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# Three macro themes for **Asian fixed income** investors in 2026

A divergence between tech exporters and demand-led economies, a “rewiring from within” thanks to regional trade, and less dependence on developed markets – here are our top macro themes for Asian fixed income investors this year.



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Asia enters 2026 against a backdrop of global trade fragmentation and a divergence in regional inflation and monetary policy. While some Asian nations benefit directly from the global artificial intelligence (AI) and semiconductor cycle, others are driven primarily by domestic forces. Yet Chinese consumer demand and outward supply chain expansion is supporting growth across the region while reducing sensitivity to US and European demand cycles.

For fixed income investors, we believe the outlook is promising – but requires a selective approach. Asia’s rate cut cycle is well advanced, yet opportunities remain in markets where growth conditions justify further easing and where structural

## Key takeaways

- We think Asia offers an attractive combination of contained inflation, differentiated growth drivers, deepening regional integration and rising participation in global benchmarks.
- Growth in intra-regional trade is creating a more internally connected economic bloc, especially in the corridor connecting China and the ASEAN nations.
- Consider opportunities where soft domestic demand and sub-target inflation leave room for further policy easing.

factors support demand for duration. Here are our top three themes for Asian fixed income investors in 2026.

**THEME 1**

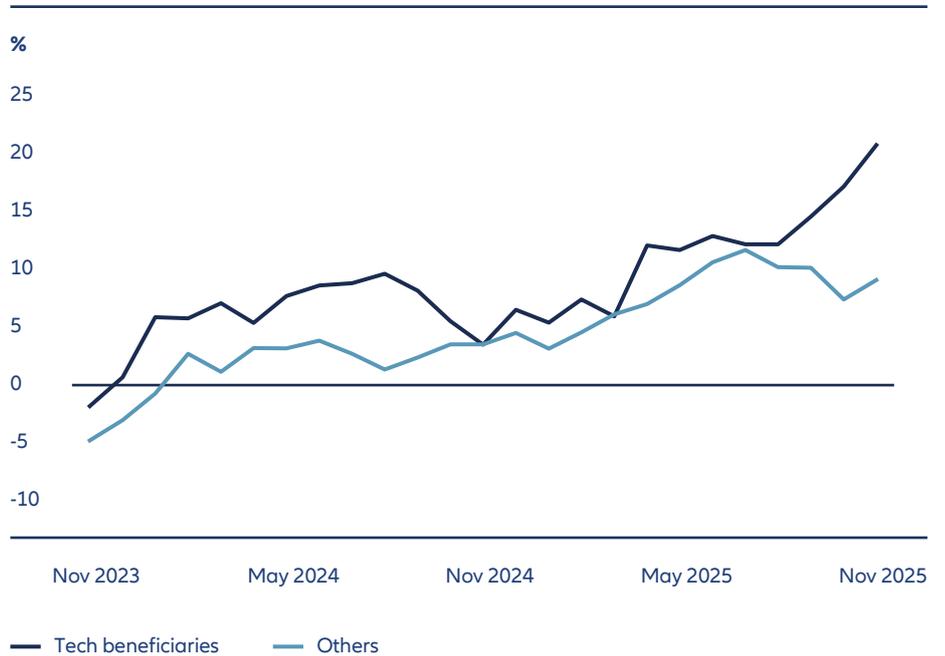
**Tech suppliers push ahead while policy supports the rest**

Economies such as Korea, Taiwan, Singapore and Malaysia are enjoying robust demand for semiconductors, data infrastructure and electronic equipment driven by the global boom in AI and related technology. Electronics exports have outpaced the broader regional export trend over the past two years, helping to stabilise manufacturing activity and sustain strong external balances (Exhibits 1 and 2). That said, having started from a high base in 2025, export growth for these economies may moderate this year.

In contrast, a second group comprising India, Indonesia, Thailand and Philippines is influenced mainly by domestic demand, services and tourism, with limited participation in the AI supply chain. For these economies, the outlook depends more heavily on policy support – we think mainly monetary policy – especially given that consumer sentiment is lagging behind the levels seen in tech-exporting countries (Exhibit 3). For India in particular, we expect growth to slow yet remain at a pace comparable to the region’s fast-growing economies, as the lagged impact of earlier policy easing continues to support domestic demand.

Exhibit 1

**Asia’s tech leaders are outpacing domestic-demand markets in exports**



Source: Bloomberg. Chart shows year-on-year export growth as a three-month moving average. “Tech beneficiaries” are Korea, Taiwan, Singapore, and Malaysia. “Others” are Thailand, Philippines, Indonesia and India.

Exhibit 2

**Tech leaders are also pulling ahead in industrial production**



Source: Bloomberg. Chart shows year-on-year change in industrial production as a three-month moving average.

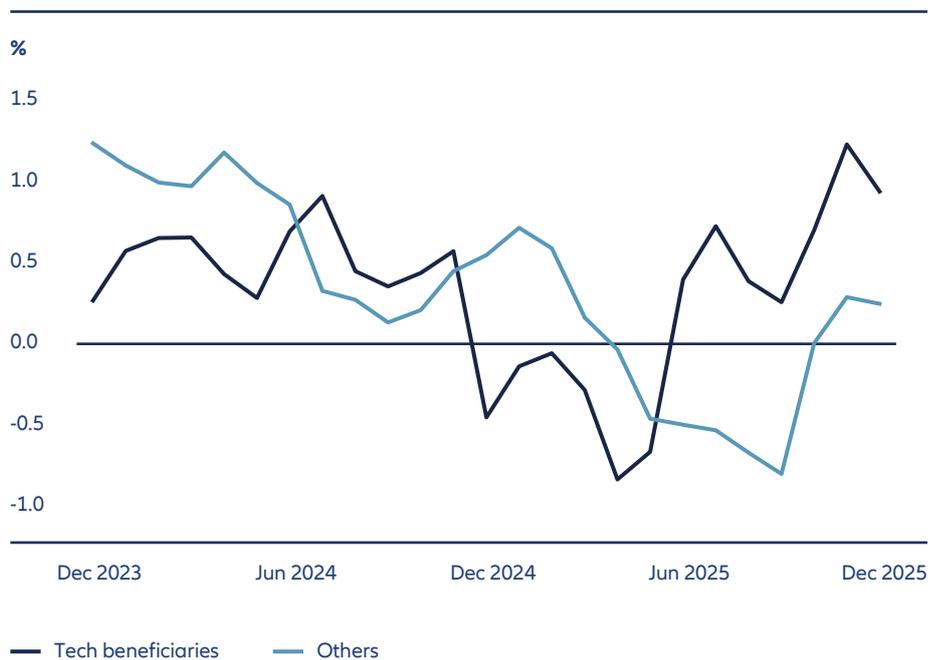
The region’s largest economy, China, shares characteristics with both the export-led and demand-oriented economies. Its export growth has remained resilient, supported by electric vehicles, renewable energy equipment and industrial robotics, yet it remains excluded from the high-end AI semiconductor capex cycle due to export restrictions. Domestic demand remains subdued, with household consumption weighed down by weak sentiment. Investment growth has been constrained by tighter local government financing conditions and “anti-involution” measures aimed at reining in hypercompetitive behaviour that the authorities believe is harming long-term output. We expect policymakers to deploy further targeted easing to support infrastructure investment and services consumption.

Across the region, inflation dynamics also reflect divergence. Headline and core inflation in emerging Asia remain subdued and within or below target, with only a modest normalisation expected in 2026. China’s declining export prices exert downward pressure, while deeper intra-Asian supply chain integration reduces the impact of imported costs (Exhibit 4).

The combination of diverging growth drivers and subdued inflation provides Asian central banks with policy flexibility. While the bulk of the region’s rate-cutting cycle is now behind us, we believe several economies retain scope for additional easing in 2026 without risking inflation overshoot or destabilising capital flows.

Exhibit 3

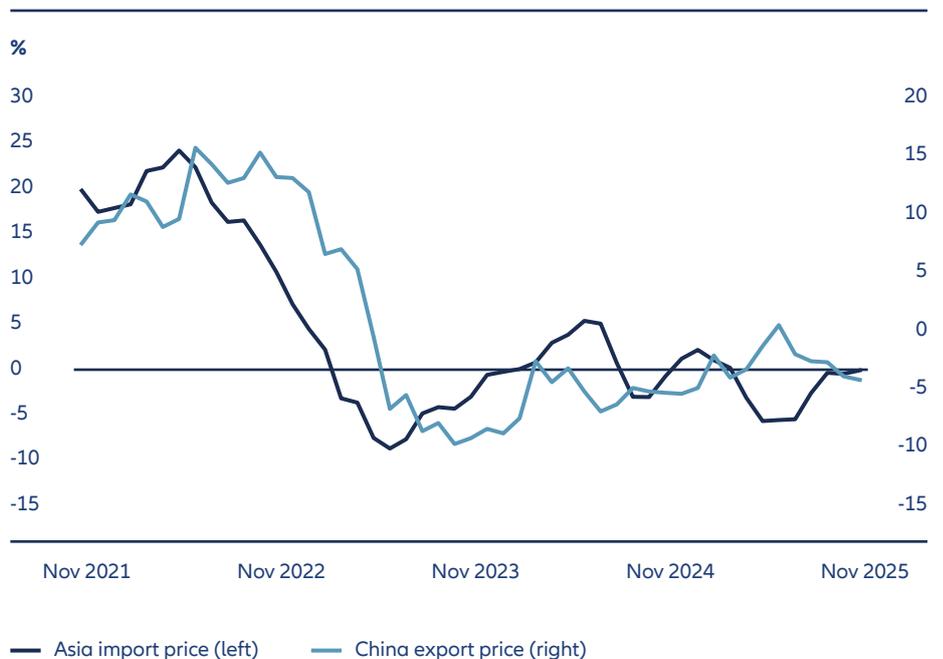
### Consumer sentiment in domestic-demand economies lags behind tech leaders



Source: Bloomberg. Consumer sentiment shown as three-year z-score.

Exhibit 4

### Falling Chinese export prices keep inflation under control



Source: Bloomberg. Year-on-year change in trade price indices.

**THEME 2**

**Asia rewires from within, becoming more interconnected**

Global trade fragmentation and geopolitical uncertainty are helping to reorganise Asia’s trade landscape, especially across the corridor connecting China and the Association of Southeast Asian Nations (ASEAN) states. Countries with favourable cost structures, openness to foreign investment and strong links to both China and the US have benefited from supply chain relocation.

Indeed, foreign direct investment into ASEAN countries has surpassed the equivalent flow into China, with investors attracted by cost competitiveness and the growing sophistication of ASEAN manufacturing hubs (Exhibit 5). In parallel, intra-ASEAN investment rose significantly in 2025 and hit a record high as a share of total ASEAN foreign direct investment. China is a major contributor to inbound ASEAN investment, reflecting the emergence of a region-wide production ecosystem spanning multiple industries (Exhibit 6).

The sustained rise in intra-Asia trade reflects deeper cross-border production linkages and increased use of Asian-made inputs in manufacturing across the region. This shift reduces reliance on extra-regional demand and supports a more internally connected economic bloc. The effect, for ASEAN economies, is to strengthen external balances and lower sensitivity to US and European demand cycles.

Exhibit 5  
**ASEAN foreign direct investment outpaces China**



Source: UN Trade and Development (UNCTAD).

Exhibit 6  
**Chinese investment in ASEAN is rising fast**



Source: WIND. Chinese outbound direct investment by region.

This regional integration puts Asia in a strong position in which it can benefit from both the demand and supply side of China’s economy. Most non-Asian emerging markets rely heavily on China’s domestic demand through commodity exports, exposing them to trade fluctuations. Yet Asia also benefits from China’s outward production capacity – a more resilient position.

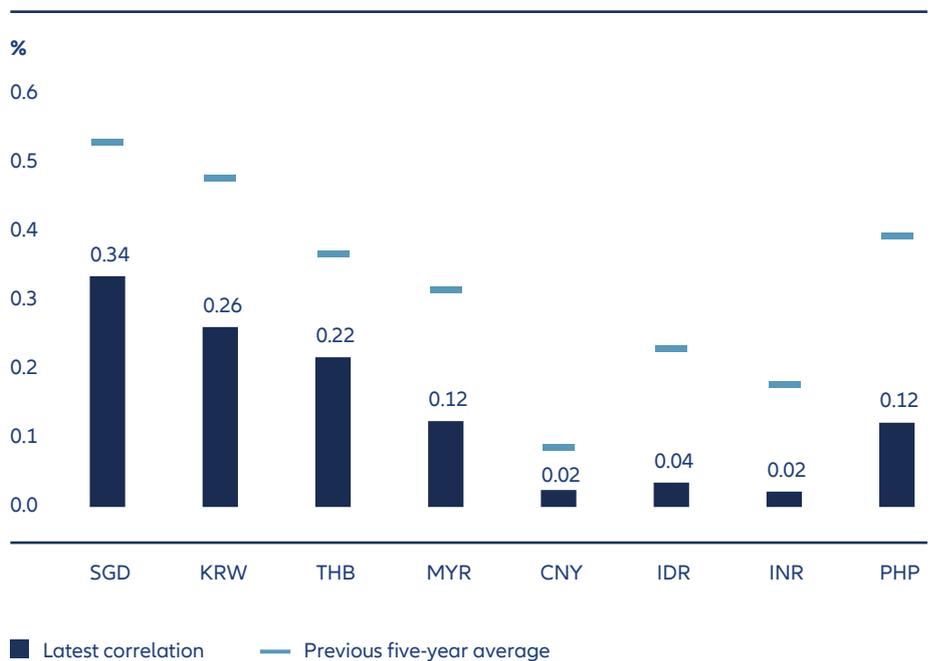
**THEME 3**  
**A differentiated policy posture lowers sensitivity to developed markets**

The final theme concerns Asian local currency bond markets, where we see prices moving more independently of developed markets due to the region’s economic development. Asian term premia have generally compressed, in contrast to developed markets where term premia have risen or remained high. Meanwhile, Asian 10-year yields and US Treasuries are less correlated than in the past – the result of domestic fundamentals becoming a bigger influence on local bond pricing (Exhibit 7).

Beyond bond market dynamics, the strategic case for Asian local currency bonds continues to strengthen as the region’s benchmark representation rises. Korea’s inclusion into the FTSE World Government Bond Index (WGBI) in April 2026 marks the continued broadening of global participation in Asia’s bond markets. India continues to contend for Bloomberg Global Aggregate Index admission, potentially as early as mid-2026. Meanwhile, the Philippines remains on positive

Exhibit 7

**Asian bonds are less correlated with US Treasuries than before**



Source: Bloomberg, AllianzGI Fixed Income. Correlation is measured as one-year rolling beta to 10-year Treasury yield.

watch for inclusion in the JP Morgan GBI-EM index.

The late-stage nature of Asia’s easing cycles, widening policy divergence and differentiated growth trajectories reinforce the need for active management to capture relative value opportunities across the region. With Asian local bond markets increasingly driven by domestic fundamentals and exhibiting lower sensitivity to developed bond markets, we think Asia can serve as a meaningful diversifier within global portfolios.

**Investment implications for Asian fixed income**

In this changing landscape, what are our investment insights?

- For duration, we favour China, the Philippines, Thailand and Indonesia, where soft domestic demand and sub-target inflation leave room for further policy easing.
- We may take a positive positioning in Korea, should market pricing of rate hikes overshoot relative to fundamentals – the forthcoming WGBI inclusion provides a structural tailwind with potential inflows equivalent to roughly 60% of net supply of Korean Treasury Bonds in 2026.
- In currencies, we prefer the Korean won and the offshore Chinese renminbi (CNH), which we think are supported by strong external positions and valuation buffers – Korea benefits from tech-cycle momentum and China from a resilient current account.

### THREE MACRO THEMES FOR ASIAN FIXED INCOME INVESTORS IN 2026

- Key risks include stronger-than-expected US growth or inflation that pushes out expected easing from the Federal Reserve, which could lead to a stronger dollar.
  - We are watching for upside inflation shocks from commodity price spikes that could constrain policy flexibility in parts of Asia.
- Overall, we think Asia offers an attractive combination of contained inflation, differentiated growth drivers, deepening regional integration and rising global benchmark relevance. Together, these factors underpin a favourable environment for local currency fixed income in 2026, with selective duration opportunities and a compelling case for long term participation.

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