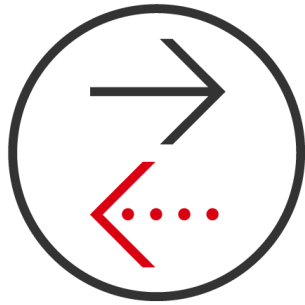


Role Reversal

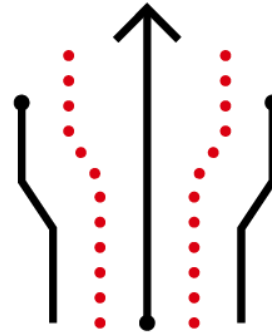
2026 Investment Outlook

For Professional Clients only and should not be distributed to or relied upon by Retail Clients. Marketing Communication.

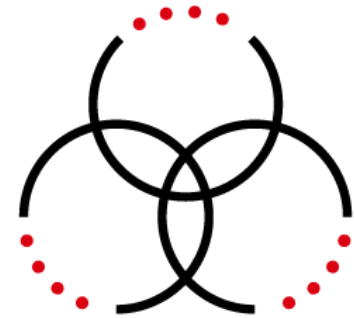
This document provides a high level overview of the recent economic environment. It is for marketing purposes and does not constitute investment research, investment advice nor a recommendation to any reader of this content to buy or sell investments. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination.



Role Reversal



Broadening Out



**Diversify the
Diversifiers**

Role Reversal



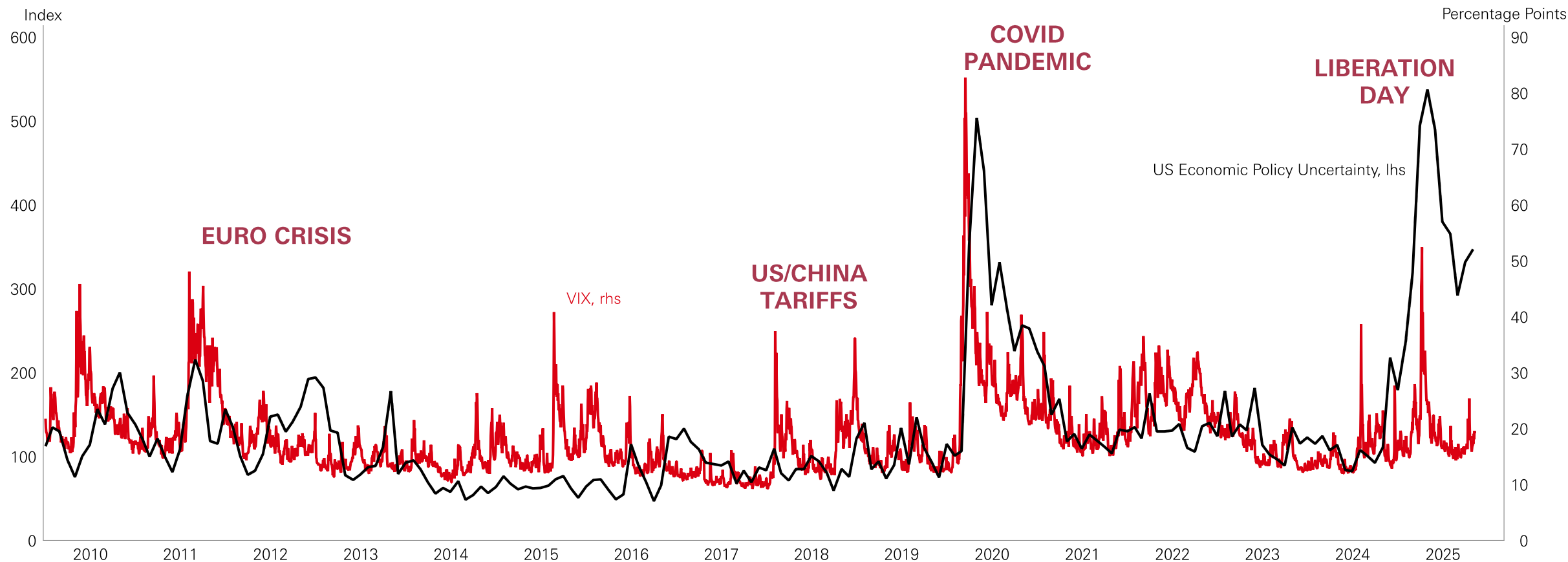
Market performance in 2025



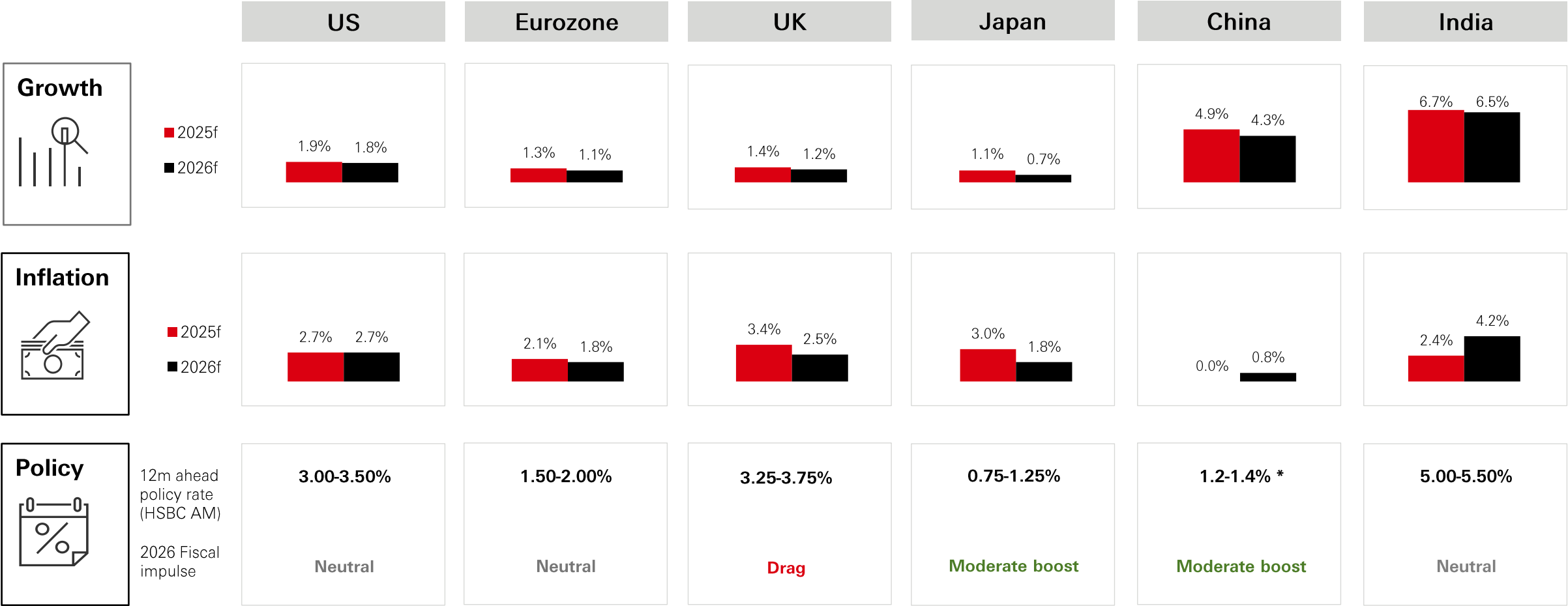
Source: HSBC Asset Management, Bloomberg, 10 November 2025. **Past performance does not predict future returns. This information shouldn't be considered as a recommendation to buy or sell specific investments, country or sector mentioned. Any forecast, projection or target where provided is indicative 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.
The views expressed above were held at the time of preparation and are subject to change without notice. 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. Past performance does not predict future returns. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. You cannot invest directly in an index.



1.2%

0.7%

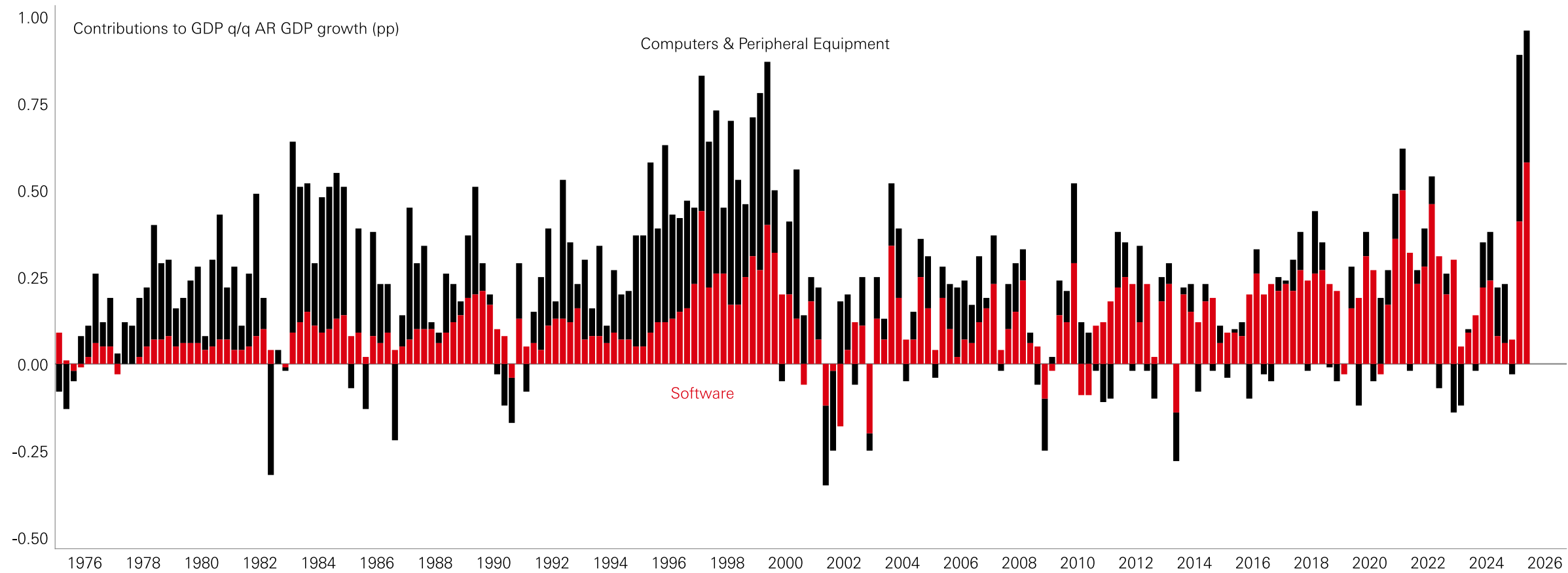
4.3%

6.5%

Any forecast, projection or target where provided is indicative only and not guaranteed in any way. This information shouldn't be considered as a recommendation to invest in the specific country mentioned.

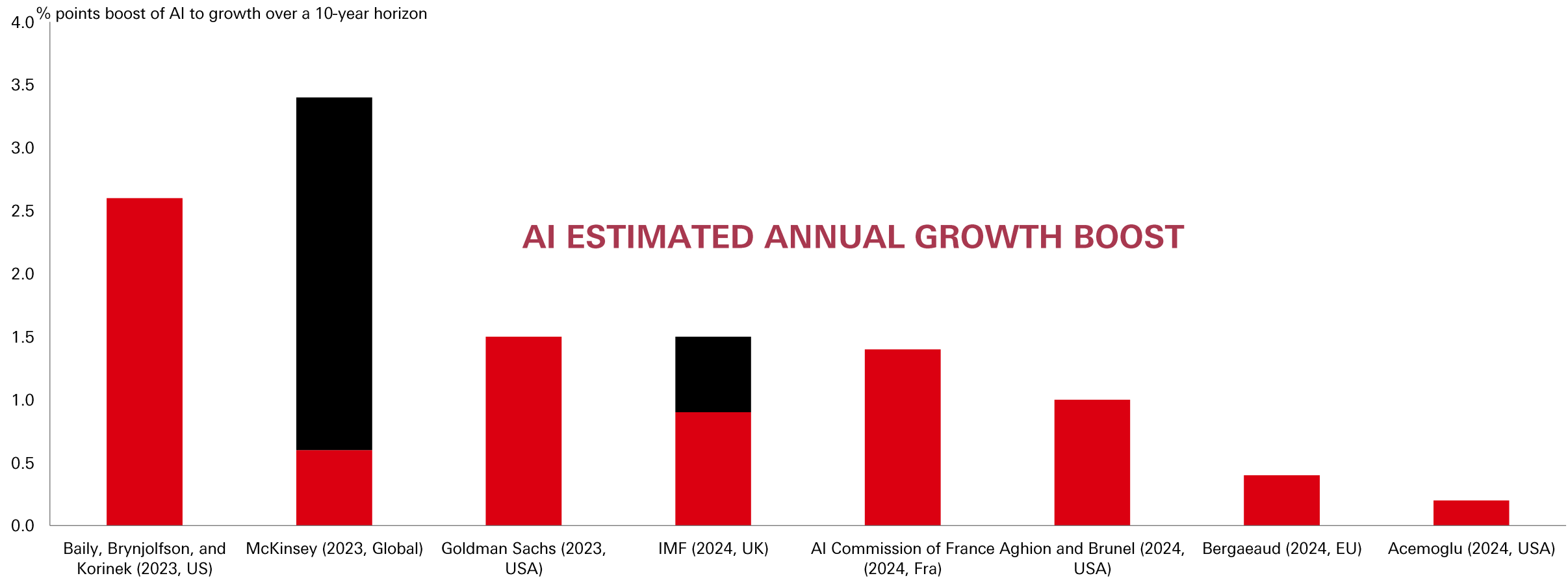
Note: * 7-day reverse repo rate
Source: HSBC Asset Management, Bloomberg, November 2025. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from 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.

Start of a multi-year investment boom?



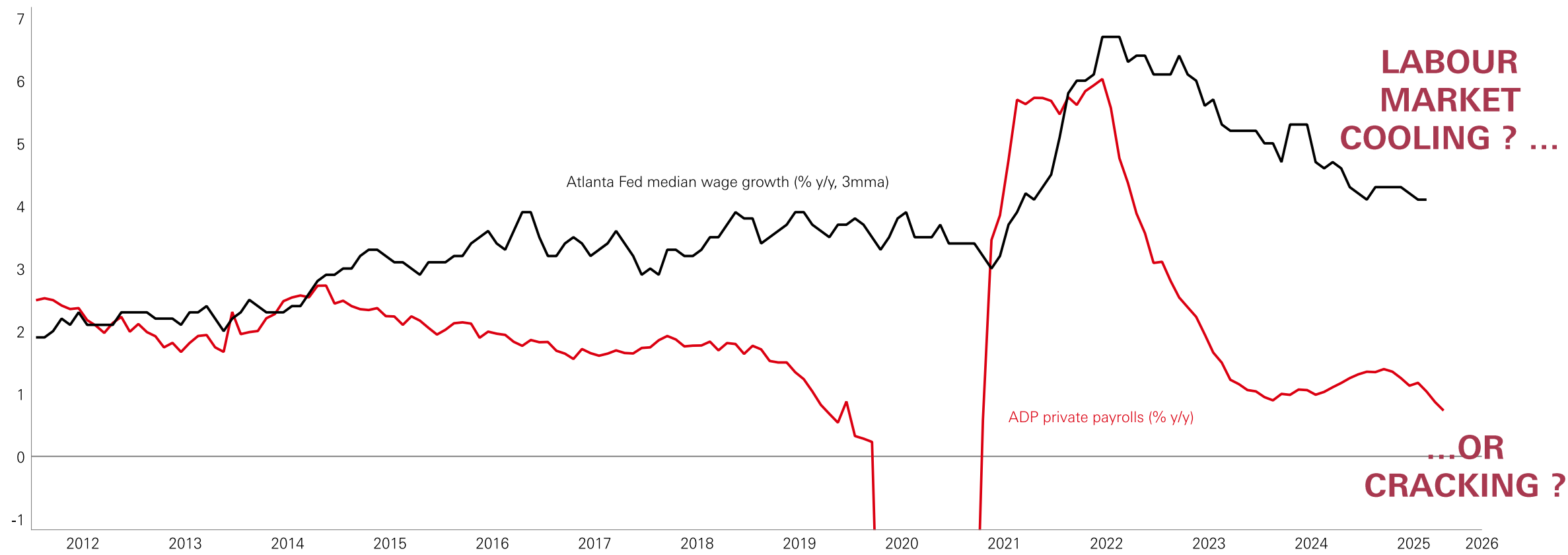
Could AI create “super exponential growth” ?

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
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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. The views expressed above were held at the time of preparation and are subject to change without notice. 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. Past performance does not predict future returns.

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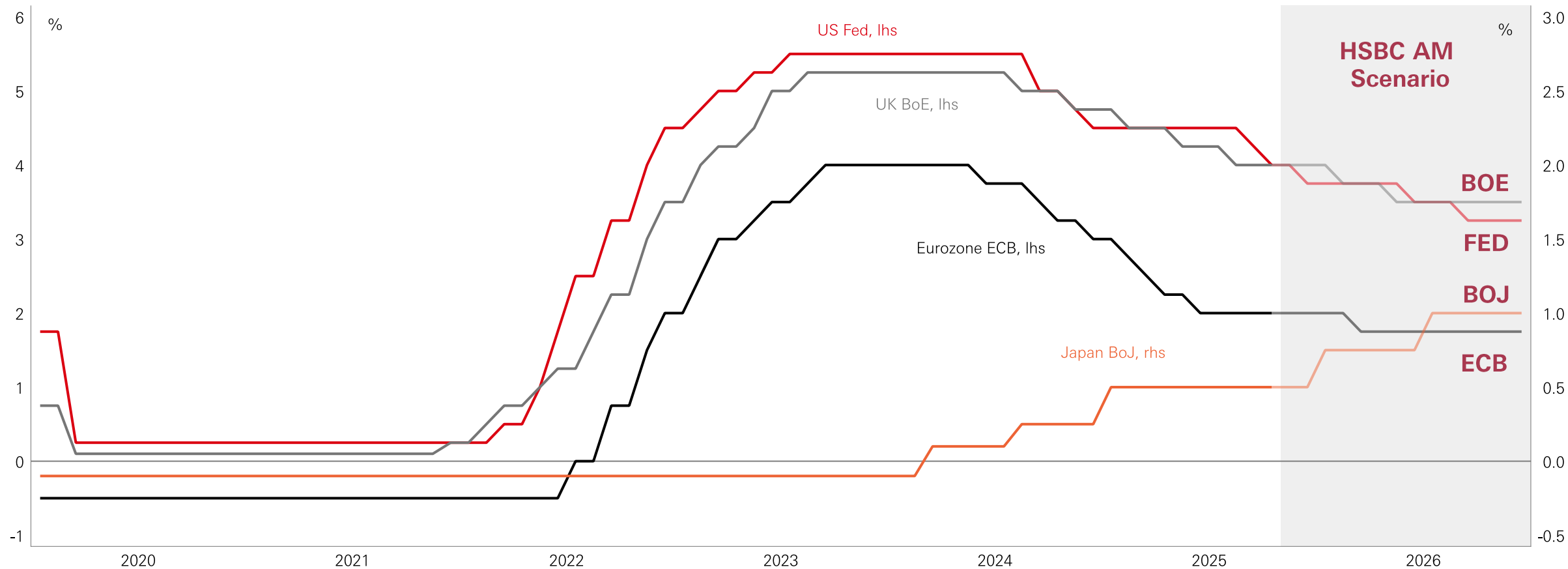


The information provided is for illustrative purpose only.

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

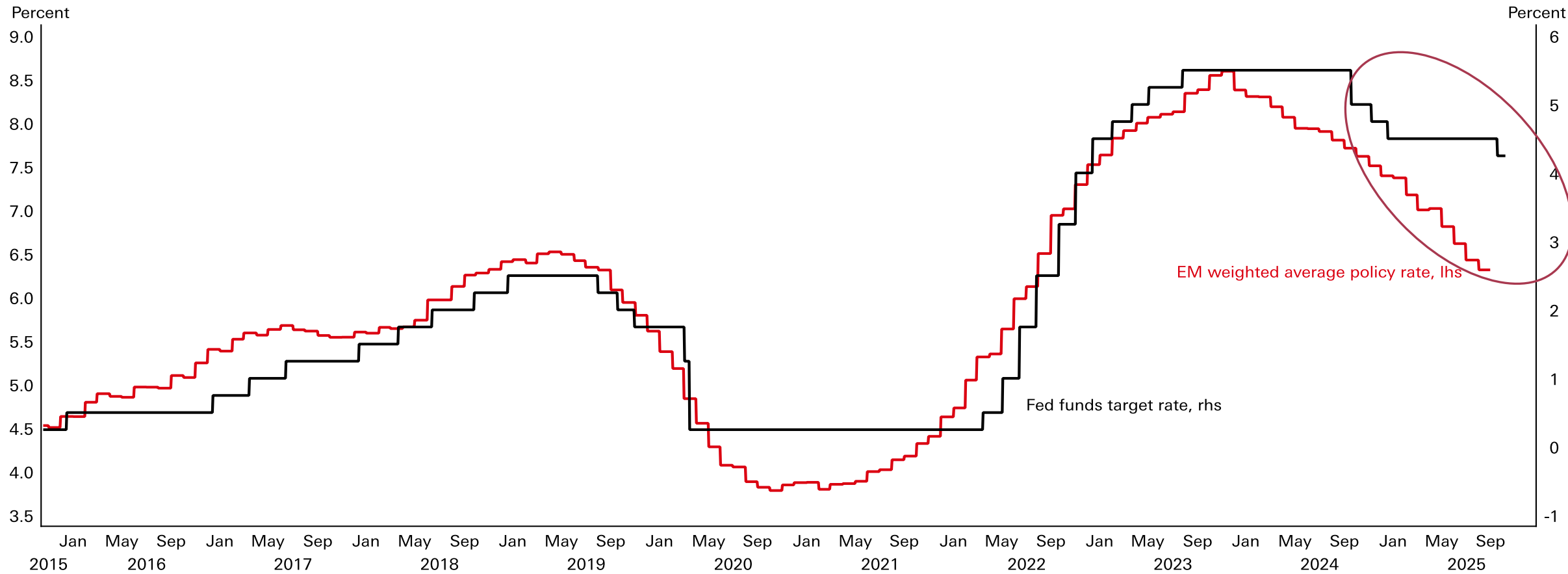
Central bank rates and forecasts



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

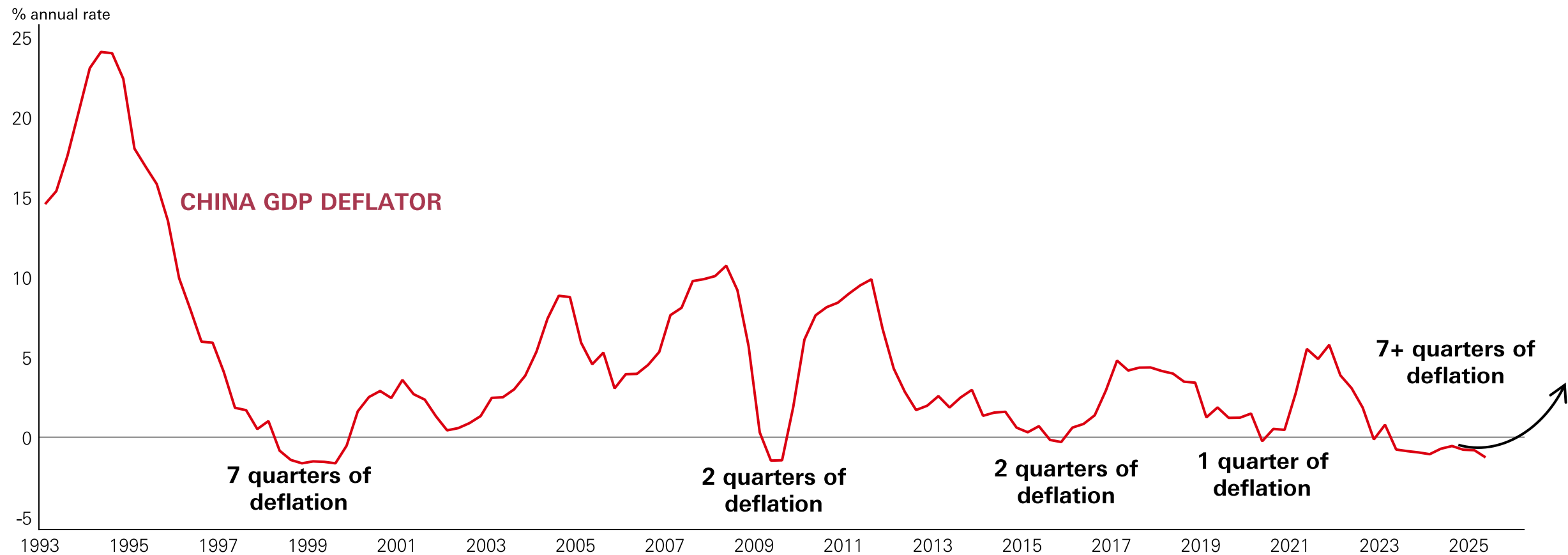
EM central banks have led the Fed in 2025

Average EM policy rate versus the Fed funds target rate



China deflation points to “policy put”

GDP deflator shows China’s reflation challenge continues...

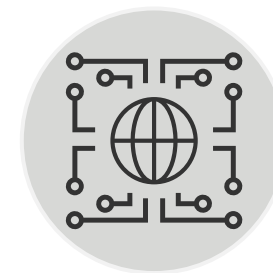


Source: Macrobond, HSBC Asset Management, November 2025.
The views expressed above were held at the time of preparation and are subject to change without notice. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Past performance does not predict future returns.

China's Five-Year Plan 2026-2030



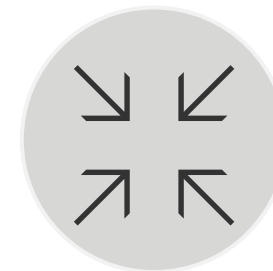
**Rebalancing towards
consumption**



**Tech innovation,
centred on AI**



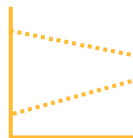
**Capital account & RMB
liberalisation**



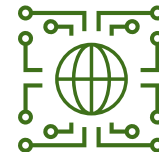
**Anti-involution to build a
“unified national market”**



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%**

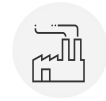


Monetary Policy

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

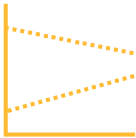
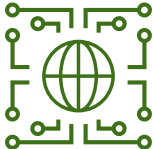


China

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

	 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

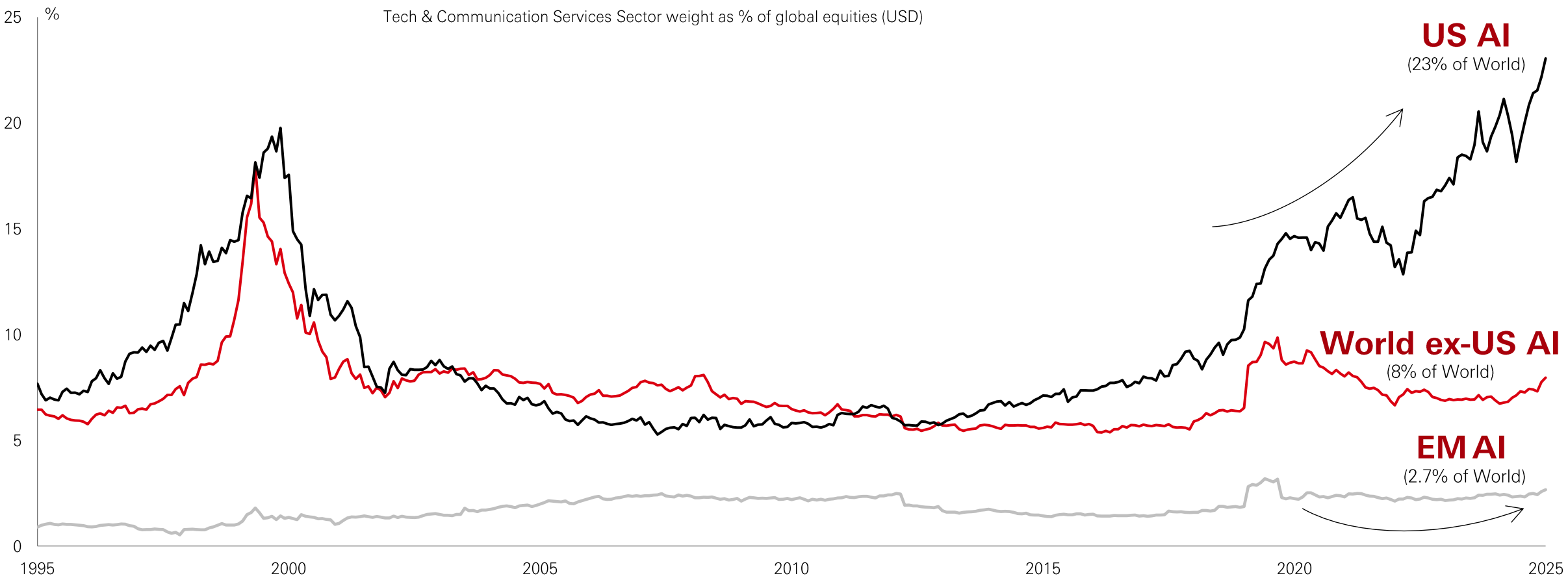
Source: HSBC Asset Management, November 2025.

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Broadening Out



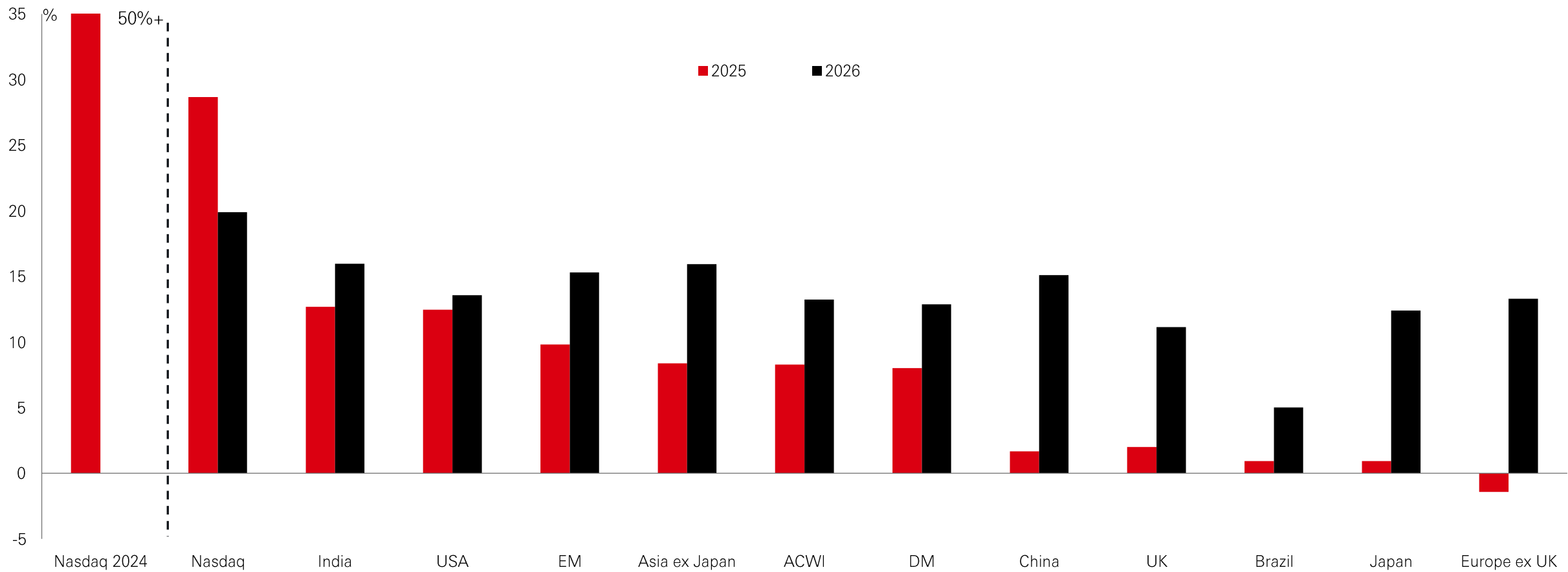
In 2000 Europe & US led the way, today it’s solely US. Will Asia be next?



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 EPS growth in 2025 and 2026 (IBES consensus forecast)



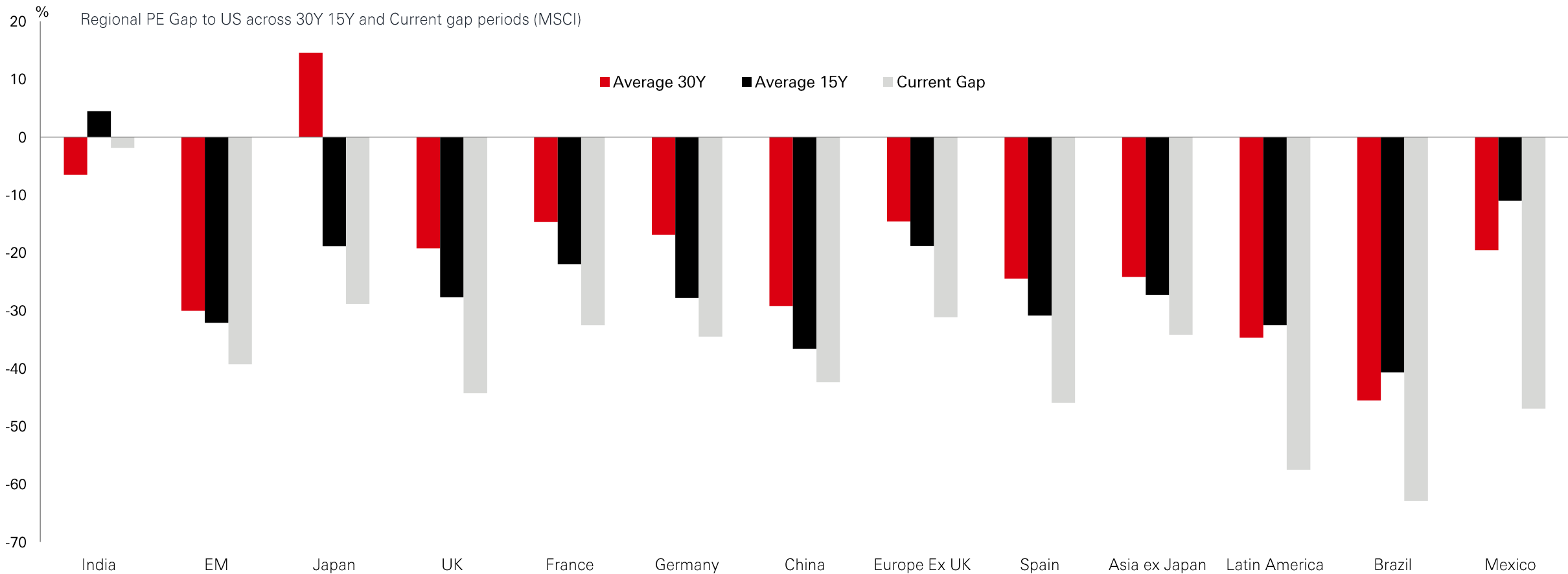
Past performance does not predict future returns.

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.

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Valuation gaps remain wide

Regional PE valuation gaps

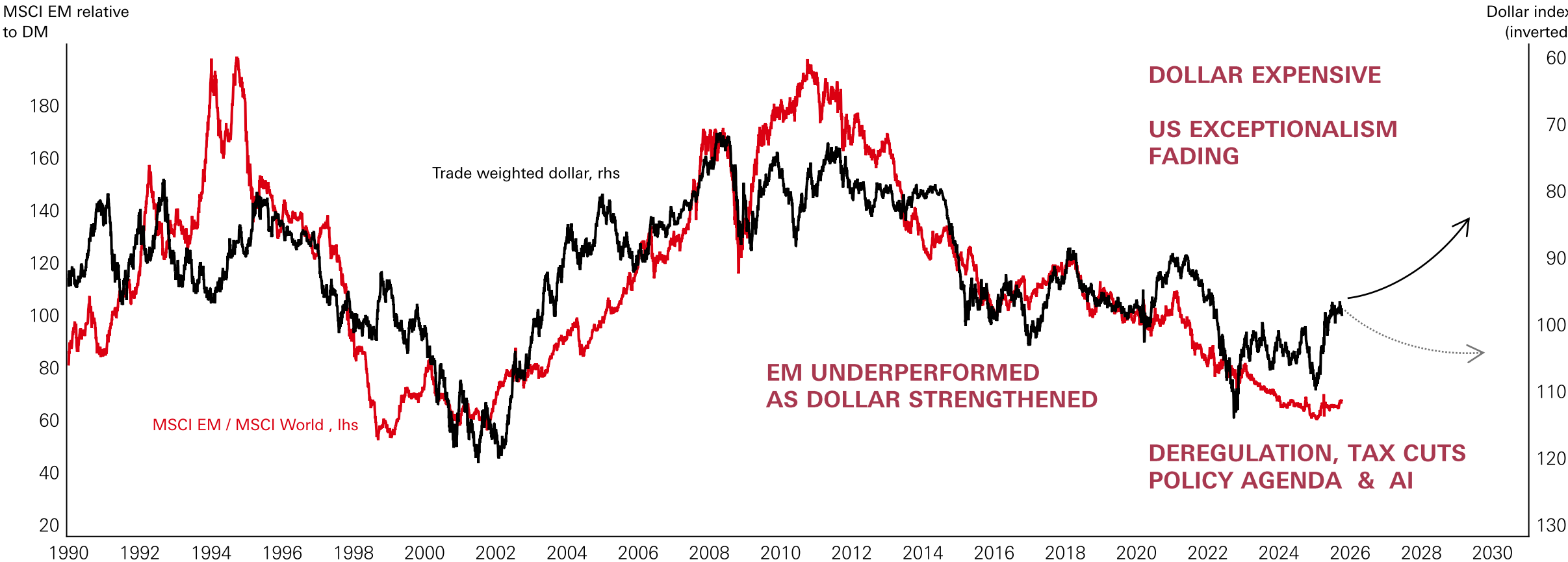


Past performance does not predict future returns.

Source: Refinitiv, Datastream, HSBC Asset Management, 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.

EM has been “lucky”, benefitting from weaker dollar

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

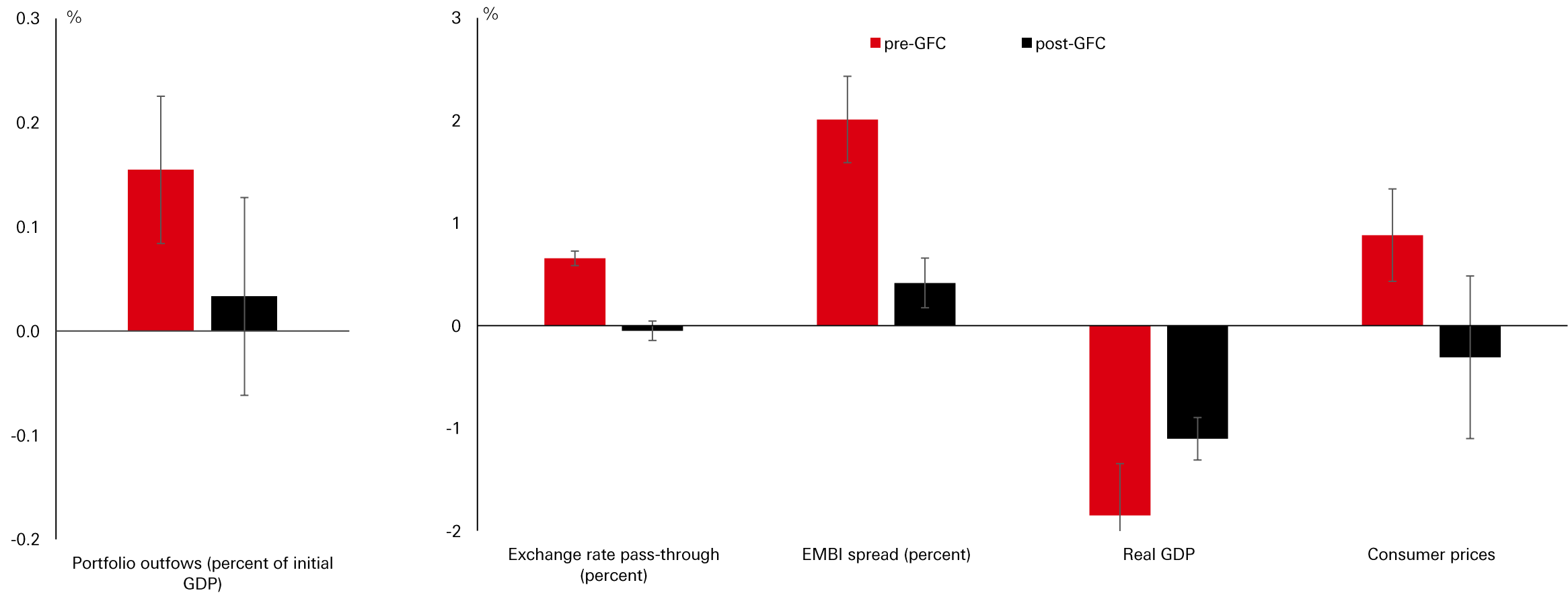


Past performance does not predict future returns.

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

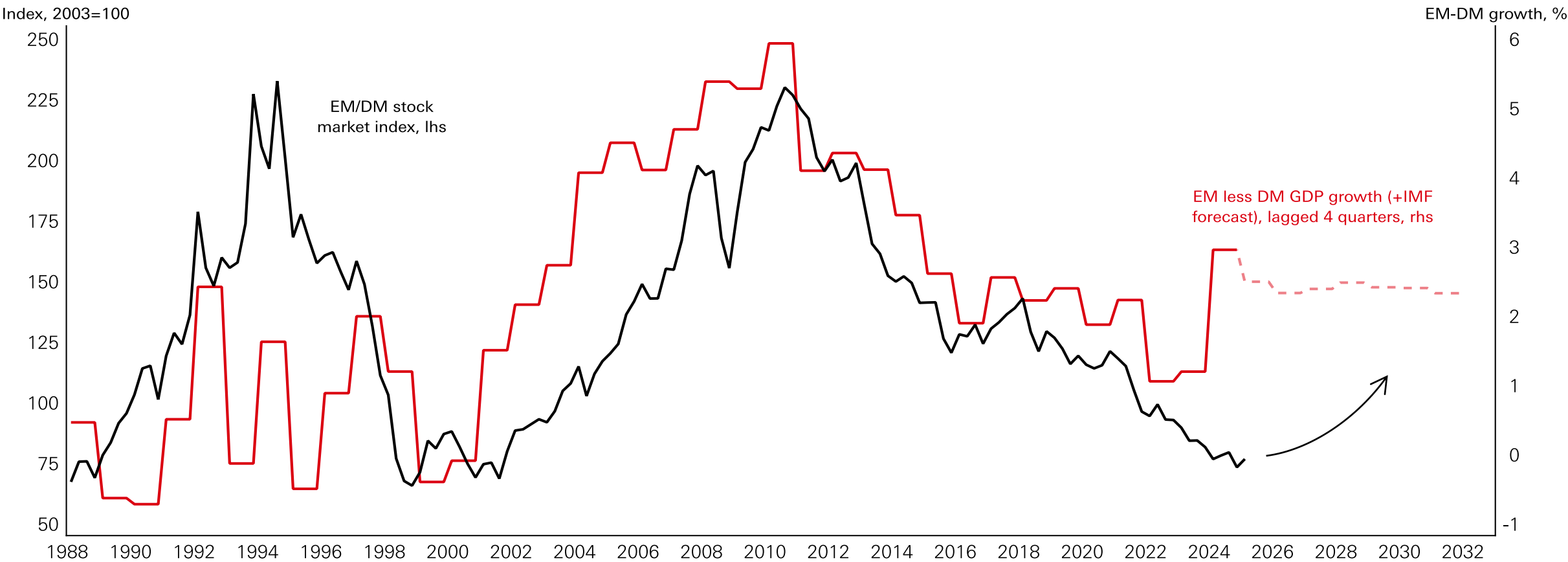
EM response to global risk-off shocks



Past performance is not a reliable indicator of future performance.

Source: IMF, HSBC Asset Management, October 2025

EM-DM relative growth and stock market performance

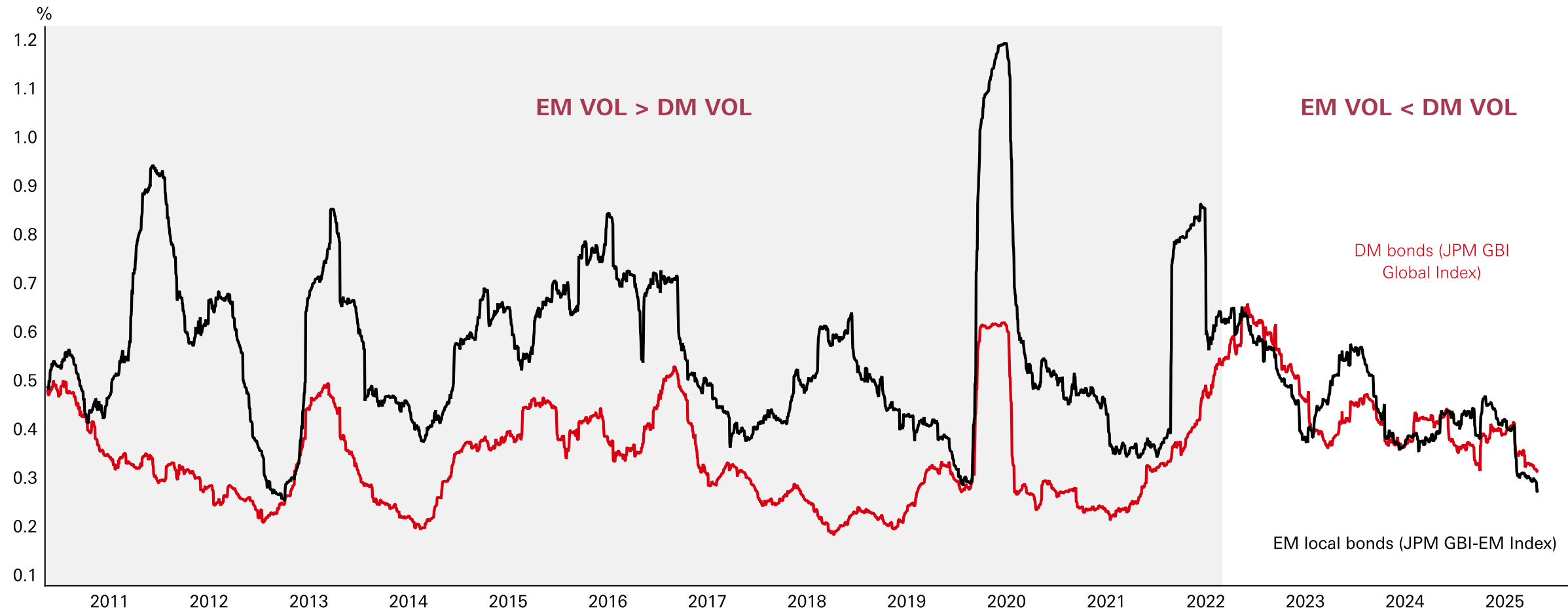


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Source: Refinitiv, MSCI, HSBC Asset Management, November 2025. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute 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.

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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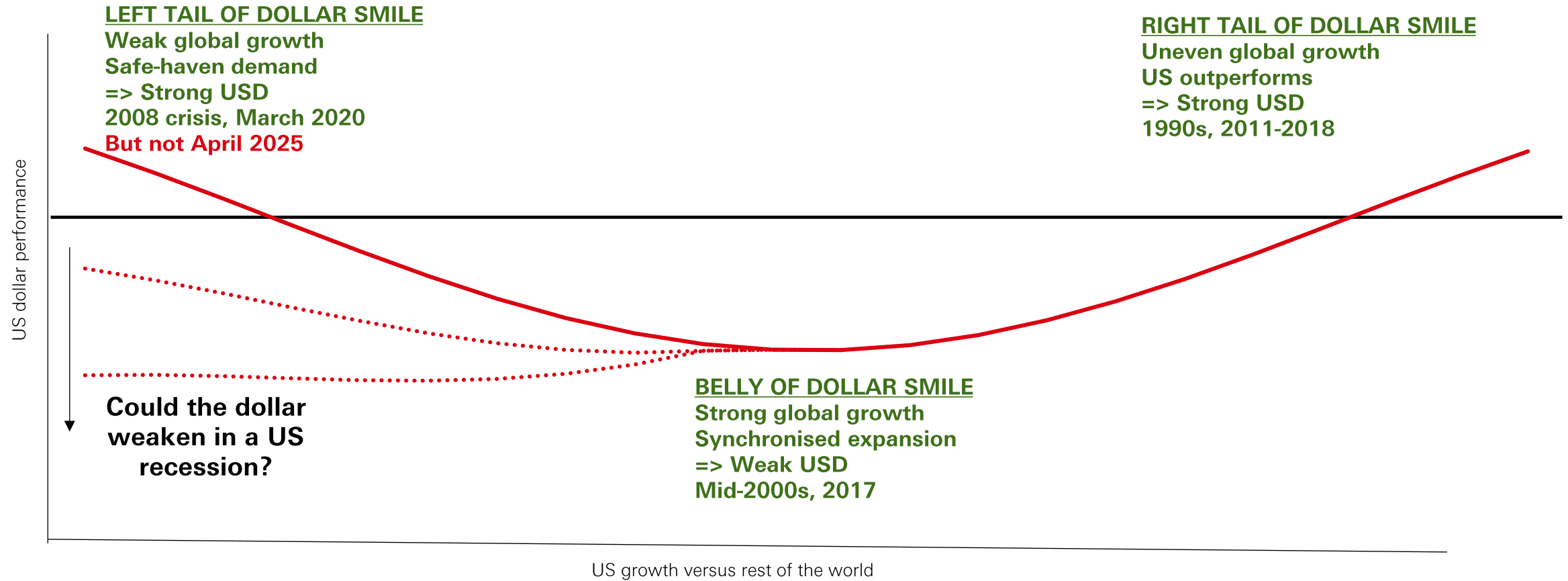
Diversify the Diversifiers



Where are the reliable safe havens?

26

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



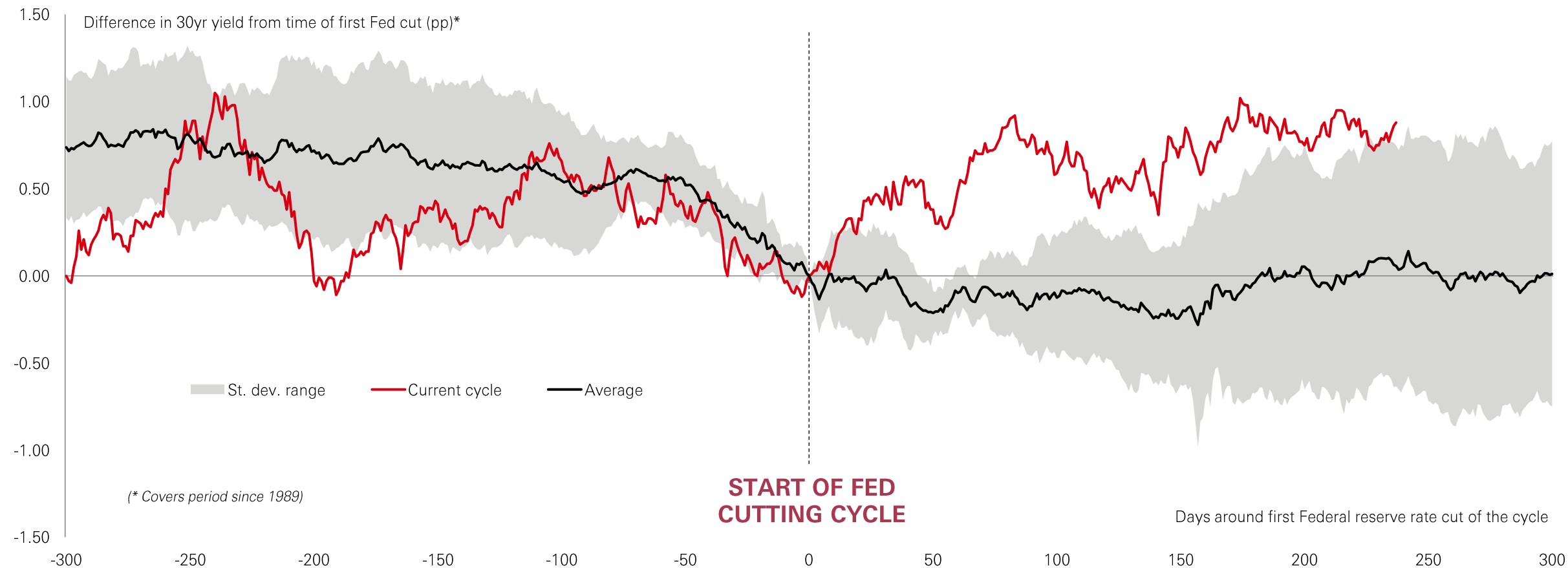
Source: HSBC Asset Management, November 2025.

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Long bond yields *usually* fall after rate cuts

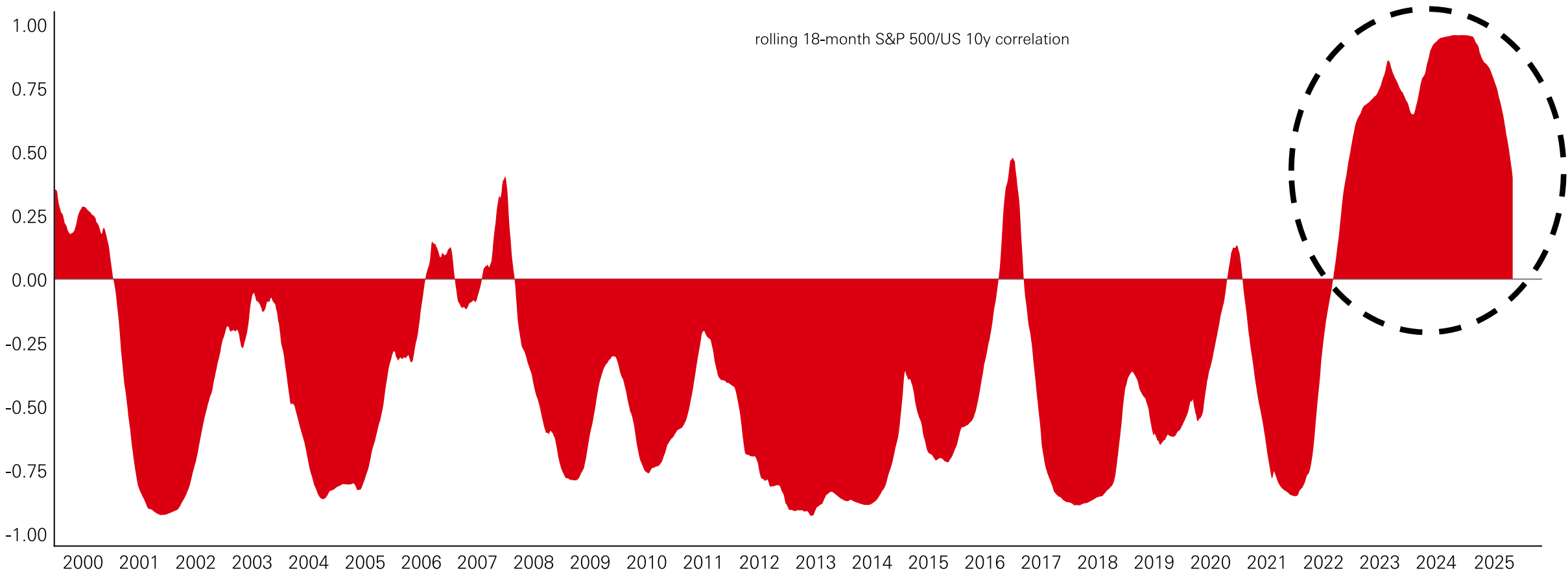
Difference in 30-year Treasury yield from time of first Fed cut



Source: HSBC Asset Management, October 2025.
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The stock bond correlation has gone positive

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



Past performance does not predict future returns.

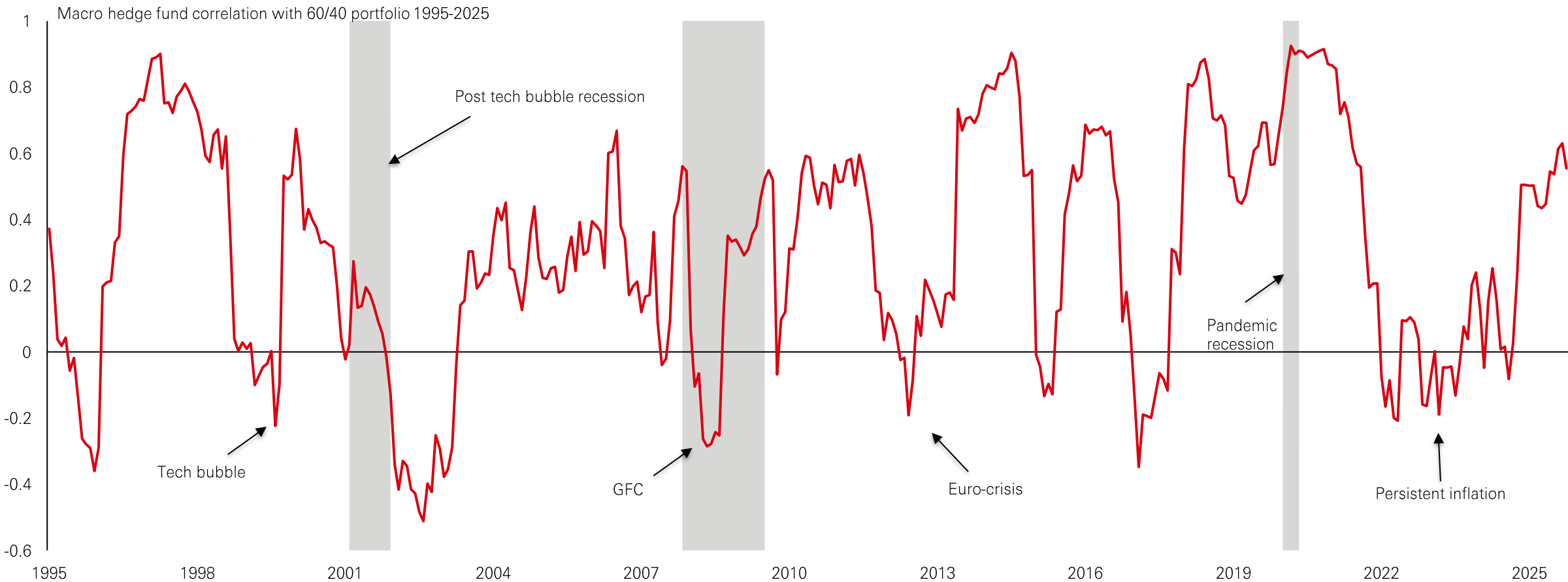
Source: Macrobond, Bloomberg, HSBC Asset Management, November 2025. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Asset Management. 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.

Credit spreads have been low

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



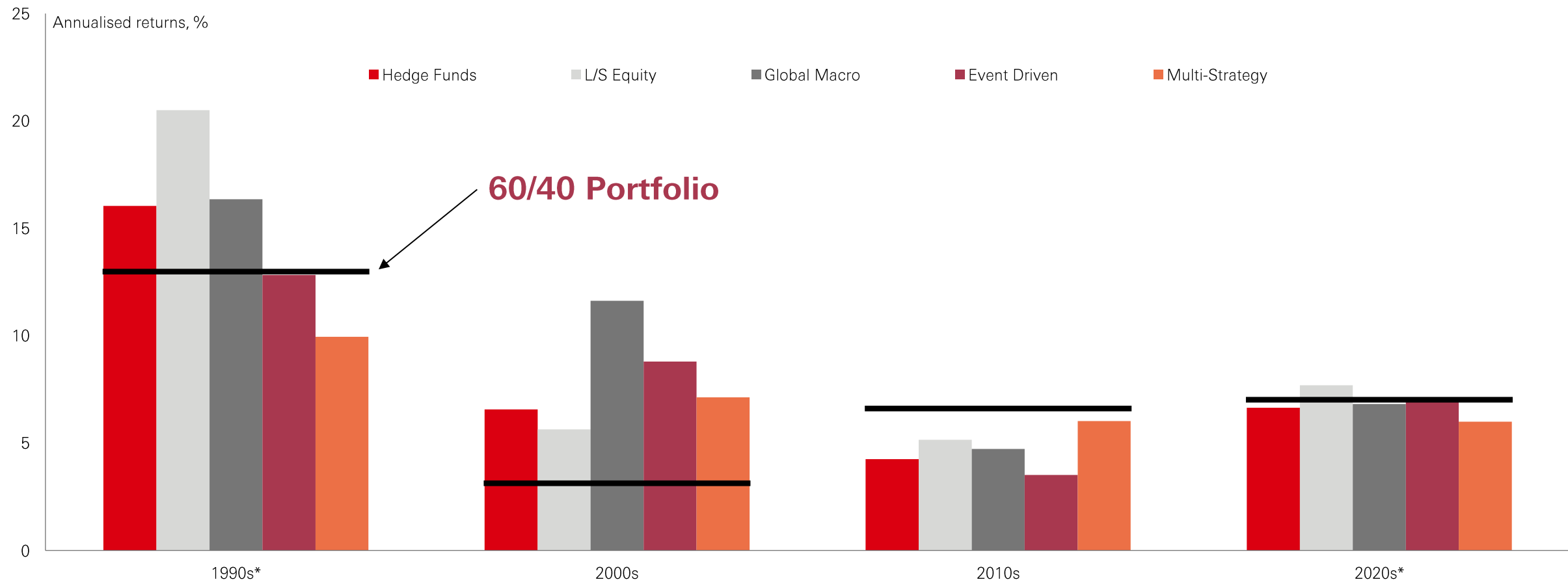
Hedge funds as a diversification option for investors



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.

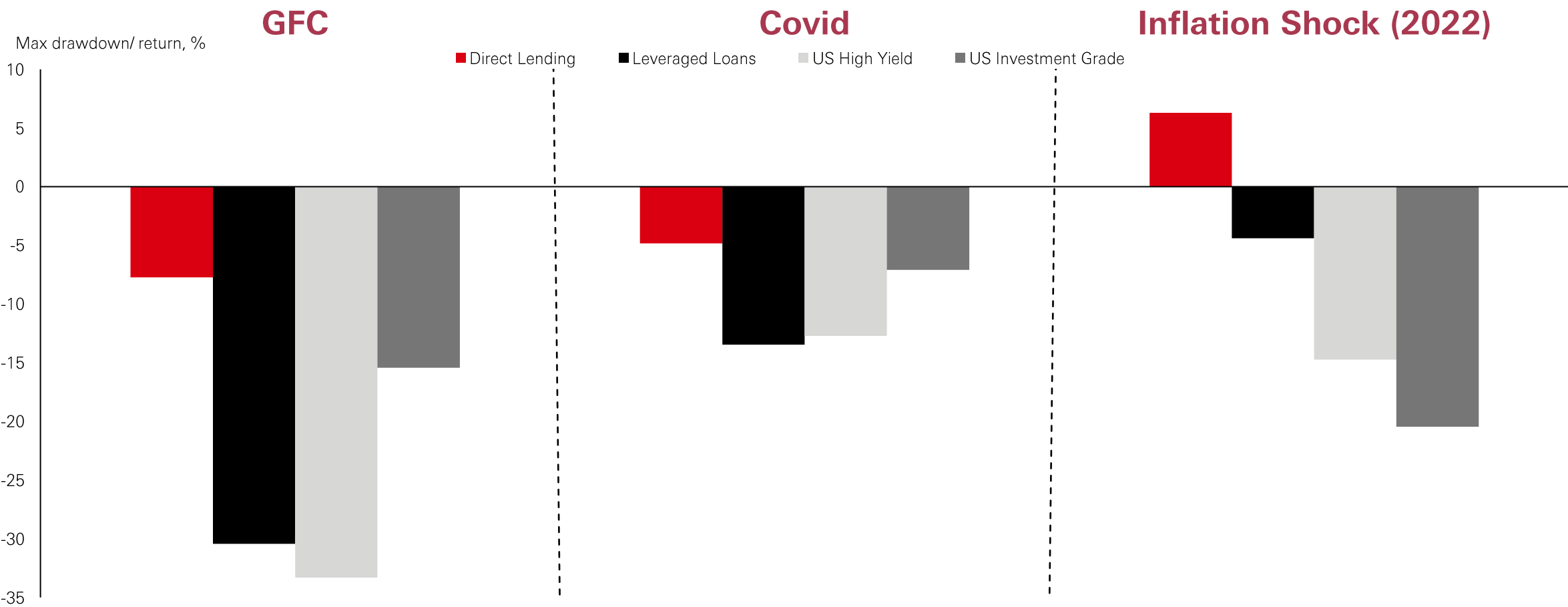
Hedge funds versus 60/40 portfolio¹



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.

Drawdowns on public vs private credit during major sell-offs

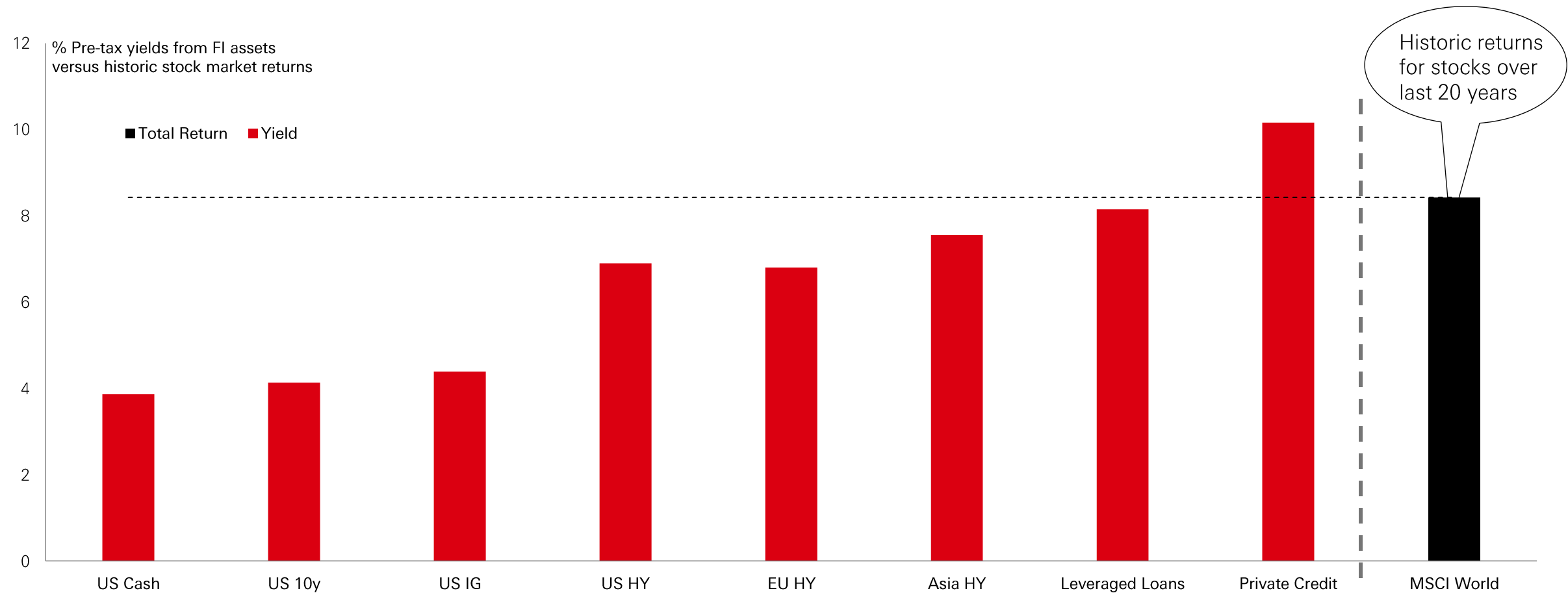


Source: HSBC Asset Management, Bloomberg, Cliffwater, November 2025.

The views expressed above were held at the time of preparation and are subject to change without notice. This information should not be considered as a recommendation to invest in the specific country mentioned. 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. The level of yield is not guaranteed and may rise or fall in the future.

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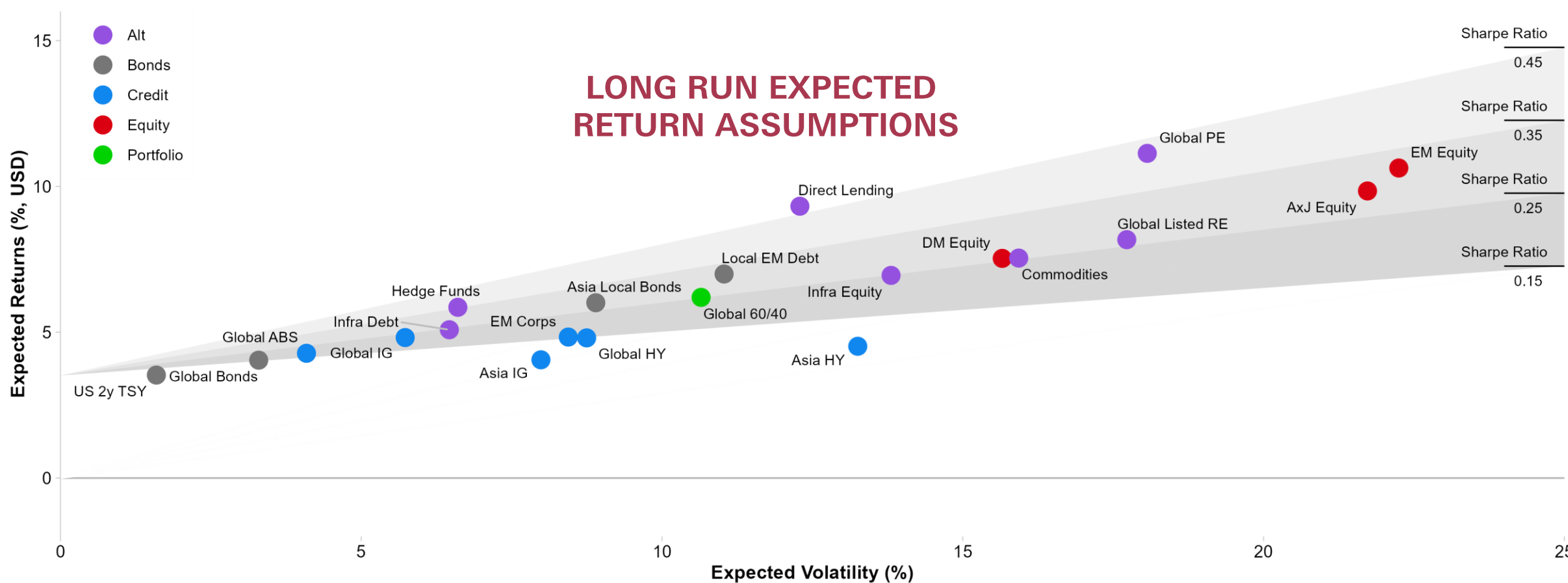
Asia credits and private credits stand out for “all in yields”



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.

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



Source: HSBC Asset Management as at November 2025. Past performance does not predict future returns. 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.

Appendix



House views summary

36

Macro Scenario		Government Bonds		Corporate Bonds		Equities		FX & Alternatives	
Macro Factor	House view	Asset Class	House view	Asset Class	House view	Asset Class	House view	Asset Class	House view
Growth	↔/▲	Global Bonds	↔	Global Investment Grade (IG)	↔/▲	Global Equity	↔/▲	US Dollar (DXY)	▼
Rates	↔	US 2yr	↔	USD IG	↔/▲	US	↔	EUR	▲
EM Factor	▲	US 10yr	↔	EUR IG	↔/▲	Eurozone	↔	GBP	↔/▲
		German 2yr	↔	GBP IG	↔/▲	Southern Europe	▲	JPY	▲
		German 10yr	▲	Asia IG	↔/▲	UK	↔	CNY	▲
Policy Rates	12m ahead	France/Germany	▼	Global High-Yield	▼	Japan	▲	EM FX	▲▲
US	3.00-3.50%	Italy/Germany	↔	US High-Yield	▼	GEM Equity	▲	Asia FX (ADXY)	▲
Eurozone	1.50-2.00%	UK 2yr	▲	Europe High-Yield	▼	Asia ex Japan	▲	Commodities	↔
UK	3.25-3.75%	UK 10yr	▲	Asia High-Yield	▲	Hong Kong	▲	Gold	▲
Japan	0.75-1.25%	Pan-Asia	▲	Other Credits	▲	China	▲	Oil	▼
China	1.20-1.40%	Japan	▼	EM hard currency	▲▲	India	▲	Copper	▲
India	5.00-5.50%	Global ILBs	↔/▲	Securitised Credit	▲	LatAm	↔	Alternatives	
		EM (local currency)	▲			Frontier	▲	Hedge Funds	▲▲
		China	▲			Equity Factors		Real Assets	▲▲
		India	▲▲			Small cap	▲	Private Credit (Direct Lending)	▲
		Indonesia	↔			Value	▲	Private Equity (Buy Out)	▲
		Mexico	▲			Growth	↔	Crypto Assets	▼▼
						Cyclicals	▼		
						Defensives	▲		
						Quality	▲		

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

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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

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

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

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

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Events to look out for in 2026



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