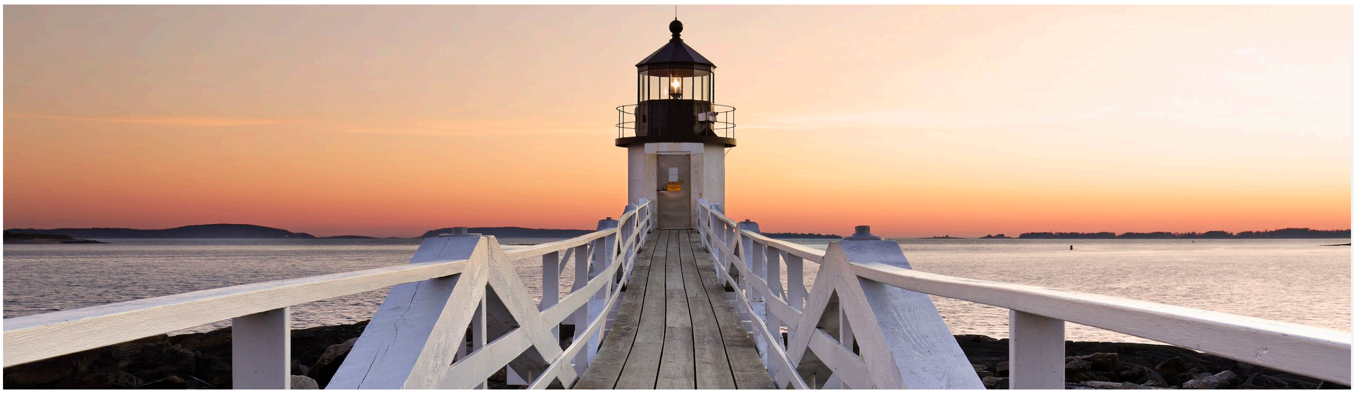
Erratic news flow hurts confidence and USD



- While trade negotiators will welcome the chance to try to reach a deal within 90 days, the process won't be easy. In the meantime, businesses and consumers continue to deal with very elevated uncertainty amid frequent twists and turns in US policy.
- Markets will probably only see any material lasting relief when major trade deals are concluded or when the Fed provides support.
- So we continue to look for short-term USD weakness and US equity market underperformance compared to Europe and Asia. As investors rotate away from USD assets, we are bearish on USD, we upgrade JPY and EUR to a bullish view and raise CHF to neutral. Gold should also continue to benefit.
- On the equity side, we continue to take a defensive sector stance in the West and focus on quality and large caps. We think investor flows will support German and Eurozone stocks, which we upgrade to overweight following the coalition agreement in Germany.
- We maintain our overweight in Asia in spite of very high two-way US-China tariffs. Chinese equities only derive 3% of earnings from US exports and we expect more domestic stimulus. We further intensify our focus on domestically oriented companies. We downgrade Japanese stocks to neutral though, due to the strong JPY and high exposure to US exports.
- The erratic market environment requires a focus on diversification, quality, active management and long-term structural themes.

Watch a summary of our latest views

Click on the image to hear from our **Global Chief Investment Officer, Willem Sels**

Priority #1

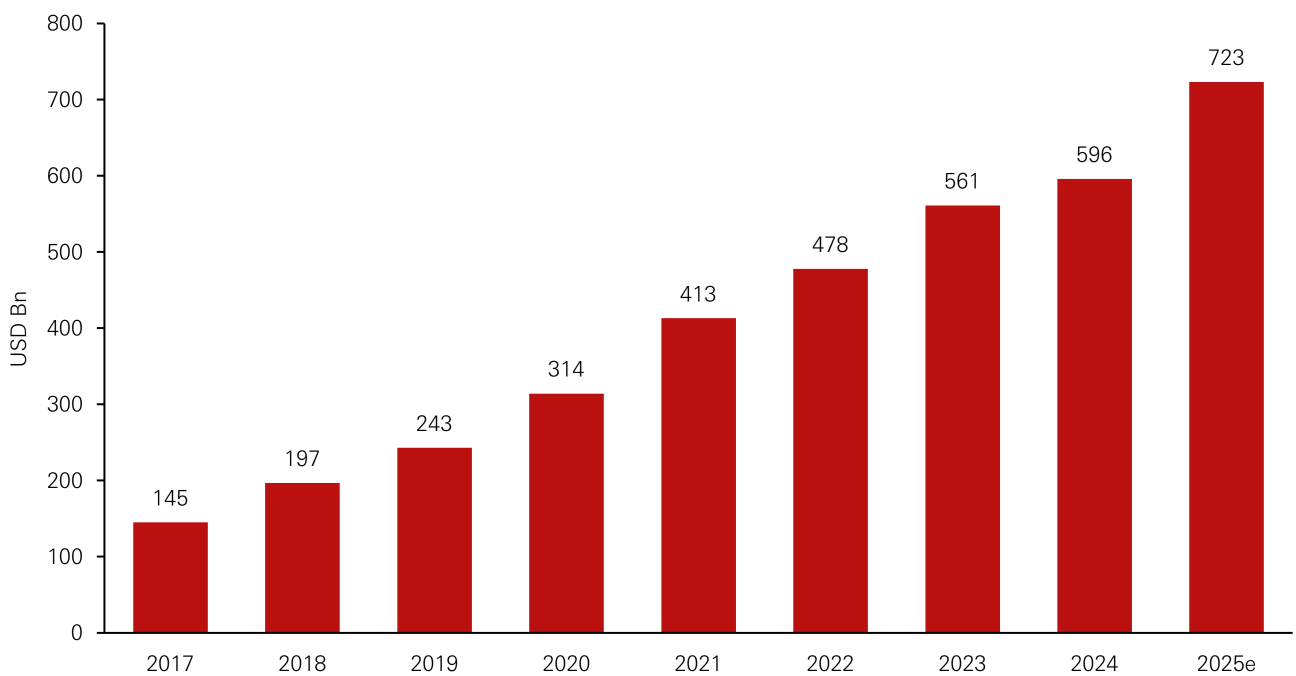
Invest in the global AI adopters and electrification

- Technology-driven earnings growth is moving from the AI enablers to the AI adopters. We believe this can be found across sectors, as companies use AI to develop new business models, cut costs and raise efficiencies.
- We believe corporates and governments will continue to innovate and invest into AI to stay competitive, especially in today's fragmented world.
- AI and datacentres are power-hungry, but the electrification trend goes well beyond that. The need to upgrade grids and look for more secure and reliable sources of energy can support the growth ahead.
- Policy and tariffs uncertainty has been weighing on consumer, business and investor confidence for some time. We believe the positive news around pause on tariffs and exemption of certain electronics are temporary and might not be able to lift sentiments substantially. But we continue to see the ecosystem around AI adopters and energy security as a rich opportunity set that should remain supported once the uncertainty settles.

Our Focus:

- We see AI-related opportunities in software, engineering and communication as AI models transform into real world applications. The beneficiaries can be found across industries and geographies.
- The rapidly growing electricity consumption requires a diverse set of electricity generation capacity and sources (nuclear, gas-powered, solar, wind, etc.) and a big investment in the electric grid. Power is one of the key drivers of our optimism on infrastructure.

Public cloud services end-user spending worldwide



Source: Statista, HSBC Global Private Banking as at 15 April 2025. 2025 values are estimates.

Priority #2

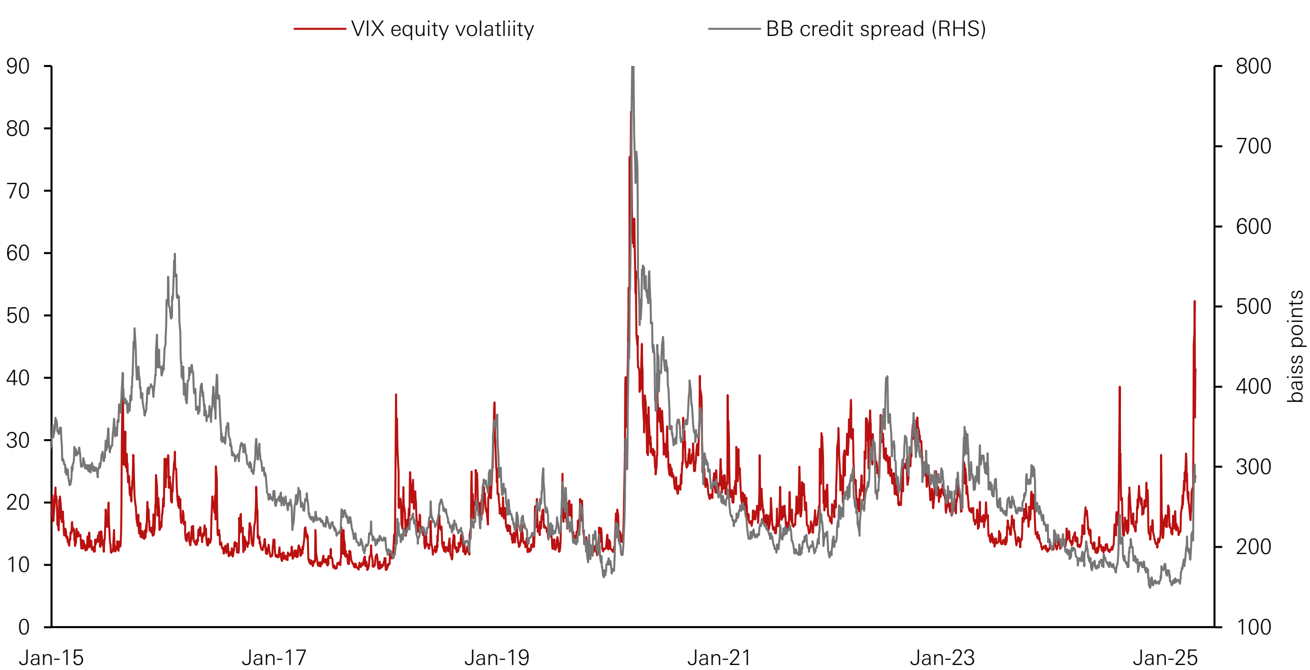
Power up your portfolio with multi-asset and active fixed income strategies

- Volatility will continue to dominate investor and consumer sentiment across US and global markets unless we know how broad and lasting the tariff policies will be. In the short-term, we expect USD weakness and US equity market underperformance compared to Europe and Asia.
- The erratic market environment requires a focus on diversification, quality, active management and long-term structural themes. Also, these themes can best be expressed across public and private markets, which multi-asset strategies should have access to.
- In our multi-polar world, we diversify and tackle tail risks through gold, a broad investment opportunity set across quality bonds and hedge funds.
- Hedge funds can help exploit market volatilities. And gold should continue to benefit from central bank purchases and demand for safe haven.
- We remain neutral on US equities and continue to take a defensive sector stance in the West and focus on quality and large caps. This month we upgrade our view on German equities to mild overweight.
- Amid stagflationary risks in the US and rising probability of Fed cuts, we upgrade safe haven currencies JPY and EUR to a bullish view and raise CHF to neutral, while moving USD to underweight.

Our Focus:

- We like multi-asset strategies with a global reach across all public and private markets assets.
- New coalition agreement and higher expected spending on defence and infrastructure projects should be positive for German equities in the medium term, which we have upgraded to mildly overweight.
- We prefer active management as the busy news flow will give active managers the opportunity to adapt to or exploit the resulting volatility, especially in fixed income. For now, we overweight core Eurozone bonds and UK gilts while remaining neutral on US Treasuries.

Credit spreads remain tight but overall yields provide some attraction for investors



Source: Bloomberg, HSBC Global Private Banking as at 14 April 2025. Past performance is not a reliable indicator of future performance.

Priority #3

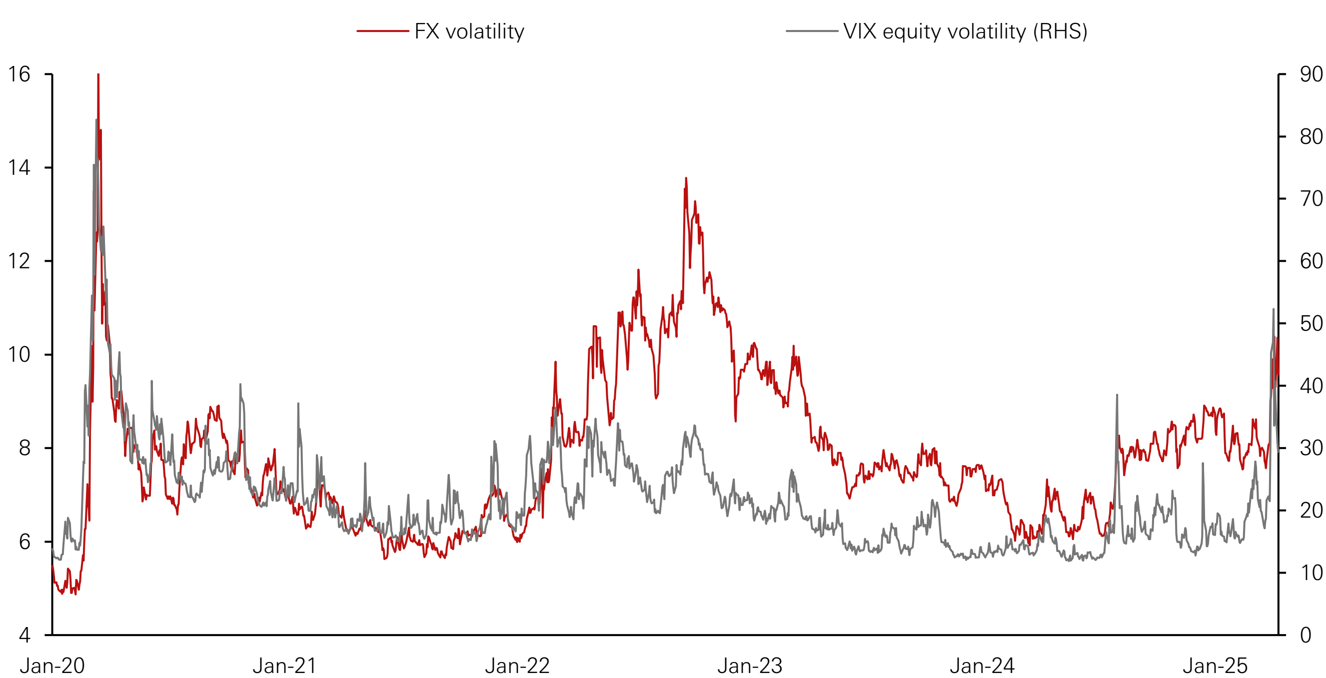
Build out core allocation to private markets and hedge funds

- We think investors should express their growth, rates and thematic views across public, private and relative value (hedge funds – where appropriate) avenues. These can act both as alpha generators and diversifiers.
- This helps widen the opportunity set and allows investors to choose the amount of market exposure (beta), liquidity and investment horizon that best fits their needs.
- Private equity should benefit from increased M&A and capital market activity. And private credit markets tend to generate relatively stable and attractive returns through the cycle, especially compared to public credit markets. Hedge funds can particularly benefit when dispersion is elevated, and risk appetite is well supported.

Our Focus:

- Private equity can give investors access to different business models and smaller companies at cheaper valuations than in public markets, helping with diversification. An uptick in deployment and exit activity is reducing dry powder from elevated levels and valuations remains attractive compared to public markets.
- Private credit benefits from wider spreads and lower historical default rates than public markets. Asset based lending (ABL) is rapidly emerging as a preferred solution and has seen significant growth. Both private equity and infrastructure have historically experienced shallower drawdowns and quicker recoveries during market stress (source: S&P Capital IQ analysis over the past 20 years).
- Hedge funds should be well positioned to monetise volatility and relative value opportunities. We particularly like equity market neutral strategies, equity long/short managers with low net exposure or focused on Asia, structured credit and Multi-Strat and Multi-PM managers.

Relatively high currency and rate volatility create opportunities for hedge funds



Source: Bloomberg, HSBC Global Private Banking as at 15 April 2025. Past performance is not a reliable indicator of future performance.

Priority #4

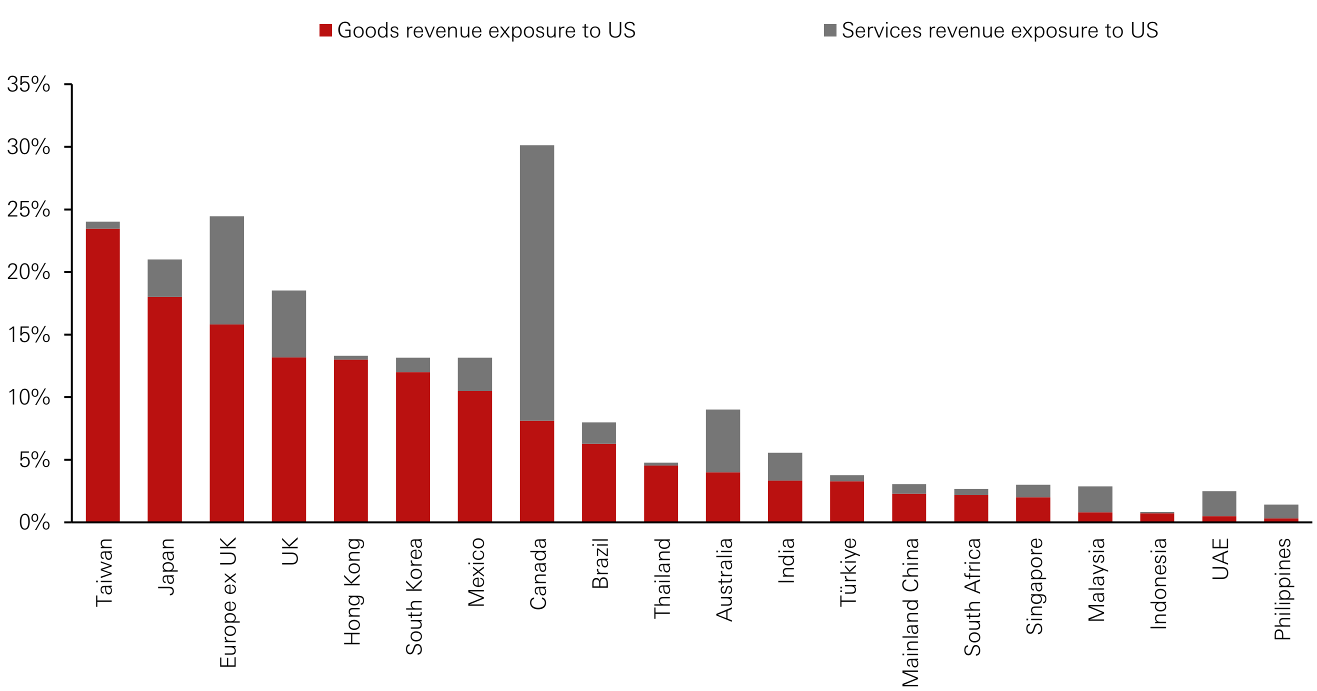
Discover domestic resilience in an evolving Asia

- Asia's resilient domestic fundamentals and structural growth drivers should help the region withstand headwinds from global trade uncertainties.
- We continue to like China even after the recent tariff escalations with the US, as Chinese equities only derive 3% of earnings from US exports and we expect more domestic stimulus. Also, they continue to remain resilient supported by underweight positioning by foreign investors, cheap valuations, and a rather strong domestic support.
- The tariff overhang is an obstacle but adds momentum to Asia's intra-regional trade and investments.
- We downgrade Japanese equities to neutral due to its exposure to US trade and strengthening Yen.
- With earnings season kicking off and analysts pricing in the negative impact of tariffs, we believe consensus earnings growth will fall further especially for US companies. This should lead to rotation into Europe and Asia.
- We expect Asian equities will outperform the global benchmark, as they continue to withstand the external headwinds. Additionally, high dividends and share buybacks in the region can help investors manage volatility.

Our Focus:

- We are mildly overweight on Chinese equities, with a preference for China's Innovation Champions, especially AI enablers and adopters.
- We are also bullish on India and Singapore given their relative resilience to US tariffs and strong domestic growth drivers. We also like quality Chinese SOEs paying high dividends.
- Amid Asian central banks cutting rates, we capture high quality Asian Credit opportunities. We favour Asian financials, Indian local currency bonds and Chinese hard currency bonds.

Mainland China has only very limited exports good sales exposure to the US



Source: WITS, HSBC Global Research, HSBC Global Private Banking as at 14 April 2025. Past performance is not a reliable indicator of future

Risk Disclosures

Risks of investment in fixed income

There are several key issues that one should consider before making an investment into fixed income. The risk specific to this type of investment may include, but are not limited to:

Credit risk

Investor is subject to the credit risk of the issuer. Investor is also subject to the credit risk of the government and/or the appointed trustee for debts that are guaranteed by the government.

Risks associated with high yield fixed income instruments

High yield fixed income instruments are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default. The net asset value of a high-yield bond fund may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change. The special features and risks of high-yield bond funds may also include the following:

- Capital growth risk – some high-yield bond funds may have fees and/or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced; and
- Dividend distributions – some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/ or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment.
- Vulnerability to economic cycles – during economic downturns such instruments may typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

Risks associated with subordinated debentures, perpetual debentures, and contingent convertible or bail-in debentures

- Subordinated debentures – subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.
- Perpetual debentures – perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.
- Contingent convertible or bail-in debentures – Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. contractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non-viability. These features can introduce notable risks to investors who may lose all their invested principal.

Contingent convertible securities (CoCos) or bail-in debentures are highly complex, high risk hybrid capital instruments with unusual loss-absorbency features written into their contractual terms.

Investors should note that their capital is at risk and they may lose some or all of their capital.

Changes in legislation and/or regulation

Changes in legislation and/or regulation could affect the performance, prices and mark-to-market valuation on the investment.

Nationalisation risk

The uncertainty as to the coupons and principal will be paid on schedule and/or that the risk on the ranking of the bond seniority would be compromised following nationalisation.

Reinvestment risk

A decline in interest rate would affect investors as coupons received and any return of principal may be reinvested at a lower rate. Changes in interest rate, volatility, credit spread, rating agencies actions, liquidity and market conditions may have a negative effect on the prices, mark-to-market valuations and your overall investment.

Risk disclosure on Dim Sum Bonds

Although sovereign bonds may be guaranteed by the China Central Government, investors should note that unless otherwise specified, other renminbi bonds will not be guaranteed by the China Central Government.

Renminbi bonds are settled in renminbi, changes in exchange rates may have an adverse effect on the value of that investment. You may not get back the same amount of Hong Kong Dollars upon maturity of the bond.

There may not be active secondary market available even if a renminbi bond is listed. Therefore, you need to face a certain degree of liquidity risk.

Renminbi is subject to foreign exchange control. Renminbi is not freely convertible in Hong Kong. Should the China Central Government tighten the control, the liquidity of renminbi or even renminbi bonds in Hong Kong will be affected and you may be exposed to higher liquidity risks. Investors should be prepared that you may need to hold a renminbi bond until maturity.

Alternative Investments

Hedge Fund – Please note Hedge Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. They can also be highly illiquid, are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing important information. Alternative investments are often not subject to the same regulatory requirements as, say, mutual funds, and often charge high fees that may potentially offset trading profits when they occur.

Private Equity

Please note Private Equity is generally illiquid, involving long term investments that do not display the liquid or transparency characteristics often found in other investments (e.g. Listed securities). It can take time for money to be invested (cash drag) and for investments to produce returns after initial losses.

Risk disclosure on Emerging Markets

Investment in emerging markets may involve certain, additional risks which may not be typically associated with investing in more established economies and/or securities markets. Such risks include: (a) the risk of nationalization or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (e) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Risk disclosure on FX Margin

The price fluctuation of FX could be substantial under certain market conditions and/or occurrence of certain events, news or developments and this could pose significant risk to the Customer.

Leveraged FX trading carry a high degree of risk and the Customer may suffer losses exceeding their initial margin funds. Market conditions may make it impossible to square/close-out FX contracts/options. Customers could face substantial margin calls and therefore liquidity problems if the relevant price of the currency goes against them.

The leverage of a product can work against you and losses can exceed those of a direct investment. If the market value of a portfolio falls by a certain amount, this could result in a situation where the value of collateral no longer covers all outstanding loan amounts. This means that investors might have to respond promptly to margin calls. If a portfolio's return is lower than its financing cost then leverage would reduce a portfolio's overall performance and even generate a negative return.

Currency risk – where product relates to other currencies

When an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have a negative effect on your investment.

Chinese Yuan ("CNY") risks

There is a liquidity risk associated with CNY products, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

CNY is currently not freely convertible and conversion of CNY through banks in Hong Kong and Singapore is subject to certain restrictions. CNY products are denominated and settled in CNY deliverable in Hong Kong and Singapore, which represents a market which is different from that of CNY deliverable in Mainland China.

There is a possibility of not receiving the full amount in CNY upon settlement, if the Bank is not able to obtain sufficient amount of CNY in a timely manner due to the exchange controls and restrictions applicable to the currency.

Illiquid markets/products

In the case of investments for which there is no recognized market, it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

Environmental, Social and Governance ("ESG") Customer Disclosure

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as ESG or sustainable investing products may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't have any ESG or sustainable characteristics. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the effect of ESG and Sustainable investing products. ESG and Sustainable investing and related measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

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An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future. When we allocate an HSBC ESG and Sustainable Investing (SI) classification: HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) to an investment product, this does not mean that all individual underlying holdings in the investment product or portfolio individually qualify for the classification. Similarly, when we classify an equity or fixed income under an HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) category, this does not mean that the underlying issuer's activities are fully aligned with the relevant ESG or sustainable characteristics attributable to the classification. Not all investments, portfolios or services are eligible to be classified under our ESG and SI classifications. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's SI classifications criteria.

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