China CITIC Bank International economic and investment outlook Q1 2026

US rate-cut cycle to steer global economy continuously
Defensive, diversified investment approach advisable

(Hong Kong: 5 February 2026) China CITIC Bank International Limited ("CNCBI") today held its Q1 2026 economic and investment market outlook press conference, highlighting that the global market will focus its sights on the impact of US rate cuts on the marcoeconomy while it is advisable to check out sectors with defensive attributes and look to portfolio diversification for taming volatility when investing.

Macroeconomy: Fed's surprise rate cuts possible while Hong Kong 2026 GDP expected to pick up 2.6%

Mr Allen Ding, Chief Economist, China CITIC Bank International, said: "Trump's changing economic policies can impact global economic performance and market confidence within a short span of time. The level of US tariff hikes and its impact on inflation is too mild to accelerate price spikes although the country's labour market continues to fuels concerns. The US Federal Reserve's (the Fed) rate-cut cycle is expected to continue in 2026 and will keep affecting global economies including Chinese Mainland and Hong Kong.

As regards the 2026 economic outlook for the US, Chinese Mainland and Hong Kong, Mr Ding noted:

US	• Two rate cuts expected with chance for the first happening in June relatively high and possibility for a third not to be ruled out, exceeding US economic fundamentals under Trump's influence • New Fed chairman's monetary stance instrumental
China	• 2025 trade surplus exceeds US$1 trillion with exports becoming key economic growth driver • Export diversification expected to continue to effectively balance off dwindling exports to US • Ongoing current account surplus, narrowing China-US interest rate spread, and Trump's political and economic strategies cause capital outflows amid USD reallocation favorable to RMB performance in medium and long terms
Hong Kong	• GDP growth forecast at about 2.6% • Private consumption likely to stay on 2025's par on the back of rising household incomes in relatively stable labour market • Export growth expected to slow down as affected by previous relatively high base • Prime rate reductions unlikely as HIBOR's future hinges on performance of US treasury yields • Private housing prices stabilising in a gradual pace but supply and potential supply still at relatively high levels • Property prices lack foundation for rebound, with annual growth forecast within 5%

Investment insights: Balanced strategy to control portfolio volatility as stock and bond markets produce mixed performance

Mr Ivan Cheung, Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International, said, “US data shows that sector rotation funds are shifting towards value-oriented sectors, while some sectors in Asia’s stock markets still see high growth on the back of AI development. The Hang Seng Index surpassed last year’s highs whereas individual sectors are lagging behind. In the bond market, unresolved geopolitical events, divided central bank policies and discrepancies between inflation and anticipated economic growth in different areas lead to increased risk exposure in single markets. Investors need to be aware of market adjustment risks and keep an eye on defensive sectors in the stock market, while it is advisable to diversify their investments into different bond types and bond markets.”

Stocks	• **US stocks:** advisable to avoid overconcentration in AI-related stocks due to persistent concerns over high debt levels and overvaluation in the sector. Sectors with more reasonable valuations or defensive characteristics, such as finance, energy, utilities, and healthcare can be in focus • **Asian stock**s: though Asian technology stocks outperformed U.S. technology stocks last year, there may be potential adjustment risks in individual Asian markets. It is recommended to diversify investments into more defensive Asian high-interest stocks • **Hong Kong stocks:** The Hang Seng Index exceeded its last year’s peak, but individual sectors lagged behind in comparison. Investors may pay attention to sectors such as information technology, telecommunications, China-affiliated finance, and Hong Kong banking stocks
Bonds	• Against the backdrop of uncertain US tariffs, rising global fiscal deficits, heavier bond supply, and adjustments in some central bank policies, bond yields have risen • Under this context, interest rate risk has increased, and long-term bonds are likely to be pressured. To mitigate this, it is advisable to diversify investments into the money-market, or instruments such as short-term government bonds, floating-rate notes, bills or bank loans, inflation-linked bonds, investment-grade corporate bonds, high-yield bonds, or preference securities
FX	• **USD:** interest rate futures indicate that the Fed may have its rate cut by 25 basis points the earliest in June. The "Greenland Incident" has intensified geopolitical tensions, pushing up gold and silver prices and causing USD to fall. The continued high U.S. debt, uncertainty in U.S. foreign policy, and the current official's preference for cutting interest rates all contribute to pressure on the currency • **JPY:** Japan's core CPI year-over-year rose to 2.9%, above the central bank's target, indicating there is still room for further interest rate hikes. Although the 10-year Japanese government bond yield spread still lags that of the U.S. by about 200 basis points, recent accelerated increase has provided support for JPY. However, heavy debt burdens, political instability, and potential fiscal expansion risks limit the currency's ability to appreciate significantly. Short-term focus is on the results of the snap election on 8th February and the further direction of the Bank of Japan

For more insights from CNCBI into the macroeconomy and investment markets, please visit https://www.cncbinternational.com/personal/investments/market-information/en/index.html.

Photo

Mr Allen Ding (left), Chief Economist, and Mr Ivan Cheung (right), Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International, point out that the global market will focus its sights on the impact of US rate cuts on the marcoeconomy while it is advisable to check out sectors with defensive attributes and look to portfolio diversification for taming volatility when investing

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