

# Role Reversal

Marketing Communication

## 2026 Global Investment Outlook

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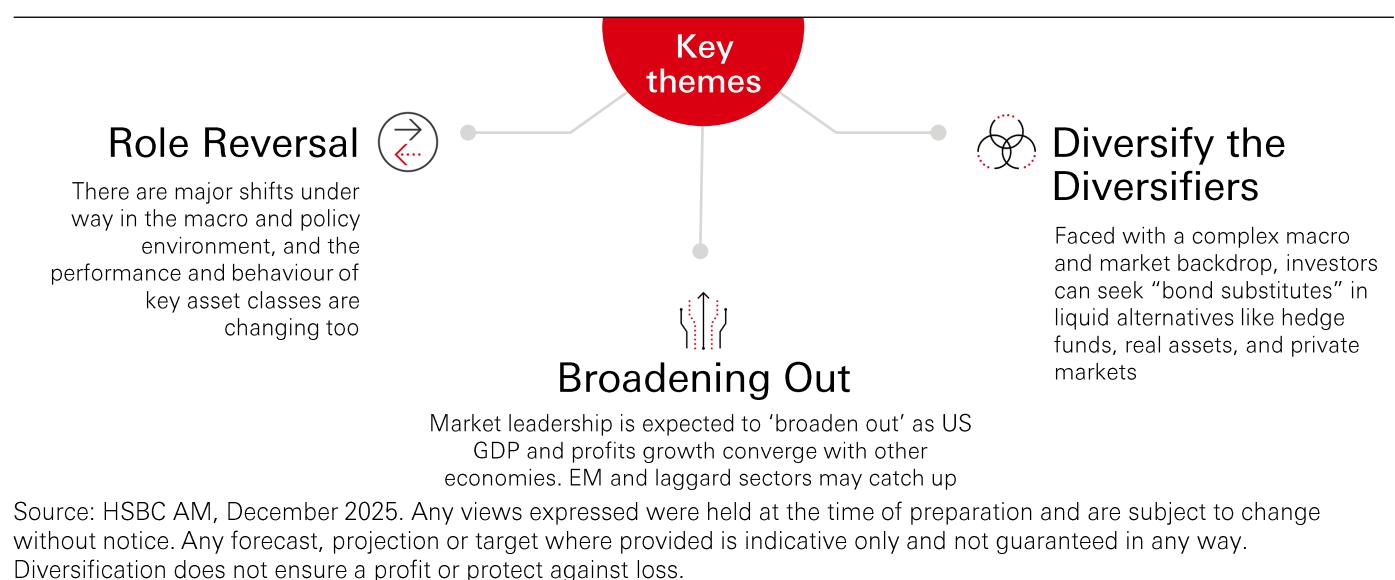
## Role Reversal: An era of reshaping traditional patterns

The post-Global Financial Crisis era, characterised by US exceptionalism and predictable investment playbooks, is giving way to a more balanced, multipolar global economy. Growth is steady but slower, inflation is cooling but not gone, and interest rates are likely to stay higher than the near-zero levels of the past.

Instead of one region or one sector driving everything, leadership is now more shared – and investment returns are likely to be more mixed across markets rather than rising in one straight line. While the US remains important, especially in technology and AI, other regions like Europe and Asia are gaining prominence.

This is an environment where diversification, selectivity and balance matter more. Hence, the role of traditional safety assets such as long-dated government bonds, which face diminished appeal due to fiscal constraints and inflation, must be reassessed.

Alternatives like private credit, infrastructure, and hedge funds should be increasingly seen as essential for diversification and resilience. As we move into 2026, investment returns will depend more on earnings growth, productivity, and structural trends like AI infrastructure investment, which is reshaping opportunities across geographies and sectors.





# Role Reversal

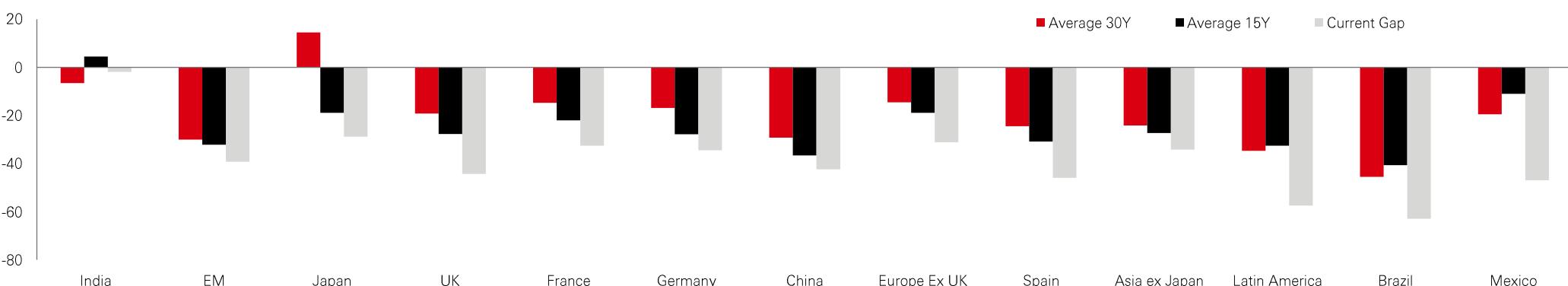
Shifts in macro and policy environment are reshaping asset class performance and behaviour.

For years, US growth outperformed, US tech dominated earnings, the dollar was strong, and most global portfolios were heavily tilted toward US assets almost by default. In 2026, we expect the US to still be important, but it is no longer the only engine driving markets. Growth is now more evenly shared across regions. Parts of Europe, Japan and several emerging economies are contributing more to global demand, profits and investment than in the previous cycle.

What this 'role reversal' really means is that other regions are no longer just passengers. Europe is benefiting from investment in energy transition, infrastructure and reshoring of supply chains. Japan is seeing the impact of long-awaited corporate reforms and better capital discipline. Emerging markets, from India to parts of Latin America and Asia, are gaining from more stable inflation, stronger local policy frameworks and new trade patterns.

This means that a portfolio built mainly around US leadership is now more exposed to surprises, while opportunities outside the US may be under-owned. The world is moving from 'US exceptionalism' to shared leadership, where multiple regions have credible earnings stories and more attractive starting valuations. The aim is not to abandon the US, but to rebalance. Role reversal is about recognising that the rest of the world is doing more of the work in the global economy and that portfolios should reflect that shift.

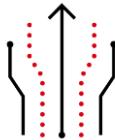
Regional price-to-earnings gap to US across 30 years, 15 years and current period (%)



## Past performance does not predict future returns.

Source: Refinitiv, Datastream, MSCI, HSBC Asset Management, 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 accepts no liability for any failure to meet such forecast, projection or target. This information should not be construed as a recommendation to invest in the specific country, product, strategy, sector or security.

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# Broadening Out

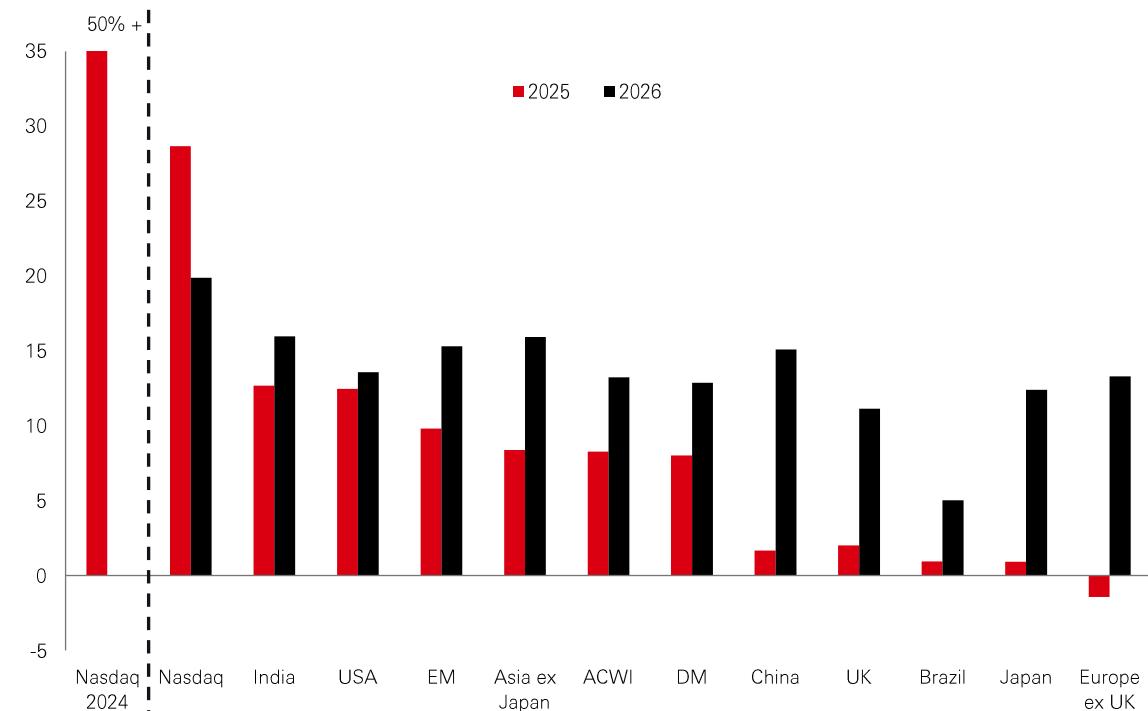
Previously lagging sectors and markets are catching up as global growth converges.

Recent years saw markets led by a small group of mega-cap tech stocks. However, we expect returns to broaden out across sectors, styles and regions. This doesn't mean the leaders of the past suddenly disappear, but it does mean more areas of the market are starting to contribute.

Several forces sit behind this. First, the global growth picture is more balanced. With more than one region supporting demand and investment, earnings opportunities extend beyond a single country or sector. Second, the AI and capex boom is spilling over into a wider ecosystem – power infrastructure, industrial automation, data-centre real estate, cybersecurity, and specialised manufacturing. Third, valuations outside the most crowded areas remain more reasonable, making it easier for positive surprises to be rewarded.

This diversification of market drivers is enabling historically underperforming sectors and regions to close the gap, shifting the focus away from the dominance of US tech-heavy markets.

Global Earnings Per Share growth in 2025 and 2026 (%)



**Past performance does not predict future returns.**

Source Refinitiv, HSBC Asset Management, Refinitiv, IBES, November 2025.

**Note:** Nasdaq IBES profit data for 2024e (only) is very volatile, so 50%+ used.



# Diversify the Diversifiers

In today's challenging environment, modern portfolio needs more than just stocks and bonds – it needs variety.

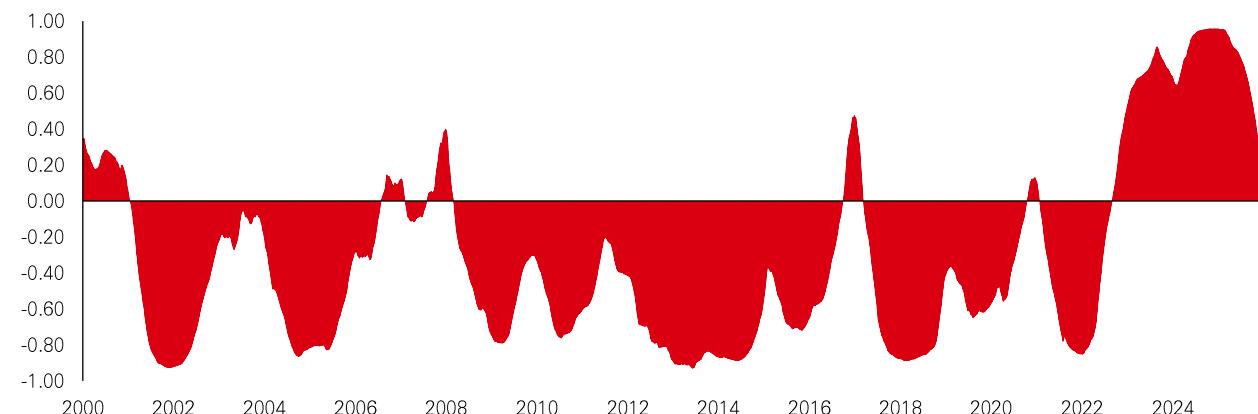
Traditional diversification assumed equities and government bonds moved in opposite directions. That simple relationship has weakened in a world of higher inflation, larger fiscal deficits and shifting policy dynamics. This calls for the need to 'diversify the diversifiers' i.e. it is no longer enough to rely on one type of defensive asset. Treasuries still matter, but they no longer hedge every equity shock as consistently as they once did, particularly when inflation is above central bank targets and issuance is high. Several areas feature a defensive or stabilising role more prominently in the new framework.

High-quality corporate credit, supported by strong company balance sheets, can provide income and resilience. Global fixed income, including selected non-US sovereigns and some emerging-market local bonds, adds diversification because policy, inflation and fiscal stories differ across countries. Beyond traditional bonds, alternatives are becoming more relevant. Gold can act as a hedge against policy uncertainty and concerns about sovereign balance sheets.

Certain hedge-fund strategies may benefit from a world with more dispersion and less central-bank suppression of volatility. Income-oriented real assets, such as infrastructure, can provide stable cash flows and some inflation linkage.

This does not mean portfolios should be made overly complex, but to avoid having only one line of defence. A more resilient portfolio in 2026 is likely to blend different types of stabilisers rather than relying solely on long-dated government bonds to do all the work.

Rolling 18-month correlation for S&P 500 vs US 10-year Treasury



**Past performance does not predict future returns.**

Source: Macrobond, Bloomberg, HSBC Asset Management, November 2025.



# Gold as a steady anchor

Gold is no longer just a safe-haven asset in market downturns.

In a world where inflation is higher than it used to be, government debt is large, and markets can move suddenly on policy or geopolitical news, gold provides stability when other assets are under pressure.

Unlike equities or bonds, gold's value isn't tied to corporate earnings or interest payments. It tends to hold up well when investors worry about growth, currency weakness or market volatility. That makes it a useful portfolio balancer rather than a return chaser. It doesn't need strong economic growth to do its job and sometimes it benefits when things look uncertain elsewhere.

Another reason gold matters today is currency dynamics. When confidence in major currencies falls, or when central banks keep buying gold to diversify reserves, demand can rise.

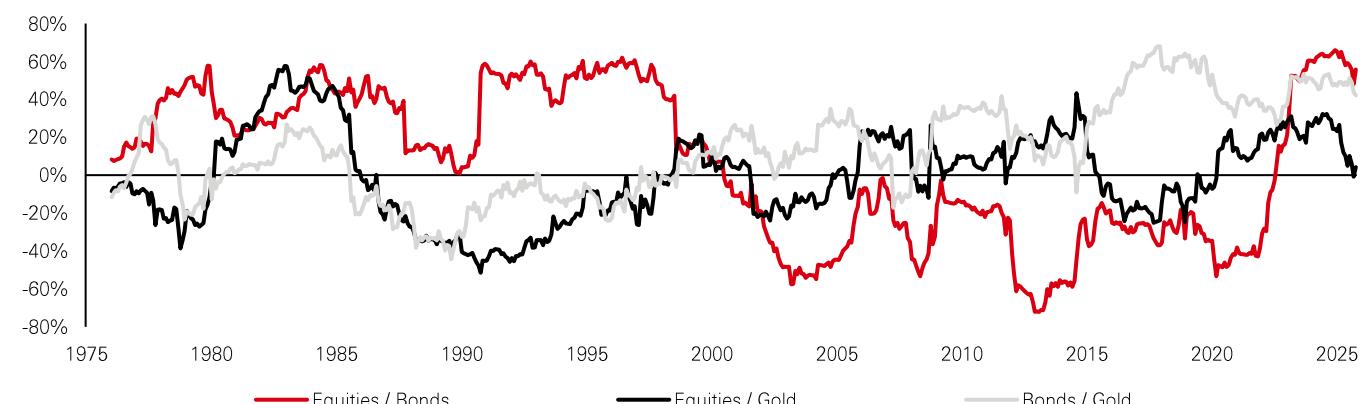
We've already seen central bank purchases supporting prices in recent years, and that trend may continue as countries seek financial security.

Gold can also complement fixed income. Bonds provide income but can struggle when inflation is sticky. Gold offers no yield, but it can protect purchasing power over time. In that sense, it acts as a portfolio cushion, helping steady returns during periods of uncertainty.

Hence, modest amounts of gold in portfolios can add some balance during periods of market stress. It can be accessed through physical gold, funds, or diversified multi-asset solutions where it appears as one component among many.

Looking ahead to 2026, gold's role is less about driving returns and more about providing an additional layer of steadiness alongside other assets.

Rolling 3-year monthly correlations



**Past performance does not predict future returns.**

Source: Bloomberg, HSBC AM, November 2025



# AI still a major theme

AI was the biggest driver of market excitement over the last couple of years, but its story is now evolving.

In recent years, AI excitement was driven mostly by capacity building — new data centres, chips, energy demand and infrastructure investment. Much of that spending helped lift earnings in a relatively narrow part of global equity markets, particularly in the US.

Looking ahead, AI becomes part of a wider investment and productivity story. Rather than relying on consumption to drive growth as in the last decade, companies are now investing to operate more efficiently and automate processes.

This supports a broader opportunity set. AI is no longer just a technology theme rather it is becoming a tool that spreads through industries and regions. That means leadership may gradually widen beyond the most visible names.

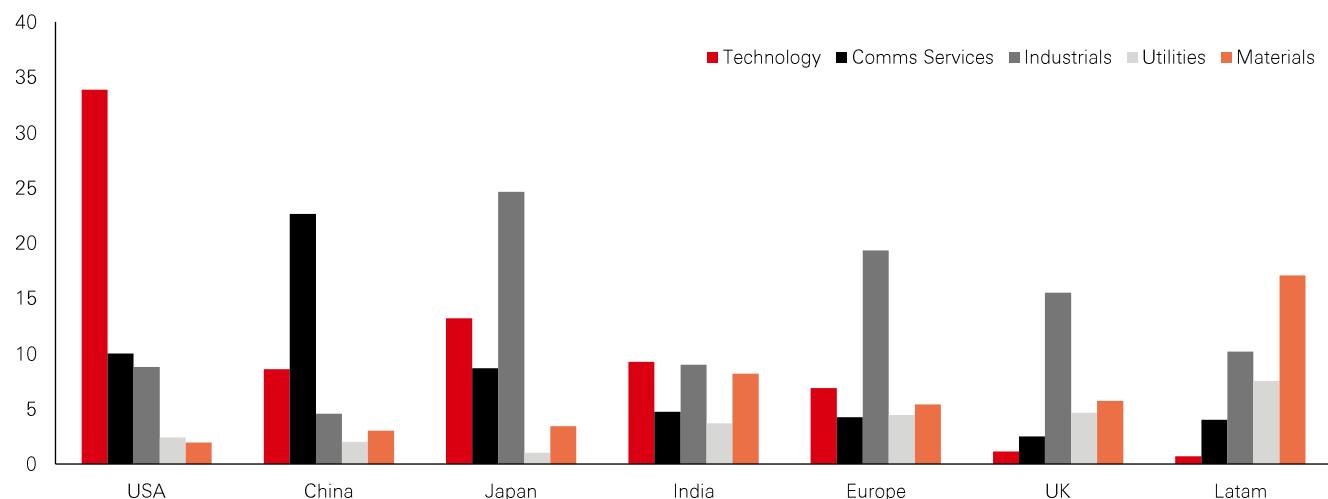
However, the benefits may not appear evenly or all at once. We are likely to see dispersion with some businesses converting investment into better margins and output, others taking longer.

This reinforces the need for selectivity rather than blanket exposure.

AI remains important, but it sits inside a bigger shift toward investment-led growth, productivity and industrial build-out.

Overall, AI is a long-term structural theme, but not a single trade. It works best as part of a diversified equity allocation instead of the whole story.

**Sector Weights within each market – potential AI/data-centre beneficiaries (% of total market)**



Source: Refinitiv, Fact-set, HSBC Asset Management. Data as of October 2025.

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