

Spinning Around

Investment outlook 2025

Financial Investigator Seminar, November 14th 2024
Joe Little, Global Chief Strategist



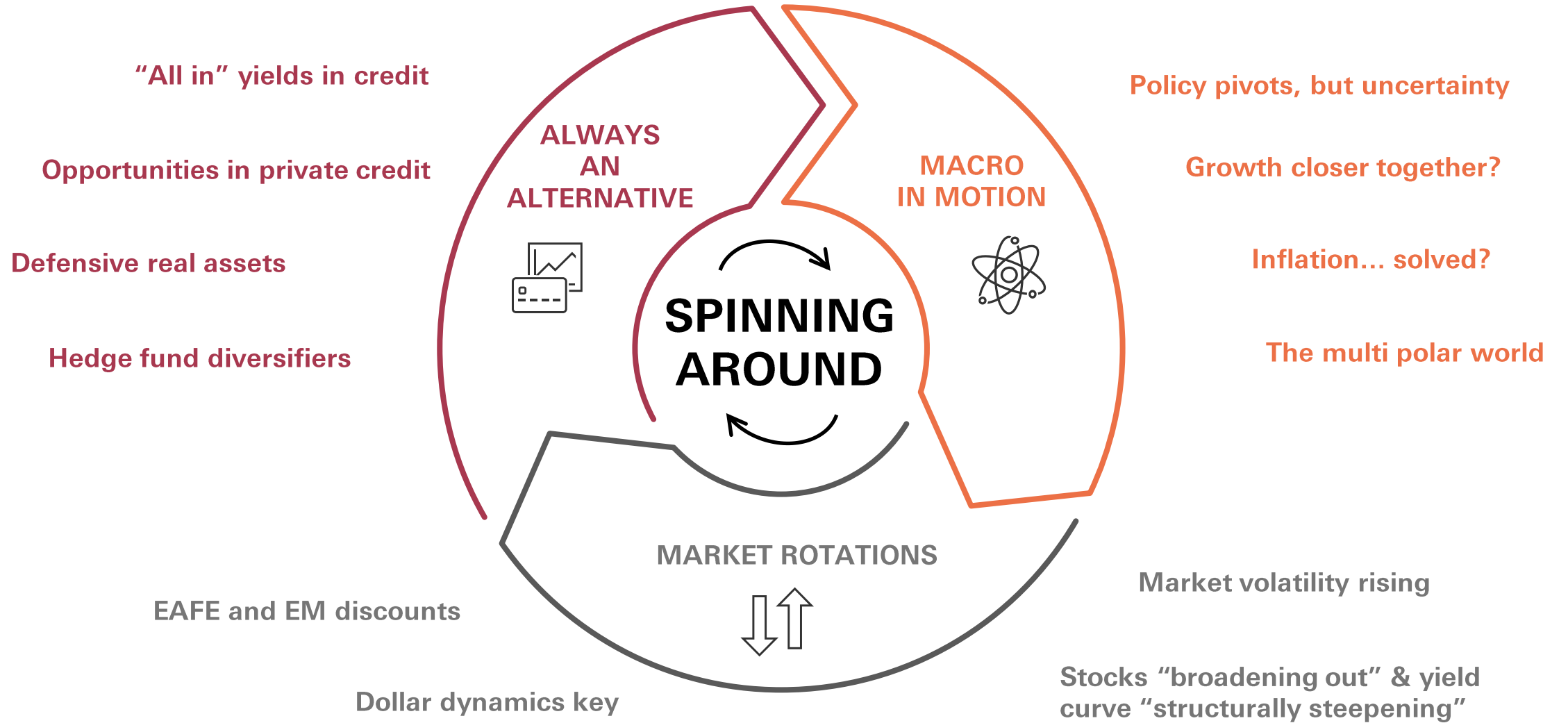
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HSBC Asset Management

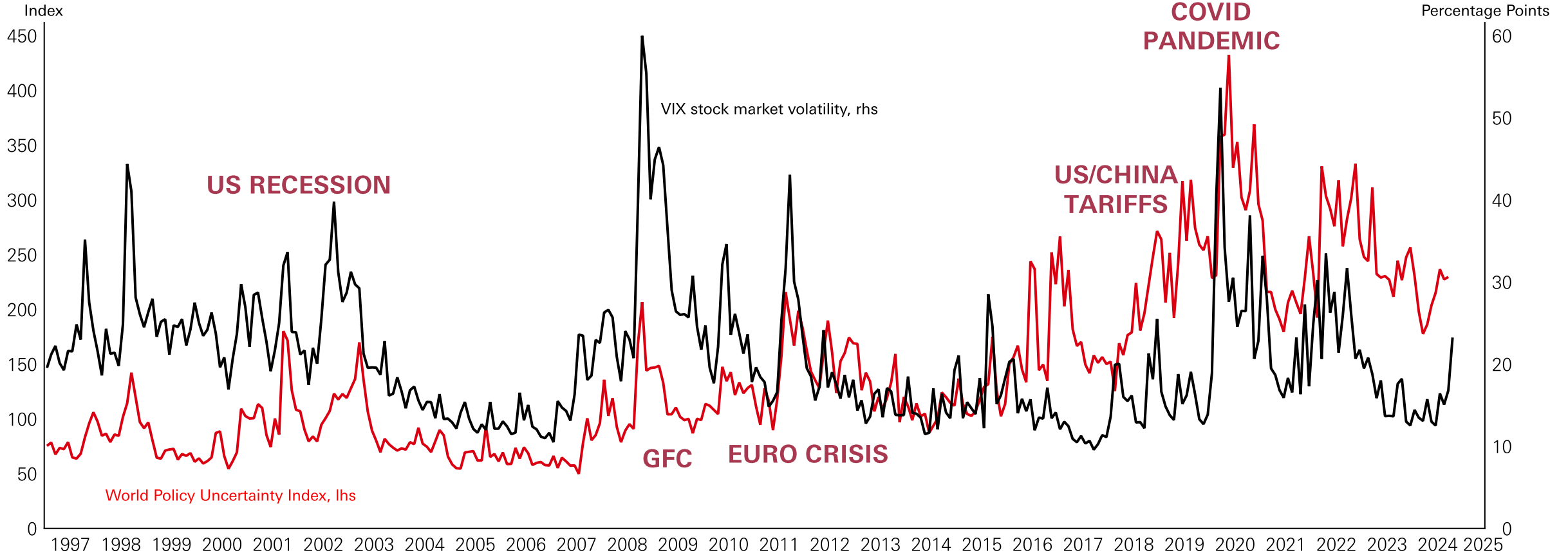
Opening up a world of opportunity



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A complicated economic outlook

World policy uncertainty index and VIX volatility



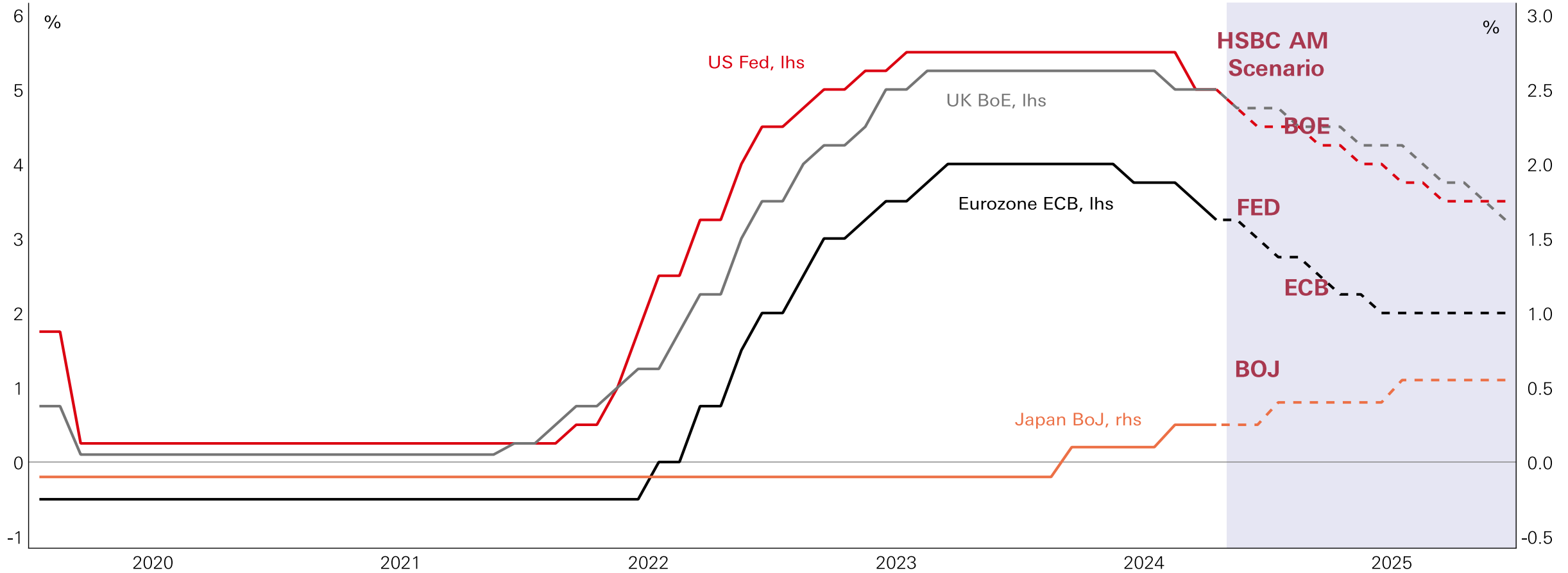
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Source: Bloomberg, HSBC Asset Management, November 2024.

A shallow rate cutting cycle

Central bank policy now focused on labour markets, not inflation

Central bank rates and forecasts



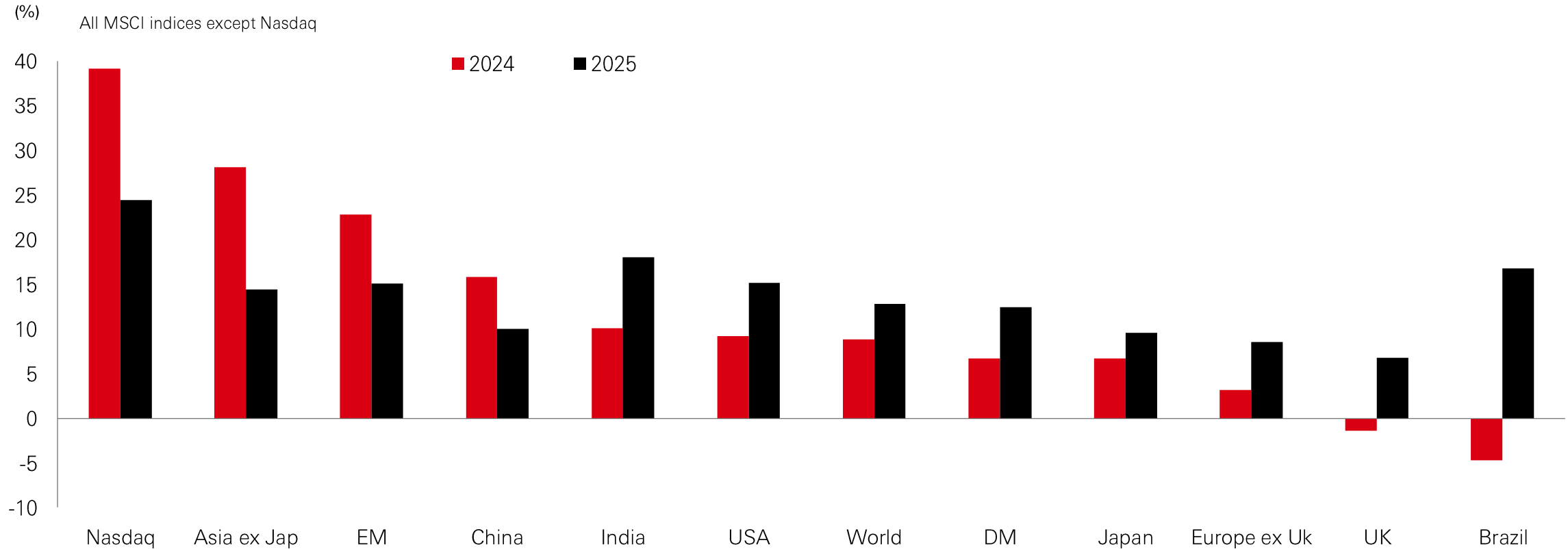
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Profits growth is set to “broaden out”

Profits growth across major stock markets

Global EPS growth in 2024 and 2025



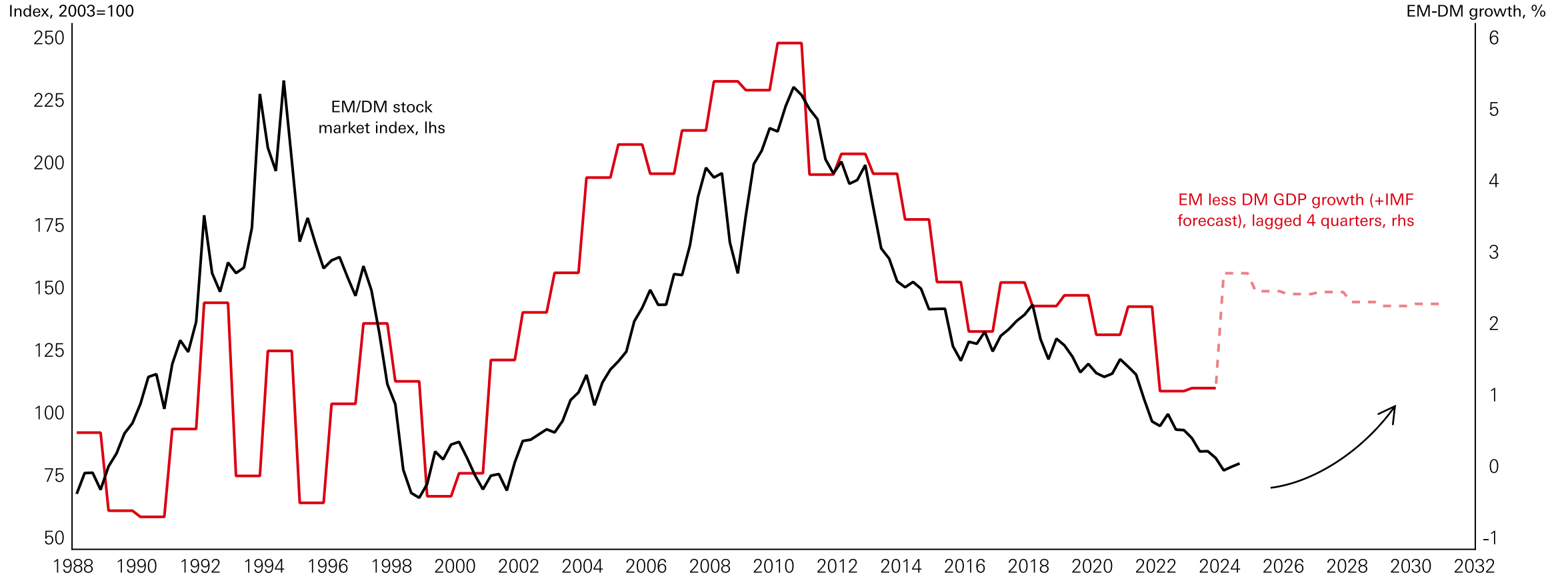
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EM growth premium

Cooling US growth, resilient EMs -> a rising growth premium

EM-DM relative growth and stock market performance

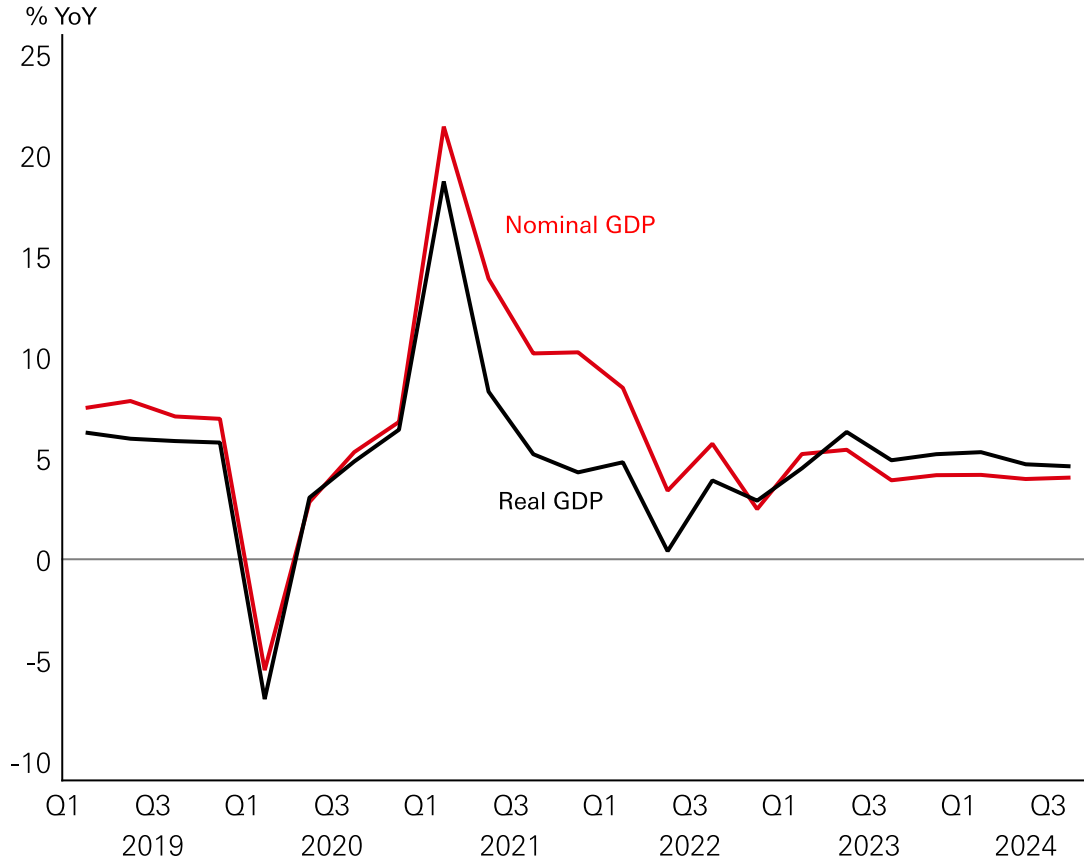


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Stimulus measures a key focus for EM investors

China's challenge



A comprehensive policy response



Property measures – including mortgage rate repricing & support for property de-stocking

Monetary policy – rate cuts, plus forward guidance from PBoC



Capital markets – swap facility, relending facility, & stabilisation fund

A ramp-up of **fiscal policy** measures

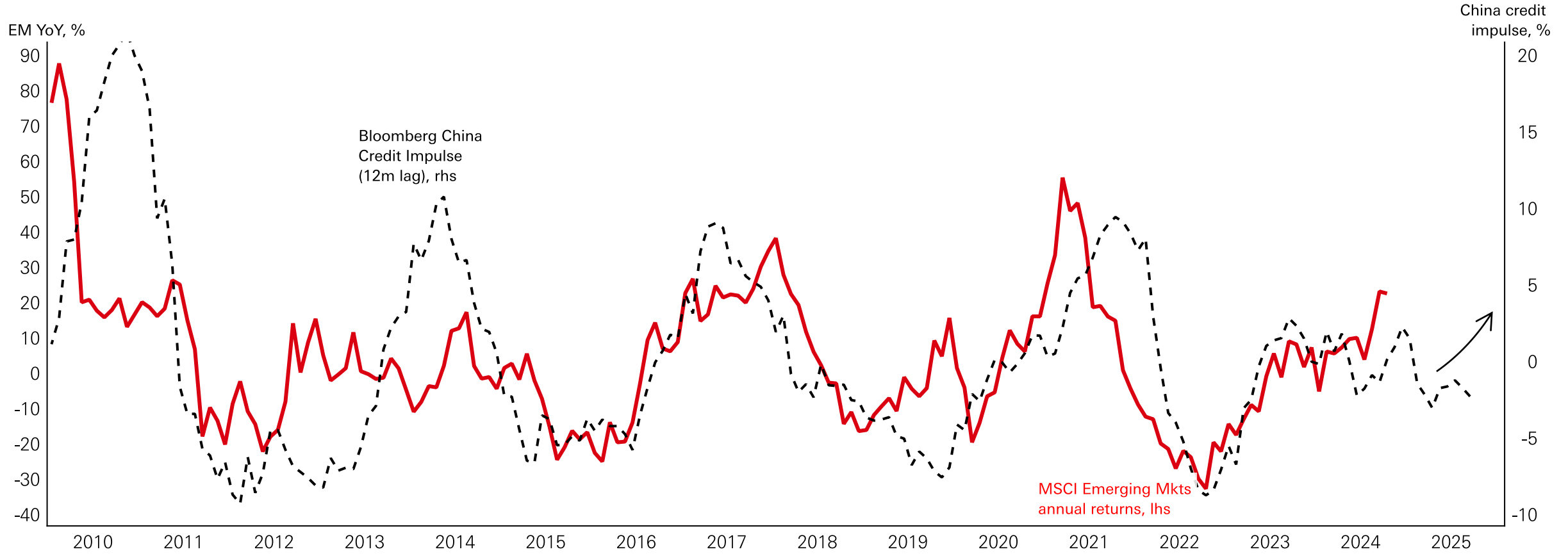


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Stimulus measures a key focus for EM investors

China credit stimulus and EM returns

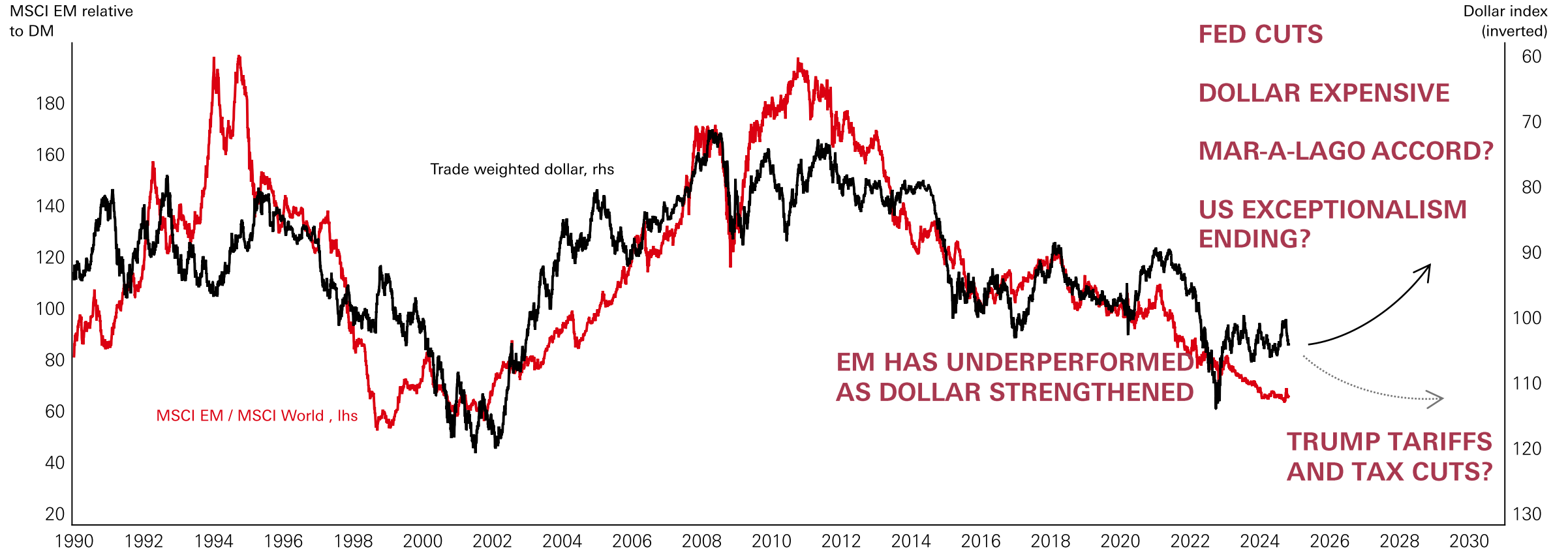


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Weaker dollar as a catalyst for emerging markets

Weaker dollar should help EMs to outperform



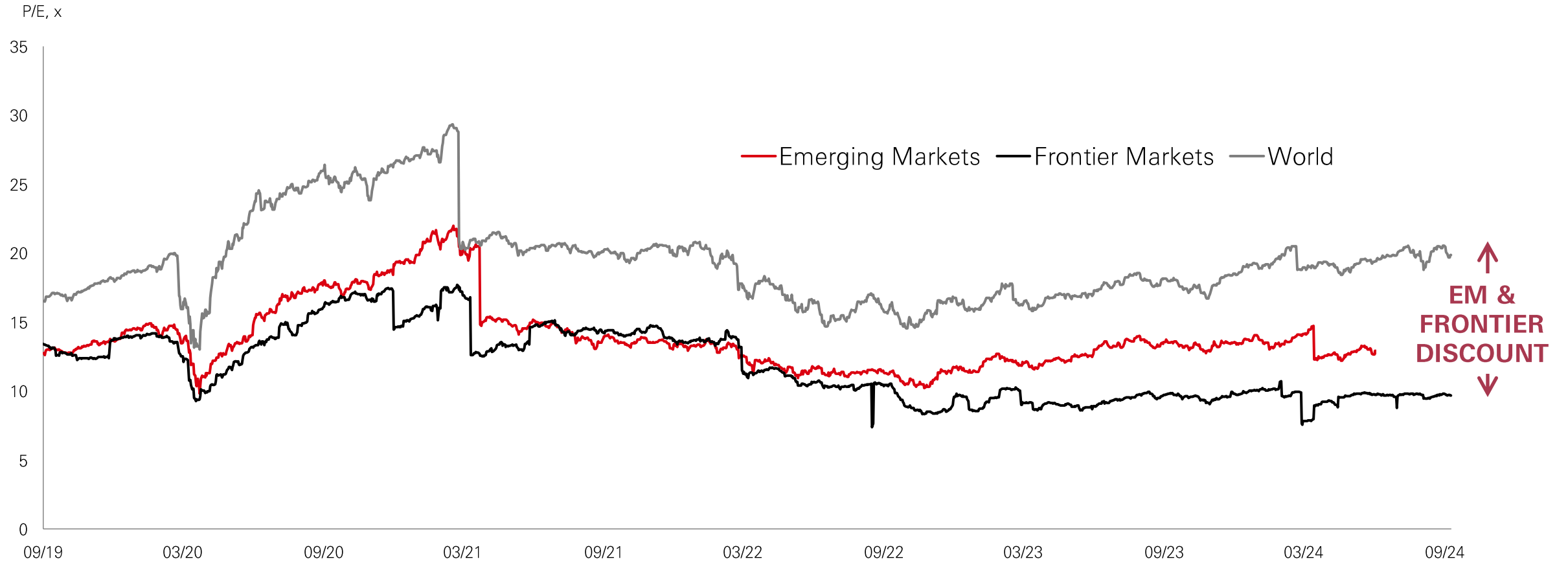
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EM and Frontier markets trade at a discount

EM stock market valuations undemanding

Price-to-earnings ratio of major MSCI indices



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Investments in emerging markets have by nature higher risk and are potentially more volatile than those made in developed countries. Markets are not always well regulated or efficient and investments can be affected by reduced liquidity.

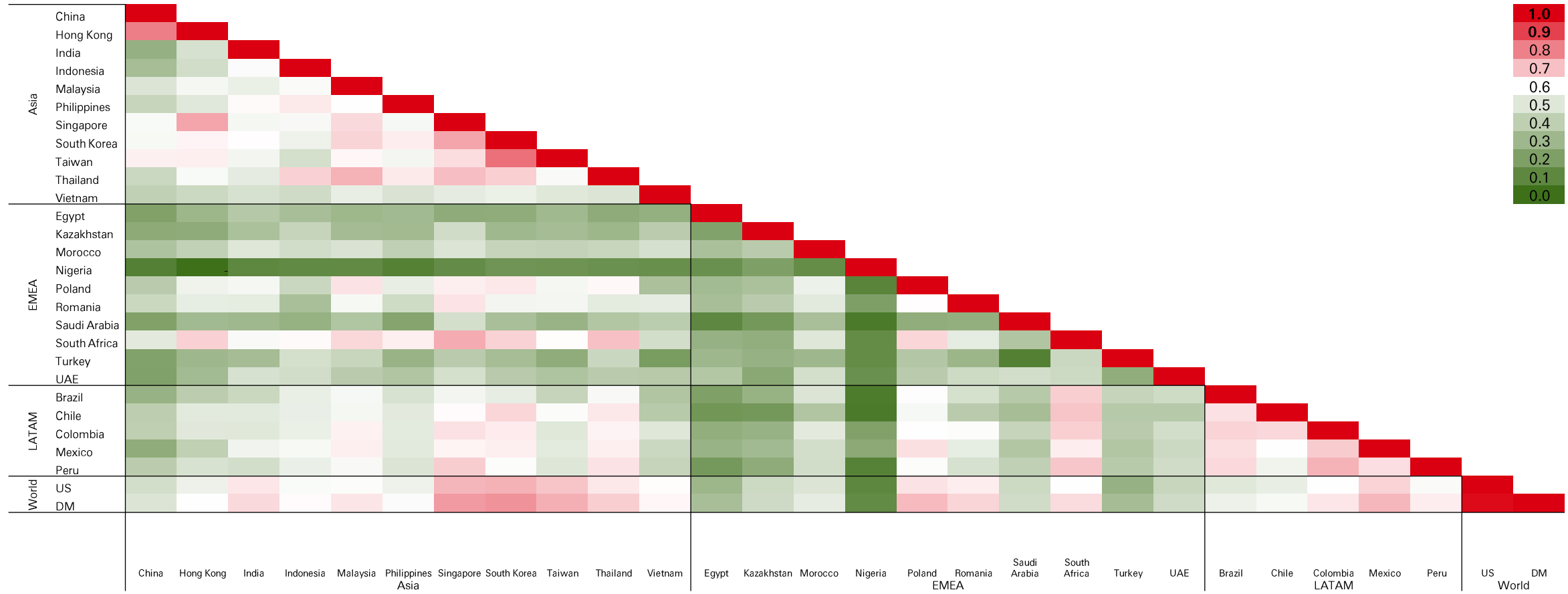


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EMs are becoming more idiosyncratic

EM correlations are lower than you might think



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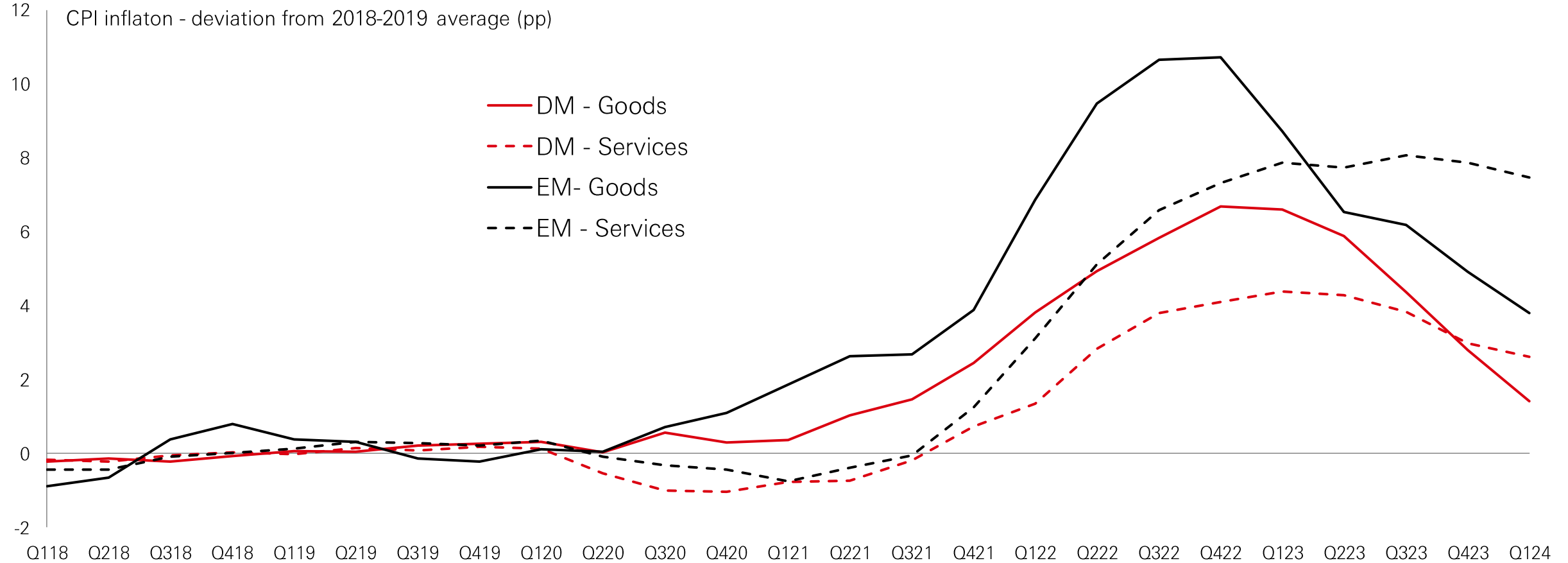
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Important to monitor EM inflation trends

Domestic price pressures remain a challenge, reducing policy space

EM versus DM inflation



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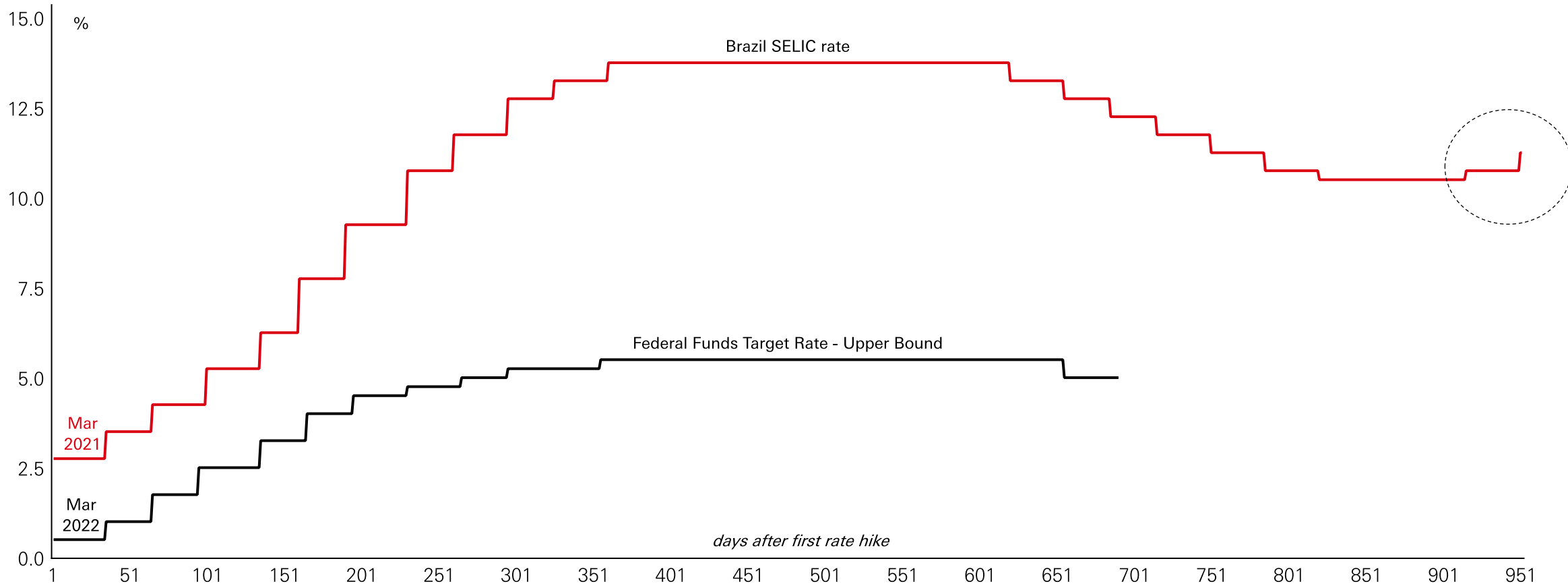
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Is Brazil still the leader?

After leading the world on the rate cycle, Brazil is now hiking again

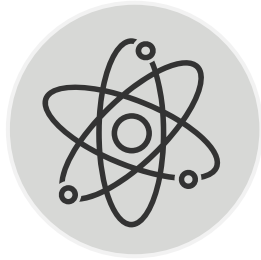
US v Brazil rates



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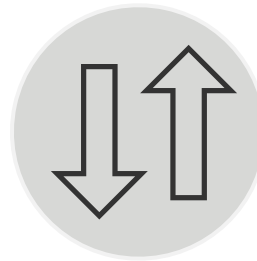
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Macro in motion

The US is likely to secure a soft landing amid rate cuts and ongoing disinflation
As US growth cools, it will look less exceptional versus the rest of the world
But policy uncertainty is rising. And the world is becoming more “multi polar”



Market rotations

Policy uncertainty means that investors need to be prepared for market volatility
But markets are primed to rotate – stock laggards can become leaders, and yield curves can steepen
Emerging and frontier markets trade at a discount, and have potential to deliver bumper returns



Always an alternative

A shallow rate cutting cycle creates yield opportunities in private credits
Real asset equity strategies provide a defensive route into the market
Hedge funds can be a proxy allocation for bonds in this new market regime

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AMFR_2024_INSTIT_SP_0881. Expires: 30/09/2025

