New Rules

2025 Mid Year Investment Outlook

HSBC Asset Management | Opening up a world of opportunity

Contents

Foreword

Foreword from our Chief Investment Officer

Welcome to our Mid-Year 2025 Global Investment Outlook: 'New Rules'. This year's theme reflects that the macro environment is changing – structurally, not cyclically – and with it, the rules of investing.

The post Global Financial Crisis world, shaped by US policy dominance, synchronised globalisation, and predictable inflation dynamics, is giving way to something far more fragmented. We are entering an era defined by heightened policy uncertainty, elevated inflation volatility, and the geopolitical realignment of trade, capital, and growth. As the US grapples with growing fiscal fragility and waning policy credibility, its role as the anchor of global returns and safe-haven destination capital is being increasingly questioned.

This backdrop demands a reassessment of old assumptions. The breakdown of the 60/40 portfolio paradigm, the rise of supply-side shocks, and a structurally weaker US dollar are not anomalies – they are features of a more unstable, multipolar world. The return of tariffs, the blurring of central bank mandates, and elevated correlations across asset classes require a new investment approach – one that is more granular, more global, and more adaptive.

These 'new rules' also call for agility and selectivity. In a world where global leadership is diffuse and capital flows are shifting, investors must embrace greater geographic and strategic diversification. This includes opportunities outside the US, where policy flexibility, valuation gaps, and supportive fiscal trends offer stronger forward-looking return profiles.

European and Asian markets, once overlooked, are benefitting from shifting capital flows and expanding policy puts, especially in China, India, and parts of ASEAN. Meanwhile, emerging market bonds and local currency exposures stand to benefit from improved real yield profiles and more proactive monetary stances.

Alternatives will also play a central role in this new regime. Whether through private credit, macro hedge funds, or gold, they offer the diversification that traditional asset classes now struggle to provide.

Ultimately, investors must recognise that uncertainty is no longer a transient feature of markets – it is a permanent one. Leadership is no longer concentrated in one geography or asset class. Hence, we believe that adaptability, flexibility, and global breadth in portfolio construction will be the keys to success in the months to come.

To help you navigate this fast-evolving landscape, the pages ahead explore these themes in more detail through our macro-economic and market scenarios. We also examine the implications of the US's diminishing dominance, its impact on European and Asian markets, and address some of your most pressing questions.
I trust this report will provide valuable insights to guide your investment journey for the remainder of 2025.

"In a world where old certainties are breaking down, investors have to accept that uncertainty is a feature of the system, not a bug."

Xavier Baraton
Chief Investment Officer

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

Macro outlook and market implications

Macro outlook and market implications

The decline of global coordination and the rise of fragmented economic leadership are shaping up 'new rules' for investors.

This is the reality of a G-zero world – where no single power exerts a stabilising influence. In the West, reindustrialisation agendas and protectionist policies dominate, while the Global South is becoming increasingly integrated. As the global economy is being rewired, global supply chains are prone to disruption, and supply shocks are more prevalent than demand-driven cycles. This creates structurally higher and more volatile inflation.

Increasingly active fiscal policy and higher debt and deficits are also capturing investor attention. The bond vigilantes are back in town. Amid a Fed that is hamstrung by higher inflation, longer-dated bond yields are likely to remain sticky.

Meanwhile, global supply chains face renewed pressures from tariffs and geopolitical rivalries. Even after a modest de-escalation of trade tensions, effective tariff levels remain the highest since the 1930s. This will likely stoke inflation and drag on real activity.

This confluence of factors has direct implications for investors in the form of episodic volatility, with markets dramatically cycling through themes ranging from US exceptionalism to stagflation, recession risk, and geopolitical fragmentation.

The Fed's reactive stance intensifies the sensitivity of the macro system to data surprises. At the same time, traditional macro relationships – such as stock/bond and dollar/yield correlations – are breaking down, weakening the reliability of historical diversification models. With slower domestic growth, narrowing profit margins, and a more fragile dollar, the US is now lagging other global markets. The long period of 'US exceptionalism' could be coming to an end.

As the shift to a multi-polar world continues, country correlations are likely to fall. This creates a strong argument that emerging market allocations should reflect a greater importance of country effects. And as traditional safe havens look less reliable investors will need to rotate toward a new set of safety substitutes that can protect portfolios in this fractured and uncertain macro regime.

Figure 1: 'New Rules' for 2025

End of exceptionalism
Asset classes that have been overlooked by investors during the era of US exceptionalism come into focus

G-zero economics
Old idea of US hegemony is replaced with a new G-zero where no one economic power is leading global order

Volatile market narratives
This becomes a feature of the current system, not a bug

Safety substitutes
Global fixed income, high quality credits, private credit and hedge funds

Global to local
Country correlations are likely to fall which creates a strong argument for EM granularity

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Scenarios

In a global economic regime that is in transition, and characterised by ultra-high policy uncertainty, we have three scenarios reflecting different calibrations of policy, inflation, and growth.

Our 'spinning around' scenario remains the most probable pathway as trade tensions have receded modestly, moving from escalation to negotiation, but tariffs remain significantly elevated relative to historical norms. Though economic momentum is constrained, it is not collapsing. Still, the drag on growth is real and sustained, particularly in the US. This scenario envisages growth stabilising between 1% to 1.5%, a full percentage point below its trend rate. Inflation, on the other hand, is expected to peak at 3% to 3.5% due to the tariff-induced supply shock, but moderate over the next 12 months.

These dynamics keep the Fed in a cautious easing stance—willing to provide support, but not proactively aggressive. The Fed may lower rates incrementally towards 3.5–4%, but policy transmission is blunted by fiscal constraints and credibility concerns.

In this environment, volatility remains elevated. We may see market narratives shift swiftly with episodic relief rallies, and asset class correlations remaining unstable. While this is not conducive to broad beta exposure, it does present a case for rotation into undervalued markets, and a broadening out of global equity leadership.

A downside tail scenario of 'toppling over' envisions either a re-escalation in tariffs or a failure of policy to stabilise sentiment, resulting in growth faltering while sticky inflation delays a central bank response. Here, risk assets correct sharply with traditional havens—such as Treasuries—offering only partial protection.

Consumer retrenchment, a rise in precautionary savings, and corporate profit deterioration form a feedback loop that accelerates the downturn. Structural fragility—rather than cyclical softness—becomes the dominant theme.

The upside case hinges on a coordinated reversal of protectionist policies and a synchronised recovery in global demand. US inflation recedes, allowing central banks to pivot decisively. Trade normalisation revives cross-border investment and sentiment. Valuation gaps between regions narrow as capital rotates toward undervalued equity markets while global equities benefit from multiple expansion and rising earnings. The US dollar continues to weaken — providing a tailwind to international assets.

Across all three scenarios, the unifying thread is uncertainty, meaning that portfolio allocations need flexibility at the core to adapt to macro signals with both speed and precision.

Figure 2: Macro and market scenarios

	Toppling Over	Spinning around	Taking off
Macro	◆ **Trade:** Tariff re-escalation and major US spending cuts (DOGE) ◆ **Growth:** Sharp slowdown as real incomes undermined and confidence hit. ◆ **Inflation:** Short-term boost to US inflation, but fades as demand destroyed ◆ **Policy:** Initial pause in rate cuts, but then big easing amid growth damage	◆ **Trade:** Tariffs around current level, moderate US spending cuts. Uncertainty impact ◆ **Growth:** US growth moderates to around 1.0-1.5%. End of US exceptionalism. ◆ **Inflation:** 3.0-3.5% in US, moderate across other DMs and many EMs ◆ **Policy:** Gradual easing for Western central banks and some EMs	◆ **Trade:** Tariffs abandoned. "Mission economy" takes hold in Europe ◆ **Growth:** Animal spirits boost global growth. Europe catches up with resilient US ◆ **Inflation:** Settles in 2.0-2.5% "grey" range - not high enough to prompt Fed hikes ◆ **Policy:** Easing cycle cut short. Higher neutral rate
Market	◆ **Stocks:** SPX back to early 2023 levels. US tech most vulnerable. VIX spike ◆ **Fixed Income:** Rates rally across the curve, curve steepens. Credit spreads widen ◆ **EM:** EMs hit amid weaker global growth and trade challenges	◆ **Stocks:** Broadening out of market leadership. SPX fat and flat range. VIX stays high ◆ **Fixed Income:** Range-bound yields, some upside risk to credit spreads. Focus on income flows ◆ **EM:** Does well amid growth resilience, Fed cuts, China stimulus and good valuations	◆ **Stocks:** Global stocks perform well. High-beta markets shine ◆ **Fixed Income:** Some upside risk to yields as growth remains strong. Credit spreads still tight ◆ **EM:** Rallies as global growth projections upgraded, better trade news discounted

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Market implications

In a market regime governed by 'New Rules', the typical investment market playbook is being upended.

The shift is being driven by persistent macro dislocations. Elevated tariffs and protectionist policies have reset global trade dynamics, thereby reshaping capital flows and asset performance. While headline valuations have broadly recovered, the traditional asset relationships have broken down requiring a redefinition of safety itself.

In the US, Treasury yields remain volatile and range-bound, driven by conflicting inflation signals, shifting term premia, and ambiguous Fed communication. This has led to increasing episodes of synchronous bond-equity drawdowns, complicating diversification efforts.

Simultaneously, the US dollar has weakened during recent risk-off periods, undermining the 'dollar smile' and exposing the declining confidence in US fiscal stability. As a result, assets that are less dollar-centric or more policy-flexible are outperforming. Emerging market local currency bonds, Asian duration plays, and Chinese equities—especially in tech—have gained traction in this new paradigm.

In developed markets, EAFE equities, supported by low valuations and targeted fiscal support, especially in Europe, are undergoing a revival. These markets offer ready-made catalysts and room for multiple expansion as capital rotates away from US-centric bets.

As traditional safe havens have become less effective, new safety substitutes, such as European duration, Asian fixed income, and gold gain relevance.

We also believe that regional dispersion widens, thus making country-level exposure a form of portfolio diversification. This is especially the case for EMs, where correlations are falling and macro dynamics are increasingly localised. Economies like India, having transformed from a 'fragile 5' narrative to a 'structural star', exemplify the new investment frontier where reform momentum and macro stabilisation efforts help drive returns.

Moreover, the environment of structurally higher yields has made high-quality private credit increasingly attractive given its demonstrated resilience and ability to offer strong income. Direct lending strategies, particularly with floating-rate features, also offer an alternative path to diversification from both rate and equity market volatility while providing a stable income stream.

Figure 3: Views per asset class (▲ Positive / ↔ Neutral / ▼ Negative bias)

Equities

Asset Class	House view
Global	↔/▲
US	↔
UK	↔
Eurozone	↔/▲
Japan	↔
Emerging markets (EM)	▲
Latam	▼
Frontier	▲

Government bonds

Asset Class	House view
Global	↔/▲
US10yr	↔
UK10yr	▲
German 10yr	▲
Japan	▼
Inflation-linked	↔/▲
EM (local currency)	▲

Corporate bonds

Asset Class	House view
Global investment grade	↔/▲
USD IG	↔/▲
EUR & GBP IG	↔/▲
Asia IG	↔/▲
Global high-yield	↔/▼
US high-yield	▼
Europe high-yield	▼
Asia high-yield	↔/▲
Securitised credit	▲

Commodities, alternatives and FX

Asset Class	House view
Gold	▲
Other commodities	↔
Private credit	▲▲
Real assets	▲▲
Hedge funds	▲▲
Private equity	↔
US dollar	▼

Asian assets

Asset Class	House view
Asia local bonds	▲
Asia ex-Japan equities	▲
China	▲
India	▲
ASEAN	↔/▲
Hong Kong	▲
Asia FX	↔/▲

Source: HSBC Asset Management, June 2025. House view represents a >12-month investment view across major asset classes in our portfolios. Views reflect our long-term expected return forecasts, our portfolio optimisation process and actual portfolio positions. For informational purposes only and should not be construed as a recommendation to invest in the specific country, product, strategy, sector or security. Any views expressed were held at the time of preparation and are subject to change without notice. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

Top of mind

Top of mind

Is it time for emerging markets to lead the way?

As the global investment landscape evolves, emerging markets are increasingly capturing investor attention. A structurally weaker US dollar, greater policy flexibility in key regions, and the broader transition to a multi-polar world are creating a supportive environment for EM assets, particularly equities and local currency bonds.

Historically, a weaker dollar has acted as a tailwind for emerging markets, and this dynamic appears to be reasserting itself. Recent softness in the dollar has provided EM and Asian central banks with the flexibility to lower interest rates, fostering growth amid global trade uncertainties. This monetary leeway is particularly valuable in a world where geopolitical tensions and divergent economic policies are weighing on global growth and inflation.

China exemplifies the critical role of policy in sustaining economic momentum. The Chinese government has introduced a range of stimulus measures, including interest rate cuts, targeted easing, credit support, and financial market interventions. These initiatives have helped stabilise growth, with further measures anticipated as the government works towards its 5% GDP growth target.

Beyond China, the broader emerging market landscape is increasingly shaped by country-specific factors, as correlations between individual markets decline. For instance, India has undergone a notable transformation, driven by years of macroeconomic stabilisation and structural reforms. These efforts have bolstered the country's resilience and enhanced its growth prospects, making it a standout performer within the EM universe.

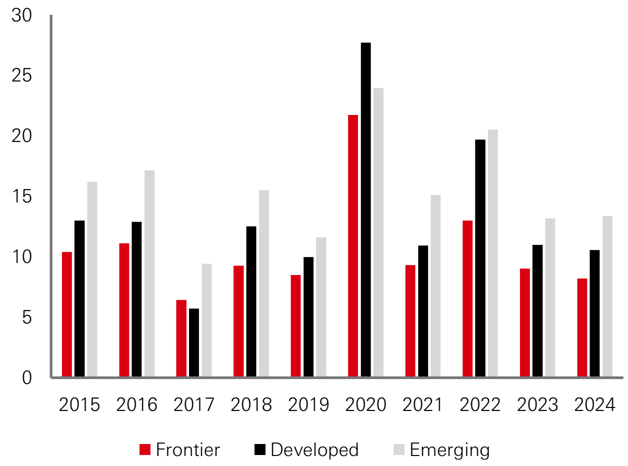
Local currency bonds in emerging markets are also gaining traction. These instruments are increasingly influenced by domestic stabilisation policies, making them less susceptible to global macroeconomic pressures. This characteristic adds an additional layer of diversification for investors seeking alternatives to traditional asset classes.

Frontier markets, often overlooked, are also worth attention. These smaller economies offer a compelling combination of high growth potential, relatively lower volatility, and attractive valuations. Vietnam, for example, has emerged as a key beneficiary of the "China Plus One" strategy, as companies diversify their supply chains beyond China. Despite facing volatility due to trade policy uncertainties, Vietnamese equities have rebounded strongly. Year-to-date, frontier markets as a group have outperformed both developed and emerging markets.

More surprisingly, they have consistently exhibited lower volatility than their peers over the last decade.

Figure 1: Annualised equity market volatility in global regions

Annualised volatility, %



Past performance does not predict future returns.
Source: HSBC AM, Bloomberg, June 2025

As the global economy transitions to a multi-polar framework, the combination of policy support, structural reforms, and local dynamics positions emerging market assets as a valid option for investors seeking diversification and long-term growth.

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

How do alternatives fare as new safety substitute?

Investors have endured a turbulent 2025 – marked by geopolitical realignment, unpredictable policy shifts, and persistent inflationary pressures. The resurgence of trade barriers, particularly those introduced by the US administration, has further rattled market confidence. In this unsettled environment, where traditional diversification has faltered and stock-bond correlation remains elevated, alternative investments – especially private credit and hedge funds – could offer differentiated exposures. These could not only enhance portfolio resilience but also provide access to return streams less dependent on directional moves in public markets.

Private credit, for instance, continues to offer compelling risk-adjusted returns. Unlike public fixed income, private credit instruments are not subject to daily mark-to-market volatility. These are loans held to maturity, which provides insulation from the short-term noise driven by shifting macro narratives. Additionally, most loans in the space are floating-rate, allowing investors to capture the upside in a 'higher-for-longer' rate environment.

However, some deals have shown signs of weakening credit quality with the rising use of PIK (payment-in-kind) structures, which allows borrowers to pay interest with additional debt rather than cash, and A&E (amend-and-extend) where lenders extend the repayment period. Furthermore, subdued M&A and IPO activity has reduced the need for credit among companies and PE sponsors.

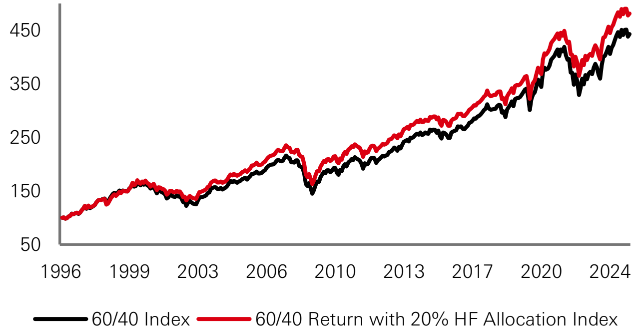
Yet, the overall default rates in private credit remains low, and investor demand remains strong, anchored by the appeal of stable income and the illiquidity premium. Hence, we believe that private credit could see continued inflows, but will require prudent deal selection, monitoring, and refinancing strategies.

Hedge funds, too, have demonstrated renewed relevance. Particularly, four strategies found market uncertainty to be supportive of returns:

- Equity market neutral strategies benefited from increased dispersion and policy-driven uncertainty, extracting alpha from stock selection while avoiding broad market exposure.
- Global macro strategies thrived amid interest rate volatility and commodity dislocations, with assets like gold and copper seeing sharp moves. They continue to remain constructive given their low-to-negative correlation with traditional 60/40 portfolios.
- Multi-strategy and multi-manager platforms also attracted significant flows, leveraging cross-asset diversification and dynamic capital allocation to generate consistent returns across shifting regimes.
- Managed futures and other trend-following strategies also remain a valuable component exhibiting low long-term correlation with risk assets.

Overall, in 2025, balanced hedge fund portfolios insulated investors from approximately 90% of the first-quarter equity market drawdown.

Figure 2: Hedge fund downside protection in 60/40 portfolios



	60/40 Equity/Bond	80% Equity/Bond + 20% HFRI FWI
Hedge Fund Allocation	0%	20%
Annualized Return	5. 28%	**5.58%**
Std. Dev	9.14%	**8.43%**
Deepest Drawdown	-33.02%	**-30.78%**
Recovery	61 months	**41 months**
Return/Risk	0.58	**0.66**

Past performance does not predict future returns.
Source: HSBC Alternative Investments Limited, Bloomberg. Time period presented is from June 1996 – April 2025. Global equities: MSCI Hedged World USD Index; Global bonds: JP Morgan Global Government Bond Index unhedged in USD; Performance of HFRI Fund Weighted Index

In a world where traditional allocation frameworks are under pressure, alternatives showcase the ability to harness volatility, exploit structural inefficiencies, and pursue idiosyncratic alpha. As policy and macro instability persist, the case for alternatives is not simply tactical – it is strategic.

Past performance does not predict future returns. Simulations are based on Back Testing assuming that the optimisation models and rules in place today are applied to historical data. As with any mathematical model that calculates results from inputs, results may vary significantly according to the values inputted. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

What is happening with the dollar and Treasuries?

Recent market movements in the dollar and U.S. Treasuries defy conventional patterns. The dollar has weakened amid financial stress and rising Treasury yields, breaking assumptions that it strengthens in such scenarios and correlates with yields. Additionally, U.S. yields diverging from European yields points to a potential shift in global asset allocations.

The dollar's deviation from historical trends, including the "dollar smile" theory, reflects broader concerns about U.S. deficits and a shifting global order, where U.S. recessions may no longer equate to global ones. Despite this, the dollar remains dominant as the world's primary funding currency, supported by the unparalleled depth of the U.S. Treasury market. Alternatives like European markets are gaining attention but a near-term move away from the dollar appears unlikely, though a long-term bearish dollar narrative remains plausible due to diminishing U.S. exceptionalism and stronger global growth.

Treasury yields have also shown atypical patterns, with erratic bond-stock correlations and divergence from other global safety assets like German Bunds. These dynamics reflect U.S. policy uncertainty, inflation concerns, and a perceived weakening of the Federal Reserve's market backstop.

For the rest of 2025, investors must navigate this complexity. While short-term dollar recoveries are possible, the longer-term outlook leans bearish. Treasury yields' volatility suggests active management and diversification into global fixed income (see Fixed income deep dive) or alternatives.

Why are emerging market central banks in easing mode?

As the US Federal Reserve maintains a steady stance, several emerging market central banks have recently taken bold policy measures. For instance, the Reserve Bank of India surprised markets with a front-loaded 50-basis-point rate cut. Other countries easing monetary policy include Mexico, Indonesia, Poland, South Africa, and Egypt—some of them supported by improving fiscal conditions. However, the primary driver of these actions has been the weakening US dollar, as investors reassess its role as a global safe haven. A weaker dollar benefits emerging markets by reducing the burden of dollar-denominated debt, boosting trade competitiveness, attracting capital flows, and improving returns on stocks and local currency bonds. With many emerging market economies now enjoying stronger fundamentals, investor attention is naturally shifting back to these markets.

Figure 3: Dollar has short-term decoupled from rates

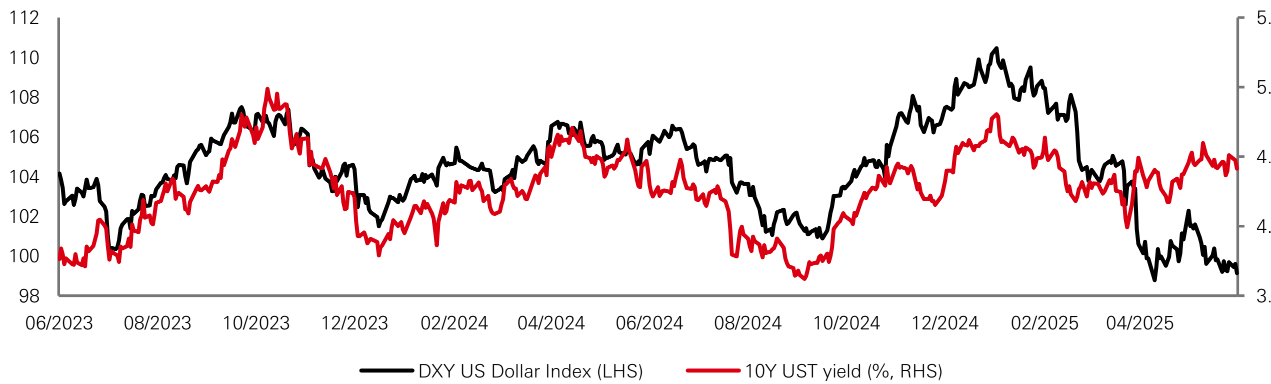
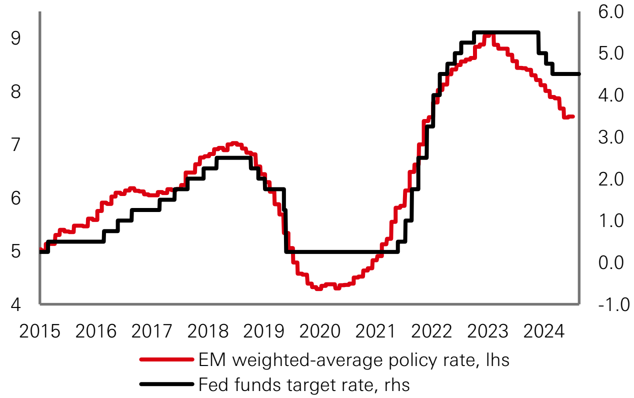


Figure 4: EM central banks policy rates vs. US (%)



Source: HSBC AM, Refinitiv. Data as of June 2025. The level of yield is not guaranteed and may rise or fall in the future. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

Alternatives beyond US dollar denominated bonds

Alternatives beyond US dollar denominated bonds

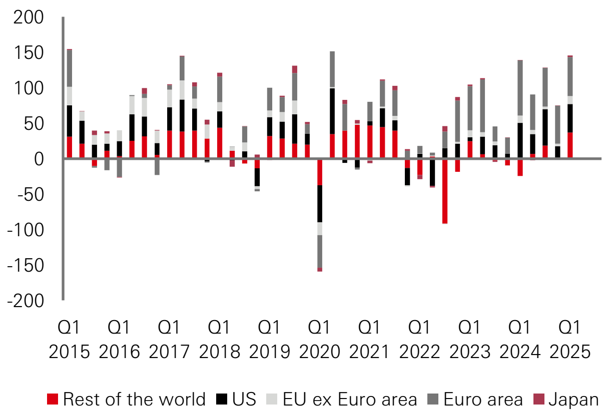
"Euro and Emerging Market debt offer diversification opportunities, supported by structural resilience and solid yields, despite geopolitical and macro uncertainties."

Foreign and domestic investment trends show renewed confidence in eurozone debt, driven by policy adjustments, structural resilience, and institutional support.

Foreign investment in eurozone sovereign debt has also seen notable shifts. Between 2010 and 2019, foreign investors held an average of 58% of eurozone government debt. However, this figure dropped to a low of 43% in 2022, before showing signs of recovery in 2023 and 2024. This rebound suggests a potential return of confidence in eurozone fixed-income markets, driven by factors such as policy rate adjustments and credit spread dynamics.

Domestic investors have historically reduced their exposure to euro-denominated debt securities, with their share falling from 68% in 2009 to 43% by the end of 2019. However, recent data indicates a renewed interest in euro debt securities among domestic funds, driven by the region's substantial pool of domestic savings. This shift highlights the growing attractiveness of euro-denominated assets for domestic investors, particularly in the context of declining policy rates and improving market conditions.

Figure 1: Debt securities held by eurozone investment funds – Flows by destination (Billions EUR, Quarterly)



Source: HSBC AM, IMF, April 2025

Another positive catalyst is the eurozone's transition to a net lender position globally since 2020, a significant shift from its previous status as a net debtor. This change, led by Germany, reduces the region's vulnerability to external financing shocks and sudden capital outflows. Positive net international investment positions are also viewed favourably by rating agencies, further bolstering the eurozone's attractiveness as an investment destination. However, the region's fragmented market structure and varying economic conditions across member states underscore the need for greater cohesion and institutional support. Meanwhile, policy attention is needed to address Europe’s lower potential growth rate against the US if it is not to continue to be an obstacle to investment.

Nevertheless, The European Union's institutional framework provides a stable foundation for investors. The European Central Bank (ECB) has developed tools to manage market volatility, offering a greater degree of certainty. Additionally, EU funding programmes tied to pro-growth reforms, coordinated initiatives to address competitiveness gaps, and ongoing efforts toward a capital markets union contribute to the eurozone's appeal.

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

Emerging Market (EM) sovereign debt fundamentals have improved relative to those of Developed Markets (DM) as a result of fiscal discipline, de-dollarisation, and narrowing inflation differentials, variously offering investors diversification and higher yields.

EM sovereign debt fundamentals have improved significantly relative to those of DMs over the past two decades. EM public debt-to-GDP ratios have remained broadly stable, while DM ratios have increased, significantly widening the gap. Excluding China, the difference in public debt-to-GDP ratios between EM and DM has grown from 14 to about 50 percentage points. As we might expect to see in such a diverse set of countries and regions, there has been considerable differentiation. While EM Asia, particularly China, has seen wider fiscal deficits, regions like Latin America, the Middle East and North Africa and Emerging Europe have modest and improving budget balances. Several factors have contributed to the relative strength of EM public debt dynamics, including the de-dollarisation of a significant portion of EM debt reducing currency mismatch risks.

In general, emerging markets have shown fiscal discipline in recent years and particularly post-pandemic, contributing to stable public debt. Lower primary deficits in EM countries are expected to persist, contrasting with developed markets, where interest liabilities have increased leading to higher debt burdens. Again, the picture is geographically nuanced, with EM regions such as Central America, the Caribbean, frontier economies, and hydrocarbon exporters demonstrating fiscal discipline, while deterioration is evident in Central and Eastern Europe, China, Mexico, and Brazil.

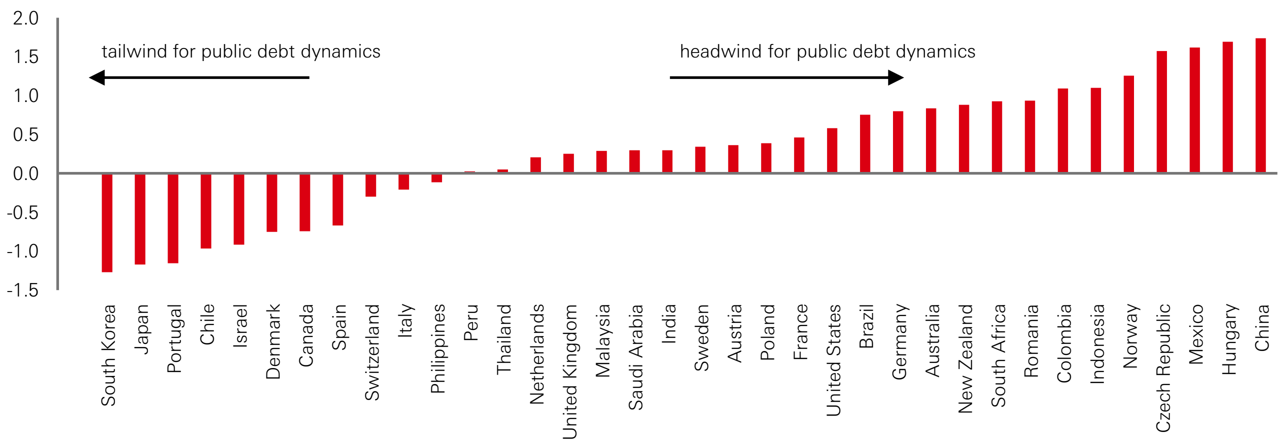
A useful measure of public debt sustainability is the relationship between the interest rate paid on debt (R) and nominal GDP growth (G). This metric determines whether a government can stabilize or reduce its debt-to-GDP ratio without running a fiscal surplus. A positive R-G score (where R exceeds G) creates a headwind for fiscal sustainability, while a negative R-G (where G exceeds R) provides a tailwind.

Since the pandemic, R-G balances have deteriorated globally, including in EM economies, due to rising interest rates and slowing nominal GDP growth. However, there are reasons for optimism regarding the R-G relationship in EM economies.

> "Emerging markets have shown post-pandemic fiscal discipline, maintaining stable debt levels, unlike developed markets facing rising debt burdens."

Real rate differences between EM and DM economies remain wide, but inflation differentials have collapsed, providing scope for interest rates in EM countries to decline.

Figure 2: Change in R-G dynamics since the pandemic



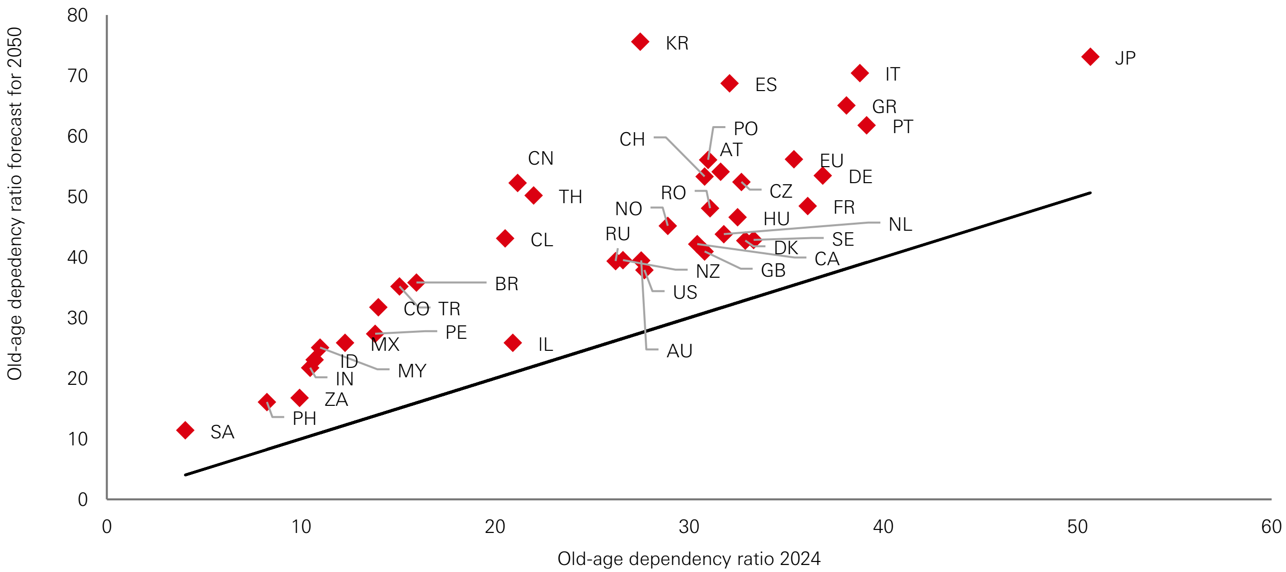
Source: HSBC AM, IMF, Goldman Sachs Global Investment Research, April 2025

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Demographic trends are another important factor influencing public debt in EM. EM economies generally have more favorable demographic profiles than DM, acting as a boost to economic growth and supporting debt sustainability over the long term. Countries like South Africa, many Southeast Asian nations, Mexico, and Saudi Arabia benefit from younger populations and growing consumer bases. However, not all EM regions enjoy these demographic advantages. Central and Eastern Europe face significant challenges, including aging populations and declining birth rates, which will weigh on growth potential and public debt.

Historical data indicate a strong correlation between positive credit rating outlooks and subsequent upgrades. Currently, the balance of positive to negative outlooks in EM remains favorable, particularly within the BB cohort and frontier economies. Although central bank reserve managers have shown limited appetite for EM local currency assets as opposed to hard currency, the fundamental case for increasing allocations in the former is compelling. Rate differentials between EM and DM economies remain high while inflation differentials have collapsed in an environment where spreads across the USD bond complex are historically tight.

Figure 3: Debt deficit and fiscal space



Source: Moody's rating; HSBC Asset Management, as of March 2025.

From a longer-term perspective, the relative improvement in EM public debt trends versus DM raises questions about the secular allocation of global capital. EM economies have demonstrated fiscal discipline in many regions, supported by IMF programs, debt restructurings, and favorable demographic trends. The size of the EM debt market, while smaller than the US Treasury market, still represents a significant opportunity. The total stock of EM hard currency public debt is approximately $1.8 trillion, compared to the $28 trillion US Treasury market.

Consequently, after a prolonged period of de-allocation from emerging market bonds, the technical positioning of investors is improving. From a starting position of low allocations, prudent debt management on the side of issuers can help maintain a relative scarcity of emerging bonds. Overall, we expect this trend to continue – and potentially accelerate – as ratings upgrades materialize (with over 20 EM countries on ratings watch positive, two-thirds of which will possibly receive upgrades in the near to medium term).

A turning tide in global equity leadership

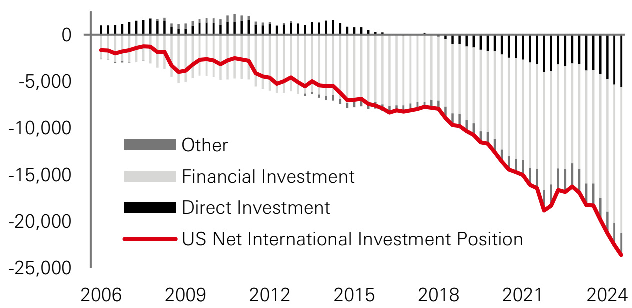
A turning tide in global equity leadership

"US equities have significantly outperformed global markets for over a decade. This dominance is now being challenged."

The dominance of US equities was underpinned by a strong post-GFC recovery, unmatched technology leadership, and a fiscal policy regime that attracted global capital inflows. The S&P 500 benefitted from massive inflows: central banks buying Treasuries, institutional allocations rising steadily, and retail investors fuelling tech-led rallies. These trends were amplified post-2018 and post-COVID, driven by a belief in the enduring strength of the US growth model.

Foreign holdings of US assets have grown massively, with equity ownership tripling in three decades and doubling over the last 20 years. The US now accounts for roughly 70% of the MSCI World Index, up from roughly 50% two decades ago. However, for the first time in years, investors are witnessing a sustained period where the rest of the world (RoW) is outperforming US equity markets.

Figure 1: US net international investment position ($bn)



Source: HSBC AM, Bloomberg. Data as of May 2025.

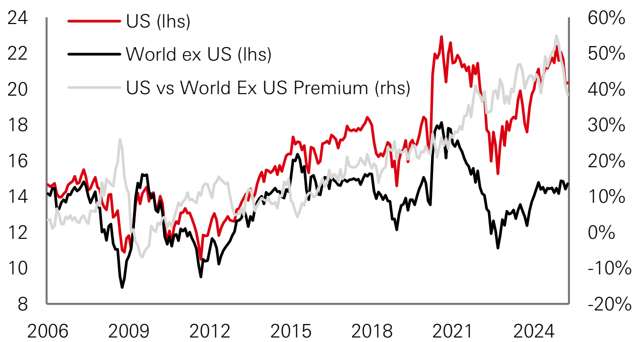
Global equity concentration in US stocks has created a situation that now requires almost 70 cents of every global equity dollar to flow into US markets to maintain this dominance—a dynamic vulnerable to even slight reallocations. This shift raises critical questions about the sustainability of US exceptionalism and the potential for a more balanced investment landscape ahead. A decline of just a few percentage points in US weighting within global indices, would move billions and alter portfolio dynamics.

Valuation gaps and signs of reversal

Historically, US equities have delivered consistently strong returns, making them a cornerstone of global portfolios. However, valuation spreads now appear stretched.

Post-Trump election, the forward P/E ratio for the S&P 500 peaked above 22x, compared to 14-15x for the rest of the world. While the US tech sector—particularly the 'Mag7'—justified some of this through earnings strength, the broader premium has been increasingly supported by fiscal stimulus and investor sentiment.

Figure 2: 12-months forward P/E ratios



Source: HSBC AM, Bloomberg. Data as of May 2025.

However, with fiscal momentum fading, so too is the justification for such elevated valuations. State-level spending is expected to decline year-over-year in 2025, a rare occurrence since the GFC. Now, if valuations were to normalise at the same level of earnings, US equities would need to correct by an estimated 15%. This aligns with the post-Liberation Day policy announcements sell-off.

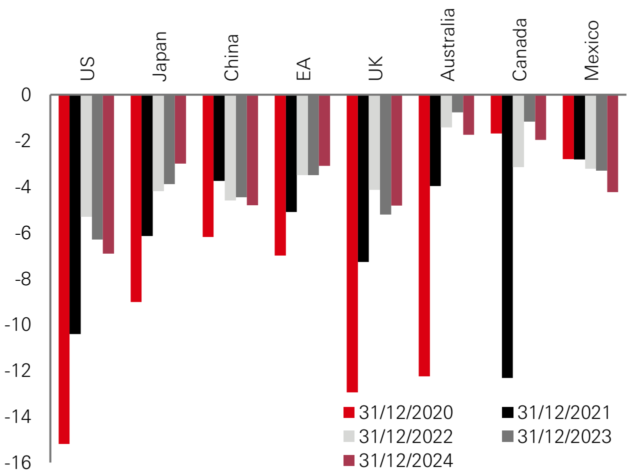
Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Fiscal sustainability in question

A central pillar of US exceptionalism has been its large-scale fiscal spending. Following the 2008 GFC and the COVID-19 pandemic, the US government implemented unprecedented fiscal stimulus measures, far exceeding the fiscal responses of most other economies. This approach supported consumption and corporate profitability, directly contributing to the sustained growth of US equity markets.

However, as of early 2025, this model appears increasingly unsustainable. The US federal deficit remains near 7% of GDP — a level rarely seen outside of crisis periods. Cumulative fiscal deficit data through March 2025 suggests that this year could end up being the third-highest deficit year in history.

Figure 3: Cumulative deficits as a share of GDP since 2020 (%)



Source: HSBC AM, Bloomberg. Data as of May 2025.

Meanwhile, fiscal policy in regions like the Eurozone is beginning to shift favourably towards supporting growth. Germany, the Eurozone's largest economy, illustrates this via its shift to increase spending and move towards a more balanced budget outlook, creating a supportive backdrop for European equities. If other economies follow Germany's lead, fiscal support outside the US could become a competitive advantage rather than a disadvantage.

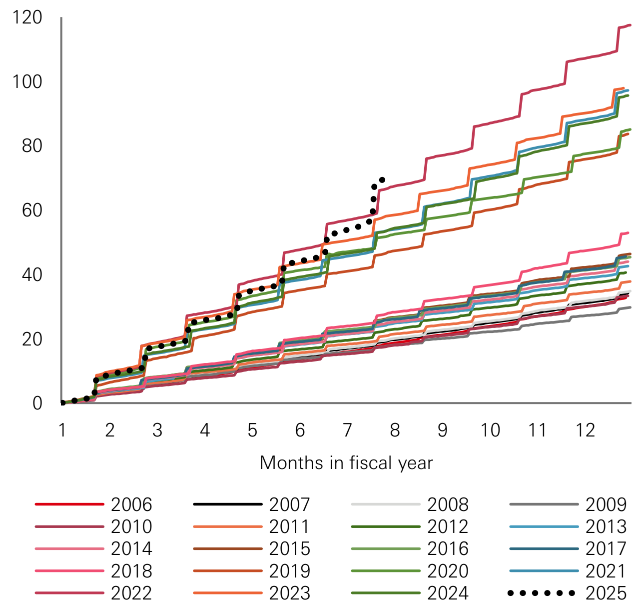
Another pivotal shift is the perceived end of the post-WWII global trade compact centred around US-led globalisation. The Liberation Day tariffs have challenged the assumption that the US will remain the world's demand engine indefinitely. If other countries begin to invest aggressively in domestic resilience and defence — as seems increasingly likely — this could tilt fiscal and economic momentum in favour of RoW equities.

Tariffs and global reorientation

The resurgence of US protectionism is another factor reshaping investor preferences. The effective tariff rate has climbed to nearly 3% in 2025 — the highest in decades. Customs tax collections have surged since the Liberation Day policy announcements, marking a real, albeit delayed, economic impact from these measures.

While tariffs are aimed at supporting domestic manufacturing, they act as a tax on consumption and investment, effectively withdrawing liquidity from the domestic economy. Over time, this could erode corporate margins and consumer purchasing power, particularly if retaliatory measures impact export demand.

Figure 4: US cumulative customs and excise tax collected ($bn)



Source: HSBC AM, Bloomberg. Data as of May 2025.

Importantly, the modern global economy is becoming less dependent on manufacturing. Today, services account for most value creation — over 55% in China and as much as 75% in developed economies. Still, the indirect effects of protectionism can permeate services through inflationary pressures and capital allocation disruptions.

Ironically, the country most vulnerable to protectionist fallout could be the US itself. While the headline economic impact may be delayed, market sentiment can shift quickly once the ramifications become clearer.

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Foreword
Macro
Top of mind
Fixed income deep dive
Multi-asset deep dive
Equity deep dive

Foreword
Macro
Top of mind
Fixed income deep dive
Multi-asset deep dive
Equity deep dive

Signs of market shifts

Globally, the Liberation Day shock introduced unexpected dynamics in equity and currency markets. The US dollar weakened even as US equities rebounded, an unusual divergence compared to historical trends. More notably, the euro has exhibited safe-haven characteristics, rallying during equity sell-offs and maintaining strength even as risk assets recovered. This contrasts with the past 15 years, where the euro typically rallied against cyclical currencies like the Australian and Canadian dollar but not against the US dollar.

Intraday currency behaviour also highlighted this trend. Post-Liberation Day, the yen and euro have moved significantly during Tokyo trading hours, suggesting shifting investor sentiment in Asia. The US dollar's weakness during these hours indicates a possible re-evaluation of US assets during non-US trading windows.

Moreover, the S&P 500 index has sold off during Asian and European hours while holding up during US sessions. This divergence suggests growing hesitance among foreign investors, even as domestic investors continue to buy dips — a behavioural shift that could indicate the limits of US retail-driven resilience.

ETF flow data confirms this view. While flows into US equity ETFs have slowed, they remain positive, indicating sustained domestic support. More strikingly, European equity ETFs have seen their strongest cumulative inflows in at least five years. Although it is too early to declare a lasting trend, this may signal the early stages of a global reallocation, as investors reconsider the 'US-only' mindset that has dominated since the GFC.

Figure 5: Rolling 3m cumulative flows to US equities ETFs (as a share of AUM)

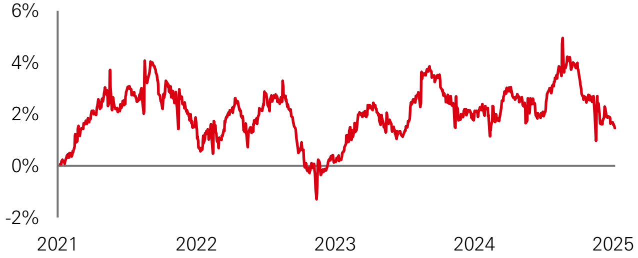
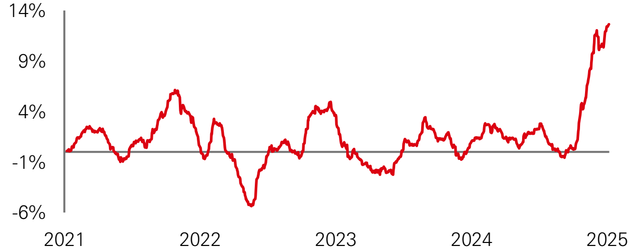


Figure 6: Rolling 3m cumulative flows to European equities ETFs (as a share of AUM)



Source: HSBC AM, Bloomberg. Data as of May 2025.

Towards a multipolar world

The case for US equity dominance is no longer self-evident. Fiscal constraints, valuation excess, and geopolitical shifts are contributing to a more balanced investment landscape. While this is not a call to abandon US equities, it is time to recognise that US dominance may be entering a pause or adjustment phase.

Of course, US mega-cap technology companies continue to benefit from scale, platform economics, and innovation. Yet their strength is tied to broader economic momentum.

A downturn in US economic activity could reduce demand, even for these dominant firms. While the US still leads in innovation, the durability of earnings across the sector could be tested in the next phase of the cycle.

Simultaneously, the case for global diversification is growing stronger as alternatives emerge – even in tech. For instance, Huawei's recent chip development announcements, if proven viable, could erode Nvidia's pricing power. Separately, the world outside the US is showing greater fiscal discipline, more attractive valuations, and increasingly assertive policy responses. As the cycle matures, re-engaging RoW equities may offer not only diversification but also performance upside.

For now, the Liberation Day shock may have served as a wake-up call, prompting a reconsideration of allocation strategies. Whether this momentum favours a broader, global approach to equity investing longer-term will depend on policy responses, economic resilience, and investor psychology. One thing is clear: the rest of the world is emerging as a credible contender for leadership in the next chapter of global markets.

Source: HSBC AM, June 2025. Past performance does not predict future returns. For informational purposes only and not a recommendation to invest. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. Diversification does not ensure a profit or protect against loss.

Rewriting the equity playbook

Rewriting the equity playbook

"It is not a single disruptive event, but the accumulation of pressures that have reset investor expectations."

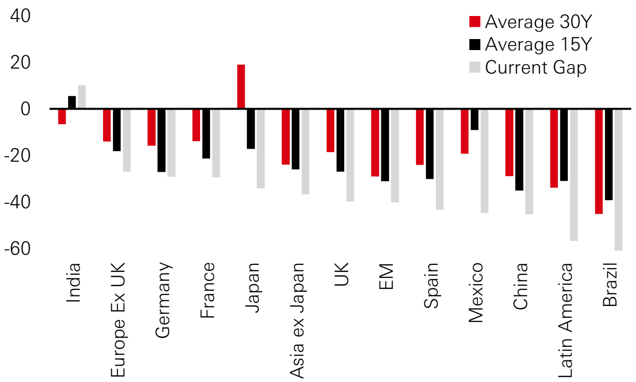
For over a decade, the investment playbook was straightforward. Allocate to the US and rely on the big tech engine. Watch as passive flows, low rates, and dollar strength compressed volatility and magnified growth. That regime now looks exhausted.

The rules that governed equity investing are being rewritten. The once-dependable growth engine of the US is encountering resistance: not just from rising bond yields, uneven economic data, and political uncertainty, but from a rest of the world that is beginning to reassert its relevance in investors' portfolios.

In this noisy and unpredictable environment, investors must cut through narrative whiplash and re-anchor in structural and valuation fundamentals. To this point, US equities are hovering near recent highs, but they sit atop already-elevated valuations and heavy expectations.

Meanwhile, other regions - especially Europe – present compelling starting points after having been overlooked for years.

Figure 1: PE gaps versus US over time (long/medium vs current)



Source: HSBC AM, Refinitiv, MSCI. Data as of May 2025.

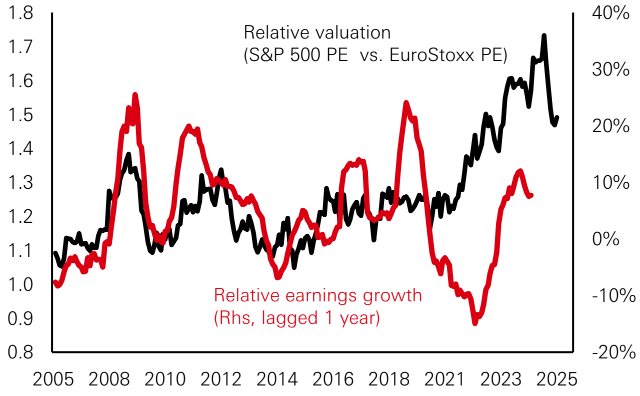
Europe: From peripheral to pivotal

Europe has been the great underweight of global portfolios. Austerity politics, bank repair, and low growth meant that investors stayed away, preferring the seemingly endless dynamism of US equities. But that cycle may now be turning for reasons that go beyond tactical rotation. Valuation spreads between Europe and the US have widened to a level that markets can no longer rationalise.

Below we compare earnings growth differentials between the US and Europe against relative valuations, The growth differential (red line) is lagged by one year, allowing us to visualise the strength of valuations in predicting future relative earnings growth. We can see that this relationship was quite strong. However, it has subsequently broken down.

Based on relative valuations today, markets are pricing in a roughly 20% growth advantage for the US. We think this is unrealistic, and an anomaly that is due to correct.

Figure 2: Relative valuation and growth of US versus Eurozone

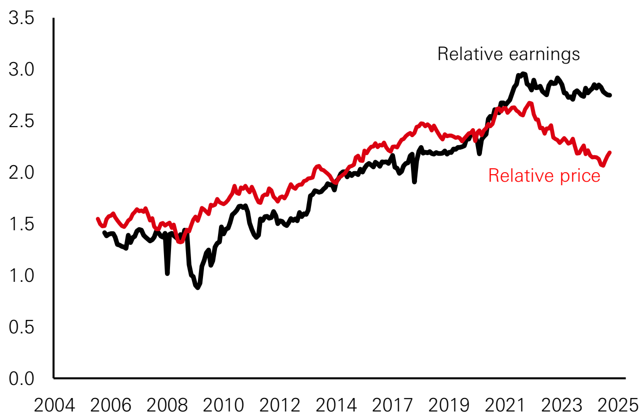


Source: HSBC AM, Bloomberg. Data as of April 2025.

Valuation anomalies are mirrored across other layers of the equity landscape, with implications for Europe. The earnings yield differential between value and growth stocks, for instance, has remained historically high for the last few years, contrasting a past relationship that saw any premium in the valuation spread quickly normalise. Even in the absence of a valuation rerating, this presents an opportunity to profit from carry. We have seen this with European banks, which have quietly become one of the best-performing areas in developed markets, powered not by rerating but by dividends and share buybacks, alongside a bit of growth.

Small caps also present apparent anomalies. In the US, they have underperformed in recent years due to weaker earnings and profitability relative to large caps. In Europe, by contrast, small caps have shown comparable earnings growth but still trade at historical relative discounts.

Figure 3: Relative earnings and price of European small vs large cap



Source: HSBC AM, Bloomberg. Data as of April 2025.

These anomalies appears to be broadly because of unwillingness to reward improving fundamentals, creating an arbitrage-like setup for those willing to look beyond current sentiment.

Meanwhile, Europe's macro backdrop is also turning more supportive. Purchasing Managers' Indices (PMIs) have stabilised and even turned upward alongside the economic surprise index. Inflation is normalising, giving the European Central Bank room to ease. Most notably, Germany's renewed fiscal expansion could act as a game-changer for European growth. Together, these factors build the case for a structural rerating of European equities. A key risk is dollar weakness hurting European corporate earnings growth.

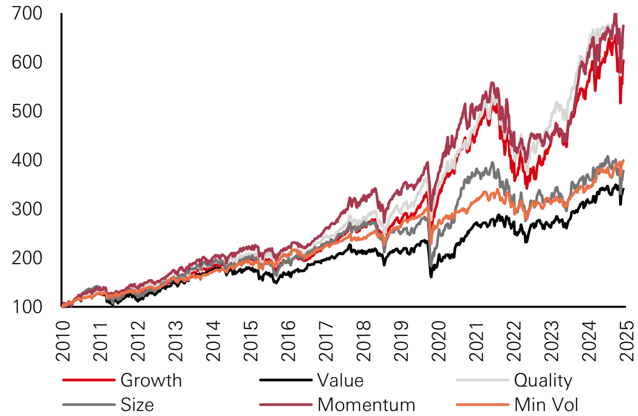
The global factor reset

Coinciding with the regional story, the last 15 years of factor performance in developed markets was singularly driven by a powerful concentration in large-cap growth, particularly US tech. Growth, quality, and momentum have dominated, while value, size, and low volatility have consistently lagged. The pandemic and AI-driven tailwinds only deepened this divergence.

In emerging markets, the factor dispersion has been less dramatic. Growth has still led, but the gap has narrowed since 2021. Momentum has remained resilient, supported by AI themes in Asia, but value and small caps have started to close the gap. Notably, in countries like India and Korea, small/mid cap stocks have staged multi-year rallies, backed by improving fundamentals and domestic demand resilience.

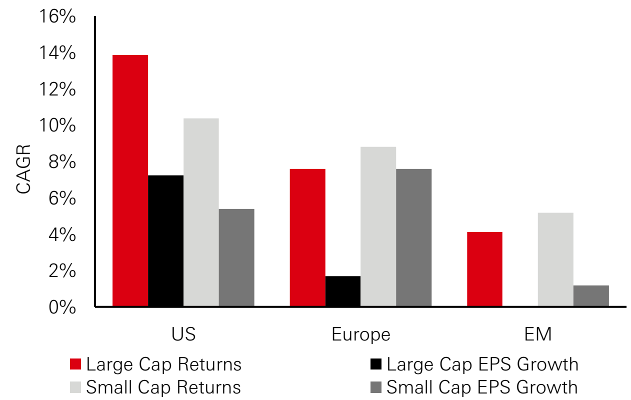
Recently, we have seen signs of a more widescale shifts in the global factor environment.

Figure 4: Post-GFC factor performance in developed markets



Source: Bloomberg, MSCI, HSBC AM. Factor Performance show total returns on MSCI Factor Indices, May 2010 - May 2025.

Figure 5: Different picture for small vs large cap across regions



Source: Bloomberg, MSCI, S&P, Russell, HSBC AM. Data for the period May 2010 - May 2025.

In a sign of a regime change, markets are no longer confident in any one style, but are rotating defensively – or spinning around – while still chasing earnings momentum. The behaviour of defensive factors such as low volatility has been telling. As volatility spiked and tariffs rattled markets, low vol emerged as a consistent outperformer—a classic pattern during drawdowns. Quality also held up, although its defensive power has diminished due to its increased overlap with profitable tech. Small caps and momentum have been more sensitive to rotations and regime shifts, underscoring the importance of context when assessing factor exposures.

In emerging markets we've seen a bit more strength in performance this year. Again, one of the main winners has been low vol as a defensive factor. Still, large growth momentum has held up, particularly in China on the back of the DeepSeek news which produced China tech beneficiaries. Underperformance of quality and small caps in emerging markets has been persistent, particularly driven by India where small and mid-caps derated considerably as growth in the region decelerated.

Of course, global growth momentum has most recently bounced back strongly as tariff concerns have eased, resulting in a situation where growth momentum and low vol have done well together - a fairly unusual occurrence.

A framework for tactical factor allocation

The key challenge for investors is how to allocate in a world where historical relationships are fraying, and where factor performance can rotate sharply with changing policy or sentiment. One way we bring order to this complexity is through a tactical factor allocation framework, built on a three-pillar scorecard approach that integrates macro conditions, factor momentum, and investment sentiment.

The first pillar evaluates macro indicators—both hard data and sentiment—to identify where each market is in the business cycle. This helps match factors to macro regimes, such as favouring value and size in early-cycle recoveries or quality and low vol in late-cycle slowdowns.

The second pillar analyses momentum across factors. While stock-level momentum often mean-reverts quickly, factor-level momentum has been found to persist over longer horizons. The framework blends short and medium-term momentum signals to capture sustained trends.

The third pillar assesses overall market sentiment—using breadth, volatility, and investor positioning—to distinguish between risk-on and risk-off regimes.

The aggregated score from these three pillars produces a monthly signal, guiding tactical tilts in factor allocation across developed and emerging markets. For example, in May 2025, the framework flagged a deterioration in the developed market macro environment, favouring a more defensive tilt. Unsurprisingly, low volatility led factor performance, with value also reasserting itself.

In contrast, emerging markets continued to show strength in leading indicators, supporting a constructive stance on small caps and momentum – particularly where growth and stimulus were still supportive.

While no model offers perfect foresight, this structured approach allows investors to position more intelligently in an environment where static allocations are likely to underperform. The aim is not to predict market turning points, but to adapt factor exposures in alignment with evolving market regimes.

From anomaly to opportunity

Liberation Day and its associated tariffs may have marked a political inflection, but the investment inflection point may run deeper. The global investment regime that favoured US large-cap growth is showing signs of strain, while anomalies across European equities, small caps, and value styles are becoming too large to ignore.

The current phase of global equity markets is not merely turbulent – it is transitional. Europe, in particular, stands at a turning point. The combination of deep valuation discounts, improving macro conditions, and underappreciated earnings strength make it a compelling candidate for structural rotation. Factor dynamics also point to a more balanced landscape ahead, where defensives, small caps, and value regain relevance especially in markets where fundamentals no longer justify persistent discounts.

Yes, risks like currency effects, geopolitical shocks, and the unknown impact of further tariff escalation could derail some of these themes. But to focus solely on these risks is to ignore the underlying rebalancing already in motion.

Important information

Important information

For Professional Clients and intermediaries within countries and territories set out below; and for Institutional Investors and Financial Advisors in the US. This document should not be distributed to or relied upon by Retail clients/investors.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The performance figures contained in this document relate to past performance, which should not be seen as an indication of future returns. Future returns will depend, inter alia, on market conditions, investment manager's skill, risk level and fees. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries and territories with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries and territories in which they trade.

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorised reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of HSBC Asset Management at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity. Foreign and emerging markets. Investments in foreign markets involve risks such as currency rate fluctuations, potential differences in accounting and taxation policies, as well as possible political, economic, and market risks. These risks are heightened for investments in emerging markets which are also subject to greater illiquidity and volatility than developed foreign markets. This commentary is for information purposes only. It is a marketing communication and does not constitute investment advice or a recommendation to any reader of this content to buy or sell investments nor should it be regarded as investment research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. This document is not contractually binding nor are we required to provide this to you by any legislative provision.

All data from HSBC Asset Management unless otherwise specified. Any third party information has been obtained from sources we believe to be reliable, but which we have not independently verified.

HSBC Asset Management is the brand name for the asset management business of HSBC Group, which includes the investment activities that may be provided through our local regulated entities. HSBC Asset Management is a group of companies in many countries and territories throughout the world that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings Plc. (HSBC Group). The above communication is distributed by the following entities:

- in Australia, this document is issued by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL 232595, for HSBC Global Asset Management (Hong Kong) Limited ARBN 132 834 149 and HSBC Global Asset Management (UK) Limited ARBN 633 929 718. This document is for institutional investors only, and is not available for distribution to retail clients (as defined under the Corporations Act). HSBC Global Asset Management (Hong Kong) Limited and HSBC Global Asset Management (UK) Limited are exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of the financial services they provide. HSBC Global Asset Management (Hong Kong) Limited is regulated by the Securities and Futures Commission of Hong Kong under the Hong Kong laws, which differ from Australian laws. HSBC Global Asset Management (UK) Limited is regulated by the Financial Conduct Authority of the United Kingdom and, for the avoidance of doubt, includes the Financial Services Authority of the United Kingdom as it was previously known before 1 April 2013, under the laws of the United Kingdom, which differ from Australian laws;

- in Bermuda by HSBC Global Asset Management (Bermuda) Limited, of 37 Front Street, Hamilton, Bermuda which is licensed to conduct investment business by the Bermuda Monetary Authority;

- in Chile: Operations by HSBC's headquarters or other offices of this bank located abroad are not subject to Chilean inspections or regulations and are not covered by warranty of the Chilean state. Further information may be obtained about the state guarantee to deposits at your bank or on www.sbif.cl;

- in Colombia: HSBC Bank USA NA has an authorized representative by the Superintendencia Financiera de Colombia (SFC) whereby its activities conform to the General Legal Financial System. SFC has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Colombia and is not for public distribution;
- in France, Belgium, Netherlands, Luxembourg, Portugal, Greece, Finland, Norway, Denmark and Sweden by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026);
- in Germany by HSBC Global Asset Management (Deutschland) GmbH which is regulated by BaFin (German clients) respective by the Austrian Financial Market Supervision FMA (Austrian clients);
- in Hong Kong by HSBC Global Asset Management (Hong Kong) Limited, which is regulated by the Securities and Futures Commission. This video/content has not be reviewed by the Securities and Futures Commission;
- in India by HSBC Asset Management (India) Pvt Ltd. which is regulated by the Securities and Exchange Board of India;
- in Italy and Spain by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Italian and Spanish branches of HSBC Global Asset Management (France), regulated respectively by Banca d'Italia and Commissione Nazionale per le Società e la Borsa (Consob) in Italy, and the Comisión Nacional del Mercado de Valores (CNMV) in Spain;
- in Malta by HSBC Global Asset Management (Malta) Limited which is regulated and licensed to conduct Investment Services by the Malta Financial Services Authority under the Investment Services Act;
- in Mexico by HSBC Global Asset Management (Mexico), SA de CV, Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC which is regulated by Comisión Nacional Bancaria y de Valores;
- in the United Arab Emirates, Qatar, Bahrain & Kuwait by HSBC Global Asset Management MENA, a unit within HSBC Bank Middle East Limited, U.A.E Branch, PO Box 66 Dubai, UAE, regulated by the Central Bank of the U.A.E. and the Securities and Commodities Authority in the UAE under SCA license number 602004 for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority. HSBC Bank Middle East Limited is a member of the HSBC Group and HSBC Global Asset Management MENA are marketing the relevant product only in a sub-distributing capacity on a principal-to-principal basis. HSBC Global Asset Management MENA may not be licensed under the laws of the recipient's country of residence and therefore may not be subject to supervision of the local regulator in the recipient's country of residence. One of more of the products and services of the manufacturer may not have been approved by or registered with the local regulator and the assets may be booked outside of the recipient's country of residence.
- in Peru: HSBC Bank USA NA has an authorized representative by the Superintendencia de Banca y Seguros in Perú whereby its activities conform to the General Legal Financial System - Law No. 26702. Funds have not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Perú and is not for public distribution;
- in Singapore by HSBC Global Asset Management (Singapore) Limited, which is regulated by the Monetary Authority of Singapore. The content in the document/video has not been reviewed by the Monetary Authority of Singapore;
- in Switzerland by HSBC Global Asset Management (Switzerland) AG. This document is intended for professional investor use only. For opting in and opting out according to FinSA, please refer to our website; if you wish to change your client categorization, please inform us. HSBC Global Asset Management (Switzerland) AG having its registered office at Gartenstrasse 26, PO Box, CH-8002 Zurich has a licence as an asset manager of collective investment schemes and as a representative of foreign collective investment schemes. Disputes regarding legal claims between the Client and HSBC Global Asset Management (Switzerland) AG can be settled by an ombudsman in mediation proceedings. HSBC Global Asset Management (Switzerland) AG is affiliated to the ombudsman FINOS having its registered address at Talstrasse 20, 8001 Zurich. There are general risks associated with financial instruments, please refer to the Swiss Banking Association ("SBA") Brochure "Risks Involved in Trading in Financial Instruments;
- in Taiwan by HSBC Global Asset Management (Taiwan) Limited which is regulated by the Financial Supervisory Commission R.O.C. (Taiwan);
- in Turkiye by HSBC Asset Management A.S. Turkiye (AMTU) which is regulated by Capital Markets Board of Turkiye. Any information here is not intended to distribute in any jurisdiction where AMTU does not have a right to. Any views here should not be perceived as investment advice, product/service offer and/or promise of income. Information given here might not be suitable for all investors and investors should be giving their own independent decisions. The investment information, comments and advice given herein are not part of investment advice activity. Investment advice services are provided by authorized institutions to persons and entities privately by considering their risk and return preferences, whereas the comments and advice included herein are of a general nature. Therefore, they may not fit your financial situation and risk and return preferences. For this reason, making an investment decision only by relying on the information given herein may not give rise to results that fit your expectations.
- in the UK by HSBC Global Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority;
- and in the US by HSBC Global Asset Management (USA) Inc. which is an investment adviser registered with the US Securities and Exchange Commission.
- in Uruguay, operations by HSBC's headquarters or other offices of this bank located abroad are not subject to Uruguayan inspections or regulations and are not covered by warranty of the Uruguayan state. Further information may be obtained about the state guarantee to deposits at your bank or on www.bcu.gub.uy.

Content ID: D047200_V2.0; Expiry date: 30.06.2026.