

HSBC Global Private Banking Investment Outlook Q3 2024
Unlocking the best opportunities in Asia
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In the second half of the year, we find attractive and diverse investment opportunities in Asia as the region remains the most important growth engine of the global economy with the strongest 12-month forward earnings growth rate among all major markets.

To capture structural growth opportunities in Asia amid the fast evolving geopolitical dynamics, we adopt an active diversification strategy with focus on long-term winners from corporate governance reforms, global supply chain diversification, accelerating friendshoring, and the rise of India and ASEAN.

We identify promising Asia structural growth themes in our overweight equity markets in Japan, India, and South Korea. In mainland China and Hong Kong, where we hold a neutral tactical position, the pro-growth policy stimulus and capital market reform measures bring tactical opportunities for undervalued quality stocks with strong financial strength to increase dividends and share buybacks.

We launch the new High Conviction Theme on **Asia's Corporate Governance Reform Winners**, as Asian governments and regulators are pushing for corporate reforms to enhance shareholders' returns and close the valuation gaps of their equity markets relative to the developed markets. Japan provides a prominent success case to show how improved corporate governance standards can contribute to re-rating of the equity market. China's State Council recently announced the "Nine-Point Guideline" that emphasises the importance of high dividends and share buybacks. In South Korea, regulators have announced the "Corporate Value-Up" Programme which aims at improving return on equity and narrowing the "Korea discount" versus the global peers.

Accelerating corporate governance reforms in Japan, China, and South Korea bring attractive re-rating opportunities. We focus on quality companies with ample cash, low leverage, and high potential to deploy cash to boost shareholders' value through increasing dividend payout ratio and share buybacks.

Navigating the complex geopolitical landscape in Asia, our theme on **Reshaping Asia's Supply Chain** favours industry leaders which benefit from the structural trends of friendshoring, supply chain diversification and manufacturing upgrading.

Our theme on the **Rise of India and ASEAN** positions in growth leaders which are well supported by tailwinds of supply chain revamp, young demographics, strong foreign direct investment inflow and manufacturing upgrading. We expect half of the ASEAN central banks



Video Transcript

to start cutting rates in H2 2024 as the Fed will likely start the easing cycle in September. For India, we see room for the Reserve Bank of India to cut rates by 50bps in later part of 2024.

For income opportunities, we prefer Asian investment grade bonds including financial credit, as central banks in the region are expected to start the rate cutting cycle in the second half of this year. Indian local currency bonds enjoy strong foreign portfolio inflows due to global bond index inclusion. Our bullish view on INR supports our overweight on Indian local currency debt.