Marketing Communication.
Professional Clients and Institutional Investors Only.

Geopolitics in focus

Investment Event | 7 January 2026

Geopolitics in focus at start of the trading year

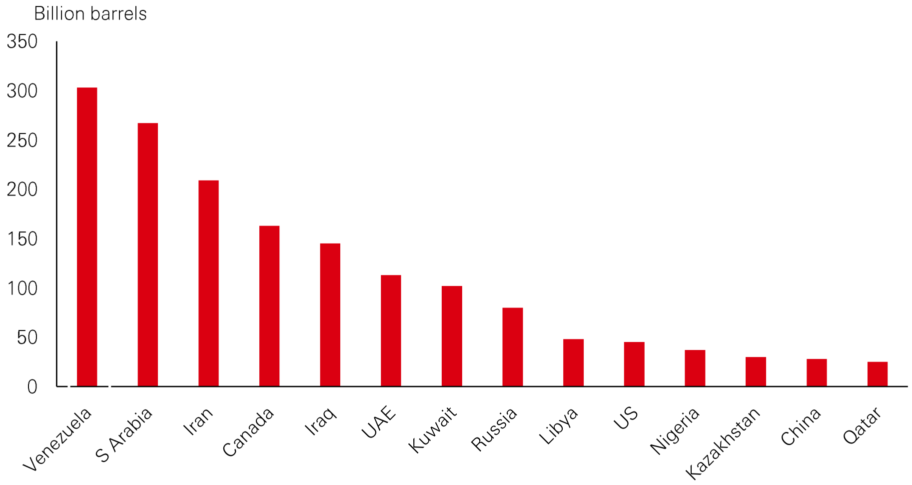
Geopolitical events have been in focus in this first trading week of 2026. From Venezuela, Iran, and Ukraine, investors have been digesting a number of important news headlines. However, investment markets remain mostly unperturbed. Gold has risen further, even after stellar performance in 2025. But the WTI oil price remains in the high USD50s, close to the bottom of the trading range from the last twelve months. Meanwhile Asian stocks have risen to a new record; with the MSCI Asia Pacific Index having its best start to a calendar year since 2012.

This contrast seems puzzling, but is not unexpected in the context of a good global growth outlook, and an expected "coming together" of global profits growth in 2026. **Like in 2025, we think geopolitical events will be a key influence on the market in 2026**, and we highlight a number of upcoming events in the calendar that investors will want to watch closely.

Oil supply

Typically, the key channel for geopolitical events to shock the macro system is through commodity prices, especially the oil price. As noted above, oil prices currently remain stable. Oil traders are looking through any short-term supply disruptions for now, and aware of OPEC's recent announcement to keep supply stable.

Figure 1: Global oil reserves, by country (2024)



Source: OPEC, HSBC Asset Management, January 2026

What's more, as figure 1 shows, Venezuela hosts around 17% of global proven oil reserves, yet it accounts for only 1% of global production today. This implies an intriguing possibility that recent events in Venezuela could end up materially lifting oil supply, reinforcing the structural oil glut. Perhaps that could be enough of a market disruption to push global oil prices below USD50?

There are a number of bridges to cross first, and this would be a multi-year scenario, based on material capex spending, supportive policies, and commitments from energy super-majors. But, if delivered, it would favour the large oil importers in Asia Pacific (especially those with current account deficits), such as India and the Philippines. It would challenge the economics for the more marginal oil producers. And it could also provide a cost-effective energy input to fuel the AI technology revolution.

2026 Investment Market Outlook

Stable and low oil prices means that geopolitical events are having limited effects on global investment markets at the start of the year. **The 2026 outlook remains for good global growth, no recession, a "coming together" of growth rates across countries, and some catchup in EAFE and EM economies**. We outlined this thesis in our [Role Reversal paper] before Christmas.

Investment markets remain mostly unperturbed by the latest geopolitical developments in Venezuela, Iran and Ukraine

Like in 2025, we think geopolitical events will be an important influence on the markets in 2026

At the start of 2026, we remain moderately pro-risk and internationally focussed in portfolios, but wary that episodic volatility is possible.

A complex economic and geopolitical environment means a changed playbook for investors too. It means re-assessing the old stereotypes about emerging markets and thinking hard about new diversifiers (such as hedge funds) to secure portfolio resilience.

Follow us on:

Linkedin:
HSBC Asset Management

Website:
assetmanagement.hsbc.com

Figure 2: 2026 global economic scenario

	CRACKS WIDEN	COME TOGETHER	AI BOOM
Driving forces	**Restrictive policy and unbalanced growth** mean labour market cracks	**Tariffs** weigh on US but some offset from AI capex. "Policy puts" in Europe/China	**Surging AI investment and wealth effects** create broader economic boom
Growth	**Sharp slowdown** as households retrench and profits disappoint	**US growth less exceptional at around 2.0%,** despite strong AI investment	**US reaccelerates to around 3.0%**. Animal spirits and AI boost global growth
Inflation	Uncomfortably high inflation but **recession destroys demand**	**US peaks above 3%** before receding. Approaching target in many DMs/EMs	Strong, broad-based demand keeps **US inflation around 3.0%**
Monetary Policy	Initially more cautious Fed, but then **big easing** amid growth damage	**Fed cuts to neutral (3.00-3.50%)**. Modest easing across many DMs/EMs	**Easing cycle cut short** but Fed accommodates above-target inflation
China	Geopolitics and trade tensions weigh on already **fragile confidence**	**Resilient but uneven growth** as reflation policies offset tariff headwinds	**Growth pickup** amid AI, and property sector and confidence recovery

Source: HSBC Asset Management, January 2026

Figure 2 shows our current economic scenarios. A big part of the story in the central case is a combination of policy support coming from Fed cuts, fiscal policy support in Europe and Asia, proactive industrial policy, and reduced uncertainty on US tariffs. Combined, **this can keep global GDP above 3% inflation-adjusted, and global profits growth in the teens in 2026**. Instead, the main risk to the macro outlook looks to be persistent inflation, based on the economy's more constrained supply side.

Meanwhile, **even after 2025's decline, the US dollar remains overvalued by some 15-20%** against major developed and emerging market currencies. Valuation gaps won't necessarily mean-revert on their own. But the overvaluation still looks rather large to us, a weaker US dollar remains an objective for policymakers, and we see growth catch-up outside of the US. While the scenario of additional oil supply (discussed above) would boost the external balances of energy importers (like Europe, Japan, or Emerging Asia), and could be another medium-term dollar negative.

The multi polar world

A deeper issue is how recent geopolitical headlines influence the ongoing pattern of global trade, energy, and policy fragmentation. And how **each incremental geopolitical event accelerates the transition to a new, multi polar world order**.

Many of today's investors have grown up in a market environment where geopolitical shocks have had limited effects on investment market dynamics. The geopolitical risk premium, they might say, has only a short-term effect on asset prices. But as global trade re-wires and the global order re-aligns, this line of thinking looks decidedly out of date.

The shift to a multi polar world (or, as some analysts are now calling it, a new "Monroe Doctrine") implies a growth-inflation mix that has more of a retro feel. Somewhat higher – and spikier – inflation, more constraints on growth, and greater idiosyncratic and country-specific policy experimentation.

It is possible that technology can (partly) offset this structural headwind and sustain a more benign growth-inflation mix. But analysts disagree wildly about the productivity gains that the technology mega trend will actually deliver.

What is clear, however, is that **changing geopolitics has profound implications for how investors should think about asset allocation**. It can no longer be ignored, like investors have been able to do over the last thirty-plus years. We have discussed this theme in more detail in our recent Capital Market Assumptions paper.

Investment implications

Like in 2025, we think geopolitical events will be an important influence on the market in 2026. Figure 3 shows another slide from our recent investment outlook, which highlights the key events to watch.

After the "bull market in almost everything" last year, investors start 2026 in an optimistic mood. Reflecting on the global growth and profits outlook, that is understandable. But much rests on good fundamental news actually being delivered. Meanwhile, some asset classes are arguably "priced for perfection", which means that any burst of adverse news is doubly bad for markets.

At the start of 2026, we remain moderately pro-risk and internationally focussed in portfolios, but wary that episodic volatility is possible. **A complex economic and geopolitical environment means a changed playbook for investors too**. In turn, that means re-assessing the old stereotypes about emerging markets and thinking hard about using new diversifiers (such as hedge funds) to secure portfolio resilience.

Figure 3: Key events in 2026

Source: HSBC Asset Management, January 2026

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. Obtain information about the state guarantee to deposits at your bank or on www.cmfchile.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.

NOT FDIC INSURED ◆ NO BANK GUARANTEE ◆ MAY LOSE VALUE

Content ID: D061816; Expiry Date: 06.07.2026