

Global Investment Committee

Reasons to remain optimistic

Monthly View - August 2025



- The global economic cycle is healthier than investors feared, as illustrated by the rebound of PMIs. That message is reflected in Q2 earnings as well, as solid positive surprises cause analysts to boost their forecasts.
- Tech continues to lead global equities as AI adoption accelerates and more regulatory clarity (e.g. US GENIUS Act) boosts investor confidence.
- 10-year Treasury yields remain well below the 'danger zone' where they can cause equity volatility. Yields should be range bound as US CPI remains in check. And while investors' concerns about Fed independence may steepen the yield curve, they may also raise hopes of rate cuts.
- The recent US-Japan trade deal lifts hopes for more deals, and markets have progressively become less sensitive to tariff risks.
- China's new reforms to address oversupply and the related deflationary pressures are hugely welcome. The actual reduction in capacity may take time, but the commitment is strong and positive for sentiment.
- We do recognise that US equity valuations, sentiment and positioning have run up. However, given the many positives, we maintain our risk on stance, managing the potential of mild short-term setbacks through diversification and volatility strategies.

Watch a summary of our latest views



[Click](#) on the image to hear from our **Global Chief Investment Officer, Willem Sels**

Priority #1

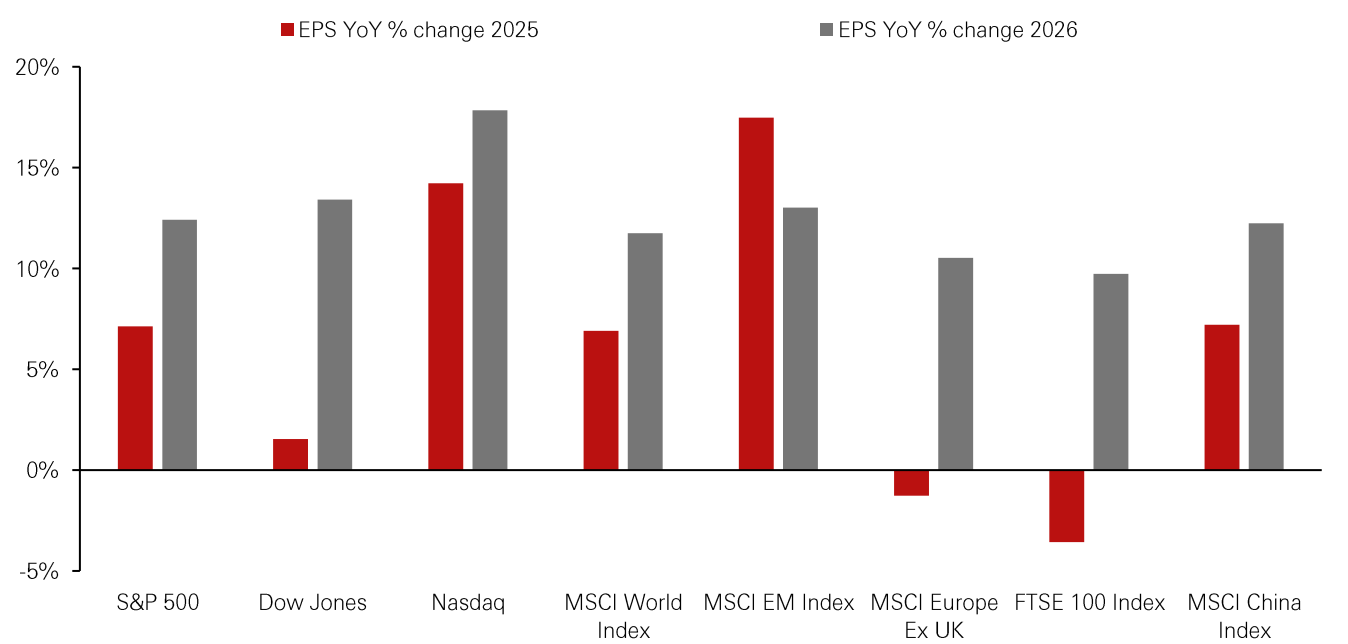
Rebuild equity exposure with more diversified regional and sector positioning

- We diversify our equity positioning across regions and sectors to capture the best thematic opportunities. We remain mild risk-on and maintain our global and US equity overweight. Q2 US earnings are currently expected to rise 5%, and with an average historical revision of 3.5%, we expect a healthy upside surprise, reinforcing our overweight stance in the region.
- Volatile oil prices can provide opportunities in energy sector, while defensive sectors like utilities should also remain resilient. The US and the UK are relatively better placed due to their higher exposure to energy sector.
- We see pockets of opportunities across the US, supported by fiscal clarity, announced tax cuts, and deregulation; in Asia backed by domestic resilience and structural growth opportunities; while Europe should benefit from rising infrastructure and defence spending.
- As we don't know yet what the final tariffs would be and how the geopolitical uncertainties will turn out, we prefer to diversify across regions. Additionally, diversifying exposure eases the impact of quick market and flow reversals.

Our Focus:

- While we overweight the US and Asia, there are opportunities in Europe too, in defence, industrials and utilities.
- And while we like US technology, we avoid excessive concentrated exposure, and overweight global industrials, communication services and financials too. The Q2 US earnings surprises are also most positive for these cyclical sectors.
- Most of our High Conviction Themes tap into global opportunities and are agnostic to the firm's location.

US leads all markets in 2026 for earnings expectations growth: Bloomberg EPS YoY % change



Source: Bloomberg, HSBC Private Bank as of 16 July 2025. Past performance is not a reliable indicator of future performance. Forecasts are subject to change.

Priority #2

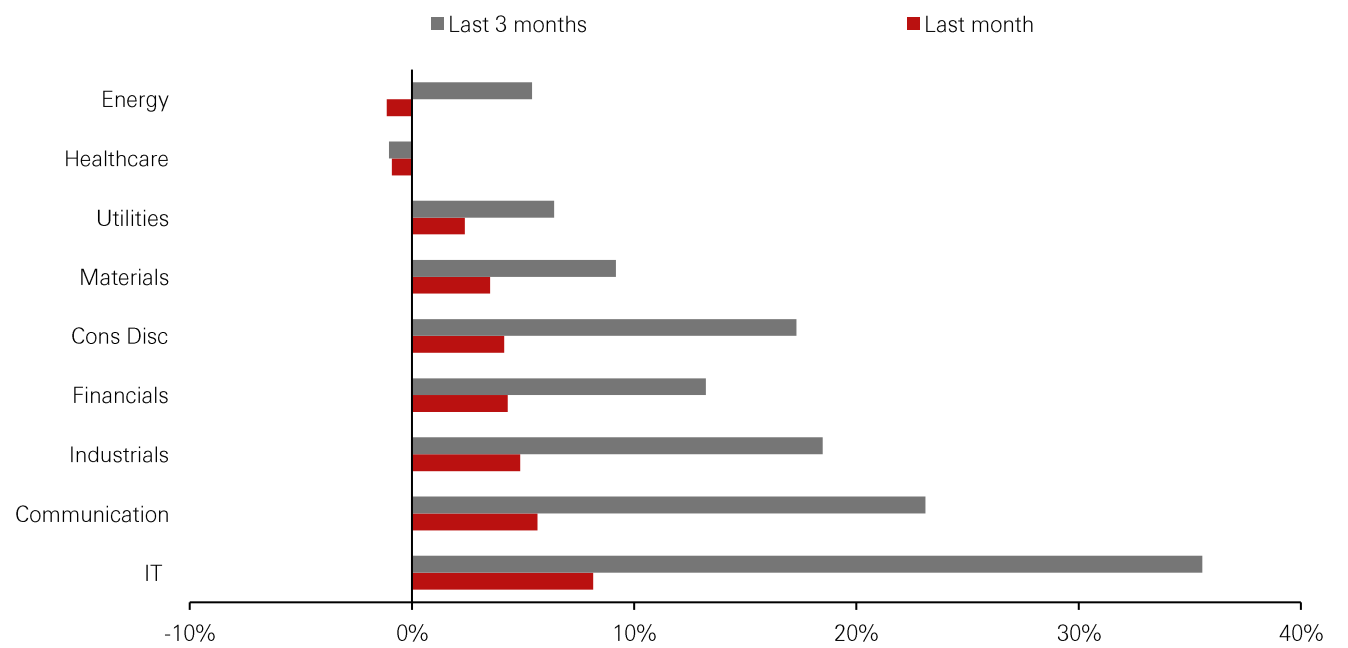
Capture expanding global opportunities in AI adoption and monetisation

- We believe, AI-led innovation continues at full speed across sectors, as seen during the latest US earnings season and constant company communications in the press. This is also evident from the significant outperformance of AI-related and semiconductors stocks compared to other areas of the tech space in recent weeks and we think this can continue.
- In our view, the next wave of the AI evolution should be more focused, and as it gets integrated into the wider economy, we should see productivity rising much faster—with studies showing significant time savings and efficiency improvements and profitability, which are already visible in earnings. Rapid AI adoption across sectors is already yielding real gains.
- And as AI becomes cheaper with more enhanced capabilities, and cybersecurity concerns keep rising, demand for data centres will rise.
- The GENIUS Act provides additional regulatory clarity around stablecoins, which can encourage more companies to increase their digital assets usage.

Our Focus:

- We continue to switch from upstream chips, semiconductor equipment and tech hardware into mid-to-downstream software and AI adopters which benefit from broadening AI proliferation and commercialisation, including AI agents, smart robotics, autonomous driving, new medicines, AI computers and AI smartphones.
- This priority action is not limited to US Big Tech, as the AI ecosystem spans across different regions. We look for the best AI-backed opportunities across the US, China and globally.
- Our themes around Evolving AI Ecosystem, Robots & Automation and Aerospace & Security provide further exciting opportunities.

Tech is leading performance in past few months



Source: Bloomberg, HSBC Private Bank as of 22 July 2025. Past performance is not a reliable indicator of future performance.

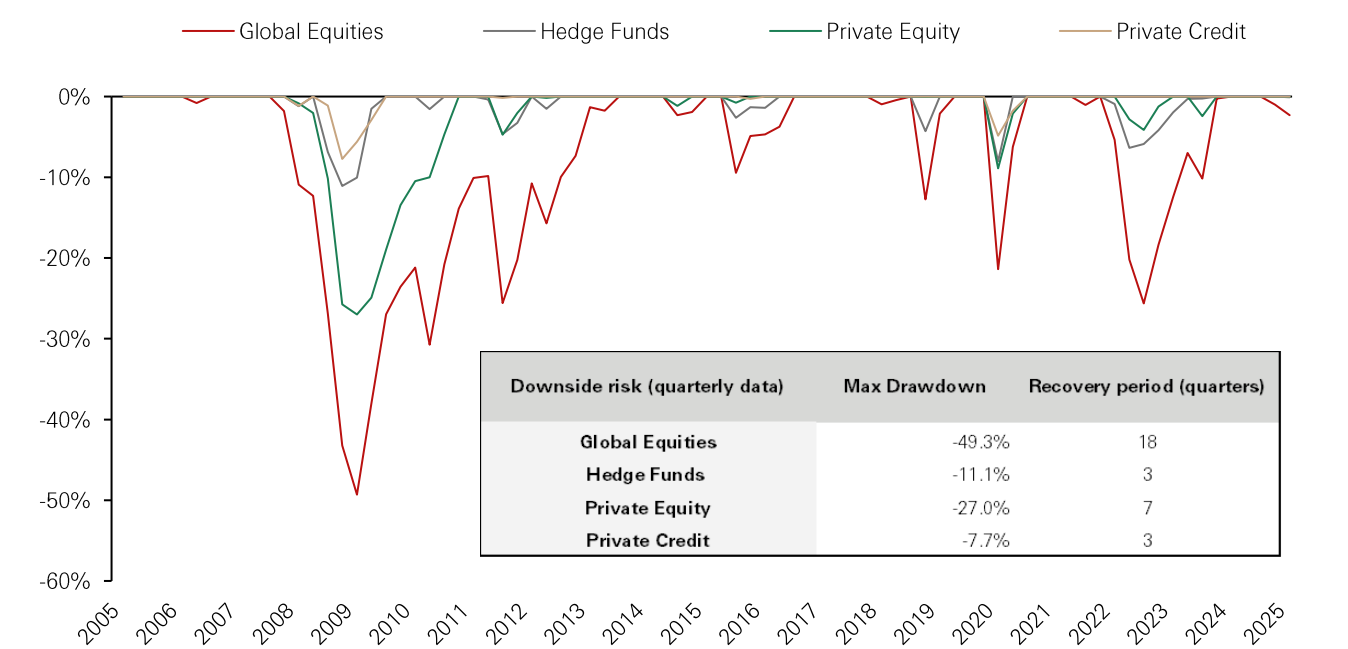
Mitigate currency and portfolio risks with alternatives, multi-asset and volatility strategies

- We should continue to face headline risks from uncertainty around geopolitical headlines and their impact on economic and earnings growth.
- Positive economic and earnings data has reduced the sensitivity to tariff news, thereby reducing the overall volatility. But risks do remain, and we focus on building diversified, multi-asset, resilient portfolios.
- Real yields, though dropped, remain elevated, which can provide opportunities in quality bonds. We overweight gold and hedge funds as diversifiers. Hedge funds can exploit many relative value opportunities when moves are a bit erratic.
- For appropriate investors with the requisite knowledge and experience, we think Private Credit and Private Equity play an important role to capture long term trends and look through short-term volatility. Moreover, volatility can provide attractive long-term entry multiples for managers with capital to deploy.

Our Focus:

- While quality assets and large cap companies can help reduce the risk of permanent losses, a multi-asset and active management approach is the best time-tested way to manage portfolio volatility.
- Alternative assets play a key role to diversify and limit portfolio drawdowns.
- Volatility strategies in equity, bond or currency markets can help generate income to stabilise returns or can directly protect against portfolio downside.
- Infrastructure meanwhile can provide relatively stable and inflation-linked cash flows, which will be welcomed by investors in the current environment.

Alternative assets have historically shown smaller drawdowns and more rapid recoveries than global stocks



Source: Bloomberg, HSBC Private Bank as of 24 July 2025. Past performance is not a reliable indicator of future performance.

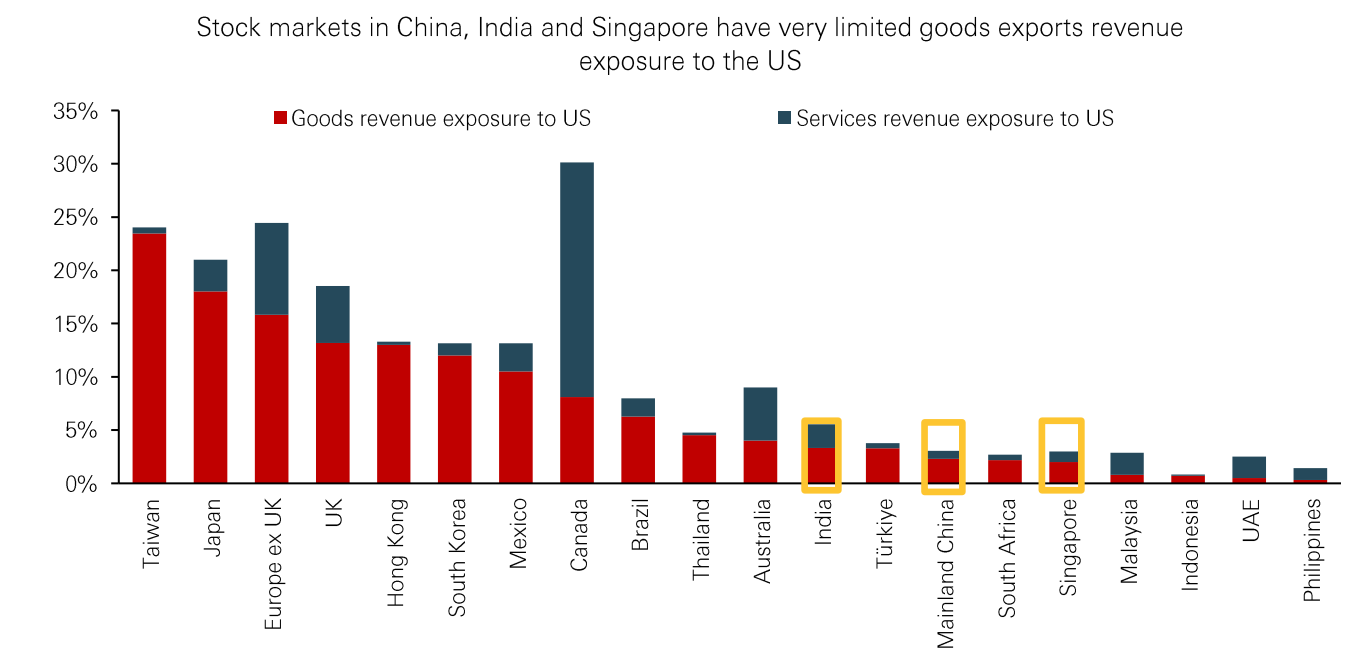
Tap into Asia’s domestic resilience and structural growth

- Uncertainties remain around what the final tariffs would be, especially as the US is a major trade partner of a number of Asian economies. Hence, our Asia view remains selective, balancing cyclical and defensives while staying alert to evolving trade dynamics.
- So, we focus on areas of domestic resilience, supported by local policy stimulus, as well as key Asian structural growth drivers, which remain in place. Fears of trade friction with the US are dissipating, which should further lift earnings expectations.
- Asia’s broad rebound is driven by easing monetary and fiscal policies, AI optimism, and rising hope that these factors will make the region’s economies and markets resilient to the tariff headwinds.
- Additionally, China’s new reforms to address oversupply and the related deflationary pressures are hugely welcome. The actual reduction in capacity may take time, but the commitment is strong and positive for sentiment.

Our Focus:

- We continue to build exposure to Asia’s durable domestic growth engines and structural trends including China’s AI innovation, Asia’s corporate governance reforms and domestic consumption boom.
- We see India as a new potential winner from the reshuffling of supply chains as it is rapidly building up its manufacturing base.
- Our overweight equity markets in China, India and Singapore are expected to deliver most attractive diversification opportunities from the region amid global trade uncertainty.
- The recent supply chain reform in China can be beneficial especially to solar, steel, auto and lithium battery industries.

Earnings of Asian markets are predominantly driven by domestic demand



Source: WITS, HSBC Global Investment Research, HSBC Private Bank, as of 24 July 2025.

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.

Risks of investing in private markets

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Past performance information presented is not indicative of future performance. The return and costs may increase or decrease as a result of currency fluctuations.

• **Liquidity Risk** - Investors may be unable to dispose of an investment quickly and at a price that's closely related to recent similar transactions. There is no guarantee of distributions and no established secondary market.

• **Event Risk** - A significant event may cause a substantial decline in the market value of all securities.

- **Long-term Horizon** - Investors should expect to be locked-in for the full term of the investment, which is subject to extensions.
- **No Capital Protection** - Investors may lose the entirety of invested capital.
- **Unpredictable Cashflows** - Capital may be called and distributed at short notice.
- **Economic Conditions** - Ability to realise/divest from existing investments depends on market conditions and the regulatory environment.
- **Risk of Forfeiture** - Failure to make call payments could result in forfeiture of commitment, including invested capital, without compensation.
- **Default Risk** - in the event of default investors risk losing their entire remaining interest in the vehicle and may be subject to legal proceedings to recover unfunded commitments.
- **Reliance on Third-party Management Teams** - Underlying investments will be managed by various third-party management teams that will in aggregate determine the eventual returns for the investor.

The risk factors listed above are not exhaustive, always refer to product specific documentation for full details and risk disclosures.

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 nationalisation 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 recognised 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.

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information, visit www.hsbc.com/sustainability.

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