

# Investment Monthly

# Different Worlds

June 2026

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Marketing Communication.

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## Macro Outlook

- ◆ While there are **signs of progress towards reopening the Strait of Hormuz**, geopolitical risk remains elevated. With oil still around USD100/barrel and supply constraints for some other commodities, inflation pressures are likely to persist, acting as a headwind to growth
- ◆ **US activity is solid but imbalanced**. Booming AI investment and wealth effects are offsetting soft non-tech capex and weak household real income growth. Surveys suggest tepid **European growth could weaken further**
- ◆ Asia's **AI-led industrial upcycle faces energy constraints**, as well as intense import competition from China. China's growth remains **resilient**, supported by technology and exports, but continues to look **unbalanced**

## House View

- ◆ Markets and economists describe **different worlds**. The global economy faces a complex set of supply shocks, but markets have shaken off geopolitical worries, helped by **strong corporate profits**. The confusing macro landscape means **episodic volatility** is to be expected
- ◆ As spillovers from the AI capex boom become more apparent, strong profits performance should hold and **broaden beyond borders into non-tech sectors**. Emerging markets could be well-placed to benefit
- ◆ Investors should also **"diversify the diversifiers"**. Higher yields in bond markets mean that "diversified income" opportunities have improved across fixed income and defensive equity sectors

## Policy Outlook

- ◆ **Policy uncertainty remains high**. Central banks face difficult trade-offs between growth and inflation, pushing governments to make greater use of fiscal and industrial policy. But high government debt levels are a constraint
- ◆ Concern over persistent US inflation may **delay further Fed easing until 2027**. Comments by **ECB** policy makers point to a **near-term rate hike** while the **BoE** may be pushed into tightening if inflation expectations rise
- ◆ China's policy support remains focused on balancing short-term macro stability with longer-term structural priorities (innovation & tech self-reliance, energy security and economic rebalancing). In Asia, relative exposure to AI and the energy shock is driving a **varied pace and scale of policy support**

## Scenarios

<b>BROADENING OUT</b>	US growth more balanced. Positive AI spillover lifts non-US equities, particularly EM. Gradual dollar depreciation
<b>SHOCKWAVE</b>	Pronounced US downturn as households retrench. Rising risk aversion. US equity bear market, EMs decline
<b>BOOM BOOM</b>	US economy booms on surging AI and wealth impact. US stocks outperform, firmer dollar dampens EM returns

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Source: HSBC Asset Management as at June 2026.

Despite supply shocks and a complicated macro landscape, **markets are in a “different world”**, with the AI boom boosting profit growth. Profits should **broaden beyond borders** into non-tech sectors, with emerging markets potentially a major winner. Investors should “diversify the diversifiers”, with a focus on income in bonds and stocks

- ◆ **Equities** – Global indices have pushed higher, with strong profits growth driven by the AI boom and steady real rates. We expect “broadening out 2.0” driven by AI spillovers to upstream and downstream sectors
- ◆ **Government bonds** – Yields remain elevated amid inflation concerns, geopolitical risks, and policy rate uncertainty. But this has improved the income opportunities in fixed income, which could add ballast to portfolio returns
- ◆ **Corporate bonds** – Investment grade credit spreads remain tight amid robust fundamentals. High yield credit faces pressure from uneven US growth and geopolitics. We maintain a preference for higher quality

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
<b>Global</b>	↗▲	<b>Developed Market (DM)</b>	↔	<b>Global investment grade (IG)</b>	↗▲	<b>Gold</b>	▲	<b>Asia local bonds</b>	↗▲
US	↔	US 10-year	↗▲	USD IG	↗▲	<b>Other commodities</b>	▲	<b>RMB bonds</b>	↔
UK	↔	UK 10-year	▲	EUR & GBP IG	↔	<b>Real assets</b>	▲▲	<b>Asia ex-Japan equities</b>	▲
Eurozone	↔	German 10-year	▲	Asia IG	↗▲	<b>Hedge funds</b>	▲▲	China	▲
Japan	↗▲	Japan	▼	<b>Global high-yield</b>	↔	<b>Private credit (Direct lending)</b>	▲	India	▲
Emerging Markets (EM)	▲	Inflation-linked bonds	↔	US high-yield	↔	<b>Private equity (Buy out)</b>	▲	Hong Kong	▲
CEE & Latam	↗▲	<b>EM (local currency)</b>	▲	Europe high-yield	▼	<b>US dollar (broad index)</b>	▼	<b>Asia FX (ADXY)</b>	▲
Frontier	▲			Asia high-yield	↗▲	<b>Crypto assets</b>	▼▼		
				<b>Securitized credit</b>	▲				
				<b>EM hard currency (USD)</b>	▲				

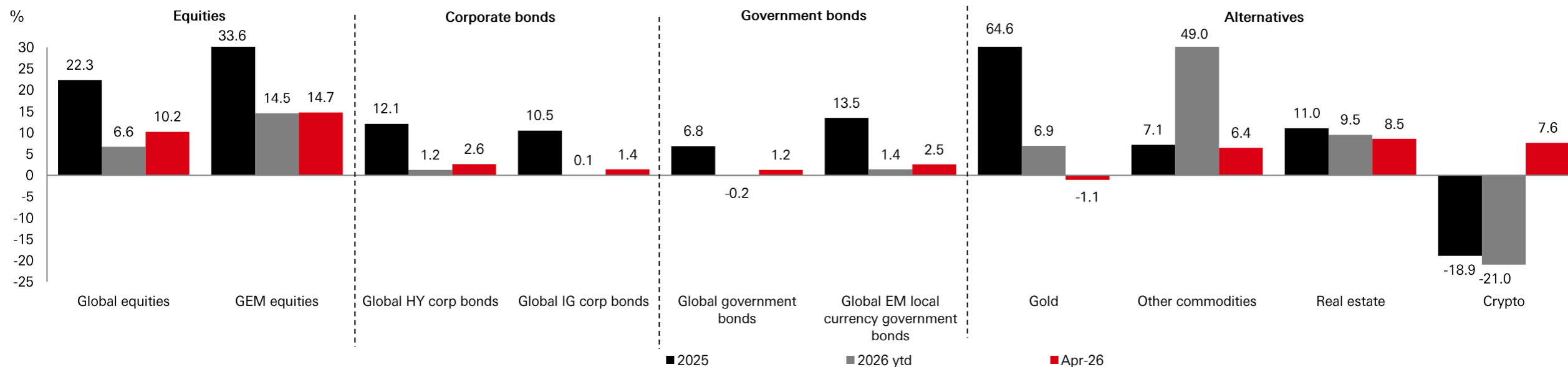
  

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The **AI boom and strong profits growth drove global stock markets in May** – although supply shocks and geopolitical headwinds caused volatility in places. In bond markets, longer-term yields climbed to multi-year highs on rising inflation and fiscal concerns. The US dollar index strengthened, while the gold price weakened

- ◆ **Government bonds** – Shorter-dated US bond yields rose as markets priced the possibility of modest Fed tightening on higher oil prices and solid growth data. US 10-year Treasury yields rose in response to inflation fears and fiscal concerns
- ◆ **Equities** – US stocks hit fresh highs on bumper profits and AI excitement – with spillover tech rallies in Taiwan and South Korea. European stocks were softer on profits divergence and inflation fears. China’s onshore ‘A’ shares were strong
- ◆ **Alternatives** – After a brief rally, gold lost ground in May on higher-for-longer policy rate expectations. Copper saw further strength, while infrastructure and real estate indices were steady. Brent oil hovered close to USD100



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	 <b>SHOCKWAVE</b>	 <b>BROADENING OUT</b>	 <b>BOOM BOOM</b>
 <b>Driving forces</b>	Supply side shocks collide with unbalanced growth	AI strength gradually broadens out, oil shock moderates	Surging AI investment and wealth effects create broader economic boom
 <b>Growth</b>	Sharp slowdown as households retrench and profits disappoint	US growth around 2.0%, becomes more balanced. Other DMs strengthen into 2027	US reaccelerates to around 3.0%. Animal spirits and AI boost global growth
 <b>Inflation</b>	Uncomfortably high inflation but recession destroys demand	US core rate around 2.5% but easing. Approaching target in many DMs/EMs	Strong, broad-based demand keeps US core inflation around 2.5-3.0%
 <b>Monetary Policy</b>	Initially more cautious Fed, but then big easing amid growth damage	Fed cuts to neutral (3.25-3.75%). Fiscal/industrial policy as drivers	Fed on hold/modest hikes but accommodates above-target inflation
 <b>China</b>	Geopolitics and trade tensions worsen the structural imbalance	Resilient but uneven growth; policy focus on tech/innovation and energy security	Growth pickup on AI/export strength and domestic demand recovery

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Source: HSBC Asset Management, June 2026.



## SHOCKWAVE



## BROADENING OUT



## BOOM BOOM



### Stocks

**Historic SPX bear market.**  
Cyclicals most vulnerable. VIX spike

**Broadening** out of market leadership amid  
AI spillovers. Episodic volatility

**US outperforms.** SPX 8000+.  
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**, but find support if Fed  
can cut and US yields fall

**EM bull market** on Asia tech exposure,  
strong growth, and low valuations

**EM gains on +ve risk appetite/Asia  
tech** but limited by USD performance



### USD

**USD** can gain initially, but  
undermined by eventual Fed cuts

**Gradual USD depreciation** amid  
relatively dovish Fed

**USD supported** by stronger US  
growth and absence of rate cuts



### Top bets

*High inflation:* USD, gold, hedge funds  
*Lower inflation:* USTs, CHF, JPY, quality  
IG, defensives, quality, momentum




Value, tech, small-caps.  
EM > Europe/Japan. IG > HY

US/EM > Europe/China. HY credits.  
Industrial metals. Crypto > gold

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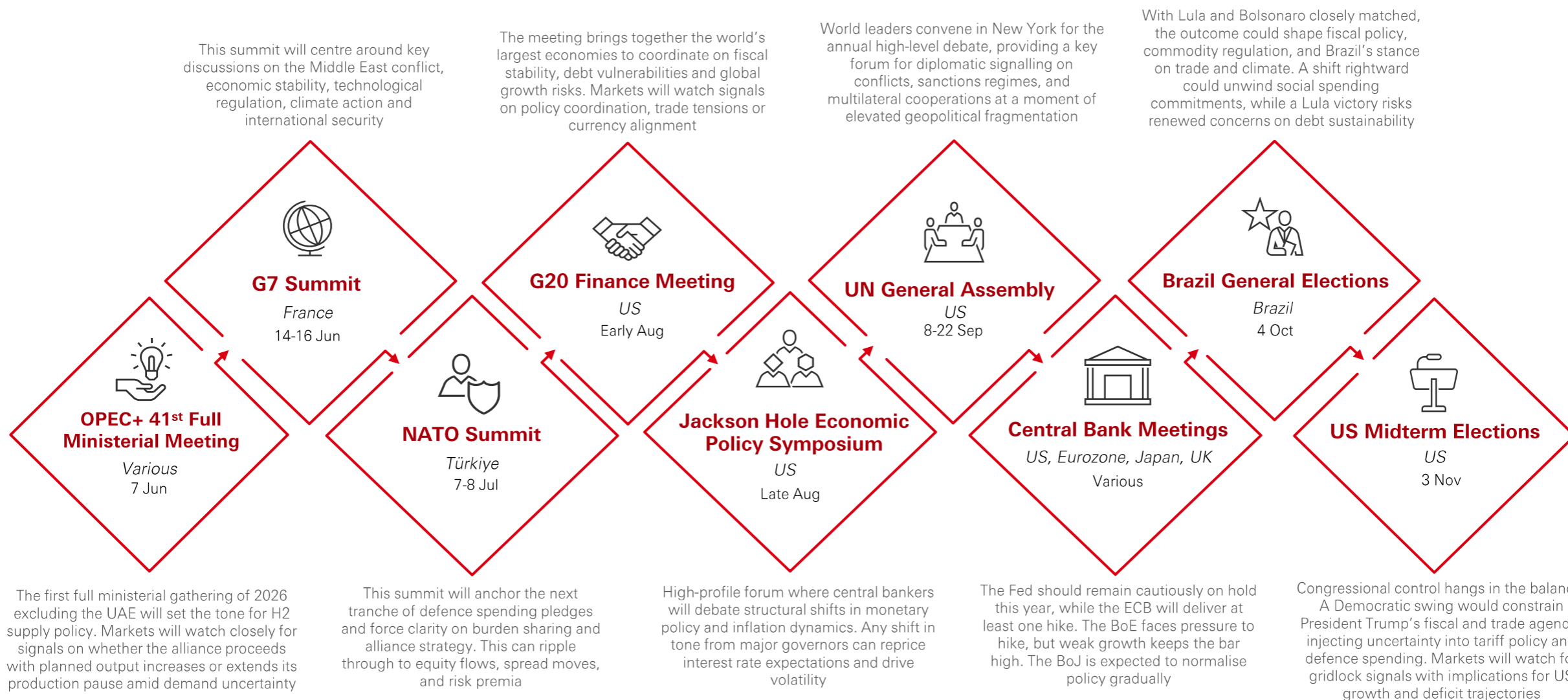
## Fed on hold FCB setting up a hike

		Consensus		Policy 	
		Growth (%) 	Inflation (%) 	12m ahead policy rate (HSBC AM)	2026 Fiscal impulse
		■ 2026 ■ 2027	■ 2026 ■ 2027		
<b>US</b>	The FOMC minutes showed resistance to an easing bias, suggesting policy is likely to remain unchanged for a sustained period. Q1 GDP growth was solid but “K-shaped”. AI-related investment surged but non-tech investment is lagging while resilient consumer spending relied on reduced savings	2.1 2.0	3.6 2.4	<b>3.25-3.75%</b>	<b>Neutral</b>
<b>Eurozone</b>	ECB hawk Schnabel supports an early rate hike, citing signs that the energy price shock is spilling over to broader inflation. While a June hike is priced in, softer growth and stable long-term inflation expectations should limit the need for further action later in the year	0.8 1.3	2.9 2.1	<b>2.00-2.50%</b>	<b>Neutral</b>
<b>UK</b>	The BoE left policy on hold, but Chief Economist Pill voted for a 25bp rate hike. Elevated oil prices and rising inflation expectations could prompt a “token” rate rise in 2026. Strong Q1 GDP was distorted by residual seasonality. Firmer consumer spending should be short-lived given a weak labour market	0.8 1.1	3.2 2.4	<b>3.75-4.25%</b>	<b>Drag</b>
<b>Japan</b>	The BoJ summary of opinions signalled increased concerns about “upside inflation risks”, suggesting a rate hike is likely in the coming months. Q1 GDP was solid, with broad based strength. Japanese PM Takaichi has proposed a Y3tn (~0.5% of GDP) supplementary budget to finance energy subsidies	0.6 0.8	2.0 2.0	<b>1.00-1.50%</b>	<b>Moderate boost</b>
<b>China</b>	China’s two-speed economy persists with AI/green-tech-led export and industrial strength versus tepid domestic demand and a drag from property. Higher commodity prices have driven reflation despite tepid demand. Policy support remains calibrated with the PBoC favouring liquidity and targeted credit tools	4.6 4.4	1.0 1.1	<b>1.30-1.50%</b>	<b>Moderate boost</b>
<b>India</b>	The RBI has signaled its intention to look through energy and weather supply-side inflation shocks amid growth risks and fiscal and current account pressures. But clear signs of the pass-through to core inflation could shift the bias towards tightening. The RBI has taken a multi-pronged approach to defend FX stability	6.4 6.8	4.9 4.5	<b>5.25-5.75%</b>	<b>Neutral</b>

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Source: HSBC Asset Management, consensus numbers from Bloomberg, June 2026.

# Events calendar 2026: six-month forward looking



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# Investment Views



# Asset class positioning

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

Key to views			
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↔	Neutral		

Asset class	House view	Comments
Equities	<b>Global</b>	↔▲ Global indices have pushed higher, with strong profits growth driven by the AI boom and steady real rates. We expect “broadening out 2.0” driven by AI spillovers to upstream and downstream sectors, potentially favouring emerging markets. However, a persistently elevated oil price and higher for longer rates could pose a risk to growth
	US	↔ The US market has been hitting new highs, supported by robust earnings growth from AI-related capex and the positive impact of higher oil prices on energy stocks. Mega-cap technology companies continue to have an outsized influence on market performance. Forward-looking concerns include stretched valuations and rising bond yields
	UK	↔ Recent returns have been broadly in line with the global average. The market has relatively low exposure to tech and the AI boom; however, earnings momentum has improved in sectors such as energy and materials. Political uncertainty and higher Gilt yields are risks. Ongoing take-private activity suggests unrealised value in the market
	Eurozone	↔ Markets face uncertainty over the impact of geopolitical tensions and the inflationary impact of the energy price shock, with rising energy costs a potential headwind to the benefits of greater fiscal spending. Profits growth expectations have moderated since the start of the year, but remain in double-digits. Geopolitical and trade uncertainties remain downside risks
	Japan	↔▲ Japanese equities compare favourably with DM peers, supported by re-rating potential on improving profit growth and spill-overs from AI investment. An expansionary fiscal stance has lifted sentiment, despite risks from energy supply disruptions and the impact of higher yields. Ongoing reforms should support medium-term profitability and shareholder returns
	Emerging Markets (EM)	▲ Idiosyncratic drivers have supported earnings upgrades across many EMs. Geopolitical tensions may raise volatility, but EMs are structurally more resilient. Favourable valuations and improving profit growth should underpin performance, with country-/sector-specific factors potentially playing a bigger role in asset allocation
	CEE & Latam	↔▲ Latam stocks are well-positioned in the current environment given their relatively high exposure to energy and commodity sectors and undemanding valuations. Politics and trade remain key medium-term downside risks. Central and Eastern European economies face mixed challenges complicated by global trade tensions and geopolitical developments
	Frontier Markets	▲ Frontier markets offer 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	<b>Developed Markets (DM)</b>	↔ A combination of geopolitical tensions, policy uncertainty, global growth concerns, and rising fiscal and inflation risks has resulted in government bond yields remaining elevated and yield curves steepening. Rising inflation pressures would be expected to lift longer-dated bond yields, although weaker growth could keep upward pressure on yields in check
	US 10-year	↔▲ Yields are expected to remain within the 4.20-4.60% range. Persistent inflation and fiscal sustainability concerns could put upward pressure on yields. Conversely, a real income squeeze could undermine consumer spending, profits, and confidence prompting renewed labour market concerns and putting downward pressure on yields
	UK 10-year	▲ Gilt yields have risen on expectations of Bank of England tightening, fiscal concerns, and political uncertainty. Near-term, oil prices, fiscal policy and the trajectory of 10-year Treasury yields, should keep Gilt yields within a relatively wide range. But rising UK growth concerns and easing inflation worries should lower yields by year-end
	German 10-year	▲ A combination of rising oil prices, increased issuance, and higher 10-year US Treasury yields has put upward pressure on Bund yields, which have increased to the highest level since 2011. However, we expect yields to trend lower this year amid growth headwinds and the ECB potentially hiking less than expected
	Japan	▼ Following a change in Japan’s political leadership, investors are adopting a cautious stance amid rising concerns over a more expansionary fiscal policy. This could herald a potential rise in the fiscal risk premium over the medium term. With modest bond risk premia, we remain underweight Japanese government bonds
	Inflation-linked bonds	↔ Linkers have priced the inflation/terms-of-trade impact of the energy shock faster than the potential hit to growth. If energy stays higher for longer, markets may need to reprice for weaker global growth. Global real yields are still attractive, supporting the asset class and offering protection against higher realised inflation
	<b>EM local currency</b>	▲ Several EM central banks have shifted to hiking mode recently. Indonesia and the Philippines have already hiked, while countries including India, Thailand, Poland, Czech Republic, and Türkiye could also see hikes. However, Latin America (Brazil, Mexico, Peru) and Hungary are still expected to cut. Overall, EM local yields are still expected to fall on average

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Asset class	House view	Comments
Corporate bonds	<b>Global investment grade (IG)</b>	↔▲ Investment grade credit spreads remain tight, despite geopolitical headwinds. Fundamentals are supportive, with the balance sheets of investment grade issuers remaining healthy. We maintain a defensive stance with a preference for higher quality credits
	USD IG	↔▲ US IG is supported by strong technicals and persistent yield demand. Spreads may tighten modestly, with higher all-in yields cushioning volatility as sell-offs tend to be bought. Heavy first-half supply looks manageable and should ease later in the year. However, valuations are near multi-decade tights and risk compensation is thin
	EUR and GBP IG	↔ Against a backdrop of elevated geopolitical uncertainty, we have a low conviction view. Fundamentals remain strong, but valuations are unattractive with spreads historically low. Technicals are still supportive, with strong yield demand persisting even at tight spreads. But an escalation of geopolitical tensions could cause spreads to widen sharply
	Asia IG	↔▲ Tight spreads leave limited room for further compression to offset rates and geopolitical risks. The relative resilience of Asia credits is aided by shorter duration, robust local funding markets, and lower external vulnerability as corporate fundamentals remain sound. Returns should be mainly carry-driven, with alpha from relative value and security selection
	<b>Global high-yield (HY)</b>	↔ Global high yield spreads remain at relatively tight levels. Growth and inflation risks linked to geopolitical tensions and policy uncertainty present potential headwinds, but robust corporate earnings could offset this. We stay quality-biased, favouring higher-quality HY
	US HY	↔ We have become more positive on US HY spreads and returns given US energy independence, continued AI infrastructure spending, and resilient US consumers. Near-term support also comes from tax refunds and improving job data. However, if AI capex spending slows meaningfully, or AI adoption causes larger job cuts, it could weaken HY sentiment
	Europe HY	▼ Current valuations are not compelling, with spreads still tight at a time when macro and monetary conditions are not especially supportive. Single-B looks expensive and remains most sensitive to growth downgrades and refinancing costs. We prefer financials where credit fundamentals are strong, but we are underweight cyclicals given the macro risk
	Asia HY	↔▲ Tight valuations provide a thin buffer against adverse effects from global geopolitical/ energy shocks, but the impact should be largely sector-specific. Corporate fundamentals remain solid, with positive rating trends in the commodity space. Selectivity with a quality focus offers alpha potential as idiosyncratic drivers can create dispersion and opportunities
	<b>Securitised credit</b>	▲ Spreads remain wider than average, so there is value in securitised credit versus other credit markets. Higher-for-longer rates can be supportive, particularly alongside elevated spreads. Spreads may tighten as the economic impact of the Middle East conflict wanes and as AI-related winners and losers become clearer
<b>EM hard currency (USD)</b>	▲ In EM sovereigns and corporates, spreads are expected to trade sideways from current levels. In Sovereigns, more rating outlooks are improving than deteriorating. The broad EM opportunity set enables selective positioning away from concentrated geopolitical hotspots, while staying ready to add risk where valuations compensate	
FX & Alternatives	<b>Gold</b>	▲ Despite its haven status, gold sold off recently after oil prices spiked, rate cuts were priced out, and the US dollar strengthened. Its price remains negatively correlated with the 10-year TIPS yield and oil. Continued central bank buying and ETF flows are supportive, but rising retail participation potentially drives higher volatility
	<b>Other commodities</b>	▲ Geopolitical tensions are a heightened risk factor, and the recent spike in oil prices caused by supply concerns is a key macro variable to watch. In copper, demand from AI and the energy transition, particularly in China, has driven prices to new highs. "Security of supply" and "real asset" themes could support further investor demand for commodities
	<b>Real assets</b>	▲▲ In Real Estate, investment activity is stabilising with investors increasingly seeing fair value and defensive appeal in the asset class. Capital value growth continues to be driven by rental income and income growth. Infrastructure is in demand as the backbone of long-term themes like AI data centres, energy transition, and transport networks
	<b>Hedge funds</b>	▲▲ Hedge funds can be good diversifiers in an environment of sticky inflation, more active fiscal policy, elevated macro uncertainty, and market phases where there are sharp upticks in volatility. They can perform in both rising and falling markets, with Macro and CTA strategies potentially attractive alternatives to bonds when stock-bond correlations are positive
	<b>Private credit (D/lending)</b>	▲ Private Credit fundamentals remain intact, and yields remain attractive, but ongoing geopolitical headwinds and evolving market sentiment around liquidity terms and redemptions in parts of the market could result in spillover effects across the broader Private Credit universe
	<b>Private equity (Buy out)</b>	▲ The outlook is cautiously optimistic: exit markets (for asset sales) have improved, supported by rate cuts, strong corporate earnings, resurging mergers and acquisitions, and a pick-up in new company listings (IPO) activity. However, geopolitical risks and tariff uncertainty remain key concerns
	<b>US dollar (broad index)</b>	▼ Near-term, geopolitical risk and safe-haven demand could keep the US dollar supported. The resilient US economy and favourable rate differentials also underpin it. Longer term, modest downside may re-emerge if the Middle East conflict de-escalates and rate expectations turn more dovish
	<b>Crypto</b>	▼▼ Crypto prices continue to be volatile, supporting the view that the asset class's high sensitivity to prevailing risk sentiment is a challenge to its potential role as a credible portfolio diversifier. While regulatory clarity and better tokenisation are positives, volatility and thin liquidity could deter institutional investors

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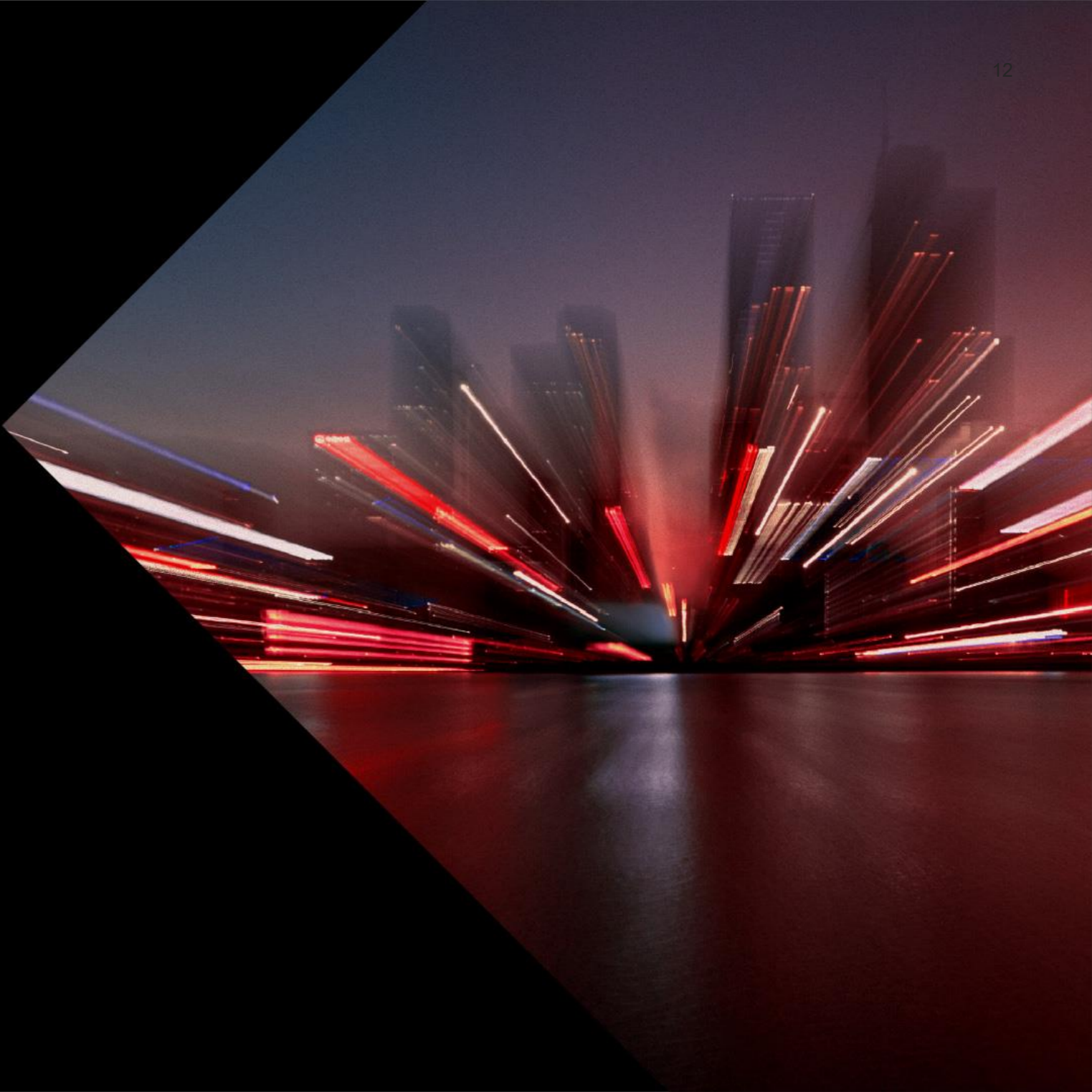
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Asset class	House view	Comments
Asian assets	<b>Asia local bonds</b>	↔▲ Fiscal policy has been Asia’s first line of defence against the energy shock. Monetary policy responses have had a near-term hawkish tilt, but have varied regionally driven by relative AI and energy exposures as well as real rate, fiscal, and external buffers, creating idiosyncratic market opportunities. Asian bonds offer good diversification benefits for global portfolios
	<b>RMB bonds</b>	↔ China is relatively shielded from the global energy shock given its robust energy security. Higher commodity prices are driving reflation despite soft demand. The downside impulse to yields from ample liquidity looks limited, and a sharp tightening is unlikely absent major fiscal stimulus or a rebound in domestic demand
	<b>Asia ex-Japan equities</b>	▲ The strong earnings outlook in Asian markets has been largely driven by the AI investment boom, but the region also offers broad sector exposure. Risks of supply chain disruption due to geopolitical tensions persist, but supportive macro policies and other long-term growth themes remain positives, and could continue to attract global fund inflows
	China equities	▲ Earnings momentum should pick up as AI/tech production localises, with calibrated policy measures supporting liquidity. While China’s diversified energy supply sources and limited overseas revenue exposure of onshore stocks should help cushion external shocks, a broader re-rating needs stronger non-tech earnings and a firmer local macro backdrop
	India equities	▲ The earnings outlook remains solid despite a potential domestic macro slowdown and uncertain AI impacts. Rupee concerns could remain a near-term market overhang, but valuations look more reasonable after a meaningful de-rating. Structural growth drivers, ongoing reforms, and improved trade prospects remain positive medium-term catalysts
	ASEAN equities	↔▲ Domestic idiosyncratic factors should widen divergence in earnings and fund flows across markets. Despite external uncertainty, structural drivers remain largely intact, supported by additional policy and reform efforts. Valuations are fair and offer alternative sector exposure versus regional peers
	Hong Kong equities	▲ A continued recovery in residential property, active capital markets, and a stable domestic macro backdrop should support earnings, despite uncertainty around the US rate outlook and lingering geopolitical risks. Relatively low price-to-book ratios and decent dividend yields versus regional peers are also supportive
	<b>Asia FX (ADXY)</b>	▲ Balance of payments flows, energy and policy buffers, and exposure to AI supply chains are driving near-term relative performance amid a volatile global backdrop and policy action to defend stability in places. Export competitiveness, currency internationalisation, fund diversification away from USD, and economic rebalancing are structural themes supporting CNY

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Source: HSBC Asset Management as at June 2026.

# On Top of Investors' Minds



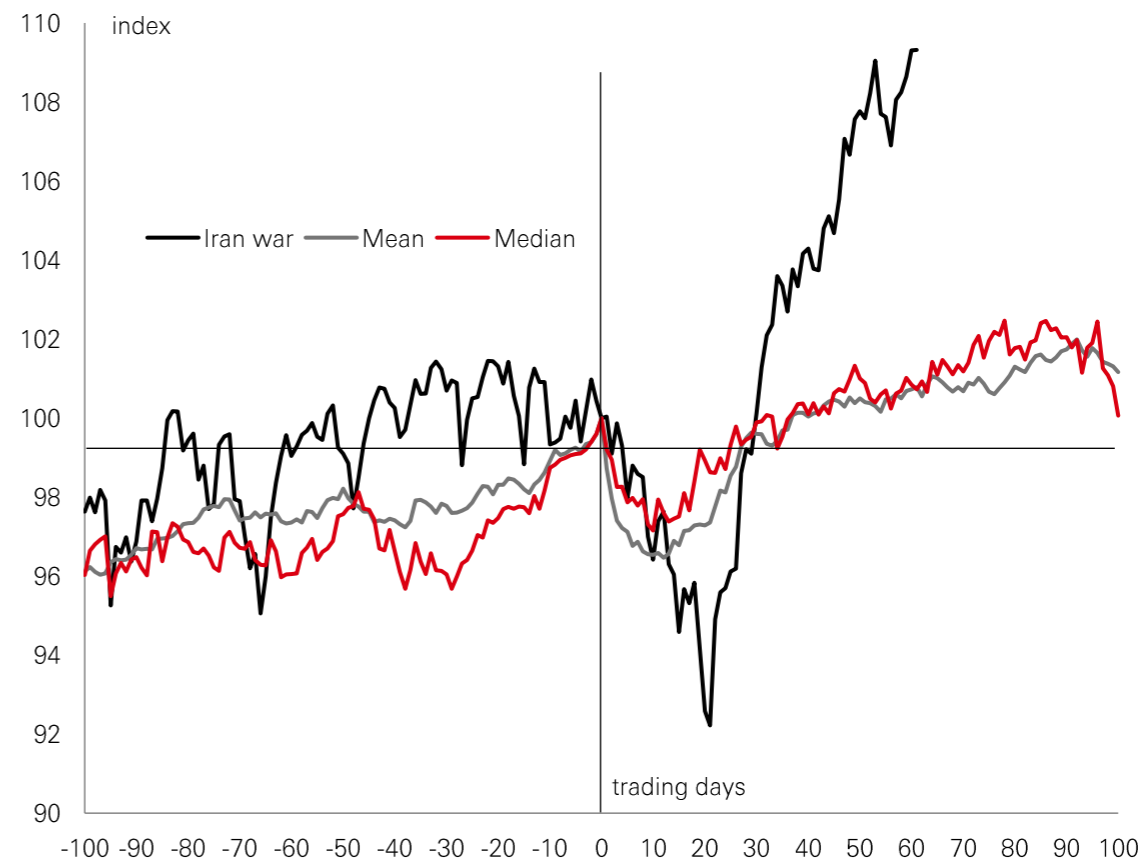
## Why are markets up despite big macro risks?

The global economy is facing a complex set of supply shocks that is pulling the macro system in confusing and sometimes contradictory directions. Meanwhile, markets have shaken off geopolitical worries impressively, helped by gangbusters profits growth in the US and North Asia. **Essentially, the economy and markets are living in "different worlds"**.

As the spillovers of the AI capex boom become more apparent, we think **strong profits performance can hold, and importantly should continue to broaden "beyond borders" into non-tech sectors**. Strong profits mean forward price/earnings ratios aren't yet a constraint. But trailing metrics look more stretched: the US price/book is above 5x, and above 8x for the NASDAQ. If profits wobble, valuations could quickly matter again for market direction.

Meanwhile, capex booms normally push up the cost of capital – but not in this cycle, so far. **Treasury yields remain within their last three-year range, and credit spreads are near multi-decade lows**. Bond yields will need to be monitored, and there are other constraints. AI compute costs have almost doubled. Energy prices have spiked. Crowding out can show up in different places. Nevertheless, a low volatility summer in markets is a reasonable assumption.

S&P 500 around geopolitical events since 1939



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Source: HSBC Asset Management as at June 2026.

## Are stock markets in a bubble?

US stocks are hitting new highs, but there are worries over narrow market leadership, runaway prices, and sky-high valuations in the tech sector. Is it a bubble? There are three factors to watch:

**#1. Momentum.** Tech companies have taken up a growing share of total US market value in recent years. And with semiconductor and other AI hardware stocks accelerating, recent price moves are starting to echo the dotcom bubble. Upcoming blockbuster tech IPOs are adding to the frenzy, and making momentum look frothy.

**#2. Valuations.** The long-term Shiller PE ratio looks high, especially in the context of previous supply shocks. Likewise, on trailing numbers, price-to-earnings and price-to-book valuations look full. But on forward earnings, valuations are still okay. And the equity risk premium isn't as bubbly as it was in the dotcom years.

**#3. Liquidity.** Former Fed Chair Alan Greenspan, warned of "irrational exuberance" in 1996, before playing a part in bursting the dotcom bubble by hiking rates in 1999 and 2000. With markets now beginning to price policy hikes, a tightening of liquidity could eventually weigh on performance.

For now, valuations generally look contained despite exuberance around profits – but careful stock selection is warranted in US tech. We remain neutral on the US market overall.

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Source: HSBC Asset Management as at June 2026.

### PHLX Semiconductor Sector Index



## Why have bond yields been rising, and does it pose a risk to stocks?

Global bond yields have risen over the past quarter, and investors are asking whether this spike is finally what kills the stock market? The answer is that it depends on whether the bond move is “good” or “bad”.

“Good” bond yield rises come from stronger growth. Think of the late 1990s tech boom. If the investment narrative assumes a productivity surge, or rapid profits growth, higher yields can still be a benign backdrop for stocks.

“Bad” yield rises come when there’s no growth to offset higher discount rates. 2022 is the classic example: inflation surged, real rates reset higher, and equities had to de-rate.

So, which is it now? The answer is: it’s not too bad. Since February, most of the move in bond yields has been at the short end, with a big shift in central bank policy expectations. At the long end, the term premium has edged higher. But while nominal yields are up, **inflation adjusted “real” yields remain low across the curve.** That’s good news for stocks, which are naturally inflation hedged, and sensitive to real rates. Meanwhile, profits growth stays gangbusters and expected growth is outpacing the rise in the discount rate – for now. It is worth keeping a close eye on bond yields... but right now, it’s a move stocks can live with.

US 10-year Treasury yield versus 12-month forward S&P earnings yield



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Source: HSBC Asset Management as at June 2026.

## How have EM performed this year so far?

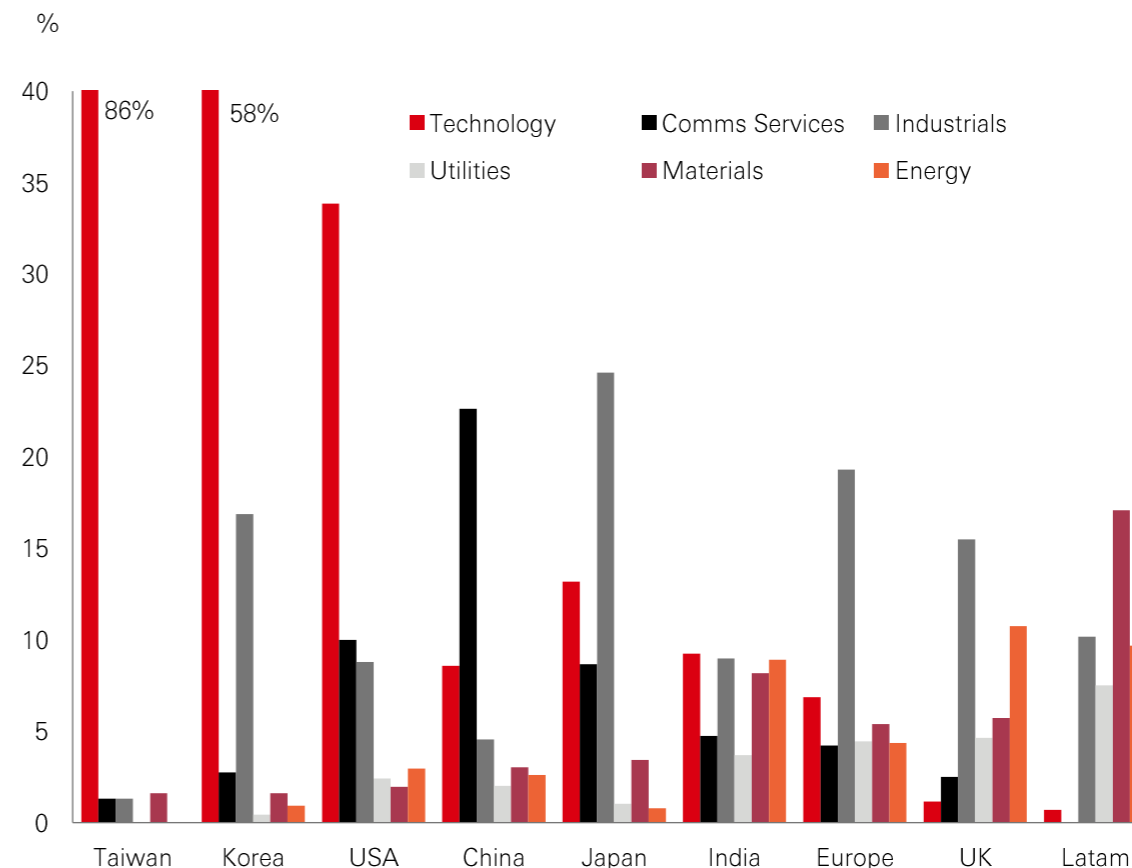
Emerging market assets have had a very strong year so far, quickly recovering after the initial outbreak of the Middle East conflict. EM stock/bond/FX resilience has been impressive versus stereotypes, and previous risk-off phases, including the 2022 Ukraine shock.

Several factors explain this. **Improved policy frameworks and policy credibility** has reduced the passthrough of the inflation shock. Many EMs still have high real-rate buffers to protect against higher inflation. Meanwhile, **bigger domestic investor bases** mitigate big outflows, and EM assets were **still cheap and unloved at the start of Iran crisis**.

**North Asia is hugely benefiting from the AI megatrend given the big index weights to tech**, and is reflected in stellar profits performance, while Latin America wins from the materials boom. These different drivers imply portfolio diversification, alongside cheaper valuations and the potential for a weaker dollar.

China and India have been struggling, with China still experiencing weak domestic demand - even though exports are booming - and India is facing challenges from less attractive valuations. Nonetheless, the longer-term story remains positive in both markets, with India GDP growth still world beating, and China transitioning to an advanced tech and manufacturing powerhouse.

Sector weights



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Source: HSBC Asset Management as at June 2026.

# Market Data



## May 2026

EQUITY INDICES	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
<b>World</b>								
MSCI AC World Index (USD)	1,077	10.0	3.1	29.2	6.2	1,079	832	18.4
<b>North America</b>								
US Dow Jones Industrial Average	49,652	7.1	1.6	22.1	3.3	50,513	40,706	21.6
US S&P 500 Index	7,209	10.4	3.9	29.4	5.3	7,220	5,579	21.7
US NASDAQ Composite Index	24,892	15.3	6.1	42.7	7.1	24,936	17,503	27.7
Canada S&P/TSX Composite Index	33,964	3.7	6.4	36.7	7.1	34,544	24,750	16.4
<b>Europe</b>								
MSCI AC Europe (USD)	721	6.6	-1.4	19.5	3.1	756	598	15.0
Euro STOXX 50 Index	5,882	5.6	-1.1	14.0	1.6	6,200	5,155	15.6
UK FTSE 100 Index	10,379	2.0	1.5	22.2	4.5	10,935	8,468	13.1
Germany DAX Index*	24,292	7.1	-1.0	8.0	-0.8	25,508	21,864	15.8
France CAC-40 Index	8,115	3.8	-0.1	6.9	-0.4	8,642	7,505	15.1
Spain IBEX 35 Index	17,781	4.3	-0.6	33.8	2.7	18,574	13,316	13.8
Italy FTSE MIB	48,246	8.9	6.0	28.3	7.3	48,958	37,902	13.1
<b>Asia Pacific</b>								
MSCI AC Asia Pacific ex Japan (USD)	822	15.0	5.4	41.5	13.8	840	579	13.4
Japan Nikkei-225 Stock Average	59,285	16.1	11.2	64.5	17.8	60,904	36,040	23.7
Australian Stock Exchange 200	8,666	2.2	-2.3	6.6	-0.6	9,201	8,110	17.3
Hong Kong Hang Seng Index	25,777	4.0	-5.9	16.5	0.6	28,056	22,058	11.5
Shanghai Stock Exchange Composite Index	4,112	5.7	-0.1	25.4	3.6	4,197	3,287	14.4
Hang Seng China Enterprises Index	8,682	3.7	-6.8	7.5	-2.6	9,770	8,059	10.5
Taiwan TAIEX Index	38,927	22.7	21.4	92.4	34.4	40,195	20,321	19.7
Korea KOSPI Index	6,599	30.6	26.3	158.1	56.6	6,750	2,541	8.3
India SENSEX 30 Index	76,914	6.9	-6.5	-4.1	-9.7	86,159	71,546	19.2
Indonesia Jakarta Stock Price Index	6,957	-1.3	-16.5	2.8	-19.5	9,174	6,745	11.0
Malaysia Kuala Lumpur Composite Index	1,722	1.9	-1.1	11.8	2.5	1,771	1,489	15.0
Philippines Stock Exchange PSE Index	5,834	-1.9	-7.8	-8.2	-3.6	6,674	5,584	8.8
Singapore FTSE Straits Times Index	4,913	0.6	0.2	28.2	5.7	5,041	3,831	15.1
Thailand SET Index	1,494	3.1	12.7	24.8	18.6	1,545	1,054	15.4
<b>Latam</b>								
Argentina Merval Index	2,832,851	-5.5	-11.5	34.8	-7.2	3,296,502	1,635,451	9.6
Brazil Bovespa Index*	187,318	-0.1	3.3	38.7	16.3	199,355	131,550	9.2
Chile IPSA Index	10,908	2.5	-4.5	35.7	4.1	11,721	7,944	13.6
Colombia COLCAP Index	2,178	-4.7	-12.0	33.1	5.3	2,562	1,609	9.1
Mexico S&P/BMV IPC Index	67,858	-1.1	0.4	20.6	5.5	72,111	55,288	13.2
<b>EEMEA</b>								
Saudi Arabia Tadawul All Share Index	11,188	-0.6	-1.7	-4.1	6.6	11,782	10,194	15.0
South Africa JSE Index	115,181	1.0	-4.1	25.8	-0.6	129,339	90,890	9.6
Turkey index	14,335.5	12.9	4.4	59.1	28.2	14,622.0	8,965.0	4.7

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 2026. (\*) Indices expressed as total returns. All others are price returns.

# Market Data (continued)

## May 2026

<b>EQUITY INDICES - TOTAL RETURN</b>	<b>3-month Change (%)</b>	<b>YTD Change (%)</b>	<b>1-year Change (%)</b>	<b>3-year Change (%)</b>	<b>5-year Change (%)</b>	<b>Dividend Yield (%)</b>
Global equities	3.6	6.6	31.0	72.1	66.1	1.6
US equities	4.1	5.4	30.3	78.9	77.8	1.1
Europe equities	-0.4	4.1	22.2	49.4	56.1	3.0
Asia Pacific ex Japan equities	5.9	14.3	44.2	71.2	32.9	2.1
Japan equities	3.8	10.6	30.6	68.6	52.3	1.9
Latam equities	2.5	18.2	51.8	67.5	82.2	4.9
Emerging Markets equities	5.2	14.5	46.7	75.7	34.2	2.1

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.

<b>BONDS</b>	<b>Close</b>	<b>End of last month</b>	<b>3-months Ago</b>	<b>1-year Ago</b>	<b>Year End 2025</b>
<b>US Treasury yields (%)</b>					
3-Month	3.66	3.67	3.65	4.29	3.63
2-Year	3.87	3.79	3.52	3.60	3.47
5-Year	4.01	3.94	3.79	3.73	3.73
10-Year	4.37	4.32	4.24	4.16	4.17
30-Year	4.97	4.91	4.87	4.68	4.84
<b>Developed market 10-year bond yields (%)</b>					
Japan	2.52	2.35	2.24	1.31	2.06
UK	5.01	4.91	4.52	4.44	4.48
Germany	3.04	3.00	2.84	2.44	2.85
France	3.69	3.72	3.43	3.17	3.56
Italy	3.86	3.91	3.46	3.56	3.55
Spain	3.50	3.50	3.21	3.11	3.29

<b>BOND INDICES - TOTAL RETURN</b>	<b>Close</b>	<b>MTD Change (%)</b>	<b>3-month Change (%)</b>	<b>1-year Change (%)</b>	<b>YTD Change (%)</b>
BarCap GlobalAgg (Hedged in USD)	609	0.3	-0.1	2.8	0.1
JPM EMBI Global	1032	2.5	0.8	12.5	1.4
BarCap US Corporate Index (USD)	3,542	0.5	-0.3	5.3	-0.1
BarCap Euro Corporate Index (Eur)	266	0.9	-0.8	2.0	-0.1
BarCap Global High Yield (USD)	699	2.2	0.6	10.2	1.4
BarCap US High Yield (USD)	2949	1.7	0.7	8.8	1.2
BarCap pan-European High Yield (USD)	648	2.0	0.0	6.9	0.9
BarCap EM Debt Hard Currency	498	2.3	0.0	9.2	0.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	244	0.7	0.2	5.8	0.6
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	289	2.0	-0.3	8.9	1.5

**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. This information shouldn't be considered as a recommendation to invest in the country or sector shown. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. You cannot invest directly in an index.**

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 2026.

# Market Data (continued)

## May 2026

CURRENCIES (VS USD)	Latest	End of last month	3-months Ago	1-year Ago	Year End 2025	52-week High	52-week Low
<b>Developed markets</b>							
DXY index	98.06	99.96	96.99	99.47	98.32	101.98	95.55
EUR/USD	1.17	1.16	1.19	1.13	1.17	1.21	1.11
GBP/USD	1.36	1.32	1.37	1.33	1.35	1.39	1.30
CHF/USD	1.28	1.25	1.29	1.21	1.26	1.32	1.18
CAD	1.36	1.39	1.36	1.38	1.37	1.41	1.35
JPY	156.6	158.7	154.8	143.1	156.7	160.7	142.1
AUD	1.39	1.45	1.44	1.56	1.50	1.57	1.38
NZD	1.69	1.74	1.66	1.68	1.74	1.79	1.63
<b>Asia</b>							
HKD	7.83	7.84	7.81	7.76	7.78	7.85	7.75
CNY	6.83	6.89	6.96	7.27	6.99	7.25	6.81
INR	94.92	94.83	91.99	84.50	89.88	95.33	83.75
MYR	3.97	4.05	3.95	4.32	4.06	4.34	3.88
KRW	1,477	1,519	1,441	1,424	1,440	1,537	1,347
TWD	31.67	32.01	31.47	32.00	31.42	32.19	28.80
<b>Latam</b>							
BRL	4.96	5.18	5.26	5.67	5.47	5.76	4.94
COP	3,639	3,674	3,697	4,227	3,778	4,326	3,531
MXN	17.47	17.94	17.46	19.62	18.01	19.78	17.09
ARS	1,391.12	1,381.97	1,446.67	1,171.30	1,451.62	1,491.87	1,098.00
<b>EEMEA</b>							
RUB	75.06	81.35	75.99	82.00	78.75	86.56	74.05
ZAR	16.67	16.94	16.15	18.61	16.56	18.63	15.64

COMMODITIES	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	4,618	-1.1	-5.6	40.4	6.9	5,595	3,121
Brent Oil	114.0	-3.7	61.3	80.6	87.4	126	59
WTI Crude Oil	105.1	3.6	61.1	80.5	83.0	119	55
R/J CRB Futures Index	395	6.1	23.4	36.8	32.2	395	288
LME Copper	12,987	5.3	-1.3	42.3	4.5	14,528	9,125

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## Important information

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

- ◆ Views are based on regional HSBC Asset Management Asset Allocation meetings held throughout **May 2026**, HSBC Asset Management's long-term expected return forecasts which were generated as at **30 April 2026**, 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 **30 April 2026**.
- ◆ 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 **31 May 2026**.

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## Important information

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