

Asian equities: building on emerging opportunities

Market Performances (as of October 28th, 2026 – 9:30 CET) *

	CURRENT	CHANGE 1 WEEK	CHANGE YTD		CURRENT	CHANGE 1 WEEK	CHANGE YTD
MSCI USA Equity Index	7'359	0.16%	12.65%	Gold Ounce	4'046	-2.28%	-6.32%
MSCI Canada Equity Index	4'675	0.18%	15.05%	Silver Ounce	53.7	-7.40%	-25.09%
MSCI Eurozone Equity Index	1'989	-0.66%	6.03%	Oil WTI Future	101.7	4.67%	77.10%
MSCI Switzerland Equity Index	1'868	0.36%	10.30%	EUR/USD	1.11	-0.95%	-5.29%
MSCI Germany Equity Index	222	0.06%	2.64%	EUR/CHF	0.92	0.25%	0.77%
MSCI Japan Equity Index	2'444	-1.39%	16.91%	USD/CHF	0.83	-0.70%	4.53%
MSCI Emerging Markets Equity Index	1'579	-2.28%	12.41%	USD/JPY	158	0.16%	0.74%
Yield 10Y US Treasuries	5.01	-0.11	0.84	CAD/USD	0.71	0.07%	2.42%
Yield 10Y German Bund	3.37	-0.05	0.51	USD/CNY	6.67	0.13%	-4.81%

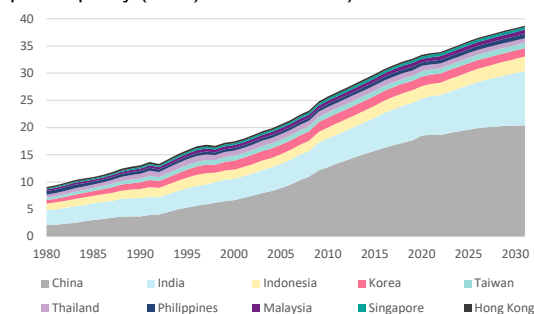
Source: Bloomberg, Vontobel SFA

* All equities performance is measured in USD

Rising economic weight in the global economy

Investor interest in Asian investment assets has gradually increased over time, which could have been driven by risk considerations (diversification) but also to benefit from new opportunities. Asia has become a significant contributor to global GDP. Over the past decades the contribution of Asian countries to global GDP has steadily risen. In this flash we focus on countries in the MSCI Emerging Markets (EM) Asia index. Chart 1 shows that the combined weight of these countries has risen from less than 10% in 1980 to 36% of global GDP by 2025 and the IMF projects that this will increase to 39% by 2030. China is the largest country in economic terms, with an expected weight of just over 20% by 2030, followed by India at 10%.

Chart 1: Country weight in Global GDP (purchasing power parity (PPP) based in USD)

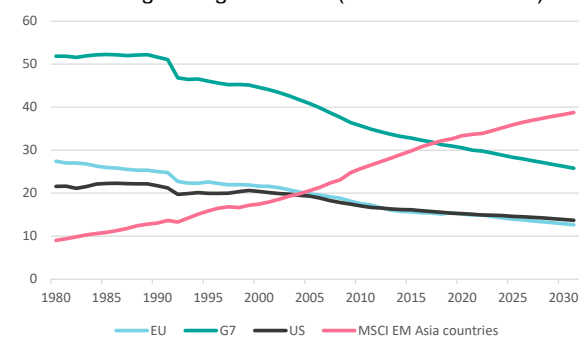


Source: IMF, September 2026

The Group of Seven (G7) was formed in the 1970s and consists of the main 7 leading western economic countries. In 1980 this group represented more than 50% of global GDP. The rise of emerging markets has changed this such that by 2018 the EM Asian countries covered by MSCI EM Asia surpassed the G7 in economic weight (on a PPP basis).

Chart 2 shows these developments. The IMF expects that the G7 weight will fall towards 26% of global GDP by 2030 as the US weight gradually falls to 13%.

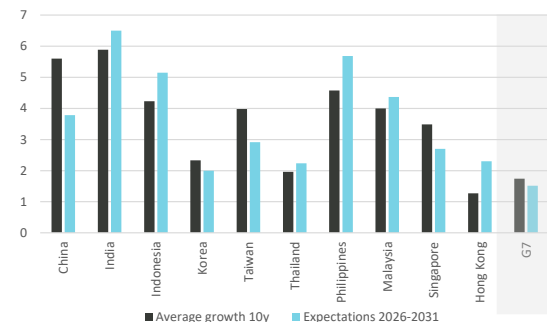
Chart 2: Weights in global GDP (PPP based in USD)



Source: Bloomberg, Vontobel SFA, updated until 2025

For some Asian countries, growth has slowed somewhat. Chart 3 shows that for these countries the IMF projects growth for the coming 5 years (blue bars) is below the average growth in the past 10 years (black bars). In China, for instance, growth has slowed as income levels have risen and China transitions from a pure export led economy to more domestically driven growth. However, for quite a few countries we are seeing an acceleration of growth. The IMF expects that India, Indonesia, the Philippines and Malaysia may still be able to deliver in excess of 4% real growth a year in the coming 5 years.

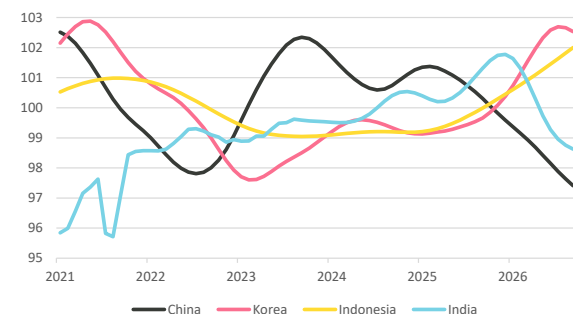
Chart 3: Real GDP growth



Source: IMF, update June 2026

Over the past years, Chinese growth momentum has at times disappointed market expectations, but in some other Asian countries we have seen an acceleration in economic momentum. Korea is an example of this. As a technology focused economy, Korea has benefited from the improved global environment while in Indonesia we can detect a positive trend in Chart 4.

Chart 4: OECD leading indicators



Source: IMF, Vontobel SFA, until September 2026

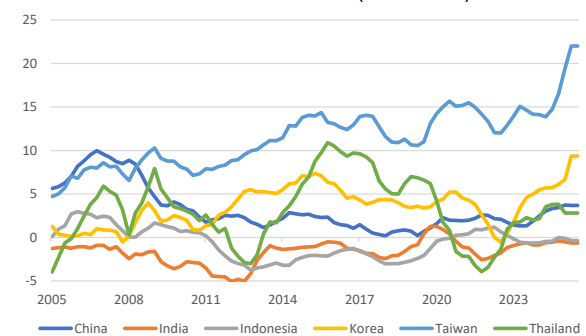
Lessons learned from the 1997 Asian crisis

The 1997 Asian financial crisis was a major crisis in emerging markets. This crisis started in Thailand and spread to other countries in the region, such as Indonesia, Korea, Malaysia and the Philippines. The main cause of the crisis was increased financial fragility, due to currency mismatches (borrowing in foreign currency (USD)), maturity mismatches (financing long-term projects with short-term debt) and loose lending conditions.¹ Given that these countries had their currencies pegged against the USD,

speculations against the currency which forced devaluations, increased problems with capital flows. EM currencies collapsed, with, for example, the Indonesian Rupiah falling over 80%. Stock markets were under severe pressure and several countries needed a bailout by the IMF. The crisis identified the risks of dependency of short-term capital flows denominated in a foreign currency.

Asian countries have become much less dependent on foreign capital flows as current account balances have significantly improved. For instance, Indonesia and Korea had an average (unweighted) current account deficit over the period of 1992 until 1996 of -1.9% of GDP, but this has improved to about +1.8% of GDP in the period 1999 until mid-2026. Chart 5 shows the development of the current account balance (as a share of GDP) over the past 20 years, and most of these countries have a positive balance now. For Indonesia and India, the balance is close to 0%. Overall, external financing dependence has declined in several of these economies. High savings rates may also support the availability of domestic capital for investment.

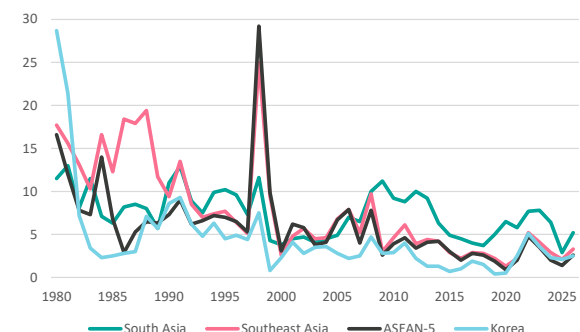
Chart 5: Current account balance (% of GDP)



Source: Bloomberg, Vontobel SFA, June 2026

Inflation has also gradually moderated in Asia as can be seen in Chart 6, especially in Southeast Asia, with inflation between 2 and 3%. Increased price stability has also supported broader financial stability.

Chart 6: Inflation rates



Source: Bloomberg, OECD, September 2026

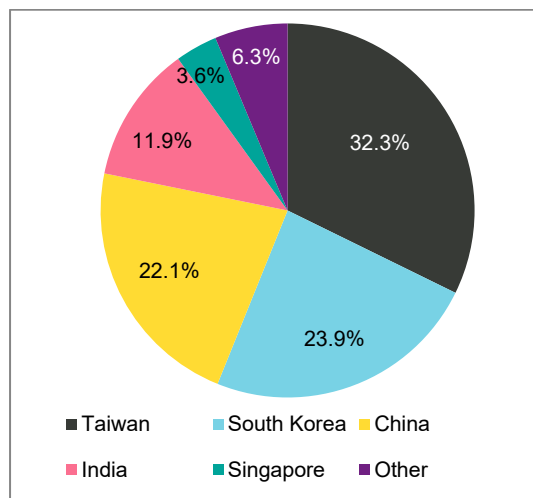
¹ See for instance Asian Development Bank, Interpreting the Asian financial crisis, 1999 or Lane, T., The Asian financial crisis, what have we learned? 1999.

EM Asian equities

Country performance in the EM Asia universe can be quite different given the differences in the underlying economies but also due to different types of companies and sectors in the respective regions.

The MSCI EM Asia benchmark composition consists currently mainly of technology heavyweight countries of South Korea and Taiwan and more consumption driven markets as China / Hong Kong and India. These countries together account for around 80% of the index. The South-east Asian region consists of smaller countries. However, some have more favorable demographic trends, which could support future GDP growth.

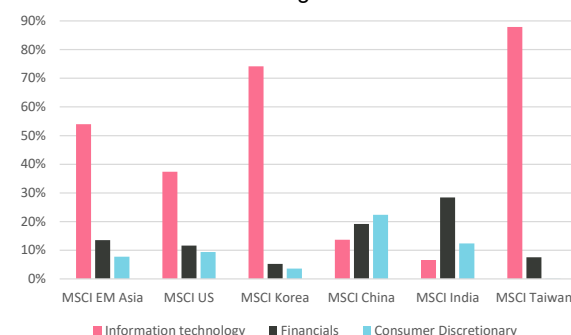
Chart 7: MSCI EM Asia country weights



Source: Bloomberg, Vontobel SFA, August 31, 2026, based on daily data

There can also be significant sector weight differences between countries. Chart 8 shows the weight by country for three sectors. IT is the dominant sector in Korea and Taiwan, led by market leaders of memory chip manufacturing companies, while it is significantly smaller in China and India. In those markets, consumer discretionary and financials are the larger sectors.

Chart 8: Selected sector weights of MSCI indices



Source: MSCI, September 2026

EM Asia universe has a relatively large weight to technology companies. However, this technology exposure is quite different than in the US, as Asian technology is more focused on semiconductors and manufacturing while in the US the focus is more on software, platforms and cloud services.

At the same time sectors such as consumer discretionary can potentially provide more exposure over the longer run to rising spending power of Asian consumers. According to the World Bank in 2025 nearly 4 billion people live in East Asia (high income countries excluded) and South Asia.² Economic growth could support higher consumption among this group, potentially benefiting regional businesses targeting these consumers as well as Western companies generating revenue from Asian markets.

Different competencies in different countries

Some of the differences between countries we have already discussed in the previous sector. In this segment we focus a bit more on the different countries in the EM Asia universe.

Taiwan and South Korea both provide significant exposure to the global semiconductor cycle, but in different ways. Taiwan has a strong position in semiconductor manufacturing and the broader technology hardware supply chain. South Korea's technology sector is more heavily influenced by memory chips, while also including major industrial, automotive, consumer and healthcare companies.

China has developed a substantial technology ecosystem spanning internet platforms, semiconductors, artificial intelligence infrastructure and advanced manufacturing. Recent earnings developments have been stronger in parts of this innovation-oriented economy, while domestic demand sensitive areas have remained weaker. Financials provide another important part of the listed market, alongside consumer companies, healthcare and industrial businesses.

India provides strong exposure to the domestic growth potential, as it is on its way to become one of the four key economic blocks, together with the US, EU and China. Rising consumption, financial development, infrastructure investment and an expanding industrial and manufacturing base could support future corporate earnings growth.

² <https://data.worldbank.org/indicator/SP.POP.TOTL>

Singapore provides a different form of Asian equity exposure. Although it is much more a developed country than an emerging country, it is part of the MSCI EM Asia benchmark. According to the IMF Singapore as an income of 108,000 USD per capita in 2026, which makes it one of the richest countries in the world and ahead of the US (94,000 USD per capita). Singapore's market is as a result more mature with a significant exposure to financials, complemented with industrial, property and multinational companies. The banks give access to Singapore and regional activity while the industrial and engineering businesses and property companies give a broader regional exposure.

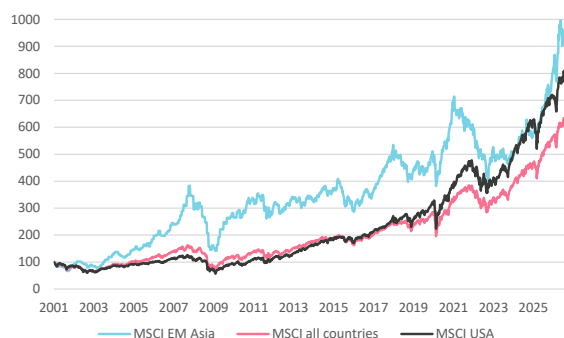
Malaysia is a smaller market but offers an interesting mix of sectors such as financials, consumption, manufacturing, utilities and electronics. *Indonesia* has a large economy with significant potential to become a key economic region. Sectors such as banks, consumer companies and commodities stand out here. *Thailand* combines tourism and consumption with financials, utilities and industrials.

The *Philippines* has favorable long-term demographic characteristics but is currently going through some macro-economic headwinds. Finally, *Vietnam* has become more of interest to international investors, especially with regards to industrial companies. However, liquidity and accessibility remain a restriction to consider.

Equity performance and valuation

Over the period shown, the MSCI EM Asia Index has outperformed the MSCI ACWI and MSCI USA indices. Despite their growth potential, EM Asia equities can experience significant performance fluctuations, as the chart illustrates. General global investor risk appetite can potentially create volatility in the willingness to hold EM assets, which can create more volatility.

Chart 9: MSCI indices (Net total return, USD)

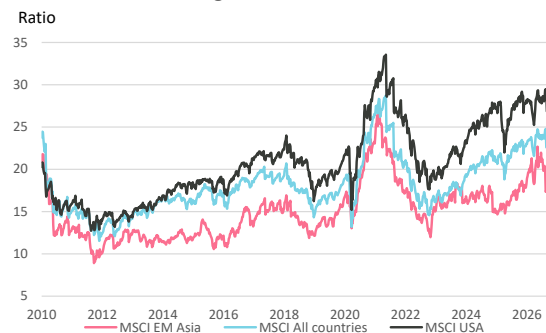


Source: Bloomberg, Vontobel SFA, October 9th 2026, based on weekly data

Despite its strong performance over the period shown, the MSCI EM Asia Index continues to trade at a valuation discount to the MSCI ACWI and MSCI USA indices.

EM Asia has historically traded at lower price-to-earnings multiples than markets such as the US and Europe, reflecting factors including transparency concerns, regulatory uncertainty and geopolitical tensions. In our view, valuation differences could narrow as corporate governance improves in some markets. In South Korea, for example, greater attention has been given to shareholder value, ownership structures and minority shareholder interests. There is also greater emphasis on dividends and share buy backs.

Chart 10: Price earnings ratios



Source: Bloomberg, Vontobel SFA, October 9th, 2026

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Conclusion

The share of Asian economies, represented by the MSCI EM Asia index, has risen substantially in the global economy (on a PPP basis). The region has become a significant contributor to the global economy, with large economies such as China and India and potential for further economic convergence in countries such as Indonesia.

Investments in Emerging Asia may provide diversification and exposure to potential growth opportunities, depending on an investor's objectives, circumstances and risk tolerance.

EM Asia also has significant technology exposure, although its composition differs from that of the US market. Asian technology is more focused on semiconductors and manufacturing while in the US the focus is more on software, platforms and cloud services.

At the same time sectors such as consumer discretionary can potentially give more exposure over the longer run to rising spending power of Asian consumers, as we see living standards improve.

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