

Asia multi-asset capabilities

Resilience and innovation amid global volatility

March 2026



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Asia multi-asset perspective

Asia's resilience with policy support and tech drivers

With 2026 now in full swing, Asian economies are showcasing resilience in the face of ongoing market uncertainties and geopolitical developments (Fig. 1 & 2). Tech tailwinds and domestic policy support should help provide a buffer against energy headwinds and global volatility.

Policymakers in Asia are expected to remain vigilant against inflation and macro-financial stability risks. While most Asian central banks are likely to take a wait-and-see approach in their monetary policy, fiscal policy in the region should address the energy shock and potential spillovers to the economy – including through subsidies, tax cuts, import tariffs, and support for households and businesses. Policy measures are also expected to continue supporting the domestic economy and capital markets. Divergence across Asian economies in their growth and policy paths is likely amid local idiosyncrasies.

Despite this, the region remains well-positioned to reap productivity gains from AI investment and adoption. Asia continues to be a critical player in the global AI ecosystem, underpinned by its dominance in cutting-edge semiconductor manufacturing (such as in Korea and Taiwan) and innovative software development.

Overall, Asia assets continue to look relatively compelling: Asia bonds are supported by solid fundamentals and comparatively attractive all-in yields while Asian equities are backed by strong earnings growth and distinct domestic growth drivers. Nevertheless, we remain mindful of risks arising from geopolitical tensions, oil price shock, the US Fed's rate cut path, concerns over the global growth outlook, and global trade policies.

Capturing Asia's investment opportunities with multi-asset strategies

Asia continues to be a hotbed of investment opportunities while the region has also become heterogenous, where each market has its own distinct economic and policy structures. Given these varied drivers, our multi-asset strategies at HSBC Asset Management aim to ensure diversification and capture opportunities across asset classes, markets, and sectors. We manage various Asia multi-asset solutions with varying risk profiles and objectives, including conservative, income-focused, and growth-oriented strategies, which aim to be suitable for a broad array of client risk and return objectives.

Income focused strategies

In our Asia multi-asset income focused strategies, we aim to capture upside potential from equity, income from dividend stocks and attractive yields from bonds. The case for a multi-asset income strategy is well supported by comparatively high yields in Asian fixed income and the substantial contribution of dividends as a proportion of total returns in Asian equities.¹ Recent government policies, such as those in Korea and China, also indicate that using dividends as a way to enhance shareholder returns in Asia has grown increasingly compelling.

From an asset allocation viewpoint, we maintain a preference for equities over fixed income amid robust corporate profits in the region. Meanwhile, in fixed income, we expect Asia investment grade credit to remain resilient given the solid corporate fundamentals, and Asia domestic bonds to be backed by a favourable macro backdrop and relatively high yields.

Dynamic and diversified

Building resilient and truly diversified multi-asset portfolios depend largely on effective asset allocation. Our dynamic asset allocation and disciplined portfolio construction based on proprietary portfolio optimisation and risk budgeting helps our strategies aim for optimal risk-adjusted returns and is designed to capture various dimensions of diversification. Beta diversification is managed and spread across asset classes and investment styles, while our granular approach to asset allocation helps unlock alpha in specific market segments.

We have a proven and established investment process that relies on extensive research resources, combining quantitative and qualitative inputs to ensure a disciplined and repeatable approach to multi-asset investing.

Note 1: Source is Bloomberg, MSCI, as of 31 January 2026. MSCI country indices are used to represent the equity performance of the indicated markets. Source: HSBC Asset Management, March 2026.

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Key equity asset class views

Asia Pacific ex Japan equities

Asia's overall economic outlook remains favourable for equity markets, owing to regional trade integration, technological advancement, resilient domestic demand, and supportive policies. The earnings outlook for the asset class remains solid, with growth forecasted to accelerate from 11% in 2025 to 30% for Asia Pacific ex Japan equities in 2026, led by strength in Korea and Taiwan (Fig. 3).

In terms of valuations, 12-month forward P/E continues to stay reasonable overall, trading at 14.8x (Fig. 4). The overall outlook for Asia Pacific ex Japan equities remains constructive, with markets offering broad sector diversification and high-quality growth opportunities. However, potential risks which we closely monitor, could stem from geopolitical events, US-China relations, AI super cycle marked by elevated valuations, and trajectory of the monetary cycle.

Korea and Taiwan equities

Korea and Taiwan are markets with high contribution to AI innovation and may be poised to benefit further following a strong year. Any acceleration in global AI capex is positive for these markets, with both having high exposure to key semiconductor and IT hardware segments that benefit from increased spending on AI servers and data centers. This includes Korea's strength in memory and high bandwidth memory (HBM) and Taiwan's concentration in advance chip manufacturing. Additionally, further progress on corporate governance reforms in Korea would be well received by investors and could potentially boost market sentiment. Both Korea and Taiwan equities have also been able to maintain strong momentum in earnings upgrades.

Indian equities

Indian equities are expected to benefit from the domestic economy's strong structural growth drivers, the government's ongoing reform initiatives – including last year's overhaul to the Goods & Services Tax (GST) regime, and a continued structural shift in household savings. India has also successfully reached trade agreements with the United States – in addition to the recent trade deals with the European Union, addressing long-standing uncertainties and strengthening its position to navigate geopolitical headwinds effectively. Indian equities' earnings outlook is improving, despite clear sectoral divergence. While valuations are relatively rich, the premium over emerging markets has fallen to 65%, closer to its long-term average of 51%.²

Chinese equities

China's supportive macro policies combined with its export and manufacturing competitiveness should help provide a cushion against potential headwinds. Innovation should remain a key driver of Chinese equities, with growing AI adoption and tech breakthroughs expected to enhance productivity and benefit AI-related names. Capital flows from domestic investors should also continue to drive the market. Valuations continue to look relatively attractive. Forward P/E for the MSCI China Index (12.6x) trades at a significant discount versus the S&P 500 (22.2x) and other major markets.³ Fundamentally, corporate earnings are seeing signs of stabilisation, with a structural improvement in return on equity (ROE), which has been underpinned by corporate driven actions, shareholder return initiatives, government support for the private sector, and new tech leaders.

Japan equities

Japan equities' valuations are compelling versus other developed 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 Japan government bond yields and a stronger yen.

Note 2: Based on MSCI India Index vs MSCI Emerging Markets Index. Source is MSCI, Goldman Sachs, January 2026. Note 3: Source is Datastream, MSCI, Morgan Stanley Research, January 2026.

Source: Bloomberg, HSBC Asset Management, March 2026.

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Key fixed income asset class views

Asia investment grade credit

Returns for the Asia investment grade credit market in 2026 may moderate, reflecting the US interest rate outlook and more limited scope for spread tightening in the market. However, solid credit fundamentals continue as a key driver of performance, thanks to the region's robust macro environment. Fallen angel risk has continued to subside, with only about 0.2% of the Asia investment grade market downgraded to high yield in 2025.⁴ Strong credit profiles of investment grade issuers should help support resilience through periods of market volatility. At the same time, credit spreads are at historically tight levels, though duration remains shorter than peers (Fig. 5).

We are seeing investment opportunities in select regional bank and insurance subordinated debt, mainland China TMT, Indonesia commodities and utilities. We remain mindful of risks arising from uncertainties around the US Fed's rate cut path, lingering concerns over the global growth outlook, and global policies.

Asia high yield credit

Asia high yield default rates have fallen back to the low levels seen prior to 2020 while idiosyncratic risks over the past year have not meaningfully spilled over into the broader market.⁵ However, we continue to pay attention to issuer-specific issues, which may cause short-term market fluctuations.

While credit spreads are tight compared to history, Asia high yield bonds offer carry and spread compression potential compared to global peers (Fig. 6). We continue to prefer investment opportunities in mainland China industrials, India commodities and cyclicals, select India renewables, India financials, regional high yield commodities, frontier sovereigns and select banks.

Asia local currency bonds

Asia local currency bonds are backed by sound fundamentals in Asian economies and relatively high real yields. The local inflation and liquidity backdrop is still supportive, though the monetary easing cycle is at a mature stage. In mainland China, monetary policy is expected to remain moderately loose, supporting growth and price recovery. The People's Bank of China (PBoC) has also pledged to promote high-level financial opening-up and RMB internationalisation, which are positive for RMB bonds. In India, with inflation expected to be at or below the target for an extended period, the Reserve Bank of India (RBI) may be positioned for a prolonged pause in its interest rate moves. Although Bloomberg's decision on the potential inclusion of India government bonds in its global aggregate index has been deferred to mid-2026, the continued eligibility review means that a positive medium-term tailwind remains in place.

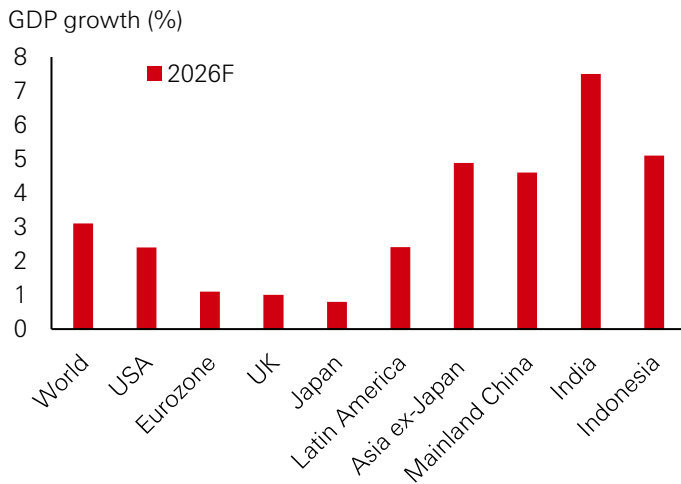
Overall, Asian currencies have been undervalued on a Real Effective Exchange Rate (REER) basis over the past few decades. Asia currencies may be driven by risk sentiment, AI flows, stronger external positions and tech supply chain realignment.

Note 4: Source is JPMorgan, January 2026 report. Note 5: Source is JPMorgan, December 2025 report.
Source: Bloomberg, HSBC Asset Management, March 2026

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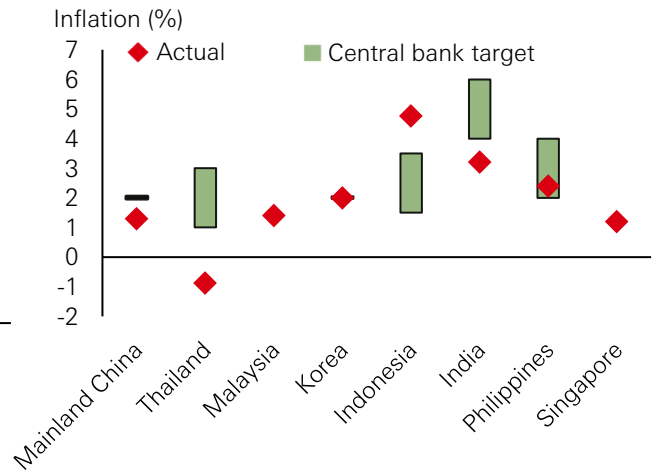
Graphs and charts

Fig 1: Asia GDP growth relatively strong vs rest of the world



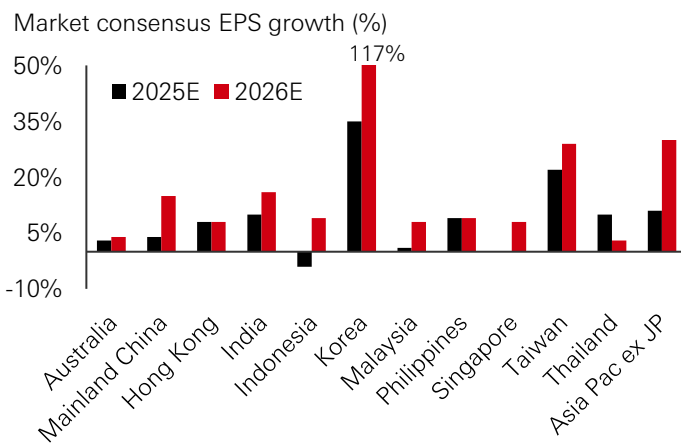
Source: Source: Bloomberg forecasts, HSBC Asset Management, as of 26 March 2026.

Fig 2: Inflation in Asia generally at central bank target/comfort zones in most



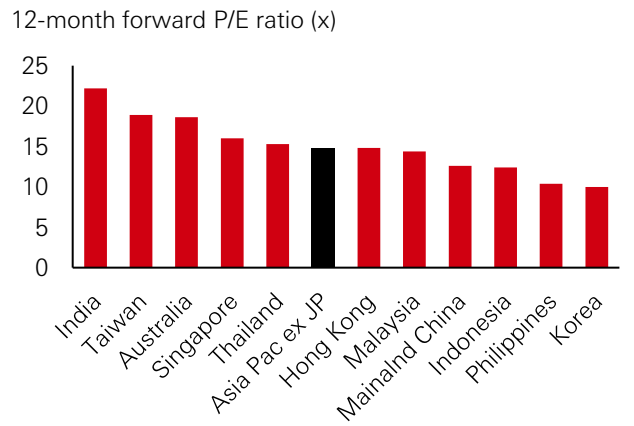
Source: Source: Bloomberg, HSBC Asset Management, as of 26 March 2026.

Fig. 3: Earnings growth remains solid



Source: IBES, Goldman Sachs Research, 21 February 2026; Asia Pac ex JP refers to the MSCI Asia Pacific excluding Japan index.

Fig. 4: Asian markets' valuation underpinned by strong earnings growth and solid fundamentals



Source: MSCI, Bloomberg, Goldman Sachs Research, 21 February 2026; Asia Pac ex JP refers to the MSCI Asia Pacific excluding Japan index.

Fig. 5: Investment grade bonds valuations

	Yield (%)	Spread (bps)	Duration (yr)
Asia USD IG Corp	5.3	72	4.0
US IG Corp	5.3	89	6.4
Euro IG Corp*	5.5	90	4.5
EM USD IG Corp	5.6	106	4.8

Note*: Euro IG Corp yields listed are USD hedged.
Source: JPMorgan, BofA, 26 March 2026.

Fig. 6: High yield bonds valuations

	Yield (%)	Spread (bps)	Duration (yr)
Asia USD HY Corp	8.6	444	2.8
US HY Corp	7.7	343	3.0
Euro HY Corp**	7.9	323	3.0
EM USD HY Corp	8.2	359	3.7

Note**: Euro HY Corp yields listed are USD hedged.
Source: JPMorgan, BofA, 26 March 2026.

Source: HSBC Asset Management, March 2026.

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