

HSBC IO 2019 April Monthly - Willem Sels video

My name is Willem Sels and I'm the Global Chief Market Strategist for HSBC Private Banking.

Markets have rallied quite sharply since the start of the year, but we think we are entering a period of consolidation.

They have been rallying anticipation of a China-US trade deal, but we think we now need to see this deal materialise for markets to rally further on the back of this.

They have also been supported by a more dovish Fed. We do think that we will get an interest rate hike from the Fed this year, but we don't think this is going to be an obstacle for markets.

Nevertheless, this more dovish sentiment is going to fade as a tail wind for markets going forward in our view.

So, where we think the support for markets will come from - maybe a little bit counterintuitively - is from the economic cycle, which we think is actually not going to be as bad as people fear.

In the US in particular, we see some support for economic growth and earnings growth in the second quarter. And you can actually see this in the market action, where cyclicals have started to outperform. Technology as well is a sector that is doing relatively well.

So, we remain invested. And through this period of consolidation, we think it's important to have an element of yield as well to the portfolio in the form of USD investment grade and of emerging market hard currency debt to add to the returns.

We also remain exposed in the US and in Asia, two areas that we are overweight, because we think they will benefit significantly when that trade deal materialises.

All of this is explained in our Monthly, but also in our Quarterly Investment Outlook piece that we publish on the 25th of March and it called "An unloved rally".

We hope that you'll have a look and think you'll find it an interesting read.