# China CITIC Bank International
# economic and investment outlook Q2 2026

Middle East developments to dent macroeconomic performance

Investors advised to keep an eye on geopolitical risks and stay defensive

(Hong Kong: 22 April 2026) China CITIC Bank International Limited ("CNCBI") today held its Q2 2026 economic and investment market outlook press conference, pointing out that the situation in the Middle East is hurting global economic growth and that investors should be aware of geopolitical risks and keep their eggs in different baskets with limited exposure to the Middle East so as to tame volatility.

**Macroeconomy: 2026's global growth may slow to 3% as Hong Kong expected to log GDP growth of about 2.7%**

Mr Allen Ding, Chief Economist, China CITIC Bank International, said: "The situation in the Middle East is dominating the market. Despite a probable peace deal, the lengthier the conflict, the longer it will take for the energy and supply chain sectors to resume normal. In view of this, 2026's global economic growth is forecast to slow down to 3%."

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

| | |
|---|---|
| **US** | • As inflation risk rises, the US Federal Reserve (the "Fed") is expected to cut interest rates only once in the lower half of 2026 (about 0.25 percent).<br>• There may not be rate cuts in 2026 if the Middle East conflict lasts until June or beyond. |
| **China** | • China effectively offset the impact of US exports decline in 2025 by means of export diversification. The trend is expected to continue in 2026. In spite of the exemplary export performance in Q1 2026, March figures indicated that the situation in the Middle East is beginning to hurt exports. Single digit growth is expected for the year.<br>• Continued current account surplus and narrowing US-China interest rate differentials are favourable to RMB performance in the mid- to long term. |
| **Hong Kong** | • 2026's GDP growth is forecast to reach about 2.7%.<br>• Private consumption is likely to stay on 2025's par on the back of rising household incomes in the relatively stable labour market.<br>• Export growth is expected to slow down in 2026 to about 2.7% as affected by the previous relatively high base and the Middle East situation.<br>• Prime rate reductions are unlikely as HIBOR's future hinges on the performance of US treasury yields.<br>• Private housing prices are stabilising in a gradual pace but supply and potential supply remain at relatively high levels.<br>• Property prices lack foundation for a strong rebound, with an annual growth forecast around 5%. |

**Investment insights: Keep an eye on stocks, bonds, and currencies with limited exposure to the Middle East**

Mr Ivan Cheung, Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International, said, "The Middle East situation has disrupted oil transportation within the region, causing a surge in global oil prices. Rising geopolitical risks and inflation expectations have put the global stock markets under pressure, driving rate hike expectations which in turn became a major uncertainty over the global stock markets. Investors should be mindful of market adjustment risks. It is advisable to diversify investment across options with limited exposure to the Middle East."

| | |
|---|---|
| **Stock market** | • **Asian stocks:** The Middle East situation has exerted pressure on many Asian economies that heavily rely on oil and raw material imports. Although risk appetite has recovered and capital has quickly flowed back into Asian stocks, supply chains and corporate earnings will be affected across Asian markets if operations through the Strait of Hormuz remain disrupted. Investors should diversify their investments within the region.<br>• **A-shares and Hong Kong stocks:** A-shares have relatively low correlation with external geopolitical developments. In addition, Chinese Mainland will continue to implement moderately accommodative monetary policy and adopt proactive fiscal policies to support the "two heavies" and "two news" initiatives, which will benefit industry chains such as infrastructure, home appliances, automobiles, new energy, and materials. Bank capital replenishment will also help maintain stability in the financial sector.<br>• **European and US stocks:** As valuations of the few US leading companies have reached relatively high levels, capital may shift towards other investment themes with growth potential, including AI-related equipment stocks and raw material stocks required for chips. Meanwhile, the massive increase in AI computing power has significantly boosted electricity demand, which is expected to benefit companies providing energy and power infrastructure solutions. In Europe, the EU has recognized the risks of over-reliance on oil and has officially accelerated its energy transition. Shares related to new energy are expected to benefit in the long term. |
| **Bond market** | • The sharp rise in bond yields has provided investors with an opportunity to lock in higher yields. However, investors should appropriately diversify their bond portfolios across different categories and avoid over-concentration in low-rated bonds amid market concerns about economic recession. In addition to traditional government bonds and investment-grade bonds, investors can also diversify into Mortgage-Backed Securities (MBS) and Asset-Backed Securities (ABS).<br>• Higher oil prices may prompt local central banks to raise interest rates, putting short-term pressure on Asian bonds, while the medium-term impact will depend on how long oil prices remain elevated and how regional governments respond. Central banks in countries such as the Philippines, Thailand, and South Korea may raise rates, putting greater pressure on their bond markets. In contrast, the Chinese bond market remains relatively stable. |
| **FX** | • **USD:** The Middle East conflict has pushed up inflation expectations and risk aversion sentiment in the market, which have become key catalysts for the USD's strength in Q1. The market pushes back expectations for Fed rate cuts. USD is expected to remain supported in the short term against this backdrop. Mixed US economic data may however limit market expectations of an overly hawkish Fed stance. In addition, any easing signs in the Middle East situation will quickly dissipate the risk premium, which will also limit the upside for the dollar.<br>• **AUD:** Australia's February inflation rate remains above the central bank's target range of 2–3%. The Reserve Bank of Australia (RBA) further raised interest rates to 4.1% in March, stated that it still needs to raise borrowing costs to suppress inflation after the meeting. The RBA's hawkish stance has provided |

| | |
|---|---|
| | support for the AUD. Interest rate futures now show a higher probability of another rate hike in May. Additionally, Australia possesses substantial natural gas resources so is less negatively affected by disruptions in Middle East energy exports. Higher energy prices will also benefit Australia's export surplus. However, if the Middle East situation remains tense and impacts the global economy, Australia will not be completely immune. Overall, Australia's economic fundamentals are relatively stronger compared to other major economies, which should help support the AUD. |

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 Middle East situation is affecting global economic growth, while geopolitical risks should be taken into account when investing. Investors are advised to keep their eggs in different baskets with limited exposure to the Middle East so as to tame volatility.

**Risk Disclosure Statement and Disclaimers:**

This document is issued by China CITIC Bank International Limited ("the Bank") and used for reference purposes only. The information or opinion herein is not to be construed as professional investment advice or any offer of, or invitation by or on behalf of the Bank to any person to purchase, sell, acquire, or invest in any investment products. The information or opinion presented has been developed internally and/or taken from sources believed to be reliable, but the Bank makes no warranties or representation as to the accuracy, correctness, reliabilities or otherwise with respect to such information or opinion, and assume no responsibility for any omissions or errors in the content of this document. For information which is provided by the Information Provider and fund houses, it is being re-transmitted by the Bank in the ordinary course of business to you for general information and reference purposes only. The Bank did not modify or otherwise exercise control over its contents, do not take responsibility for it nor do they endorse the accuracy of such information. Investors should not make any investment decision purely based on this document. Nothing contained in this document should be construed as guidance to the suitability of the markets mentioned. Before making any investment decision, investors should carefully consider the risk factors relating to an investment product in light of their own financial circumstances, investment objectives and experiences and other personal circumstances, and should seek appropriate professional advice if necessary.

The Bank accepts no liability for any direct, special, indirect, consequential, incidental damages or other loss or damages of any kind arising from any use of or reliance on the information or opinion herein. Investment involves risks. Investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred as well as profits made as a result of investing in investment product. Investment in emerging markets involves above-average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. Some funds are entitled to use financial derivative instruments to meet its investment objective and may therefore lead to higher volatility to its net asset value. Investors investing in these funds may result in loss of some or the whole amount of the capital invested. Investors should read the offering documents of the relevant investment product (including the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets) in details before making any investment decision.

The Bank is an authorised institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority.

This document is issued by the Bank and its contents have not been reviewed by the SFC or any regulatory authority in Hong Kong.

**China CITIC Bank International Limited**

China CITIC Bank International Limited ("CNCBI"), a major offshore platform of commercial banking business of the CITIC Group, is 75%-owned by CITIC International Financial Holdings Limited ("CIFH"), which in turn is a wholly-owned subsidiary of China CITIC Bank Corporation Limited ("CNCB").

China CITIC Bank International's footprint includes 21 branches, two business banking centres and one private banking centre in Hong Kong, as well as branches in the US, Singapore and Macau, China, while providing banking services on the Chinese Mainland through our wholly-owned subsidiaries.

Across a century, China CITIC Bank International has grown together with its employees, customers and partners since 1922 and will continue to move towards its vision of "Agile. Professional. Simple." in adherence to the 4C (Culture, Customer, Collaboration, Cyberspace) core values while driving actively its missions to "create value for customers, seek happiness for employees, make profit for shareholders, perform responsibility for society".

More information about China CITIC Bank International can be found on its website at www.cncbinternational.com.