Term Premia Watch

– Insights on yield curve drivers –

29 January 2026

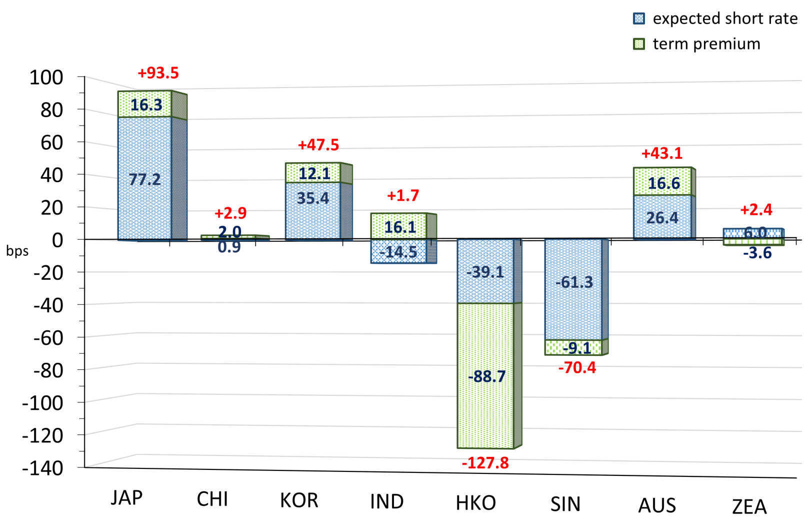
TAKEAWAY

2025 yield movements reflect a widening gap between policy expectations and term premium dynamics across Asia-Pacific

ASIA-PACIFIC YIELD DECOMPOSITION

- In 2025, 10Y yields rose in Japan (+94 bps), South Korea (+48 bps) and Australia (+43 bps), remained broadly stable in China, India and New Zealand, and declined sharply in Hong Kong (–128 bps) and Singapore (–70 bps)
- Yield movements in Japan, South Korea, Australia and Singapore were primarily driven by shifts in expected policy rates, while Hong Kong was characterized by pronounced term premium compression
- Argedion year-end 10Y term premium estimates range from deeply negative levels in Hong Kong (–90/–80 bps), to moderately negative in Singapore, China and Japan (–20/0 bps), turning positive in South Korea (10/20 bps), significantly positive in Australia and New Zealand (60/70 bps), and exceeding 100 bps in India

Annual Changes in 10Y Yield (Dec 2025 vs. Dec 2024)



Source: Argedion estimates

OBSERVATIONS

- The dispersion in term premia points to increasingly differentiated assessments of long-term inflation and fiscal risks across the region
- The contrast between policy-driven and term-premium-driven yield movements suggests limited regional spillovers in long-end rate dynamics