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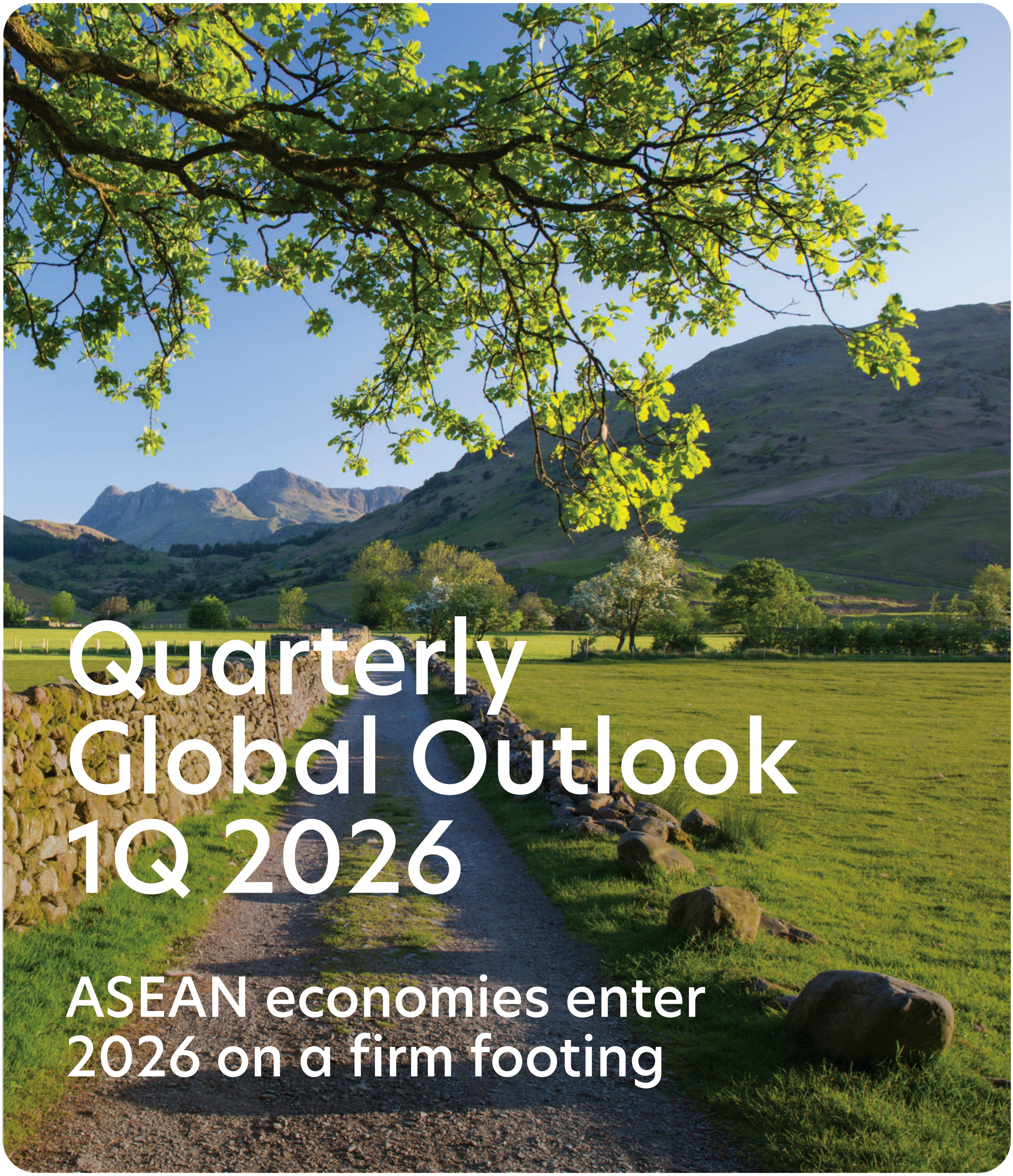

Quarterly Global Outlook 1Q 2026

ASEAN economies enter 2026 on a firm footing

Right By You

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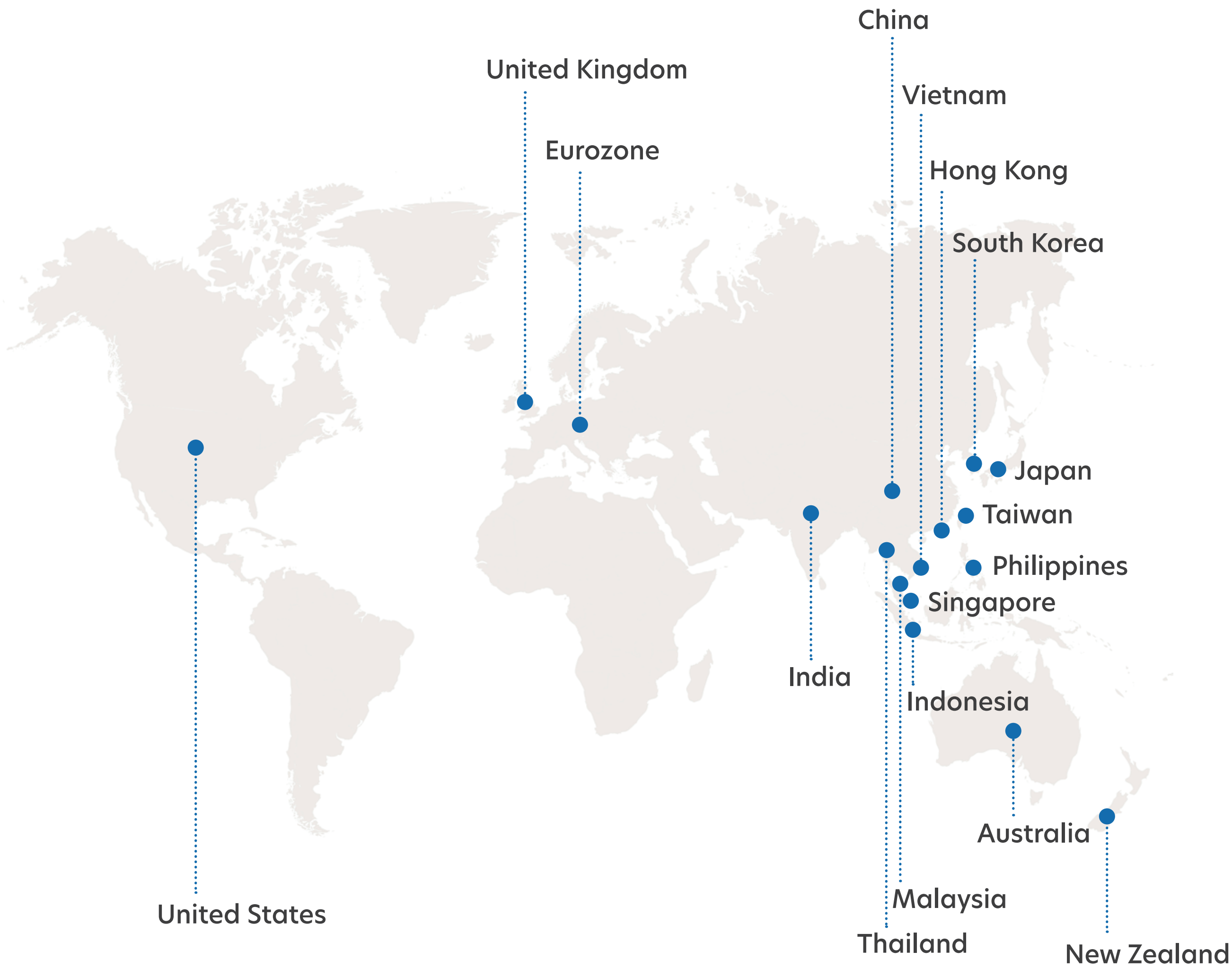

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EXECUTIVE SUMMARY

ASEAN economies enter 2026 on a firm footing

"Persistence Propels Potentials to Perfection"
- Dr Kao Kim Hourn, Secretary-General ASEAN

ASEAN economies started 2025 on a highly uncertain note. President Trump had just commenced his second term and made clear his overwhelming desire to rewire global trade. On 2 April, President Trump formally announced reciprocal tariffs against almost every other trading nation with the United States. There was an immense sense of uncertainty, and many investors were convinced that after the front-loading of exports to the United States taper off by the end of the second quarter, most ASEAN economies would encounter a sharp manufacturing and export sector slowdown.

China's economy was expected to slow down sharply as it bore the brunt of the extremely high reciprocal tariffs and sectoral tariffs imposed against its exports to the United States. This twin ASEAN export slump and China's economic deceleration were widely expected to trigger a corresponding downturn in ASEAN economies in 2H25, possibly even triggering a technical recession across the region. Fortunately, things turned out to be far more favourable for ASEAN economies in 2H25. Instead of the dreaded export and growth collapse, key regional economies grew from strength to strength and ended the year on a firm footing.

Fortunately, things turned out to be far more favourable for ASEAN economies in 2H25. Instead of the dreaded export and growth collapse, key regional economies grew from strength to strength and ended the year on a firm footing.

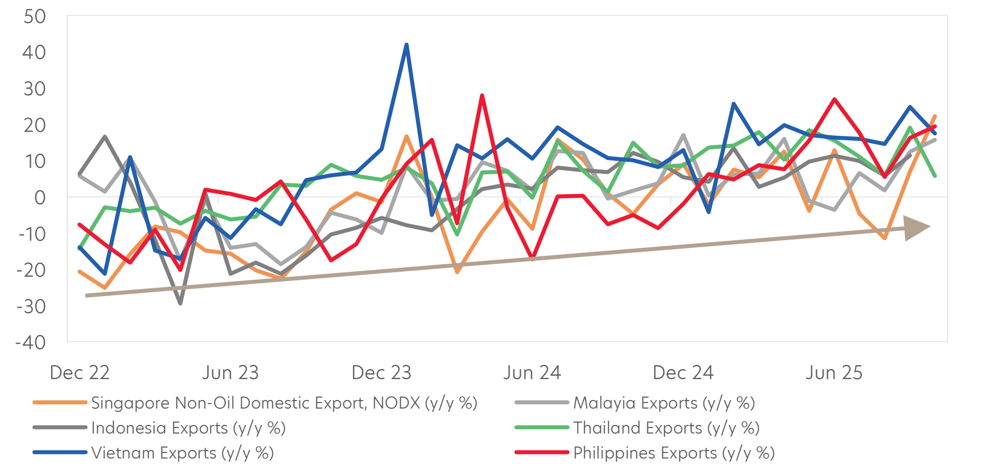
In particular, Malaysia surprised with a robust GDP growth of 5.2% y/y in 3Q25, further strengthening from an already strong 4.4% y/y in 2Q25. On a quarterly basis, 3Q25 GDP expanded by 2.4% q/q, marking the fastest pace since early 2022. As a result, our macroeconomic team now expects FY25 GDP growth for Malaysia to test the upper end of the official estimate of 4.0% to 4.8% range.

Similarly, Singapore delivered an impressive rebound as well, as GDP growth for 3Q25 came in much stronger than expected at 4.2% y/y, against an initial estimate of 2.9%. This has prompted the Ministry of Trade and Industry (MTI) to upgrade its official target for this year's GDP growth from the "1.5% to 2.5%" range to a much higher "around 4.0%" target. Our macroeconomic team is even more optimistic, projecting growth at 4.4% this year (and possibly even higher after the blockbuster industrial production in Oct).

There are three key factors that have resulted in this surprising positive turn for ASEAN economies.

There is strength and resilience in ASEAN export growth

Source: Macrobond, UOB Global Economics & Markets Research



There is increasing evidence of a realignment of supply chains that is generating an increase in intra-regional trade which is beneficial for ASEAN trade and exports.

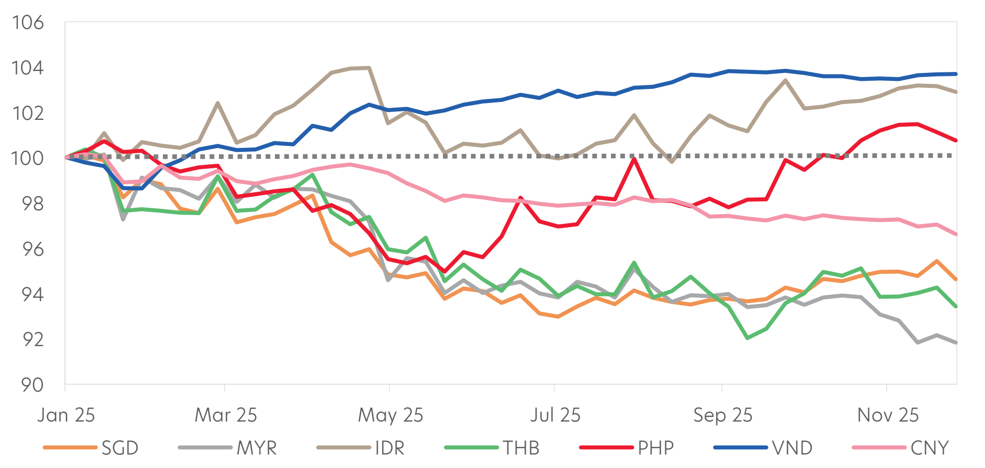
ASEAN Strength #1: Surprising resilience and strength in regional exports

The first factor is the surprising resilience and momentum in regional exports. There is increasing evidence of a realignment of supply chains that is generating an increase in intra-regional trade which is beneficial for ASEAN trade and exports. In addition, this strength in exports is also particularly evident in regional economies that are plugged into the AI-related and electronics supply chain.

As a result, Malaysia's export growth accelerated to a 6-month high of 15.7% y/y in Oct, from 12.5% y/y in Sep. Malaysia's strong export growth is supported by strong shipments across all key export categories, particularly that of electrical and electronics manufactured goods. Similarly, Singapore's Non-Oil Domestic Exports (NODX) extended its robust sequential growth momentum by jumping 22.2% y/y in Oct, from 7.0% y/y in Sep. This outperformance is driven by a strong 33.2% y/y surge in electronics NODX, underscoring a persistence in global AI-related capex that has led to a clear halo effect, transmitting into stronger demand across the entire electronics value chain as the AI replacement cycle intensifies across various product groups.

ASEAN currencies mostly did well against the USD this year
(2025 % year to date normalized performance for USD against ASEAN currencies)

Source: Bloomberg, UOB Global Economics & Markets Research



ASEAN Strength #2: Regional currencies mostly strengthened and performed well

The second reason is the strength in ASEAN regional currencies. As mentioned above, early in the year, there was a widespread fear that as a result of the intense tariffs imposed by the US against China and ASEAN, there would be widespread export contraction across the region, leading to pronounced USD strength or worse still a synchronized round of devaluation for both CNY and ASEAN.

Things turned out to be very different indeed in the currency space. Given that ASEAN economies have a large export component, the abovementioned strong export performance has resulted in strength of regional currencies instead. This is magnified by the underlying global trend of de-dollarization which intensified across the year. The strong export proceeds, coupled with less desire to accumulate US Dollars have resulted in ASEAN regional currency strength as exporters actively repatriated their export proceeds.

In addition, to the credit of China's policymakers, they did not choose "the easy way out" by responding to higher tariffs with a devaluation of the Renminbi (RMB). Instead, the People's Bank of China (PBOC) made extra efforts to reduce depreciation pressure on the RMB and even allowed it to appreciate alongside the weakening USD. This has decoupled the RMB from the weakening domestic economy and troubled property market in China and removed a key source of volatility for ASEAN regional currencies.

This strength in ASEAN currencies is very important for regional central banks as it has allowed many like Bank Negara Malaysia (BNM) and Monetary Authority of Singapore (MAS) to adopt a more prudent "wait and see" approach to better assess the developing global economic risks. This accords much flexibility and "dry powder" to ease monetary policy should economic challenges re-emerge and growth weaken instead.

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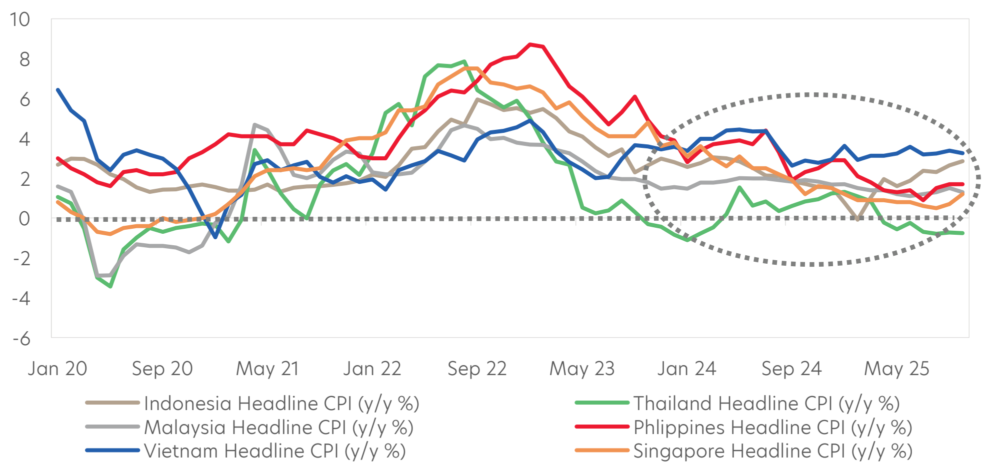
ASEAN inflation trajectory remains benign across the region

Source: Macrobond, UOB Global Economics & Markets Research



Supply chains in various industries across the world turned out to be more resilient and flexible than expected, with many intermediaries across the supply chain helping to absorb the tariffs, thereby resulting in limited pass-through of higher prices to end consumers.

Strength #3: Benign inflation trajectory across the region

The third reason is the benign inflation trajectory for the region. Once again, at the start of the year, among the multitude of investor worries was that the higher trade tariffs will result in higher inflation not just for the US but across the world as well. This fear turned out to be unfounded in many ways. In the US, while there are signs of rising inflation across key food and grocery items, overall inflation remained contained. Supply chains in various industries across the world turned out to be more resilient and flexible than expected, with many intermediaries across the supply chain helping to absorb the tariffs, thereby resulting in limited pass-through of higher prices to end consumers. The strong ASEAN regional currencies have helped increase purchasing power, dampening the risks of imported inflation. In addition, the increasing supply of competitively priced goods and services from China into ASEAN helped drive down manufacturing costs as well, keeping inflation in check.

As a result, most inflation trajectories across ASEAN economies remained soft. In Indonesia, notwithstanding ongoing volatility in food prices, , headline inflation was 2.86% y/y in Oct, within the official target range of 1.5% to 3.5%. In Malaysia, headline inflation averaged 1.4% year to date Oct, comfortably within the official target range of 1.0% to 2.0%. In Singapore, notwithstanding a recent surge in Oct, core inflation is expected to average a benign 0.7% y/y for this year.

There remains a multitude of regional and global risks challenging ASEAN economies in 2026

The above-mentioned three factors of surprising resilience and strength in regional exports, strong outperformance in regional currencies and benign inflation trajectory will help ASEAN economies start 2026 on a firm footing. However, amidst the growing list of regional and global risks, the upcoming year is not without its challenges.

Within ASEAN, there are various idiosyncratic risks across different economies. In particular, those economies that are not fully plugged into the AI surge and electronics products renewal cycle will need to play catch-up in terms of manufacturing and exports.

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While most ASEAN currencies performed strongly, some ASEAN currencies like the VND and IDR have remained weak. The IDR's weakness was a key consideration for Bank Indonesia's (BI) decision to hold off from further rate cuts. Meanwhile the Prabowo government remains focused prioritizing its various stimulus measures to push Indonesia's economic growth beyond the current 5% handle.

On the inflation front, Thailand faces an increasing deflationary risk, with headline CPI falling 0.76% y/y in Oct, intensifying the 0.72% contraction in Sep. The disinflationary trend is fueled by supply side forces and soft underlying demand. Growth has also disappointed, with Thailand's GDP slowing sharply to 1.2% y/y in 3Q25, from 2.8% y/y in 2Q25 as both manufacturing and construction sectors returned to contraction while recovery in the tourism sector remained weak.

Globally, there is intense uncertainty over US Federal Reserve (Fed) monetary policy outlook going forward. Within the Fed, there is growing dispersion in outlook as to whether the Fed needs to continue cutting interest rates. Overall, our macroeconomic team believes that the Fed will likely cut by a third 25 bps at the upcoming final FOMC for the year on 9th/10th Dec. Beyond 2025 and into 2026, our macroeconomic team still maintains existing call of two more 25 bps rate cuts in 2026. However, uncertainty is rising given the disruption to various key employment, inflation and other macroeconomic data due to the Federal government shutdown as well as upcoming renewal of Fed leadership after Jerome Powell's term as FOMC Chair ends in May 2026.

Beyond the Fed, there is also increasing uncertainty and risks to monetary policies and key economies across the world. The UK economy faces increasing challenges from a strained fiscal outlook. Across Europe, growth and fiscal outlook remains highly in flux, compounded by efforts to secure a peace deal between Russia and Ukraine. In Japan, the Bank of Japan (BoJ) must contend with a further sharp rise in long-term bond yields as the Takaichi government pushes forward with fiscal stimulus.

Nearer to ASEAN, China's economic recovery remains fragile, with activity slowing further and GDP growth likely easing from 4.8% in 3Q25 to about 4.4% in 4Q25. As a result, the PBOC is expected to continue its targeted monetary policy easing into 2026.

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As we cross into 2026 on a firm footing for ASEAN economies, we assess in this latest quarterly update, the various economic and monetary policies outlook, currency and interest rate trajectories for key economies across the world and across ASEAN.

Hereafter is a brief synopsis of our key FX and Rates views.

FX Strategy: USD fell hard in 2025. Will the USD fall further in 2026?

Major FX Strategy: Keeping The Playbook Of A Weaker USD In 2026

Looking ahead into 2026, we maintain a bearish bias on the USD, with further Fed easing expected to remain the dominant driver. Political risk could re-emerge as a key USD-negative factor in the coming months. With Chair Powell's term as FOMC Chair expiring in May 2026, markets may begin to price in the possibility that his successor aligns more closely with the Trump administration's preference for lower rates. Such a scenario would reinforce expectations for a lower terminal Fed Funds Rate, translating into sustained USD weakness. Our latest DXY forecasts stand at 98.2 for 1Q26, 97.3 in 2Q26, 96.5 in 3Q26, and 95.7 by 4Q26. That said, the pace of depreciation may be tempered by sticky inflation – still above the Fed's 2% target – and late-cycle dynamics, including a well-priced OIS curve. Consequently, we maintain our positive outlook for the other Majors against the USD, and expect EUR/USD, GBP/USD, AUD/USD and USD/JPY to end 4Q26 at 1.20, 1.37, 0.69 and 146 respectively.

Asian FX Strategy: SGD to outperform alongside further Asia FX Gains in 2026

Going forward, we maintain a constructive medium-term outlook for Asian currencies, contingent on sustained de-escalation in global trade frictions, stability in the CNY, and a narrowing yield differential between Asian central banks and the Fed. However, risks to this view persist, including a potential reacceleration in US inflation that could temper or delay Fed rate cuts, as well as any sharp deterioration in China's macroeconomic backdrop. In particular, we see further gradual downside in USD/CNY, supported by positive sentiment from the implementation of the US-China trade agreement and continued USD softness as the Fed's rate-cut cycle continues in 2026. Further strength in the CNY is also seen as supportive of China's longer-term push to transform into a consumption-based economy by increasing domestic purchasing power. Overall, we see USD/CNY ending 4Q26 below 7.00 at 6.95.

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For Singapore, the constructive growth outlook, coupled with emerging signs of reflation, suggests that the Monetary Authority of Singapore (MAS) has likely concluded its easing cycle and will maintain its current stance of a modest S$NEER appreciation – estimated at about 0.5% p.a. – through 2026. The risk to our base case has now shifted to a potential monetary policy tightening – via a steepening of the S$NEER slope to 1.0% p.a. as early as the Apr 2026 MPS should core inflation momentum continue to normalize in the coming months. We can expect USD/SGD to resume its weakening trend in 2026, in line with a broad-based USD pullback. Accordingly, our latest USD/SGD forecasts are 1.29 in 1Q26, 1.28 in 2Q26, 1.27 in 3Q26, and 1.26 in 4Q26. In particular, the S$NEER appears to have established a meaningful bottom in Nov and is poised to edge higher in the coming quarters. This trend implies a bottoming and subsequent rebound in key SGD-crosses, including SGD/MYR and SGD/CNY, as regional FX dynamics normalize.

Rates Strategy: The gradual grind lower in rates continues into 2026

US Rates: Gradual rate cuts ahead as Fed balances uncertainty and risks

Assuming Fed cuts by our anticipated 25 bps cut at the Dec FOMC, the Fed Funds Target Rate (FFTR) will decline to 3.50%-3.75% by end-2025. Our macroeconomic team continues to project a Fed pause early next year before resuming easing with two further cuts in 2026, implying a terminal FFTR of 3.25% (upper bound). In line with this gradual easing trajectory, the SOFR is expected to drift lower, with our updated forecasts for 3M compounded in arrears SOFR at 3.70% in 1Q26, 3.59% in 2Q26, 3.36% in 3Q26, and 3.29% in 4Q26 (current: 4.19%). On the long end, the 10Y UST yield remains anchored near the 4% floor, supported by the Fed's accommodative stance and a consolidative term premium. Our updated forecasts for 10Y UST yields are 3.90% in 1Q and 2Q26, 4.00% in 3Q26, and 4.10% in 4Q26 (current: 4.07%).

SG Rates: SORA bottoming, SGS yields poised for recovery

Looking ahead, we expect some residual transmission from upcoming Fed cuts to SORA over the coming months although it is noted that the wide discount of SORA to SOFR still remains at historically extreme levels. Domestic liquidity conditions remain conducive for SORA to stay soft, with the Monetary Authority of Singapore (MAS) refraining from significantly increasing net bill issuance to absorb excess liquidity. Overall, we expect SORA to continue its gradual decline in line with the Fed's easing trajectory. Our updated forecast for 3M compounded SORA is 1.13% in 1Q26, 1.17% in 2Q26, 1.23% in 3Q26, and 1.31% in 4Q26 (current: 1.25%). In the longer end, stronger-than-expected domestic macroeconomic data may have contributed to stabilizing local bond yields. These dynamics point to a recovery in SGS yields across 2026. Our updated forecast for 10Y SGS is 1.80% in 1Q26, 1.90% in 2Q26, 2.10% in 3Q26, and 2.30% in 4Q26 (current: 2.02%).

Looking ahead, we expect some residual transmission from upcoming Fed cuts to SORA over the coming months although it is noted that the wide discount of SORA to SOFR still remains at historically extreme levels.

DM and Asian Rates: End of easing cycle for some while others proceed with calibrated easing in 2026

The Bank of Japan (BOJ) remains an outlier in the DM space, with further tightening anticipated. Our macroeconomic team expects a 25-bps hike to 0.75% in Dec, followed by a final move to 1.00% further out in 3Q26. Currently, the OIS market has almost fully priced in a 25-bps rate hike in the 19 Dec BOJ meeting. This came after BOJ Governor Kazuo Ueda said recently that the central bank is closely scrutinizing latest wage rise dynamics and will debate the "pros and cons" for a further rate hike.

In addition, following the hawkish hold at the recent Bank of Korea (BOK) policy meeting in late Nov, we revise our call for BOK to maintain the base rate at 2.50% throughout 2026, from two cuts in 1H26 previously. An important change at this meeting was the dropping of the reference to "maintain its rate cut stance". In the statement, BOK said instead that it is "leaving room for potential rate cuts" while it decides "whether and when to implement any further Base Rate cuts". The positive shift in BOK's tone is accompanied by upgrades in South Korea's growth and inflation outlook next year while prioritizing financial stability - handling risks from household debt growth, rising property prices and KRW depreciation.

Commodities Strategy: Still "Gonna Be, Gonna Be Golden!" in 2026

Overall, unless the abovementioned positive drivers change, gold is likely to continue its strong trend-like rally.

Gold: Likely to sustain its strong trend-like rally into 2026

Existing positive drivers that have fueled this strong rally in gold remain very much in place. The case for gold as a safe haven to diversify one's portfolio remains strong. As such, there continues to be strong accumulation of gold inventory on key exchanges across the world, e.g. on COMEX and SHFE. Similarly, purchases of gold-ETFs remain strong. On the sovereign level, the frenzied allocation of gold by global central banks remains unabated. Various stablecoins, led by Tether have ramped up their accumulation of gold as well. Anticipation of further Fed rate cut at the upcoming Dec FOMC is a key near term positive driver too. Overall, unless the abovementioned positive drivers change, gold is likely to continue its strong trend-like rally. Therefore, we maintain our positive outlook for gold and update the forecast to USD 4,300 / oz in 1Q26, USD 4,400 / oz in 2Q26, USD 4,500 / oz in 3Q26 and USD 4,600 / oz in 4Q26.

Brent: Possible Russia-Ukraine peace deal adds to growing list of negative drivers for oil price

Little has changed from the pedestrian prognosis of the previous quarter. That with the easing of tensions in the Middle East, particularly between Israel and Iran, investor concerns of acute geopolitical risks have now given way to worries of oversupply from Saudi Arabia and OPEC+. Adding to the pressure is a potential Russia - Ukraine peace deal while a further drop in China's domestic activity and GDP growth over the past quarter is also likely to weigh on energy demand. Overall, we maintain our cautiously neutral outlook for Brent crude oil, but in view of the recent softness in prices, we lower our forecasts further to USD 65 / bbl in 1Q26, USD 60 / bbl in 2Q26 and USD 55 / bbl in 2H26.

LME Copper: Prices rally further above USD 11,000 / MT despite contrasting drivers

Copper's dynamics remain contrasting and conflicted. On one hand, amidst persistent tariff fears, there is clear on-going accumulation in Copper inventory in the US. This has resulted in further tightening of inventories on the LME, thereby driving up LME prices higher to the current USD 11,000 / MT level. On the other hand, the current strength in Copper price is not in line with the further slowdown in activity and spending macro figures, as well as deteriorating property sector outlook from China. Overall, amidst this on-going contrast, we keep to our cautiously neutral outlook in LME Copper while in line with the recent rise, updating the forecasts higher to USD 11,000 / MT in 1Q26, USD 10,500 / MT in 2Q26 and USD 10,000 / MT in 2H26.

Global FX

USD/JPY: Overall, we maintain a view of gradual USD/JPY downside, albeit from a higher starting point given lingering concerns over PM Takaichi's policy stance. Our latest forecasts are 152 in 1Q26, 150 in 2Q26, 148 in 3Q26, and 146 in 4Q26.

EUR/USD: Looking ahead, we expect the ECB to deliver a final 25 bps rate cut in 1Q26, marking the conclusion of its easing cycle that began in Jun 2024. This move should further compress EUR-USD rate differentials as the Fed continues to ease well into 2026, creating a supportive backdrop for the pair. Additionally, Germany's fiscal stimulus narrative is likely to retain momentum into 2026, albeit with diminishing marginal impact compared to the initial surge in Mar 2025. We maintain a constructive outlook on EUR/USD, projecting a gradual appreciation through 2026. Our updated forecasts stand at 1.17 in 1Q26, 1.18 in 2Q26, 1.19 in 3Q26, and 1.20 in 4Q26.

GBP/USD: The removal of fiscal uncertainty has eliminated a key near-term drag on GBP. Looking ahead, broad-based USD weakness – driven by continued Fed easing into 2026 – should provide additional support for GBP/USD. However, GBP may still lag its G-10 peers next year, consistent with this year's trend, as we expect the BOE to maintain a quarterly rate-cut cadence through 3Q26. Our updated forecasts project GBP/USD at 1.34 in 1Q26, 1.35 in 2Q26, 1.36 in 3Q26, and 1.37 in 4Q26.

AUD/USD: Looking ahead, we expect the constructive macro backdrop to persist into 2026, underpinning demand for risk-sensitive currencies such as the AUD. Moreover, the AUD could emerge as a relative high yielder as the global easing cycle eventually concludes, with our forecast for the RBA terminal rate at 3.10% by 2Q26 reinforcing this view. We maintain a positive outlook on AUD/USD, with updated projections at 0.67 in 1Q26, 0.68 in 2Q26, and 0.69 in both 3Q26 and 4Q26.

NZD/USD: Looking ahead, we expect the NZD to stabilize and potentially outperform as the RBNZ appears to have concluded its easing cycle ahead of most developed market central banks. With US yields set to decline further on the back of additional Fed rate cuts in 2026, the relative attractiveness of the NZD should improve, providing a modest tailwind for NZD/USD. Our updated NZD/USD forecasts are 0.58 in 1Q26, 0.59 in 2Q26, and 0.60 in both 3Q26 and 4Q26.

Asian FX

USD/CNY: Looking ahead, we expect further gradual downside in USD/CNY, supported by positive sentiment from the implementation of the US-China trade agreement and continued USD softness as the Fed's rate-cut cycle continues in 2026. However, the pace of CNY appreciation may be moderated by a softer China growth outlook – our GDP forecast stands at 4.7% for 2026 versus 5.0% in 2025 – alongside the PBOC's gradual approach to adjusting the daily fixing and its "moderately loose" policy stance. Overall, our updated USD/CNY forecasts are at 7.04 in 1Q26, 7.00 in 2Q26, 6.98 in 3Q26, and 6.95 in 4Q26.

USD/SGD: Going forward, we expect USD/SGD to resume its weakening trend in 2026, in line with a broad-based USD pullback. Accordingly, our latest USD/SGD forecasts are 1.29 in 1Q26, 1.28 in 2Q26, 1.27 in 3Q26, and 1.26 in 4Q26. Relative to its trading peers, the S$NEER appears to have established a meaningful bottom in Nov and is poised to edge higher in the coming quarters. This trend implies a bottoming out and followed by a rebound in key SGD-crosses, including SGD/MYR and SGD/CNY, as regional FX dynamics normalize.

USD/HKD: Looking ahead, USD/HKD appears increasingly aligned with the widening US-HK rate differential. The 3M SOFR-HIBOR spread has climbed from 0.6% to 1.3% over the past two months, reinforcing demand for USD carry trades and supporting a recovery in USD/HKD. This dynamic is likely to underpin the pair further in the near term. Our baseline view sees USD/HKD holding firm at 7.80 across all four quarters of 2026.

USD/TWD: Looking ahead to 2026, we expect the TWD to resume its strengthening trend, supported by broad-based USD softness and Taiwan's solid macro fundamentals. That said, headline risks around AI sector valuations could inject two-way volatility into the pair. Overall, we forecast USD/TWD at 31.2 in 1Q26, 30.9 in 2Q26, 30.6 in 3Q26, and 30.3 in 4Q26.

USD/KRW: Going forward, the outlook for KRW may brighten on the following factors: improved 2026 growth prospects, BOK staying on extended pause and the National Pension Service (NPS) likely to increase their hedge ratio for its foreign investments. Further Fed rate cuts in 2026 will also provide a backdrop of USD weakness which may facilitate the KRW recovery. Overall, our updated USD/KRW forecasts are at 1,450 in 1Q26, 1,410 in 2Q and 3Q26, and 1,390 in 4Q26.

USD/MYR: While we maintain a constructive view on MYR over the next 12 months, gains from current levels are likely to moderate as the psychological 4.10 level comes into focus. Overall, our updated USD/MYR forecasts are 4.12 in 1Q26, 4.09 in 2Q26, 4.07 in 3Q26, and 4.05 in 4Q26.

USD/IDR: Looking ahead, expectations of Fed rate cuts starting in Dec and continuing into 2026 have broadly weakened the USD, offering some relief to emerging market currencies, including the IDR. However, BI's dovish bias and the likelihood of further easing suggest that the IDR may continue to underperform relative to regional peers. We maintain our base case for an additional 50 bps of BI rate cuts by 1Q26, which could limit upside potential for the currency despite a softer USD backdrop. Our updated USD/IDR forecasts are at 16,700 in 1Q26, 16,600 in 2Q26, 16,500 in 3Q26, 16,400 in 4Q26.

USD/THB: Looking ahead, we expect USD/THB to continue its gradual downward trajectory, underpinned by broad-based USD softness as the Fed advances its rate-cutting cycle into 2026. However, our baseline scenario of a cumulative 50bps in BOT rate cuts through 1Q26, coupled with the likelihood of further FX intervention, suggests two-way volatility will remain a feature of the pair. As such, our revised USD/THB forecasts are 31.9 for 1Q26, 31.7 for 2Q26, 31.5 for 3Q26, and 31.3 for 4Q26.

USD/PHP: In 2026, the PHP may still underperform regional peers due to domestic factors, even amidst expectations of broad USD weakness. Headwinds include BSP's easing cycle, fiscal credibility concerns, and deteriorating economic fundamentals. Political uncertainties and tariff headwinds have weighed on investment sentiment, consumer confidence, and exports. Additionally, narrowing interest rate differentials – given BSP's potential acceleration of interest rate cuts versus modest US Fed easing – may lessen the yield advantage of PHP. Overall, our latest USD/PHP forecasts are at 58.2 in 1Q26, 57.8 in 2Q26, 57.4 in 3Q26, and 57.0 by 4Q26.

USD/VND: Looking ahead to 2026, we expect the VND to continue underperforming regional peers despite a broadly softer USD backdrop. We maintain a cautious stance on the VND and our updated USD/VND forecasts are at 26,300 in 1Q26, 26,100 in 2Q26, 26,000 in 3Q26, and 25,900 in 4Q26.

USD/INR: In 2026, we factor in some form of INR recovery amid a weak USD backdrop. RBI staying pat on rates may help underpin the INR. A positive catalyst may come in the form of a US-India trade deal to reduce the elevated 50% tariffs. Overall, our updated USD/INR forecasts are at 89.0 in 1Q26, 88.5 in 2Q26, 88.0 in 3Q26, and 87.5 in 4Q26.

01. FORECAST: REAL GDP GROWTH TRAJECTORY

y/y% change	2024	2025F	2026F	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25F	4Q25F
China	5.0	5.0	4.7	5.3	4.7	4.6	5.4	5.4	5.2	4.8	4.4
Hong Kong	2.5	3.2	2.2	2.8	3.0	1.9	2.5	3.0	3.1	3.8	3.0
India (FY)	9.2	6.5	7.3	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4
Indonesia	5.0	4.9	5.2	5.1	5.1	5.0	5.0	4.9	5.1	5.0	4.7
Japan	-0.2	1.4	1.3	-1.2	-1.0	0.5	1.2	1.8	2.0	1.1	0.7
Malaysia	5.1	4.6	4.5	4.2	5.9	5.4	4.9	4.4	4.4	5.2	4.5
Philippines	5.7	4.6	5.0	5.9	6.5	5.2	5.3	5.4	5.5	4.0	3.7
Singapore	4.4	4.4	2.1	3.2	3.4	5.7	5.0	4.1	4.7	4.2	4.4
South Korea	2.0	1.1	2.0	3.4	2.2	1.4	1.1	0.0	0.6	1.8	2.2
Taiwan	5.3	7.4	3.5	7.2	5.3	4.7	4.1	5.5	7.7	8.2	7.7
Thailand	2.5	2.0	1.8	1.7	2.3	3.0	3.3	3.2	2.8	1.2	0.8
Vietnam	7.1	7.7	7.0	6.0	7.2	7.4	7.6	7.0	8.2	8.2	7.2
Australia	1.1	1.8	2.2	1.1	1.0	0.8	1.3	1.4	1.8	2.0	1.9
Eurozone	0.9	1.4	1.1	0.4	0.5	1.0	1.3	1.6	1.5	1.4	1.1
New Zealand	-0.6	0.3	2.2	1.3	-0.5	-1.6	-1.4	-0.6	-0.6	1.0	1.2
United Kingdom	1.1	1.4	1.2	0.3	1.1	1.2	1.9	1.7	1.4	1.3	1.3
United States (q/q SAAR)	2.8	1.5	1.7	1.6	3.0	3.1	2.5	-0.5	3.8	2.8	-4.9

For India, full-year and quarterly growth are based on its fiscal calendar (Apr-Mar)
Source: Macrobond, UOB Global Economics & Markets Research Forecast

02. FORECAST: FX, RATES & COMMODITIES

FX	05 Dec	1Q26F	2Q26F	3Q26F	4Q26F
USD/JPY	155	152	150	148	146
EUR/USD	1.16	1.17	1.18	1.19	1.20
GBP/USD	1.33	1.34	1.35	1.36	1.37
AUD/USD	0.66	0.67	0.68	0.69	0.69
NZD/USD	0.58	0.58	0.59	0.60	0.60
DXY	99.0	98.2	97.3	96.5	95.7
USD/CNY	7.07	7.04	7.00	6.98	6.95
USD/HKD	7.78	7.80	7.80	7.80	7.80
USD/TWD	31.3	31.2	30.9	30.6	30.3
USD/KRW	1,474	1,450	1,410	1,410	1,390
USD/PHP	59.0	58.2	57.8	57.4	57.0
USD/MYR	4.12	4.12	4.09	4.07	4.05
USD/IDR	16,650	16,700	16,600	16,500	16,400
USD/THB	32.0	31.9	31.7	31.5	31.3
USD/VND	26,371	26,300	26,100	26,000	25,900
USD/INR	90.0	89.0	88.5	88.0	87.5
USD/SGD	1.30	1.29	1.28	1.27	1.26
EUR/SGD	1.51	1.51	1.51	1.51	1.51
GBP/SGD	1.73	1.73	1.73	1.73	1.73
AUD/SGD	0.86	0.86	0.87	0.88	0.87
SGD/MYR	3.18	3.19	3.20	3.20	3.21
SGD/CNY	5.46	5.46	5.47	5.50	5.52
JPY/SGDx100	0.84	0.85	0.85	0.86	0.86

POLICY RATES	05 Dec	1Q26F	2Q26F	3Q26F	4Q26F
US Fed Fund Rate	4.00	3.75	3.50	3.25	3.25
JPY Policy Rate	0.50	0.75	0.75	1.00	1.00
EUR Refinancing Rate	2.15	1.90	1.90	1.90	1.90
GBP Repo Rate	4.00	3.50	3.25	3.00	3.00
AUD Official Cash Rate	3.60	3.35	3.10	3.10	3.10
NZD Official Cash Rate	2.25	2.25	2.25	2.25	2.25
CNY 1Y Loan Prime Rate	3.00	2.90	2.90	2.90	2.90
HKD Base Rate	4.25	4.00	3.75	3.50	3.50
TWD Official Discount Rate	2.00	2.00	1.88	1.88	1.88
KRW Base Rate	2.50	2.50	2.50	2.50	2.50
PHP O/N Reverse Repo	4.75	4.25	4.25	4.25	4.25
MYR O/N Policy Rate	2.75	2.75	2.75	2.75	2.75
IDR 7D Reverse Repo	4.75	4.25	4.25	4.25	4.25
THB 1D Repo	1.50	1.00	1.00	1.00	1.00
VND Refinancing Rate	4.50	4.50	4.50	4.50	4.50
INR Repo Rate	5.50	5.50	5.50	5.50	5.50

INTEREST RATES	05 Dec	1Q26F	2Q26F	3Q26F	4Q26F
USD 3M SOFR (compounded)	4.17	3.70	3.59	3.36	3.29
SGD 3M SORA (compounded)	1.25	1.13	1.17	1.23	1.31
US 10Y Treasuries Yield	4.09	3.90	3.90	4.00	4.10
SGD 10Y SGS	2.01	1.80	1.90	2.10	2.30

COMMODITIES	05 Dec	1Q26F	2Q26F	3Q26F	4Q26F
Gold (USD/oz)	4,204	4,300	4,400	4,500	4,600
Brent Crude Oil (USD/bbl)	63	65	60	55	55
LME Copper (USD/mt)	11,450	11,000	10,500	10,000	10,000

Source: UOB Global Economics & Markets Research Estimates

KEY EVENTS: 1Q 2026

JANUARY

01 - Bulgaria joins the Eurozone on 01 Jan, expanding the bloc to 21 members.

19-23 - The World Economic Forum's 56th Annual Meeting will be held in Switzerland - theme "A Spirit of Dialogue".

30 - US government is temporarily funded till 30 Jan. There is a significant risk of another government shutdown after 30 Jan, although some programmes and departments are funded till 30 Sep.

31 - Trump appointee, Stephen Miran's term as Fed Governor will expire on 31 Jan. He will likely be re-appointed, and is expected to continue to vote for further rate cuts in 2026.

In Jan - The Philippines officially begins its chairmanship of ASEAN in 2026, with the ASEAN Tourism Forum (ATF) 2026 taking place in Cebu.

FEBRUARY

Likely 01 - India's FY2026-2027 Union Budget - We see risks of a slight fiscal slippage as tax revenue collections have underperformed in 1HFY26 compared to 1HFY25, with further downside pressure from the recent GST rationalization.

Mid-Feb - Singapore Budget 2026 – the first under the new term of government, key areas of focus may include: targeted cost-of-living relief, enhanced business support to mitigate impact from US tariffs and boost supply chain resilience, and accelerated AI adoption with sector-specific use cases, workflow blueprints, and workforce upskilling, to strengthen competitiveness and future-readiness.

In Feb - Hong Kong's FY2026-27 Budget. The government will unveil its economic and social measures as well as the official GDP forecast for 2026.

MARCH

19-20 - European Council meeting in Brussels – the first scheduled EU leaders' summit of the year.

26 - UK Chancellor of the Exchequer Rachel Reeves presents the Spring OBR Economic and Fiscal forecast to Parliament.

In Mar - China's annual "two sessions" where the focus is the annual Government Work Report and the key economic targets for 2026 including the growth and fiscal deficits. The final version of the 15th Five Year Plan (2026-2030) will be officially endorsed by the National People's Congress (NPC).

In Mar - Malaysia's central bank BNM will publish its Annual Report 2025, Economic & Monetary Review 2025, and Financial Stability Review 2H25.

By 1Q26 - Thailand's general election is expected in 1Q26 or around Apr, when the current government's mandated four-year term ends. The economy is facing a weak growth and high household debt. The election outcome will be an important catalyst for investor sentiment, to help stabilize confidence and support for a gradual recovery in 2026.

ASEAN FOCUS

Constructive trade and investment prospects into 2035

ASEAN's resilience amid global realignment

ASEAN remains a critical growth engine despite heightened tariff uncertainty and shifting investment incentives in advanced economies. This is validated by foreign direct investment (FDI) and trade trends so far in 2025. Robust FDI inflows signal not just commitment, but a strategic pivot — reshaping supply chains, diversifying risks, and expanding market reach across ASEAN's dynamic landscape.

External trade activities have surged so far in the first 9 months of 2025, despite volatility in US tariff rates since "Liberation Day" on 2 Apr. The subsequent pause in tariff rate at 10% globally helped accelerated trade shipments or "frontloading" in ASEAN and other locations, which is partly a result of the supply chain and production shifts that have gained momentum since Trump's first term in 2016-2020.

Despite the seismic shifts in the past decade, prospects for ASEAN into the next decade will remain positive. The ongoing US-China trade tensions is unlikely to ease anytime soon, and ASEAN will be a favorite choice for the China+1 or China+N strategy. These investment inflows, coupled with the attendant trade and production activities, will help to support earnings and income growth in the region. Deeper integration and collaboration within the region and with other trade partners will further strengthen the attractiveness to businesses that value policy certainty and consistency. We anticipate ASEAN's real GDP growth to stabilize at an average 4.6% in the medium term, and for the nominal GDP size to expand by 40% to nearly US$5.8tn by 2030, from US$4.2tn in 2025.

Strong FDI inflows in first half of 2025

While investor commitment to ASEAN's medium-term prospects is intact, near-term headwinds exist as major partners (EU, Japan, Korea) pledge substantial US-bound investments to secure tariff relief—potentially diverting capital away from ASEAN in the next 12-24 months.

Against significant uncertainty and US tariff pressures in 1H25, foreign direct investment (FDI) inflows into ASEAN grew 10.2% y/y, led by **Singapore** and **Thailand**, which offset weaker inflows into **Indonesia**. While investor commitment to ASEAN's medium-term prospects is intact, near-term headwinds exist as major partners (EU, Japan, Korea) pledge substantial US-bound investments to secure tariff relief—potentially diverting capital away from ASEAN in the next 12-24 months. Beyond the near-term, we estimate nominal FDI inflows to reach around US$370bn by 2030 and exceed US$560bn by 2035, from US$225bn in 2024.

Trade outperformance with near-term moderation ahead

ASEAN-6 merchandise trade expanded **11.5% in the 9M YTD**, surpassing 2024's **8.0%** pace. Front loading ahead of tariffs and robust **AI-related capex** buoyed E&E trade, notably in **Singapore** and **Malaysia**. **Vietnam** and **Thailand** led gains on electronics and automotive supply chains; **Indonesia** lagged amid weaker commodities. As 2026 approaches, trade growth is likely to moderate: tariff effects will ripple through order books, and payback from earlier front loading will temper momentum. Our analysis suggests that ASEAN's total nominal trade values could reach US$5.3 trillion by 2030 and exceed US$7 trillion by 2035 from US$3.8 trillion in 2024.

Policy integration and regional architecture underpin medium term prospects

Structural drivers continue to improve ASEAN's competitiveness:

- **Johor-Singapore SEZ (JS SEZ)** has drawn **US$8.8bn** in 1H25 approvals and US$4.2bn pledged by Singapore-based firms since the 2024 MOU—signaling deepening cross-border execution capacity and collaboration.
- The **ATIGA Upgrade** and **ACFTA 3.0 Upgrade** aim to streamline customs, improve trade facilitation, and embed forward-looking commitments on supply chain connectivity, the **digital economy**, and the **green economy**.
- The **ASEAN Digital Economy Framework Agreement (DEFA)**—targeted for signing in 2026—will be ASEAN's most ambitious digital integration initiative, enabling scalable cross-border data flows, e-commerce, and fintech.

Demand runway: population scale and income lift

With **~700 million people**, ASEAN is the world's **fourth-largest** population base and is projected to peak only in the mid 2050s—later than China and Europe—providing a durable consumption runway. By **2030**, average income is projected to rise **~33%** to **US$8,000**. Nominal **GDP** is expected to reach **~US$5.8tn** by **2030**, about **40%** larger than **2025**, supporting scale in technology, financial services, healthcare, and sustainable infrastructure as urbanization and middle-class expansion accelerate digital adoption.

Outlook to 2035: scale and diversification

We project FDI inflows to grow at **~8.7% CAGR (2024-2035)**—reaching **~US$370bn** by **2030** and **>US$560bn** by **2035**. Total trade should rise to **~US$5.3tn** by **2030** and **>US$7tn** by **2035**, with intra ASEAN trade potentially surpassing **US$1.5tn** by 2035 assuming a stable share. In the near term (2025-2026), real GDP growth moderates to **~4.3-4.7%,** reflecting tariff adjustments; medium term (2027-2030), ASEAN 6 growth is expected to recover to **~4.6%** per annum. Strategically, ASEAN's combination of policy integration, supply chain diversification, and a large consumer base positions the region as a resilient hub for advanced manufacturing, digital services, and green investments through 2035.

Strategically, ASEAN's combination of policy integration, supply chain diversification, and a large consumer base positions the region as a resilient hub for advanced manufacturing, digital services, and green investments through 2035.

Chart 1: BOP FDI liabilities for ASEAN-5 rose by 10.2% y/y in 1H25. Strong inflows into SG and TH more than offset declines in ID

Source: Macrobond, UOB Global Economics & Markets Research

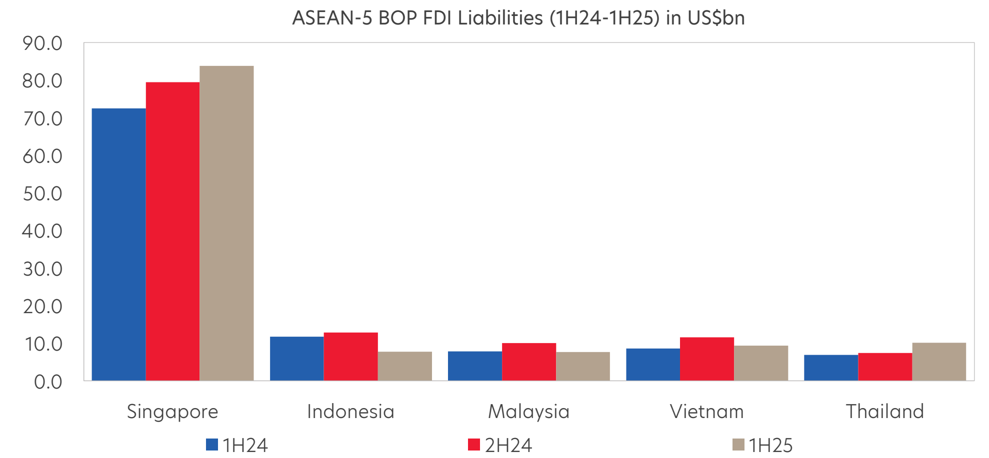


Chart 2: BOP data provides useful indication of directional trend in FDI inflows

Source: Macrobond, UOB Global Economics & Markets Research

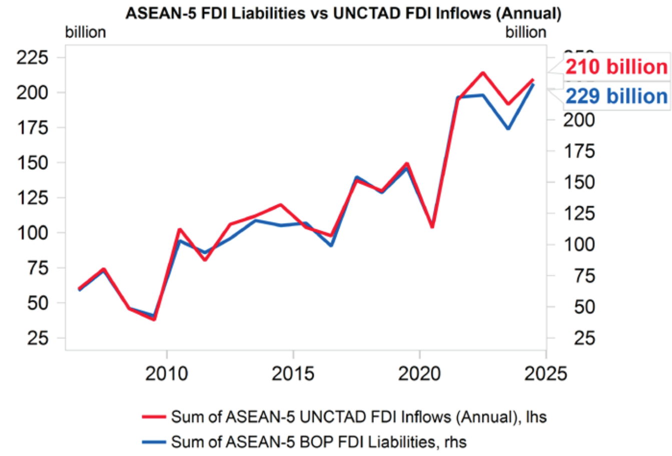


Table 1: Several economies have made investment commitments to the US to secure more favourable trade terms...

Economy	Notional (USDbn)	Details
European Union (EU)	600	1. EU to invest US$600bn in the US during President Trump's term, in addition to US$100bn invested annually by EU companies 2. EU to purchase US$750bn in US energy exports by 2028 3. Joint efforts to eliminate tariffs in key sectors and introduce meaningful quotas to expand US exports; simplify EU regulations for US businesses; Streamline sanitary certification for US pork and dairy 4. EU commits to no network usage fees and maintaining zero custom duties on electronic transmissions 5. New agreements in energy and semiconductors to boost US exports; EU to purchase significant amounts of US military equipment
Japan	550	1. Japan to invest US$550bn directed by US to rebuild and expand key American industries 2. Focus areas in energy (LNG, advanced fuels, grid modernization), semiconductors (full-spectrum mfg and R&D), critical minerals (mining, processing, refining), pharma (domestic medicine and supply production), shipbuilding (commercial & defense, incl. new and upgraded shipyards) 3. US retains 90% of profits 4. Immediate 75% increase in US rice imports, Japan to purchase US$8bn of US corn, soybeans, fertilizer, bioethanol and sustainable aviation fuel; Significant increase in US energy exports to Japan, potential new LNG offtake agreement with Alaska; Japan to purchase 100 Boeing aircraft; Removal of restrictions on US cars and trucks & approval of US automotive standards
South Korea	350	1. US$150bn of Korean investment in shipbuilding sector approved by the US ("Approved Investments") 2. US$200bn of additional Korean investment committed pursuant to MOU with respect to Strategic Investments which is expected to be signed by representatives of US and ROK 3. To ensure FX market stability, the ROK shall not be required to fund an aggregate amount of >US$20bn in any calendar year.

Source: The White House, UOB Global Economics & Markets Research

Table 2: …where these economies are also amongst ASEAN's top FDI sources in recent years							
FDI inflows into ASEAN	2015	2022	2023	2024	Share in 2024	Avg share (2015-2024)	CAGR (2015-2024)
Total countries	115.4	230.8	208.3	226.0	100.0%	100.0%	7.8%
United states	22.8	24.8	84.4	42.1	18.6%	17.0%	7.0%
Unspecified countries	16.6	44.0	21.2	35.9	15.9%	18.9%	9.0%
Total ASEAN	20.3	31.1	21.7	31.5	13.9%	14.5%	5.0%
Singapore	13.2	21.8	14.6	23.7	10.5%	9.7%	6.7%
Total EU27	15.6	28.8	19.7	20.0	8.9%	10.3%	2.8%
China	6.6	15.6	17.3	19.3	8.6%	7.6%	12.7%
United Kingdom	3.2	14.2	4.7	18.7	8.3%	3.2%	21.7%
Japan	12.5	23.4	12.7	17.5	7.7%	10.9%	3.9%
Hong Kong	1.1	13.4	13.8	14.3	6.3%	5.8%	32.4%
South Korea	5.6	15.1	3.7	7.6	3.4%	4.5%	3.4%
Taiwan	2.5	11.7	2.8	7.2	3.2%	2.9%	12.2%
Ireland	7.7	-1.5	7.6	5.6	2.5%	2.2%	-3.5%
France	0.6	9.1	1.0	5.0	2.2%	1.5%	26.6%
Canada	1.1	1.0	-2.3	4.9	2.2%	1.3%	17.7%

Source: ASEANstats, UOB Global Economics & Markets Research

Chart 3: Front-loading activities in anticipation of US tariffs coupled with abating tariff-related uncertainty supported trade resilience in the 9M YTD

Source: Macrobond, UOB Global Economics & Markets Research

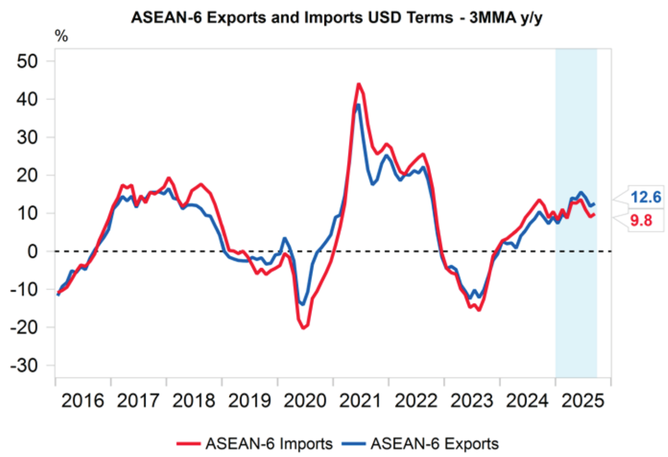


Chart 4: Front-loading momentum aided TH & VN trade; SG & MY enjoyed tailwinds from boom in global AI-related capex

Source: Macrobond, UOB Global Economics & Markets Research

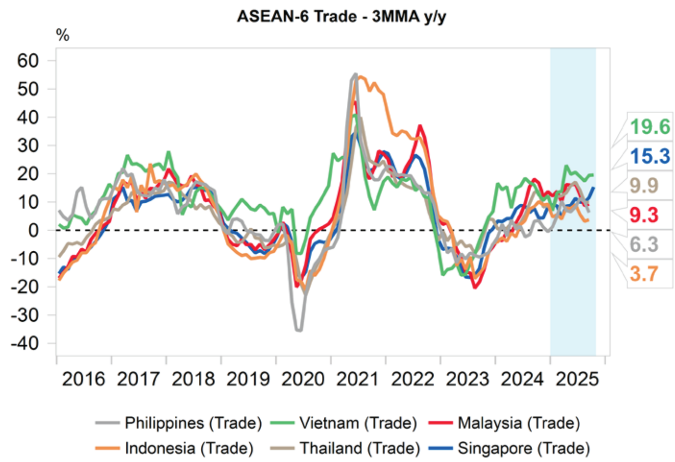


Chart 5: Trade-related uncertainty has peaked post Liberation Day...

Source: Macrobond, UOB Global Economics & Markets Research

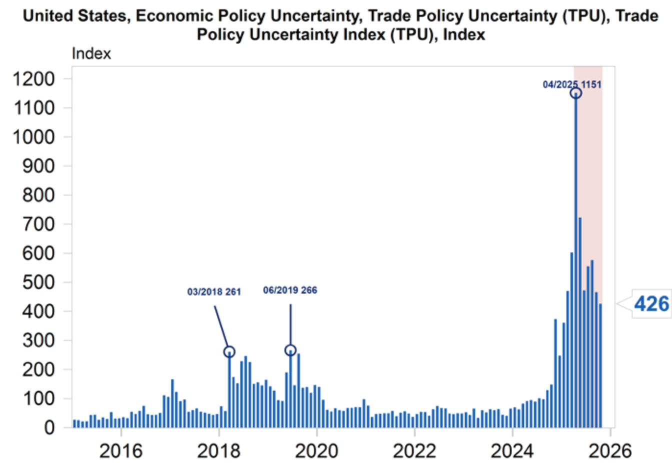


Chart 6: Many trade partners have negotiated lower reciprocal tariff rates with the US administration

Source: The White House, UOB Global Economics & Markets Research

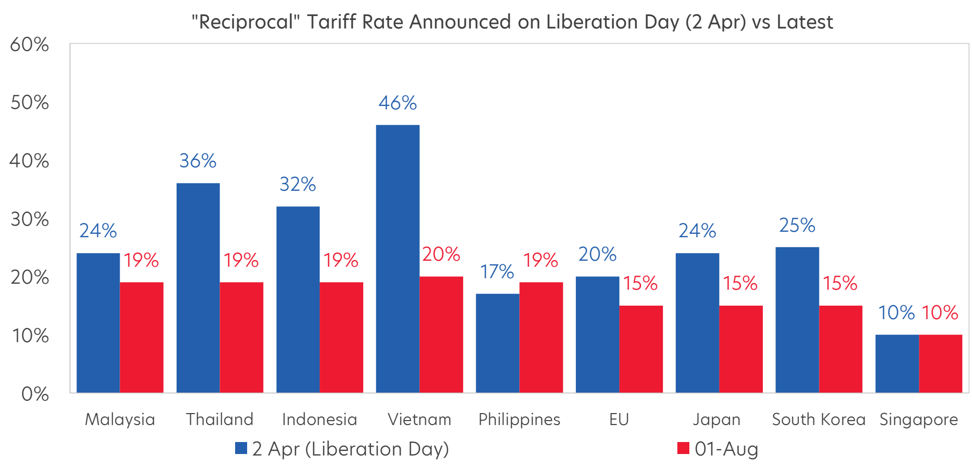


Chart 7: Southeast Asia's population is projected to peak around the mid-2050s - later than China, Europe and possibly, the United States

Source: Macrobond, UOB Global Economics & Markets Research

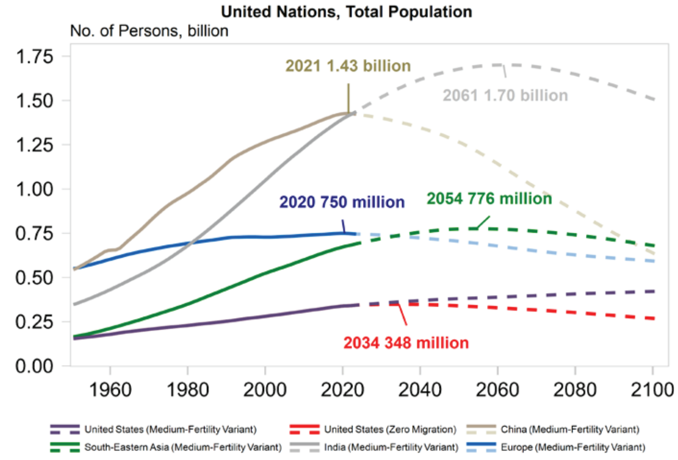


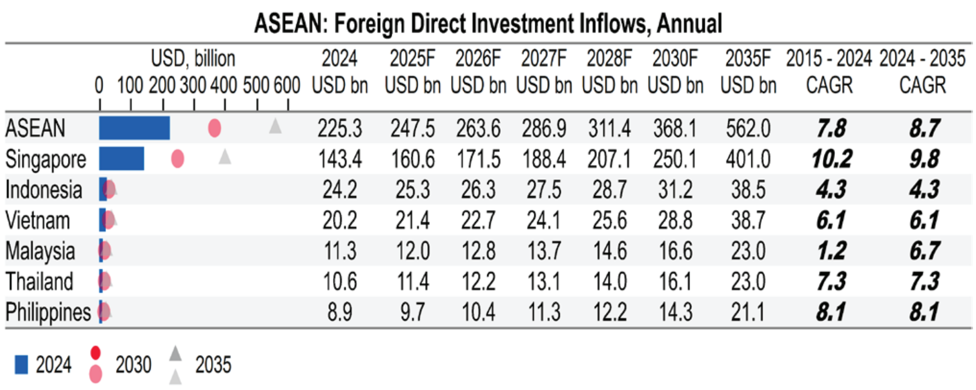
Table 3: GDP per capita, current prices (PPP-adjusted, international dollars)

GDP per capita, current prices (PPP-adjusted)	1980	1990	2000	2010	2020	2024	2024 vs 2000 (times)	2024 vs 2010 (times)	Ratio vs AE (2000)	Ratio vs AE (2024)
Singapore	8,843	22,214	40,839	70,333	101,518	150,908	3.70	2.15	1.36	2.12
Malaysia	3,046	6,248	11,815	18,733	28,696	41,270	3.49	2.20	0.39	0.58
Thailand	1,598	4,311	7,398	13,384	19,669	25,251	3.41	1.89	0.25	0.35
Philippines	1,784	2,495	3,230	5,267	8,456	12,090	3.74	2.30	0.11	0.17
Indonesia	1,109	2,557	4,124	7,462	11,930	16,582	4.02	2.22	0.14	0.23
Vietnam	580	1,241	2,684	5,776	11,668	16,359	6.09	2.83	0.09	0.23
Southeast Asia	1,332	2,864	4,459	8,122	13,038	17,891	4.01	2.20	0.15	0.25
China	275	871	2,634	8,371	18,384	27,132	10.30	3.24	0.09	0.38
United States	12,553	23,848	36,313	48,586	64,518	86,145	2.37	1.77	1.21	1.21
Advanced Economies	10,356	20,154	29,980	41,058	54,097	71,149	2.37	1.73	1.00	1.00
EM & DE Asia	533	1,256	2,599	6,262	12,257	18,008	6.93	2.88	0.09	0.25
World	3,376	5,711	8,342	12,871	18,196	24,767	2.97	1.92	0.28	0.35

Source: IMF, UOB Global Economics & Markets Research

Chart 8: Medium-term FDI projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research



ASEAN: Foreign Direct Investment Inflows, Annual

	USD, billion (0–600)	2024 USD bn	2025F USD bn	2026F USD bn	2027F USD bn	2028F USD bn	2030F USD bn	2035F USD bn	2015 - 2024 CAGR	2024 - 2035 CAGR
ASEAN		225.3	247.5	263.6	286.9	311.4	368.1	562.0	***7.8***	***8.7***
Singapore		143.4	160.6	171.5	188.4	207.1	250.1	401.0	***10.2***	***9.8***
Indonesia		24.2	25.3	26.3	27.5	28.7	31.2	38.5	***4.3***	***4.3***
Vietnam		20.2	21.4	22.7	24.1	25.6	28.8	38.7	***6.1***	***6.1***
Malaysia		11.3	12.0	12.8	13.7	14.6	16.6	23.0	***1.2***	***6.7***
Thailand		10.6	11.4	12.2	13.1	14.0	16.1	23.0	***7.3***	***7.3***
Philippines		8.9	9.7	10.4	11.3	12.2	14.3	21.1	***8.1***	***8.1***

2024 2030 2035

Chart 9: Medium-term Total Merchandise trade projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

ASEAN: Total Merchandise Trade (Exports+Imports), Annual

	2024 USD bn	2025F USD bn	2026F USD bn	2027F USD bn	2028F USD bn	2030F USD bn	2035F USD bn	2015-2024 CAGR	2024-2035 CAGR
ASEAN	3,844	4,091	4,241	4,479	4,737	5,297	7,116	***6.0***	***5.8***
Intra-ASEAN	**823**	**882**	**914**	**965**	**1,021**	**1,142**	**1,534**	***4.9***	***5.8***
Singapore	962	1,049	1,027	1,070	1,115	1,210	1,486	***4.2***	***4.0***
Vietnam	782	861	949	1,045	1,152	1,398	2,271	***10.1***	***10.2***
Malaysia	631	668	708	750	795	892	1,190	***5.9***	***5.9***
Thailand	607	624	629	639	649	671	729	***4.4***	***1.7***
Indonesia	502	524	547	572	597	652	813	***6.2***	***4.5***
Philippines	201	211	222	234	246	273	357	***5.0***	***5.4***

US dollar, trillion: 0 1 2 3 4 5 6 7 8

2024 2030 2035

Chart 10: Medium-term Nominal GDP projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

ASEAN: Nominal GDP (in US$), Annual

	2024 USD bn	2025F USD bn	2026F USD bn	2027F USD bn	2028F USD bn	2030F USD bn	2035F USD bn	2015 - 2024 CAGR	2024 - 2035 CAGR
ASEAN	3,953	4,173	4,424	4,719	5,047	5,776	8,237	***5.1***	***6.9***
Indonesia	1,396	1,495	1,610	1,738	1,882	2,207	3,412	***5.5***	***8.5***
Singapore	547	563	582	609	639	703	872	***6.6***	***4.3***
Thailand	527	538	549	567	587	627	741	***3.1***	***3.1***
Philippines	461	487	520	565	614	726	1,101	***4.7***	***8.2***
Vietnam	459	491	526	562	602	689	966	***7.6***	***7.0***
Malaysia	423	448	478	509	543	617	849	***3.8***	***6.5***

USD, trillion: 0 1 2 3 4 5 6 7 8 9

2024 2030 2035

Chart 11: Medium-term Nominal GDP Per Capita projections (2025-2035)

Source: Macrobond, UOB Global Economics & Markets Research

ASEAN: Nominal GDP Per Capita (in US$), Annual

	2024 '000s	2025F '000s	2026F '000s	2027F '000s	2028F '000s	2030F '000s	2035F '000s	2015 - 2024 CAGR	2024 - 2035 CAGR
Singapore	93.8	95.8	98.5	102.6	107.0	116.6	141.7	***6.0***	***3.8***
Malaysia	11.9	12.5	13.1	13.8	14.6	16.2	21.3	***2.3***	***5.4***
Thailand	7.4	7.5	7.7	7.9	8.2	8.8	10.5	***2.9***	***3.3***
ASEAN	**5.7**	**6.0**	**6.3**	**6.7**	**7.1**	**8.0**	**11.1**	***4.2***	***6.3***
Indonesia	4.9	5.2	5.6	6.0	6.4	7.5	11.2	***4.6***	***7.8***
Vietnam	4.5	4.8	5.1	5.5	5.8	6.6	9.1	***6.6***	***6.5***
Philippines	4.0	4.2	4.4	4.8	5.1	6.0	8.8	***3.6***	***7.4***

USD '000s: 0 25 50 75 100 125 150

2024 2030 2035

FX STRATEGY

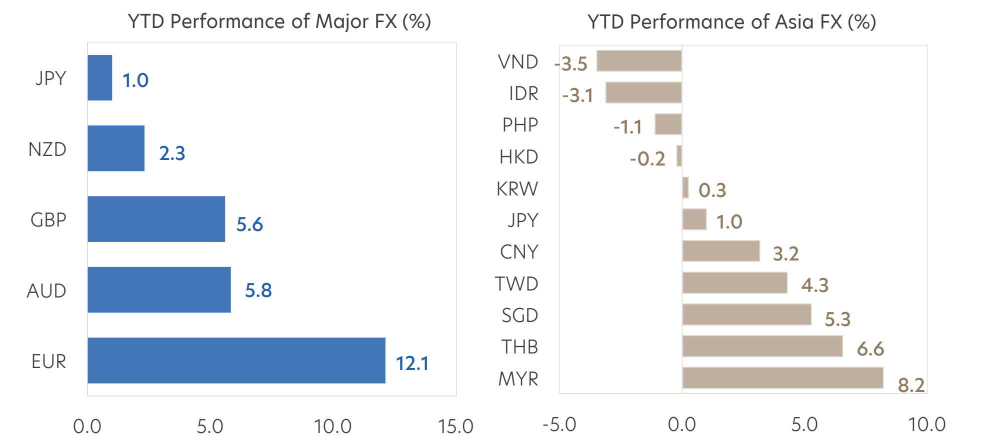
USD fell hard in 2025.
Will the USD fall further in 2026?

The US Dollar Index (DXY) grinded higher in 4Q25 even as the Fed resumed cutting rates in Sep and Oct. Underscoring the USD strength was uncertainties of another rate cut in Dec. In addition, the US-China trade truce and the reopening of the US Federal government in Nov reduced some economic uncertainties and helped lifted the sentiment on the USD.

Looking ahead into 2026, will further Fed rate-cut expectations spur renewed weakness in the USD as it did this year, or will US economic "goldilocks" story make a comeback to anchor a sustained USD recovery?

Chart 1: The USD fell against more Major and Asia FX peers in 2025

Source: Bloomberg, UOB Global Economics & Markets Research



Some Asian currencies managed to post modest gains against the USD in 4Q25, underpinned by a firmer CNY. The US-China trade truce reached Nov help reduced some of the exports- and growth-related uncertainties in the region. Despite higher tariffs on exports to US, exports growth for the region still looks promising -although there has been some frontloading since the middle of the year.

Contrary to intitial fears, it turned out to be a positive year for most Asian currencies this year even amidst a global trade war. The key question for investors going into 2026 is: will the current constructive backdrop – regional economic resilience and further Fed rate cuts – persist and help underpin Asia currencies next year? Or, will China's growth slowdown concerns return to haunt regional currency sentiment?

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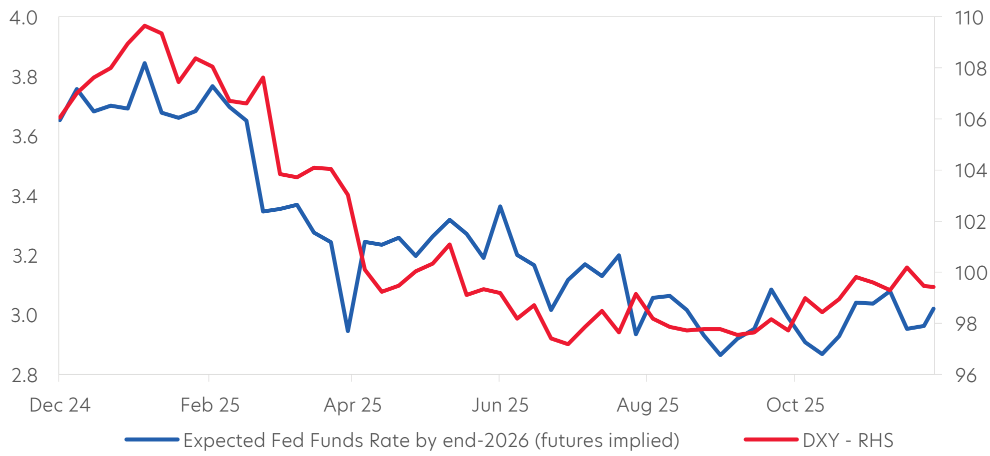
Major FX Strategy

Keeping the playbook of a weaker USD in 2026

The US Dollar Index (DXY) remains poised to end the year in negative territory (YTD: -8.2%, spot at 99.6), despite staging a modest rebound from Sep's lows. Beyond the drag from Fed rate-cut expectations, the greenback has faced additional structural headwinds this year, notably the global trade war in 2025 that accelerated de-dollarization discussions in 1H25, and renewed concerns over the Fed's independence amidst pressure from the Trump administration to lower rates.

Chart 2: DXY has been following Fed rate cut expectations this year

Source: Bloomberg, UOB Global Economics & Markets Research



Looking ahead into 2026, we maintain a bearish bias on the USD, with further Fed easing expected to remain the dominant driver. The Fed's policy focus is likely to pivot according to a softening labor market, as unemployment – currently at a four-year high of 4.4% - continues to stroke recession fears. Provided inflation remains contained, the Fed is expected to stay on its easing trajectory. Our macroeconomic team projects US CPI to moderate to 2.6% in 2026 from 2.9% in 2025, keeping inflation above the long term 2% target but within tolerable ranges.

Political risk could re-emerge as a key USD-negative factor in the coming months.

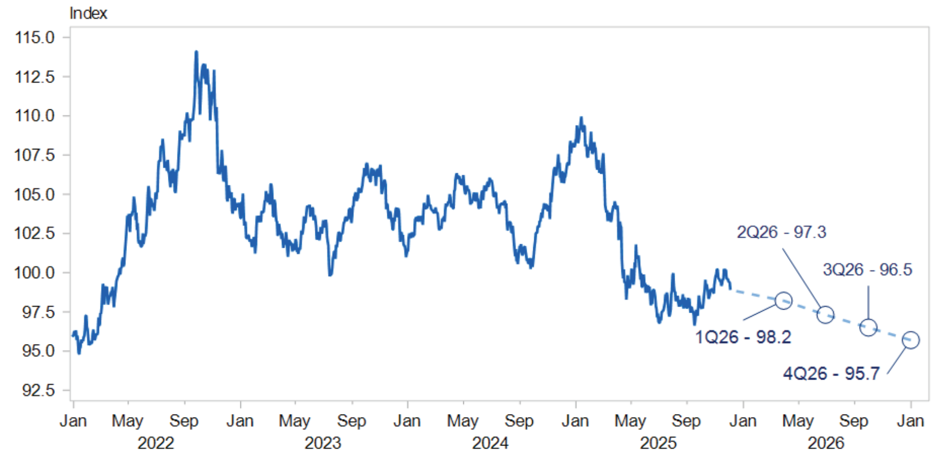
Political risk could re-emerge as a key USD-negative factor in the coming months. With Chair Powell's term as FOMC Chair expiring in May 2026, markets may begin to price in the possibility that his successor aligns more closely with the Trump administration's preference for lower rates. Such a scenario would reinforce expectations for a lower terminal Fed Funds Rate, translating into sustained USD weakness.

Our baseline view calls for a 25 bps cut at the upcoming Dec FOMC, followed by two additional 25 bps reductions across 2026 (each in Q2 and Q3), implying a terminal upper bound of 3.25%. Relative to its G-10 peers, the Fed is expected to retain a more dovish stance well into 2026, as other central banks approach the end of their easing cycles. Our view is that the Reserve Bank of New Zealand (RBNZ) has concluded its rate-cut cycle in Nov while the European Central Bank (ECB) is likely to implement its final cut in 1Q26. Most other G-10 central banks are likely to ease less aggressively than the Fed over the next 12 months. This narrowing of rate differentials should exert further downward pressure on the USD.

Our latest DXY forecasts stand at 98.2 for 1Q26, 97.3 in 2Q26, 96.5 in 3Q26, and 95.7 by 4Q26. That said, the pace of depreciation may be tempered by sticky inflation – still above the Fed's 2% target – and late-cycle dynamics, including a well-priced OIS curve.

Chart 3: We reiterate view of lower DXY in 2026

Source: Macrobond, UOB Global Economics & Markets Research



EUR/USD is set to close the year on a firm footing (+12% YTD), buoyed by broad-based USD weakness and improved euro area sentiment following Germany's approval of a substantial infrastructure and defense spending package. This fiscal boost has reinforced growth prospects and investor confidence across the region. Meanwhile, the political turbulence in France during Aug-Oct proved largely inconsequential for the bloc currency, with minimal spillover effects.

Looking ahead, we expect the ECB to deliver a final 25 bps rate cut in 1Q26, marking the conclusion of its easing cycle that begun in Jun 2024. This move should further compress EUR-USD rate differentials as the Fed continues to ease well into 2026, creating a supportive backdrop for the pair. Additionally, Germany's fiscal stimulus narrative is likely to retain momentum into 2026, albeit with diminishing marginal impact compared to the initial surge in Mar 2025. We maintain a constructive outlook on EUR/USD, projecting a gradual appreciation through 2026. Our updated forecasts stand at 1.17 in 1Q26, 1.18 in 2Q26, 1.19 in 3Q26, and 1.20 in 4Q26.

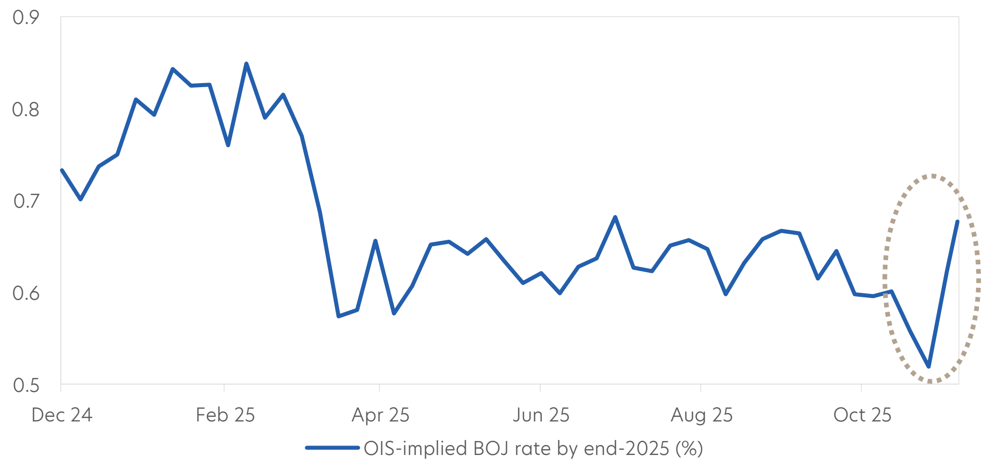
GBP/USD staged a late-Nov rebound following the Autumn Budget, as worst-case fiscal scenarios were avoided, and Chancellor Rachel Reeves restored some credibility with a larger-than-expected GBP 22bn fiscal buffer. This marked a sharp turnaround from the preceding weeks, when GBP underperformed across G-10 amid concerns over aggressive tax hikes, sluggish growth, and political instability.

The removal of fiscal uncertainty (for now) has eliminated a key near-term drag on GBP. Looking ahead, broad-based USD weakness – driven by continued Fed easing into 2026 – should provide additional support for GBP/USD. However, GBP may still lag its G-10 peers next year, consistent with this year's trend, as we expect the Bank of England (BOE) to maintain a quarterly rate-cut cadence through 3Q26. Our updated forecasts project GBP/USD at 1.34 in 1Q26, 1.35 in 2Q26, 1.36 in 3Q26, and 1.37 in 4Q26.

The removal of fiscal uncertainty (for now) has eliminated a key near-term drag on GBP. Looking ahead, broad-based USD weakness – driven by continued Fed easing into 2026 – should provide additional support for GBP/USD.

Chart 4: Expectations of a Dec BOJ rate hike has risen sharply of late, boosting the JPY

Source: Bloomberg, UOB Global Economics & Markets Research



The JPY underperformed across G-10 in 2025 following the election of Sanae Takaichi as Japan's new Prime Minister in Oct. Markets interpreted her victory as signaling a return of aggressive fiscal stimulus and ultra-loose monetary policy, echoing the Abenomics framework championed by her mentor, Shinzo Abe. This perception drove USD/JPY sharply higher, from around 147 pre-election to 156, effectively retracing back to year-start levels. The move widened the disconnect between USD/JPY and the 10-year USD-JPY yield differential, with the latter falling to its lowest point since Mar 2022.

Looking forward, we expect this gap to normalize primarily through a decline in USD/JPY, driven by broad-based USD weakness as the Fed extends its easing cycle into 2026. Additionally, our base case includes a 25 bps BOJ rate hike in Dec which could provide incremental support for the JPY. The odds of a Dec rate hike from the BOJ had recovered strongly after BOJ Governor Kazuo Ueda said recently that the central bank is closely scrutinizing latest wage rise dynamics and will debate the "pros and cons" for a further rate hike. Recent verbal warnings from Japanese authorities regarding "one-sided and rapid" depreciation also raise the risk of intervention should USD/JPY approach the 2024 intervention zone of 157-162.

Overall, we maintain a view of gradual USD/JPY downside, albeit from a higher starting point given lingering concerns over Takaichi's policy stance. Our latest forecasts are 152 in 1Q26, 150 in 2Q26, 148 in 3Q26, and 146 in 4Q26.

Overall, we maintain a view of gradual USD/JPY downside, albeit from a higher starting point given lingering concerns over Takaichi's policy stance.

Excluding Apr's tariff shock, AUD/USD has maintained a steady recovery trajectory this year and is on track to register its first annual gain in five years. Key drivers include the easing of global trade tensions, a firmer CNY, and a relatively less dovish stance from the Reserve Bank of Australia (RBA). Recent upside surprises in inflation data are likely to keep the RBA on hold in Dec, even as we anticipate two more rate cuts in 1H26.

Looking ahead, we expect the constructive macro backdrop to persist into 2026, underpinning demand for risk-sensitive currencies such as the AUD. Moreover, the AUD could emerge as a relative high-yielding currency when the global easing cycle eventually concludes, with our forecast for the RBA terminal rate at 3.1% by 2Q26 reinforcing this view. We maintain a positive outlook on AUD/USD, with updated projections at 0.67 in 1Q25, 0.68 in 2Q26, and 0.69 in both 3Q and 4Q26.

Asian FX Strategy

SGD to outperform alongside further Asia FX gains in 2026

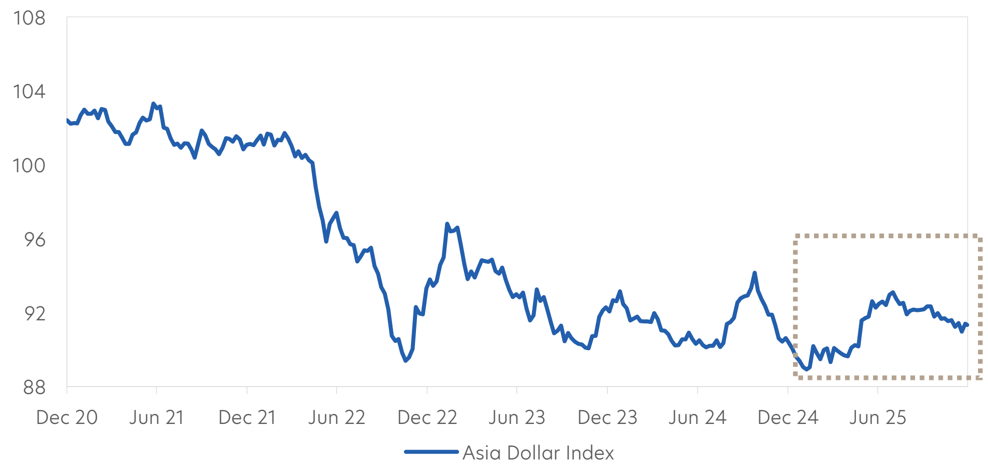
Contrary to initial concerns, Asian currencies delivered a broadly positive performance this year despite persistent global trade tensions. Several factors supported regional FX resilience: front-loaded exports ahead of full tariff implementation from 3Q25, coupled with USD weakness driven by de-dollarisation trends and expectations of Fed rate cuts. The subsequent US-China trade truce in Nov helped alleviate some export- and growth-related uncertainties across the region. On a relative basis, robust GDP growth in Malaysia, Singapore, and Taiwan provided further differentiation, enabling their currencies to outperform within the Asian FX complex.

Going forward, we maintain a constructive medium-term outlook for Asian currencies, contingent on sustained de-escalation in global trade frictions, stability in the CNY, and a narrowing yield differential between Asian central banks and the Fed. Recent developments remain broadly consistent with our base case. However, risks to this view persist, including a potential reacceleration in US inflation that could temper or delay Fed rate cuts, as well as any sharp deterioration in China's macroeconomic backdrop.

Going forward, we maintain a constructive medium-term outlook for Asian currencies, contingent on sustained de-escalation in global trade frictions, stability in the CNY, and a narrowing yield differential between Asian central banks and the Fed.

Chart 5: Asia Dollar Index on track for the first annual gain in five years

Source: Bloomberg, UOB Global Economics & Markets Research



The CNY staged a notable turnaround this year, tracking the ebb and flow of US-China trade tensions. USD/CNY initially surged to 7.3512 in Apr – the highest level since 2007 – amid escalating tariff measures between the two economies. This was followed by a steady decline to 7.08 by year-end, in line with our 4Q25 forecast, as trade tensions eased and culminated in an extension of the US-China trade tariff truce in Nov.

Looking ahead, we expect further gradual downside in USD/CNY, supported by positive sentiment from the implementation of the US-China trade agreement and continued USD softness as the Fed's rate-cut cycle continues in 2026. Further strength in the CNY is also seen as supportive of China's longer-term push to transform into a consumption-based economy by increasing domestic purchasing power. However, the pace of CNY appreciation may be moderated by a softer China growth outlook – our GDP forecast stands at 4.7% for 2026 versus 5.0% in 2025 – alongside the PBOC's gradual approach to adjusting the daily fixing and its "moderately loose" policy stance. Overall, our updated USD/CNY forecasts are at 7.04 in 1Q26, 7.00 in 2Q26, 6.98 in 3Q26, and 6.95 in 4Q26.

The pace of CNY appreciation may be moderated by a softer China growth outlook – our GDP forecast stands at 4.7% for 2026 versus 5.0% in 2025 – alongside the PBOC's gradual approach to adjusting the daily fixing and its "moderately loose" policy stance.

After a tumultuous 2H25 which reversed all the KRW's gains in the first half, the outlook for KRW may brighten in 2026 on the following factors: improved 2026 growth prospects, BOK staying on extended pause and the National Pension Service (NPS) likely to increase their hedge ratio for its foreign investments. Further Fed rate cuts in 2026 will also provide a backdrop of USD weakness which may facilitate the KRW recovery. Overall, our updated USD/KRW forecasts are at 1,450 in 1Q26, 1,410 in 2Q26 and 3Q26, and 1,390 in 4Q26.

We expect the TWD to resume its strengthening trend in 2026, supported by broad-based USD softness and Taiwan's solid macro fundamentals. That said, headline risks around AI sector valuations could inject two-way volatility into the pair. Overall, we forecast USD/TWD at 31.2 in 1Q26, 30.9 in 2Q26, 30.6 in 3Q26, and 30.3 in 4Q26.

Looking ahead, USD/HKD appears increasingly aligned with the widening US-HK rate differential. The 3M SOFR-HIBOR spread has climbed from 0.6% to 1.3% over the past two months, reinforcing demand for USD carry trades and supporting a recovery in USD/HKD. This dynamic is likely to underpin the pair further in the near term. Our baseline view sees USD/HKD holding firm at 7.80 across all four quarters of 2026.

USD/SGD largely mirrored movements in the DXY throughout the year, declining from around 1.36 at the start of 2025 to approximately 1.29 by early Dec. On a trade-weighted basis, the S$NEER appears to have established a floor near +1% above the estimated policy midpoint in Nov, following a retreat from the upper bound of +2% since June.

This stabilization was underpinned by a robust set of non-oil domestic exports (NODX) and industrial production data, reinforcing upside risks to our recently upgraded GDP growth forecast of 4.4% for 2025. The constructive growth outlook, coupled with emerging signs of reflation, suggests that the Monetary Authority of Singapore (MAS) has likely concluded its easing cycle and will maintain its current stance of a modest S$NEER appreciation – estimated at about 0.5% p.a. – through 2026. The risk to our base case has now shifted to a potential monetary policy tightening – via a steepening of the S$NEER slope to 1.0% p.a. as early as the Apr 2026 MPS should core inflation momentum continue to normalize in the coming months.

We expect USD/SGD to resume its weakening trend in 2026, in line with a broad-based USD pullback. Accordingly, our latest USD/SGD forecasts are 1.29 in 1Q26, 1.28 in 2Q26, 1.27 in 3Q26, and 1.26 in 4Q26.

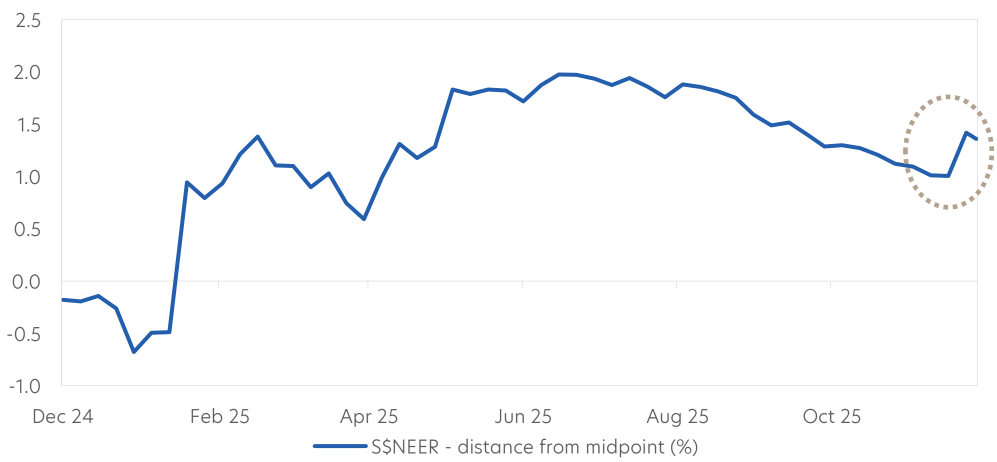
Relative to its trading peers, the S$NEER appears to have established a meaningful bottom in Nov and is poised to edge higher in the coming quarters. This shift signals a potential rebound in key SGD-crosses. After sliding from Apr's high near 3.38, SGD/MYR likely found a floor around 3.16 in November. We expect a gradual recovery from current levels near 3.18, targeting 3.21 by end-2026. Similarly, SGD/CNY is set to strengthen anew, rising from about 5.45 currently to 5.52 by end-2026.

Relative to its trading peers, the S$NEER appears to have established a meaningful bottom in Nov and is poised to edge higher in the coming quarters. This shift signals a potential rebound in key SGD-crosses.

A firmer S$NEER also implies a relatively flat trajectory for major currencies versus the SGD. We forecast EUR/SGD and GBP/SGD to hold steady at 1.51 and 1.73, respectively, throughout 2026. Conversely, commodity-linked currencies may continue to edge higher against the SGD, with AUD/SGD and NZD/SGD projected to climb gradually toward 0.87 and 0.76 by year-end.

Chart 6: S$NEER appears to have established a floor near +1% above the policy midpoint in Nov as recent data came in stronger than expected, prompting markets to par MAS easing bets

Source: Bloomberg, UOB Global Economics & Markets Research



After repeated tests since May, USD/MYR decisively broke below the key 4.20 support in Nov, sliding to a one-year low of 4.1220. This move reflects the robust domestic backdrop, with Malaysia's strong GDP performance underpinning a 7.3% year-to-date appreciation in the MYR against the USD —making it the best-performing Asian currency in 2025.

Looking ahead to 2026, the fundamental drivers for MYR strength remain intact.

While we maintain a constructive view on MYR over the next 12 months, gains from current levels are likely to moderate as the psychological 4.10 level comes into focus.

Looking ahead to 2026, the fundamental drivers for MYR strength remain intact. Global capital flows are expected to pivot toward emerging markets amid the Fed's continued easing bias. Foreign investment should stay resilient, supported by government reforms and improved clarity on global tariffs since Aug. Additionally, Malaysia's external account balance is on an improving trajectory. A stable Overnight Policy Rate (OPR) suggests that the interest rate differential between the US and Malaysia will gradually narrow, further favouring the MYR.

While we maintain a constructive view on MYR over the next 12 months, gains from current levels are likely to moderate as the psychological 4.10 level comes into focus. Overall, our updated USD/MYR forecasts are 4.12 in 1Q26, 4.09 in 2Q26, 4.07 in 3Q26, and 4.05 in 4Q26.

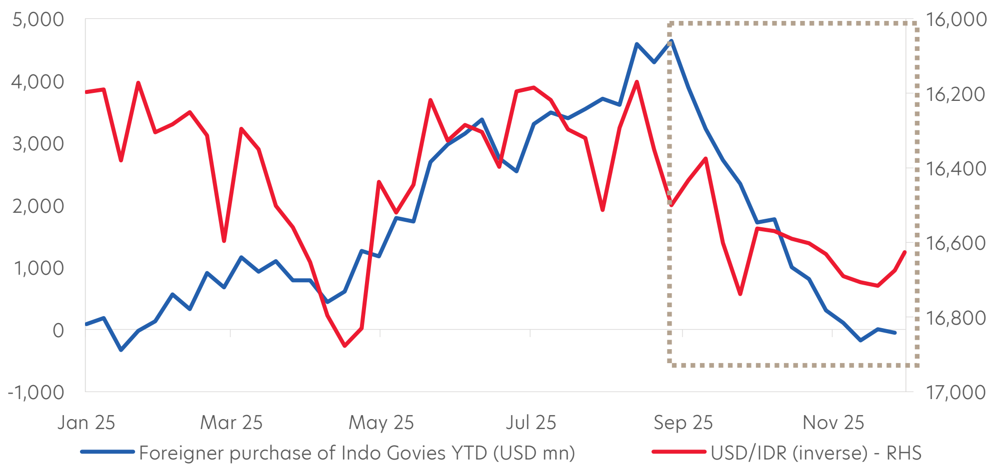
The THB's strong rally this year has persisted despite a slowdown in domestic growth and subdued tourism activity. Instead, the currency – Asia's second-best performer with a 6.6% year-to-date gain against the USD – has been buoyed by its close correlation with rising gold prices, sustained foreign inflows into local bond markets, and Thailand's persistent current account surplus. Notably, the Bank of Thailand (BOT) has intervened in the FX market to curb excessive volatility, reiterating that the THB should be weaker to better reflect underlying economic fundamentals.

Our baseline scenario of a cumulative 50bps in BOT rate cuts through 1Q26, coupled with the likelihood of further FX intervention, suggests two-way volatility will remain a feature of the pair.

Looking ahead, we expect USD/THB to continue its gradual downward trajectory, supported by broad-based USD softness as the Fed advances its rate-cutting cycle into 2026. However, our baseline scenario of a cumulative 50bps in BOT rate cuts through 1Q26, coupled with the likelihood of further FX intervention, suggests two-way volatility will remain a feature of the pair. As such, our revised USD/THB forecasts are 31.9 for 1Q26, 31.7 for 2Q26, 31.5 in 3Q26, and 31.3 in 4Q26.

Chart 7: The recent bout of IDR weakness coincided with significant bonds outflows

Source: Bloomberg, UOB Global Economics & Markets Research



The IDR has been one of Asia's laggards this year, depreciating over 3% to 16,600/USD as Bank Indonesia (BI) pursued an aggressive easing cycle, cutting rates by a cumulative 125 bps year-to-date. The recent bout of IDR weakness coincided with significant bonds outflows – approximately USD 4.7 bn from Sep to Nov – erasing earlier year-to-date inflows. In response, BI opted to keep its benchmark rate unchanged at 4.75% for a second consecutive month in Nov, signaling a shift from its earlier "all-out" pro-growth stance toward a more balanced approach aimed at stabilizing the currency.

BI's dovish bias and the likelihood of further easing suggest that the IDR may continue to underperform relative to regional peers. We maintain our base case for an additional 50 bps of BI rate cuts by 1Q26, which could limit upside potential for the currency despite a softer USD backdrop.

Looking ahead, expectations of Fed rate cuts starting in Dec and continuing into 2026 have broadly weakened the USD, offering some relief to emerging market currencies, including the IDR. However, BI's dovish bias and the likelihood of further easing suggest that the IDR may continue to underperform relative to regional peers. We maintain our base case for an additional 50 bps of BI rate cuts by 1Q26, which could limit upside potential for the currency despite a softer USD backdrop. Our updated USD/IDR forecasts are at 16,700 in 1Q26, 16,600 in 2Q26, 16,500 in 3Q26, 16,400 in 4Q26.

The VND is on track to finish weaker against the USD for the fourth consecutive year. While tariff-related uncertainties weighed on sentiment, stronger-than-expected GDP growth (2025 FY forecast: 7.7%) helped limit losses, keeping the year-to-date depreciation at a modest 3.5%, broadly in line with prior years. Volatility remained contained, supported by the State Bank of Vietnam (SBV) holding its benchmark rate steady at 4.5% throughout the year and deploying FX interventions to smooth market fluctuations.

Looking ahead to 2026, we expect the VND to continue underperforming relative to regional peers despite a broadly softer USD backdrop. We maintain a cautious stance on the VND alongside expectations that Vietnam's growth pace could moderate slightly to 7% next year, due to base effects and dissipation of frontloading. Our updated USD/VND forecasts are at 26,300 in 1Q26, 26,100 in 2Q26, 26,000 in 3Q26, and 25,900 in 4Q26.

RATES STRATEGY

The gradual grind lower in rates continues into 2026

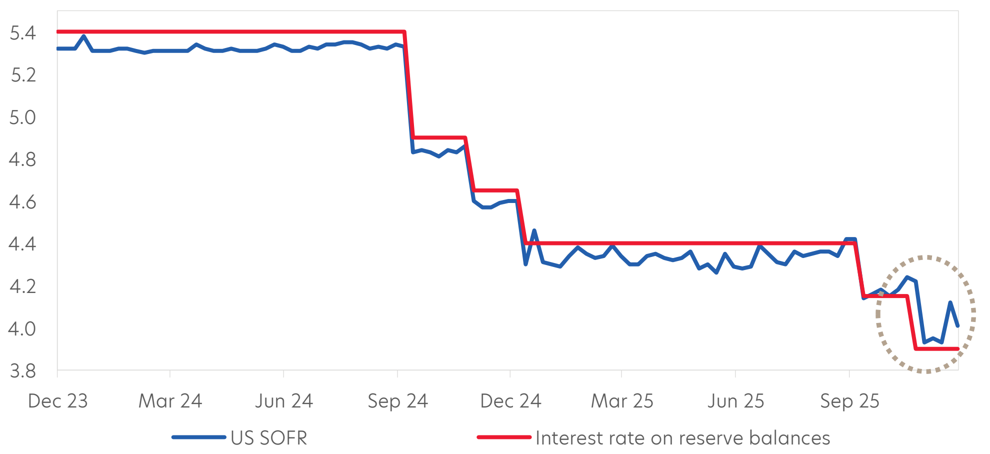
US Rates: Gradual rate cuts ahead as Fed balances uncertainty and risks

We maintain our call for a further 25 bps cut at the upcoming Dec FOMC meeting, following consecutive reductions in Sep and Oct. This decision will likely be made against a backdrop of limited timely labor market and inflation data, as the record 43-day government shutdown – lifted on 12 Nov – has disrupted key releases. Oct's unemployment and CPI prints will not be published, while Nov updates are scheduled for 16 and 18 Dec respectively, only after the 9-10 Dec FOMC meeting.

Despite this data fog, we expect the Fed to lean towards caution amid persistent signs of labor market weakness. The latest available unemployment rate edged up to 4.4% in Sep, a four-year high. Additional pressure stems from an estimated 670,000 federal employees furloughed during the shutdown and recent high-profile downsizing announcements by major US corporates while ADP's private-sector payrolls decreased by 32,000 in Nov, the sharpest drop since Mar 2023.

Chart 1: Signs of funding stress as SOFR trades above IORB

Source: Bloomberg, UOB Global Economics & Markets Research



In line with this gradual easing trajectory, the SOFR is expected to drift lower ...

Assuming the anticipated 25 bps cut in Dec, the Fed Funds Target Rate (FFTR) will decline to 3.50%-3.75% by end-2025. Our macroeconomic team continues to project a Fed pause early next year before resuming easing with two further cuts in 2026, implying a terminal FFTR of 3.25% (upper bound). In line with this gradual easing trajectory, the SOFR is expected to drift lower, with our updated forecasts for 3M compounded in arrears SOFR at 3.70% in 1Q26, 3.59% in 2Q26, 3.36% in 3Q26, and 3.29% in 4Q26 (current: 4.19%).

Separately, Oct's funding stress – driven by liquidity withdrawal under Quantitative Tightening (QT) and amplified by a spike in the Treasury General Account (TGA) due to delayed spending – appears to be easing. The SOFR-IORB (interest rate on reserve balances) spread has narrowed to about 10 bps from as wide as 30 bps at the peak of the squeeze in late Oct. The official end of QT on 1 Dec and substantial emergency liquidity injections in Oct and Nov have helped stabilize liquidity conditions.

On the long end, the 10Y UST yield remains anchored near the 4% floor, supported by the Fed's accommodative stance and a consolidative term premium.

On the long end, the 10Y UST yield remains anchored near the 4% floor, supported by the Fed's accommodative stance and a consolidative term premium. Our updated forecasts for 10Y UST yields are 3.90% in 1Q and 2Q26, 4.00% in 3Q26, and 4.10% in 4Q26 (current: 4.07%).

SG Rates: SORA Bottoming, SGS yields poised for recovery

The impact of the Fed's recent rate cuts in Sep and Oct on SORA has been relatively muted and appears largely front-loaded, in line with our earlier expectations. Since reaching a three-year low of 0.73% in early Sep, SORA has settled into a sideways trading pattern. The record divergence between overnight SORA and SOFR of about 360 bps in early Sep, has since narrowed to around 305 bps by early Dec.

Chart 2: SORA appears to be bottoming even as Fed cut rates in Sep and Oct

Source: Bloomberg, UOB Global Economics & Markets Research

Looking ahead, we expect some residual transmission to SORA over the coming months, particularly as we maintain our forecast for an additional 75 bps of Fed rate cuts before reaching the terminal rate. Domestic liquidity conditions remain conducive for SORA to stay soft, with the Monetary Authority of Singapore (MAS) refraining from significantly increasing net bill issuance to absorb excess liquidity. Year-to-date MAS bill issuance remains broadly aligned with last year's levels, signaling a preference for maintaining accommodative conditions.

At present, SORA lacks a clear upside catalyst. While we have previously highlighted that a weaker S$NEER could help narrow the wide SG-US rate differential and provide a firmer base for SORA, the scope for further S$NEER depreciation appears limited. Upward revisions to Singapore's 3Q25 GDP and renewed core inflation momentum reinforce our view that the domestic monetary easing cycle has likely ended. Our base case remains for MAS to maintain its current policy stance of a mild S$NEER band appreciation (estimated at 0.5% per annum) through 2026.

Overall, we expect SORA to continue its gradual decline in line with the Fed's easing trajectory. We are closely monitoring near-term MAS bill issuance, as an increase in net issuance could signal that the bottom in SORA is approaching.

Overall, we expect SORA to continue its gradual decline in line with the Fed's easing trajectory. We are closely monitoring near-term MAS bill issuance, as an increase in net issuance could signal that the bottom in SORA is approaching. Our updated forecast for 3M compounded SORA is 1.13% in 1Q26, 1.17% in 2Q26, 1.23% in 3Q26, and 1.31% in 4Q26 (current: 1.25%).

Similar to short-dated SGD risk-free rates, the yield discount of Singapore Government Securities (SGS) relative to UST in the 10Y has narrowed somewhat to just above 200 bps after reaching a record 246 bps in Aug. Stronger-than-expected domestic macroeconomic data may have contributed to stabilising local bond yields. These dynamics point to a recovery in SGS yields across 2026. Our updated forecast for 10Y SGS is 1.80% in 1Q26, 1.90% in 2Q26, 2.10% in 3Q26, and 2.30% in 4Q26 (current: 2.02%).

DM and Asian Rates: End of easing cycle for some while others proceed with calibrated easing in 2026

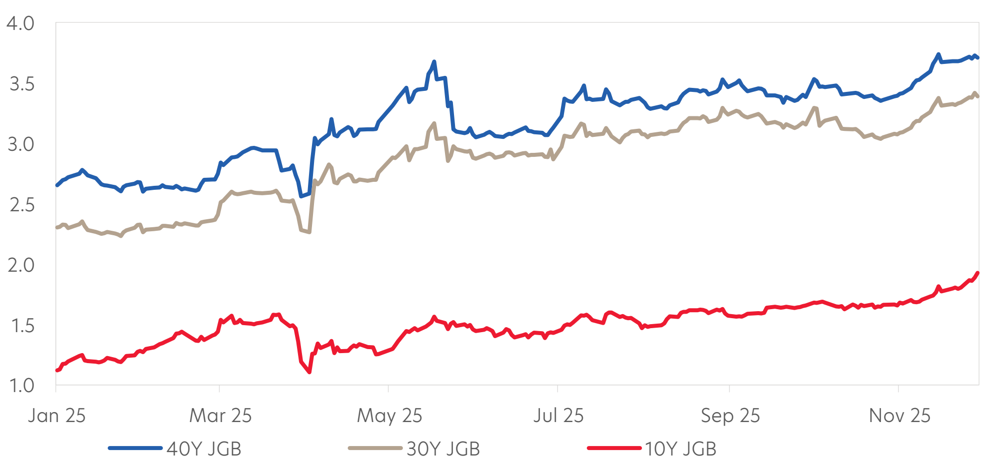
Our macroeconomic team expects that Reserve Bank of New Zealand (RBNZ) had likely concluded its rate-cut cycle in Nov, marking the end of its aggressive 325 bps easing campaign since Aug 2024, as inflation trends toward the midpoint of its 1-3% target range. For the European Central Bank (ECB), our macroeconomic team sees a final 25 bps cut in 1Q26 before maintaining rates unchanged for an extended period.

The Reserve Bank of Australia (RBA) is expected to hold rates steady in Dec, given stronger-than-expected 3Q25 and Oct CPI prints. Looking ahead to 2026, our macroeconomic team anticipate a gradual resumption of rate cuts amid softer growth, easing inflation and rising unemployment. The baseline projects two 25 bps cuts in 1H26, bringing the OCR to a terminal rate of 3.10%. The Bank of England (BOE) retains scope for further easing in 2026, supported by weak demand and signs that inflation peaked in 3Q25. The BOE's acknowledgment of diminished upside inflation risks reinforce our expectation of quarterly cuts, lowering the policy rate to 3.00% by 3Q26.

The Bank of Japan (BOJ) remains an outlier, with further tightening anticipated. Our macroeconomic team expects a 25-bps hike to 0.75% in Dec, followed by a final move to 1.00% further out in 3Q26. Currently, the OIS market has almost fully priced in a 25-bps rate hike in the 19 Dec BOJ meeting. This came after BOJ Governor Kazuo Ueda said recently that the central bank is closely scrutinizing latest wage rise dynamics and will debate the "pros and cons" for a further rate hike.

Chart 3: JGB yields rose to multi-decade highs on increasing fiscal concerns on top of monetary policy risks

Source: Bloomberg, UOB Global Economics & Markets Research



Fiscal concerns are adding to monetary policy risks that is weighing on Japan Government Bonds (JGBs). This came after Japan's new PM Sanae Takaichi's cabinet approved a JPY 21.3 trn (USD 134 bn) stimulus package – the largest since pandemic – aimed at price relief. Consequently, the 40-year JGB yield touched a new high of 3.76% in late Nov amidst a re-steepening of the JGB curve. Investors will next scrutinize the upcoming additional JGB issuances that may be required to fund the stimulus package.

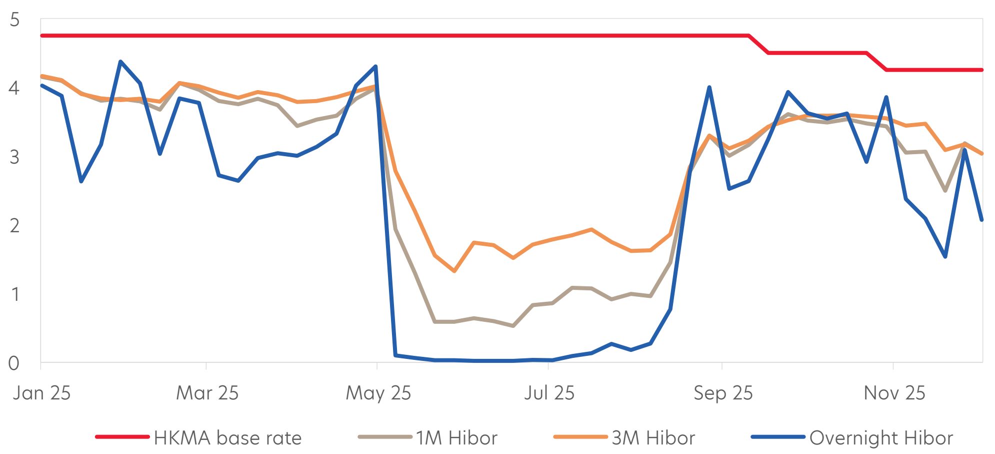
Asian central banks are expected to pursue a shallower easing cycle in 2026, given stable inflation near targets.

Asian central banks are expected to pursue a shallower easing cycle in 2026, given stable inflation near targets. Over the next 12 months, the Hong Kong Monetary Authority (HKMA) leads with 75 bps of cuts to its Base Rate, tracking the Fed. Bank Indonesia (BI) and Bank of Thailand (BOT) are projected to deliver two 25 bps cuts each by 1Q26, reaching terminal rates of 4.25% and 1.00%, respectively. These moves aim to support growth for both countries and mitigate Thailand's deflation risks. Factors supporting a more calibrated easing path going forward includes anchoring IDR stability in the case for Indonesia and financial stability concerns for Thailand due to its high household debt-to-GDP ratio.

Malaysia and Singapore appear to have completed their easing cycles, supported by strong exports and robust GDP growth. We expect Bank Negara Malaysia (BNM) to hold its OPR at 2.75% through 2026, while the MAS maintains its current policy stance of a mild S$NEER band appreciation (estimated at 0.5% per annum) through 2026.

Chart 4: Hibors starting to drop again, though not expected to revisit the very depressed levels in May - Jul

Source: Bloomberg, UOB Global Economics & Markets Research



Following the hawkish hold at the recent Bank of Korea (BOK) policy meeting in late Nov, we revise our call for BOK to maintain the base rate at 2.50% throughout 2026, from two cuts in 1H26 previously. An important change at this meeting was the dropping of the reference to "maintain its rate cut stance". In the statement, BOK said instead that it is "leaving room for potential rate cuts" while it decides "whether and when to implement any further Base Rate cuts". The positive shift in BOK's tone is accompanied by upgrades in South Korea's growth and inflation outlook next year while prioritizing financial stability – handling risks from household debt growth, rising property prices and KRW depreciation. For more details, please refer to Macro Note: South Korea: BOK turns more hawkish in Nov dated 27 Nov 2025 here.

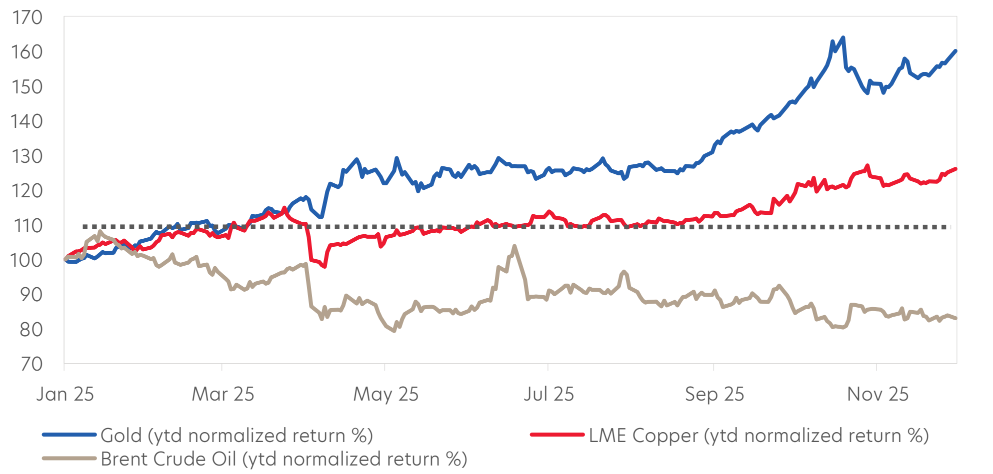
Similarly for Vietnam, with a robust GDP performance (7.85% for first 9 months of 2025) and no signs of slowing in momentum, we see little room for the State Bank of Vietnam (SBV) to ease policy in the foreseeable future. As such, the VND refinance rate is expected to hold at 4.25% through 2026, a rate it has been since mid-2023.

COMMODITIES STRATEGY

Still "Gonna Be, Gonna Be Golden!" in 2026

Gold maintains its strong rally and outperformance across 4Q25

Source: Bloomberg, UOB Global Economics & Markets Research



After such a strong rally, questions are being asked as to whether gold will continue its strong rally into 2026. Specifically, will the positive drivers that has fueled this strong rally in gold remain intact and stay strong into 2026?

Gold has rallied strongly since the start of the year. From USD 2,600 / oz at the start of the year, gold has now rallied about 60% to USD 4,200 / oz by early December. It is likely that baring a surprise "no cut" from the Fed at the Dec FOMC, gold is likely to end 2025 on a strong note. After such a strong rally, questions are being asked as to whether gold will continue its strong rally into 2026. Specifically, will the positive drivers that has fueled this strong rally in gold remain intact and stay strong into 2026?

After struggling across first half of the year below USD 10,000 / MT, LME Copper has finally managed to latch onto gold's rally in 3Q25, pushing higher above the psychological resistance of USD 10,000 / MT to current high of around USD 11,000 / MT. However, despite its recent strong price performance, the outlook for Copper is decidedly mixed. The strong stockpiling in Copper in the US now contrasts starkly against the further weakening of growth and renewed deepening of property sector woes in China. What does this struggle mean for LME Copper price in 2026?

Finally, as the metals rallied, Brent crude oil was left in the cold, as prices struggle and fall further towards the USD 60 / bbl support. The list of negative drivers continues to grow against Brent crude oil. Adding to existing worries of even more over supply from Saudi Arabia and OPEC+ is the possible elusive peace deal between Russia and Ukraine that will further weigh on the already depressed and currently non-existent geopolitical risk premium for crude oil. Brent crude oil is likely to end 2025 on the low nearer to USD 60 / bbl after a strong start at USD 80 / bbl. Will Brent crude oil fall further below USD 60 / bbl in 2026?

GOLD

Likely to sustain its strong trend-like rally into 2026

UOB's Forecast	1Q26	2Q26	3Q26	4Q26
Gold (USD/oz)	4,300	4,400	4,500	4,600

At current level of around USD 4,200 / oz at the start of Dec, gold has achieved a very remarkable year-to-date rally of about 60%. This ranks up there as one of the best annual performances for gold since the late 70s. Questions are now being asked as to whether this strong rally in gold is sustainable as we head into 2026.

On one hand, there are signs that some consolidation is way overdue. Lease rates for gold have indeed started to ease. With a trade deal between US and Switzerland in the bag, the "worst case" scenario of President Trump imposing an import tariff on gold is now less likely.

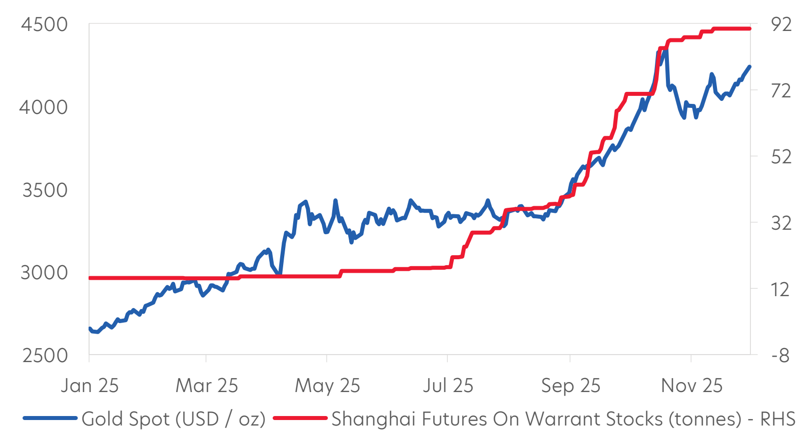
On the other hand, existing positive drivers that have fueled this strong rally in gold remain very much in place. Safe haven needs for gold to diversify one's portfolio remain strong. There is still strong accumulation of gold inventory on key exchanges across the world, e.g. on COMEX and SHFE. Purchases of gold-ETFs remain strong too. On the sovereign level, the frenzied allocation of gold by global central banks remains unabated. Stablecoins led by Tether have ramped up their accumulation of gold as well.

Lastly and possibly most important driver over the near term, gold promptly recovered from its brief consolidation from mid Nov, jumping from USD 4,000 / oz to around USD 4,200 / oz, on renewed expectations of a further Fed rate cut in Dec.

Overall, unless the abovementioned positive drivers of strong safe-haven demand and strong central bank allocation change, gold is likely to continue its strong trend-like rally. Therefore, we maintain our positive outlook for gold and raise the forecast to USD 4,300 / oz in 1Q26, USD 4,400 / oz in 2Q26, USD 4,500 / oz in 3Q26 and USD 4,600 / oz in 4Q26. Previous forecast was USD 4,000 / oz in 4Q25, USD 4,100 / oz in 1Q26, USD 4,200 / oz in 2Q26 and USD 4,300 / oz in 3Q26.

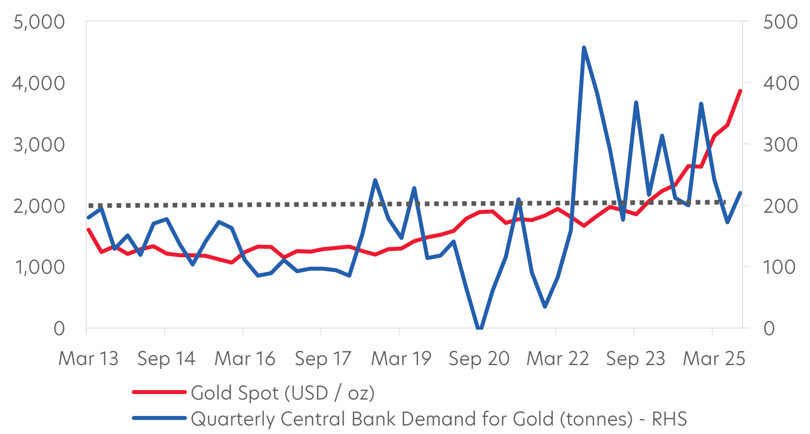
Ongoing accumulation of gold stocks on SHFE continues

Source: Bloomberg, UOB Global Economics & Markets Research



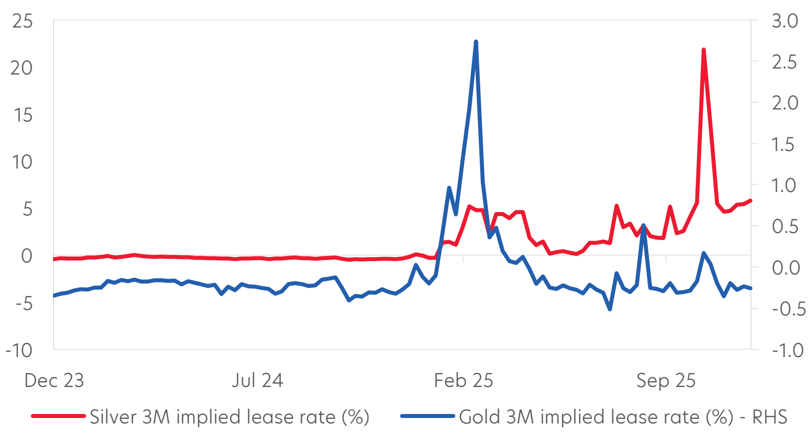
Estimated quarterly purchases of gold by central banks now above 200 tonnes

Source: Bloomberg, UOB Global Economics & Markets Research



Lease rates for gold and silver have calmed down

Source: Bloomberg, UOB Global Economics & Markets Research



BRENT CRUDE OIL

Possible Russia-Ukraine peace deal adds to growing list of negative drivers for oil price

UOB's Forecast	1Q26	2Q26	3Q26	4Q26
Brent crude oil (USD/bbl)	65	60	55	55

Over the past quarter, Brent crude oil remained a "sell-on-rally" and has been grinding lower below USD 65 / bbl towards USD 60 / bbl. Needless to say, the backwardation premium across the futures curve is increasingly depressed as well.

Little has changed from the pedestrian prognosis of the previous quarter. That with the easing of tensions in the Middle East, particularly between Israel and Iran, investor concerns of acute geopolitical risks have now given way to worries of oversupply from Saudi Arabia. As such, despite the on-going tightening of global OECD oil stocks, the deciding factor remains that of further ramping up of crude oil production by OPEC+.

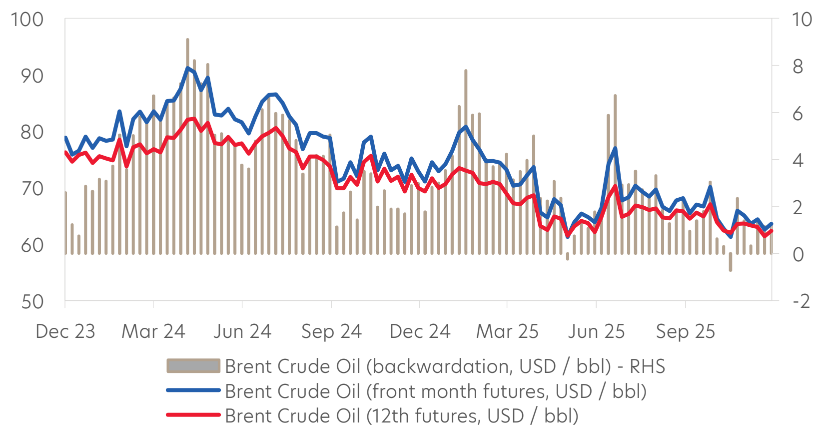
While an eventual end to hostilities between Russia and Ukraine remain highly uncertain, the odds have indeed increased with the Trump Administration ramping up efforts to help craft a peace deal. The latest sanctions aimed directly at Russian oil majors has successfully led to a noticeable drop in purchase of Russian crude by both China and India. The sanctions are calibrated precisely to add pressure to force Russia to come to the negotiation table for a peace deal.

Adding to the pressure is a potential Russia – Ukraine peace deal while a further drop in China's domestic activity over the past quarter is also likely to weigh on energy demand. It is likely that China's GDP growth would have eased further from 4.8% y/y in 3Q25 to an even slower 4.4% y/y in 4Q25.

Overall, we maintain our cautiously neutral outlook for Brent crude oil. But in view of on-going oversupply from OPEC+, a possible Russia-Ukraine peace deal and further growth slowdown in China, we lower of forecasts further to USD 65 / bbl in 1Q26, USD 60 / bbl in 2Q26 and USD 55 / bbl in 2H26. Previous forecast was USD 70 / bbl in 4Q25, USD 65 / bbl in 1Q26 and USD 60 / bbl in 2Q and 3Q26.

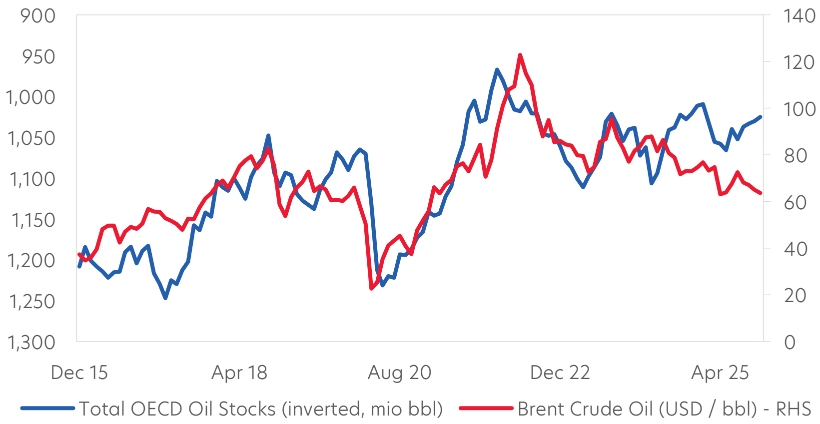
Crude oil prices fall further towards the USD 60 / bbl floor

Source: Bloomberg, UOB Global Economics & Markets Research



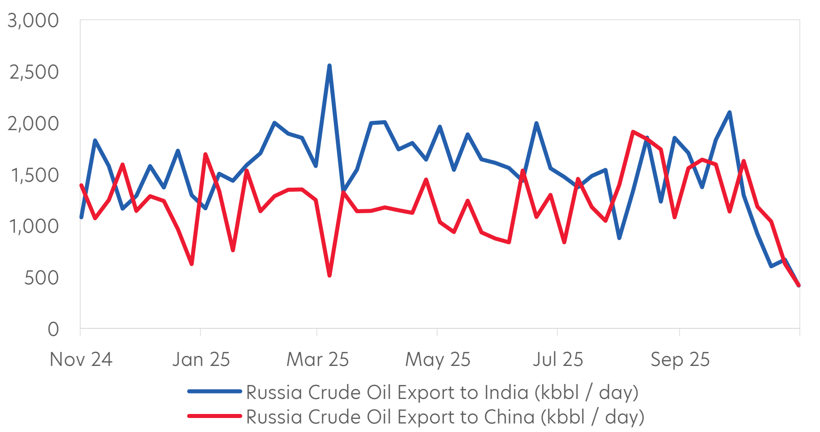
Crude oil prices stay soft despite tigthening OECD oil stocks

Source: Bloomberg, UOB Global Economics & Markets Research



Sanctions against Russian oil majors are starting bite

Source: Bloomberg, UOB Global Economics & Markets Research



COPPER

Prices rally further above USD 11,000 / MT despite contrasting drivers

UOB's Forecast	1Q26	2Q26	3Q26	4Q26
LME Copper (USD/mt)	11,000	10,500	10,000	10,000

We have highlighted since the previous quarter that while gold's long term positive drivers remain very much intact and Brent crude oil's list of negative drivers continue to grow, the outlook for LME Copper remains decidedly mixed amidst contracting factors.

On one hand, there is clear on-going accumulation in Copper inventory in the US, particularly as evident in the further strong increase in COMEX Copper on-warrant stocks. Simply put, despite reassurances from the Trump administration that they are not going impose import tariffs on refined Copper, investors remain worried and is not convinced and continued to ship Copper to the US.

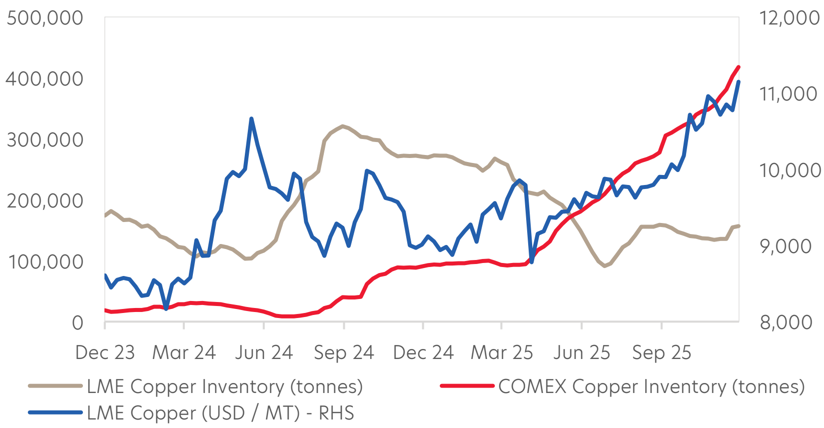
This on-going stockpiling of Copper in the US, has resulted in further tightening of inventories on the LME, thereby driving up LME prices too. This is widely viewed as one of the key positive drivers that has led to the strong rally in LME Copper past USD 10,000 / MT in Sep to current levels above USD 11,000 / MT. Copper prices may well trade higher from here as a result. However, higher prices will also encourage the return of Copper scrap back into the markets.

On the other hand, worries of further growth slowdown of economic activity in China are increasing. Coupled with the latest slowdown in industrial activity and weak PMI, domestic residential property sales continued to contract as well. Consequently, premium in onshore Copper prices continued to decline. As such, this further strength in LME Copper price is not in line with the negative bias from China's economic slowdown.

Overall, amidst this on-going contrast, we keep to our cautiously neutral outlook in LME Copper while updating the forecasts higher to USD 11,000 / MT in 1Q26, USD 10,500 / MT in 2Q26 and USD 10,000 / MT in 2H26. Previous forecast was USD 10,000 / MT in 4Q25, USD 9,500 / MT in 1Q26 and USD 9,000 / MT in 2Q and 3Q26.

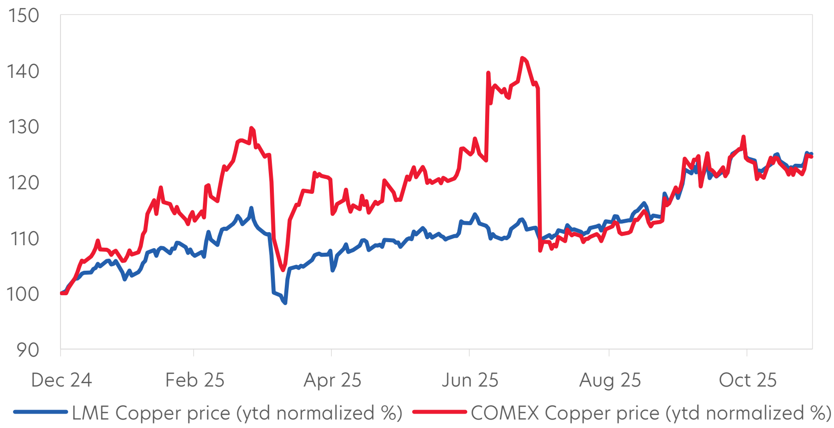
Copper prices rise further with more Comex inventory accumulation

Source: Bloomberg, UOB Global Economics & Markets Research



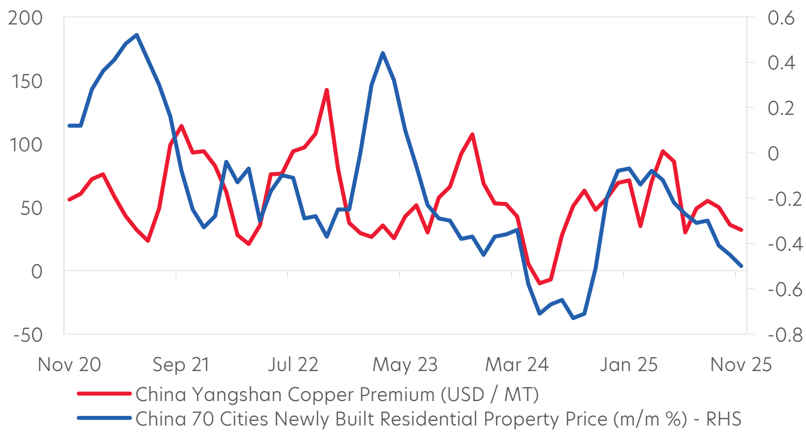
Comex Copper price now in sync with LME Copper price

Source: Bloomberg, UOB Global Economics & Markets Research



China onshore Copper premium eases in line with weaker property price

Source: Bloomberg, UOB Global Economics & Markets Research



CHINA

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/CNY	7.04	7.00	6.98	6.95
CNY 1Y Loan Prime Rate	2.90	2.90	2.90	2.90
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	5.4	5.0	5.0	4.7
CPI (avg y/y %)	0.2	0.2	0.0	0.9
Unemployment Rate (%)	5.1	5.1	5.2	5.3
Current Account (% of GDP)	1.4	2.3	3.2	2.0
Fiscal Balance (% of GDP)	-4.5	-4.8	-5.8	-5.8

ECONOMY
Slowdown extends further in 4Q

China's economic momentum continued to soften in the fourth quarter. Nov PMIs signalled further weakness in both manufacturing and services, following Oct data that highlighted a slowdown in industrial output, exports, retail sales, and investment. A key concern remains the deepening contraction in fixed asset investment, driven by a sharp decline in property investment and moderating infrastructure spending. Despite recent policy easing by the central government and major cities, home prices have fallen more rapidly in recent months. Meanwhile, Oct retail sales were weighed down primarily by sharp declines in household appliance and automobile sales. The government's large-scale trade-in program has lost traction as subsidies for appliances have been largely deployed after more than a year, and major provinces and cities phased out their incentives for car trade-ins. The program may be expanded to cover a broader range of goods and services to support a more sustained recovery in private consumption next year.

The economy is on track to meet the 2025 growth target of around 5.0%, following a strong 5.2% expansion in the first three quarters. Attention now turns to 2026 and beyond, given persistent external risks and geopolitical uncertainties. The Fourth Plenary Session in Oct set priorities for China's 15th Five-Year Plan (FYP), focusing on advancing technological self-reliance and strengthening its domestic market. The emphasis on advanced manufacturing and investments in science and technology implies that industrial production and export will remain key growth drivers in the coming years, while efforts to "significantly" raise the share of consumption in the economy will be stepped up.

Household consumption accounts for around 40% of GDP. A reasonable target would be to lift this to above 50% of GDP, aligning with OECD norms. We think the 10%-point increase from the current 40% will likely be phased in over 5 to 10 years as China continues to prioritize investment in technology and the development of "new-quality productive forces." Furthermore, despite ongoing policy support, China continues to grapple with significant headwinds to consumption growth, including weak confidence and an elevated savings rate as well as structural issues such as the downsizing of the property market and the ageing population.

Deflationary pressure continues to be both supply- and demand- driven, due to intense market competition, significant investment in technology and automation, and subdued consumer spending. Year-to-date (as of Oct), headline CPI has averaged -0.1% y/y, while core CPI stood at 0.7% y/y; PPI averaged -2.7% y/y. For 2025, we project CPI at 0.0% and PPI at -2.6%. Government measures aimed at reducing excess capacity and curbing aggressive price competition may partially offset the impact of US tariffs, which have likely worsened China's overcapacity in certain industrial and consumer sectors. We anticipate a gradual easing of deflationary pressures in 2026, with headline CPI expected to recover to around 0.9% and PPI deflation narrowing to -0.5%, underpinned by policies aimed at boosting consumption. On growth, we forecast 4Q25 real GDP to expand by 4.4% y/y, down from 4.8% y/y in 3Q25. Trade outlook should stabilise with the one-year extension of the US-China trade truce to 10 Nov 2026 and lowering of the average tariff rate on Chinese goods to 47% from 57%. The increased diversification to non-US markets also increases the resilience for exports. With continued support for domestic consumption and government investment, we see China's growth slowing moderately to 4.7% in 2026 (prev. 4.2%) from an est. 5.0% this year. Looking ahead, the key events include the Politburo meeting in Dec, followed by the annual Central Economic Work Conference (CEWC) in mid-Dec, which will set the economic agenda for 2026. Key annual targets will be announced at the National People's Congress (NPC) in Mar 2026 along with the final version of the 15th FYP.

CENTRAL BANK
Policy support to be incremental

China remains hesitant to deploy short-term stimulus with the priority instead on local government debt restructuring, infrastructure investment and selective property easing measures. The trade-in program forms the main support for consumption. Following the 10-bps rate cut in May, the PBOC may only resume cutting its interest rates and banks' RRR in 1Q26, at the earliest. In 2026, we factor in a 10-bps interest rate cut and a 50-bps cut to the RRR.

CURRENCY
USD/CNY may test the key 7.0 level

The CNY staged a notable turnaround this year, tracking the ebb and flow of US-China trade tensions. USD/CNY initially surged to 7.3512 in Apr – the highest level since 2007 – amid escalating tariff measures between the two economies. This was followed by a steady decline to 7.08 by year-end, in line with our 4Q25 forecast, as trade tensions eased, culminating in a truce in Nov.

Looking ahead, we expect further gradual downside in USD/CNY, supported by positive sentiment from the implementation of the US-China trade agreement and continued USD softness as the Fed's rate-cut cycle continues in 2026. However, the pace of CNY appreciation may be moderated by a softer China growth outlook – our GDP forecast stands at 4.7% for 2026 versus 5.0% in 2025 – alongside the PBOC's gradual approach to adjusting the daily fixing and its "moderately loose" policy stance. Overall, our updated USD/CNY forecasts are at 7.04 in 1Q26, 7.00 in 2Q26, 6.98 in 3Q26, and 6.95 in 4Q26.

HONG KONG

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/HKD	7.80	7.80	7.80	7.80
HKD Base Rate	4.00	3.75	3.50	3.50
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	3.2	2.5	3.2	2.5
CPI (avg y/y %)	2.1	1.7	1.4	1.7
Unemployment Rate (%)	2.9	3.1	3.7	3.3
Current Account (% of GDP)	8.5	12.9	11.0	8.2
Fiscal Balance (% of GDP)	-3.4	-2.8	-1.0	-1.0

ECONOMY

Growth was broad-based in 3Q

Hong Kong's economy grew by 3.8% y/y in 3Q, the fastest pace in seven quarters. On a q/q SA basis, growth stayed positive for the fourth consecutive quarter at 0.7%. There were several positive drivers, including sustained export demand led by the technology sector, continued recovery in inbound tourism, stabilization in the residential property market, buoyant financial market activities and the resumption of US rate cuts in Sep.

Exports of goods and services rose 12.1% y/y and 6.3% y/y respectively on the back of strong demand for electronics, buoyant regional goods trade, and financial market activities as well as further recovery in visitor arrivals. Notably, the gross domestic fixed capital formation (GDFCF) notched its highest quarterly growth in a year, rising 4.3% y/y in 3Q compared to 1.9% y/y in 2Q as the residential property market stabilized. Private consumption, which accounts for two-thirds of Hong Kong's GDP, continued its expansion at 2.1% y/y in 3Q after turning around from contractions in the preceding quarters. Meanwhile, government consumption expenditure growth moderated to 1.9% y/y from 2.5% y/y in 2Q.

Private consumption recovery was underpinned by further improvements in tourism, with total arrivals up nearly 12% in the first nine months of the year, and total retail sales expanding for five consecutive months reaching a 21-month high of 5.9% y/y in Sep. Consumer sentiment has also been anchored by lower interest rates, stabilizing residential property prices and equity market gains. However, external trade uncertainties have weighed on the labour market amid ongoing economic restructuring. Hong Kong's unemployment rate rose to a high of 3.9% in Sep from 3.1% at the start of the year, and while the median monthly employment earnings continued to rise, the gains softened in 3Q.

After three quarters of strong growth averaging 3.3% y/y, we expect a slight moderation to 3.0% in 4Q25. Our forecast for Hong Kong's full-year growth is at 3.2% for 2025 and 2.5% for 2026. The outlook remains broadly positive, supported by easing US-China trade tensions, resilient demand for technology-related goods, and a recovery in inbound tourism.

We anticipate two additional Fed rate cuts next year, which should help loosen domestic financial conditions and provide some support to asset markets. The government's economic and social support is expected to remain targeted with both the fiscal consolidation and economic recovery under way. Consistent with the Sep policy address, the FY2026-27 Budget is expected to prioritize strengthening connectivity with the mainland, fostering innovation, attracting talent and capital, reinforcing Hong Kong's role as an international financial hub, and supporting SMEs and local employment. Having said that, the government's fiscal position is likely to have improved in the current fiscal year as a result of stronger economic activity. Looking ahead, the key risk lies in the trajectory of China's economy, which will depend on stable US-China trade relations and effective domestic policies to spur consumption. Meanwhile, continued weakness in the commercial real estate sector could pose challenges for the banking industry.

Domestic costs and external price pressures have remained muted with the underlying CPI (net out government's one-off relief measures) averaging a mild 1.1% y/y in the first 10 months. Headline CPI also came off in recent months to 1.1% y/y in 3Q from 1.8% y/y in 2Q. We further lower our forecast for the headline inflation to 1.4% for 2025 (from 1.6%) and 1.7% for 2026 (from 1.9%).

CENTRAL BANK

Hibors came off as liquidity demand eased

Weaker liquidity demand drove Hibors lower in late-Oct as Hong Kong's stock market retreated. The interbank rates have swung widely with the 1-month Hibor in a range of 0.5% - 4.2% and 3-month Hibor between 1.3% - 4.1% this year as the HKMA intervened to keep USD/HKD within the 7.75-7.85 convertibility undertaking. Hong Kong's aggregate balance fell by nearly 70% to HKD54 bn from HKD176 bn in early-Jun. The tightened interbank market liquidity has likely contributed to the interest rate volatility. With US interest rates poised for further cuts in 2026, this should cap the Hibors. Our forecast for 3M Hibor is at 3.00% end-1Q26, 2.85% end-2Q26, 2.75% end-3Q26, and 2.80% end-4Q26.

CURRENCY

Recovery towards 7.80

USD/HKD has shown signs of stabilizing around 7.78 in recent months, following sharp swings between the extremes of its trading band (7.75-7.85) during May-Jun that prompted interventions by the HKMA at both ends.

Looking ahead, the pair appears increasingly aligned with the widening US-HK rate differential. The 3M SOFR-HIBOR spread has climbed from 0.6% to 1.3% over the past two months, reinforcing demand for USD carry trades and supporting a recovery in USD/HKD. This dynamic is likely to underpin the pair further in the near term.

Our baseline view sees USD/HKD holding firm at 7.80 across all four quarters of 2026.

INDIA

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/INR	89.0	88.5	88.0	87.5
INR Repo Rate	5.50	5.50	5.50	5.50
Economic Indicator	2023	2024	2025F	2026F
GDP, FY (%)	7.6	9.2	6.5	7.3
CPI, FY (avg y/y %)	6.7	5.4	4.6	2.3
Current Account, FY (% of GDP)	-2.0	-0.7	-0.6	-1.5
Fiscal Balance, FY (% of GDP)	-6.4	-5.6	-4.8	-4.4

ECONOMY

2QFY26 GDP growth exceeded estimates

India's GDP growth strengthened further in 2QFY26 (equivalent to 3QCY25) to 8.2% y/y (1Q: 7.8%), exceeding consensus expectations of 7.4% and UOB's estimate of 7.9%. The robust outturn was driven by stronger private consumption (2Q: 7.9% y/y, 1Q: 7.0%), likely reflecting elevated pre-festival spending. This momentum could extend into 3QFY26, supported by the GST rationalization effective 22 Sep and deferred household consumption. GFCF remained resilient (2Q: 7.3% y/y, 1Q: 7.8%), while government spending contracted (2Q: -2.7% y/y, 1Q: 7.4%). Net exports exerted a sharper drag, primarily due to a stronger rise in imports (2Q: 12.8% y/y, 1Q: 10.9%) rather than a steep deterioration in exports (2Q: 5.6% y/y, 1Q: 6.3%), suggesting a more muted impact of US tariffs thus far. However, the full impact of the higher 50% US tariffs on India's imports (effective 27 Aug) may not yet be fully reflected in the data. We raised our FY26 GDP growth forecast earlier to 7.3% (from 6.9% prev, FY27: 6.6%), incorporating the latest data. There is potential for a US-India trade deal to be reached by year-end, according to remarks by India's commerce secretary Rajesh Agarwal (Reuters, 28 Nov), as most issues have reportedly been resolved.

Gross-value added (GVA) similarly improved in 2QFY26 to 8.1% y/y (1Q: 7.6%), supported by stronger activity in manufacturing (2Q: 9.1% y/y, 1Q: 7.7%) and electricity, gas, water supply & other utilities (2Q: 4.4% y/y, 1Q: 0.5%). Services GVA remained robust at 9.2% y/y (1Q: 9.3%), led by financial, real estate & professional services (2Q: 10.2% y/y, 1Q: 9.5%). Agriculture activity (2Q: 3.5% y/y, 1Q: 3.7%) moderated as base effects turned less favourable, while construction (2Q: 7.2% y/y, 1Q: 7.6%) eased. Nominal GDP was broadly stable at 8.7% y/y (1Q: 8.8%). The GDP deflator continued to weaken (2Q: 0.5% y/y, 1Q: 0.9%), in line with the softening wholesale price index (2Q: 0.0% y/y, 1Q: 0.3%).

CENTRAL BANK

Conserving policy space

While there is ample policy space for the RBI to deliver another 25bps rate cut - given the slowdown in Oct's inflation (0.3% y/y, Sep: 1.4%, UOB FY26 CPI forecast: 2.3%, FY27: 4.5%) driven primarily by weaker food prices (-3.7% y/y, Sep: -1.4%)- we believe there is limited urgency to do so and RBI may prefer to conserve policy space. Currently, our view that RBI should stand pat at the upcoming Dec MPC meeting (5 Dec) runs counter to the consensus view of a 25bps rate cut. However, we acknowledge a risk to our call in light of remarks by RBI Governor Sanjay Malhotra, who stated that recent macroeconomic data reinforces the case for a cut in the benchmark rate (24 Nov, Bloomberg). Liquidity remains ample following the earlier four tranches of Cash Reserve Ratio (CRR) cuts, with the Weighted Average Call Rate (WACR) hovering in the lower half of the interest rate corridor. Banks' non-food credit growth (12.2% y/y, Sep: 10.2%) and personal loan growth (14.3% y/y, Sep: 11.7%) continued to strengthen in Oct, supported by earlier rate cuts. Markets will be focused on any RBI guidance on future OMOs, as the central bank had begun OMO purchases in the secondary market in Nov (India Times, 14 Nov).

Also, MoSPI is set to announce a new GDP series with 2022-2023 as the base year at the end of Feb 2026 (alongside the release of 3QFY26 GDP data), while a rebased CPI series is also expected to be launched in Feb 2026 (Indian Express, 29 Nov). These updates in macro data quality will enable the central bank to better assess the state of the economy and refine estimates of the neutral/natural rate of interest.

CURRENCY

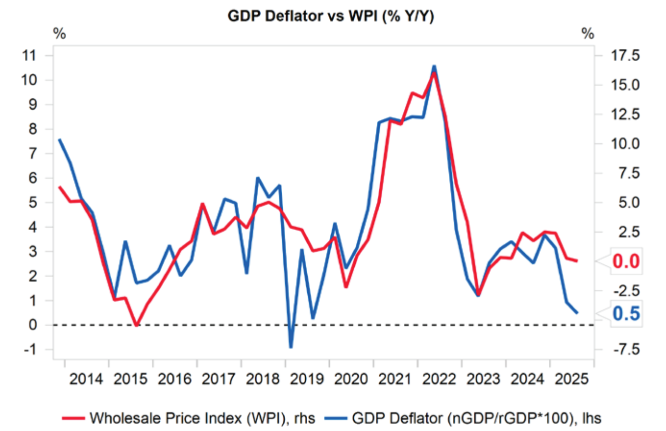
Expect INR rebound in 2026

INR underperformed its Asian FX peers year-to-date, falling to a new record low of 89.9/USD while most of its Asian peers capitalised on the broad USD weakness. External factors such as tariff uncertainties and outsized equity outflows dominated and weighed on the INR despite stronger-than-expected GDP growth.

In 2026, we factor in some form of INR recovery amid a weak USD backdrop. RBI staying pat on rates may help underpin the INR. A positive catalyst may come in the form of a US-India trade deal to reduce the elevated 50% tariffs. Overall, our updated USD/INR forecasts are at 89.0 in 1Q26, 88.5 in 2Q26, 88.0 in 3Q26, and 87.5 in 4Q26.

GDP deflator continued to weaken, in-line with the softening of the WPI

Source: Macrobond, UOB Global Economics & Markets Research



INDONESIA

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/IDR	16,700	16,600	16,500	16,400
IDR 7D Reverse Repo	4.25	4.25	4.25	4.25
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	5.1	5.0	4.9	5.2
CPI (avg y/y %)	3.7	2.3	2.2	2.5
Unemployment Rate (%)	5.3	4.9	5.0	5.0
Current Account (% of GDP)	-0.1	-0.6	-1.0	-1.0
Fiscal Balance (% of GDP)	-1.7	-2.3	-2.8	-2.7

ECONOMY

Growth held up but uncertainty could limit momentum

The Indonesian economy continued to grow steadily in 3Q25 at 5.04% y/y (1.43% q/q), slightly above market expectations of 5.00% though it has slowed from 2Q's 5.12%. Growth in 3Q25 was driven by two components namely household consumption and fixed asset investment. From the household side, resilient domestic demand amid low and stable inflation yielded a steady 4.89% consumption growth. Meanwhile, investment rose by 5.04% in light of improved foreign direct investment (+13.89% y/y), with inflows concentrated in the secondary sector, particularly machinery, equipment, and vehicles manufacturing. Based on 17 economic sectors, the 3Q25 growth areas reflected stronger focus on value-added and trade sectors. Manufacturing contributed 21.3% to GDP, with mining and mineral commodities (nickel, iron & steel) accounting for another 7.2% to GDP. However, we, expect subsiding momentum in investment spending and a still sluggish domestic demand given rising uncertainty to result into slower growth in the final quarter of 2025. Our forecast for 2025 GDP growth remains at 4.9% and to strengthen to 5.2% next year as we expect more expansionary fiscal policies to sustain and drive growth.

Indonesia's headline inflation accelerated to 2.72% y/y in Nov (vs ytd inflation of just 2.27%). The recent upward trend was mainly driven by two categories namely: food, beverages, & tobacco, and personal care & other services. Specifically, key contributors include red chili, rice, cooking oil, tomatoes, chicken eggs, fish, and bottled water, as well as gold & jewelry. By component, inflation was led by volatile food at 6.59%, followed by core inflation at 2.36% and administered prices at 1.45%. The surge in volatile food prices can be attributed to the government's "Free Nutrition Meal" program and a decline in red chili harvest, while stable energy demand helped offset an otherwise much higher food prices category. We forecast inflation to accelerate from an estimated 2.2% this year to 2.5% in 2026 amid fiscal-led consumption recovery.

On the external balance, current account returned to a surplus of USD4.04bn (1.1% of GDP) in 3Q25, reversing a deficit of USD2.75bn in 2Q25, supported by higher exports (USD73.91bn vs USD67.97bn in 2Q25). Meanwhile, the services account improved, with the deficit narrowing to USD4.32bn, largely driven by stronger travel-related service exports. Other service categories, particularly business and financial services, remained in deficit. For the other components, namely primary and secondary income, were relatively stable, though slightly lower than 2Q25 (down 3.4% and 0.2%, respectively). For the financial account, deficit widened significantly, while the capital account remained stable. The financial account deficit reached USD8.14bn in 3Q25 (+126.9% vs 2Q25), sharply weaker compared to 3Q24 (surplus USD8.01bn) due to foreign investors net outflows in other investment. Direct investment also fell by USD1.06bn to USD2.46bn, driven by a sharp 57.9% increase in Indonesian residents' overseas position (USD2.20bn). Direct investment into Indonesia remained relatively stable at USD4.66bn, though down ~5.17% vs 2Q25, and is still expected to support economic growth. Portfolio investment net outflows narrowed to USD7.06bn in 3Q25 (USD8.05bn in 2Q25) with support from foreign investors that re-entered Indonesia's bond market despite equities saw significant net outflows.

CENTRAL BANK

Focus on transmission for now

BI kept its benchmark policy rate unchanged at 4.75% during the Nov meeting, in line with consensus. The deposit facility and lending facility were also maintained at 3.75% and 5.50%, respectively. The decision was made against the backdrop of a less dovish tone from the Fed, despite acknowledging rising external uncertainties. The rate pause is also somewhat aimed to attract foreign portfolio inflows, particularly into equities and bonds. Looking forward, monetary policy is expected to shift from rate cuts toward enhancing transmission effectiveness, alongside with liquidity injection and expanding payment system acceptance via Local Currency Transaction (LCT). On the back of low and stable inflation while growth still needs more support, we keep our forecast for BI to resume its rate-cutting cycle to 4.25% by 1Q26.

CURRENCY

IDR to underperform

The IDR has been one of Asia's laggards this year, depreciating over 3% to 16,600/USD as BI pursued an aggressive easing cycle, cutting rates by a cumulative 125 bps year-to-date. The recent bout of IDR weakness coincided with significant bonds outflows – approximately USD 4.7 bn from Sep to Nov – erasing earlier year-to-date inflows. In response, BI opted to keep its benchmark rate unchanged at 4.75% for a second consecutive month in Nov, signaling a shift from its earlier "all-out" pro-growth stance toward a more balanced approach aimed at stabilizing the currency.

Looking ahead, expectations of Fed rate cuts starting in Dec and continuing into 2026 have broadly weakened the USD, offering some relief to emerging market currencies, including the IDR. However, BI's dovish bias and the likelihood of further easing suggest that the IDR may continue to underperform relative to regional peers. We maintain our base case for an additional 50 bps of BI rate cuts by 1Q26, which could limit upside potential for the currency despite a softer USD backdrop. Our updated USD/IDR forecasts are at 16,700 in 1Q26, 16,600 in 2Q26, 16,500 in 3Q26, 16,400 in 4Q26.

JAPAN

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/JPY	152	150	148	146
JPY Policy Rate	0.75	0.75	1.00	1.00
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	1.2	-0.2	1.4	1.3
CPI (avg y/y %)	3.2	2.8	3.2	2.0
Unemployment Rate (%)	2.5	2.5	2.7	2.8
Current Account (% of GDP)	3.8	4.8	4.0	4.5
Fiscal Balance, FY (% of GDP)	-7.5	-7.1	-4.8	-4.5

ECONOMY

A 3Q contraction, expecting rebound but outlook clouded

Japan's 3Q25 GDP contracted as expected, though less severely at -1.8% q/q SAAR (vs Bloomberg: -2.4%, UOB: -1.2%), while 2Q growth was revised higher to +2.3%. Private spending rose 0.1% q/q, down from 0.4% in 2Q, but business spending surprised at +1.0% q/q (vs est: -0.1%). Main drags were housing (-9.4%), net exports (-0.2ppt), and inventories (-0.2ppt). This marked the first GDP sequential contraction since 1Q24. GDP grew 1.1% y/y in 3Q, slower than 2Q's 2.0%, but still the fifth straight y/y expansion.

Net exports weakened on US tariffs, dragging GDP by -0.2ppt. Exports fell -1.2% q/q (from +2.3%), led by autos reversing 2Q's front-loaded shipments. Imports dipped -0.1% q/q on lower energy costs. Japan's vulnerability to global trade uncertainty persists. A Sep trade deal cut US tariffs to 15% (from 27.5% on autos), eased pressure. The contraction in exports troughed at -2.6% y/y in Jul, worst in 4 years, before rebounding to +4.2% in Sep and +3.6% in Oct, aided by a weaker yen. Exports to US fell for a fifth month in Oct (-3.1%) but improved from double-digit drops. Shipments to Europe (+9.2%), China (+2.1%), and Asia (+4.2%) rose in Oct.

Consumption recovery remains weak. Household spending fell in Oct (-3% y/y) after having stayed positive since May even as the monthly gains were modest (<3%). Wage growth slipped below 2% in Aug-Sep despite strong Shunto negotiations, leaving real wages negative as inflation outpaced pay hikes. Strong tourist arrivals and tourism-related services supported domestic growth, though weakness in external markets and recent China-Japan tensions may weigh on tourism into end-2025 and 2026. Accelerated investments in semiconductor technology bode well for long-term potential, driving higher spending in 2H25 and 2026. PM Takaichi's government announced its largest stimulus since Covid, with JPY 17.7 tn (US$112 bn) in general account spending and a total package of JPY 21.3 tn, largely for household and SME price relief. A JPY 18.3 tn supplementary budget was approved to fund this, and together with higher defense spending, fiscal challenges is expected to persist.

Taking into consideration all these factors, and expectations, Japan will avoid a technical recession in 2025 (notwithstanding the trade-related challenges and tighter BOJ monetary stance), we raise our 2025 growth forecast higher to 1.4% (versus previous 1.2%) and our 2026 growth forecast is unchanged at 1.3%, on the back of stronger AI-related spending even as domestic spending remains uncertain while tighter BOJ monetary stance will weigh on growth further. After an initial phrase of moderation, inflation stayed elevated in most of 2025, partly due to rising food prices and energy costs, exacerbated by a weaker yen and expiration of certain government subsidies. We revise our overall CPI inflation forecast to average 3.2% (from previous forecast 2.9%) in 2025, easing to 2.0% (from previous forecast 1.8%) in 2026.

CENTRAL BANK

Keeping our call for a 25-bps rate hike in 4Q, odds have improved markedly with Ueda's recent comments

While we still expect the BOJ to stay on the rate tightening path, that confidence for a year-end hike, initially close to a coin toss, have improved after BOJ Gov Ueda said (1 Dec) the central bank will "consider the pro and cons of raising the policy interest rate and make decisions as appropriate". The probability of a Dec 25-bps hike jumped to 82% (as of 1 Dec) from 58% on 28 Nov, according to Bloomberg's WIRP. On the back of persistent inflation above 2%, combined with expectations of a weakening yen and continued optimism for 2026's wage negotiations, we still expect BOJ to deliver its policy rate hike of 25-bps to 0.75% at the 18/19 Dec MPM. We also keep the projection for the next and likely final hike to 1.00% in 3Q26. While Ueda has in the past did some sudden U-turns and surprises, we think he will likely stick to the cautious approach to rate hikes, so the risk is for later rather than earlier policy moves.

CURRENCY

USD/JPY still biased lower

The JPY underperformed across G-10 in 2025 following the election of Sanae Takaichi as Japan's new Prime Minister in Oct. Markets interpreted her victory as a signal of a return of aggressive fiscal stimulus and ultra-loose monetary policy, echoing the Abenomics framework championed by her mentor, Shinzo Abe. This perception drove USD/JPY sharply higher, from around 147 pre-election to 156, effectively retracing back to year-start levels. The move widened the disconnect between USD/JPY and the 10-year USD-JPY yield differential, with the latter falling to its lowest point since Mar 2022.

Looking forward, we expect this gap to normalize primarily through a decline in USD/JPY, driven by broad-based USD weakness as the Fed extends its easing cycle into 2026. Additionally, our base case includes a 25 bps BOJ rate hike in Dec which could provide incremental support for the JPY. Recent verbal warnings from Japanese authorities regarding "one-sided and rapid" depreciation also raise the risk of intervention should USD/JPY approach the 2024 intervention zone of 157-162.Overall, we maintain a view of gradual USD/JPY downside, albeit from a higher starting point given lingering concerns over Takaichi's policy stance. Our latest forecasts are 152 in 1Q26, 150 in 2Q26, 148 in 3Q26, and 146 in 4Q26.

MALAYSIA

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/MYR	4.12	4.09	4.07	4.05
MYR O/N Policy Rate	2.75	2.75	2.75	2.75
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	3.5	5.1	4.6	4.5
CPI (avg y/y %)	2.5	1.8	1.4	2.0
Unemployment Rate (%)	3.4	3.2	3.0	3.0
Current Account (% of GDP)	1.1	1.4	1.7	1.8
Fiscal Balance (% of GDP)	-5.0	-4.1	-3.8	-3.5

ECONOMY

Steady growth momentum

Malaysia's economy recorded its strongest growth in a year, expanding by 5.2% y/y in 3Q25 (2Q25: +4.4%). This has lifted average GDP growth to 4.7% in the first three quarters of 2025, a surprise upside considering initial concerns over tariff effects. On a seasonally adjusted basis, real GDP improved for the second straight quarter by 2.4% q/q (2Q25: +2.2%), marking the fastest quarterly increase since 2Q22.

Real GDP growth in 3Q25 was primarily driven by an expansion in the services (+5.0% y/y vs 5.1% in 2Q25) and manufacturing (+4.1% vs +3.7% in 2Q25) sectors, a sharp growth rebound in the mining & quarrying (+9.7% vs -5.2% in 2Q25) industry and sustained double-digit growth in the construction sector (+11.8% vs +12.1% in 2Q25). The strength also came through resilient domestic demand with robust household consumption (+5.0% vs +5.3% in 2Q25) and sustained investment activity (+7.4% vs +12.1% in 2Q25). Fiscal support and targeted cash aid also helped to lift public spending (+7.1% vs +6.4% in 2Q25), coupled with strong net export growth (+17.7% vs -72.6% in 2Q25).

We maintain our 2025 full-year real GDP growth forecast at 4.6% (MOF est: 4.0%-4.8%), with upside potential towards the government's upper-end target of 4.8%. Our outlook reflects ongoing external uncertainties, including sector-specific tariffs under the Trump administration and elevated valuations in global financial markets. However, we think further clarity on reciprocal tariffs alongside the signing of the Agreement on Reciprocal Trade (ART) with the US and the one-year US-China trade truce helps to contain the downside risks while opening opportunities for supply chain shifts. Domestic buffers include the government's cash assistance programs, a more gradual RON95 petrol subsidy rationalization, and absence of new major tax measures.

For 2026, we project steady GDP growth at 4.5% (MOF est: 4.0%-4.5%), underpinned by newly introduced budgetary measures aimed at stimulating private consumption and investment, alongside the Visit Malaysia 2026 campaign.

CENTRAL BANK

OPR to remain stable

On the monetary policy front, we anticipate BNM to maintain its current monetary policy stance in 2026 given recent positive developments, an expected steady growth trajectory, contained inflation expectations, and sustained financial stability supported by improving excess liquidity in the banking system. Headline inflation is projected to remain modest at 1.4% in 2025 (MOF est: 1.0%-2.0%) before normalising to 2.0% in 2026 (MOF est: 1.3%-2.0%) largely due to expectations for a stable subsidized RON95 petrol price and limited secondary effects from the retargeted subsidy measures.

The most recent monetary policy statement in Nov also conveyed a neutral message with balanced risks. Preserving monetary space remains a prudent approach, given that the current OPR is just 100bps above the historical low of 1.75% during pandemic.

CURRENCY

MYR consolidation precedes potential appreciation

After repeated tests since May, USD/MYR decisively broke below the key 4.20 support in Nov, sliding to a one-year low of 4.1220. This move reflects the robust domestic backdrop, with Malaysia's strong GDP performance underpinning a 7.3% year-to-date appreciation in the MYR—making it the best-performing Asian currency in 2025.

Looking ahead to 2026, the fundamental drivers for MYR's strength remain intact. Global capital flows are expected to pivot toward emerging markets amid the Fed's continued easing bias. A stable OPR suggests that the interest rate differential between the US and Malaysia will gradually narrow, further favouring the MYR.

Additionally, Malaysia's external account balance is on an improving trajectory. Malaysia's current account surplus widened to MYR12.2bn (2.4% of GDP) in 3Q25 (from +MYR0.3bn or 0.1% in 2Q25), with the services account posting its first surplus (MYR0.7bn in 3Q25 vs -MYR3.3bn in 2Q25) since 3Q11. This brings the cumulative current account surplus to MYR29.2bn (2.0% of GDP) in Jan-Sep 2025, achieving 83.4% of our 2025 full-year forecast of MYR35.0bn (1.7% of GDP, MOF est: MYR34.3bn or 1.7%). For 2026, we project a current account surplus of MYR38.0bn (1.8% of GDP, MOF est: MYR23.2bn or 1.1%).

Investor sentiment has also improved following global tariff clarity since Aug, evident by a higher net foreign direct investment (FDI) inflow of MYR8.5bn in 3Q25 (2Q25: +MYR1.6bn). We expect this trend to persist in 2026 as the government will further unlock investment opportunities with the new investment incentive scheme implemented for the manufacturing sector in 1Q26 and services sector in 2Q26. This comes amid ongoing cross-border initiatives such as the Johor-Singapore Special Economic Zone (JS-SEZ) and renewed global supply chain realignment.

While we maintain a constructive view on MYR over the next 12 months, gains from current levels are likely to moderate as the psychological 4.10 level comes into focus. Overall, our updated USD/MYR forecasts are 4.12 in 1Q26, 4.09 in 2Q26, 4.07 in 3Q26, and 4.05 in 4Q26.

PHILIPPINES

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/PHP	58.2	57.8	57.4	57.0
PHP O/N Reverse Repo	4.25	4.25	4.25	4.25
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	5.5	5.7	4.6	5.0
CPI (avg y/y %)	6.0	3.2	1.5	2.5
Unemployment Rate (%)	4.4	3.8	4.0	3.9
Current Account (% of GDP)	-2.8	-4.0	-3.8	-3.2
Fiscal Balance (% of GDP)	-6.2	-5.7	-5.5	-5.3

ECONOMY

Domestic factors cloud the growth outlook

The Philippines' GDP growth slowed more than anticipated to 4.0% y/y in 3Q25 (from +5.5% in 2Q25), marking the weakest expansion since 1Q21. On a seasonally adjusted basis, quarterly growth was just 0.4% (2Q25: +1.5%), the lowest since 2Q20, underscoring fragile underlying momentum.

The downturn reflects the combined impact of corruption scandals dampening infrastructure investment and the broader sentiment, US tariff headwinds and typhoon-related disruptions. Sectoral performance was broadly subdued: agriculture (3Q25: +2.8% y/y, 2Q25: +7.0%), manufacturing (3Q25: +1.2%, 2Q25: +2.5%), construction (3Q25: -0.5%, 2Q25: +2.1%), and services (3Q25: +5.5%, 2Q25: +7.0%). Gains in mining & quarrying (3Q25: +4.4%, 2Q25: -1.3%) and utilities (3Q25: +0.6%, 2Q25: +0.7%) sectors were insufficient to offset broader weakness.

Domestic demand was the main drag, led by flat investment (3Q25: +0.1% y/y, 2Q25: +3.1%), softer government spending (3Q25: +5.8%, 2Q25: +8.7%), and slower household consumption (3Q25: +4.1%, 2Q25: +5.3%), despite accommodative monetary policy and benign inflation. Inventory drawdowns (3Q25: -0.7ppt, 2Q25: -0.5ppt) further weighed on growth, though partially offset by a positive net trade contribution (3Q25: +1.0%, 2Q25: -0.1%) during the quarter.

GDP growth averaged 5.0% in the first three quarters of 2025, falling short of our prior full-year forecast of 5.3%. Considering this and the potential for a prolonged drag from governance concerns surrounding infrastructure investment and adverse weather conditions, we have slashed our 2025 economic growth projection for the Philippines to 4.6% for 2025 (from 5.3% previously; official est: 5.5%-6.5%; 2024: 5.7%).

Accordingly, we have also downgraded our 2026 GDP outlook to 5.0% (from 5.7% previously; official est: 6.0%-7.0%) in view of a still-challenging macroeconomic backdrop. However, a gradual recovery in 2026 should be supported by a more accommodative monetary policy setting, manageable inflation expectations, increased fiscal spending, the Philippines' ASEAN chairmanship, and greater clarity on global trade dynamics.

CENTRAL BANK

Further rate cuts are still warranted

The sharper-than-expected deceleration in 3Q25 GDP growth, coupled with Nov's headline inflation at 1.5% - below BSP's 2.0%-4.0% medium-term target for the ninth consecutive month - strengthens the case for a further 25bps reduction in the RRP rate to 4.50% at the 11 Dec meeting. While inflation risks tilt upward into 2026 due to statistical base effects, potential electricity rate adjustments, possible increases in tariffs on rice imports, and weather-related supply shocks; these pressures should be partially mitigated by stable global energy prices and soft domestic demand. This reinforces our view that inflation will stay within BSP's target range over the policy horizon, at 1.5% in 2025 (BSP est: 1.7%) and 2.5% for 2026 (BSP est: 3.1%).

Looking ahead, guided by the central bank's revised nominal rate outlook near 4.00% and persistent domestic growth risks, we anticipate an additional 25bps cut in 1Q26. This will bring our projected terminal RRP rate to 4.25% by end-2026.

Additionally, the BSP's RRR reduction strategy is likely to resume in 2026, with cuts of around 100bps-200bps. This expectation is underpinned by inflation remaining within target, subdued growth prospects, and the central bank's continued easing bias. Such adjustments would bring the RRR for universal and commercial banks closer to 3.0%-4.0% by end-2026 from the current 5.0%. BSP has signaled that further RRR cuts will depend on liquidity conditions and inflation stability. BSP Governor Remolona has also in late Aug noted that the current 5.0% is "still too high" and hinted at a longer-term move toward 2.0%, though not imminently.

CURRENCY

Yet another lackluster year for PHP

During 4Q25, the PHP has depreciated by 0.6% quarter-to-date to 58.52 against the USD on 2 Dec, from 58.20 at end-Sep. Year-to-date, the currency has weakened by 1.2% from 57.98 at end-2024, making it the third worst currency performer in Asia after Indonesia rupiah and Indian rupee.

In 2026, the PHP may still underperform regional peers due to domestic factors, even amidst expectations of broad USD weakness. Headwinds include BSP's easing cycle, fiscal credibility concerns, and deteriorating economic fundamentals. Political uncertainties and tariff headwinds have weighed on investment sentiment, consumer confidence, and exports. Additionally, narrowing interest rate differentials – given BSP's potential acceleration of interest rate cuts versus modest US Fed easing – may lessen the yield advantage of PHP.

Overall, our latest USD/PHP forecasts are at 58.2 in 1Q26, 57.8 in 2Q26, 57.4 in 3Q26, and 57.0 by 4Q26.

SINGAPORE

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/SGD	1.29	1.28	1.27	1.26
SGD 3M SORA (compounded)	1.13	1.17	1.23	1.31
Economic Indicator	2023	2024	2025F	2026F
GDP (%)	1.8	4.4	4.4	2.1
Core CPI (avg y/y %)	4.2	2.8	0.7	1.5
Unemployment Rate, eop (%)	2.0	1.9	2.1	2.2
Current Account (% of GDP)	17.7	17.5	18.4	16.8
Fiscal Balance, FY (% of GDP)	-0.4	0.9	0.9	1.1

ECONOMY

Strong start to 4Q25, growth likely to moderate in 2026

Monthly activity indicators signal a strong start to 4Q25, corroborating the 3.1% q/q surge in the 3Q Composite Leading Index (2Q: -0.5%). Industrial production (IP) extended a second month of robust sequential increase in Oct (11.5% m/m sa, Sep: 26.4%), driven by sustained momentum in pharmaceuticals. This was possibly due to front-loading activities in response to the 100% tariff announced by US President Donald Trump on branded pharmaceuticals, although its implementation has since been delayed. Electronics IP was unsurprisingly upbeat (14.6% m/m sa, Sep: 16.5%), reflecting persistent global AI-related demand, which was also evident in Singapore's Oct electronics NORX (51.8% y/y, Sep: 25.7%) and the sustained acceleration in Taiwan's Oct tech exports to the US. Container throughput (9.2% y/y, Sep: 14.3%) and sea cargo volumes (5.4% y/y, Sep: 3.0%) remained resilient in Oct. We assume a sharp sequential pullback in Nov IP (-23% m/m sa), but if the correction proves more modest (e.g. -6.0% m/m sa each for both Nov and Dec), full-year 2025 GDP growth could potentially reach 5.0%, significantly overshooting our baseline forecast of 4.4%.

Heading into 2026, we expect full-year GDP growth to moderate to 2.1%, assuming weaker export activity in 1H26 due to the potential "payback" from earlier front-loaded shipments and the delayed impact of US tariffs on Singapore and its key trading partners. Downside risks to our outlook could stem from a sharp correction in financial markets amid stretched AI-related valuations, which may weigh on global AI investments and also dampen both domestic and external demand through wealth effects. Uncertainty persists regarding US tariffs on semiconductors and pharmaceuticals, which would pose a significant drag to the economy if exorbitant tariff rates (>100%) are imposed.

CENTRAL BANK

Early signs of inflation normalization

Singapore's core inflation momentum (3m/3m sa) firmed in Oct, rising above the historical average (2011-2019), on the back of a surge in health insurance premiums and other core components such as food, clothing & footwear, and recreation, sport & culture, etc. The stronger Oct core momentum may partly reflect the impact from tourism- and event-related factors including the Formula 1 race and the uptick in tourist arrivals during China's Golden Week holiday.

While core inflation could normalize in the coming quarters (aided by low base effects), we assess the risks of an undue acceleration in prices remain contained at this juncture. Unit labour costs should stay moderate (3Q: 1.0% y/y, 2Q: 0.1%), as indicated by a falling proportion of firms intending to raise wages (4Q: 19.3%, 3Q: 22.4%) in MOM's 3Q LMAR survey, although this may be partly offset by moderating labour productivity. Imported inflation is expected to be measured given stable external inflation conditions. We project core inflation to average 0.7% in 2025 (headline: 0.9%) and rise to 1.5% in 2026 (headline: 1.5%), incorporating the impact of rising costs associated with the green transition and administered measures (e.g. higher electricity tariffs in 1Q26 due to a hike in carbon taxes from S$25/t$CO_2$e to S$45/tCO_2e starting 2026).

We expect MAS to maintain its current policy settings of a mild S$NEER band appreciation (est 0.5% p.a.) through the remainder of 2025 and into 2026. However, should core inflation momentum continue to normalize higher in the coming months, alongside resilient growth prospects, monetary policy tightening - via a steepening of the S$NEER slope to 1.0% p.a. (from est 0.5% p.a. now), closer to our estimated cyclically-neutral S$NEER slope - could come into consideration as early as the Apr 2026 MPS.

CURRENCY

S$NEER may have bottomed

USD/SGD largely mirrored movements in the DXY throughout the year, declining from around 1.36 at the start of 2025 to approximately 1.29 by early Dec. On a trade-weighted basis, the S$NEER appears to have established a floor near +1% above the policy midpoint in Nov, after retreating from the upper bound of +2% since Jun.

Going forward, we expect USD/SGD to resume its weakening trend in 2026, in line with a broad-based USD pullback. Accordingly, our latest USD/SGD forecasts are 1.29 in 1Q26, 1.28 in 2Q26, 1.27 in 3Q26, and 1.26 in 4Q26. Relative to its trading peers, the S$NEER appears to have established a meaningful bottom in Nov and is poised to edge higher in the coming quarters. This trend implies a bottoming out and followed by a rebound in key SGD-crosses, including SGD/MYR and SGD/CNY, as regional FX dynamics normalize.

SOUTH KOREA

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/KRW	1,450	1,410	1,410	1,390
KRW Base Rate	2.50	2.50	2.50	2.50
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	1.6	2.0	1.1	2.0
CPI (avg y/y %)	3.6	2.3	2.1	2.1
Unemployment Rate (%)	3.2	3.7	3.0	3.2
Current Account (% of GDP)	1.8	5.3	5.9	4.6
Fiscal Balance (% of GDP)	-1.5	-1.7	-2.3	-2.0

ECONOMY

Fiscal policy to stay expansionary to boost growth

South Korea's economy continued to improve in 3Q on the back of a trade agreement with the US, domestic political stability post-Jun presidential election and the fiscal stimulus. The revised 3Q GDP rose a stronger-than-expected 1.8% y/y, 1.3% q/q SA, up from 0.6% y/y, 0.7% q/q SA in 2Q.

The key GDP components registered sequential gains in 3Q. Private consumption was a bright spot, benefiting from the two supplementary budgets totaling KRW45.6 tn (1.7% of GDP), lower domestic interest rates and job gains. Cumulative job gains were 341k in Jan-Oct compared to 108k in the same period last year. Job creation was led by the public sector which more than offset the drop in manufacturing and construction sector jobs. Consumer sentiment has since rebounded to an 8-year high in Nov. Facilities investment such as in the semiconductor manufacturing equipment recovered while the contraction in construction investment narrowed. Exports have stayed strong, led by demand for semiconductors and motor vehicles as well as stronger services exports.

The US has announced deals with a number of key trading partners which include China, Japan and South Korea. Reciprocal tariffs on imports from South Korea will be set at 15%, including for autos (down from 25%). Pharmaceutical goods will be tariffed up to 15% while for semiconductors, the terms will be no less favourable than that offered in a future agreement covering a volume of semiconductor trade at least as large as Korea's. The trade agreement also includes a US$150 bn investment in the US' shipbuilding sector and an additional US$200 bn in other industrial sectors which will be funded at no more than US$20 bn in a year. There is now more clarity on US' trade policy but its impact on South Korea's economy will only become evident next year and beyond, including the tariff on semiconductors under Section 232 and risk of hollowing out of the Korean industry.

Looking ahead, Korea's exports will benefit from lower auto tariff from US while demand for technology goods is expected to hold up in 2026, albeit with a slower growth. The expansionary fiscal policy will lend strength to domestic consumption as BOK nears the end of its monetary easing cycle. The government has proposed a record 8.1% increase in the budget targeting large increases in spending on R&D and Industry, SMEs and Energy. In addition, a resilient global demand including from US and China will be constructive to the outlook.

Overall, the economy expanded by 0.8% y/y in the first three quarters of the year. We anticipate GDP growth to strengthen to around 2.2% y/y in 4Q on the back of the low base of comparison. Factoring in the latest data, we raise our forecast for South Korea's GDP growth to 1.1% for 2025 (from 1.0%) and 2.0% for 2026 (from 1.7%).

The headline and core inflation averaged 2.1% y/y and 1.9% y/y respectively in Jan-Nov. Given the uptick in Oct and Nov inflation, we raise our forecast for the 2025 headline CPI growth to 2.1% from 2.0%. The KRW weakness, higher food prices and the partial rollback of fuel tax relief in Nov have contributed to the inflation. Our forecast for the headline inflation will also be higher at 2.1% (from 2.0%) for 2026, in line with the BOK's revised outlook.

CENTRAL BANK

BOK may stay on extended pause

BOK stayed on hold for the fourth consecutive meeting in Nov, amid risks from household debt growth, rising property prices and KRW depreciation. At the Nov meeting, the BOK pivoted away from guiding more rate cuts next year, dropping the reference to "maintain its rate cut stance". In the statement, BOK said instead that it is "leaving room for potential rate cuts" while it decides "whether and when to implement any further Base Rate cuts". This signals the BOK is nearing the end of its rate-cutting cycle after a cumulative 100-bps cut between Oct 2024 to May 2025.

With the change in BOK's tone, the prospect of further rate cuts is evidently lower in 2026. As such, we revise our call for BOK to maintain the base rate at 2.50% throughout 2026 from two cuts in 1H26 previously. Having said that, there remains the prospect of one 25-bps cut in 1H26 should growth slow materially and inflation ease.

CURRENCY

KRW to recover in 2026

It was a tale of two halves for the KRW this year – appreciating in 1H25 on the back of broad USD weakness following by weakening in the latter half as investors weigh the costs of reaching a US-Korea trade deal. An outsized US$9.7 bn net foreigner outflows from the local stock markets in Nov alone – the largest monthly drop since the pandemic – also weighed on the KRW. Currently, USD/KRW is flat on the year at 1,470.

Going forward, the outlook for KRW may brighten on the following factors: improved 2026 growth prospects, BOK staying on extended pause and the National Pension Service (NPS) likely to increase their hedge ratio for its foreign investments. Further Fed rate cuts in 2026 will also provide a backdrop of USD weakness which may facilitate the KRW recovery. Overall, our updated USD/KRW forecasts are at 1,450 in 1Q26, 1,410 in 2Q and 3Q26, and 1,390 in 4Q26.

TAIWAN

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/TWD	31.2	30.9	30.6	30.3
TWD Official Discount Rate	2.00	1.88	1.88	1.88
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	1.1	5.3	7.4	3.5
CPI (avg y/y %)	2.5	2.2	1.7	1.8
Unemployment Rate (%)	3.4	3.4	3.3	3.3
Current Account (% of GDP)	14.0	14.1	17.8	15.5
Fiscal Balance (% of GDP)	-0.6	0.4	-1.2	-1.0

ECONOMY

Export-led growth

Taiwan's real GDP surged 8.21% y/y in 3Q25, recording the strongest quarterly growth rate in more than four years. The economy also rose sequentially for the 10th straight quarters, up 1.71% q/q sa on top of 2.54% q/q sa in 2Q25. The significant outperformance was due to the rapid increase in AI applications and infrastructure building globally which fuels demand for Taiwan's electronic components and ICT exports. In 3Q, net exports contributed 7.57ppt of the GDP growth rate. Gross fixed capital formation and private consumption contributed 2.31ppt and 0.56ppt respectively but inventory drawdown was a drag of 2.28ppt while government consumption (0.04ppt) had a negligible impact.

Despite the robust performance in the high-tech industrial sectors and strong labour market, private consumption growth has been relatively modest. Fiscal support will kick in with the disbursement of the universal cash payments of NT$10,000 to its citizens from Nov. This is part of the NT$570 billion special relief package approved by the Legislature in Oct, covering the special defense budget, subsidies for national health and labour insurance as well as the cash handouts. Taiwan is also in talks with the US to lower its tariff rate of 20% which is higher compared to 15% for economies such as Japan, South Korea and the EU. Taiwan's semiconductors are currently exempt from tariffs, but the high reciprocal tariff rate continues to weigh on its other exports. Its trade deal with the US is likely to mirror that of South Korea and Japan where the countries pledged large investments in the US and may also include commitments to boost US' semiconductors industry.

The outlook for Taiwan's exports and investments is expected to remain firm due to the AI tailwinds driven by widespread adoption and infrastructure spending such as ongoing capital outlays in machinery and in R&D and data centers. Taiwan's DGBAS forecast exports of goods & services to expand by 4.8% in 2026 following a strong 31.1% growth in 2025. Gross fixed capital formation is forecast to grow 2.2% in 2026 after 9.7% in 2025. Looking ahead, the economy will continue to be export-driven in 2026 while inventory could turn slightly positive after the drawdown this year. Overall, Taiwan's economy grew by 7.2% y/y in the first three quarters of 2025. Accounting for the latest data, we further raise our forecast for Taiwan's GDP growth to 7.4% (from 6.5%) for 2025 and 3.5% (from 3.0%) for 2026, noting the elevated base effect ahead. This is in line with the revised forecasts from DGBAS with 4Q25 growth expected at around 7.7% y/y. Key risks to Taiwan's outlook include a slowdown in global demand, delayed impact of US' tariffs on growth and heightened geopolitical tensions.

Taiwan's headline and core inflation have been largely muted, averaging 1.7% y/y and 1.6% y/y respectively in the first 10 months of 2025. The modest 0.71% hike in household electricity prices in Oct is expected to have limited impact. Meanwhile, higher services and food prices were cushioned by continuing declines in transport and communication amid lower oil and raw material prices as well as firmer TWD. We expect the headline inflation rate to edge slightly higher to 1.8% in 2026 from an estimated 1.7% in 2025.

CENTRAL BANK

Economic resiliency keeps CBC on hold

The CBC has maintained an extended pause since its last rate hike in Mar 2024, with no clear indication of an imminent easing. The benchmark discount rate is at 2.0%—its highest level since late 2008—following a cumulative increase of 87.5-bps during the current tightening phase.

The timing of any rate reduction will largely depend on Taiwan's growth trajectory, as inflation has stabilized well below the CBC's 2.0% target. Meanwhile, residential property prices have softened following the selective credit controls, with CBC continuing to monitor real estate lending concentration. According to the Department of Land Administration, the residential price index has been declining since May, registering a 3.2% year-to-date drop as of Aug.

We now anticipate a modest 12.5-basis-point rate cut to 1.875% in 2Q26, a revision from our earlier forecast of a 25-bps reduction next year. The CBC board has also signaled its readiness to employ open market operations to enhance liquidity for traditional industries and SMEs.

CURRENCY

TWD to strengthen

2025 proved to be an exceptionally volatile year for the Taiwan dollar. In May, USD/TWD collapsed by more than 10% within two trading sessions, marking the sharpest TWD appreciation in decades and driving the pair to multi-year lows near 29.0. The move was fueled by heavy equity inflows into Taiwan's stock market, reports of life insurers aggressively hedging USD exposures, and limited intervention by the CBC during the initial surge.

The sharp appreciation was followed by a gradual recovery in 2H25, with USD/TWD climbing back to 31.4 as equity inflows reversed and hedging demand normalized.

Looking ahead to 2026, we expect the TWD to resume its strengthening trend, supported by broad-based USD softness and Taiwan's solid macro fundamentals. That said, headline risks around AI sector valuations could inject two-way volatility into the pair. Overall, we forecast USD/TWD at 31.2 in 1Q26, 30.9 in 2Q26, 30.6 in 3Q26, and 30.3 in 4Q26.

THAILAND

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/THB	31.9	31.7	31.5	31.3
THB 1D Repo	1.00	1.00	1.00	1.00
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	2.0	2.5	2.0	1.8
CPI (avg y/y %)	1.2	0.4	-0.1	-0.3
Unemployment Rate (%)	1.3	1.0	1.0	1.0
Current Account (% of GDP)	1.5	2.2	2.1	2.3
Fiscal Balance (% of GDP)	-2.3	-2.4	-4.5	-4.3

ECONOMY

Domestic demand and tourism to support growth

The 3Q25 GDP outturn confirmed that the strong 1H25 performance was not sustainable. Growth slowed sharply to 1.2% y/y in 3Q25, less than half of the 2.8% y/y in 2Q25, with GDP contracting by 0.6% q/q sa—the first sequential decline in nearly three years. The payback from earlier front-loaded manufacturing production and exports ahead of U.S. tariff changes, which had lifted 1H25 growth to 3.0% y/y, is now evident. A temporary contraction in government spending, manufacturing, and merchandise exports was the main drag in 3Q25, partly offset by still-expanding services and resilient, albeit moderating, private consumption.

Looking ahead, we expect the economy to slow further in 1H26, following the deceleration anticipated for 4Q25, despite the announced fiscal stimulus packages. Private domestic demand and tourism should remain key growth drivers in 2026 amid softening merchandise exports, as the boost from front-loaded shipments to the U.S. fades. We expect real GDP growth to ease to 0.5% y/y in 1Q26, from an anticipated 0.8% y/y expansion in 4Q25. We maintain our full-year 2026 growth forecast at 1.8%, down from the projected 2.0% in 2025, implying that momentum remains weak into 1H26 before a mild recovery later in the year as the drag from U.S. trade measures and earlier front-loading gradually wanes, with domestic demand providing only a partial offset. We remain slightly more optimistic than the authorities and the IMF; the NESDC expects growth of 1.7% in 2026 (vs. the BOT and IMF estimates of 1.6%). The 4Q25 and full-year 2025 GDP data will be released on 16 Feb 2026.

At the same time, the growth mix is shifting toward domestic rather than external drivers, aided by a gradual rebound in the tourism sector. Key growth drivers are private consumption and government spending, particularly public investment. The FY2026 budget continues to allocate a sizeable 23% of total spending to public investment (vs. 25% in FY2025), which, along with a strong pipeline of BOI-approved projects, should support private investment in the auto and electric vehicle (EV) sector, smart electronics, high-end tourism, and bio-industries over the next 6-12 months. In the near term, the government's fiscal stimulus packages should help lift activity from 4Q25 through 1Q26, but are unlikely to fully offset the external shock.

In addition, recent flooding in the central and southern regions is expected to disrupt economic activity, particularly in tourism and related services. Overall, near-term risks remain tilted to the downside, including the impact of U.S. tariffs, deflation risks, natural disasters, and potential disruptions associated with the political transition in 1H26.

On the price front, disinflation remains the dominant theme. The quarterly GDP deflator has remained in negative territory since 1H25, at -1.12% y/y in 3Q25, signaling economy-wide price weakness that extends beyond the already-weak headline CPI. We expect headline CPI to average -0.1% y/y in 2025 and slip further to -0.3% in 2026, broadly in line with the anticipated soft-growth trajectory. This contrasts with the BOT's latest projections of 0.0% and 0.5% in 2025–26, with inflation returning to the 1-3% target band only by early 2027. Against this backdrop of subdued price pressures, external stability remains broadly sound, supported by a current account surplus.

CENTRAL BANK

Biased toward easing

We maintain our view that the BOT will deliver a further 50 bps of easing, through a 25-bps cut at the December 2025 meeting, followed by another 25-bps reduction in 1Q26, bringing the policy rate to 1.00%, which we regard as the likely terminal rate in this cycle.

That said, the timing and extent of easing in 2026 could be delayed to later meetings, as the BOT has stressed the importance of calibrating both the timing and effectiveness of rate cuts given limited policy space. Conversely, if downside risks intensify and financial conditions are assessed to have tightened further, the MPC could opt for more pre-emptive easing, with the policy rate potentially drifting toward the pandemic-era low of around 0.50%. We continue to view this as a tail-risk scenario rather than our base case.

CURRENCY

Gradual downward trajectory for USD/THB

The THB's strong rally this year has persisted despite a slowdown in domestic growth and subdued tourism activity. Instead, the currency – Asia's second-best performer with a 6.6% year-to-date gain against the USD – has been buoyed by its close correlation with rising gold prices, sustained foreign inflows into local bond markets, and a persistent current account surplus. Notably, the BOT has intervened in the FX market to curb excessive volatility, reiterating that the THB should be weaker to better reflect underlying economic fundamentals.

Looking ahead, we expect USD/THB to continue its gradual downward trajectory, underpinned by broad-based USD softness as the Fed advances its rate-cutting cycle into 2026. However, our baseline scenario of a cumulative 50bps in BOT rate cuts through 1Q26, coupled with the likelihood of further FX intervention, suggests two-way volatility will remain a feature of the pair. As such, our revised USD/THB forecasts are 31.9 for 1Q26, 31.7 for 2Q26, 31.5 for 3Q26, and 31.3 for 4Q26.

VIETNAM

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
USD/VND	26,300	26,100	26,000	25,900
VND Refinancing Rate	4.50	4.50	4.50	4.50
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	5.1	7.1	7.7	7.0
CPI (avg y/y %)	3.3	3.6	3.6	3.9
Current Account (% of GDP)	5.8	3.0	3.9	3.0
Fiscal Balance (% of GDP)	-3.0	-2.5	-3.3	-2.3

ECONOMY

An outstanding year but momentum to slow ahead

Vietnam's performance in 3Q25 came in at the strongest since the post-COVID rebound in 3Q22, with real GDP growth surging 8.23% y/y following 8.19% pace in 2Q25. This was underpinned by resilient exports and production, despite headwinds from US tariffs.

In the Jan-Oct 2025 period, Vietnam's exports surged 16.8% y/y despite a high base a year ago at 14.2% y/y. One key driver was shipments to the US which jumped by 28.1% y/y during the same period (2024: 24.3%), as orders accelerated (i.e. frontloading) after US "reciprocal" tariff rates were dialed back to a base rate of 10% globally. Cumulative trade surplus in Oct came in at USD 18.7 bn, smaller compared to the USD 22.4 bn in 2024, due to sharply higher input requirements in response to exports demand.

Manufacturing saw broad-based increase in tandem, increasing 10.8% y/y in Jan-Sep, a faster pace compared to the 9.4% rise in the same period in 2024. With 4 consecutive months of above-50 readings, Vietnam's Purchasing Managers' Index (PMI) suggests that outlook for the manufacturing sector remains positive.

Despite volatility in US trade and tariff policies since early 2025, foreign direct investment (FDI) inflows into Vietnam have continued to gain traction, supported by investor confidence in the outlook for the country and ASEAN. As supply chain realignments persist, realized (or actual) FDI inflow recorded USD 21.3 bn YTD Oct, well above our expectations of USD 20 bn for the full year and USD 19.6 bn in the same period in 2024. FDI pipeline remains strong, as indicated by registered FDI inflows which jumped 15% y/y to USD 31.5 bn YTD, from USD 27.3 bn last year.

Domestic sentiment is similarly upbeat, with retail sales expanding at an average 9.8% y/y in Jan-Oct 2025, ahead of the 8.6% pace in 2024. This came on the back of rising inbound visitors. YTD in Oct, visitor arrivals surged by more than 21% y/y to 17.17 mn, from 14.13 mn in the same period last year. Based on the current momentum, 2025 is on track to exceed the record 18 mn visitors in 2019 and will be an added catalyst for domestic spending.

With real GDP expanding by a robust 7.85% y/y in 1Q-3Q 2025, Vietnam's outlook remains positive for 2026. However, one downside risk to watch is the implementation of the final reciprocal tariff rates since 7 Aug – which saw the rate for Vietnam staying at 20% - which could potentially dampen global trade activity going into 2026 as US consumers and producers are burdened with higher import costs.

Due to a high base in 4Q24, we anticipate the final quarter would be a challenge given a backdrop of tariffs and trade frictions. As such, we anticipate Vietnam's 4Q25 growth to slow to 7.2% y/y, for a full-year expansion of 7.7%. It would be even more daunting to achieve the official 8.3-8.5% projection, which would require 4Q25 expansion in the range of 9.7-10.5% y/y. For 2026, Vietnam's growth pace could moderate slightly to 7% due to base effects and dissipation of frontloading.

CENTRAL BANK

SBV to hold rates steady amid resilient economic growth

Vietnam's inflation rate has yet to show a meaningful slowdown. YTD headline inflation rate hit 3.3% in Oct, vs average of 3.6% in 2024 and 3.26% in 2023. Main drivers continue to be costs of housing & construction materials (6.2% y/y average YTD; 18.8% weight) and health care (17% y/y average YTD; 5.4% weight). Combined with the potential for decent growth prospects going into 2026 and persistent VND weakness, these factors would constrain SBV's ability to ease policy. As such, we expect SBV to keep its refinancing rate steady at 4.50%.

CURRENCY

VND to underperform

The VND is on track to finish weaker against the USD for the fourth consecutive year. While tariff-related uncertainties weighed on sentiment, stronger-than-expected GDP growth helped limit losses, keeping the year-to-date depreciation at a modest 3.5%, broadly in line with prior years. Volatility remained contained, supported by the SBV holding its benchmark rate steady at 4.5% throughout the year and deploying FX interventions to smooth market fluctuations.

Looking ahead to 2026, we expect the VND to continue underperforming regional peers despite a broadly softer USD backdrop. We maintain a cautious stance on the VND and our updated USD/VND forecasts are at 26,300 in 1Q26, 26,100 in 2Q26, 26,000 in 3Q26, and 25,900 in 4Q26.

AUSTRALIA

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
AUD/USD	0.67	0.68	0.69	0.69
AUD Official Cash Rate	3.35	3.10	3.10	3.10
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	2.1	1.1	1.8	2.2
CPI (avg y/y %)	5.6	3.2	2.8	2.9
Unemployment Rate (%)	3.7	4.0	4.2	4.4
Current Account (% of GDP)	-0.3	-1.9	-2.0	-2.3
Fiscal Balance, FY (% of GDP)	-2.1	-1.5	-1.0	-1.5

ECONOMY

Cautious recovery ahead

Australia's GDP slowed to 0.4% q/q in 3Q25 from a revised 0.7% q/q expansion in 2Q25, coming in weaker than expectations for a print of 0.7% q/q. It was also weaker than the Reserve Bank of Australia (RBA)'s Nov Statement of Monetary Policy (SOMP) forecast of 0.5%. The rise this quarter matches the average quarterly growth since the end of the COVID 19 pandemic. From a year earlier, the economy expanded by 2.1% y/y, a tad higher from a revised 2.0% y/y print, but below expectations of 2.2%.

Meanwhile, the latest inflation figures show price pressures remaining stubbornly high. Consumer Price Index (CPI) rose by 3.8% y/y in Oct, up from 3.6% in Sep, marking the strongest reading since mid-2024. The RBA's preferred underlying measure, the trimmed mean, also climbed to 3.3% y/y, above its 2%-3% target band. Housing costs were the biggest contributor, surging 5.9%, while food & non-alcoholic beverages and recreation each rose 3.2%. Electricity prices spiked dramatically, up 37.1% y/y, following the expiry of state government rebates, adding to household cost pressures. The Oct inflation release marks the transition from the quarterly CPI to the complete monthly CPI as Australia's primary measure of headline inflation. The time series for the complete monthly CPI goes back to Apr 2024, which is when the Australian Bureau of Statistics (ABS) began collecting prices for a number of Expenditure Classes more frequently.

As for the labour market, the latest jobs data was surprisingly strong, with employment rising by 42.2k in Oct, following a downwardly revised 12.8k gain in Sep. The Oct increase was stronger than consensus estimate (+20.0k). The unemployment rate fell to 4.34% from 4.45% as the surprisingly strong jobs gain exceeded the rise in labour supply. The outcome was below consensus estimate of 4.4%. The labour force participation rate was unchanged at 66.95% in Oct, leaving robust jobs growth as the key driver of the drop in unemployment.

All in all, Australia's economy is expected to grow at a moderate pace of around 2.0%-2.2% in 2026, as inflation gradually eases toward the RBA's 2%-3% target band and monetary policy shifts to a more accommodative stance. While headline price pressures should soften, household spending remains subdued, with real wages projected to decline slightly before recovering in late 2027. Investment in housing and green energy, alongside resilient exports, will provide some support, but the recovery is likely to be cautious.

CENTRAL BANK

High inflation to keep RBA on hold for now

The RBA, in Nov, had left the cash rate target unchanged at 3.60%. RBA Governor Michele Bullock said that the current interest rate cutting cycle could be close to an end, with the central bank forecasting inflation to stay above its target range of 2% to 3% until the second half of next year. In the accompanying press release, the RBA stated that "the recent data on inflation suggest that some inflationary pressure may remain in the economy. With private demand recovering and labour market conditions still appearing a little tight, the Board decided that it was appropriate to maintain the cash rate at its current level at this meeting".

The RBA does not expect significant easing of annual inflationary pressures in early 2026 due to demand running close to the economy's capacity to supply goods and services. Headline inflation is forecast to peak around mid-2026, as energy rebates from federal and state expire. The effect of higher inflation means that real wages will decline slightly in 2026, before picking up in 2027.

The main challenge lies in assessing the scope for further rate cuts by the RBA amid structural constraints such as a persistently tight labour market and weak productivity trends. The RBA holds its final policy meeting of the year on 9 Dec, where rates are widely expected to stay unchanged at 3.6% after three cuts this year. The RBA expects the economy to grow around its "potential" rate of 2.0% in 2026, supported by lower borrowing costs, steady household incomes and still-strong population growth. Although inflation remains the central focus now, we anticipate that restoring consumer demand will become the dominant issue ahead, likely requiring a more accommodative policy stance and additional rate cuts. For now, we are penciling two more 25-bps rate cuts by the RBA by 1H26.

CURRENCY

Maintain positive outlook for AUD

Excluding Apr's tariff shock, AUD/USD has maintained a steady recovery trajectory this year and is on track to register its first annual gain in five years. Key drivers include the easing of global trade tensions, a firmer CNY, and a relatively less dovish stance from the RBA. Recent upside surprises in inflation data are likely to keep the RBA on hold in Dec, even as we anticipate two more rate cuts in 1H26.

Looking ahead, we expect the constructive macro backdrop to persist into 2026, underpinning demand for risk-sensitive currencies such as the AUD. Moreover, the AUD could emerge as a relative high yielder as the global easing cycle eventually concludes, with our forecast for the RBA terminal rate at 3.10% by 2Q26 reinforcing this view. We maintain a positive outlook on AUD/USD, with updated projections at 0.67 in 1Q26, 0.68 in 2Q26, and 0.69 in both 3Q26 and 4Q26.

EUROZONE

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
EUR/USD	1.17	1.18	1.19	1.20
EUR Refinancing Rate	1.90	1.90	1.90	1.90
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	0.4	0.9	1.4	1.1
CPI (avg y/y %)	5.5	2.4	2.1	1.8
Unemployment Rate (%)	6.6	6.4	6.3	6.3
Current Account (% of GDP)	1.7	2.7	2.1	2.2
Fiscal Balance, FY (% of GDP)	-3.5	-3.1	-3.3	-3.4

ECONOMY

Tariff pressures cloud recovery

The Eurozone economy eked out 0.2% q/q growth in 3Q25, beating expectations of 0.1%, according to flash data from Eurostat on 30 Oct. Growth in the single currency area was boosted by Spain and France, with the former reporting a 0.6% expansion in 3Q25 and the latter registering 0.5% growth despite a backdrop of political instability. Germany and Italy were drags on the growth rate, however, as both countries' economies stalled. Euro area composite PMI points to continued resilience, though signs of strain from higher US tariffs are emerging. We expect GDP to grow again in 4Q25, albeit below trend, leaving little impetus for the ECB to adjust policy in the near term.

Euro area HICP inflation picked up to 2.2% y/y in Nov from 2.1% in Oct, driven mainly by services and energy. Services added 0.05ppt more to the headline than in the prior month, while energy contributed an additional 0.04ppt. Core inflation held steady at 2.4%. Services inflation edged up to 3.5% from 3.4%, underscoring persistent domestic cost pressures - a key concern for the ECB. Nonetheless, we expect the broader disinflation trend to continue as wage growth normalizes toward levels consistent with price stability.

The unemployment rate in the Euro area was 6.3% in Sep, just above the record low of 6.2% and far below the pandemic peak of 8.6%. The labour market has held up despite the ECB's aggressive rate hikes and trade uncertainty from the US, though signs of overheating remain limited. Indicators like the vacancy ratio point to cooling demand over the past two years, even without major job losses. Wage growth is still higher than policymakers prefer but is slowing, and forward-looking data suggest a sharper deceleration ahead. Combined with the disinflationary impact of US tariffs, this raises the risk that inflation could fall below the ECB's 2% target in the medium term.

CENTRAL BANK

ECB to remain data-dependent

As expected, the ECB kept interest rates unchanged in Oct, marking the third meeting that the central bank has kept interest rates on hold, after having cut by a cumulative 200 bps between Jun 2024 and Jun 2025. Overall, it was a non-event, as was ECB President Christine Lagarde's press conference, where she said that the decision to hold rates was unanimous, with the ECB "in a good place".

Most Governing Council members believe the policy rate is already at a neutral level and expect that a surge in German government spending will offset the need for further monetary stimulus as the economy contends with higher US tariffs. We have always been of the view that the ECB is close to, or at the end of its current rate cutting cycle. With the ECB's own growth forecasts indicating that the eurozone economy will grow by slightly more than 1% each year and inflation will settle down to 2% over the next few years, there is indeed very little reason to change its current monetary policy stance.

That said, there are valid dovish reasons that could force the ECB's hand. These include the ongoing French political uncertainty; the possibility of Germany's ambitious fiscal plans underwhelming due to structural bottlenecks; the strong euro exchange rate; as well as the yet-to-be-seen impact from the US tariffs despite the EU-US trade agreement. If any of these downside risks materialise, we expect the ECB to deliver one or two more rate cuts. This will also be why there will possibly be some doves in the Governing Council that may push for further easing as soon as the next ECB meeting on 18 Dec. Note that the Dec meeting will feature fresh economic projections, including a first glance for 2028. We too, are not ruling out the possibility of another rate cut, but at this juncture, we do not think there will be enough new information by the Dec meeting to motivate further easing. As with the ECB, we will be reviewing our forecasts meeting-by-meeting and taking a data dependent approach as well. For now, we have pushed back our call of a final 25 bps cut to 1Q26.

CURRENCY

Further EUR gains in 2026

EUR/USD is set to close the year on a firm footing (+12% YTD), buoyed by broad-based USD weakness and improved euro area sentiment following Germany's approval of a substantial infrastructure and defense spending package. This fiscal boost has reinforced growth prospects and investor confidence across the region. Meanwhile, the political turbulence in France during Aug-Oct proved largely inconsequential for the bloc currency, with minimal spillover effects.

Looking ahead, we expect the ECB to deliver a final 25 bps rate cut in 1Q26, marking the conclusion of its easing cycle that began in Jun 2024. This move should further compress EUR-USD rate differentials as the Fed continues to ease well into 2026, creating a supportive backdrop for the pair. Additionally, Germany's fiscal stimulus narrative is likely to retain momentum into 2026, albeit with diminishing marginal impact compared to the initial surge in Mar 2025. We maintain a constructive outlook on EUR/USD, projecting a gradual appreciation through 2026. Our updated forecasts stand at 1.17 in 1Q26, 1.18 in 2Q26, 1.19 in 3Q26, and 1.20 in 4Q26.

NEW ZEALAND

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
NZD/USD	0.58	0.59	0.60	0.60
NZD Official Cash Rate	2.25	2.25	2.25	2.25
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	1.8	-0.6	0.3	2.2
CPI (avg y/y %)	5.8	2.9	2.7	2.1
Unemployment Rate (%)	3.8	4.8	5.2	4.9
Current Account (% of GDP)	-7.3	-5.3	-3.6	-3.5
Fiscal Balance, FY (% of GDP)	-3.2	-0.8	-3.4	-2.8

ECONOMY

Sluggish recovery

New Zealand's economy has been marked by a fragile recovery following a sharp contraction in 2024. GDP growth has been uneven, with a 0.9% q/q decline in 2Q25 after a 0.9% rise in 1Q25, leaving annual growth down 1.1% y/y to Jun. While retail and construction sectors are facing challenges, strong demand for meat, fruit, and dairy products is lifting farmers' and growers' incomes. The elevated prices of meat and dairy products have been a mixed blessing, boosting exports but also lifting the cost of living.

3Q25 GDP figures will be due on 18 Dec. We project GDP to gradually recover from around 0.3% this year to 2.2% in 2026, supported by lower interest rates, improving household spending, and resilient agricultural exports. However, increased trade restrictions and heightened global uncertainty about trade policy globally will temper external demand, confidence, and the pace of the recovery.

Inflation has moderated into the 1%-3% target range, but cost-of-living pressures remain. CPI growth picked up to 3.0% y/y in 3Q25, from 2.7% y/y in 2Q25 - the highest since 2Q24. Underlying measures were softer than headline inflation. The trimmed mean rose 0.7% q/q in 3Q25, with annual inflation drifting up to 2.6% from 2.5% in the prior quarter. The weighted median measure rose 0.2% q/q, to be 2.2% higher than a year earlier. Non-tradable prices rose 1.1% q/q. The annual pace of increase slowed to 3.5% from 3.7% in 2Q25. The result was broadly in line with the RBNZ's Aug projections. Tradable prices rose 0.8% q/q, to be 2.2% higher than a year earlier, also broadly in line with the RBNZ's expectations.

We expect inflation to ease back to about 2% next year, after peaking at 3% in late 2025. The easing reflects significant spare capacity in the economy, declining non-tradables inflation, and the impact of aggressive monetary easing. The RBNZ has been the most aggressive central bank in the current easing cycle among developed markets. Including the latest reduction in Nov, the RBNZ has lowered interest rates by a total of 325 bps since Aug 2024, pausing just once in 10 meetings over that period. That said, cautious consumer behavior could slow disinflation, while stronger-than-expected domestic demand might keep price pressures elevated longer than forecast.

The labour market has softened through 2025. The unemployment rate rose to 5.3% in 3Q25, from 4.8% at the start of the year, and from 5.2% in 2Q25, marking the highest since 4Q16, as part-time job losses offset full-time gains. The labour force participation rate fell 0.2ppts to 70.3% in 3Q25, continuing its decline from a record high of 72.3% in 2Q23, as the prospects of work diminished.

While the labour market remains weak, there are signs that it is stabilizing. As the economy strengthens next year and businesses expand their workforce, unemployment should begin to fall. Job advertisements have seen a modest uptick in recent months, and we anticipate further growth as firms seek to hire more staff.

CENTRAL BANK

At the end of the easing cycle

As expected, the RBNZ decided to lower the OCR from 2.50% to 2.25% in Nov. According to the accompanying media release, the committee voted 5-1 in favor of a 25-bps cut, with the minority preferring no change. The statement concluded with the RBNZ saying that "future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolve".

Recall that our take on the 50-bps cut back in Oct was that it was very much bringing forward the two cuts that were signaled in Aug, rather than a fresh dovish pivot to do a lot more. According to the latest release of the Monetary Policy Statement – Nov 2025, the central bank's forward guidance shows the average OCR falling to 2.20% in the second quarter next year, implying a 20% chance of another cut. It forecasts the benchmark will be 2.28% by the end of 2026.

While bearing in mind that future rate decisions will depend on evolving economic data, we see the rate cut in Nov as the final move in this current easing cycle. There is no monetary policy meetings scheduled for Dec 2025 or Jan 2026; the next RBNZ meeting will take place on 18 Feb 2026. It is also noteworthy that this meeting was Governor Christian Hawkesby's final policy decision before Anna Breman assumes the role on 1 Dec 2025.

CURRENCY

A turn around in NZD's fortunes

The NZD remained weighed down in 2025 by the RBNZ's aggressive policy easing, which drove relative underperformance versus G-10 peers. Despite a broadly weaker USD backdrop, NZD/USD posted only a modest 2.7% gain year-to-date, while AUD/NZD surged to a 12-year high of 1.1636 in Nov, underscoring the divergence.

Looking ahead, we expect the NZD to stabilize and potentially outperform as the RBNZ appears to have concluded its easing cycle ahead of most developed market central banks. With US yields set to decline further on the back of additional Fed rate cuts in 2026, the relative attractiveness of the NZD should improve, providing a modest tailwind for NZD/USD. Our updated NZD/USD forecasts are 0.58 in 1Q26, 0.59 in 2Q26, and 0.60 in both 3Q26 and 4Q26.

UNITED KINGDOM

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
GBP/USD	1.34	1.35	1.36	1.37
GBP Repo Rate	3.50	3.25	3.00	3.00
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	0.3	1.1	1.4	1.2
CPI (avg y/y %)	7.4	2.5	3.4	2.4
Unemployment Rate (%)	4.1	4.3	4.7	4.9
Current Account (% of GDP)	-3.6	-2.2	-3.0	-2.6
Fiscal Balance, FY (% of GDP)	-5.2	-5.2	-4.3	-3.7

ECONOMY

In slow gear

Chancellor of the Exchequer Rachel Reeves unveiled the long-anticipated budget on 26 Nov, amid a challenging backdrop of sluggish growth, stubbornly high inflation, rising unemployment, and interest rates that continue to pressure households and businesses. With welfare costs climbing and a widening fiscal gap, Reeves turned to a combination of stealth and structural tax measures to boost revenues. The plan relies heavily on frozen tax thresholds, increased property levies, and a sharper focus on wealth taxation. Crucially, the Chancellor scrapped her proposed income tax rate hike—the first since 1975—opting instead for a less blunt but equally significant tax increases to restore fiscal balance.

Ahead of the budget, the economy was close to stalling, with Sep activity hit by a cyberattack at Jaguar Land Rover and concerns over looming tax hikes. 3Q25 GDP grew just 0.1% q/q, down from 0.3% in 2Q25 and below the BOE's 0.2% forecast. Investment was the main driver of quarterly output, jumping 1.8% q/q, led by government spending linked to the Oct 2024 Budget and residential investment. Household consumption remained weak, rising only 0.2% q/q, while exports slipped slightly amid a softer global backdrop.

Meanwhile, UK inflation fell for the first time in seven months in Oct, a sign price pressures are past their peak. CPI increased 3.6% y/y, down from the 3.8% rise in Sep, matching BOE's forecast. The drop to the lowest inflation rate since Jun was driven by energy prices rising by less than they did in Oct 2024. Services inflation, closely watched by the BOE, edged down to 4.5%. We expect inflation to ease gradually, falling from 3.4% in 2025 to around 2.4% in 2026.

As it is, according to the latest forecasts from the Office for Budget Responsibility's (OBR), the economy is expected to grow 1.5% this year, up from the 1.0% it predicted in Mar. The forecast for 2026 is at 1.4% and 1.5% every year thereafter until 2030. Inflation appears to be running very slightly hotter than predicted in Mar, coming in at 3.5% this year compared with a forecast of 3.2%, then 2.5% in 2026 (up from 2.1%). Thereafter, it stands at 2.0% every year.

CENTRAL BANK

BOE poised for gentle rate cuts

The BOE voted narrowly to hold the Bank Rate steady at 4.0% in Nov. Out of the nine-member monetary policy committee, five members voted to hold, while four opted for a 25-bps cut. The vote was slimmer than expected with consensus expecting a 6-3 split in favor of a hold. Overall, the statement summary and minutes, Monetary Policy Report (MPR), alongside BOE Governor Andrew Bailey's comments during the press conference reflect a shift in focus from inflation to weak demand, as the economy shows signs of slowing.

Post-budget, we believe that fiscal measures such as extended freezes on income tax and national insurance thresholds, higher property and wealth taxes, and structural reforms will tighten demand over the medium term, complementing the BOE's efforts to bring inflation back to target. Near-term relief—like removing green levies from energy bills and freezing rail fares—offers temporary support to households but is unlikely to alter the broader trend of slowing consumption.

Indeed, with inflation projected to fall to 2.0% by early 2027, the MPC has room to begin a cautious easing cycle, adding to our case of the BOE lowering the Bank Rate by 25 bps at its next and final meeting of the year on 18 Dec. Over the longer horizon, fiscal drag and back-loaded consolidation will weigh on growth, reducing the neutral interest rate and limiting the need for aggressive monetary tightening. Public investment commitments in infrastructure and health tech may support potential output, but their impact will only materialize gradually.

For the BOE, the budget reduces fiscal uncertainty and stabilizes gilt markets, allowing monetary policy to focus squarely on inflation dynamics and labour market conditions. Nonetheless, wage persistence, execution of fiscal plans, and external shocks, remain as key risks, which could influence the pace of rate cut. We currently pencil in quarterly rate cuts to continue until 3Q26 to leave the policy rate at 3.00% over the forecast horizon.

CURRENCY

Worst may be over for GBP

GBP/USD staged a late-Nov rebound following the Autumn Budget, as worst-case fiscal scenarios were avoided, and Chancellor Rachel Reeves restored some credibility with a larger-than-expected GBP 22bn fiscal buffer. This marked a sharp turnaround from the preceding weeks, when GBP underperformed across G-10 amid concerns over aggressive tax hikes, sluggish growth, and political instability.

The removal of fiscal uncertainty has eliminated a key near-term drag on GBP. Looking ahead, broad-based USD weakness – driven by continued Fed easing into 2026 – should provide additional support for GBP/USD. However, GBP may still lag its G-10 peers next year, consistent with this year's trend, as we expect the BOE to maintain a quarterly rate-cut cadence through 3Q26. Our updated forecasts project GBP/USD at 1.34 in 1Q26, 1.35 in 2Q26, 1.36 in 3Q26, and 1.37 in 4Q26.

UNITED STATES

FX & Rates	1Q26F	2Q26F	3Q26F	4Q26F
DXY	98.2	97.3	96.5	95.7
US Fed Funds Rate	3.75	3.50	3.25	3.25
Economic Indicator	**2023**	**2024**	**2025F**	**2026F**
GDP (%)	2.9	2.8	1.5	1.7
CPI (avg y/y %)	4.1	3.0	2.9	2.6
Unemployment Rate (%)	3.8	4.1	4.5	4.5
Current Account (% of GDP)	-3.3	-3.9	-3.9	-3.8
Fiscal Balance, FY (% of GDP)	-6.3	-6.9	-6.3	-6.1

ECONOMY

Positive but subdued growth outlook, with risk of another shutdown

A record 6-week (43 days) US government shutdown has delayed the release of US 3Q GDP till 23 Dec (2025). In 1H 2025, US growth averaged 1.4%, a clear moderation from 2024, reflecting cooler domestic demand and signaling a sub-trend trajectory. Inflationary impact from tariffs was visible but largely contained, while trade deals and an extended US-China negotiation timeline (including an interim rare earths deal) offered support. Trump's tax cuts and deregulation could offset tariff fallout, boost confidence, and aid growth, though likely worsening the fiscal deficit with tariff revenues providing some offset. Tough immigration policies may hurt growth if deportations cut labor supply (and also negatively affect demand), while green policy rollbacks (at the expense of the environment) will lift energy output and lower pump prices (below US$3/ gallon for the first time since May 2021).

The non-partisan Congressional Budget Office (in Oct) projected a 6-week government shutdown would lower US 4Q GDP by 1.5ppts, and subsequently, adding 2.2ppts in 1Q 2026, and any effect will diminish thereafter, as the economy returns to normalcy assuming the absence of another shutdown. We largely agree with this assessment, and as such, with a temporary funding bill in place, the US government will remain open for the rest of 2025, but we have lowered our US GDP growth forecast by 0.2ppts to 1.5% (previous forecast 1.7%) and upgraded the 2026 growth forecast by 0.2ppts to 1.7% (previous forecast 1.5%). The key risk to our 2026 forecast is the re-emergence of another prolonged government shutdown after 30 Jan (2026), which has consequences to the real economy such as the aviation industry and could impair next year's recovery. That risk is increasing. As part of the agreement to back the interim spending bill, it was in exchange for a Senate vote by mid-Dec on extending the expiring subsidies for the Affordable Care Act (Obamacare) health insurance premiums. Various reports suggest both democrats and Republican lawmakers are nowhere close to agreeing on any healthcare plan that would secure the required 60 Senate votes, implying a likely sharp spike in health insurance premiums beginning Jan (2026) and this means another shutdown after 30 Jan is even more likely, and hence, subsidies for the Obamacare health insurance premiums will be a key issue for 2026 mid-term elections. Our base case remains for no US recession, and we keep the recession probability at 35%.

The much-delayed non-farm payrolls (NFP) came in at a robust 119,000 in Sep while the downward revision of the preceding two months of job creation was a moderate -33,000 (versus last reading of -21,000 and tamer than the massive -258,000 revision in Jul). That said, the bigger concern was that Aug jobs data was further revised down from +22,000 to -4,000. Despite the higher-than-expected Sep job creation, the US employment situation is largely seen as softening since May 2025 (i.e. post-liberation Day). Employment growth has averaged a paltry 18,500 per month between May and Aug, well below the average of 123,000 between Jan and Apr this year, and 2024's monthly average of 168,000. The other negative surprise was the unemployment rate, which ticked up to 4.4% in Sep (Aug: 4.3%), a 4-year high, despite the better job gains but is seen to be in line with the narrative of weakening US labor market. Unemployment rate is expected to edge higher to 4.5% by end-2025 and stay around that level for 2026.

CPI inflation will continue to face the impact from Trump's tariffs but remain largely contained. After a recent peak at 69.7 in Jul, the ISM sub-index of prices paid for inputs by manufacturers was still elevated but eased below 60 in Oct and Nov, so the pass-through effect remains orderly. We keep our 2025 US headline CPI forecast at an average 3.6% in 4Q, and 2.9% for the full year while our core CPI inflation is projected higher at 3.8% in 4Q, full year at 3.2% due to a weaker energy price outlook. We continue to assume the tariff-driven inflation to be a one-time spike in prices before easing to 2.6% (for both) next year, above the long term 2% target but within tolerable ranges.

CENTRAL BANK

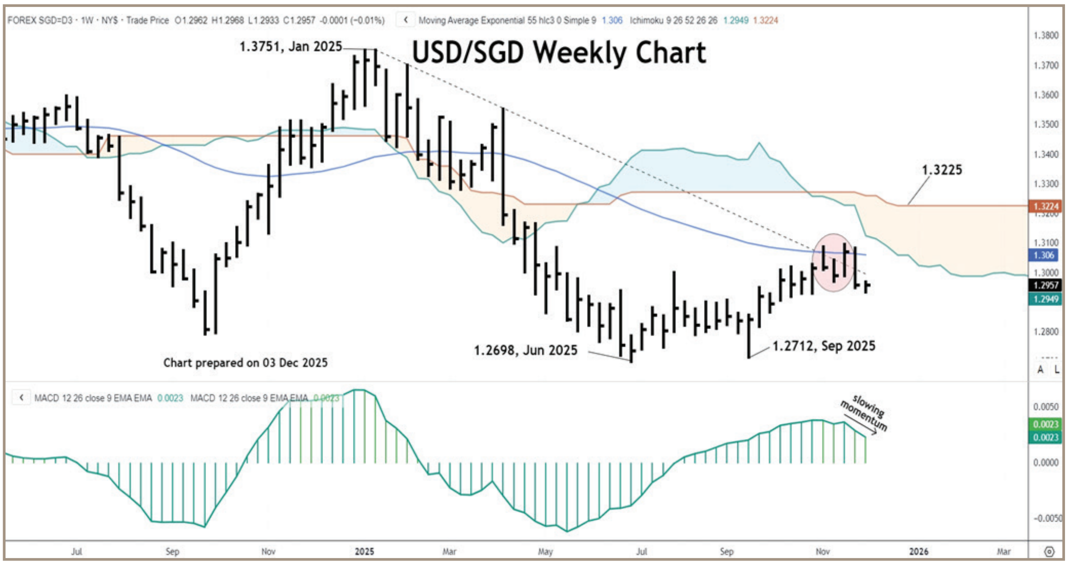
Post-Dec's expected cut, a likely pause before resuming with 2 more cuts in 2026

The US Fed resumed easing, lowering the Fed Funds Target Rate (FFTR) range with two 25-bps cuts in Sep and Oct, to 3.75%-4.00% so far in 2025. We continue to project one more 25-bps rate cut in the remaining Dec FOMC meeting this year, primarily due to downside risks to growth and employment. While there were significant divisions among the Fed voters ahead of the Dec decision (Fed Governors Miran, Waller and Bowman preferring to ease further, while voting regional Fed Presidents of Goolsbee, Collins, Musalem and Schmid preferring to pause), New York President Williams (permanent voter) proved to be the decisive swing and markets have now nearly fully priced in a Dec cut (WIRP at 98.3% for a 25-bps cut as of 3 Dec). Going into 2026, we anticipate a renewed period of pause ahead of Powell's step-down as FOMC Chair. The delayed US data releases reinforce expectations of a pause after Dec cut, as the Fed adopts a more cautious approach. We still expect Fed to resume easing, in 2Q when the new Fed Chair takes over. While we currently project two rate cuts in 2Q and 3Q26, implying a terminal FFTR of 3.25% in 2026, the key uncertainty will be the appointment of the next Fed Chair (announcement expected in early Jan). If an exceptionally dovish candidate (such as Kevin Hassett) aligned with Trump's policy stance is appointed, additional cuts may be considered (in 2026).

FX TECHNICALS

USD/SGD: 1.2955

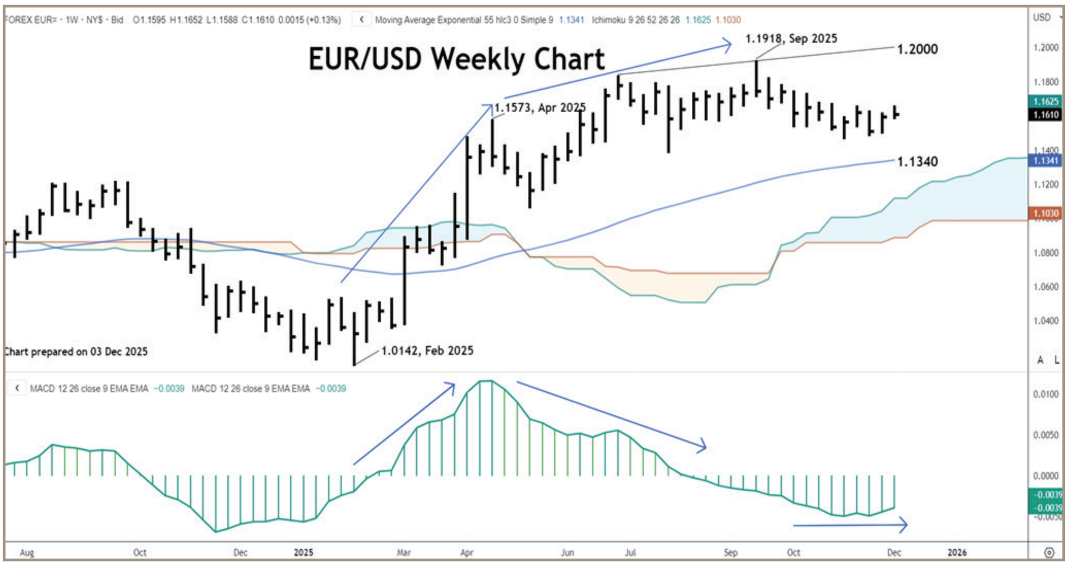
USD/SGD is likely to trade within a range of 1.2700 to 1.3225, with intermediate support at 1.2800 and resistance at 1.3100.



The USD/SGD downtrend that began in January 2025 tested the 1.2700 level twice — in June and September — but failed to clearly break below this support. Although the rebound from the mid-September low broke above both the declining trendline resistance and the 55-week EMA, the move lacked follow-through, and upward momentum has since slowed. Looking ahead to the first quarter of 2026, we expect USD/SGD to trade within a range of 1.2700 to 1.3225, with intermediate support at 1.2800 and resistance at 1.3100.

EUR/USD: 1.1620

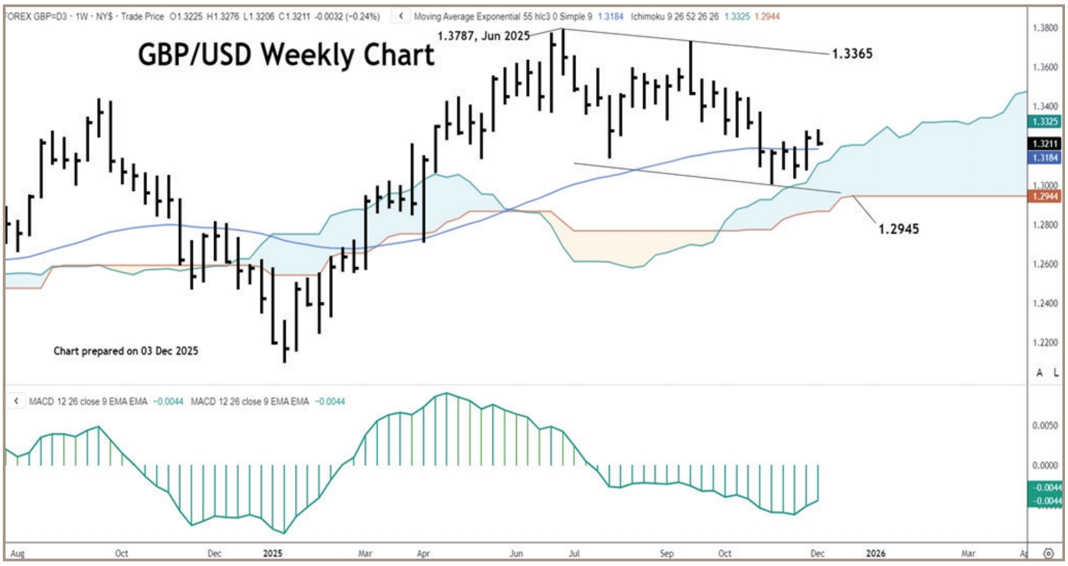
EUR/USD is likely to trade between 1.1340 and 1.2000.



After dropping to a low of 1.0142 in early February this year, EUR/USD staged a sharp and swift rebound to 1.1573 by April. Although the recovery continued beyond April, upward momentum slowed amid negative divergence on the weekly MACD. Note that EUR/USD briefly touched 1.1918 in September before easing. EUR/USD appears to have entered a range-trading phase, and it is likely to trade between 1.1340 and 1.2000 going into the first few months of 2026.

GBP/USD: 1.3215

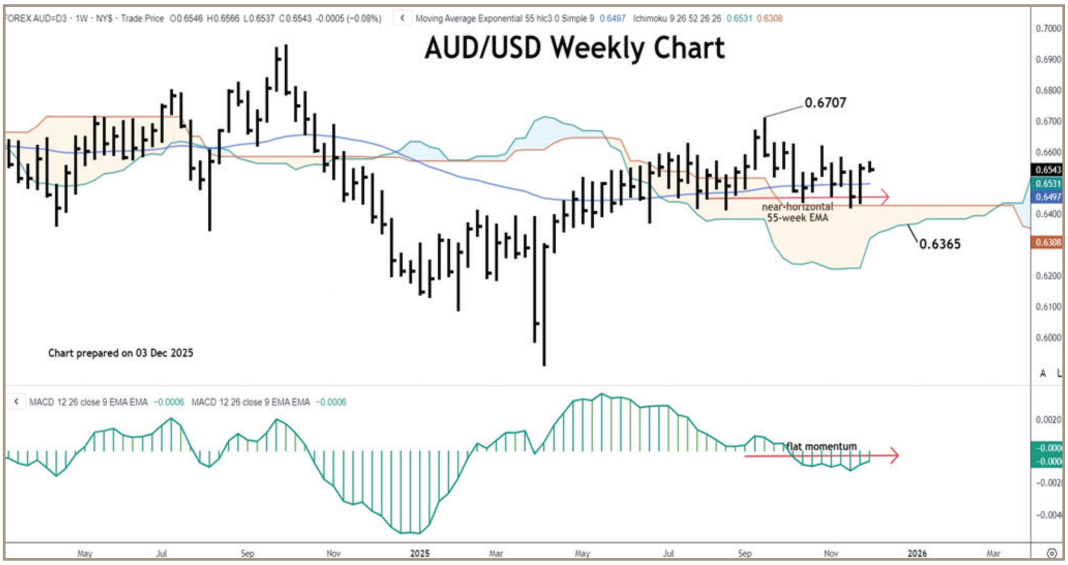
GBP/USD could decline further within a descending consolidation phase; any further pullback should find solid support at 1.2945.



The price action in GBP/USD since the 1.3787 June high appears to be part of a descending consolidation phase. While further downside is not ruled out, the lack of a significant increase in downward momentum suggests any further pullbacks should find solid support at 1.2945. However, a clear break below 1.2945 could trigger a deeper drop in the coming months. On the upside, resistance is expected near 1.3365.

AUD/USD: 0.6550

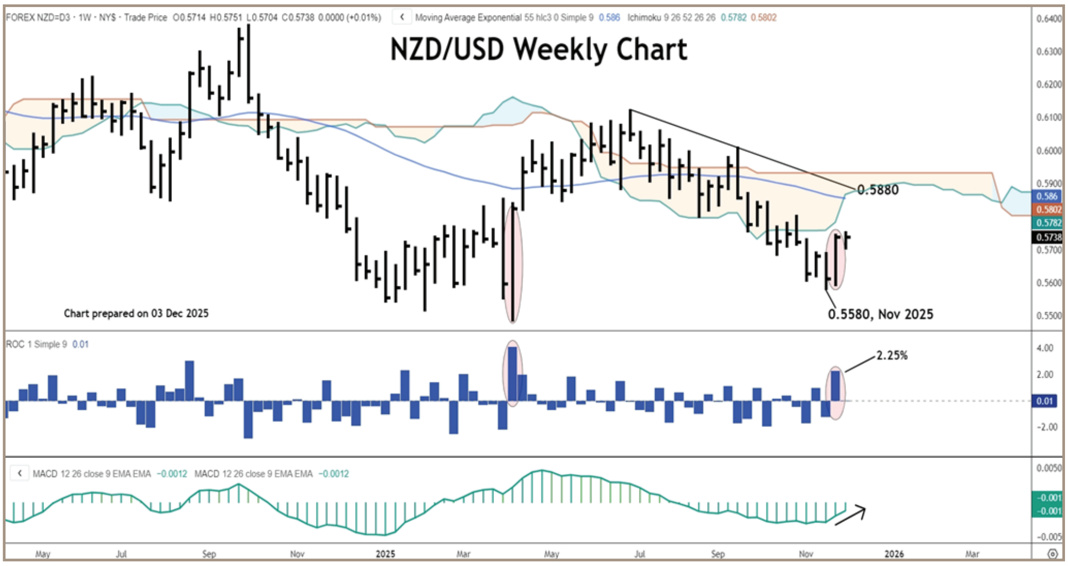
There is no clear trend in AUD/USD; for the time being, it could trade between 0.6365 and 0.6710.



Since mid-August of this year, AUD/USD has been trading sideways, with price clustering around the near-horizontal 55-week EMA. The flat weekly MACD also points to a lack of clear trend. For the time being, AUD/USD could continue to trade in a directionless manner, probably between 0.6365 and 0.6710.

NZD/USD: 0.5735

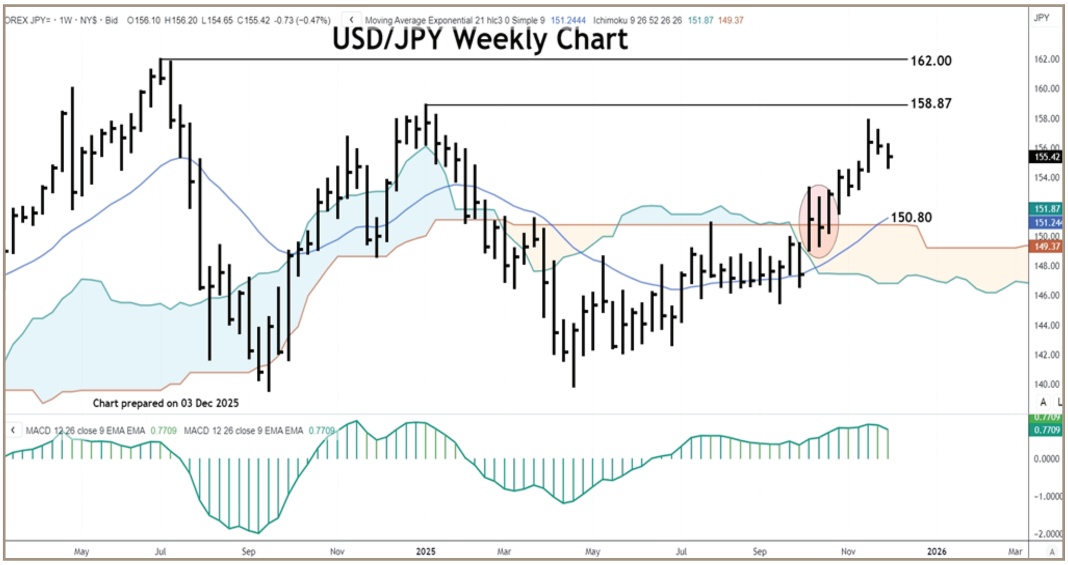
Price action points to further upside potential; it remains uncertain whether momentum is strong enough to break above the key resistance at 0.5880.



NZD/USD fell to 0.5580 in late November before rebounding sharply, posting a weekly gain of 2.25%, its largest one-week advance since April. Weekly MACD, while still in negative territory, is turning higher. The price action points to further upside potential for NZD/USD, though it remains uncertain whether momentum is strong enough to break the key resistance at 0.5880. Both the declining trendline and the base of the weekly Ichimoku cloud are near 0.5880. Overall, NZD/USD is likely to trade with an upward bias, as long as it holds above the 0.5580 low.

USD/JPY: 155.70

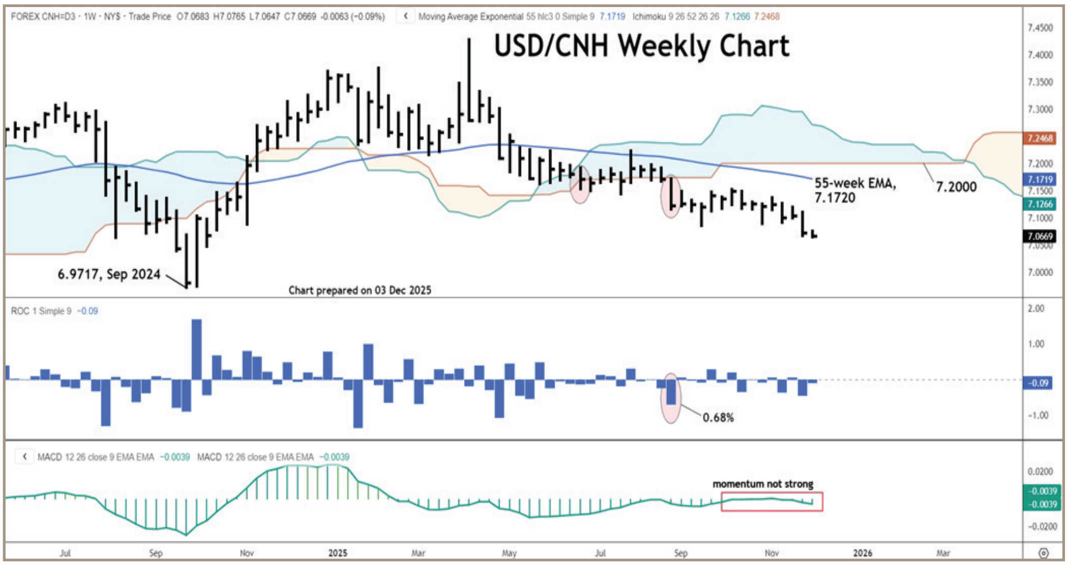
Risk for USD/JPY remains tilted to the upside; a break above the early-January 2025 high of 158.87 would not be surprising, though it is premature to expect an advance toward the 2024 high of 162.00.



USD/JPY broke above the top of the weekly Ichimoku cloud in early October and staged a sharp rally. Although the advance has moderated as it approaches the early-January 2025 high of 158.87, upward momentum remains firm, and the risk going into 2026 continues to tilt to the upside. A break above 158.87 would not be surprising; however, it is premature to expect USD/JPY to advance toward the 2024 high of 162.00. To maintain the momentum, USD/JPY must hold above 150.80. Both the 21-week EMA and the top of the weekly Ichimoku cloud are near 150.80.

USD/CNH: 7.0670

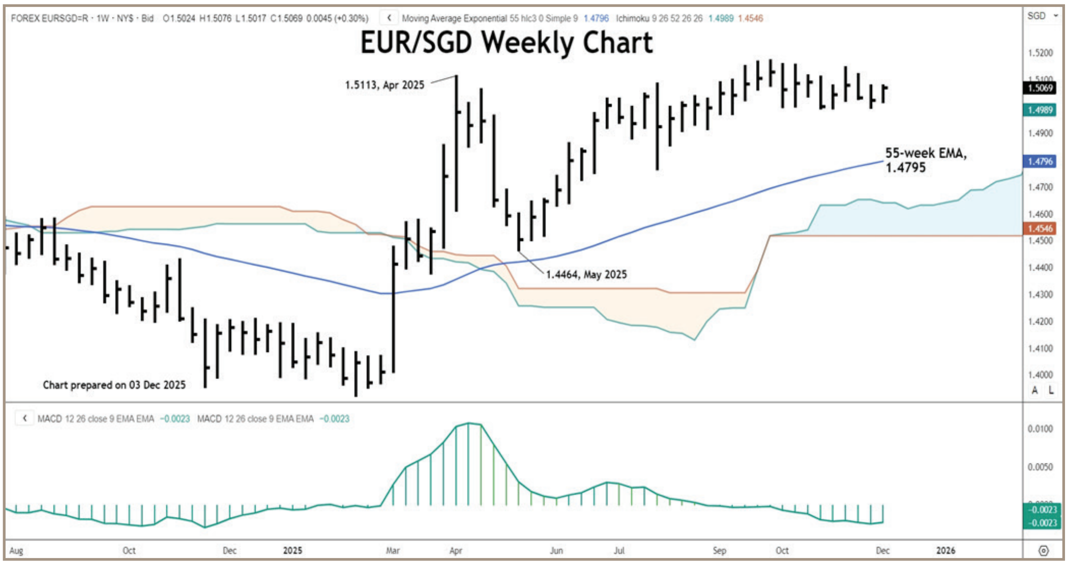
USD/CNH is likely to continue to decline in a gradual and uneven manner; the Sep 2024 low near 6.9720 is probably out of reach in the early months of 2026.



While USD/CNH broke below the base of the weekly Ichimoku in late June, there was no follow-through as it traded sideways for several weeks. Although the relatively large 0.68% weekly decline in late August triggered a deeper drop in USD/CNH, the subsequent weakness has remained gradual and uneven. The price action was not unexpected, given the lack of strong downward momentum, and USD/CNH is likely to continue to decline in a gradual and uneven manner. Based on the current momentum, the September 2024 low near 6.9720 is probably out of reach in the early months of 2026.

EUR/SGD: 1.5070

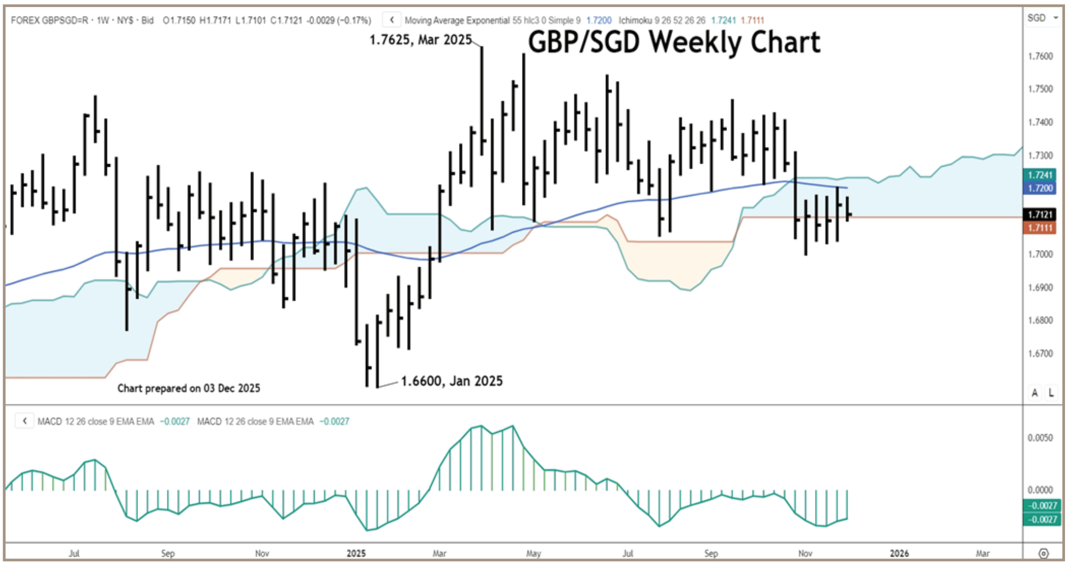
EUR/SGD could continue to edge higher toward the key resistance at 1.5200.



EUR/SGD staged a sharp two-month rally to 1.5113 in April this year before plummeting to a low of 1.4464 in May. Although it subsequently rose from the low, the advance has been slow and drawn-out. Looking ahead into 2026, as long as EUR/SGD stays above the 55-week EMA, currently at 1.4795, it could continue to edge higher toward the key resistance level at 1.5200.

GBP/SGD: 1.7120

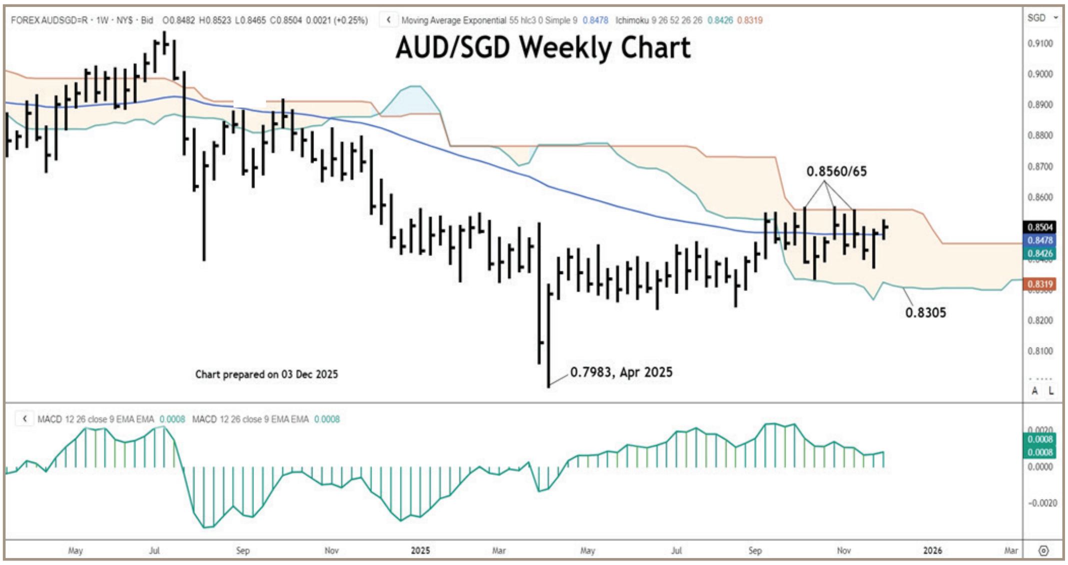
Further sideways trading in GBP/SGD appears likely in the first few months of 2026.



GBP/SGD soared from a January low of 1.6600 to reach 1.7625 in March but has since been trading in a sideways range. Further sideways trading appears likely in the first few months of 2026, with support levels at 1.6850 and 1.6600, while resistance levels are at 1.7470 and 1.7625.

AUD/SGD: 0.8500

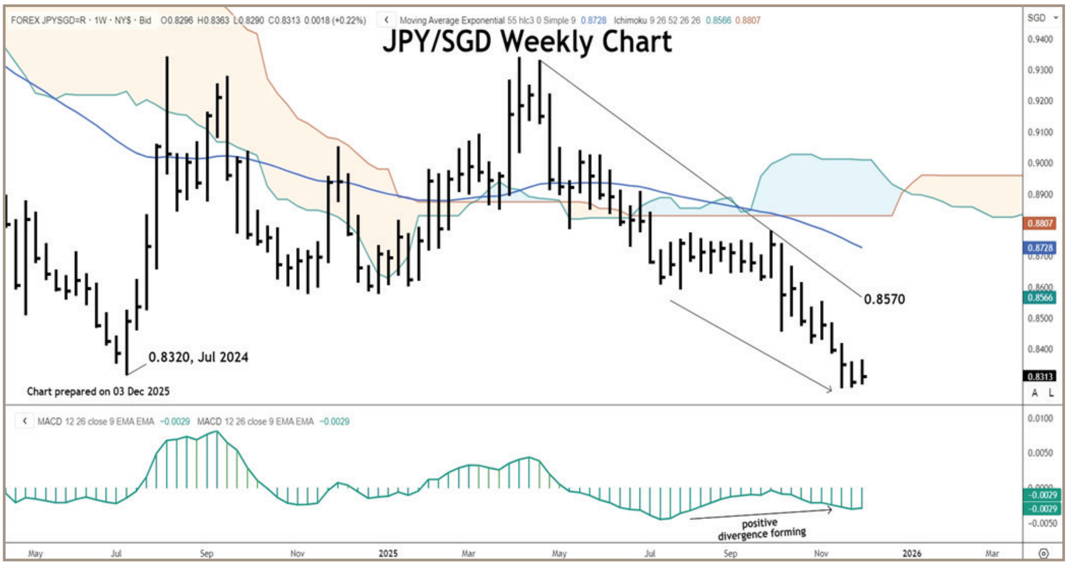
There is scope for AUD/SGD to break above 0.8560/65, the top of the weekly Ichimoku cloud.



AUD/SGD tested the top of the weekly Ichimoku cloud three times in October and November but failed to break decisively above the 0.8560/65 level. As AUD/SGD remains within the weekly cloud and has not broken below its base at 0.8305, there is still scope for a move above 0.8560/65 in the coming months. A clear break above 0.8560/65 could open the way for a move toward 0.8650. Conversely, a break below 0.8305 would signal a period of consolidation within a broader range.

JPY/SGD: 0.8315

Downward momentum may be weakening, and further JPY /SGD losses could be limited.

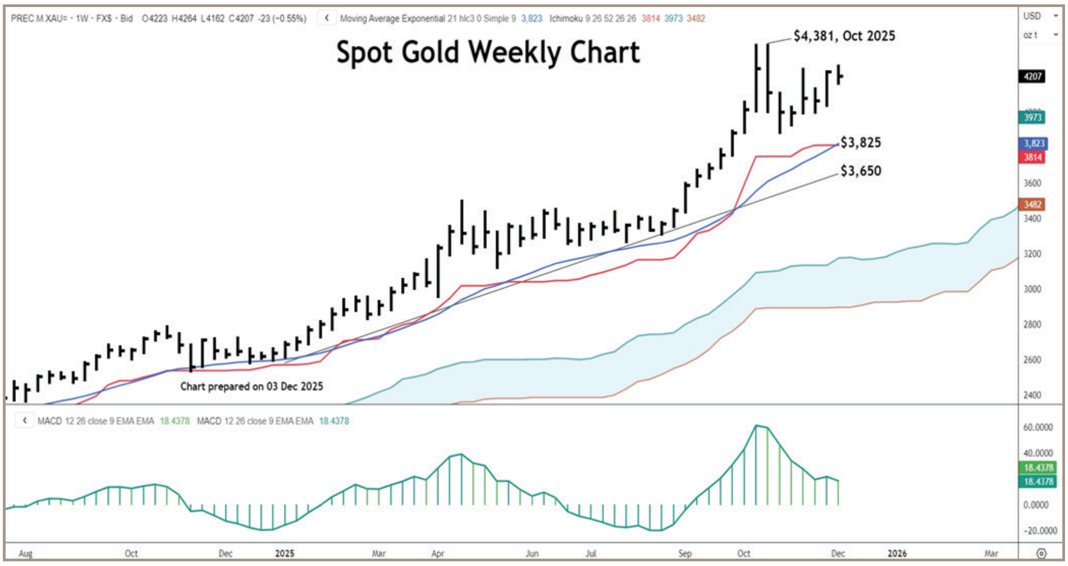


JPY/SGD fell below the 2024 low of 0.8320 in late November. Despite the new lows, a positive divergence is forming on the weekly MACD, suggesting downside momentum may be weakening and further losses could be limited. However, only a clear breach of the weekly trendline resistance at 0.8570 – with 0.8470 acting as an intermediate resistance – would indicate that the weakness has stabilised. On the downside, support levels are at 0.8260 and 0.8220.

COMMODITIES TECHNICALS

Spot Gold
$4,207/oz

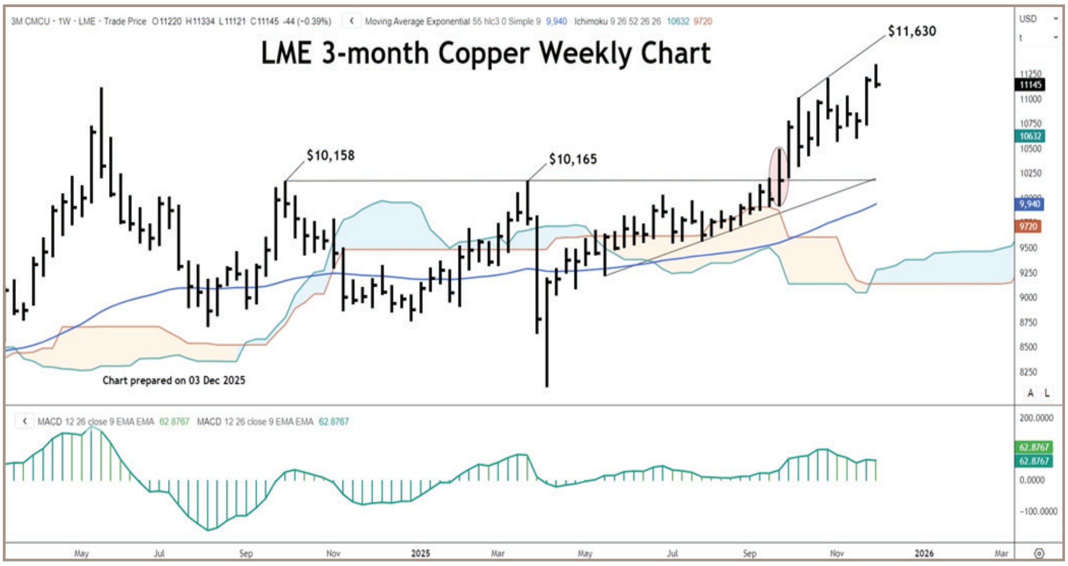
Further record highs in gold seem likely, with intermediate key support level at $3,825.



The price movements in spot gold since reaching the record high of $4,381 in October appear to be part of a consolidation phase. In other words, further record highs seem likely, and it is too early to expect a significant correction. It is worth noting that spot gold has held above both the 21-week EMA and the base line of the weekly Ichimoku cloud since early this year. These indicators are currently near $3,825, underscoring this level as an intermediate key support. The long-term key support level is at $3,650. On the upside, the next level to watch above $4,381 is $4,560.

LME 3-mth Copper
$11,145/mt

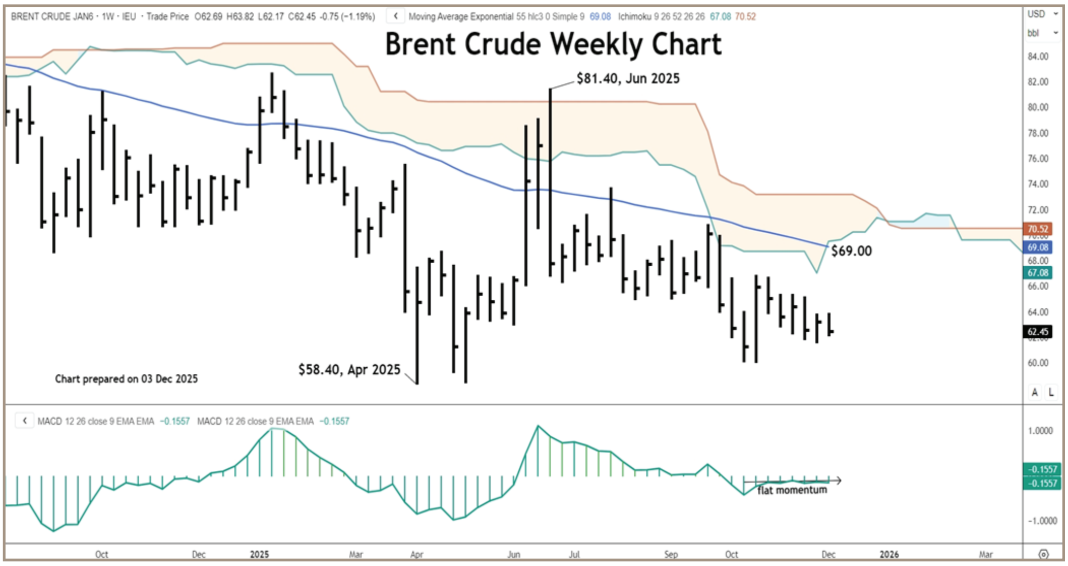
Copper could rally further; any further advance is likely to be more gradual and $11,630 may not be tested in the early months of 2026.



The 3-month LME copper futures tested the $10,160 level twice — in September 2024 and March 2025 — but failed to break above it decisively. However, on the third attempt in September, copper broke clearly above this level. The breach triggered a sharp rally that appears to be still underway. However, given the overbought conditions, any further advance is likely to be more gradual, and the resistance at $11,630 may not be tested in the early months of 2026. On the downside, key support is located at the breakout level around $10,160.

Brent Crude
$62.50/bbl

Brent crude could grind lower; any decline is unlikely to threaten the April low of $58.40.



Brent crude rose to a high of $81.40 in June and then plunged. Since then, it has been grinding lower, but with no clear increase in downward momentum. While Brent could continue to grind lower, based on the current momentum, any decline is unlikely to threaten the April low of $58.50. On the upside, resistance can be found at $69.00.

GLOSSARY

BI	Bank Indonesia
BNM	Bank Negara Malaysia
BOE	Bank of England
BOJ	Bank of Japan
BOK	Bank of Korea
BOT	Bank of Thailand
BSP	Bangko Sentral ng Pilipinas
CBC	The Central Bank of the Republic of China (Taiwan)
ECB	European Central Bank
FOMC	Federal Open Market Committee
HKMA	Hong Kong Monetary Authority
MAS	Monetary Authority of Singapore
PBOC	The People's Bank of China
RBA	Reserve Bank of Australia
RBI	Reserve Bank of India
RBNZ	Reserve Bank of New Zealand
SBV	State Bank of Vietnam

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