Video Transcript - HSBC Global Asset Management

Investment Outlook 2020: The Age of Uncertainty

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Hello. After a difficult year for investors in 2018, financial markets have rebounded strongly in 2019. Solid performance across so many asset classes may seem unexpected. After all, 2019 has been a year of political and economic uncertainty. We've had more elections in 2019 across the G20 countries than in any other year since the late 1950s. We've called this the "Age of Uncertainty".

Against this backdrop, it's important to understand the reasons behind that strong 2019 market performance.

First, Central Banks have reduced interest rates, pushing bond yields even lower and into negative territory in Europe and Japan. More than 15 global Central Banks have cut rates this year. Investors expected policy tightening at the start of the year, but have instead benefitted from policy easing.

Second, as we enter 2019, investor expectations for corporate earnings and growth were already quite pessimistic. That meant that weaker news on profits and the economy wasn't such a negative surprise.

Taken together, these two factors drove strong market performance in 2019, despite that backdrop of uncertainty.

Looking forward, we expect this Age of Uncertainty to persist, but that doesn't mean investors should be avoiding opportunities. Our central scenario for the global economy is reasonably favorable. After a period of slowdown in 2019, the economy seems to be showing signs of recovery. Although we shouldn't be too optimistic about the economic prospects for 2020, our central scenario is for slow, steady growth, low inflation, and low interest rates.

This backdrop, combined with reasonable asset values in most markets, means that we believe there are still a number of opportunities for investors today. For example, we see investment opportunities in parts of developed and emerging market equities. Although the overall outlook is less favorable for bonds, there are pockets of opportunity in corporate bonds.

Finally, we also think that investors could benefit from less traditional asset classes, such as real estate and alternatives, as potential diversifiers.

In this continuing Age of Uncertainty, diversification will be crucial to mitigate the risks and help investors withstand periods of turbulence. Capturing investment opportunities will require investors to be flexible and selective, and ready to hold investments for the long-term.

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