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## **Q1 2026 Investment Outlook – Resilience in a Transforming World**

High net worth and ultra high net worth investors should not underestimate the resilience of the US economy, with productivity growth from tech innovation outweighing market concerns that the economic cycle is in its late stage, according to HSBC Private Bank.

In its investment outlook for 2026, the bank says it expects the exponential adoption of AI to not only benefit tech and utilities companies but also smart adopters across other sectors. However, HSBC Private Bank has trimmed the magnitude of its overweight position on US stocks to mitigate valuation risks, and sees growing diversification opportunities across other sectors, styles, geographies and asset classes.

The report, Resilience in a Transforming World, also sets out how excessive pessimism has let to analysts underestimating earnings growth. Instead, the bank is more concerned that the market could be pricing in too many Federal Reserve rate cuts.

While such an environment is a positive one for riskier assets, there is still likely to be a fair degree of short-term market swings within the continuing bull market. These are expected to come from concerns about the speed of the AI roll-out, debt piles, inflation and geopolitical uncertainty.

The bank's four priorities going into 2026 are:

- **Look across and beyond AI:** AI adoption is set to create winners, but investors should consider broadening their search to avoid over-concentration in Mega Tech. Industrials, utilities and financials offer value; M&A may provide opportunities.
- **Manage market volatility:** A busy news environment will likely lead to short-term market swings. These can be managed through a multi-asset approach, including alternatives and gold, which can help manage portfolio and currency risks.
- **Unleash the power of income:** Within fixed income, there is a clear preference for investment grade and emerging markets compared to high yield. Infrastructure and volatility strategies can also help power smoother portfolio returns.
- **Capture opportunities from Asia:** There are compelling opportunities from Asia's rapidly growing AI ecosystem. A barbell strategy can balance exposure to Asia tech leaders with a focus on high dividend stocks and quality bonds.

**Willem Sels, Global Chief Investment Officer at HSBC Private Bank and Premier Wealth, said:** "Even as US economic growth slows a little, the stock market should do well as long as tech innovation continues. While there are concerns over unconventional policies and rising debt, US economic data has generally surprised on the upside, and the latest earnings season had a near-record percentage of upward surprises."

**Cheuk Wan Fan, Chief Investment Officer, Asia at HSBC Private Bank and Premier Wealth, said:**

“As the world’s technology hardware powerhouse, largest consumer and manufacturer, Asia is all set to benefit from the AI investment cycle and innovation-driven productivity gains. We are positive on mainland China, Japan and South Korea for their innovation-led growth opportunities and corporate governance reforms. We are also positive on Hong Kong and Singapore stocks due to their attractive valuations and high dividend yields.”

**Notes to Editors**

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