

China CITIC Bank International
economic and investment outlook Q4 2026
 Geopolitical risk pushes world's government bond yields up
 Tightening financial conditions impact macroeconomy and
 investment market performance

(Hong Kong: 8 October 2026) China CITIC Bank International Limited ("CNCBI") today held a Q4 2026 economic and investment market outlook press conference, pointing out that geopolitical risk from the Middle East situation will persist while the US restarted its rate hikes cycle in September. The tightening financial conditions are affecting the macroeconomy and investment market performance.

Macroeconomy: Hong Kong's 2026 GDP to reach 4.2% Rate hike likely in Q1 2027

Mr Allen Ding, Chief Economist, China CITIC Bank International, said, "Ongoing tensions from the Middle East; increased inflationary pressure across the globe; worsening long-term fiscal outlook in some developed economies; large-scale AI financing – these are pushing up the government bond yields of developed economies in Europe and the US, causing financial market conditions to tighten while affecting growth in the macroeconomy."

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

US	• Inflation risk increases as the impact of rising oil prices gradually spills over across economic systems. • Economic growth will stay at trend levels but tightening financial conditions entailed by higher long-term bond yields will dampen economic growth. • The Federal Reserve (the "Fed") will need to tame inflation and is expected to hike rates in 1Q 2027 and twice again in 2027.
Chinese Mainland	• A series of new policies in support of the property market from both supply and demand sides are expected to take effect. Recovery momentum of property market in tier-one cities is set to continue into 2027 and will gradually expand to tier-two and tier-three cities, restoring overall market confidence. • Global demand for AI-related investment will remain strong. Chinese exports will maintain buoyancy in 2027 while RMB will continue its gradual appreciation against the US dollar. • The extent of domestic demand recovery will dictate the strength of economic improvement. Monetary policies are expected to remain accommodative to support economic growth, but such easing will primarily be structural, with interest rate and RRR cuts the secondary options.
Hong Kong	• Fuelled by strong global demand for AI and robust regional supply chains, double-digit growth is forecast for Hong Kong's 2H2026 imports and exports. • Resilient financial activities will continue to buoy the economy with actual 2026 GDP growth expected to reach 4.2%. • 2027 HIBOR will follow US interest rate hikes, with an interest rate hike of 0.125% for Q1 and 0.25% for the year. • The US rate hike has caused property transactions to lose steam. Rental

	demand may keep rental growth afloat but net returns can hardly outrun USD interest rates. 2027 residential prices are expected to adjust about 5% downwards from 2026.
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Investment insight: Tightening persists, diversify into quality assets globally

Mr Ivan Cheung, Head of Investment Advisory, Personal & Business Banking Group, China CITIC Bank International, said, "The high interest rate environment will have a bigger impact on the profit margin of more indebted companies. Investors should remain cautious when choosing their investments. Diversifying into quality assets across global regions can help balance risk and manage overall portfolio volatility. In the bond market, longer-end rates may need to be repriced on a 'higher for longer' basis. Investors should stay watchful on real interest rates, the ongoing pressure that fiscal supply places on long-term bonds, and the impact of US-dollar funding costs on different markets."

Equity markets	• US equities: Unexpected upward adjustment of US bond yields could trigger short-term adjustment of US stocks. Regarding asset allocation, investors may focus on sectors such as cybersecurity and software, energy, and finance, and check out low-leverage companies with strong cash flows. • Asian equities: High-dividend stocks such as those of quality financial institutions with healthy balance sheets and domestic credit support, as well as those of utility sectors with stable cash flows can be considered. Companies which benefit from infrastructure upgrades in Asia as well as industry leaders with good business visibility and competitive advantage can be considered, so as to capture rising capex's opportunities. • A-shares and Hong Kong equities: Investors may consider increasing exposure to leading stocks trading at low valuations as a means to capturing the potential from future valuation recovery. Allocating investment into high-dividend sectors with stable cash flows can help generate returns and strengthen the portfolio's ability to withstand downturns.
Bond markets	• Keep duration under control and avoid an excessive bet on a fall in long-end rates. Investors may consider diversifying to high-quality, short-duration bonds or floating-rate instruments to control volatility. Investment-grade bonds with intermediate maturities and attractive yields or inflation-linked bonds can also help address the environment of elevated real interest rates. • The Asian market as a whole has relatively lower debt levels as compared to the US. In markets such as India, Indonesia, and the Philippines, bond yields are relatively attractive. Investors may consider diversifying their investment into Chinese government bonds and short- to medium-term investment-grade Asian USD-denominated bonds. However, they should be mindful of the risks in association with exchange rates and capital outflows. • Securitised bonds such as those backed by loans or mortgages typically feature floating yields and shorter maturities and are less sensitive to interest rate changes compared to traditional long-duration bonds. They also exhibit lower correlation with government bonds and corporate bonds, offering alternative yield streams which may help reduce overall portfolio volatility.
FX markets	• USD: The Fed voted unanimously in September to raise rates by 25 basis-point, lifting the Fed funds target range to 3.75%-4.00%, the first hike in three years. The majority of the Fed officials believe in general that there is room for further rate hikes. Elevated real interest rates also provides short-term support to the US dollar. However, the US runs a heavy deficit and owns a hefty national debt. In view also of the recent unsatisfactory debt sell-offs and mixed economic data, the upside potential of the US dollar is limited.

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 geopolitical risk from the Middle East situation will persist while the US restarted its rate hikes cycle in September. The tightening financial conditions are affecting the macroeconomy and investment market performance

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