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Asia 2027 outlook: resilient growth, lingering risks

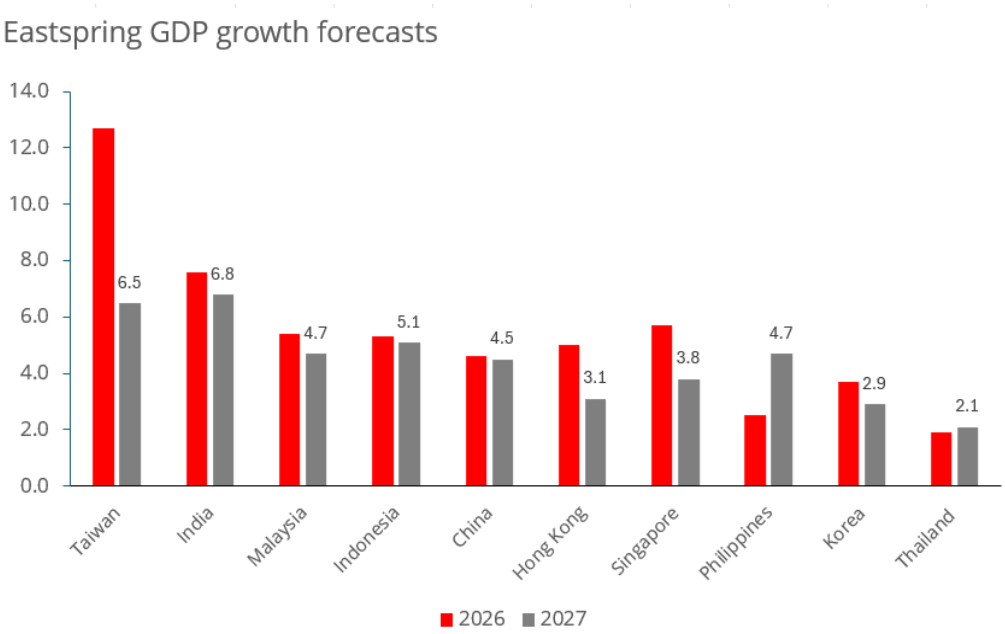
Solid growth, easing inflation and shallow policy tightening


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It is the time of year when 2026 begins to recede into history and market attention shifts quickly towards the year ahead. Although the global economy has avoided a major downturn, markets have become more volatile amid rising concerns over the durability of the AI investment cycle and heightened geopolitical risks. In Asia, the World Trade Organisation's latest trade forecasts continue to point to solid export growth at 5.2% in 2027, following an elevated 9.9% in 2026. Historically, export-volume growth at the projected rate would provide a supportive backdrop for the region's export-oriented economies. We therefore expect growth across most of Asia to remain solid in 2027.

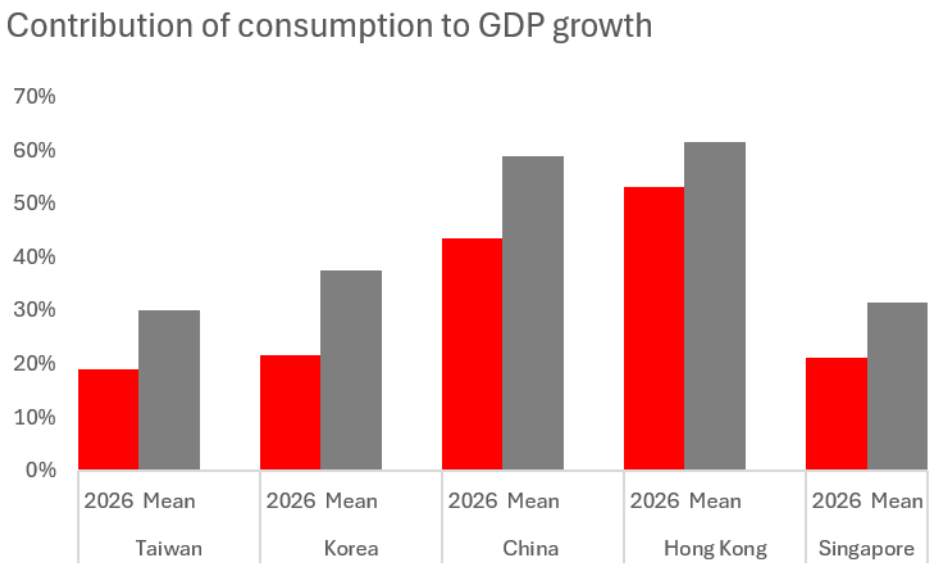


Source: Eastspring investments

However, expectations that the AI trade boom will generate broad-based growth spillovers should be tempered. Strong headline growth has so far remained concentrated, while consumption has been considerably weaker. Even in Asia's leading technology exporters, consumption has failed to keep pace with the broader economy, resulting in a sharp decline in its contribution to growth. The lack of broadening out therefore highlights the downside risk to the economy should AI spending get revised down markedly. This suggests that capex projection further into the future will carry a greater weight earlier in 2027 than in previous years.

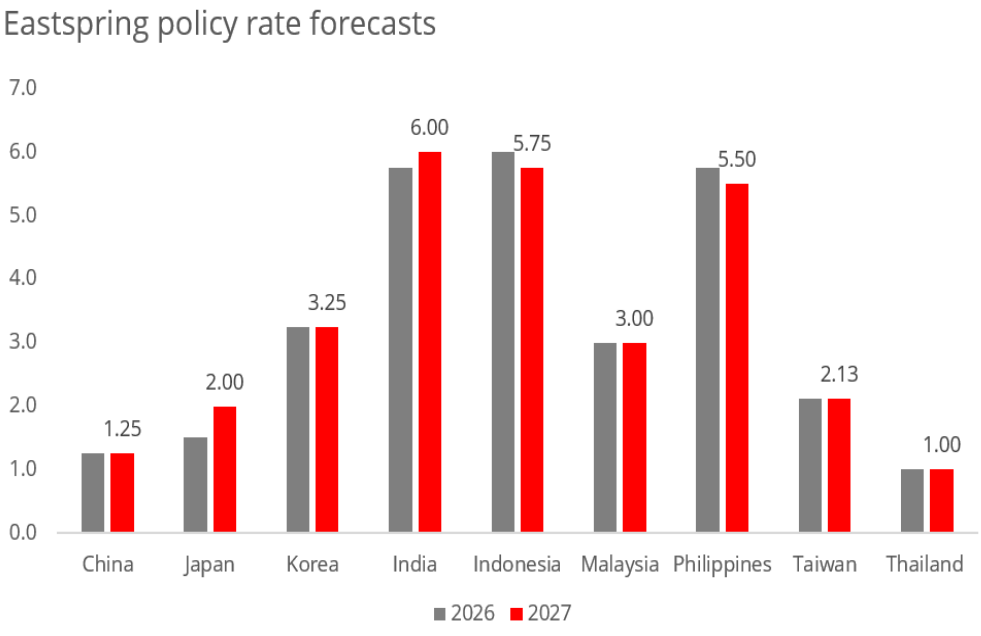
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Note: grey bars are historical average.
Source: Eastspring investments, CEIC

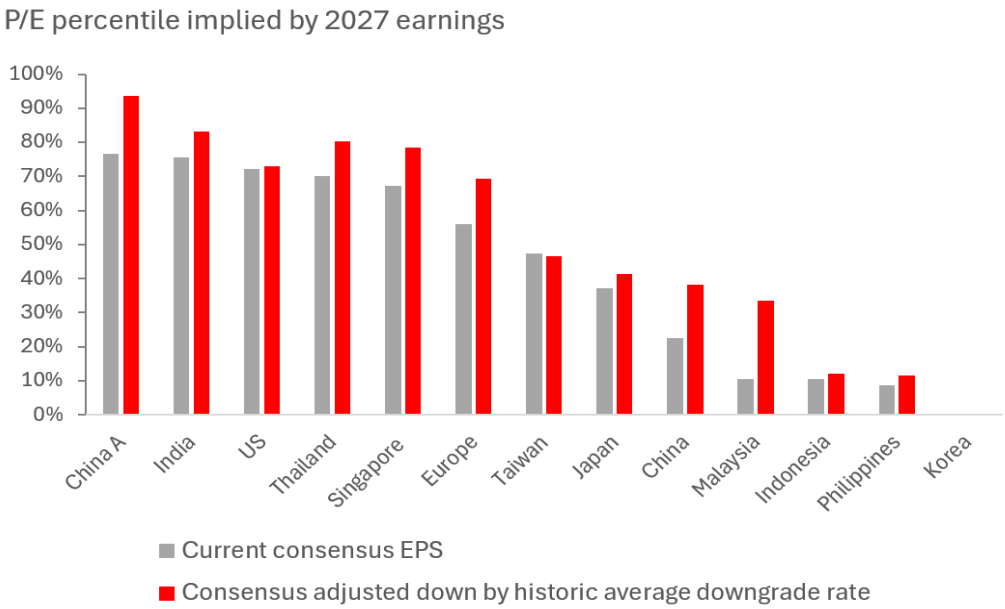
The upside of soft domestic demand is that underlying price pressures across the region remain contained. Apart from India and Japan, there are few signs of accelerating core inflation or wage-price pressures that would justify a sharp regional tightening cycle in 2027. For the region's growth laggards who were forced to hike rates aggressively amid bouts of FX weaknesses, ie. Indonesia and the Philippines, central banks will seek to unwind some of the rate hikes in the second half of 2027, assuming that softer oil prices allow the Federal Reserve to wrap up its tightening cycle by mid-year.



Source: Eastspring investments

Solid growth, benign inflation and a relatively shallow policy-tightening cycle do not present an extreme macroeconomic challenge for Asian equities. Nevertheless, the near-term market outlook is likely to remain highly volatile as investors continually reassess the balance between still-elevated earnings expectations and increasingly attractive valuations.

As highlighted last week, current valuations appear to incorporate a meaningful degree of discount towards 2027 consensus earnings forecasts. Some downward adjustment is likely. Historically, analysts have tended to overestimate calendar-year earnings by between 1% to 15% across markets. However, our analysis suggests that valuations would remain inexpensive in most markets even after applying their historically typical earnings downgrades.



Source: Eastspring investments, LSEG

China remains the outlier

In contrast to our generally constructive outlook for the rest of the region, China remains the main outlier, with growth likely to stay lacklustre. We do not expect growth to fall sharply towards the lower end of the 4% range. However, achieving growth close to 4.5% would require substantially more fiscal support than in 2026 and would risk reinforcing an already unbalanced growth model that remains industry-heavy and consumer-light. More importantly, inflation is likely to become a lower policy priority as the authorities focus on sustaining real activity. We expect weak household demand and persistent excess capacity to produce a material slowdown in headline inflation to around 0.4% in 2027.

For equities, the principal concern is the resulting weakness in nominal growth. Soft pricing power would constrain corporate revenue growth and could place further pressure on margins. This creates downside risk to current consensus

earnings forecasts. Projected 2027 earnings growth of 14.3% for MSCI China and 21% for China A-shares appears too optimistic against this macroeconomic backdrop.

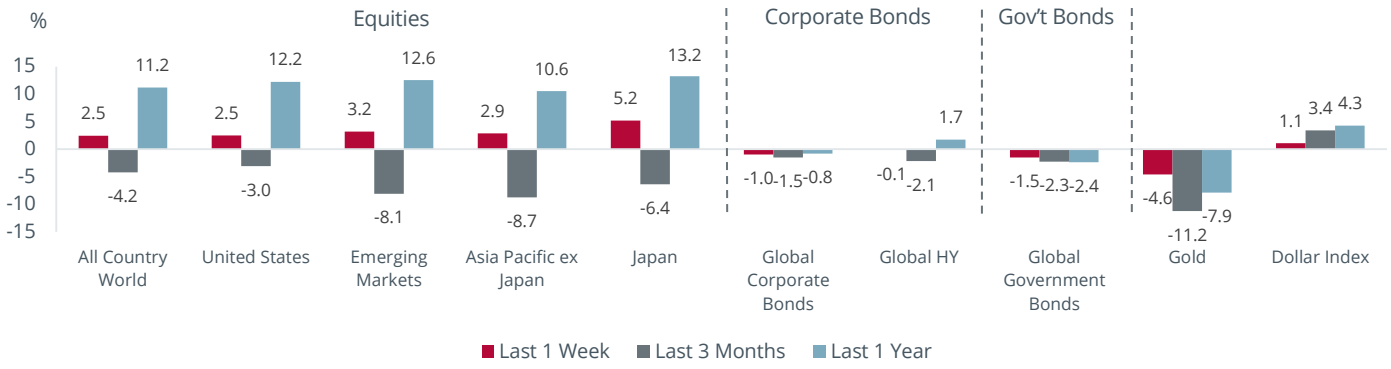


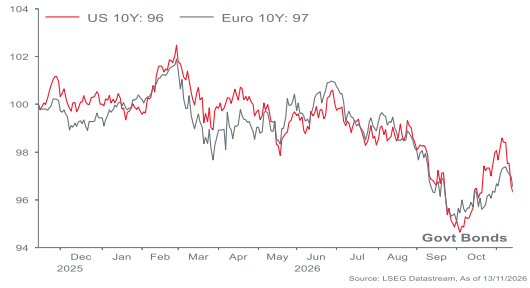
Market Review

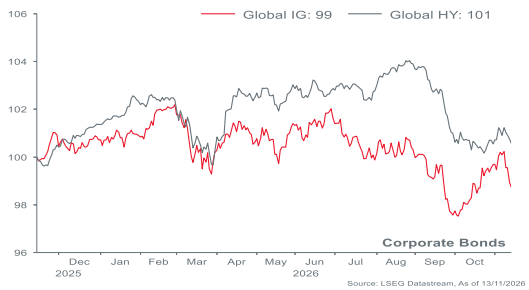
Global equities were mostly positive over the last week, with the MSCI AC World Index rising 2.5%. US equities rose, with the S&P 500 up 2.5% and Nasdaq up 2.3%. Emerging Markets gained 3.2%, Asia Pacific ex Japan advanced 2.9%, and Japan increased 5.2%

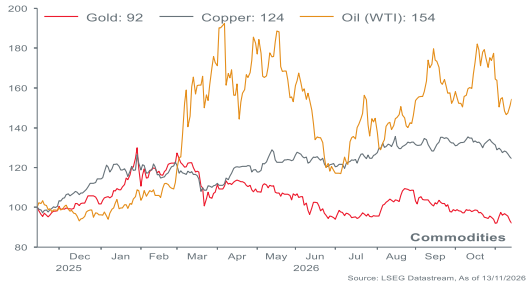
Gold fell 4.6% over the week, while the US dollar index strengthened 1.1%. Bond markets were weak, with Global Corporate Bonds declining 1.0% and Global High Yield Bonds edging down 0.1%. Global Government Bonds also fell 1.5%.

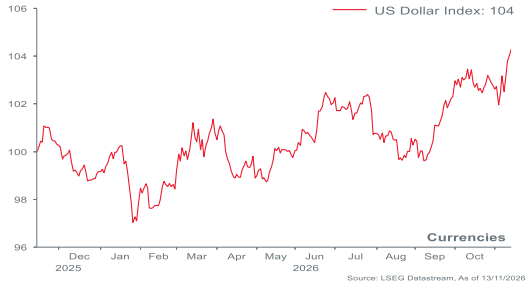
Asset Performance

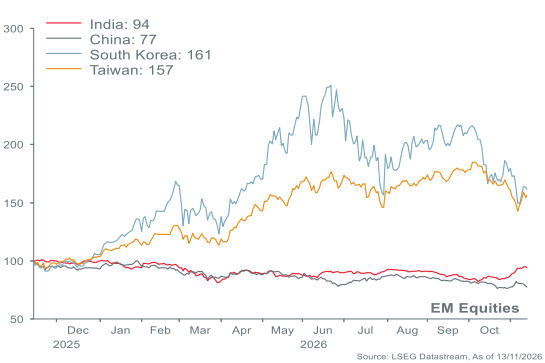


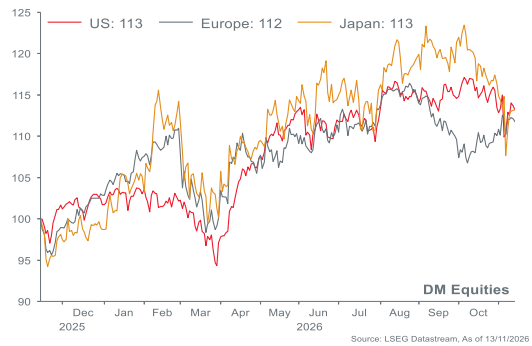












Market Data

Government Bonds	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
US Treasury Yield (%)								
10 Year	5.15	6.05	-1.23	11.03	24.98	24.08	5.31	3.96
10 Year Bond Yield (%)								
Japan	2.86	8.41	-4.79	-0.38	68.81	38.31	3.11	1.70
China	1.60	-0.37	-6.82	-5.61	-11.91	-14.18	1.89	1.59
Australia	5.13	2.52	-3.23	3.26	15.86	7.75	5.41	4.42
Singapore	2.33	11.34	-3.58	2.49	20.14	4.80	2.62	1.91
Malaysia	3.86	0.30	0.64	3.01	11.77	10.52	4.19	3.43
Indonesia	7.61	-1.11	6.11	6.38	24.46	24.32	7.74	6.09

	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
Bond Indices								
Bloomberg Global Aggregate USD	91.35	-1.08	0.43	-1.77	-3.87	-3.49	95.69	90.53
Bloomberg U.S. Aggregate USD	89.74	-1.58	0.43	-2.56	-4.51	-4.60	95.21	88.78

Equity Indices	Close	1 week change (%)	1 month change (%)	3 month change (%)	1 year change (%)	YTD change (%)	52 week high	52 week low
World								
MSCI AC World Index (USD)	1,112.12	2.45	-2.78	-4.19	11.19	9.61	1,160.81	960.87
North America								
US S&P 500 Index	7,561.67	2.51	-3.12	-3.04	12.23	10.46	7,844.52	6,316.91
US Nasdaq Composite Index	25,136.27	2.27	-7.60	-6.22	9.91	8.15	27,722.75	20,690.25
Europe								
MSCI Europe	2,791.08	1.33	3.09	-3.67	8.41	5.61	2,917.43	2,461.79
Asia Pacific								
MSCI Asia Pacific ex Japan	803.94	2.90	-5.62	-8.74	10.57	11.32	925.80	684.96
Japan Nikkei 225	61,142.35	6.46	-9.79	-10.49	19.23	21.46	72,831.75	48,235.30
Shanghai Stock Exchange Composite	3,634.35	-0.41	-4.38	-7.45	-9.81	-8.43	4,258.86	3,574.27
Hong Kong Hang Seng	23,637.60	-3.45	-2.91	-6.93	-12.69	-7.78	28,056.10	22,518.00
Taiwan TAIEX	43,675.12	10.01	-9.65	-5.10	56.52	50.79	49,968.92	26,395.98
Korea KOSPI	5,290.53	4.56	-12.34	-22.35	26.85	25.54	9,385.59	3,833.35
India NIFTY 50	25,144.30	0.46	10.66	3.07	-2.84	-3.77	26,373.20	22,179.90
Australia Stock Exchange 200	9,082.20	0.68	3.40	-1.16	3.76	4.22	9,296.70	8,262.40
Indonesia Jakarta Composite	5,344.41	5.82	-9.81	-15.19	-36.16	-38.19	9,174.47	4,824.36
Thailand SET	1,504.88	2.67	-4.25	-6.78	16.89	19.47	1,657.55	1,232.40
Malaysia FTSE Bursa KLSE	1,582.59	-2.10	-2.51	-8.77	-3.04	-5.80	1,771.25	1,579.66
Philippines Stock Exchange PSE	5,593.49	-2.92	-1.90	-11.05	-2.33	-7.59	6,673.61	5,564.47
Singapore FTSE Straits Times Index	5,231.84	1.02	-3.66	-8.54	14.33	12.60	5,828.50	4,459.83

Currencies (vs USD)	Latest	1 week Change	1 Month Ago	3 Months ago	1 Year Ago	YTD	52 week high	52 week low
Developed Markets								
EUR	-0.29	-1.09	-1.58	-4.39	-5.24	-6.16	1.20	1.10
GBP	-0.09	-1.00	-0.28	-2.00	0.20	-1.91	1.38	1.31
CHF	0.44	2.23	0.78	3.07	5.80	5.87	0.84	0.76
JPY	-0.12	0.76	0.87	0.11	3.31	1.92	163.85	152.19
Asia								
CNY	0.01	-0.07	-0.34	-1.06	-5.98	-4.61	7.12	6.65
HKD	0.01	0.08	-0.03	-0.02	0.96	0.81	7.85	7.77
INR	0.21	0.36	-1.09	-1.26	6.14	4.88	96.82	88.46
MYR	0.22	0.71	0.02	-	-0.99	0.71	4.16	3.88
KRW	-0.02	-2.10	-0.45	-5.85	-9.22	-7.32	1,559.08	1,323.60
SGD	0.11	0.41	0.65	0.59	-0.97	0.17	1.31	1.26
TWD	-0.32	0.34	2.20	2.33	5.64	4.92	33.07	31.09
IDR	-0.19	0.61	1.71	1.85	8.79	9.12	18,225.00	16,615.00

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Sources

Asset performances: (bar charts) Eastspring Investments, Refinitiv, as of 13 November 2026. Equities: using MSCI indices in USD, United States is using the S&P 500. Corporate Bonds: using ICE BofA indices in USD. Government Bonds: using the FTSE Global Sovereign Bond index, in USD. Gold is London Bullion Market US Dollar per Metric Tonne. DXY is US Dollar Index. **(line charts)** Eastspring Investments, Refinitiv, as at the end of the prior week, rebased to 100 as at 1 year ago. Equities: MSCI indices, in USD. Corporate Bonds: using Bloomberg indices in USD. Government Bonds: using ICE BofA US 10 Year US Treasury and ICE BofA 7-10 Year Euro Government indices. Commodities: Gold is London Bullion Market US Dollar per Metric Tonne Ounce. Copper is LME Copper Grade A Cash US Dollar per Metric Tonne. Oil is Crude Oil WTI Spot Cushing US Dollar per Barrel. US Dollar is US Dollar Index.

Market data: Eastspring Investments, Refinitiv, as of 13 November 2026. Equities: MSCI indices in USD, other indices in local currency. Other indices or assets as stated. Please note that there are limitations to the use of such indices as proxies for the past performance in the respective asset classes/sector. The historical performance or forecast presented in this slide is not indicative of and should not be construed as being indicative of or otherwise used as a proxy for the future or likely performance of the Fund.