

# ASEAN's lost decade: Is value finally emerging?

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Some investors believe the ASEAN tigers of the 1990s and 2000s have aged and lost their dynamism. Only Vietnam has shown returns that are competitive with the broader MSCI Emerging Markets index over the past decade, with Indonesia and the Philippines having declined over both the short and long term.

ASEAN markets have been held back by the lack of a technology sector to compete with Korea and Taiwan, the adverse effect of US trade tariffs and the recent oil shock, which hurts oil-importing countries. However, these same factors have also left the bloc's equity markets looking increasingly attractive ahead of a potential improvement in both trade conditions and oil prices.

|                  | 1-Year | 3-Year | 5-Year | 10-Year |
|------------------|--------|--------|--------|---------|
| MSCI Indonesia   | -38.3% | -18.9% | -7.6%  | -2.6%   |
| MSCI Malaysia    | 24.3%  | 16.2%  | 5.0%   | 3.4%    |
| MSCI Philippines | -11.7% | -1.2%  | -2.3%  | -2.7%   |
| MSCI Thailand    | 52.2%  | 10.3%  | 4.3%   | 5.4%    |
| MSCI Vietnam     | 58.0%  | 19.4%  | 1.5%   | 7.2%    |
| MSCI EM          | 54.3%  | 25.2%  | 7.9%   | 10.7%   |

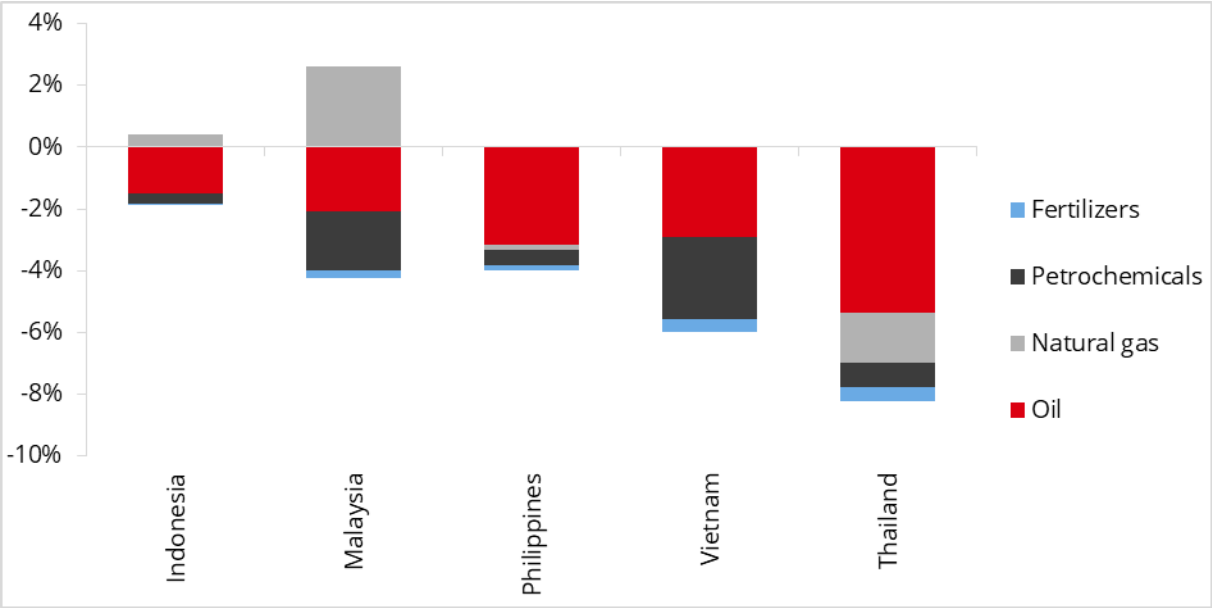
Source: Bloomberg as of 29 May 2026. Annualised, net return (USD) indices. Past performance is not a guide to the future.

## The Iranian oil supply shock

A challenging development for ASEAN countries has been the jump in the oil price since the start of Israeli and US hostilities with Iran in February, with all southeast Asian nations being dependent on oil imports.

This puts pressure on the current and fiscal accounts of oil-importing nations, whose economies become strained by the sudden increase in the size of the import bill and the need to provide subsidies for vulnerable parts of the population; this causes deterioration in public finances and weaker currencies against the USD.

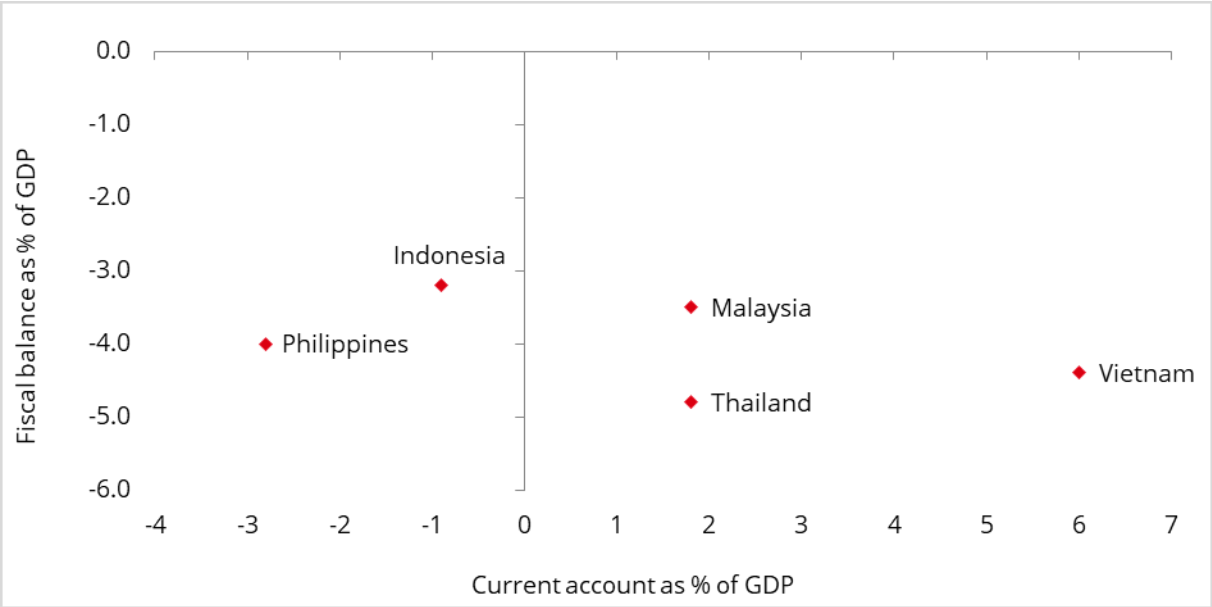
Chart 1: Net imports / exports of oil, natural gas, petrochemicals and fertilizers as % GDP



Source: HSBC and Redwheel as of 31 December 2025. The information shown above is for illustrative purposes.

A lasting peace agreement between the United States and Iran could cause a rapid drop in the price of oil that leads to swift alleviation of economic pressure, amelioration of the current and fiscal accounts and potential strong equity market recovery.

Chart 2: Fiscal and external balances of ASEAN

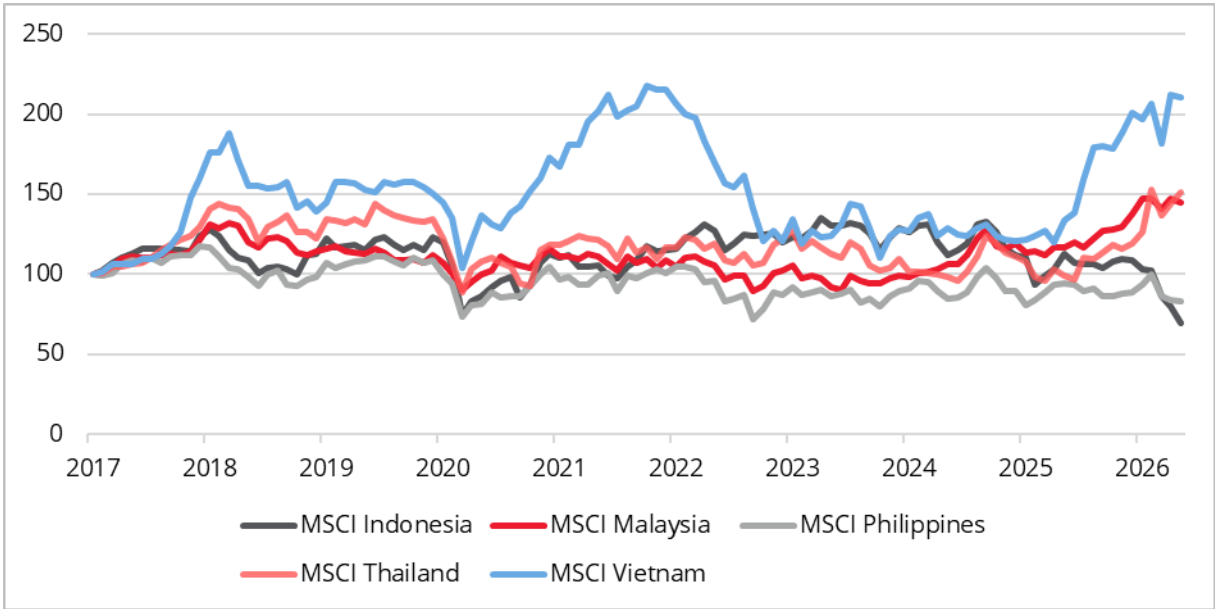


Source: HSBC, Redwheel as of 29 May 2026. The information shown above is for illustrative purposes.

### Value in equity markets abounds

Recent higher oil prices, lower economic growth and weaker public finances have been reflected in worse corporate earnings and disappointing ASEAN equity market performance, except for Vietnam.

Chart 3: ASEAN performance



Source: Bloomberg as of 29 May 2026. Net Return (USD) Indices. Normalized to 100. Past performance is not a guide to the future.

This poor run of form is unlikely to last forever; ASEAN markets ultimately recovered from the Asia Crisis in 1997 – 1998, the Global Financial Crisis in 2008, and the COVID-19 pandemic in 2020. Vietnam and Thailand have begun to rebound over the past year, and Malaysia is starting to show signs of life. Equity markets are cheap; the dividend yield of Indonesia, Malaysia and Thailand exceeds the overnight interest rate, a sign of deep value that can attract income investors.

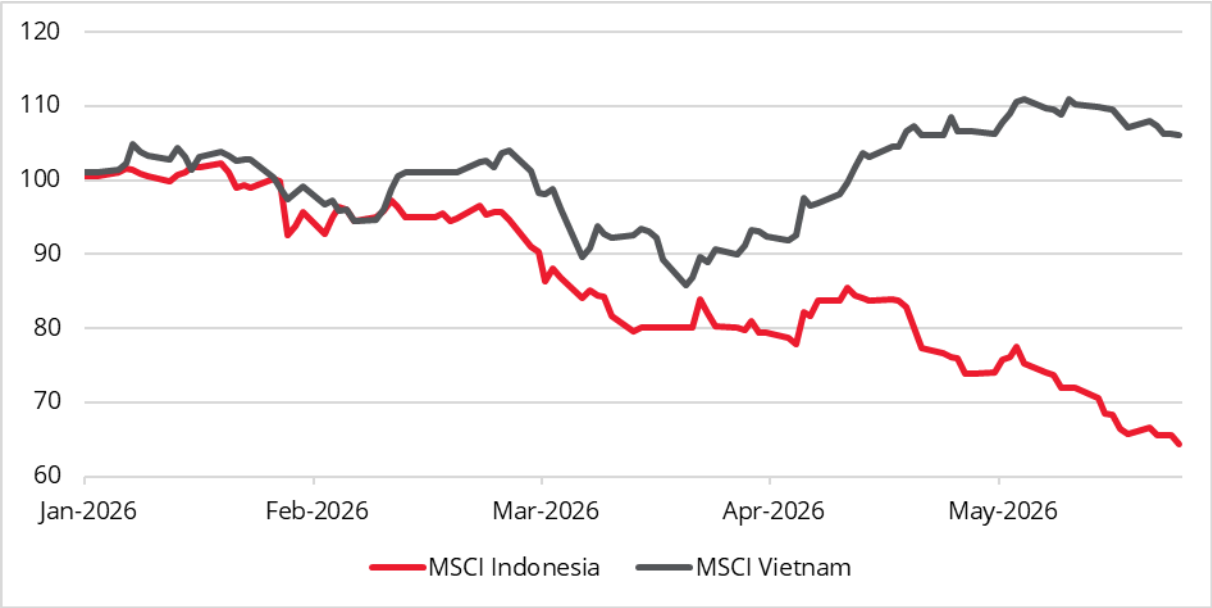
|                  | Dividend Yield % | Policy Rate % |
|------------------|------------------|---------------|
| MSCI Indonesia   | 7.50             | 5.75*         |
| MSCI Malaysia    | 4.60             | 2.75          |
| MSCI Philippines | 3.90             | 4.50          |
| MSCI Thailand    | 3.40             | 1.00          |
| MSCI Vietnam     | 2.30             | 4.50          |

Source: Bloomberg as of 29 May 2026. \*Indonesia Policy Rate includes Bank Indonesia rate increase on 18 June 2026. The information shown above is for illustrative purposes.

### Index reclassification for Indonesia and Vietnam – opposing fortunes

The prospect of index reclassification has the potential to affect this year’s worst and best performing markets, Indonesia and Vietnam. The Indonesian market began its decline in January 2026 on MSCI’s announcement that it might downgrade Indonesia from emerging to frontier market status due to concerns over the small free float and liquidity of some index constituents. MSCI announced on 23 June that Indonesia is to remain in the Emerging Market Index until at least its next review in November 2026, acknowledging progress on market reform while noting the need further to improve liquidity. In our view, retaining Indonesia in the emerging market universe as regulators work to improve investability could reduce uncertainty, boost confidence and encourage foreign investors to return to the equity market.

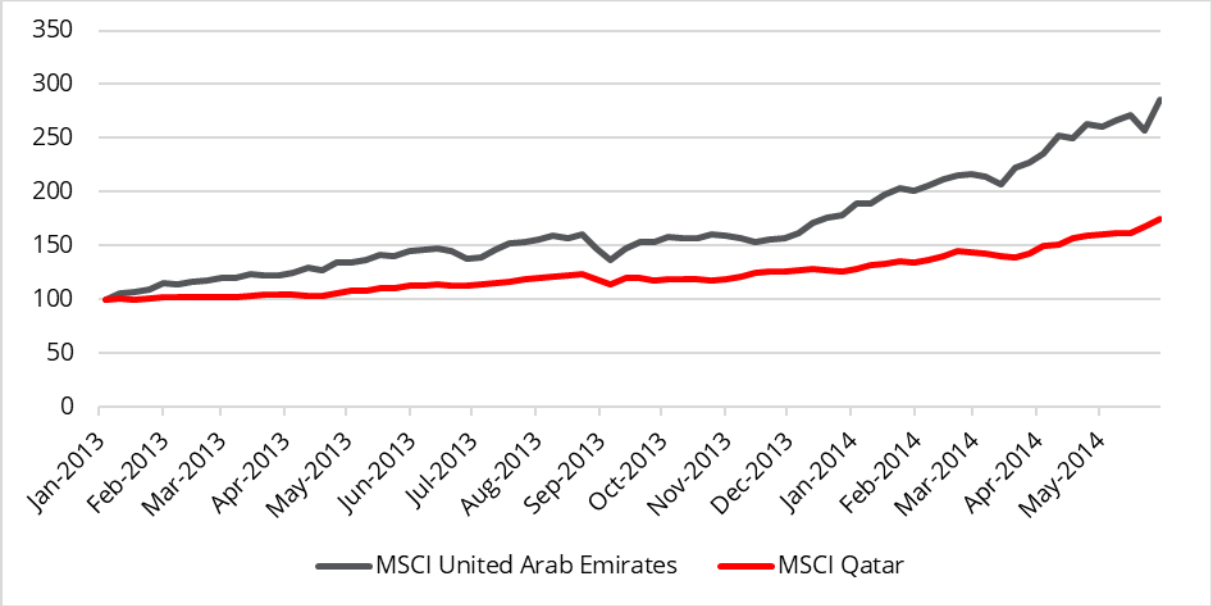
Chart 4: Indonesia & Vietnam performance



Source: Bloomberg as of 29 May 2026. Net Return (USD) Indices. Normalized to 100. Past performance is not a guide to the future.

Vietnam has undergone the opposite experience of Indonesia. FTSE Russell is to reclassify Vietnam from frontier to secondary emerging market status in September 2026, boosting the country's visibility among global investors and paving the way for portfolio inflows. The experience of UAE and Qatar in the mid-2010s shows that equity markets can perform strongly in the year leading up to reclassification.

Chart 5: Qatar & UAE performance ahead of reclassification



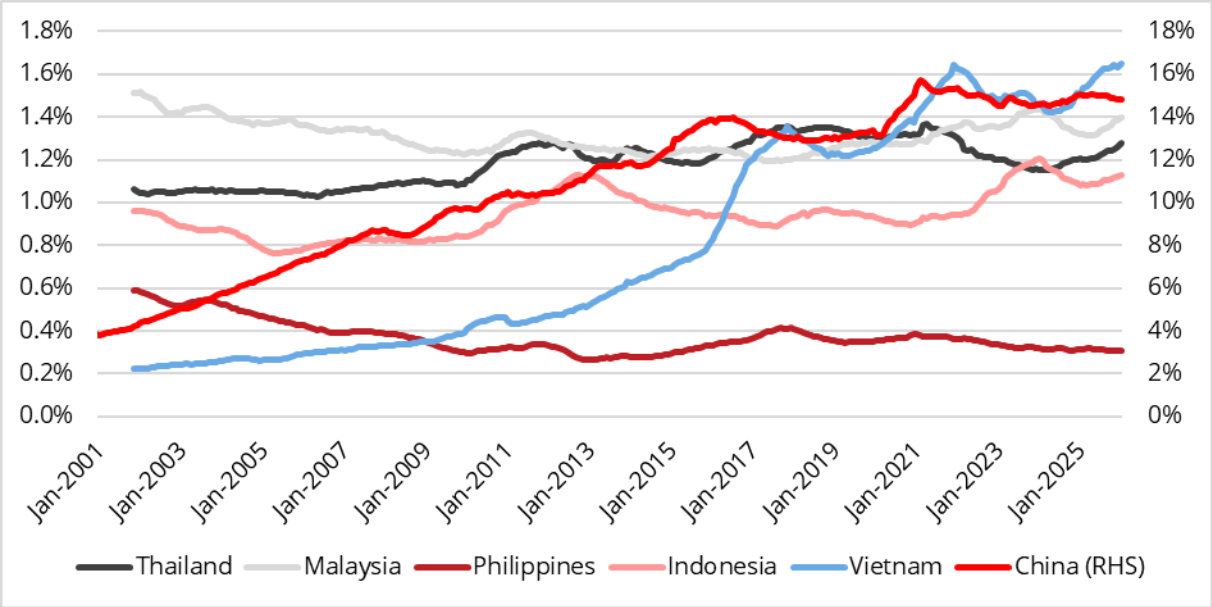
Source: Bloomberg as of 29 May 2026. Net Return (USD) Indices. Normalized to 100. Past performance is not a guide to the future.

Vietnam hopes to obtain an additional upgrade from MSCI to emerging market status by 2030, which should continue to stimulate investors' interest in the market.

## Tariffs and trade

ASEAN members other than Vietnam have experienced stagnant export performance this century, while China's share of world trade has increased from 4% to 14%. The inability to compete more effectively with China has deprived ASEAN countries of an important driver of economic growth, and recent US tariffs have put additional pressure on the manufacturing and export sectors.

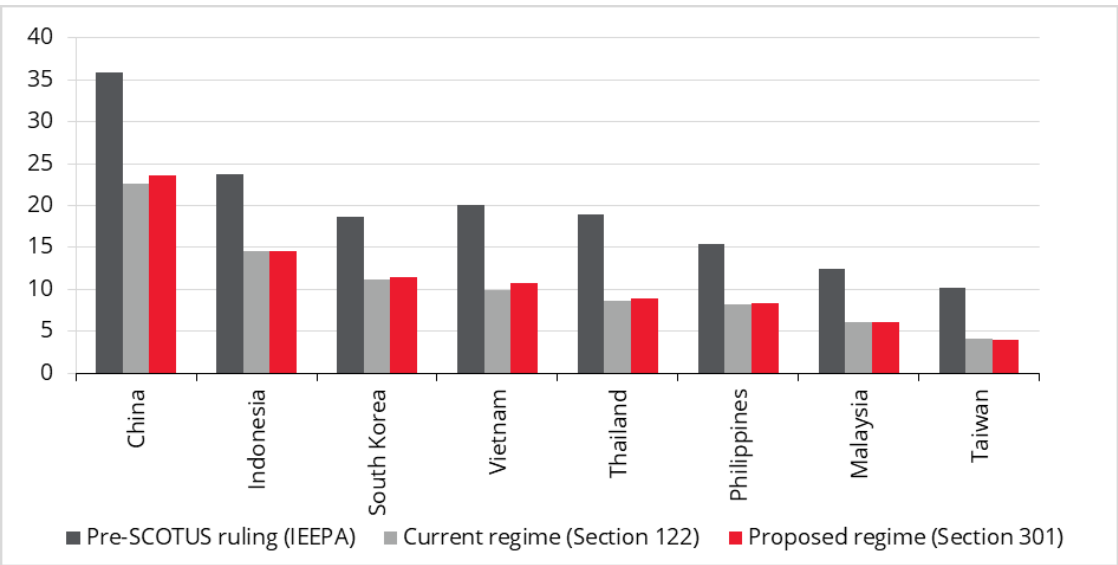
Chart 6: Share of world exports – ASEAN (LHS), China (RHS)



Source: Bloomberg, IMF, HSBC, Redwheel as of 28 February 2026. The information shown above is for illustrative purposes only and is not intended to be, and should not be interpreted as, recommendations or advice.

US tariffs continue to shape the global trade landscape. The US Supreme Court's nullification of IEEPA-based tariffs brought Chinese and ASEAN rates into close alignment, levelling the playing field across most of emerging Asia. A new Section 301 investigation could result in the imposition of duties of 10% – 12.5%, effectively replacing the current Section 122 tariff of 10%.<sup>1</sup> Consequently, effective tariff rates would not change materially from current levels and would keep the overall burden roughly equal throughout ASEAN. The removal of policy uncertainty might in turn encourage manufacturing investment and support a recovery in ASEAN export market share.

Chart 7: US average effective tariff rates (%)



Source: HSBC, Redwheel as of 29 May 2026. The information shown above is for illustrative purposes.

<sup>1</sup> Source: [USTR.org, June 2026](https://ustr.org/june-2026)

## The next chapter

Oil shocks, tariff uncertainty and a lack of tech leadership have weighed heavily on ASEAN, leaving most markets lagging emerging peers. Yet those same headwinds have left equity markets cheap, with attractive yields and index catalysts on the horizon, while oil could fall as quickly as it rose. For investors willing to look past recent disappointment, the region's next chapter could be more rewarding than the last.

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