VIDEO TRANSCRIPT

Webinar 2 April 2026 - Navigating Geopolitical Uncertainty: Strategies to Unlock New Opportunities

HSBC

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1. Introduction

[Nicolas Budry]

Good afternoon and welcome to our HSBC Private Bank webinar, “Navigating Geopolitical Uncertainty: Which Strategies to Adopt?”. My name is Nicolas Budry, Head of Investments for Private Banking in Luxembourg, and I’ll be moderating today’s session with several speakers.

We are operating in a context of heightened geopolitical tension, with visible repercussions on energy markets, inflation, growth and financial markets. At this stage, there is no clear resolution in sight, and volatility remains elevated.

Our objective today is twofold: first, to provide a clear framework to read the geopolitical environment; and second, to share practical ideas on how to position portfolios in this unusual international context.

We have several speakers today:

- First, a geopolitical update with Clarke Camper (Head of Global Government and Regulatory Affairs, Capital Group), joining us from Washington, DC. Clarke will share his views on the US presidency and implications for Europe, the Middle East, and financial markets.
- Then, Georgios Leontaris (CIO EMEA, HSBC Private Bank) will present our latest convictions, including central bank implications and our market views for diversified portfolios.
- Finally, we will move to solutions with Diane Alexane (Head of Advisory, HSBC Private Bank Luxembourg) and Zineb Ahmed (Head of Structured Products Solutions, HSBC Private Bank Luxembourg), focusing on actionable portfolio implementation.
- We will close with a Q&A session.

Clarke, there has been significant volatility and frequent headlines from the US administration. How should we assess the current context, and what should we expect in the coming weeks?

2. The US Presidency Without a Finish Line: A Leverage Strategy

[Clarke Camper] - Time code 00:02:35

Donald Trump has a superpower, and his superpower is leverage. He sees every interaction—whether with a person, a company, or a country—as transactional, and as an opportunity to gain leverage over the other party.

He said something last week that I found revealing. In an aside during a speech, he said: “You have to understand, my whole life has been a negotiation.” That fits with how we think about him: highly transactional.

What often gets missed in what I call the “Trump leverage model” is that there is no endpoint. There is no equilibrium, no resting point. People often ask: “When is this going to end? When do we get back to something normal?” My point is: in the Trump leverage model, it never ends, because he always needs something else to gain leverage on.

And over time, that can push him into ever more extreme positions, because the only way to keep leverage is to keep raising the stakes.

Let’s apply this model to three situations: a relatively weak counterparty, a relatively strong counterparty, and a relatively equal counterparty.

First: a relatively weak counterparty—Europe.

I don't think it's a secret that Trump sees Europe as weak, fairly or not. Part of it is the federated structure of Europe—the famous Henry Kissinger line: "Who do I call when I want to call Europe?" But I also think there is an irrational element: a deep dislike of Europe that has been consistent with Trump and people around him.

So what happens when Trump sees a weak counterparty? He bullies. He sets the agenda. He keeps pushing. That will continue. It will not stop. He will return to his "greatest hits": Greenland, NATO, the Ukraine war—and I'm not making light of it; it's deadly serious. In this model, he may well take action: on NATO, on Ukraine support, and so on.

Second: a relatively strong counterparty—Iran.

Counterintuitively, Iran has significant leverage—arguably more than the US at this point—through the Strait of Hormuz, and through its ability to sustain asymmetric attacks. Trump wants to get out; that's clear. But you need two sides to end a war, and Iran shows no sign of stepping back.

In this case, we see the failure of the Trump leverage model. Trump tries constantly—daily, hourly—to gain leverage.

He throws ideas out, threats, incentives, "trial balloons". But he can't gain leverage because the counterparty holds the cards.

I believe Trump will declare victory no matter what. My view is that he will pull out and leave a very difficult situation behind. What remains unclear is how much this hurts him domestically.

Third: a roughly equal counterparty—China.

I won't spend long on this. From the beginning, I believed Trump primarily wants a deal with China. He treats China more as a political issue than a substantive one. If Trump and President Xi meet, they can likely reach an agreement that Trump can present as a win. So I expect a relatively stable relationship—yes, with tariffs and periodic drama—but broadly stable.

Finally, a quick note on US domestic politics. Many people ask: "Won't the midterm elections in November bring Democrats back and put a brake on Trump?" Democrats may regain control—happy to discuss in Q&A—but I'm sceptical. Trump remains historically popular with the Republican base, and the Democratic brand is weak right now.

More importantly, I don't think it changes the macro picture. Trump is Trump. He is often most powerful when he has a clearly defined opponent. And if he faces domestic challenges, that may push him to be even more active geopolitically.

I'll stop there.

3. Changing Narratives, Continued Opportunity

[Nicolas Budry] – Time code 00:09:35

Very interesting—thank you. We'll keep you with us for the Q&A.

Let's now move to our CIO views to understand the market impact and the outlook.

[Georgios Leontaris] - Time code 00:10:04

Thank you, Nicolas, and good afternoon everyone.

There are still many uncertainties regarding the duration of the conflict in the Middle East and the degree of escalation we may see. What we do know is that we are experiencing one of the most significant energy disruptions of our generation.

Even if the conflict ended immediately after this webinar, oil production would still take at least a couple of months to normalise.

On the chart on the left, oil prices have surged. However, in inflation-adjusted terms (the black line), we remain well below the peaks seen in previous geopolitical crises associated with energy price spikes.

That does not mean that oil at 100–110 dollars is painless—it does weigh on growth and forecasts. But the current level alone is not sufficient to push the economy into recession, unless we see a more permanent closure or prolonged disruption of the Strait of Hormuz. That would represent a much larger shock than our baseline scenario.

The chart on the right shows the market is broadly aligned with this view: the Brent futures curve slopes downward, suggesting that while spot prices remain volatile, the market expects prices to gradually decline over the next 4–6 months.

The current situation is sometimes compared to the onset of the Russia–Ukraine war in 2022. We would be cautious with that comparison because the macro backdrop was very different.

In 2022, supply chains were still disrupted post-Covid. Inflation was already around 8.5% before the war began. Growth was close to 4%, supported by stimulus. Policy rates were near zero, and the 10-year Treasury yield was low by historical standards. When the shock hit, central banks had to pivot aggressively, with the Fed hiking rates up to around 5.5%.

Today, the environment is different. Labour markets show early signs of cooling. Growth has been resilient but is expected to slow. Inflation may rise, but from a lower starting point. And policy rates are already in mildly restrictive territory, allowing central banks to "wait and see" rather than react immediately. This is consistent with recent messaging from the Fed, and also broadly aligned with the ECB and the Bank of England.

In this environment, there are no outright winners, but there are relative winners. Oil exporters and countries with a more diversified energy mix should fare better. The US, for example, benefits from being an oil producer and from a relatively resilient growth starting point.

Fiscal measures also provide some buffer for consumers with the recent legislation: "the one big beautiful bill". The key point is: tax refunds/deductions provide some additional cash flow, helping households absorb higher energy costs—though benefits skew towards higher-income households, increasing inequality pressures.

On markets, it's important to remember that equity markets look for inflection points, not a full return to normality. During Covid, it took a long time for behaviour and investment plans to normalise, yet equity markets recovered much faster. Historically, large oil price shocks did not necessarily translate into persistent equity losses over a three-month horizon. Negative outcomes tended to occur when oil shocks coincided with recession or a very hawkish central bank response—neither of which is our base case.

Regionally, we maintain a relative preference for the US. In Asia, not all economies are equally exposed. We see vulnerability in India and Indonesia, and we have reduced exposure. We remain constructive on China, given its different energy mix (coal, renewables, nuclear), strategic reserves, and specific crude sourcing. A prolonged closure would still be negative, but China may not be the first economy to suffer under a contained disruption scenario. Within China, we advocate a barbell approach: technology (innovation leadership, lower valuations versus global peers) combined with financials and telecoms (dividend yield, lower energy sensitivity).

On fixed income: bonds are not a perfect hedge in a higher-inflation shock, and markets have repriced meaningfully. We moved from expectations of rate cuts to pricing scenarios of multiple hikes in Europe and the UK. We think parts of that pricing may be extreme unless oil prices escalate significantly—and such escalation would also raise recession risks, which would ultimately constrain central banks.

For medium-term investors, higher yields are more attractive than at the start of the year, and coupons remain the main driver of returns. We maintain a preference for quality bonds, have added some inflation-linked exposure, and we complement bonds with alternatives—particularly hedge funds—to reduce beta, limit drawdowns, and improve risk-adjusted returns. We also use volatility strategies and structured products to add downside protection and position portfolios for different outcomes.

4. From Implications to Action

[Zineb Ahmed] – Time code 00:26:15

Thank you. As mentioned, the key question is: what actions should we take based on market observations and forward assumptions?

In this context, structured products are relevant for three main reasons.

First, they allow exposure to markets and themes—such as commodities, rates, infrastructure, and energy—while applying capital protection and return optimisation mechanisms, enabling tailored risk management. This can include capital-protected products on precious metals or oil, interest-rate-linked solutions to lock in yields over longer maturities, or exposure to Asian markets.

Second, they allow tactical opportunities in the secondary market: investing in discounted products with accrued coupon, where long-term return targets remain unchanged but the internal rate of return can improve due to volatility. Third, they support portfolio construction through the balance between advisory and discretionary management: advisory keeps clients involved in decisions; discretionary allows clients to rely on our teams to build a solid, diversified core portfolio.

The objective is to take advantage of attractive entry points while building resilience should the current situation persist.

I'll now hand over to Diane for the advisory perspective.

[Diane Alexane] – Time code 00:28:30

Good afternoon. In the current context of geopolitical tensions, within our advisory mandates we have been discussing several themes with clients: aerospace, defence, and energy.

Shifts in geopolitical tensions and alliances, combined with innovative technologies, are renewing interest in aerospace. Commercial opportunities are expanding—affordable microsatellites, low-cost drones, and air taxis, for example. Start-ups are flourishing and companies are capturing these opportunities.

In defence, military spending is rising across countries. Order books for companies in this sector are strong and likely to remain so for years.

On energy, we have moved to a more neutral stance, focusing on companies that may benefit from higher oil prices. At the same time, higher oil prices encourage consumers to shift towards alternatives such as nuclear, renewables, and electric vehicles.

We often access these themes through ETFs, direct equities, or dedicated thematic funds.

We remain positive on artificial intelligence, but the theme is not limited to mega-cap tech. We recommend diversifying into sectors that could benefit from broader AI adoption—utilities, industrials, and banks. This links to the infrastructure theme, where we remain constructive: companies building data centres and the infrastructure required for AI, as well as those supporting the energy transition.

Infrastructure can also provide protection against inflation, as many contracts are indexed to inflation. In an environment where inflation could become more persistent, this theme can play an important role in portfolios.
On FX, our target for year-end remains at 1.18. So it may be still a good timing to hedge portfolios.

In principle, we believe it can make sense to hedge part of the portfolio using forwards, option strategies, or EUR-hedged share classes. Currency deposits can also be attractive to benefit from volatility.

On rates, uncertainty has had an immediate impact, with 10-year yields rising by around 50 bps. In our view, current yields look attractive for long-term investors, via direct bonds, fixed income funds/ETFs, and inflation-linked bonds, which support diversification.

[Nicolas Budry] – Time code 00:32:13

Thank you. In this environment, it's essential to focus on multi-asset diversification, and discretionary management is an efficient way to access it.

Through discretionary portfolios, clients can gain exposure across asset classes—equities, bonds, private equity, gold, commodities—improving the overall risk profile, especially during periods of elevated volatility.

As shown on the slide: adding gold and fixed income to an equity-only portfolio can materially reduce volatility. The chart on the right also shows that adding additional asset classes improves resilience during drawdowns.

In short: diversification remains key in times of geopolitical uncertainty.

We will now move to Q&A. Please use the Q&A function to submit questions.

5. Questions & answers – 34 min

5.1. Geopolitics: Iran–US scenarios

[Nicolas Budry] - Time code 00:34:24
Clarke, if you had to outline a best-case and worst-case scenario for the Iran conflict and the Trump administration's reaction, what would they be?

[Clarke Camper] - Time code 00:34:43
Best case: a gradual US withdrawal, combined with some form of agreement that ends the conflict and reopens the Strait of Hormuz. I don't think that's likely.

Worst case: what President Trump suggested last night (Washington time)—walking away within a couple of weeks and effectively telling Europe and Asia to deal with reopening the Strait themselves. That would be a very bad outcome, as it could embolden Iran and prolong economic and geopolitical disruption.

My guess is we end up somewhere in between. It will be messy, but hopefully at some point there is a de-escalation and a period of relative stability.

5.2. Equities: US earnings and profit expectations

[Nicolas Budry] - Time code 00:36:01
Georgios, US earnings expectations remain strong. Is that reasonable given the political noise and recent market volatility?

[Georgios Leontaris] - Time code 00:36:22
There is a risk of downward revisions if conditions deteriorate. But it's important to break down earnings by sector and by absolute contribution.

In the S&P 500, a large share of earnings power comes from tech and healthcare, where expectations remain relatively resilient. The incremental growth is more concentrated in energy and materials—oil & gas, metals such as copper and precious metals.

Even if we see some downward revisions, long-term US EPS growth has historically been high single digits. So a moderation from current levels would still be solid historically, especially after last year's strong earnings growth.

5.3. Asset allocation & risk management: protecting portfolios in a downturn

[Nicolas Budry] - Time code 00:38:52
Diane, how would you protect portfolios if equity downside persists?

[Diane Alexane] - Time code 00:39:08
We have been increasing exposure to alternatives, particularly hedge funds, which can deliver returns with lower volatility and help balance equity risk. Infrastructure is also less correlated and provides inflation protection.

Structured products can also help: they allow equity exposure with downside protection through capital barriers, and in a high-volatility environment they can offer attractive coupons.

5.4. Structured products: beyond equities (multi-asset)

[Nicolas Budry] - Time code 00:40:19
Zineb, structured products are often associated with equities. Can they be used on other asset classes?

[Zineb Ahmed] - Time code 00:40:31
Yes. The key advantage is that they are tailor-made. While equities are common underlyings, we can also structure products on commodities—gold, copper, platinum, oil—and on rates. It's a useful tool to diversify portfolios across themes and geographies.

5.5. Political outlook: looking ahead to the 2028 US election

[Nicolas Budry] - Time code 00:41:02
Clarke, looking ahead, what would you expect for the 2028 US election?

[Clarke Camper] - Time code 00:41:16
My view is that a Republican wins in 2028. Trump remains historically popular with his base, and that strength is often underestimated. The Democratic brand is weak and there is no clear leader.

Also, the US has shifted to the right, as seen across several Western democracies. Finally, changes to the Electoral College after the 2030 census could make it harder for Democrats going forward.

5.6. Gold: an opportunity?

[Georgios Leontaris] - Time code 00:43:28
We remain constructive on gold. In recent weeks, gold has faced pressure—somewhat counterintuitively—because the geopolitical shock raised inflation concerns, supported the dollar, and lifted yields. Since gold does not generate income, higher yields increase the opportunity cost of holding it.
That said, the recent pullback creates a new entry point for clients who are under-allocated. Gold retains its role as a portfolio diversifier and potential safe haven in a more uncertain world.

[Diane Alexane] - Time code 00:45:23
From an implementation standpoint, we can add gold exposure efficiently through ETCs/ETFs tracking physical gold, across most account types (including life insurance, where applicable). For clients who prefer physical holdings, physical gold solutions can also be considered.

[Zineb Ahmed] - Time code 00:46:17
Structured products can also provide gold exposure with potential coupons and defined downside protection, which can be helpful if commodity markets become volatile again.

[Nicolas Budry] - Time code 00:46:46
Thank you all for your insights. We will now close the call.

You can use the QR codes on screen to access our CIO publications and market notes. If you would like to discuss our views in more depth, please reach out to your relationship manager or investment counsellor—we can arrange follow-up meetings.

Thank you again to Clarke Camper and Capital Group for joining us and providing an external perspective.

Finally, thank you to Julie Badawi and Luisa Alves for organising this webinar. We look forward to welcoming you to our next session—potentially on artificial intelligence next quarter.

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My guess is we end up somewhere in between. It will be messy, but hopefully at some point there is a de-escalation and a period of relative stability.

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