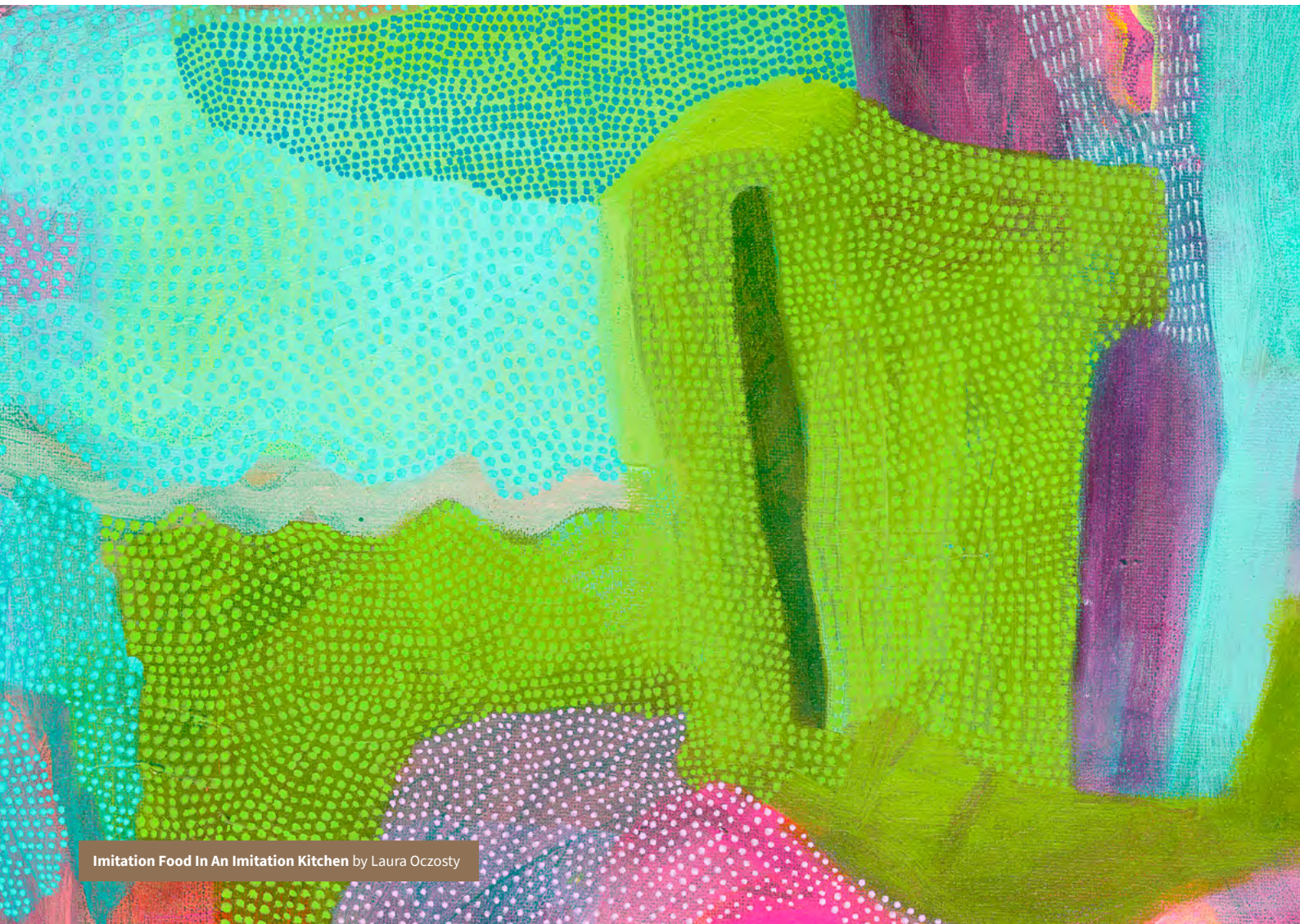


IN PRIVATE

KWM M&A INSIGHTS | OCTOBER 2025



LOOKING BEYOND THE DOLLAR: ASIA'S INVESTMENT AND LEVER- AGE STRATEGIES

Across Asia, the deal landscape is responding to the United States' geopolitical reset, tariffs and currency volatility. Exports from Asia to the US have materially reduced. China, Vietnam and Thailand have been most affected, particularly businesses with a large US customer base.

Yet emerging Asia has shown great resilience in the face of all the uncertainty.

Emerging market bond markets have outperformed developed markets, with investors recognising healthy balance sheets and relatively low government debt. The reduction in trade flows between US and Asia is having an unexpected result – it is requiring investors to actively diversify their portfolios into the region.

Emerging markets are expected to re-emerge.

CURRENCY IN LOCAL CURRENCY

Borrowing in local or proxy currencies has become more attractive among investors in Asian markets. There are calls to broaden debt markets across the region to reduce reliance on US dollar denominated debt and reduce currency risk and volatility. Businesses prefer to achieve a natural hedge if local debt is available.

Asian Development Bank's aggregate local currency portfolio reached more than \$3.75 billion equivalent as of 31 October 2024 across more than 15 local currencies, with local currency loans expected to reach 50% of private sector lending over the course of 2025. It remains relatively illiquid, but it is growing.

In its strategic plan for the next five years, ASEAN intends to promote the use of local currencies for investment leverage. The APEC Business Advisory Council have even recommended a bond linked to a basket of currencies in a bid to create more liquidity in regional debt markets and reduce reliance on the US dollar.

RMB CALLING

In July, some of Australia's [leading CEO's and partners from King & Wood Mallesons met in China](#) to talk trade and investment alongside Prime Minister Anthony Albanese. Part of the discussion noted the Chinese government's yuan internationalisation project.

Shortly after the Beijing meetings, Fortescue, the world's fourth-largest iron ore producer, inked the first offshore yuan-syndicated loan to an Australian company, which worth a record RMB 14.2 billion, with syndicate lenders consisting of Chinese, Australian and international lenders led by Bank of China.

We have seen similar initiatives carried out by China Development Bank in the past, through signing yuan-denominated loan contracts with Malaysia's Maybank, Egypt's central bank and BBVA Peru. The Export-Import Bank of China, being another Chinese policy bank, also signed a yuan-based loan agreement with Saudi National Bank too.

China's new regulatory framework for cross-border lending is enabling growth in Renminbi-denominated syndicated loans. The Notice on Offshore Lending Business of Banking Financial Institutions (**PBOC Notice 27**) was issued by the People's Bank of China and the Chinese State Administration of Foreign Exchange jointly in 2022. Under Notice 27, all Chinese domestic banks can participate in a broader scope of offshore lending activities and are in fact encouraged to lend in Renminbi instead of foreign currencies.

WHAT IT MEANS FOR AUSTRALIA

Two years have passed since Nicholas Moore AO's Special Envoy for Southeast Asia [delivered its strategic report](#), citing the stagnation in direct investment by Australia into the region despite the 'potential to be a substantial investor'.

The data from the first half of 2025 indicates green shoots in outbound M&A from Australia into Asia, but investment remains muted. Over time we expect a range of corporates and bidders heading to Asia to acquire real estate, infrastructure and energy assets, most likely co-investing with other more experienced Asia investors.

KWM
PODCASTS



For more on Asia's evolving M&A and investment landscape, listen to this [View from Asia](#) podcast episode featuring Partners Nicola Yeomans and Will Heath.

Download the podcast here





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