

Q1 / 2026

# Think Future 2026

Your guide to the global investment landscape



**HSBC**

Opening up a world of opportunity

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# AI transformation underpins a bull market outlook

**As a year of surprises draws to a close, it's a good time to filter out the noise and refocus on the fundamental drivers of performance to position our portfolios for 2026.**

Recent months have provided more clarity on the tariff front, while US earnings delivery remains strong, supported by tech-led productivity gains and a robust capex cycle that's still under-estimated by markets. However, a sharp runup in valuations, debt piles and the longest government shutdown in US history spurred some profit-taking recently. Some investors are wondering how long the bull market can last.

## **What does this mean for the 2026 market outlook?**

We believe the key drivers behind our positive view are likely to persist. The rapid adoption of artificial intelligence (AI) should remain a defining theme in 2026 globally. Not only is a reversal of this trend very unlikely, but we also see opportunities widening across sectors in the AI ecosystem. Industrials and Utilities should benefit from the growing demand for digital infrastructure and electricity, while long-term structural initiatives continue to prioritise reshoring and re-industrialisation to strengthen strategic autonomy in supply chains, especially in technology and defence.

According to the OECD, AI could add between 1% and 2.5% to labour productivity in the next 10 years. Unlike other regions, most of the US equity market returns have come from earnings growth rather than P/E multiple expansion. Valuations have risen, yet they're still far below the levels of the dot-com period. And Q1 2026 earnings forecasts still look a bit conservative, creating room for positive surprises in Q1. Hence, we're not worried about an AI bubble, but do believe that short-term market dips should be expected.

Outside of the US, Asia enjoys twin tailwinds – a diverse, fast-growing AI ecosystem at attractive valuations and resilient domestic demand supported by policy measures. As far as data-centre growth capacity is concerned, Asia is expected to outpace its global peers for the period of 2025-2030. Corporate governance reforms will also help enhance return on equity (ROE) in the region. Our barbell strategy, balancing our preference between tech innovation champions and high dividend stocks or quality bonds, has been working well. These dynamics support our recent upgrade of Hong Kong, Japanese and South Korean equities to overweight, alongside the US, mainland China and Singapore. We also favour the structural and cyclical opportunities in the UAE and South Africa within the EM EMEA region.

## **Preparing for short-term market dips amid a positive trend**

Nevertheless, we remain mindful of policy and macro uncertainty. The US Federal Reserve could end its rate-cutting cycle sooner than expected, and data-centre construction could face delays due to labour shortages – not to mention the potential for escalating geopolitical tensions in any region.

Our analysis of different asset classes finds that there's no silver bullet in achieving portfolio resilience under various risk scenarios. We therefore continue to diversify across assets, regions, sectors and currencies via multi-asset strategies to manage concentration and downside risks. We've repositioned our strategy by trimming exposure to US equities a bit, while still maintaining a positive view. We've added to Asia, underweighting US Consumer Staples and high yield bonds, while leaning on global investment grade and EM local currency government bonds, as well as gold, to build resilience.

## **A growing need to diversify the diversifiers**

Moreover, as markets focus a lot on Fed policy, assets have become more correlated in recent months. We see value in adding alternatives as an additional layer of diversification.

To provide our customers with more insights into the role of alternative assets in portfolios and the outlook for gold, we have invited our in-house experts to explore these topics in the feature articles of this publication.

We hope our investment themes and the broader content in our Think Future 2026 will help you navigate the year ahead.

Best wishes for a successful investment journey.



**Willem Sels**

Global Chief Investment Officer,  
HSBC Private Bank and Premier Wealth

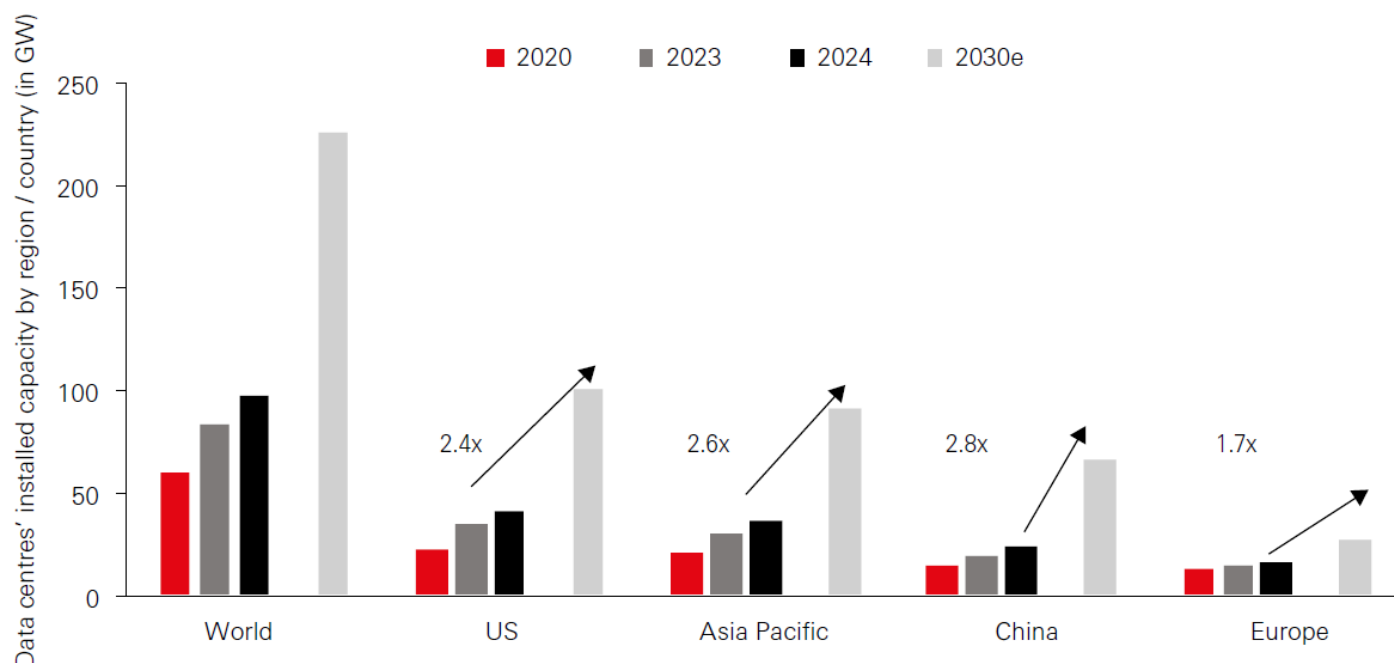
# Key data to watch

Economic growth is expected to moderate across the regions but remain positive, while inflationary pressures are relatively less evident in the Eurozone and Japan

|                | GDP   |       | Inflation |       |
|----------------|-------|-------|-----------|-------|
|                | 2025f | 2026f | 2025f     | 2026f |
| World          | 2.6   | 2.4   | 3.0       | 3.0   |
| US             | 1.9   | 1.7   | 2.7       | 3.0   |
| Eurozone       | 1.2   | 1.0   | 2.1       | 1.8   |
| UK             | 1.5   | 1.2   | 3.4       | 2.5   |
| Japan          | 0.8   | 0.5   | 3.0       | 1.6   |
| Mainland China | 4.9   | 4.6   | 0.0       | 0.8   |
| India          | 7.2   | 6.3   | 2.6       | 4.8   |

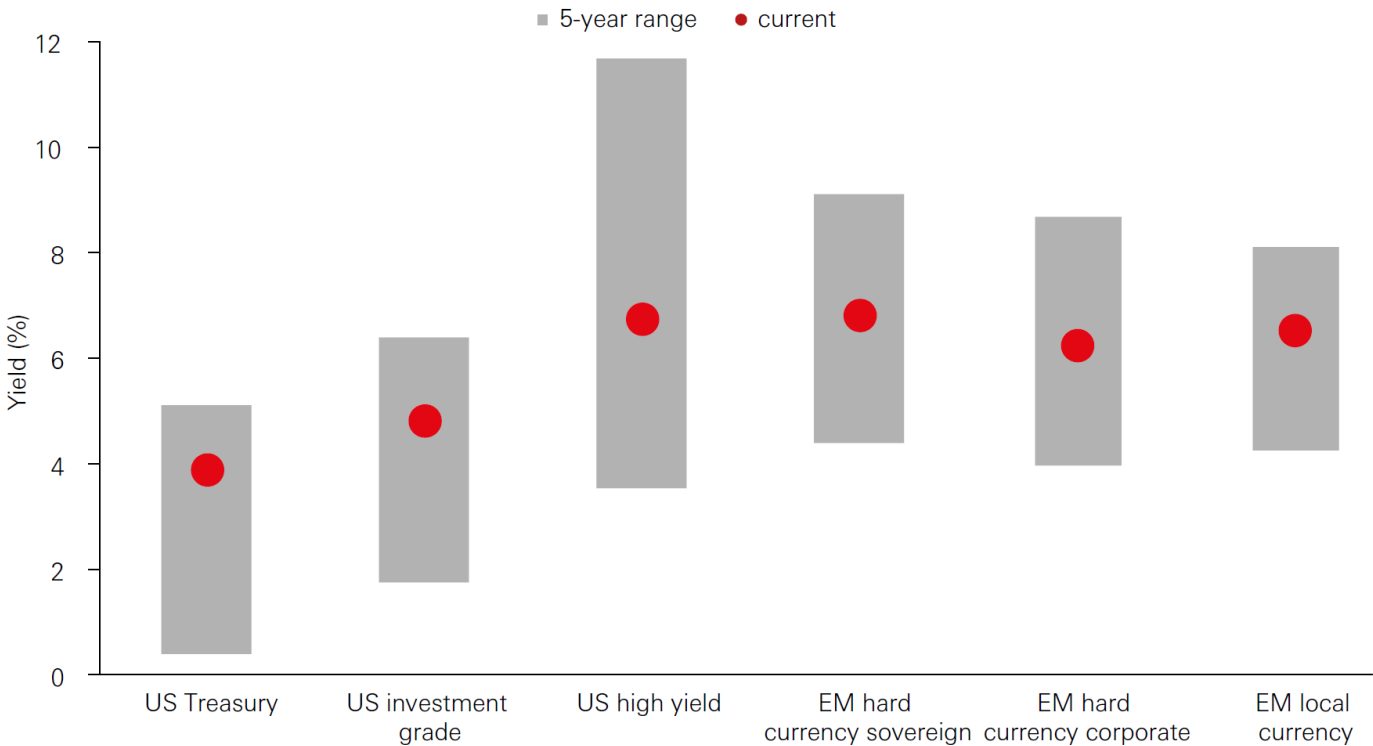
Source: HSBC Global Investment Research as at 14 November 2025. Estimates and forecasts are subject to change. India inflation forecasts are fiscal year.

Data-centre capacity in Asia Pacific is expected to see the fastest growth by 2030, led by China, outpacing the US and Europe



Source: International Energy Agency (IEA), HSBC Private Bank and Premier Wealth as at 19 November 2025. Forecasts are subject to change.

Compared to history, investment grade bonds are more attractive priced than high yield



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 19 November 2025. Past performance isn’t a reliable indicator of future performance.

# Global calendar

| Key events – first half of 2026 |  |           |                              |
|---------------------------------|--|-----------|------------------------------|
| 28 Jan                          | Federal Open Market Committee (FOMC) policy decision                             | 29 Apr    | FOMC policy decision         |
| 5 Feb                           | Bank of England (BoE) and European Central Bank (ECB) policy decisions           | 30 Apr    | BoE and ECB policy decisions |
| 18 Mar                          | FOMC policy decision   | 11 Jun    | ECB policy decision          |
| 19 Mar                          | BoE and ECB policy decisions   | 14-16 Jun | G7 Summit                    |
| Mar (date TBC)                  | The National People’s Congress of the Chinese Communist Party                    | 17 Jun    | FOMC policy decision         |
| Mar (date TBC)                  | The National Committee of the Chinese People’s Political Consultative Conference | 18 Jun    | BoE policy decision          |



# Four investment themes to help shape your portfolio

## 1 Look to emerging markets and Asia to complement the US

In the US, positive earnings surprises have pushed equities higher, underpinned by US tech leadership, together with robust AI-related investment, Fed rate cuts, deregulation and long-term structural trends. Given that these positive drivers remain intact, we don't think the era of 'US exceptionalism' is over. Concentration risk, however, should be managed, as US valuations are elevated. While we remain positive on the US, we've slightly trimmed our exposure there and increased our geographical diversification.

A weaker USD and lower US rates, coupled with attractive valuations, are drawing liquidity into emerging markets. Asia stands out, with mainland China reaffirming its strategic focus on high-quality development and self-sufficiency under its 15th Five-Year Plan. AI innovation and domestic consumption remain the two biggest engines. South Korea offers a strong tech-driven earnings outlook and improving shareholder returns, while Japan benefits from its new Prime Minister's reflationary agenda, corporate governance reforms, and stabilising yen dynamics. Strong inflows and increased local IPO activity are supportive for Hong Kong, while Singapore offers a defensive appeal with a high dividend yield.

Elsewhere, the UAE presents solid structural opportunities, and South Africa benefits from expectations of lower policy rates and a supportive gold backdrop. The budget management of many emerging markets is also in better shape than in most developed markets.

- ◆ **We remain overweight on global equities, with the US continuing to represent an overweight.**
- ◆ **We favour mainland China, Singapore, South Korea, Japan and Hong Kong in Asia. We prefer the UAE and South Africa in the EM EMEA region.**



## 2 Uncover opportunities in the broadening AI ecosystem

The recent rally in US mega-caps has been supported by solid earnings growth, which is expected to accelerate to 14% or even higher in 2026, thanks to the US's ongoing tech leadership. This is further fuelled by substantial capital investment in software and infrastructure, from chips and cloud to data centres and power systems.

As AI adoption widens, we believe its advantages will increasingly extend beyond the early winners. To avoid excessive concentration in tech, we add exposure to sectors with expanding monetisation potential. Utilities are well positioned to capture rising electricity demand and infrastructure investments, while Financials can harness AI to accelerate efficiency and automation. Industrials stand to gain not only from digital infrastructure, but also from reshoring and higher defence spending.

In Asia, beyond Technology, consumption continues to benefit from policy measures aimed at bolstering domestic demand amid heightened external uncertainty. Attractive valuations and advances in medical innovation strengthen the case for Healthcare. Europe is still catching up on AI deployment, yet Industrials and Utilities offer selective upside potential, as national security and digital capability enhancements remain in focus.

- ◆ **In the US, we diversify beyond IT and Communications into Financials, Industrials and Utilities, while remaining overweight on Financials, Industrials and Utilities in Europe.**
- ◆ **In Asia, IT, consumer discretionary, financials, communications and healthcare are our preferred sectors.**

## 3 Navigate volatility with quality bonds and FX diversification

Markets continue to be shaped by inflation data and trade negotiations. Above all, the ongoing assessment of Fed policy remains a key driver of volatility. We've equipped our multi-asset portfolios with quality bonds to secure a stable income stream, regardless of the form that uncertainty takes.

Against a backdrop of still-sticky inflation and resilient economic activity, the Fed may cut less than markets expect, limiting further downside in US Treasury yields. Therefore, we've reduced our preferred duration for USD exposure to 5-7 years to reflect the risk of increasing volatility in longer-dated bonds. We prefer global investment grade credit for its still attractive yields and diversification benefits, while remaining cautious on high yield bonds given tightening spreads and a relatively fragile risk environment.

In emerging markets, select local currency bonds offer opportunities, with room for policy easing and resilient fiscal positions leading to improved credit ratings. USD weakness adds to their appeal, and this also underscores the need for non-USD exposure. Multi-asset solutions can help achieve diversification across asset classes, sectors and currencies.

- ◆ **We remain overweight on Global (including USD, EUR and GBP) and Asian investment grade credit and favour EM local currency government bonds, which offer lower correlations with risk assets.**
- ◆ **We emphasise FX diversification to position for USD volatility and strength in other currencies.**



## 4 Expand the investment mix with gold and alternative assets

While we believe the bull market will stay on course, so too will volatility. Given the high correlation between traditional assets, the need for low-correlation assets to deepen diversification is increasingly recognised. Gold has experienced its best performance since 1979, with a year-to-date return of more than 50%. The uptrend, though slowing, will continue to benefit from strong central bank demand, concerns about dollar debasement, and steady inflows into gold ETFs. As such, gold's role as a key diversifier remains firmly in place.

Alternatives are gaining traction. Hedge funds offer diverse strategies that can capture opportunities amid macroeconomic shifts, dispersion between winners and losers from AI, and rising M&A activity. Private equity is exploring growth potential in emerging industries. Private credit can help deliver steady income through yield-focused lending, while infrastructure provides a hedge against inflation.

The clean-energy transition remains an enduring theme aimed at achieving energy self-sufficiency and environmental preservation. Long-term policy support and sustained investment flows keep the momentum going, with the industry remaining relatively insulated from short-term market volatility.

- ◆ **Both gold and energy-transition assets can help strengthen portfolio balance and weather downside risks.**
- ◆ **Investors can add exposure to alternatives strategically through direct investments or multi-asset solutions.**



# Regional market outlook

## Where should you invest your money?

### United States



Domestic and international politics continue to grab headlines, but market sentiment is encouraged by strong investment (especially in AI and infrastructure) and resilient earnings growth. While tariffs are hurting lower-income households, spending by those with higher incomes keeps consumption going. Companies generally seem able to pass on rising costs to their clients, thereby protecting their margins. The downside is that inflation could remain higher than markets expect, causing the Fed to delay or stop its rate cuts. Hence, while we're positive on US stocks, we're more selective on bonds, preferring investment grade over high yield. The US dollar is likely to remain volatile without a clear trend.

### The Eurozone and UK



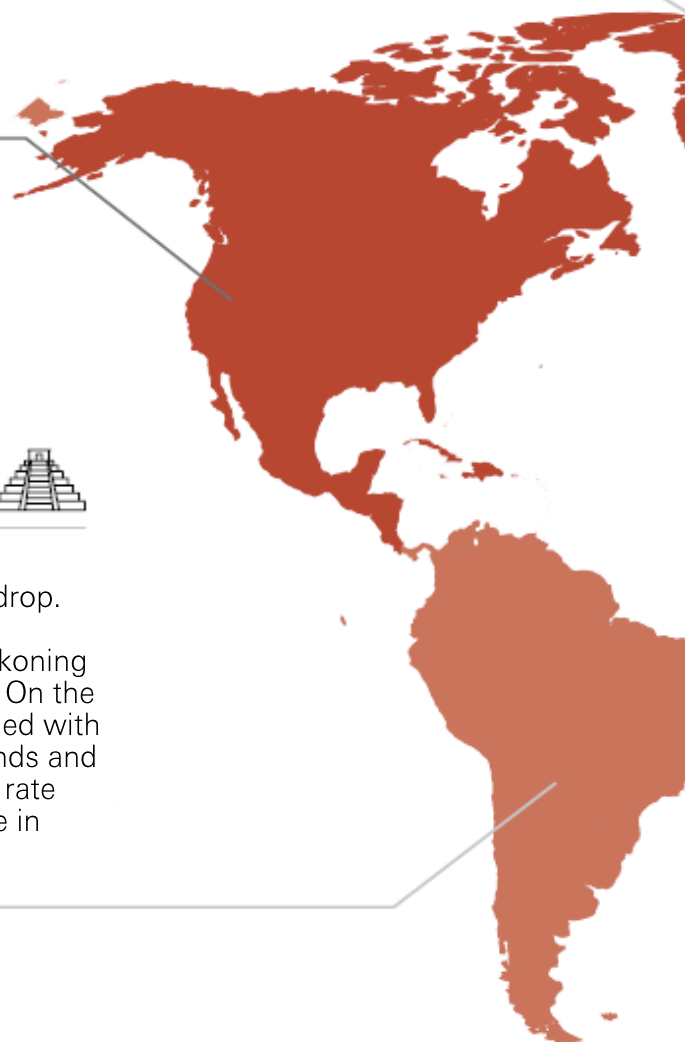
The ECB has finished its rate cuts, economic growth is moderate, and earnings face headwinds from the relatively strong euro. While Germany has fiscal room, markets are disappointed by its slow pace of investment. France's political uncertainties continue, leading us to remain bearish on French stocks. Compared to these two core European countries, we prefer the periphery (Spain and Italy) in both stock and bond markets.

In the UK, growth is stuck in a low gear and inflation is sticky, which means that there's little scope for rapid rate cuts. Much hinges on the government's Autumn Budget to set the market tone: too much fiscal tightening could hurt stocks, while insufficient tax hikes could hurt bonds.

### EM EMEA and EM Latin America



We've a neutral view on EM EMEA and Latin American stocks, despite a challenging backdrop. Latin America faces high tariffs and election uncertainties in Brazil, while EM EMEA is reckoning with geopolitical issues and slow EU growth. On the other hand, a relatively weak US dollar, coupled with Fed rate cuts, tends to be positive for EM bonds and equities. We believe there's scope for further rate cuts in both regions and mild currency upside in Mexico and South Africa.





## Asia (ex-Japan)

Mainland China benefits from the government's anti-involution drive, with local investors feeling encouraged to move from deposits to equity investments, and foreigners attracted by its cheap tech companies. Singapore's economic and political stability, as well as its high dividends, make it attractive for portfolios and support further upside. As for Hong Kong, we see evidence of stabilisation of retail consumption and residential property. We believe that inbound investment and an improving financial sector outlook will gradually support the office market, too. For Indian equities, we remain cautious about the subdued earnings growth, even as the impact of government measures becomes clear, but maintain our bullish longer-term view. We favour South Korea for its strong tech-driven opportunities and the 'Corporate Value-Up Programme', which aims to improve shareholder returns.



## Japan

Japan's stock market has potential for a domestically driven re-rating, supported by the new Prime Minister's reflationary and expansionary agenda and corporate governance reforms, which help boost return on equity. These developments support a more positive outlook for the equity market. While we see an improvement in the US-Japan strategic partnership, exporters continue to face challenges, especially in automotives, though this should be offset by the stabilisation of the yen. We prefer domestic exposure in tech, financials and consumer stocks.





# Rethinking traditional portfolios: The power of alternative investments



**Bhaskar Sastry**  
Head of Content, Alternatives  
HSBC Asset Management

## Key takeaways

- ◆ Alternatives can improve diversification, offer strong risk-adjusted returns, and provide exposure to new sources of value creation.
- ◆ Alternatives are no longer exclusive. Regulatory changes and digital platforms now grant retail investors access to alternatives with lower minimum investments and greater transparency.
- ◆ Investors should evaluate risk, liquidity needs, and manager expertise to build resilient portfolios leveraging alternatives for growth and inflation protection.





Investors have long considered a balanced portfolio of equities and bonds a cornerstone of prudent investing. The '60/40' portfolio promised growth from equities in good times, while bonds provided income and protection when markets turned volatile.

In recent years, this relationship has been upended. Since the COVID pandemic, inflation, interest rates, geopolitical tensions, and seismic technological progress have changed how assets behave. After the pandemic, global equities and bonds fell in tandem, leaving many investors to question the value of traditional diversification strategies.

In 2025, the safe-haven assets of the US dollar and US Treasuries have confounded expectations and shown weakness amid US tariff-related uncertainty. The result is that the modern investment landscape requires a broader toolkit, and alternative assets may play an increasingly important role in investor portfolios.

### **An evolving investment landscape**

The macroeconomic environment has changed dramatically since 2022. After a decade of near-zero interest rates and abundant liquidity, investors now face higher inflation, greater geopolitical and policy uncertainty, and slowing global growth.

Equity valuations have reached record highs, and while bond yields have increased, they're struggling to outpace inflation in real terms. All the while, megatrends like the rise of AI and the energy transition are creating new investment frontiers.

Private capital has emerged as a driving force behind these changes, funding the next generation of technology, healthcare, and infrastructure companies. Some of these companies – like OpenAI, SpaceX, and Stripe – are transforming the world. OpenAI sparked the AI revolution with the release of its ChatGPT large language model in 2022, and it remains a private company.

Investors can gain exposure to these themes through public markets, but increasingly it's private companies that are at the cutting edge. Indeed, public equity markets are capturing a shrinking share of global economic activity. Since 2000, the number of US-listed companies has halved, while the number of private venture-capital-backed companies has risen 25 times<sup>1</sup>. Companies are also remaining private for longer, meaning that much of the value creation happens before a public listing.

These trends present an attractive opportunity set for private market investors to access fast-growing companies, including sector specialists and upcoming technology platforms that are often absent from public market indices.

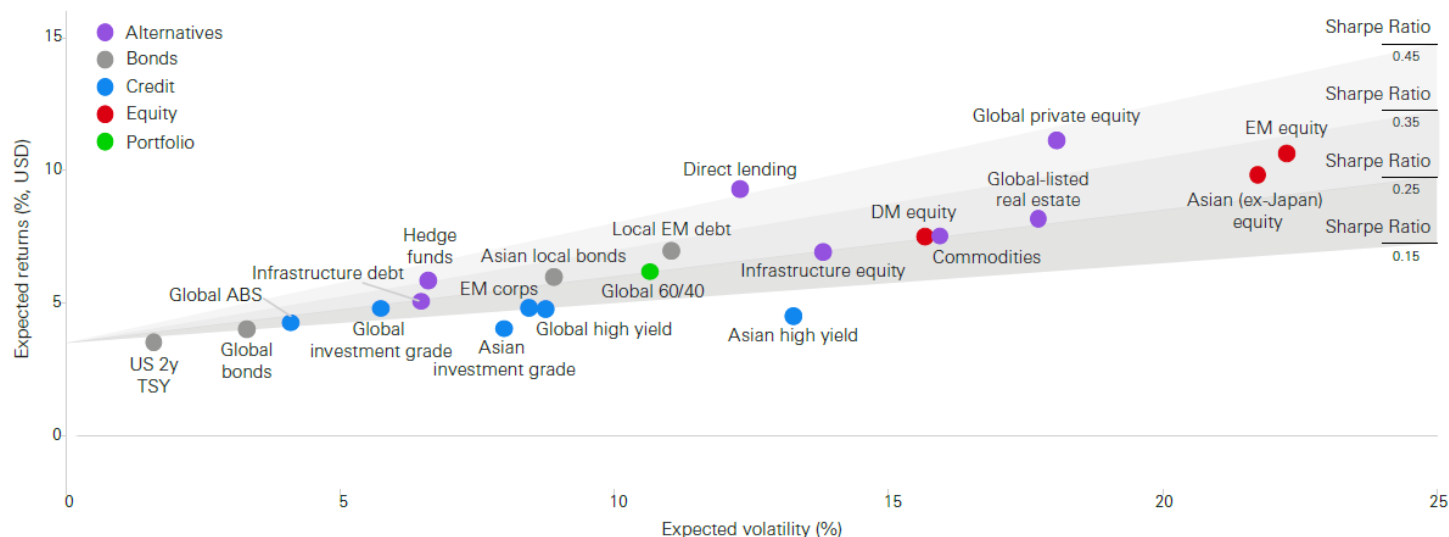
### **Exploring alternative strategies**

Alternative investments encompass private assets (e.g. private equity) or publicly traded assets in non-traditional ways, such as through hedge funds. These investments can complement a portfolio of traditional assets by offering the potential for strong risk-adjusted returns, enhanced diversification, and access to new sources of value creation.

The chart overleaf shows HSBC Asset Management's long-run expected return assumptions for various asset classes. Several alternative asset classes perform well on a risk-adjusted basis, including global private equity, direct lending (a form of private credit) and hedge funds.

1. 'Unicorns, Decacorns and Hectocorns: The Private Companies Primer', BofA Securities, October 2025.

## Long-term capital market assumptions



Source: HSBC Asset Management as at September 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 doesn't ensure a profit or protect against loss. This information shouldn't be considered as a recommendation to invest in the country or sector shown. Any forecast, projection or target where provided is indicative only and not guaranteed in any way.

Here's a description of the main alternative asset classes:

- **Private equity** is where a manager raises capital from investors to acquire and manage private companies or to take public companies private, with the goal of selling them at a higher valuation. Managers work closely with companies to generate value over several years through methods including driving operational improvements, creating new revenue drivers, and making strategic acquisitions.

Private equity managers have access to a large set of undervalued but innovative companies and the freedom to transform them. Given these benefits, global private equity funds have been shown to outperform listed equities over the long term<sup>2</sup>.

- **Private credit** has emerged as a compelling alternative to traditional fixed income. In a higher-rate environment, direct lending funds (which provide loans to mid-sized private companies) can offer investors attractive equity-like yields, often with floating rates that protect against inflation. Loans are typically senior secured, providing downside protection and backed by strong collateral.

These multiple benefits explain why investors have been drawn to private credit, with the market growing rapidly as banks retreat from middle-market lending.

- **Real assets** can offer investors several benefits. Infrastructure offers stable, predictable cash flows, hedged to inflation, arising from the essential – and often contracted – nature of these assets. Infrastructure investments are also aligned with key growth themes, such as renewable energy generation, which is essential for climate mitigation and a successful energy transition.

Like infrastructure, real estate is an effective diversifier in a portfolio of stocks and bonds, offering access to contractual income streams from rents and capital appreciation largely tied to local, idiosyncratic factors. The tangible nature of real estate means it is less subject to the short-term sentiment that affects stocks and bonds. Real estate is also an effective inflation hedge, as rents usually rise in line with inflation over the long run.

2. 'Tracking Private Equity: Closing the Performance Gap', MSCI 2025.

- **Hedge funds** have also evolved, offering strategies with the potential for both outsized returns and diversification, particularly useful in volatile markets. Active hedge fund strategies like global macro and long / short equity can benefit from dispersion across assets, interest rates, and regions, to generate returns that are uncorrelated with traditional markets.

### **Democratising private markets**

Historically, alternatives were only available to large institutional investors. Minimum commitments were high, liquidity was limited, and access to top managers was restricted. Today, regulatory changes across the UK, Europe, and Asia, as well as the introduction of new investment structures, are making alternatives increasingly accessible and investable for sophisticated retail investors.

Open-ended funds, also called 'evergreen' vehicles, allow investors access to diversified portfolios of private assets with lower investment minimums (thousands, rather than millions), simplified reporting, and periodic liquidity. The rise of digital platforms is improving transparency, allowing investors to review fund performance, compare strategies, and understand underlying holdings more easily than before.

We welcome this 'democratisation' of alternatives, which will appeal to certain investors with liquidity and growth objectives. However, investors should conduct their own research and/or consult advisors before considering these investments.

### **Building smart, resilient portfolios**

The complex interplay between macroeconomics, geopolitics, and megatrends presents challenges – but also opportunities. By selectively incorporating alternative investments, investors can build portfolios that are resilient, diversified, and better positioned to navigate uncertainty, innovation, and disruption.

Just as with public markets investing, understanding your risk tolerance and liquidity needs is essential. Overall, alternative investments tend to be riskier and less liquid than public market investments.

Manager selection is also particularly important in alternatives, given the wide dispersion of returns between top-and bottom-performing managers. Investors should focus on managers with proven expertise and track records, disciplined underwriting practices, and strong governance. Working with an experienced advisor can help ensure alignment with your financial goals and risk appetite.

# Gold's shine is intact despite choppy prices



**Rodolphe Bohn**

Currencies and Commodities Strategist  
HSBC Private Bank and Premier Wealth

## Key takeaways

- ♦ Gold is a powerful hedge during global economic uncertainty and enjoys strong demand from central banks and retail investors.
- ♦ Demand for gold-backed ETFs and gold's increasing role in central bank reserves showcase its appeal amid concerns over inflation and US dollar depreciation.
- ♦ Despite recent choppiness, gold's upward trajectory continues, driven by fiscal trends and positive market speculation.



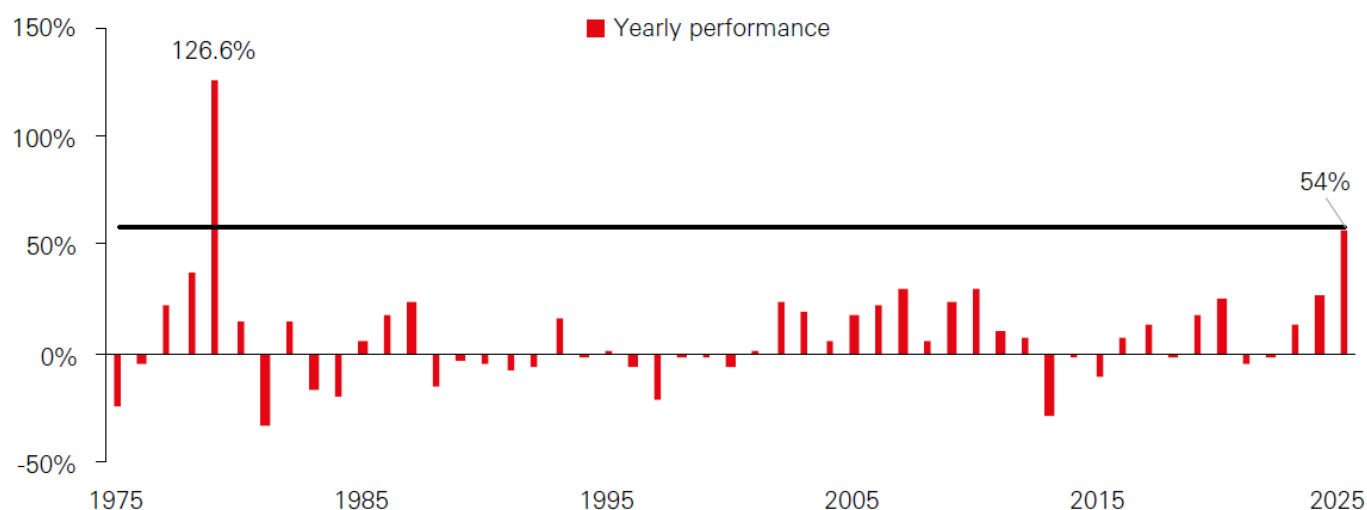


Despite its impressive performance year-to-date and recent volatility, we maintain a positive outlook for gold. We believe that investors can benefit from diversifying their exposure to global assets, particularly foreign exchange, through gold. It offers resilience during periods of significant turbulence and holds potential for further appreciation.

### Gold shines once again, heading for its best annual gain since 1979

Gold is experiencing one of its most successful years, with a remarkable year-to-date performance of approximately 54%. This exceptional growth is primarily attributable to rising global uncertainty and concerns about USD debasement.

### 2025 is so far the best year for gold after 1979

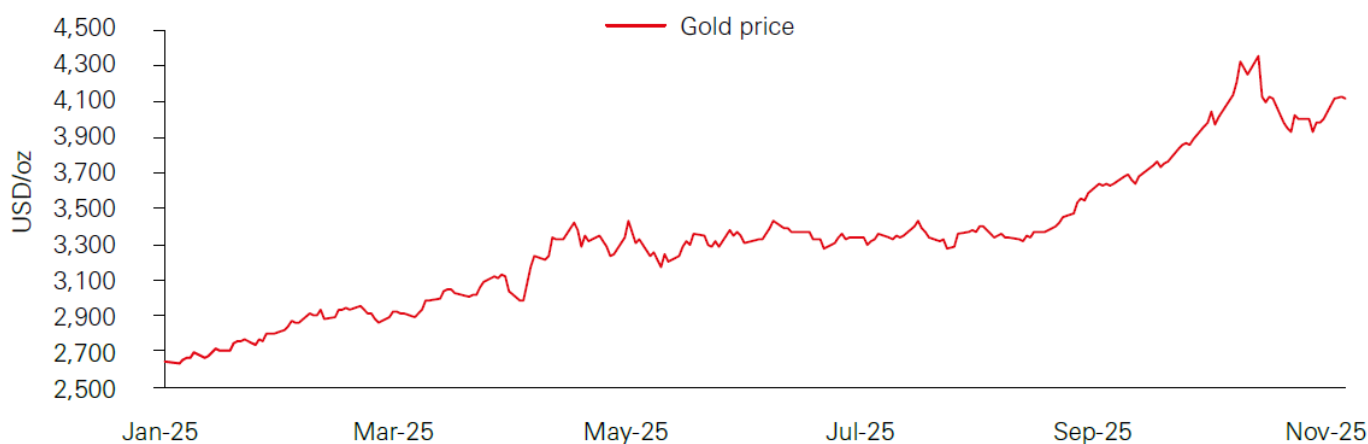


Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 10 November 2025. Past performance isn't a reliable indicator of future performance.

In October, gold reached an all-time high of approximately USD 4,380/oz. It subsequently fell to around USD 3,885/oz within two weeks, as retail investors capitalised on the elevated valuation by taking profits.

Following a period of consolidation around USD 4,000/oz, gold appears to have resumed its upward trend, driven by speculation that upcoming economic data – delayed by the US shutdown - may support another rate cut by the Federal Reserve in December.

### After a period of consolidation, gold appears to be rebounding



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 10 November 2025. Past performance isn't a reliable indicator of future performance.

While the rebound is encouraging, we may observe further consolidation in the short term. Subsequently, the uptrend could gradually resume, with prices maintaining a slow upward trajectory. Despite improved global sentiment and rising global equities, current market conditions continue to provide a supportive backdrop for gold prices.

We believe that gold will continue to benefit from strong central bank demand, ongoing concerns over a weaker US dollar, and sustained interest in gold-backed ETFs. In this context, gold remains a crucial diversifier within a portfolio, helping customers navigate persistent global uncertainties.

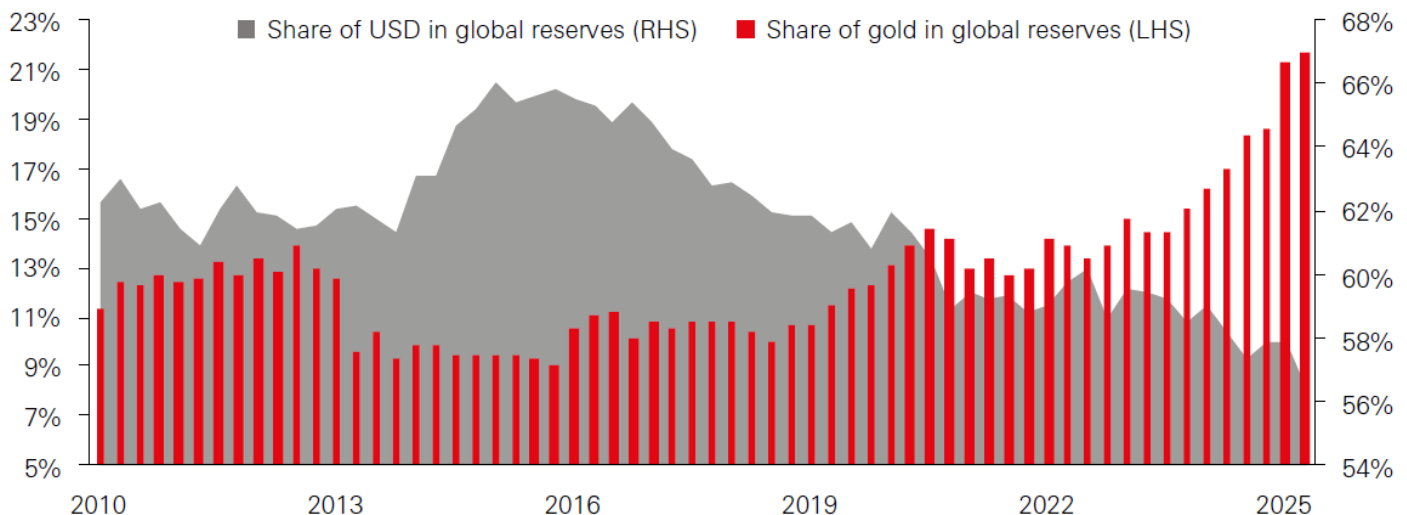
### Central bank purchases are likely to continue, even as momentum moderates

Since 2022, the proportion of gold in global central bank reserves has grown significantly. Gold constituted about 13% of these reserves in 2022, rising to approximately 22% by Q2 2025. During this time, gold prices have risen by roughly 125%, from USD 2,000/oz to over USD 4,000/oz.

Despite higher prices, central banks have continued to amass gold, highlighting the minimal impact of high prices on their demand. The primary drivers for central banks are diversification and hedging against global risks. Since 2022, there has been a marked rise in global uncertainties, including geopolitical conflicts, economic and fiscal challenges, rising inflation, and significant political shifts – all of which are prompting central banks to restructure their reserves.

Moreover, growing uncertainties surrounding the US economy – political, international, economic and fiscal – have generated negative sentiment towards the US dollar. Central banks have therefore reduced their US dollar exposure, enabling them to acquire gold more swiftly.

### The share of gold in global reserves increased sharply while USD's share decreased



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 10 November 2025. Past performance isn't a reliable indicator of future performance.

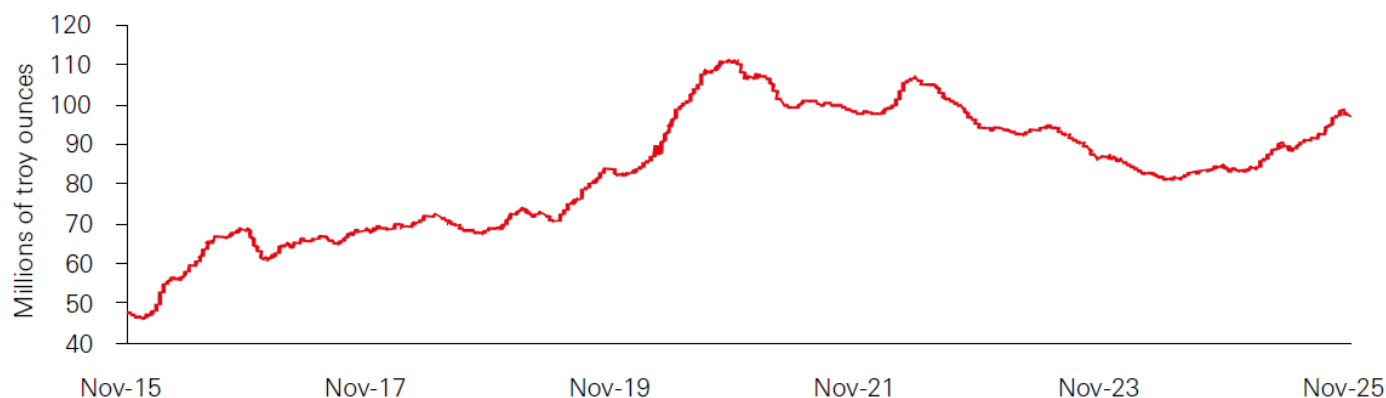
The rise in gold reserves held by central banks is a key structural factor supporting gold prices. As institutional entities with robust, long-term strategies, central banks are unlikely to change their current framework rapidly. Consequently, their consistent and stable purchases are expected to establish a price floor, keeping gold at elevated levels.

While they might slow their gold acquisitions, significant sales are improbable. Selling gold to acquire other currencies is unlikely, thereby reducing the potential for downside volatility in the gold price.

### Investors may provide another boost

On the retail front, demand from investors is pivotal in shaping the gold outlook, especially in the short term. Since mid-2024, the demand for gold-backed ETFs – as a way to invest in gold without purchasing the metal – has consistently trended positively. The same factors driving central banks to increase their gold reserves have influenced retail investors, significantly boosting interest in investing in gold.

## The total holding of gold-backed ETFs continues to increase



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 10 November 2025. Past performance isn't a reliable indicator of future performance.

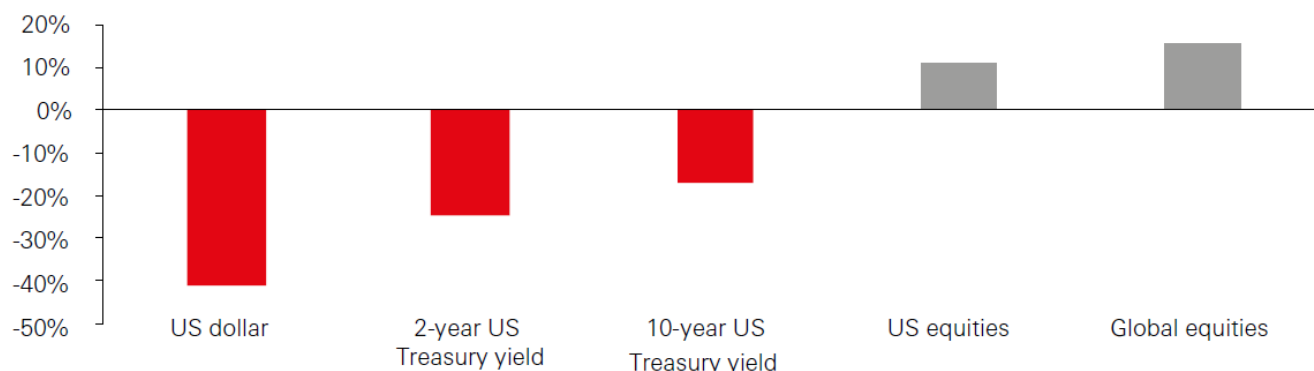
## The economic backdrop also looks supportive

The chart below illustrates the sensitivity of the gold price relative to key drivers observed over the past five years. While it's intuitive to note a negative correlation between gold prices and the US dollar and US Treasury yields – where a stronger US dollar makes gold more expensive, reducing demand, and higher yields increase the opportunity cost of holding non-yielding gold – the positive correlation with equity indices is less straightforward.

Gold is traditionally a prime safe-haven asset and therefore tends to move in the opposite direction to equity indices. But recently, the gold price has tracked a move lower in equity indices, as market participants sold it to manage equity losses.

This positive correlation with equity indices is more pronounced when gold prices are at historic highs, as this encourages investors to sell. However, this doesn't imply that gold has lost its safe-haven status, and we believe that gold is still a protective asset.

## Correlations of gold with single parameters



The correlations are calculated on weekly returns between 11/10/2020-11/10/2025. US equities designates the S&P 500 Index and Global equities designates the MSCI World Index Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 10 November 2025. Past performance isn't a reliable indicator of future performance.

Despite this positive correlation with equity markets, we remain confident in our constructive outlook for gold, anticipating a potential rise in prices in the coming months. While our view on the US dollar remains neutral, we perceive downside risks. With the Federal Reserve resuming rate cuts and the resolution of the US shutdown increasing the likelihood of further cuts as early as December, we may witness additional strength in gold.

However, we recognise potential negative risks to our view if the Fed unexpectedly adopts a more hawkish stance or if the global economic environment improves, despite the current positive correlation. Overall, given the anticipated weakness in the US dollar and further global easing, particularly from the Fed, there's a basis for gold prices to rise, albeit at a slower pace than previously experienced.

# Glossary

**Alternative investments:** A broad term referring to investments other than traditional cash and bonds. These 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, bonds and others, 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 investing 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 to increase the money supply and encourage lending and investment.

**Strategic asset allocation:** A practice of maintaining a mix of asset classes what 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.



# Contributors

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Willem joined HSBC in 2009, where his career has spanned fixed income and investment research. He led the UK Investment Group and, most recently, assumed the role of Global Chief Investment Officer. He chairs the Global Investment Committee and the CIO Office for Private Bank and Premier Wealth. Willem holds an MBA from the University of Chicago and an MSc from the University of Louvain (Belgium).

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