

Special Coverage: Fed holds firm as inflation and uncertainty persist

Key takeaways

- ◆ At its April meeting, the Federal Reserve left the federal funds rate unchanged at 3.50%–3.75%, marking a third consecutive meeting on hold, in line with our expectations and market consensus. The Fed remains firmly on hold with no urgency to cut, as persistent inflation, geopolitical risks, and elevated uncertainty reinforce a higher-for-longer stance.
- ◆ While the policy decision was straightforward, the meeting stood out for the degree of divergence within the Committee, with an 8–4 vote, the highest dissent since 1992. Inflation remains the dominant policy constraint, with the Fed explicitly linking pressures to higher energy prices and geopolitical developments.
- ◆ We don't expect any rate cuts in 2026 or 2027 and remain overweight on US equities supported by strong earnings growth and a resilient macro backdrop. In fixed income, we favour high-quality income through investment grade credit and balanced duration. We continue to emphasise diversification via alternatives, including hedge funds and gold, to navigate macro and geopolitical uncertainty.



Jose Rasco
Chief Investment Officer,
Americas, HSBC Private Bank
and Premier Wealth



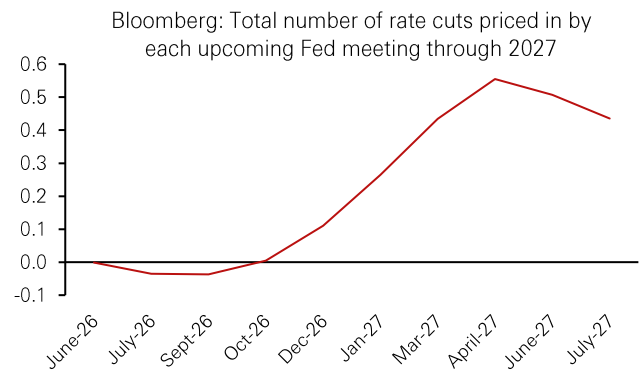
Michael Zervos
Investment Strategist, HSBC
Private Bank and Premier
Wealth

What happened?

- The Federal Reserve left the federal funds rate unchanged at 3.50%–3.75%, marking a third consecutive meeting on hold, in line with our expectations and market consensus. While the policy decision was straightforward, the meeting stood out for the degree of divergence within the Committee, with an 8–4 vote, the highest dissent since 1992.
- Governor Stephen Miran dissented in favour of an immediate 0.25% rate cut, signalling concerns that policy may already be sufficiently restrictive and that easing could begin sooner. In contrast, Beth Hammack, Neel Kashkari, and Lorie Logan supported the decision to hold rates but opposed the forward guidance embedded in the statement, specifically the continued inclusion of language that implies a bias towards future rate cuts. The dissents highlight a two-sided divergence over the future policy path.
- While there were no updated economic projections or dot plot released at this meeting, the April statement reflected incremental but meaningful shifts in tone, particularly around inflation, geopolitical risk, and forward guidance.
- On inflation, Chair Powell struck a more cautious tone, noting that inflation has moved higher and remains elevated, with headline PCE running at 3.5% and core at 3.2%. He attributed much of the recent increase to higher energy prices and tariff-related pressures, while also highlighting that near-term inflation expectations have moved higher.

- In our view, the FOMC may need to see core PCE inflation fall below 3%, and perhaps below 2.5% before contemplating a return to rate cuts. Given the recent acceleration in inflation, it seems unlikely that the Fed will move to cut policy rates anytime soon, unless the unemployment rate begins to rise meaningfully. This is the main reason we do not expect any rate cuts in 2026 or 2027.
- Geopolitics has become a key macro driver, with developments in the Middle East feeding directly into the Fed's inflation outlook and contributing to a "high level of uncertainty," reinforcing the need for a cautious and flexible policy approach.
- Chair Powell described the economy as continuing to expand at a solid pace, supported by resilient consumer spending and ongoing business investment. At the same time, he acknowledged that labour market momentum has softened, with job gains slowing and the unemployment rate holding steady at 4.3%.
- Policy is now close to neutral or only mildly restrictive, giving the Fed the flexibility to remain on hold and assess incoming data. Importantly, policymakers made it clear that while cuts aren't imminent, hikes cannot be ruled out if inflation proves more persistent. The economy continues to expand at a solid pace, supported by resilient consumer spending and strong business investment, particularly in AI and data centre infrastructure.
- Moreover, the US Treasury is scheduled to reissue about USD9 trillion worth of US federal debt this year. Amid reduced trade flows, foreign buyers have trimmed their purchases of US Treasuries, which could keep fixed income markets more volatile. This could continue to lift volatility in equity markets as well, as the cost of capital becomes a bit more uncertain.
- Mr. Powell also confirmed that this was his final press conference as Chair, noting that he will remain on the Board as a Governor for a period of time, signalling continuity during the leadership transition.

Markets are no longer pricing in any rate cuts this year and are actually looking at potential rate hikes for next



Source: Bloomberg, HSBC Private Bank and Premier Wealth as at 29 April 2026. Forecasts are subject to change.

Investment implications

- For equity investors, the fundamental backdrop remains constructive. Earnings growth remains incredibly strong, and the US economy continues to expand at a solid pace, supported by resilient consumer spending, ongoing business investment, particularly in AI and data centre infrastructure, and a stable labour market. Against this backdrop, we maintain our overweight view on US equities.
- In fixed income, yields remain attractive, and we continue to favour investment grade credit to capture quality income, while maintaining medium duration in USD given ongoing rate uncertainty.
- Finally, we remain focused on diversification and resilience amid ongoing macro and geopolitical uncertainty. We remain constructive on gold, supported by its role as a hedge against inflation and geopolitical risks, particularly during periods of USD weakness. We maintain exposure to private markets and real estate as long-term structural allocations, while hedge funds are favoured for their ability to navigate volatility and provide more stable, uncorrelated returns. Overall, alternatives continue to play a key role in enhancing portfolio diversification and managing risk across market cycles.

Disclaimer

This document or video is prepared by The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document or video is distributed and/or made available by HSBC Bank (China) Company Limited, HSBC Bank (Singapore) Limited, HSBC Bank Middle East Limited (UAE), HSBC UK Bank Plc, HSBC Bank Malaysia Berhad (198401015221 (127776-V))/HSBC Amanah Malaysia Berhad (20080100642 1 (807705-X)), HSBC Bank (Taiwan) Limited, HSBC Bank plc, Jersey Branch, HSBC Bank plc, Guernsey Branch, HSBC Bank plc in the Isle of Man, HSBC Continental Europe, Greece, The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India), HSBC Bank (Vietnam) Limited, PT Bank HSBC Indonesia (HBID), HSBC Bank (Uruguay) S.A. (HSBC Uruguay is authorised and oversight by Banco Central del Uruguay), HBAP Sri Lanka Branch, The Hongkong and Shanghai Banking Corporation Limited – Philippine Branch, HSBC Investment and Insurance Brokerage, Philippines Inc, HSBC FinTech Services (Shanghai) Company Limited, HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group (collectively, the "Distributors") and HSBC Bank Middle East Limited Qatar Branch, P.O. Box 57, Doha, Qatar (regulated by Qatar Central Bank for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority) to their respective clients. This document or video is for general circulation and information purposes only.

The contents of this document or video may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. This document or video must not be distributed in any jurisdiction where its distribution is unlawful. All non-authorized reproduction or use of this document or video will be the responsibility of the user and may lead to legal proceedings. The material contained in this document or video is for general information purposes only and does not constitute investment research or advice or a recommendation to buy or sell investments. Some of the statements contained in this document or video may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. HBAP and the Distributors do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document or video has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed are based on the HSBC Global Investment Committee at the time of preparation and are subject to change at any time.

These views may not necessarily indicate HSBC Asset Management's current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document or video is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Investments are subject to market risks, read all investment related documents carefully.

This document or video provides a high-level overview of the recent economic environment and has been prepared for information purposes only. The views presented are those of HBAP and are based on HBAP's global views and may not necessarily align with the Distributors' local views. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. It is not intended to provide and should not be relied on for accounting, legal or tax advice. Before you make any investment decision, you may wish to consult an independent financial adviser. In the event that you choose not to seek advice from a financial adviser, you should carefully consider whether the investment product is suitable for you. You are advised to obtain appropriate professional advice where necessary.

The accuracy and/or completeness of any third-party information obtained from sources which we believe to be reliable might have not been independently verified, hence Customer must seek from several sources prior to making investment decision.

The following statement is only applicable to HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group with regard to how the publication is distributed to its customers: This publication is distributed by Wealth Insights of HSBC México, and its objective is for informational purposes only and should not be interpreted as an offer or invitation to buy or sell any security related to financial instruments, investments or other financial product. This communication is not intended to contain an exhaustive description of the considerations that may be important in making a decision to make any change and/or modification to any product, and what is contained or reflected in this report does not constitute, and is not intended to constitute, nor should it be construed as advice, investment advice or a recommendation, offer or solicitation to buy or sell any service, product, security, merchandise, currency or any other asset.

Receiving parties should not consider this document as a substitute for their own judgment. The past performance of the securities or financial instruments mentioned herein is not necessarily indicative of future results. All information, as well as prices indicated, are subject to change without prior notice; Wealth Insights of HSBC Mexico is not obliged to update or keep it current or to give any notification in the event that the information presented here undergoes any update or change. The securities and investment products described herein may not be suitable for sale in all jurisdictions or may not be suitable for some categories of investors.

The information contained in this communication is derived from a variety of sources deemed reliable; however, its accuracy or completeness cannot be guaranteed. HSBC México will not be responsible for any loss or damage of any kind that may arise from transmission errors, inaccuracies, omissions, changes in market factors or conditions, or any other circumstance beyond the control of HSBC. Different HSBC legal entities may carry out distribution of Wealth Insights internationally in accordance with local regulatory requirements.

Important Information about the Hongkong and Shanghai Banking Corporation Limited, India ("HSBC India"): HSBC India is a branch of The Hongkong and Shanghai Banking Corporation Limited. HSBC India does not distribute or refer investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution or referral would be contrary to law or regulation.

HSBC India is an AMFI-registered Mutual Fund Distributor of select mutual funds and a referrer of other 3rd party investment products. HSBC India will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest. For more information related to investments in the securities market, please visit the SEBI Investor Website: <https://investor.sebi.gov.in/> and the SEBI Saaathi Mobile App. **Mutual Fund investments are subject to market risks, read all scheme related documents carefully.** Issued by The Hongkong and Shanghai Banking Corporation Limited India. Incorporated in Hong Kong SAR with limited liability. HSBC Bank ARN - 0022 with validity from 19-Feb-2024 to 18-Feb-2027. Date of initial registration: 19-Feb-2002.

The following statement is only applicable to HSBC Bank (Taiwan) Limited with regard to how the publication is distributed to its customers: HSBC Bank (Taiwan) Limited ("the Bank") shall fulfill the fiduciary duty act as a reasonable person once in exercising offering/conducting ordinary care in offering trust services/ business. However, the Bank disclaims any guarantee on the management or operation performance of the trust business.

The following statement is only applicable to PT Bank HSBC Indonesia ("HBID") HBID is licensed and supervised by Indonesia Financial Services Authority ("OJK"). Investment products that are offered in HBID are third party products, HBID is a selling agent for third party products such as Mutual Funds and Bonds. HBID and HSBC Group (HSBC Holdings Plc and its subsidiaries and associates company or any of its branches) do not guarantee the underlying investment, principal or return on customer's investment. You must read and understand the investment policy of each investment product to see if a product contains ESG and sustainability elements and is classified as an ESG and sustainable investment. Investment in Mutual Funds and Bonds are not covered by the deposit insurance program of the Indonesian Deposit Insurance Corporation ("LPS").

Important information on ESG and sustainable investing

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information visit www.hsbc.com/sustainability.

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as sustainable may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't consider these factors. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the impact of ESG and Sustainable investing products. ESG and Sustainable investing and related impact measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability impact or measurement criteria of an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability impact will be achieved. ESG and Sustainable investing is an evolving area and new regulations are being developed which will affect how investments can be categorised or labelled. An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future.

THE CONTENTS OF THIS DOCUMENT OR VIDEO HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG OR ANY OTHER JURISDICTION. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE INVESTMENT AND THIS DOCUMENT OR VIDEO. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT OR VIDEO, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

© Copyright 2026. The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED.

No part of this document or video may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

PUBLIC