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Q2 2025 Investment Outlook – Investors need to innovate in fast-paced world

Investors need to be agile to navigate global uncertainties to manage short-term risks and achieve their long-term investment goals, according to HSBC Global Private Banking's Investment Outlook.

The report, Innovate or Stagnate, sets out how increased trade frictions and rapid AI-led innovation are among the major changes that are challenging markets, so high net worth and ultra high net worth clients need to adapt quickly to this fast-evolving world.

In Q1, the bank upgraded its outlook for Chinese stocks to positive and raised its allocation to eurozone equities to neutral. It maintains its medium-term optimism in the US but diversifies across countries and sectors as opportunities spread. It further diversifies its portfolio strategy to address tail risks through high-quality bonds, hedge funds and gold.

Its four priorities going into Q2 2025 are:

- **Global AI adopters and electrification:** Technology-driven earnings growth is moving from AI enablers to AI adopters. Rising energy consumption is driving investments in electricity generation capacity and the electric grid.
- **Multi-asset and active fixed income strategies:** Diversification across asset classes, geographies and sectors offer global opportunities for improved risk-adjusted returns. The busy news flow lends itself to active managers.
- **Private markets and hedge funds:** Private equity is well placed to benefit from M&A, and the AI boom will help smaller firms compete with established public market peers. Hedge funds can exploit volatility and relative value opportunities.
- **Domestic resilience in an evolving Asia:** Asia's diverse markets present a broad range of opportunities, particularly in Indian, Singapore and Japanese stocks. Chinese stocks should benefit from AI-led innovation and reduced regulatory risks.

Willem Sels, Global Chief Investment Officer at HSBC Global Private Banking and Wealth, said: "While the global economy is facing challenges, it remains resilient as government and corporate spending is supporting economic activity, while innovation in AI is boosting productivity. Global central banks are also assisting by maintaining a monetary easing bias. The underperformance of the US in the year to date can at least in part be attributed to increased optimism in other countries and opportunities outside the tech sector."

Cheuk Wan Fan, Chief Investment Officer for Asia at HSBC Global Private Banking and Wealth, said:

“Asian economies continue to stay resilient to withstand external headwinds thanks to their robust domestic fundamentals and structural growth drivers. We focus on China’s rising AI innovation champions, structural growth leaders in India and the ASEAN region, and high-quality Asian credit.”

Notes to Editors

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