

Market Outlook 2026

Investing with Clarity and Conviction

November 2025

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.



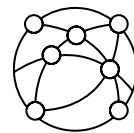
Credit

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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Hong Kong



Singapore



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

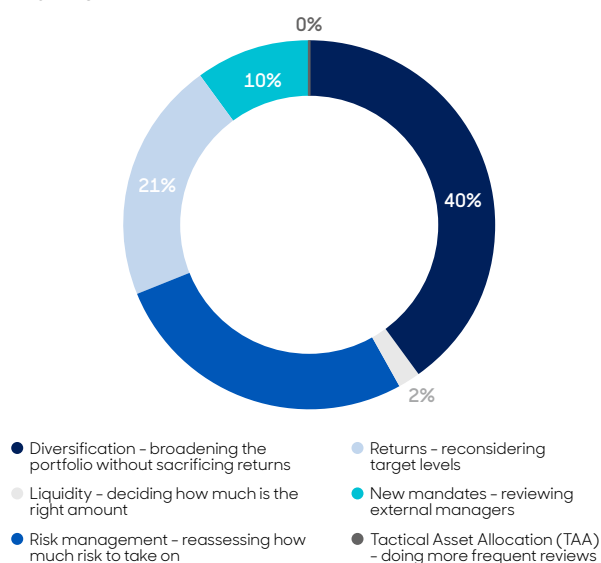
1. They are cautious about the year ahead, but believe diversification across asset classes, plus a more active and flexible approach to risk management, will help navigate volatility.
2. They are prioritising Asia Pacific as a region, while eyeing a mix of global equities plus Asia fixed income and 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.

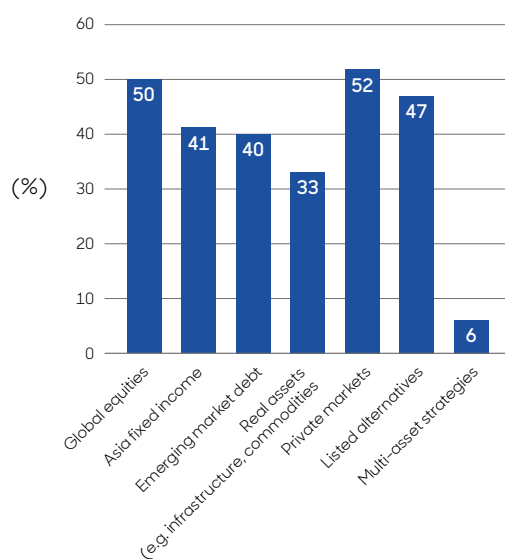
Factors shaping investment decisions over the next 12 months¹



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.

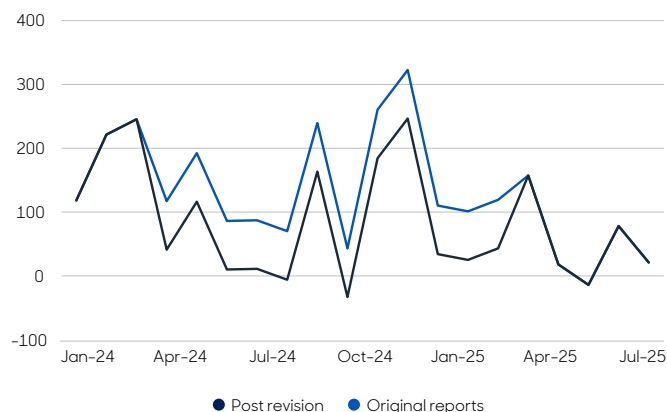
With the economy in this "low hire, low fire" equilibrium, there is cause for concern. Small labour market slowdowns can potentially evolve into larger downturns through adverse feedback loops.

AI-driven productivity gains

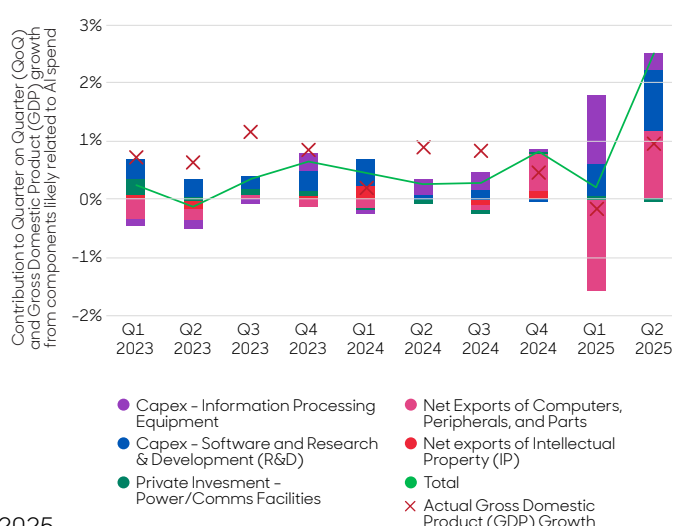
US Gross Domestic Product (GDP) growth is performing much better than the labour market would suggest. This could indicate the early stages of an AI-driven productivity improvement.

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.

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



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 Brazil are on the rise and can leverage demographics and regional leadership to shape global norms.

A new-look China trajectory

China's macro outlook for 2026 centres on strategic adaptation, moderate growth and a shift toward innovation-driven development amid global volatility and domestic structural challenges.

Having navigated US tariff uncertainties, the economy is likely to be driven by a combination of greater technological self-reliance and attempts to reflate the economy.

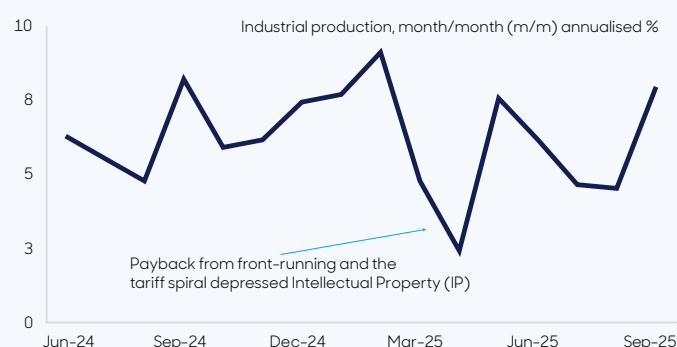
Japan's new leadership and economic policy

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.

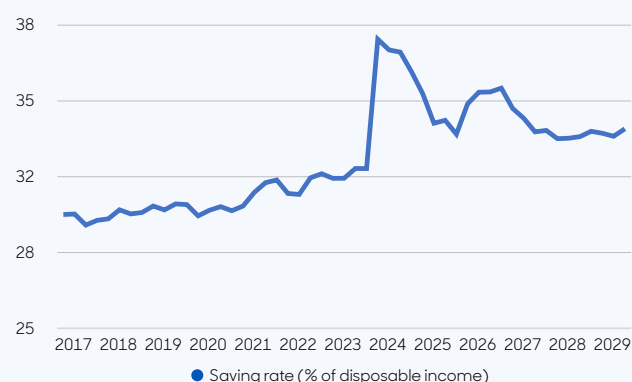
We expect the Bank of Japan to raise rates again, while a similar degree of yen weakening that occurred during the 2010s is not on the cards.

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 falling 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?

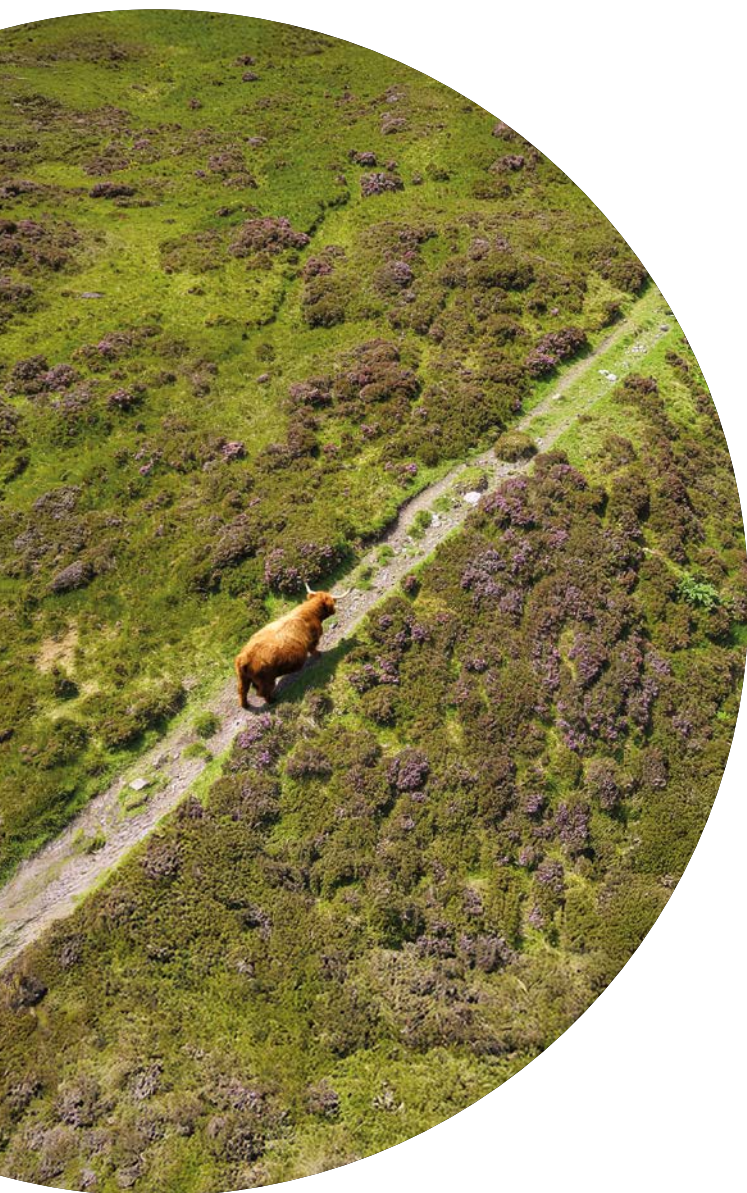
Today's environment has tended to be supportive for corporate credit, especially higher quality credit risk. Although credit spreads are compressed, all-in yields are still attractive compared with history.

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 consistent total returns over cash, regardless of the market cycle, plus offer resilience in volatile conditions.

Why does income matter?

Income offers a sense of stability, providing more consistent and predictable returns that help investors navigate shifting market conditions with greater confidence.

Strategies to help dampen portfolio volatility and reduce reliance on price appreciation alone for alpha are well suited for investors seeking sustainable and diversified sources of return in a lower-yield environment.

In the long run, consistency helps preserve capital and support steady portfolio growth.

as lower discount rates enhance equity valuations. Combined with steady income distributions, these dynamics strengthen the total-return potential of income strategies.

At the same time, the diversified mix of IG credit and high-yield bonds offer both attractive income potential and the opportunity for capital appreciation. Meanwhile, diversified approaches also benefit from listed alternatives, which aim for consistent, repeatable income.

Where can we look for income-generating assets?

As markets transition toward a phase of monetary easing, income opportunities span asset classes and instruments.

Notably, falling yields not only lift bond prices but also support revaluations in dividend-paying equities sectors,



How will we approach income investing in 2026?

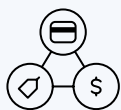
The right investment strategy is now critical. Because the income universe spans multiple sources – including dividends, coupons and listed alternative strategies –

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



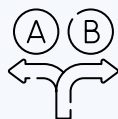
Equity income strategies

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



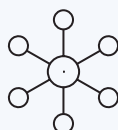
Credit income strategies

Delivering consistent coupon income with typically lower price fluctuations.



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

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



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

EM and Asia have been remarkably resilient, reaching their highest levels in 14 years, despite stiff macro and geopolitical headwinds.⁵

Why are EM making a comeback?

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

First, carry. The weakness in the US dollar is a key driver of rising EM asset prices, incomes and consumption. It lowers hard currency debt cost and improves the purchasing power of companies and consumers in EM and across Asia, boosting domestic demand.

Next, capex. EM are entering a new global capex cycle, driven by the need to decarbonise, digitise and re-industrialise—trends which are reshaping infrastructure, supply chains and industrial capacity. This cycle is expected to require years of catch-up spending – historically a period of EM outperformance.

Finally, valuations. EM remains cheap relative to developed markets like the US despite the strong run this year. The valuation gap has widened as US multiples expand in a narrow band of AI names. EM is also trading at a significant discount to its long-term average.

How big a role is there for China?

China still retains a prominent role. Chinese activity has held up despite the tariff shock, with exports to other countries and transshipments mitigating the hit to growth so far.

China's AI innovation as part of its drive for technological self-sufficiency is also continuing apace despite chip restrictions, with national champions like Alibaba expanding into AI infrastructure and hyperscaler capabilities. (Aside from China, we also see Korea and Taiwan benefitting from the structural growth of AI.)

Meanwhile, Chinese household deposits of about RMB160 trillion far exceed the A-share market cap of around RMB100 trillion.⁶ With real estate and overseas options limited, even a modest allocation of these savings into equities could drive significant market growth.

Will exposure to India be rewarded?

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

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

When we add favourable demographics, aspirational consumption, urbanisation, infrastructure upgrades and digitalisation to the mix, we believe India's growth story still has more to come.



⁵Source: Aberdeen, September 2025.

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

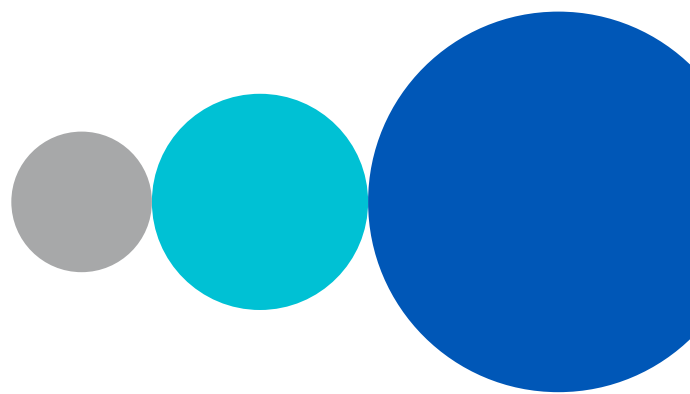


How will we approach EM and Asia investing in 2026?

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.

For fixed income allocators, IG Asian debt securities from issuers ranging from government-owned corporations to quasi-sovereigns to sovereigns can also bode well for investors.



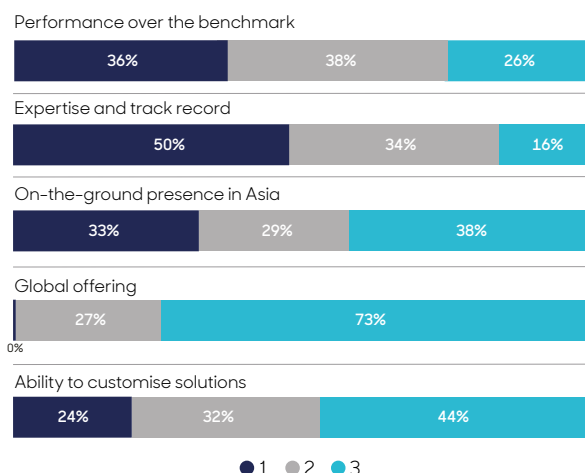
Being the Right Partner

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 markets⁷



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.

⁷Source: Aberdeen, Fund Selector Asia Survey 2026.

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\$514.6bn

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

579

A global team of **579** investment professionals

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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We promote sustainable investment through active ownership and embedding expertise where it has the biggest impact.

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