

BSP, BI and BOK policy decisions amidst tech-led risk-off

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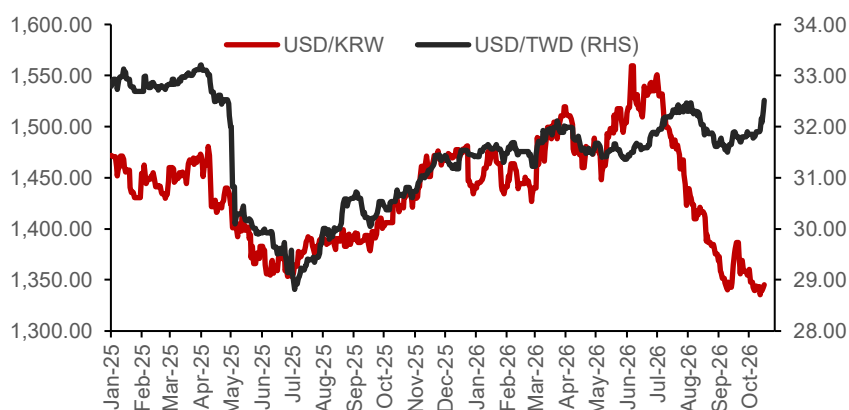
The focus in Asia will be on central bank policy decisions by Indonesia, Philippines and South Korea, China's macro data, coupled with whether the tech and semiconductor-led risk-off sentiment continues into next week.

In particular, we see BSP raising rates by 25bps next week, bringing the policy rate to 5.25% from 5.00%, given higher oil prices and the risk of a Super El Niño, while we expect the Bank of Korea to keep rates on hold at 3.00% after back-to-back hikes. While the consensus expects Bank Indonesia to keep rates on hold at 5.75%, MSCI's announcement on Friday (16 October) that Indonesia's continued emerging-market classification was no longer appropriate sent the JCI down more than 10% and put pressure on IDR. These developments lead us to forecasting a 25bp hike next week to 6.00%, followed by a further 25bp hike to 6.25% by end-2026.

Meanwhile, China's third-quarter GDP and September activity data are expected to show some stabilisation with stronger public investment and buoyant exports supporting industrial production, although the composition of growth likely remains uneven amid continued weakness in private investment and household consumption. Markets will also monitor the APEC finance ministers' meeting in Hong Kong and remarks from PBOC Governor Pan Gongsheng at Beijing's Financial Street Forum for indications of China's policy direction.

These events will also unfold against a fragile market backdrop following the technology and semiconductor-led equity sell-off. Concerns over AI financing, the sustainability of infrastructure spending and elevated valuations have driven heavy losses in semiconductor shares, with the KOSPI falling by 15% this week and large foreign outflows weighing particularly on the Korean won and the Taiwan dollar in the near-term. However, it is important to note that KRW and TWD have been very resilient before this sell-off. The associated flight to safety has also supported US Treasuries and lowered US yields, and the week ahead will test whether this represents a temporary position adjustment or a more persistent reassessment of the AI investment cycle.

THE TECH SELL-OFF WEIGHS ON KRW AND TWD

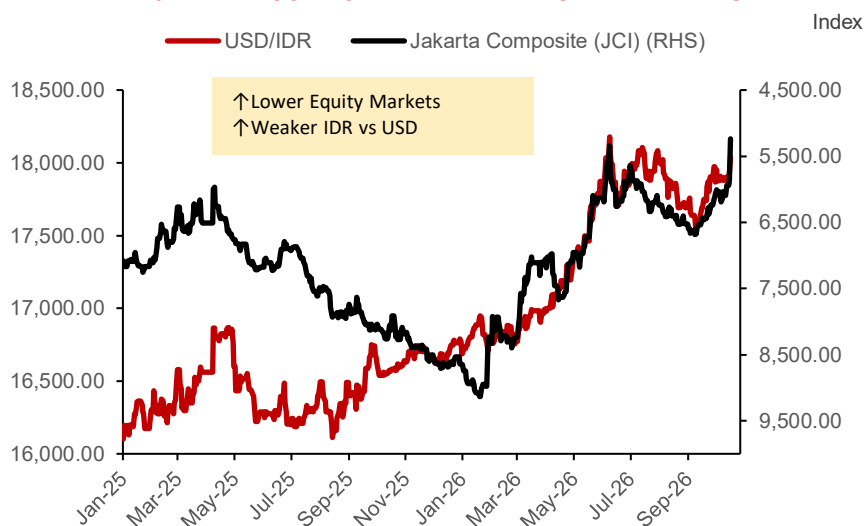


Source: Bloomberg, MUFG GMR

FX views

Outside Asia, the US calendar is comparatively lighter as the Federal Reserve enters its communications blackout period, leaving housing indicators, weekly jobless claims, the Conference Board leading index, consumer sentiment and Friday's flash PMI as the main macro releases. Attention may instead centre on earnings from Netflix, Tesla, Meta and IBM, which could determine whether pressure on technology stocks broadens or begins to stabilise. In particular, markets will scrutinise corporate guidance on AI-related capital expenditure, financing requirements and the prospective returns from data-centre investment. Further disappointment could extend the risk-off move, while resilient earnings and spending plans could restore confidence in the underlying technology cycle. In Europe, German ZEW expectations, UK labour-market and inflation data, euro-area consumer confidence and Friday's flash PMIs will offer a timely assessment of growth and price pressures, although near-term global sentiment is likely to remain especially sensitive to whether the semiconductor sell-off continues and generates further spillovers into Asian equities, regional currencies and wider credit markets.

IDR AND THE JAKARTA COMPOSITE INDEX ARE UNDER PRESSURE



Source: Bloomberg, MUFG GMR

FX PERFORMANCE

Country / Region	Currency Inde	16-Oct	%WTD	%MTD	%QTD	%YTD	%2025	%2024	%2023
China	USDCNY	6.6911	0.0	-0.2	-0.2	-4.2	-4.3	2.8	2.9
Hong Kong	USDHKD	7.8474	0.0	0.0	0.0	0.8	0.2	-0.5	0.1
Taiwan	USDTWD	32.417	1.6	1.8	1.8	3.17	-4.2	6.8	0.0
South Korea	USDKRW	1346.90	0.2	-0.7	-0.7	-6.4	-2.2	14.3	1.8
India	USDINR	95.055	-1.7	-0.8	-0.8	5.8	5.0	2.9	0.6
Indonesia	USDIDR	17938.00	0.3	0.4	0.4	7.5	3.7	4.6	-1.1
Malaysia	USDMYR	4.0830	0.0	0.1	0.1	0.6	-9.2	-2.7	4.3
Philippines	USDPHP	63.179	0.6	0.9	0.9	7.4	1.7	4.4	-0.6
Singapore	USDSGD	1.2825	0.2	0.4	0.4	-0.2	-5.9	3.4	-1.4
Thailand	USDTHB	33.498	-0.1	-0.2	-0.2	6.3	-7.6	-0.1	-1.3
Vietnam	USDVND	25873	0.0	-0.4	-0.4	-1.6	3.2	5.0	2.7
US	Dollar Index	102.03	-0.2	0.6	0.6	3.8	-9.4	7.1	-2.1
Japan	USDJPY	158.12	-0.1	0.5	0.5	0.9	-0.3	11.5	7.6
Europe	EURUSD	1.1212	0.1	-1.0	-1.0	-4.5	13.4	-6.2	3.1

Source: Bloomberg, MUFG GMR | Note: Data retrieved at HKT4:00PM on 16 October 2026

USD/CNY: Watching Q3 GDP and September monthly data release next week

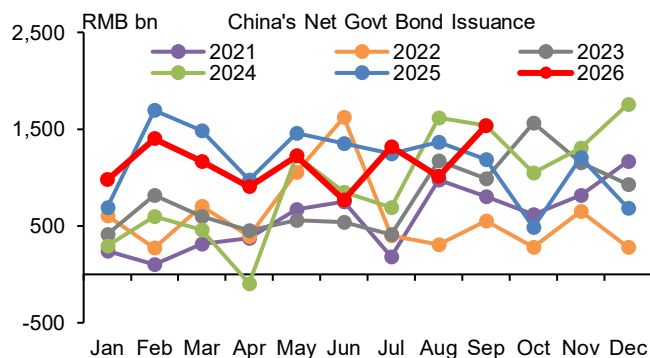
This week's data releases reinforced a two-speed picture of the Chinese economy with stronger exports but softer-than-expected CPI print and muted household loan demand. For exports, the growth accelerated by a big margin of 11.3ppts to 36.3%yoy, beating market expectations of a flat growth. The underlying growth was broad based across mechanical & electrical related products and labour-intensive products with growth acceleration of 11ppts and 14ppts, respectively. In particular, tech exports continued its uptrend growing by more than 100%yoy, highlighting the global demand for AI-related components. As a result, China's monthly trade surplus surged to a recent high of USD 134bn, cumulatively USD 939bn in the first 9 months which represents roughly 8% increase from the same period last year. This will continue to bode well for CNY appreciation though near-term external headwinds persist from a firm US dollar, elevated US yields and oil prices.

For inflation, the headline print was only up by 0.1ppts to 0.9%yoy in September with the core CPI unchanged at 1.0%yoy. Energy was the principal source of upward pressure as the gasoline prices increased by 16.6%yoy and contributed around 0.47ppts to headline inflation, according to NBS. Meanwhile, tech-related goods such as data storage device, laptop and mobile phones also fuelled inflation, collectively contributing 0.23ppts to the headline inflation. Services CPI inflation however remained subdued at 0.8%yoy. Meanwhile, PPI inflation surged to 5.0%yoy, the fastest pace of expansion since June 2022. The PPI among upstream industries gained notably, with the petroleum and natural gas mining up by 10.4%mom and the refined fuel products increased by 8.4%mom. Overall, higher input costs for mid-downstream business will likely compress their profit margin as the end-consumer demand remains soft, which may limit business' appetite for hardware investment, boosting hiring and wages.

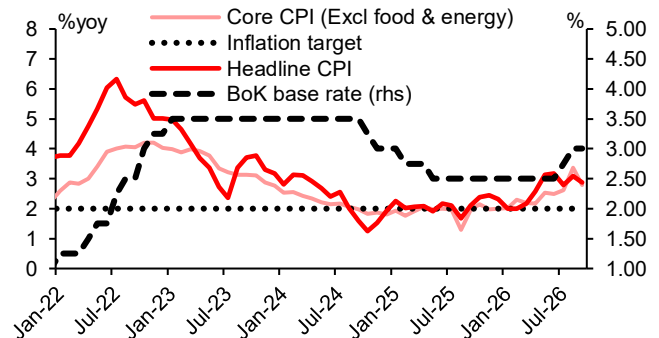
On a positive note, new government bond issuance rose to RMB 1.54tn in September, the highest monthly increase this year and RMB 347bn higher than a year ago. This is consistent with the stronger September PMI readings, particularly in construction, pointing to potential stabilization in FAI and Q3 GDP growth in next week's data. Currency wise, USD/CNY ground below the 6.69 level to end the week.

USD/KRW: BoK likely to hold next week

The Korea's equity market experienced a sharp correction as concerns over AI funding lingered throughout the week, down by as much as 16% on Thursday before some mild recovery ended the week. The foreign investors heavily net sold the Korean equities by USD 8.3bn. While USD/KRW pair was initially pressured to the upside slightly, a weaker dollar helped to provide support for KRW. The KRW resilience could be partly explained by the strong first 10-days export number too, which grew by 102%yoy. For BoK's meeting next week, we expect a rate hold after a back-to-back rate hike though the underlying inflationary pressure remains intact.

GOVT BOND ISSUANCE PICKED UP IN SEPTEMBER

Source: CEIC, MUFG GMR

KOREA'S CPI INFLATION REMAINS ELEVATED

Source: CEIC, MUFG GMR

USD/INR: RBI measures cap the upside, but underlying pressures remain

USD/INR ended the week by trading around the 95.00 level and remained roughly 1.7% below last week's levels following the RBI's recent FX measures. The steps reduced speculative NDF demand and spot dollar buying, helping reverse part of the earlier rupee weakness, although the adjustment came with higher hedging costs and thinner liquidity in onshore forwards. Price action nevertheless shows that the RBI can influence the pace of depreciation, even as oil and external-flow pressures remain.

We think the RBI has turned hawkish, but not enough to validate the tightening already priced into INR rates. The 25bp repo-rate hike to 5.50% and shift to calibrated tightening point to a gradual rather than aggressive cycle, while one-year onshore OIS around 6.26% suggests much of the expected adjustment is already embedded. We maintain one further 25bp hike in February 2027, taking the repo rate to 5.75%, with some risk that it eventually reaches 6.00%.

For FX, we continue to see USD/INR moving gradually higher over time, but with the upside capped by RBI intervention. A wider current-account deficit, elevated oil prices and continued gross FDI repatriation linked to India's strong IPO pipeline remain sources of dollar demand. Conversely, the RBI's measures, softer US front-end yields and cheaper INR valuations should limit disorderly depreciation. We forecast USD/INR at 96.00 in 4Q2026 and 97.50 by 3Q2027, with near-term moves likely to remain managed rather than one-directional.

USD/VND: US trade deal progress reinforces a more stable outlook

USD/VND traded around the 25,870 level today, broadly unchanged from its close last week. Vietnam said negotiations on a reciprocal trade agreement with the US were nearing completion, after Hanoi submitted a final proposed text to Washington. A deal would reduce uncertainty over access to Vietnam's largest export market and help protect manufacturing investment and export orders, although US officials have been more cautious on the pace of progress. The outstanding issues around the bilateral imbalance, data protection and energy-sector rules suggest the final terms still matter. Even so, clearer market access would be supportive for export earnings, FDI and the medium-term FX balance.

Progress towards a trade agreement should help contain the pair by improving visibility for exporters and foreign investors, while any commitment to greater US investment or technology access could strengthen future capital inflows. Markets will nevertheless remain sensitive to the final tariff treatment and the US Section 301 investigation, given Vietnam's \$122.6bn trade surplus with the US in the first nine months of 2026.

We maintain our view of a more stable USD/VND, with the SBV likely to keep official rates unchanged. Strong growth, export receipts and implemented FDI should offset part of the dollar demand from rapid import growth, while higher VND interest rates and day-to-day liquidity management provide additional support. A favourable US trade outcome could reinforce this balance, but the SBV is still likely to favour stability rather than sustained VND appreciation. We expect the pair to remain managed, with global USD moves, final trade terms and importer demand the main near-term risks.

Lloyd Chan

Malaysia's Budget 2027 reinforces our constructive medium-term view on MYR. The fiscal deficit is targeted to narrow to 3.3% of GDP from an estimated 3.6% in 2026, while the primary deficit improves to 0.7% from 1.0%. Stronger revenues and earlier subsidy reforms have created room for household and SME support without abandoning the medium-term consolidation path, reinforcing policy credibility and helping to contain Malaysia's sovereign risk premium.

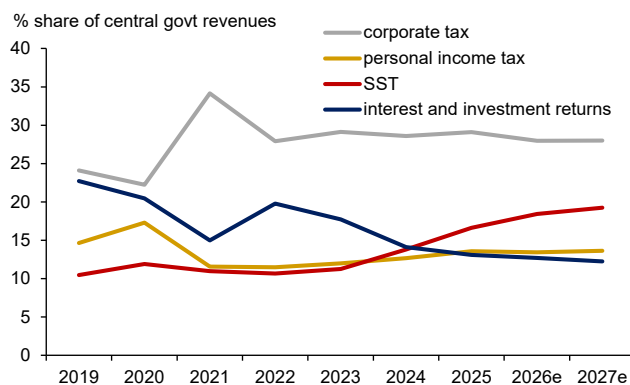
The commitment to a smaller deficit is particularly important given Malaysia's debt-servicing burden. Federal debt stood at 63.1% of GDP at end-June and debt servicing already absorbs around 16% of central government revenue. Slower debt accumulation should preserve fiscal space for productive spending, while the increase in development expenditure to RM83bn supports infrastructure, digitalisation, AI and the energy transition. These measures should continue to attract FDI and raise Malaysia's potential growth.

The recent rise in MGS yields appears largely externally driven. Domestic inflation remains contained, fiscal consolidation continues and local institutional demand is deep. Malaysia's July global sukuk was 4.7 times oversubscribed and achieved the country's tightest-ever spread, signalling healthy sovereign funding conditions. We favour receiving MYR rates when the domestic curve is dragged materially higher by a US Treasury-led sell-off without a corresponding deterioration in Malaysia's fundamentals.

At the same time, domestic conditions do not point to an urgent need for BNM to tighten. Contained inflation and the continued cushioning from fuel subsidies reduce the urgency to tighten, while resilient domestic demand supports growth. We therefore maintain our view that the policy rate will remain at 2.75%. This favourable growth-inflation mix should provide insulation from global rates volatility and support demand for Malaysian assets.

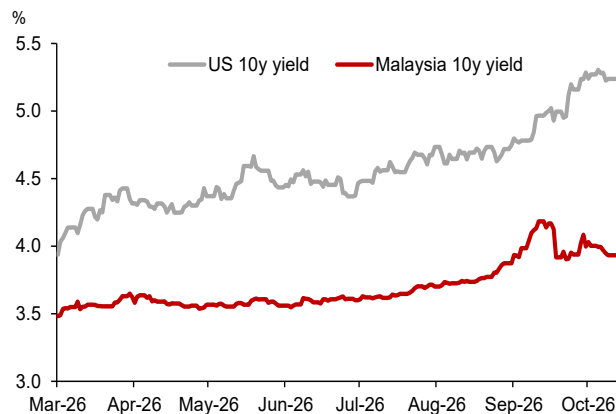
For MYR, the Budget is incrementally supportive. Fiscal consolidation should contain the risk premium, attractive MGS valuations could encourage foreign re-engagement, and strategic investment should support medium-term capital inflows.

SST BECOMES AN INCREASINGLY IMPORTANT REVENUE PILLAR



Source: CEIC, MOF, MUFG GMR

MALAYSIA YIELDS PROVE RELATIVELY RESILIENT TO RISING US YIELDS



Source: Bloomberg, MUFG GMR

Week in review

The week's main global catalyst was a hotter-than-expected US CPI print, with headline inflation rising to 3.7%yoy in September from 3.4%yoy and core inflation increasing to 2.6%yoy. US Treasury yields and the USD initially rose, but the move reversed as a technology-led equity selloff triggered demand for US treasuries. The 2-year yield subsequently fell towards 4.70% and the 10-year yield declined from 5.32% after the CPI release to around 5.05%, bringing broader relief to Asia FX despite markets retaining around a 27% probability of an October Fed hike and fully pricing a 25bp increase by year-end.

The decline in US yields did not translate into uniform support across the region. TWD underperformed as concerns over AI funding and the sustainability of infrastructure spending weighed on semiconductor shares. The TAIEX and KOSPI fell by 5% and 15% respectively, while each Taiwan and South Korea recorded weekly foreign equity outflows of USD\$17.7bn and \$8.3bn. The scale of the equity-flow shock outweighed the benefit from lower US yields for TWD.

China's September data reinforced the contrast between a strong external sector and softer domestic pricing power. Exports surged 36.3%yoy on robust AI-related shipments, lifting the trade surplus to a record \$133.5bn, while producer-price inflation accelerated to 5.0%yoy as higher energy and commodity costs fed into factory-gate prices. Consumer inflation rose by a more modest 0.9%yoy, pointing to limited pass-through and still-cautious household demand. The export strength and continued PBoC fixing support helped keep CNY broadly stable despite the uneven domestic backdrop.

In Singapore, MAS unexpectedly left the slope, centre and width of the S\$NEER policy band unchanged, against expectations for a slight tightening. The decision reflected its assessment that core inflation should ease more discernibly from mid-2027 as imported cost pressures fade and domestic costs remain contained. Singapore's economy nevertheless expanded by 5.4%yoy in 3Q, above the 5.1%yoy consensus, while the existing appreciating policy band helped SGD remain relatively resilient.

In Japan, BoJ Board Member Koeda placed greater emphasis on upside price risks and still-accommodative financial conditions, while judging the neutral rate to be considerably above 1%. Her comments reinforced the case for continued policy normalisation without signalling the timing of the next move.

INR was comparatively better supported after the RBI's recent FX measures reduced speculative NDF demand and spot USD buying, with INR rallying by 1.7% this week against the dollar. The measures came with higher hedging costs and reduced liquidity in onshore forward markets, while elevated crude prices remained a headwind.

Indonesia faced renewed market pressure after MSCI said it was consulting on reclassifying the country from emerging-market to standalone status, citing concerns over market functioning, coordinated trading behaviour and enforcement. The JCI fell by around 11% at Friday's open as investors assessed the risk that exclusion from global benchmarks could trigger further passive and active foreign selling. With foreign investors already net sellers of Indonesian equities year-to-date, the prospect of weaker portfolio demand and lower market liquidity could weigh further on IDR and add upside pressure to USD/IDR.

Capital Flows

ASIAN EQUITY OUTFLOWS SURGE, LED BY TAIWAN AND SOUTH KOREA

Foreign selling across Asian equity markets intensified sharply in the week ended 16 October, driven overwhelmingly by technology-heavy Taiwan and South Korea. By contrast, flows across India and ASEAN were comparatively modest, with Thailand and Indonesia recording small inflows.

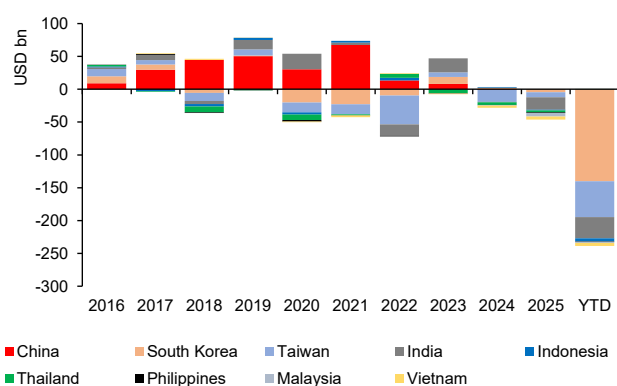
Asia equity flows: Asian equity markets recorded net foreign outflows of USD\$26.4bn in the week ended 16 October, up sharply from \$9.7bn in the preceding week. Taiwan accounted for the largest outflow at \$17.7bn, followed by South Korea at \$8.5bn. India recorded a modest \$60mn outflow, while selling in Vietnam and Malaysia reached \$90mn and \$50mn, respectively. Thailand and Indonesia bucked the regional trend with inflows of \$115mn and \$10mn. Regional outflows reached \$37bn month-to-date and \$238bn year-to-date.

NET FOREIGN INSTITUTIONAL INVESTMENTS INTO ASIAN EQUITIES (USD MN)

Country / Region	16-Oct	9-Oct	2-Oct	25-Sep	18-Sep	MTD	QTD	YTD	2025
China									0
South Korea	-8,519	-4,857	-6,202	-473	-6,502	-13,333	-13,333	-140,015	-4,485
Taiwan	-17,730	-762	-243	1,705	-200	-17,779	-17,779	-54,702	-7,800
India	-58	-2,991	-3,508	-427	-257	-4,016	-4,016	-32,278	-18,792
Indonesia	9	-137	-281	-176	-166	-213	-213	-4,878	-1,063
Thailand	114	-282	-796	-107	-156	-300	-300	514	-3,211
Philippines	-25	-21	-73	-13	-58	-89	-89	-625	-883
Malaysia	-53	-88	-196	-116	31	-204	-204	-1,730	-5,204
Vietnam	-91	-535	-189	-110	103	-753	-753	-4,387	-4,754
Total flows	-26,353	-9,672	-11,488	283	-7,205	-36,685	-36,685	-238,099	-46,192

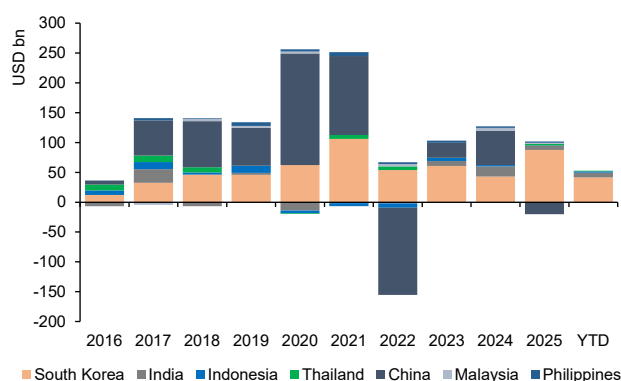
Source: Bloomberg, MUFG GMR Note: China stopped publishing buy and sell transaction data for Northbound flows since August 2024; Data as of 16 October 2026 HKT4:00PM with a two-day lag for India and one-day lag for other countries

ANNUAL NET FOREIGN INSTITUTIONAL INVESTMENTS INTO ASIA EQUITIES



Source: Bloomberg, MUFG GMR. Note: Data is provided by respective countries' stock exchanges; *2025 data is the sum of flows between 1 Jan to 16-Oct-26 with a two-day lag for India and one-day lag for other countries. China stopped publishing Northbound flows since August 2024

ANNUAL NET FOREIGN INSTITUTIONAL INVESTMENTS INTO ASIA BONDS



Source: Bloomberg, MUFG GMR. Note: Data is provided by respective countries' Ministry of Finance and/or bond market association; *2025 data is the sum of flows between 1 Jan to 16-Oct-26 with a one-day lag for India and a three-day lag for Indonesia. China data reflects flows from Bond Connect.

Asia bond flows: Foreign demand for Asian local-currency bonds remained positive in the week ended 16 October, with the four markets covered recording combined inflows of \$900mn, down from \$2.0bn in the preceding week. South Korea attracted the largest inflow at \$500mn, followed by Indonesia at \$210mn and Thailand at \$170mn. India received a more modest \$45mn. Inflows were therefore broad-based across all four markets, although the regional total moderated as buying of South Korean and Indian bonds slowed.

NET FOREIGN INSTITUTIONAL INVESTMENTS INTO BONDS FOR KOREA, INDIA, THAILAND & INDONESIA (USD MN)

Country / Region	16-Oct	9-Oct	2-Oct	25-Sep	18-Sep	MTD	QTD	YTD	2025
South Korea	488	1,474	-1,192	-108	-199	1,721	1,721	41,400	87,632
India	44	340	-717	-292	8	376	376	8,323	7,472
Indonesia	208	18	255	-237	-447	521	521	2,085	189
Thailand	172	173	-299	13	-226	336	336	868	2,346
Total flows	913	2,004	-1,954	-623	-863	2,953	2,953	52,676	97,639

Source: Bloomberg, MUFG GMR; Data as of 16 October 2026 with a one-day lag for Thailand, two day lag for South Korea and India, and a three-day lag for Indonesia.

MONTHLY NET FOREIGN INSTITUTIONAL BOND INVESTMENTS FOR CHINA, MALAYSIA AND THE PHILIPPINES

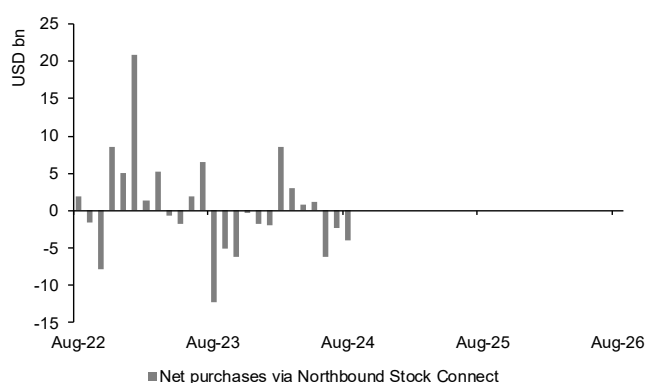
Country / Region	Sep-26	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	YTD	2025
China				-720	15,805	-5,698	-18,864	0	-20,014
Malaysia	-431	1,238	-1,817	837	-499	177	1,279	0	1,890
Philippines	0	634	111	2,228	-77	780	1,379	0	2,319

Source: Bloomberg, CEIC, MUFG GMR

China Stock Connect & Bond Connect:

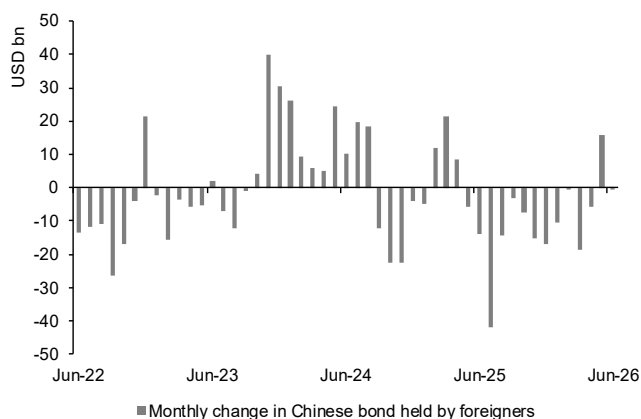
China's Bond Connect recorded \$720mn of outflows in June, reversing \$15.8bn of inflows in May, as softer growth expectations and equity-market resilience reduced demand for bonds. Stock Connect flow data remain unavailable following China's suspension of Northbound transaction disclosures since August 2024.

NET FOREIGN INSTITUTIONAL INVESTMENTS INTO CHINESE EQUITIES VIA HK-SHANGHAI & HK-SHENZHEN NORTHBOUND STOCK CONNECT



Source: Bloomberg, MUFG GMR; Data as at 16 October 2026

MONTHLY CHANGE IN FOREIGN HOLDINGS OF CHINESE BONDS VIA BOND CONNECT



Source: CEIC, MUFG GMR

Government bond yield spreads: 10-year spreads rise across most Asian markets

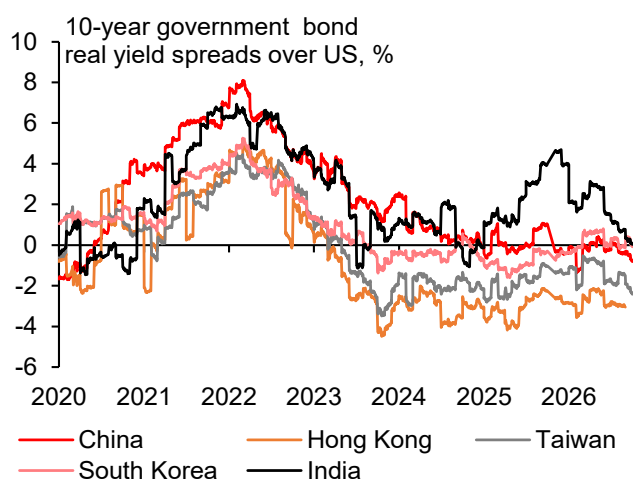
Asian government bond yield spreads over US Treasuries were mixed at the 2-year tenor but mostly increased at the 10-year tenor in the week ended 16 October. At the 2-year tenor, India recorded the largest increase (+14bps), followed by the Philippines (+10bps), while South Korea and Indonesia posted the largest declines (-7bps each), followed by Singapore (-4bps). At the 10-year tenor, the Philippines led the increase (+29bps), followed by Taiwan (+27bps), India (+22bps) and Indonesia (+17bps). South Korea was the only market to record a decline (-7bps).

EM ASIAN GOVERNMENT BOND YIELD SPREADS WITH THE US

	Country / Region	Government bond yield difference over US, bps											
		2026											
		16-Oct	9-Oct	2-Oct	25-Sep	18-Sep	11-Sep	4-Sep	28-Aug	21-Aug	14-Aug	7-Aug	31-Jul
10-Year	China	-344	-356	-360	-349	-332	-328	-311	-303	-304	-301	-294	-303
	Hong Kong	-110	-124	-125	-120	-128	-134	-126	-122	-126	-118	-114	-129
	Taiwan	-307	-334	-337	-326	-310	-307	-288	-282	-284	-276	-272	-281
	South Korea	-90	-83	-92	-79	-54	-43	-43	-44	-37	-38	-43	-47
	India	228	206	194	194	206	205	218	219	214	207	213	207
	Indonesia	212	195	187	192	210	217	231	224	219	242	261	257
	Malaysia	-128	-131	-127	-120	-106	-80	-81	-86	-95	-96	-92	-103
	Philippines	292	263	239	254	258	246	251	254	257	263	262	269
	Singapore	-276	-280	-283	-269	-257	-252	-242	-240	-240	-243	-236	-240
	Thailand	-284	-293	-294	-288	-275	-268	-260	-261	-264	-266	-261	-269
	Vietnam	-64	-78	-81	-70	-54	-50	-33	-27	-29	-27	-23	-33
2-Year	China	-353	-354	-359	-361	-350	-339	-313	-310	-300	-294	-294	-304
	Hong Kong	-120	-119	-119	-108	-119	-118	-116	-129	-124	-119	-121	-128
	Taiwan	-318	-319	-311	-313	-303	-291	-265	-263	-252	-245	-257	-266
	South Korea	-95	-88	-94	-89	-77	-72	-66	-68	-53	-54	-62	-64
	India	210	196	165	162	173	169	196	192	199	196	193	190
	Indonesia	188	195	192	190	201	217	233	227	237	261	278	270
	Malaysia*	-144	-146	-148	-146	-138	-116	-103	-104	-96	-92	-93	-105
	Philippines	228	218	197	181	189	192	206	199	210	218	232	241
	Singapore	-291	-287	-288	-292	-292	-287	-267	-269	-258	-253	-253	-261
	Thailand	-355	-354	-351	-360	-350	-339	-320	-322	-311	-307	-309	-317
	Vietnam	-114	-115	-119	-122	-111	-99	-73	-71	-60	-54	-58	-72

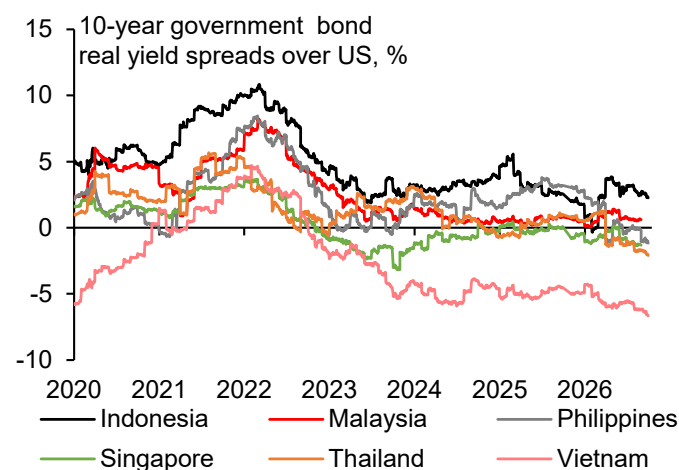
Source: Bloomberg, MUFG GMR Note: Data retrieved at HKT4:00PM on 16 October 2026

ASIA'S REAL YIELD SPREADS



Source: Bloomberg, MUFG GMR

ASIA'S REAL YIELD SPREADS



Source: Bloomberg, MUFG GMR

Central bank monitor

Global policy remains tilted towards restraint as elevated energy costs and persistent services inflation keep price risks to the upside. The Fed raised rates by 25bp in September, and the FOMC minutes showed broad support for maintaining a restrictive stance. Markets continue to price another 25bp hike by year-end, although the timing will depend on incoming inflation and labour-market data.

MAS left the slope, centre and width of the S\$NEER policy band unchanged in October. The decision reflected its assessment that core inflation should ease more discernibly from mid-2027 as imported cost pressures fade and domestic costs remain contained. We expect MAS to maintain the current appreciating stance unless the medium-term inflation outlook changes materially.

We expect the BSP to raise its overnight borrowing rate by 25bp to 5.25% in October. Headline inflation accelerated to 7.2%yoy in September, well above the 2–4% target, while elevated oil prices, El Niño-related food pressures and prospective wage increases raise the risk of second-round effects. With 75bp of tightening already delivered this year and growth below potential, however, we expect the BSP to retain a measured pace.

By contrast, we expect the Bank of Korea to hold its policy rate at 3.00% after two consecutive hikes next week, before resuming hiking in November. Softer inflation and the strengthening in KRW before the latest equity sell-off give the BOK room to assess the impact of tightening already delivered, while elevated long-term yields are likely to weigh on consumption and investment. A pause should not signal the end of the cycle: AI-led export growth and persistent core price pressures should keep the BOK's guidance tilted towards further tightening.

We expect BI to hike 25bp to 6.00% next week, given rupiah weakness and rising inflation risks. MSCI proposed moving Indonesia to standalone status, citing market dysfunction and weak enforcement; potential index exclusion, foreign outflows and further IDR pressure strengthen the case for tightening.

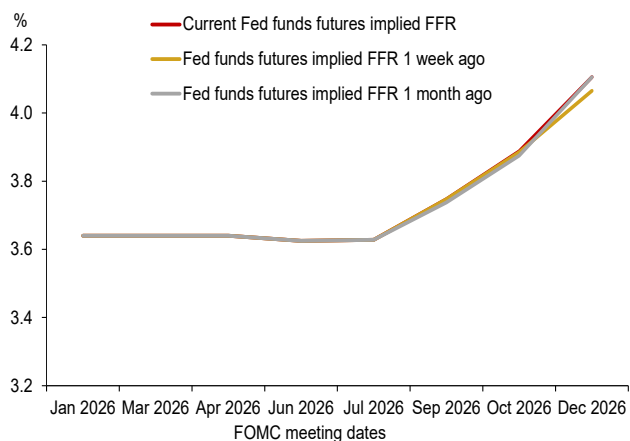
The RBI raised the repo rate by 25bp to 5.50% and shifted to calibrated tightening, reinforcing a more hawkish stance. We expect one further 25bp hike in February 2027, taking the repo rate to 5.75%, with upside risk to 6.00%, although current OIS pricing already embeds substantial further tightening.

CURRENT MARKET IMPLIED POLICY RATE

Country / Region	Benchmark rate	Current	3M	6M	1Y	2Y	Next policy meeting
China	7D reverse repo rate	1.40%	1.42%	1.40%	1.39%	1.42%	20 Oct 26
South Korea	7D repo rate	3.00%	3.15%	3.42%	3.64%	3.76%	22 Oct 26
Taiwan	Discount rate	2.00%	2.04%	2.16%	2.39%	2.70%	17 Dec 26
India	Repo rate	5.50%	5.92%	6.11%	6.25%	6.38%	4 Dec 26
Thailand	1D repo rate	1.00%	1.05%	1.06%	1.25%	1.60%	28 Oct 26
Malaysia	Overnight policy rate	2.75%	2.81%	2.92%	2.91%	2.85%	5 Nov 26
Philippines	Overnight reverse repo rate	5.00%	4.40%	4.43%	3.56%	3.92%	22 Oct 26
US	Fed funds rate	3.875%	4.23%	4.47%	4.65%	4.58%	29 Oct 26

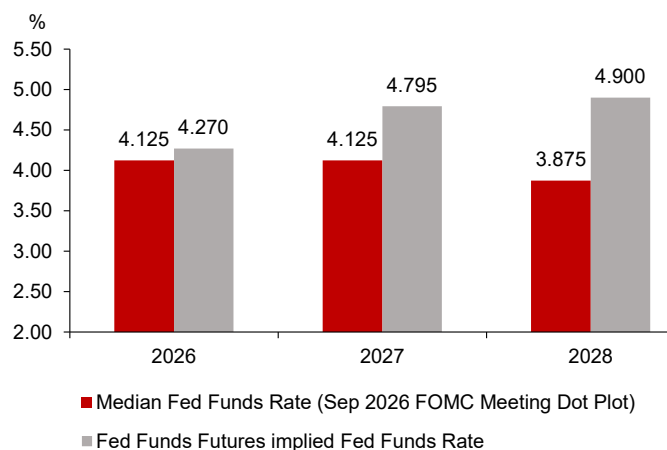
Source: Bloomberg, MUFG GMR Note: Implied rates as priced by overnight index swaps of respective countries, updated on 16 October 2026 4:00 SGT/HKT

FED FUNDS FUTURES MARKET PRICING



Source: Bloomberg, MUFG GMR. Note: Fed funds futures pricing as at 16 October 2026

FED FUNDS FUTURES PRICING VS MEDIAN DOT



Source: Bloomberg, US Federal Reserve, MUFG GMR. Note: Fed funds futures pricing as at 16 October 2026

CENTRAL BANK POLICY STANCE AND OUTLOOK

Central bank	End-25 Actual	Now	Next policy meeting	Current policy stance and outlook	End-2026F
China	7d reverse repo rate: 1.40%	1.40%	N.A.	The government has softened its 2026 GDP growth target to 4.5%-5.0%, while emphasizing policy continuity. While PBOC could retain its easing bias, this could be expressed through other measures e.g. liquidity injection, credit easing, or LPR adjustments, rather than a policy rate cut.	1.40%
South Korea	2.50%	3.00%	22-Oct-26	Inflation eased to 2.9%yoy in September but remains above the BOK's 2% target. With exports supporting growth, we expect the BOK to hold at its October meeting before considering further tightening.	3.25%
Taiwan	2.000%	2.000%	17-Dec-26	CBC held the policy rate at 2% in September, citing that inflation remains contained, allowing the central bank to adopt a wait-and-see stance.	2.00%
Indonesia	4.75%	5.75%	21-Oct-26	Bank Indonesia is expected to raise its policy rate by 25bp to 6.00%, although a hold remains possible. IDR weakness, rising inflation risks and the recent MSCI announcement have strengthened the case for a hike. The outcome and intervention guidance will be important for USD/IDR.	6.25%
Malaysia	2.75%	2.75%	5-Nov-26	Inflation remains well contained at below 2%yoy in Malaysia. Inflation expectations are also well-anchored. That should give room for BNM to keep policy rate at 2.75% this year.	2.75%
Singapore	N.A.	N.A.	December	MAS maintained the appreciating S\$NEER policy band in October. With inflation risks tilted to the upside, MAS is likely to retain the current path for now.	N.A.
Thailand	1.25%	1.00%	28-Oct-26	BoT held rates at 1.00% in August. We expect BOT to lean towards supporting growth by keeping the policy rate at 1%.	1.00%
India	5.50%	5.50%	4-Dec-26	RBI raised the repo rate by 25bps to 5.50% in October, its first hike in three years, and shifted its stance from neutral to calibrated tightening. The next tightening likely to be in Q1 2027.	5.50%
Philippines	4.50%	5.00%	22-Oct-26	Inflation remained elevated at 7.2%yoy, keeping pressure on the BSP to contain inflation expectations. We expect a further rate hike at its October meeting.	5.25%
Vietnam	4.50%	4.50%	N.A.	Better stability in FX and capital inflows give the State Bank of Vietnam space to keep rates on hold despite strong credit growth.	4.50%

The week ahead

Asia and G3

The US calendar is relatively light, with housing data, jobless claims and the S&P Global PMIs the main releases. With the Fed entering its blackout period, US Treasury yields and risk sentiment should remain the principal global drivers for Asia FX. A renewed rise in yields would favour the USD, while softer activity data could support regional currencies.

China's 3Q GDP and September activity data will be the main regional focus. Consensus expects growth to improve to 4.4%yoy from 4.3%yoy, supported by exports and public investment, while consumption remains subdued. The one- and five-year loan prime rates are expected to remain unchanged at 3.00% and 3.50%.

Bank Indonesia is expected to raise its policy rate by 25bp to 6.00%, although a hold remains possible. IDR weakness, rising inflation risks and the recent MSCI announcement have strengthened the case for a hike. The outcome and intervention guidance will be important for USD/IDR.

The BSP is expected to lift its overnight borrowing rate by 25bp to 5.25% after September inflation reached 7.2%yoy. Elevated oil and food prices argue for further tightening, although below-potential growth should keep the move measured. A hike would support PHP at the margin, but the inflation trajectory remains the larger risk.

The Bank of Korea is expected to hold at 3.00% next week after two consecutive hikes, while Japan's CPI excluding fresh food is expected to rise to 2.0%yoy from 1.7%yoy. A BOK pause should have limited impact if guidance retains a tightening bias, while firmer Japanese inflation would reinforce expectations for further BoJ normalisation.

WEEKLY CALENDAR

Country	Date	Time (SGT)	Event	Period	Survey	Prior
Philippines	19/10/2026		BoP Overall	Sep		-596m
China	19/10/2026	10:00	GDP YoY	3Q	4.4%	4.3%
China	19/10/2026	10:00	GDP YTD YoY	3Q	4.6%	4.7%
China	19/10/2026	10:00	Retail Sales YoY	Sep	0.5%	0.4%
China	19/10/2026	10:00	Retail Sales YTD YoY	Sep		1.1%
China	19/10/2026	10:00	Industrial Production YoY	Sep	5.4%	5.2%
China	19/10/2026	10:00	Industrial Production YTD YoY	Sep		5.3%
China	19/10/2026	10:00	Fixed Assets Ex Rural YTD YoY	Sep	-7.3%	-7.2%
Malaysia	19/10/2026	12:00	CPI YoY	Sep	1.9%	1.9%
Japan	19/10/2026	12:30	Tertiary Industry Index MoM	Aug	-0.2%	0.4%
Taiwan	20/10/2026	16:00	Export Orders YoY	Sep	62.15%	71.4%
Eurozone Aggregate	20/10/2026	17:00	ZEW Survey Expectations	Oct		25.8
Germany	20/10/2026	17:00	ZEW Survey Expectations	Oct	33	34.7
Germany	20/10/2026	17:00	ZEW Survey Current Situation	Oct		-47.1
United States	20/10/2026	20:30	Housing Starts	Sep	1305k	1275k
United States	20/10/2026	20:30	Building Permits	Sep P	1385k	1403k
United States	20/10/2026	22:00	Pending Home Sales MoM	Sep	0%	0.3%
South Korea	21/10/2026	5:00	PPI YoY	Sep		7.9%
Japan	21/10/2026	7:50	Trade Balance	Sep	-¥182.85b	-¥1105.61b
Indonesia	21/10/2026	15:20	BI-Rate	Oct	5.75%	5.75%
Singapore	21/10/2026	16:00	Automobile COE Open Bid Cat A	Oct		130001
United States	21/10/2026	19:00	MBA Mortgage Applications	Oct		-2.7%
South Korea	22/10/2026		BOK Base Rate	Oct	3%	3%
Japan	22/10/2026	7:50	Japan Buying Foreign Bonds	Oct		-¥339.7b
Japan	22/10/2026	14:00	Machine Tool Orders YoY	Sep F		60.4%
Philippines	22/10/2026	14:30	BSP Overnight Borrowing Rate	Oct	5.25%	5%
Malaysia	22/10/2026	15:00	Foreign Reserves	Oct		\$131.8b
Thailand	22/10/2026	15:30	Gross International Reserves	Oct		\$276.89b
United States	22/10/2026	20:30	Initial Jobless Claims	Oct	200k	199k
United States	22/10/2026	20:30	Continuing Claims	Oct		1710k
United States	22/10/2026	22:00	Leading Index	Sep	-0.15%	-0.1%
Eurozone Aggregate	22/10/2026	22:00	Consumer Confidence	Oct P		-16.5
Japan	23/10/2026	7:30	Natl CPI YoY	Sep	2.1%	1.9%
Japan	23/10/2026	7:30	Natl CPI Ex Fresh Food YoY	Sep	2.1%	1.7%
Japan	23/10/2026	8:30	S&P Global Japan PMI Composite	Oct P		52.3
Japan	23/10/2026	8:30	S&P Global Japan PMI Mfg	Oct P		54.1
Japan	23/10/2026	8:30	S&P Global Japan PMI Services	Oct P		51.3
Singapore	23/10/2026	13:00	CPI YoY	Sep	2.3%	2.3%
Singapore	23/10/2026	13:00	CPI NSA MoM	Sep		0.6%
Germany	23/10/2026	15:30	S&P Global/BME Germany Manufac	Oct P		53.9
Germany	23/10/2026	15:30	S&P Global Germany Services PMI	Oct P		52.9
Germany	23/10/2026	15:30	S&P Global Germany Composite PM	Oct P		53.8
Eurozone Aggregate	23/10/2026	16:00	S&P Global Eurozone Manufacturin	Oct P		52.9
Eurozone Aggregate	23/10/2026	16:00	S&P Global Eurozone Services PMI	Oct P		53
Eurozone Aggregate	23/10/2026	16:00	S&P Global Eurozone Composite PM	Oct P		53.1
Taiwan	23/10/2026	16:00	Industrial Production YoY	Sep	23.5%	23.47%
United States	23/10/2026	21:45	S&P Global US Manufacturing PMI	Oct P	55.5	55.9
United States	23/10/2026	21:45	S&P Global US Services PMI	Oct P	57.9	58.8
United States	23/10/2026	21:45	S&P Global US Composite PMI	Oct P		58.4
United States	23/10/2026	22:00	U. of Mich. Sentiment	Oct F	46.3	46.3

Source: Bloomberg, MUFG GMR

Forecasts

MACRO FORECASTS (1/2)

Country / Region	Real GDP (%yoy)				Current Account (% of GDP)				10-Yr Bond (% EOP)			
	Actual		Forecast		Actual		Forecast		Actual		Forecast	
	2024	2025	2026E	2027E	2024	2025	2026E	2027E	2024	2025	2026E	2027E
China	5.0	5.0	4.7	4.7	2.3	3.8	3.4	3.3	1.7	1.9	1.8	1.9
India**	6.5	7.6	7.2	7.0	-0.7	-1.3	-1.3	-1.2	6.6	6.9	7.2	7.6
Indonesia	5.0	5.1	5.3	5.0	-0.6	-0.1	-2.0	-1.0	7.0	6.1	7.2	6.9
Malaysia	5.1	5.2	5.2	5.0	1.7	1.6	2.0	1.8	3.8	3.5	4.0	3.7
Philippines	5.6	4.7	3.2	5.0	-4.0	-3.0	-3.8	-3.2	6.2	5.8	7.2	6.8
Singapore	4.4	5.0	5.0	3.0	17.5	16.7	17.5	17.0	2.9	2.1	2.5	2.2
South Korea	2.1	1.0	3.6	2.8	5.3	6.6	12.0	8.0	2.9	2.8	4.5	3.8
Taiwan	4.6	8.6	11.6	6.5	14.1	19.7	23.0	20.0	1.6	1.4	1.9	1.8
Thailand	2.5	2.4	2.0	2.0	2.2	2.8	-1.0	2.2	2.3	1.6	2.3	2.0
Vietnam	7.1	7.7	8.8	8.2	5.9	5.5	2.5	1.5	3.0	3.9	4.6	5.0

Source: Bloomberg, MUFG GMR; *: Forecasts made on October 1, 2026; **Based on Financial Year Between Apr-Mar.

MACRO FORECASTS (2/2)

Country / Region	Inflation (%yoy, average)				Inflation (%yoy, EOP)				Policy Rate (% EOP)			
	Actual		Forecast		Actual		Forecast		Actual		Forecast	
	2024	2025	2026E	2027E	2024	2025	2026E	2027E	2024	2025	2026E	2027E
China	0.2	0.1	1.2	1.2	0.1	0.8	1.0	1.2	1.50	1.40	1.40	1.40
India**	4.6	1.6	5.1	4.8	4.0	2.4	5.0	4.6	6.25	5.25	5.75	5.75
Indonesia	2.3	1.9	3.3	3.0	1.6	2.8	3.0	2.8	6.00	4.75	6.25	5.50
Malaysia	1.8	1.6	1.8	1.8	1.7	1.5	1.8	1.9	3.00	2.75	2.75	2.75
Philippines	3.2	1.8	5.6	4.0	2.9	2.2	5.9	3.7	5.75	4.50	5.50	5.00
Singapore	2.4	0.9	2.0	2.0	1.6	1.2	2.0	2.0	3.07	1.23	1.36	1.40
South Korea	2.3	2.1	2.9	2.1	1.9	2.1	3.3	1.8	3.00	2.50	3.25	3.25
Taiwan	2.2	1.5	2.1	2.0	2.1	1.6	2.3	1.9	2.00	2.00	2.00	2.00
Thailand	0.4	-0.1	2.1	1.4	1.2	-0.5	1.9	1.4	2.25	1.25	1.00	1.00
Vietnam	3.6	3.3	4.7	4.6	2.9	3.8	4.9	4.5	4.50	4.50	4.50	4.50

Source: Bloomberg, MUFG GMR; *: Forecasts made on October 1, 2026; **Based on Financial Year Between Apr-Mar.

Singapore policy rate refers to 3-month compounded SORA.

ASIA FX FORECASTS

Currency pair	Q4 2026	Q1 2027	Q2 2027	Q3 2027
Asia Dollar	93.28	92.61	93.74	95.48
USD/CNY	6.6500	6.6000	6.5500	6.5000
USD/HKD	7.8500	7.8300	7.8200	7.8000
USD/INR	96.000	96.500	97.000	97.500
USD/IDR	18350	18500	18700	18600
USD/MYR	4.0300	4.0000	4.0000	3.9800
USD/PHP	62.800	62.500	62.300	62.000
USD/SGD	1.2750	1.2700	1.2700	1.2600
USD/KRW	1350.0	1330.0	1315.0	1300.0
USD/TWD	31.800	31.500	31.200	30.900
USD/THB	34.100	34.000	33.800	33.500
USD/VND	26100	26200	26300	26400

Source: MUFG GMR

Core indicators

GOVERNMENT BOND YIELD

Country / Region	Maturity	Yields				Change, bps				
		16-Oct	9-Oct	2-Oct	25-Sep	WTD	MTD	QTD	YTD	2025
China	10-Year	1.65	1.68	1.67	1.67	-3	-2	-2	-19	18
Hong Kong	10-Year	4.00	4.00	4.02	3.96	0	-3	-3	95	77
Taiwan	10-Year	2.02	1.90	1.90	1.90	12	12	12	67	-26
South Korea	10-Year	4.20	4.41	4.36	4.37	-22	-22	-22	81	51
India	10-Year	7.37	7.30	7.21	7.10	7	21	21	78	-17
Indonesia	10-Year	7.22	7.19	7.14	7.08	3	9	9	117	-92
Malaysia	10-Year	3.81	3.93	4.01	3.96	-12	-21	-21	31	-31
Philippines	10-Year	8.02	7.87	7.66	7.71	14	40	40	194	-10
Singapore	10-Year	2.34	2.44	2.44	2.47	-10	-12	-12	23	-74
Thailand	10-Year	2.25	2.31	2.33	2.29	-6	-6	-6	61	-61
Vietnam	10-Year	4.46	4.47	4.47	4.47	-1	-1	-1	42	107
US	10-Year	5.09	5.24	5.27	5.16	-15	-19	-19	92	-40
Japan	10-Year	2.94	3.01	3.08	3.07	-7	-11	-11	88	97
Europe	10-Year	3.41	3.48	3.46	3.60	-7	-17	-17	56	49

Source: Bloomberg, MUFG GMR Note: Data retrieved at HKT4:00PM on 16 October 2026

STOCK MARKET INDEX PERFORMANCE

Country / Region	Index	Value				% change				
		16-Oct	9-Oct	2-Oct	25-Sep	WTD	MTD	QTD	YTD	2025
China	CSI 300	4166	4317	4358	4439	-3.5	-4.4	-4.4	-10.0	17.7
Hong Kong	Hang Seng	24063	24211	23972	24510	-0.6	-2.2	-2.2	-6.1	27.8
Taiwan	TAIEX	47257	49313	48476	48025	-4.2	-1.4	-1.4	63.2	25.7
South Korea	KOSPI	5688	6626	7004	7081	-14.2	-16.8	-16.8	35.0	75.6
India	SENSEX	74316	72472	71910	73896	2.5	2.5	2.5	-12.8	9.1
Indonesia	JCI	5864	6094	6037	6242	-3.8	-3.4	-3.4	-32.2	22.1
Malaysia	FBM KLCI	1617	1608	1631	1672	0.5	-2.1	-2.1	-3.7	2.3
Philippines	PSEi	5663	5701	5629	5826	-0.7	-0.3	-0.3	-6.4	-7.3
Singapore	Straits Times	5408	5402	5635	5711	0.1	-4.7	-4.7	16.4	22.7
Thailand	SET	1573	1578	1572	1608	-0.3	0.9	0.9	24.9	-10.0
Vietnam	Ho Chi Minh	1698	1735	1738	1785	-2.1	-4.0	-4.0	-4.8	40.9
US	S&P 500	7744	7812	7723	7743	-0.9	1.2	1.2	13.1	16.4
Japan	Nikkei 225	65638	69031	68309	66364	-4.9	-1.7	-1.7	30.4	26.2
Europe	Stoxx 600	640	632	631	639	1.4	0.8	0.8	8.1	16.7

Source: Bloomberg, MUFG GMR Note: Data retrieved at HKT4:00PM on 16 October 2026

GLOBAL COMMODITY PRICES AND PRICE CHANGES

Commodity	Units	Price				% change				
		16-Oct	9-Oct	2-Oct	25-Sep	WTD	MTD	QTD	YTD	2025
WTI Crude	USD/bbl.	97	92	91	92	6.0	7.7	7.7	69.6	-19.9
Brent Crude	USD/bbl.	105	105	102	104	0.7	1.9	1.9	73.3	-18.5
Natural Gas	USD/MMBtu	3	3	3	3	-0.5	5.9	5.9	-13.0	1.5
RBOB Gasoline	USD/gal.	314	330	331	339	-4.6	-8.6	-8.6	84.3	-14.8
Heating Oil	USD/gal.	478	474	450	468	0.9	-3.5	-3.5	125.5	-8.6
Gold	USD/t oz.	4148	4191	4134	4288	-1.0	-0.2	-0.2	-4.5	64.4
Silver	USD/t oz.	57	61	60	64	-5.9	-5.1	-5.1	-18.6	141.4
Copper	USD/lb.	657	669	655	670	-1.8	-0.7	-0.7	15.7	41.1
3Mo Aluminum	USD/MT	2987	3049	3101	3268	-2.0	-5.8	-5.8	-0.3	17.4
3Mo Copper	USD/MT	14347	14540	14259	14623	-1.3	-0.4	-0.4	15.5	41.7
Corn	USD/bu	480	480	498	528	-0.1	-4.2	-4.2	8.9	-4.0
Wheat	USD/bu	669	671	683	703	-0.4	-1.1	-1.1	31.9	-8.1
Oats	USD/bu	397	421	408	420	-5.6	-5.1	-5.1	31.3	-8.5
Soybean	USD/bu	1264	1292	1278	1319	-2.2	-2.3	-2.3	22.6	3.2

Source: Bloomberg, MUFG GMR Note: Data retrieved at HKT4:00PM on 16 October 2026

ASIA INFLATION, %YOY

Country / Region	Target	CPI, %yoy									
		Sep-26	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25
China	2.0%	0.9	0.8	0.5	1.0	1.2	1.2	1.0	1.3	0.2	0.8
Hong Kong	N.A.		1.7	1.7	2.0	2.0	1.7	1.7	1.7	1.1	1.4
Taiwan	N.A.	2.7	2.1	2.5	2.6	2.2	1.7	1.2	1.8	0.7	1.3
South Korea	2.0%	2.9	3.1	2.8	3.2	3.1	2.6	2.2	2.0	2.0	2.3
India	4.0±2.0%	5.5	4.8	4.5	4.4	3.9	3.5	3.4	3.2	2.7	1.2
Indonesia	2.5±1.0%	3.3	3.2	2.9	3.3	3.1	2.4	3.5	4.8	3.6	2.9
Malaysia	N.A.		1.9	1.8	1.9	2.0	1.9	1.7	1.4	1.6	1.6
Philippines	3.0±1.0%	7.2	6.1	6.2	6.4	6.8	7.2	4.1	2.4	2.0	1.8
Singapore	N.A.		2.3	2.2	1.9	1.8	1.8	1.8	1.2	1.4	1.2
Thailand	2.0±1.0%	2.8	2.5	2.0	2.4	2.8	2.9	-0.1	-0.9	-0.7	-0.3
Vietnam	4.5%	5.1	4.9	4.5	4.7	5.6	5.5	4.7	3.4	2.5	3.5

Source: Bloomberg, MUFG GMR

MONTHLY TRADE BALANCES (USD BN)

Country / Region	Trade balance (USD bn)										
	Sep-26	Aug-26	Jul-26	Jun-26	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25
China	133.5	119.1	112.5	125.5	105.0	84.4	49.8	89.2	120.0	111.9	109.9
Hong Kong		-9.1	-0.6	-6.6	-5.6	-3.8	-11.4	-8.2	-1.8	-8.1	-6.2
Taiwan	23.6	22.3	17.2	12.2	17.9	14.4	21.3	12.8	18.9	19.3	16.0
South Korea	50.0	34.9	30.7	35.9	26.8	23.6	26.5	15.5	8.6	12.1	9.5
India	-30.2	-26.9	-32.0	-30.4	-28.2	-28.4	-20.7	-27.1	-34.7	-25.0	-24.5
Indonesia		3.6	0.1	-0.5	-1.6	0.1	3.3	1.3	1.0	2.5	2.7
Malaysia		7.0	5.5	3.9	10.2	7.2	6.0	4.3	5.6	5.4	1.5
Philippines		-3.9	-6.3	-5.5	-6.1	-6.4	-5.0	-4.0	-4.3	-4.0	-4.0
Singapore		87.1	81.2	76.9	73.8	75.0	72.9	68.7	69.6	62.1	63.2
Thailand		1.8	1.8	-0.7	-1.2	-3.7	2.3	1.4	2.1	3.6	2.0
Vietnam	1.3	-0.1	-3.6	-2.6	-5.2	-3.3	-0.7	-1.0	-1.8	-0.7	1.1

Source: Bloomberg, MUFG GMR

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