HSBC 2027 Q1 Investment Outlook (Issued 12 November 2026)
Position for Asia's Innovation and Income
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As we look towards the first quarter of 2027, we continue to expect rapidly changing narratives around artificial intelligence, inflation and geopolitics.

We expect two-way volatility to remain a feature of markets. However, we believe investors may be too cautious on both AI and interest rates. Bond markets appear to be pricing in too many rate hikes, while technology valuations have fallen to multi-year lows. With global earnings remaining resilient and economic data broadly positive, our view is that investors should manage volatility through quality, differentiation and diversification — rather than step aside.

For Asia, our central message is that the region remains an important beneficiary of the next phase of AI: the shift from investment towards monetisation and productivity. Asia combines strong digital adoption with world-leading capabilities in semiconductors, advanced manufacturing, automation, healthcare and energy-transition technologies.

Our first key catalyst is Asian technology and advanced manufacturing. China offers scale, cost advantages and rapid domestic adoption. Japan remains critical in precision machinery, robotics, electronics and automation.

Second, Asia is central to the data-centre build-out. Demand is extending beyond chips into power generation, electricity networks, cooling, energy storage, connectivity and industrial commodities. Japan is expected to lead data-centre expansion in Asia-Pacific, while Malaysia and other Southeast Asian markets should benefit from new investment and supply-chain diversification.

Third, we see an opportunity in improving shareholder returns. Asian return on equity is projected to rise from around 11.3% in 2025 to approximately 17.3% in 2027, supported by higher dividends, buybacks and stronger capital discipline. Japan and South Korea are notable examples, while high-dividend Chinese equities also warrant attention.

Finally, income remains important. Asian investment-grade credit offers resilience through strong liquidity and generally sound balance sheets, while selected high-yield bonds can provide additional carry with shorter duration.

So, our outlook is constructive but selective: Participating in Asia's structural growth, balanced innovation with income, and favour quality companies and issuers with strong fundamentals.

In a noisy 2027, Asia's bottlenecks may become its opportunities.