

# MACRO INSIGHTS

## Asia's exports buoyancy

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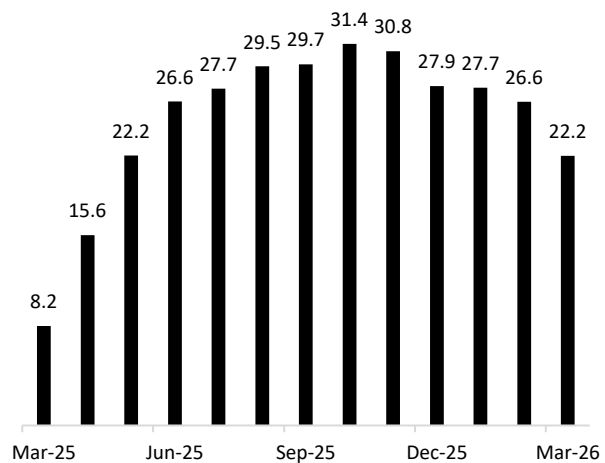
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### CHART OF THE WEEK: US TARIFF'S WANING IMPACT

*Between various trade deals and exemptions, US tariff collection amount has been ebbing since last October. With the February Supreme Court ruling invalidating the tariffs under the International Emergency Economic Powers Act and the May court ruling declaring section 122 tariffs illegal, customs duty collection is likely to decline even further in the coming months. Expectations of tariffs producing at least 1% of GDP in revenues to support the US fiscal position would need to be scaled back. These developments would add further pressure on the budget deficit.*

USD bn **US: Monthly import duties**



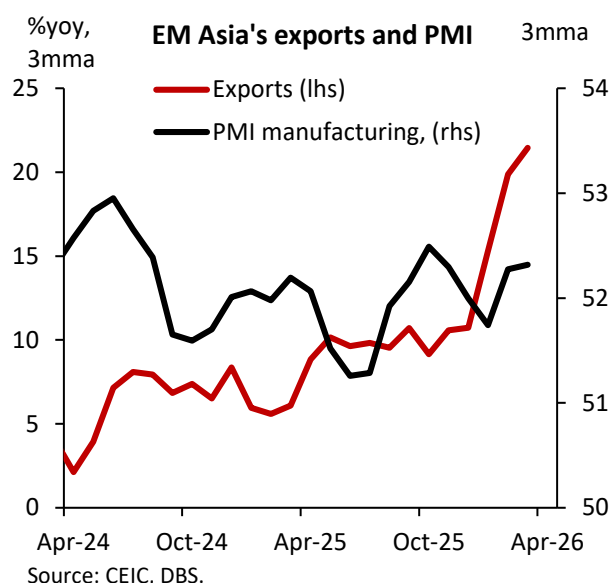
Source: CEIC, US Customs, DBS

- **Asia's 1Q GDP should be strong as exports surge, led by AI and green tech. S Korea, Taiwan set records; Malaysia, Singapore, Vietnam also ascendent. Risks: Iran war, energy shock, inflation.**
- 1Q Asia GDP likely strong, backed by robust trade and April demand data.
- AI and green tech boom lifts exports; price rises haven't hurt demand.
- S Korea/Taiwan exports up 40–50% YoY; chips drive record valuations.
- Malaysia/Singapore/Vietnam post 15–35% export growth via supply chains.
- Risks: Iran-war energy shock, inflation spillovers, possible demand destruction.

## COMMENTARY: Asia's exports buoyancy

Asian economies are likely to report a constructive set of 1Q GDP numbers, given the strong trade data available already. The strength in the cycle is extending well past the first quarter, with early trade data from April showing regional external demand going strength to strength.

Granted, there is plenty of doom and gloom among policy makers and citizens about the rising cost of energy and lingering uncertainty around the Iran war. But concurrently, **the market for electronics and green tech has never been more buoyant**. The AI wave related buying frenzy has broadened to every aspect of the electronics ecosystem, with substantial price rises having had no impact on the surging quantity demanded.



It's not just about electronics; signs of overall demand resiliency are evident through the first four months of 2026 data. Exporters are seeing strong order books across the board. US retail sales are strong, investment cycle is picking up worldwide, and the war has added further impetus to procuring products around the energy ecosystem, from generators to batteries, EVs to defence equipment.

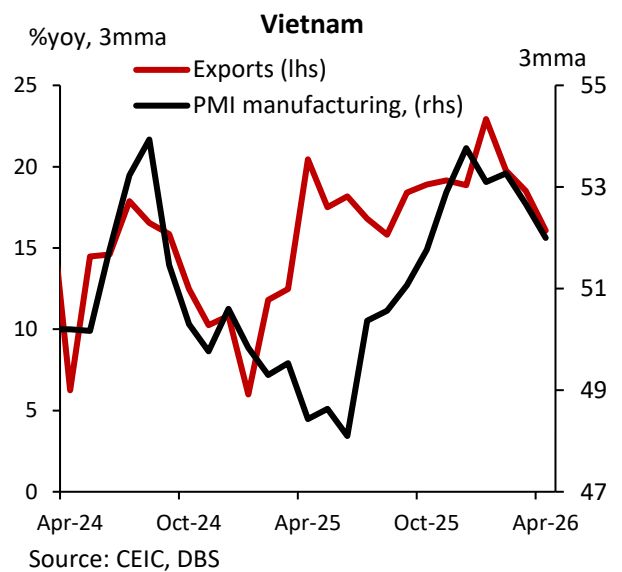
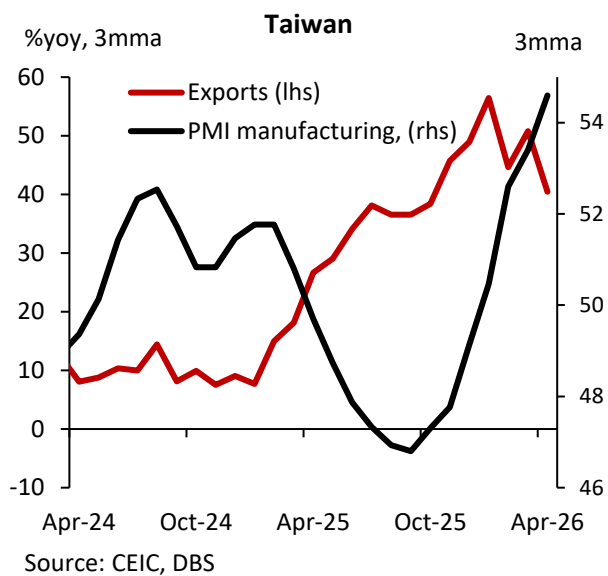
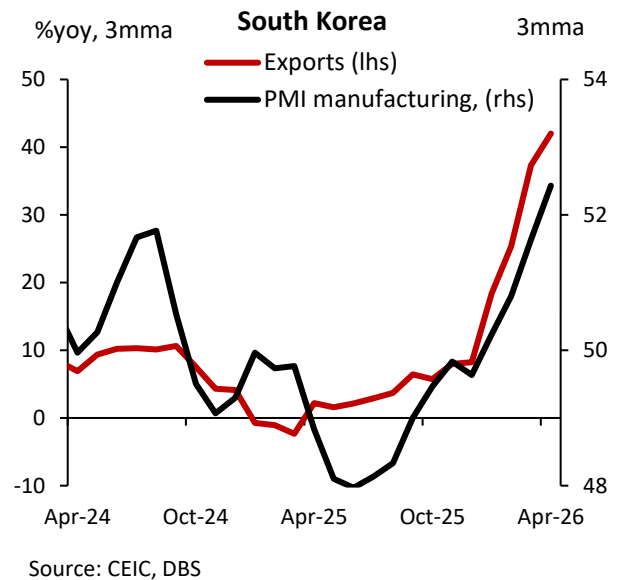
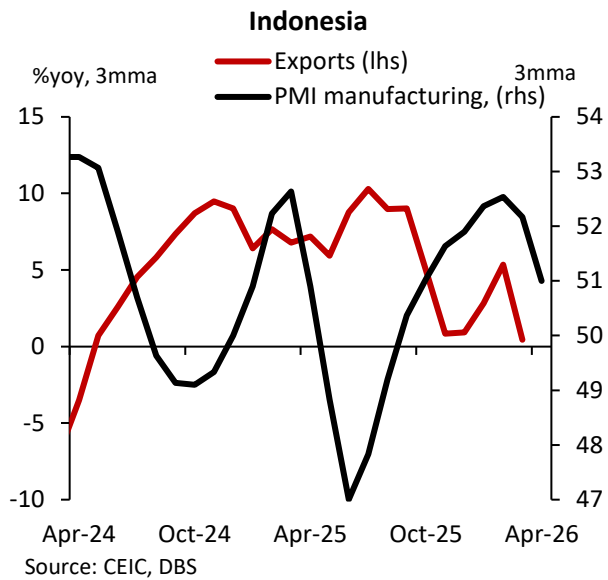
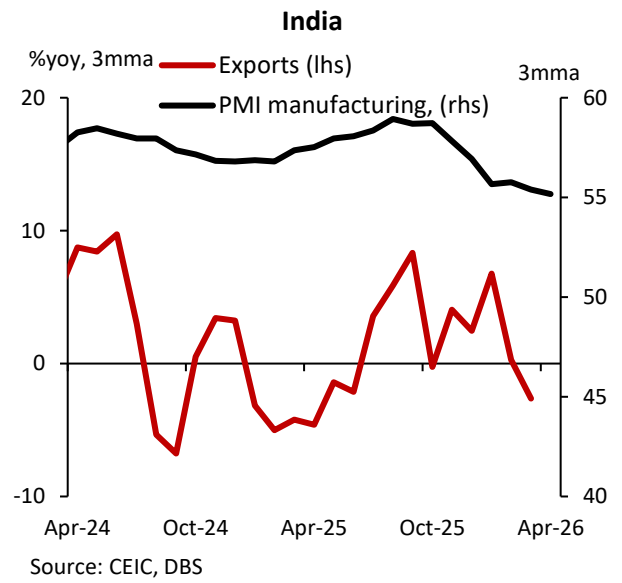
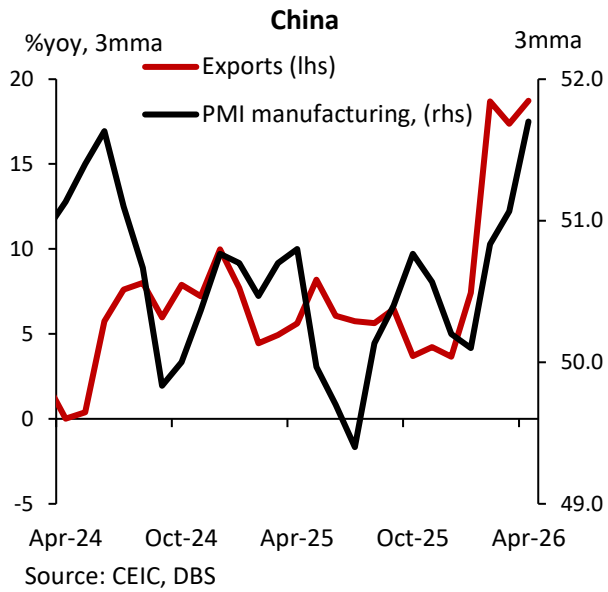
China's January- April trade data is a good case in point. For the largest exporter in the world, mid-teen exports growth is striking to say the least. Even exports to the US, after a whole year of intense trade war, were up 11%yoy in April.

For S Korea and Taiwan, the two electronics stalwarts of the region, export outturns are breaking records month after month, registering growth rates of 40-50%yoy. Memory and compute chips are leading the way, causing some of the companies at the top of the pack to go past trillion-dollar valuations.

Malaysia, Singapore, and Vietnam are also having banner moments, with exports growth in the 15-35% range. Their synchronised rise in exports underscores the integrated nature of the regional supply chain, with the AI cycle lifting all electronics boats.

There are some laggards. India and Indonesia are not touched by the heady momentum in the region. In both cases, businesses are reporting a steady weakening of sentiments. Rising energy prices ought to help Indonesia's export figures from April onward, we think, but India's outlook does not look promising at this moment. With 15% of its exports Middle East bound, the lingering uncertainty around the Strait of Hormuz is a considerable headwind for India's exporters. Not being a part of the region's extensive electronics supply chain does not help matters either.

There are some risks to Asia's export outlook for the remainder of the year. For starters, lagged impact of the energy shock from the Iran war is something to watch out. Second round inflation effects, as energy prices percolate through the system, are also in the pipeline. Combine this with the exceptionally strong demand for electronics, plenty of inflation risks remain on the horizon. These developments could end up causing demand destruction; but they may also lead to more nominal revenues for exporters.

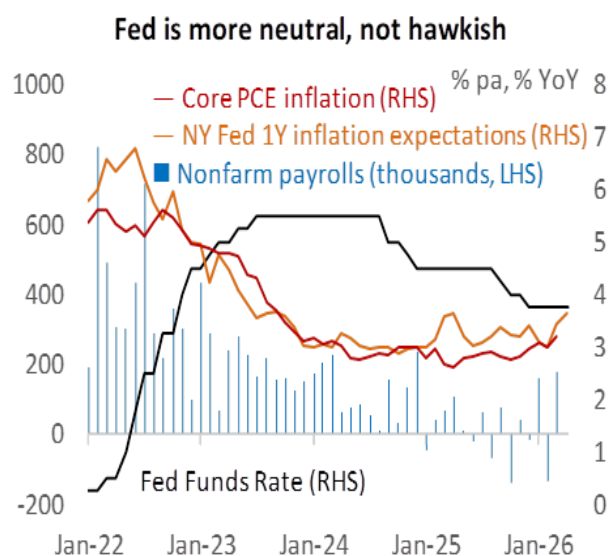


Taimur Baig

## FX: PIVOTTING FOR FED PATIENCE AND GEOPOLITICAL DE-ESCALATION

Philip Wee

Global markets are positioning for a retreat in the USD's haven status as investors pivot toward a potential de-escalation of geopolitical tensions this week. This shift is fuelled by growing optimism that a diplomatic breakthrough in the Iran conflict, coupled with a constructive Trump-Xi summit, will cool the "fear trade" that has bolstered the greenback. As risk appetite returns, traders are unwinding defensive positions in anticipation that reduced global friction will stabilize supply chains and alleviate the inflationary pressures that have dominated the year thus far.

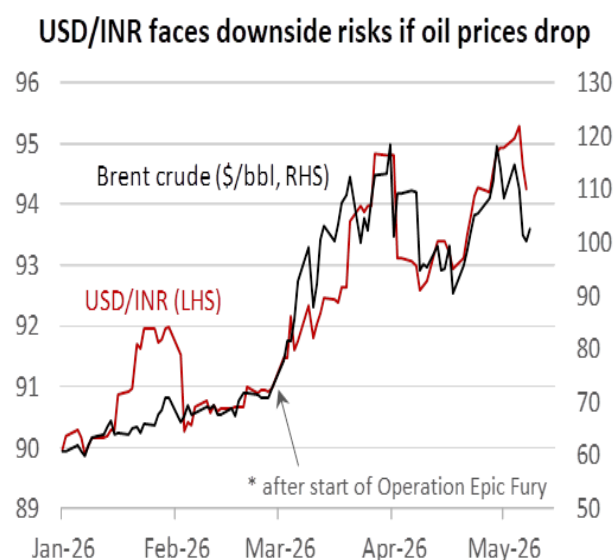


Sources: DBS Research, Bloomberg data

This cooling of geopolitical heat coincides with the Fed's strategic effort to temper hawkish expectations. Ahead of Kevin Warsh assuming the Fed Chairmanship on May 15, officials have sought to correct market pricing of late-2026 rate hikes by emphasizing an extended pause. Despite a rise in one-year inflation expectations driven by energy shocks from the Iran conflict, Fed officials maintain that current rates are sufficiently restrictive. With

long-term inflation expectations and wage growth remaining stable, the Fed is resisting aggressive tightening, a stance supported by today's cooling labour market data. Nonfarm payrolls are expected to drop to the 50k–100k range for April, a far cry from the robust readings that fuelled the USD's surge in 2022.

The focal point for a shift in sentiment will be the Trump-Xi Summit in China on May 14–15. The Centre for Strategic & International Studies (CSIS) has framed the agenda as the US's "Five Bs" (Boeing, beef, beans, Board of Trade, and Board of Investment) versus China's "Three Ts" (Taiwan, tariffs, and technology). Markets are looking for more than just rhetoric; investors want a concrete mechanism to manage trade relations and limit further tariff escalations, an easing of US semiconductor export curbs, and a release of China's grip on rare earth shipments. Ultimately, a joint diplomatic signal to provide an "off-ramp" for the Iran conflict is the prize, as reopening the Strait of Hormuz could finally set crude oil prices on a sustainable path below USD 100 per barrel. The one country that looks forward to this taking pressure off its currency is India.



Sources: DBS Research, Bloomberg data



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