Q4 / 2026

HSBC Perspectives

Shaping your investment portfolio

HSBC Opening up a world of opportunity

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Chinese equity views herein are from HSBC PB and Wealth Global Investment Committee

Accelerating AI adoption powers further upside for global markets

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Markets have faced a range of stress tests in recent months, with geopolitical conflict, supply chain disruptions, oil price spikes, inflation angst and the impact of AI all creating uncertainty. Yet, stronger earnings and resilient economic activity have offset these factors and driven equity markets higher. Clearly, AI has been instrumental, and its impact is also increasingly broadening.

Heading into the final quarter of 2026, that dichotomy remains in place: AI continues to be a key source of market optimism, while headline risks remain elevated. The situation in the Middle East remains unresolved, inflation uncertainty is lingering and the US mid-term elections are looming. These forces will continue to move markets, providing both risks and opportunities. The good news is that the global economy and corporate world are in better health than many expected, so we believe the positives outweigh the negatives.

What does this mean for investors?

AI adoption continues to accelerate, with more powerful models and new applications fuelling investment and market optimism. The benefits aren't just seen in the tech sector, as AI also increases demand for electricity, materials and financing. Robotics, automation, healthcare, consumer services and other industries are also benefitting from AI-powered innovation. Monetisation is key to identifying the winners.

Blending growth and income opportunities through a multi-asset strategy

We believe earnings growth will continue to broaden beyond the tech sector and US stocks. Asia is a key beneficiary of global chip demand and is at the forefront of data centre expansion, playing a strategic role in the global AI supply chain. AI adoption is also boosting productivity around the world – including in Europe. Beyond AI, defence spending and US re-industrialisation are also contributing to wider opportunities in Financials, Materials and Energy across regions, supporting diversification. Therefore, we've recently added exposure to global equities, favouring the US and Asia, while maintaining a broad sector allocation. The opportunity set extends to bonds, where attractive real yields offer both income and portfolio resilience against market volatility.

A US rate hike is unlikely in the near term, as long as high energy prices aren't translating into higher core inflation. This remains our base scenario, as the US Federal Reserve won't want low-income households to bear the pressure of higher rates. Even though increased bond issuance to fund AI investments has pushed up yields, the additional supply has been well absorbed by global investors. Therefore, we see limited risk of further yield spikes and prefer locking in current yields on quality bonds with medium duration.

Our exposure to non-traditional assets, such as gold, infrastructure and alternative assets, has worked well, providing a valuable counterbalance during periods of market uncertainty when equities and bonds come under pressure. Among alternative assets, private assets can open up a wider range of opportunities beyond public markets.

We hope our four investment themes for the coming quarter can help you make sense of a fast-changing world and position your portfolio for the opportunities it presents. Our team is ready to help you put these themes into action.

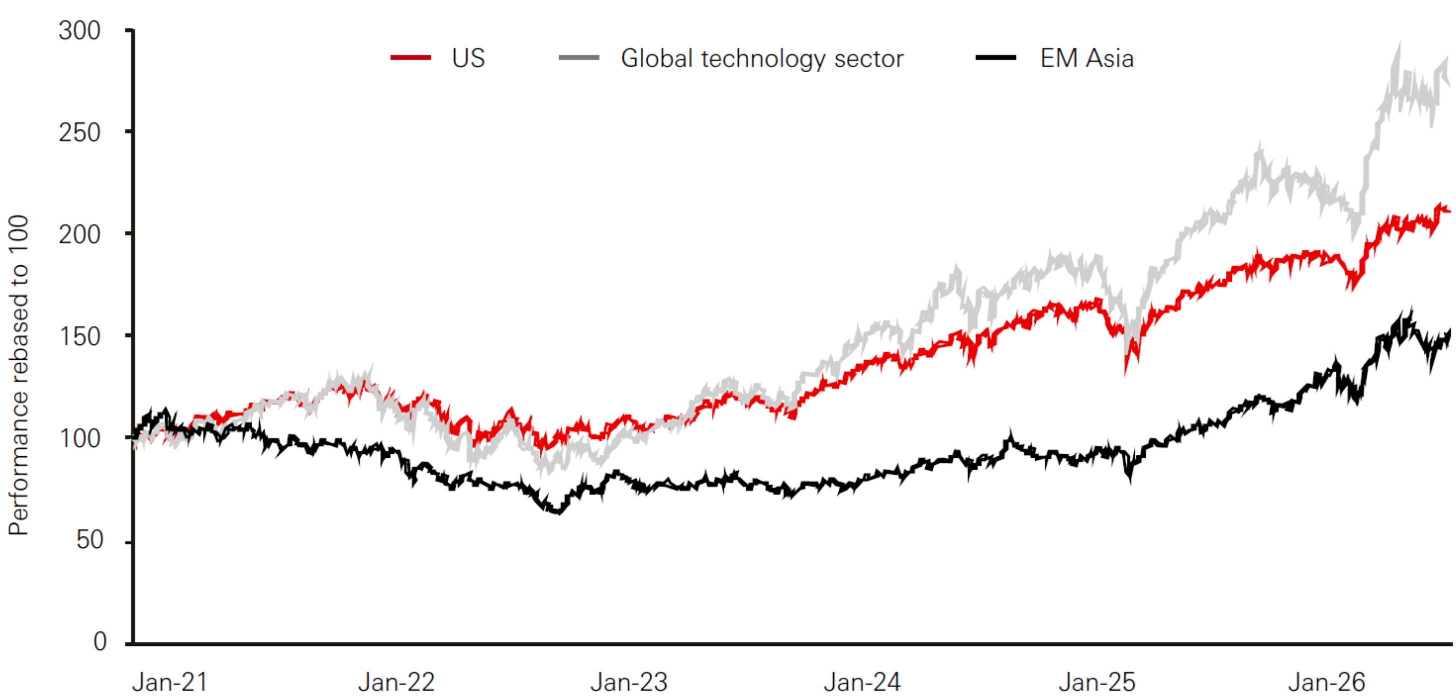
Key data to watch

Resilient economic growth provides a favourable backdrop for equities, with inflation trending lower in 2027

	GDP growth			Inflation		
	2025	2026f	2027f	2025	2026f	2027f
World	2.8	2.5	2.7	3.1	3.8	3.1
US	2.1	2.3	2.3	2.7	3.3	2.6
Eurozone	1.5	0.8	0.9	2.1	2.9	2.2
UK	1.3	1.1	1.0	3.4	3.1	2.9
Japan	1.1	0.7	1.0	3.2	2.5	2.3
India	7.5	6.8	6.4	2.0	5.1	4.6

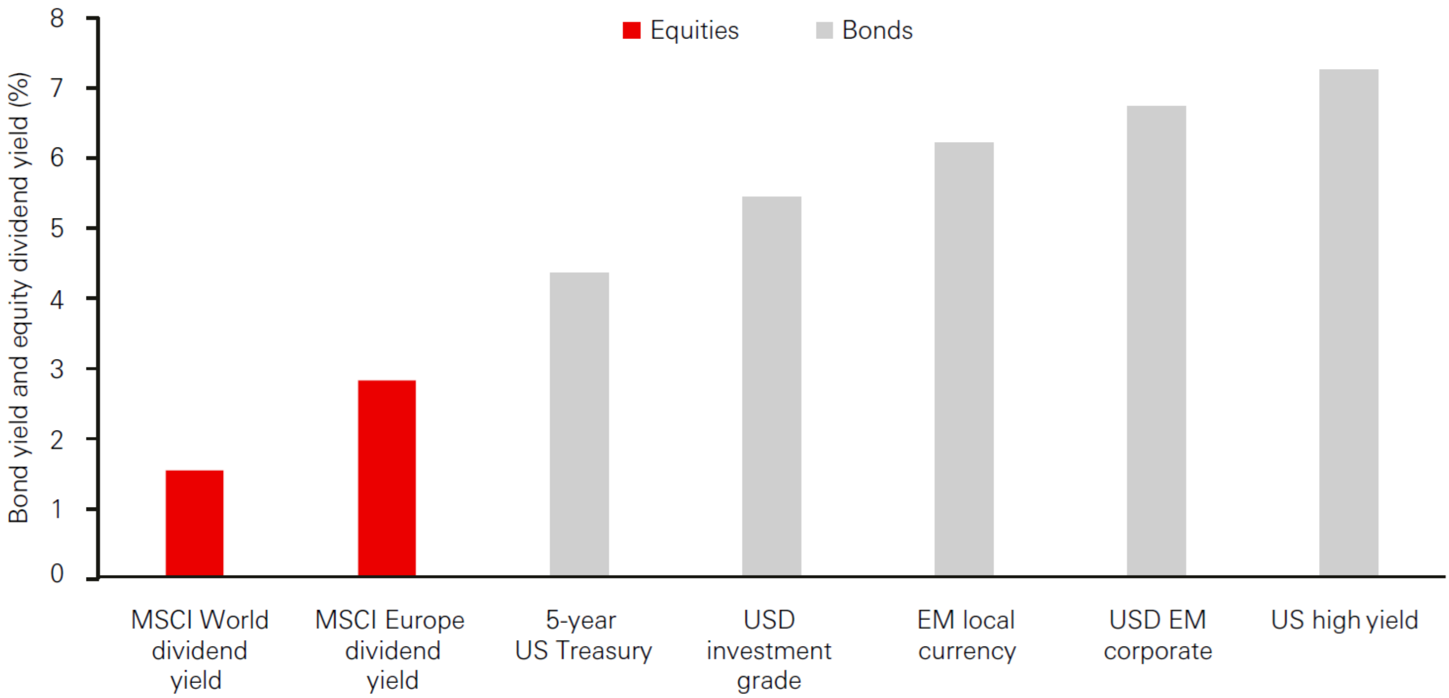
Source: HSBC Global Investment Research as at 2 September 2026. Estimates and forecasts are subject to change. India's inflation forecasts are based on the fiscal year.

Global equities have been volatile but on an upward trend, boosted by AI



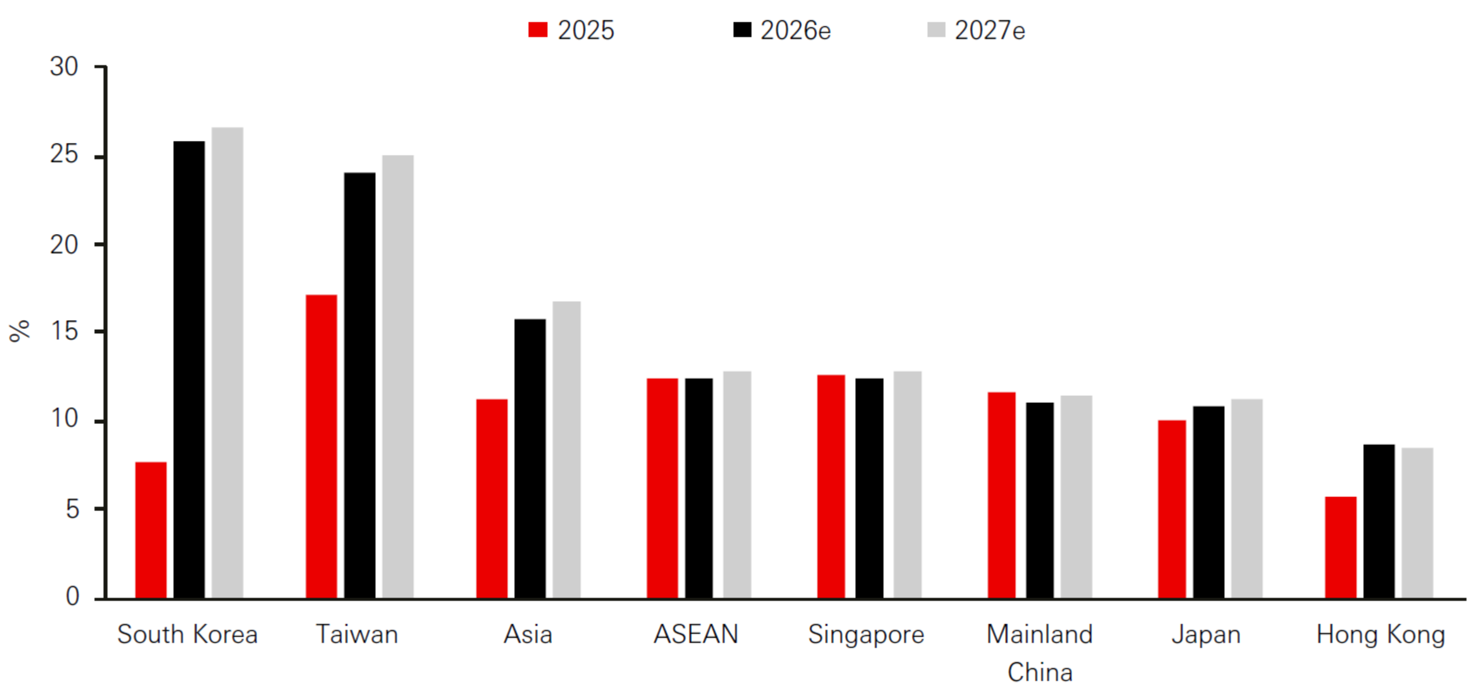
Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 3 September 2026. Past performance isn't a reliable indicator of future performance.

Earnings momentum is broadening and there is plenty of opportunity to generate income



Source: Bloomberg, LSEG, I/B/E/S Consensus earnings forecasts. HSBC Private Bank and Premier Wealth as at 3 September 2026. Forecasts are subject to change.

Asia's return on equity should rise to 16.8% next year, supported by tech-heavy markets and improving corporate governance



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 3 September 2026. Forecasts are subject to change.

Four investment themes to help shape your portfolio

1 Focus on AI monetisation

While AI remains a key engine for earnings growth, as Q2 US earnings results have illustrated, we focus more on monetisation across the AI ecosystem. We favour companies and sectors that can turn AI capabilities, products or investments into revenue.

The continued acceleration in adoption and investment is fuelling market optimism. AI models are becoming increasingly powerful, while applications are multiplying, from robotics and automation to healthcare and consumer services. Total AI capex is estimated to top USD1 trillion in 2027, up from USD735 billion in Q1 2026, supporting earnings for the main beneficiaries of that spend.

The US continues to lead, with many IT mega stocks dominating the market. Asia is a key beneficiary of global chip demand, while adopters in Europe also benefit from the AI trend. Moreover, the US tech sector is trading at much lower price-to-earnings multiples than last year, as the market rally has been underpinned by earnings growth. So we don't think that the tech sector is expensive.

- **Powered by AI-led innovation, IT remains the biggest overweight in our sector exposure across the US and Asia, and selectively in Europe.**
- **Within tech, we prefer the cloud, semiconductors and AI-enabled applications, where monetisation and revenues are clear and sustainable.**

2 Benefit from governments' focus on security and energy independence

AI is key to growth, yet it can't survive on its own without electricity and critical materials. Geopolitical conflicts have also refocused governments' priorities towards national defence and energy suppliers to reduce vulnerabilities.

The construction of data centres continues at pace, driving a surge in demand for electricity. Aerospace and defence have been benefitting from multi-year order backlogs and limited competition, with the latter reaching USD2.9 trillion worldwide in 2025 and continuing its upward trend[1]. From the Russia-Ukraine war to the Middle East conflict, diversification of energy suppliers and sources is the lesson learned and the direction of travel.

This translates into new drivers of activity and opportunity. As a result, earnings growth is broadening beyond IT into Industrials, which are benefitting from the significant build-out of electricity generation capacity and defence modernisation, while Financials are supported by funding and refinancing activity. We maintain exposure to Energy and Materials to manage energy-driven inflation.

- **We complement our IT overweight with Financials, Materials and Energy across regions to achieve sector and style diversification.**
- **The AI story also gives rise to opportunities in Industrials (global, US and Europe) and Utilities (global and Europe).**

1. Source: Statista, April 2026

3 Build portfolio resilience with Income and multi-asset strategies

To balance equity risks and market uncertainty, we continue to rely on quality bonds, which serve as portfolio stabilisers thanks to attractive income. Inflation has been a swing factor for bonds and central banks' rate decisions. While it may not fall significantly, it's likely to be contained, allowing central banks to keep rates on hold. Inflation angst and worries about AI-related bond supply have already pushed up bond yields to attractive levels, reinforcing our strategy of locking those yields at current levels.

Our multi-asset strategy also includes dividend stocks and infrastructure, adding further sources of income. Infrastructure offers inflation protection and exposure to AI, supply chain reorientation and electricity investment. Gold retains its role as a portfolio hedge against geopolitical risks, backed by central bank purchases.

Alternative assets are added where appropriate, as they offer complementary sources of return. In addition to hedge funds, private assets can provide exposure to companies and sectors that aren't readily accessible through public markets. Some of these could be rising stars tomorrow.

- **We prefer investment grade credit with medium duration in USD and GBP, and medium-to-long duration in EUR.**
- **Gold, infrastructure and alternative assets offer opportunities that may behave differently from traditional equities and bonds, providing diversification.**

4 Tap into Asia's innovation and income

While technology and innovation remain the driving forces behind growth in Asia, we also aim to uncover attractive income opportunities, balancing these two factors in our investment strategy to make the most of the region.

Asia plays a strategic role in the global AI supply chain thanks to its unrivalled semiconductor output, particularly in North Asian markets. Mainland China's manufacturing strength is underpinned by policy support and reinforced by its rapid tech innovation and open-source AI models, while its huge investment in robotics can further solidify its manufacturing leadership. The market is transitioning towards advanced manufacturing at scale, most apparent in renewables, green technology, electric vehicles and biotech. Hong Kong should also stand to benefit from these developments.

Corporate governance reforms are gathering pace across Japan, South Korea, mainland China and Singapore, lifting Asia's return on equity (ROE) from approximately 11% in 2025 to around 17% by 2027. Meanwhile, Asian credit remains a firm favourite among global investors due to its high quality and attractive returns.

- **Asia's innovation strengths support our overweight in mainland China, Japan, South Korea, Hong Kong and Singapore.**
- **Our income allocation combines high-quality dividend stocks and investment grade bonds to strengthen portfolio resilience.**

Glossary

Alternative investments: A broad term referring to investments other than traditional cash and bonds. They may include real estate, hedge funds, private equities and commodities investments, among other things. Some of these investments may offer diversification benefits within a portfolio.

Asset class: A group of securities that show similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations. The main asset classes are equities, fixed income and commodities.

Asset allocation: The allocation of funds held on behalf of an investor to various categories of assets, such as equities and bonds, based on their investment objectives.

Company fundamentals: The intrinsic value of a company as analysed by looking at its revenue, expenses, assets, liabilities and other financial aspects.

Diversification: Often referred to as "not putting all your eggs in one basket", diversification means to invest in a variety of different sectors, asset classes and regions to spread the risk of loss.

Fiscal policy: The use of government spending and tax policies to influence macroeconomic conditions, such as aggregate demand, employment, inflation and economic growth.

Investment strategy: The internal guidelines that a fund follows in investing the money received from its investors.

Inflation: The rise in the general price levels of goods and services in an economy over a period of time.

Monetary policy: The process by which the authorities of a country control the supply of money. This often involves targeting a rate of interest for the purpose of promoting economic growth and stability.

Quantitative easing: Also known as large-scale asset purchases, a monetary policy whereby a central bank buys government securities or other financial assets from the market in order to increase the money supply and encourage lending and investment.

Strategic asset allocation: A practice of maintaining a mix of asset classes that aims to meet an investor's risk and return objectives over a long-term horizon, rather than to take advantage of short-term market opportunities.

Tactical asset allocation: An active management strategy that deviates from the long-term strategic asset allocation in order to capitalise on economic or market conditions that may offer near-term opportunities.

Tapering: The reduction of the interest rate at which a central bank accumulates new assets on its balance sheet under a policy of quantitative easing.

Volatility: A term for the fluctuation in the price of financial instruments over time.

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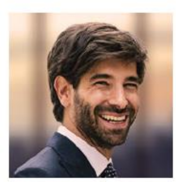

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