

Think Wealth Visionaries - Cathie Wood

Sami:

I'm delighted today to welcome Cathie Wood. So Cathie, it's great to see you again. And it's also an extra privilege to welcome you to our HSBC Premier Elite Wealth Centre in the ICC in Hong Kong.

Cathie:

I am stunned by these views. This is the most beautiful view from any office building in the world.

Sami:

I think the strength in U.S. equities has been phenomenal. But a lot of people are still worried about inflation, about where valuations are at. And all the other events that are happening that potentially could disrupt markets and tariffs. So you're characterising it as climbing a wall of worry. Does that continue in your view?

Cathie:

Yes. And I think what's happening is that the headlines are capturing the worries. But underneath there are some very powerful forces at work. This administration, with its tax cuts that I don't think people understand are going to propel the economy forward and encourage massive productivity gains. I also think that the productivity gains, associated with this innovation, are going to lower inflation to a surprisingly low level. And, we do believe that as the economy takes off, productivity gains will help drive inflation below 2%, potentially to 0%.

Sami:

What does the Fed do in that environment?

Cathie:

Yes. Well, we've been through a rolling recession. It's now hitting employment harder. The Fed therefore is considering more rate cuts. And if at the same time inflation settles down and breaks below 2% then we're going to see more than one rate cut. And I think the market is also beginning to discount that as well.

Sami:

So let's turn to the inevitable topic. The one that is obviously close to

your heart, which is AI. But let's start with looking at developments in open source, because OpenAI released two open-source models. Do you see that as a major change? How do you think that impacts the competitive landscape?

Cathie:

Well, I think the open-source movement, it was led initially in the US by Meta platforms but even more than we understood, it was led by China with DeepSeek and all of the other open-source models. We think this is fantastic for innovation. I don't think people understand how quickly AI costs are dropping. AI training costs are dropping 75% per year. AI inference costs, are dropping anywhere from 85% to 98% per year. When the cost of anything drops that dramatically you're going to get a lot more of it.

Sami:

And one of the areas that you talk about often which is hugely impacted by AI is healthcare. What areas in healthcare do you think are most interesting because you've characterised it as a quite an underappreciated sector as a beneficiary of AI?

Cathie:

We believe the most profound application of AI is in healthcare. We think it's going to extend human life as we are able to diagnose cancer and other diseases from blood tests in much earlier stages than we can now.

Sami:

You mentioned robotaxis, which is an area that you've been very bullish on. Is that progressing at the pace that you expected it? Are we hitting that inflection point? Do you feel in the manufacturing process and the readiness for robotaxis to really take off?

Cathie:

Well, as usual with innovation, it's slowly, slowly. Then all at once we're moving into the all-at-once phase now. We are getting ready for prime time for robotaxis.

Sami:

According to your research 20 to 50% of employee tasks at some companies are handled by AI today. I mean, this is obviously going

to have an impact on the job market, presumably. So how do you see that? Is it a displacement story? Or is it about new opportunities and new jobs being created in areas that we hadn't thought of before?

Cathie:

Well, we think it's both but we think that the market has been focusing too much on job losses because they're happening mostly in the technology companies, the coders, the developers. So that's become a big headline. But the opportunities that are being created out of AI are also enormous.

Sami:

I'm sure many people would like to know what in your mind is that one big idea that people aren't yet looking at? That they may think is too far-fetched?

Cathie:

Large pharma and biotech companies are facing a patent cliff they'll lose USD300 billion in the next five years as patents run out. So a lot of fear and caution in the healthcare space. I think that is the most underestimated place for innovation.

Sami:

Well, Cathie, thank you so much for coming today. It's been incredibly insightful, as always.

Cathie:

My great pleasure, and thank you for our partnership
We are just delighted to be partnered with HSBC.