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2027 Market Outlook

Dispersion, resilience and opportunities

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2027 Market Outlook

Foreword

Three forces will shape markets in 2027: tighter policy, easing energy prices and a sustained AI investment boom. Global growth should soften as monetary and fiscal settings tighten, but we expect the monetary tightening cycle to peak by mid-year at historically shallow levels. Lower energy prices should help to facilitate this.

We think it is too premature to call time on the AI investment boom. Some AI regulations are likely to pass post the US midterms, but the fears of excessive AI regulation are likely to be overblown. A continuation of the AI investment cycle bodes well for Asia's economic growth and exports.

At the same time, the AI narrative is becoming more complex. As returns from first generation AI winners normalise, our equity teams are looking for opportunities both within and beyond the AI complex. The significant volatility surrounding AI expectations creates rapid market leadership shifts which reinforces the need for an active and nimble approach.

The outlook for Asian and Emerging Market bonds should improve as rates peak in mid-2027. Following the reset to higher yields, we see several paths to lower yields although the long end may stay volatile. While we expect carry to anchor bond returns, our bond team is employing their full tool kit across duration, credit and currencies to enhance returns.

Portfolio resilience will remain key in 2027. While quality bonds, multi asset and income strategies offer resilience, we are also finding diversification opportunities in Japan and India equities. This reflects the dispersion we continue to see across Asia and Emerging Markets, which should reward active investors who look beyond the obvious. Complementing this, a broad systematic toolkit provides a coherent framework for diversifying sources of return and allocating risk more efficiently.



Vis Nayar
Chief Investment Officer,
Eastspring Investments

2027 Market Outlook

Tighter policy, slower growth, but further equity gains



Ray Farris
Chief Economist,
Eastspring Investments

Three key economic themes stand out for 2027: tighter policy, continued growth in AI capex, and likely, lower energy prices. We expect these to translate into choppy, but continued gains for Asian equities. As the central bank tightening cycle peaks in late Q1 or Q2, returns for fixed income should rise. We also think an end to this Fed hiking cycle in the first half of 2027 will return the US dollar to trend depreciation against most Asian currencies as the year progresses.



Key takeaways

- Global growth is expected to moderate as fiscal and monetary policy tighten, but the rate cycle should be relatively shallow and peak by mid-2027.
- Regulatory and financing pressures may delay some AI spending, but strong underlying demand suggests the longer-term investment cycle remains intact.
- Asia's equity outlook remains constructive, with attractive valuations supporting selective opportunities and Japan offering additional growth and diversification.

Further policy tightening in 2027

Global fiscal and monetary policy will tighten into 2027. Less fiscal impulse and higher financing costs underpin our forecast for global GDP growth to soften from 2.7% in 2026 to about 2.5% in 2027.

Fiscal policy is likely to tighten in most large economies. In the US, the Congressional gridlock we expect following the Democratic Party victory in the US midterm elections is likely to limit new spending.

Global GDP growth expected to moderate in 2027

	2025	2026E	2027F	2028F
Global	2.8	2.7	2.5	2.6
US	2.1	2.4	1.9	2
China	4.9	4.6	4.5	4.3
Hong Kong	3.6	5	3.1	2.9
Korea	1.1	3.7	2.9	2.4
India	7.5	7.6	6.8	7.1
Indonesia	5.1	5.3	5.1	5
Malaysia	5.2	5.4	4.7	4.4
Philippines	4.4	2.5	4.7	5.5
Singapore	5	5.7	3.8	2.6
Taiwan	8.8	12.7	6.5	4.6
Thailand	2.4	2.6	2.2	1.9

Source: Eastspring Investments, November 2026.

In Europe, although German fiscal policy should expand slightly, deficits are likely to fall as a share of GDP in France and Italy. Japan is the main exception among developed countries with its fiscal stance likely to be expansionary.

Emerging Asia presents a more mixed picture. Strong tax revenue growth from booming technology company profits has given Korea and Taiwan fiscal flexibility. China's fiscal stance is likely to be broadly neutral, while the consolidation of energy subsidies should lead to tighter fiscal policy across much of the rest of the region.

On monetary policy, at the point of writing, we expect the US Federal Reserve (Fed), the European Central Bank (ECB), the Bank of England, and the Bank of Japan to raise their policy rates in December 2026 and again in the first half of 2027. In Emerging Asia, we forecast hikes from central banks in India, Indonesia, Korea, Malaysia, the Philippines, and Taiwan.

The good news is our analysis suggests that the current market pricing for global central bank hikes in 2027 is excessive. We expect this monetary tightening cycle to peak by mid-year at historically shallow levels.

An end to the tightening cycle should, in turn, create a more supportive backdrop for Asian currencies. The US dollar may remain firm as markets price further Fed rate hikes, but we view it as overvalued relative to its long-term trend. Once markets become confident that the Fed's hiking cycle has ended, we expect the dollar to resume its decline.

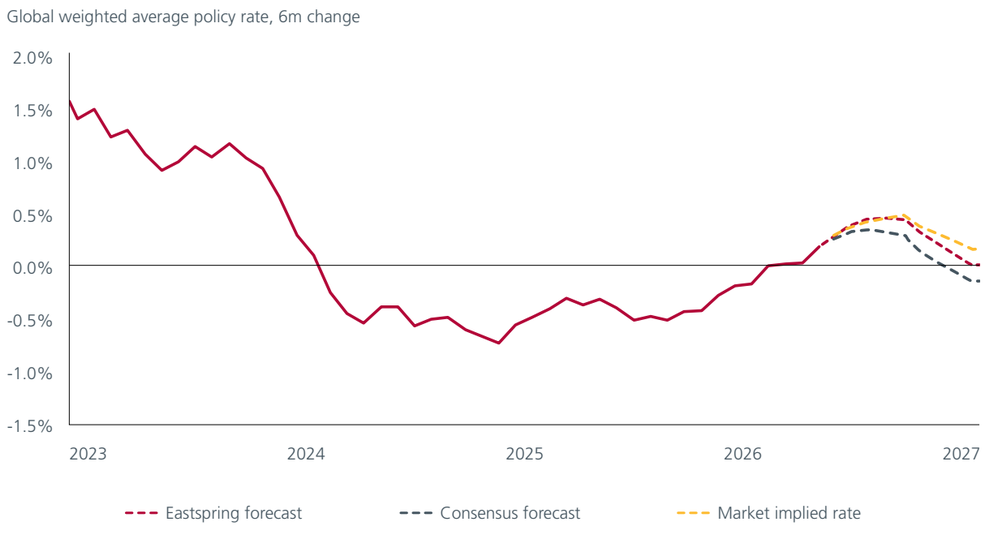
One reason to expect this tightening cycle to be shallow is that the Fed and the ECB are raising rates ahead of the reacceleration in wage growth. This increases the likelihood that they will head off a wage growth-led rise in core inflation.

Energy markets should return to surplus in 2027

Another reason to expect a shallower monetary tightening cycle is that we forecast Brent crude prices to fall from the current USD92bbl (at the point of writing) to close to USD80bbl into the second half of 2027. This should reverse much of the current pressure on inflation. The US midterm elections delivered a clear message to President Trump and the Republican Party that the American public disapproves of the US war on Iran. We expect the Administration to find a way to agree to a truce with Iran in the coming months. Separately, the Energy Industry Association projects supply to exceed demand through 2027.

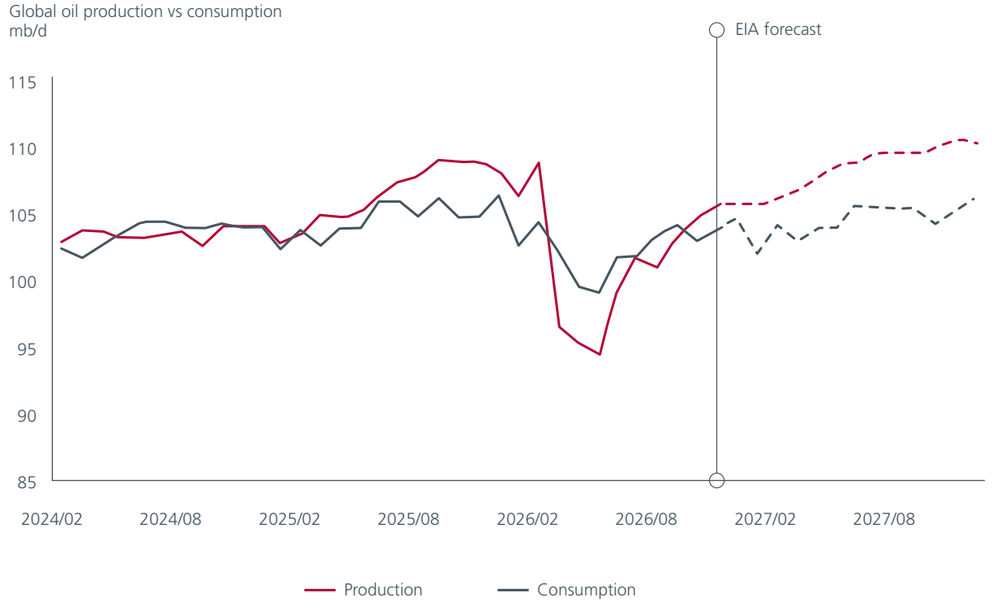
We expect lower energy prices to ease inflationary pressures across Asia too, bringing the region's hiking cycle to an end by mid-2027. Most Asian central banks tightened policy early in response to the energy price shock, while inflation remains relatively close to historical averages in most markets except the Philippines. The Bank of Japan is the main exception that we expect to continue hiking into the second half of 2027 to bring the policy rate in line with inflation.

Monetary tightening cycle likely to be shallow



Source: Eastspring Investments, November 2026.

Oil supply is expected to exceed demand through 2027



Source: US Energy Information Association October 2026 Outlook.

Global AI capex boom has further to run

Our forecast for AI infrastructure investment to grow by 20% - 30% in 2027 also underpins our global growth outlook. Through 2030, we project at least USD2.9tn of global spending, up from just over USD1tn in 2026 as a bear case and view about USD4.2tn (~110GW of new data centre capacity) as the more likely base case.

Recent market concern about AI capex has centred on two main issues:

1. Political opposition to data centre development
2. The risk that higher bond yields arising from global central bank tightening will constrain the ability to finance AI infrastructure spending

Starting with the politics, none of the new US Democrat governors elected in November argue for a cessation or ban on data centre development. Their platforms focus on pushing state legislatures to enact new regulations requiring greater data centre responsibility for local utilities costs, changes to taxes on data centres, and granting ultimate approval authority for new developments to local jurisdictions. Some, but not all, of these newly elected officials have advocated moratoria on new developments to give time for legislation to pass. Regulation of data centre development is also beginning to tighten in Asia.

These regulatory pressures, alongside constraints in Information Technology (IT) hardware supply and electricity grids, could slow the pace of investment. This suggests that the consensus estimates for US hyperscaler spending to grow over 40% next year to more than USD1.4tn - USD1.5tn seem too optimistic. We expect some of this spending to be pushed into future years rather than cancelled, potentially trimming IT sector earnings estimates slightly while leaving the longer-term AI investment cycle intact.

Turning to financing cost and capacity, we have argued recently that higher financing costs would likely crowd out some capex spending by neoclouds on the margin. However, total neocloud planned spending is only about 7% of estimated total US AI capex spending in 2027 and we think it would be excessive to argue that all of this will be crowded out. If we were to assume that fully half of this is cancelled – likely an overestimate given the recently better than expected Q3 results of the largest neocloud – it would imply a reduction in total spending of only about USD49bn compared to what we expect to be hyperscaler spending of at least USD1.2tn.

In contrast, the hyperscalers who account for essentially 93% of planned AI capex spending do not seem to face significant financing constraints. Since October 1, Bloomberg data shows the hyperscalers as having successfully raised USD199.9bn in new financing. Much of this came in early November. Crucially, the available data show data centre capacity is still in deficit relative to demand.

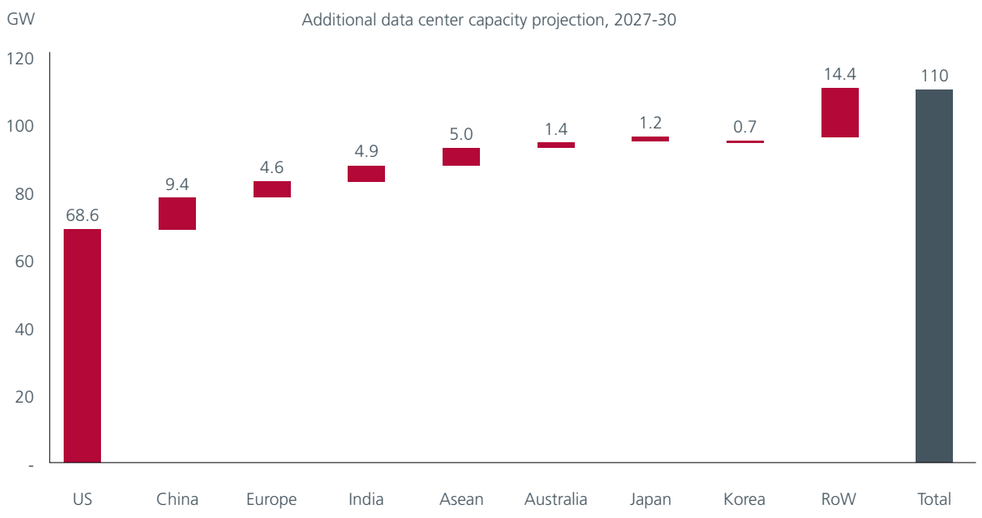
Finally, most 2027 AI infrastructure spending is already locked in. Data from Aterio, a provider of US data centre and infrastructure intelligence, show that the US alone has 85GW of data centres already under development across 888 facilities with only about 8.4GW delayed. Nonetheless, markets may vacillate in their estimates for growth in AI infrastructure spending and revenues in the near term.

Implications for investors

Equities are likely to grind higher

Since 1954, the US has experienced 20 years in which GDP growth has slowed without the economy slipping into recession. Of these we focus on the 11 years in which the Fed also raised rates to some extent. US equities fell in only four of these years and in three of these four years – 1969, 1977, and 2022 - hikes were much more aggressive than we expect for 2027. The table below shows that US equities largely performed strongly in years of slower growth but a peak in Fed hikes.

Investment into 110GW of new data centre capacity through 2030



Source: Eastspring Investments, Morgan Stanley, UBS, November 2026.

Growth slowdowns, Fed hikes and market performance

Year	GDP slowdown from previous year	Fed rate cycle (trough -> peak)	Increase (bps)	US equities	10Y Treasuries
1969	-1.8 pp	Jul-67 - Aug-69	540	-8.24%	-5.01%
1977	-0.8 pp	Jan-77 - Apr-80	1,300	-6.98%	1.29%
1979	-2.3 pp	Same 1977-80 cycle	1,300	18.52%	0.67%
1989	-0.5 pp	Oct-86 - Apr-89	400	31.48%	17.69%
1995	-1.3 pp	Feb-94 - Feb-95	300	37.20%	23.48%
2000	-0.7 pp	Jun-99 - May-00	175	-9.03%	16.66%
2005	-0.3 pp	Jun-04 - Jun-06	425	4.83%	2.87%
2006	-0.7 pp	Same 2004-06 cycle	425	15.61%	1.96%
2016	-1.1 pp	Dec-15 - Dec-18	225	11.77%	0.69%
2019	-0.4 pp	Same 2015-18 cycle	225	31.21%	9.64%
2022	-3.9 pp	Mar-22 - Jul-23	525	-18.04%	-17.83%

Source: Bloomberg, LSEG Datastream. November 2026.

Against this backdrop, we see continued gains for Asian equities in 2027. Importantly, the recent falls in market prices have already discounted a good deal of earnings downgrade risk. Forward price-to-consensus-earnings (PE) ratios are well off their 2026 highs in absolute terms and relative to their historic averages.

Arguably more relevant to the current period of cyclically higher growth, forward PE to earnings growth rate ratios have fallen to levels that are so low they would require very large cuts to earnings estimates to return to average levels, much less expensive valuations.

As a stress test for equity valuations, we reduce current consensus earnings by the historical average for downgrades through the earnings year and recalculate PE ratios. The result suggests that valuations would become meaningfully more expensive in some markets, including China A, India, Thailand, Singapore, and Europe. However, Korea would remain historically extremely cheap, while Taiwan, China H, Malaysia, Indonesia, and the Philippines would appear below their historical average valuations.

This exercise supports our view that Asia's high growth markets remain attractive, but that investors will need to be highly selective. We focus on opportunities where high earnings growth can offset the pressure from rising interest rates on valuations.

Our analysis suggests that Japan offers both performance and diversification.

Japan also stands out although for different reasons. The extreme equity market concentration that has resulted from the AI boom creates a need for investors to find sources of diversification to balance portfolios. Our analysis suggests that Japan offers both performance and diversification.

Japan's equity earnings are benefiting not just from Japanese corporate exposure to IT hardware and AI, but also reflation contributing to a strong domestic upturn in capex, fiscal expansion that will continue in 2027, and accelerating corporate governance reform. These forces are driving an inflection higher in Japanese equity earnings relative to the economy's nominal GDP growth of 3.5% - 4.0%.

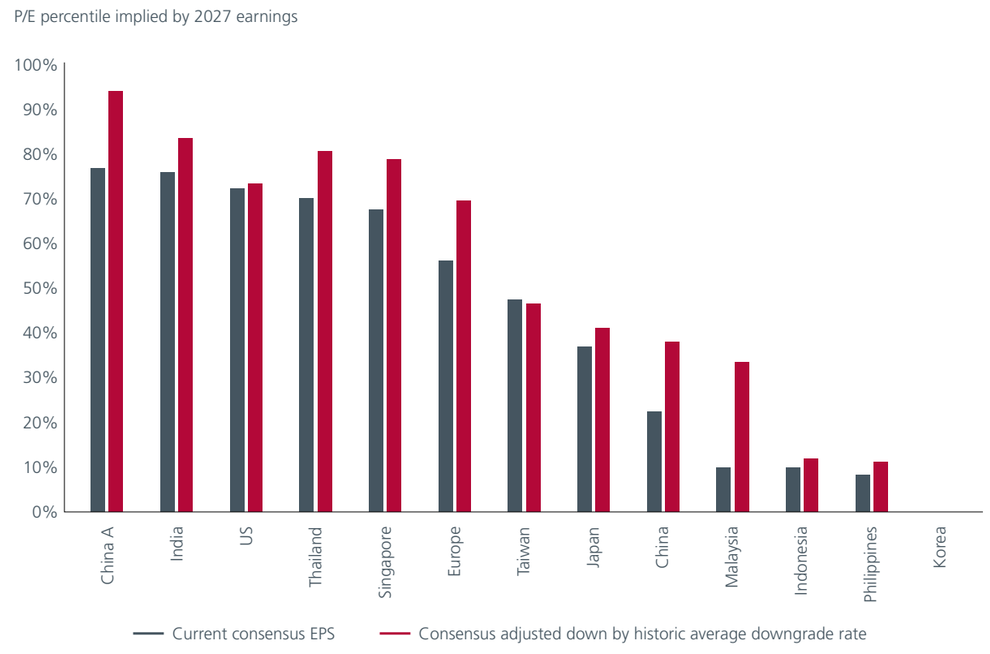
Corporate governance reform has contributed to return on equity and margins rising to historic highs, supporting Japanese equity outperformance. Notably, unlike in the US, the Value style has outperformed over time in Japan. We expect ongoing corporate governance reform to continue unlocking value

Valuations have fallen sharply in many markets



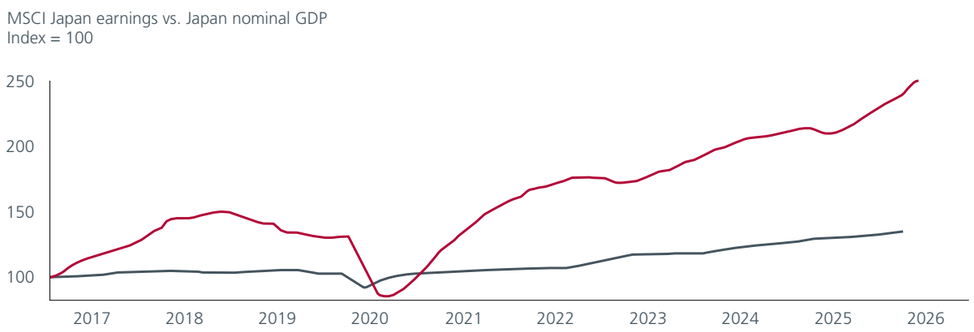
Source: LSEG Datastream, 6 November 2026.

North Asia and Japan equities remain cheap even after assuming an earnings downgrade



Source: LSEG Datastream, 6 November 2026.

Japanese earnings are outperforming the economy



Source: LSEG Datastream, 6 November 2026.

within the Japanese market. Crucially, the Japan Value style has been lowly correlated with US equities. We believe Japan will continue to be a useful diversifier for portfolios.

Asian credit offers valuable diversification

Tighter policy and slower growth may keep bond market volatility elevated in the first half of 2027, particularly as several Asian central banks complete their tightening cycles. But as higher rates moderate demand and inflation pressures ease, policy tightening is likely to peak by mid-2027, creating scope for duration to rally over the next several quarters.

Asian credit appears well placed to navigate this transition. Corporate cash flows remain supported by regional growth, property conditions are improving across much of Asia outside China, and rating upgrades have continued to outnumber downgrades. While higher borrowing costs and uneven consumer demand warrant selectivity, underlying credit fundamentals remain robust.

The market's technical backdrop is also supportive with limited net issuance across both investment grade and high yield bonds. Furthermore, an estimated USD220 billion of redemptions in 2027 should help keep net supply low.

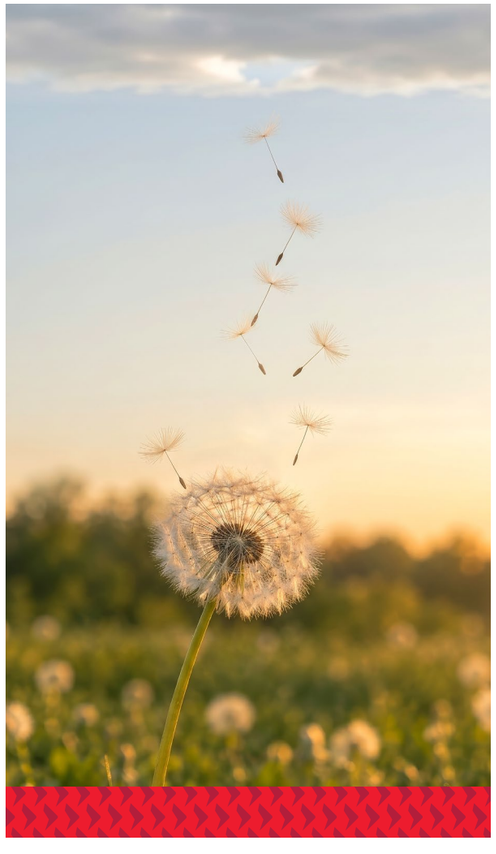
This combination of resilient fundamentals and constrained supply strengthens the case for Asian bonds as a portfolio diversifier.

Key risks

A resumption of the US-Iran hostilities could keep oil prices higher for longer than we expect, adding to inflation pressures and forcing central bank tightening, with negative implications for growth. A faster tightening in the US labour market could also lead the Fed to raise rates by more than the additional 50 basis points we expect, weighing on growth while supporting the US dollar against Asian currencies.

Stronger-than-expected political opposition to US data centre development could slow AI infrastructure investment and weaken demand for Asia's IT hardware exports.

On the upside, a shift in China's fiscal policy towards greater support for household consumption and the property sector could boost these segments.



China: Economy remains bifurcated

We expect Chinese GDP growth of 4.5% in 2027 to remain bifurcated between strong export and industrial growth and weak domestic demand. Our forecast assumes some new fiscal stimulus, focused on industrial sectors. Continuing property price falls and industrial overcapacity lead us to forecast CPI inflation to slow to 0.4% in 2027. This suggests some further downside to government bond yields, partially offset by higher government bond issuance, especially at the long end. The People's Bank of China's recent shift from targeting the 7-day repo rate to the overnight rate lowered the effective policy rate to 1.25% and we do not expect further easing. The rapid accumulation of the current account surplus should support trend renminbi appreciation to about 6.50 to the USD.

India: Policy tightening in prospect

India's economy continues to show surprising resilience, with GDP growth likely to ease from an above-potential 7.6% in 2026 to a still robust 6.8% in 2027 as policy tightens. With inflation expected to remain above 6% in Q1 2027, we expect the Reserve Bank of India (RBI) to raise its policy rate by 50bps and see a good chance that it also tightens credit regulations following the recent 20%yoy rise in credit growth. Rural income growth is likely to moderate as El Nino weighs on the winter crop. On the positive side, policy tightening should support the INR exchange rate, and we expect the INR to trade in a range of 91 to 95 versus the USD in 2027.

Navigating the AI landscape

AI will remain a defining investment theme in 2027. Global AI infrastructure spending is expected to grow 20%–30% next year, with cumulative investment reaching at least USD2.9tn by 2030. While tighter data centre regulation and higher financing costs could slow down some investment, the impact looks manageable. More importantly, demand remains strong: data centre capacity is still tight, GPU rental rates remain elevated, and compute shortages have constrained hyperscaler revenues. This suggests the AI investment cycle still has further to run. Against this backdrop our investment teams explore how they are navigating the evolving AI landscape and where they see opportunities emerging.

Global AI infrastructure spending is expected to grow 20%–30% next year, with cumulative investment reaching at least USD2.9tn by 2030.



Key takeaways

- The AI investment cycle has further to run, but returns will become more differentiated as investors focus on companies with pricing power and sustainable earnings growth. Shifting AI bottlenecks offer new investment opportunities via Asia technology equities.
- As AI's influence across the economy and financial markets grows, building portfolio resilience becomes increasingly important as traditional diversification is challenged. Multi asset strategies can broaden sources of return while managing changing correlations and risks.
- Value investors can benefit by identifying mispriced companies within AI and overlooked areas of the wider market. Asia and emerging market equities can offer a way to capture these opportunities.

How is the AI investment opportunity evolving as the infrastructure cycle matures?

The first phase of the AI rally rewarded almost every company exposed to the theme. The next phase should increasingly differentiate between companies that merely participate in AI and those that possess scarce technology, pricing power, high barriers to entry and demonstrate earnings growth.

While the November correction reflects growing concern about the scale of capital expenditure, we think the AI hardware cycle still has another two to three years of attractive structural growth as the fundamental spending cycle remains substantial. However, equity returns are likely to become much more differentiated and selectivity is key.

The bottlenecks continue to migrate, from GPUs to HBM, advanced packaging and leading-edge foundry capacity, and now increasingly to networking, optics, power delivery, and thermal management. This broadening opportunity set creates new areas for investment even as returns from the first generation of AI winners normalise. We continue to favour companies exposed to these critical supply-chain constraints. Semiconductor and hardware demand in 2027 will continue to be supported by approved data centre projects. For 2028 and beyond, we understand investors will have greater caution especially after the US midterm election results. However, given AI remains the spotlight of global technology development and token demand continues to accelerate, data centre build-out is more likely to be delayed rather than cancelled. Still 2027–28 could be a critical validation period as investors look for evidence that AI revenues and productivity gains justify today's capital commitments.

Eric YP Lin, Head of Overseas Equity and Fixed Income, Eastspring Taiwan

How important is the AI cycle for multi asset investors?

The impact of the AI cycle extends well beyond technology equities. The scale of AI-related investment means that developments in the sector are increasingly relevant to economic growth, corporate earnings, credit markets, and the relationship between asset classes. Technology investment has surpassed its dot-com peak and contributed an estimated 0.5 percentage points to US real GDP growth in 2025. A meaningful slowdown could therefore have implications well beyond the technology sector.

That growing economic importance is also being reflected in financial markets. Major technology earnings are now closely watched alongside traditional macro events such as US payrolls and US Federal Reserve meetings.

AI news sentiment also explained 5.4% of weekly moves in global equities relative to US investment-grade bonds over the past two years, compared with close to zero previously. While in absolute terms the number is not that large, we believe it displays the increasing importance of the AI theme in multi asset portfolios.

These linkages are also extending into credit. Since 2023, US investment-grade and high-yield spreads have become more sensitive to moves in large technology stocks around earnings announcements.

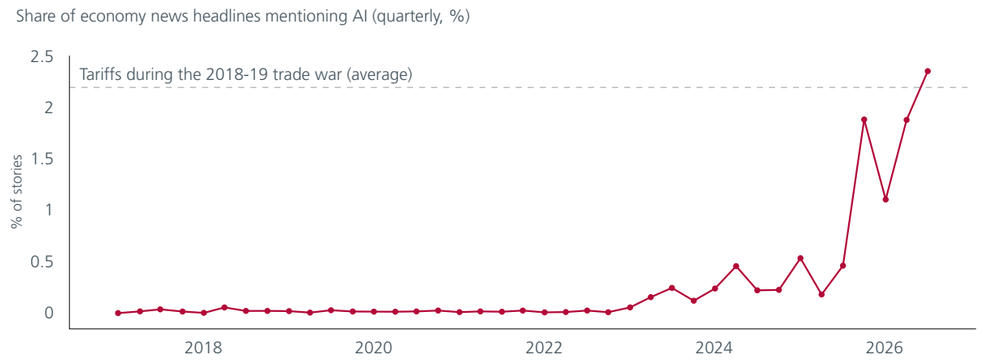
This relationship could strengthen as the AI build-out becomes more capital intensive and companies increasingly turn to bond markets for financing.

For multi asset investors, this raises an important diversification question. If equities and credit are increasingly influenced by the same AI cycle, apparently diversified portfolios could carry more exposure than traditional asset class labels suggest. The effects could also extend into the real economy, with continued AI investment supporting growth and earnings, while a sharp slowdown could weigh on markets, credit, and economic activity.

Given how difficult it is to anticipate a turning point, the focus should therefore be less on timing the cycle and more on building portfolio resilience. Systematic risk management overlays can provide a way to maintain buffers against these downside risks while retaining exposure to the potential benefits of the AI investment cycle.

Nupur Gupta, Portfolio Manager, Multi Asset Portfolio Solutions, Eastspring Singapore

AI is rapidly becoming a dominant economic theme



Source: Eastspring Investments, RavenPack, 2026.

How could growing AI-related debt reshape opportunities and risks for bond investors in 2027?

As the AI build-out becomes more capital intensive, companies are increasingly turning to debt markets to fund investment. This should expand the investible AI-related bond universe in 2027, creating new opportunities but also increasing the need for selectivity.

Strong balance sheets and clear cash flow visibility will remain important. Negative free cash flow may be expected while companies invest, but the key question is whether that spending ultimately generates sustainable cash flow. Rising debt before revenues materialise can leave issuers more exposed to refinancing risk if financing conditions tighten.

The opportunity set is also becoming more diverse, spanning hyperscaler corporate debt, GPU-backed loans to neocloud operators and data centre financing. Each brings different risks. Construction delays can defer cash flow, technology obsolescence can weaken collateral values, while changes to commercial contracts, geopolitical restrictions or supplier policies can reduce lender protection, even when demand remains strong. With AI-related capital expenditure expected to remain high, bond markets are likely to play a bigger role in funding the build-out in 2027.

Jerry Gwee, Credit Analyst, Fixed Income, Eastspring Singapore

Desmond Lim, Credit Analyst, Fixed Income, Eastspring Singapore

How can value investors navigate AI-driven volatility and identify opportunities as valuations reset?

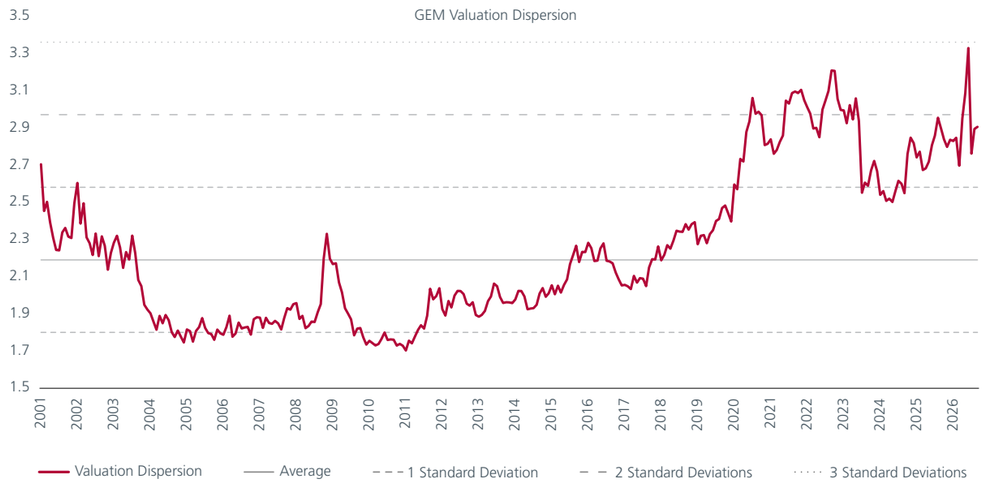
AI has been a powerful driver of market leadership, but rising volatility is starting to create greater dispersion. As investors become more selective about valuations and the prospects for AI-related returns, the gap between perceived winners and overlooked parts of the market could widen. This can create attractive entry points for disciplined value investors.

> **One interesting feature of the current market is the enormous volatility around AI expectations.**

The challenge is timing. Attractive valuations alone are not always sufficient to drive a re-rating, and opportunities can remain undervalued for an extended period while thematic enthusiasm persists. We remain disciplined around valuation rather than chasing momentum, recognising that the recent moderation in AI enthusiasm could create the conditions for a meaningful broadening of market leadership.

A key catalyst would be some relief from the macroeconomic pressures currently weighing on Asian and emerging economies. Rising interest rates, elevated oil prices, tariff uncertainty, and potential El Niño impacts are creating a difficult backdrop for many companies and sectors. AI-related businesses have been relatively insulated from these concerns, supported by strong structural growth expectations.

Extreme valuation dispersion continues to create opportunities



Source: Eastspring Investments, 30 September 2026. Valuation dispersion is defined as the Forward 12 month price to earnings ratio of the 25% most expensive stocks in the research universe divided by the forward 12 month price to earnings ratio of the 25% least expensive stocks in the research universe. The research universe is defined as the top 95% by market capitalisation of the S&P Emerging BMI plus Korea.

If those broader economic pressures begin to ease, we expect investor interest to broaden towards areas of the market that have been left behind. Valuations in many of these areas are already compelling, although valuation alone is rarely enough. Typically, some catalysts are required to reignite investor interest and close that valuation gap.

One interesting feature of the current market is the enormous volatility around AI expectations. That is creating opportunities to rotate the portfolio more actively than usual, taking profits in areas where valuations have run ahead and recycling capital into laggards where expectations have become overly pessimistic.

In the meantime, we continue to find opportunities where valuations have become extreme, including both outside and within the AI complex. The environment remains challenging, but it is also creating significant dispersion and selective opportunities.

Steven Gray, Head of GEM and Regional Asia Value Equities, Eastspring Singapore

Redefining resilience

2026 tested portfolios on several fronts with markets buffeted by geopolitical uncertainty, energy disruptions, rising rates and shifting investor expectations around Artificial Intelligence (AI). 2027 may bring its own set of challenges. In this evolving environment, resilience is not about finding one safe asset, but about combining different assets that respond differently to risks, so that portfolios are better equipped to withstand volatility while still participating in the upside. Our investment teams share their perspectives on how they are redefining resilience and how different asset classes can contribute to portfolio resilience in 2027.

Key takeaways

- From a multi asset perspective, disruption to the historical stock-bond relationship means that we need to construct portfolios that can adapt to changing correlations.
- Investors should not have to choose between growth and dividends in 2027. Amid rapid changes in market leadership, a broader, multi-dimensional approach to income investing will become increasingly important.
- The resilience from quality bonds will matter even more for portfolios in 2027. SGD bonds offer attractive income from a high-quality universe.



Have the changes in the macro regime led you to think differently about risk premia and portfolio diversification?

Yes, in part. Given the shifts in the relationship between growth, inflation and rates, we no longer treat bonds as an automatic equity hedge. Historically, the stock-bond correlation has depended on what drives yields.

We ensure that the portfolio risk is not dominated by a single economic outcome, region or theme.

When inflation dominates, as was the case in 2022, stocks and bonds tend to fall together, leaving 60/40 portfolios nowhere to hide. When growth is the focus, the correlation usually turns negative. For example, against the backdrop of robust US consumption, strong AI-related capex and continued earnings growth, equities have been able to absorb the move up in yields in 2026.

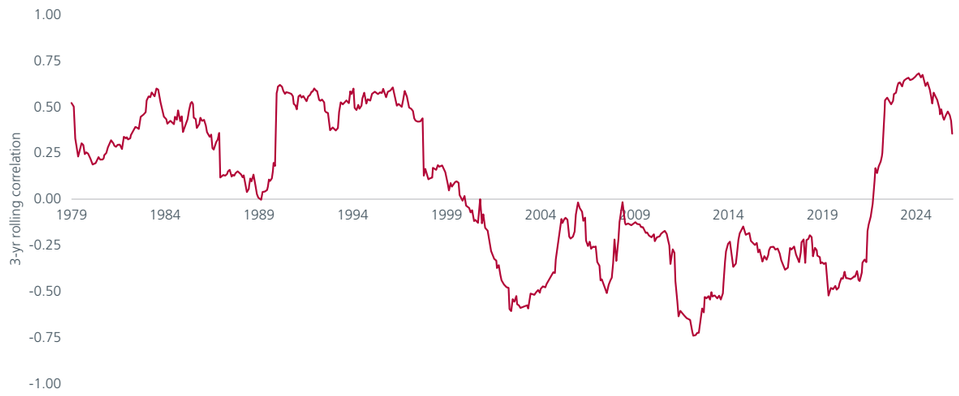
From a multi asset perspective, diversification extends beyond asset class labels. We look to diversify across underlying economic risks, regions, investment horizons and return sources. We also seek to broaden our sources of portfolio diversification, looking to add appropriate left tail risk hedges when opportunities arise. Rather than trying to predict every regime shift, we construct portfolios that can adapt to changing correlations and evolving opportunities. This approach remains key going into 2027.

How are you balancing upside capture with portfolio resilience in 2027?

We ensure that the portfolio risk is not dominated by a single economic outcome, region or theme, and we use options to manage asymmetric outcomes. Instead of reducing equity exposure and forgoing potential gains, we can use structures to tailor protection for specific risks and time horizons. Supplementing this with other proxy hedging instruments allows us to keep the carry more palatable in case the left tail risk does not materialise.

Craig Bell, Head of Multi Asset Portfolio Solutions, Eastspring Singapore

Correlation between S&P500 and 10-year US Treasury has been shifting (3-yr rolling correlation)



Source: Eastspring Investments. Bloomberg. November 2026.

What did 2026's market dispersion reveal about the resilience of Asian dividend strategies, and how does this shape the opportunity set for 2027?

2026 highlighted the limitations of defining dividend investing simply as buying the highest-yielding stocks. Rapid rotations and frequent changes in market leadership meant that traditional defensive, high-yield stocks could perform well when risk appetite weakened but lagged sharply when leadership shifted towards growth sectors such as technology.

That reinforces our preference for a more forward-looking approach - investing across the dividend cycle rather than relying on a single source of income. The result is a more style-agnostic portfolio with different return drivers that can work across different market environments.

Asia is particularly attractive in this respect. Shareholder returns remain an important priority across the region, including in sectors such as technology that have not traditionally been associated with dividends or buybacks. At the same time, Asia is not a homogeneous market. Different countries, sectors and companies are at different stages of their cycles, creating opportunities to diversify factor and macroeconomic risks.

Investors should not have to choose between growth and dividends in 2027. As market regimes become less persistent, we believe a broader, multi-dimensional approach to income investing will become increasingly important.

Christina Woon, Head of Core and Income Equities, Eastspring Singapore

Market leadership changed rapidly in 2026 (MSCI Asia Pacific)

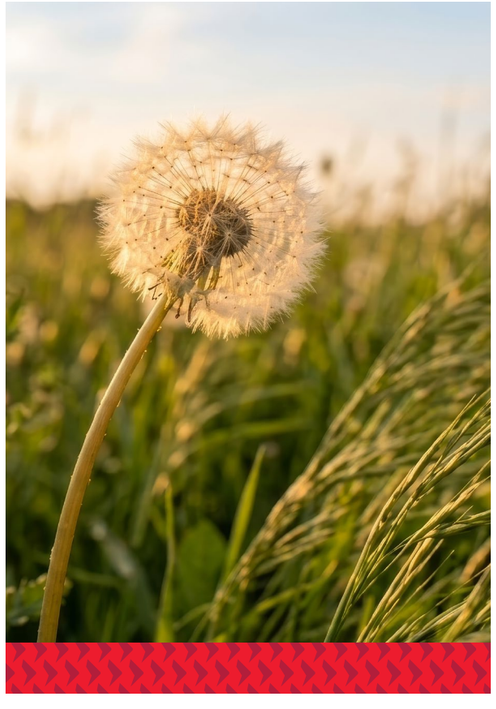
Rank	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
1	Technology 16%	Technology 13%	Energy -1%	Technology 32%	Technology 27%	Technology 4%	Consumer Discretionary 11%	Healthcare 9%	Technology 4%	Healthcare 2%
2	Industrials 9%	Industrials 10%	Utilities -6%	Industrials 13%	Consumer Discretionary 2%	Financials 1%	Financials 9%	Technology 5%	Telecom services -1%	Energy 2%
3	Financials 5%	Utilities 6%	Consumer Staples -8%	Financials 6%	Telecom services 1%	Consumer Staples -1%	Energy 9%	Industrials 5%	Healthcare -1%	Consumer Staples 1%
4	Healthcare 4%	Energy 6%	Telecom services -9%	Consumer Discretionary 5%	Industrials 0%	Healthcare -1%	Telecom services 6%	Energy 3%	Financials -1%	Utilities 1%
5	Utilities 4%	Consumer Staples 5%	Healthcare -9%	Energy 4%	Financials 0%	Industrials -5%	Consumer Staples 6%	Financials 1%	Industrials -2%	Financials -1%
6	Energy 3%	Financials 5%	Financials -11%	Utilities 4%	Utilities -3%	Telecom services -6%	Healthcare 4%	Utilities 1%	Utilities -2%	Consumer Discretionary -2%
7	Consumer Discretionary 3%	Healthcare 3%	Industrials -14%	Telecom services 3%	Consumer Staples -3%	Utilities -6%	Utilities 3%	Consumer Staples 0%	Energy -3%	Industrials -6%
8	Telecom services 1%	Consumer Discretionary 2%	Consumer Discretionary -14%	Consumer Staples 1%	Healthcare -3%	Consumer Discretionary -9%	Industrials 1%	Consumer Discretionary -1%	Consumer Staples -4%	Telecom services -8%
9	Consumer Staples 0%	Telecom services -9%	Technology -18%	Healthcare 1%	Energy -8%	Energy -10%	Technology -14%	Telecom services -1%	Consumer Discretionary -6%	Technology -12%

Source: Eastspring Investments. Bloomberg. November 2026. MSCI indices. In USD.

Can Singapore equities and bonds be a source of portfolio diversification and resilience in 2027?

Singapore equities are expected to offer one of the highest dividend yields in Asia, around 4.5% to 5.0%, which would help to underpin the market in 2027. At the same time, the market enjoys several structural growth drivers including wealth management, AI and data centre infrastructure, energy transition and corporate value unlocking. Ongoing initiatives, including the SGD6.5bn Equity Market Development Programme should also continue to improve liquidity, broaden investor participation and support valuations, particularly among small-and mid-cap companies. That said, following the strong market rally in 2026, further upside will likely be increasingly driven by earnings delivery and stock specific catalysts rather than a broad market re-rating.

Bryan Yeong, Portfolio Manager, Growth Equities, Eastspring Singapore



SGD fixed income was one of the more resilient bond asset classes in 2026, and we expect its quality characteristics to matter even more in 2027. Beyond resilience, the asset class offers investors attractive income from a high-quality universe.

Global rates volatility is likely to remain elevated, given evolving monetary policy expectations, persistent geopolitical risks and lingering concerns over the AI investment cycle. Singapore credit, however, enters this less certain environment from a position of strength. Corporates' debt-servicing capacity has improved, with short-term debt making up just 32% of listed companies' total debt, and corporate non-performing loans falling to an 18-year low of 1.2%. With only 19% of outstanding corporate bonds maturing by end-2027, refinancing pressures look manageable. (Source: MAS Financial Stability Review 2026). Although SGD credit spreads have widened slightly, the outlook remains stable, supported by ample liquidity, supportive technicals and a firm SGD NEER policy backdrop.

In 2027, we favour building carry in our portfolios without compromising on liquidity. We continue to favour carry and curve roll-down opportunities in high-quality SGD corporate bonds given their sound credit fundamentals. We will remain nimble on duration, looking to add selectively if yields rise further.

Wei Ming Cheong, Portfolio Manager, Fixed Income, Eastspring Singapore

Benedict Phua, Portfolio Manager, Fixed Income, Eastspring Singapore

India's economic resilience has surprised investors in 2026. Do you see that economic resilience translating to investment opportunities in 2027?

Although the Indian economy remains vulnerable to external shocks, particularly through imported energy; decades of investments in infrastructure, as well as years of continued formalisation of industries and income groups have broadened the economy's foundations, making India's economic growth less dependent on any single engine. We are finding attractive investment opportunities in auto-component suppliers benefiting from rising localisation, hospital chains creating value through consolidation and selected quick-commerce platforms.

We are finding opportunities in auto-component suppliers, hospital chains and quick-commerce platforms.

At the same time, AI implementation should create new sources of demand for Indian IT providers. Deploying AI across complex businesses requires expertise in integrating legacy systems, modernising data and delivering measurable outcomes, areas where established Indian IT firms are well positioned. That said, a meaningful AI-driven revenue uplift may be two to three years away, causing us to favour leading Indian IT companies that have high-quality, cash-generative businesses.

Yuan Yiu Tsai, Portfolio Manager, Equities, Eastspring Singapore

How can systematic investing help build resilient portfolios in 2027?

The case for systematic investing is increasingly about diversification rather than prediction. The objective is to build portfolios capable of participating across a broader range of market outcomes. Within equities, this means combining differentiated sources of return. A multi-factor strategy drawing on quality, sentiment, momentum and value can participate in structural themes such as AI while controlling excessive stock, sector and style concentration. Defensive systematic strategies can also complement global value and income strategies by providing portfolio ballast through low-volatility, quality and robust-yield characteristics.

Beyond equities, systematic credit applies disciplined security selection and risk control across a broad and fragmented issuer universe, while enhanced and passive solutions provide additional flexibility in determining where and how active risk should be deployed.

Ioannis Kampouris, Head of Quantitative Strategies, Eastspring Singapore

Embracing the return of rates

Major central banks shifted toward tighter monetary policy in 2026 as higher oil prices fuelled inflation. As we head into 2027, interest rates remain elevated in many economies, and markets expect some central banks, including the Federal Reserve, to raise rates further, although the hiking cycle is likely to be shallow. In this section, our investment teams examine what higher rates mean for Asia and emerging market bonds and equities.



Key takeaways

- Higher starting bond yields have increased the appeal of Asia and Global Emerging Market (GEM) bonds. We still expect carry to anchor bond returns in 2027 but look to extend duration gradually as inflationary pressures ease.
- Higher rates have historically been challenging for GEM and Asia equities but if investors overpay for perceived quality and penalise weaker businesses excessively, that dispersion can create attractive opportunities.
- Domestic rate hikes reflect Japan's transition from deflation, which implies a stronger operating backdrop for corporate profits. We see contrarian opportunities in select Consumer, Transportation and Materials companies.

Higher starting bond yields have increased the appeal of bonds. However, given tight bond spreads, where are the most attractive sources of bond returns in 2027?

We see a more favourable, though conditional, asymmetry for duration following the reset to higher yields. Weaker growth, easing energy pressures or a shallow hiking cycle provide several paths towards lower yields. However, persistent inflation, fiscal pressures and term-premium risks may keep the long end volatile. We favour intermediate maturities rather than extending duration indiscriminately.

We expect carry to anchor returns for USD denominated Asia bonds, with selective duration exposure offering upside if rates stabilise or decline. Within Asia investment-grade credit, we favour issuers with strong balance sheets and resilient cash flows, selectively using new-issue concessions and sector dispersion to add spread.

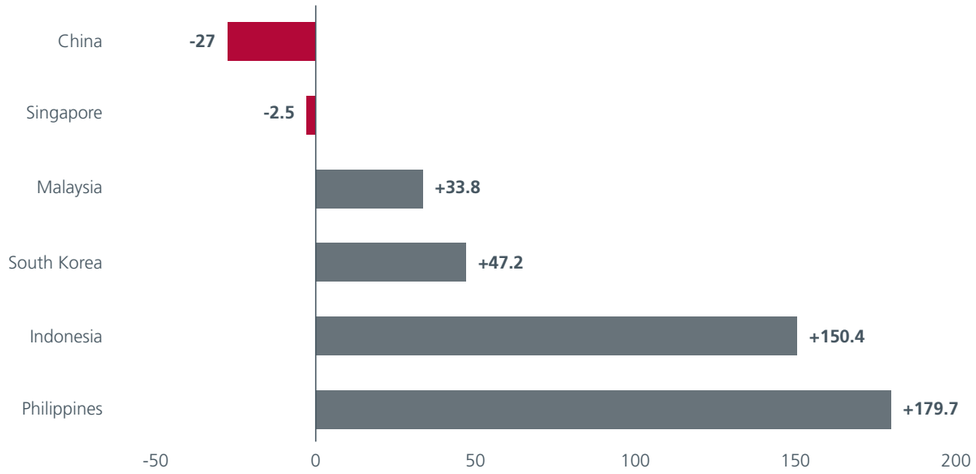
On the other hand, sources of returns are likely to be more varied for local-currency Asia bonds. Chinese rates offer diversification, while higher-yielding markets remain vulnerable to rate and currency volatility. Currency selection, hedging costs and tactical duration adjustments would be as important considerations as the level of bond yields.

For emerging market debt (EMD), with spreads near historical tights, we expect carry rather than broad-based spread compression to drive EM credit returns and would focus on bottom-up sovereign and security selection. In EM local rates, we favour net energy exporters and would gradually extend duration as inflationary pressures dissipate. A busy political calendar in the emerging markets in 2027 adds event risk, reinforcing the need for selectivity.

What lessons did 2026 teach us about bond opportunities within Asia and EMs?

One of the clearest lessons was that Asia and EM fixed income cannot be treated as a single trade. The dispersion within the Asia and EM bond universe is significant, which calls for an active approach. In 2026, Chinese government bonds were resilient despite low starting yields, while some of the higher-yielding markets suffered as domestic rates rose, with currency moves adding another layer of differentiation. In EM, AI-driven demand separated sovereigns that benefitted from the AI investment cycle from those with limited exposure. The Middle East energy supply shock widened the gap between net energy exporters and importers. Sustainable bond returns therefore require a dynamic strategy across markets, duration, credit and currency, rather than a simple search for yield.

Asian 10-year government bond yields diverged in 2026 (Year to date changes – basis points)



Source: AsianBondsOnline, Asian Development Bank. As of 9 November 2026. Note: changes in yields are not bond returns; loca-currency yields, six selected markets.

Another takeaway was the rising fiscal sustainability concerns in the developed markets, which reinforced the appeal of Asia and EM bonds given their stronger fundamentals and greater fiscal discipline.

What could disrupt Asia/EM bond returns in 2027?

Beyond the risks highlighted earlier, heavy positioning in US technology and hyperscaler stocks creates cross-asset risk, as a material correction could spill over into Asia and EM bonds. Heavy bond issuance from AI hyperscalers could also compete with Asia and EM issuers for capital, keeping financing conditions tight.

The Middle East energy supply shock also remains a risk, as refined-product availability and domestic energy subsidies have important implications for inflation, fiscal balances and external accounts. El Niño adds a further inflationary risk, particularly through food prices, with potential knock-on effects for currencies and external balances.

Rong Ren Goh, Head of Macro and Thematics, Fixed Income, Eastspring Singapore

Eric Fang, Portfolio Manager, Fixed Income, Eastspring Singapore

Gabriel Tay, Credit Analyst, Fixed Income, Eastspring Singapore

What do higher rates mean for Asia and GEM equities in 2027?

Higher rates have historically been challenging for GEM and Asia equities because increases in financing and other costs are rarely passed through to end customers immediately. While companies can adjust to rising costs over time, businesses carrying excessive leverage or undertaking large capital-expenditure programmes can remain particularly exposed, irrespective of their perceived quality.

For value investors, however, the more important question is how the market prices those risks. Companies with weaker competitive positions or higher debt will undoubtedly face greater pressure. But if investors overpay for the perceived safety of quality while penalising weaker businesses excessively, that dispersion can create attractive value opportunities.

Within the AI complex, massive capital expenditure is eroding free cash flow for some leading players, raising the question of whether businesses currently regarded as high-quality could themselves become more vulnerable if rates remain high. That said, following the sell-off in AI-related stocks in November, we need to assess whether the valuation reset in the sector more than discounts the deterioration in growth or profitability that investors fear.

Overall, we are less focused on thematic growth, where earnings are being driven by a powerful macroeconomic or industry trend, and more on recovery growth. We look for companies where earnings can improve materially as margins, returns or operating conditions normalise. For example, we see potential opportunities in Financials. Historically, as one of the largest sectors in emerging markets, they have generally benefitted from higher rates and could become increasingly relevant if the higher-rate environment persists in 2027. The Consumer sector is also one of the areas where we see some of the largest valuation opportunities, although persistent macro uncertainty means we have become increasingly selective.

Steven Gray, Head of GEM and Regional Asia Value Equities, Eastspring Singapore

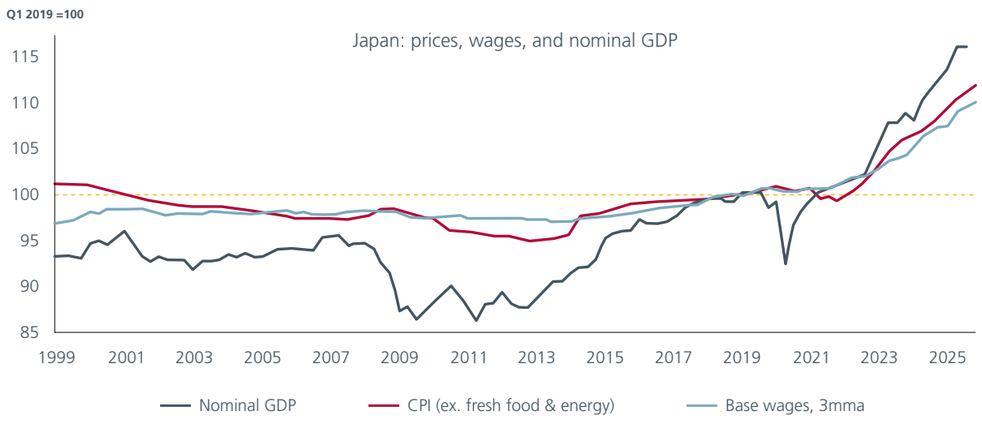
After decades of low interest rates, which sectors/companies stand to benefit as Japan adjusts to a structurally higher cost of capital, and where could the risks emerge?

Japan's rate normalisation has taken place against a backdrop of economic reflation and healthy corporate profitability in 2026. If this continues in 2027, banks should remain among the more direct beneficiaries. Companies with strong balance sheets should also be relatively better positioned. Conversely, highly leveraged and rate-sensitive companies could face greater pressure from rising borrowing and refinancing costs. However, these effects are increasingly reflected in market expectations. Given our valuation-led approach, we remain selective rather than simply adding to higher-rate beneficiaries. Importantly, Japan's transition from deflation implies that the operating environment has changed - positive nominal growth, stronger wages and greater corporate pricing power can support structurally higher corporate profitability.

> **Earnings momentum is expected to remain robust and relatively broad-based heading into 2027.**

Earnings momentum is expected to remain robust and relatively broad-based heading into 2027, which should help to underpin the market. However, we prefer to seek out companies where improving earnings prospects are not yet fully reflected in valuations.

Japan's transition from deflation improves the operating environment for corporates



Source: Eastspring Investments. Bloomberg. As of end October 2026.

Notably, the correction in some AI-related names in November reinforces the importance of valuation discipline. At the point of writing, we see opportunities in select fallen technology names that feature idiosyncratic self-help stories and upside optionality. We also see opportunities in IT software companies where growth expectations have receded significantly. We see contrarian opportunities in select Consumer, Transportation and Materials companies that are experiencing short-term cost pressures, but whose valuations are attractive based on their long-term, sustainable earnings.

Going forward, a disorderly rise in Japanese long-term yields would be negative for Japanese equities. An escalation in geopolitical tensions or energy prices or a deterioration in investor sentiment towards AI could also generate significant market volatility.

Ivalio Dikov, Head of Japan Equities, Eastspring Singapore

Views from the region

China

AI-related activity has become an important driver of China's growth, and we expect this momentum to continue into 2027, although it is unlikely to fully offset weakness in property and consumption. Against this backdrop, the domestic AI supply chain remains one of the most attractive structural opportunities.

Beyond the supply chain, we see growing potential in AI applications and physical AI. As AI becomes increasingly embedded in consumer devices, enterprise services, autonomous driving and industrial applications, we favour companies with strong user ecosystems, proprietary data and clear paths to monetisation.

Robotics is a natural extension of this trend. Continued improvements in foundation models, data collection and hardware capabilities could accelerate the commercialisation of humanoid robots and create opportunities across robot OEMs and component ecosystem.

Faster-than-expected commercialisation would provide further upside, while slower AI monetisation, intensifying price competition, and earnings delivery that lags technological progress remain key risks.

Justin Liu, Head of Equities, Eastspring China



We expect China's low interest rate environment to persist into 2027 as the economy searches for new growth drivers. As such we prefer to allocate into high dividend yield stocks across sectors.

Additionally, there are selective opportunities among exporters. Meanwhile, beaten-down consumption names could finally see improving operating conditions on either the supply or demand side. A resolution to the Middle East conflict can also see a turnaround for companies squeezed by cost inflation in 2026.

Overall, RMB stabilisation and a stronger-than-expected domestic recovery would provide upside, while renewed geopolitical conflict and further RMB appreciation remain key risks.

Jocelyn Wu, Portfolio Manager, Eastspring Hong Kong

Taiwan

AI is likely to remain a key investment theme for Taiwan in 2027, given its critical role in the global AI supply chain.

Our highest conviction opportunities remain in areas benefiting from technology and specification upgrades, including leading-edge semiconductors, advanced packaging, PCBs, thermal and power management, ASICs and optical connectivity. Beyond the core AI supply chain, we also see opportunities from broader AI adoption, particularly in power infrastructure and automation.

Stronger-than-expected AI monetisation could sustain hyperscaler capex for longer and broaden demand across Taiwan's technology and industrial supply chains but execution gaps during AI platform transitions could temporarily slow sales momentum. Policy uncertainty has also increased following the US midterms, with greater scrutiny of Big Tech and AI infrastructure potentially delaying data centre investment and creating knock-on effects across Taiwan's technology supply chain.

Rebecca Lin, Head of Investments, Eastspring Taiwan

Malaysia

We remain constructive on Malaysia in 2027, supported by resilient domestic demand, a strengthening investment cycle and attractive market valuations.

Our highest conviction opportunities are in power, grid and water infrastructure as data centre and semiconductor investments move into its next phase. We also see potential in Malaysian technology companies moving up the value chain into advanced packaging, front-end manufacturing and silicon photonics, as well as selected consumer and property names benefiting from household support and higher wages.

Low foreign ownership and relatively attractive valuations could provide an additional tailwind if global capital returns to the market. Faster data centre investment and capital market reforms could further strengthen the outlook. However rising wage and energy costs, tighter financial conditions, weaker AI-related capital spending and policy uncertainty ahead of the next general election remain key risks.

Michael Chang, Head of Investments, Eastspring Malaysia

Thailand

Thailand's economy is projected to grow by 2.2% in 2027, but the recovery remains uneven, constrained by household debt, subdued consumption, and limited credit access for small and medium enterprises.

Nevertheless, a new investment cycle is emerging, driven by digital infrastructure, data centres, and electronics. Our highest conviction opportunities are in infrastructure and utilities, supported by infrastructure expansion, electricity demand, and investment needs. We also favour quality dividend stocks which can provide income and portfolio resilience while the broader recovery remains fragile.

Upside surprises could emerge if approved projects materialise faster than expected, lifting corporate earnings, private investment, and domestic confidence. Conversely, delays in project execution, prolonged household weakness, higher energy costs, or geopolitical disruptions could weigh on recovery. Selectivity remains essential.

Bodin Buddhain, Head of Investment Strategy, Eastspring Thailand

India

India offers a hedge for global investors looking to rotate away from the crowded AI theme. Among emerging markets, India continues to be one of the most diversified markets.

Selective opportunities are emerging in Financials, Consumer Discretionary and Industrials. By contrast, the outlook has turned cautious for Consumer Staples amid El Nino effects and rising input costs. Within non-lending financials, valuations in the insurance segment look relatively more attractive following the correction triggered by recent regulatory changes.

Overall, broad-based earnings recovery, a rotation away from the global AI theme, sustained macroeconomic resilience, improvements in foreign investor sentiment and incremental benefits from free trade agreements could provide upside catalysts. Geopolitical uncertainty, however, remains the biggest overhang.

ICICI Prudential Asset Management Company Ltd (IPAMC). IPAMC is the Investment Advisor for various India centric funds managed by Eastspring Investments.

Indonesia

We expect stock selection to be crucial in navigating the Indonesian equity market in 2027, as the market faces a potential downgrade by MSCI to Standalone status amid a crisis of confidence.

Our highest conviction ideas come from companies that deliver earnings growth and improve shareholder returns, supported by positive free cash flow and low leverage. These bottom-up opportunities, spanning value and growth, can be found across Communications, Industrials, Financials, Materials and Energy.

A key upside catalyst would be swift regulatory action to provide credible free-float data and demonstrate effective enforcement, surveillance and deterrence of coordinated trading. That would address MSCI's expectations and substantially reduce the local market risk premium.

Conversely, beyond a downgrade to Standalone status, a further deterioration in fiscal health remains a key downside risk, potentially tightening domestic liquidity, keeping bond yields elevated and adding pressure on the Rupiah.

Liew Kong Qian, Head of Investments, Eastspring Indonesia

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