

Asian stock markets' valuation divergence



Taimur Baig PhD, Chief Economist
taimurbaig@dbs.com



Chang Wei Liang, FX & Credit Strategist
weiliangchang@dbs.com

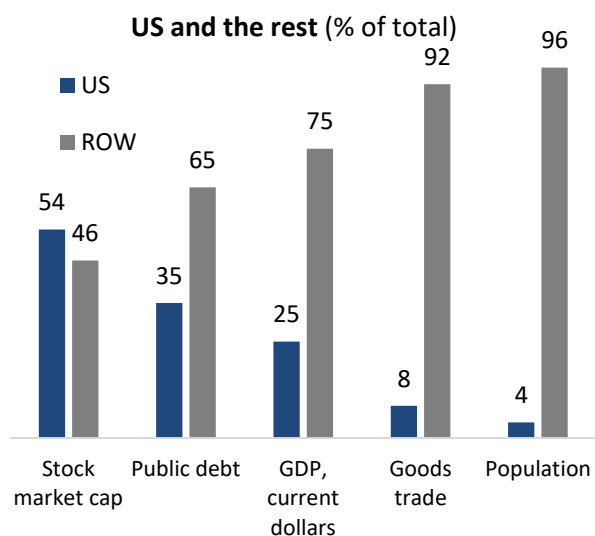
- AI-driven tech stocks are lifting US and parts of Asia, especially AI supply-chain markets. Others lag on politics, weak demand, poor exports, or limited tech exposure.
- US valuations have surged as AI enthusiasm has driven Nasdaq and S&P 500 multiples sharply higher.
- S Korea, Shenzhen, and Taiwan have gained most from AI-linked electronics export strength.
- Hong Kong, Shanghai, and Singapore markets have also been helped by strong exports.
- Malaysia and Thailand have been on the flatter side despite electronics exports.
- India, Indonesia, and the Philippines markets are soft owing to policy issues and less AI exposure.

KEY DATA RELEASES AND EVENTS

- ECB to hike the policy rate by 25bps
- May trade data from China and Taiwan to show sustained strength in the electronics cycle
- India and US inflation data to show energy shock impact on broader prices

CHART OF THE WEEK: A TOTUS UPDATE

We conceptualised Trade Outside the United States (TOTUS) last year as a strategy to find opportunities beyond the increasingly protectionist tendencies of the Trump administration. Since then, the contrasts have become starker. Nearly 92% of global trade occurred outside the US in 2025, largely free from its interference. Meanwhile, the relentless run-up in US stock prices have made it account for 54% of global equity market capitalisation. The rationale for diversification continues to get stronger.



Source: WTO, DBS. In ppp terms, US GDP accounts for 15% of the world total.

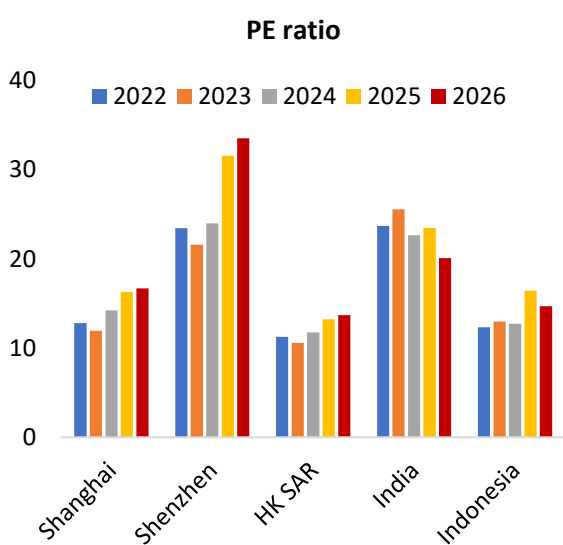
COMMENTARY: Asian stock markets' valuation divergence

Taimur Baig

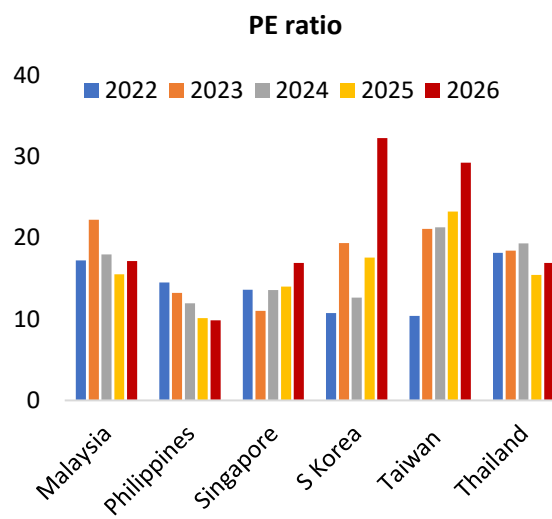
In the middle on an extraordinary tech wave, driven largely by the AI boom, global stock markets are undergoing shifts of multiple nature. In the US, regardless of the index, the recent surge has been driven mostly by tech companies, a number of which are surpassing trillion-dollar valuations. Tech-heavy Nasdaq-100 has seen its Price-Earnings (PE) ratio jump from 20.3 at end-2022 33.7 presently, reflecting a sharp rise in positive sentiments among market participants who have bid stock prices to historically high levels. For S&P 500, the multiples jump has also been striking, from 17.1 to 25.1 during the same period.

Three markets in Asia show similar valuation gains. China's Shenzhen stock market, and key indices in South Korea and Taiwan have witnessed PEs heading to well over 30 this year, far above where they stood just five years ago. Companies selling electronics products critical for AI capacity buildout are the clear winners in this cycle. Stock markets in Shanghai, Hong Kong, Singapore have also seen impressive gains lately, largely on the back of companies benefitting from burgeoning exports, which have recorded repeated records this year.

Not all Asian markets have been lifted by this boom. Malaysia and Thailand, despite strong electronics exports, have not had major upgrades to stock market valuations. Domestic politics and lacklustre performance of the non-electronics sectors have gotten in the way to some extent. Still, neither index has lost money for their investors so far this year. **Meanwhile, stock markets of India, Indonesia, and the Philippines have been characterised by negative returns.** India, a popular investment choice for years, has been on the backfoot lately, with its once impressive PE ratios declining steadily. Not being a part of East and North Asia's world-leading electronics supply chain has gotten in the way of enjoying the upside of the AI boom. This year's energy shock has been problematic too. But by regional valuation comparison, India's stocks still command fairly high premium. No such silver lining for the beleaguered markets of Indonesia and Philippines. Volatile policy making, middling exports performance, soft domestic demand, and a flat or worsening investment environment have kept investors unenthusiastic about the prospects of these two markets. The varying performances of regional markets reflect their cyclical strengths and offer important lessons for their respective policy makers. The hot markets may need some cooling measures; the out of favour ones need to ways to revive investor interest.



Source: CEIC, Bloomberg, DBS



Source: CEIC, Bloomberg, DBS

KEY FORECASTS FOR THE WEEK

EVENT	DBS	PREVIOUS
JUN 9 (TUE)		
TAIWAN: EXPORTS (MAY)	39.9% y/y	39.0% y/y
- IMPORTS	48.4% y/y	29.2% y/y
- TRADE BALANCE	USD14.4bn	USD14.4bn
CHINA: EXPORTS (MAY)		
- IMPORTS	14.4% y/y	14.1% y/y
- TRADE BALANCE	24.1% y/y	25.3% y/y
	USD96.9bn	USD84.8bn
JUN 10 (WED)		
CHINA: CPI (MAY)	1.2% y/y	1.2% y/y
US: CPI (MAY)	4.10%	3.8% y/y
JUN 11 (THU)		
EUROZONE: ECB DEPOSIT FACILITY RATE	2.25%	2.00%
JUN 12 (FRI)		
MALAYSIA: INDUSTRIAL PRODUCTION (MAR)	8.0% y/y	3.1% y/y
INDIA: CPI (APR)	4.1% y/y	3.5% y/y

CENTRAL BANK MEETINGS**European Central Bank (11-Jun)**

The ECB will closely monitor long-term inflation expectations, energy price rigidity, and financial market stability. May inflation quickened to 3.2% YoY from 3.0% the month before, past the official target and accompanied by an uptick in core readings. In recent comments, Governing Council member Pereira highlighted the need for pre-emptive action, while Chief Economist Lane cautioned over the risk of persistent inflationary impact from the war.

We expect a pre-emptive (insurance) hike of 25bps in the deposit rate to 2.25% on June 11, with policy guidance to stay cautious and hawkish. Notably, conditions differ from 2022, when markets believed the ECB had fallen behind the curve in tightening monetary policy. A hike in June this year will be timely to anchor inflation expectations. There is a likelihood of further increases in 2H, but the ECB will relay

a meeting-to-meeting approach while monitoring the probability of an US-Iran ceasefire and a cessation of tensions.

FORTHCOMING DATA RELEASES**China**

Export growth is expected to remain resilient at 14.4% yoy in May. China's container ship deadweight tonnage at 20 major ports increased from 4.3% yoy in April to 5.9% in May, indicating a modest improvement in trade activity, although elevated energy prices and ongoing geopolitical uncertainties continue to cloud the outlook. Meanwhile, the Ratingdog Manufacturing PMI, which is more exporters-oriented, remained relatively strong at 51.8 in May, outperforming the NBS Manufacturing PMI of 50.0. This suggests that external demand and trading activity remained resilient despite broader manufacturing softness.

Import growth is expected to follow a similar trend, as manufacturers increased purchases of intermediate goods in response to stronger

export orders. On consumer prices, CPI inflation is expected to ease to 1.2% yoy in May, reflecting softer commodity prices. The South China Composite Index, tracking commodity price, decelerated from 25.8% yoy in April to 22.5% in May. The PMI raw material purchasing price sub-index also fell from 63.7 to 60.5 in May. Consumer price pressures are expected to remain contained, supported by the pricing band mechanism that helps smooth retail price fluctuations in key commodity and energy markets.

Taiwan

May trade data will likely show that export growth remained strong at around 40% YoY, compared with 51.1% in 1Q and 39% in April. Demand for semiconductor and server exports continues to be robust, supported by the rising adoption of agentic AI and increased AI infrastructure capex by hyperscalers. With strong export growth offsetting higher import bills resulting from elevated oil and LNG prices, the trade surplus is likely to remain stable at around USD 14bn in May.

The AI-driven technology cycle remains in an expansionary phase, as reflected by the continued expansion in the electronics PMI and an electronics inventory-to-shipment ratio that remains close to its long-term average. That said, export growth may have already peaked relative to the exceptionally strong performance recorded in 1Q. In addition, real export growth has lagged nominal export growth, as the latter has been boosted by higher semiconductor prices.

We maintain our full-year real GDP growth forecast of 9.4%, which implies that growth peaked in 1Q and will moderate gradually from 2Q through the second half of the year.

Malaysia

We expect Malaysia's industrial production (IP) growth to accelerate to 8.0% yoy in April 2026, from 3.1% yoy in March 2026, consistent with the strong pickup in domestic exports. The robust IP performance was likely driven by export-oriented manufacturing, with notable strength in electrical & electronics activity, supported by global artificial intelligence-related tailwinds.

India

Price pressures likely intensified in May, lifting headline inflation to 4.1% yoy in May from 3.5% month before. Contribution from the food segments is expected to be significant, driven primarily by perishables (including vegetables), edible oils, cereals, pulses, milk (price hike in May) and related categories, not helped by heatwave conditions in some parts of the country. Concurrently pump fuel prices were increased in a staggered fashion since mid-May by ~7%, besides higher CNG and commercial LPG (this month), imparting first and second derivative impact through the coming months. While price pressures warrant attention against the backdrop of the ongoing West Asia conflict, inflation is at the mid range of the 2-6% target, and thereby less of an immediate policy concern for the central bank policy committee. Nonetheless, downstream industries are likely to gradually pass on higher input costs to consumers over the coming quarter. Together with further fuel price adjustments, this could intensify emerging inflationary pressures and potentially pave the way for monetary tightening should geopolitical risks remain elevated.

INDIA: HAWKISH PAUSE ON RATES, FY26 ENDED ON A STRONG GROWTH NOTE

Radhika Rao

RATE DECISION AND ECONOMIC ASSESSMENT

The RBI monetary policy committee (MPC) left the benchmark rate unchanged at 5.25%, along our expectations, while the stance was maintained at neutral. **Policy guidance was cautious, as the Governor highlighted tightening global policy conditions, prolonged West Asia crisis, pipeline inflationary risks domestically on higher oil as well as sub-normal monsoon and challenges to the growth outlook.**

The MPC pointed to considerable risks to the baseline assessment of inflation and growth due to the uncertainty about the duration and intensity of the conflict, magnitude of its spillover effects and the pace of restoration of supply chains (see data revisions in the table).

Host of measures to boost inflows and support domestic financial markets

The RBI and the government announced a host of coordinated measures to boost inflows and support the capital account math. These ticked all boxes to spur dollar inflows, which is likely to result in reserves accretion and stabilise the currency, signaling all hands are on deck. Ability to attract inflows upwards of \$40-50bn will have a meaningful impact on the external balances, with our FY27 BOP estimate at ~\$65bn (assuming oil at \$85-90bl).

Table: RBI's projections (% y/y)

	CPI inflation	GDP
Dec-25		
FY26	2.0	7.3
3QFY26	0.6	7.0
4QFY26	2.9	6.5
1QFY27	3.9	6.7
2QFY27	4.0	6.8
Feb-26		
FY26	2.1	7.4
1QFY27	4.0	6.9
2QFY27	4.2	7.0
FY27	--*	--*
Apr-26		
FY26	2.1	7.6
FY27	4.6	6.9
1QFY27	4.0	6.8
2QFY27	4.4	6.7
3QFY27	5.2	7.0
4QFY27	4.7	7.2
Jun-26		
FY26	2.1	7.6
FY27	5.1	6.6
1QFY27	4.2	6.6
2QFY27	5.1	6.3
3QFY27	5.9	6.5
4QFY27	5.4	6.8

Source: RBI, DBS; changes are marked in red
*rebased series due for release in Feb26

Highlights included:

- Expansion of FAR securities: Universe of eligible securities under the Fully Accessible Route (FAR) was widened to include all new issuances of 15Y, 30Y, and 40Y G-secs. In addition, limits pertaining to short-term investment, concentration and individual securities on investment under the General Route were also removed.

- FPI liberalisation: Withholding tax (of 20%) and long term capital gains tax on debt investors into FPI debt will be lifted, thereby drawing in more FPI inflow into Gsecs. This

also paves the way for inclusion into other global FI benchmarks as well as adoption into the Euroclear platform.

- Plans to merge general and long-term investment limits for bonds. 1HFY27 FPI limit at INR 4.6trn and INR 4.8trn for 2H.

- Boost investment inflows from non-residents: Limits for investment by NRIs and OCIs in equity instruments traded on the stock market without SEBI registration are being increased. This same facility was also extended to all individual Persons Resident Outside India (PROIs). This formalises changes announced by the government in the Budget.

- Concessional forex swap will be provided till 30th September 2026 to incentivize ECBs by public sector entities. Details on the final pricing is being awaited. Industry watchers peg the share of PSUs in outstanding ECBs at 35-40%.

- Facility under which full hedging costs will be provided (by the RBI) till Sep26 for Authorised dealers (ADs) to raise fresh 3–5-year FCNR (B) deposits. This scheme mirrors the move back in 2013 (discounted swap; attracted \$26bn in deposits and \$34bn on wider concessional swap facilities) to draw in non-resident deposits but will necessitate a higher subsidy by the RBI in the context of higher US rates currently vs 2013. Arbitrage is attractive (spread between USD & INR is at ~250bp), despite being lower than past cycle. These will be exempt from CRR/ SLR, and leverage is expected to be permitted.

- Export realisation timeline: Restored the time for realisation of export proceeds to nine months, from 15 months earlier. This

will draw dollar flows by the exporters, helping to make trade-related flows more balanced and limit one-sided pressure on the rupee.

Key takeaways and outlook

The hawkish pause underscored the central bank's resolve to contain inflationary expectations and defend the currency, while recognizing that tighter policy rates have historically only had a limited impact on exchange-rate dynamics.

If CPI inflation overshoots 5% yoy in FY27 in line with the central bank's forecast (DBSf: 4.9% - faces upside risks), the current repo rate at 5.25% will narrow the real rate buffer considerably, opening the door to hikes.

We see room for two hikes, 25bp each in 2HFY27 (from October) when average inflation would have surpassed the midpoint of the 2-6% target and risks of a spillover to demand/ core readings would be material. Liquidity operations are likely to be nimble and two-sided. System liquidity i.e., net position under the LAF stood at an average daily surplus of INR 2.63trn since the April rate review.

GROWTH REPORT

4QFY26 growth accelerated to 7.8% yoy

4QFY26 GDP growth rose 7.8% yoy from a revised 8% in 3QFY26 (Oct-Dec25). Nominal GDP stood at 9.1%. On the supply-side, real and nominal GVA was assessed to have grown by 7.9% and 9.9% respectively in the quarter.

Quarterly trends: Much of the lift in 4QFY came from strong growth in fixed investments (up 10.8% yoy) and consumption (up healthy 7.1% but slower than 8.2% in 3Q). Household consumption remained the largest component of GDP, with PFCE accounting for 56.7% of GDP in FY26. Supply drivers were dominated by higher service sector output – 9.9% yoy, steady from quarter before. Labour intensive sectors performed strongly, especially trade, hotels etc which was up 12.5% yoy (from 11.2% quarter before), along with financial services 10.4% though moderating from 3Q.

Annual trend: For the full-year real growth averaged 7.7% yoy, in line with our forecast. GVA growth was firmer at 7.9% from 7.3%. Under real GDP, consumption benefited from firm rural demand on the back of a normal monsoon, direct as well as indirect tax rationalisation, festive lift and easier financial conditions. Pick up in public sector capex, and construction boosted investment growth in the year, while trade performance was mixed but surfacing as a marginal contributor. GVA growth found support from still firm farm (and allied) output at 3.2% yoy despite moderating from the previous year. Secondary and tertiary sector performance led the cart. Under services, mirroring the quarterly trend, labour intensive sector i.e. trade, hotels grew at a strong pace (up 11% yoy vs FY25's 6.6%) alongside financial services (10.4%). This led full-year GVA to register a sharp 60bp jump between FY25 and FY26 at 7.9%.

Nominal GDP: Lower deflators led FY26 nominal GDP to slow to 8.9% in FY26 from 9.7% year before.

Outlook

Markets are likely to move on from the backward-looking data and focus on potential spillover risks into FY27, particularly given the prospect of a prolonged disruption in the supply of critical inputs to downstream industries, higher energy as well as food costs impacting purchasing power and tighter financial conditions. Brent averages are ~40-50% above Jan-Feb26 averages. Informal players especially in the services sector faced supply shortages and higher prices of substitutes, forcing them to curtail operations. Headwinds from El-Nino led shocks also need to be monitored, despite a rising share of irrigated land ([India: El Niño's rain check](#)).

We maintain our real GDP growth forecast at 6.5% for FY27, compared to RBI's revised 6.6% estimate. Nominal GDP growth is set to surprise on the upside at 12-13% vs budgeted 10%, cushioning crucial deficit and debt ratios. At the rate review on Friday, policymakers acknowledged downside risks to their baseline growth outlook stemming from uncertainty over the duration and intensity of the conflict. Nevertheless, they are likely to raise interest rates if the inflation outlook evolves in line with the projections presented in their quarterly forecast.

FX: BALANCING USD STRENGTH BEFORE & AFTER JUNE FOMC

Philip Wee

Last Friday's significantly stronger US nonfarm payrolls report has forced the market to price out any remaining structural easing bias, putting the prospect of a Fed hike in 2026 firmly back on the table. Apart from May's 172k beating the 88k consensus, the upward revision to April's 115k to 172k should neutralize the hawkish setups expected from other central banks in the Eurozone, Japan, and New Zealand, **keeping the USD bid into the June 16-17 FOMC meeting**. On June 10, markets will brace for May CPI inflation to jump to a three-year high of 4.2% YoY. Since Operation Epic Fury on Feb 28, inflation has risen from 2.4% in February to 3.3% in March and 3.8% in April.

Despite the current bullish momentum, market participants are keeping their long-USD exposures on a tight leash. The June 17 meeting marks the official debut of newly confirmed Fed Chair Kevin **Warsh**, who **faces the daunting task of establishing personal institutional integrity**. Warsh will first need to balance President Donald Trump's desire for rate cuts with the FOMC members' increased data-dependent inclination towards a longer, more hawkish pause. Warsh will likely align with US Treasury Secretary Scott Bessent's view that the wartime inflation surge to 3.8% was a transient blip that would naturally evaporate when the Iran conflict ends, and the Strait of Hormuz reopens.

Warsh may kick-start his reform agenda by withholding his own projections from the June dot plot, taking a direct shot at the Fed's forward guidance framework. Warsh has already appointed two outsider economic policy researchers – Paul Winfree and Daniel Heil – as interim advisers to find an alternative measure of inflation outside Core PCE, design a communication strategy that limits the Fed's public forward guidance, stop the Fed from "hand-holding" Wall Street, and map out a blueprint to reduce the Fed's balance sheet. If Warsh attempts a unilateral change, it could start an internal fracture within a committee of structurally independent regional bank presidents and governors.

Hence, **it was no coincidence that Warsh's predecessor, Jerome Powell**, used his acceptance speech for the JFK Profile in Courage Award on May 31 to **warn that the Fed was undergoing a "stress test" due to escalating political pressure**. Earlier on May 28, ECB President Christine Lagarde also noted that the Fed's fight to maintain independence has not been settled by Warsh's appointment.

In summary, the upcoming June FOMC meeting is no longer just a routine policy review. While strong nonfarm payrolls and an impending 4.2% CPI spike give the USD short-term fundamental backing, last Friday's aggressive sell-off in US equities amid a bear-steepening in the US Treasury curve, despite declining crude prices, reflected deeply anxious markets. **The USD's trajectory will depend not solely on incoming data but on whether the Fed can survive its first major structural "stress test" without cracking from within.**

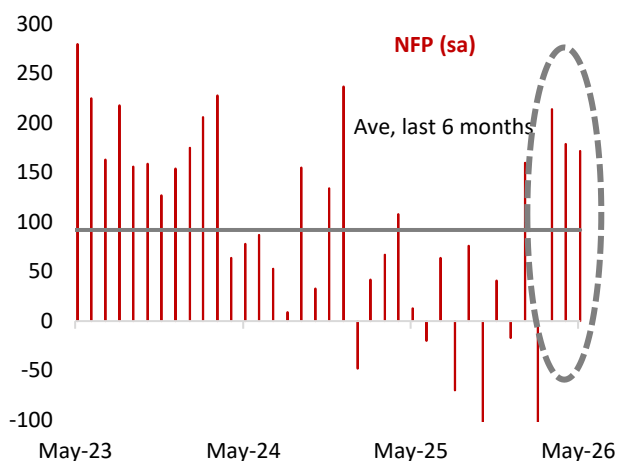
RATES: HAWKS CIRCLING

Eugene Leow

The set of labour market data effectively ended all hope of Fed cuts, with the market pricing in a full-cut by end-2026. NFP came in at 172k, beating consensus (88k) by a large margin. Moreover, there was 93k in net payroll revisions over the preceding two months. Amidst steady unemployment, labour force participation and still-elevated wage growth. The key takeaway is that the jobs market is doing well. Against a backdrop of high inflation (due to energy prices) and no clear timeline for respite (no US-Iran deal announced yet), macro indicators are pointing towards an overheating US economy. This is unlikely to change even as new Fed Chair Warsh takes the helm at the upcoming FOMC meeting.

Nonfarm Payrolls

MoM chg, thousands



Source: Bloomberg, DBS

A strong labour market is unwelcomed by market participants. As nominal and real yields rise, this poses headwinds for commodities in general and some of this has been reflected in weak precious metals and crypto prices. The AI-driven global stock rally was also displaying some signs of shakiness before the payroll release. Higher rates simply exacerbated the selloff. Overall, there is nowhere to hide as equities, bonds and commodities sold off in tandem.

We think that investors will be focused on the possibility of a hawkish Fed for the immediate term. From a pricing perspective, there may be a push for up to three hikes to recoup the cuts that took place in 2025. This would imply that 2Y USTs would look attractive perhaps when yields get closer to 4.2%. From a level perspective, 10Y yields have pushed back above 4.5%, into the overheating zone. **Curve wise, there will likely be immediate term flattening pressures** as we think that it will be increasingly difficult for the Fed to justify being dovish. This week's US CPI release (10 June) would be another data point to watch and we suspect that the bias for investors may be to frontload hike pricing.

KRW RATES: EYES ON MARKET VOLATILITY

Samuel Tse

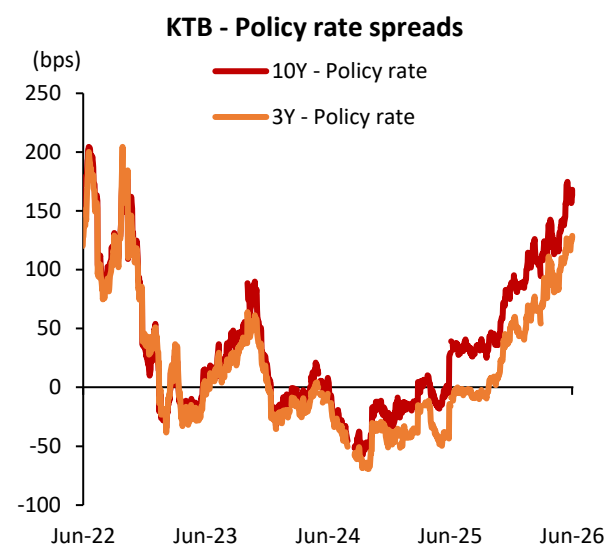
Korea market has seen triple alerts: CPI at a 26-month high is forcing the BOK into a hawkish stance; the won has reached a 17-year low despite verbal intervention; and the world's best-performing equity market YTD is triggering circuit breakers alongside ongoing foreign outflows. Arguably, **the strong USD and higher UST yields (see USD rates section) are the key catalysts for such market retrenchment. Political turmoil is adding fresh headwinds to the Korean markets.** Although the ruling party has declared victory in 12 out of 16 local elections, the loss of a Seoul constituency and ongoing protests amid ballot paper shortages are casting a shadow on investors' confidence at this juncture.

Against this backdrop, **the KRW rates market is likely undergoing a volatile week ahead.** The KRW OIS market is suggesting a market consensus of four hikes in the next 12 months. Term-premiums are also rising, reflecting worries over the FX market and higher fiscal spending.

That said, **the market may find KRW rates attractive again after the initial knee-jerk reaction.** First, **inflation could accelerate at a lower-than-expected pace** alongside easing Middle East tensions. Second, **the strong current account surplus, ongoing FDI into Korea's tech sector, and capital inflows into the bond market amid WGBI inclusion** should offset the adverse impact of foreign capital outflows from the equity

market. The narrowing of credit spreads serves as key evidence of this resilience. Third, **the strengthening CNY and still range-bound JPY are serving as anchors for regional currencies, including the KRW.** The PBOC is expected to maintain an extended pause, while the BOJ is on track with hikes. Furthermore, the BOK has retained a sufficient buffer, with foreign reserves standing at USD427bn.

Strategy-wise, investors should be watchful over the KRW 3Y IRS rate and 3Y KTBs. The swap rate has already reached its highest level since 2022 at 4.06%. Its spread against the 3Y KTBs has been approaching its usual resistance of 20bps. Likewise, the 3Y KTB may have become overpriced. Note that its spread against the policy rate is also approaching its historical high.

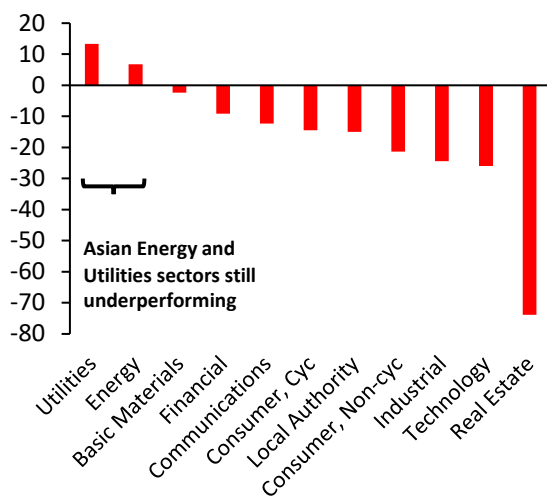


Source: Bloomberg, DBS

CREDIT: RISKS AMID HIGHER RATES AND TECH WOBBLES

Chang Wei Liang

Asian Sectoral DACS (2026 ytd change, bps)



Source: Bloomberg, DBS

Last week's pullback in semiconductor stocks and soft investor sentiment after robust US payrolls may pose risks to Asian credit. To be sure, Asian firms in the semiconductor sector are seeing booming profits amid strong AI infrastructure demand, and so credit fundamentals are robust. But investor positioning in Asian credit is looking a little excessive. Apart from the utilities and energy sectors, all other Asian sectors have seen credit spreads compressing year-to-date by around 10-30bps based on our DACS indices, while real estate has seen an even sharper 70bps compression.

This had brought our Asian DACS index close to a record low. With markets repricing for a Fed rate hike instead of a rate cut post-NFP, **credit may turn more vulnerable to outflows given low spread buffers, and more so if a stock market correction eventuates** after a scorching rally by semiconductor stocks this year.

RECENT PUBLICATIONS

[Singapore Chartbook: Capital flows magnet in a shock-prone world](#)

GROWTH, INFLATION, POLICY RATES & FX FORECASTS

	GDP GROWTH, % YOY				CPI INFLATION, % YOY			
	2024	2025	2026f	2027f	2024	2025	2026f	2027f
CHINA	5.0	5.0	4.5	4.0	0.2	0.0	0.5	0.8
HONG KONG	2.5	3.5	3.0	2.8	1.5	1.4	1.6	1.5
INDIA	6.7	7.8	6.5	6.4	4.9	2.2	4.5	4.2
INDIA (FISCAL YEAR) *	6.5	7.7	6.5	6.4	4.6	2.1	4.9	4.0
INDONESIA	5.0	5.1	5.1	5.1	2.3	1.9	3.2	2.2
MALAYSIA	5.1	5.2	4.7	4.2	1.8	1.4	2.0	2.0
PHILIPPINES**	5.6	4.5	4.7	5.0	3.2	1.7	6.5	4.0
SINGAPORE	5.3	5.0	2.8	2.3	2.4	0.9	2.2	2.0
SOUTH KOREA	2.0	1.0	2.6	2.0	2.3	2.1	2.6	2.1
TAIWAN	5.3	8.8	9.4	3.5	2.2	1.7	1.9	1.8
THAILAND	2.9	2.4	1.6	2.0	0.4	-0.1	2.5	1.5
VIETNAM	7.0	8.0	6.5	6.5	3.6	3.3	4.8	3.3
EUROZONE	0.7	1.5	1.0	1.2	2.3	2.2	3.1	2.1
JAPAN	-0.2	1.2	0.5	0.5	2.7	3.2	1.8	1.8
UNITED STATES***	2.8	2.0	1.5	1.7	3.0	2.7	2.5	2.5

* 2020 = Fiscal year Apr20-Mar21 ** new CPI series *** eop for CPI inflation

POLICY INTEREST RATES, EOP

	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
CHINA*	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
INDIA	5.25	5.25	5.25	5.50	5.75	5.75	5.75	5.75
INDONESIA	4.75	5.25	5.50	5.75	5.75	5.75	5.75	5.75
MALAYSIA	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
PHILIPPINES	4.25	4.75	5.25	5.25	5.25	5.25	5.25	5.25
SINGAPORE**	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
SOUTH KOREA	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75
TAIWAN	2.00	2.00	2.13	2.13	2.13	2.13	2.13	2.13
THAILAND	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
VIETNAM***	4.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00
EUROZONE^	2.00	2.25	2.50	2.50	2.50	2.50	2.50	2.50
JAPAN	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00
UNITED STATES	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75

* 1-yr Loan Prime Rate; ** 3M SORA OIS; *** refinancing rate; ^ deposit facility rate

EXCHANGE RATES, EOP

	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
USD/CNY	6.89	6.83	6.77	6.70	6.74	6.78	6.81	6.85
USD/HKD	7.84	7.82	7.81	7.81	7.81	7.81	7.80	7.80
USD/INR	94.8	96.7	97.1	97.4	97.8	98.2	98.6	98.9
USD/IDR	17041	17990	18060	18130	18200	18270	18340	18410
USD/MYR	4.05	3.91	3.85	3.80	3.85	3.90	3.95	4.00
USD/PHP	60.7	62.1	62.4	62.7	63.0	63.3	63.6	63.9
USD/SGD	1.29	1.27	1.26	1.25	1.26	1.27	1.27	1.28
USD/KRW	1516	1470	1435	1400	1415	1425	1440	1450
USD/THB	32.6	32.1	31.6	31.0	31.4	31.8	32.1	32.5
USD/VND	26340	26230	26110	26000	26130	26250	26380	26500
AUD/USD	0.69	0.71	0.72	0.73	0.73	0.72	0.72	0.71
EUR/USD	1.16	1.18	1.19	1.21	1.20	1.19	1.18	1.17
USD/JPY	159	156	153	149	151	152	153	154
GBP/USD	1.32	1.36	1.39	1.41	1.40	1.39	1.38	1.37

INTEREST RATE FORECASTS

		2026				2027			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
US	3M SOFR OIS	3.68	3.65	3.65	3.65	3.65	3.65	3.65	3.65
	2Y	3.79	3.80	3.85	3.85	3.90	3.95	3.95	3.95
	10Y	4.32	4.30	4.40	4.50	4.55	4.60	4.65	4.65
	10Y-2Y	52	50	55	65	65	65	70	70
Japan	3M TIBOR	1.27	1.30	1.30	1.30	1.30	1.30	1.30	1.30
	2Y	1.35	1.20	1.25	1.30	1.35	1.40	1.45	1.50
	10Y	2.35	2.30	2.40	2.50	2.60	2.70	2.75	2.75
	10Y-2Y	100	110	115	120	125	130	130	125
Eurozone	3M EURIBOR	2.08	2.45	2.70	2.70	2.70	2.70	2.70	2.70
	2Y	2.62	2.55	2.55	2.60	2.65	2.70	2.70	2.70
	10Y	3.00	3.00	3.10	3.20	3.25	3.30	3.30	3.30
	10Y-2Y	39	45	55	60	60	60	60	60
Indonesia	IDR 3M OIS	4.12	5.15	5.40	5.65	5.65	5.65	5.65	5.65
	2Y	6.31	6.50	6.60	6.60	6.60	6.55	6.55	6.50
	10Y	6.86	6.75	6.80	6.75	6.75	6.75	6.75	6.75
	10Y-2Y	55	25	20	15	15	20	20	25
Malaysia	3M KLIBOR	3.37	3.35	3.35	3.35	3.35	3.35	3.35	3.35
	3Y	3.26	3.25	3.25	3.25	3.25	3.25	3.25	3.25
	10Y	3.63	3.60	3.65	3.65	3.65	3.65	3.70	3.70
	10Y-3Y	37	35	40	40	40	40	45	45
Philippines	3M NDF implied yield	6.09	5.05	5.55	6.05	6.05	6.05	6.05	6.05
	2Y	5.42	6.00	6.10	6.20	6.25	6.30	6.35	6.35
	10Y	6.98	7.50	7.65	7.75	7.80	7.85	7.90	7.95
	10Y-2Y	156	150	155	155	155	155	155	160
Singapore	3M SORA OIS	1.16	1.20	1.20	1.20	1.20	1.20	1.20	1.20
	2Y	1.61	1.50	1.55	1.60	1.62	1.65	1.67	1.70
	10Y	2.29	2.10	2.20	2.20	2.25	2.25	2.30	2.30
	10Y-2Y	68	60	65	60	63	60	63	60
Thailand	3M BIBOR	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
	2Y	1.41	1.30	1.35	1.35	1.45	1.50	1.50	1.50
	10Y	2.23	2.45	2.55	2.60	2.70	2.75	2.80	2.90
	10Y-2Y	82	115	120	125	125	125	130	140
China	1Y LPR	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	2Y	1.37	1.25	1.25	1.25	1.25	1.25	1.25	1.25
	10Y	1.86	1.75	1.75	1.80	1.80	1.85	1.85	1.85
	10Y-2Y	48	50	50	55	55	60	60	60
Hong Kong, SAR	3M HIBOR	2.36	2.75	2.75	2.75	2.75	2.75	2.75	2.75
	2Y*	2.82	2.80	2.85	2.85	2.90	2.95	2.95	2.95
	10Y*	3.08	3.30	3.40	3.50	3.55	3.60	3.65	3.65
	10Y-2Y	26	50	55	65	65	65	70	70
Korea	3M CD	2.82	2.82	3.00	3.00	3.00	3.00	3.00	3.00
	3Y	3.56	3.75	3.75	3.75	3.75	3.75	3.75	3.75
	10Y	3.88	4.00	4.15	4.15	4.15	4.15	4.15	4.15
	10Y-3Y	32	25	40	40	40	40	40	40
India	3M MIBOR	7.25	6.75	6.75	6.75	6.75	6.75	6.75	6.75
	2Y	6.37	6.25	6.30	6.30	6.35	6.35	6.35	6.35
	10Y	7.04	6.95	6.95	6.90	6.90	6.90	6.85	6.85
	10Y-2Y	67	70	65	60	55	55	50	50

%, eop, govt bond yield for 2Y and 10Y, spread bps

Sources: Data for all charts and tables are from CEIC, Bloomberg and DBS Group Research (forecasts and transformations)



ECONOMICS & STRATEGY

Taimur BAIG, Ph.D.

Chief Economist
Global

taimurbaig@dbs.com

Mo Ji, Ph.D.

Chief Economist
China/HK SAR

mojim@dbs.com

Nathan CHOW

Senior Economist
China/HK SAR

nathanchow@dbs.com

Radhika RAO

Senior Economist
Eurozone, India, Indonesia

radhikarao@dbs.com

Tieying MA, CFA

Senior Economist
North Asia

matieying@dbs.com

Han Teng CHUA, CFA

Senior Economist
Asean

hantengchua@dbs.com

Byron LAM

Economist
China/HK SAR

byronlamfc@dbs.com

Eugene LEOW

Senior Rates Strategist
G3 & Asia

eugeneleow@dbs.com

Philip WEE

Senior FX Strategist
Global

philipwee@dbs.com

Wei Liang CHANG

FX & Credit Strategist
Global

weiliangchang@dbs.com

Samuel TSE

Rates Strategist
Asia

samueltse@dbs.com

Sherilyn CHEW

Multi-asset Strategist
Global

sherilync Chew@dbs.com

Mervyn TEO

Senior Credit Analyst
USD, SGD, AUD

mervynteo@dbs.com

Dexter CHUN

Credit Analyst
USD

dexterchun@dbs.com

Tracy Li Jun LIM

Credit Analyst
USD, SGD

tracylimt@dbs.com

Ian Haan CHUI

Credit Analyst
USD

ianchui@dbs.com

Amanda SEAH

Credit Analyst
USD, SGD, AUD

amandaseah@dbs.com

Teng Chong LIM

Credit Analyst
USD, SGD, AUD

tengchonglim@dbs.com

Joel SIEW, CFA

Credit Analyst
USD, SGD, AUD

joelsiew@dbs.com

Iris GAO

Credit Analyst
USD

irisgao@dbs.com

Lilian LV

Credit Analyst
USD

lilianlv@dbs.com

Daisy SHARMA

Analyst
Data Analytics

daisy@dbs.com

Violet LEE

Associate
Publications

violetleeyh@dbs.com

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates, Digital Assets or Commodities)¹

The information herein is published by DBS Bank Ltd and/or DBS Bank (Hong Kong) Limited (each and/or collectively, the "Company"). It is based on information obtained from sources believed to be reliable, but the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. The information herein is published for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and/or employees may have positions or other interests in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking or financial services for these companies. The information herein is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in any locality, state, country, or other jurisdiction (including but not limited to citizens or residents of the United States of America) where such distribution, publication, availability or use would be contrary to law or regulation. The information is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction (including but not limited to the United States of America) where such an offer or solicitation would be contrary to law or regulation.

[#for Distribution in Singapore] This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) which is Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 65-6878-8888 for matters arising from, or in connection with the report.

DBS Bank Ltd., 12 Marina Boulevard, Marina Bay Financial Centre Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.

DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

DBS Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability. 11th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong SAR.

¹ This disclaimer may not apply if they are falls within 'financial instruments' that are within the scope of Article 2(1) EU MAR (e.g. financial instruments that are traded on a regulated market, MTF or OTF, etc.). Section C of Annex I of MiFID2 specifies these 'financial instruments'.