Market Views: Is American exceptionalism fading with Asia's rise?

Heather Ng
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As global economic power shifts and investment priorities evolve, the once-unquestioned dominance of American exceptionalism is being reassessed.

For much of modern history, American exceptionalism has shaped global economic strategies, guiding investment flows and financial policymaking. Yet, as shifting economic power dynamics, rising fiscal challenges and evolving trade relationships redefine the landscape, the once-unquestioned dominance of the US is now being reassessed.

Meanwhile, Asia—long seen as a passive recipient of global capital, is increasingly asserting itself as an economic powerhouse. With a rapidly expanding middle class, breakthrough technological advancements and intra-regional trade volumes surpassing Asia–US exchanges, the region is no longer on the sidelines but at the centre of a global economic transformation.

AsianInvestor sought insights from leading experts on the future of America's global economic influence and the emerging opportunities in Asia that could shape the next era of investment and growth.

Florian Neto, head of investment, Asia

Amundi

Florian Neto

Following extreme decisions from the US administration, there has been a significant change in market narrative from US exceptionalism to de-dollarisation. As usual, the truth might be more nuanced when we try to adjust an investment framework.

There are structural forces at play with policy pivots in Europe and China, a reconfiguration of supply chains (China+1) and a wider/swifter adoption of AI that will lead to converging growth and corporate earnings trends between the US and the world. Global and Asian investors have now a choice to make as they have generally an oversized allocation to US assets.

A key approach to capitalising on this shift is increasing exposure to Asian currencies, as improving risk sentiment, falling oil prices and high underhedged USD positions align with a less confrontational tariff environment. At the same time, a weakening US dollar is opening pathways for Asian central banks to cut rates, making regional bonds more attractive. Yield spreads between Asian sovereign debt and US Treasuries are expected to compress, particularly in Korean Treasury Bonds (KTB) and Chinese Government Bonds (CGB), both hedged, as well as Indian government bonds, which benefit from the Reserve Bank of India's increasingly dovish stance.

Wei Li, head of multi-asset investments

BNP Paribas Securities (China)

Wei Li

For decades, American exceptionalism has underpinned global economic structures, while Asia's economic autonomy—through technological self-reliance, green transition initiatives and regional integration—represents a new frontier of global economic opportunity.

Asia's ascendancy is driven by impressive growth metrics—while regional integration has boosted intra-Asian trades. Technological competition is another key driver. The US and China now dominate AI investment, accounting for $300 billion and $91 billion, respectively, of the $560 billion global venture capital in generative AI (2024). Meanwhile, India's digital economy and Southeast Asia's green transition, such as Vietnam's carbon market launch, are creating new growth vectors.

Fiscal trajectories further illuminate this shift. Asian economies demonstrate greater fiscal stability. RCEP (Regional Comprehensive Economic Partnership) has catalysed manufacturing investment across ASEAN, while intra-Asian supply chains deepen—evidenced by China's 15.6% growth in auto parts exports to RCEP members.

Paul Jackson, global head of asset allocation research

Invesco


Paul Jackson

The US economy is the largest in the world, accounting for 26% of global GDP in 2024 (IMF estimate). However, US stocks account for a massive 71% of the MSCI World Index, which could bring concentration risk. Many investors were willing to overlook that so long as US stocks were outperforming, as they had been since mid-2008.

Well, that may be about to change. First, an aggressive US tariff policy, could bring higher inflation and lower growth to the US economy. Second, a deteriorating fiscal position raises concern about debt sustainability. Finally, just as all of this is happening and as US stock valuations appear stretched, interesting themes in Europe and China have emerged. In particular, Chinese equities seem to have exited a period of underperformance, led by technology stocks whose share price performance is now outstripping that of US counterparts.

More broadly, some large Asian economies enjoy a positive demographic outlook and the ongoing development of the region suggests it will continue to be the destination of investment flows. I reckon the coming decades will see Asia become ever more important within the global economy and financial markets.

Vis Nayar, chief investment officer
Eastspring Investments

The outlook for the US economy remains highly uncertain given tariff uncertainty and knock on impact this can have on unemployment, inflation, consumer confidence & spending and employment. All these suggest the exceptionalism the US has experienced over the recent decade will be challenged.


Vis Nayar

Our base case of high tariffs, high uncertainty and slower US growth implies that Asia will see slower growth but also lower interest rates and stronger currencies. One benefit of stronger Asian currencies is Asian central banks should have greater freedom to cut interest rates in economies where inflation is below target. This combination of stronger currencies and interest rate cuts should increase the attractiveness of Asian asset markets for international capital flows.

Asia and Emerging Markets (Ems) offer more attractive valuations and lighter positioning. This remains the case and suggests greater upside potential for Asia and EMs. Some markets in these regions benefit from clearer policy making and strong domestic growth drivers. India and China have greater policy room to respond to tariff challenges. Meanwhile, Japan has introduced reforms that improve shareholder returns. Agile investors can take advantage of dislocations arising from market volatility. Being bottom-up investors in Asia and EMs, we remain focused at finding companies with strong long-term fundamentals that are trading at attractive valuations.

Steve Alain Lawrence, CIO
Balfour Capital Group

Steve Alain Lawrence

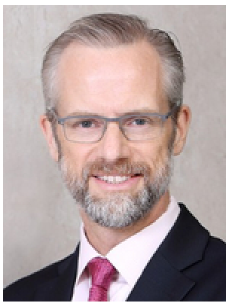
For decades, American exceptionalism—anchored by the US dollar's reserve status, Silicon Valley's innovation engine and deep capital markets—justified global capital flows into US equities, treasuries and tech. But today, investors are reassessing. US fiscal deficits near $2 trillion annually, mounting trade protectionism under both parties and political instability (e.g., potential 2025 election challenges) have raised red flags.

Asian institutional capital is repositioning. Temasek and GIC have reduced US public equity exposure and ramped investments in Southeast Asia's digital infrastructure—backing companies like GoTo (Indonesia) and Kredivo (Indonesia fintech). Japan's GPIF cut US bond allocations in favour of diversified EM debt. India's LIC and HDFC Asset Management are favouring domestic private equity and infrastructure (eg, investments in Adani Green Energy and National Infrastructure Investment Fund).

In banking, DBS, ICICI Bank and Bank of China have increased regional trade finance and cross-border settlement capabilities in local currencies, anticipating a longer-term shift away from dollar hegemony. HSBC is actively expanding RMB clearing services across Asia.

American dominance isn't over—but its premium is no lo ... tic. The rise of Asia's midd ... Asia–US trade ... longer just a c

Andy Budden, investment director
Capital Group



Andy Budden

American exceptionalism goes beyond the mere outperformance of US equities since the Global Financial Crisis. It represents over a century of consistent economic growth in the US and critically, how the US has had an edge in offering an attractive proposition to shareholders.

Built on innovation, the US' ability to create distinctive products and services in various sectors has driven substantial productivity growth, and in turn greater profitability. Furthermore, it remains a top destination for global talent, bolstered by a pro-growth regulatory environment and robust corporate governance focused on earnings per share (EPS), return on equity (ROE) and dividends/buybacks. These factors collectively contribute to its unique value proposition for shareholders.

While we believe American exceptionalism is here to stay, we are closely monitoring several indicators that may suggest inherent challenges. Potential scenarios include the US losing its appeal as the preferred destination for global capital, a decline in optimism and risk-taking culture (evidenced by reduced capital expenditures and fewer startups), diminished research funding in academia, and uncertain policies and regulations that could necessitate a higher equity risk premium as compensation.