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Video Transcript

HSBC Investment Outlook – February 2024 Monthly View
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In the past few weeks, we have met many clients around the world as we presented and discussed our 2024 investment outlook. The key clients questions relate to the interest rate outlook, the prospects for global growth and how investors should handle geopolitical uncertainties.

Now our view remains that diversified portfolio strategies should do well in 2024, and we continue to use the dips in the market to put cash to work. Now, following the strong rally in both equity and bond markets in November and December of last year, some consolidation was of course, to be expected.

Markets at one point enthusiastically clearly priced in more than six US rate cuts for this year. But as they now gradually become more realistic, bond yields have picked up somewhat. Now, the reason why we see this as an opportunity to step in is that real yields on medium-to-long duration bonds are too high for the current level of growth, and when they come down, this should support bonds in 2024.

So therefore extending duration in high quality bonds remains one of our key priorities. Now the outlook for global growth and for earnings remains more constructive than some commentators fear. The US in particular remains resilient, and many economists are raising their US growth forecasts, while business confidence and consumer sentiment are also picking up.

And of course, all of this and the recent positive news from the semiconductor side support our US equity market overweight, and should also help the continued rebound of the US dollar. So we maintain our broad exposure to US stocks with overweights not only in technology, but also in US industrials, communications, consumer discretionary, healthcare and financials.

In Asia, industry data continue to illustrate active diversification strategies, both by global and local investors, because China's equity market remains volatile. A rescue package including the establishment of a stock market stabilisation fund, could provide near-term support. But a more sustainable recovery of Chinese equities would require more significant policy stimulus to restore business and consumer confidence and to mitigate the structural headwinds that remain in the property market.

We therefore maintain a neutral position on both mainland China and Hong Kong equities with a highly selective positioning in consumer services leaders, in IT hardware linked with AI innovation and winners in the electric vehicle supply chain. Within emerging Asia, we see much more promising growth opportunities outside China, in India and Indonesia, which stand out as the structural growth leaders in Asia, while South Korea benefits from the AI-driven recovery of the memory sector.

Now, of course, the busy election calendar, uncertainty in the Red Sea, mixed data flow and central bank meetings will lead to volatility, which we need to manage. But to do that, a multi-asset approach with global diversification as well as alternatives is our preferred approach. We see opportunities in private credit and in infrastructure assets, where appropriate, because they are supported by strong structural trends and attractive yield levels, and they also provide further diversification in income focussed portfolios.

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