

Q4 / 2023

HSBC Perspectives

Shaping your investment portfolio



HSBC

Opening up a world of opportunity

Contents

3 Foreword

5 Key data to watch

6 Investment themes

Four investment themes to help shape your portfolio

8 Regional market outlook

Where should you invest your money?

10 Generative AI

The rise of the machines

By HSBC Global Research

12 Potential in global investment grade corporate bonds

Unlocking opportunities for long-term investors

By Ashis Dash

Director and Head of Fixed Income Funds
HSBC Wealth and Personal Banking

16 Redefining retirement for a fulfilling financial future

HSBC Quality of Life Report explores shift in wealth-planning priorities

By Lavanya Chari

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Broadening opportunities amid a diverging growth outlook

As we look ahead to the final months of 2023, the financial markets are at a critical juncture: the end of the tightening cycle is upon us, while economic indicators in the US and Asia remain largely constructive. The uneven and weaker-than-expected recovery in China, due to the property slump, has come as a negative surprise. But overall, the global macroeconomic backdrop should support risk-on sentiment and we continue to unlock opportunities by focusing on quality and fundamentals.

We're pleased that our investment themes for Q3 have been working well and they will continue to set our direction of travel. Still, some fine-tuning is in order to reflect the latest developments in the investment landscape. Compared to what we saw last quarter, earnings and inflation are in much better shape in the US. That allows the Federal Reserve to be one of the first central banks among developed markets to pause interest rate hikes, while others should follow suit before year end.

The good news is that the Fed has managed to complete its tightening mission without triggering a recession and we think the US market will stay in a "soft landing" scenario for the time being. Even though rate cuts are not likely to happen right away (we expect the first one in Q2 2024 in the US), markets may anticipate them sooner rather than later.

What does this mean for investors?

Historically, equities and bonds tend to do relatively well after the final rate hike. Typically, they perform better than cash in the 6 to 12 months following the final rate hike, particularly if a recession is avoided in the process. Therefore, we continue to put our cash to work in high quality medium duration bonds to lock in attractive yields and we also continue to invest in global stocks.

Still, investors need to be selective, considering the wide divergence in fundamentals among markets, sectors and companies, as well as the substantial run-up in equity valuations. Don't just focus on the valuation numbers, but evaluate the forces driving them up and compare them against previous data. If you do so, you will notice that US equity valuations, which are boosted by technology and the enthusiasm for AI, are still below their 5-year average, while India's high valuations are supported by their high return on equities. Nevertheless, betting everything on tech or a single market is never a sound investment strategy, regardless of the market situation. So, here are the four investment themes for the coming quarter.

We look at relative earnings strength, valuations and structural trends for opportunities

First, we believe the current climate still presents a good time to lock in attractive yields on medium duration investment grade bonds as they are poised to deliver favourable returns when markets start to anticipate rate cuts. US Treasuries also look attractive, especially after yields recently rose a bit too much due to supply concerns and strong economic data.

Second, we prioritise markets with strong fundamentals to maximise potential gains. In developed markets, we prefer US over European equities. In the East, we see upside in India and Indonesia, and take a diversified approach to leverage the local dynamics and ongoing growth trajectory in Asia. Even though the pace of recovery in China is below expectations, policy support and valuations remain compelling, and we think a neutral positioning is now warranted.

We also see sense in broadening our sector exposure to undervalued opportunities. While popular investments often come with a hefty price tag, we believe investors can look beyond the big tech names and find value in quality companies in the "peloton" of consumption, industrials and financial stocks that sit in their slipstream.

Finally, proactive and forward-thinking investors could do well by paying attention to climate change and biodiversity. The public policy and regulation on these issues will fuel a climate of innovation and investment acceleration, creating many opportunities for investors to participate in the coming sustainability revolution.

In conclusion, a clearer outlook for interest rates and inflation should continue to be good for risk assets but, as we know, financial markets can be full of surprises. To find the best risk-adjusted returns in the current environment, we continue to focus on quality investments with strong fundamentals and remain diversified. As always, we strive to help investors identify the upcoming opportunities and risks.



Willem Sels

Global Chief Investment Officer,
HSBC Global Private Banking and Wealth



Key data to watch

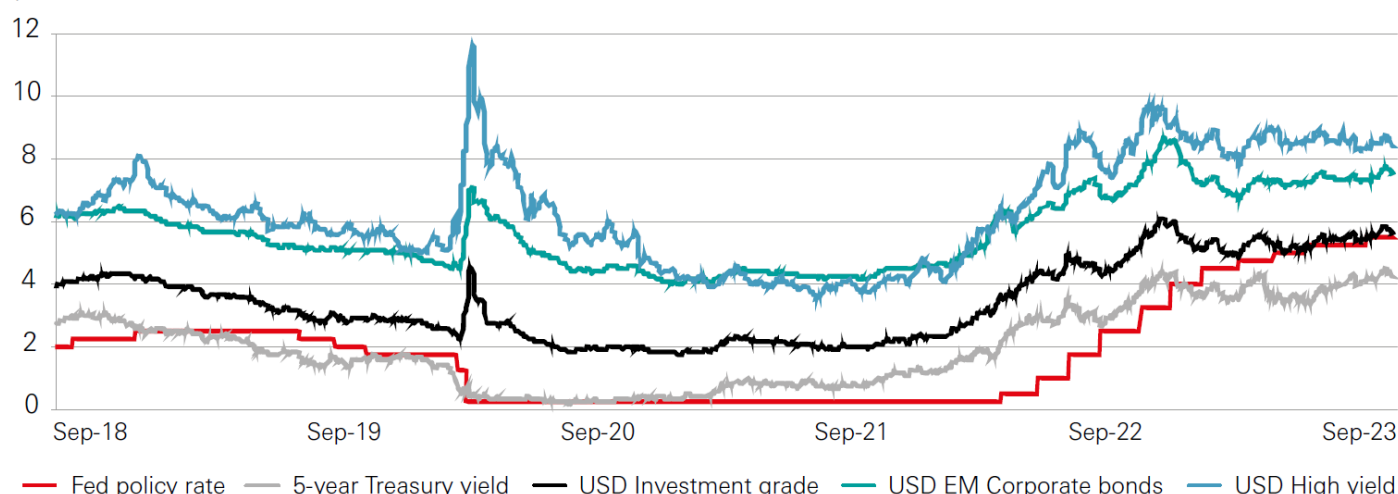
We expect a downward trend of inflation and divergence in growth across markets

	GDP		Inflation	
	2023f	2024f	2023f	2024f
World	2.4	2.2	6.3	5.1
US	1.6	0.7	4.2	3.2
Eurozone	0.4	0.7	5.6	2.9
UK	0.6	0.8	7.5	3.3
Japan	1.1	0.7	3.0	1.2
Mainland China	5.3	4.9	0.7	1.8
India	6.1	5.8	5.0	5.0

Source: HSBC Global Research as at 1 September 2023. Estimates and forecasts are subject to change. India inflation forecasts are fiscal year.

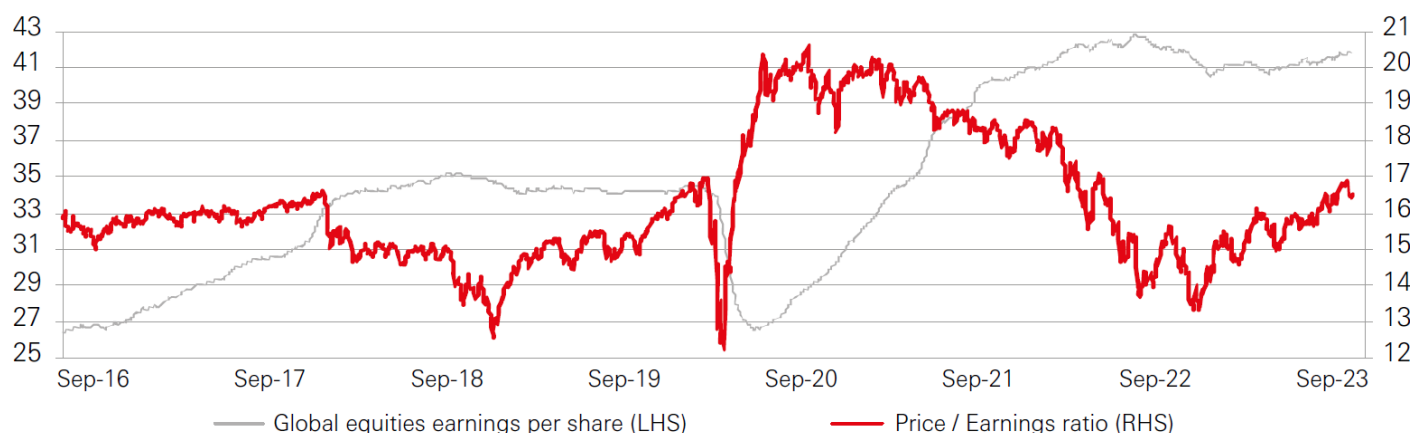
Treasuries and investment grade bonds are trading at attractive yields and the end of Fed rate hikes should help their performance

yield (%)



Source: Bloomberg, HSBC Global Private Banking as at 1 September 2023. Past performance is not a reliable indicator of future performance.

This year's equity market rally has been largely driven by rising valuation multiples. Earnings delivery will become increasingly important



Source: Bloomberg, HSBC Global Private Banking as at 1 September 2023. Past performance is not a reliable indicator of future performance.

Four investment themes to help shape your portfolio

1. Lock in attractive bond yields for longer

We believe the Fed has finished its rate hike cycle and will pause until Q2 2024, after which the Federal funds rate should fall back to a range of 4.5-4.75% by the end of 2024. On the other hand, as inflation is more persistent in Europe, we expect the European Central Bank and Bank of England to keep rates constant throughout 2024 after hiking in September. Meanwhile, inflationary pressures are less pronounced in most of Asia, allowing its central banks to start easing sooner.

Historically, cash underperforms equities and bonds in the 6 to 12 months after Fed rates reaches a peak. As markets start to anticipate rate cuts, bonds will benefit while cash returns will decline. In fact, investment grade (IG) and Treasury yields have reached their multi-year highs, providing a good entry point to lock them in for a medium duration.

Investment grade bonds are better placed than high yield bonds to withstand a period of slow growth and should outperform the latter, as higher defaults will cause high yield spreads to widen. Both IG credit and Treasuries are therefore good diversifiers for both portfolio growth and risk mitigation.

- **We overweight investment credit across developed and emerging markets and Treasuries with maturities up to 5-7 years.**

2. Focus on stronger fundamentals

The US economy has proven more resilient than that of Europe, with better-than-expected Q2 corporate earnings driving equity rallies, led by technology and communications services. Economic data are resilient while the labour market remains tight, supporting markets' hopes of a soft landing.

In the East, growth in China remains below expectations and it will take some time for the policy stimulus to take effect. But Asia's appeal to investors extends beyond China. We see huge opportunities in digitalisation and the green transition in India, while both India and Indonesia benefit from supply chain diversification. Both markets boast large domestic economies and young populations to support the consumption play. We expect GDP growth in Asia ex Japan to reach 4.6% this year, which is almost double the pace of global growth.

Although valuations of US and Indian equities are relatively high, they're well anchored by stronger growth prospects, and we prefer quality assets over cheap assets. In a world of slow growth and high interest rates, markets with solid fundamentals and quality companies with strong market positions and healthy balance sheets typically fare better than others.

- **We prefer the US over Europe, and favour India and Indonesia within Asia.**
- **We take a selective approach and focus on the service-consumption and travel-related sectors in mainland China and Hong Kong. Valuations remain attractive.**

3. Broaden sector exposure to capture upside

Large-cap technology firms have fuelled a run-up in US stocks, driven by their encouraging Q2 earnings announcements. Globally, the rapid spread of artificial intelligence (AI), automation and electric vehicles (EVs) is sparking investor enthusiasm. We project that EV penetration in China, for example, could reach 50% by 2025 and 88% by 2030. The rise of AI adoption could also trigger a boom in data centres and communications.

However, we think investors can diversify beyond technology in search of sustained returns. High-quality companies in the consumer discretionary and consumer staples sectors could be attractive given the strong US labour market, China's reopening and Asia's favourable demographics. Financials should also benefit from peaking rates and cheap valuations. Most large banks have delivered positive earnings results this year.

Although the resilience of the US economy is positive for cyclicals, we're broadening our exposure by adding US healthcare to the opportunity set. We see strong opportunities in innovation around immuno-oncology, obesity and rare diseases along with an increasing demand for treatment of age-related and chronic illnesses.

- **We maintain a cyclical tilt and overweight technology and consumer discretionary across regions.**
- **We see value in the financials and industrials (Global and US) and healthcare (US).**

4. Leverage innovation and sustainable investment

Climate change and threats to biodiversity are becoming increasingly visible and will be back in focus during the upcoming COP28 climate conference in Dubai.

Since clean power and electrification will drive the bulk of reductions in greenhouse gas emissions,¹ investment in the renewable energy sector – which reached USD495 billion in 2022 – will continue to ramp up at a vigorous pace.

In the US, the government's emphasis on infrastructure and sustainability is driving private investments into clean energy. Similarly, many of the Chinese government's long-term initiatives to foster domestic innovation are linked to the energy transition, including the extension of tax breaks for electric vehicles until 2027.

The growing recognition of the importance of biodiversity will open up huge investment opportunities. Rapid biodiversity loss poses a significant systemic risk to the global economy. According to the UN, financial flows to conserve biodiversity must triple by 2030 and quadruple by 2050 to close the USD4.1 trillion funding gap.² Failure to remedy the issue could result in a USD2.7 trillion reduction in global GDP by 2023.³

Sources: 1. BloombergNEF, 2. United Nation Environment Programme, 3. World Economic Forum

- **We prioritise the long-term structural shift towards energy transition, with a focus on renewable energy, green infrastructure and energy efficiency.**
- **We're optimistic about the diversification benefits and long-term returns in sustainable agriculture, responsible forest management and the circular economy.**

Regional market outlook

Where should you invest your money?

United States



The US economy remains resilient, with more positive momentum than that of other developed countries. The strong labour market, falling inflation and renewed optimism in the housing sector are all boosting consumer sentiment. Meanwhile, the re-onshoring of production and government stimulus plans (e.g. the net zero transition) continue to support corporate investment. These factors should offset the impact of high interest rates. We also believe that fears of tightening bank lending standards should not be exaggerated.

We therefore think a recession this year will be avoided. This, in turn, should allow the rally in US stocks to broaden beyond the big tech-related names into other sectors.

Over the next 6 months, we're overweight on:

- US equities and technology in general, as well as consumer discretionary, industrials, financial and healthcare stocks that have lagged the tech rally
- US investment grade corporate bonds (medium maturities)

Eurozone and UK



The Eurozone economy has generally disappointed in 2023 because of weaker domestic demand and lower-than-expected exports to China. The European Central Bank has been catching up with the US rate hikes, damaging the region's growth outlook and investor sentiment, and the absence of a large European tech sector is also holding it back. We're therefore underweight on Eurozone stocks.

Overall, we're neutral on the UK equity market, which is dominated by global companies. However, we'll be very selective about the market's smaller or more locally focused companies, given that UK consumers are under pressure from sticky inflation and the continued decline of the country's housing markets.

We've a neutral stance on UK equities due to persistent inflation and pressure on local consumers. We're underweight on Eurozone equities.

EM Latin America and EM EMEA



EM EMEA economies have been hurt by rising US rates, with local currency weakness negatively impacting investor returns year-to-date. The EMEA region continues to suffer from the Russia-Ukraine war and the Eurozone's weak economic growth. That said, Turkey's recent switch to more conventional monetary policy has led to a partial recovery.

Latin America's interest rate cycle is ahead of the US, and rate cuts are now well under way. That is supporting equity and bond markets in the region, and we remain overweight on Latin American stocks. While China's slow recovery has so far capped Latin America's exports, an acceleration of Chinese growth in late 2023 and in 2024 should be a positive for the region.

Over the next 6 months, we're overweight on:

- EM Latin American equities, particularly Mexican and Brazilian equities



Asia (ex Japan)



China's equity market has underperformed many global peers as economic momentum has disappointed. Fiscal and monetary policy support should reduce the risk of a big economic downturn and stabilise activity, but property market issues will continue to weigh on sentiment. So, in spite of low valuations, we hold a neutral view until private sector investment improves and earnings pick up, which should eventually bring back investors.

Both India and Indonesia are benefitting strongly from global supply chain diversification and good cyclical momentum. India has a vibrant start-up culture and Indonesia is extracting increased value out of its commodities.

Over the next 6 months, we're overweight on:

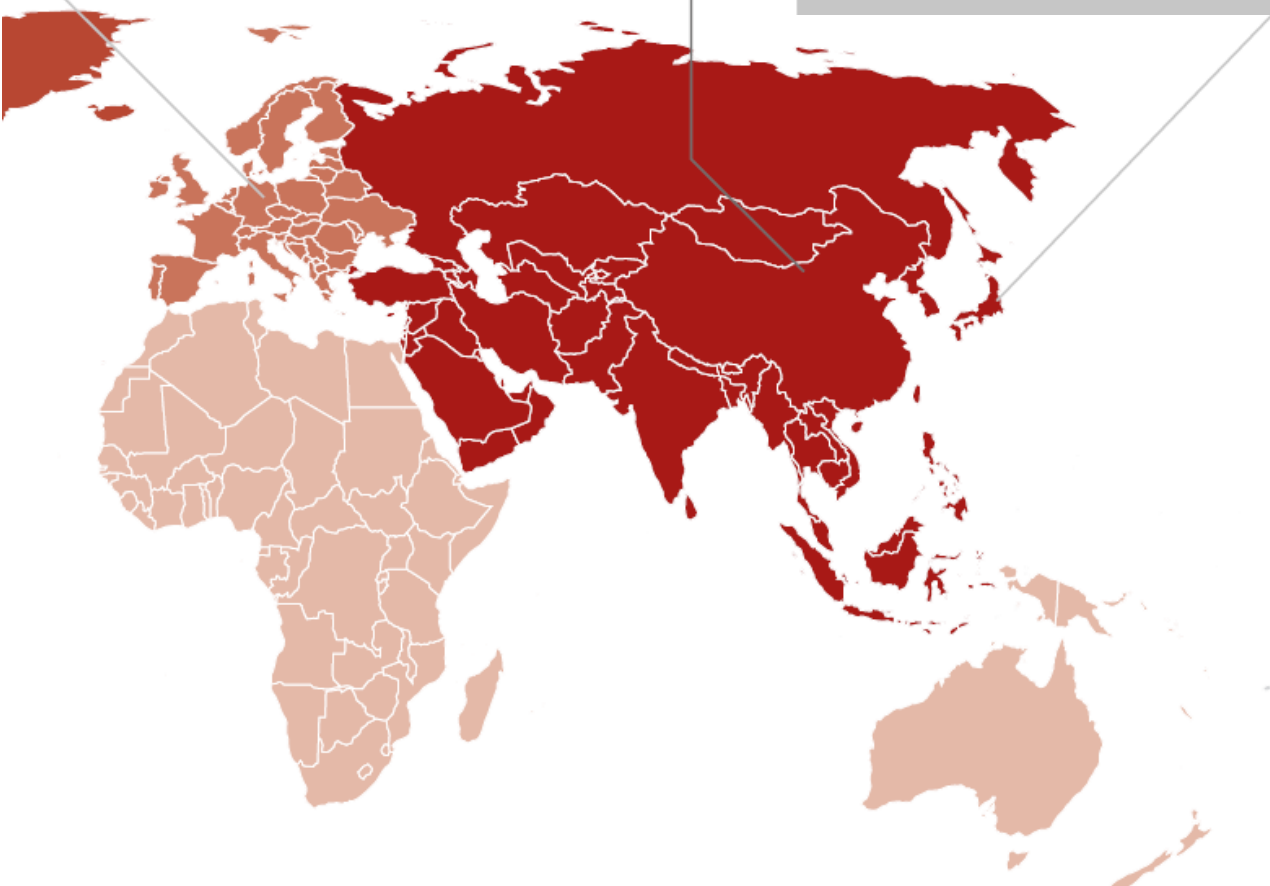
- Asia ex Japan equities, especially Indian and Indonesian markets, and Asian investment grade corporate bonds (medium maturities)

Japan



Japanese equities have had a strong run year-to-date. But the weakness of the Japanese yen is a key factor, so the stock market's performance is somewhat less exceptional when converted into US dollars. In addition, the Bank of Japan's move to allow government bond yields to rise up to 1% is a step towards normalizing its ultra-loose monetary policy. That could lead to upward pressure on the Japanese yen, reducing the value of foreign sales made by domestic companies and weighing on earnings and stock prices. Moreover, given the strong run-up in Japanese stocks so far this year, investors could decide to take profit. For all these reasons, we've a neutral allocation to Japanese stocks.

We retain our neutral stance on Japanese equities due to tepid growth expectations and the potential for policy tightening.



Notes:

The above comments reflects a 6-month view (relatively short-term) on asset classes for a tactical asset allocation. For a full listing of HSBC's house view on asset classes and sectors, please refer to our Investment Monthly issued at the beginning of each month.

Generative AI

The rise of the machines

Key takeaways:

There is now intense hype around Generative AI models.

This technology will disrupt many sectors of the economy and raise important social and ethical considerations.

What is Generative AI?

Whilst AI (artificial intelligence) has been a hot topic for several years,¹ most of the focus until recently has been on predictive machine learning models. However, in recent times, there's been a remarkable shift in focus and exponential advancement in generative models. This surge of interest has brought forth a staggering improvement in their performance. Generative models, unlike their predecessors, have the capability to create new content, something which until recently was considered to be the unique purview of humans.

Why is Generative AI a hot topic now?

Generative AI has surged in popularity, captivating the public's imagination. Major newspapers are publishing opinion articles about the technology, and social media are abuzz with discussions about its possibilities. So why has this sudden interest happened now? From a technical perspective, there's been a smooth evolution of what is possible over the past few years. As such, many technologists find themselves somewhat bemused as to why this technology has suddenly gained such prominence.

Of course, the real game-changer in recent months has been the accessibility of this technology to non-technical users. For example, the core technology which powers ChatGPT is a type of machine learning model known as Large Language Model (LLM). The LLM which ChatGPT uses isn't a dramatic improvement on the state-of-the-art technology a year or even two years ago. However, back then these LLMs were only able to be used by people who knew how to code. Whereas now, anyone who can use a website can access ChatGPT.

This change may seem small to those who are technically adept themselves, but it's transformative. It has opened up these technologies to entrepreneurs and content creators, leading to a remarkable expansion in the range of applications being actively explored. As with many other technologies, it's not the mere invention of a new technology that causes a significant impact; rather, it's when the technology matures and disperses throughout the population.

¹ There have been several previous waves of interest in AI, but the current wave really began in 2012 following the success of AlexNet in the 2012 ImageNet Challenge.

What are the implications for investors?

With any nascent technology, it's hard to predict the various ways it will ultimately end up being used productively. However, Generative AI holds the potential to have a significant impact on several sectors of the economy. With all disruptive technologies, there will be winners and losers. For investors, identifying the potential winners and losers arising from disruptive technology is often more straightforward than determining whether the opportunities and challenges presented by this technology have been appropriately priced in. Below, we discuss the ways in which Generative AI is likely to be commercialised across sectors.

Big Tech: Generative AI plays a crucial role in answering questions, which is at the core of search engine businesses. Content generation is another area which could see disruption, ranging from visual to audio, gaming to video content. In the realm of social media, Generative AI can enhance the efficiency of advertising reach. Additionally, cloud service providers can benefit from the development of Generative AI due to an increase in demand for computing power for tasks such as model training.

Semiconductors/Data centres: As Generative AI becomes more relevant, it's likely to drive demand for data centres and, in turn, increase the need for graphics processing units (GPUs) and central processing units (CPUs) to power these data centres. The heightened CPU/GPU demand for advanced chips could provide a much-needed boost to the semiconductor industry, particularly in a weak end-demand environment.

Retail: We believe that beyond the significant impact AI has on optimising retail supply chains, targeted marketing campaigns, product placement and pricing strategy, the retail landscape, too, can leverage Generative AI in certain areas. Generative AI can further empower the retail sector in areas such as reducing merchandising costs, increasing online sales conversion rates, and improving inventory management, particularly in the apparel retail business.

Media: AI-generated advertising has the potential to revolutionise marketing by enabling personalised ads. For example, AI can enable a cosmetics company to analyse customers' skin types and preferences, recommending specific products to suit their needs. Similarly, a clothing company can use personalised social media captions that

resonate with different audiences. Content generation applications extend to areas such as gaming, music and writing novels. We also anticipate cost-saving benefits via AI generated content.

Pharma and Healthcare: AI and other novel data analysis tools have been used by the biopharma industry for over a decade in commercial and marketing efforts. It's increasingly been adopted in drug discovery, where the most incremental impacts are likely to be. The merit in using AI and machine learning in the pharma and healthcare sector primarily lies in accelerated and streamlined R&D processes. Incorporating advanced algorithms and utilising computing power can improve companies' R&D efficiency.

Consumer Staples: Use of Generative AI in the consumer staples sector is driven by the ability to tailor highly customised messages to individual consumers. This includes increased marketing personalisation and more sophisticated chat functions to improve direct interactions between consumers. This could allow companies to deliver the same message using AI generated images/characters that resonate with the target consumer and significantly reduce the reliance on celebrities across sports/art globally, but more so in emerging markets.

Social considerations

As Generative AI continues to develop rapidly, its impacts on broader society are quickly evolving. The technology offers many advantages, including increased efficiency, improved quality of generated content and even cost benefits. Generative AI can help businesses make better decisions, be more creative and enhance operational process. However, despite the value Generative AI can bring, as with many new technologies, social concerns are apparent.

Social biases are often reflected in models and thus can perpetuate these biases further, raising concerns around ethics and fairness. Additionally, unemployment, misinformation and privacy risks often surround the AI space and, to no surprise, are of particular relevance to Generative AI. As the industry matures, these risks can dissipate, but they should be closely watched, cautiously considered and fundamentally understood by investors.

Potential in global investment grade corporate bonds

Unlocking opportunities for long-term investors

Key takeaways:

Cooling inflation in Western economies means that policy rates have likely reached their peaks. This presents an opportunity for investors to capitalise on attractive yields in global investment grade corporate bonds (IG credit), particularly in medium-term maturities of 5-7 years.

IG credit carries lower credit risk than many other fixed income investments and has historically fared better in stressed or recessionary environments. Owing to its low correlation with equities, IG credit can help diversify broader portfolios.

Investors can access global IG credit through individual bonds, mutual funds or ETFs. Investors can select specific issuers and maturities through individual bonds, but this could expose them to individual issuer default risk. Funds offer diverse portfolios that serve to reduce credit risk from individual issuers.



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The beginning of the year likely signals that the end of the monetary tightening cycle is in sight.

Efforts by the US Federal Reserve (Fed) and European Central Bank (ECB) to vanquish persistent inflation have taken interest rates to their highest levels in over two decades, sending bond yields to multi-year highs. With policy rates seemingly close to peaking, investors have an opportunity not only to capitalise on current high bond yields, but also potentially to benefit from price appreciation when markets start to anticipate rate cuts. To mitigate risks, investors can focus on high-quality corporate bonds, particularly in global investment grade (IG) markets, and concentrate on medium-term maturities of 5-7 years.

Q: What is IG credit?

A: Investment grade refers to the quality of a company's credit, as assessed by a credit rating agency. An investment grade rating from at least one of the three major credit rating agencies – Moody's, S&P Global and Fitch Ratings – signifies that a bond has a low likelihood of default. The lowest investment grade rating is Baa (Moody's) or BBB (S&P and Fitch).

Credit rating agencies generally evaluate the creditworthiness of bond issuers, namely the issuers' ability to make interest payments and repay the principal in full at maturity. The agencies' view of an issuer's creditworthiness determines the bond's rating and affects the yield the issuer must pay to attract investors. Lower-rated bonds generally offer higher yields to compensate investors for the additional risk.

Yield for global investment grade corporate market is at decade highs



Global Investment Grade Corporate: Bloomberg Global Aggregate Corporate Total Returns (USD Hedged)

Source: Bloomberg as at 28 July 2023.

Q: Why is it a good time to consider IG credit, and why medium-term maturities in particular?

A: As inflation continues to fall in the US and Europe, central banks are likely to end interest rate hikes. Therefore, bond yields, which are currently at decade highs, are likely close to their peaks. This could therefore be a good opportunity for investors to take advantage of the current high bond yields before markets start to anticipate future policy rate cuts.

Given that macroeconomic risks remain elevated, we believe it could be beneficial to focus on quality corporate credit, mostly in global IG markets and at the “belly” of the yield curve – i.e., medium-term maturities of 5-7 years. This allows investors to lock in attractive yields for a longer period of time and benefit from price appreciation when interest rates decline.

If the global economy remains resilient, global IG corporate bonds may deliver higher income than assets such as cash or term deposits. If policy rates fall, investors may still benefit from price appreciation, in addition to the coupon, as yields move lower with the fall in policy rates, likely offsetting any increase in credit spreads.

Q: What are the risks and benefits of investing in IG credit?

A: There’re two main risks associated with investment grade bonds:

Credit risk: the risk that a bond issuer may be

unable to repay the principal amount and/or interest.

Interest rate risk: the risk that a bond’s price declines due to an increase in interest rates.

Investment grade bonds, due to their higher credit quality, carry lower credit risk than many other fixed income investments and have generally fared better in stressed or recessionary environments. In addition, duration – a measure of a bond’s interest rate risk – typically acts as a hedge to credit risk, which can be helpful during credit market selloffs. Indeed, the correlation between Bloomberg Global Treasury Index (hedged to USD) and ICE BofA Global High

Yield Constrained Index (hedged to USD) was close to 0 from the beginning of 2000 through to June 2023.

Historically, global IG corporate bonds have also exhibited low or negative correlation with equities during equity bear markets, making them attractive for portfolio diversification. Since the start of 2000, the Bloomberg Global Aggregate Corporate Index (hedged to USD) has exhibited a correlation of -0.5 to 0.1 with the MSCI World Index during periods when equity markets have declined by over 20%. The only exception was in 2022, when the correlation was 0.5. This can help diversify broader portfolios, especially if a recession hits.

1. US recessions are defined by NBER. Recessionary periods used include (1) Dec-2000 to Nov-2001, (2) Dec-2007 to Jun-2009, and (3) Feb-2020 to Apr-2020.

As for interest rate risk, looking back at data going back to 2000, bonds have generally outperformed cash once policy rates have peaked, reflecting the higher rate sensitivity of the asset class. So, although the higher yields on cash and short-term bonds may appear tempting today, they could result in missed returns during periods of looser monetary policy and/or recessions, given that yields often decline when central banks ease monetary policy.

The case for IG credit

As policy rates peak in developed markets, decade-high yields provide a good entry point to invest in global IG credit. Focusing on the medium duration allows investors to capture attractive yields for a longer period of time, with potential price appreciation if interest rates decline. And global IG credit has generally fared better than riskier fixed-income products in stressed or recessionary environments.

Global IG credit can be a core allocation in an investor's portfolio and can be a helpful diversifier within a broader portfolio, especially if a recession hits. Investors can access global IG credit in a number of ways depending on their needs and preferences.



Redefining retirement for a fulfilling financial future

HSBC Quality of Life Report explores shift in wealth-planning priorities

Key takeaways:

HSBC Quality of Life Report surveyed 2,250 respondents in nine markets and explored attitudes to financial fitness, physical and mental wellness.

Retirement planning is a critical financial goal, ranking second only to immediate financial security.

Perceptions of savings needed for retirement vary, from USD302,000 in India to USD1.2 million in the US.



Lavanya Chari

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In today's world, wealth is no longer just about financial success. People strive for a balance between a high Quality of Life and financial security. But what does Quality of Life really mean? In order to find out more, HSBC, in partnership with Bloomberg, surveyed over 2,250 individuals across three generations in nine markets – the UK, US, Hong Kong, Singapore, mainland China, Malaysia, India, Mexico and the UAE – to explore the changing relationship between wealth and Quality of Life.

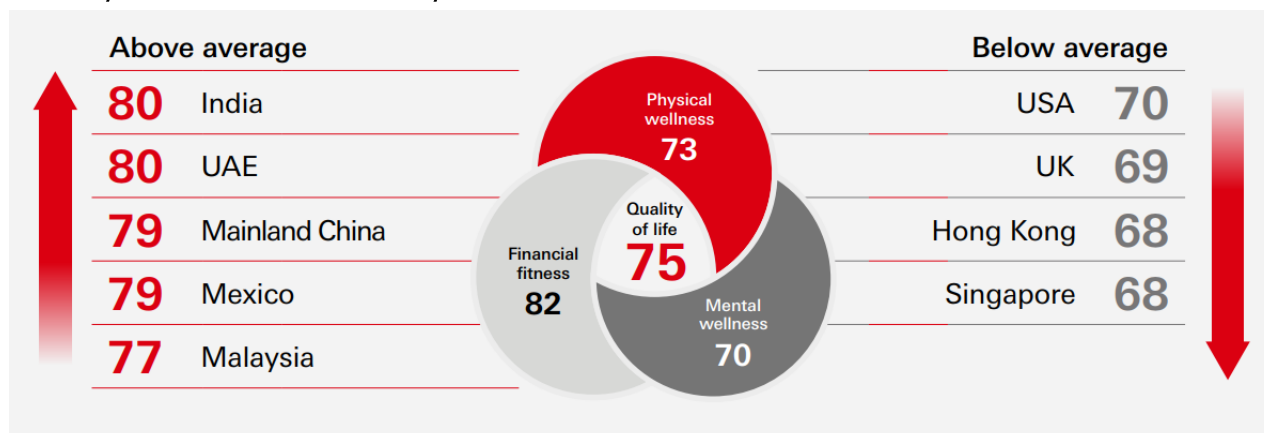
The HSBC Quality of Life Report looks at different themes around wealth in the modern age, starting with retirement. Through identifying people's motivation in their life and finances, it allows us to facilitate financial success in its true context while offering a more realistic, human and individual understanding of true wealth.

What's your idea of well-balanced wealth? Let's have a sneak peek into the HSBC Quality of Life Report.

Building a Balanced Life

What are the essential elements for a fulfilling Quality of Life? Most respondents considered **"a healthy body and mind"** and **"financial security"** as priorities, ahead of "quality time with family", "travel and family vacations", and even "leading a happy and meaningful life". When rating the contribution of individual factors to their Quality of Life,

HSBC Quality of Life Index scores by market



people allocated an average of 64 points out of 100 to physical wellness, mental wellness and financial fitness combined. These three elements are the building blocks of a rich and rewarding lifestyle, enabling individuals to pursue what truly matters to them. What does Quality of Life mean to you?

Measured as an average across all markets, the **2023 HSBC Quality of Life Index** stands at 75 out of a maximum 100 points. Respondents scored an average of 82 for financial fitness, 73 for physical wellness and 70 for mental wellness, and higher wealth tiers and emerging markets tended to score higher.

The survey results highlight the connections between these three core elements. Notably, those who rate themselves as physically fit are 9.3 times more likely to score above average for mental wellness compared to those who consider themselves physically unfit. Similarly, individuals who perceive themselves as financially fit are 4.3 times more likely to score above average on the mental wellness scale. And those who score above average on mental wellness are 1.9 times as likely to be financially fit. Hence, it's critical for you to assess your own performance in each dimension and invest time and effort in addressing the gaps.

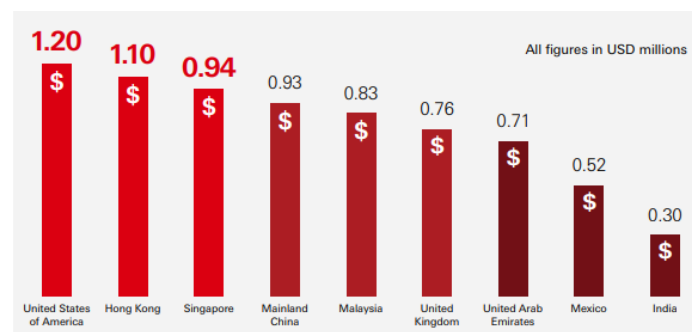
Retirement re-invented: unlock your vision of a fulfilling retirement

Planning for retirement has always been a crucial financial goal for individuals, transcending generational boundaries. It continues to hold immense importance, ranking as the second most significant goal overall, following immediate financial security.

Retirement, in today's world, no longer marks the end of one's productive life. Instead, it marks the beginning of a new chapter in the book of life. Surprisingly, over half of working individuals now aspire to work beyond official retirement age. Their motivation stems from a desire to maintain good health, stay engaged and ensure long-term financial security.

The perceived amount of savings required for a comfortable retirement varies significantly across markets, ranging from USD302,000 in India to USD1.2 million in the US, with Hong Kong, Singapore, and mainland China not far behind.

Average savings needed for retirement by market (USD)



*The result is based on survey respondents' view on the savings they require. The values are for reference only. How much is required will be different for every individual. It's advisable to use professional tools such as a retirement calculator or seek financial planning advice for a comprehensive assessment of one's individual retirement plan.

What does a fulfilling retired life look like to you? And have you considered how much you would need for your retirement? Achieving financial security during retirement requires an objective assessment of the savings you require. Additionally, it requires consistent monitoring and periodic reassessment of your strategies to adapt to evolving circumstances.

Planning for retirement is more than just a financial goal. It represents an exciting opportunity to embark on a new chapter in life. With an increasing number of individuals choosing to work beyond retirement age, retirement is now seen as a time of continued productivity, health and financial stability.

Stay tuned for more ideas around other wealth themes in our Quality of Life Report and take proactive steps towards achieving your retirement dreams.

Glossary

Alternative investments: a broad term referring to investments other than traditional cash and bonds. They may include real estate, hedge funds, private equities and commodities investments, among other things. Some of these investments may offer diversification benefits within a portfolio.

Asset class: a group of securities that show similar characteristics, behave similarly in the marketplace and are subject to the same laws and regulations. The main asset classes are equities, fixed income and commodities.

Asset allocation: the allocation of funds held on behalf of an investor to various categories of assets such as equities, bonds and others, based on their investment objectives.

Company fundamentals: the intrinsic value of a company as analysed by looking at its revenue, expenses, assets, liabilities and other financial aspects.

Diversification: often referred to as “not putting all your eggs in one basket”, diversification means to invest in a variety of different markets, products and securities to spread the risk of loss.

Fiscal policy: the use of government spending and tax policies to influence macroeconomic conditions such as aggregate demand, employment, inflation and economic growth.

Investment strategy: the internal guidelines that a fund follows in investing the money received from its investors.

Inflation: the rise in the general price levels of goods and services in an economy over a period of time.

Monetary policy: process by which the authorities of a country control the supply of money. This often involves targeting a rate of interest for the purpose of promoting economic growth and stability.

Quantitative easing (QE): also known as large-scale asset purchases, a monetary policy whereby a central bank buys government securities or other financial assets from the market in order to increase the money supply and encourage lending and investment.

Strategic asset allocation: a practice of maintaining a mix of asset classes which should meet an investor’s risk and return objectives over a long-term horizon and is not intended to take advantage of short-term market opportunities.

Tactical asset allocation: an active management strategy that deviates from the long-term strategic asset allocation in order to capitalise on economic or market conditions that may offer near-term opportunities.

Tapering: the reduction of the interest rate at which a central bank accumulates new assets on its balance sheet under a policy of QE.

Volatility: a term for the fluctuation in price of financial instruments over time.

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Willem joined HSBC Private Banking in 2009 where his career has spanned Fixed Income, Investment Research, leading the UK Investment Group and most recently the role of Chief Market Strategist. He chairs the Global Investment Committee of the Global CIO Office for Private Banking and Wealth Management. Willem holds an MBA from the University of Chicago and an MSc from the University of Louvain (Belgium).



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