

## **HSBC Global Private Banking and Wealth Q4 2023 Outlook: Seeking the less usual suspects**

- ***Largest overweight positions are high quality medium-duration credit and US Treasuries, supported by peak Fed rates***
- ***Equities require a broadened opportunity set – beyond US mega caps and largest economies – due to valuations and a multi-speed economy***

**8 September 2023** – In its latest quarterly investment outlook, HSBC Global Private Banking and Wealth identifies opportunities against a backdrop of plateauing rates and a broadly supportive growth-inflation mix for markets. A tenet of its Q4 2023 portfolio strategy is to broaden the opportunity set to the less usual suspects, to help clients navigate the concentrated outperformance seen in specific equity sectors and country allocations.

The global private bank has four investment priorities for the fourth quarter:

- Lock in bond yields of medium duration quality credit
- Broaden the opportunity set in equities
- Position for the structural shift towards sustainability
- Manage risks through uncorrelated assets and volatility strategies

### **Rate hikes: an end in sight**

HSBC Global Private Banking and Wealth believes the Federal Reserve has finished hiking rates, and that the European Central Bank and Bank of England will soon follow suit. The end of the Fed's hiking cycle provides supportive conditions for bond markets, and therefore HSBC Global Private Banking and Wealth keeps high quality medium-duration credit and US Treasuries as its largest overweight positions.

### **Equity opportunities: unusual suspects**

The environment of peak rates has also been a significant support for growth stocks, particularly the technology mega caps in the US. As the US economy remains resilient, HSBC Global Private Banking and Wealth believes this sets the scene for a broadened equity rally beyond those 'usual suspects'. While maintaining an overweight on US technology, it sees additional opportunities in US industrials, financials, consumer discretionary and healthcare.

This view applies to country allocations as well, with the team taking a positive stance on stocks in India, Indonesia, Mexico and Brazil – beyond its overweight on the US. The cyclical outlook is supportive in India and Indonesia, which benefit from supply chain diversification, as well as the rapid digitalisation of India's economy.

Thematically, HSBC Global Private Banking and Wealth has added two new US themes to its existing consumer-focused American Resilience theme, specifically: US Industrial Resurgence and Innovation & Opportunities in US Healthcare. These additions demonstrate the global private bank's broad optimism on US stocks and its willingness to look beyond the usual suspects.

### **Positioning for the structural shift towards sustainability**

Significant investments in the net zero transition are a positive across the Asia region as well, speaking to the ongoing investment priority of positioning for economic shifts towards long-term sustainability. High conviction themes include energy transition and independence, investing in biodiversity and Asia's green transformation.

### **Navigating volatility**

To complete its approach, HSBC Global Private Banking and Wealth adds hedge funds and volatility strategies, to take advantage of dispersion and to temper any volatility from temporary regime shifts.

**Willem Sels, Global Chief Investment Officer at HSBC Global Private Banking and Wealth** added: "After the Fed stops hiking, both bonds and equities tend to do well. So we continue to advocate that people invest their cash. But we really emphasise quality, both in terms of bond ratings and quality earnings, and clear differentiation on that basis. Thematically, we continue to strongly believe in the structural growth in Asia, the digital economy and the sustainability revolution. These trends intersect and reinforce each other, which is why we continue to look for the best ways to invest in them."

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#### **Disclosure**

The value of investments and income from them can fall and you might get back less than you invest. Investments in emerging markets may be extremely volatile and subject to sudden fluctuations of varying magnitude due to a wide range of influences.

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