DBS economists anticipate GDP moderating to 1.8% as export front-loading effects fade. The economy faces two critical headwinds – the "2Ts" of tariffs on **trade-related** sectors and the tech cycle – that will determine the extent of downside pressure. The **technology** sector faces risks from a maturing electronics upcycle, potential waning of AI momentum, and threatened US semiconductor tariffs. This is offset by the resilience of domestic-facing sectors alongside: 1) Singapore's ongoing **digitalisation** drive, 2) a resilient **financials** sector as a trusted hub and positive equity market reforms, and 3) robust **construction** activity driven by key public and private projects.

2026: Stable inflation, SGD, and domestic rates amid slower GDP growth

	2024	2025F	2026F	2027F
Growth, yoy%	4.4	4.0	1.8	2.3
Inflation, yoy%, ave	2.4	0.9	1.2	1.5
Core inflation, yoy%, ave	2.8	0.6	1.0	1.3
10-year yield, %, eop	2.86	1.90	2.05	2.20
SGD per USD, eop	1.37	1.29	1.25	1.27

Source: DBS, CEIC, Bloomberg

STI end-2026 target at 5,000

We lift our end-2026 STI target to 5,000 (prev. 4,880), on a higher valuation peg of 15.2x (+1.25SD) FY27F PE. The implied 7.6% upside (from 4,646 on 31 Dec) suggests more modest gains ahead following 2025's strong 22.7% gains and re-rating, driven by MAS reforms, safe-haven status, and USD2.3bn fund inflows. The Singapore equity market is expected to balance positive drivers – MAS reforms that underpin small-mid caps and open value unlocking opportunities, safe-haven appeal, attractive yields, alongside stronger STI FY26F earnings growth of 8.8% (FY25F: -1.2%) – against macro uncertainties such as slower GDP growth, tariff impacts, the US interest rate outlook, and potential US equity market volatility.

Straits Times Index (Daily)

Source: DBS, Bloomberg

Theme 1: Ride with secular large caps towards SG2040
The STI remains on track towards 10,000 by 2040, assuming continued improvement in investor sentiment, reforms to revive the Singapore equity market, and a benign interest-rate environment in 2026. We anticipate the STI has the potential to meet the assumptions under our 'accelerated pace' scenario – with 7.6% upside potential for the index by end-2026, projected FY26F earnings growth of +8.8%, and pegged to 15.2x (+1.25SD) FY27F PE.

2026 forecast aligns with our STI 10,000 trajectory

Metrics	Accelerated Pace	2026F Assumption
Annual EPS Growth (%)	5.0	8.8
12-mth fwd PE (X)	14.5	15.2
Annualised return 2025-2040 (%)	5.0	7.6*
Annualised return 2010-2025 (%)	2.7	Not applicable

**% upside from 4,646 (on 31-Dec) to 2026 YE target of 5,000*

Source: DBS

While the STI's longer-term uptrend remains intact, 2026 is expected to feature inevitable bouts of heightened volatility. These healthy pullbacks, occurring in a non-recessionary environment with benign financial conditions, are viewed as opportunities to accumulate quality names. Our top picks for 2026 are positioned as winners that are anticipated to drive gains toward our 5,000 year-end target and ultimately STI 10,000 by 2040, as they offer both near-term catalysts and participation in Singapore's economic transformation over the next 15 years.

Our top 10 STI picks for 2026

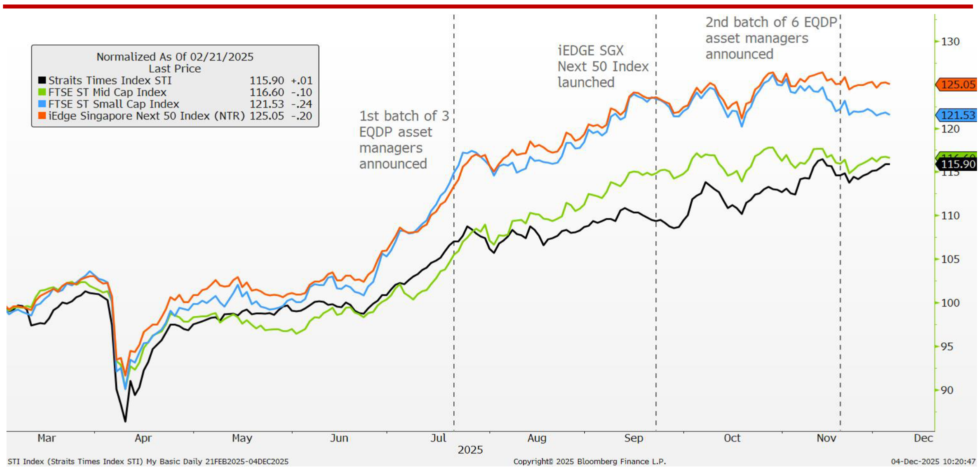
Sectors	Stocks	Key drivers for 2026	Long-term potential
Trade and connectivity Singapore's role as Asia' leading logistics, aerospace, & maritime hub	ST Eng	Robust orderbook visibility and rising global defence spending	Riding on Singapore's aviation hub position as key MRO operator
	SATS	Expected to outperform the broader cycle, with negatives largely priced in	Extensive global network underpins new contract wins, greater wallet share
	Seatrium	Expect uptick in in order momentum and margin expansion in 2026	Higher demand for shipyard activities, alongside green transition
	MLT	Trough is likely over for China, with narrowing negative rental reversions	Leading Pan-Asian logistics-focused REIT with rising ASEAN footprint
Financial services Asia's leading financial centre, with growing wealth franchise	OCBC	Return of excess capital, dividend yield growth as potential rerating catalysts	Refreshed strategy to accelerate growth across Asia, and in wealth management
	SGX	Key beneficiary of equity market volatility, market reforms, and safe-haven inflows	Multi-asset growth tailwinds, with SG vying to be third largest FX hub globally
Real estate Urban rejuvenation, decentralisation, value unlocking	UOL	Property development & investments to underpin growth and higher dividend	Unlock value through asset divestment and redevelopment (I.e., Marina Square)
	CLAR	Earnings visibility on positive rental reversions, interest cost savings, and completion of acquisitions	Underpinned by long-term demand for logistics, hi-spec, and business park properties
	CICT	Acquisition-led growth and strong portfolio reversions to drive 3% DPU CAGR in coming years	Potential uplift in traffic and sales in sub-urban malls from proposed decentralisation efforts
High growth sectors (e.g., data)	Singtel	Improving core earnings growth, and potential SG sector consolidation	Ride on growth, high value digital infrastructure, e.g., data centres, Nxera

Source: DBS

Theme 2: Stay selective on SMCs – value unlocking, earnings growth, high yields

Singapore's SMCs have outperformed the large-cap STI since the MAS's first set of measures (including the SGD5bn EQDP) in February, with the "buy-in-anticipation" effect evident in the sharp rise in the SMC indices' market cap that far exceeded the SGD5bn seed fund.

STI, iEDGE SG Next 50, FTSE ST Mid-Cap, FTSE ST Small Cap Indices (normalised: 100 on 21 Feb 2025)



Source: DBS, Bloomberg

The recent three-month pause in relative outperformance is temporary in our view, with SMCs expected to resume leadership in 1Q26 as the second batch of SGD2.85bn begins deployment. These measures are not a panacea, but alongside other policies (e.g., enhanced GEMS research and the Value Unlock package), they are expected to enhance SMC resilience during 2026's macro uncertainties. Staying selective remains key as the "easy money" phase gives way to fundamentals by 1H26, with our preferred SMC themes and picks detailed below.

Our top 10 SMC picks for 2026

Themes	Stocks	Key drivers for 2026
Value unlocking	GuocoLand	Steep discount with a stapling catalyst; resilient development business
	Hotel Properties*	Potential stake sale in Orchard assets and a potential takeover target
Earnings growth & recovery	Nam Cheong	Undervalued OSV charter play, with Petros-Petronas deal as a catalyst
	iFAST	Earnings underpinned by ePension ramp, with a SGD100bn AUA target
	UMS Integration	Second-order AI beneficiary; upside from new customer/NPI ramp
	SIA Engineering	Opportunity to capitalise on long-term MRO demand, supported by strong net cash position
Resilient yield	CAREIT	Unparalleled 15% CAGR growth in FY25-27 distributable income
	NTT DC REIT	Ride on AI-demand tailwinds; 5% DPU CAGR over next 2 years
	LendLease REIT	Attractive 6% yield in retail REIT space; PLQ expected to drive reversions
	NetLink Trust	Fibre monopoly/resilience, with attractive yield spread

*Source: DBS *Non-rated Equity Explorer*

Stock picks valuation table

Company	Price 8 Jan 2026 (LCY)	12-mth Target Price (LCY)	12-mth Target Return	Mkt Cap (SGDmn)	Rcmd	EPS Growth 25 (%)	EPS Growth 26 (%)	PER 25 (x)	Div Yield 25 (%)	Net Debt / Equity 25 (x)	P/BV 25 (x)
Large Cap											
ST Engineering	9.00	9.40	4%	28,044	BUY	22.2	22.1	32.7	2.6	1.6	10.9
SATS Ltd	3.80	4.00	5%	5,649	BUY	7.7	12.8	19.8	1.6	1.1	2.0
Seatrium Ltd	2.20	2.96	35%	7,450	BUY	108.7	43.7	22.9	1.6	0.2	1.1
Mapletree Logistics Trust	1.34	1.55	16%	6,837	BUY	-11.3	0.8	19.0	5.3	0.4	1.0
OCBC	20.17	19.80	-2%	90,566	BUY	-2.9	0.4	12.3	5.0	0.0	1.5
Singapore Exchange	17.31	18.20	5%	18,533	BUY	23.8	10.3	31.5	2.2	cash	8.5
UOL	9.30	11.00	18%	7,867	BUY	40.9	9.5	20.4	1.9	0.2	0.7
Capitaland Ascendas Reit	2.85	3.20	12%	13,144	BUY	-13.9	0.1	19.6	5.3	0.4	1.3
CapitaLand Integrated Commercial Trust	2.41	2.50	4%	18,343	BUY	-2.0	-1.7	22.3	4.5	0.4	1.1
SingTel	4.47	5.71	28%	73,698	BUY	12.7	14.0	26.6	4.2	0.2	2.9
Small Mid Cap											
GuocoLand	2.19	3.00	37%	2,438	BUY	-57.5	344.4	87.1	3.0	0.9	0.6
Nam Cheong Limited	1.06	1.25	18%	423	BUY	-18.9	11.0	7.4	-	0.4	1.8
iFAST Corporation	9.61	12.00	25%	2,918	BUY	43.7	26.1	29.7	0.8	cash	7.4
UMS Holdings	1.14	1.85	62%	1,016	BUY	16.6	20.6	17.2	4.4	cash	1.9
SIA Engineering	3.67	4.00	9%	4,107	BUY	15.7	26.0	23.4	2.7	cash	2.3
Centurion Accommodation REIT	1.13	1.30	15%	2,001	BUY	-	-41.7	11.1	5.1	0.3	1.3
NTT DC REIT (USD)	1.01	1.20	19%	1,041	BUY	nm	nm	nm	9.1	0.5	0.8
LendLease Global Commercial REIT	0.625	0.75	20%	1,851	BUY	-68.6	223.4	64.2	5.8	0.4	0.8
NetLink NBN Trust	0.97	1.08	12%	3,761	BUY	3.3	-0.8	38.2	5.6	0.3	1.6

Source: DBS

Hong Kong

Analysts: Moxy Ying, moxyying@dbs.com
Vanessa Lee, vanessaszechunl@dbs.com

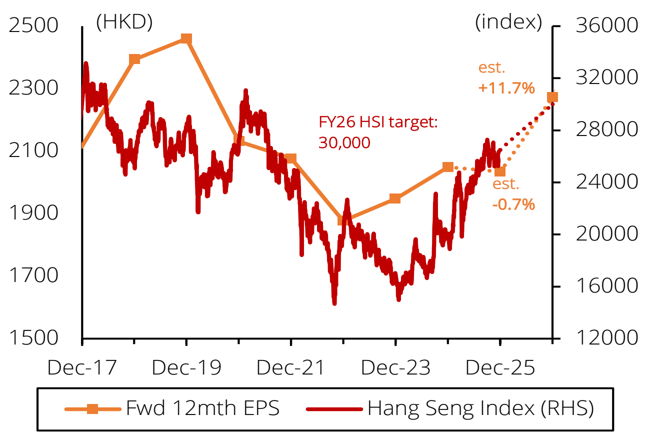
- HSI 30,000 target supported by modest valuation expansion and steady earnings growth
- Further rate cuts in China and overseas to attract additional fund inflows from both Southbound and foreign investors
- Continue to favour Tech+ stocks, anti-involution beneficiaries, and financials in 2026

Bull run to extend

With the HSI's gain of 27.8% in 2025, Hong Kong stocks delivered their strongest performance since 2017, supported by China's AI breakthrough, a steady macro and policy backdrop, and ample liquidity onshore and offshore. The IPO market has revived, with HKEX on track to become a top fundraising venue this year. Southbound investors have poured record sums into the city's equity market, while foreign investors have also returned. Multiple themes took turns driving the market, pushing average daily turnover to a record HKD252bn and making 2025 the most vibrant trading year in history.

1) Earnings to pick up: Entering the new year, we expect the bull run to extend, with earnings growth expected to play a central role in driving index performance. Using our bottom-up earnings forecasts, we project the HSI to deliver 11.7% EPS growth in FY26. Our estimates for internet companies are higher than the street's, as our analysts believe AI adoption will translate into tangible earnings improvements, and competitive pressure in quick commerce is expected to gradually ease through 2026. We are also more positive on the IT sector due to confidence in AI devices and Apple supply-chain players. In contrast, our property sector estimates are more conservative due to potential margin compression and inventory impairments in Chinese developers. From a top-down perspective, if China's anti-involution campaign progresses steadily, it could support profit growth next year, with upstream industries likely to benefit earlier.

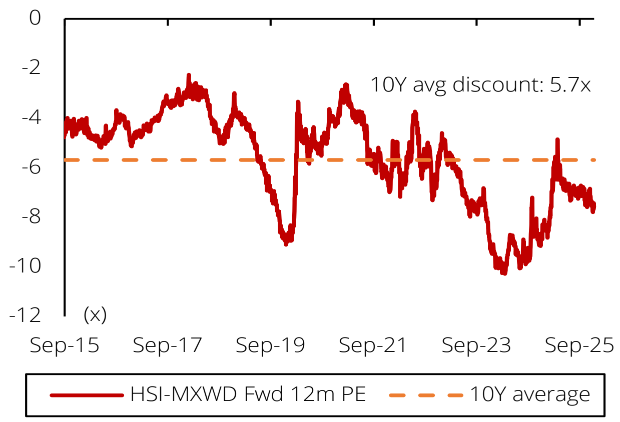
Solid earnings growth expected in FY26



Source: DBS, Bloomberg, LSEG

2) Valuation to further expand: Hong Kong equities still have room for valuation expansion, in our view, supported by their relative attractiveness versus global peers and the potential for further compression in the market risk premium. We continue to anchor our valuation target at 13x forward PE, which is roughly 1.25SD above the five-year average. This level implies the market risk premium could compress to the midpoint between the long-term average's -1SD and the trough level observed during the 2020-2021 tech bull market. In a global context, we also expect Hong Kong's valuation gap to other markets to narrow. Several key reasons behind the market's structural derating in recent years — including an unfavourable policy backdrop in China and weak local liquidity — are now largely behind us.

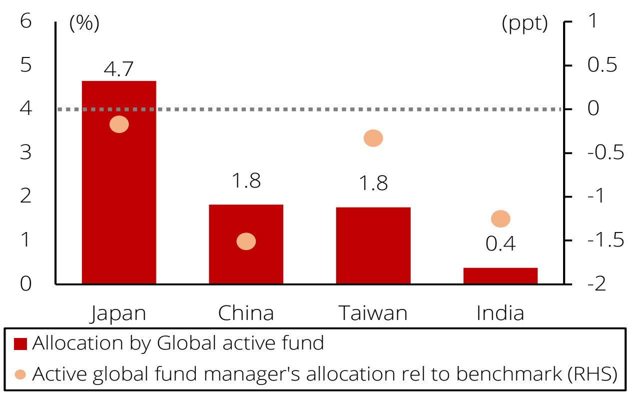
Valuation discount of HSI vs. MSCI ACWI Index still below 10-year average



Source: DBS, Bloomberg, LSEG

3) Fund inflow remains positive: We anticipate inflows from both domestic and foreign investors in the new year. For Southbound inflows, we expect a sustained low-yield environment in China to continue to prompt institutional and household investors to seek higher returns in the equity market. Foreign inflows are also expected to persist, supported by China/HK's competitive opportunities within the global AI theme, an active IPO pipeline, improved market liquidity, policy support, further rate cuts, a potentially weaker USD, and portfolio reallocation within Asia and EM.

Room for more active foreign fund inflow into China equities



Source: DBS, EPFR, iShares
Note: Data as of Sep 25. We use iShares MSCI ACWI ETF country allocation as a proxy for MXWD Index's geographic weighting

4) Stable macro condition, geopolitics: Our economists expect China's GDP to moderate to 4.5% in 2026 as the economy pivots toward higher-quality and more sustainable expansion under the anti-involution campaign. High-tech and AI are expected to take the lead alongside China's push for technological autonomy and industrial resilience. Monetary policy will remain accommodative, while fiscal support will be measured, with an emphasis on advancing tech self-reliance and selective infrastructure.

In terms of geopolitics, the US and China appear focused on containing tensions and avoiding major escalation during the one-year truce, despite a structural decoupling. China maintains multiple forms of strategic leverage – from rare earths to agricultural imports – that counterbalance pressure from the US.

Key China economic forecasts

GDP Growth (%)	2025F	2026F
GDP (base case, 70%)	5.0%	4.5%
Major forecast (%)		
CPI	0.2%	0.5%
Retail sales	5.0%	4.5%
Industrial production	6.0%	5.6%
Fixed asset investment	0.0%	0.2%
Exports of goods	5.0%	4.5%
Other major forecasts		
CNY (Per USD)	7.12	7.00
1Y LPR (%)	2.90	2.65
10Y CGB Yield (%)	1.70	1.60

Source: DBS

Investment themes for 2026

Technology (9988 HK, 700 HK): We expect the Tech+ theme to sustain, as advancing technological self-reliance will remain a top policy priority, and AI adoption is still in its early stages in China. Additionally, Chinese tech stocks remain attractively valued, are less exposed to global AI bubble risks, and have started to show tangible earnings benefits from AI adoption.

Anti-involution beneficiaries (3750 HK): A sustained anti-involution campaign is expected to continue improving supply-demand dynamics in selected sectors. We still prefer early movers like batteries and aluminium, and the sector's recent share price volatility has created a buy-on-dips opportunity. Regarding solar, measures aimed at curbing excess capacity and promoting market consolidation are anticipated to support polysilicon prices.

Financials (2318 HK, 939 HK): We continue to favour financials, as the low-yield environment is expected to support demand for stable returns. Participating insurance policies will remain attractive to households, as they offer rates above the five-year deposit rate. A gradual bull market should support insurers' book values. Banks are expected to benefit from potential inflows from long-term institutional investors and their safe-haven role during periods of volatility.

Stock picks valuation table

Company	Price 8 Jan 2026 (LCY)	12-mth Target Price (LCY)	12-mth Target Return	Mkt Cap (HKDmn)	Rcmd	EPS Growth 25 (%)	EPS Growth 26 (%)	PER 25 (x)	Div Yield 25 (%)	Net Debt / Equity 25 (x)	P/BV 25 (x)
Technology+ stocks											
Alibaba Group Holding	142.600	213.00	49%	340,255	BUY	74.4	-14.4	18.9	1.4	cash	2.4
Tencent Holdings	616.000	800.00	30%	5,633,178	BUY	17.7	12.5	19.9	1.0	2.9	4.5
Anti-involution beneficiaries											
Contemporary Amperex Technology	503.500	635.00	26%	1,899,530	BUY	30.1	19.1	30.8	1.6	-66.7	7.2
Financials											
Ping An Insurance	70.200	85.00	21%	1,394,832	BUY	20.9	6.2	7.6	4.4	n.a.	1.2
China Construction Bank	7.610	9.10	20%	2,042,845	BUY	-4.2	-0.3	5.7	5.3	n.a.	0.6

Source: DBS

Thailand

Analyst: Chanpen Sirithanarattanakul, chanpens@dbs.com

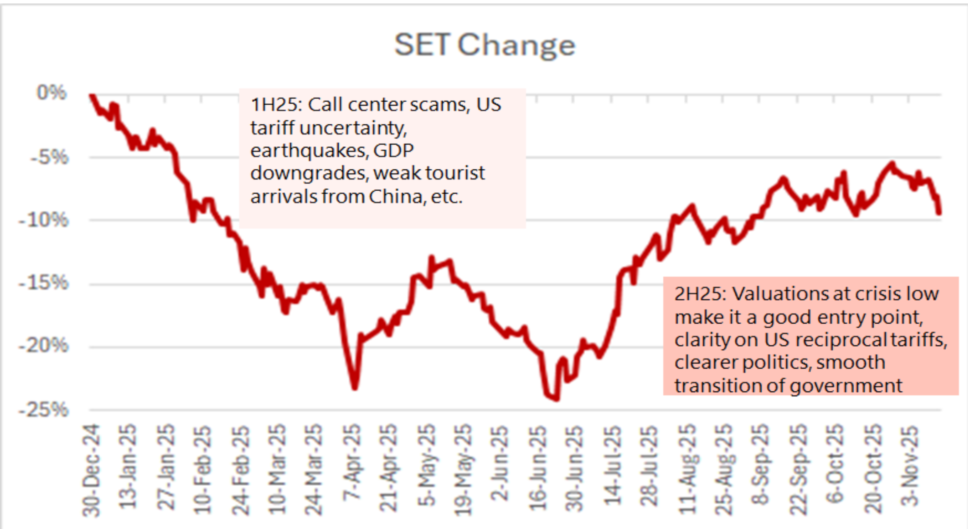
- GDP growth to slow to 1.6% in 2026 amidst political uncertainty in 1H26 and fragile exports
- End-2026 SET Index target at 1,380 (implying 10% upside), based on 14.8x forward PE
- Four key themes: rate cut beneficiaries, investment recovery, sustainable high yields, and strong cash flow generation

2025 recap: A year of two halves

The Thai equity market fell 10% in 2025. In the first half of the year, the SET Index plunged 22.2%, pressured by a series of negative developments including call-centre scam concerns, uncertainty surrounding the US tariff policies, Myanmar earthquakes that were strongly felt in Thailand, GDP downgrades, and weaker-than-expected Chinese tourist arrivals. Sentiment improved meaningfully in the second half, with the market rebounding 20% supported by clarity on the US reciprocal tariffs – where Thailand received a 19% rate, broadly in line with regional peers – along with improved political visibility and a smooth government transition. The index eased again in November amid heightened tensions along the Thailand-Cambodia border.

Following the dissolution of the House of Representatives by Thai Prime Minister Anutin Charnvirakul on 12 Dec 25, Thailand will hold a general election potentially on 8 Feb 26. Anutin Charnvirakul will continue to serve as the caretaker Prime Minister, heading a caretaker government with limited powers until a new administration is sworn in after the election.

SET performance in 2025: A year of two halves



Source: DBSVTH

2026 outlook

Thailand enters 2026 amid a political transition and external headwinds, factors likely to shape both economic growth and equity market performance. The general election, tentatively scheduled for 8 Feb 26, is expected to dominate early-year investor sentiment, while global tariff measures may weigh on exports.

Recent opinion polls indicate that more than 30% of voters remain undecided, indicating that the upcoming election outcome remains highly uncertain. The race is increasingly shaping up as a three-way contest among the People's Party, the Bhumjaithai Party, and the Pheu Thai Party, all of which maintain sizeable support bases. While the People's Party is likely to secure the highest number of MP seats, whether they will meaningfully improve upon their current position remains unclear. Overall polling trends suggest that no single party is on track to secure a parliamentary majority of more than 250 seats, implying that Thailand is poised to see another multi-party coalition government.

Such an outcome points to moderate policy continuity, though the need for coalition negotiations may result in a slower pace of decision-making in the initial phase of the new administration.

Latest NIDA Poll survey: Over 30% of voters remain undecided

	Top 5 names	1Q25 Mar-25	2Q25 Jun-25	3Q25 Sep-25	4Q25 Dec-25
	Preferred Prime Minister				
1	No suitable candidate	23.70%	19.88%	27.28%	40.60%
2	Natthaphong Ruengpanyawut	25.80%	31.48%	22.80%	17.20%
3	Anutin Charnvirakul	2.85%	9.64%	20.44%	12.32%
4	Abhisit Vejjajiva	0.00%	0.12%	1.04%	10.76%
5	Julapan Amornvivat	0.00%	0.00%	0.00%	6.28%
	Preferred Political Party				
1	No suitable party	13.75%	7.72%	21.64%	32.36%
2	People's Party	37.10%	46.08%	33.08%	25.28%
3	Democrat Party	3.65%	2.68%	5.52%	11.80%
4	Pheu Thai Party	28.05%	11.52%	13.96%	11.04%
5	Bhumjaithai Party	3.35%	9.76%	13.24%	9.92%

Source: DBS, NIDA Poll

We expect Thailand's 2026 GDP growth to slow to 1.6%, a decrease from 2.1% in 2025. This reflects a potential sharp drop in exports due to the negative impact from US tariffs, which could negatively affect global demand, as well as front-loading in 2025. The 1.6% GDP growth forecast trails ASEAN-5's average growth of 4% for 2026. With expectations for slower growth, we anticipate the Bank of Thailand will cut the policy rate by an additional 25bps to 1.0% in 1Q26.

We expect volatile and choppy Thai foreign portfolio flows in early 2026. Investors are expected to brace themselves for greater uncertainty arising from the elections and political transition amidst a fragile economy. Foreign equity portfolio investors withdrew more than USD3bn from Thai equities in 2025 and are likely to position defensively in 1H26. Foreign portfolio inflows into Thai debt securities amounted to ~USD2.5bn in 2025 due to monetary easing.

We maintain our end-2026 SET Index target at 1,380, based on a 14.8x forward PE, which is in line with its historical average. Our year-end target implies a 10% upside from the current level.

Four key themes and top picks for 2025

1. Rate cut beneficiaries: Non-bank finance companies and REITs are key beneficiaries of rate cuts. Our preferred pick is Muang Thai Capital (MTC).
2. Investment recovery: Applications for BOI privileges hit a record high in 2025. These projects should translate into real investment next year. We like Amata Corporation (AMATA).
3. Sustainable high-yield plays: Here, we like Krung Thai Bank (KTB), Siam Commercial Bank (SCB), and TQM Alpha (TQM), which offer decent yield of 6%-9% with relatively low risks.
4. Strong cash flow generation: Our preferred picks are Bangkok Dusit Medical Services (BDMS), C.P. All (CPALL), Com 7 Pc. (COM7) Central Pattana (CPN), and Central Retail Corporation (CRC).

Stock picks valuation table

Company	Price 8 Jan 2026 (LCY)	12-mth Target Price (LCY)	12-mth Target Return	Mkt Cap (THBmn)	Rcmd	EPS Growth 25 (%)	EPS Growth 26 (%)	PER 25 (x)	Div Yield 25 (%)	Net Debt / Equity 25 (x)	P/BV 25 (x)
Rate cut beneficiaries											
Muangthai Capital	30.00	62.00	107%	1,884	BUY	14.0	20.2	9.5	0.3	cash	1.7
Investment recovery											
Amata Corporation	15.30	22.80	49%	521	BUY	10.7	-5.3	6.4	1.0	0.4	0.8
Sustainable high yield plays											
SCB X	140.50	158.00	12%	14,011	BUY	9.1	0.1	9.9	11.4	cash	1.0
TQM Corporation	11.40	14.00	23%	200	BUY	-9.5	12.7	9.3	1.0	cash	2.4
Strong cashflow generation											
Bangkok Dusit Medical Services	19.40	28.00	44%	9,131	BUY	2.0	5.2	19.0	0.8	0.0	3.1
COM7 Pcl.	19.70	31.50	60%	1,376	BUY	21.4	10.8	11.6	1.1	0.7	5.4
CP ALL	43.00	69.00	60%	11,349	BUY	14.4	12.8	13.3	1.6	0.7	3.0
Central Pattana	56.00	70.00	25%	7,444	BUY	14.5	-0.2	13.1	2.3	0.4	2.3
Central Retail Corporation	17.40	23.00	32%	3,108	BUY	-5.4	7.6	13.6	1.3	1.0	1.5

Source: DBS

Indonesia

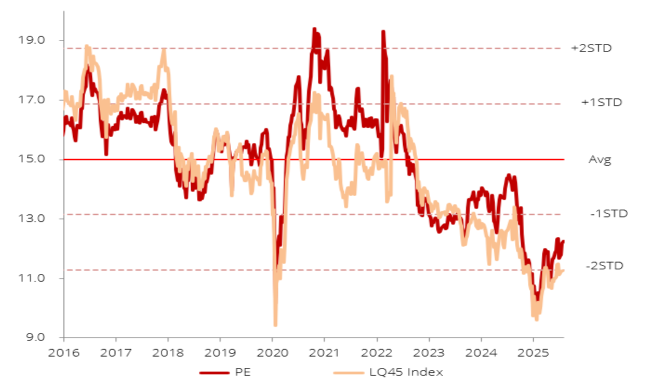
Analyst: William Simadiputra, williamsima@dbs.com

- JCI target at 9,500 by year-end 2026, pegged to 15.0x FY26F PE
- Stronger macro outlook drives stronger earnings performance
- We favour stocks with stronger earnings momentum: BBCA, MYOR, CMRY, ASII , ISAT, AKRA, ANTM

Stronger macro, stronger market: JCI to 9,500

We raise our JCI target to 9,500 by year-end 2026 based on stronger macro fundamentals and earnings momentum. Our base case JCI implies a FY26F PE of 15.0x, still within the 10-year average PE mean. As some Barito Group stocks are expected to remain firm in 2026, alongside the potential inclusion of some rising stocks in MSCI, we believe the JCI has a strong footing to sustain its momentum. Our JCI target is based on a GDP growth assumption of 5.2%, an IDR exchange rate of 16,350-16,500, and a projected 8.9% y/y earnings growth within the DBS coverage universe.

JCI vs. LQ45 10-year PE Band



Source: DBSVI

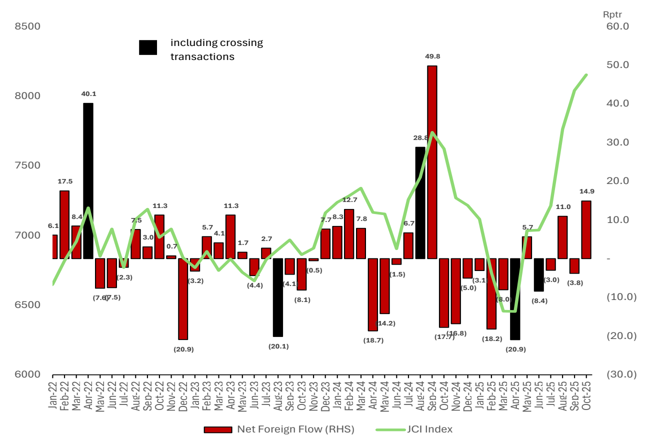
Scope for valuation re-rating remains open. Our target PE for the JCI is 15x, which aligns with the ~five-year average PE level. We see room for further re-rating due to improving domestic consumption and investments, as seen in 3Q25 GDP data, which indicated a resumption of loan growth and rising domestic consumption. Rising government spending and stimulus should help boost consumption amongst the lower income groups, as well as keeping asset qualities among financial institutions in check. Local participation remains the key backbone of the JCI's liquidity and performance in 2026.

The JCI has re-rated from -2SD to -1SD in 2Q/3Q25 following the post-Liberation Day rebound. However, we observe that some rallies were driven by commodity-related stocks, in particular conglomerate groups (e.g., Barito and Bakrie-related companies), while large-cap banks and consumer stocks lagged. This is reflected in the lagging LQ45 Index vs. the JCI and other indices, which consist of smaller capitalisation and less liquid stocks.

Rising banking and consumer stocks are also expected to support valuation re-rating, in addition to the stable performance outlook of conglomerate stocks – led by the Barito and Bakrie group-related stocks – and the potential steady performance of commodity stocks.

Domestic participation affected JCI dynamics in 2025. Foreign outflow remained persistent in 2025 due to macro headwinds, global volatility, and muted earnings growth. This was reflected in the lagging performance of key JCI component stocks such as banks and consumer companies. Despite their weakness, local participation was higher this year, as evidenced by the winners in conglomerate and commodity stocks.

JCI and foreign flow dynamics



Source: DBSVI

Within stocks under our DBS coverage, we forecast earnings growth of 8.9% in 2026, after relatively flat performance in 2025. This growth is driven by: 1) earnings recovery among consumer companies; 2) steady earnings from banks; 3) rising earnings from commodities, especially poultry, oil, and gas; and 4) steady performance from plantation counters.

Themes for 2026

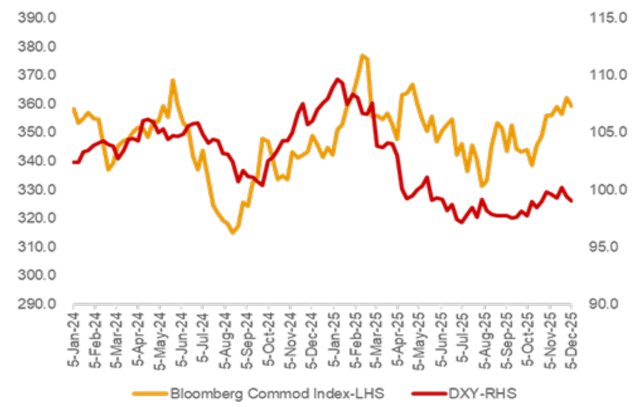
Theme 1: Stronger macro, stronger earnings – Our 2026 investment strategy focuses on selecting stocks from sectors that underperformed in 2025, primarily domestic-dependent stocks such as banks and consumer companies. We are selective regarding companies that could deliver earnings growth, whether from top-line expansion or improving margins.

The stronger earnings performance outlook aligns with the potential rebound in economic momentum. Our economist forecasts steady GDP growth of 5.2% in 2026 and the IDR strengthening to the 16,350 level. 2026 should also mark a year of accelerated government spending.

Theme 2: Selective on commodities – Meanwhile, we observe similar trends among commodities. While 2025 was a strong year for commodities, we prefer to be selective this year. Energy stocks may not be favoured in 2026, given the absence of a major energy price rally.

However, some companies could offer decent earnings growth driven by FDI flows and a downstream push.

DXY vs. Bloomberg commodities index



Source: DBS, Bloomberg

Our picks – **BBCA**, **CMRY**, **MYOR**, **MAPI**, and **ISAT** – are beneficiaries of the improving domestic economy. Each represents the resurgence of the domestic economy, a resilient earnings outlook, and an undemanding valuation, signalling a compelling risk-reward profile to outperform the JCI in 2026. Meanwhile, we are confident in **ASII's** total shareholder return initiatives, which are expected to drive valuation re-rating and a higher dividend payout. Amongst the commodity players, while we like **AKRA's** fuel trading business, the key earnings growth driver should be the rising FDI trend. We also like **ANTM** for exposure to gold, as well as its recovering nickel price outlook.

Stock picks and rationale

Stock	Rationale
Bank BCA (BBCA)	We continue to like BBCA, supported by a resilient NII outlook despite potential downside from lower asset yields post 2025 rate cut and modest asset quality concerns in the consumer segment
Cisarua Mountain Dairy (CMRY)	CMRY offers solid volume-led growth potential in the consumer food and dairy segment, supported by expanding distribution and resilient margins
Mayora Indah (MYOR)	We like MYOR for its resilient domestic demand and strong brand equity, with earnings recovery supported by easing input cost pressures and improving operating leverage
Mitra Adi Perkasa (MAPI)	We like MAPI for its exposure to mid-to-upper income consumers, with earnings growth driven by store expansion, improving SSSG, and margin recovery from store consolidation
Indosat (ISAT)	We pick ISAT for its undemanding valuation vs. local peers (~17% discount) with superior FY25F-27F EBITDA CAGR of 7.4% (vs. EXCL/TLKM at 6.8%/5.6%), distinct GPUaaS business, and catalysts from fibre business divestment plan
Astra International (ASII)	We favour ASII on auto earnings recovery, underpinned by resilient financial services and enhanced shareholder returns from ongoing IDR2tn buybacks and a potential uplift in dividend payout
AKR Corporindo (AKRA)	AKRA is set to benefit from the rising FDI trend in Indonesia through its Gresik industrial park (JIIPE). The company also operates a fuel trading business, which is poised to benefit from strong export-oriented manufacturing activity as well as stable mining operations
Aneka Tambang (ANTM)	ANTM has a lucrative gold trading business, which benefits from strong gold price momentum

Source: DBSVI

Stock picks valuation table

Company	Price 8 Jan 2026 (LCY)	12-mth Target Price (LCY)	12-mth Target Return	Mkt Cap (IDRmn)	Rcmd	EPS Growth 25 (%)	EPS Growth 26 (%)	PER 25 (x)	Div Yield 25 (%)	Net Debt / Equity 25 (x)	P/BV 25 (x)
Stronger macro, stronger earnings											
Bank Central Asia	8,050	11,700	45%	992,136	BUY	5.2	7.3	17.4	0.0	-30.0	3.5
Cisarua Mountain Dairy	5,375	7,300	36%	42,648	BUY	32.8	14.8	21.0	0.0	-36.4	5.5
Mayora Indah	2,100	2,650	26%	46,803	BUY	-5.6	19.9	16.6	0.0	20.7	2.6
Mitra Adiperkasa	1,145	1,650	44%	19,007	BUY	9.6	16.6	10.0	0.0	21.7	1.5
Indosat Ooredo Hutchison	2,170	2,900	34%	69,984	BUY	-3.3	15.2	14.6	0.0	137.5	1.9
Astra International	7,000	8,100	16%	283,384	BUY	-4.3	4.1	8.7	0.1	18.9	1.2
Selective on commodities											
AKR Corporindo	1,245	1,600	29%	24,650	BUY	12.0	10.6	10.0	0.1	-0.3	2.1
Aneka Tambang	3,490	3,600	3%	83,871	BUY	105.2	-2.0	12.4	0.0	-28.6	2.6

Source: DBSVI

Philippines

Analyst: Regional Research Team

- End-2026 base-case target at 6,500 – reflecting a cautious, steady market trajectory
- Downside risk is limited by 'bombed out' valuations, while upside case hinges on governance reforms, economic recovery, and renewed foreign inflows
- Prefer a barbell of index names: dividends and defensives paired with large-cap cyclicals; we also like AI diffusion beneficiaries

At a fork in the road

Referencing Robert Frost's "*The Road Not Taken*", the Philippine equity market stands at a crossroads. We set a 2026 index range of 5,500-7,500, anchored by a base case of 6,500. For now, the market appears poised to take the familiar route – a "muddle-through" path as caution is expected to dominate the next 12 months.

Upside to our base case will likely come from moderate EPS growth (+5% CAGR) rather than a meaningful valuation re-rating. We expect the ERP to stay elevated at ~600bps, near +2SD above historical norms, as macro and confidence headwinds linger. The implied forward P/E of 9.8x suggests only marginal improvement from current levels. We are of the view that much of the valuation damage seems priced in, thereby limiting downside risk. Meanwhile, a slide further toward 5,500 would require a deeper erosion of confidence and materially weaker macro or earnings trends.

2026 index target range and assumptions

	Index Target (end-2026)	EPS Estimates (Δ) FY25F	FY26F	FY27F	Target ERP	US 10-Year Bond Yield	Implied F12 P/E
Bull case	7,500		PHP648.61 (+7.0%)	PHP694.01 (+7.0%)	520bps	4.00%	10.8x
Base case	**6,500**	**PHP606.17 (+11.0%)**	**PHP636.48 (+5.0%)**	**PHP668.31 (+5.0%)**	**600bps**	**4.20%**	**9.8x**
Bear case	5,500		PHP624.36 (+3.0%)	PHP643.09 (+3.0%)	720bps	4.40%	8.6x
Consensus		**PHP615.35** (+13.3%)	**PHP676.61** (+9.0%)	**PHP733.82** (+8.8%)			

Source: DBS, Bloomberg

Despite our cautious stance, a more constructive outcome is possible if confidence returns. Three catalysts could steer the market toward our bull case of 7,500:

1) Governance reforms and fiscal discipline – Transparency and efficient execution of public projects could restore confidence and lay the foundation for growth.
2) Macro stability and earnings normalisation – Above-potential GDP growth and supportive monetary policy should result in meaningful contraction of risk premia.
3) Renewed foreign inflows – A strong return of foreign investors would drive multiples higher and close the valuation gap with EM peers.

Of these, governance reforms and foreign flows appear most plausible. Political will makes reforms achievable, while foreign flows are already showing signs of recovery, with passive flows turning positive in recent weeks.

Key risk factors

	Bear case of 5,500 @ 4.40% US10Yr, ERP 720bps	Base case of 6,500 @ 4.20% US10Yr, ERP 600bps	Bull case of 7,500 @ 4.00% US10Yr, ERP 520bps
Economy	Economic fundamentals deteriorate, with growth slipping below 5.0%, as cyclical headwinds turn structural. This reinforces concerns over the resilience of the PH economy. This scenario would warrant larger-than-expected rate cuts from the BSP.	DBS forecasts GDP growth at ~5.0%, weighed by spillovers from recent calamities, governance challenges, slower fiscal spend, and US tariff measures. BSP to bring policy rate to 4.00%, totalling 250bps cuts by mid-2026 to support recovery.	Macro stability risks fade. Monetary policy at neutral. Growth reverts to historical trajectory, closer to ~6.0%. This is as progress in governance reforms lift confidence and spending.
Earnings	Confidence falters, demand cools, capex delayed; corporate earnings trend lower, in the low single digits.	Corporate earnings grow ~5% annually over 24 months, below trend, reflecting muted confidence and softer macro conditions.	Economic rebound drives earnings in line with historical CAGR (2010-19 CAGR: +6.9%). Increasingly quantifiable AI productivity gains could result to structural earnings uplift.
Valuation	Fat tail risk, with ERP and traditional valuation metrics sitting above +2SD, reflecting a heightened risk-off backdrop. Stronger US economy brings 10-yield yields to 4.40%, creating valuation headwinds, and lowers multiples to 8.6x forward P/E.	ERP at 600bps (near +2SD above 10-yr mean) signals persistent weak investor confidence and macro stability risks. US 10-yr yield at 4.20%, in line with DBS forecast, anchors multiples near 9.8x forward P/E.	Growth scare diminishes and allows for a gradual recovery in investor confidence, compressing ERP to 520bps (+1SD above mean of 415bps). An accommodative US monetary policy brings US 10-year yield to 4.0%, allowing multiples to expand to 10.8x forward P/E.

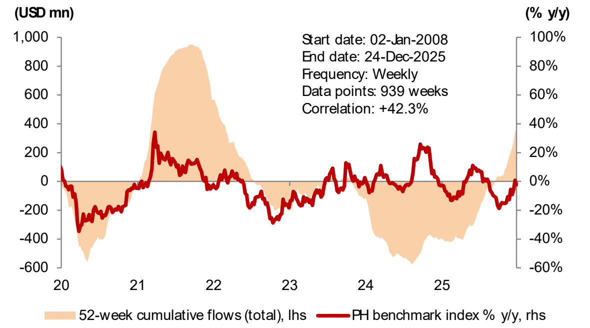
Source: DBS

Foreign funds as a wildcard to drive returns in 2026

Outflows have tapered as expected, and rolling 52-week foreign fund flows turned positive in Sep 2025, signalling renewed interest in Philippine equities despite domestic headwinds. This marks the tail-end of active fund de-risking, thereby reducing selling pressure.

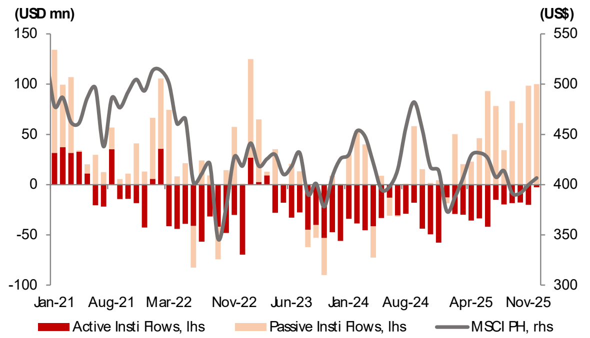
Looking ahead, passive inflows could be a key catalyst. With consensus building around a constructive EM outlook, we expect EM fund allocations to lift all boats – including smaller-weight markets like the Philippines. In the absence of active selling, these inflows should have a more pronounced impact, which support valuations and help close the performance and valuation gap with EM peers.

Rolling 52-week flows have turned positive…



Source: DBS, EPFR, Refinitiv

…as selling pressures from active funds have tapered



Source: DBS, EPFR, Refinitiv

How do we position?

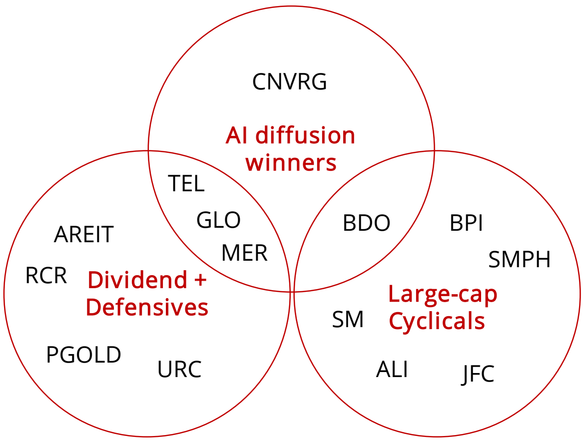
Over the next 12 months, investors face a choice between the familiar defensive playbook and the road less travelled.

Familiar route: Prioritise dividend-paying names with defensive drivers and exposure to public social spending – offering stability in a "muddle-through" environment where risk premia stay elevated and confidence fragile. Top picks: AREIT, GLO, MER, TEL, PGOLD, RCR, URC.

Less-travelled path: Position in large-cap cyclicals for economic recovery and sentiment rebound. While this path demands conviction, it offers the potential for meaningful upside beyond the comfort of the defensive playbook. Top picks: ALI, BPI, BDO, JFC, SM, SMPH.

AI diffusion beneficiaries represent an emerging theme we prefer to have exposure to. Top picks: BDO, CNVRG, GLO, MER, TEL.

Our key themes for 2026



Source: DBS

Across our selection, we have preference for index names, which are best positioned to capture the potential return of foreign fund inflows, enabling outperformance regardless of fundamentals.

Finally, positioning for these two paths requires balance. Hence, we continue to advocate for a barbell strategy, anchoring portfolios in resilience while retaining exposure for potential upside.

Stock picks valuation table

Company	Price 8 Jan 2026 (LCY)	12-mth Target Price (LCY)	12-mth Target Return	Mkt Cap (PHPmn)	Rcmd	EPS Growth 25 (%)	EPS Growth 26 (%)	PER 25 (x)	Div Yield 25 (%)	Net Debt / Equity 25 (x)	P/BV 25 (x)
Dividend + defensives											
AREIT Inc.	43.80	43.70	0%	2,749	BUY	-6.4	2.9	17.2	5.2	0.0	1.2
Globe Telecom Inc.	1,620.00	1,880.00	16%	3,953	BUY	-6.3	9.0	11.2	6.2	1.3	1.3
Manila Electric Company	591.00	650.00	10%	11,251	BUY	10.4	6.5	12.4	4.2	0.4	4.0
PLDT Inc.	1,279.00	1,490.00	16%	4,668	BUY	-7.7	8.4	9.0	7.4	2.1	2.2
Puregold Price Club	40.00	49.00	23%	1,946	BUY	6.9	10.5	9.4	4.5	CASH	1.1
RL Commercial REIT	7.92	8.40	6%	2,615	BUY	-65.7	3.9	17.2	5.2	CASH	1.1
Universal Robina Corporation	71.00	95.00	34%	2,564	BUY	12.5	10.4	10.8	5.9	CASH	1.2
Large-cap cyclicals											
Ayala Land Inc.	22.80	28.00	23%	5,542	BUY	4.2	5.5	10.9	2.4	0.6	1.1
Bank of the Philippine Islands	121.00	143.00	18%	10,799	BUY	1.7	5.7	9.3	4.9	-	1.4
BDO Unibank Inc.	136.20	170.00	25%	12,271	BUY	3.9	9.3	7.7	2.9	-	1.1
Jollibee Foods Corporation	206.00	300.00	46%	3,899	BUY	9.6	20.1	17.8	1.7	0.7	3.7
SM Investments Corporation	720.00	880.00	22%	14,863	BUY	6.2	6.8	9.3	3.3	0.4	1.3
SM Prime Holdings	23.25	28.00	20%	11,318	BUY	10.1	6.3	12.6	2.2	0.8	1.4
AI diffusion beneficiary											
Converge ICT Solutions Inc.	15.40	20.30	32%	`	BUY	9.4	8.0	8.8	2.8	0.2	1.8

Source: DBS

DBS Group Research recommendations are based on an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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Sources for all charts and tables are DBS, DBSVI, DBSVTH unless otherwise specified.

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