

# MASHREQ GLOBAL DIGEST

## ASIA

December 14 – December 20



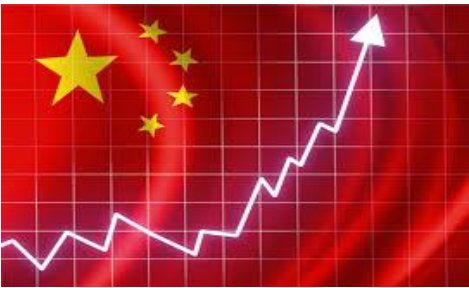
This edition of the Market Digest captures Asia’s latest macroeconomic, financial, tech and trade developments, offering timely insights into the region’s evolving economic outlook.

### Macroeconomic News

#### Tariffs Expose Southeast Asia’s Uneven Q3 2025 Growth

Southeast Asian economies delivered a softer and more uneven Q3 2025 as front-loaded demand faded and tariff effects intensified. Export- and investment-driven markets led the region, with Vietnam growing 8.22% and Malaysia accelerating to 5.2%, while more policy-supported economies such as Indonesia (5.04%) and Singapore (4.2%) saw moderate growth. In contrast, countries facing domestic disruptions and weaker investment, including the Philippines (4.0%) and Thailand (1.2%), lagged behind—showing that competitiveness and execution, rather than policy support alone, are increasingly driving divergence across the region.

Reference: [Mckinsey](#)



#### China’s Economy Is Growing Strong but Not Everywhere

Goldman Sachs expects China’s economy to grow 4.8% in 2026, with momentum driven mainly by manufacturing strength and exports, even as domestic demand remains soft. While the worst of the property downturn has likely passed, the sector is still expected to subtract about 1.5 percentage points from GDP growth, keeping household and investment activity subdued. China’s ability to produce higher-quality goods at lower cost continues to underpin export resilience and expand its current account surplus, reinforcing China’s role as a global manufacturing powerhouse.

Reference: [Goldman Sachs](#)

#### India Leads Asia-Pacific in Real Estate Resilience

Across the Asia-Pacific region, real estate momentum is expected to moderate in 2026 amid slower growth, shifting trade policies and cautious capital flows. Against this backdrop, India stands out as one of the region’s most resilient property markets, according to Knight Frank, supported by strong domestic demand and expansion of global capability centers. India recorded among the highest office leasing volumes in Asia-Pacific in 2025, with office rentals in key cities projected to grow 7.5%–9% in 2026, highlighting its relative strength despite global uncertainty.

Reference: [International Business Times](#)



#### Investing in Children Could Lift Central Asia’s GDP by Up to 14% by 2050

A new report by UNICEF finds that Central Asian countries could raise GDP per capita by 6 to 14% by 2050 by investing more in children’s health, education, and development, with nearly two-thirds of the gains driven by a healthier and more productive workforce. With over half the population under 30 and rapid population growth ahead, the region faces a critical demographic window; without action, children born today may reach only 50–60% of their potential productivity and the demographic dividend could fade after 2040. Beyond growth, targeted human-capital investments would also strengthen social cohesion, gender equality, and resilience to climate change and migration, especially through regional cooperation.

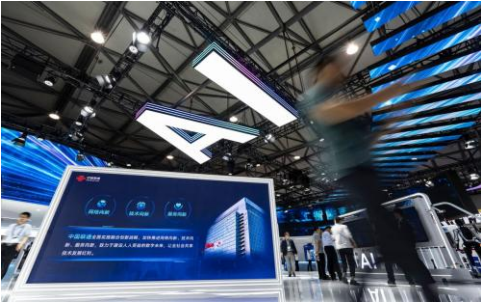
Reference: [UNICEF](#)

### Financial/Tech News

#### AI and Policy Reforms Shape Asia’s 2026 Investment Choices

As global trade tensions faded into the background, investors are increasingly shifting their attention to Asia’s domestic policies, structural reforms, and earnings strength when positioning for 2026. Corporate governance upgrades are sharpening the investment case for Japan and South Korea, while policy stimulus in China and targeted fiscal measures in India are opening selective opportunities across key sectors. At the same time, enthusiasm for artificial intelligence is maturing, with investors moving beyond hype toward profitability, cash flows, and execution—signaling a more disciplined, fundamentals-driven phase for Asia’s financial markets.

Reference: [Bloomberg](#)



#### Asia’s Economic Shift Is Redrawing Global Financial Markets

Asia is entering a decisive phase of economic transformation that is increasingly shaping global financial markets, according to insights from Citi Institute. The region is moving beyond low-cost manufacturing toward innovation, capital formation, and deeper domestic demand, supported by powerful demographics—80% of the next billion middle-class consumers are expected to come from Asia. This shift is translating into tangible market outcomes, including Japan’s M&A activity rising 85% year-on-year to \$355 billion, India’s IPO pipeline projected at \$15–20 billion in 2026, and Asia-Pacific accounting for over \$1 trillion in FDI into the U.S. Together, these trends position Asia as a central driver of capital flows, dealmaking, and investment strategy worldwide.

Reference: [Citi Group](#)

#### Foreign Investors Flock Back to Asian Bonds as Risk Appetite Shifts

Foreign investors increased purchases of Asian bonds in November, with net inflows reaching \$10.9 billion, the highest in six months, as volatility in equities and uncertainty around the Federal Reserve prompted a shift toward safer assets. South Korea led inflows on expectations of inclusion in the FTSE World Government Bond Index, while Thailand and Malaysia also attracted demand, underscoring renewed interest in Asia’s fixed-income markets.

Reference: [Reuters](#)

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### Digital Banks in Southeast Asia Face Profit Pressure



Digital banks in Southeast Asia remain unprofitable as falling interest rates and rising credit risks pressure margins, with deposit competition intensifying across the region. In Malaysia, digital banks have offered deposit rates of up to 5% versus about 1.2% at traditional banks, yet deposits fell 5–17% between late 2024 and mid-2025, while in Singapore banks cut rates to manage costs. Analysts warn that slowing growth, higher non-performing loans (up 25% year-on-year in Indonesia), and limited non-interest income mean profitability will hinge on embedded lending, SME financing, and likely consolidation.

Reference: [The Business Times](#)

### Smarter Payments Unlock Asia’s \$28B Education Market

Asia’s \$28 billion education market is being reshaped by smarter digital payment solutions that simplify fee collection, improve affordability, and expand access across the region. The shift toward mobile wallets, real-time payments, and embedded finance is helping schools, universities, and edtech platforms reduce cash reliance, cut administrative costs, and reach underbanked families through flexible options such as instalments and cross-border payments. As enrolment demand grows and education becomes more digitized, seamless payment infrastructure is emerging as a key enabler of financial inclusion, scalability, and sustainable growth across Asia’s education ecosystem.

Reference: [The Economic Times](#)

## Trade/Deals

### Asia Sees Major Investment, Security and Multilateral Funding Moves

Asia experienced a broad set of economic and strategic developments highlighting the region’s growing geopolitical and financial importance. Japan announced a \$19 billion investment and trade initiative over five years to deepen economic ties with Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, focusing on trade expansion, business projects, sustainable development and stronger supply-chain resilience, with particular interest in strategic resources such as uranium, gas, gold and rare-earth elements as Tokyo seeks to diversify supply chains amid rising regional competition. At the same time, the United States approved its largest-ever \$11 billion arms package for Taiwan, reinforcing Taipei’s shift toward asymmetric defense capabilities in response to increasing military pressure from China, a move that further underscores heightened security tensions in East Asia. On the financial side, the World Bank approved \$700 million in financing for Pakistan to support macroeconomic stability and public service delivery, highlighting ongoing multilateral engagement in the region as countries navigate fiscal pressures and development priorities.

Reference: [Daily Times](#), [Reuters](#), [Reuters](#)

## Markets

### Market Dashboard

- U.S. equities finished the week modestly higher, supported by a renewed rally in technology stocks as upbeat guidance from Micron revived confidence in AI-related names. The S&P 500 gained 0.10% for the week, the Nasdaq rose 0.48%, while the Dow fell 0.67%, reflecting divergence between tech strength and weakness in consumer stocks amid elevated volatility from triple-witching expiries. Looking ahead, expectations remain constructive: Citigroup set a 2026 year-end target of 7,700 for the S&P 500, implying about 13% upside, underpinned by resilient earnings growth (EPS estimated at \$320) and sustained AI investment, although analysts caution that high valuations could translate into sharper market swings as the cycle matures.
- Bitcoin is entering the final weeks of 2025 under heightened pressure as roughly \$23 billion worth of options contracts are set to expire, a scale that accounts for more than half of total open interest on Deribit, the largest Bitcoin options platform. The heavy concentration of expiring contracts is amplifying market sensitivity, with traders increasingly pricing in downside risk amid fragile sentiment. Bitcoin briefly surged as much as 4% before giving up gains, underscoring how elevated volatility and positioning risks are dominating price action and leaving the market vulnerable to sharp swings as the expiry date approaches.
- Precious metals rallied sharply as expectations of U.S. interest rate cuts strengthened, with silver hitting a record high and gold closing the week on solid gains. Spot silver jumped above \$67/oz, ending the week up over 8% and marking a 132% surge year-to-date, driven by strong investment demand, ETF inflows, and supply tightness, while gold hovered near \$4,350/oz, supported by cooling inflation and a weakening U.S. labor market. In this regard, Goldman Sachs expects the rally to extend, forecasting gold prices to rise to \$4,900 per ounce by December 2026, underpinned by structurally strong central-bank buying and cyclical support from expected interest-rate cuts by the Federal Reserve. The bank reiterated its recommendation for long exposure to gold, while also noting that broader investor diversification into the metal could present upside risks beyond its base-case outlook.
- Oil markets weakened over the week, with Brent crude dipping below \$60/bbl before stabilizing, as initial optimism around potential Russia–Ukraine peace talks was overshadowed by mounting evidence of global oversupply, including an estimated 1.3 billion barrels of crude held at sea, the highest since April 2020. While U.S. pressure on Venezuelan exports and sanctions on Russian oil caused short-term volatility, their impact on physical supply remained limited, with Russian crude exports holding near 3.5 mbpd, leaving surplus supply—not geopolitics—as the dominant driver of bearish price momentum, according to assessments echoed by the International Energy Agency.
- The euro edged slightly lower after the ECB kept rates unchanged and signaled a cautious outlook. Moves were mild and driven mainly by global currency shifts, leaving the euro largely range-bound as markets expect rates to stay on hold for an extended period, with downside risks prevailing.

| Indicators | 12-Dec-25 | 19-Dec-25 | % Change |
|------------|-----------|-----------|----------|
| S&P 500    | 6,827.41  | 6,834.50  | 0.10%    |
| Bitcoin    | 90,270.41 | 88,103.38 | -2.40%   |
| Gold       | 4,302.43  | 4,338.55  | 0.84%    |
| Crude Oil  | 61.12     | 60.47     | -1.06%   |
| EUR/USD    | 1.1739    | 1.1726    | -0.11%   |

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