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Q&A with Mallika Sachdeva

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In a new 'Q&A with' Mallika Sachdeva, Asia Macro Strategist, introduces a newly launched Deutsche Bank's Asia Corporate Newsletter, what market environments corporates are likely to face in the coming quarter and what the longer-term themes most pressing for corporates are.

Q: What is the Asia Corporate Newsletter?

A: We have just launched our quarterly Asia Corporate Newsletter: a comprehensive summary of our Asia market views for our corporate clients. We highlight structural trends unfolding in Asia that are relevant for business decision-making, make specific recommendations on corporates' FX hedging and rates financing decisions, and feature a host of important cross-regional indicators and heatmaps which make it easy for corporates to track data on the economic health of countries, currency liquidity and valuations, hedging costs, and much more.

Q: What sort of market environment are corporates likely to face in the coming quarter?

A: The global backdrop for Asian corporate activity is set to remain challenging, with recession risks on the rise in US & Europe, and China's growth recovery yet to find a firm footing. Central banks are likely to continue prioritizing elevated inflation, and thus hiking into a slowdown. Asian central banks have tightened much less than the Fed and other EM regions thus far. But a narrowing window to move could force aggressive hikes in the coming months. Asian currencies have weakened a lot this year and appear to have priced in a significant export slowdown already. This suggests the worst could be behind us. But the safe-haven bid for the USD has been on the rise with a clear corporate preference to hold USD deposits.

Q: What are some of the longer-term themes you are talking to corporates about?

A: There are significant shifts taking place in this region. The diversification of manufacturing out of China is likely to benefit ASEAN, and in particular countries like Vietnam, Singapore, Thailand and Indonesia. We expect FDI flows to rise initially, followed by production and exports down the line. New trade corridors in commodities are also emerging as a result of the Russia-Ukraine disruptions. In terms of currency markets the narrowing in interest rate differentials between the US and Asia has dramatically reduced USD hedging costs in the region. The rise in USD credit spreads has also



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encouraged more companies to refinance in local currencies, where liquidity and credit conditions have been more friendly.



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