Role Reversal

2026 Investment Outlook

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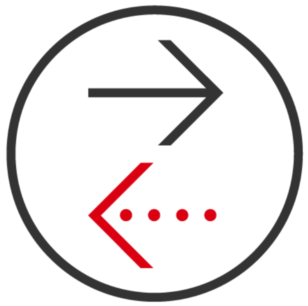
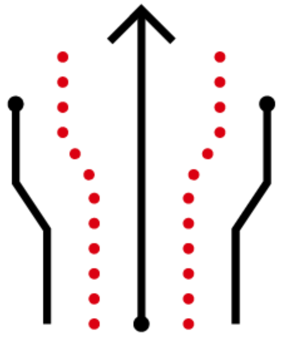
HSBC Asset Management

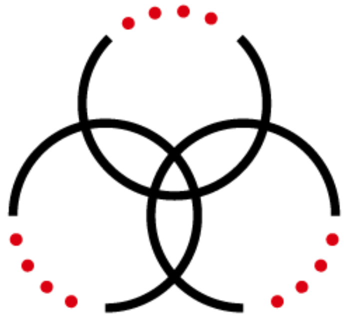
Key themes



Role Reversal



Broadening Out

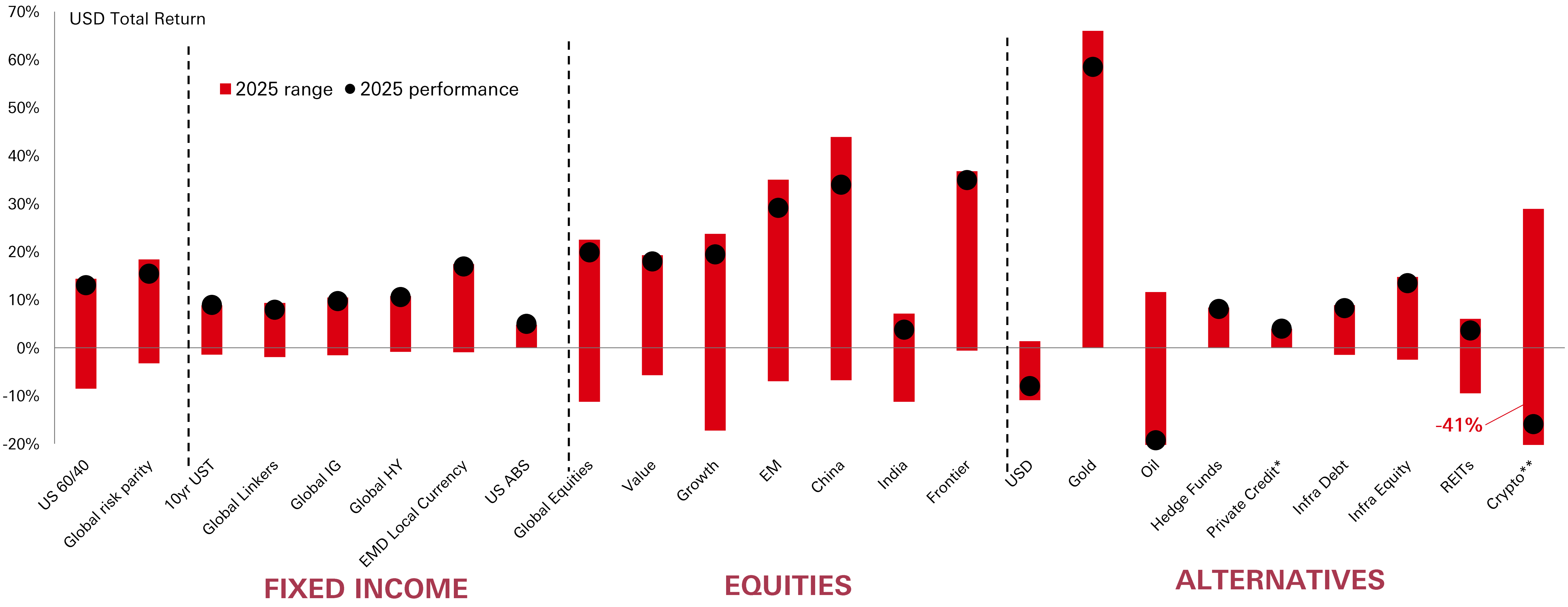


Diversify the Diversifiers

Source: HSBC Asset Management, November 2025. For illustrative purposes only.

Role Reversal

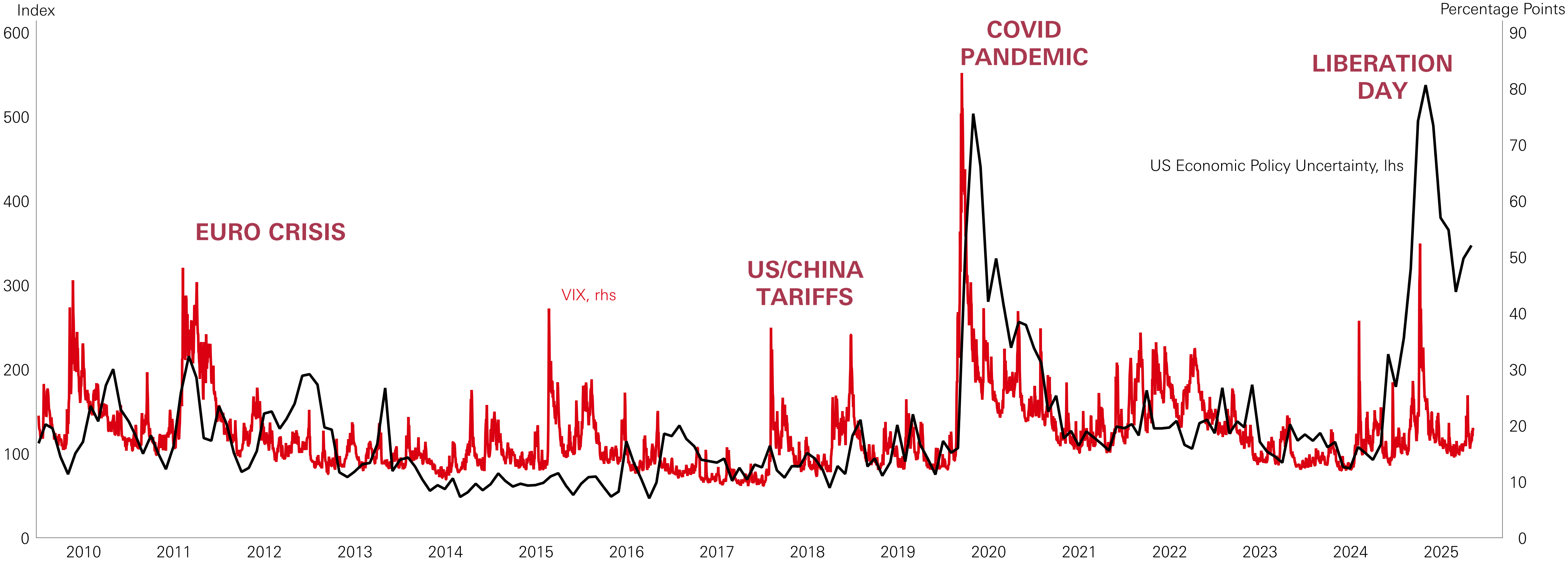
Market performance in 2025



Source: HSBC Asset Management, Bloomberg, 10 November 2025. **Past performance does not predict future returns. This information shouldn't be considered as a recommendation to buy or sell specific investments, country or sector mentioned. Any forecast, projection or target where provided is indicative only and not guaranteed in any way.** Asset class performance is represented by different indices. US 60/40: Bloomberg EQ:FI 60:40 Index, 10yr UST: ICE BofA 10yr US Treasury Index, Global Linkers: ICE BofA Global Inflation-Linked Government Index, Global IG: Bloomberg Barclays Global IG Total Return Index unhedged. Global High Yield Index: ICE BoFa US High Yield Index, EMD local currency :JP Morgan EMBI Global Total Return local currency. Global Equities: MSCI ACWI Net Total Return USD Index. Value: MSCI Value Index, Growth: MSCI Growth Index, Global Emerging Market Equities: MSCI Emerging Market Net Total Return USD Index. China: MSCI China Index, India: MSCI India Index. Frontier: MSCI Frontier Markets Total Return Index , Alternatives: USD: DXY Index, Gold Spot $/OZ, Oil: WTI crude oil, Hedge funds: Credit Suisse Hedge Fund Index, *Private Credit: Bloomberg Debt Private Equity Index (up to 1Q24), Infra Debt: iBoxx USD Infrastructure Total Return Index, Infra Equity: Dow Jones Brookfields Global Infrastructure Total Return Index, REITS Real Estate: FTSE EPRA/NAREIT Global Index TR USD. **Crypto: Bloomberg Galaxy Crypto Index. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. You cannot invest directly in an index.

Policy uncertainty extreme, but markets calm

US policy uncertainty index (black) and VIX volatility (red)



Source: Macrobond, Bloomberg, HSBC Asset Management, November 2025.

Global scenario

		US	Eurozone	UK	Japan	China	India
Growth	2025f	1.9%	1.3%	1.4%	1.1%	4.9%	6.7%
	2026f	1.8%	1.1%	1.2%	0.7%	4.3%	6.5%
Inflation	2025f	2.7%	2.1%	3.4%	3.0%	0.0%	2.4%
	2026f	2.7%	1.8%	2.5%	1.8%	0.8%	4.2%
Policy	12m ahead policy rate (HSBC AM)	3.00-3.50%	1.50-2.00%	3.25-3.75%	0.75-1.25%	1.2-1.4% *	5.00-5.50%
	2026 Fiscal impulse	Neutral	Neutral	Drag	Moderate boost	Moderate boost	Neutral

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Note: * 7-day reverse repo rate

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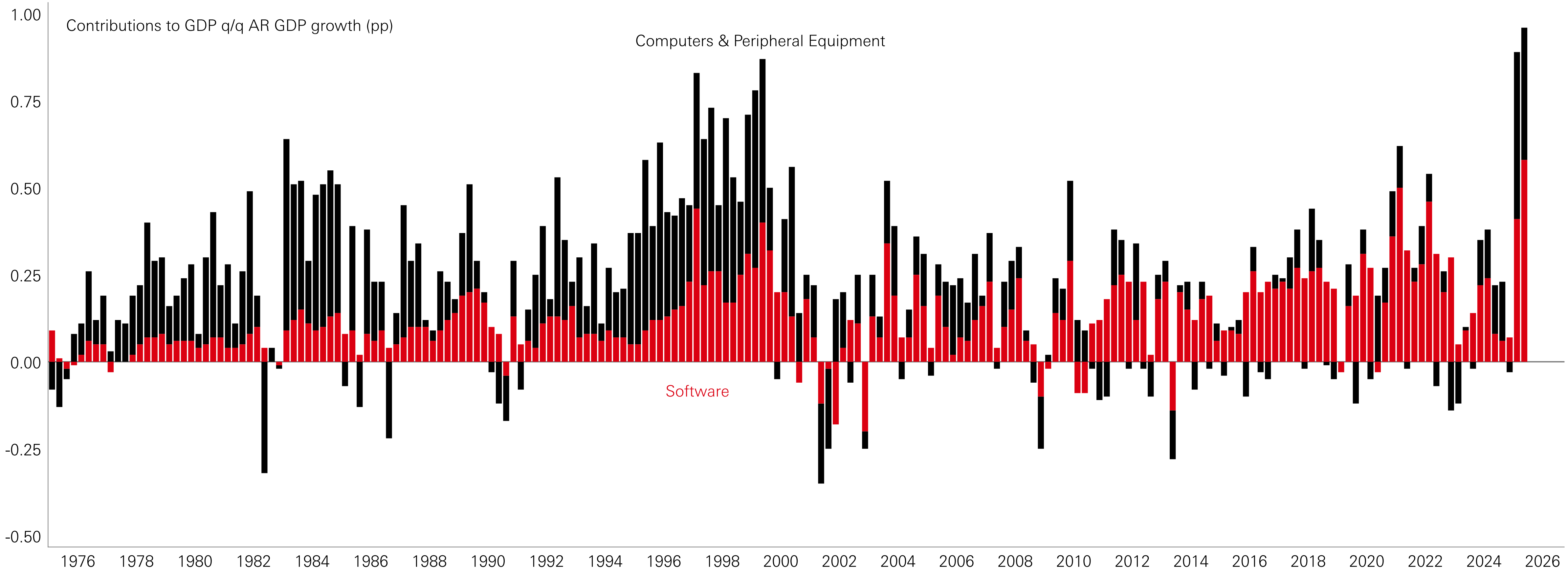
Tech-investment boost

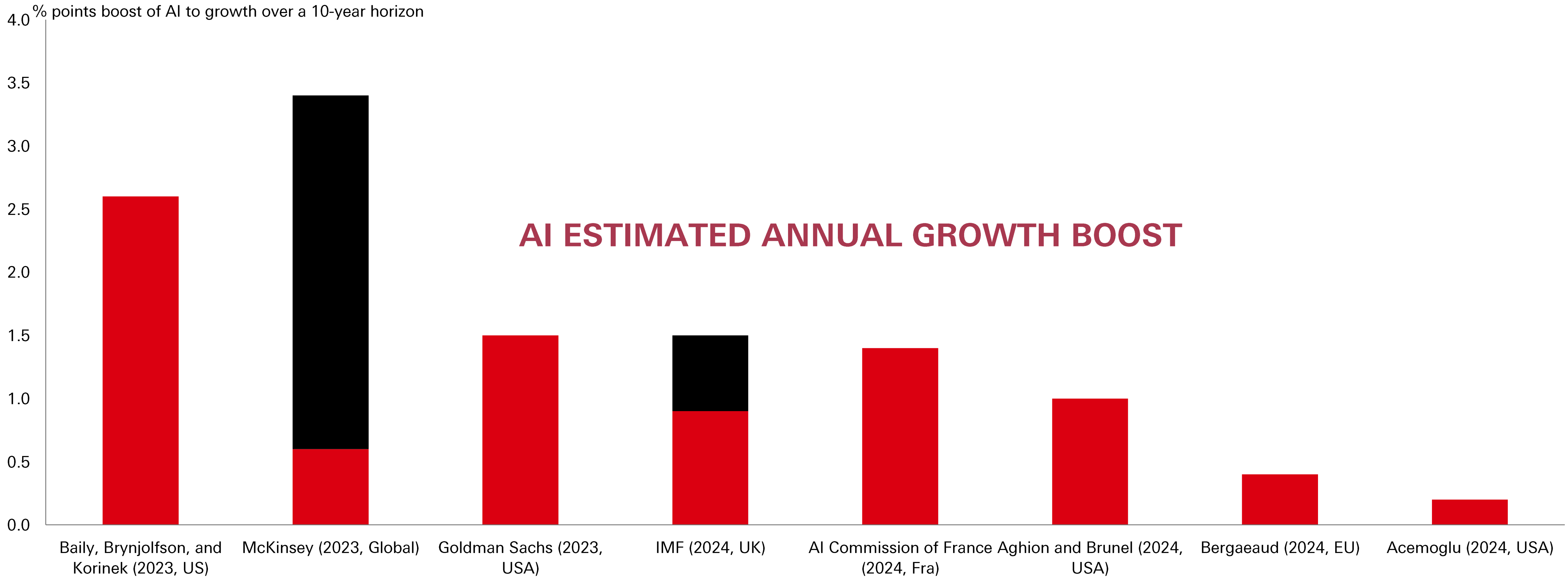
Start of a multi-year investment boom?



Source: Macrobond, HSBC Asset Management, October 2025.

Could AI create “super exponential growth“ ?

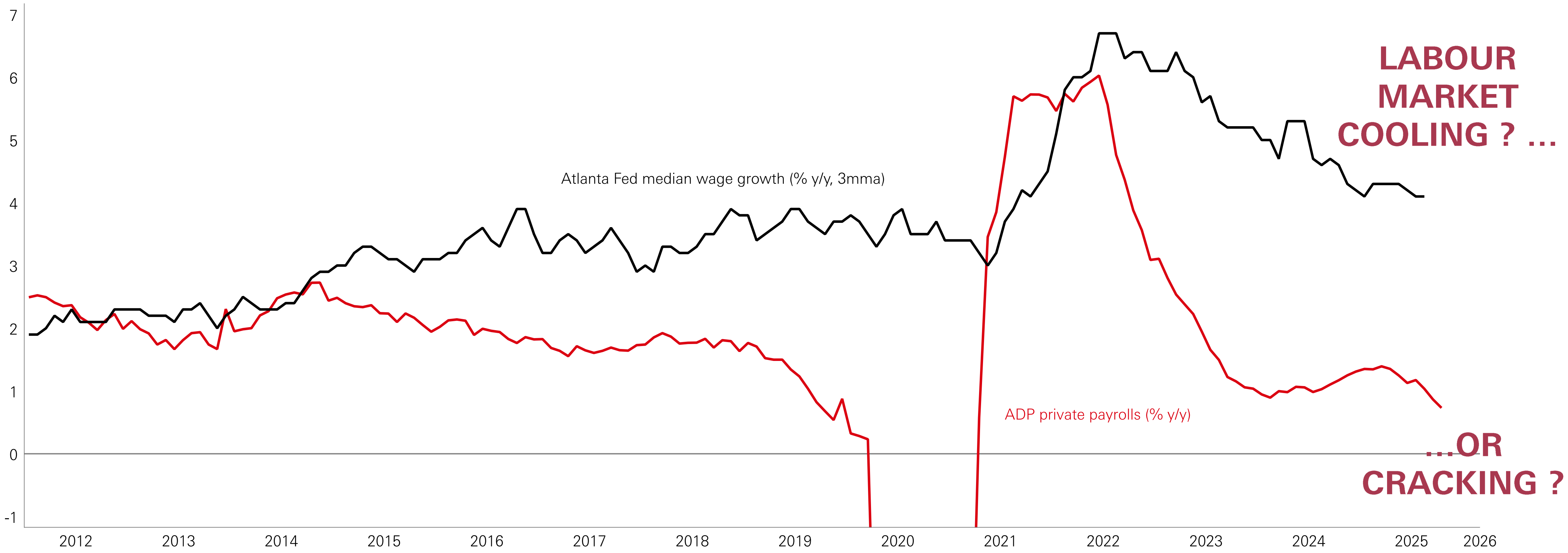
Economists have different views on how AI will boost productivity



Source: OECD, HSBC Asset Management, October 2025. Note: When the source presents a range of estimates as the main result, the lower and upper bounds are indicated by the black area. The estimates refer to the countries shown in brackets.
https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/miracle-or-myth-assessing-the-macroeconomic-productivity-gains-from-artificial-intelligence_fde2a597/b524a072-en.pdf

Outside of tech, a K-shaped economy

Slower employment and wage moderation means less support for consumer spending



Source: Macrobond, HSBC Asset Management, November 2025. Note: The data below -1 have been cut off because the payrolls contracted by about 8% in the pandemic.

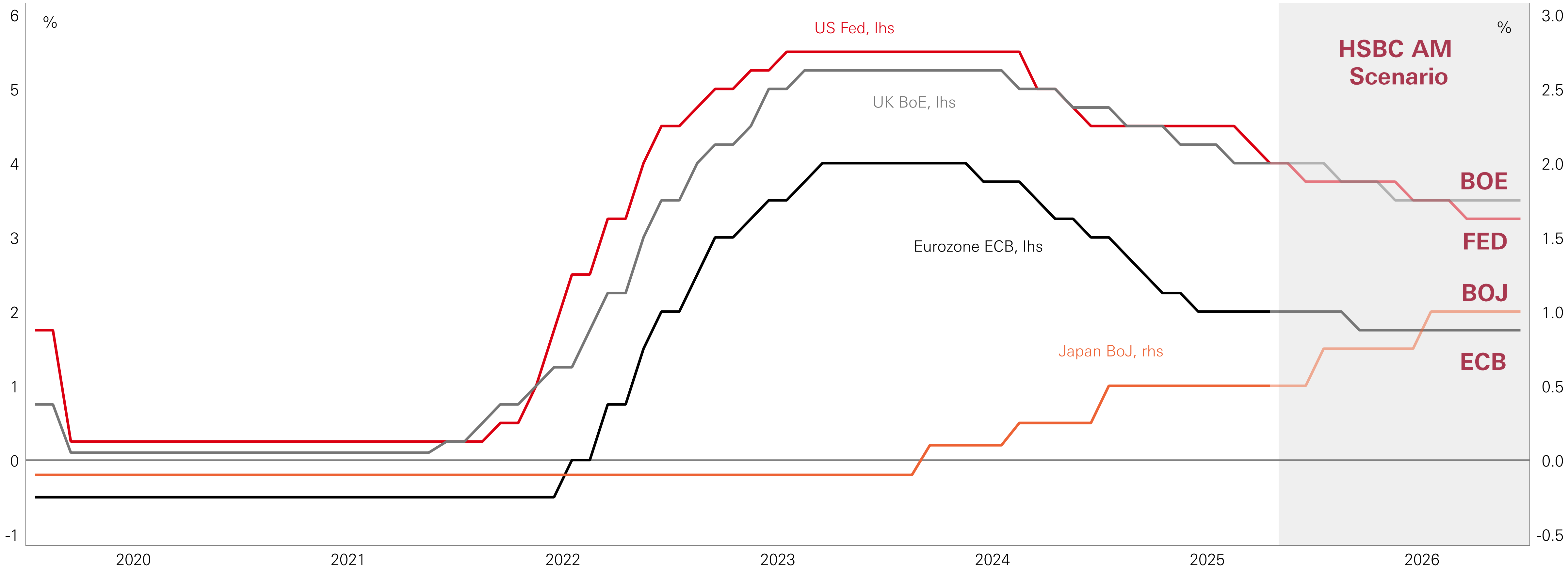
But the "multi polar" world comes with inflation risks

The information provided is for illustrative purpose only.

Source: HSBC Asset Management, November 2025. The Global South refers to the countries in the United Nations G77 which is a coalition of developing countries and does not include China. GCC refers to the Gulf Cooperation Council and includes Bahrain, Kuwait, Qatar, Saudi Arabia and the UAE. The views expressed above were held at the time of preparation and are subject to change without notice.

A shallow rate cutting cycle

Central bank rates and forecasts

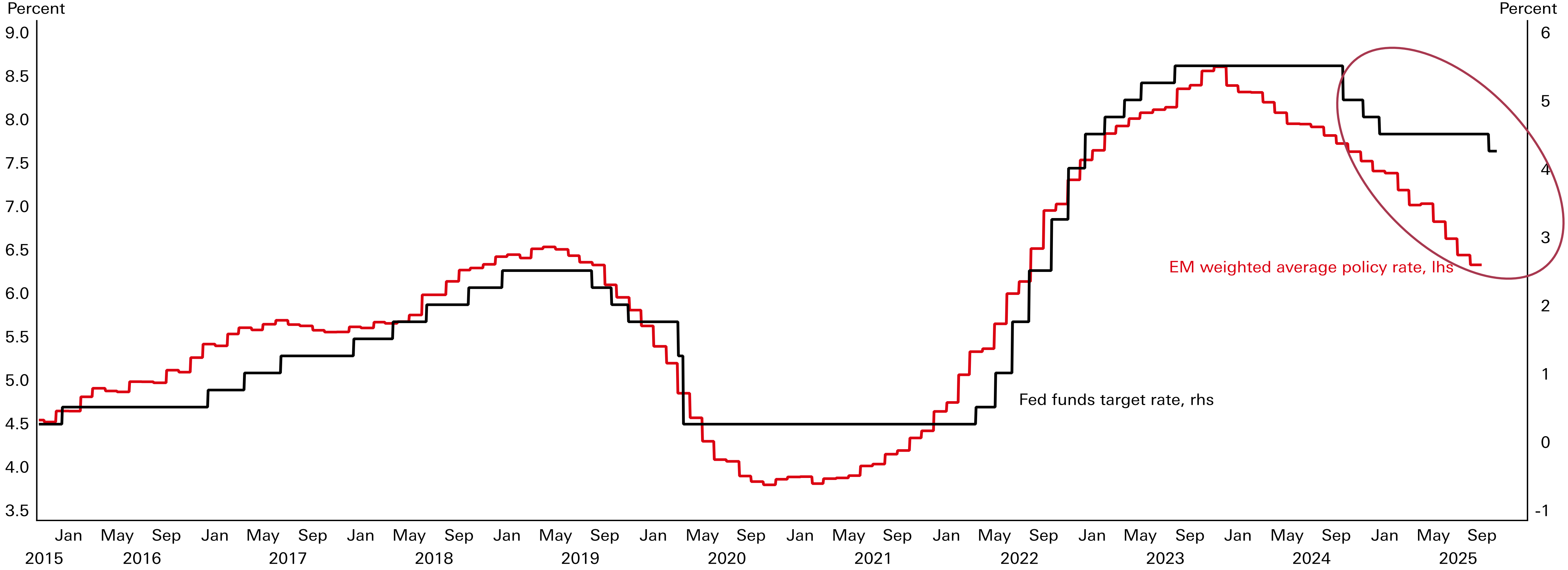


Past performance does not predict future returns. Any forecast, projection or target where provided is indicative only and not guaranteed in any way.

Source: Macrobond, Bloomberg, HSBC Asset Management, November 2025

EM central banks have led the Fed in 2025

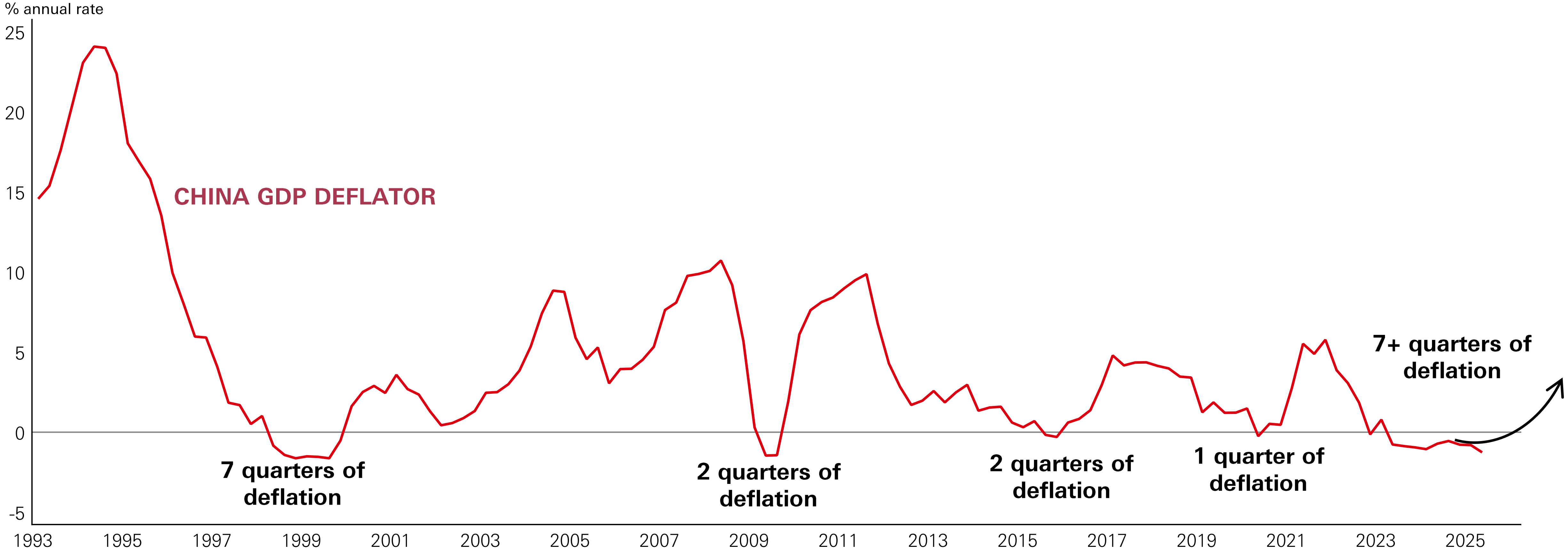
Average EM policy rate versus the Fed funds target rate



Past performance does not predict future returns.
Source: Macrobond, HSBC Asset Management, September 2025

China deflation points to “policy put”

GDP deflator shows China’s reflation challenge continues…



Source: Macrobond, HSBC Asset Management, November 2025.

An era of fiscal policy dominance

China’s Five-Year Plan 2026-2030

Rebalancing towards consumption

Tech innovation, centred on AI

Capital account & RMB liberalisation

Anti-involution to build a “unified national market”

Source: HSBC Asset Management, November 2025. For illustrative purposes only.

Macro scenarios

	CRACKS WIDEN	COME TOGETHER	AI BOOM
Driving forces	**Restrictive policy and unbalanced growth** mean labour market cracks	**Tariffs** weigh on US but some offset from AI capex. "Policy puts" in Europe/China	**Surging AI investment and wealth effects** create broader economic boom
Growth	**Sharp slowdown** as households retrench and profits disappoint	**US growth less exceptional at around 2.0%,** despite strong AI investment	**US reaccelerates to around 3.0%**. Animal spirits and AI boost global growth
Inflation	Uncomfortably high inflation but **recession destroys demand**	**US peaks above 3%** before receding. Approaching target in many DMs/EMs	Strong, broad-based demand keeps **US inflation around 3.0%**
Monetary Policy	Initially more cautious Fed, but then **big easing** amid growth damage	**Fed cuts to neutral (3.00-3.50%)**. Modest easing across many DMs/EMs	**Easing cycle cut short** but Fed accommodates above-target inflation
China	Geopolitics and trade tensions weigh on already **fragile confidence**	**Resilient but uneven growth** as reflation policies offset tariff headwinds	**Growth pickup** amid AI, and property sector and confidence recovery

Source: HSBC Asset Management, November 2025.

Market scenarios

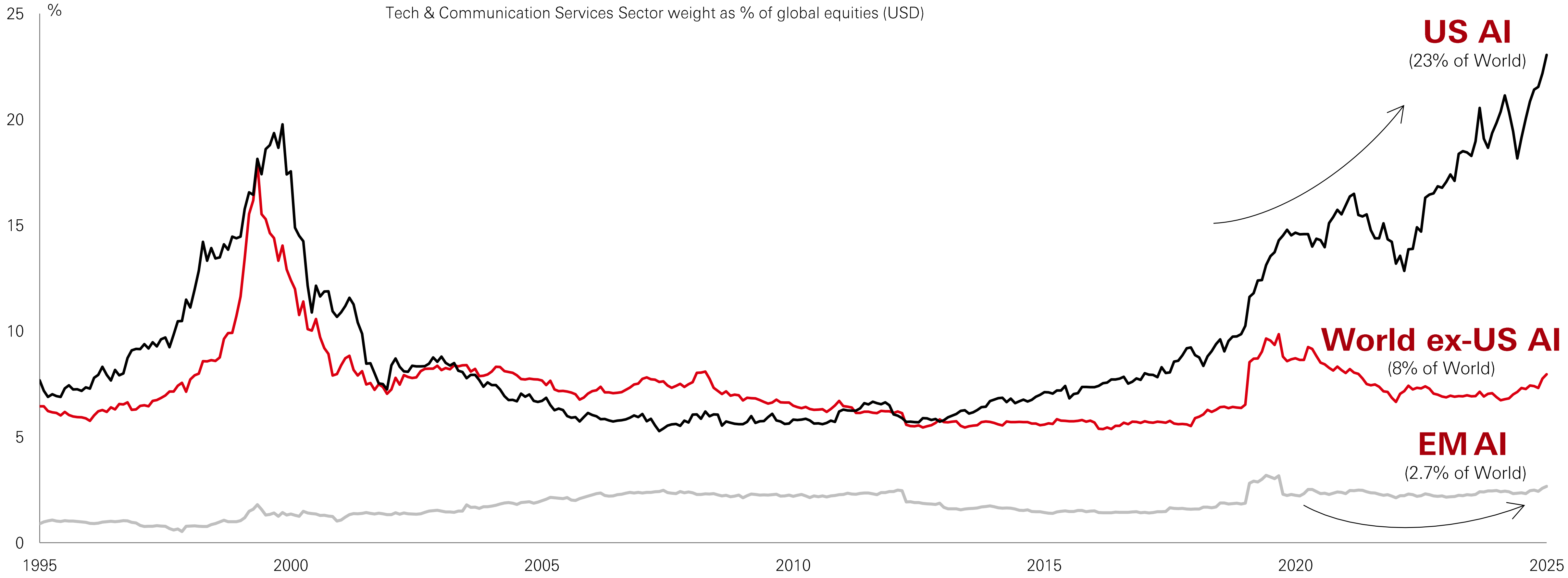
	CRACKS WIDEN	COME TOGETHER	AI BOOM
Stocks	**Historic SPX bear market.** Cyclicals most vulnerable. VIX spike	**Broadening out** of market leadership. SPX lags other markets. Episodic volatility	**US outperforms.** SPX 7000+. Korea/Taiwan/high-beta stocks shine
Fixed income	**Curve steepens** as longer-dated yields sticky. Credit spreads widen	Range-bound yields. Some upside risk to credit spreads. **IG as bond substitute**	Some **upside risk to yields** as growth remains strong. Credit spreads still tight
EM	**EMs hit** amid weaker global growth and trade challenges	**EM bull market** on superior growth, Asia tech innovation, and low valuations	**EM gains on +ve risk appetite/Asia tech** but limited by USD performance
USD	**USD** struggles to rally amid Fed cuts and as haven status under question	**Gradual USD depreciation** amid Fed cuts and fading US exceptionalism	**USD supported** by stronger US growth and limited rate cuts
Top bets	USTs, gold, CHF, macro HFs, best IG, defensives, quality, momentum	Value, defensives, small-caps. EM/Japan > US. IG > HY	US > Europe/China. HY credits. Industrial metals. Crypto>gold

Source: HSBC Asset Management, November 2025.

Broadening Out

US tech versus the rest

In 2000 Europe & US led the way, today it's solely US. Will Asia be next?

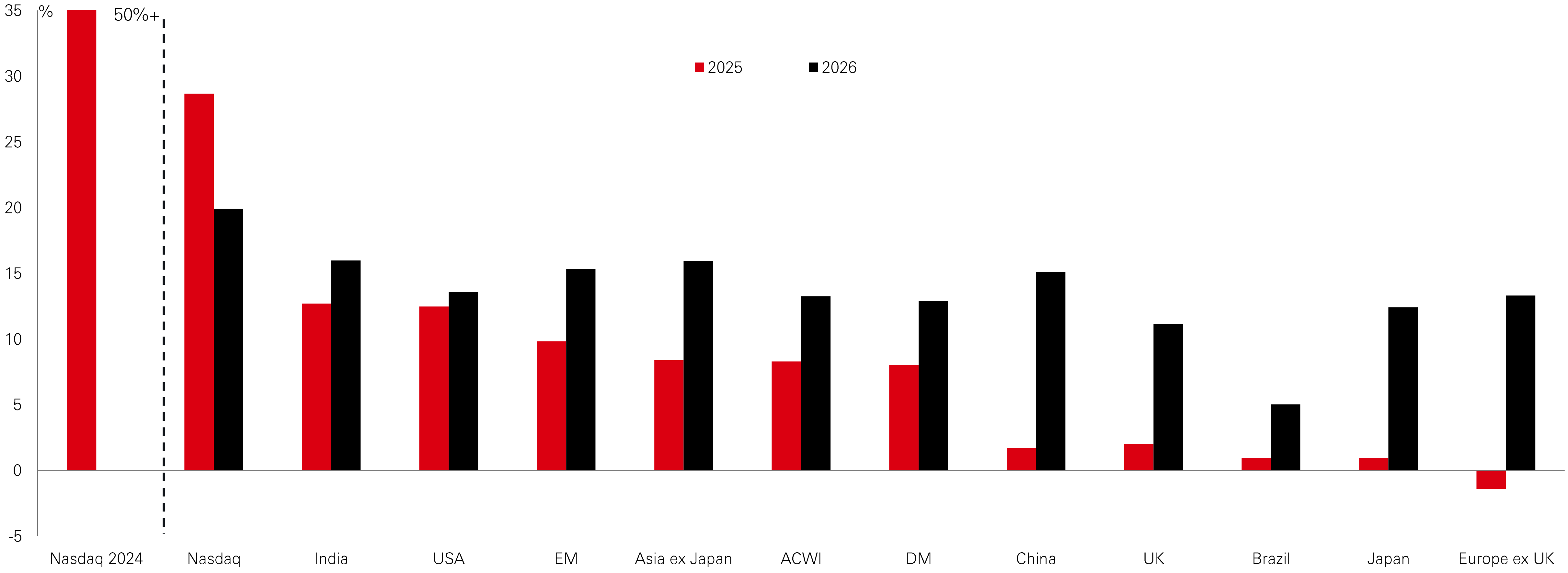


Past performance does not predict future returns.

Source: Refinitiv, Datastream, HSBC Asset Management, November 2025. Regional AI as % share of world market cap.The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Asset Management. Consequently, HSBC Asset Management will not be held responsible for any investment or disinvestment decision taken on the basis of the commentary and/or analysis in this document. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Global profits growth is coming together

Global EPS growth in 2025 and 2026 (IBES consensus forecast)

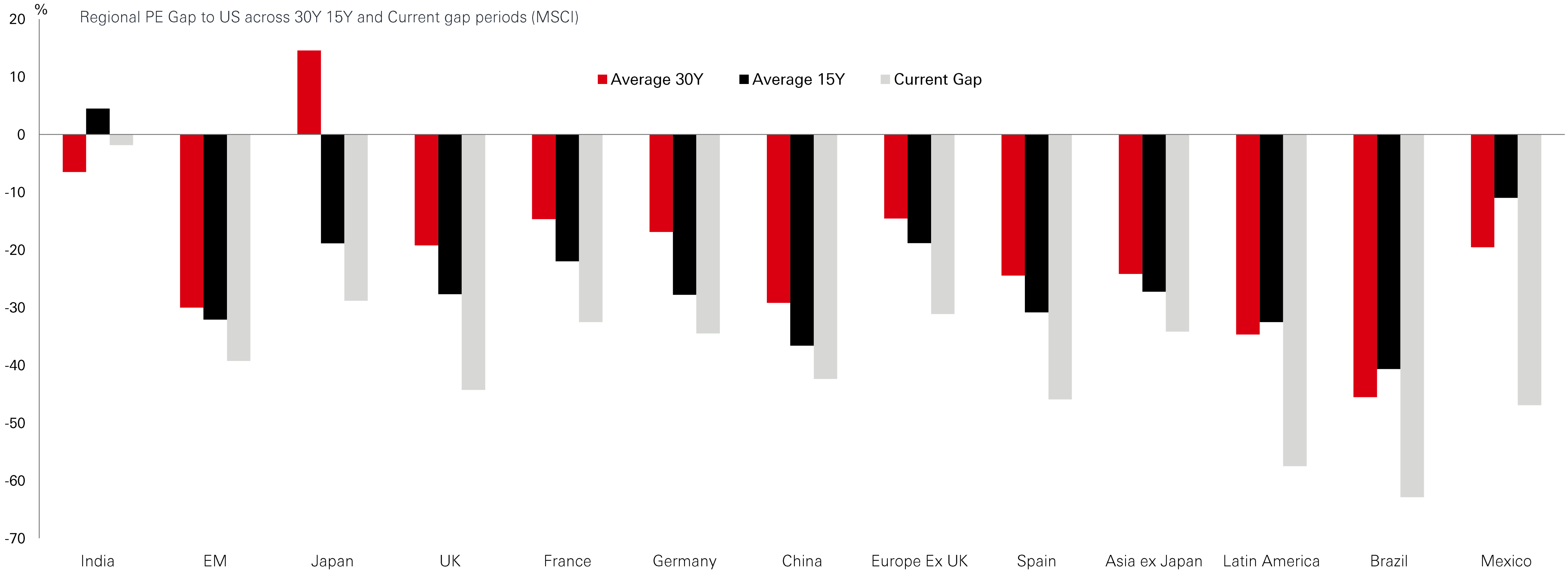


Past performance does not predict future returns.

Note: Nasdaq IBES profit data for 2024e (only) is very volatile, so 50%+ used. Source Refinitiv, HSBC Asset Management, Refinitiv, IBES, November 2025. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Asset Management. Consequently, HSBC Asset Management will not be held responsible for any investment or disinvestment decision taken on the basis of the commentary and/or analysis in this document. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. You cannot invest directly in an index.

Valuation gaps remain wide

Regional PE valuation gaps



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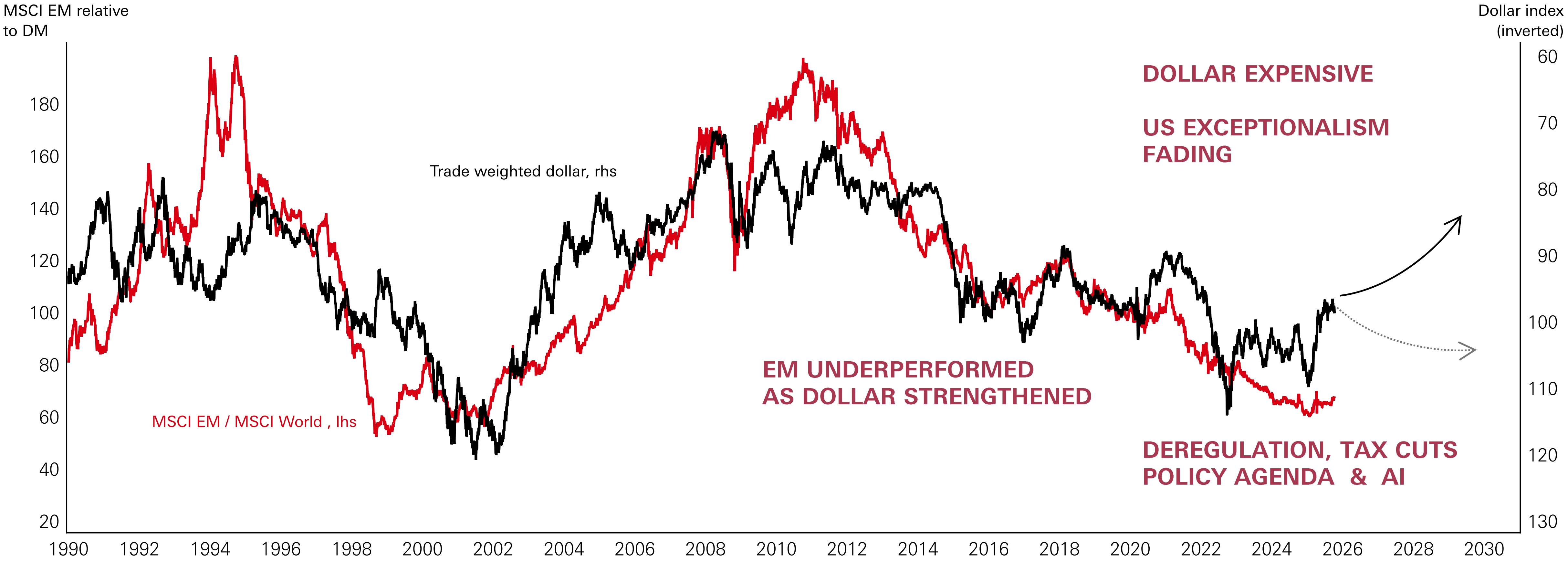
EM has been “lucky”, benefitting from weaker dollar

Weaker dollar (black) correlates with strong EM stocks (red)



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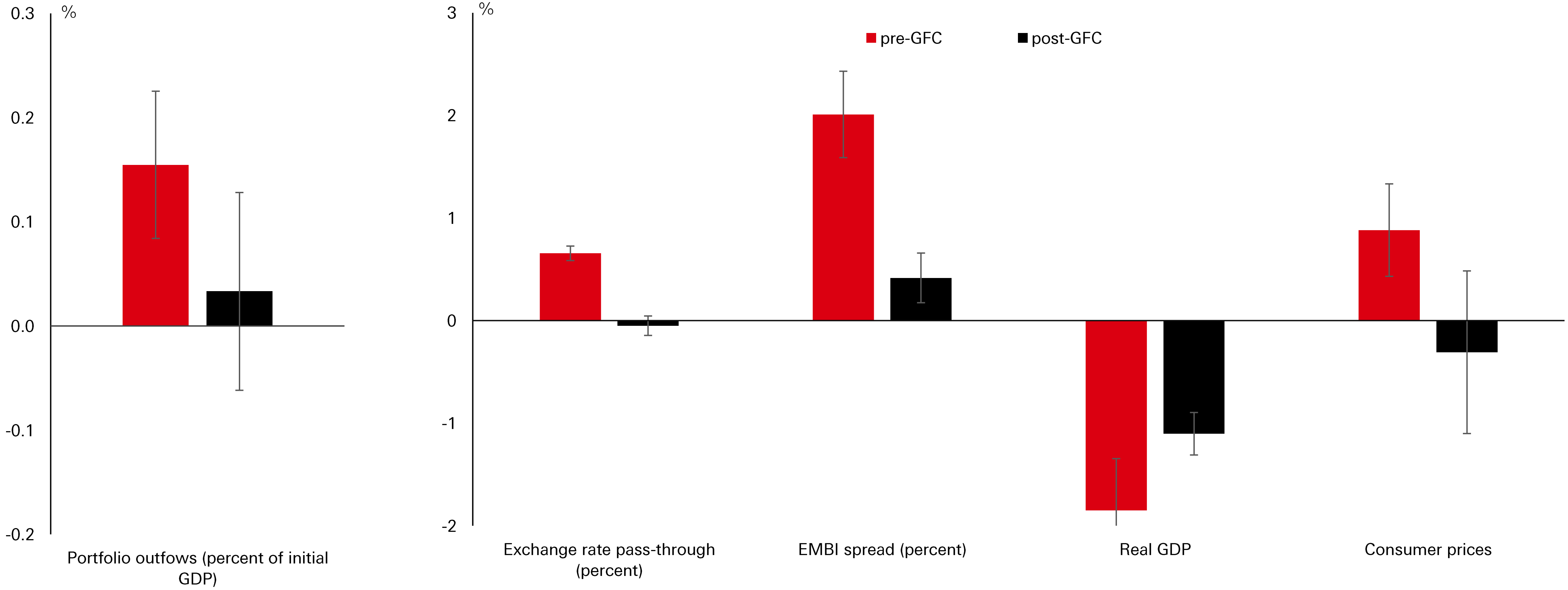
Source: Refinitiv, MSCI, HSBC Asset Management, October 2025. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Asset Management. Consequently, HSBC Asset Management will not be held responsible for any investment or disinvestment decision taken on the basis of the commentary and/or analysis in this document. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. You cannot invest directly in an index.

But EMs also “good”, and more macro-resilient

EM response to global risk-off shocks

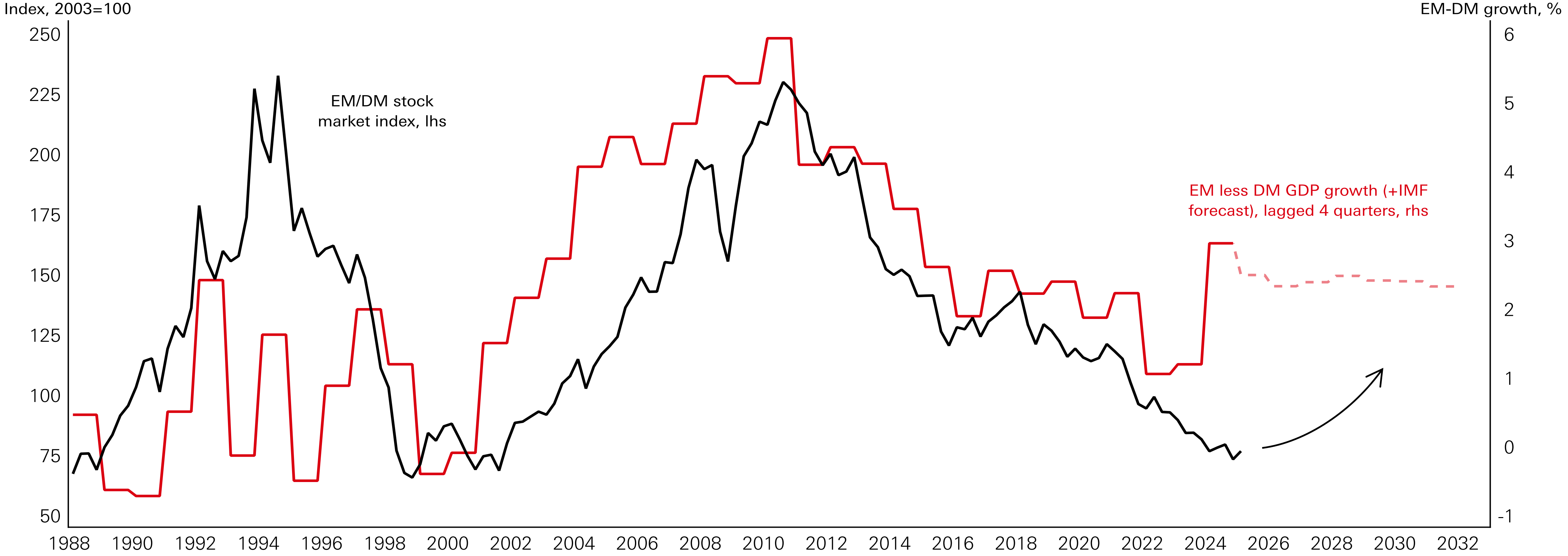


Past performance is not a reliable indicator of future performance.

Source: IMF, HSBC Asset Management, October 2025

EM growth premium is rising

EM-DM relative growth and stock market performance



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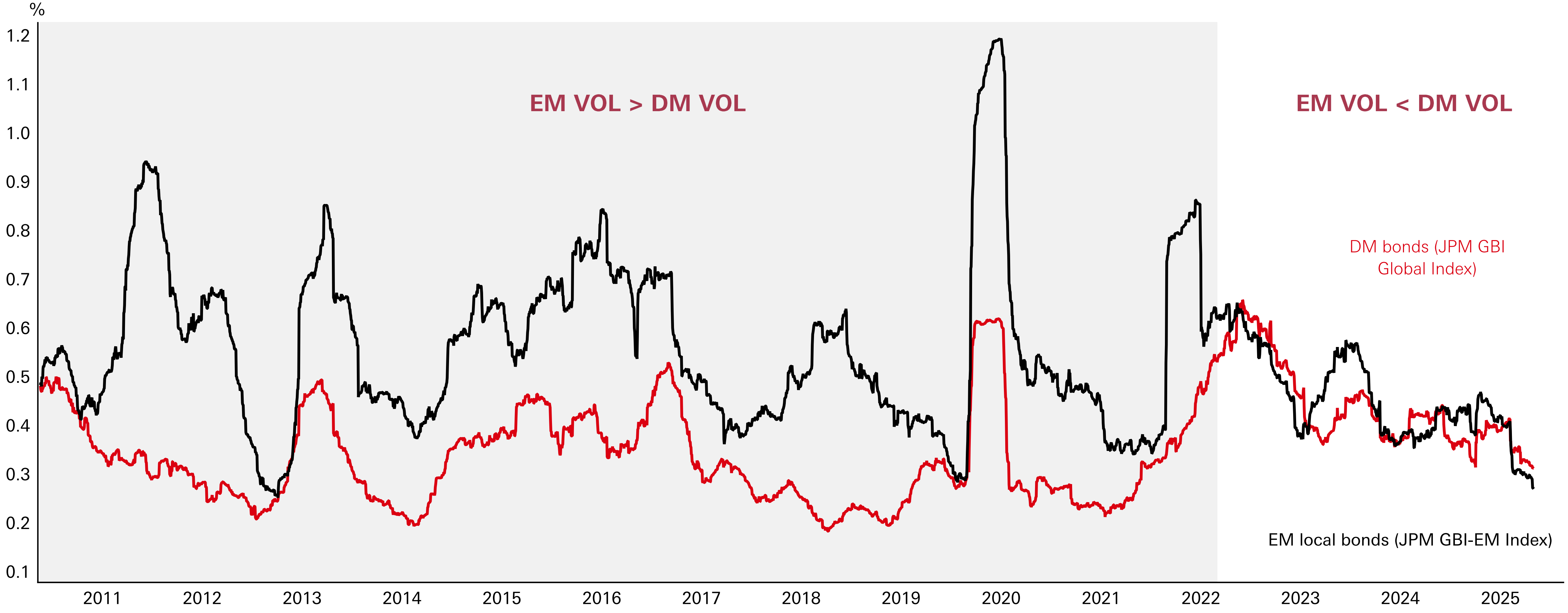
EMs are now *LESS* volatile than DMs

Bond market total return volatility (90 day rolling measure)



Source: Macrobond, HSBC Asset Management, November 2025.

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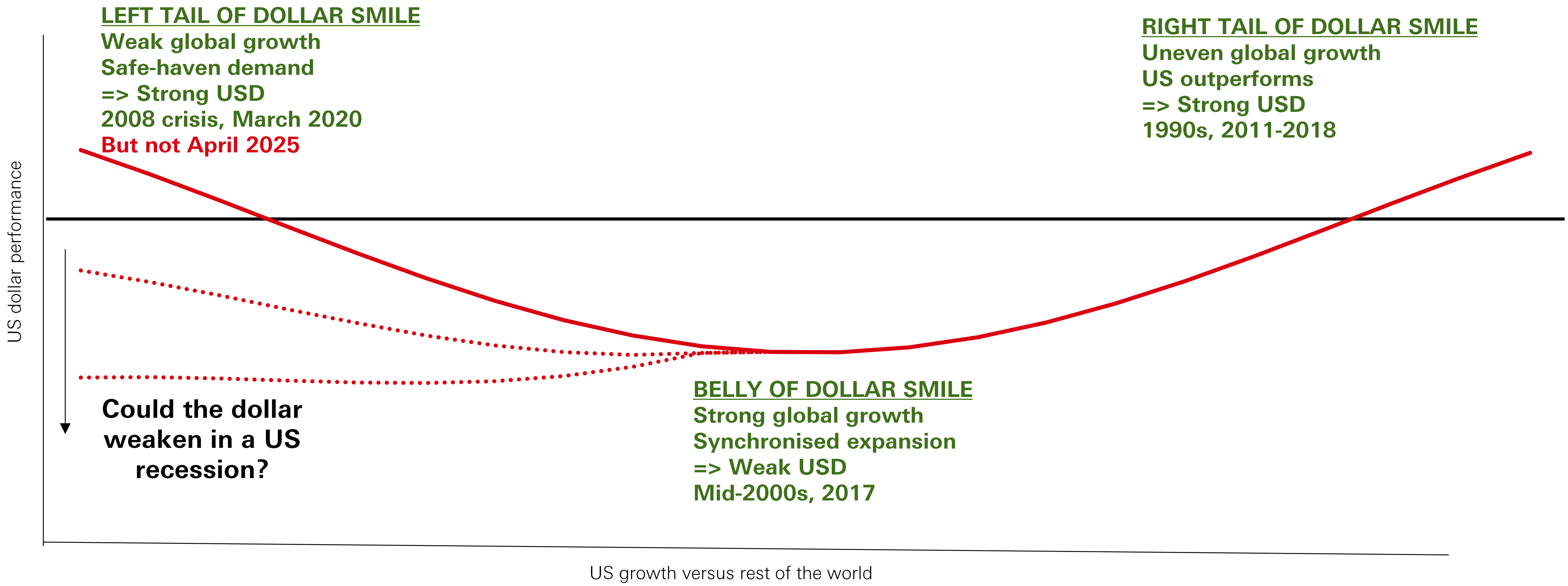
Diversify the Diversifiers

Where are the reliable safe havens?

Dollar is usually supposed to do well on US outperformance and safe-haven demand



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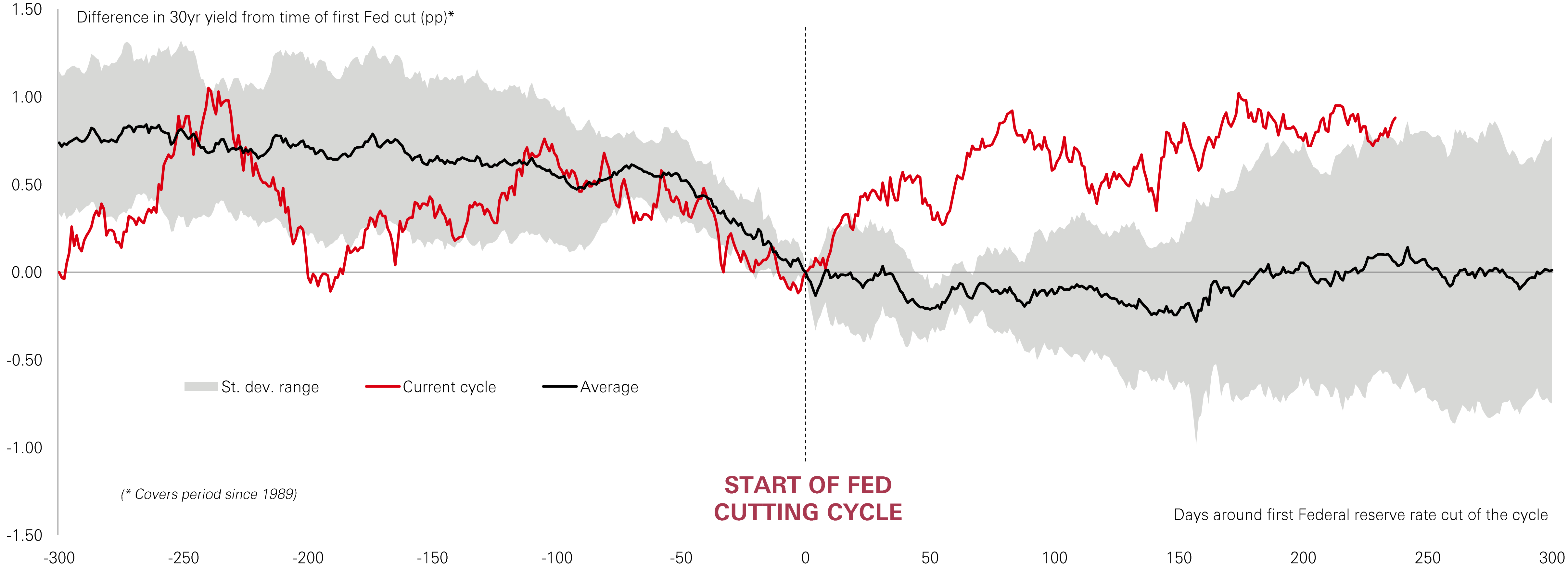
Long bond yields *usually* fall after rate cuts

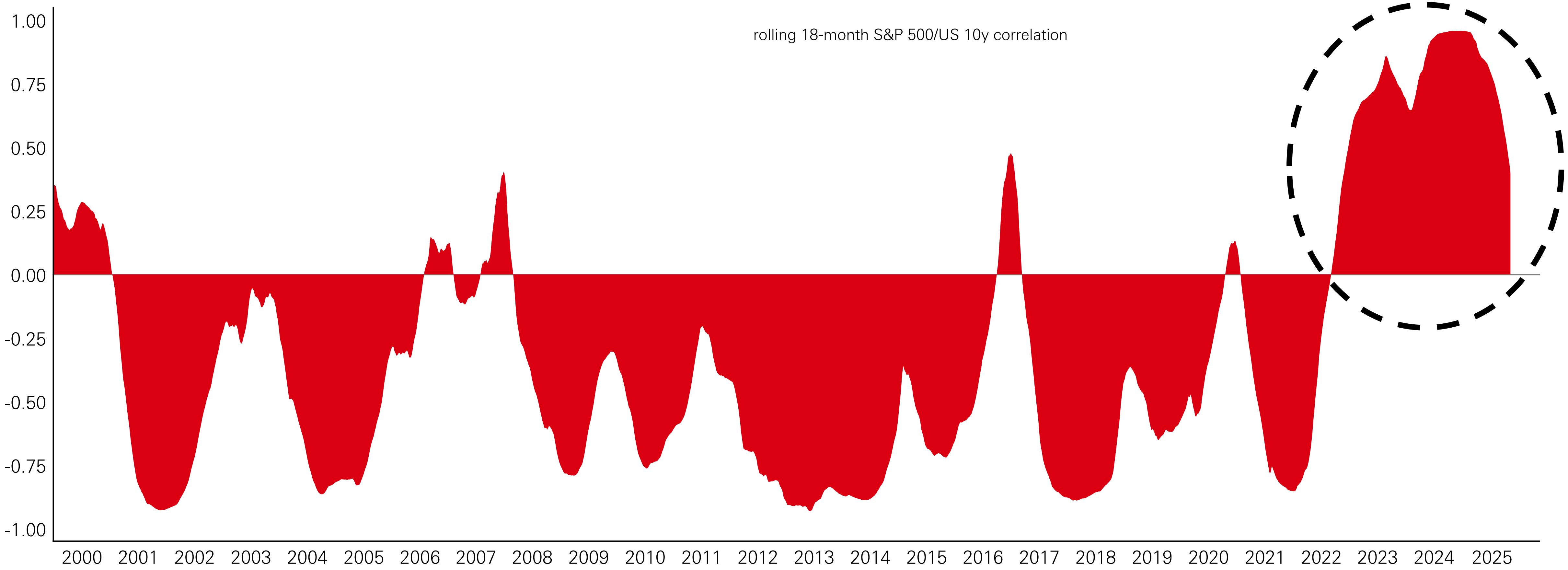
Difference in 30-year Treasury yield from time of first Fed cut



Source: HSBC Asset Management, October 2025.

The stock bond correlation has gone positive

Behaviour of US Treasuries and dollar forces investors to reconsider old assumptions



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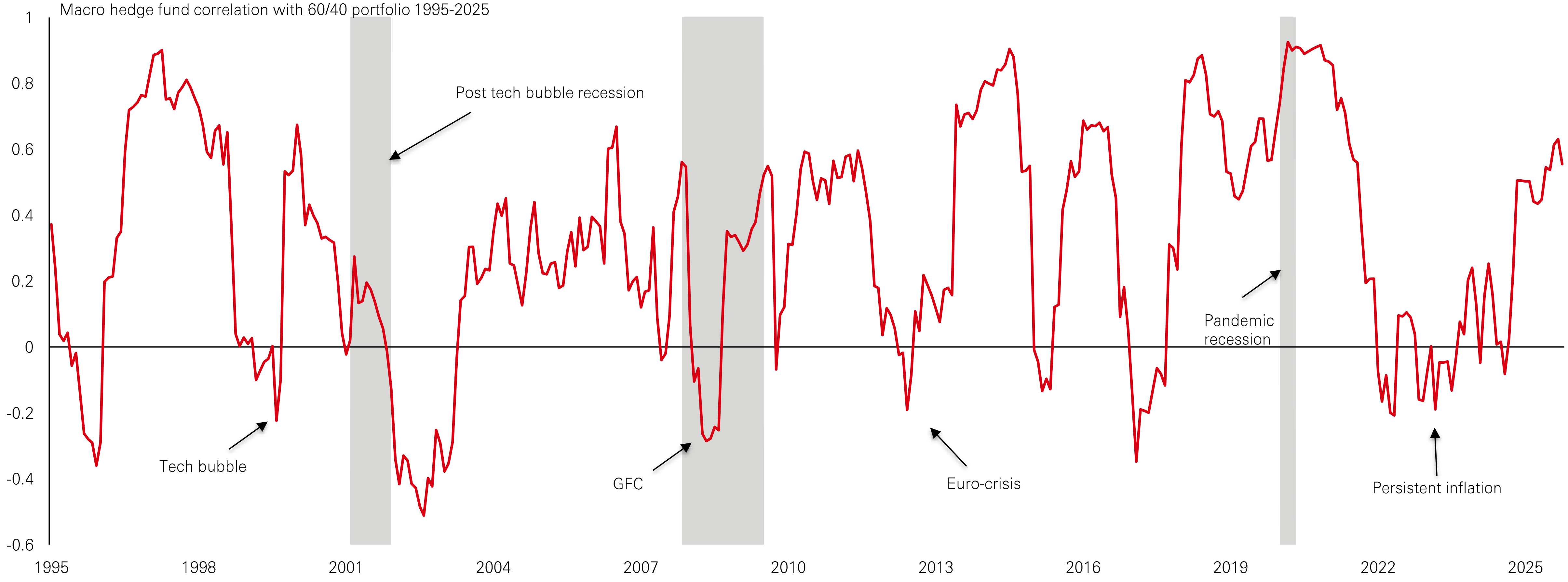
Credit spreads have been low

US Credit spreads may look too low because term premia too high

Past performance is not a reliable indicator of future performance.
Source: Bloomberg, Macrobond, HSBC Asset Management, November 2025

Hedge fund allocation as a bond alternative?

Hedge funds as a diversification option for investors



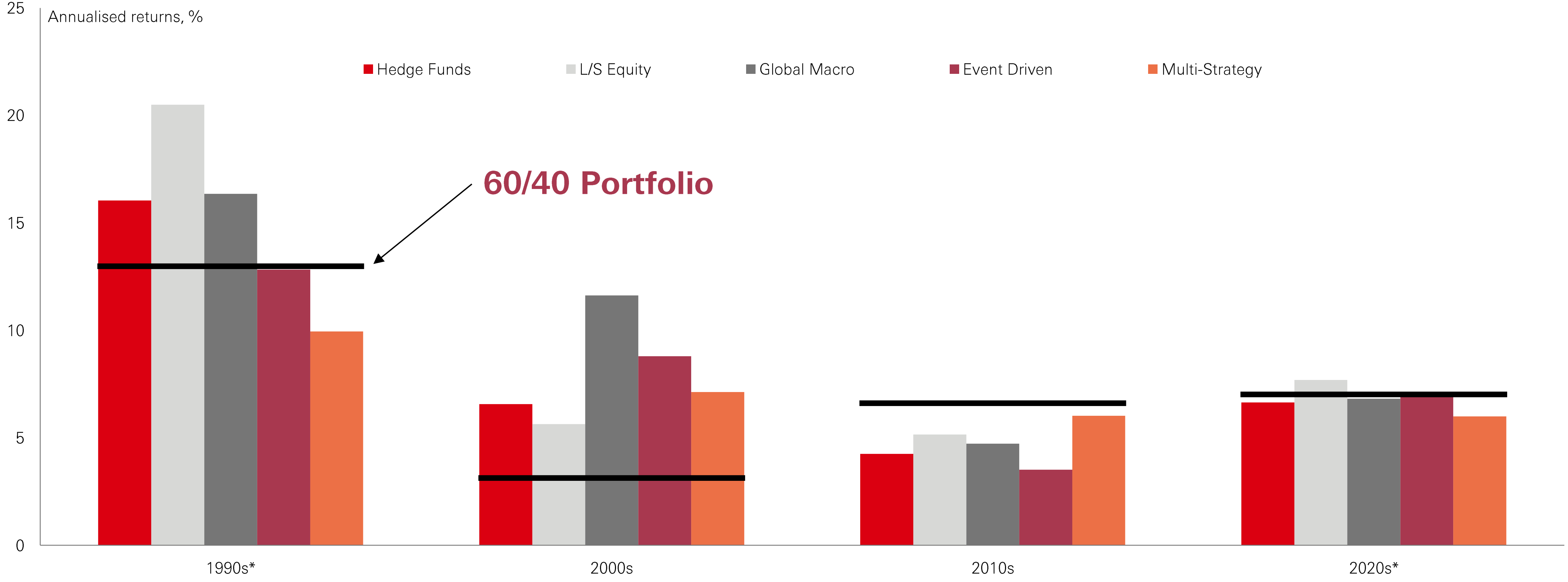
Past performance is not a reliable indicator of future performance.

Source: Bloomberg, HSBC Asset Management, November 2025

60/40 calculated using 60% S&P 500 and 40% Bloomberg US Aggregate. Global Macro Hedge Funds: HedgeIndex Global Macro Index. You cannot invest directly in an index.

Hiding in the hedges

Hedge funds versus 60/40 portfolio[1]

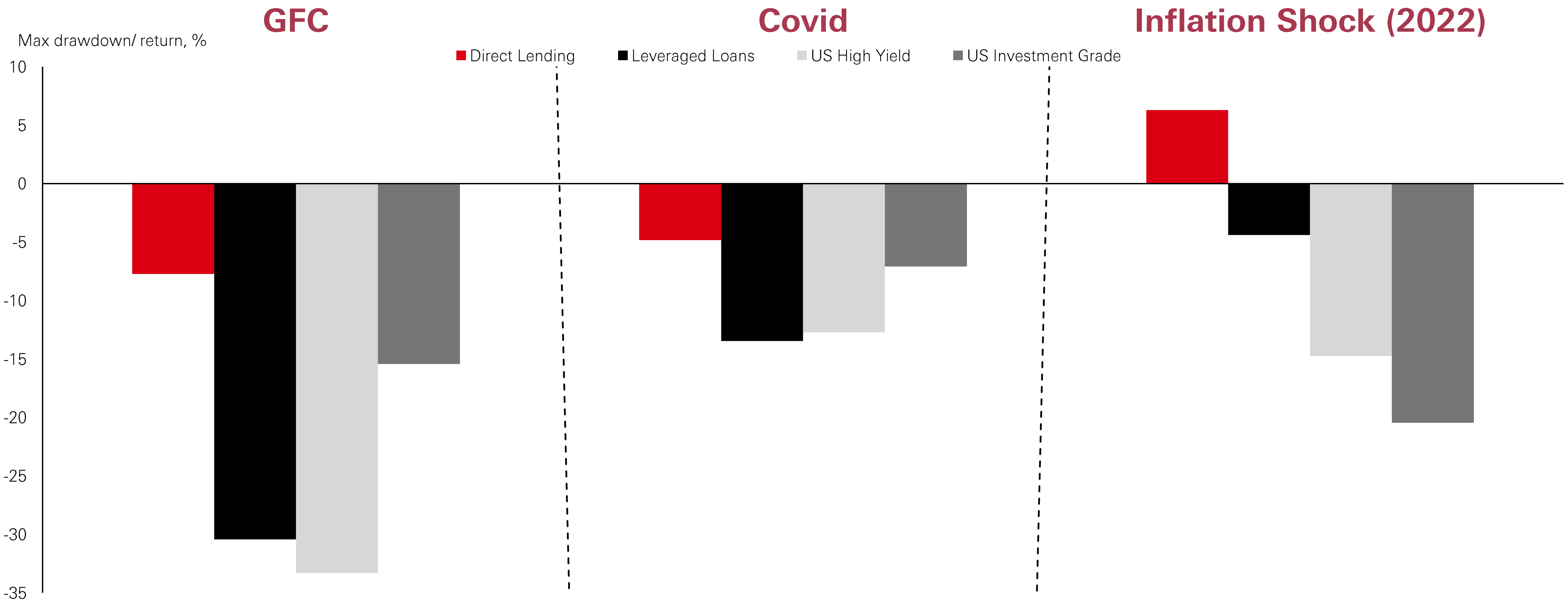


Past performance does not predict future returns.

Source: Bloomberg, HSBC Asset Management, *Data ranges between April 1994 and October 2025. November 2025. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Asset Management. Consequently, HSBC Asset Management will not be held responsible for any investment or disinvestment decision taken on the basis of the commentary and/or analysis in this document. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. [1] 60/40 calculated as 60% MSCI ACWI 40% Bloomberg Global Aggregate.

Private credit as a strong volatility dampener

Drawdowns on public vs private credit during major sell-offs



Source: HSBC Asset Management, Bloomberg, Cliffwater, November 2025.

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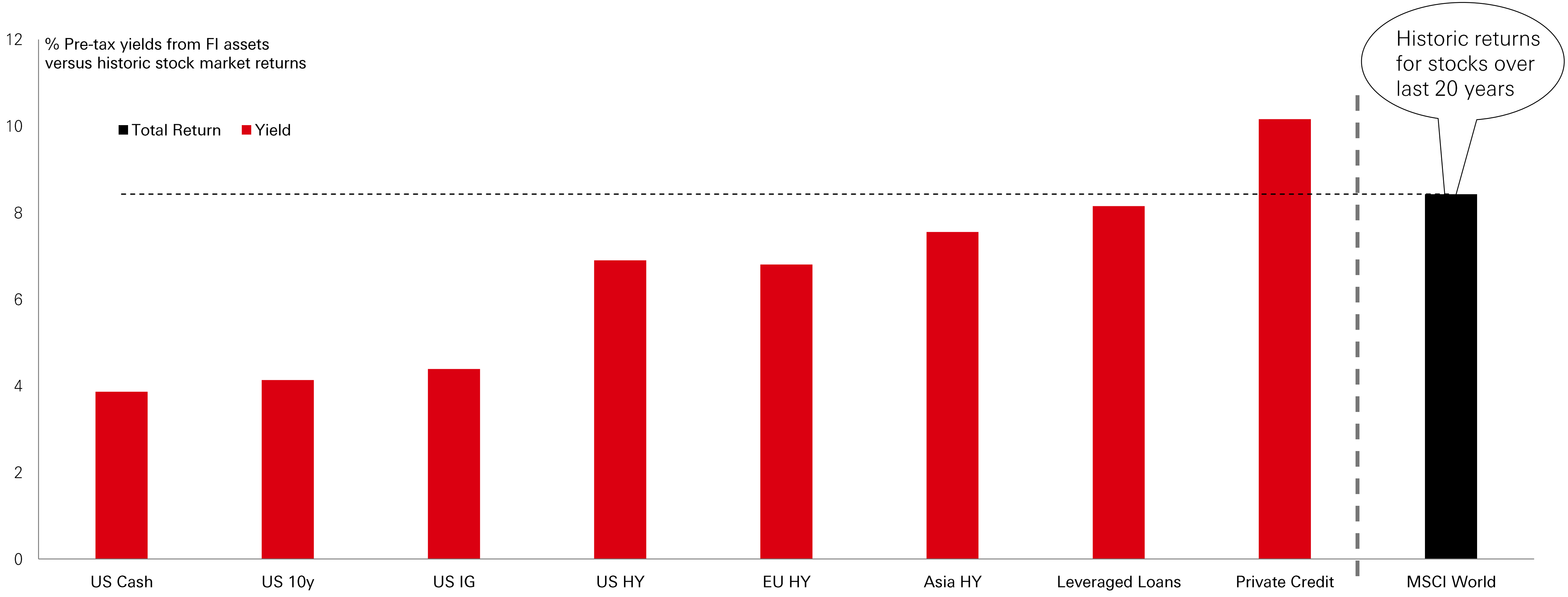
Selective opportunities in credits

Asia credits and private credits stand out for "all in yields"



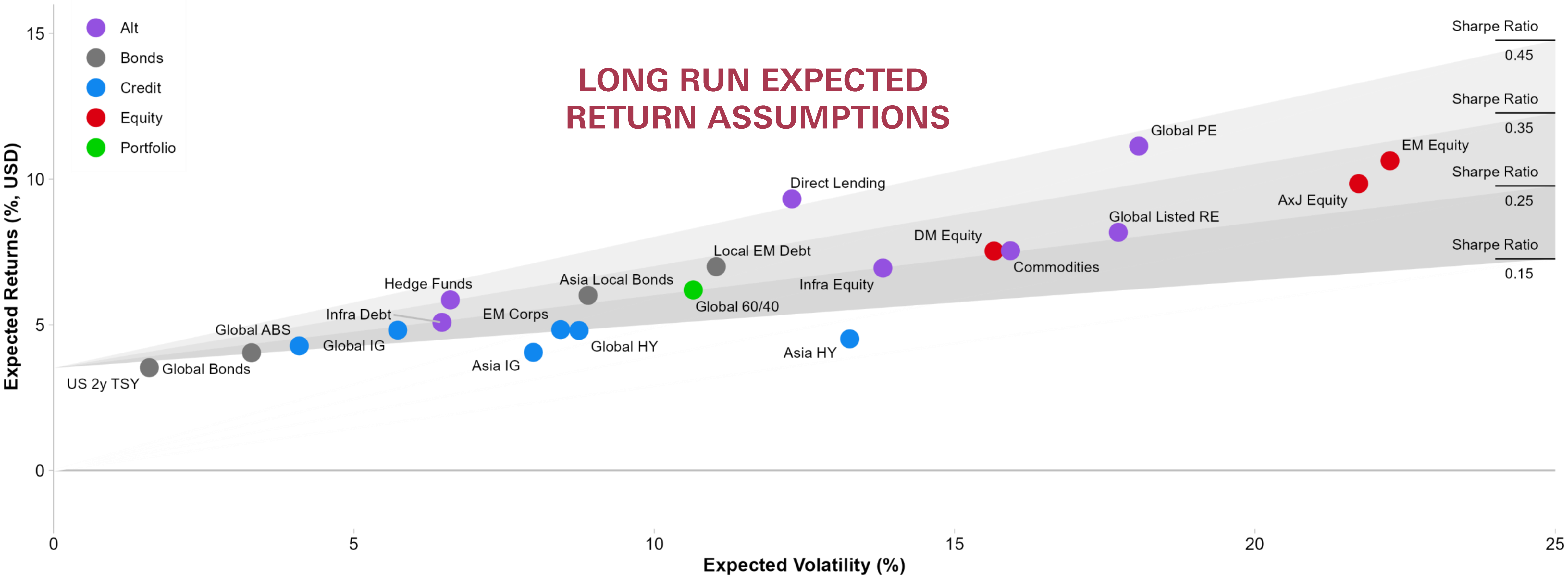
Past performance does not predict to future returns. The level of yield is not guaranteed and may rise or fall in the future.

Source: Macrobond, Bloomberg, Cliffwater, HSBC Asset Management, November 2025

10yr UST: Bloomberg US Generic Govt 10 Yr Index, US IG: Bloomberg US Corporate Investment Grade Index. US High Yield Index: Bloomberg US Corporate High Yield Index, EU HY: Bloomberg Pan-European High Yield Index, Asia HY: Bloomberg Asia USD High Yield Bond Index, Leveraged loans: S&P UBS Leveraged Loan Index, Global Equities: MSCI ACWI Net Total Return USD Index. Private Credit: Cliffwater Direct Lending Index Yield-to-Maturity (3 Yr Takeout Yield) (30/06/2025). You cannot invest directly in an index.

HSBC AM long term capital market assumptions

Capital Market Line (10-year return expectations in USD)



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Appendix

House views summary

Macro Scenario

Macro Factor	House view
Growth	↔/▲
Rates	↔
EM Factor	▲

Policy Rates	12m ahead
US	3.00-3.50%
Eurozone	1.50-2.00%
UK	3.25-3.75%
Japan	0.75-1.25%
China	1.20-1.40%
India	5.00-5.50%

Key to views	
▲▲	Positive
▲	Positive Bias
↔/▲	Neutral/Positive bias
↔	Neutral
↔/▼	Neutral/Negative bias
▼	Negative Bias
▼▼	Negative

Government Bonds

Asset Class	House view
Global Bonds	↔
US 2yr	↔
US 10yr	↔
German 2yr	↔
German 10yr	▲
France/Germany	▼
Italy/Germany	↔
UK 2yr	▲
UK 10yr	▲
Pan-Asia	▲
Japan	▼
Global ILBs	↔/▲
EM (local currency)	▲▲
China	▲
India	▲▲
Indonesia	↔
Mexico	▲

Corporate Bonds

Asset Class	House view
Global Investment Grade (IG)	↔/▲
USD IG	↔/▲
EUR IG	↔/▲
GBP IG	↔/▲
Asia IG	↔/▲
Global High-Yield	▼
US High-Yield	▼
Europe High-Yield	▼
Asia High-Yield	▲
Other Credits	▲
EM hard currency	▲
Securitised Credit	▲

Equities

Asset Class	House view
Global Equity	↔/▲
US	↔
Eurozone	↔
Southern Europe	▲
UK	↔
Japan	▲
GEM Equity	▲
Asia ex Japan	▲
Hong Kong	▲
China	▲
India	▲
LatAm	↔
Frontier	▲
Equity Factors	
Small cap	▲
Value	▲
Growth	↔
Cyclicals	▼
Defensives	▲
Quality	▲

FX & Alternatives

Asset Class	House view
US Dollar (DXY)	▼
EUR	▲
GBP	↔/▲
JPY	▲
CNY	▲
EM FX	▲▲
Asia FX (ADXY)	▲
Commodities	↔
Gold	▲
Oil	▼
Copper	▲
Alternatives	
Hedge Funds	▲▲
Real Assets	▲▲
Private Credit (Direct Lending)	▲
Private Equity (Buy Out)	▲
Crypto Assets	▼▼

Source: HSBC Asset Management as at November 2025. The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. The views expressed above were held at the time of preparation and are subject to change without notice. Diversification does not ensure a profit or protect against loss. This information shouldn't be considered as a recommendation to invest in the country or sector shown. Any forecast, projection or target where provided is indicative only and not guaranteed in any way.

Summary

Macro Outlook

- **Tariffs and policy uncertainty are headwinds to US activity**, but AI-related capex spending is providing support. Jobs growth is likely to remain weak in the near term due to supply and demand factors
- We expect **US growth to converge towards rates seen in other developed economies**. Tariffs pose upside risks to inflation
- In **China**, we expect resilient but uneven growth with tariff headwinds offset by continuing policy support to rebalance and reflate the economy
- **We think premium growth opportunities** lie in emerging and frontier markets, with economic power shifting to Asia and the Global South

Policy Outlook

- Following October's rate cut further easing is likely to be gradual as the **US Fed** seeks to balance above-target inflation against labour market risks
- After eight rate cuts, eurozone inflation is close to target and policy is in neutral territory, with the **ECB taking a "wait-and-watch" stance**
- EM Asia has strengthened **fiscal and industrial support** to offset trade headwinds, as the region enters the late stages of its monetary easing cycle
- **China's high-quality development strategy** is focused on technological innovation and economic rebalancing – mainly via supply-side reforms to restore corporate profits and boosting consumption on the domestic side

House View

- As we head into 2026, we expect global market **leadership to continue to broaden out** as US GDP and profits growth converges with other countries
- Bouts of **volatility remain likely** in a backdrop of supply side constraints, policy uncertainty, and a US stock market that is concentrated in tech names
- A number of structural and cyclical **tailwinds favour EM assets**, including the prospect of a multi-year decline in the US dollar, strong growth rates, and increasing economic resiliency
- In a world of significant upside inflation risk, multi-asset investors should look for **bond substitutes**. This can include liquid alternatives such as gold, real assets, and private markets

Scenarios

COME TOGETHER	Tariffs and uncertainty weigh on the US. China and Europe boosted by "policy puts". US exceptionalism fades. Stock market leadership broadens out. EMs enter a bull market
CRACKS WIDEN	Labour market cracks. Growth sees a sharp slowdown. US stocks fall to early 2023 levels and the yield curve steepens. EMs are hit by weaker global growth
AI BOOM	AI investment boom fuels animal spirits, which drives global growth. US stocks outperform and the dollar finds support. Bond yields face upside risk on strong growth. EMs rally

Events to look out for in 2026

World Economic Forum
Switzerland
19-23 Jan 2026

This early-year gathering sets the narrative agenda for the year, particularly on themes like climate, inequality, supply chains, and AI. Strong messaging or alignment here often sets the mood for the year

G7 Summit
France
14-16 Jun 2026

This summit will centre around key discussions on economic stability, technological regulation, climate action, international security (including ongoing geopolitical conflicts), and global health

NATO Summit
Turkey
7-8 Jul 2026

This summit will anchor the next tranche of defence spending pledges and force clarity on burden sharing and alliance strategy. This can ripple through to equity flows, spread moves, and risk premia

IMF / World Bank Meetings
Thailand
12-18 Oct 2026

Global finance ministers, central bankers, and private capital convene to revise forecasts, set multilateral finance packages, or debt relief initiatives. These typically play a role in bond market shifts, EM flows, and policy repricing

US Midterm Elections
USA
3 Nov 2026

The US midterms will determine the composition of Congress, mid-way into the US presidential term. With the Democrats gaining momentum in the 2025 off-year elections, this will offer headwinds to the current Republican control

APEC Economic Leaders
China
Nov 2026

APEC leaders are expected to meet in Shenzhen, with priorities likely to centre on regional economic integration, connectivity, digital economy, and AI governance and adoption. Sustainability will also be a key theme.

UN COP31 Conference
Host TBC
Nov 2026

COP31 should force actionable commitments on carbon pricing, regulations, net-zero transitions, and climate finance. These can materially shape cost curves and impact valuations, particular in energy-intensive sectors

G20 Summit
USA
14-15 Dec 2026

As the capstone of the USA host year, the leaders' meeting will set the global policy tone – especially on tax rules, energy, tech governance, and trade. This should influence capital flows, cross border regulation, and investor sentiment

ASEAN Strategic Plan
ASEAN
2026-2030

The ASEAN Economic Community (AEC) is in the process of implementing its five-year plan under "Vision 2045" that emphasises financial integration, harmonisation of trade standards, the liberalisation of people and business, and digital development

Source: HSBC Asset Management, November 2025.

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