
EQUITY ADVISORY ASIA

Equity Perspectives

HK / China ■ United States ■ Europe / UK

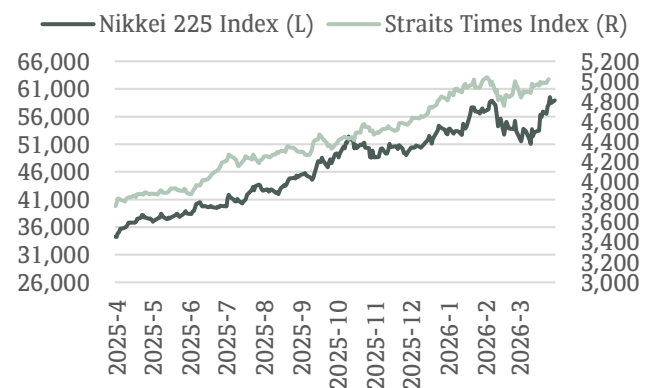
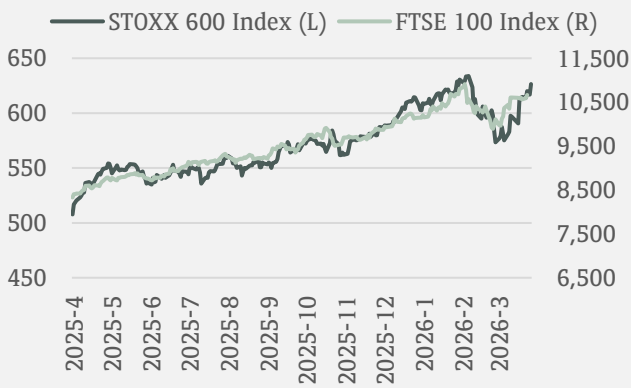
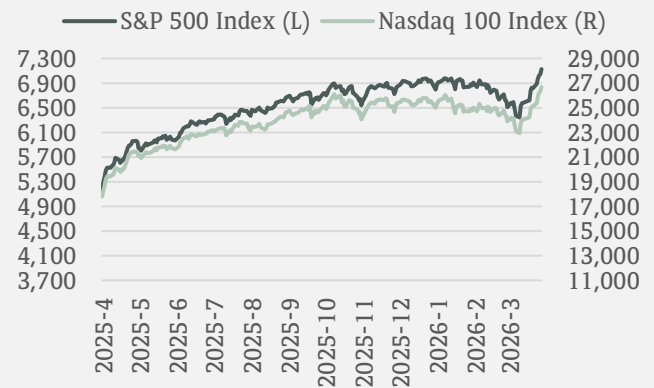
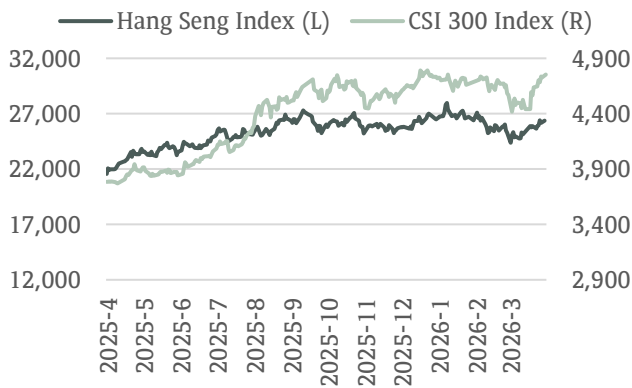
Second Issue, 2026



BNP PARIBAS
WEALTH MANAGEMENT

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world

Major indices performance at a glance



Source: BNP Paribas, Bloomberg, as of 17 April 2026
 Past performance is not indicative of current or future performance

MARKET SNAPSHOT

- Global equities have largely recouped losses since the onset of the Iran conflict despite persistent uncertainties in the Middle East.
- Our CIO recently downgraded overall equities to neutral (from overweight) amid heightened growth risks from elevated energy prices. Nevertheless, selective opportunities still exist.
- HK/China equities continue to exhibit low correlation to global stock indices, granting diversification benefits and relative isolation from global macro uncertainty. Certain areas such as AI and pharmaceuticals are set to receive overwhelming policy support in the coming years.
- We remain constructive on UK equities as a haven for income and value for investors seeking shelter from global upheaval.
- In the US, we stick to quality technology leaders to capture AI opportunities, remaining vigilant of disruption risks and memory shortages.



HK/China: Diversify away geopolitical risks



China offers a compelling balance of growth and diversification benefits

What happened?

The US-Israel military action against Iran has set capital markets on fire. The IMF warned that global economy growth will be slower even if a new peace in Iran is durable. On the other hand, the decoupling of US-China economies over the past few years, ironically, allows investors to mitigate overall portfolio volatility and capture region-specific growth drivers in times of elevated geopolitical risks. The benchmark stock market indices of HK / China, i.e. HSI and CSI300, showed weak correlation to other major stock indices, as illustrated in the table below.

Internally, China has unveiled a clear blueprint for economic development in 2026-2030 with its 15th Five-Year Plan. The Politburo cherry-picked ten emerging industries, as well as strategically important infrastructure projects and advanced technologies that will receive overwhelming policy support in the coming few years.

CORRELATION COEFFICIENT OF WEEKLY PERFORMANCE OF MAJOR STOCK INDICES OVER THE PAST TWO YEARS

	HSI	CSI300	S&P500	STOXX 50	TOPIX	KOSPI	Straits Times
HSI	-	0.69	0.29	0.47	0.32	0.34	0.49
CSI300	0.69	-	0.22	0.29	0.24	0.16	0.25
S&P500	0.29	0.22	-	0.66	0.53	0.41	0.35
STOXX 50	0.47	0.29	0.66	-	0.51	0.46	0.50
TOPIX	0.32	0.24	0.53	0.51	-	0.47	0.47
KOSPI	0.34	0.16	0.41	0.46	0.47	-	0.44
Straits Times	0.49	0.25	0.35	0.50	0.47	0.44	-

Source: Bloomberg, BNP Paribas WM as of 10 Apr 2026

Our thoughts

China equity market offers a compelling balance of growth potential and diversification benefits, particularly for investors seeking uncorrelated returns amid global macro uncertainty. MSCI China is still trading at a discounted forward price-to-earnings multiple (as of 14 Apr 2026) of 11.8 times, compared to MSCI US's 21.3 times, MSCI Europe's 15.7 times and MSCI Japan's 18.3 times.

HOW TO PLAY THE GAME?

Areas on our radar

Integrated circuit, embodied intelligence, bio-manufacturing, new battery, commercial aerospace, domestic civil aircraft, low-altitude equipment, green hydrogen, neurotechnology and high-end medical equipment.

Investment implications

Invest in emerging industries highlighted in China's 15th Five-Year Plan.



Notable Developments in Selected Sectors

- **Biopharmaceutical:** The State Council published the Opinions on Improving Drug Pricing Mechanism, which is the first policy document on national-level drug pricing in 11 years. The shift in policy focus is expected to expand the commercialisation opportunities for innovative drugs in the domestic market.
- **China AI:** OpenClaw, an open-source AI-agent, sparked a massive craze across China in March 2026 that vividly resembled the "DeepSeek moment" in early 2025.
- **Food delivery platforms:** Market regulator tightens controls on the online food delivery industry. The State Administration for Market Regulation republished an opinion piece which called for an end to price wars and summoned major food delivery platforms for meetings.
- **Consumer staples:** China Producer Price Index rose by 0.5% year-on-year in March 2026, the first increase in more than three years, primarily driven by rapid surge in global commodity prices. The cost inflation is likely to squeeze gross margins of consumer staple manufacturers.



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US: Tactical opportunities emerge from AI disruption & growth concerns



What happened?

US equities have recouped much of March 2026's selloff but continue to lag World equities' returns year to date amid uncertainties over AI disruption and growth worries triggered by the Iranian conflict. US energy and materials sectors have led returns year-to-date while consumer discretionary and healthcare have underperformed.

Our thoughts

- With the recent spike in oil prices, we take a prudent approach and are assessing the medium-term growth impact of a potentially prolonged rise in energy prices. Even if tensions with Iran de-escalate, oil and gas prices may take time to return to pre-conflict levels, and a prolonged period of elevated prices could ultimately weigh on growth.
- While our CIO office trimmed global equities from **overweight to neutral in March 2026** on heightened macro risks tied to a prolonged Iran conflict, we remain **Neutral on US equities**, supported by the US's net oil-exporter status and a more reasonable MSCI US valuation, which provides for better tactical opportunities.
- During the recent market volatility, we highlighted tactical entry points in US equity ideas aligned with more enduring themes in our view such as **AI infrastructure, aerospace & defence, select quality software/cybersecurity, industrial power demand, and mining ideas**. Given our shift to **Underweight US Financials in March 2026** amid further cracks in private credit and a tougher geopolitical backdrop, we **remain selective** within the sector.
- The next focus will be the Q1 reporting season, which is underway since mid-April 2026 and seen banks delivering solid results.
- With FY26E earnings growth for US equities at ~18.7% (versus ~17% for World, as of 16 April 2026), we await updated guidance from firms, which may see some adjustments from more vulnerable sectors such as consumer discretionary. Information technology has seen choppy trading this year amid intensifying memory shortages and selloffs triggered by new AI model capabilities. Still, mega-cap commitment remains strong, with ~US\$650b of AI infrastructure capex announced.
- We maintain a diversified approach in the sector focused on quality technology leaders to capture longer term secular AI growth opportunities. For the reporting season, investors are expected to focus on firms' updates on recent cloud demand trends, AI monetization progress and advertising spend outlook, which could feature some pockets of uncertainty given higher oil prices amid the Iran conflict.

HOW TO PLAY THE GAME?

Areas on our radar	Hyperscaler capex plans, economic growth trajectory, Fed rate decisions.
Investment implications	Maintain prudence and diversification, favouring quality firms with healthy balance sheets.



Notable Developments in Selected Sectors

- **Financials** – The big US banks kicked off Q1 2026 results season with above-forecast numbers, driven by their trading units benefiting from recent volatility. Investment banking rebounded, underpinned by a resurgence in large-scale M&A that signals renewed corporate confidence. The banks also continued to indicate healthy consumer spending. Importantly, they did not flag any material concerns regarding private credit.
- **Healthcare** – Despite policy noise, Healthcare stocks have rebounded from oversold levels on improved drug pricing clarity. The pharma space has seen a spate of competitive M&A deals, as companies compete for new drugs to replenish their pipelines. We expect small- and mid-sized biotech names to continue to be targeted.
- **Information Technology** – Geopolitics and TurboQuant headlines triggered a correction although that was quickly reversed. Under Jevons paradox, greater AI efficiency should expand adoption and ultimately drive demand. We continue to prefer diversified exposure to quality leaders in semiconductors and hardware with strong balance sheets and earnings visibility. We are selective on software given time needed to disprove disruption fears, favouring leaders with better AI monetization potential.



Europe/UK: The Iran war offers up new challenges



What happened?

We have **downgraded our view on European equities to Underweight** from Neutral as we have decided to integrate the risk of a prolonged Iranian conflict into our recommended asset allocation.

Our thoughts

- Europe is highly exposed to a sustained rise in LNG prices as LNG imports make up as much as 40% of total energy imports. A prolonged price shock would likely hit business and consumer confidence echoing 2022 when Europe typically underperforms. We have therefore **turned more cautious** on the region.
- Higher oil and gas prices remain a clear risk to global growth, particularly for **autos, travel/leisure, and consumer-exposed stocks** — sectors with heavy representation in Europe. Earlier this year, we moved **Energy to Neutral** and favoured oil equipment & services. Near-term beneficiaries could include **fertiliser producers and metals** critical to electronic warfare, as supply disruptions and geopolitical risk intensify.
- We still see longer-term appeal in select Industrials, supported by rising defence and infrastructure outlays and Germany's 2025 fiscal plan. However, slower growth is pressuring lower-rated and private credit, highlighted by rising redemptions from private credit and equity funds. While Europe is less exposed to private markets, we **downgraded Banks and Financial Services to Neutral**: cheap valuations and strong balance sheets may not fully cushion further drawdowns or weaker earnings.
- The FTSE 100 set a new record in February 2026 as investors rotated toward defensives amid AI-driven volatility. Sentiment also benefited from last year's trade agreements with the US, EU and India; November 2025's Autumn Budget was less onerous than feared. The UK is no longer as cheap as at the start of 2025, but it still screens as value — FTSE 100 trades at 13.6x forward P/E (as of 19 April 2026).

HOW TO PLAY THE GAME?

Areas on our radar Energy prices impacting growth; front-end loaded fiscal and defence spending in 2026.

Investment implications Consumption and financials impacted by Iran war; infrastructure and defence spending to become key driver, given lower monetary policy support.



Notable Developments in Selected Sectors

- **Energy:** Middle East tensions have continued to drive demand for sector names as energy prices spike, though any resolution with Iran could lead to a sharp sector pullback. In the near term, we believe the sector could continue to benefit from market rotation and act as a portfolio diversifier for clients still heavily weighted to the AI trade. However, oversupply could cap the upside performance longer term. We prefer renewables and infrastructure related names.
- **Consumer Discretionary:** The Middle East has reintroduced downward revisions in the consumer space, where pricing power is proving less resilient and cost pass-through more constrained. Even luxury names have been impacted, while operationally challenged stories lag more broadly.
- **Industrials:** Germany's increased fiscal spending is a key support, alleviating the accumulation of years of declining public infrastructure spending. The sector remains a main beneficiary of infrastructure, defence spending, data centres construction, renewable energy projects, re-/ nearshoring, and electrification although short term, there are some market frustrations that these investments are a bit slow to translate in new earnings.



Equities Allocation

 OVERWEIGHT
  NEUTRAL
  UNDERWEIGHT

OVERALL GLOBAL: NEUTRAL



COUNTRY

US, Japan, EM Europe

SECTOR

	Communications	
	Real Estate	
	Materials	
Healthcare	Consumer	Consumer Staples
Industrials	Discretionary	Financials
	Technology	
	Energy	
	Utilities	

OVERALL ASIA: UNDERWEIGHT



COUNTRY

China Asia ex-China

SECTOR

Communications	Materials	
Consumer	Real Estate	
Discretionary	Financials	▼ Utilities
Technology	▲ Industrials	▼ Consumer Staples
Healthcare	▲ Energy	

Note: ▲ suggests an upgrade; ▼ suggests a downgrade.

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