

Investment Monthly

Rate cut rally

October 2025

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 **HSBC** Asset Management | Opening up a world of opportunity

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Macro Outlook

- ◆ **Tariffs and policy uncertainty are weighing on US activity**, but there is some offset from AI-related capex spending. Jobs growth is likely to be weak in the coming months amid a clampdown on immigration
- ◆ We expect US growth to moderate to 1.5%, **catching down to other major 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

House View

- ◆ As **US exceptionalism fades**, and amid relatively high US stock valuations, global stock market leadership is expected to **broaden out**, with the potential for spikes in volatility
- ◆ The **US dollar** remains over-valued and may face continuing weakness, which should be **an ongoing catalyst for emerging market assets**
- ◆ Emerging and frontier markets benefit from strong structural tailwinds, supporting selective exposure to both **stocks and local currency bonds**, including, for example, India fixed income and pan-Asian equities
- ◆ **Portfolio resilience** can be built with selective high-quality investment grade credit, hedge funds, multi-factor strategies, and real assets

Policy Outlook

- ◆ After September’s rate cut, further easing is likely to be gradual as the **US Fed** seeks to balance above-target inflation with 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**
- ◆ Benign inflation leave EM Asia central banks with scope to ease policy further, alongside **fiscal and industrial supports** to offset trade headwinds
- ◆ **Supportive macro policy in China** is focused on structural rebalancing – mainly via supply-side reforms to restore corporate profits, and boosting consumption on the demand side

Scenarios

COME TOGETHER	Tariffs and uncertainty weigh on the US. China and Europe boosted by “policy puts”. US exceptionalism ends. 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

Source: HSBC Asset Management as at October 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.

With global GDP and profit growth rates converging, and US exceptionalism fading, **we expect an ongoing broadening out of market leadership.** But elevated uncertainty can still trigger episodic volatility. Superior growth, relatively low valuations, and the tailwind of a weaker US dollar support the investment case for emerging and frontier markets

- ◆ **Equities** – Resilient profits and AI enthusiasm could continue to support US market performance, but high concentration and lofty valuations are potential risks. Global profits growth is expected to broaden out, supporting our preference for value and structural growth in emerging and frontier markets
- ◆ **Government bonds** – We expect 10-year US Treasury yields to remain sticky near-term in response to the competing forces of elevated fiscal risks and inflation versus cooling growth. Further curve steepening is possible
- ◆ **Corporate bonds** – Investment grade corporate credit spreads remain tight, but strong technicals and healthy balance sheets are supportive. Relatively high ‘all in’ yields are compelling for investors seeking steady income flows

Equities		Government bonds		Corporate bonds		FX & Alternatives		Asian assets	
Asset Class	House view	Asset Class	House view	Asset Class	House view	Asset Class	House view	Asset Class	House view
Global	↗▲	Developed Market (DM)	↔	Global investment grade (IG)	↔	Gold	▲	Asia local bonds	▲
US	↔	US 10-year	↔	USD IG	↔	Other commodities	↔	RMB bonds	▲
UK	↔	UK 10-year	▲	EUR & GBP IG	↔	Real assets	▲▲	Asia ex-Japan equities	▲
Eurozone	↔	German 10-year	▲	Asia IG	↔	Hedge funds	▲▲	China	▲
Japan	▲	Japan	↔	Global high-yield	↗▼	Private credit	▲	India	▲
Emerging Markets (EM)	▲	Inflation-linked bonds	↗▲	US high-yield	▼	Private equity	↔	Hong Kong	▲
CEE & Latam	▲	EM (local currency)	▲▲	Europe high-yield	▼	US dollar (DXY)	▼	Asia FX (ADXY)	▲
Frontier	▲			Asia high-yield	▲	Crypto assets	▼		
				Securitised credit	▲				
				EM hard currency (USD)	▲				

Key to views

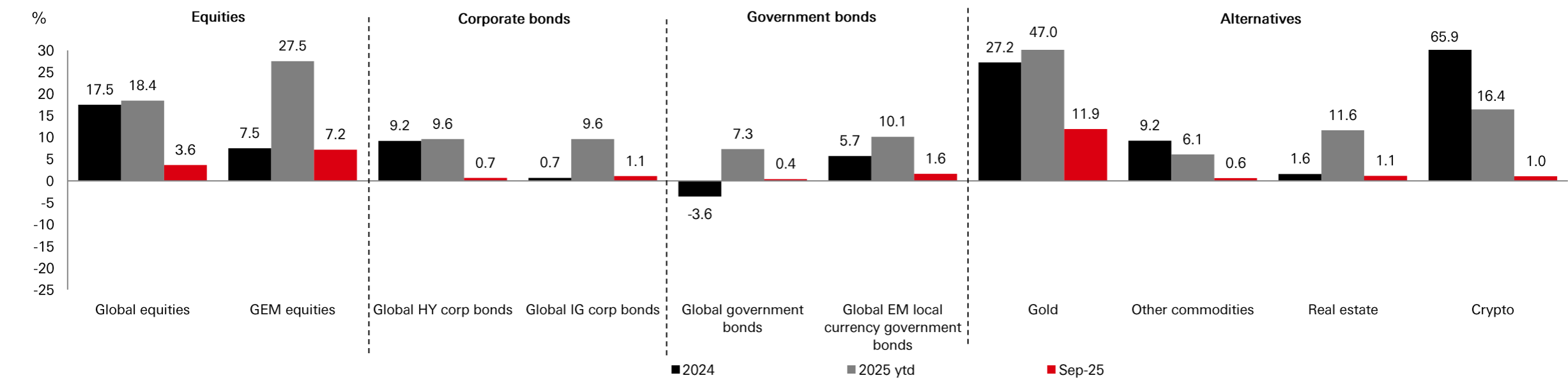
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↔	Neutral		

House view represents a >12-month investment view across major asset classes in our portfolios
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PUBLIC

Global stocks delivered a broadly positive performance in September, as the Fed cut rates and as AI enthusiasm kept US indices at all-time highs. In emerging markets, indices in parts of Asia and Latam saw some of the strongest returns. In fixed income, government bond yields remained sticky, and credit spreads reached multi-year tight

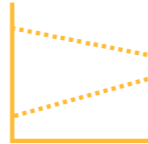
- ◆ **Government bonds** – US Treasury yields were largely range-bound, closing the month slightly lower, as investors weighed fiscal and inflation risks against a cooling growth outlook. Longer-dated bond yields eased from highs in August
- ◆ **Equities** – AI enthusiasm helped drive US markets to new highs, with Japanese and Southern European indices also positive. Asian markets saw strong gains in China, Korea, and Taiwan, while Latam markets were led by Mexico and Brazil
- ◆ **Alternatives** – The gold price rose to all-time highs in September, supported by the Fed’s rate cut, while other precious metals and copper also did well. In real assets, listed real estate returns were flat



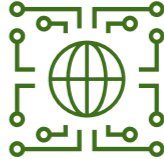
Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future. This information shouldn’t be considered as a recommendation to invest in the country or sector shown. The views expressed above were held at the time of preparation and are subject to change without notice. Source: Bloomberg, all data above as at close of business 30 September 2025 in USD, total return, month-to-date terms. Note: Asset class performance is represented by different indices. **Global Equities:** MSCI ACWI Net Total Return USD Index. **Global Emerging Market Equities:** MSCI Emerging Market Net Total Return USD Index. **Corporate Bonds:** Bloomberg Barclays Global HY Total Return Index value unhedged. Bloomberg Barclays Global IG Total Return Index unhedged. **Government bonds:** Bloomberg Barclays Global Aggregate Treasuries Total Return Index. JP Morgan EMBI Global Total Return local currency. **Commodities and real estate:** Gold Spot \$/OZ, Other commodities: S&P GSCI Total Return CME. **Real Estate:** FTSE EPRA/NAREIT Global Index TR USD. **Crypto:** Bloomberg Galaxy Crypto Index.



CRACKS WIDEN



COME TOGETHER



AI BOOM



Driving forces

Labour market cracking, restrictive policy, and heightened uncertainty

Tariffs and uncertainty weigh on US. Europe and China boosted by “policy puts”

AI investment boom turbocharges US GDP and productivity growth



Growth

Sharp slowdown as households retrench and profits disappoint

US growth around 1.5%.
End of US exceptionalism

US reaccelerates and outperforms. Animal spirits and AI boost global growth



Inflation

Some tariff inflation but **recession destroys demand**

3.0-3.5% US peak before receding. Approaching target in many DMs/EMs

Capex boom lifts demand and inflation but then offset by productivity



Monetary Policy

Slow initial rate cuts, but then **big easing** amid growth damage

Fed rates catch down. Modest easing across many DMs/EMs

Easing cycle cut short/reversed. Productivity gains boost neutral rate



China

Weaker US, and tariffs 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



Stocks

SPX back to early 2023 levels.
Cyclicals most vulnerable. VIX spike

Broadening out of market leadership. SPX
lags other markets. Episodic volatility

US stocks outperform (SPX 7000?)
High-beta markets shine



Fixed income

Curve steepens as longer-dated
yields sticky. Credit spreads widen

Range-bound yields. Some upside risk to
credit spreads. **Focus on income flows**

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 strong growth, weak
USD, China stimulus, and low valuations

EM gains on strong risk appetite but
limited by USD performance



USD

USD struggles to rally amid Fed cuts
and as haven status under question

Gradual USD depreciation amid **end
of 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

Federal Reserve returns to policy easing

		Consensus		Policy 	
		Growth (%) 	Inflation (%) 	12m ahead policy rate (HSBC AM)	2025 Fiscal impulse
		■ 2025 ■ 2026	■ 2025 ■ 2026		
US	The Fed cut rates by 25bp. Chair Powell described the move as “risk management”, noting “downside risks to employment have increased”. Weaker labour demand and a tariff-induced real income squeeze herald softer consumer spending in late 2025 but strong AI-driven investment will provide some offset	<div><div>1.8</div><div>1.8</div></div>	<div><div>2.7</div><div>2.7</div></div>	3.50-4.00%	Mild drag
Eurozone	The ECB views monetary policy as in a “good place” with interest rates in neutral territory. Activity data have been mixed. Past EUR appreciation and softer wage growth imply some modest downside inflation risk and possible further ECB easing. Germany’s fiscal stimulus should support growth in 2026	<div><div>1.3</div><div>1.1</div></div>	<div><div>2.1</div><div>1.8</div></div>	1.25-1.75%	Neutral
UK	The BoE is in “wait-and-see” mode, with the next rate cut unlikely before early 2026. Forward-looking surveys point to weak Q3 GDP and employment intentions remain weak. Moderating wage growth should lower service sector inflation. Further tax hikes are likely to weigh on growth next year	<div><div>1.3</div><div>1.1</div></div>	<div><div>3.4</div><div>2.5</div></div>	3.25-3.75%	Mild drag
Japan	The BoJ remains on hold, but two members dissented in favour of a rate hike in September. Core inflation remains above the BoJ’s 2% target. An LDP election is due on 4 October after the resignation of PM Ishida. A modest fiscal stimulus is likely, targeted at the struggling household sector	<div><div>1.0</div><div>0.7</div></div>	<div><div>3.0</div><div>1.8</div></div>	0.75-1.00%	Neutral
China	Activity data has softened after a robust H1, as the property downturn and trade uncertainties linger. Both supply discipline and demand stimulus are likely needed to rebalance and reflate the economy. We expect more targeted policy support to stabilise economic growth and employment, and for strategic sectors	<div><div>4.8</div><div>4.2</div></div>	<div><div>0.1</div><div>0.8</div></div>	1.10-1.40%	Moderate boost
India	The RBI announced regulatory easing steps to improve transmission and credit growth while signalling space for more easing amid growth risks from US trade policies and benign inflation. The GST reform and personal income tax relief, alongside policy supports for exporters, could help cushion external headwinds	<div><div>6.5</div><div>6.5</div></div>	<div><div>2.8</div><div>4.3</div></div>	5.25-5.50%	Neutral

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Source: HSBC Asset Management, consensus numbers from Bloomberg, October 2025. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management (UK) Limited accepts no liability for any failure to meet such forecast, projection or target. This information shouldn't be considered as a recommendation to invest in the specific country mentioned.

Investment Views



Asset class positioning

House view represents a >12-month investment view across major asset classes in our portfolios

Key to views			
▲▲	Positive	↔▼	Neutral/Negative bias
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Asset class		House view	Comments
Equities	Global	↔▲	We expect a broadening out of global market leadership beyond the US, with episodic volatility. DM equity risk premiums remain positive, but there are downside risks to the earnings outlook if the macro backdrop deteriorates. EM markets continue to show relative attractiveness from an earnings and valuation perspective
	US	↔	US markets have traded at new highs on AI-driven enthusiasm. However, US cyclical exceptionalism is fading as growth converges among DM economies. Labour market cracks are a risk, while rate cuts support our expectation of a weaker USD and a broadening out of global profits
	UK	↔	UK stocks have performed reasonably well but continue to trade at valuation discounts relative to other regions and offer an attractive combined dividend and buyback yield. Weak domestic growth is a risk, but further policy easing should be beneficial. Firms remain vulnerable to volatility driven by signs of slowing global growth and policy uncertainty
	Eurozone	↔	A recovery in eurozone activity has been interrupted by tariffs, political uncertainty, and a stronger euro, although industrial surveys point to some resilience. Markets have lacked direction on muted earnings growth – although the 2026 outlook could see a pick-up. On the downside, political and tariff uncertainty could weigh on activity and sentiment
	Japan	▲	The earnings outlook for exporters/cyclical areas is highly sensitive to global macro and trade conditions, and potential strength in the yen and JGB yields could add further headwinds. That said, valuations remain attractive, and are bolstered by investor-friendly corporate governance reforms. We believe domestically-oriented sectors look more favourable
	Emerging Markets (EM)	▲	Premium growth rates are evident in EMs, with equity valuations still exhibiting material discounts to DMs. They could benefit from a weaker US dollar and diversification flows into non-US assets. However, EMs should not be treated as a single bloc given their idiosyncrasies. It’s crucial to remain selective amid ongoing trade policy and geopolitical uncertainty
	CEE & Latam	▲	In Central and Eastern Europe, economies face mixed challenges complicated by global trade tensions and geopolitical developments. Latam equities have performed well despite headwinds from tariffs and could be well-positioned if risk-on conditions persist. Valuations remain undemanding
	Frontier Markets	▲	A key attraction of frontier markets is exposure to smaller, rapidly-growing, domestically-driven economies that benefit from local idiosyncrasies. There tends to be low intra-country correlation between them, and they benefit from comparatively low volatility, potentially attractive valuations, and relatively strong earnings growth
Government bonds	Developed Markets (DM)	↔	A combination of global policy uncertainty, the re-emergence of global growth concerns, and rising fiscal and inflation risks has resulted in government bond yields remaining elevated and yield curves steepening. Outside of a US recession scenario, a sustained decline in yields is unlikely
	US 10-year	↔	Yields have been volatile in recent months reflecting the uncertain macro and policy outlook. The near-term outlook is for stickiness and range-bound movement. Inflation risks and fiscal concerns are likely to keep yields above 4%, but yields should be capped to the upside by below-trend growth and less buoyant private consumption
	UK 10-year	▲	Gilt yields have been elevated recently, driven by deteriorating UK public finances and concerns over elevated inflation. Diverging rate expectations have prompted a renewed widening of the 10-year yield spread between the UK and US. We expect yields to fall modestly by year-end amid continued sluggish UK growth
	German 10-year	▲	10-year Bund yields have been rising steadily on expectations of higher growth and bond issuance from planned German fiscal stimulus. However, the current slow pace of stimulus disbursement should limit further increases in 2025. Indeed, easing inflationary pressure could see yields drift lower near-term, before fiscal stimulus takes effect
	Japan	↔	The BoJ's decision to hold rates steady reinforces the expectation that the path to policy normalisation will be gradual. However, dissent among the bank committee on policy timing implies that modest fiscal stimulus is likely. With modest bond risk premia, we remain neutral Japanese government bonds
	Inflation-linked bonds	↔▲	Global (ex-US) breakevens (the difference between nominal yields and real yields) have been relatively stable, but US breakevens have drifted higher. Valuations remain relatively cheap for US ILBs, with markets pricing almost no inflation risk premium. The main downside risk is recession, where breakevens would be likely to suffer despite low valuations
	EM local currency	▲▲	EM local currency debt has benefited from a backdrop of high real yields, strong fundamentals, and a weaker US dollar. The EM cycle has been unusually strong, with EM central banks easing policy independent from the Fed. This represents the maturity of the asset class and the growing strength and credibility of EM currencies and local bond markets

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Asset class	House view	Comments
Corporate bonds	Global investment grade (IG)	↔ IG credit spreads remain at long-run tights, but all in yields are reasonable. The balance sheets of investment grade issuers are healthy, and the profits outlook remains positive. We think parts of the IG universe can be a potential substitute hedge to government bonds in portfolios. Global policy uncertainty remains a potential risk
	USD IG	↔ Despite macroeconomic uncertainties and above-target inflation, US IG credit has moved to spreads that are at 25-year tights. Technicals remain highly supportive, and all-in yields continue to attract inflows. Fundamental credit metrics remain solid as balance sheets for USD issuers remain healthy
	EUR and GBP IG	↔ European IG credit technicals have been strong with a lot of flows into the asset class, but spreads are now very tight. A significant rise in global recession risks, along with stagflation risks in the US, could cause significant spread-widening
	Asia IG	↔ Asia IG benefits from attractive all in yields and limited issuance amid accommodative onshore funding conditions, as credit fundamentals remain sound. Asia IG’s shorter duration and strong quality bias help reduce overall volatility. We emphasise credit selection with a focus on idiosyncrasies amid global rate volatility and macro/policy uncertainty
	Global high-yield (HY)	↔▼ Global high yield spreads remain tight despite a cooling in the macro outlook. Slower growth, inflation risks, and ongoing policy uncertainty all present potential risks, but strong corporate earnings could offset this. We maintain a more defensive stance with a preference for higher quality credits
	US HY	▼ US high yield spreads are historically tight, and risks are skewed towards widening, although strong corporate earnings, consumer spending, and strong primary-market interest could limit this. Federal Reserve rate cuts also act as a cushion for risk markets, keeping a lid on spreads. Risks to the outlook include a US recession or potential policy mistake
	Europe HY	▼ Current valuations are not compelling, with spreads remaining tight at a time when macro momentum is slowing in the US. Single-B valuations look very expensive, with these issuers sensitive to growth risks and financing rates. We like banks and insurers where credit fundamentals are strong, but we are underweight cyclicals given the macro risk
	Asia HY	▲ Asia HY remains sensitive to policy and macro shifts, with tight spreads not pricing meaningful negative tail risks. However, yield levels are attractive from a total return perspective. Favourable demand-supply technicals and solid fundamentals are supportive. We remain selective on idiosyncratic opportunities amid wide dispersion in valuations across sectors
	Securitised credit	▲ Spreads remain wider than the tights of the range since 2009 so there is long-term value in securitised credit compared to other credit markets. As long as rates remain high, floating securitised credit will generate high income as base rates feed directly into the income paid
	EM hard currency (USD)	▲ EM hard currency sovereign bonds continue to benefit from strong fundamentals. Spreads have been well-behaved, reflecting the positive ratings stories of many EMs, with upgrades outpacing downgrades. EM corporate bonds are highly correlated to the EM sovereign asset class, and also have a constructive ratings backdrop. Spreads are historically tight
FX & Alternatives	Gold	▲ Gold has traded close to all-time highs in 2025, with central banks continuing to be major buyers. Investor demand has also been strong, driven by a flight to safe-haven assets as a result of rising geopolitical tensions, global policy uncertainty, and financial market volatility. Anticipated rate cuts and inflation concerns enhance gold’s appeal as an inflation hedge
	Other commodities	↔ Geopolitical tensions have emerged as a heightened risk factor. China’s economic story will be a critical driver, with a meaningful recovery likely to provide a boost to prices. OPEC+ market management is also a key influence on oil prices
	Real assets	▲▲ Real estate investment activity has slowed in 2025 amid macro uncertainty, but US rate cuts could provide a tailwind for the sector. The returns outlook is healthy given yield expansion on the back of higher income. Meanwhile, infrastructure debt offers better expected returns than global credits, and lower spread volatility during economic slowdowns
	Hedge funds	▲▲ Hedge funds can be good diversifiers in an environment of elevated inflation and market phases where there are sharp upticks in volatility. Macro and CTA strategies can be particularly attractive alternatives to bonds when there are positive stock-bond correlations
	Private credit	▲ With elevated rate uncertainty, private credit yields remain attractive due to their illiquidity premium. Private credit strategies continue to diversify across a range of sub-strategies, with Direct Lending remaining the largest focus. Strong capital inflows are testament to investor appetite for diversification
	Private equity	↔ Private equity deal flow started well this year, but global policy uncertainty has since put pressure on dealmaking. There is dry powder waiting to be deployed once market conditions settle, confidence returns, and valuation gaps narrow. With further clarity around tariffs, there could be a resurgence of activity
	US dollar (DXY)	▼ The US dollar index will likely face more downside risks as yield differentials with other developed market countries shrink and the US economy converges towards its peers. We expect a continued weakening trend for the USD, albeit more gradual than in H1 2025, driven mostly by cyclical developments
	Crypto	▼ Crypto prices have trended higher in 2025, but the performance remains correlated to prevailing risk sentiment and US policy news flow – therefore it lacks hedging qualities (like gold). More regulatory certainty could provide upside, but high sensitivity to sentiment and thin liquidity could deter mainstream institutional investors

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Asset class		House view	Comments
Asian assets	Asia local bonds	▲	Asia’s sound external fundamentals, debt profiles, and policy mix help lower the sensitivity of local rates to external pressures, such as a higher US term premium and rates volatility. The local inflation, monetary-policy, and liquidity backdrop is supportive, and Fed easing also provides respite. Prospective index inclusion for Korea and the Philippines aids inflows
	RMB bonds	▲	Reflationary policy efforts, the US-China trade truce, Chinese equity gains, and regulatory/tax changes on bond investments have pushed CGB yields higher. But CGBs are supported by benign inflation, an accommodative monetary/liquidity backdrop, and global asset diversification flows. Potential PBoC bond purchases and solid bank demand serve as stabilisers
	Asia ex-Japan equities	▲	Asian markets offer broad sector diversification and high-quality growth opportunities. Prudent policy easing across the region, China’s policy put, and other long-term themes continue to serve as positives, on top of potential diversification flows into non-USD assets. However, persistent external uncertainties could amplify market volatility
	China equities	▲	Tech developments remain the key re-rating catalyst, with “anti-involution” initiatives, targeted policy support, and an extended US-China tariff truce supporting confidence. Valuation discounts to other major markets still reflect concerns over various challenges, but firms’ relatively low overseas exposure may partially shield them from external headwinds
	India equities	▲	Valuations remain rich compared to Asian peers but have retreated closer to their long-term average amid tariff uncertainties. That said, analysts remain positive on the earnings outlook given a supportive policy environment. India’s domestic-oriented market backdrop, a strong structural story, and GST reform serve as positive medium-term catalysts
	ASEAN equities	↔▲	Overall valuations are fair with a largely stable earnings outlook, despite divergence across markets. Global trade/geopolitical uncertainties and domestic idiosyncratic risks are sources of return volatility. But more policy/reform efforts will support domestic demand and structural growth drivers. ASEAN equities offer exposure to a variety of sectoral themes
	Hong Kong equities	▲	Market sentiment remains buoyed by dynamic capital market activities, along with spillovers from Chinese policy measures and tech sector developments, despite ongoing worries about domestic macro conditions and external challenges. However, valuations are fair, reflected in slightly below-long-term average multiples, and relatively high dividend yields
	Asia FX (ADXY)	▲	Asian currencies are supported by sound external balances, relative growth resilience, and cheap valuations. Increased hedging of USD assets, FX conversion by exporters, and diversification flows into non-US assets provide support, given the potential for attractive carry. However, global trade and geopolitical uncertainties could trigger volatility in Asian FX

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On Top of Investor's Minds

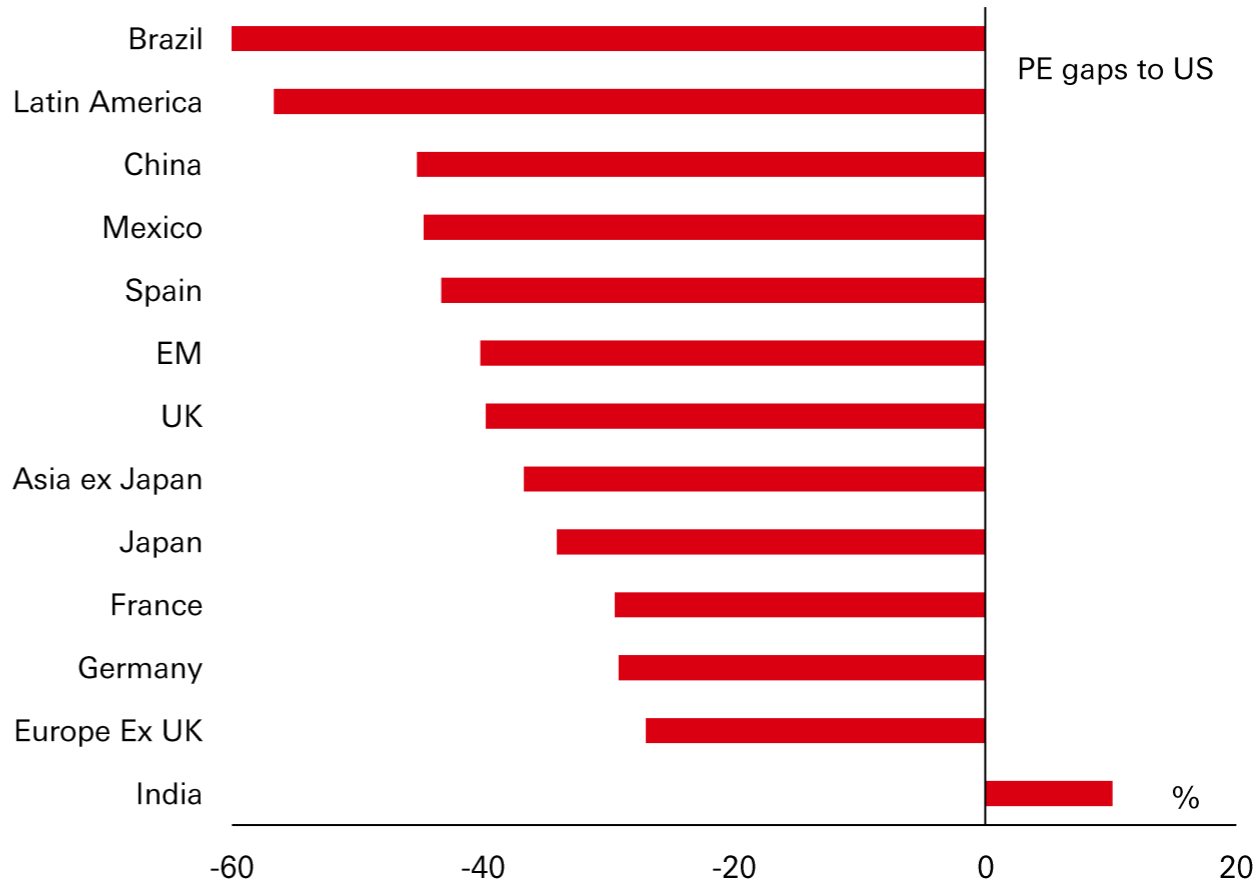


US markets continue to rally. What has driven that? And are there reasons to be cautious?

As AI enthusiasm continues to dominate investor sentiment, US stock indices are pushing to fresh all-time highs. The Federal Reserve has resumed its easing cycle amid evidence that the US economy has achieved a “soft landing” following its aggressive hiking cycle of 2022-23. We think investors should take the potential impact of AI seriously. Huge capital spending by US tech firms provides opportunities for long-term profits growth, while also juicing the US economy. The bull run could continue for a while.

But there are reasons to remain cautious. The US stock market remains relatively expensive (12-month forward PE of around 22x), while the US economy is cooling. Total non-farm payrolls fell in June and have risen by an average of only around 30k from June to August. Inflation is also proving stubborn as the impact of tariffs is yet to fully feed through. Tariff uncertainty persists, which could spur further volatility. And there is no guarantee tech capex will provide a return on investment that satisfies investors.

World P/E ratio “gaps” versus the US



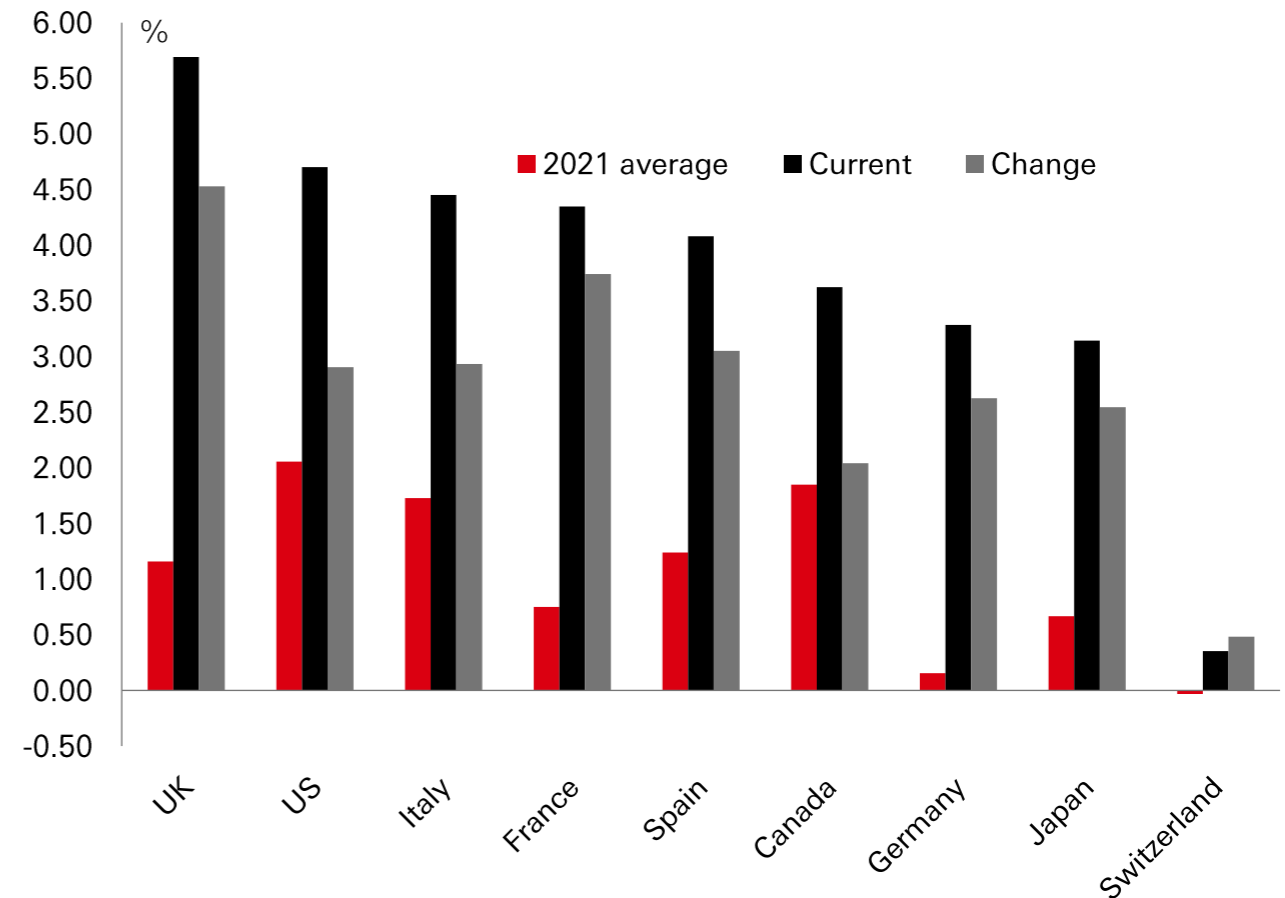
Why are the bond market vigilantes targeting the UK?

At around 5.5%, the UK 30-year bond yield is now considerably above other developed markets and reflects increasing concern over the UK's rising government debt and limited ability to rectify the situation. Spending cuts are politically difficult while the tax take is already historically high, with further increases potentially undermining competitiveness and weakening already-soft growth. France faces similar problems but has the advantage that its current account is broadly in balance meaning it's less dependent on international investors to fund the government deficit.

The big question for global markets, however, is whether concerns over fiscal dominance and Fed independence push US long-dated yields significantly higher? The good news is that the US is in a better position than the UK, given the dollar's status as the world's reserve currency and the US economy has stronger long-run growth prospects. Its tax take is also low by international standards, offering a route to improving the public finances, albeit a politically unpopular one.

But at this stage, worries over fiscal policy and the independence of monetary policy seem likely to persist. When combined with near-term downside growth risks, further Treasury curve steepening looks possible.

30-year government bond yields



Can the emerging markets bull run continue?

With emerging market central banks already cutting rates ahead of the Fed in this cycle, US dollar weakness this year created even more space for bold EM policy easing. With the exception of India, this backdrop is a big reason why EM stocks and bonds have been among the best performing assets in 2025. In our central scenario we think the latest Fed cuts could support a further broadening out of market returns, and add further impetus to EMs.

In China, several factors have been driving strong performance. One is the continuing readiness of policymakers to offer targeted support to the economy and markets, including efforts to tackle over-production and excessive discounting. The extension of the US-China tariff truce has also helped build confidence. China's fast-growing technology sectors have also been a re-rating catalyst.

Meanwhile, In India, expectations of a cyclical recovery driven by supportive monetary and fiscal policies are good news for the profits outlook. While stock valuations remain a little high versus EM peers, the combination of growth in both corporate profits and GDP, plus structural tailwinds, provide a degree of justification.

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



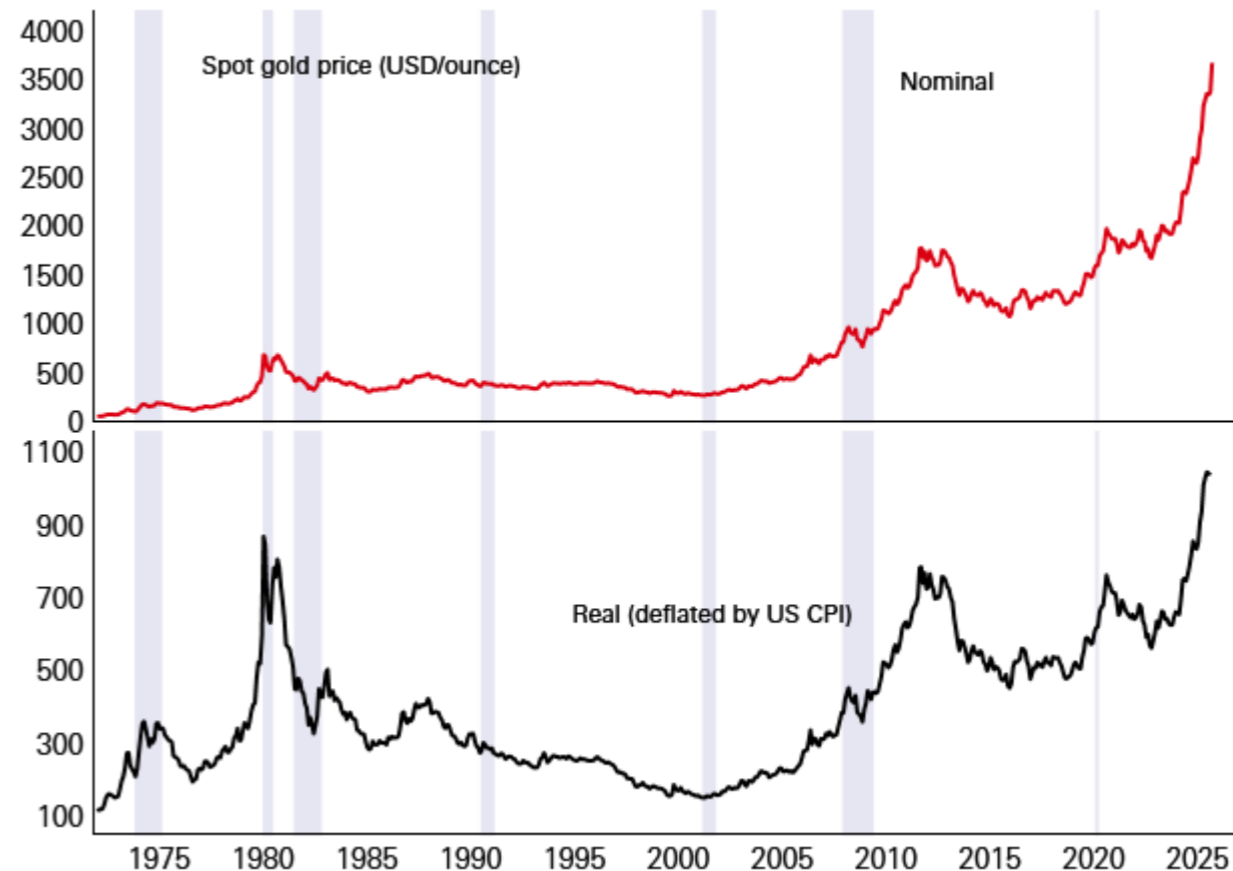
Gold prices continue to rally. What's going on?

September has seen a sharp rally in gold prices, with the year-to-date gain at around 48% to nearly USD3,900 an ounce, making it one of the best performing asset classes globally. As a safe-haven, the yellow metal tends to outperform in phases of high geopolitical risk and rising inflation. In the past the price has correlated closely with real (inflation-adjusted) US yields – but that relationship has broken recently, implying that other drivers are at play. One is likely to be the intensive gold buying of global central banks.

From here, near-term price moves are tricky to anticipate. The “multi-polar world” of elevated geopolitical risks and volatile inflation, structural de-dollarisation and further central bank diversification imply a positive demand backdrop. What's more, increasingly strained public finances means the safe-haven status of government bonds is under question, and with crypto exhibiting positive correlations with risky assets, investor allocations to gold as an alternative diversifier could prove an enduring theme.

But some caution could be warranted. The last time gold reached current levels in inflation-adjusted terms was the 1980s – just before it collapsed.

Nominal and real gold price



Market Data



September 2025

EQUITY INDICES	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
World								
MSCI AC World Index (USD)	985	3.5	7.3	15.6	17.1	987	723	21.1
North America								
US Dow Jones Industrial Average	46,398	1.9	5.2	9.6	9.1	46,714	36,612	23.0
US S&P 500 Index	6,688	3.5	7.8	16.1	13.7	6,700	4,835	24.9
US NASDAQ Composite Index	22,660	5.6	11.2	24.6	17.3	22,802	14,784	34.5
Canada S&P/TSX Composite Index	30,023	5.1	11.8	25.1	21.4	30,067	22,228	18.5
Europe								
MSCI AC Europe (USD)	661	1.9	3.3	12.5	24.9	663	516	15.8
Euro STOXX 50 Index	5,530	3.3	4.3	10.6	12.9	5,568	4,540	16.7
UK FTSE 100 Index	9,350	1.8	6.7	13.5	14.4	9,364	7,545	14.0
Germany DAX Index*	23,881	-0.1	-0.1	23.6	19.9	24,639	18,490	17.3
France CAC-40 Index	7,896	2.5	3.0	3.4	7.0	8,258	6,764	16.9
Spain IBEX 35 Index	15,475	3.6	10.6	30.3	33.5	15,489	11,295	13.4
Italy FTSE MIB	42,725	1.3	7.4	25.2	25.0	43,564	31,946	13.3
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	699	5.5	9.1	12.7	22.8	707	507	17.0
Japan Nikkei-225 Stock Average	44,933	5.2	11.0	18.5	12.6	45,853	30,793	22.4
Australian Stock Exchange 200	8,849	-1.4	3.6	7.0	8.5	9,055	7,169	20.7
Hong Kong Hang Seng Index	26,856	7.1	11.6	27.1	33.9	27,058	18,671	13.0
Shanghai Stock Exchange Composite Index	3,883	0.6	12.7	16.4	15.8	3,900	3,041	15.3
Hang Seng China Enterprises Index	9,555	6.8	10.1	27.2	31.1	9,667	6,763	12.2
Taiwan TAIEX Index	25,821	6.6	16.0	16.2	12.1	26,394	17,307	19.8
Korea KOSPI Index	3,425	7.5	11.5	32.1	42.7	3,498	2,285	12.5
India SENSEX 30 Index	80,268	0.6	-4.0	-4.8	2.7	84,648	71,425	22.3
Indonesia Jakarta Stock Price Index	8,061	2.9	16.4	7.1	13.9	8,169	5,883	14.2
Malaysia Kuala Lumpur Composite Index	1,612	2.3	5.1	-2.2	-1.9	1,657	1,387	14.9
Philippines Stock Exchange PSE Index	5,953	-3.3	-6.5	-18.1	-8.8	7,605	5,805	9.6
Singapore FTSE Straits Times Index	4,300	0.7	8.5	19.9	13.5	4,375	3,372	13.9
Thailand SET Index	1,274	3.0	16.9	-12.1	-9.0	1,507	1,054	14.0
Latam								
Argentina Merval Index	1,773,440	-10.7	-11.1	4.5	-30.0	2,867,775	1,635,451	9.7
Brazil Bovespa Index*	146,237	3.4	5.3	10.9	21.6	147,578	118,223	9.4
Chile IPSA Index	8,971	0.8	8.8	38.2	33.7	9,285	6,336	12.4
Colombia COLCAP Index	1,872	1.4	12.2	43.2	35.7	1,885	1,295	7.8
Mexico S&P/BMV IPC Index	62,916	7.2	9.5	19.9	27.1	63,129	48,770	13.8
EEMEA								
Saudi Arabia Tadawul All Share Index	11,503	7.5	3.0	-5.9	-4.4	12,536	10,367	17.0
South Africa JSE Index	107,941	6.0	11.9	24.7	28.4	108,110	77,165	12.7
Turkey index	11,331.8	-2.4	10.7	13.9	12.0	11,605.3	8,566.6	4.5

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 September 2025. (*) Indices expressed as total returns. All others are price returns. Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.

September 2025

EQUITY INDICES - TOTAL RETURN	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	7.6	18.4	17.3	86.6	88.7	1.7
US equities	8.0	14.6	17.7	93.3	106.9	1.2
Europe equities	3.6	27.5	15.1	85.7	77.7	3.1
Asia Pacific ex Japan equities	9.7	25.1	14.9	65.9	41.3	2.5
Japan equities	8.0	20.7	16.4	78.1	53.7	2.2
Latam equities	10.2	43.1	20.4	47.8	88.7	4.8
Emerging Markets equities	10.6	27.5	17.3	65.2	40.4	2.4

All total returns quoted in USD terms.
Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Latam Total Return Index and MSCI Emerging Markets Total Return Index.

BONDS	Close	End of last month	3-months Ago	1-year Ago	Year End 2024
US Treasury yields (%)					
3-Month	3.93	4.14	4.29	4.62	4.31
2-Year	3.61	3.62	3.72	3.64	4.24
5-Year	3.74	3.70	3.80	3.56	4.38
10-Year	4.15	4.23	4.23	3.78	4.57
30-Year	4.73	4.93	4.77	4.12	4.78
Developed market 10-year bond yields (%)					
Japan	1.64	1.60	1.43	0.85	1.09
UK	4.70	4.72	4.49	4.00	4.56
Germany	2.71	2.72	2.61	2.12	2.36
France	3.53	3.51	3.28	2.92	3.19
Italy	3.53	3.59	3.48	3.45	3.52
Spain	3.26	3.33	3.24	2.92	3.06

BOND INDICES - TOTAL RETURN	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAqq (Hedged in USD)	604	0.7	1.2	3.1	4.0
JPM EMBI Global	988	1.6	4.4	7.8	10.1
BarCap US Corporate Index (USD)	3,516	1.5	2.6	3.6	6.9
BarCap Euro Corporate Index (Eur)	265	0.4	0.9	3.6	2.8
BarCap Global High Yield (USD)	674	0.6	2.7	8.6	7.5
BarCap US High Yield (USD)	2877	0.8	2.5	7.4	7.2
BarCap pan-European High Yield (USD)	635	0.7	2.6	8.5	6.1
BarCap EM Debt Hard Currency	485	1.1	3.2	7.4	9.7
Markit iBoxx Asia ex-Japan Bond Index (USD)	240	0.9	2.5	5.2	6.5
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	282	1.2	3.8	8.0	8.2

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 September 2025. Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period. Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.

Market Data (continued)

September 2025

CURRENCIES (VS USD)	Latest	End of last month	3-months Ago	1-year Ago	Year End 2024	52-week High	52-week Low
Developed markets							
DXY index	97.78	97.77	96.88	100.78	108.49	110.18	96.22
EUR/USD	1.17	1.17	1.18	1.11	1.04	1.19	1.01
GBP/USD	1.34	1.35	1.37	1.34	1.25	1.38	1.21
CHF/USD	1.26	1.25	1.26	1.18	1.10	1.28	1.09
CAD	1.39	1.37	1.36	1.35	1.44	1.48	1.35
JPY	147.9	147.1	144.0	143.6	157.2	158.9	139.9
AUD	1.51	1.53	1.52	1.45	1.62	1.69	1.45
NZD	1.73	1.70	1.64	1.58	1.79	1.82	1.58
Asia							
HKD	7.78	7.80	7.85	7.77	7.77	7.85	7.75
CNY	7.12	7.13	7.16	7.02	7.30	7.35	7.04
INR	88.79	88.21	85.77	83.80	85.61	88.81	83.76
MYR	4.21	4.23	4.21	4.12	4.47	4.52	4.16
KRW	1,404	1,390	1,354	1,315	1,479	1,487	1,317
TWD	30.46	30.57	29.23	31.66	32.79	33.28	28.79
Latam							
BRL	5.32	5.43	5.43	5.45	6.17	6.32	5.27
COP	3,921	4,021	4,088	4,204	4,406	4,546	3,824
MXN	18.31	18.66	18.75	19.69	20.83	21.29	18.20
ARS	1,379.70	1,344.48	1,203.63	968.72	1,030.99	1,475.38	967.96
EEMEA							
RUB	82.85	81.06	78.31	93.00	113.52	115.07	74.05
ZAR	17.27	17.66	17.71	17.27	18.84	19.93	17.19

COMMODITIES	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	3,859	11.9	16.8	46.5	47.0	3,895	2,537
Brent Oil	67.0	-1.6	-0.9	-6.6	-10.2	83	58
WTI Crude Oil	62.4	-2.6	-4.2	-8.5	-13.0	81	55
R/J CRB Futures Index	301	-0.6	1.1	5.5	1.3	317	278
LME Copper	10,269	3.7	4.0	4.5	17.1	10,485	8,105

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 September 2025.
Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.

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Basis of Views and Definitions of 'Asset class positioning' tables

- ◆ Views are based on regional HSBC Asset Management Asset Allocation meetings held throughout **September 2025**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 August 2025**, our portfolio optimisation process and actual portfolio positions.
- ◆ **Icons:** ↑ View on this asset class has been upgraded – No change ↓ View on this asset class has been downgraded.
- ◆ Underweight, overweight and neutral classifications are the high-level asset allocations tilts applied in diversified, typically multi-asset portfolios, which reflect a combination of our long-term valuation signals, our shorter-term cyclical views and actual positioning in portfolios. The views are expressed with reference to global portfolios. However, individual portfolio positions may vary according to mandate, benchmark, risk profile and the availability and riskiness of individual asset classes in different regions.
- ◆ "*Overweight*" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would have) a positive tilt towards the asset class.
- ◆ "*Underweight*" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would have) a negative tilt towards the asset class.
- ◆ "*Neutral*" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks HSBC Global Asset Management has (or would have) neither a particularly negative or positive tilt towards the asset class.
- ◆ For global investment-grade corporate bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, USD investment-grade corporate bonds and EUR and GBP investment-grade corporate bonds are determined relative to the global investment-grade corporate bond universe.
- ◆ For Asia ex Japan equities, the underweight, overweight and neutral categories for the region at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, individual country views are determined relative to the Asia ex Japan equities universe as of **31 August 2025**.
- ◆ Similarly, for EM government bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, EM Asian Fixed income views are determined relative to the EM government bonds (hard currency) universe as of **30 September 2025**.

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