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EVERBRIGHT SECURITIES | INTERNATIONAL

[For immediate release]

Everbright Securities International:

Policy + AI Dual Engines Drive Positive Stock Market Trajectory in H1 2026; U.S. Rate-Cut Cycle Moderates

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H1 Asset Allocation Themed by "Treasure Hunt at Valuation Heights, Prioritizing Fundamentals" in Three Key Directions:

1. **Mainland China and Hong Kong Markets Become Choices of Value Investing;**
2. **AI-Powered with Gold Strategies Present Opportunities;**
3. **Asian Bond Offers Stable Interest Rates**

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Hang Seng Index Highest Target for 2026: 30,000

Four key sectors in Hong Kong stocks: China Financials, Intelligent Technology, Energy & Nonferrous Metals, and Local Financials

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FX Outlook: Mild rebound in the U.S. Dollar Index; RMB and Gold Show Appreciation Potentials

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Summary:

- Everbright Securities International's Product Development and Retail Research Department (PDRR) expects major central banks to maintain accommodative policies in the first half of 2026 to support the economy growth. Though U.S. tariff policies and the record- long duration of the U.S. government shutdown have a short-term impact on market sentiment, the U.S. may still implement one interest rate cut in the first half of next year, which will support capital flows into emerging markets, benefiting the upward momentum of Mainland China and Hong Kong stock markets.
- The Hang Seng Index (HSI) currently stands at approximately 25,700, broadly in line with the Company's full-year target of 25,000 in 2025, and once hit a year-to-date high of 27,381. After reaching highs in the fourth quarter of this year, Mainland and Hong Kong stocks have been back to reasonable levels, and are ready for new highs in 2026.
- Highest index targets in 2026: 30,000 for HSI; 6,600 for Hang Seng Tech Index; and 4,500 for Shanghai Composite Index.

- The core investment strategy for the first half of 2026 is “Treasure Hunt at Valuation Heights, Prioritizing Fundamentals” focusing on three major investment themes: Value Investing, AI-Powered with Gold Strategies, and Asian Bond.
- Four major noteworthy sectors of Hong Kong stocks: China Financials, Intelligent Technology, Energy and Nonferrous Metals, and Local Financials.
- Global Market: The markets have gradually priced in news about tariff policies, and shifted the focus to U.S. employment data and interest rate cuts, and growth potential of the artificial intelligence (AI) sector. Affected by ongoing geopolitical tensions among countries and uncertainties, gold has become the most prominent asset this year, delivering a year-to-date return of at least 50%. EBSI’s The Product Development and Retail Research Department forecasts a target price for spot gold at US$4,950 per ounce in 2026. Moreover, it is recommended to opportunistically add Mainland and Hong Kong stocks to asset allocations, or consider alternative investment sectors such as gold and global AI technology application, and Asian bonds to earn stable interest rates, striking a balance between offense and defense.
- FX and Commodity Strategies: The U.S. Dollar Index (DXY) is expected to rebound slightly. In addition to gold, investors may opportunistically consider incorporating Asian bonds into asset allocations for stable interest rates or accumulate RMB on dips to achieve a balance between offense and defense.

Hong Kong, December 4, 2025 – China Everbright Securities International Limited (“EBSI” or “the Company”) stated that in the second half of 2025, global markets have gradually priced in the impact of U.S. tariff policies, and shifted the focus to U.S. employment data, interest rate cuts, and growth potential of the AI sector. With fluctuations in U.S. economic performance, market capital has flowed towards emerging markets, including the Mainland China and Hong Kong stock markets. Benefiting from Mainland’s stimulus policies, U.S. interest rate cuts and return of foreign capital, the HSI repeatedly rebounded up to this year’s high of 27,381. Furthermore, since this year, tensions among countries have intensified under the influence of U.S. tariff policies, driving the price of gold to new record highs. Spot gold has delivered a year-to-date return of at least 50%, with a high breaking above US$ 4,000 per ounce, and reached the target price of US$ 3,880 per ounce set for 2025 by the Company’s PDRR. Looking into next year, market concerns involve economies of Mainland and the U.S., expansion of AI production capacity in various countries, central bank policies, and geopolitical risks. If tensions ease, risk assets may rebound; otherwise, safe-haven assets (gold) will maintain momentum. In the first half of 2026, asset allocation focusing on three major

investment themes under the guideline of **"Treasure Hunt at Valuation Heights, Prioritizing Fundamentals"** may be considered: **1. Value Investing; 2. AI-Powered with Gold Strategies; and 3. Asian Bond.**

1. **Value Investing**

   With global economic shifts, the Mainland and Hong Kong stock markets have presented opportunities not to be overlooked by value investors. As of December 3, 2025, the MSCI China Index and the MSCI Hong Kong Index delivered year-to-date returns of 31.5% and 31.3% respectively, both outperforming those of 18.2% for the MSCI World Index and 16.1% for the MSCI USA Index. This indicates continuing robust potentials in the Mainland and Hong Kong stock markets, which warrant heightened investor attention. Only one U.S. interest rate cut in the first half of 2026 is anticipated. In addition, there are quality companies across industries in the Mainland and Hong Kong stock markets. Fundamental analysis suggests that despite cumulative gains of these companies in 2025, the significant correction to the Mainland and Hong Kong stock markets in November has restored valuations to reasonable levels, unveiling promising growth prospects.

2. **AI-Powered with Gold Strategies**

   Artificial intelligence (AI) and gold will undoubtedly remain key sectors attracting investor attention. With continuous technological advancements, AI technology has been increasingly applied across industries, particularly in Mainland market. In January 2025, the official launch of DeepSeek marked a boom in Mainland's AI investment. This emerging technology has not only accelerated AI development in Mainland but also brought substantial capital inflows, underscoring investor confidence in future potential of AI. With the rising global demand for automation and intelligence, the growth potential of these companies is not to be underestimated.

   In addition, gold as a traditional safe-haven asset plays an increasingly prominent role amid global economic uncertainty. In response to escalating geopolitical risks and inflationary pressures, investors have successively tended to purchase gold for risk aversion. Gold is indispensable to asset allocation in 2026 due to its steady appreciation. We predict a target price for spot gold at US$4,950 per ounce in 2026.

3. **Asian Bond**

   The Asian bond market is progressively emerging as a key instrument for medium-to-long-

term investment. As there is still room for U.S. interest rate cuts in the second half of 2026, the attractiveness of Asian bonds is expected to rise further. During the first seven months of 2025, the Asian market delivered returns of 5.8% for high-yield bonds and 4.6% for investment-grade bonds. These figures are significantly greater than merely 5% for high-yield bonds and 4.4% for investment-grade bonds in the U.S. market. Asian bonds offer relatively attractive yields, and investment opportunities accompanied by relatively low risks. As the economy recovers and rate cycles evolve, investors may seek enhanced returns in this market with enormous growth potential. Incorporating Asian bonds into investment portfolios will facilitate capital appreciation and risk diversification, especially amid heightened global economic uncertainty.

Hong Kong Stocks: 2025 Target achieved; Further Upside Expected Next Year

EBSI stated in December last year and June this year that the Hang Seng Index (HSI) could reach the 25,000-point target for the full year and the second half. The market not only met but exceeded that target, with the index breaking above 27,000 in the second half.

Despite the continuing recovery trend in Mainland economy this year, “reciprocal tariffs” globally imposed by the U.S. affected Mainland trade to some extent. Moreover, Mainland inflation data improved in recent months, reflecting the positive effect of Mainland policies, such as those for stimulating consumption and against pointless internal competition, on consumption stability. For the Hong Kong stock investment market in 2026, the expected development trend of the Sino-U.S. relationship and the performance of Mainland economy will be two key factors influencing market performance next year.

Kenny Ng, Securities Strategist of EBSI, stated, “Following the rebound in 2025, from a valuation perspective, the HSI currently trades at a price-to-earnings ratio higher than its average over the recent 5 years, up by about one standard deviation, suggesting the overall valuation recovery is yet within a reasonable range; while the Hang Seng Tech Index has just rebounded to its 5-year average, indicating there is still room for the valuation to catch up. With regard to the dividend environment across the entire market, although dividend yields of the HSI and the High Dividend Index have fallen to around 3% and 6% respectively, their attractiveness remains prominent compared to the current interest rate environment in Mainland.

As the U.S. entered a new round of interest rate cut cycles in September this year, and signals

show that long-term bond yields in Mainland have bottomed out, it is still noteworthy to anticipate a narrowing spread between Mainland and the U.S. in 2026, which facilitates the return of international capital to Hong Kong stocks regarded as a “valuation gap”. In addition, there has been an overall sustained increase in the level of southbound capital inflows into Hong Kong stocks, with the cumulative holdings constantly hitting new highs. We believe this means a choice of long-term strategic global allocation of RMB assets amid low interest rates in Mainland, rather than short-term speculation. Southbound capital is expected to maintain the sustained inflow trend next year, further enhancing the market depth in terms of the liquidity of Hong Kong stocks.

The above two key points reveal that Hong Kong stocks are currently in a state characterized by “reasonable valuation + capital inflows”, which serves as a fundamental basis for the trend of Hong Kong stocks next year.”

Valuation for Hong Kong Stocks Hovers near Average

EBSI states that the HSI has a reasonable chance of revisiting levels above 30,000 again next year. Over the recent two decades, the spread between the dividend yield of Hong Kong stocks and the yield of Mainland’s 10-year bonds exhibits a strong negative correlation with the trajectory of the HSI. As Hong Kong-listed companies have progressively increased their dividend payouts in recent years, the dividend yield corresponding to a 30,000 mark of HSI remains more attractive than the current Mainland bond yield environment.

From an even longer perspective, since 1997, the HSI has tended to completed a full cycle from bull market to bear market and then back to bull market every decade. It is currently in the second half of the cycle, transitioning from bear market back to bull market. Taken together, valuation, liquidity, and market cycle factors are increasingly aligned to support further upside in the HSI next year.

When it comes to notable sectors, we believe that in 2026, four major sectors, including China financials, intelligent technology, energy and nonferrous metals, and local financials , still present promising investment opportunities. Among them, China financials are closely tied to reviving markets; intelligent technology is currently riding tailwinds of national policy support; energy and nonferrous metals benefit from the downward interest rate cycle; Hong Kong’s local financials are deemed to perform well amid active Hong Kong stocks and a stabilizing property market.

FX Outlook – U.S. Dollar Index to Rebound Slightly; Accumulating RMB and Gold on Dips Recommended

The U.S. Dollar Index (DXY) once dropped below 97 in mid-September this year, hitting a low of 96.22, and has softened repeatedly to a range of 94.5-101.9 as expected. However, as the U.S. government shutdown delayed economic data releases, according to market expectations, there will be limited room for U.S. interest rate cuts in December, and the DXY will obviously rebound after bottoming out, with support at 96.5. We expect the DXY to continue ascending in the first half of next year, fluctuating between 96.5 and 104.5. Nevertheless, as U.S. Federal Reserve ("the Fed") Chair Jerome Powell will step down by the middle of next year, markets expect the next Fed Chair to adopt a predominantly dovish stance on interest rate decisions, and it is expected that there may be room for the DXY to descend only in response to the candidate's relatively clear directions for interest rates.

Kimmy Tong, Global Markets & FX Strategist of EBSI, believes, "Markets are awaiting further developments regarding U.S. President Trump's tariff policies. The U.S. inflation is expected to be volatile in the future, necessitating close monitoring of U.S. employment and GDP data. We expect the Fed to cut interest rates only once in the first half of the year, with relatively large room for rate cuts in the second half. Investors should pay attention to volatility in the U.S. dollar's movements. Some non-U.S. currencies have shown relatively weak trends. Additionally, we are optimistic about the outlook for RMB and anticipate its robust performance in the first half of 2026. Offshore RMB currently trades below 7.2, once hit a year-to-date high of 7.0843, and has gained 3% cumulatively. This suggests the RMB is more stable compared to previous trade wars, apparently exhibiting greater resilience compared to the first trade war in 2018. RMB has not been significantly impacted by U.S. trade policies this year, indicating improvements in its status and confidence across global markets. Mainland's economic growth has gradually restored, which is expected to further drive the appreciation of RMB. Looking ahead to the first half of 2026, we expect offshore RMB to fluctuate between 6.97 and 7.22, making it one of our selected currencies."

The outlook for oil prices remains bearish. Recent market movements reveal that prospects for oil prices are still pessimistic, with expectations of fluctuations between US$53 and 65 per barrel. The oil market trajectory is affected by multiple factors, including weak global demand and oversupply. Slowing economic growth prevents oil demand from increasing as expected, and production increase policies of major oil-producing countries further intensify supply

pressures. Furthermore, geopolitical risks occasionally affect oil prices but fail to sufficiently support a rebound. Investor concerns over the future economic outlook make it difficult for oil prices to break above current lows. Market analysis suggests that, due to a lack of significant bullish factors in a short term, challenges in the oil market will maintain or decrease prices.

(From left) Kenny Ng, Securities Strategist, and Kimmy Tong, Global Markets & FX Strategist of Everbright Securities International, share their views on 2026 market outlook.

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About Everbright Securities International

Everbright Securities International* ("EBSI") is a leading financial services institution serving individuals, corporations and institutions in the region for over 55 years. As an international business platform of Everbright Securities Company Limited ("Everbright Securities", SSE: 601788, HKEX: 6178), EBSI's business encompasses five key areas: Wealth Management, Corporate Finance & Capital Markets, Institutional Business, Asset Management, and Investment & Financing.

Operating under the Everbright Securities International brand and business brand "EBSI Wealth", as well as service brands "EBSI Private", "EBSI Direct" and "EBSI Forex", EBSI provides clients with a holistic suite of wealth enhancement, capital financing and investment management services.

Everbright Securities, as the core financial service platform of China Everbright Group Co., Ltd. ("China Everbright Group"), is one of the first three innovative pilot companies approved by the China Securities Regulatory Commission. Backed by the solid support of China Everbright Group and Everbright Securities, EBSI aims to be an influential first-class wealth management brand based in Hong Kong with global vision.

Currently, EBSI has about HK$90 billion** in customer assets and maintains Moody's "Baa3" long-term issuer and "Prime-3" short-term issuer credit ratings. For more information, please visit www.ebshk.com.

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For enquiries:

Juliana Chan	+852 3920 2511	juliana.chan@ebshk.com
Gretel Chu	+852 3920 1863	gretel.chu@ebshk.com