The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.

Regional Cooperation and Integration Conference

Broadening and Deepening Trade, Investment and Financial Cooperation

Alessandra Donini
Economist, Economic Research and Development Impact Department, ADB

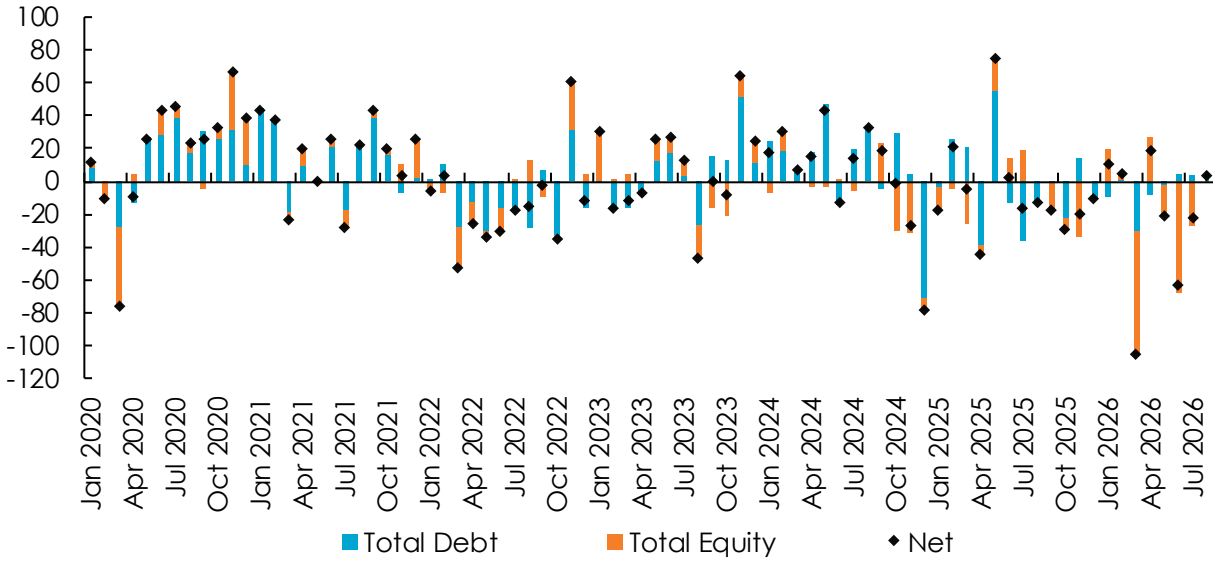
4 November 2026



Heightened uncertainty continues to test the resilience of regional capital markets

Volatile capital flows remain sensitive to stress episodes, though mild rebound in August 2026

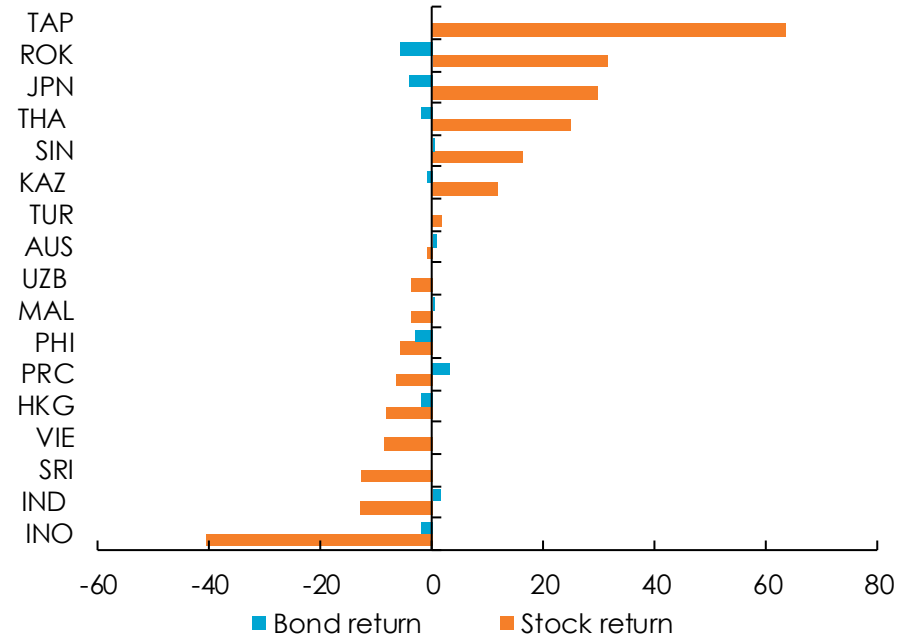
Nonresident Capital Flows—Selected Asian Economies
($ billion)



Notes: Positive values denote net inflows, negative values denote net outflows. Except for Sri Lanka and Viet Nam, for which data are available only for equity, the selected Asian economies are Indonesia; the Republic of Korea; Malaysia; Mongolia; Pakistan; the Philippines; Taipei,China; Thailand; and Türkiye.

Capital markets showed heterogenous performance in 2026 with average regional stock prices gaining 7.0% and bond prices dropping by 1.1%

Year-to-Date Change—Selected Asian Economies (%)



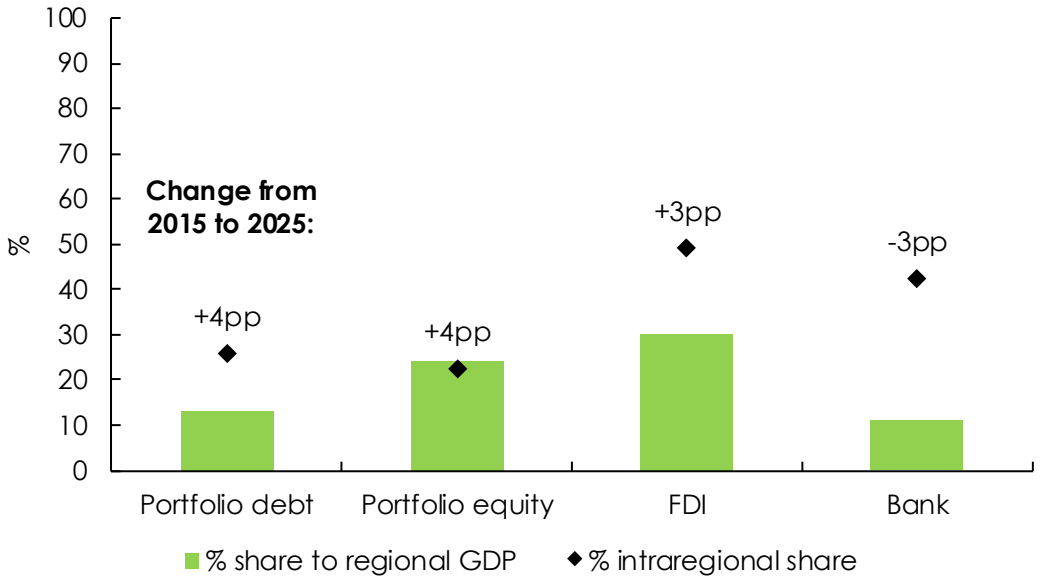
AUS = Australia; PRC = People's Republic of China; HKG = Hong Kong, China; IND = India; INO = Indonesia; JPN = Japan; KAZ = Kazakhstan; ROK = Republic of Korea; MAL = Malaysia; PHI = Philippines; SIN = Singapore; SRI = Sri Lanka; TAP = Taipei,China; THA = Thailand; TUR = Türkiye; UZB = Uzbekistan; VIE = Viet Nam.
Notes: Year-to-Date changes refers to changes between 2 January and 16 October 2026.

Source: ADB calculations using data from Bloomberg, CEIC Data Company, and the Institute of International Finance. Capital Flows Tracker. https://www.iif.com (all accessed September 2026).

Regional financial linkages have strengthened amid exposure to global factors in episodes of stress

Financial linkages within Asia and Pacific have strengthen, led by FDI, while banking integration remains limited

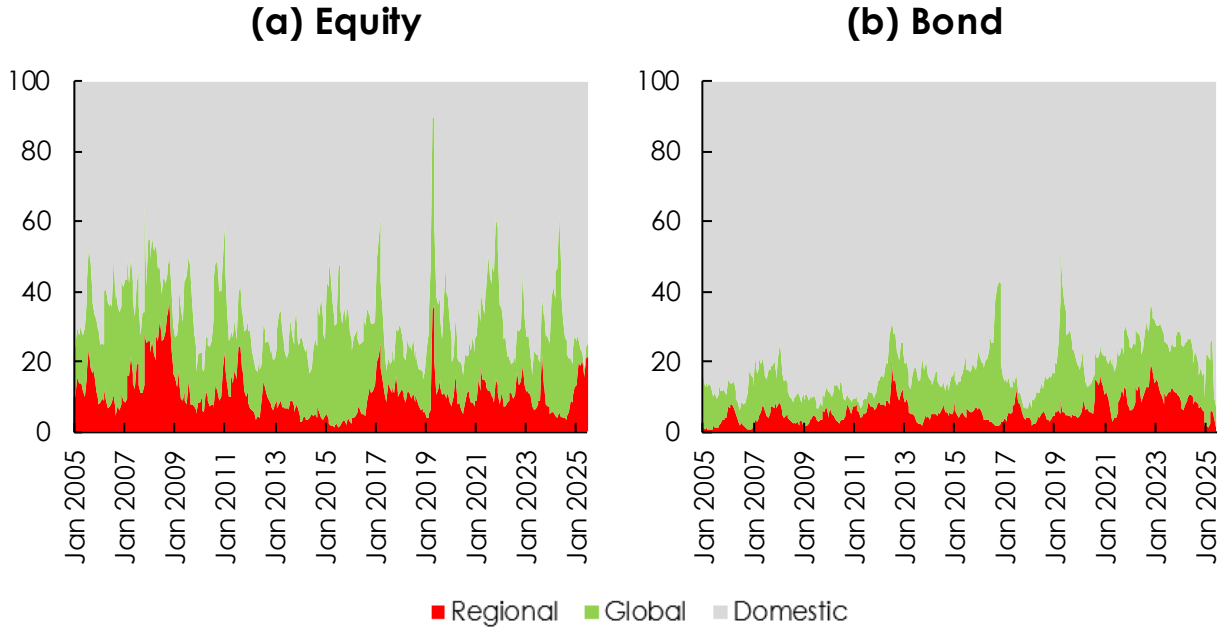
Average Cross-Border Assets and Liabilities—Asia and the Pacific, 2025 (%)



FDI = foreign direct investment, GDP = gross domestic product, pp = percentage points.
Note: FDI data are as of December 2024, while portfolio debt, portfolio equity, and cross-border bank data are as of December 2025. Bank claims and liabilities are limited to loans and deposits.
Sources: ADB calculations using data from BIS. Locational Banking Statistics. https://data.bis.org/topics/LBS; CEIC Data Company (both accessed July 2026); IMF Direct Investment Positions. https://data/imf.org/en/datasets/IMF.STA:DIP (accessed January 2026); IMF Portfolio Investment Position. https://data/imf.org/en/datasets/IMF.STA:PIP (accessed October 2026).

Regional factors gained importance in equity markets, but global factors dominate in times of uncertainty

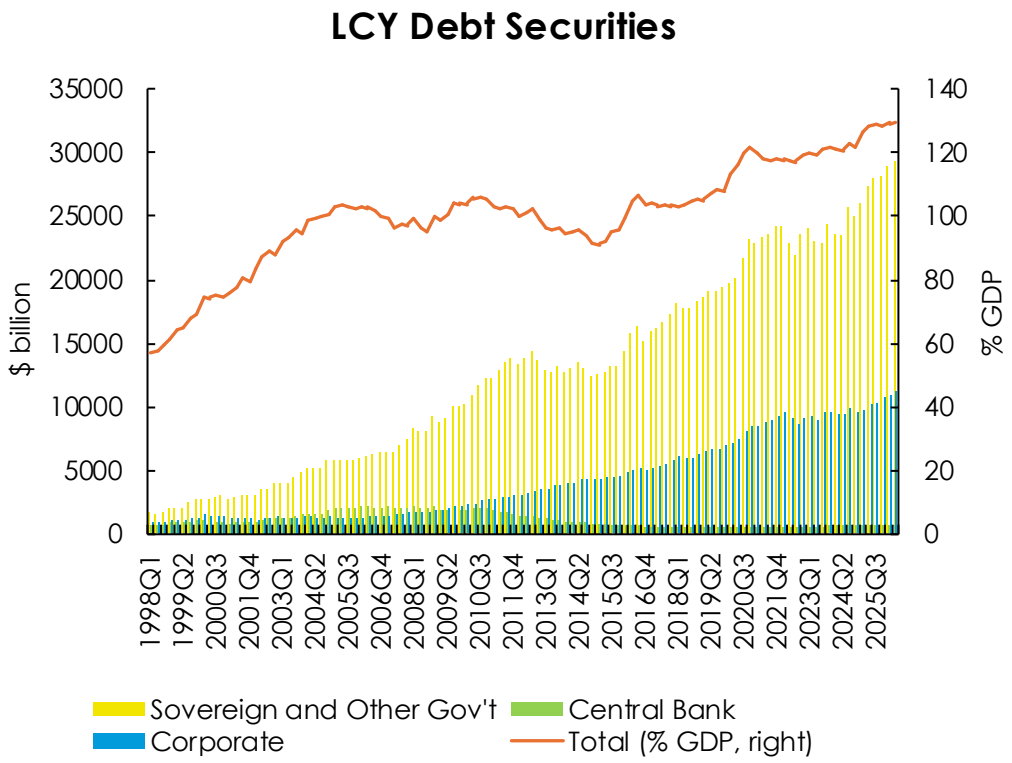
Variance Decomposition of Equity and Bond Returns (%)



Notes: Asia includes Australia; Bangladesh (equities only); Cambodia (equities only); the People's Republic of China; Georgia (equities only); Hong Kong, China; India; Indonesia; Japan; Kazakhstan; the Republic of Korea; the Kyrgyz Republic (equities only); the Lao People's Democratic Republic (equities only); Malaysia; Mongolia (equities only); Nepal (equities only); New Zealand (equities only); Pakistan (equities only); the Philippines; Singapore; Sri Lanka (equities only); Taipei,China; Thailand; Uzbekistan (equities only); and Viet Nam.
Sources: ADB calculations using data from Bloomberg; CEIC Data Company (both accessed August 2026); methodology by Lee and Park (2011) using 1-year rolling window estimations.

Local currency bond markets stabilizing role to global shocks

ASEAN+3 Local Currency (LCY) debt securities continued to grow supporting resilience through major shocks



LCY = local currency, GDP = gross domestic product, Q = quarter.
Source: AsianBondOnline (accessed October 2026).

CAREC is strengthening regional cooperation and capital markets

CAREC CAPITAL MARKET DEVELOPMENT FORUM (CMDF)

DEVELOPMENT CONSTRAINTS	CMDF RESPONSE	PRIORITY AREAS
Bank-dominated financial systems	Policy dialogue	LCY bonds
Limited depth and liquidity	Peer learning	Sustainable finance
Narrow investor bases	Capacity Building	Market infrastructure
Fragmented frameworks	Regional initiatives	Digital innovation

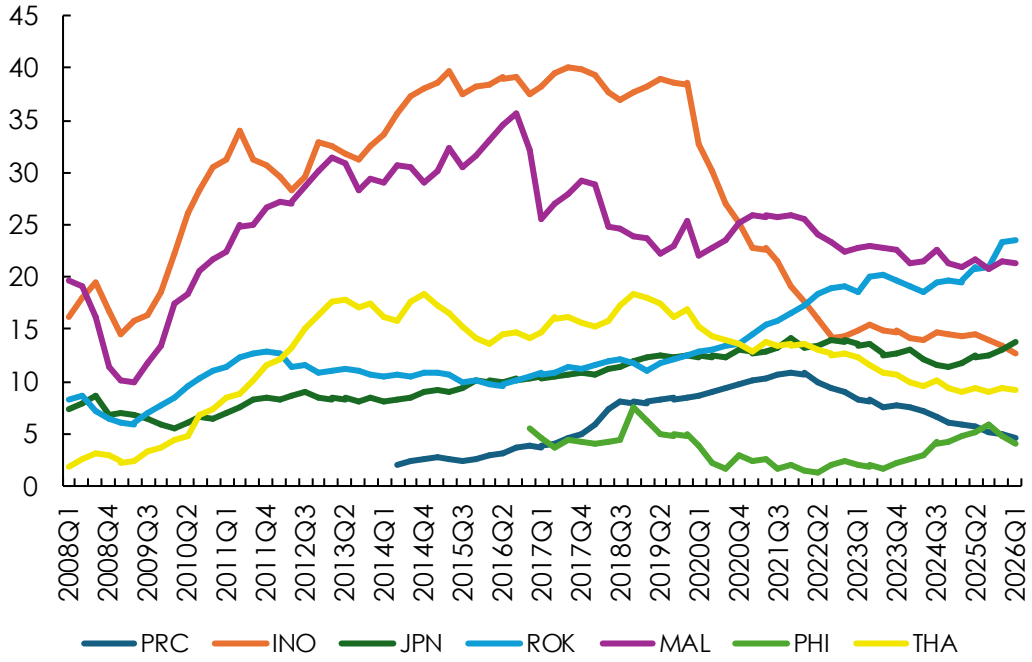
Overarching objective:
deep, efficient, and resilient capital markets

Source: CAREC Capital Market Development Forum Concept Note.

Diversification of LCY bond market investor base and green bonds issuances as tools to mitigate impact of global shocks

Diversification of investor base to improve resilience to uncertainty shocks, prioritizing regional investors

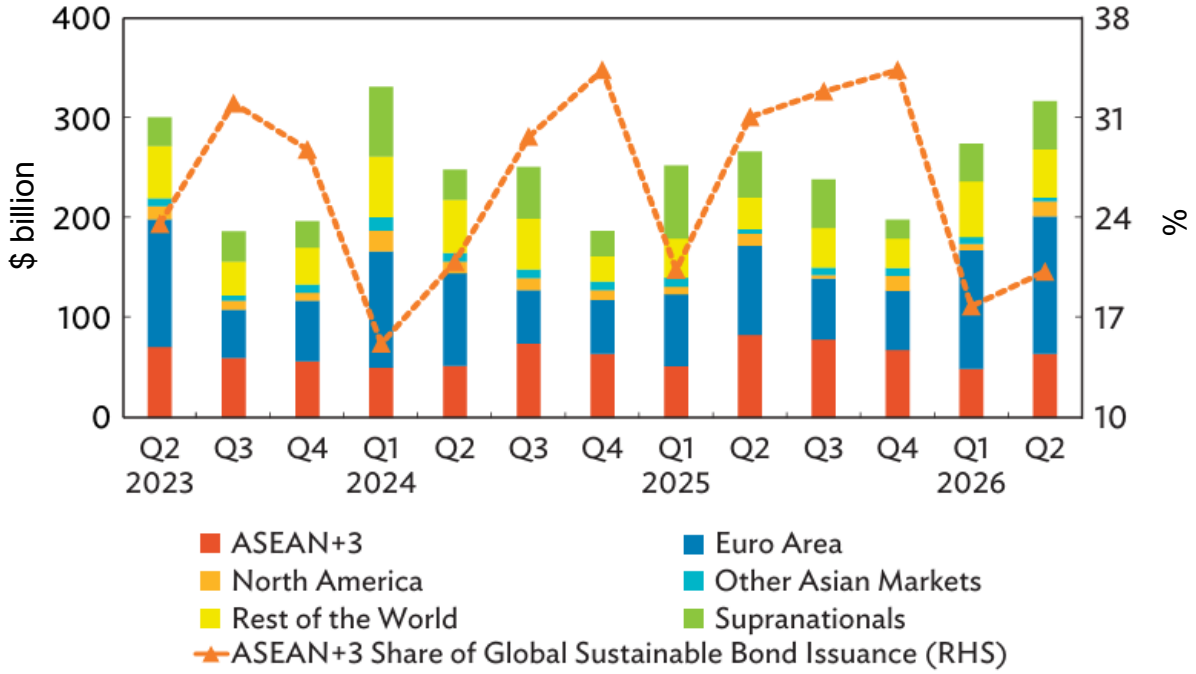
Foreign Holdings in LCY Sovereign Debt
(% of total)



PRC = People's Republic of China; INO= Indonesia; JPN = Japan; ROK = Republic of Korea, LCY = local currency, MAL = Malaysia, PHI = Philippines, Q = quarter, THA = Thailand.
Note:
Source: AsianBondOnline (accessed October 2026).

ASEAN+3 is world's second-largest regional sustainable bond market, as firms' issuances not significantly affected by global shocks

Global Sustainable Bond Issuance



ASEAN+3 = Association of Southeast Asian Nations Plus Three, Q = quarter, RHS = right-hand side.
Source: Asian Bond Monitor September 2026; Azhgalieva et al. (2026).

Amid economic and geopolitical uncertainties, the region should strengthen financial safety nets

Building Layered Financial Resilience with domestic, regional and global policies



Thank you!

Alessandra Donini
Economist
Regional Cooperation and Integration Division
Economic Research and Development Impact Department

adonini@adb.org