HSBC

Video Transcript

HSBC Investment Outlook – February 2026 Monthly View
Willem Sels

In our complex and rapidly transforming world our positioning has been designed to tap into a wide opportunity set, but also to manage frequent bouts of volatility.

And that includes geopolitical uncertainty, as we are seeing now around Greenland. Markets have become accustomed to geopolitical uncertainty, which is therefore not always fully feeding through into equity markets volatility, especially when other fundamentals remain supportive.

The US earnings season should illustrate that fundamental support, and we think companies will beat expectations, which are once again too low. Still, we see a mild hit to risk appetite from the geopolitical events, especially in Europe, which will make it hard for European assets to outperform.

So we continue to manage the risks, while also taking a positive view on global risk assets due to lots of fiscal support, infrastructure investment and AI innovation.

And in fact, we were struck by the similar stance taken by most of our clients during our Investment Outlook Roadshow: most investors see continued upside, while also wanting to manage the tail risks. So our key strategy to do this is to manage dips with alternatives and multi-asset strategies. Hedge funds and private assets, where appropriate, can help reduce drawdowns, as can volatility strategies.

Gold and high-quality bonds of course continue to be important diversifiers. And in the context of the US-EU tensions, our Asian overweights in mainland China, Hong Kong, Singapore, South Korea and Japan's stock markets are particularly relevant. We think this tailwind will also continue to help the Chinese currency. While we maintain the gist of our strategy presented in our 2026 outlook, we add a few small tweaks that we were already considering, but can help if risk appetite stays a bit weaker.

For example, we broaden our options in safe haven government bonds by upgrading UK gilts to overweight and Japanese bonds to neutral as the sell-off there may have run its course.

We take profit on European peripheral bonds and stocks and upgrade the relatively defensive Swiss stock market to neutral. Risk management is important and it can be helpful to stress test portfolios under different scenarios.

But we remain of the view that 2026 offers attractive upside for risk assets, as the real world benefits of AI filter through across sectors and geographies. We therefore expect to see market-wide upside, as well as many opportunities for stock pickers and the relative value plays across public markets, hedge funds and private markets.