

HSBC 2026 Mid-Year Investment Outlook (Issued 21 May 2026)**Willem Sels**, Global Chief Investment Officer, HSBC Private Bank and Premier Wealth

Even with today's uncertainty, we believe the world is still full of opportunity.

Let's start with the market environment. The devastating conflict in the Middle East will continue to create uncertainty even after the conflict ends because of its lagged impact on supply chains and on inflation. And for markets, that can create volatility. But here's the key point: we expect that volatility to remain manageable, because the global economy is more resilient than many fear.

Governments and businesses were already stress-tested during COVID, the Russia-Ukraine war, and trade tariff disruptions. And they've adapted, diversifying supply chains, energy sourcing and creating new trade relationships, making the system sturdier than it used to be.

However, this is likely to be an uneven global economy, with clear winners and losers. It will also be a tricky mix of growth and inflation pressures for central banks, but most will opt not to raise interest rates aggressively because they don't want to put growth under strain.

Specifically, the US Federal Reserve should keep rates unchanged through 2027, which provides an anchor for markets.

Now for the upside potential. The strongest support for global growth and earnings is coming from strategic investment, powered by three engines: AI, energy, and defence.

In all three areas, competition and national security are powerful motivators. They bring urgency, funding, and government support—and the scale of investment required is enormous.

That should keep capital market activity buoyant, and it also creates a meaningful role for private markets, because public markets alone can't fund everything.

That build-out creates jobs, demand for materials and labour, and entirely new business models. And importantly for investors, there's already evidence that innovation is driving productivity gains and earnings growth.

So our message is simple: rather than react to every short-term headline, we want to build resilient portfolios that help us look through those short-term uncertainties towards the longer-term upside coming from that innovation. Here are our four priority actions to do that.

Firstly, we invest in the AI-led future. Some people ask whether AI is overhyped—but we think it may be underhyped.

Earnings in the AI space have delivered positive surprises, and monetisation is proving more real than many expected. We see opportunities across the AI ecosystem in semiconductors, data centres, and innovative AI adopters across all sectors. And after the software sell-off earlier this year, tech valuations generally look quite reasonable.

Secondly, we position to benefit from governments' focus on security and energy independence.

Industrial policy and national security strategies have accelerated due to the Middle East conflict. And that is driving investment across multiple fronts: diversifying energy supply and upgrading electricity grids, and investment in defence as countries modernise their capabilities.

Thirdly, we build portfolio resilience with multi-asset strategies. Volatility is becoming a feature of markets, not a bug. Bonds and gold haven't been perfect diversifiers recently as correlations shift—but they remain important building blocks. We complement them with alternatives where appropriate, and we highlight infrastructure—for its potential to provide stability for investors and inflation-linked cash flows for operators. This is about building portfolios that can keep moving forward, even when markets don't move in a straight line.

And lastly, we continue to tap into Asia's innovation and income opportunities.

Asia's earnings momentum is being driven by a strong capex cycle and innovation, including rapid investment in data centres. And China's tech and industrial leaders are benefitting from local and international demand as well as improving margins. So that focus on innovation aligns well with our equity overweights in mainland China, Hong Kong, Singapore, and South Korea. Now we balance that growth exposure with income—coming from shareholder-friendly equity market actions and opportunities in Asian bonds to add yield and diversification.

So in short: uncertainty is real, but so is opportunity. By building resilient portfolios and tapping into the structural opportunities from AI, security and energy independence, we believe investors can navigate today's volatility and position for what's next.