China CITIC Bank International economic and investment outlook Q3 2026

Geopolitical risks and Fed's interest rate trajectory still instrumental to macroeconomy and investment market development

(Hong Kong: 14 July 2026) China CITIC Bank International Limited ("CNCBI") today held a Q3 2026 economic and investment market outlook press conference, pointing out that the Middle East situation and artificial intelligence (AI) remain the focus for macroeconomy and long-term investment respectively. Markets are also closely monitoring how rising expectation of the US rate hike will affect the future development of the macroeconomy and investment markets.

Macroeconomy: US rate-cut cycle may have ended 2026 HK GDP forecast to grow about 3.5%

Mr Allen Ding, Chief Economist, China CITIC Bank International, said: "The situation in the Middle East is still a market focus. Chairman of the US Federal Reserve (the "Fed") Kevin Warsh's monetary stance is more hawkish than expected. The increased likelihood of a rate hike next year will have an impact on capital costs and risk appetites on a global scale."

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

US	• As inflation risk rises, the 2026 rate cut cycle may have ended. The Fed may raise interest rates once or twice in 2027. • The Fed may shrink its balance sheet further in 2027.
China	• The People's Bank of China may lower the interest rate and Reserve Requirement Ratio once in 2H 2026 in a move to drive economic growth. • Continuous property market revival in tier 1 cities will help reignite overall market confidence.
Hong Kong	• 2026 GDP growth is forecast to reach about 3.5% in view of consumption, investment, import and export figures. • Further prime rate reductions are unlikely in 2026 while HIBOR may follow US rate hikes in 2027. • In anticipation of US rate hikes and stock market retracement in 2027, home prices may be adjusted downwards by about 5% in 2H 2026, with an annual growth forecast of around 5%.

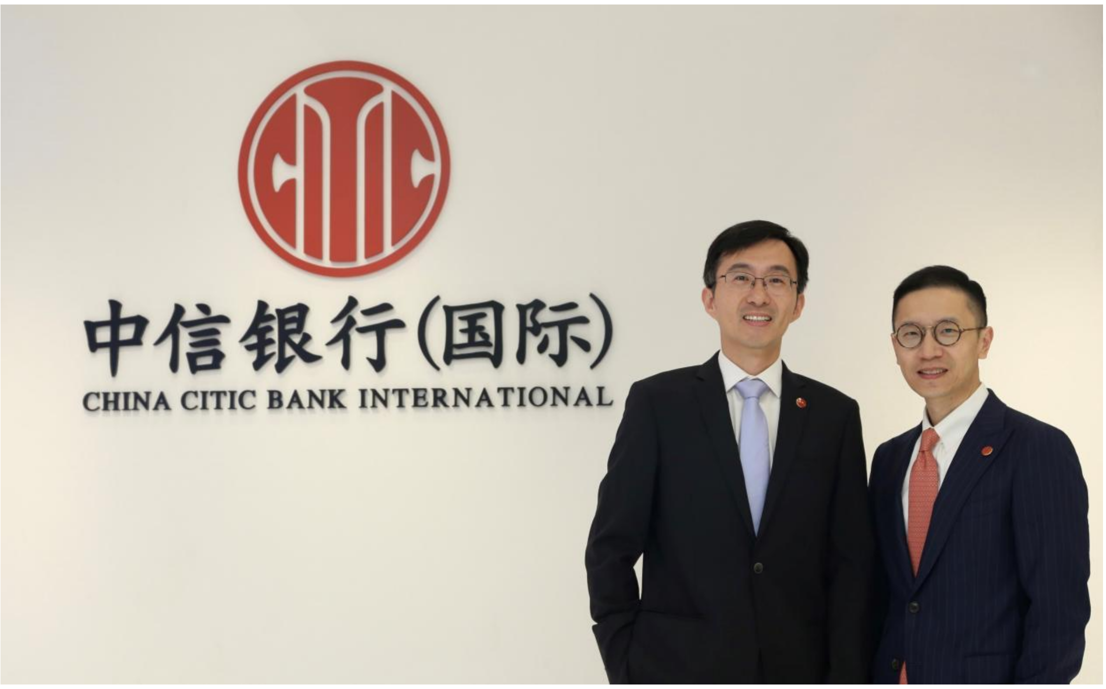
Investment insights: Keen eye on AI Capex surge Watch out for sticky inflation

Mr Ivan Cheung, Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International, commented, "AI remains a core long-term market theme. However, AI and semiconductor related stocks which posted strong gains earlier have experienced notable pullbacks from their highs. Fund flows have been rotating into value stocks and relatively underperforming sectors with positive catalysts, including finance and healthcare. In 3Q, investors should pay close attention to key risks such as those arising from the sustainability of corporate capital expenditure (Capex), inflation stickiness and interest rate outlook. It is advisable to increase allocation moderately to defensive, high-dividend or thematic value sectors while avoiding over-concentration in individual AI concept stocks to help mitigate overall volatility."

Equity markets	• **US stocks:** Volatility is expected to increase under pressure from profit-taking at elevated levels. Portfolio weightings on certain semiconductor and hardware equipment stocks could be reduced as they have risen too sharply in the earlier phase with overly high valuations. Conversely, allocation can be increased for sectors such as finance, healthcare, and utilities since they offer strong free cash flows, low leverage, high defensiveness, and pricing power in an inflationary environment. • **Asia-Pacific stocks:** Diversification across regions and sectors is recommended. While maintaining a core allocation on technology, moderate exposure to less concentrated sectors with attractive valuations will help enhance risk-adjusted returns for the portfolio. • **Hong Kong stocks:** Hong Kong stocks have already established a valuation-based foundation for rebound, but subsequent performance will still depend on the strength of macroeconomic policies in the Chinese Mainland and signals of foreign capital inflow reversal. Investor can consider deploying defensive positions in high-dividend, cash-rich value stocks or stocks of selective technology and high-end manufacturing leaders which aligns with China's "self-reliance and controllability" strategy that have already undergone sufficient valuation corrections, to capture policy-driven catalysts.
Bond markets	• Fed policy meeting in June fully shifted the expectation from a rate cut to a tendency of a rate hike, leading to a gradual rise in US 2-year yields, but a pullback of the 10-year yields from their highs, resulting in a flatter yield curve. • Investors can consider higher-yielding short-duration bonds with relatively low-volatility, as well as money market instruments to enhance portfolio resilience. Duration of bond portfolio should be managed within a four-to-six year range. • Against the backdrop of uncertain Fed policy path and asynchronous global macroeconomic cycles, moderate diversification into Asian or Chinese bond markets can help reduce overall volatility of the portfolio.
FX markets	• **GBP:** The Bank of England has kept its policy rate unchanged at 3.75% in June, with the Governor expecting inflation to remain elevated for some time. The UK economy is gradually stabilising, with the CPI in May holds steady at 2.8% year-on-year, below market expectation. Manufacturing PMI in June remained above the 50.0 expansion threshold, indicating ongoing expansion in manufacturing activity, while the latest unemployment rate fell to 4.9%, providing some support for the weak pound. The UK will elect a new party leader and Prime Minister by the end of July. The risk premium that previously weighed heavily on the pound is gradually fading, which may trigger capital outflows, although the USD could still cap GBP's upside.

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 geopolitical risk and increased expectation on the US rate hike will affect the development of the macroeconomy and investment market. Hong Kong's 2026 GDP growth is forecast to reach about 3.5%.

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.