

Investment Monthly

Role Reversal

December 2025

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

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Macro Outlook

- ◆ **The US is expanding at a solid pace, but growth is unbalanced.** AI-related capex is providing strong support, but a cooling labour market and tariff-driven price rises are a headwind to consumers
- ◆ 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**, as supportive macro policies and export/manufacturing competitiveness offset tariff headwinds
- ◆ **We think premium growth opportunities** lie in emerging and frontier markets, with economic power shifting to Asia and the Global South

House View

- ◆ **We expect a “role reversal” in areas of the macro and policy environment**, with US leadership fading and market performance more dependent on profit and credit fundamentals rather than bullish sentiment
- ◆ **Market leadership and corporate profits will keep “broadening out”** as growth converges in the west, and builds in Asia and other emerging markets. Economic derisking and improved policy frameworks have made those regions structurally safer and less volatile
- ◆ With government bonds potentially less reliable as a portfolio hedge, multi-asset investors should **manage the challenge of volatility by seeking to “diversify the diversifiers”** with bond substitutes like hedge funds, infrastructure, and other real assets

Policy Outlook

- ◆ **The US Fed is divided** over the rate outlook, reflecting differing views on the medium-term trajectory for inflation and the labour market
- ◆ After eight rate cuts, eurozone inflation is close to target and policy is in neutral territory, with the **ECB taking a “watch-and-wait” stance**
- ◆ EM Asia has increased **fiscal and industrial support** to offset trade headwinds, as the region enters the late stages of its monetary easing cycle
- ◆ China will rely on **incremental and targeted policy** to support economic and financial stability. Policy efforts will focus on strategic objectives such as technology innovation and self-reliance, and economic rebalancing

Scenarios

COME TOGETHER	US growth less exceptional at around 2%. Market returns continue to broaden out. Further dollar weakness and Asia tech innovation boost EM returns
CRACKS WIDEN	Labour market cracks and the lopsided “K-shaped” economy intensifies. Damage to risk assets significant given skinny risk premiums in many market areas
AI BOOM	AI investment boom means US market leadership resumes. EM performs well as global growth remains resilient and risk appetite remains strong. China tech performs very well

Source: HSBC Asset Management as at December 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. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

We expect a role reversal in areas of the macro, policy, and market environment next year as US growth leadership fades. Market performance and profits will continue to broaden out globally, with structural improvements helping to drive emerging markets. Investors should seek out new diversifiers to build stronger portfolio resilience and returns

- ◆ **Equities** – AI enthusiasm may continue to support US stock market performance, but a high concentration in tech names and lofty valuations are potential risks. Global GDP and profits growth is expected to broaden out, supporting our preference for stocks in emerging and frontier markets
- ◆ **Government bonds** – We expect developed market bond yields to remain sticky amid inflation risks and elevated debt. We think EM local currency bonds benefit from lower inflation, stronger growth and improved debt sustainability
- ◆ **Corporate bonds** – Investment grade corporate credit spreads remain tight, but strong technicals and healthy balance sheets are supportive. We maintain a defensive stance with a preference for higher quality credits

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 (Direct lending)	▲	India	▲
Emerging Markets (EM)	▲	Inflation-linked bonds	↔▲	US high-yield	▼	Private equity (Buy out)	▲	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)	▲				

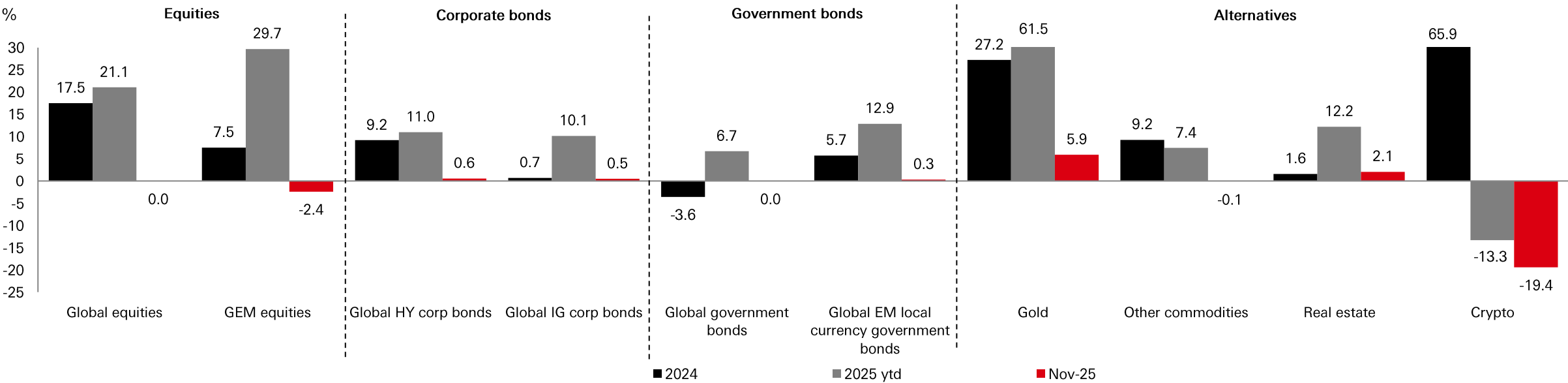
Key to views

▲▲	Positive	↔▼	Neutral/Negative bias
▲	Positive Bias	▼	Negative Bias
↔▲	Neutral/Positive bias	▼▼	Negative
↔	Neutral		

House view represents a >12-month investment view across major asset classes in our portfolios. Source: HSBC Asset Management as at December 2025. The level of yield is not guaranteed and may rise or fall in the future. Any forecast, projection or target where provided is indicative only and not guaranteed in any way. The views expressed above were held at the time of preparation and are subject to change without notice. This information shouldn't be considered as a recommendation to invest in the country or sector shown. Diversification does not ensure a profit or protect against loss.

Global stocks were volatile in November on jitters over stretched tech valuations, huge AI capex commitments, and the outlook for US growth. Market returns were broad-based, with positive moves in emerging markets and Europe. US Treasury 10-year yields saw a modest fall, while crypto currency prices fell sharply

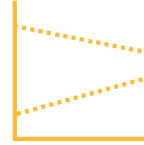
- ◆ **Government bonds** – Sovereign bonds in key markets were range-bound, with 10-year yields edging lower in the US, but higher in Germany and Japan. Fiscal and inflation risks, and a cooling growth outlook are keeping investors on edge
- ◆ **Equities** – Volatility spiked, with a tech-led sell-off followed by a broad recovery. US large-caps finished flat, with tech weakness spilling into China, Korea, and Taiwan. There were positive moves in Latam, India, Frontier, and parts of Europe
- ◆ **Alternatives** – November saw a renewed rally in the gold price and a major sell-off in cryptocurrencies, with Bitcoin’s historically close correlation to the tech-heavy Nasdaq index breaking down. In real assets, Infrastructure performed well



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 November 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

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%**

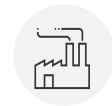


Monetary Policy

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

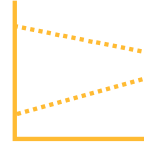
Geopolitics and trade tensions weigh on already **fragile confidence**

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

A divided Federal Reserve

		Consensus		Policy 	
		Growth (%) 	Inflation (%) 	12m ahead policy rate (HSBC AM)	2026 Fiscal impulse
		■ 2025 ■ 2026	■ 2025 ■ 2026		
US	The FOMC is split regarding the near-term outlook for rates, reflecting differing views on upside inflation risks versus downside employment risks. A tariff-induced squeeze in real incomes should weigh on consumer spending in late-25 or early-26 but strong AI-driven investment will continue to support growth	<div><div></div><div></div></div> <div>1.91.9</div>	<div><div></div><div></div></div> <div>2.62.6</div>	3.00-3.50%	Neutral
Eurozone	The ECB is in a holding pattern, with interest rates in neutral territory. Q3 GDP firmed, with Germany stagnating. Past euro 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></div><div></div></div> <div>1.41.1</div>	<div><div></div><div></div></div> <div>2.11.8</div>	1.50-2.00%	Neutral
UK	The UK Budget delivered back-dated fiscal consolidation while the Office for Budget Responsibility downgraded trend productivity growth. GDP almost ground to a halt in Q3, and consumer spending is weak. Moderating wage growth points to softer service sector inflation and further gradual BoE easing	<div><div></div><div></div></div> <div>1.41.1</div>	<div><div></div><div></div></div> <div>3.42.5</div>	3.25-3.75%	Drag
Japan	Japanese PM Takaichi announced a sizeable fiscal stimulus (~3% of GDP) focused on supporting households, following weak consumer spending and a contraction in GDP in Q3. The BoJ is monitoring the yen and salary momentum in the 2026 shunto spring wage round before sanctioning higher rates	<div><div></div><div></div></div> <div>1.30.7</div>	<div><div></div><div></div></div> <div>3.11.8</div>	0.75-1.25%	Moderate boost
China	Economic growth should stay resilient and deflationary pressures ease, albeit with continued sectoral divergence and supply-demand imbalances. Targeted policy support and industry-specific supply-side reforms continue. Tech innovation and self-reliance, and economic rebalancing are among the priorities	<div><div></div><div></div></div> <div>4.94.4</div>	<div><div></div><div></div></div> <div>0.00.8</div>	1.20-1.40%	Moderate boost
India	Supportive fiscal and monetary policies and (financial) deregulation support a domestic/consumer demand revival into FY27 amid external uncertainties. Recent GST and labour reforms reinforce India's structural story. Inflation is likely to normalize into FY27 but stay benign. Fiscal pragmatism should continue	<div><div></div><div></div></div> <div>6.86.5</div>	<div><div></div><div></div></div> <div>2.34.1</div>	5.00-5.50%	Neutral

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Source: HSBC Asset Management, consensus numbers from Bloomberg, December 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 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.

Events to look out for in 2026



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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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Asset class		House view	Comments
Equities	Global	↔▲	Global equity returns in 2025 have been driven by earnings growth in the US and re-ratings elsewhere. We expect profits growth gaps to narrow in 2026, with sustained broadening of global market leadership beyond the US, but with periods of volatility. EM markets continue to show relative attractiveness from an earnings growth and valuation perspective
	US	↔	US profits were revised up materially between Q1-Q3 2025, driven by strong performance in technology and AI-related sectors. Double-digit profits growth is expected in 2026. The market continues to trade at a substantial price/earnings premium to the rest of the world, and while we expect this to narrow, the continuation of the AI capex boom is key
	UK	↔	UK stocks continue to trade at a record valuation discount 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	▲	Valuations are compelling versus other DM markets, bolstered by continuing corporate governance reforms. Domestically-oriented sectors look favourable on increasing fiscal support, but the earnings outlook for exporters/cyclicals remains highly sensitive to global macro and trade conditions, with additional downside risks from higher JGB yields and a stronger yen
	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 are well-positioned to benefit from the continuing risk-on environment for EMs, with a P/E re-rating expected to be a driver of returns. Politics and trade remain key medium-term risks
	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	↔	Range-bound yields reflect continuing macro and policy uncertainty. While downside data surprises could prompt a rally, it would probably need major labour market weakness for yields to fall meaningfully below 4%. In 2026, mildly expansionary fiscal policy and AI-driven investment should support the US economy, exerting modest upward pressure on yields
	UK 10-year	▲	Gilt yields have fallen recently, aided by better inflation news amid the uncertain fiscal outlook. Declining UK policy rate expectations relative to the US have prompted a narrowing of the 10-year yield spread between the UK and US. We expect Gilt yields to fall modestly by year-end as UK growth remains weak
	German 10-year	▲	Bund yields have been range-bound recently given that supply worries have eased, eurozone growth is relatively lacklustre, and 10-year US yields have lacked direction. Sticky service sector inflation in the eurozone should leave Bund yields little changed near-term, rising gradually during 2026 due to a rebuilding of the fiscal risk premium
	Japan	▼	Following a change in Japan’s political leadership, investors are adopting a wait-and-see stance on what could be a shift towards more expansionary fiscal policy, which in turn could point to a potential rise in the fiscal risk premium medium-term. With modest bond risk premia, we remain underweight 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 bonds have benefited from a backdrop of high real yields, strong fundamentals, and a weaker US dollar in 2025. Real rates remain high in many EM majors, and while EM disinflation is slowing down, the trend for policy easing should continue next year, with some potentially significant rate cuts in places

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Asset class	House view	Comments
Corporate bonds	Global investment grade (IG)	↕▲ IG credit spreads remain close to 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	↕▲ In European IG credit, we expect modest near-term spread-widening mainly for valuation reasons, with supply in the long-end and some term premium restoration in the rates market driving an orderly correction. Given expensive valuations, the main risk to EU IG would be from a global liquidity/volatility event and the resultant worries over credit quality
	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 have widened amid 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 has seen some spread widening recently. Earnings have been generally resilient, with pockets such as cyclicals and industrials experiencing select weakness, but others such as consumer and technology doing well. Unless recession risks rise markedly, robust earnings should limit any meaningful spread widening
	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 spreads may see some near-term widening due to high valuations and headwinds from China's property sector. Selectivity offers alpha potential as idiosyncratic drivers can create dispersion and opportunities. We prefer a low-duration stance and a selective quality focus, with disciplined hedging to navigate cross-market shocks
	Securitised credit	▲ There has been marginal spread widening across the market recently, and 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
FX & Alternatives	EM hard currency (USD)	▲ The backdrop is constructive, with EM hard currency sovereign bonds continuing to benefit from strong fundamentals. Spreads have been well-behaved, reflecting the positive ratings stories of many EMs. EM corporate bonds are highly correlated to EM sovereigns but have also had a positive story in their own right, and they have a constructive ratings backdrop
	Gold	▲ Gold has seen exceptional gains 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 remains a key influence on oil prices at a time when a global supply surplus is leading to surging oil inventories
	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 (D/lending)	▲ With elevated macro uncertainty, private credit yields remain attractive due to their continued 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 (Buy out)	▲ Private equity-funded buy-out activity turned positive in Q3, aided by strong equity markets, moderating inflation, and US rate cuts. With the asset class historically achieving strong returns after challenging periods, the recent pick-up could widen its appeal as a source of long-term returns and a portfolio diversifier
	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	▼▼ Crypto prices have been highly volatile in 2025. 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 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 financial volatility. The local inflation and liquidity backdrop is still supportive, though the monetary easing cycle is at a mature stage. Real yields are attractive in places, with prospective index inclusion for Korea and the Philippines aiding inflows
	RMB bonds	▲	A resumption of PBoC bond purchases – aimed at improving liquidity and policy transmission – has been a key stabiliser after reflation hopes, rising risk sentiment (on recent equity gains), and regulatory changes on bond investments all weighed on demand for long-duration bonds. CGBs are supported by benign inflation and global asset diversification flows
	Asia ex-Japan equities	▲	Asian markets offer broad sector diversification and high-quality growth opportunities. China’s reflationary efforts, prudent policy support across the region, and other long-term themes still serve as positives, on top of potential diversification flows into non-USD assets. However, persistent external uncertainties could amplify market volatility
	China equities	▲	Tech innovation remains the re-rating engine, with “anti-involution” initiatives, pro-market policy, and an extended US-China tariff truce supporting sentiment. Firms’ relatively low overseas exposure may partially shield them from external headwinds. Further market upside is likely to depend on a continued pick-up in earnings, particularly in non-tech sectors
	India equities	▲	Valuations remain rich, but the P/E premium over Asian peers has narrowed. The latest earnings season reflects stronger cyclical/profit growth momentum under a supportive policy environment, despite clear sectoral divergence. India’s domestic-oriented market backdrop, strong structural story, and GST reforms 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	▲	Dynamic capital market activities (including IPOs) support earnings. Despite persistent structural challenges, local macro momentum has recovered modestly, with potential positive spillovers from the US rate cuts and Chinese policy/tech developments. Valuations are fair, reflected in 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 prudent macro policies, though local idiosyncrasies drive the relative performance. FX conversion by exporters and diversification flows into non-US assets provide support. Carry remains in demand. But global trade and geopolitical uncertainties could trigger volatility

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On Top of Investors' Minds



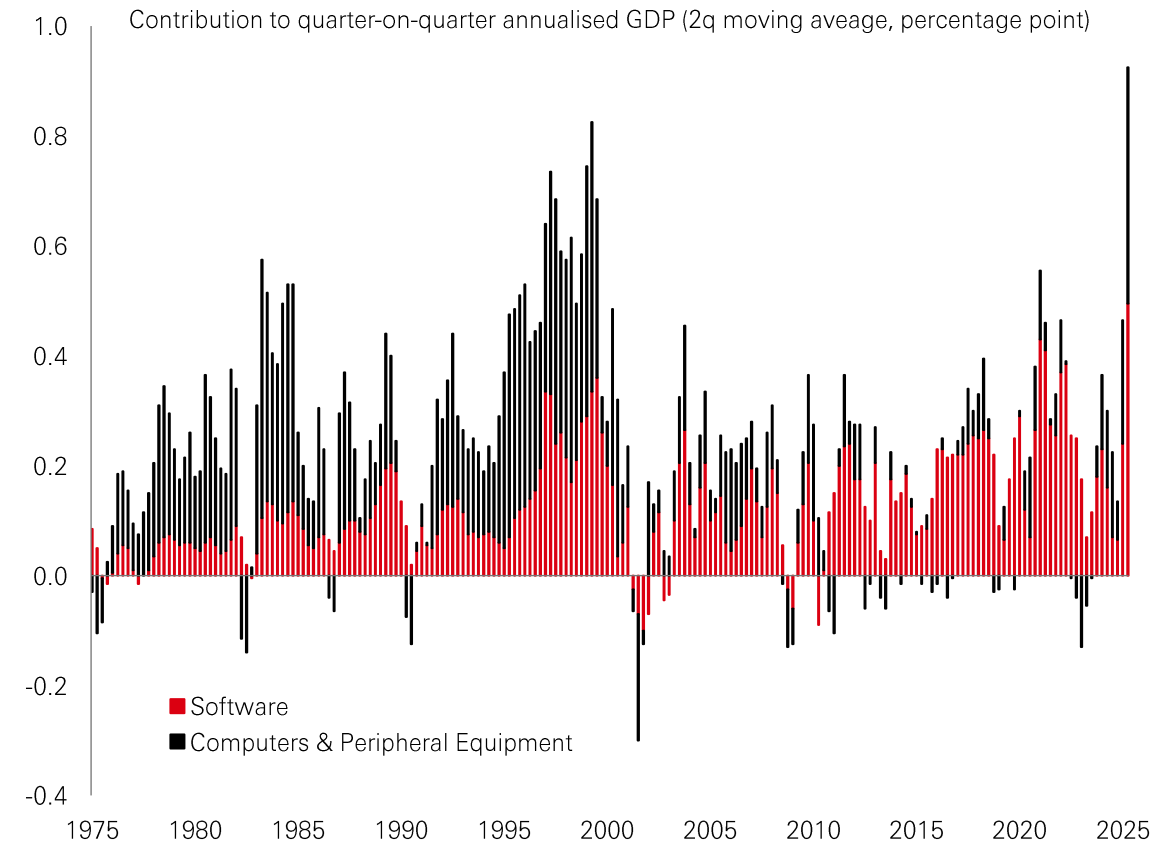
US tech stocks have recently been volatile. What's next for the sector?

Global technology stocks have been volatile recently. We think several factors could keep investors on edge into 2026.

1. Continuing massive AI-related capex investment is exacerbating concerns over the return on investment and the possibility of “overspending”.
2. The US economy has become “K-shaped”, with the “losing arm” including lower-income families and struggling firms.
3. US tech stock valuations are high, and they are skewing the overall market. Most major global indices now trade at a significant price/earnings valuation discount to the US.
4. While policy uncertainty has fallen this year, key questions remain – particularly on issues of Federal Reserve independence, and divergent FOMC views on labour and inflation.
5. The moat around US tech dominance looks to be shrinking. Competition from China, particularly on new AI-related innovation, is a growing challenge to US dominance.

So, although the US market outlook is boosted by AI and the strong revenue generation that comes with it, these big uncertainties imply significant valuation risks. We think opportunities in the global technology sector – especially in Asia – could be just as profitable, but with lower downside potential.

Tech investment contribution to US GDP growth



Should investors worry about rising public debt?

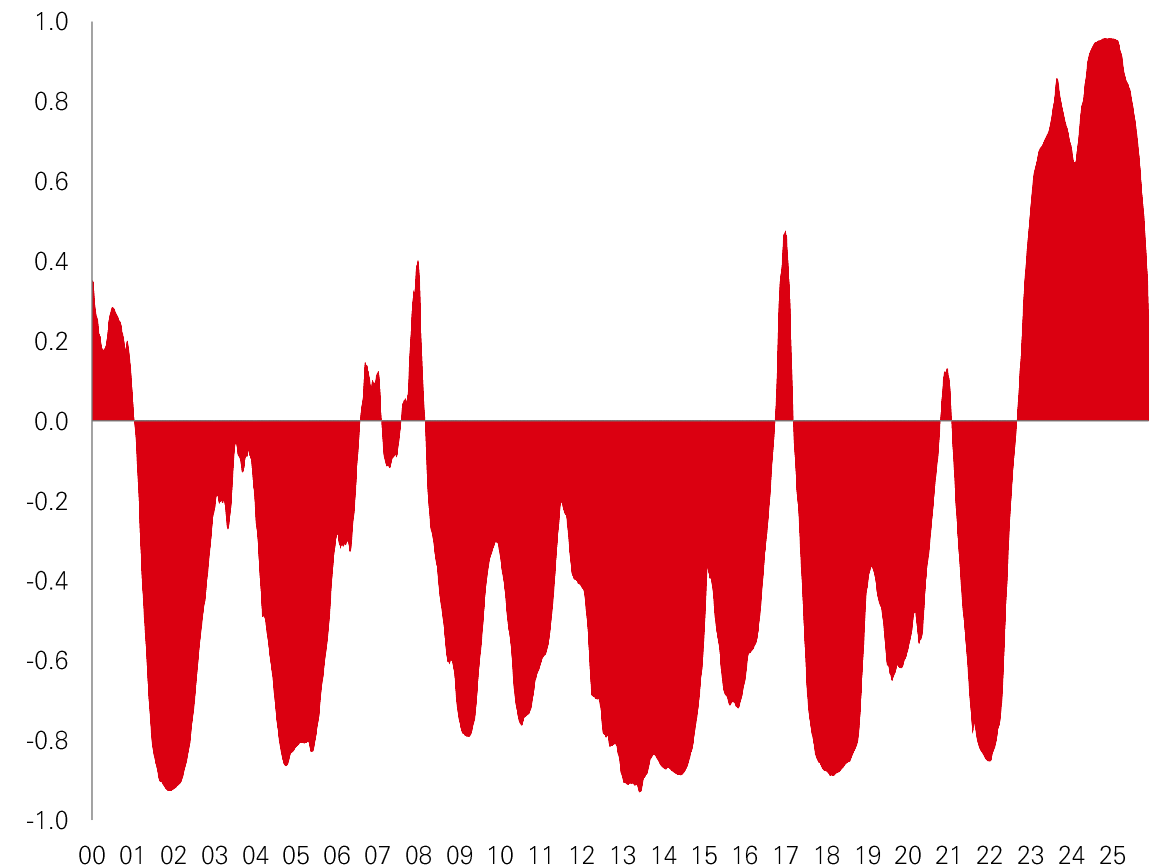
The recent drama surrounding the UK Budget reflects an uncomfortable truth for many Western governments: the combination of weak growth, rising debt, sticky inflation, and higher interest rates has made balancing the books increasingly challenging for Treasury departments.

A full-blown debt crisis remains unlikely. But volatility is likely to be higher than during the 2010s as bond investors navigate a more uncertain macro environment and government pressure to maintain fiscal activism.

Governments may also “test” the markets in rolling out policies which could be deemed as fiscally irresponsible e.g. major unfunded tax cuts, or spending increases. This is especially relevant in a backdrop of strong populist movements in the West.

Overall, with the safety properties of government bonds now looking weaker than in the past, and the stock-bond correlation now positive (i.e. stocks falling alongside bonds), multi asset investors will need to look for “bond substitutes”. These can include liquid alternatives such as gold or hedge funds. Real assets such as listed infrastructure are well placed to navigate a higher inflation scenario, while private assets benefit from structurally low volatility, with private equity benefiting from Fed rate cuts.

Rolling 18-month S&P 500/US 10-year correlation



What's the outlook for further Fed rate cuts?

The good news for global investors is that policy uncertainty measures are falling back. Following the seismic shock that was April's "Liberation Day" tariff announcements, trade policy is now less topical for investors.

But that doesn't mean policy uncertainty has dissipated completely. In particular, the outlook for the Fed remains clouded by questions around the impact of political interference, and increasingly divergent views on the FOMC around the state of the labour market and inflationary pressures in the economy, further complicated by the impact of AI.

Indeed, recent market volatility has coincided with several hawkish comments from Fed officials, with some concern over still-high levels of inflation. This follows Fed Chair Powell noting a December rate cut is far from a foregone conclusion in his October meeting press conference.

Crucially, however, the longer-term outlook remains broadly unchanged, with investors still expecting the Fed Funds Rate to drop to around 3% by the end of next year. But any disappointment on the inflation front, or persistently cautious and hawkish messaging from the Fed, could create more significant market turbulence.

Market expectations of Fed funds rate by December 2026



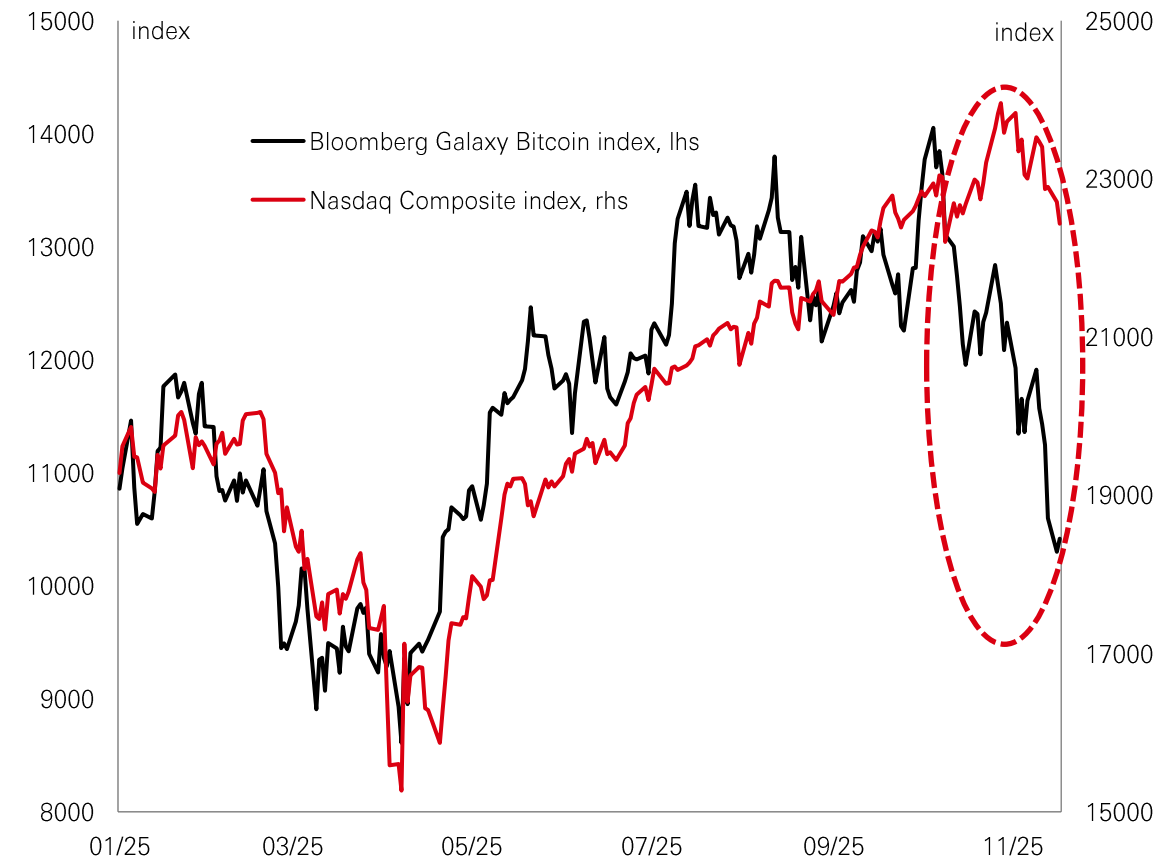
How should we interpret the latest fall in crypto prices?

Since hitting an all-time high in early October, the Bloomberg Galaxy Bitcoin index – which tracks the USD value of Bitcoin – has slumped by around 30%. The move has wiped out all of Bitcoin's gains year-to-date.

It marks another twist in a rollercoaster year for the crypto coin, which has benefited from strong retail inflows via ETFs, and the tailwind of Fed policy easing. US legislative support with the GENIUS Act, and vocal backing from the US administration have also boosted sentiment. But its high sensitivity to macro and market sentiment have seen sharp sell-offs, particularly after April's 'Liberation Day' US tariff announcements. The latest collapse coincided with uncertainty over whether the US Fed will cut rates again in December.

An interesting feature of the move is that Bitcoin's usually close correlation to the Nasdaq equity index – and its tendency to trend with tech stocks – has been disrupted. It could mark the start of a new regime where Bitcoin takes its own, more unpredictable path. But the more troubling scenario would be the possibility it drags US tech down with it, for example if crypto holders liquidate stock holdings to fund margin calls. As we head into 2026, this is one area of financial markets worth monitoring.

Nasdaq Composite versus Bitcoin



After a bumper year for EM returns, what next for EMs in 2026?

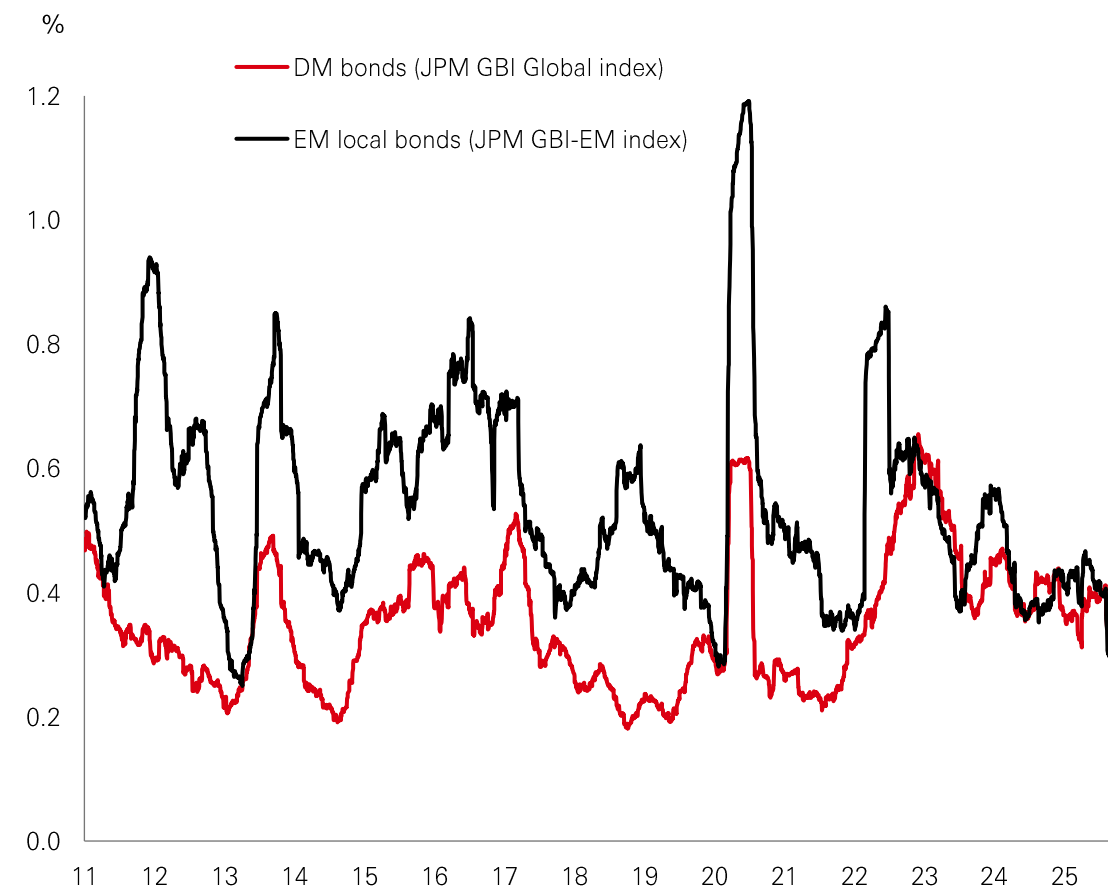
After this year's mega returns across the EM asset universe, it's worth looking ahead to 2026 and asking the question: can the rally continue? A key question then is how much of the good performance in EM has been because of luck, or because EM is good?

In reality, the answer is probably a bit of both. Lucky because a weaker dollar has clearly helped performance. We know that it loosens financial conditions for EMs, and encourages capital to flow downhill. The good news is there is room for further gradual falls given ongoing Fed cuts and evidence the currency is still overvalued. But good because macro derisking has been a big achievement too, reflected in EM asset classes showing lower volatility than developed markets.

But it would also be naïve to not recognise some of the challenges for emerging markets in 2026. China is still challenged by deflation. Secondly, we also have trade risks. Tariffs have dropped off the radar for investors a bit recently. And we've seen more of a regionalisation in Asia trade flows, for example. But 2026 will be a busy year for geopolitics, so we'll need to watch that closely.

And finally, investors will want to see that the expected strong GDP growth and profit rates are being delivered too.

Bond market total return volatility (90 day rolling measure)



Market Data



November 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)	1,005	-0.1	5.6	16.5	19.5	1,017	723	21.4
North America								
US Dow Jones Industrial Average	47,716	0.3	4.8	6.2	12.2	48,432	36,612	22.7
US S&P 500 Index	6,849	0.1	6.0	13.5	16.4	6,920	4,835	25.0
US NASDAQ Composite Index	23,366	-1.5	8.9	21.6	21.0	24,020	14,784	35.2
Canada S&P/TSX Composite Index	31,383	3.7	9.9	22.4	26.9	31,411	22,228	19.0
Europe								
MSCI AC Europe (USD)	674	1.3	3.9	24.2	27.3	687	516	16.2
Euro STOXX 50 Index	5,668	0.1	5.9	18.0	15.8	5,818	4,540	17.1
UK FTSE 100 Index	9,721	0.0	5.8	17.3	18.9	9,930	7,545	14.2
Germany DAX Index*	23,837	-0.5	-0.3	21.5	19.7	24,771	18,490	17.5
France CAC-40 Index	8,123	0.0	5.4	12.3	10.1	8,314	6,764	17.5
Spain IBEX 35 Index	16,372	2.1	9.6	40.6	41.2	16,662	11,311	14.3
Italy FTSE MIB	43,357	0.4	2.8	29.8	26.8	45,072	31,946	13.5
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	703	-3.0	6.1	22.0	23.5	737	507	16.8
Japan Nikkei-225 Stock Average	50,254	-4.1	17.6	31.5	26.0	52,637	30,793	21.0
Australian Stock Exchange 200	8,614	-3.0	-4.0	2.1	5.6	9,115	7,169	19.6
Hong Kong Hang Seng Index	25,859	-0.2	3.1	33.1	28.9	27,382	18,671	12.4
Shanghai Stock Exchange Composite Index	3,889	-1.7	0.8	16.9	16.0	4,034	3,041	15.0
Hang Seng China Enterprises Index	9,130	-0.4	2.0	31.4	25.2	9,770	6,763	11.5
Taiwan TAIEX Index	27,626	-2.1	14.0	24.1	19.9	28,555	17,307	20.3
Korea KOSPI Index	3,927	-4.4	23.2	59.9	63.6	4,227	2,285	13.9
India SENSEX 30 Index	85,707	2.1	7.4	7.4	9.7	86,159	71,425	21.4
Indonesia Jakarta Stock Price Index	8,509	4.2	8.7	19.6	20.2	8,626	5,883	16.0
Malaysia Kuala Lumpur Composite Index	1,604	-0.3	1.9	0.6	-2.3	1,659	1,387	15.2
Philippines Stock Exchange PSE Index	6,022	1.6	-2.2	-8.9	-7.8	6,772	5,584	9.7
Singapore FTSE Straits Times Index	4,524	2.2	6.0	21.0	19.4	4,576	3,372	15.0
Thailand SET Index	1,257	-4.0	1.6	-12.0	-10.2	1,458	1,054	14.4
Latam								
Argentina Merval Index	3,026,470	0.8	52.5	34.0	19.5	3,181,450	1,635,451	17.6
Brazil Bovespa Index*	159,072	6.4	12.5	26.6	32.2	159,689	118,223	10.1
Chile IPSA Index	10,129	7.4	13.8	54.0	50.9	10,147	6,568	14.0
Colombia COLCAP Index	2,073	4.3	12.3	48.9	50.3	2,093	1,360	9.5
Mexico S&P/BMV IPC Index	63,597	1.3	8.3	27.7	28.4	64,406	48,770	13.8
EEMEA								
Saudi Arabia Tadawul All Share Index	10,591	-9.1	-1.0	-9.0	-12.0	12,536	10,367	15.5
South Africa JSE Index	110,959	1.6	9.0	31.3	31.9	115,717	77,165	13.1
Turkey index	10,922.9	-0.7	-3.4	12.9	10.9	11,605.3	8,872.8	0.2

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 November 2025. (*) Indices expressed as total returns. All others are price returns.
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Market Data (continued)

November 2025

EQUITY INDICES - TOTAL RETURN	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	5.9	21.1	18.2	67.0	76.0	1.7
US equities	6.1	17.3	14.3	74.0	95.1	1.1
Europe equities	4.2	30.3	27.1	59.1	64.5	3.1
Asia Pacific ex Japan equities	6.5	26.0	24.6	48.3	27.4	2.4
Japan equities	5.2	23.9	23.5	61.9	42.6	2.0
Latam equities	14.1	53.2	43.8	43.6	67.6	4.6
Emerging Markets equities	9.0	29.7	29.5	51.0	28.0	2.3

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	3.80	3.80	4.14	4.49	4.31
2-Year	3.49	3.57	3.62	4.15	4.24
5-Year	3.60	3.69	3.70	4.05	4.38
10-Year	4.01	4.08	4.23	4.17	4.57
30-Year	4.66	4.65	4.93	4.36	4.78
Developed market 10-year bond yields (%)					
Japan	1.81	1.66	1.60	1.04	1.09
UK	4.44	4.41	4.72	4.24	4.56
Germany	2.69	2.63	2.72	2.09	2.36
France	3.41	3.42	3.51	2.89	3.19
Italy	3.40	3.38	3.59	3.28	3.52
Spain	3.16	3.14	3.33	2.79	3.06

BOND INDICES - TOTAL RETURN	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAqq (Hedged in USD)	610	0.2	1.7	4.3	5.1
JPM EMBI Global	1013	0.3	4.2	11.2	12.9
BarCap US Corporate Index (USD)	3,552	0.7	2.6	5.9	8.0
BarCap Euro Corporate Index (Eur)	266	-0.2	0.8	2.8	3.2
BarCap Global High Yield (USD)	684	0.5	2.2	9.0	9.2
BarCap US High Yield (USD)	2898	0.6	1.6	7.5	8.0
BarCap pan-European High Yield (USD)	638	0.3	1.3	7.6	6.8
BarCap EM Debt Hard Currency	493	0.3	2.7	10.1	11.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	242	0.2	1.8	6.7	7.5
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	283	-0.6	1.4	8.3	8.5

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 November 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. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

Market Data (continued)

November 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	99.46	99.80	97.77	105.74	108.49	110.18	96.22
EUR/USD	1.16	1.15	1.17	1.06	1.04	1.19	1.01
GBP/USD	1.32	1.32	1.35	1.27	1.25	1.38	1.21
CHF/USD	1.24	1.24	1.25	1.14	1.10	1.28	1.09
CAD	1.40	1.40	1.37	1.40	1.44	1.48	1.35
JPY	156.2	154.0	147.1	149.8	157.2	158.9	139.9
AUD	1.53	1.53	1.53	1.54	1.62	1.69	1.49
NZD	1.74	1.75	1.70	1.69	1.79	1.82	1.63
Asia							
HKD	7.79	7.77	7.80	7.78	7.77	7.85	7.75
CNY	7.07	7.12	7.13	7.25	7.30	7.35	7.07
INR	89.46	88.77	88.21	84.49	85.61	89.96	83.76
MYR	4.13	4.19	4.23	4.45	4.47	4.52	4.12
KRW	1,468	1,430	1,390	1,397	1,479	1,487	1,347
TWD	31.39	30.74	30.57	32.51	32.79	33.28	28.79
Latam							
BRL	5.33	5.38	5.43	5.97	6.17	6.32	5.26
COP	3,755	3,856	4,021	4,433	4,406	4,477	3,687
MXN	18.30	18.55	18.66	20.38	20.83	21.29	18.20
ARS	1,450.07	1,445.23	1,344.48	1,010.38	1,030.99	1,491.87	1,009.29
EEMEA							
RUB	77.54	80.85	81.06	106.50	113.52	115.07	74.05
ZAR	17.11	17.33	17.66	18.06	18.84	19.93	16.95

COMMODITIES	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	4,239	5.9	23.0	60.4	61.5	4,382	2,584
Brent Oil	63.2	-2.9	-7.2	-13.4	-15.3	83	58
WTI Crude Oil	58.6	-4.0	-8.5	-13.9	-18.4	81	55
R/J CRB Futures Index	301	-0.3	-0.3	5.1	1.6	317	280
LME Copper	11,189	2.8	13.0	24.2	27.6	11,334	8,105

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 November 2025.
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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 **November 2025**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 October 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.
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- ◆ 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 October 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 November 2025**.

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