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Market Outlook 2026

Investing with Clarity and Conviction

January 2026



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2026 In Focus



As the economic landscape evolves and adapts to today's world order, we share our thoughts on what the market dynamics across regions, central bank policy decisions and geopolitical changes mean for investment playbooks.

Agility and a sharp eye on policy signals are essential attributes for investors amid the far-reaching challenges that confront markets and economies.

Global macro dynamics are shifting amid policy uncertainty, rate-cutting, and geopolitical volatility.

In 2026, see six key themes to watch:



*AI: Artificial Intelligence.

Against this broad backdrop, three investment themes stand-out to help investors capitalise on the global environment: credit, income, and emerging markets (EM) and Asia.

Corporate credit, particularly investment grade (IG) and short-dated, remains appealing amid a slow-growth, rate-cutting environment. Income strategies offer resilient, diversified cash flows across asset classes as yields fall. A flexible global approach and renewed confidence in EM and Asia—driven by macro shifts, capex cycles and strong fundamentals—support portfolio resilience through selective exposure to quality issuers and dividend-paying leaders.



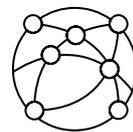
Credit

Robust fundamentals and appealing all-in yields create scope for agile allocations to IG and short-dated credit that adjust for duration, credit quality and regional exposure.



Income

As central banks cut rates further, dividend-paying equities, credit instruments and listed alternatives can help balance equity growth potential with credit stability and alternative diversification.



EM and Asia

The revival in EM and Asia due to USD weakness, a new global capex cycle and cheap valuations bodes well for market leaders with strong fundamentals and sustainable dividends in growth themes in China such as AI innovation, and India, given policy support and reforms.

At the same time, research into the sentiment of fund selectors and gatekeepers in Hong Kong and Singapore show reflects the intent to take a more active approach to allocation and risk management in 2026 via diversification and income strategies.

"Investors can generate income in 2026 via a mix of global equities, high-quality Asian and EM bonds, and IG and short-dated corporate credit, supplemented with alternative assets."

David Hanzl,
Head of Wholesale, Asia Pacific,
Aberdeen Investments

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Fund Selector Survey 2026: Hong Kong and Singapore

An exclusive survey of 60 fund selectors and gatekeepers by Fund Selector Asia in partnership with Aberdeen revealed a generally cautious view about the year ahead. The focus for the next 12 months is on strategies offering lower volatility, stable income and diversification.

Five key takeaways: what Hong Kong and Singapore fund selectors think about 2026

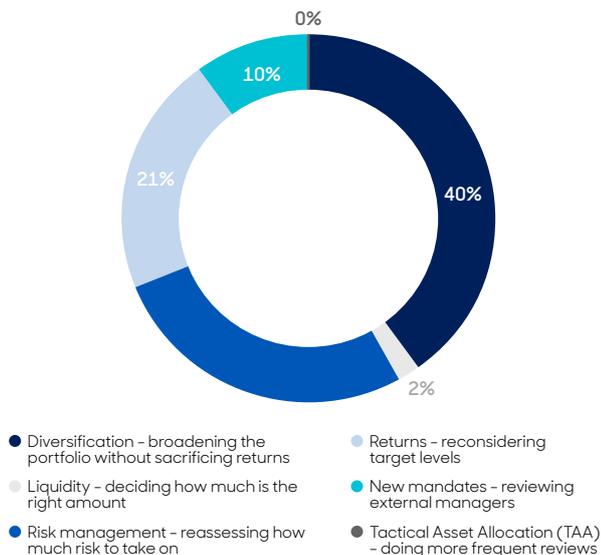
1. They are cautious about the year ahead, but believe diversification across asset classes, plus a more active and flexible approach to risk management, will help navigate volatility.
2. They are prioritising Asia Pacific as a region, while eyeing a mix of global equities plus Asia fixed income and EM debt in public markets, and seeking private markets for alternative exposure.
3. They prefer higher allocations to alternatives to tackle today's markets.
4. Income strategies are important for the majority, amid the hunt for steady and predictable returns.
5. They increasingly want their external fund managers to have the required expertise and track record, as well as to service them with high-quality relationship managers.

Sentiment amid concerns about market outlook and geopolitical tensions shows strong appetite for income-focused strategies in 2026. Fund selectors believe this will provide the resilience and stability they want – and need.

The preferred choice of mainstream asset classes is global equities (50%), followed by Asia fixed income and EM debt. For alternatives exposure, private markets are a clear favourite (52%).

More broadly, diversification is also set to be the dominant driver of investment decisions in Hong Kong and Singapore over the next 12 months, according to 40% of respondents.

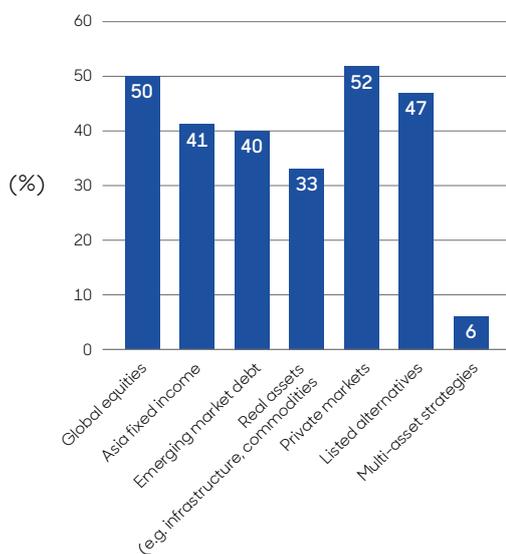
Factors shaping investment decisions over the next 12 months¹



Diversification across asset classes is also the main way that these fund selectors expect to enhance returns in today's environment.

For allocations, there is little doubt about sentiment towards income-focused strategies for 2026, with over two-thirds (71%) of fund selectors in Hong Kong and Singapore are either 'positive' or 'strongly positive'. The primary objective is a steady and predictable income stream (44%), followed by diversification and risk management (27%).

Asset class optimism for 2026¹



¹Source: Aberdeen, Fund Selector Asia Survey 2026.



Macro and Market Outlook

From policy uncertainties to rate-cutting to political shake-ups, and more—global economic momentum is shifting and key themes are emerging which need a close watch.

The macro and market outlook continues to be characterised by a wide variety of complex and fast-changing signals and risks, which will shape economic and investment performance.

The US is likely to remain a source of policy uncertainty for global markets in 2026, as President Trump’s administration contends with challenges to its tariff policies and difficult mid-term elections, while the US Federal Reserve (Fed) faces pressures on independence.

We pick out six themes to watch as the macro landscape continues to be front and centre of investors’ minds.

US labour market slowdown

With monthly payroll growth decelerating to around 30,000, it is below the break-even rate of 50,000 needed to keep pace with population growth.² This decline reflects both reduced labour supply due to decreased migration under the Trump administration, and also weakened labour demand.

With the economy in this “low hire, low fire” equilibrium, there is cause for concern. Small labour market slowdowns can potentially evolve into larger downturns through adverse feedback loops.

Employment growth has slowed. While much of this is due to lower net migration, payrolls are running below breakeven³

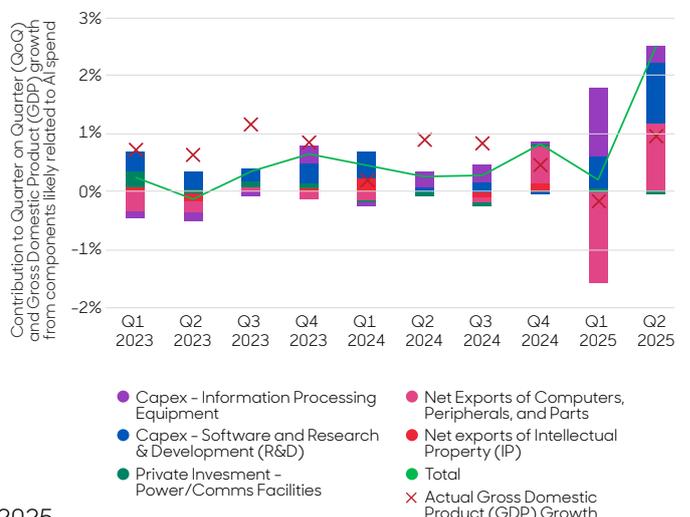


AI-driven productivity gains

US Gross Domestic Product (GDP) growth is performing much better than the labour market would suggest. This could indicate the early stages of an AI-driven productivity improvement.

Certainly, we share some of the concerns about the amount of capex pouring into AI-related infrastructure in the US. That’s why we think it is prudent to apply a lens to the “AI trade”, from the hardware to the application layer, and to China where the AI capex cycle is at an earlier stage.

Activity is much stronger, partly reflecting the demand boost from AI capex. There may be signs of an AI productivity boost³



²Source: Royal Bank of Canada, US Featured Analysis, 26 Sep 2025.

³Source: Aberdeen, Haver, November 2025.



Inflation divergence globally

We are expecting global inflation to decline, but it is likely to remain above-target in the US, in turn limiting the Fed's ability to ease rates quite as aggressively as President Trump has called for.

Europe is likely to see further disinflation, with the European Central Bank retaining scope to cut rates below neutral levels if growth needs support.

Mainland China is likely to remain a source of global disinflationary pressures, as a supply-side bias to stimulus remains.

The geopolitical rollercoaster

Heightened volatility, shifting alliances and intensified global competition mean a mix of trade protectionism, resource rivalries and policy uncertainty will shape the strategic landscape.

While US-China rivalry will ebb and flow amid President Trump's more assertive economic and security agenda, emerging powers like India and UAE are on the rise and can leverage fast economic growth and regional leadership to shape global norms.

A new-look China trajectory

China's macro outlook for 2026 centres on tackling overcapacity and greater technological self-reliance amid global volatility and domestic structural challenges.

Having navigated US tariff uncertainties, risks of a marked slowdown have fallen. More policy stimulus will be needed to shore up household sentiment, but this should ultimately deliver another year of robust growth.

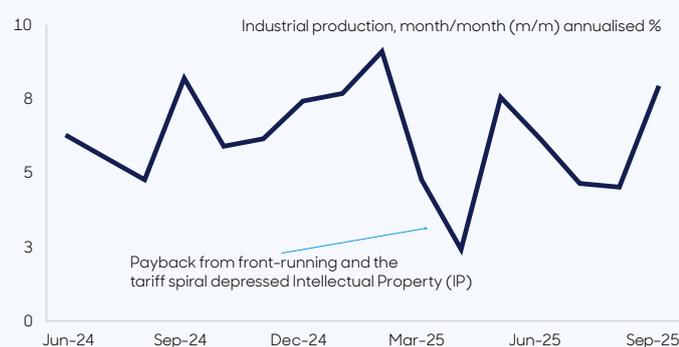
Japan's new leadership and economic policy

New Prime Minister Sanai Takaichi has promised a return to the "Abenomics" policies combining easy fiscal and monetary approaches. However, she will likely face constraints from a slim parliamentary majority, higher inflation and higher interest rates compared with the Shinzo Abe era.

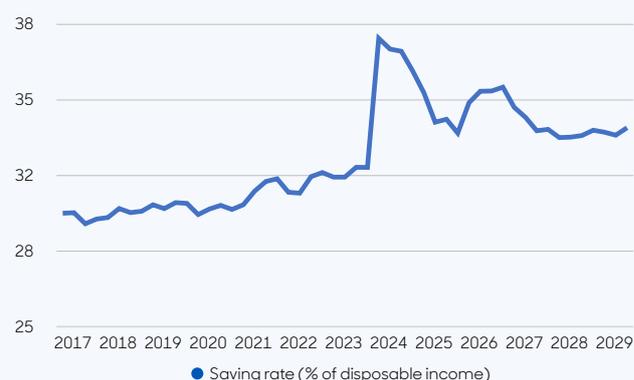
We expect the Bank of Japan to raise rates again, while a similar degree of yen weakening that occurred during the 2010s is not on the cards.

China will grow "around 5%" this year, but headwinds remain⁴

Industrial production has recovered from the tariff front-running slump and 'Liberation Day'



But consumption continues to be held back by falling house prices and high savings



⁴Source: Aberdeen, Haver, November 2025. Forecast is offered as opinion and is not reflective of potential performance. Forecast is not guaranteed and actual events or results may differ materially.



Credit

An environment of slow but positive growth is historically supportive for corporate credit, especially IG and short-dated credit.

Why is the macro landscape conducive for credit?

Within the fixed income universe that broadly stands to benefit in a world of lower policy rates, we expect credit to capitalise on this easing bias.

The backdrop of a slow – but still positive – growth environment, plus the likelihood that central banks around the world will take a gradual glide path lower given weaker economic conditions, should all provide momentum for

credit demand. Investors will drive this as they look beyond lower yielding cash and government bonds.

Although credit spreads are tight, all-in yields are still attractive historically. At the same time, corporate fundamentals remain supportive of credit investing – strong profitability, low leverage and good interest coverage are the upshot of many businesses making use of the last few years to bolster balance sheets and enhance liquidity. This combination should see broad-based resilience from a credit perspective.

Where are we looking for credit opportunities?

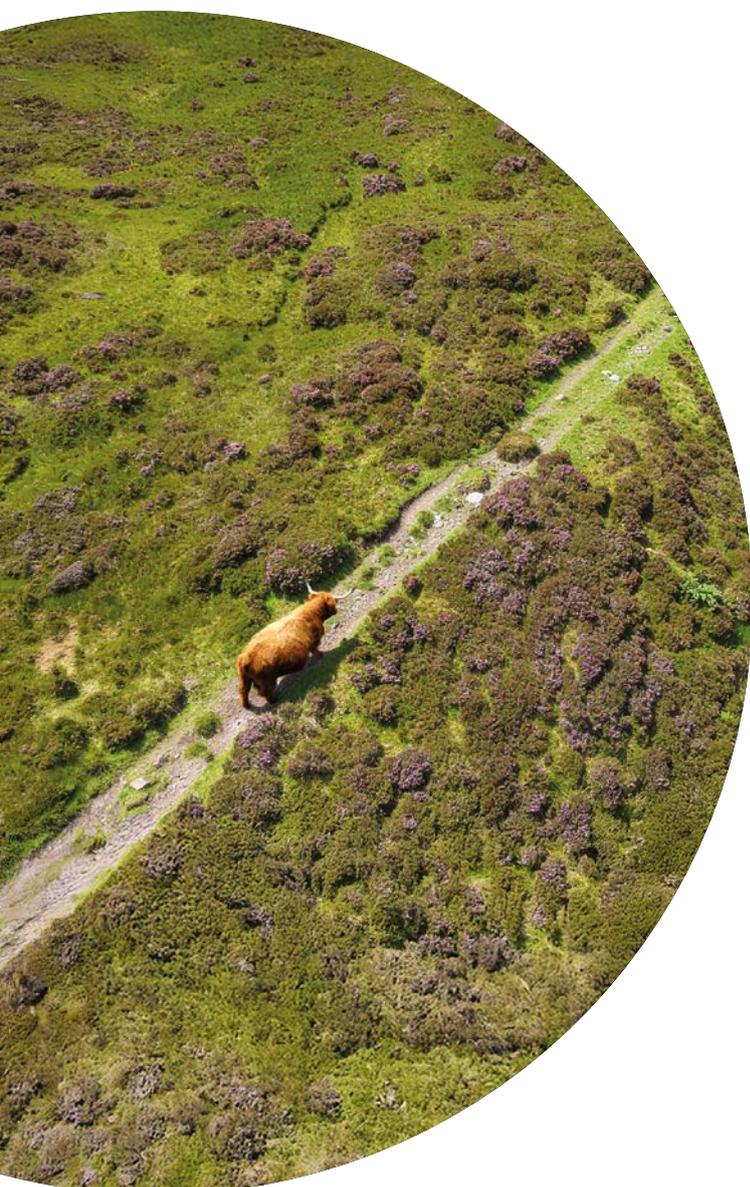
Today's environment has tended to be supportive for corporate credit, especially higher quality credit risk. Although credit spreads are compressed, all-in yields are still attractive compared with history.

Fundamentals across global credit remain supportive of credit investing – corporates have made use of the last few years to bolster balance sheets and enhance liquidity/ extend debt maturities. This should provide broad-based resilience from a credit perspective.

In the event of a more pronounced slowdown, being higher up in terms of credit quality would be also sensible.

For example, IG short-dated credit given its attractive long-term risk-adjusted returns and low volatility that may appeal to more risk-conscious investors.

In particular, we believe short-dated global credit can meet investor requirements in this area. It benefits from falling rates, as lower duration reduces volatility and enhances yield relative to cash.





What are the potential risks we are watching for?

In a world where disruption and volatility have become the norm, we also need to stay focused on various risks. We break these down into three broad areas:



Geopolitical tensions

– in addition to the ongoing Russia-Ukraine conflict and shifting dynamics in the Middle East, we see a geopolitical dimension to the trend of increasing global trade protectionism. Already this has proven itself to adversely impact investor sentiment.



Increased government deficit spending

– this is a particular challenge in developed markets, including the US, UK and Europe. The concern for credit investors is the resulting increase in bond issuance could push up term premia.



Refinancing risks in the lower echelons of high yield

– although a niche consideration, recent months have shown signs of an uptick in the issuance of so-called 'payment-in-kind' (PIK) bonds, paying interest in additional bonds rather than cash.

How will we approach credit investing in 2026?

We believe a flexible and global approach will provide a broad opportunity set that will allow credit-focused funds to capture opportunities, adapt to changing conditions and actively manage risk.

This type of flexibility may include increasing exposure to Asia and EM, shifting duration positioning or adjusting overall credit beta.



Income

Income strategies can provide attractive yields and aims to support more stable total returns over cash, regardless of the market cycle, plus offer resilience in volatile conditions.

Why does income matter?

Income strategies can offer a sense of stability, helping investors navigate shifting market conditions with greater confidence. Aiming to provide a regular source of return, they reduce reliance on price appreciation alone for alpha and can help dampen portfolio volatility.

In a lower-yield environment, strategies that aim to deliver sustainable and diversified sources of return are well suited for investors seeking resilience and long-term growth potential. They can also provide a meaningful yield pickup over low cash rates, enhancing income in a measured way.

Conversely, in a higher-yield environment, income-generating assets can remain attractive. Elevated yields can enhance income potential, while rising interest rates may put downward pressure on asset prices, creating opportunities for investors who prioritize income over short-term price volatility.

Over time, a disciplined approach to income can help support capital resilience and contribute to steadier portfolio outcomes.

Where can we look for income-generating assets?

In today's evolving markets, income opportunities can be found across a range of asset classes.

When yields fall, bond prices tend to rise, and lower discount rates can boost valuations in dividend-paying equities—strengthening total-return potential alongside steady income distributions.

Conversely, when yields rise, investors can benefit from reinvestment opportunities and higher income from new issuance, making cash flows even more compelling.

Diversified portfolios that blend investment-grade credit, high-yield bonds, and listed alternatives can help unlock attractive income potential while aiming for resilience and sustainable returns.



How will we approach income investing in 2026?

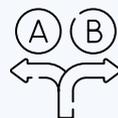
The right investment strategy is now critical. Because the income universe spans multiple sources – including dividends, coupons, listed alternative strategies and selective themes.

Investors can align their income needs with specific return and risk objectives, allocating to strategies that best suit their desired outcomes. For example:



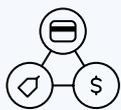
Equity income strategies

Providing dividends and potential for capital growth, though they come with higher price volatility.



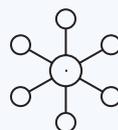
Listed alternative income strategies (such as infrastructure, renewables and royalties)

Offering income streams that are less correlated to macroeconomic conditions, adding diversification and resilience.



Credit income strategies

Delivering consistent coupon income with typically lower price fluctuations.



Thematic investing

Taking a selective approach to the healthcare sector, to source resilient income via AI-enabled platforms, non-opioid innovation and private care infrastructure.

We believe this flexibility should allow investors to balance income with risk, adapt to changing market conditions and position portfolios for sustainable returns as the global rate environment evolves.





Emerging Market (EM) and Asia

A combination of macro shifts and mega forces has seen confidence in EM and Asia soar to its highest level in 14 years, with investors continuing to look for options to rebalance away from US assets.⁵

Why are Emerging Markets outperforming?

Put simply, the EM story is rooted in capex, carry, and relatively attractive valuations.

Emerging Market economies continue to grow at notably faster rates than their developed market counterparts, creating an operating environment supportive of economic fundamentals and corporate earnings. This growth is spurred on by a new capex cycle, driven by technology, green infrastructure and evolving domestic demand (where a rapidly growing middle class is increasingly turning towards local brands). Historically, a multi-year expansionary capex cycle is accompanied by a period of EM outperformance.

Secondly, carry. A weaker US dollar combined with Fed policy easing lowers hard currency debt costs and improved purchasing power of companies and consumers in EM and Asia. Additionally, declining domestic inflationary pressures have allowed EM central banks to reduce interest rates, driving local currency stability and returns.

Finally, EM asset valuations remain attractive to developed markets, especially once factoring for quality. EM equities have seen the valuation gap to US multiples continue to widen despite a strong run. In fixed income, EM Debt continues to offer an attractive pick-up, especially if one adjusts for underlying fundamental quality.

Underpinning the potential in EM, particularly Asian, performance is the more conservative nature of the governments and institutions compared to counterparts in developed markets. This creates greater stability for corporates and investors operating in the region.

The combination of these factors set EM and Asia in good stead to deliver strong performance in an environment where investors are seeking new sources of return as yield fall and valuations become increasingly rich in the Developed Market space.

How big a role is there for China?

Chinese activity has held up despite the tariff shock. Exports have mitigated the hit to growth thus far, following a pivot to other markets, diversifying manufacturing capacity and transshipments in response to US trade policy.

However, new economic growth will be driven by 2 major factors. Firstly, technology – China's focus on

self-sufficiency has seen technological innovation continuing apace, with expansion into AI infrastructure, chip development and hyperscaler capabilities. China is increasingly being seen as a distinct AI growth story and is likely to remain very competitive in this sector together with the US. Geopolitical developments and the need for localisation, due to competitiveness and security, are providing an additional structural tailwind for growth. In some cases, this localisation need is creating a different set of investment opportunities as China builds out its own ecosystem. Secondly, the anti-involution campaign and a government push for consolidation should spur better profitability in the old economy.

China is also on course to become the world's first 'electro state'. The country's huge energy needs reflect the large role industry plays in the economy and the energy-intensive manufacturing in which it now specialises. Chinese financial markets are also developing on the back of large government investments and China household deposits of about RMB 160trillion (far exceeding the A-share market cap of approximately RMB 100trillion)⁶. Rising investment in Chinese bonds, both on- and offshore, and a support equity market enhances the financing options for Chinese corporates, thus bringing about greater financial resilience.



⁵Source: Aberdeen, September 2025.

⁶Source: Ebila Smart Investing, Record Savings – The New Driving Force Behind China's Stock Market Boom, 25 August 2025.



Will exposure to India be rewarded?

India's underperformance to the global EM landscape is at an inflection point.

Despite recent equity and currency wobbles, the economic outlook is strong, with policy legroom to support projected GDP of 6% or higher⁷. Efforts by the government and central bank to ease conditions – including lowering income tax in early 2025, GST reforms and 100 basis points of rate cuts – are starting to stimulate growth.

India's domestically-focused economy supplemented by further policy to boost self-sufficiency should see India remaining relatively insulated from global geopolitical headlines. Meanwhile, efforts to support internalisation of Indian capital markets, include adjustments to regulations for offshore bond issuance and India's growing presence in international equity and fixed income benchmarks should continue to support India's performance going forward.

How will we approach EM and Asia investing in 2026?

Against the backdrop of the new capex cycle, we remain focused on companies with strong balance sheets, sustainable cash flows and attractive valuations. Market leaders with a dominant share stand out as the main

beneficiaries, poised to shape the future of EM and Asia by turning structural shifts into sustainable returns.

More specifically, as corporate governance standards in Asia continue to develop, the majority of EM and Asia ex-Japan have a high level of sustainability in dividends.

Specific to fixed income allocators, while we expect Asia High Yield to perform well on improving fundamentals, IG Asian debt securities from issuers ranging from government-owned corporations to quasi-sovereigns to sovereigns may prove to offer the stable yield pick-up that investors are looking for as they re-allocated away from cash and money market alternatives. Additionally, broader macro trends such as de-dollarisation and increasing regional trade will drive Asia Local Currency bond returns in the medium to long-term, providing a source of diversification for global bond portfolios.

⁷Source: Aberdeen, December 2025.

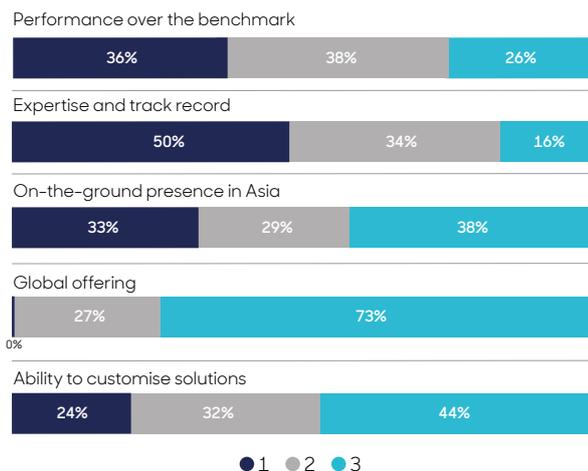
Being the Right Partner

Fund selectors and gatekeepers in Hong Kong and Singapore are increasingly differentiating asset management providers by the relevance of their expertise, their track record and the quality of the relationship managers who service them.

To tackle uncertain and challenging times, finding a well-suited third-party fund management firm has become more important for Hong Kong and Singapore fund selectors as they look ahead to 2026, according to the survey by Fund Selector Asia and Aberdeen.

Across both markets, expertise and track record (50%) is valued the most, followed by performance over the benchmark (36%) and an on-the-ground presence in Asia (33%).

Key attributes to see in a fund manager in current markets⁸



This favours fund management firms with a deep local footprint and longevity in Asia, also supported by a worldwide network of resources with a global team of investment and market professionals to offer specialist knowledge across asset classes and geographies.

The preferences of fund selectors also align with managers that offer the expertise and capabilities in the themes shaping the future of investing, to deliver relevant and effective investment solutions.

Beyond investment capabilities, the quality of the service from an asset management firm is a significant drawcard for fund selectors in Hong Kong and Singapore, based on survey findings.

This reflects an appreciation for consistent and stand-out client service to nurture strong relationships.

⁸Source: Aberdeen, Fund Selector Asia Survey 2026.

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\$514.6bn

Managing **\$514.6 billion** in assets for our clients

579

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25

Experts on the ground in more than **25 locations** – we deliver local insights at a **global scale**

Source: Aberdeen, as at 30 September 2025.

Why choose Aberdeen?

Specialist knowledge

We have a deep understanding of the asset classes and geographies in which we invest.

Strong relationships

Our goal is to deliver exceptional client service to nurture strong relationships.

Future-focused

By aligning with the pivotal themes shaping the future of investing, we're able to deliver relevant and effective investment solutions to clients of all sizes – today and into the future.

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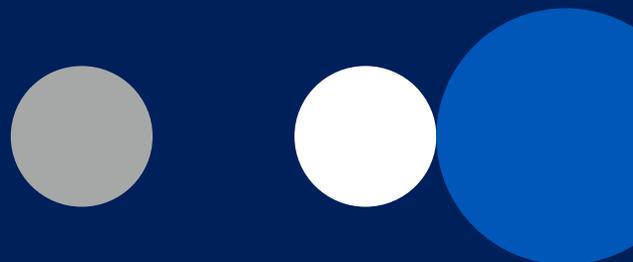
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