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## Navigating Wealth and Investment Opportunities in 1H2024

HSBC sees the first half of 2024 as a good time to unlock wealth and investment opportunities, on the back of a healthy Malaysian economy and resilient middle-class spending.

**Linda Yip, Country Head of Wealth and Personal Banking, HSBC Malaysia** says that Malaysia is expected to continue to see an **upward trajectory** in terms of **liquid assets held**.

“Malaysia’s **onshore wealth pool is sizeable at US\$359 billion in 2022**, and this is expected to grow at a **compound annual growth rate (CAGR) of 3.7%** over the next few years.<sup>1</sup>”

“We believe that **the right ingredients are in place for this to materialize**. From a regional perspective, the growth in private wealth in Asia, resilient spending amongst the middle class, the acceleration of digital transformation, and the green economy are a boon for economic growth, despite headwinds seen in the global economy.

“From a domestic standpoint, the Malaysian economy is expected to see growth this year. This will be supported by an expansion in consumption and investment spending and a favourable labour market, all which are conducive for unlocking investment opportunities,” says Yip.

Looking at the investing trends amongst HSBC Malaysia’s customers, Yip notes that they have been broadly funnelling their wealth into financial instruments such as unit trusts, structured investments and bonds.

“There has been much interest in defensive investments, such as money market funds and principal protected investments. We think that having a diversified portfolio in both equities and fixed income makes sense, to capitalize on the interest rate reset cycle.”

“Knowing where and when to invest, and what to invest in is key in building strong wealth buffers for our golden years, as relying on just salaries and inheritance as sources of wealth may not be sufficient in the long run. HSBC is well placed to provide insights on this, thanks to our international network of wealth professionals and our market leading wealth management products and services. We have been

<sup>1</sup> GlobalData, onshore wealth balances in Malaysia



in Malaysia since 1884 (140 years) and in that span of time we have seen the wealth ambitions of customers flourish as the Malaysian economy evolved. Today, that growth story continues, and we are thrilled to be part of that journey as our customers navigate new investment opportunities in 2024 and beyond,” says Yip.

### **Investment Outlook: Opportunities in a complex world**

In terms of the outlook for investments, HSBC Global Private Banking expects the beginning of Fed rate cuts in June 2024, US soft landing, corporate earnings recovery, and solid Asia growth to improve global risk appetite and investment outlook of equity and bond markets in 2024.

**James Cheo, Chief Investment Officer, Southeast Asia and India, Global Private Banking and Wealth, HSBC**, highlights Malaysia should benefit from the green shoots of recovery from the global electronic cycle. “Malaysia’s economy should remain healthy this year powered by resilient consumer and investment spending. The positive fillip for Malaysia’s economy will come from the nascent recovery of the global electronic cycle and the resumption of global tourism travel. **We expect Malaysia’s economy to grow by 4.5% GDP growth in 2024, slightly faster than last year’s growth.**” notes Cheo.

“On Malaysia equity market, **the consensus earnings for Malaysia are expected to be healthy.** The valuation of the equity market is trading below its historical average. Global risk sentiment and international investor positioning could be headwinds for the market. At this juncture, we want to be prudent and very selective with our Malaysia equity strategy.”

“Inflation should continue to remain subdued in Malaysia in 2024. However, there could be inflationary impact from the increase in service tax and reduction in fuel subsidies. **We think that Bank Negara Malaysia will continue to remain on hold and keep policy rates at 3% for the rest of this year. We forecast the MYR to stay stable at 4.55 against the USD by the end of 2024,**” says Cheo.

### **Top Trend of Asia in the New World Order – High Conviction Themes**

**From a regional perspective**, HSBC Global Private Banking has identified four top investment themes to capture the attractive growth and income opportunities in Asia.

#### **(1) Reshaping Asia’s Supply Chain**

“We launch this new high conviction theme, as the driving forces of geopolitical tensions, trade fragmentation and technology restrictions are accelerating global supply chain diversification across the region. To mitigate geopolitical risks and alleviate the impact of trade tariffs, western multinational corporates implement the ‘China+1 strategy’ by building new production facilities in India and ASEAN to supplement their supply chain in China. This theme focuses on North Asian industry leaders which have successfully diversified their supply chains beyond China to enhance competitive edges. We also identify geared winners in India and ASEAN



which gain from strong FDI inflows driven by supply chain reconfiguration,” highlights Cheo.

## **(2) Rise of India and ASEAN**

“We see promising secular growth opportunities in India and ASEAN, riding on the structural tailwinds from strong foreign and domestic private investments, young demographics, the technology boom, and green transformation. India has consistently delivered stronger-than-expected growth in manufacturing and service activities throughout 2023, with strong FDI inflows and booming services exports powering employment, private consumption, and productivity gains. 40% of the world’s Global Capability Centres are in India, offering a strong boost to the country’s service exports and the job market,” says Cheo.

Indonesia offers solid growth and is one of the more favorable investment stories in Asia, supported by its large, young, and growing population, with rapid urbanisation and robust private consumption being the key growth engine. Indonesia further benefits from upgrading of its manufacturing value chain. The country’s abundant reserves of green minerals and metals are vital inputs for the EV and battery industries. Indonesia holds the world’s largest nickel reserves with an estimated 21m tonnes or 22% of global reserves,” notes Cheo.

## **(3) Future Asian Consumer**

“Driven by rising Asia wealth and middle-class consumers, Asia’s consumer discretionary sector stands out as a bright spot, including select Chinese e-commerce leaders, Asian consumer discretionary companies, AI-driven and digital consumption and Asian financial services providers. This high conviction theme focuses on Asia’s consumer discretionary sector which is projected to deliver 16.4% earnings growth in 2024 despite the high comparison base last year,” adds Cheo.

## **(4) Capturing Peaking Asian Yields**

“We focus on locking in attractive yields from quality Asian bonds. We favour Asian financials, Indian local currency bonds, Indonesian quasi-sovereign IGs, Korean IG bonds, Macau gaming and Chinese TMT credits. The all-in yield of the Asian IG bond index is attractive at around 5.4%, above the 3-year average of 4.5%,” Cheo points out.

“Disinflation is on track in most Asian economies, with inflation now expected to return to central bank target ranges in 2024 in most countries, ahead of most other regions. We believe Asian yields are peaking and expect policy rate cuts in Australia, mainland China, Hong Kong, India, Indonesia, South Korea, the Philippines and Singapore in 2024 to bring policy tailwinds for the Asian bond markets in the coming year,” says Cheo.



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***Note to editors:***

**HSBC Malaysia**

HSBC's presence in Malaysia dates back to 1884 when the Hongkong and Shanghai Banking Corporation Limited established its first office in the country on the island of Penang, with the permission to issue currency notes. HSBC Bank Malaysia Berhad was locally incorporated in 1984 and is a wholly-owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, founding member of the HSBC Group. In 2007, HSBC Bank Malaysia was the first foreign bank to be awarded an Islamic banking subsidiary license in Malaysia, namely HSBC Amanah Malaysia Berhad. HSBC Malaysia offers a comprehensive range of banking and financial services including Islamic financial solutions. HSBC Malaysia has also led innovation in Malaysia by introducing Malaysia's first ATM and Electronic Touch Banking in the early 1980s. Today, HSBC Malaysia has launched innovative solutions such as HSBCnet for secure banking for businesses, Trade Transaction Tracker and Facial Recognition on supported mobile phones.

**HSBC Holdings plc**

HSBC Holdings plc, the parent company of HSBC, is headquartered in London. HSBC serves customers worldwide from offices in 62 countries and territories. With assets of \$3,021 billion at 30 September 2023, HSBC is one of the world's largest banking and financial services organisations.