Video Transcript - HSBC Global Asset Management

Investment Outlook 2020: The age of uncertainty

Global Equities Outlook

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Equity markets have been very strong in 2019. Most are well into double digits, and a number are over 20%. We have had some very negative aspects to the economy this year, particularly sentiment around the trade dispute between the U.S. and China, but actually that's mainly what it's been, sentiment, and it hasn't really converted into a real drag on the economy. That has actually boosted some market participants thinking about the economy. But most importantly, we have seen the Federal Reserves and other Central Banks moving quickly to ease policy and ease concerns. And this has had a very fundamental and very important impact on the market. Earnings have held up actually rather well. They're not as strong as we might have expected at the beginning of the year, but they're still positive. So that all together meant that markets could make progress despite the uncertainty surrounding markets.

Our outlook for equity markets in 2020 is still very positive. Although we have had very strong returns this year, valuations don't look very stretched. In particular, 2019 was a year where developed markets performed very well, but emerging markets, and Asia included, have been laggards. So we think with a continued stable growth environment, which is what we're expecting, low interest rates, and positive earnings surprises driven by a recovery in manufacturing, and an ever-strong consumer, particularly in the United States, we could continue to see some positive equity returns into 2020. Perhaps not in the same level as 2019, but still very good returns. And particularly, we would point to emerging markets, especially Asia, rather than developed markets, especially the United States for 2020.

I don't think there are any big new risk factors out there. We all know what the key ones are. The trade dispute continues to linger, although its importance is diminishing as market participants are getting used to it. And, of course, people are not worrying about inflation very much these days. We don't see inflation making a very strong comeback all of a sudden, but any pickup in inflation would probably be taken negatively by market participants at this point.

I think the most important thing that we need to look out for, as equity investors, is earnings growth. That's ultimately the thing that drives equity markets, and particularly at these valuation levels, which are not very high and not too expensive, but they're not as cheap as they were before, we do need to see earnings continue to make progress from these levels.

So those would be the things I would suggest we need to watch out for.

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