Mizuho Brief: MAS & SGD

Economics & Strategy | Asia ex-Japan

14 October 2025 |
Vishnu Varathan | Head Macro Research, Asia ex-Japan

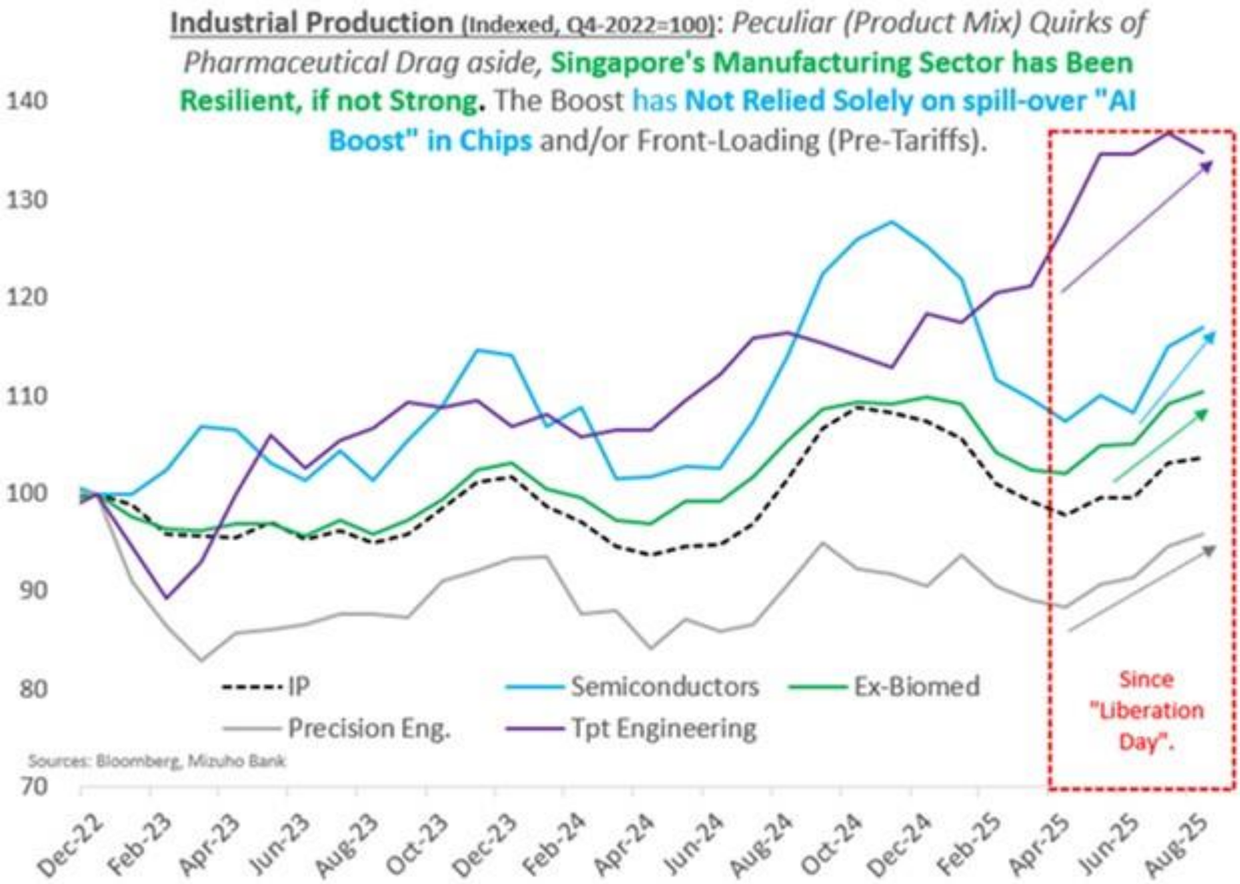
MAS & SGD: Tariffs Threats: Partly Diffused Not Defused

In a Nutshell:

- Singapore's growth has shown **unexpected resilience**, through (and **defying** worse case fears from) **Trump 2.0 tariff assaults**.
- That this has gone **beyond anticipatory stockpiling to front-run tariffs** is notable; especially for a small and open economy.
- This has firstly **validated the MAS' gradual** and **graduated approach to easing**, **including the current pause**.
- Nonetheless, the **outlook** on *tariff-related risks* remains **exceptionally obscured**.
- More worryingly, it is **headline-driven** (party dictated by Trump's mercurial tendencies).
- Alongside the **unspecified quantum** and **timing** of **further sectoral tariffs**, means that **susceptibility to bouts of tariff shocks in 2026** simply cannot be ruled out.
- To be sure, being *deferred/phase*d and *diffused* (by lower effective rate amid offset) is *of some relief*, but **no guarantee of fully deflecting further shocks**.
- MAS Stance: Necessarily then, the **MAS has no preset course for policy**. Current policy sweet spot has **scope for easing**, but ***only to be exploited on adverse demand shocks***.
- Rich S$NEER: In turn, **S$NEER is likely to remain rich** (strong side of policy bands, other than episodes of dips on acute "risk off").
- Relatively Strong SGD: Accordingly, *SGD is likely to be relatively buoyed* in tandem and *USD/SGD forward points set to remain deeply negative.*

Growth: Unexpected Resilience Beyond Front-loading:

- Broadly speaking, there appear to have been a **factor of resilience beyond just stockpiling associated with front-running** tariffs.
- Consequently, **relative growth out-performance** (despite fading at the margin) appears to have been **underpinned more broadly**.
- And **averting worst-case tariff escalation risks** beyond this, it could point to **less adverse outcomes than earlier feared** (at the height of "Liberation Day" tariff shocks).



Sectoral "Tides" that Lift (Many) Boats

- Clearly, the **"AI boom"** has **benefitted not only semiconductor** but has also provided a *broader lift to upstream/downstream eco-systems* around it.
- On that note, there may be **some optimism** that with further to run, the *"AI boom"* and *attendant industrial* and *income uplift* will **underpin underlying momentum**.
- The upshot is that there are *tech (AI) tides that may lift more boats* yet. And so, ***while*** **growth outrun** is **normalizing**, it ***need not completely collapse***.

(Uncertainty) Elevated Not (Threats) Eliminated

- *But* equally, the *tariff storm has not* decidedly *passed.* Which means, **global trade uncertainties remain uncomfortably elevated**.
- Accordingly, the **threat of potential tariff-related shocks linger**, far from eliminated despite "trade deals" made.
- And to be sure, the **likelihood of more impending sectoral tariffs is significant**. Although the *quantum* and *timing* of these tariffs remain *unknown.*
- The **bugbear** being, *tariff threats* are unpredictably *headline-driven*, and arguably, *prone to Trump's mercurial tendencies and* delivered **"shock and awe" style**.

Deferred & Differentiation Tariff Shocks:

- Notably, **tariff damage may bite more into 2026**, as the ***impact is deferred*** *by buffer from upfront demand that from-running.*
- What's more, there could be a **greater degree of differentiation** from *varying* and *phased* ***sectoral tariffs*** (with interaction between tariffs through supply-chain adding to uncertainty).
- On that note, the **MAS** is **prepared**, ***but has not definitively accounted***, **for further tariff shocks** (e.g. semiconductors, pharmaceuticals, shipping) **emerging down the pike**.
- **Corresponding dent on industry** and the ***wider economy**** will be par for the course. And in **worse case** iterations, the **shocks may** or **adversely alter growth trajectories**.

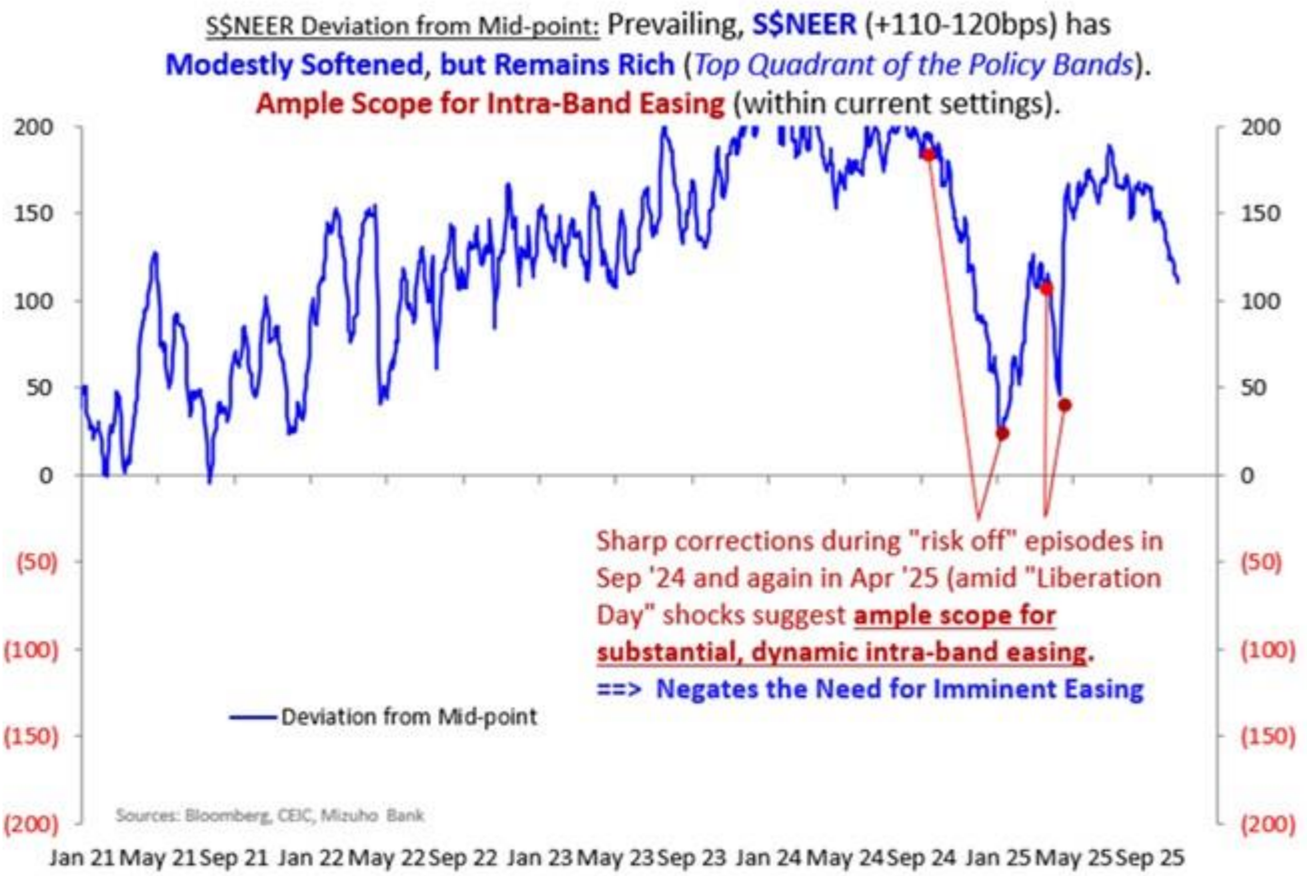
* Arguably, shocks may prove more pervasive in the case of upstream (semiconductors) and/or inextricably connections/dependence (e.g. shipping), these.

Some Relief from being Deferred & Diffused:

- To be sure, there are **bright spots** in specific sectors (such s the **AI boom**) as well as **silver linings** elated to the bigger picture on **productivity**.
- Moreover, worst case averted on US tariff antagonism, means **drag** that is **deferred** (into 2026) that may also be **diffused by lower effective tariff rates** (and offsets elsewhere).
- The resultant **consolation is** that such mechanism of **shock absorption/distribution** will **help diminished hard-landing risks**.

Risks Tilted to the Downside

- Nonetheless, in the months ahead, **risks to growth remain tilted to the downside**.
- And the real trouble is that the **obscured outlook** as *geopolitical gambits trouncing economic sense* makes it **hard to decisively position for potential in-coming shocks**.



No Preset MAS Course

- What this means is that the **MAS has no preset course for policy**.
- Fact is, the MAS needs/continues to be **vigilant about evolving risks** – *unknowns around specific sectoral tariffs* (chips, pharma) as well as *escalatory trade antagonism* (US-China).
- And above all, the **incalculable effective impact** from these *shocks that may or may not be realized.*
- Whereas the policy is in a sweet spot to simultaneously;

i. anchor longer-term inflation expectations as well as; i

ii. retain intra-band scope for instantaneous shock absorption (with S$NEER adjusting abruptly up to 300bp).

- So, **scope to ease premised on incoming data and evolving risks** is a more **accurate better characterization of MAS stance** *rather than an unqualified bias to ease further*.

Rich S$NEER & Strong SGD

- Accordingly, the **appreciation bias baked into S$NEER** (and **SGD**) will prop up a **rich S$NEER** and **relatively strong SGD**.
- Especially as the **bar is high for relinquishing the appreciation bias** (S$NEER slope). More so, with the MAS alluding to string investments driving growth.

- In line with this, expect *USD/SGD forward points to remain significantly negative* as appreciation expectations remain entrenched.