

NEW YEAR EDITION: DEC 2025 & JAN 2026

Investment Navigator

Asia Edition



2026 Outlook: Out With The Old, In With The New

Most asset classes performed strongly in 2025, but not without the expected volatility following US President Trump's return to office at the start of the year. Trade tensions and geopolitical risks weighed on markets, while uncertainty over interest rate cuts persisted amid unclear inflation trends. Despite these headwinds, the global economy proved more resilient than expected. Equity markets reflected this strength, delivering one of their best annual performances—a common leading indicator of economic health.



What can we expect in 2026?

Looking towards the new year, we believe a similar tune is likely to be sung. The combination of easier monetary policies, fiscal stimulus and solid household balance sheets along with the lowering of policy and trade uncertainty should allow global economic activity to maintain solid momentum in 2026. Strong AI-related investments and the associated wealth effects could also propel the economy further forward.

As for inflation, we see further moderation globally albeit stubbornness may persist in some countries. Certain Central Banks are likely to continue tolerating above target inflation, prioritising financial stability, growth and employment so long as inflation expectations do not rise sharply.

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Geographical Snapshot: How are each region likely to fare?



Europe

Growth is likely to be supported in 2026 following the trade agreement with US as well as the fully deployment of the German fiscal stimulus. Activity should pick up in majority of countries, albeit the projected strength of EUR could work against the economies. Inflation should remain stable, hovering around the central bank's target of 2%. Rate cutting cycle largely seen as completed and we do not rule out hikes towards the end of 2026.

Asia

The region looks set to benefit from more stable China outlook. The ongoing booming AI demand and the memory chip super cycle are also supporting investment activities, particularly in North Asia. Central Banks are likely to have an easing bias as inflation could remain moderate, although FX pass-through risk and moderating domestic demand are two key areas to monitor.



United States

We anticipate economic growth to remain broadly stable. Inflation could persist as the Fed looks likely to tolerate above target (>2%) inflation in favour of balancing the softening labour market. Two additional rate cuts are currently expected with a terminal rate of 3.25% by middle of 2026. The ongoing loosening of financial conditions supports our view of weak dollar (12m DXY target 93.3). The midterms elections in 2026 is a key event.



China

The structural and cyclical growth slowdown could drag on as deflationary pressures look set to slow but persist in China. Stronger measures to either lift demand or shut over-capacity are required. Monetary easing should remain in the medium term, while the country's pursuit of greater technological self-sufficiency will continue to contribute shifting the narrative of China equities from "uninvestable" to "unneglectable".



Japan

The fading impact of US tariffs is positive for the economy. With the new PM Takaichi, fiscal expansion and less hawkish monetary stance can be expected. A more cautious BoJ regarding rate hikes (two hikes forecasted for Q2 & Q4 2026) limit the upside for the yen, which could boost profitability, competitiveness and tourism. However, the economy is already at full employment. Thus, we see fiscal expansion showing up more strongly in prices rather than in economic activity.



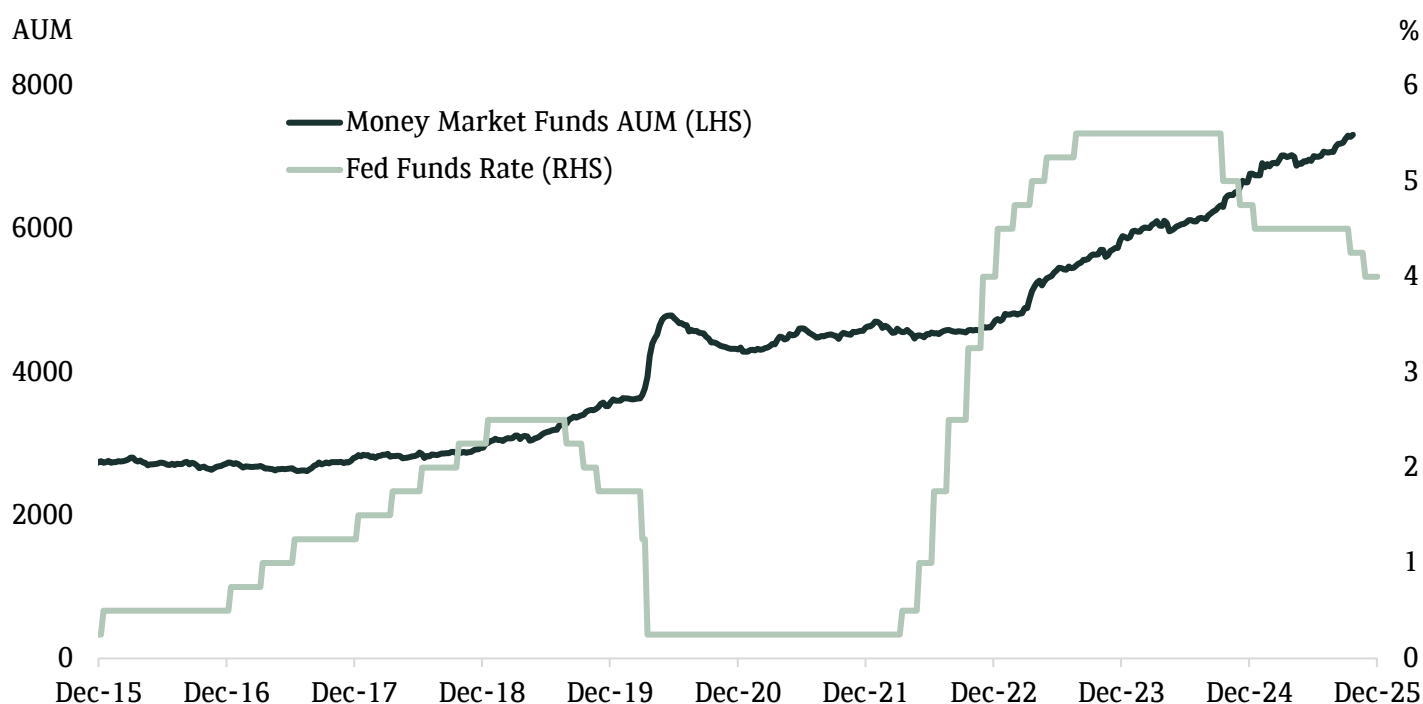


How will lower interest rates impact the financial markets?

Interest rates globally are poised to fall further, led by the US Federal Reserve. These policy rate cuts have driven deposit and money market yields lower. Consequently, sovereign bonds also offer lower returns than before, and the situation is made worse by compressed corporate bond spreads which is now at cycle lows. The hunt for yield is back on.

Over USD 7 trillion in US money market funds exposed to lower yields

US Money Market Funds Assets (USD billion) vs Fed Funds Rate (%)



Source: Bloomberg, BNP Paribas WM, as of 5 December 2025.
Past performance is not indicative of current or future performance.

Given the diminished returns from cash and core bonds (Neutral US & EU Govies and US Investment Grade), investors need to cast a wider net for yield. Emerging-market debt in local currency (Overweight EM Local Currency) stands out, offering an average yield close to 6% and supported by resilient domestic fundamentals and stronger currencies. Beyond public markets, lower-risk private credit strategies provide stable mid-to-high single-digit yields for investors willing to accept moderate illiquidity.



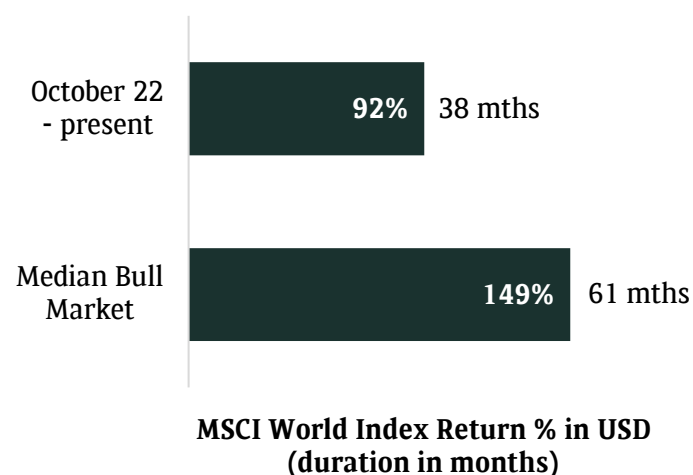


Can the equities bull run continue?

In a macro bull cycle, the third year is on average the lowest in terms of performance, accompanied by heightened volatility. Starting our most recent macro bull cycle from 2023 (two consecutive years of > 20% on the S&P 500), all evidences suggest that we are right on schedule, and that the strong uptrend is likely to resume in 2026.

This also ties in perfectly with encouraging macro conditions. Global equity markets are showing incredible strength on the back of economic resilience, strong corporate earnings across the board as well as easy monetary positioning. Additionally, record share buybacks and potential rotation from money market funds (over USD 7 trillion in US money market funds alone) are possible tailwinds for the bull market to continue. Therefore, we maintain our global equities positive outlook despite stretched US stock valuations.

Current bull market well below duration and scale of previous bull markets



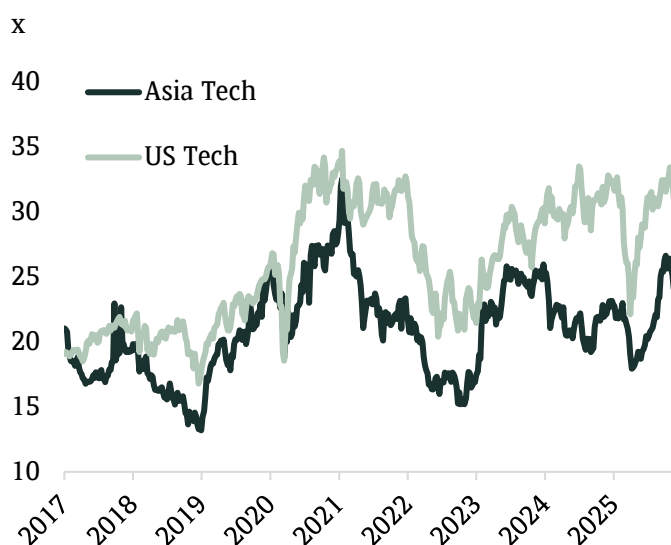
Source: Bloomberg, BNP Paribas WM, as of 5 December 2025.
Past performance is not indicative of current or future performance.



What are our key convictions in equities?

Asian Tech are still trading at a discount to US peers

Forward P/E



Source: Macrobond, BNP Paribas WM, as of 5 December 2025.
Past performance is not indicative of current or future performance.

We believe investors should start thinking about balancing risk and reward. Although the later stages of bull markets can deliver the most explosive gains, volatility is increasing. We encourage market participation while simultaneously locking in profits and limiting risks to the downside in the event of a market correction.

As such, our key preference remains for non-US equities, such as China, Japan, UK and India. In terms of sector, we have a slight defensive tilt and like healthcare and utilities. That being said, we are also big believers of megatrends such as AI, data centers and alternate sources of energy. For 2026, we also recommending Asia, which remains a dynamic growth region, underpinned by strong domestic demand, rapid technological progress (AI) and structural plus corporate governance reforms. Despite the challenges, Asian equities offer compelling long-term return potential, driven by favourable valuations, superior earnings growth and portfolio diversification benefits. Additionally, foreign investors remain underexposed to Asian stock markets thus far.





Is the commodity super cycle here to stay?

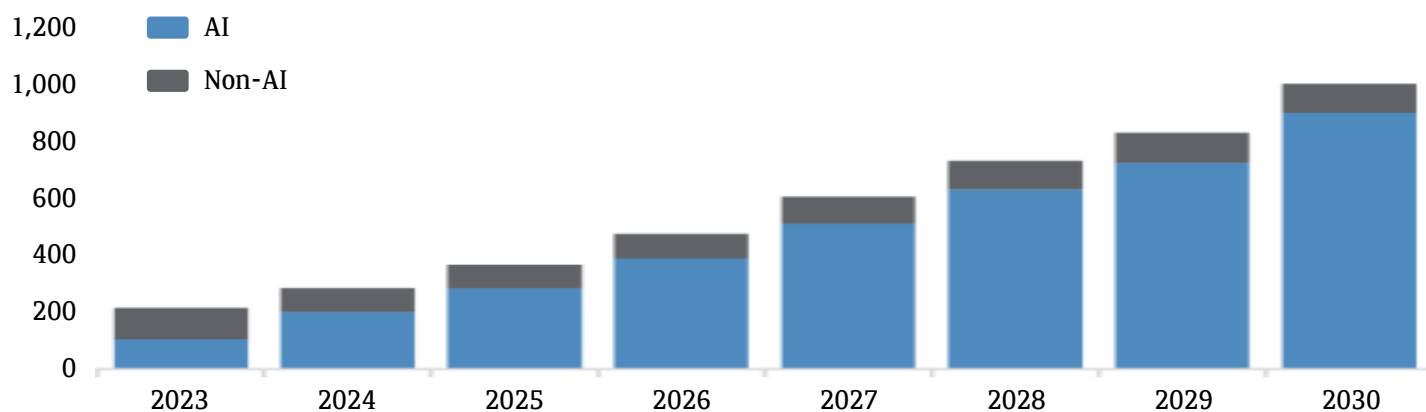
After years of relatively cheap material cost, we are now firmly in an age of resource scarcity. Three factors have ushered in this new era for commodities: i) rising demand for electricity and strategic metals owing to growing investment in technology and defence; ii) the inability to meet this rising demand given a historic underinvestment in new mining and refining capacity for these commodities, and iii) the greater use of resource supply serving as geopolitical leverage between countries. Overall, we see a long-run bull market for commodities.

We maintain our Overweight view on industrial metals despite recent rallies. We remain most positive on copper, aluminium, uranium (strong demand growth for nuclear energy / data centers). The era of lower commodity prices is firmly over, particularly given the long lead time between rising commodity prices and capital investment in new mining and refining capacity. Going forward, the importance of critical minerals and energy security will also grow, thanks to the recent rise of tariffs, deglobalisation and mounting conflicts.

Copper demand explodes from data center requirements

Forecast of copper demand

Thousand mt



Source: BNEF, CRU, JP Morgan, as of 5 December 2025.

Past performance is not indicative of current or future performance.

Meanwhile, precious metals benefit from a different source of increasing demand, principally driven by the desire for de-dollarisation by sovereign nations and central banks outside the US. This coupled with the ever-increasing geopolitical uncertainties, drove gold and silver to new all-time highs in the face of limited primary supply growth. We stay Neutral on precious metals near term (Gold TP 4500, Silver TP 60) given the extremely stretched momentum and positioning. However, in the longer term, we see further upside potential, hence pullbacks should be viewed as accumulation opportunity.



Introducing Our 2026 Investment Themes:

Perfectly embodies our 2026 outlook



Theme 1

Ride the Bull, but Guard the Gains



Theme 2

Escape Shrinking Cash Returns



Theme 3

Beyond Algorithms: The New AI Frontiers



Theme 4

Welcome to the New Age Of Scarcity



Theme 5

Investing When Policy Rules Markets



Theme 6

Opportunity Rising: The Allure of Asia

For more details on how to go about leveraging our 2026 Investment Themes, please refer to the document [here](#).

Overview of our CIO Asset Allocation for December 2025

	Views		Constituents	We like	Comments
	Current	Prior			
EQUITIES	+	+	Markets	UK, Japan, Brazil, Mexico, China, Singapore, India	<ul style="list-style-type: none">■ We remain Overweight on global equities. The overall backdrop still supports equities as global growth is solid while financial conditions remain supportive.
			Sectors	Overweight Healthcare and Utilities. For Europe: Financials, Industrials	<ul style="list-style-type: none">■ We like China techs and high dividend plays (banks, telecom).
			Styles/ Themes	Megatrend Themes	<ul style="list-style-type: none">■ Diversification, income, AI, infrastructure, commodities and Asian themes.
BONDS	=	=	Govies	UK, US TIPs	<ul style="list-style-type: none">■ We are Neutral on US and German government bonds, favouring maturities less than 5 years.■ Our 12-month US 10Y yield target remains unchanged at 4.25%.
	+	+	Segments	EUR and GBP Investment grade	<ul style="list-style-type: none">■ We are Overweight EM bonds (local currency) and remain Neutral on US IG, EM bonds (USD) and High Yield
CASH	-	-			
COMMO-DITIES	=	=		Copper	<ul style="list-style-type: none">■ Precious Metals – Neutral, target prices for Gold and Silver are \$4500/oz and \$60/oz respectively.■ Oil – Underweight. Brent target range is \$60-70.■ Base Metals – Overweight, especially like Copper target at \$13,000.
FOREX			EURUSD		<ul style="list-style-type: none">■ 12-month target at 1.24
			USDJPY		<ul style="list-style-type: none">■ 12-month target at 148
ALTER-NATIVE	+	+		Hedge funds (global macro, long-short equities, event driven)	<ul style="list-style-type: none">■ Neutral on relative value

Note: + Overweight / = Neutral / - Underweight



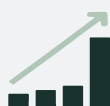
GDP & CPI Forecasts

		GDP (YoY%)			CPI (YoY%)		
		2024	2025f	2026f	2024	2025f	2026f
Developed	US	2.8	1.9	1.9	2.9	2.8	3.1
	Japan	0.1	1.3	0.6	2.7	3.2	2.1
	Eurozone	0.9	1.4	1.4	2.4	2.1	1.8
	UK	1.1	1.3	1.0	2.5	3.4	2.7
North Asia	China	5.0	5.0	4.5	0.2	0.0	1.0
	Hong Kong*	2.5	2.4	2.1	1.7	1.7	2.1
	South Korea	2.0	1.0	2.0	2.3	2.1	2.0
	Taiwan	4.6	6.6	2.8	2.2	1.7	1.4
South Asia	India	6.5	6.2	6.4	4.7	3.2	4.4
	Indonesia*	5.0	4.9	4.9	2.3	1.8	2.9
	Malaysia*	5.1	4.5	4.0	1.8	1.6	2.2
	Philippines*	5.7	5.4	5.7	3.2	1.6	2.6
	Singapore*	4.4	2.2	1.8	2.8	0.9	1.3
	Thailand*	2.5	2.0	1.6	0.4	0.2	0.7

Source: BNP Paribas Group Economic Research, BNP Paribas Global Markets forecasts as of 30 November 2025

Note: India's forecasts are for the fiscal year (April–March).

* IMF data and forecasts as of 30 November 2025



GROWTH

- Global economic growth will maintain its momentum in 2026. We see a continued solid pace of activity worldwide as existing strength is buoyed by further rate cuts in the US, China and several emerging markets, as well as additional fiscal stimulus in the Eurozone and Japan, deregulation, and AI-related investment plans
- Our most pronounced non-consensus view is on the Eurozone, where we expect fiscal stimulus to drive stronger growth than many other forecasters do.



INFLATION

- We expect global inflation to keep slowing in 2026, but not enough to remove the risk of persistent above-target dynamics. The US and Japan exemplify this pattern: in both economies, inflation is still above target, and we project it to stay there throughout our 2026–27 forecast horizon.
- Most central banks' bias will remain for further easing, with the notable exception of Japan.



Equities

😊 OVERWEIGHT 😐 NEUTRAL 😞 UNDERWEIGHT

OVERALL GLOBAL: OVERWEIGHT

😊	😐	😞
COUNTRY		
UK, Japan Emerging Mkt	US Eurozone	
SECTOR		
Healthcare Utilities	Comms. Real Estate Financials Materials Industrials Consum. Discre. Technology	Consumer Staples Energy

- **We remain Overweight on global equities** - The overall backdrop still supports equities as global growth is solid while financial conditions remain supportive.
- **We remain Neutral on US equities** - With valuations already at elevated levels, we see no room for a further multiple expansion.
- **We upgrade India to Overweight** - Fiscal and monetary policies are now supportive. Consumption continues to accelerate. Earnings in India could grow by 12.5% in the next year. Even as valuations remain at a premium, the gap with EM has compressed to below the long-term average. A trade resolution between US and India could trigger a re-rating in the near term.

OVERALL ASIA: OVERWEIGHT

😊	😐	😞
COUNTRY		
China Singapore ▲ India	Taiwan Indonesia South Korea	Thailand
SECTOR		
Comms. Consum. Discre. Technology ▲ Healthcare	Materials Real Estate Financials Healthcare Utilities ▼ Consumer Staples	Industrials Energy

- **We remain Overweight on China A-shares and Hong Kong/China H-shares** - Market will focus on any fresh policy signals for 2026 at China's Central Economic Work Conference in December. There is still room for more upside, as (1) Southbound inflows to Hong Kong continue, (2) more savings could potentially flow into equity markets; (3) valuations remain reasonable; and (4) AI optimism continues amid the AI/tech localization theme. We continue to like China tech sector and high dividend stocks in the HK/China financial and China telecom sectors.
- **We upgrade Asia healthcare (China's policy support) and downgrade Asia consumer staples (involution concerns).**

		1-month (%)	YTD (%)	2024 (%)	Dividend Yield (%)	12M Fwd PE (x)	Trailing PB (x)	12M Forward ROE (%)	EPS Growth Past 12M (%)	EPS Growth 12M Fwd (%)
Developed	US	-0.6	16.3	23.9	1.1	25.8	4.8	38.5	29.1	18.0
	Japan	-0.7	22.7	6.3	2.2	18.0	1.6	12.5	17.2	5.3
	Eurozone	1.2	31.4	-0.3	2.7	16.7	2.0	17.3	23.1	19.4
	UK	1.8	30.8	7.5	3.1	14.2	1.9	20.9	19.7	10.2
North Asia	China	-1.9	22.3	7.0	1.3	20.7	2.4	15.0	23.2	32.9
	Hong Kong	-0.1	36.2	24.2	3.1	12.1	1.3	13.7	22.7	15.8
	South Korea	-6.6	65.6	-21.7	1.3	14.0	1.4	14.1	55.3	40.2
	Taiwan	-5.2	28.3	24.0	2.3	21.2	3.1	25.8	32.8	35.0
South Asia	India	-0.2	2.2	12.7	1.1	23.0	3.4	19.7	20.5	11.1
	Indonesia	3.4	9.3	-0.4	2.3	21.0	3.6	11.6	20.4	2.9
	Malaysia	1.0	10.7	21.5	3.5	15.7	1.5	12.3	11.0	15.4
	Philippines	2.8	-1.3	9.0	3.6	10.4	1.2	18.6	8.9	5.4
	Singapore	2.8	33.4	14.8	4.3	15.4	1.3	12.0	60.9	2.8
	Thailand	-1.3	3.1	5.2	3.3	13.8	1.4	17.3	19.0	21.4

Source: Macrobond Indices in USD terms, BNP Paribas (WM), as of 30 November 2025



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Fixed Income

 OVERWEIGHT  NEUTRAL  UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL

OVERALL ASIA (USD): NEUTRAL

		
UK Gilts EUR and GBP IG EMD (LC)	US Treasuries German Bunds US IG High Yield EMD (HC)	-

		
Japan Singapore	South Korea Philippines Indonesia Hong Kong India, China Australia	

		Total Return (%)			Yield-to-Worst (%)
		1-month	YTD	2024	
Asia	Asia USD Bond	0.3	8.1	4.5	4.6
	Asia Local Currency Bond	-1.0	8.1	1.0	3.7
	China	0.1	7.3	5.7	4.6
	Hong Kong	0.5	8.4	4.7	4.4
	India	0.3	8.9	7.4	5.4
	Indonesia	-0.1	8.7	0.8	4.9
	Singapore	0.6	6.7	3.0	4.1
	South Korea	0.6	7.0	4.4	4.1
	Philippines	0.0	9.2	1.4	4.8
Other Regions	US 10-year Treasuries	0.9	8.3	0.1	4.1
	US Investment Grades (IG)	0.6	7.5	1.3	4.3
	US High Yield (HY)	0.6	8.0	8.2	6.6
	Emerging Market USD Bond	0.2	8.2	5.2	4.9

Source: Barclays indices, Bloomberg, BNP Paribas (WM) as of 30 November 2025

US Treasury 12-month Yield Targets (%)	2Y	5Y	10Y	30Y
	3.60	3.75	4.25	4.90

- **Rate forecasts:** Following the most recent Dec FOMC rate cut, we still expect the US Federal Reserve to cut rates twice next year in March and June, bringing the terminal rate to 3.25% given the deteriorating labour market. We expect no change in the near-term from the ECB, and a hike in late 2026 at the earliest.
- **Govies:** Our 10-year yield targets are maintained for US, Germany and UK, at 4.25%, 2.75% and 4.40% respectively. We stay **Neutral** on US and German bonds, favouring maturities less than five years. We prefer UK government bonds and US TIPS.
- **Corporate IG:** We prefer EUR and UK IG (**Overweight**) over USD IG (**Neutral**). Technicals are at risk of deterioration in USD IG given the massive increase of bond supply from Tech giants.
- **Emerging Market (EM) Bonds:** We are **Overweight** on emerging market local debt, anticipating an appreciation of EM currencies and more rate cuts by EM central banks. We remain **Neutral** on EM hard currency, considering its high valuations and the risk of higher US long-term yields.



Forex & Commodities

😊 OVERWEIGHT 😐 NEUTRAL 😞 UNDERWEIGHT

12-MONTH FOREX VIEW



JPY EUR CNY INR USD
 GBP AUD IDR MYR
 NZD CAD THB
 KRW TWD
 PHP SGD

- **JPY:** We still see some scope for yen appreciation next year as the Fed cuts rates and the BoJ is expected to hike rates. Our **3-month target for USDJPY is 152** and our **12-month target is 148**.
- **EUR:** We still assume that further softening in US labour market data and falling inflation pressures should prompt the Fed to deliver more rate cuts. This should weigh on the dollar. Meanwhile, the Eurozone's growth outlook is improving, underpinned by consistent upside data surprises, which may support further EUR strength. Therefore, our **3-month target for EURUSD is 1.16** and our **12-month target is 1.24**.

COMMODITIES



Base Metal

Gold
Silver

Oil

- **PRECIOUS Metals: Neutral** - We expect some consolidation or correction in the short term. Longer term, precious metals will remain supported by the flight to real assets and safe-haven investments in the context of de-dollarisation and high geopolitical and financial uncertainties. Our **target for gold is \$4500** and **silver is \$60**.
- **OIL: Underweight** - Brent price is likely to fall below USD 60 in the next 3 to 6 months, before returning to a USD 60-70 range by end-2026. We expect oversupply in the next few months due to OPEC+ production hikes, substantial non-OPEC supply growth, combined with limited demand growth.
- **BASE METALS: Overweight** - We expect that growing demand for infrastructure and energy transition will outpace expected supply growth. For copper, we have a **12-month target of USD 13,000**.

Forex Forecasts

		Spot	View	3-month	View	12-month
		As of 30 Nov 2025		Target		Target
Developed	USD Index*	99.46	=	99.0	-	93.3
	Japan	156.2	+	152	+	148
	Eurozone	1.160	=	1.16	+	1.24
	UK	1.324	=	1.33	+	1.43
	Australia	0.655	=	0.66	+	0.68
	New Zealand	0.574	+	0.60	+	0.60
	Canada	1.398	=	1.38	+	1.35
Asia Ex-Japan	China	7.071	=	7.10	=	7.10
	South Korea*	1,467	=	1,450	=	1,430
	Taiwan*	31.40	=	31.3	=	31.3
	India	89.46	=	88.0	=	88.0
	Indonesia*	16,660	=	16,700	=	16,900
	Malaysia*	4.133	=	4.10	=	4.03
	Philippines*	58.79	=	59.0	=	59.5
	Singapore*	1.297	=	1.30	=	1.28
	Thailand*	32.20	=	32.3	=	32.5

Source: BNP Paribas (WM) as of 30 November 2025

*BNP Paribas Global Markets forecast as of 30 November 2025

Note: + Overweight / = Neutral / - Underweight



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