HSBC Global Asset Management

2019 Mid-Year Investment Outlook

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"Hello and welcome to our Mid-Year Investment Outlook. Following a difficult year in 2018, financial markets have rebounded strongly year-to-date. Through April this year, global equities have returned 16% led by U.S. and European markets where economic data and corporate results have largely been better than expected. The decision by the U.S. Federal Reserve and other key Central Banks early in the year to return to policies intended to spur economic growth was the key to this very positive market outcome. Persistently low inflation has enabled Central Banks to follow this policy, allowing for a continuation of cheaper borrowing costs for consumers and corporations. However, it may not take much of an increase in inflation to surprise investors and create uncertainty around future interest rate increases once again. Although we don't see this risk materializing in the near term, it is something we are very aware of and focused on. Rising inflation and a change in the outlook for interest rates will be bad news for markets.

Upbeat economic and corporate data have reduced fears of a pending recession and our view remains that worries of a recession in the near term are misplaced. Based on our analysis, we believe the global economy has been in a phase of cyclical slowdown rather than at the beginning of a more serious economic weakness or recession. Indeed, on the contrary, key indicators and our own data analytics suggest economic growth momentum may now be returning. However, economic developments in China and high profile trade negotiations with the U.S. will be key to investor confidence in the world economy, certainly in the near-term and probably in the long run too. Noise around trade will create noise in the markets. Other risks to growth include political risks such as Brexit and Eurozone politics. As ever, these political events are hard to predict. Investors should, therefore, be prepared for bouts of volatility in equities and in bonds.

As far as the current investment outlook is concerned, we continue to see good value in global equities. They offer a diversified exposure to solid, if unspectacular, growth at a reasonable price. In bonds, we're more selective. Overall, the outlook is less favourable and here credit and country selection will remain important. Alternative asset classes such as property continue to be appealing, also offering important diversification benefits within a portfolio. Indeed, a well-diversified investment portfolio allows you to pursue opportunities while mitigating risks. A willingness and ability to continue to hold your risk assets during periods of market noise and uncertainty is typically the key to long-term investment success. This is why it is important to follow a diversified approach and to remain committed to your long-term investment strategy.

Thank you for watching."

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