

HSBC Emerging Markets Sentiment Survey - Less bull, more bite

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Our latest Emerging Markets Sentiment Survey finds the bulls still in the majority, and a few bears joining the celebrations.

Bulls with dry powder

This edition – the 25th in the series – captures a shift in investors' approach to emerging markets (EM). Bullish expectations have moderated, but risk appetite has recovered. Investors also have more cash available to put to work. The appetite for EM is intact, even as the conviction about the short-term outlook has softened.

Conducted by Survation between 3 August and 16 September 2026, the survey covers 102 investors from 102 institutions, representing USD424bn of EM assets under management. The share of bullish respondents declined to 50%, from 60% in June, while neutral views increased to 44%, from 31%. Notably, bears reappeared at 5% after being entirely absent for three consecutive surveys, bringing net sentiment down to 45%.

Nevertheless, this marks the 16th consecutive survey with a positive net reading. Softer sentiment has coincided with a greater willingness to take risk, with the weighted average risk appetite score (on a scale where 0 is no risk, and 10 the highest risk) rising to 6.6, from 6.1.

Investors have also replenished their reserves. Weighted average cash holdings increased to 5.7% of assets under management, from 4.2%, the highest level since December 2023. Meanwhile, 40% of investors plan to reduce their cash holdings over the next three months, up from 18%, while only 11% intend to increase them. This combination of stronger risk appetite and greater dry powder could support EM if the right catalysts emerge.

The macro backdrop looks more supportive, although inflation concerns remain elevated. Net expectations for EM growth acceleration recovered to 45%, from 26%, largely reflecting a sharp decline in the proportion of investors anticipating a slowdown. Meanwhile, the proportion of investors expecting higher rather than lower EM inflation declined to 55%, from 80%.

Geopolitics will be central to whether investors deploy their cash. It is now the leading downside risk, cited by 34%, while an easing of tensions is the largest upside catalyst, selected by 45%. US bond market volatility ranks second among downside risks, while capital reallocation out of the US remains the second-largest upside catalyst. A rebound in mainland China and outperformance of the AI trade also feature among potential supports.

On strategy, Latin America stands out the only region with positive net sentiment across all asset classes. Asia remains the preferred equity region, but enthusiasm has moderated. Investors are still constructive on EM equities, with 56% expecting further gains. In other asset classes, EM FX sentiment picked up on a net basis; and within fixed income, there is a marginal preference for local currency debt.

On sustainability, integration into investment decision-making continues to increase. However, investors still identify insufficient funding and a lack of regulation as the main obstacles to achieving net zero, highlighting the need for stronger government support.

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