Investment Monthly

EM still rallying

November 2025

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HSBC Asset Management | Opening up a world of opportunity

Summary

Macro Outlook

- **Tariffs and policy uncertainty are headwinds to US activity**, but AI-related capex spending is providing support. Jobs growth is likely to remain weak in the near term due to supply and demand factors
- We expect **US growth to converge towards rates seen in other developed economies**. Tariffs pose upside risks to inflation
- In **China**, we expect resilient but uneven growth with tariff headwinds offset by continuing policy support to rebalance and reflate the economy
- **We think premium growth opportunities** lie in emerging and frontier markets, with economic power shifting to Asia and the Global South

Policy Outlook

- Following October's rate cut further easing is likely to be gradual as the **US Fed** seeks to balance above-target inflation against labour market risks
- After eight rate cuts, eurozone inflation is close to target and policy is in neutral territory, with the **ECB taking a "wait-and-watch" stance**
- EM Asia has strengthened **fiscal and industrial support** to offset trade headwinds, as the region enters the late stages of its monetary easing cycle
- **China's high-quality development strategy** is focused on technological innovation and economic rebalancing – mainly via supply-side reforms to restore corporate profits and boosting consumption on the domestic side

House View

- As we head into 2026, we expect global market **leadership to continue to broaden out** as US GDP and profits growth converges with other countries
- Bouts of **volatility remain likely** in a backdrop of supply side constraints, policy uncertainty, and a US stock market that is concentrated in tech names
- A number of structural and cyclical **tailwinds favour EM assets**, including the prospect of a multi-year decline in the US dollar, strong growth rates, and increasing economic resiliency
- In a world of significant upside inflation risk, multi-asset investors should look for **bond substitutes**. This can include liquid alternatives such as gold, real assets, and private markets

Scenarios

COME TOGETHER	Tariffs and uncertainty weigh on the US. China and Europe boosted by "policy puts". US exceptionalism fades. Stock market leadership broadens out. EMs enter a bull market
CRACKS WIDEN	Labour market cracks. Growth sees a sharp slowdown. US stocks fall to early 2023 levels and the yield curve steepens. EMs are hit by weaker global growth
AI BOOM	AI investment boom fuels animal spirits, which drives global growth. US stocks outperform and the dollar finds support. Bond yields face upside risk on strong growth. EMs rally

Source: HSBC Asset Management as at November 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.

House View

As US growth and profits expectations cool, there is a strong case for **value in emerging market assets to be unlocked** amid the prospect of a multi-year decline in the US dollar, and strong EM growth rates. The EM bull story is also supported by structural tailwinds such as favourable demographics and improved economic resiliency

- **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

Asset Class	House view
Global	↔/▲
US	↔
UK	↔
Eurozone	↔
Japan	▲
Emerging Markets (EM)	▲
CEE & Latam	▲
Frontier	▲

Government bonds

Asset Class	House view
Developed Market (DM)	↔
US 10-year	↔
UK 10-year	▲
German 10-year	▲
Japan	↔
Inflation-linked bonds	↔/▲
EM (local currency)	▲▲

Corporate bonds

Asset Class	House view
Global investment grade (IG)	↔
USD IG	↔
EUR & GBP IG	↔
Asia IG	↔
Global high-yield	↔/▼
US high-yield	▼
Europe high-yield	▼
Asia high-yield	▲
Securitised credit	▲
EM hard currency (USD)	▲

FX & Alternatives

Asset Class	House view
Gold	▲
Other commodities	↔
Real assets	▲▲
Hedge funds	▲▲
Private credit	▲
Private equity	↔
US dollar (DXY)	▼
Crypto assets	▼

Asian assets

Asset Class	House view
Asia local bonds	▲
RMB bonds	▲
Asia ex-Japan equities	▲
China	▲
India	▲
Hong Kong	▲
Asia FX (ADXY)	▲

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

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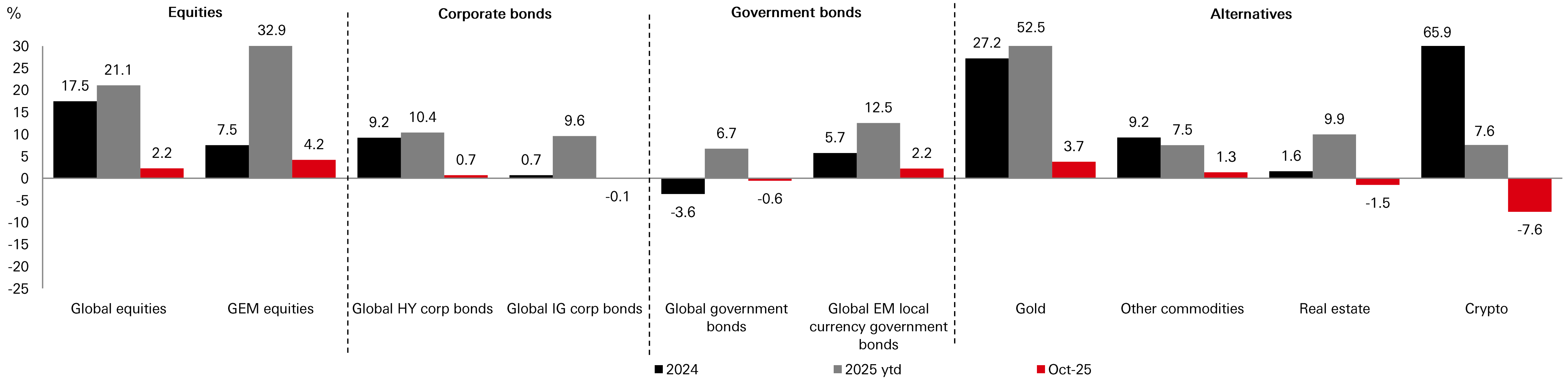
Asset class performance at a glance

Global stocks performed well in October, helped by a US-China trade truce, strong Q3 earnings, and further AI enthusiasm. **Market gains continued to broaden out, with emerging markets outperforming developed markets**. Meanwhile, 10-year US Treasury yields declined, the US dollar index gained, and gold broke USD4,000 an ounce

- **Government bonds** – US Treasury yields edged lower but remained range-bound. US rates were cut by 25bp, but the timetable for further cuts is uncertain. Markets continue to weigh fiscal and inflation risks and a cooling growth outlook
- **Equities** – Despite some volatility, tech momentum drove US markets higher. There was a further broadening out of performance, with strong gains in Japan and across Asia, with Korea, Taiwan, and India all seeing decent returns
- **Alternatives** – The gold price broke above USD4,000 an ounce mid-month, with other precious metals and copper also seeing strength. In real assets, listed real estate returns were negative. Cryptocurrencies also closed lower



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 31 October 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.

Macro scenarios

	CRACKS WIDEN	COME TOGETHER	AI BOOM
Driving forces	**Labour market cracking**, restrictive policy, and heightened uncertainty	**Tariffs and uncertainty** weigh on US. Europe and China boosted by "policy puts"	**AI investment boom** turbocharges US GDP and productivity growth
Growth	**Sharp slowdown** as households retrench and profits disappoint	US growth around 1.5%. **Fading US exceptionalism**	**US reaccelerates and outperforms**. Animal spirits and AI boost global growth
Inflation	Some tariff inflation but **recession destroys demand**	**3.0-3.5% US peak** before receding. Approaching target in many DMs/EMs	**Capex boom lifts demand and inflation** but then offset by productivity
Monetary Policy	Slow initial rate cuts, but then **big easing** amid growth damage	**Fed rates catch down**. Modest easing across many DMs/EMs	**Easing cycle cut short/reversed**. Productivity gains boost neutral rate
China	Weaker US, and tariffs 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

Source: HSBC Asset Management, November 2025.

Market scenarios

	CRACKS WIDEN	COME TOGETHER	AI BOOM
Stocks	**SPX back to early 2023 levels.** Cyclicals most vulnerable. VIX spike	**Broadening out** of market leadership. SPX lags other markets. Episodic volatility	**US stocks outperform** (SPX 7000?) High-beta markets shine
Fixed income	**Curve steepens** as longer-dated yields sticky. Credit spreads widen	Range-bound yields. Some upside risk to credit spreads. **Focus on income flows**	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 strong growth, weak USD, China stimulus, and low valuations	**EM gains on strong risk appetite** but limited by USD performance
USD	**USD** struggles to rally amid Fed cuts and as haven status under question	**Gradual USD depreciation** amid **fading US exceptionalism**	**USD supported** by stronger US growth and limited rate cuts
Top bets	USTs, gold, CHF, macro HFs, best IG, defensives, quality, momentum	Value, defensives, small-caps. EM/Japan > US. IG > HY	US > Europe/China. HY credits. Industrial metals. Crypto>gold

Source: HSBC Asset Management, November 2025.

Conflicting pressures on the Federal Reserve

		Consensus				Policy	
		Growth (%) 2025	Growth (%) 2026	Inflation (%) 2025	Inflation (%) 2026	12m ahead policy rate (HSBC AM)	2026 Fiscal impulse
US	The Fed lowered rates 25bp, but Chair Powell stated a December easing is not "a foregone conclusion". QT will end in early December. Weaker labour demand and a tariff-induced real income squeeze herald softer consumer spending in late 2025/early 2026. Strong AI-driven investment will provide some offset	1.9	1.8	2.7	2.7	**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 EUR 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	1.3	1.1	2.1	1.8	**1.50-2.00%**	Neutral
UK	The BoE is in "wait-and-see" mode, but further good inflation news could prompt a rate cut before year-end. Forward-looking surveys point to weak Q3 GDP while employment intentions remain weak. Further tax hikes are likely in November's Budget, weighing on business confidence and investment	1.4	1.2	3.4	2.5	**3.25-3.75%**	**Drag**
Japan	The Japanese parliament elected Sanae Takaichi as the new PM, heading a minority coalition government. A modest fiscal stimulus is likely, targeted at the struggling household sector. The BoJ could wait for confirmation of pay momentum in the 2026 shunto spring wage round before sanctioning higher rates	1.1	0.7	3.0	1.8	**0.75-1.25%**	**Moderate boost**
China	Activity data have been resilient albeit with clear sectoral divergences. Macro policies will be proactive to stabilise economic growth, employment and expectations, with closer monetary-fiscal policy collaboration. Tech innovation, self-reliance and economic rebalancing are among key policy priorities for 2026-30	4.8	4.2	0.0	0.8	**1.20-1.40%**	**Moderate boost**
India	The RBI announced regulatory easing steps to improve transmission and credit growth while signaling space for more easing amid growth risks from US trade policies and benign inflation. The GST reform and personal income tax relief, alongside policy supports for exporters, could help cushion external headwinds	6.7	6.5	2.5	4.2	**5.00-5.50%**	Neutral

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

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	**Global**	↔/▲	We expect a broadening out of global market leadership beyond the US, with episodic volatility. DM equity risk premiums remain positive, but there are downside risks to the earnings outlook if the macro backdrop deteriorates. EM markets continue to show relative attractiveness from an earnings and valuation perspective
	US	↔	US markets have traded at new highs on AI-driven enthusiasm. However, US cyclical exceptionalism is fading as growth converges among DM economies. Labour market cracks are a risk, while rate cuts support our expectation of a weaker USD and a broadening out of global profits
	UK	↔	UK stocks have performed reasonably well but continue to trade at valuation discounts 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	▲	The earnings outlook for exporters/cyclical areas is highly sensitive to global macro and trade conditions, and potential strength in the yen and JGB yields could add further headwinds. That said, valuations remain attractive, and are bolstered by investor-friendly corporate governance reforms. We believe domestically-oriented sectors look more favourable
	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 have performed well despite headwinds from tariffs and could be well-positioned if risk-on conditions persist. Valuations remain undemanding
	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	↔	Yields have been range-bound in recent months reflecting continuing macro and policy uncertainty, and the near-term outlook is for continued stickiness. Inflation risks and fiscal concerns are likely to keep yields elevated, but yields should be capped to the upside by below-trend growth and less buoyant private consumption
	UK 10-year	▲	Gilt yields have been elevated recently, driven by deteriorating UK public finances and concerns over elevated inflation. Diverging rate expectations have prompted a renewed widening of the 10-year yield spread between the UK and US. We expect yields to fall modestly by year-end amid continued sluggish UK growth
	German 10-year	▲	10-year Bund yields have been generally trending higher on expectations of higher growth and bond issuance from planned German fiscal stimulus. However, the current slow pace of stimulus disbursement should limit further increases in 2025. Indeed, easing inflationary pressure could see yields drift lower near-term, before fiscal stimulus takes effect
	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 neutral 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 debt has benefited from a backdrop of high real yields, strong fundamentals, and a weaker US dollar. The EM cycle has been unusually strong, with EM central banks easing policy independent from the Fed. This represents the maturity of the asset class and the growing strength and credibility of EM currencies and local bond markets

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	Asset class	House view	Comments
Corporate bonds	**Global investment grade (IG)**	↔	IG credit spreads remain at 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	↔	European IG credit technicals have been strong with a lot of flows into the asset class, but spreads are now very tight. A significant rise in global recession risks, along with stagflation risks in the US, could cause significant spread-widening
	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 remain tight despite 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 spreads are historically tight, and risks are skewed towards widening, although strong corporate earnings, consumer spending, and strong primary-market interest could limit this. Federal Reserve rate cuts also act as a cushion for risk markets, keeping a lid on spreads. Risks to the outlook include a US recession or potential policy mistake
	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 remains sensitive to policy and macro shifts, with tight spreads not pricing meaningful negative tail risks. However, yield levels are attractive from a total return perspective. Favourable demand-supply technicals and solid fundamentals are supportive. We remain selective on idiosyncratic opportunities amid wide dispersion in valuations across sectors
	Securitised credit	▲	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
	EM hard currency (USD)	▲	EM hard currency sovereign bonds continue to benefit from strong fundamentals. Spreads have been well-behaved, reflecting the positive ratings stories of many EMs, with upgrades outpacing downgrades. EM corporate bonds are highly correlated to the EM sovereign asset class, and also have a constructive ratings backdrop. Spreads are historically tight
FX & Alternatives	**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 is also a key influence on oil prices
	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	▲	With elevated rate uncertainty, private credit yields remain attractive due to their 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	↔	Private equity deal flow started well this year, but global policy uncertainty has since put pressure on dealmaking. There is dry powder waiting to be deployed once market conditions settle, confidence returns, and valuation gaps narrow. With further clarity around tariffs, there could be a resurgence of activity
	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 prices have trended higher in 2025 but continue to experience periods of volatility. The 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 pressures, such as a higher US term premium and rates volatility. The local inflation, monetary-policy, and liquidity backdrop is supportive, and Fed easing also provides respite. Prospective index inclusion for Korea and the Philippines aids inflows
	RMB bonds	▲	Reflationary policy efforts, the US-China trade truce, Chinese equity gains, and regulatory/tax changes on bond investments have pushed CGB yields higher. But CGBs are supported by benign inflation, an accommodative monetary/liquidity backdrop, and global asset diversification flows. Potential PBoC bond purchases and solid bank demand serve as stabilisers
	Asia ex-Japan equities	▲	Asian markets offer broad sector diversification and high-quality growth opportunities. Prudent policy easing across the region, China's policy put, and other long-term themes continue to serve as positives, on top of potential diversification flows into non-USD assets. However, persistent external uncertainties could amplify market volatility
	China equities	▲	Tech developments remain the key re-rating catalyst, with "anti-involution" initiatives, targeted policy support, and an extended US-China tariff truce supporting confidence. Valuation discounts to other major markets still reflect concerns over various challenges, but firms' relatively low overseas exposure may partially shield them from external headwinds
	India equities	▲	Valuations remain rich compared to Asian peers but have retreated closer to their long-term average amid tariff uncertainties. That said, analysts remain positive on the earnings outlook given a supportive policy environment. India's domestic-oriented market backdrop, a strong structural story, and GST reform 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	▲	Market sentiment remains buoyed by dynamic capital market activities, along with spillovers from Chinese policy measures and tech sector developments, despite ongoing worries about domestic macro conditions and external challenges. However, valuations are fair, reflected in slightly 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 cheap valuations. Increased hedging of USD assets, FX conversion by exporters, and diversification flows into non-US assets provide support, given the potential for attractive carry. However, global trade and geopolitical uncertainties could trigger volatility in Asian FX

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On Top of Investors' Minds

Why are markets priced for perfection, amid risks?

Global risk markets continue to do very well, with many indices hitting fresh all-time highs. We think a confluence of factors explain this. For the US, full year 2025 earnings growth is still expected in the low teens. The Q3 earnings season has highlighted the ability of US firms to weather macro headwinds, and the latest Magnificent Seven results have been broadly positive.

And although US economic growth is soft in places, with consumer spending growth increasingly reliant on higher earners, capex is strong amid huge capital spending by mega-cap tech firms and recent tax incentives. Jobs growth has eased, but a lot of this is explained by supply side contraction on the back of immigration policies.

Lower 10-year bond yields are helping. This has come amid ongoing easing by the Federal Reserve and limited evidence that tariffs are causing a major inflation problem. That lower cost of capital means investors can live with skinny credit spreads and higher PE multiples.

Finally, policy uncertainty remains elevated, but has recently eased as the US takes a more transactional and targeted approach to trade negotiations.

US 10-year yield versus earnings yield

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What risks are worth monitoring around the US tech story?

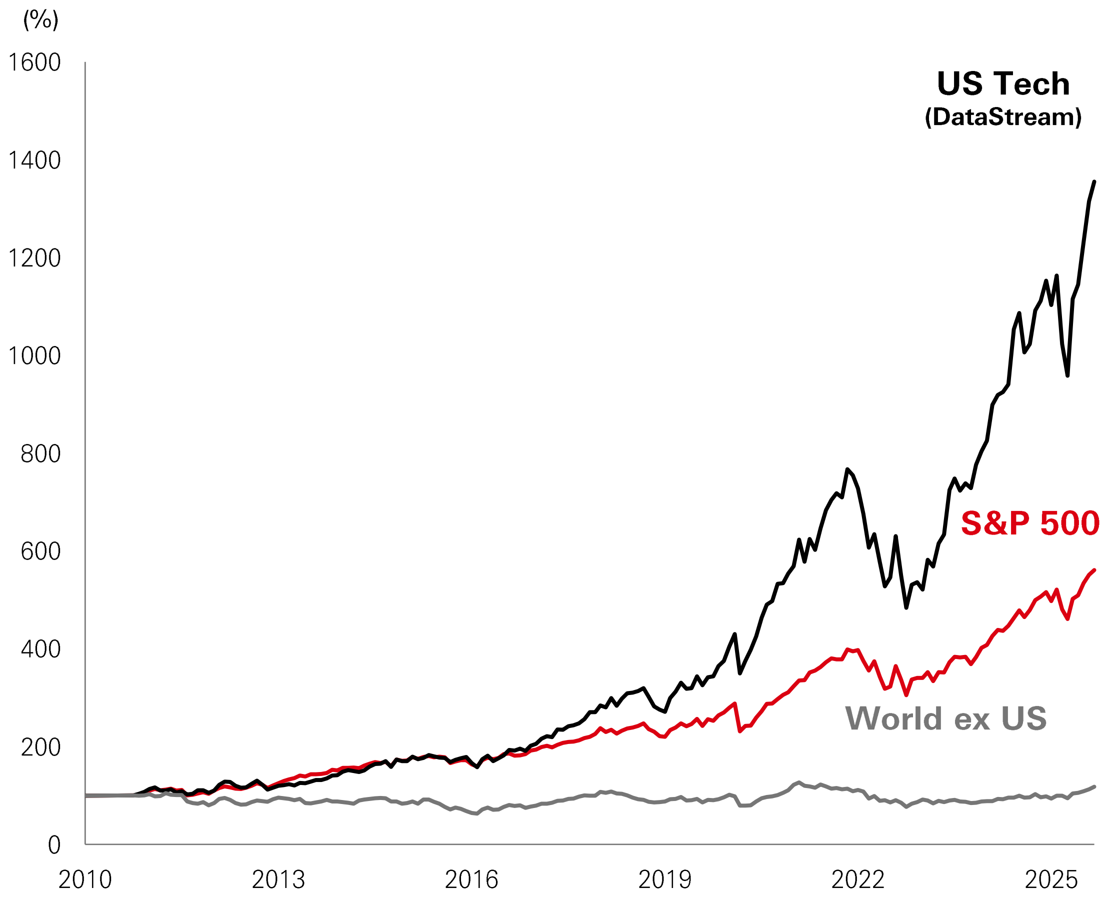
The run up in US stock prices over the last 15 years has been phenomenal, and much more so in tech. This has meant the US stock market is relatively expensive. Arguably, a premium valuation on US stocks is justified given a high return on equity, and is a price worth paying to access strong profits growth and innovation. Nonetheless, there are vulnerabilities.

A significant risk is that tech firms struggle to achieve adequate returns on investment. So far, investors have been captivated by how AI could turbocharge profits. But there is uncertainty over the business model around data centres and if enough demand will come online quickly enough to justify the huge outlays. Investors have already started scrutinizing this element of the story but the pressure is expected to intensify next year.

China's burgeoning tech sector is a challenge, with the country's latest Five-Year Plan prioritising China's capacity for basic research and innovation – including around AI. The moat around US tech dominance is shrinking.

Overall, we prefer the non-mega-cap tech part of the market, where valuations are less demanding and exposure is more diversified across sectors and factors, limiting the downside risks over the longer term.

Relative stock market performance from 2010



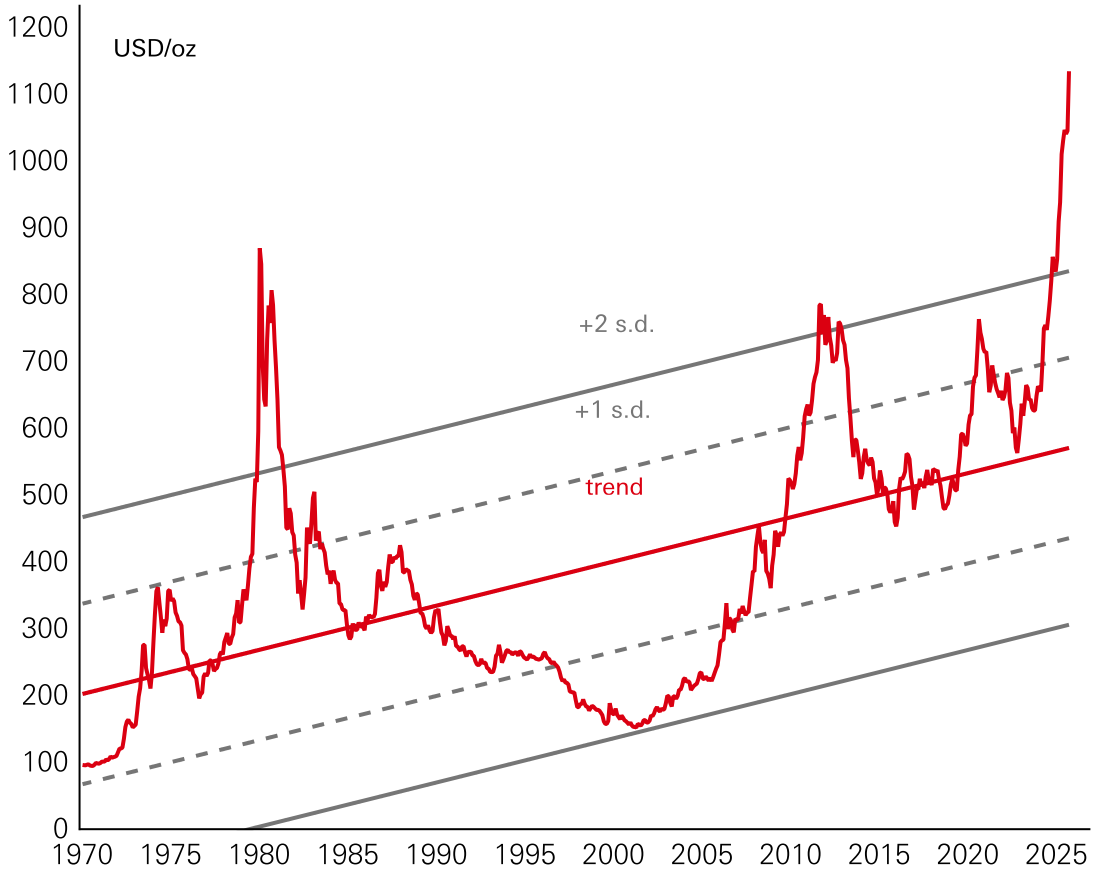
Source: HSBC Asset Management as at November 2025. * US tech represents US-DataStream Technology index. The views expressed above were held at the time of preparation and are subject to change without notice. Any forecast, projection or target where provided is indicative only and not guaranteed in any way. 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.

What's going on with the gold price?

This year's run up in gold prices has been astonishing. With year-to-date gains of more than 50%, it is on track to be one of the best performing asset classes of 2025. The gains have come as global central bank holdings of gold accelerate further, with around a quarter of global reserves now held in the yellow metal. A big part of this is to do with geopolitics as countries look to be less exposed to potential issues accessing reserves in case of tensions with the US government.

Cyclically, there has also been support. Fed rate cuts lower the opportunity cost of holding the non-yielding asset. Some investors may also be concerned about the risk of resurgent inflation as the US engages in a capex binge, alongside the imposition of tariff measures. And although gold is rallying alongside risk assets, could some investors be holding more gold as a hedge against a potential sell off? All in all, in a shift to a multi-polar world with higher and more volatile inflation, and debt concerns, the structural bull story remains intact. But the sheer speed of recent price increases probably calls for some tactical caution. Price volatility in October shows there could be some unease creeping into the market.

Real gold price deflated by US CPI



Source: HSBC Asset Management as at November 2025. The views expressed above were held at the time of preparation and are subject to change without notice. Any forecast, projection or target where provided is indicative only and not guaranteed in any way. 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.

What's the view on China stock markets? Can the new Five-Year Plan keep the growth miracle alive?

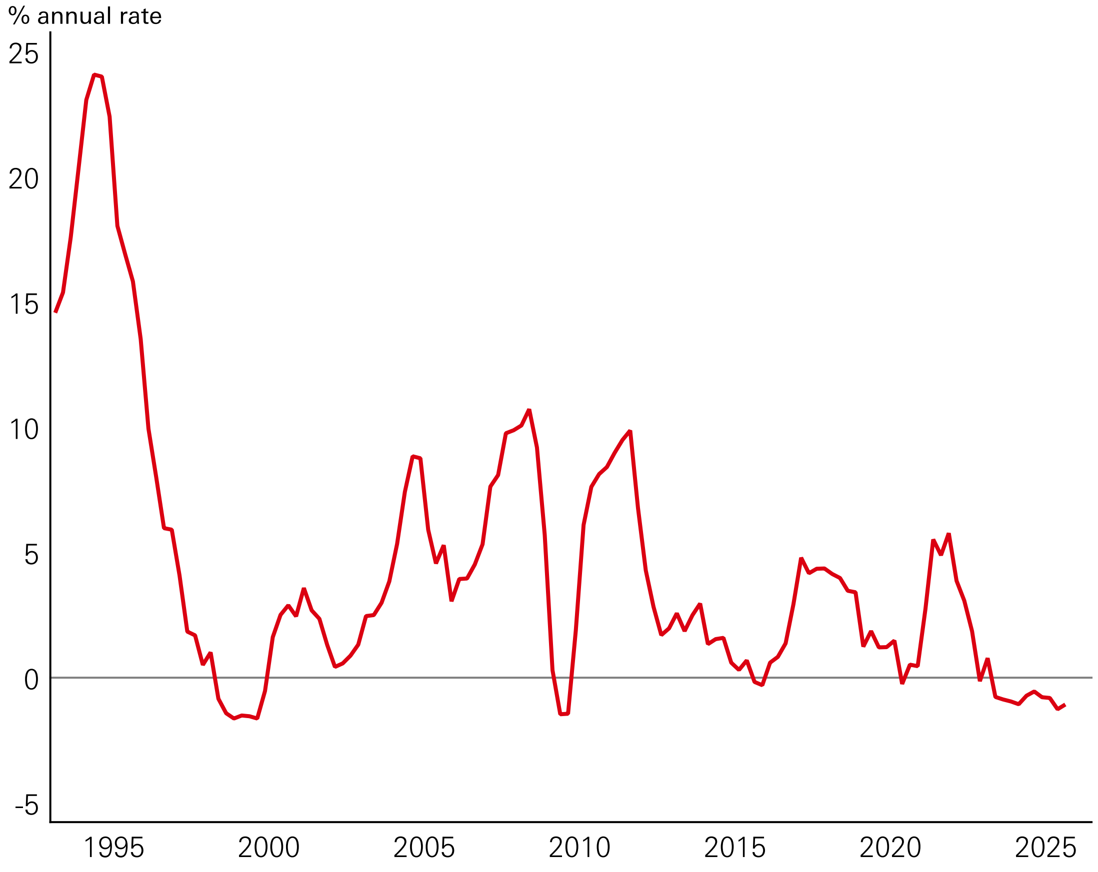
It's been a fantastic year for China stocks, with gains in the MSCI China making it one of the best performing indices globally. Nevertheless, a lot of the gains have been driven by renewed enthusiasm in the country's burgeoning tech sector rather than any major excitement around the macro outlook.

For China macro watchers, the key issues remain deflation, overcapacity, and weak domestic demand amid the ongoing property market slump. But the good news is tailwinds in advanced manufacturing and investment stimulus will still ensure that growth remains robust. Exports should also hold up amid strong regional integration.

The latest Five-Year Plan proposals contain some positive themes for investors. Scientific and technological innovation and self-reliance is a top priority. There appears to be a greater emphasis on economic rebalancing, increasing the share of household consumption. Meanwhile, "anti-involution" is mentioned, although details are light.

All in all, a gradual reflation of the economy looks possible, which would help boost company profitability. It's now wait and see on the concrete policy actions.

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



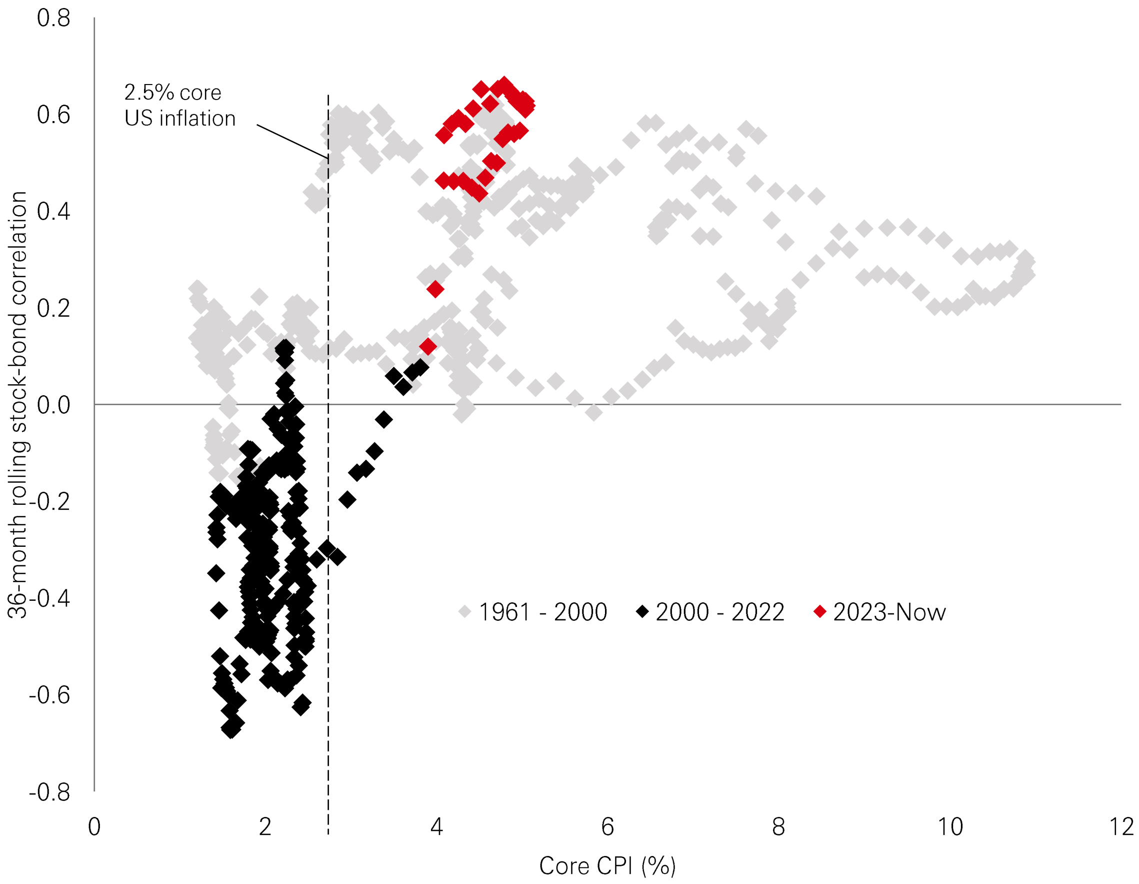
Amid ongoing debt and deficit concerns, can US Treasuries be relied on to diversify portfolios?

We think US Treasuries' role as the "go-to" safety asset is now subject to challenge from rising government debt levels and more unpredictable policy. There is no easy solution to fix deficits. Fed cuts are doing little to bring yields down. Traditionally, USTs don't hedge against equity drawdowns when core inflation is above 2.5%. It is 3% now.

We think investors have options. They can seek safety in the fortress balances sheets of the high-grade corporate sector. High-grade issuers have been deleveraging, lengthening debt maturities and building cash buffers. Investors may also be drawn to other sovereign bonds, gathering some diversification. Swiss government bonds have proved popular. Similarly, emerging-market sovereigns also have much improved balance sheets.

Alternatives are also an important option. Public liquid markets such as hedge funds have performed well in the last few years, and have shown low correlations to stocks. Meanwhile, private assets' periodic valuation means much lower return volatility with still high expected returns. Finally, real assets such as real estate and listed infrastructure can also offer defensive attributes, helped by rate cuts.

Stock-bond return correlation typically positive when inflation > 2.5%



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Market Data

Market Data

October 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)	1,006	2.2	8.2	20.9	19.6	1,017	723	21.5
North America								
US Dow Jones Industrial Average	47,563	2.5	7.8	13.9	11.8	48,041	36,612	22.7
US S&P 500 Index	6,840	2.3	7.9	19.9	16.3	6,920	4,835	25.4
US NASDAQ Composite Index	23,725	4.7	12.3	31.1	22.9	24,020	14,784	36.4
Canada S&P/TSX Composite Index	30,261	0.8	11.0	25.3	22.4	30,808	22,228	18.5
Europe								
MSCI AC Europe (USD)	665	0.6	5.8	20.4	25.7	677	516	16.1
Euro STOXX 50 Index	5,662	2.4	6.4	17.3	15.6	5,734	4,540	16.8
UK FTSE 100 Index	9,717	3.9	6.4	19.8	18.9	9,788	7,545	14.1
Germany DAX Index*	23,958	0.3	-0.4	25.6	20.3	24,771	18,490	17.3
France CAC-40 Index	8,121	2.9	4.5	10.5	10.0	8,271	6,764	17.3
Spain IBEX 35 Index	16,033	3.6	11.4	37.4	38.3	16,211	11,295	13.5
Italy FTSE MIB	43,175	1.1	5.3	25.9	26.3	43,564	31,946	13.3
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	725	3.7	10.9	22.8	27.4	737	507	17.4
Japan Nikkei-225 Stock Average	52,411	16.6	27.6	34.1	31.4	52,637	30,793	25.1
Australian Stock Exchange 200	8,882	0.4	1.6	8.8	8.9	9,115	7,169	20.4
Hong Kong Hang Seng Index	25,907	-3.5	4.6	27.5	29.1	27,382	18,671	12.5
Shanghai Stock Exchange Composite Index	3,955	1.9	10.7	20.6	18.0	4,026	3,041	15.5
Hang Seng China Enterprises Index	9,169	-4.0	3.2	26.2	25.8	9,770	6,763	11.7
Taiwan TAIEX Index	28,233	9.3	19.9	23.7	22.6	28,555	17,307	21.1
Korea KOSPI Index	4,108	19.9	26.6	60.7	71.2	4,227	2,285	14.6
India SENSEX 30 Index	83,939	4.6	3.4	5.7	7.4	85,290	71,425	23.3
Indonesia Jakarta Stock Price Index	8,164	1.3	9.1	7.8	15.3	8,355	5,883	15.1
Malaysia Kuala Lumpur Composite Index	1,609	-0.2	6.3	0.5	-2.0	1,659	1,387	15.0
Philippines Stock Exchange PSE Index	5,930	-0.4	-5.2	-17.0	-9.2	7,262	5,761	9.5
Singapore FTSE Straits Times Index	4,429	3.0	6.1	24.4	16.9	4,478	3,372	14.4
Thailand SET Index	1,310	2.8	5.4	-10.7	-6.5	1,488	1,054	12.2
Latam								
Argentina Merval Index	3,002,607	69.3	29.5	62.4	18.5	3,181,450	1,635,451	16.5
Brazil Bovespa Index*	149,540	2.3	12.4	15.3	24.3	150,761	118,223	9.4
Chile IPSA Index	9,429	5.1	15.2	43.9	40.5	9,537	6,463	13.0
Colombia COLCAP Index	1,987	6.1	12.1	46.3	44.0	1,996	1,328	8.5
Mexico S&P/BMV IPC Index	62,769	-0.2	9.4	23.9	26.8	63,540	48,770	13.5
EEMEA								
Saudi Arabia Tadawul All Share Index	11,656	1.3	6.7	-3.0	-3.2	12,536	10,367	16.9
South Africa JSE Index	109,244	1.2	10.9	27.9	29.9	113,197	77,165	12.4
Turkey index	10,941.8	-0.4	2.1	23.8	11.6	11,605.3	8,566.6	4.7

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 October 2025. (*) Indices expressed as total returns. All others are price returns.
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)

October 2025

EQUITY INDICES - TOTAL RETURN	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	8.6	21.1	22.6	80.0	97.7	1.7
US equities	8.1	17.3	21.4	83.3	117.5	1.1
Europe equities	6.3	28.4	23.2	74.6	89.7	3.1
Asia Pacific ex Japan equities	11.3	29.8	25.4	79.6	43.1	2.4
Japan equities	13.3	24.8	25.2	78.8	61.5	2.1
Latam equities	16.4	44.4	28.1	36.0	92.6	4.7
Emerging Markets equities	13.1	32.9	27.9	77.6	43.3	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	3.93	4.34	4.54	4.31
2-Year	3.57	3.61	3.96	4.17	4.24
5-Year	3.69	3.74	3.97	4.16	4.38
10-Year	4.08	4.15	4.37	4.28	4.57
30-Year	4.65	4.73	4.90	4.48	4.78
Developed market 10-year bond yields (%)					
Japan	1.66	1.64	1.55	0.94	1.09
UK	4.41	4.70	4.57	4.44	4.56
Germany	2.63	2.71	2.69	2.39	2.36
France	3.42	3.53	3.35	3.12	3.19
Italy	3.38	3.53	3.51	3.65	3.52
Spain	3.14	3.26	3.27	3.09	3.06

BOND INDICES - TOTAL RETURN	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	608	0.8	2.1	5.3	4.9
JPM EMBI Global	1010	2.2	5.4	12.2	12.5
BarCap US Corporate Index (USD)	3,529	0.4	2.9	6.6	7.3
BarCap Euro Corporate Index (Eur)	267	0.7	1.1	4.7	3.5
BarCap Global High Yield (USD)	681	1.1	2.9	9.9	8.6
BarCap US High Yield (USD)	2881	0.2	2.2	8.2	7.4
BarCap pan-European High Yield (USD)	637	0.3	1.4	8.0	6.5
BarCap EM Debt Hard Currency	491	1.4	4.0	10.6	11.2
Markit iBoxx Asia ex-Japan Bond Index (USD)	241	0.7	2.7	7.0	7.3
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	285	0.8	3.4	8.5	9.1

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 October 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)

October 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	99.80	97.78	99.97	103.98	108.49	110.18	96.22
EUR/USD	1.15	1.17	1.14	1.09	1.04	1.19	1.01
GBP/USD	1.32	1.34	1.32	1.29	1.25	1.38	1.21
CHF/USD	1.24	1.26	1.23	1.16	1.10	1.28	1.09
CAD	1.40	1.39	1.39	1.39	1.44	1.48	1.35
JPY	154.0	147.9	150.8	152.0	157.2	158.9	139.9
AUD	1.53	1.51	1.56	1.52	1.62	1.69	1.49
NZD	1.75	1.73	1.70	1.67	1.79	1.82	1.63
Asia							
HKD	7.77	7.78	7.85	7.77	7.77	7.85	7.75
CNY	7.12	7.12	7.20	7.12	7.30	7.35	7.09
INR	88.77	88.79	87.60	84.09	85.61	88.81	83.76
MYR	4.19	4.21	4.27	4.38	4.47	4.52	4.18
KRW	1,430	1,404	1,394	1,377	1,479	1,487	1,347
TWD	30.74	30.46	29.88	32.02	32.79	33.28	28.79
Latam							
BRL	5.38	5.32	5.60	5.79	6.17	6.32	5.27
COP	3,856	3,921	4,187	4,426	4,406	4,546	3,767
MXN	18.55	18.31	18.88	20.04	20.83	21.29	18.20
ARS	1,445.23	1,379.70	1,370.20	990.19	1,030.99	1,491.87	990.42
EEMEA							
RUB	80.85	82.85	80.54	97.33	113.52	115.07	74.05
ZAR	17.33	17.27	18.22	17.60	18.84	19.93	17.07

COMMODITIES	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	4,003	3.7	21.7	45.9	52.5	4,382	2,537
Brent Oil	65.1	-2.9	-10.3	-11.1	-12.8	83	58
WTI Crude Oil	61.0	-2.2	-12.0	-12.0	-15.0	81	55
R/J CRB Futures Index	303	0.6	0.9	8.1	2.0	317	279
LME Copper	10,888	6.0	13.3	14.5	24.2	11,200	8,105

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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 **October 2025**, HSBC Asset Management's long-term expected return forecasts which were generated as at **30 September 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.
- "*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 September 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 **31 October 2025**.

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