



Video Transcript

HSBC Global Private Banking Investment Outlook Q3 2023

Remaking Asia's Future

Cheuk Wan Fan

Amid the global economic downturn, Asia stands out as a bright spot delivering resilience and growth, supported by China's robust consumption-led recovery and policy stimulus. The relief from easing inflation allows most Asian central banks to end the monetary tightening cycle swiftly ahead of the Fed and ECB. Much stronger-than-expected China Q1 growth led us to raise our China 2023 GDP growth forecast to 6.3%. We expect China's consumption revival and resilient growth in India and the ASEAN will support a respectable 5.1% GDP growth in Asia ex-Japan this year, more than double the expected 2.4% global GDP growth.

We launched the new High Conviction Theme on **China's Recovery Opportunities**, as we expect China's cyclical upswing will expand into a broader and more balanced recovery path in H2 2023 with support of further fiscal and monetary stimulus. The strong expansion in China's services sector should bode well for earnings outlook of the travel, airlines, mass consumption, hospitality, food and beverages and Macau gaming sectors. The broadening recovery should also support the Chinese internet leaders under the more favourable regulatory environment.

China's Politburo meeting in late April set a decisively pro-growth policy tone, committing to rolling out more proactive fiscal stimulus and targeted monetary and credit easing to boost domestic demand. We position in quality SOE leaders in the banking, infrastructure, telecom, energy and property sectors, as they benefit from the SOE reform which aims at raising profitability and ROE.

Our new High Conviction Theme on **Asia's Rising Tigers** captures promising secular growth opportunities in India and Southeast Asia, which enjoy demographic tailwinds as they have the youngest populations in Asia. The median age of populations in India and ASEAN is at 28 and 33 years old, respectively. The demographic dividends offer strong driver for domestic consumption in India and Southeast Asia.

In India, we focus on opportunities from the booming digital ecosystem and high-skilled exports sectors like IT software services and pharmaceuticals. In the ASEAN markets, we find attractive opportunities in consumption leaders that benefit from an expansion of middle class consumers and China's reopening. We also like quality ASEAN banks and infrastructure companies as they can ride on solid domestic consumption and tailwinds from the supply chain relocation into Southeast Asia.

Asia's Green Transformation continues to be our High Conviction Theme with focus on opportunities from the energy transition, green infrastructure development and innovation of

new energy vehicles technologies across the region. We expect China's annual solar installations to increase at a 13% CAGR to 125GW in 2025 and we also see promising opportunities in the energy storage sector. We forecast EV penetration rate in China to reach 50% in 2025 and 88% in 2030, staying well above global average with support of favourable policy, strong consumer preference and increasing model supply.

Positioning for the peak in US rates, we stay bullish on the theme on **Asian Quality Credit**. We think this is the right time to switch from time deposits into high quality credits to lock in yields at compelling levels. We favour Asian financials credit, focusing on Japanese and Korean banks and life insurers, and select banks in Australia, Hong Kong, Singapore and Thailand. To ride on the strong recovery trends in mainland China and Hong Kong, we favour quality Chinese SOE property developers and local high-grade credits in the Hong Kong retail and property sectors. We continue to like Indonesian quasi-sovereign IGs, thanks to the strong domestic fundamentals and monetary easing in 2024.