

**Think Wealth** Client Connect

## The Next Market Order: Forces Reshaping Regional Markets – Josh Frydenberg

Desmond Kuang:

Welcome to HSBC Think Wealth Client Connect series. Today, I'm pleased to be joined by Josh Frydenberg, Chairman of Goldman Sachs Australia and New Zealand. He's also the former Treasurer of Australia, deputy leader of the Liberal Party and one of the country's most experienced voices on economic, energy and geopolitical issues. Josh, it's great to have you with us.

Josh Frydenberg:

Nice to be with you, Desmond.

Desmond Kuang:

Josh, the recent U.S. summit has been seen as a step towards stability with markets reacting positively. Do you agree that the Trump-Xi meeting was a success?

Josh Frydenberg:

I thought the meeting between President Xi and President Trump was very significant and very successful for a number of reasons.

Firstly, this will be one of the expected four meetings this year. So, the fact that the two leaders speaking regularly is a positive.

Secondly, President Trump's delegation was very senior on both the political side and the commercial side, signaled the president's intent to make this very much a strong, productive, commercially orientated visit.

And then finally, the outcomes were practical. The Chinese agreeing to buy a Boeing aircraft as well as more U.S agriculture, that's a positive.

Desmond Kuang:

Thank you. Josh, that sounds indeed pretty constructive. The next question, I want to move on to supply chain and our part of the world. Well, there has been a lot of investment into ASEAN due to geopolitics and supply chain shift. What should local governments do to prioritise and turn this into a sustainable long-term growth?

Josh Frydenberg:

I think it's really important that governments focus on their strengths and their economies comparative advantages. And if you look within ASEAN, countries like Vietnam and Malaysia, are very advanced in the tech manufacturing sector in terms of assembly, testing and packaging. So, I think there are opportunities for countries in Southeast Asia to play to their strength and for government to encourage that.

Desmond Kuang:

Josh, recent Middle East conflicts have certainly exposed energy vulnerabilities. How have these conflicts changed long-term energy planning in the region?

Josh Frydenberg:

Well, the war with Iran not just led to a spike in energy prices, but it also led to significant destruction of some energy facilities. In terms of energy policy going forward, longer term, I think we're going to see more nuclear power in the mix. And as AI increases dramatically, the demand for energy and obviously the datacentres that come with it, there's also going to be a greater need for reliable, long

term, low-emission, power source.

Desmond Kuang:

We've been used to globalisation and cheap energy costs and that have kept inflation low. Now, with reshoring, resilient spending and all of the low carbon transition, are we heading towards a structurally higher inflation and positively interest rate environment? What adjustment should policymakers do?

Josh Frydenberg:

Inflation is higher and interest rates as a result have been higher as well.

So you referred to bottlenecks and credit demand for some commodities, all of which, impacting on input prices into the supply chains and therefore being passed on in the form of higher prices leading to higher inflation. But on the demand side, we've also seen government spending increase quite dramatically. If governments are going to contain their spending, then that could have a positive impact in helping to bring down inflation over time.

Desmond Kuang:

Thank you. Josh, you just mentioned that there is going to be a surge in global demand due to a government push for energy independence and more resilient supply chains. And that's arguably speaking, playing right into the core of Australia. So how is Canberra positioning itself in this global surge in demand?

Josh Frydenberg:

Australia is obviously a big energy producer, we're the third largest LNG producer in the world, behind United States and Qatar. With respect to these supply chains and with respect to critical minerals and rare earths, we're moving to the processing phase, as well as obviously having been in the mining phase. So, Australia is partnering with likeminded countries, for example the United States.

There's also a strategic reserve and framework that's been put in place domestically to focus on critical minerals development. And that's what Australia is trying to do to capitalise on the demand for a lot of these commodities as we go into the AI boom.

Desmond Kuang:

Well, Josh, thank you for all the clear and insightful perspectives on geopolitics, energy and a regional role in the evolving global economy, very valuable takeaways for investors and businesses across the region. Thank you for your time and joining HSBC Think Wealth.

Josh Frydenberg:

It's a pleasure, Desmond. Thank you.