Q3 / 2024

HSBC Perspectives

Shaping your investment portfolio

HSBC | Opening up a world of opportunity

Contents

3 **Foreword**

4 **Key data to watch**

6 **Investment themes**
Four investment themes to help shape your portfolio

8 **Regional market outlook**
Where should you invest your money?

10 **Gamechangers: future consumers**
How consumption trends are evolving

12 **Seize the yield**
Profitable choices in fixed income for locking in returns

Broadening global cyclical and rate tailwinds provide opportunities to put cash to work

Market expectations for Fed rate cuts have been on a roller-coaster ride, swinging from too enthusiastic in Q1 to quite conservative at the time of writing as inflation has proved stickier than expected. As rate cuts are just a matter of time, we lock in current attractive bond yields. In equities, we see a richer set of opportunities across geographies and sectors, driven by broadening global cyclical and rate tailwinds.

What does this mean for investors?

Looking ahead to the second half of the year, fundamentals remain constructive, supporting our recent move to a more risk-on stance and our upgrades of equities and sectors in a number of markets.

In the US, the higher probability of a soft landing and better-than-expected Q1 earnings give us confidence that equities have further upside. While US equities remain our biggest overweight position, current improvement in cyclical momentum in other countries should foster earnings growth as well, broadening it beyond the US.

Looking beyond the US and technology

Asia should benefit from the improving global outlook and strong domestic tailwinds, which should continue to uphold earnings momentum in India and South Korea. Continental Europe, the UK and Japan meanwhile are also gathering pace and rebounding from the bottom of their economic cycles.

Easing interest rate-related cost pressures are benefitting both corporates and households globally, stimulating more consumption and investment as well as boosting shareholder returns. Structural trends are another key catalyst. The wave of technology and AI-driven innovation promises to raise productivity across industries and boost equity performance beyond technology. We also see opportunities in non-cyclical areas in selected regions, such as healthcare in the US and Europe and utilities in Asia.

Moving cash into bonds to lock in yields now

Looking at the underlying causes of US inflation and how long rates have already been in restrictive territory compared with previous cycles, we maintain our view that the Fed will cut rates this year, most likely in September. However, the Bank of England and the ECB should begin moving sooner. As a result, we continue to focus on locking in current bond yields, with a preference for government bonds and USD-denominated investment grade credit, where we see attractive risk-adjusted returns.

Investors should take action now to consider reducing their cash positions and minimise the impact of lower cash returns ahead of the first rate cut. While it makes sense to extend duration to lock in and enjoy high yields for longer, some investors could consider short-dated bonds for shorter-term investment needs.

Sustainability is shaping the way we live, do business and invest. The transition remains a priority for governments and corporates globally, with clean energy and biodiversity gathering most attention in terms of investment, government policies and global governance.

Managing risks without compromising on opportunities

In addition to the ongoing conflict in the Middle East, the upcoming US election will be on investors' radars in the second half of the year. Historically, markets tend to be volatile in the lead up to the vote and rebound after the result is known. Nevertheless, it's worth noting that the election outcome may have an impact on areas such as relative sector performance (e.g. energy and financials) and global trade.

This quarter, we've also included two feature articles about moving cash into bonds and future consumer trends, which tie in well with our investment themes.

In conclusion, we see the combination of global equity exposure and quality income from bonds as a good way to capture opportunities while managing risks. This can be achieved through a diversified portfolio or a multi-asset strategy with the help of professionals. We hope these insights will help you position your portfolios to achieve your investment goals.

Willem Sels
Global Chief Investment Officer,
HSBC Global Private Banking and Wealth

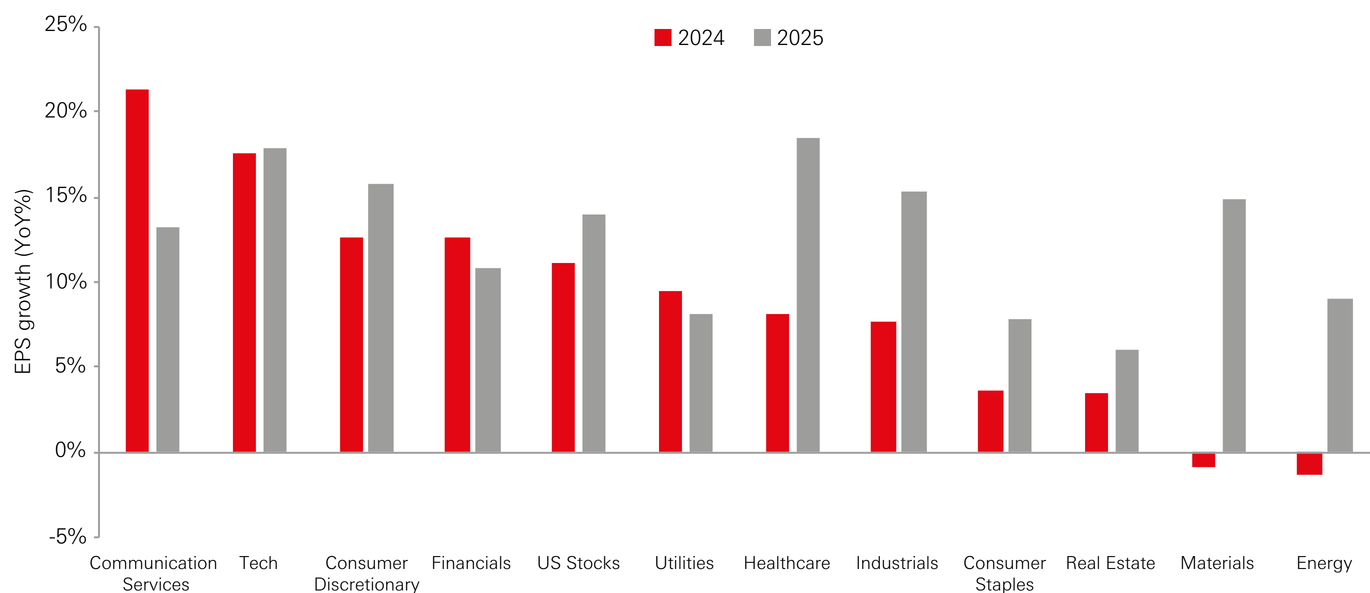
Key data to watch

Although the US is still the driving force behind global growth, the economic cycles of Europe, the UK and Japan appear to have bottomed out, while Asia remains a key growth engine

	GDP		Inflation	
	2023	2024f	2023	2024f
World	2.7	2.6	6.4	5.8
US	2.5	2.3	4.1	3.3
Eurozone	0.5	0.5	5.4	2.4
UK	0.1	0.4	7.3	2.3
Japan	1.9	0.6	3.3	2.3
Mainland China	5.2	4.9	0.2	0.7
India	7.7	6.3	5.4	4.5

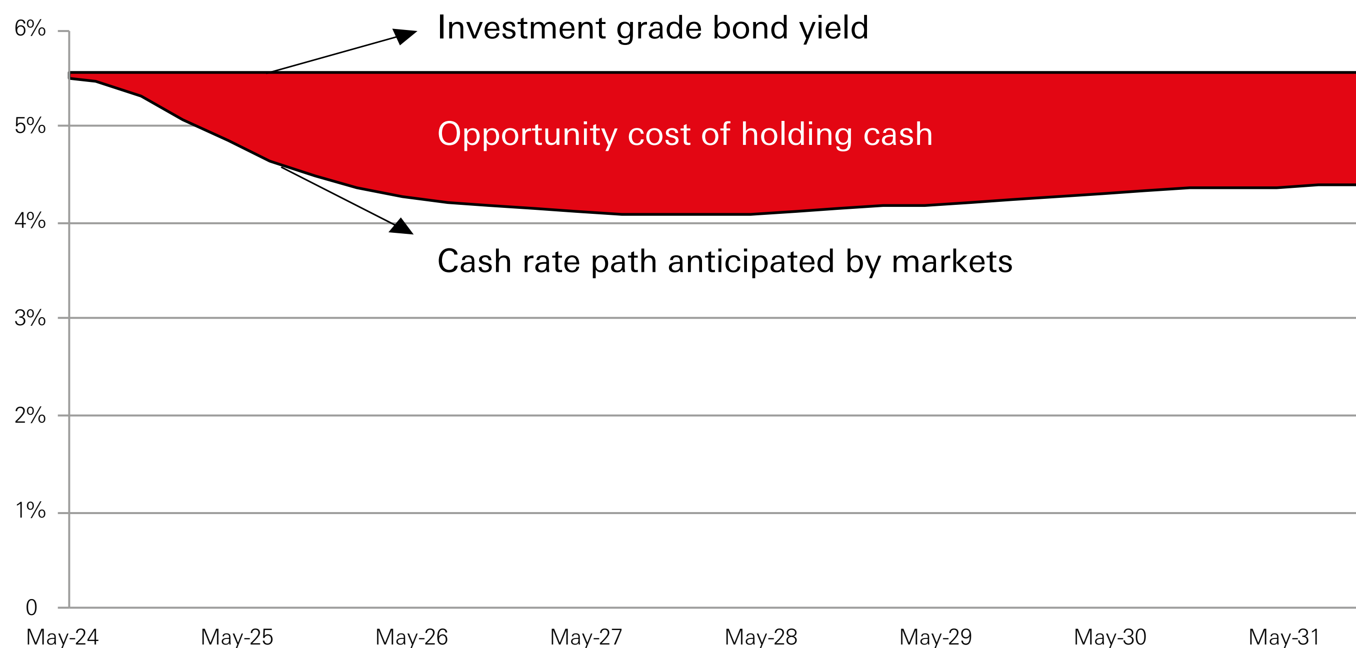
Source: HSBC Global Research as at 17 May 2024. Estimates and forecasts are subject to change. India inflation forecasts are fiscal year.

Earnings growth expectations in the US remain strong



Source: LSEG, HSBC Global Private Banking and Wealth as at 17 May 2024. Past performance is not a reliable indicator of future performance.

Investment grade bond yields are attractive, so holding cash has a big opportunity cost



Source: Bloomberg, HSBC Global Private Banking and Wealth as at 17 May 2024.

Global calendar

Key events – second half of 2024			
Jul 18	European Central Bank (ECB) policy decision	**Nov 5**	United States presidential election
Jul 31	Federal Open Market Committee (FOMC) policy decision	**Nov 7**	FOMC and BoE policy decisions
Aug 1	Bank of England (BoE) policy decision	**Nov 11-22**	UN Climate Change Conference (COP29)
Sep 12	ECB policy decision	**Nov 18-19**	G20 Summit
Sep 18	FOMC policy decision	**Dec 12**	ECB policy decision
Sep 19	BoE policy decision	**Dec 18**	FOMC policy decision
Sep 18-19	UN Sustainable Development Goals Summit 2024 (SDG)	**Dec 19**	BoE policy decision
Oct 17	ECB policy decision		

Four investment themes to help shape your portfolio

1. Look beyond the US to capture equity upside

We're increasingly positive on earnings as pressure from wage increases and interest rate-related costs eases, and are broadening our geographical exposure to widen the opportunity set in equity markets. The US economy remains the most resilient among developed markets, with strong Q1 earnings growth and a forecast of 11% for 2024. Prospects for the Eurozone, UK and Japan are also picking up as their economic cycles appear to have bottomed out.

Asia remains in good shape to deliver growth above the global average with its dynamic growth drivers. India is accelerating at full speed, supported by strong fundamentals and investment flows, while demand for artificial intelligence and memory chips are catalysts for South Korea. We also see signs of stabilisation in China's economy with decisive government support.

While opportunities abound, ongoing geopolitical risks and the unpredictable outcome of the US election are wild cards to watch out for. If past elections are any guide, markets tend to rally when the dust has settled. The prudent option is to remain invested in a well-diversified portfolio of quality assets across regions.

- **We continue to overweight global equities, diversifying into the US, Mexico, India, South Korea and Japan.**
- **A multi-asset strategy can help capture opportunities from different asset classes while managing downside risks.**

2. Unlock opportunities across sectors amid rate cuts and structural tailwinds

The broadening of cyclical momentum, fuelled by rate cut expectations and AI-led innovation should support earnings growth beyond technology. This is most evident in the US, where economic resilience and a strong labour market bode well for consumption while loan demand and a pick-up in mergers and acquisitions are positives for banks. The structural trends of US re-industrialisation and on-shoring/near-shoring of jobs are also helping to boost manufacturing activity in the industrials sector.

The cyclical tailwinds are also creating opportunities in Europe and Asia, where tech and consumer discretionary sectors can benefit from increased corporate and consumer spending. The high exposure of European consumer discretionary companies to the US is a bonus. Meanwhile, robust industrial production in India and China makes Asian industrials a bright spot for investors.

Some non-cyclical sectors are also faring well and shouldn't be missed. Innovation and product launches are raising sales expectations in healthcare, while utilities should gain traction from Asian investors looking for high dividends as interest rates fall.

- **We maintain a pro-cyclical stance in the US, favouring IT, communications, consumer discretionary, industrials, financials and healthcare.**
- **Our approach outside the US is more balanced. We prefer European IT, consumer discretionary, financials, energy and healthcare. In Asia, our overweight positions include IT, consumer discretionary and staples, communications, industrials and utilities.**

3. Lock in yields now to secure solid income streams

The risk of high-for-longer policy rates and inflation has caused bond market volatility. Although inflation has remained stickier than expected in the US in recent months, we maintain our view that the Fed will begin policy easing this year because: 1) the Personal Consumption Expenditure Price Index (the preferred Fed gauge) has made significant progress towards the Fed's target range; and 2) Fed policy has been in restrictive territory for much longer than in past cycles. And while we think the kick-off has now moved to September, this is still earlier than the markets expect.

With markets now pricing in a later start to Fed cuts, bond yields are close to multi-year highs. This provides a good opportunity to move cash into bonds and lock in attractive yields to earn a solid income stream. While bond yields can be locked in, cash returns can't. When cash rates are cut, there's a big opportunity cost for people who don't lock in bond yields now. Returns on bonds can be boosted further by price gains when the timing of rate cuts becomes clearer.

Although high yield has performed well and default risks aren't expected to accelerate, spreads remain tight, and we continue to focus on higher quality bonds for better risk-adjusted returns.

- **We overweight US Treasuries and UK gilts for a medium-to-long duration (7-10 years), while maintaining a medium duration preference (5-7 years) for investment grade bonds, preferably in US dollars. Indian local currency bonds remain attractive too.**
- **If investors prefer to invest for a shorter duration or have liquidity needs, putting money in short-dated bonds is a better option than sitting on cash.**

4. Position for sustainable growth with clean energy and biodiversity

Energy and biodiversity remain top priorities on the sustainability agendas of governments and corporates. The focus of investment and government policies provides good hints of where the opportunities lie.

With a global shift towards lower-carbon energy production, 2023 was another record year for investment, including a 17%[1] y-o-y increase for the energy transition theme, most notably in areas such as electrified transport, hydrogen, carbon capture and energy storage, as well as USD673 billion invested in renewable energy. Policy tailwinds will surely add to the momentum and set the direction to follow. For example, China increased the national target for reducing energy intensity per unit of GDP to 2.5% (from 2% in 2023) at its National People's Congress this year.

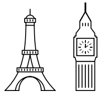
In view of the severe impact on natural ecosystems over the past 50 years, biodiversity has become a focal point for investors and environmentalists. The expansion of human activities in fishing, farming and manufacturing continues to put pressure on ecosystems, which could result in an estimated loss in global GDP of USD2.7 trillion by 2030.[2] There are growing initiatives and investment efforts aimed at conserving and restoring biodiversity.

- **We see structural investment opportunities focused on sustainable energy such as renewables, hydrogen, storage and carbon capture.**
- **Global agreements on biodiversity will have a meaningful impact in industries like food, pharmaceuticals and cosmetics.**

Sources: 1. Bloomberg New Energy Finance 2023; 2. World Bank: Economy faces huge losses if we fail to protect nature, World Economic Forum, July 2021.

Regional market outlook

Where should you invest your money?

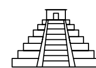


Eurozone and UK

While economic growth remains much lower in Europe than in the US, Europe is nevertheless coming out of recession and seeing better growth. Easing energy cost pressures, a mild pick-up in global trade and a stabilisation of Chinese demand are all positive factors. As the Eurozone equity markets are now trading at a significant discount to US equities and the ECB may cut rates before the Fed, we moved from an underweight to a neutral position on Eurozone stocks in Q1. We maintain our neutral view on the UK as well, as it seems to have turned the corner. European stock markets have less exposure to the strong growth in tech than the US does, but we still see a broad scope of opportunities.

United States

While high interest rates are starting to ease both the excessive strength in the labour market and inflation concerns, domestic growth remains strong. Innovation, driven in part by AI, is boosting investment and raising productivity. US tech firms are benefitting of course, but the benefits are spreading to other sectors as well. As a result of the resilient economic growth, earnings are well supported as cost pressures and interest payments start to ease. We maintain our overweight on US stocks and broaden our sector exposure, adopting a cyclical stance. As the Fed may cut slightly later than the central banks in Europe, we expect to see mild further USD strength.

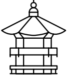


EM Latin America and EM EMEA

EM EMEA is benefitting from the prospect of global rate cuts and the stabilisation of the Eurozone economy. However, it remains vulnerable to geopolitical headlines due to its proximity to two devastating military conflicts. Latin America gains from near-shoring (or 'friend-shoring') activities as US companies bring their supply chains closer to home – a process which we expect to continue after the US election. The region's outlook should benefit from any improvement in Chinese demand and is further supported by a rate cut cycle that is already in progress.

Asia (ex-Japan)

Asia's equity markets provide a rich set of diverse opportunities. India's economic growth remains impressive, while its attractive long-term potential could be boosted further by increased reforms after the election. China's economic growth has found a bottom thanks to monetary and fiscal support, and the recent rebound shows that investors are looking for selective opportunities. South Korea is enjoying the renewed pick-up in global tech demand. We like to tap into all of these opportunities and achieve a good level of diversification.



Japan

We maintain a positive view on Japanese stocks as their earnings are supported by the weak JPY and a mild pick-up in domestic economic growth. As the country has exited a long period of deflation, consumer and business confidence have picked up. And investors are enjoying a much sharper focus on shareholder value creation, which is boosting dividends and share buybacks. Currency volatility is high and can affect returns, though we believe that following the sharp fall, JPY should stabilise as rate cuts in the US and Europe could reduce the yield disadvantage of JPY.

Note:

The above comments reflect a 6-month view (relatively short-term) on asset classes for a tactical asset allocation. For a full listing of HSBC's house view on asset classes and sectors, please refer to our Investment Monthly issued at the beginning of each month.

Key takeaways:

- COVID-19 has transformed the way of life and shopping behaviour of consumers across the globe.
- Digital shopping and casual dressing are some key consumption trends that have accelerated since.
- Brands have changed their manufacturing, marketing and communication strategies to adapt to the new normal.

Gamechangers: future consumers

How consumption trends are evolving

HSBC Global Research

Over the past four years, the global economy has faced a "snow globe" moment – where everything was shaken up and we're starting to get a clearer sense of how it's settling and what that will mean going forward. Some changes over the past four years are abundantly clear, from the dramatic rise in inflation which lifted interest rates to multi-decade highs to numerous geopolitical shifts and the seemingly irreversible shifts in working patterns, such as remote work, the most visible change. But behind these trends, the underlying fabric of the economy has changed enormously. This includes shifts in consumer patterns, with significant change in spending on athleisure, personalisation and travel as a result of the pandemic.

Spending habits have rotated

Following on from the shifts in spending from changes in birth rates, we've seen a number of clear spending pattern changes appear in the data already. At the height of the pandemic, as goods spending boomed and services spending was constrained by closures, there's much debate about whether this shift was permanent, or at least semi-permanent. Instead, it seems that while spending may have rotated in some areas, in others we have seen an acceleration. The share of spending by US consumers on services is rising quickly and could well get back to pre-pandemic levels in the coming years. That is despite some changes that have structurally shifted spending in certain areas of services. For example, spending on dry cleaning and public transport has been held back due to less office time, while the forced learning of how to survive without a hairdresser appears to have hung around for c20% of people.

Getting out and about

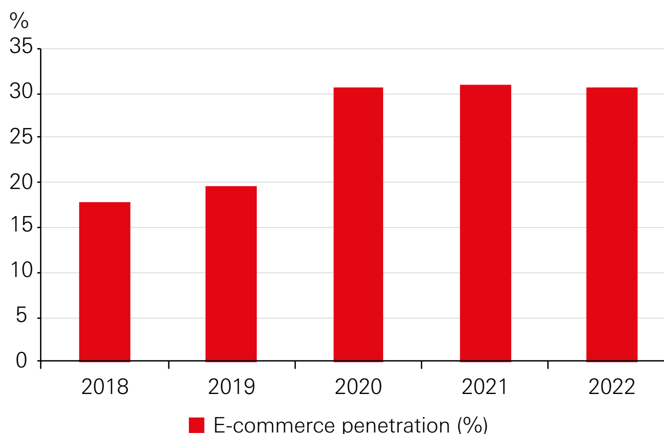
Other areas of the economy continue to see very strong demand previously shocked by the pandemic, notably travel and recreation, which continue to be fast-growing sectors of the consumer spending pie. The impact of this shift is clearly seen in the likes of Singapore, where "concert economics" has become a key growth driver in 2024, and in the spending data in other parts of the world: in the US monthly PCE data, live entertainment spending has soared back above pre-pandemic levels and is up more than 20% over the past year. The other area where spending looks to have moved to a new gear is travel. Globally, we've seen passenger numbers rebound quickly, with high-frequency data from the US TSA breaching record highs despite business travel remaining below pre-pandemic levels. Internationally,

there's a similar story, with Thailand seeing a faster recovery in tourists in Q4 than officials were expecting. Greece is now eyeing up more out-of-season tourism and parts of northern Europe are hoping to cash in on hotter temperatures in the south of the continent to attract tourists seeking cooler climates[1].

Shift to digital and omni-channel mindset

There has been a seismic shift in the way consumers shop, notably an acceleration in digital purchasing, ranging from daily grocery needs to purchasing a car (yes, a Tesla can be ordered online). At the start of pandemic-led restrictions, consumers were compelled to shop online, but this habit has stayed since. The percentage share of sales from online spiked during 2020-21 but started to moderate when countries began to open up but the overall penetration is now sustainably higher. Many companies have added omni-channel components to enhance the consumer experience. For instance, the emergence of click and collect or ordering online and returning in-store has transformed the way consumers shop.

E-commerce penetration in apparel and footwear industry globally



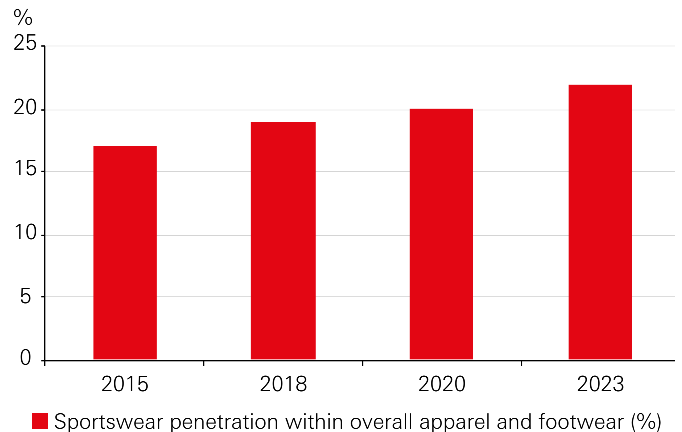
Source: Euromonitor, HSBC

Casualisation of clothing

This trend was seen for a while before COVID-19 but has accelerated since, driven by the hybrid and work-from-home culture. Consumers have changed their wardrobes and are dressing more casually with a reduction in the demand for formal suits and ties. The sale of athleisure products has been boosted since the pandemic and the sportswear industry has been growing at a faster pace than the overall apparel and footwear industry.

Source: 1. Travel groups are waking up to the risk of tourists seeking cool summers, Financial Times, 28 January 2024.

Sportswear penetration within overall apparel and footwear industry globally



Source: Euromonitor, HSBC

Personalisation and localisation

COVID-19 has highlighted the importance of empathy, understanding and making a genuine personal connection. Consumers began to feel connections with brands that communicated more directly with them, for instance by increased use of chat sessions on websites and holding virtual video consultations. In the personal luxury sector in particular, most brands now prefer consumers to make an appointment before visiting their flagship stores so that they can be served properly. Many luxury brands have also set up VIP rooms where their ultra-high-net-worth clients can enjoy a more customised and exclusive atmosphere.

The pandemic changed the way businesses deal with local consumers. Given the lack of tourists due to travel restrictions, brands had to rely heavily on local consumers for sales. For instance, luxury companies relied heavily on international tourists, notably in Europe, and never really focused on local consumers because of their "one-size-fits-all" approach. In other words, many luxury brands were developing products, communications and retail concepts centrally and imposing them around the world in an effort towards consistency and, to be fair, with a particular focus on Asia with the US and Europe being as bit of an afterthought. The COVID-19 crisis and the global shutdown forced brands to adapt to regional specificities.

Conclusion

The underlying fabric of the global economy is changing so much and so quickly that we need to think about these changes even more in the years to come. In terms of consumption, there has been a clear shift towards digital spending, a casualisation of clothing and more spending on recreation. At the same time, there is a greater emphasis on personalisation of shopping relationships and targeting customers through localisation. As a result, firms have changed their manufacturing, marketing and communication strategies to adapt to this new normal.

Seize the yield

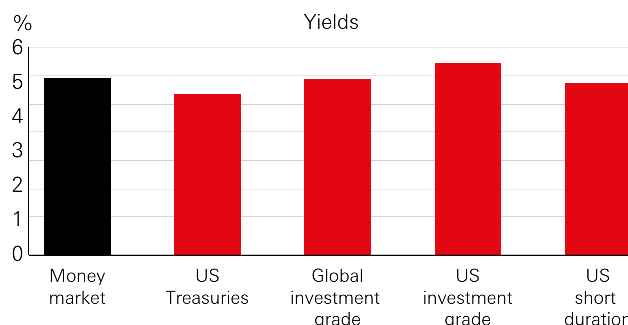
Profitable choices in fixed income for locking in returns

Brian Dunnett
Head of Fixed-Income Investment Specialists, HSBC Asset Management

Significant increases in interest rates have made the past two years a wonderful time for investors to accumulate attractive returns from their high-yielding savings account and money market funds. While there's no doubt that these investments may still offer appealing yields, we're now approaching a tipping point where yield is no longer the only consideration. With major central banks set to cut rates later in the year, returns from those investments will likely fall. It's now time to re-evaluate the potential benefits that fixed income can bring to investors.

Savings account rates and money market yields will drop as central banks cut rates, and investors are left with no possibility for capital appreciation in these instruments. Bond funds, however, offer a total return from coupon interest as well as potential capital gains as bond prices rise, should central banks cut interest rates as expected.

Importantly, many types of fixed income investments currently offer similar or even higher yields compared to money market funds.



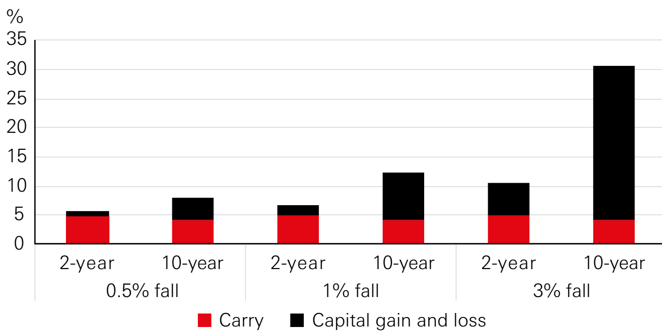
Source: Bloomberg, HSBC Asset Management, May 2024.

The extra advantage of fixed income over money market funds is the power of duration. Simply put, duration is the level of sensitivity of a bond to interest rates, meaning that a rise or fall of interest rates has a direct link with the level of returns related to the bond's duration: longer duration bonds have greater sensitivity to interest rates[1]. As such, in addition to receiving yields from fixed income investments, investors have the potential to realise capital gains as rates decline. These capital gains are particularly significant for longer duration products when rates fall.

Key takeaways:

- Historically, significant increases in interest rates have provided a prime opportunity for customers to accumulate income from bonds. With major central banks set to cut rates later in the year, bond yields will likely fall while prices will go up, creating potential for capital appreciation.
- Compelling returns can be found in high-quality bonds. Investors can choose between different strategies that involve hedging risks or locking in yields for the medium term.
- Fixed term bonds (FTBs) are regaining popularly as they allow investors to "lock-in" an attractive yield for a pre-determined period, usually around 4 years.

Estimated total return from falling yields

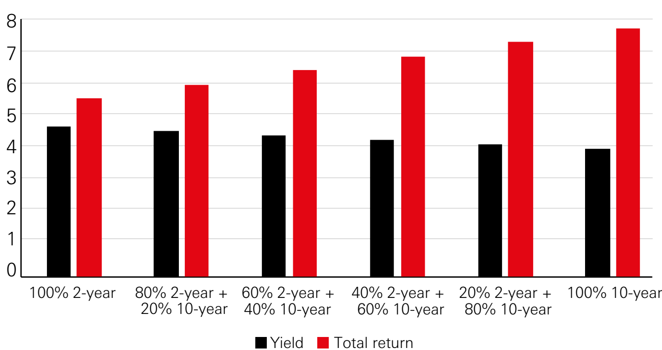


Source: Bloomberg, HSBC Asset Management, May 2024.

However, that doesn't mean all investors should solely focus on long duration investments. Short duration investments offer valuable benefits, including lower interest rate risk should rates move higher (although this is not our scenario). Furthermore, they currently provide high coupon income, known as carry, with short-term bond yields higher than longer-term yields due to expectations of lower interest rates ahead.

One strategy that some investors could consider is investing in short-term fixed income until clear signs of incoming central bank rate cuts are evident, before moving into longer duration strategies. To avoid timing the market, investors can take a barbell approach across the yield curve by allocating their investments across both short and long duration strategies according to their risk profile. This approach enables them to benefit from both the current income opportunity and the capital appreciation potential ahead.

Various combinations of short-term and long-term fixed income assuming 0.5% of cuts



Source: Bloomberg, HSBC Asset Management, May 2024.

In addition, there's an alternative option for accessing fixed income markets without the need to time the market or to worry about finding the right mix of short-term or long-term bonds. This option is through fixed term bonds (FTBs), which allow investors to "lock-in" an attractive yield for a pre-determined period, usually around 4 years.

The advantage of an FTB is that the portfolio manager builds a portfolio of investment grade and high yield bonds which can be held during the term thanks to thorough credit analysis. Since all the bonds are held until maturity, investors know from the start what the portfolio's yield will be during the term[2]. Investors can choose to receive regular income from the bonds paid out (distributing share class) or have the coupons reinvested (accumulation share class). Furthermore, most FTBs offer daily liquidity and the option to redeem[3] before full term, providing investors with flexibility.

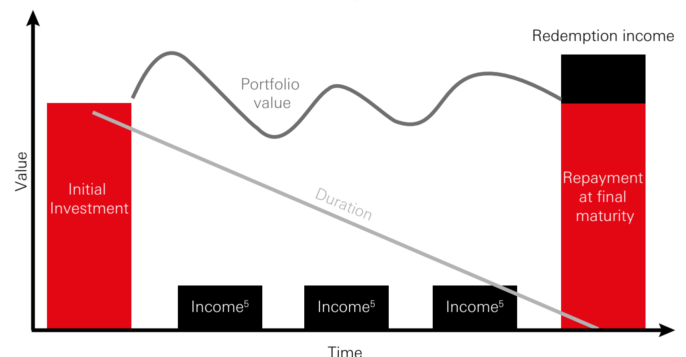
How an FTB works

The first day the fund is launched, its Net Asset Value (NAV) starts at a round number, generally 10 or 100. During the life of the fund, the value of the portfolio will change from day to day, depending on bond price movements. Towards the end of the term, the portfolio's duration will diminish and the quality of the portfolio tends to increase, as some of the bonds may have previously matured and the proceeds are generally invested in high quality short-term bonds and cash-like instruments. At the end of the term, investors are paid back their initial capital plus the last interest payment.

The NAV for the distributing share classes will go back to the starting point, signifying that the investor has received the yield of the fund as income. For accumulation share classes, the NAV will rise above the starting point, reflecting the re-invested income from the coupons[4].

Sometimes, investors can receive an additional capital gain. This happens when the portfolio manager is able to make arbitrage investments during the life of the portfolio and increase the yield of the portfolio when such opportunities arise.

Fixed term bond fund example



Given the high yields that fixed income currently offers and anticipated rate cuts in 2024 and beyond, it's certainly a good time to consider how best to take advantage of fixed income investments. There are many options… which will you choose?

[1]Example: if a bond has a duration of 3 years and interest rates immediately fall by 1%, all things being equal, this represents a capital gain of 3%. Likewise, this would represent a 6% capital gain for a bond with a duration of 6 years.
[2]Assuming no defaults or major changes to the portfolio. Capital loss can occur in the case of an early redemption if markets have sold off.
[3]Certain conditions may apply, such as swing pricing or redemption fees.
[4]The final NAV may be lower than anticipated in case of unforeseen events. It's important for an investor to fully understand the risks associated with fixed term bonds as they're generally not designed as guaranteed products.
[5]Income is paid for distribution share classes. For accumulation share classes, income is reinvested.

Glossary

Alternative investments: a broad term referring to investments other than traditional cash and bonds. They may include real estate, hedge funds, private equities and commodities investments, among other things. Some of these investments may offer diversification benefits within a portfolio.

Asset class: a group of securities that show similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations. The main asset classes are equities, fixed income and commodities.

Asset allocation: the allocation of funds held on behalf of an investor to various categories of assets such as equities, bonds and others, based on their investment objectives.

Company fundamentals: the intrinsic value of a company as analysed by looking at its revenue, expenses, assets, liabilities and other financial aspects.

Diversification: often referred to as "not putting all your eggs in one basket", diversification means to invest in a variety of different markets, products and securities to spread the risk of loss.

Fiscal policy: the use of government spending and tax policies to influence macroeconomic conditions such as aggregate demand, employment, inflation and economic growth.

Investment strategy: the internal guidelines that a fund follows in investing the money received from its investors.

Inflation: the rise in the general price levels of goods and services in an economy over a period of time.

Monetary policy: the process by which the authorities of a country control the supply of money. This often involves targeting a rate of interest for the purpose of promoting economic growth and stability.

Quantitative easing (QE): also known as large-scale asset purchases, a monetary policy whereby a central bank buys government securities or other financial assets from the market in order to increase the money supply and encourage lending and investment.

Strategic asset allocation: a practice of maintaining a mix of asset classes which should meet an investor's risk and return objectives over a long-term horizon and is not intended to take advantage of short-term market opportunities.

Tactical asset allocation: an active management strategy that deviates from the long-term strategic asset allocation in order to capitalise on economic or market conditions that may offer near-term opportunities.

Tapering: the reduction of the interest rate at which a central bank accumulates new assets on its balance sheet under a policy of QE.

Volatility: a term for the fluctuation in the price of financial instruments over time.

Contributors

Willem Sels
Global Chief Investment Officer, HSBC Global Private Banking and Wealth

Willem joined HSBC Private Banking in 2009, where his career has spanned Fixed Income, Investment Research, leading the UK Investment Group and most recently the role of Chief Market Strategist. He chairs the Global Investment Committee of the Global CIO Office for Private Banking and Wealth. Willem holds an MBA from the University of Chicago and an MSc from the University of Louvain (Belgium).

Lucia Ku
Global Head of Wealth Insights, HSBC Wealth and Personal Banking

Lucia leads the Wealth Insights function with a focus on the development of its content strategy and delivery of key content initiatives to drive Insights consumption across different channels. She is also responsible for leveraging the firm's research capabilities to enhance our Insights offering to wealth clients in Asia and globally. Previously, she worked at a number of banks and asset managers, including HSBC Asset Management.

Ivy Suen
Senior Wealth Insights Manager, HSBC Wealth and Personal Banking

Ivy leads the creation of market insights, thought leadership initiatives and the delivery of an ESG-focused content strategy as part of HSBC's core investment philosophy. Previously, she launched initiatives for HSBC Premier and International in Hong Kong, connecting clients with tailored multi-channel services and initiatives for their portfolio growth.

Guest contributor

Brian Dunnett
Head of Fixed Income Investment Specialists, HSBC Asset Management

Brian is the NYC-based Head of Investment Specialists for HSBC's fixed income capabilities. He joined HSBC Global Asset Management in July 2006 and has had several Investment Specialist roles within the fixed income platform, including global credit, emerging markets debt and Euro credit. Prior to joining HSBC, he was at Société Générale, promoting the bank's treasury and FX solutions, before heading the European consultant relations team at Société Générale Asset Management. Brian holds a Masters in Banking and Finance from the University of Rennes II, and a Masters in Management from ESC Nice and a B.A. in Quantitative Economics and Decision Sciences from the University of California at San Diego.

Disclosure appendix

1. The article "Gamechangers: future consumers. How consumption trends are evolving" is dated as at 10 May 2024.
2. All market data included in this report are dated as at close 9 May 2024, unless a different date and/or a specific time of day is indicated in the report.
3. HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
4. You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument.

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, 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 oversought 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, and HSBC FinTech Services (Shanghai) Company Limited and HSBC Mexico, S.A. Multiple Banking Institution HSBC Financial Group (collectively, the "Distributors") 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-authorised 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 is a distributor of mutual funds and referrer of investment products from third party entities registered and regulated in India. HSBC India does not distribute investment products to those persons who are either the citizens or residents of United States of America (USA), Canada, Australia or New Zealand or any other jurisdiction where such distribution would be contrary to law or regulation.

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"): PT Bank HSBC Indonesia ("HBID") is licensed and supervised by Indonesia Financial Services Authority ("OJK"). Customer must understand that historical performance does not guarantee future performance. Investment product that are offered in HBID is third party products, HBID is a selling agent for third party product such as Mutual Fund and Bonds. HBID and HSBC Group (HSBC Holdings Plc and its subsidiaries and associates company or any of its branches) does not guarantee the underlying investment, principal or return on customer investment. Investment in Mutual Funds and Bonds is not covered by the deposit insurance program of the Indonesian Deposit Insurance Corporation (LPS).

Important information on ESG and sustainable investing

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.

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.

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 2024. 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, on 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.

HSBC | Opening up a world of opportunity