

Macro Insights

Asia's trade with China and the US

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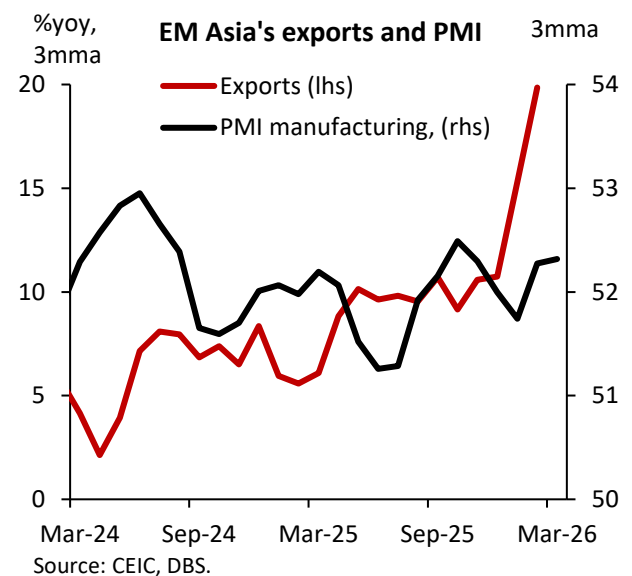
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- *Despite Middle East war risks, Asia's trade momentum stays strong as the AI-driven electronics boom and resilient US consumption lift exports; gains vary by country, with India lagging peers.*
- *War uncertainty rises, but 1Q trade data shows a robust cycle continues.*
- *AI wave boosts Asia electronics exports: chips, components, data-centre inputs.*
- *US retail demand remains strong; sustained US spending supports Asia's exporters.*
- *China exports surge despite weaker US trade, aided by rest-of-the-world demand.*
- *Virtually all countries, with the US a notable exception, are reporting surging exports to China.*

Chart of the Week: Asia's blockbuster exports

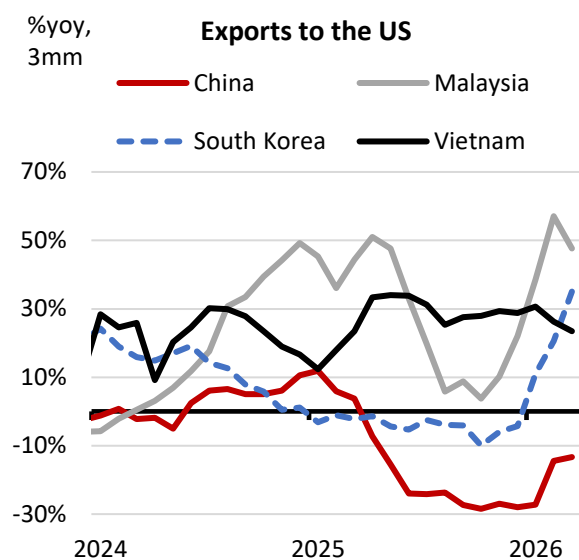
EM Asia's exports rose by 20%yoy, 3mma in February, marking the strongest outturn since 2021. Available March exports data point to further acceleration in demand. Exporters of Malaysia (+26.6%), Singapore (+34.7%), S Korea (+37.3%), Taiwan (+50.8%), and Vietnam (+18.5%) had a blockbuster 1Q, on the back of the AI-driven surge in electronics demand. China's 1Q exports growth of 17.4%yoy points to its electronics and green tech prowess. Middle East conflict notwithstanding, Asia's export-led model continues to hum.



Commentary: Asia's trade with China/US

The gloom emanating from the war in the Middle East is so pervasive that it is easy to miss out on other developments. While war-related uncertainty and rising energy prices are causing downside risks for the global economy, trade-related momentum remains strong. 1Q data, which captures a full month of the conflict, reflects a robust cycle still in place.

The AI-wave is lifting the entire electronics ecosystem. Asia's exporters are seeing surging demand for a wide range of products that go into data centres, from chips to electrical components. EM Asia's exports are tracking over 20%+yoy growth, displaying the strongest momentum since the post-pandemic bounce. April data will also likely show energy exporters like Malaysia and Indonesia benefit.



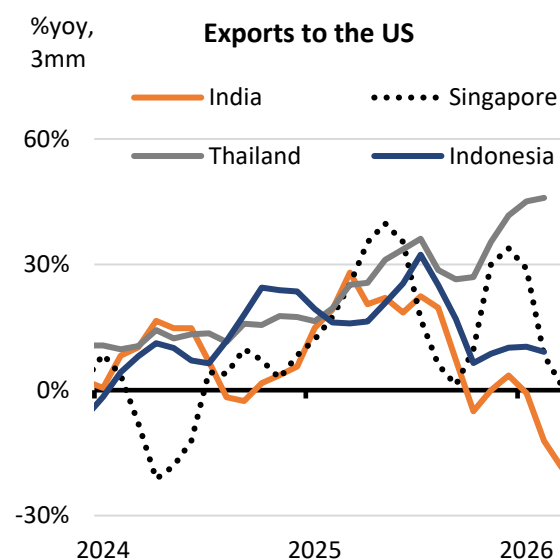
Source: CEIC, DBS

Beyond the AI-wave, overall consumer demand continues to be robust worldwide, with the US playing a major role. US retail sales tracked double-digit growth in 1Q, driven by surging tax refunds and higher fuel prices. As long as US consumers, making up 30% of global

consumption, keep spending, Asia's exporters will prosper.

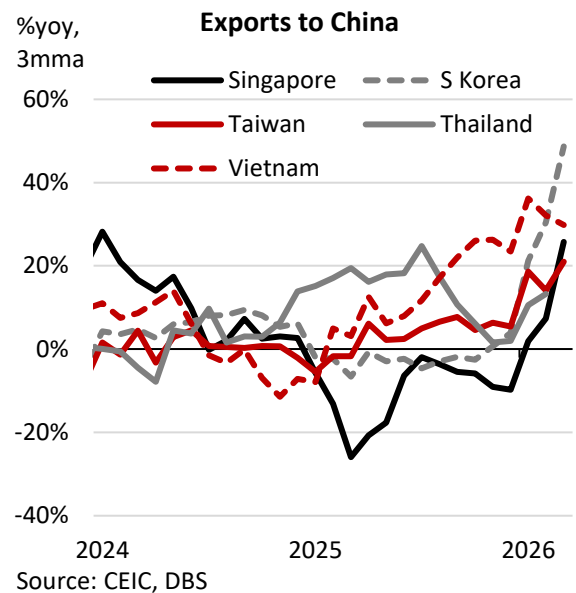
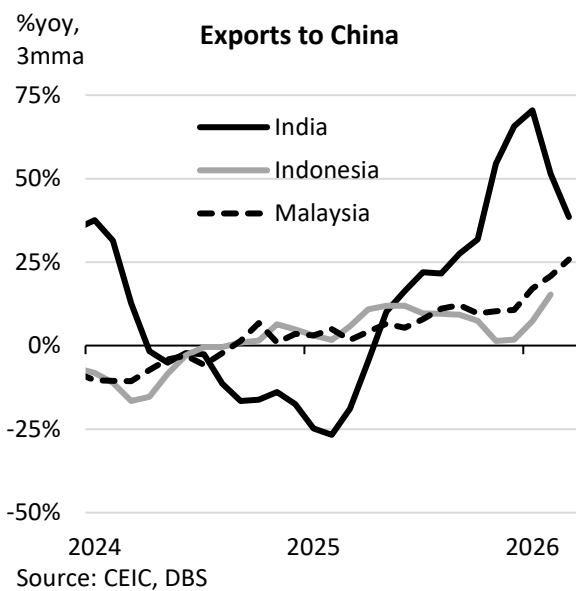
A country-by-country stock-taking shows the distribution of the gains from the ongoing electronics boom. China's exports were up 17.8%yoy through March, helping the economy surprise on the upside with a real GDP growth of 5.0% in 1Q. The outperformance looks especially striking given the decline in trade with the US (exports were down 13%yoy through 1Q). This underscores rising demand in the rest of the world, along with a likely element of trans-shipment. China's exports to the US continue to decline, but still make up for a good 10% of its total exports, as per our estimates.

For the rest of Asia, 1Q exports to the US were particularly strong for Malaysia, South Korea, Thailand, and Vietnam. Singapore's slowing trend is largely a base effect story; the overall trend remains strong. But even after a degree of adverse base effect is incorporated, India's numbers are rather soft. The divergence of performance between India and many of its Asian EM peers is troubling, as it shines a light on the former's marginal position in the regional electronics supply chain.



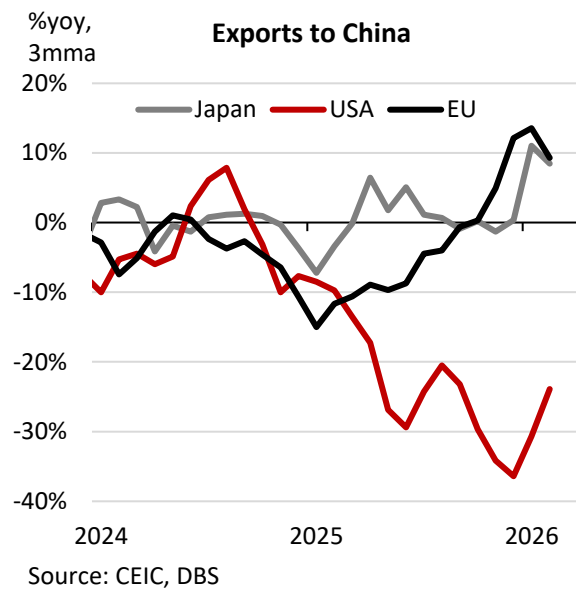
Source: CEIC, DBS

What about exports to China? Just as India's exports to the US have corrected, its exports to China have surged. Geopolitical friction notwithstanding, this shows a renewed bout of pragmatism in China-India trade. Like India, just about all countries in our Asia coverage saw 20%+yoy exports growth to China in 1Q26. Demand for electronics products is not a US-centric phenomenon, China is also doubling down on the AI-wave, pushing up demand.

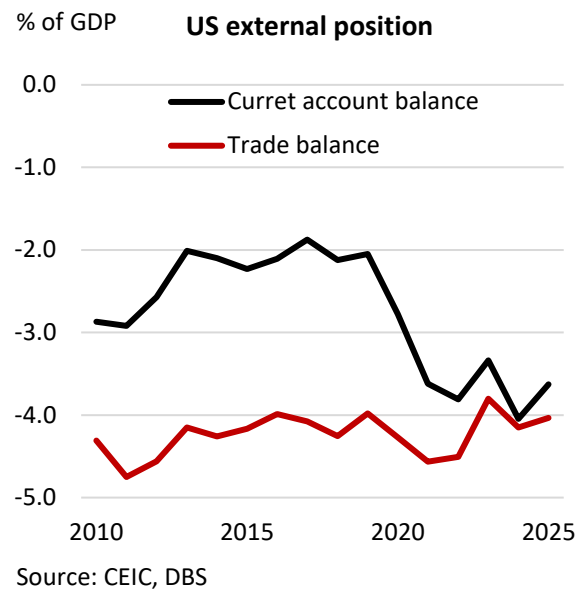


China's exports decline to the US is not a one-way story. Fuelled by Beijing's retaliatory measures, US exports to China have seen a

sharp decline. Exporters from the EU and Japan, meanwhile, are enjoying far better fortune.



A year's worth of highly disruptive trade war has left the US with a nearly unchanged external position, with both the 2025 current account and trade (goods) deficits in the 3.5-4% of GDP range, typical of the post-pandemic trend. Surging energy exports could pave the way for a smaller trade deficit in 2026, nothing to do with tariffs, of course.



Taimur Baig

FX: Crosscurrents in eventful week

This week, **currency markets face multiple crosscurrents**: volatile oil prices, Powell's stance on whether he will remain as Fed Governor until Jan 2028, potential rate-hike pivots at G7 central bank meetings, and the War Powers Resolution vote and deadline. The DXY Index's rebound has stalled around 99, following its decline from 100.6 to slightly below 98 in the first half of this month.

The US Department of Justice's (DOJ) **decision** on April 24 **to drop its criminal probe into Fed Chair Jerome Powell has technically fulfilled** Republican Senator Thom Tillis' demand to support Kevin Warsh's confirmation. The Senate Banking Committee should confirm Warsh as Powell's successor at a scheduled confirmation vote on April 29 at 10:00 AM ET, hours before the FOMC's interest rate decision. Warsh's nomination had a dovish tilt, helping US equities hit new record highs over the past week despite Brent crude prices returning above \$100 per barrel.

Powell's final FOMC press conference as Chair will likely be dominated by the question of whether he intends to remain as Governor until January 2028. Powell has consistently maintained that he has "no intention of leaving" until the oversight process reaches a conclusion of "transparency and finality." While the DOJ technically signalled a retreat by referring the USD2.5 billion Fed HQ renovation probe to the Fed's Office of Inspector General (OIG), in line with Powell's request, the resolution remains fragile. By explicitly stating that it has no hesitation to restart a criminal investigation should new facts emerge from the OIG report, the DOJ has framed its decision as a partial reversal in spirit rather than a total exoneration.

The Bank of Japan, European Central Bank, and Bank of England are expected to remain on hold this week, but the market is pricing a hawkish pivot for rate hikes at their following meetings, diverging from expectations that Warsh's confirmation would dampen the Fed's high-for-longer USD premium.

Against this backdrop, a **"hawkish hold" at the April 27-28 BOJ meeting will be important to offset the upward pressure on USD/JPY near 160.** Apart from Governor Kazuo Ueda needing to pivot towards a 25-bps hike to 1% at the June meeting, Finance Minister Satsuki Katayama needs to recognize that markets are becoming desensitized to her verbal jawboning without follow-through action. Moreover, BOJ and MOF are also aware of the zero-sum game posed by the triple trap of higher oil prices, rising JGB yields, and JPY depreciation.

Additionally, **Brent crude prices have risen back above \$100 per barrel ahead of this week's War Powers Resolution vote on April 29,** which will determine if the Operation Epic Fury enters an unauthorized phase. The Trump administration is attempting to preserve its operational freedom before the formal 60-Day Constitutional Limit expires on May 1, with the dual blockade in the Strait of Hormuz and the stalled Pakistan-mediated US-Iran ceasefire talks. Markets are caught between fears of a prolonged war of attrition that could keep 20% of global oil supply under threat and hopes of a surprise off-ramp before President Donald Trump's summit with President Xi Jinping in China in mid-May.

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