MASHREQ GLOBAL DIGEST ASIA

September 28 – October 4

This edition of Market Digest highlights the Asia region's macro trends, along with financial and tech updates, providing a snapshot of its economic momentum.

Macroeconomic News

ADB Cuts Asia's Growth Outlook as Tariffs Bite

The Asian Development Bank has trimmed its forecast for developing Asia's growth to 4.8% in 2025 and 4.5% in 2026, down from April projections of 4.9% and 4.7%, as trade tensions and U.S. tariffs weigh on momentum. The bank noted that Asia's economies expanded solidly in the first half of 2025, largely due to front-loading of exports ahead of tariff hikes, but warned that this boost will fade as tariffs—now at historically high levels—and persistent trade uncertainty take effect. Although recent trade deals with the Trump administration have eased some concerns, ADB Chief Economist Albert Park said lingering uncertainty continues to cloud the region's outlook.

Reference: The Wall Street Journal

Asian Factories Struggle as Global Demand Weakens

Manufacturing activity across Asia contracted in September 2025, highlighting the region's vulnerability to slowing global demand and escalating U.S. tariffs. Factory output fell sharply in Japan, Taiwan, Malaysia, and the Philippines, while China's manufacturing shrank for a sixth straight month, weighed down by weak consumption and trade pressures. India also showed signs of strain, with manufacturing growth slowing to a four-month low. Only South Korea bucked the trend, posting modest growth on stronger export orders. Economists warned that Asia's export-reliant economies remain on fragile footing, expecting central banks across the region to ease policy further as growth slows and inflation stays subdued.

Reference: Reuters

IMF Warns Asia on Costly Industrial Policies

The IMF's latest analysis found that while industrial policies in Asia—particularly in China and South Korea—have helped expand targeted sectors like semiconductors and electric vehicles, they also carry economic downsides. China's heavy reliance on subsidies, estimated at about 4% of GDP between 2011 and 2023, boosted priority industries but reduced overall productivity by 1.2% and GDP by up to 2%. In contrast, South Korea's export-oriented approach, centered on private conglomerates and performance-based oversight, proved more effective in sustaining manufacturing growth and GDP expansion. The IMF warned that such policies can be costly and risk distorting competition unless paired with structural reforms and clear performance goals.

Reference: Reuters

Asia Faces Uneven Impact from U.S. Drug Tariffs

Asia's pharmaceutical sector took a hit after the U.S. announced 100% tariffs on branded and patented drugs, with several regional stocks sliding over 5%. Analysts said the impact will vary: Japan and South Korea are largely shielded by trade-deal safeguards, while India may escape higher duties since it mainly exports generics. In contrast, Singapore, which focuses on high-value patented drugs, faces the greatest risk unless its firms boost U.S. manufacturing. The move could push more Asian firms to invest directly in the U.S. to stay competitive.

Reference: CNBC

Financial/Corporate News

$100B Flows Into Asia as Investors Diversify

Asia (excluding China) has drawn about $100 billion in inflows over the past nine months as investors look beyond the U.S., said Goldman Sachs' Kevin Sneader. Japan led the gains, while China's rebound remains driven by domestic investors. Temasek's CEO noted that shifting geopolitics and supply-chain realignments are reshaping global capital flows toward resilient Asian markets like tech, consumer, and industrials. This signals Asia's rising role as a safe and strategic destination in a fragmented global economy.

Reference: Reuters

Asia's IPO Boom Defies Global M&A Slowdown

Asia's dealmaking activity picked up momentum in the third quarter of 2025, with Hong Kong emerging as a global IPO hotspot. The city raised $23 billion in listings so far this year—more than triple 2024 levels—driven by major offerings like Zijin Gold International's $3.2 billion debut, the world's largest IPO this year. Analysts attribute the boom to global investors diversifying away from U.S. markets amid threats to delist Chinese firms, pushing more capital into Asia. Investment banks noted a growing backlog of IPOs across the region, as companies and private equity funds seek to capitalize on strong demand for AI and technology-related assets.

Reference: Reuters

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Asia's Budget Airlines Struggle to Stay Afloat

Rising airport fees, labor costs, and weak post-pandemic demand are squeezing Asia's low-cost carriers. Jetstar Asia's closure after a $23 million loss underscores industry fragility, while HK Express and AirAsia also face mounting losses. With profit margins at just 1.9%—half the global average—budget airlines are losing ground to full-service rivals expanding low-cost units. Some, like AirAsia, are diversifying into fintech, logistics, and new routes to survive.

Reference: Financial Times

Blackstone Reaches $10B Asia Fund Target Despite Private Equity Slowdown

Blackstone has secured $10 billion for its latest Asia buyout fund, underscoring investor confidence in the region despite a broader private equity slowdown. The fund is expected to close fundraising by early 2026 and could hit its $12.9 billion hard cap, driven by strong interest in India and an expanding presence in Japan. The milestone highlights sustained global appetite for Asia-focused investments even as fundraising elsewhere cools.

Reference: Bloomberg

Tech News

AI Startup Valuations Spark Bubble Concerns at Asia Summit

At the Milken Institute Asia Summit 2025 in Singapore, investors warned of overheating in AI startup valuations despite booming investment. In Q1 2025, global AI startups raised $73.1 billion—58% of total venture funding—fueled by mega-deals like OpenAI's $40 billion round. GIC's Chief Investment Officer Bryan Yeo cautioned that "a hype bubble" is forming as early-stage AI firms with little revenue secure sky-high valuations. TPG's Todd Sisitsky noted some ventures are valued between $400 million and $1.2 billion per employee, calling the pace "breathtaking." Both warned that investor FOMO and excessive capital may be outpacing what technology can deliver.

Reference: Reuters

OpenAI Expands Asia Partnerships to Boost AI Chip Production

OpenAI CEO Sam Altman is on a fundraising and partnership tour across Asia and the Middle East, seeking to boost AI chip production and infrastructure. In Taiwan, South Korea, and Japan, he met with TSMC, Foxconn, Samsung, and SK Hynix, urging them to prioritize OpenAI's chip supply. Samsung and SK Hynix have already signed preliminary deals to supply memory chips, while Altman is also meeting UAE investors to raise funds. OpenAI expects to spend $16 billion on computing servers this year, rising to $400 billion by 2029.

Reference: Reuters

Markets

Market Dashboard

- The Dow Jones and S&P 500 closed at record highs on Friday, while the Nasdaq dipped amid a volatile session. Optimism over Federal Reserve rate cuts outweighed concerns about the ongoing U.S. government shutdown. For the week, all major indexes posted gains — Dow Jones +1.1%, S&P 500 +1.1%, and Nasdaq +1.3% — supported by investor confidence that weaker labor data and slowing services growth will prompt further monetary easing. Market strategists noted that shutdowns typically have limited long-term effects, but extended disruptions could delay key economic reports, clouding the Fed's policy outlook.
- Bitcoin jumped above $122,000, just shy of its $124,128 all-time high, fueled by strong U.S. demand and renewed investor optimism. Heavy buying on Coinbase and $2.2 billion in ETF inflows lifted prices, while overall crypto leverage hit a record $89 billion. Despite the surge, Bitcoin remains up only 25% this year, lagging behind gold and silver.
- Gold prices climbed to $3,887 per ounce, marking their seventh consecutive weekly gain and rising over 3% this week. The metal has surged 47% year-to-date, fueled by investor demand for safe-haven assets amid the ongoing U.S. government shutdown and mounting expectations of Federal Reserve rate cuts. Markets now price in a 97% chance of a rate cut in October and 85% in December, making gold more appealing as real yields fall. UBS expects prices to reach $4,200 in the coming months, supported by declining U.S. interest rates and a weaker dollar.
- Oil prices slipped sharply this week, with Brent crude down 8% to $64.53 and WTI off 7.4% to $60.88, marking their steepest weekly loss in over three months. The decline followed reports that OPEC+ may boost production in November, led by Saudi Arabia's push to regain market share. Analysts now expect a supply surplus in Q4, compounded by weaker refinery activity and seasonal demand slowdown. Additional pressure came from rising U.S. inventories and bearish data from the Energy Information Administration. Despite Friday's slight rebound, sentiment remains fragile as traders brace for a potentially oversupplied market in the months ahead.
- The U.S. dollar posted multi-week losses as investors grew increasingly cautious amid the ongoing government shutdown, which has delayed key economic data releases and raised doubts about Washington's fiscal stability. The lack of clarity on how long the closure might last fueled concerns about potential disruptions to economic momentum and policymaking. At the same time, expectations of Federal Reserve rate cuts strengthened, with markets now almost fully pricing in an October reduction and anticipating another in December. Lower interest rates typically reduce the dollar's yield advantage, prompting investors to move toward other currencies and safe-haven assets such as gold and Bitcoin. The dollar index slipped to 97.7, its weakest since July, while the euro rose to $1.17 and sterling to $1.35.

Indicators	26-Sep-25	3-Oct-25	% Change
S&P 500	6,643.70	6,715.79	1.09%
Bitcoin	109,712.83	122,266.53	11.44%
Gold	3,760.24	3,886.83	3.37%
Crude Oil	70.13	64.53	-7.99%
EUR/USD	1.1663	1.1744	0.69%

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